

**PROPOSED BUDGET**  
**FY 1999**  
**ANALYSIS AND RECOMMENDATIONS**

**JLBC**

**Prepared By:**  
**THE STAFF OF THE**  
**JOINT LEGISLATIVE BUDGET COMMITTEE**  
**STATE OF ARIZONA**  
**JANUARY 14, 1998**

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**This document is designed to be used in conjunction with the Summary of Recommendations and Economic and Revenue Forecast.**

**Information presented in the Summary volume has not been repeated in this document.**

SENATE APPROPRIATIONS COMMITTEE  
 RUSSELL W. "RUSTY" BOWERS - Senate Chairman  
 Subcommittee Assignments - 43rd Legislature

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\* 90/10 Agencies

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Subcommittee Assignments - 43rd Legislature

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Members: McGrath, McLendon, Schottel,  
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\*Accountancy, State Board of  
Administrative Hearings, Office of  
\*Appraisal, State Board of  
Attorney General - Dept. of Law  
Auto Theft Authority  
Banking Department, State  
Boxing Commission, AZ State  
Building & Fire Safety, Dept. of  
Commerce, Department of  
\*Contractors, Registrar of  
Corporation Commission  
CORRECTIONS, DEPT. OF  
Criminal Justice Commission, AZ  
Drug & Gang Prevention Resource Ctr.  
Executive Clemency, Board of  
Gaming, Department of  
Insurance, Department of  
JUDICIARY  
Court of Appeals  
Superior Courts  
Supreme Court  
JUVENILE CORRECTIONS, DEPT OF  
Law Enforcement Merit Syst. Cncl.  
Liquor Licenses & Control, Dept. of  
Lottery Commission, AZ State  
Public Safety, Dept. of  
Racing, AZ Dept. of  
Radiation Regulatory Agency  
Real Estate Department, State  
Residential Utility Consumer Office  
\*Structural Pest Control Comm.  
\*Technical Registration, St. Bd. of  
Tourism, Office of  
TRANSPORTATION, DEPT. OF  
Uniform State Laws, Comm. on

AHCCCS  
Auditor General  
\*Barbers, Board of  
\*Behavioral Health Exam., Bd. of  
\*Chiropractic Examiners, St. Bd. of  
Constitutional Defense Council  
\*Cosmetology, Board of  
\*Dental Examiners, St. Board of  
ECONOMIC SECURITY, DEPT. OF  
Emer. & Mil. Affairs, Dept. of  
Equal Opportunity, Gov's. Ofc. of  
Equalization, St. Board of  
Exposition & State Fair Bd, AZ  
Governor, Office of the  
Gov's Ofc. of Management & Budget  
HEALTH SERVICES, DEPT. OF  
Hearing Impaired, AZ Council for the  
House of Representatives  
Indian Affairs, AZ Comm. Of  
Industrial Commission of Arizona  
Joint Legislative Budget Cmte.  
Legislative Council  
Library, Archives & Pub. Rec, Dept. of  
\*Medical Examiners, Board of  
\*Nursing, State Board of  
Occupational Sfty & Hlth Rev. Bd.  
\*Occupational Therapy Ex., Bd. of  
\*Osteopathic Exam., AZ Bd. Of  
\*Pharmacy, AZ State Board of  
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Rangers' Pensions, Arizona  
\*Respiratory Care Exam., Bd. Of  
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Senate  
Tax Appeals, State Board of  
Treasurer, State  
Veterans' Service Comm., Arizona  
Weights & Measures, Dept. of

ADMINISTRATION, DEPT. OF  
Agriculture, AZ Dept. of  
Arts, AZ Commission on the  
COMMUNITY COLLEGES  
Deaf & the Blind, Schools for the  
EDUCATION, DEPT. OF (K-12)  
Environmental Qual., Dept of  
\*Funeral Directors & Embalmers, Bd. of  
Game & Fish Department, Arizona  
Geological Survey, Arizona  
Government Information Tech. Agency  
Historical Society, Arizona  
Historical Society, Prescott  
\*Homeopathic Medical Examiners, Bd. of  
Land Department, State  
Medical Student Loans, Bd. of  
Mine Inspector, State  
Mines & Mineral Res., Dept. of  
\*Naturopathic Phys. Bd. of Med. Exam.  
Navigable Stream Adjudication Comm.  
\*Nursing Care Inst. Admin., Bd. of Exam.  
\*Opticians, State Board of Dispensing  
\*Optometry, State Board of  
Parks Board, Arizona State  
Personnel Board  
\*Physical Therapy Examiners, Bd. of  
\*Podiatry Examiners, State Board of  
Postsecondary Education, Comm. for  
\*Private Postsecondary Educ., St. Bd. of  
\*Psychologist Examiners, State Bd. of  
School Capital Facilities, St. Board for  
UNIVERSITIES  
Regents, Bd. of  
ASU - Main Campus  
ASU - East Campus  
ASU - West Campus  
NAU  
U of A - Main Campus  
U of A - Health Sciences Center  
\*Veterinary Med. Examining Bd., AZ St.  
Water Resources, Department of

\* 90/10 Agencies

## DIRECTORY OF JLBC ANALYSTS AND AGENCY/DEPARTMENT HEADS

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, State Board of Administration, Department of	Brian Schmitz Lynne Smith (1) Phil Case (2)	Ruth R. Lee [Executive Director] Elliott Hibbs [Acting Director]*	255-3648 542-1500
Administrative Hearings, Office of Agriculture, Arizona Department of Arizona Health Care Cost Containment System	Brad Mortensen Chris Earnest Lisa Cotter	Cliff Vanell [Director] Sheldon Jones [Director] John H. Kelly [Director]	542-9826 542-0998 417-4000
Appraisal, State Board of Arizona State University	Brad Regens John Lee (1) Steve Grunig (2)	Shirley L. Berry [Executive Director] Lattie F. Coor, Ph.D [President]	542-1539 965-5606
Arts, Arizona Commission on the Attorney General - Department of Law Auditor General	Brad Mortensen Brad Regens Bob Hull	Shelley M. Cohn [Executive Director] Honorable Grant Woods [Attorney General] Douglas R. Norton [Auditor General]	255-5882 542-4266 553-0333
Automobile Theft Authority, AZ Banking Department, State Barbers, Board of Behavioral Health Examiners, Board of Boxing Commission, Arizona State	Brad Mortensen Brad Regens Chris Earnest Jennifer Vermeer Jim Rounds	Paul Mortensen [Executive Director] Richard C. Houseworth [Superintendent of Banks] Mario Herrera [Executive Director] Barbara Hess [Executive Director] Johnny Montano [Executive Director]	604-9034 255-4421 542-4498 542-1882 542-1417
Building & Fire Safety, Department of Chiropractic Examiners, State Board of Commerce, Department of Community Colleges, State Board of Directors for Compensation Fund, State	Chris Earnest Brad Regens Lisa Cotter Bruce Groll Jim Rounds	Eric Borg [Director] Patrice Pritzl [Executive Director] Jackie Vieh [Director] Donald E. Puyear, Ph.D. [Executive Director] Jerry N. LeCompte [President]	255-4072 255-1444 280-1306 255-4037 631-2050
Constitutional Defense Council Contractors, Registrar of Corporation Commission Corrections, State Department of Cosmetology, Board of	Bob Hull Chris Earnest Brad Regens Lorenzo Martinez Chris Earnest	Michael Block, Chairman Michael P. Goldwater [Director] Honorable Jim Irvin [Commissioner/Chrmn] <sup>2/</sup> Terry L. Stewart [Director] Sue Sansom [Executive Director]	520-621-2854 542-1525 542-4140 542-5497 784-4539
Court of Appeals, Division I Court of Appeals, Division II Criminal Justice Commission, Arizona Deaf and the Blind, Arizona State Schools for the Dental Examiners, State Board of	Brad Regens Brad Regens Brad Mortensen Brad Mortensen Brad Regens	Honorable Philip E. Toci [Chief Judge] <sup>3/</sup> Honorable William E. Druke [Chief Judge] <sup>4/</sup> Rex M. Holgerson [Executive Director] Wilbur Lewis, Ph.D. [Superintendent] <sup>5/</sup> Julie N. Chapko [Executive Director]	542-1478 520-628-6950 542-1928 520-770-3718 255-3696
Drug and Gang Prevention Resource Center, AZ Economic Security, Department of	Brad Mortensen Marge Cawley (1) Stefan Shepherd (2)	Gail Chadwick [Director] Linda Blessing, DPA [Director]	727-2772 542-5678
Education, Department of	Steve Schimpp (1) Justin Garosi (2)	Honorable Lisa Graham Keegan [Superintendent of Public Instruction]	542-6417
Emergency and Military Affairs, Department of Environmental Quality, Department of	Lisa Cotter Chris Earnest	Glen W. Van Dyke [Adjutant General] Russell F. Rhoades [Director]	267-2700 207-2200
Equal Opportunity, Governor's Office of Equalization, State Board of Executive Clemency, Board of Exposition and State Fair Board, Arizona Funeral Directors & Embalmers, State Board of	Brad Regens Bob Hull Lorenzo Martinez Jim Rounds Jim Rounds	Michael R. Moreno [Director] David Schweikert [Chairperson] Edward M. Layva [Chairman] Gary D. Montgomery [Executive Director] George Beard [Executive Director]	542-3711 253-7800 542-5656 252-6771 542-3095
Game and Fish Department, Arizona Gaming, Department of Geological Survey, Arizona Government Information Technology Agency Governor - Office of the	Bruce Groll Jim Rounds Chris Earnest Lynne Smith Bob Hull	Duane L. Shroufe [Director] Gary Husk [Director] Larry D. Fellows [State Geologist] John B. Kelly [Acting Director and State CIO] * Honorable Jane D. Hull [Governor]	789-3276 604-1801 520-770-3500 340-8538 542-4331
Governor's Office of Management and Budgeting Health Services, Department of Hearing Impaired, Arizona Council for the	Bob Hull Jennifer Vermeer Jennifer Vermeer	Tom Betlach [Director] Jim Griffith [Acting Director] * Christine Chaille [Acting Director]*	542-5381 542-1025 542-3323

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Historical Society, Arizona	Brad Regens	Ben Hill [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Brad Regens	Richard S. Sims [Director]	520-445-3122
Homeopathic Medical Examiners, Board of	Brad Mortensen	Jean Ellzey [Executive Director]	542-3095
House of Representatives	Bob Hull	Honorable Jeff Grosco [Speaker of the House]	542-5413
Indian Affairs, Arizona Commission of	Jim Rounds	Eleanor Descheeny-Joe [Executive Director]	542-3123
Industrial Commission of Arizona	Jim Rounds	Larry J. Etchechury [Director]	542-4411
Insurance, Department of	Brad Regens	John Greene [Director]	912-8456
Joint Legislative Budget Committee	Bob Hull	Richard Stavneak [Director]	542-5491
Juvenile Corrections, Department of	Phil Case (1) Brad Mortensen (2)	David Gaspar [Acting Director]*	542-3987
Land Department, State	Jim Rounds	J. Dennis Wells [Land Commissioner]	542-4621
Law Enforcement Merit System Council	Brad Mortensen	Captain C. H. Johnston [Business Manager]	223-2286
Legislative Council	Bob Hull	Mike E. Braun [Executive Director]	542-4236
Library, Archives and Public Records, Dept. of	Brad Regens	GladysAnn Wells [Director]	542-4035
Liquor Licenses & Control, Department of	Chris Earnest	Howard Adams [Director]	542-5141
Lottery Commission, Arizona State	Jim Rounds	Geoffrey E. Gonsher [Acting Director]*	921-4514
Medical Examiners, Board of	Brad Mortensen	Mark Speicher [Executive Director]	255-3751
Medical Student Loans, Board of	Bruce Groll	Christopher A. Leadem, Ph.D. [Chairman]	520-626-6216
Mine Inspector, State	Chris Earnest	Honorable Douglas K. Martin [State Mine Inspector]	542-5971
Mines & Mineral Resources, Department of	Chris Earnest	H. Mason Coggin [Director]	255-3795
Naturopathic Physicians Board of Medical Examiners	Brad Mortensen	John L. Brewer [Executive Director]	542-3095
Navigable Stream Adjudication Commission, AZ	Jim Rounds	Christina Waddell [Executive Director]	542-9214
Northern Arizona University	John Lee (1) Steve Grunig (2)	Clara M. Lovett, Ph.D. [President]	523-3232
Nursing, State Board of	Jennifer Vermeer	Joey Ridenour [Executive Director]	255-5092
Nursing Care Institution Administrators & Adult Care Home Managers, Board of Examiners of	Jim Rounds	Christine Springer [Executive Director]	542-3095
Occupational Safety & Health Review Board	Jim Rounds	Carl Triphahn [Chairman]	542-4411
Occupational Therapy Exam., Board of	Lisa Cotter	Kenneth D. Fink [Executive Director]	542-6784
Opticians, State Board of Dispensing	Jim Rounds	Careen J. Heinze [Executive Director]	542-3095
Optometry, State Board of	Brad Mortensen	Alexis Ksellstorm [Executive Director]	542-3095
Osteopathic Examiners, Arizona Board of	Chris Earnest	Ann Marie Berger [Executive Director]	657-7703
Parks Board, Arizona State	Bruce Groll	Ken Travous [Executive Director]	542-4174
Personnel Board	Lynne Smith	Judith Henkel [Executive Director]	542-3888
Pharmacy, Arizona State Board of	Lisa Cotter	Llyn Lloyd [Executive Director]	255-5125
Physical Therapy Examiners, Board of	Jim Rounds	Janice Stille [Executive Director]	542-3095
Pioneers' Home, Arizona	Jennifer Vermeer	Jeanine Dike [Superintendent]	520-445-2181
Podiatry Examiners, State Board of	Brad Mortensen	Linda A. Wells [Executive Director]	542-3095
Postsecondary Education, Commission for	Bruce Groll	Verna L. Allen [Executive Director]	229-2595
Private Postsecondary Education, State Board for	Bruce Groll	Teri Candelaria [Executive Director]	542-8182
Psychologist Examiners, State Board of	Brad Mortensen	Maxine McCarthy [Executive Director]	542-3017
Public Safety, Department of	Lorenzo Martinez	Joe Albo [Director]	223-2359
Racing, Arizona Department of	Jim Rounds	James Higginbottom [Director]	277-1704
Radiation Regulatory Agency	Lisa Cotter	Aubrey V. Godwin [Director]	255-4845
Rangers' Pensions, Arizona	Brad Regens	See Governor's Office	542-4331
Real Estate Department, State	Brad Regens	Jerry Holt [Commissioner]	468-1414
Regents, Arizona Board of	John Lee	Frank Besnette, Ph.D. [Executive Director]	229-2500
Residential Utility Consumer Office	Brad Regens	Greg Patterson [Director]	279-5659
Respiratory Care Examiners, Board of	Lisa Cotter	Mary Hauf Martin [Executive Director]	542-5995
Retirement System, Arizona State	Brad Mortensen	LeRoy Gilbertson [Director]	240-2013
Revenue, Department of	Bob Hull	Mark Killian [Director]	542-3572
School Capital Facilities, State Board For	Phil Case	Judy M. Richardson [Executive Director]	258-6520
Secretary of State - Department of State	Lynne Smith	Honorable Betsey Bayless [Secretary of State]	542-3012
Senate	Bob Hull	Honorable Brenda Burns [President of the Senate]	542-3160
Structural Pest Control Commission	Lisa Cotter	J. H. Paulson [Executive Director]	255-3664

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Superior Court	Brad Regens	David Byers [Director] <sup>1/</sup>	542-9301
Supreme Court	Brad Regens	Honorable Thomas A Zlacket <sup>1/</sup>	542-4531
Tax Appeals, State Board of	Bob Hull	William L. Raby [Chairperson] <sup>6/</sup>	528-3966
Technical Registration, State Board of	Brad Regens	Ronald W. Dalrymple [Executive Director]	255-4053
Tourism, Office of	Lisa Cotter	Mark McDermott [Director]	248-1490
Transportation, Department of	Bob Hull (1) Jim Rounds (2)	Larry S. Bonine [Director]	255-7011
Treasurer, State	Lisa Cotter	Honorable Tony West [State Treasurer]	542-1463
Uniform State Laws, Commission on	Chris Earnest	James M. Bush [Commissioner]	257-5767
University of Arizona	John Lee (1) Steve Grunig (2)	Peter Likins, Ph.D. [President]	621-5511
Veterans' Service Commission, Arizona	Jennifer Vermeer	Norman O. Gallion [Director]	255-3373
Veterinary Medical Examining Board, Arizona State	Jim Rounds	Louise Battaglia [Executive Director]	542-3095
Water Resources, Department of	Chris Earnest	Rita P. Pearson [Director]	417-2410
Weights & Measures, Department of	Brian Schmitz	John Hays [Director]	255-5211
<u>OTHER ASSIGNMENTS</u>			
Capital Review	Phil Case (1) Brian Schmitz (2)		
Economic & Revenue Forecast	Hank Reardon Kent Ennis Justin Garosi Brian Schmitz		
Federal Funds	Richard Stavneak\Lisa Cotter		
Fiscal Note Manager	John Lee		
Performance Budgeting	Marge Cawley\Stefan Shepherd		

- (1) Lead Assignment  
(2) Secondary Assignment

- <sup>1/</sup> Send Agency Info to Mike DiMarco  
<sup>2/</sup> Send Agency Info to Stuart R. Brackney, Deputy Exec. Secretary  
<sup>3/</sup> Send Agency Info to Glen D. Clark, Clerk of the Court  
<sup>4/</sup> Send Agency Info to Joyce A. Goldsmith, Clerk of the Court  
<sup>5/</sup> Send Agency Info to Maude Shingler, Finance Manager  
<sup>6/</sup> Send Agency Info to Ruben M. Medina, Clerk of the Board

- \* Denotes Acting  
[ ] Denotes Title for Information Purposes

1/9/98

# **FY 1999 JLBC STAFF RECOMMENDATION DESCRIPTION OF METHODOLOGY AND MAJOR TECHNICAL ISSUES**

## **Biennial Budgeting**

A.R.S. § 35-121 requires all but 11 major budget units to receive appropriations biennially with the dollar amounts itemized for each fiscal year. In this volume, the JLBC Staff is recommending FY 1999 funding for the 11 major budget units along with supplemental FY 1998 and/or FY 1999 funding for selected other budget units.

## **FY 1999 — JLBC Staff Recommended Changes From FY 1998**

In developing its FY 1999 recommendation, the JLBC Staff has reviewed the current year's appropriation (FY 1998) as well as each agency's budget request, and has made adjustments for the following:

- One-time appropriations (decrease)
- Annualization of any items funded for a partial year (increase)
- Specific cost considerations, such as the cost of employee benefits (increase or decrease)
- Demographic changes, such as population served (increase or decrease)
- Statutory programmatic requirements, including scheduled start-ups, changes, or elimination of programs (increase or decrease)
- Other policy issues (increase or decrease)

The individual agency descriptions in the Analysis and Recommendations book provide further narrative detail on these changes, which are explained in a section for each agency budget entitled, "FY 1999 — Recommended Changes from FY 1998." In addition, the book provides the line item detail of the JLBC Staff's recommendations for individual agency budgets. The major technical issues with regard to each of these line items are described below.

*FY 1998 Estimate* - This dollar amount represents the FY 1998 appropriations from the General Appropriation Act as well as appropriations from other legislation. We have adjusted the General Appropriation Act estimates for the distribution of technical adjustments which were not allocated to individual agencies at the time of the bill's passage.

*Full Time Equivalent (FTE) Positions* - The number of FTE positions reflects both personnel funded from Personal Services and from any special line items. The FY 1998 FTE position estimates have been adjusted to include any new staff funded through separate appropriation bills.

*Other Non-Appropriated and Federal Funds* - 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 Non-Appropriated Funds section of the Analysis and Recommendations book. While the Executive does not include non-appropriated funds in their budget recommendation, their "Total-All Sources" estimates in this book have been adjusted for comparability. In most circumstances, the Executive numbers are based upon the agency request for non-appropriated funds.

## **Standard Changes**

Each individual agency recommendation starts with a "Standard Changes" section which lists adjustments made to most budgets statewide. These include the following items, described below.

**Salary Adjustments** - This amount represents increases in Personal Services and Employee Related Expenditures (ERE) in order to annualize the following FY 1998 salary increases enacted by the Legislature: a 2.5% general salary increase, not to exceed \$1,000 per FTE Position, effective October 1, 1997; a 2.5% merit increase, not to exceed 5% per person, effective January 1, 1998; and \$4,115,000 for Classification Salary Adjustments (CSA's) for selected job classifications, effective October 1, 1997. The amount also includes a 2.5% merit increase, not to exceed 5% per person, effective January 1, 1999. For the CSA and general salary increase, the change adds 3 months of funding for FY 1999 to the 9 months of funding in each agency's FY 1998 base. For the January 1, 1998 merit increase, the change adds 6 months of funding for FY 1999 to the 6 months of funding in each agency's FY 1998 base. For the January 1, 1999 merit increase, the change adds 6 months of funding for FY 1999, which will need to be annualized in the FY 2000 budget.

The FY 1999 salary adjustment totals were appropriated in the FY 1998 General Appropriation Act. To allow the Legislature to see total recommended expenditures for each agency, the JLBC Staff has included all prior FY 1999 appropriations in the individual agency budgets. Rather than removing the FY 1999 salary adjustment amounts from the individual agency sections in the upcoming General Appropriation Act, the JLBC Staff recommends amending last year's bill to delete the annual agency salary adjustments. This will leave only the FY 1998 and biennial agency FY 1999 salary adjustment funding in last year's bill and allow inclusion of the full FY 1999 Personal Services and ERE amounts for each annual agency in this year's General Appropriation Act.



A lump sum amount for FY 1999 CSA's (effective October 1, 1998) also was appropriated in the FY 1998 General Appropriation Act, with the individual agency amounts to be determined by the JLBC Staff and allocated by the Arizona Department of Administration (ADOA). Each of the 4 personnel systems (ADOA, Judiciary, Department of Public Safety, and Universities) must report to the JLBC by February 1, 1998 on its FY 1999 recommendations for the job classifications to receive adjustments. The University amounts for the FY 1999 CSA's are displayed in each university cost center. The ADOA, Judiciary, and Department of Public Safety amounts remain unallocated. The JLBC Staff recommends that the dollar amount for each system not be determined until the personnel systems report, and justify, their recommendations to the JLBC. The JLBC Staff also recommends that the Legislature adjust the Other Fund FY 1999 CSA amount to accommodate the recent appropriation of previously non-appropriated funds.

**ERE Rates** - This category represents the state cost of employee benefits. For supplemental appropriation recommendations, the ERE rates represent the same FY 1998 and FY 1999 rates used for the original appropriations. Please refer to the FY 1998 Appropriations Report for information on the specific components of these rates. For annual budget agencies, the dollar amount resulting from any rate changes is listed in the Standard Changes section under "ERE Rates." The ERE calculations are based upon the following assumptions. The Executive concurs with these assumptions unless otherwise noted.

**Disability Insurance** - 0.546% of Personal Services for non-State Retirement System employees. The cost of disability insurance for State Retirement System employees is incorporated in the overall retirement contribution rate (see table).

**Federal Insurance Contributions Act (FICA)** - As required by federal law, a) Social Security taxes were applied at a rate of 6.2% up to \$65,400 of an employee's salary and b) Medicare taxes were applied at a rate of 1.45% on the full level of an employee's salary.

**Medical and Dental Insurance** - Each individual agency budget includes funding for the employer share of health insurance costs. With the exception of the Universities, the ADOA subsequently transfers General Fund health insurance appropriations from the individual agencies to the Health Insurance Trust Fund. The FY 1999 JLBC Staff recommendation is based upon each individual agency's actual average cost per employee in FY 1998 for medical and dental insurance. The insurance premiums charged to the state in FY 1998 are typically the same as for the prior year.

**Life Insurance** - \$29.28 per employee per year.

**Personnel Services** - 0.9% of Personal Services for each agency in the ADOA personnel system. The ADOA Human Resources Division budget is funded from an assessment on the payroll of agencies in the ADOA personnel system.

**Information Technology Planning** - 0.15% of Personal Services for each agency. The Government Information Technology Agency budget is funded from an assessment on the payroll of all state agencies.

**Retirement** - The rates as a percent of Personal Services are as follows for the different retirement systems:

<u>Retirement System</u>	<u>FY 1999 JLBC Rate</u>
State Retirement	3.34
Correctional Officers - DOC	5.84
Correctional Officers - DJC	6.98
Elected Officials	0.00
Liquor License Investigators	5.69
Dept. of Public Safety	6.68*
NAU Police	4.05
U of A Police	4.01
ASU Police	4.79
Game and Fish	13.31
DEMA Firefighters	5.47
Attorney General Investigators	6.52
Capitol Police	6.77
* Includes 5% member contribution paid by the state.	

**Sick Leave Payouts** - 0.05% of Personal Services for each agency. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies. Starting in FY 1999, Laws 1997, Chapter 291 established this fund and new sick leave payouts for retiring state employees. The JLBC Staff included this amount in the FY 1999 agency budgets, but recommends delaying enactment of the benefits provided by the bill until funding and implementation problems are resolved. For additional information, please refer to the "Retiree Accumulated Sick Leave" discussion in the Central Operations cost center for the ADOA.

**Unemployment Insurance** - 0.25% of Personal Services.

**Workers' Compensation** - The rates vary by individual agency. The JLBC Staff used the FY 1999 workers' compensation rates calculated by ADOA last year, while the Executive used the FY 1998 rates.

**Risk Management** - Individual agency budgets (Other Operating Expenditures) include the Risk Management rates to be billed by the ADOA Risk Management Program. The FY 1999 rates are estimated to result in total revenues of \$52.1 million, of which \$30.6 million is from the General

Fund and \$21.5 million is from Other Appropriated and Non-Appropriated funds. The premium level of \$52.1 million is based on an annual actuarial estimate conducted for the state. The FY 1999 amount represents a \$2.0 million increase from the prior year level, but is still \$1.7 million below the FY 1997 level. Individual agency charges may increase or decrease, depending on the particular actuarial experience for that agency. The rates for biennial agencies represent an average of the FY 1998 and FY 1999 actuarial projections calculated last year, while the rates for annual agencies are based only on the FY 1999 projections calculated last year.

**Rent** - The JLBC Staff recommendation includes rent for all agencies occupying space in buildings located on the Governmental Mall in Phoenix and in the 2 large state-owned buildings in Tucson. The funding will be transferred to the Capital Outlay Stabilization Fund. It is used to finance the ADOA Utilities appropriation and portions of the ADOA Building Renewal, construction, and facilities management activities. In addition to providing a dedicated source of revenue for costs associated with operating these buildings, charging agencies for their office space is intended to increase legislative oversight of state-owned space by requiring them to be budgeted for this space prior to absorbing added square footage. The JLBC Staff recommends the following rent items:

*State-Owned Space* - The JLBC Staff recommendation includes \$13.00 per square foot for office space and \$4.50 per square foot for storage space in FY 1999. The FY 1998 office space rate was \$12.50.

*Lease-Purchase Buildings* - Funding is included in the budgets for all agencies housed in buildings being acquired by lease-purchase, including buildings acquired as part of the state's Distressed Property program.

*Operations and Maintenance (O&M) Charges* - The JLBC Staff recommends funding an operations and maintenance charge of \$4.75 per gross square foot in each agency occupying a Distressed Property acquisition. This rate has been used since FY 1995. The charge includes standard levels for utilities, janitorial, maintenance, landscaping, minor repairs and pest control. While the O&M charge is appropriated to individual agencies, the funding is transferred to the ADOA, which is responsible for providing the service, either directly or under contract.

**Eliminate One-Time Equipment** - This amount represents the elimination of any equipment funded in FY 1998 but not required for FY 1999. The addition of any new equipment appears as a separate policy issue.

**Inflation** - The JLBC Staff recommends no adjustment for inflation other than for medical expenses in certain circumstances. The Executive also recommends no inflation adjustment.

## JLBC Staff Recommended Format

The Analysis and Recommendations book includes the JLBC Staff's recommendation for individual agency budget formats. 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*
- *Modified Lump Sum*
- *Detailed Line Item*

These formats can either be applied agencywide or to each particular budget program or fund source. 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. For example:

*Lump Sum* - 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 subcommittee and the committee 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.

*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 and ERE line items (A.R.S. § 35-173(c)). 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 Appropriation - Agency X	\$100,000

*Detailed Line Item* - The appropriation consists of each line item listed in the Analysis and Recommendations 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. This format is used in circumstances when the Legislature has particular concern over an agency's operation. 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
Professional and Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	10,000
Equipment	2,000
Total Appropriation - Agency X	\$100,000

### JLBC Staff Recommended Footnotes

The Analysis and Recommendations book also includes the JLBC Staff's recommendation for footnotes. These narrative statements in the General Appropriation Act establish conditions for expenditures, reporting requirements and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law. We have classified footnotes into one of the following categories:

- *Standard Footnotes (Footnotes that have appeared in at least 2 consecutive General Appropriation Acts)*
- *Continuation of New FY 1998 Footnotes*
- *Modification of Prior Year Footnotes*
- *New Footnotes*
- *Deletion of Prior Year Footnotes*

For footnote revisions or deletions, the footnote language is typically followed by an italicized explanation of the change.

### JLBC Staff Recommended Statutory Changes

The Analysis and Recommendations book includes the JLBC Staff's recommendations for any statutory changes required in order to enact the budget. These changes will be introduced as the Omnibus Reconciliation Bill (ORB).

### Program Authorization Review

Laws 1997, Chapter 210 required 36 programs and subprograms in 18 state agencies to undergo a Program Authorization Review (PAR). The PAR's began with an

initial agency self-assessment. Subsequently, the JLBC Staff and OSPB jointly reviewed the agencies' programs and issued individual PAR reports for each of the programs. In addition to the individual program reports, the 2 offices prepared a composite PAR document, the Program Authorization Review Executive Summary, which provides a summary of the joint JLBC Staff and OSPB findings on each program. This composite document has been distributed to each legislator, the Governor, and the affected agencies.

After distribution of the joint report, the JLBC Staff and OSPB separately recommended either to "Retain, Eliminate, or Modify" each program. New this year, the PAR reports and staff recommendations were reviewed by legislative PAR Committees. The PAR Committees include legislators and private citizens (appointed by the Legislature and Governor), and are divided by subject areas: Economic Development, Criminal Justice and Transportation, Education and Natural Resources, and Health and Welfare. Each committee is required by statute to hold at least 1 public hearing and is responsible for preparing and introducing any proposed legislation required to implement its recommendations. Each committee also is required by statute to make its recommendations to the Governor, President of the Senate, and Speaker of the House of Representatives by December 15, 1997.



Any JLBC Staff budget recommendation resulting from a PAR is noted in the agency's narrative with this flag. The narrative also describes the PAR Committee's recommendation.

### Other Issues for Legislative Consideration

Arizona Revised Statutes Section 41-1273(D) requires the Legislative Budget Analyst (JLBC Staff) to "... prepare for distribution an analysis of the Governor's budget as soon after the budget is presented to the Legislature as is possible. The analysis, among other things, shall include recommendations of the budget analyst for revisions in expenditures."

We have highlighted in our analysis the differences between the JLBC Staff and the Executive recommendation for each agency. Any policy issues recommended by the Governor and not addressed under the "FY 1999 — Recommended Changes from FY 1998" section are addressed under the heading "Other Issues for Legislative Consideration."

*Auditor General Performance Audit* - The narrative section of the Analysis and Recommendations book also addresses recommendations from the Auditor General's Performance Audits published in calendar 1997 that have a fiscal impact.

## FY 1999 SUMMARY OF PAR RECOMMENDATIONS

The following table displays the recommendations that the JLBC Staff and OSPB provided to the Program Authorization Review (PAR) Committees during the hearing process. In addition, the PAR Committees' subsequent motions are displayed below the staff recommendations on the 36 programs and subprograms within the 18 different agencies that just completed the PAR process.

### CRIMINAL JUSTICE/TRANSPORTATION PAR COMMITTEE

#### OVERALL VICTIM SERVICES:

<u>JLBC RECOMMENDATION</u>	<u>OSPB RECOMMENDATION</u>
<b>MODIFY</b> <ul style="list-style-type: none"><li>• Require the Governor's Office for Domestic Violence Prevention to submit an action plan by January 15, 1998, describing their plans for an annual report to the Governor, President of the Senate, and Speaker of the House of Representatives on all state government domestic violence expenditures, including victim assistance and compensation programs.</li><li>• Require the Governor's Office for Domestic Violence Prevention to submit an action plan by January 15, 1998, on how to address the issue of simplifying the procurement process for local government and non-profit agencies providing victim services.</li><li>• Does not address.</li></ul>	<b>MODIFY</b> <ul style="list-style-type: none"><li>• Does not address.</li><li>• Does not address.</li><li>• Require improved coordination between the 7 state agencies that distribute domestic violence funds.</li></ul>

**PAR Committee Recommendation:** Moved the JLBC Staff and OSPB recommendations.

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#### CRIME VICTIMS, Arizona Criminal Justice Commission (ACJC)

<u>JLBC RECOMMENDATION</u>	<u>OSPB RECOMMENDATION</u>
<b>Victim Compensation</b> <b>MODIFY</b> <ul style="list-style-type: none"><li>• Require ACJC to submit an action plan by January 15, 1998, which states how the program can reduce the administration costs per applicant, including the possibility of reducing allowable administration costs from 20% to a lesser amount.</li></ul>	<b>Victim Compensation</b> <b>MODIFY</b> <ul style="list-style-type: none"><li>• Lower allowable victims' compensation administrative expenses threshold from 20% to 10% of the grants.</li></ul>
<b>Victim Assistance</b> <b>ELIMINATE</b> <ul style="list-style-type: none"><li>• Move the federal dollars from the Victim of Crime Act Assistance Grants administered by the Department of Public Safety (DPS) into ACJC's Victim Assistance subprogram.</li><li>• Require ACJC to submit an action plan by January 15, 1998, which states how the program will conduct effective compliance audits.</li><li>• Require ACJC to submit an action plan by January 15, 1998, which states how they can more effectively distribute grants in a way that correlates with changes in the Uniform Crime Index.</li></ul>	<b>Victim Assistance</b> <b>MODIFY</b> <ul style="list-style-type: none"><li>• Oppose. Move the state dollars from ACJC's Victim Assistance's subprogram to the Victim of Crime Act Assistance Grants program administered by DPS.</li><li>• Does not address.</li><li>• Does not address.</li></ul>

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation, except for moving the federal funding in the Department of Public Safety (DPS) to the Arizona Criminal Justice Commission (ACJC).

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**OFFICE OF VICTIM SERVICES, Office of the Attorney General**

JLBC RECOMMENDATION

MODIFY

- Clarify, through the budget process, that there is no distinction between adult and juvenile Victims' Rights Implementation Revolving Fund (VRIRF) funds.
- Does not address.
- Does not address.
- Does not address.

OSPB RECOMMENDATION

MODIFY

- Same as JLBC Staff.
- Require justice entities to submit data indicating level of service provided with VRIRF funds vs. services provided with other funds.
- Add a performance measure for cost per service provided with VRIRF funds.
- Consider redistributing funds based on the justice entities' cost-effectiveness.

**PAR Committee Recommendation:** Moved both the JLBC Staff and OSPB recommendations.

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**DOMESTIC VIOLENCE, Department of Economic Security**

JLBC RECOMMENDATION

RETAIN

- See Overall Victim Services recommendations.
- Does not address.
- Does not address.
- Does not address.

OSPB RECOMMENDATION

MODIFY

- See Overall Victim Services recommendations.
- Require the Department of Economic Security (DES) to sanction shelters that do not provide adequate counseling hours, similar to sanctions for not providing an adequate number of beds.
- Require DES to collect expenditure data from shelters for each activity, especially beds, inpatient and outpatient counseling, and educational presentations.
- Add several outcome performance measures to monitor cost-effectiveness of shelters' activities.

**PAR Committee Recommendation:** Moved the last 2 OSPB recommendations.

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**DOMESTIC VIOLENCE, Judicial Branch**

JLBC RECOMMENDATION

RETAIN

OSPB RECOMMENDATION

RETAIN

**PAR Committee Recommendation:** Moved the JLBC Staff and OSPB recommendations.

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**MEDICAL AND DENTAL SERVICES, Department of Corrections**

JLBC RECOMMENDATION

RETAIN

OSPB RECOMMENDATION

RETAIN

**PAR Committee Recommendation:** Moved the JLBC Staff and OSPB recommendations. In addition, the Committee required that the Department of Corrections and the Department of Juvenile Corrections report by January 15, 1998 to the PAR Committee on how the 2 agencies could coordinate and consolidate the purchase of medical and dental equipment, supplies, pharmaceuticals, etc., to produce cost savings.

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**HEALTH SERVICES, Department of Juvenile Corrections**

JLBC RECOMMENDATION

**MODIFY**

- Require the department to report back to the PAR Committee by January 15, 1998 with an action plan to improve screening procedures to reduce unnecessary utilization of health services by juveniles.
- Require the department to report back to the PAR Committee by January 15, 1998 on the use of insurance to protect the program against catastrophic health care expenditures.
- Does not address.

OSPB RECOMMENDATION

**MODIFY**

- Does not address.
- Same as JLBC Staff.
- Performance measures needed to monitor per capita costs of health services.

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation and added the joint report requirement stated under the State Department of Corrections PAR Committee Recommendation. In addition, the Committee required the Department of Juvenile Corrections to report by January 15, 1998 on ways to use family health insurance policies more effectively.

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**ADULT INTENSIVE PROBATION, Judicial Branch**

JLBC RECOMMENDATION

**MODIFY**

- Require the Judiciary to report back to the PAR Committee by January 15, 1998 on restitution collection in Maricopa County since the addition of an automated Restitution, Fines and Recovery System to the Maricopa Clerk of the Court's Automated Cash Management System.
- Require the Judiciary to report back to the PAR Committee by January 15, 1998 with a report detailing Judicial Collection Enhancement Fund (JCEF) funded automation projects and when JCEF monies may be available to implement an automated adult probation case management system.

OSPB RECOMMENDATION

**MODIFY**

- Same as JLBC Staff.
- Same as JLBC Staff.

**PAR Committee Recommendation:** Moved the JLBC Staff and OSPB recommendations.

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**SPECIAL SERVICES, Department of Public Safety (DPS)**

JLBC RECOMMENDATION

**Motor Carrier Safety Enforcement, DPS**  
**RETAIN**

**Motor Carrier Safety Enforcement, MVD**  
**ELIMINATE**

- Change Arizona Revised Statutes to make DPS the sole state agency with authority to enforce motor carrier safety.

OSPB RECOMMENDATION

**Motor Carrier Safety Enforcement, DPS**  
**RETAIN**

**Motor Carrier Safety Enforcement, MVD**  
**MODIFY**

- The Executive has concerns with the overlaps created by having both Motor Vehicle Division (MVD) and DPS conduct commercial vehicle inspections. However, it remains unclear the amount of resources MVD is currently dedicating to these inspections, and how transferring these resources would affect other programs within MVD. Before transferring funding and staff to DPS, the Executive recommends further research into MVD's inspection program and the duties of the staff.

- Transfer the Motor Vehicle Division's (MVD) motor carrier safety enforcement equipment, including new mobile scales and automobiles to DPS.
- Transfer MVD operating funds and staff from the Safety Enforcement and Transportation Infrastructure Fund to DPS.
- Does not address.
- Does not address.

**Hazardous Materials Response**  
RETAIN

**Hazardous Materials Response**  
RETAIN

**Explosive Ordinance Disposal**  
RETAIN

**Explosive Ordinance Disposal**  
RETAIN

- DPS has transferred this to another area of the department.

- Same as JLBC Staff.

**Other Recommendation**

- Study MVD's non-Mexican border ports-of-entry in a FY 2000 PAR.

**Other Recommendation**

- Same as JLBC Staff.

**PAR Committee Recommendation:** Moved the JLBC Staff and OSPB recommendations for all except Motor Carrier Safety Enforcement, MVD. For Motor Carrier Safety Enforcement, the Committee moved to have the PAR Committee review the results of the consultant's study currently being conducted in MVD to evaluate the role of MVD in motor carrier safety enforcement. In addition, the Committee moved that MVD file monthly reports with JLBC Staff and OSPB, which shall include the number of inspections completed by MVD by location, the number of work hours spent on inspections, the number of FTE Positions available for the DPS/MVD joint task force, and the number of inspections done by the joint task force.

**ECONOMIC DEVELOPMENT PAR COMMITTEE**

**SURPLUS PROPERTY MANAGEMENT, Arizona Department of Administration**

JLBC RECOMMENDATION

MODIFY

- Appropriate the State Surplus Property Fund and Federal Surplus Property Fund, starting in FY 2000.
- Does not address.
- Require the department to submit to the PAR Committee by January 15, 1998 an action plan on its developing new performance measures, based on improved data collection, which will be possible with an automated tracking system.
- Require the department to collect revenue and payment data, by donor fund source (General Fund, all other state funds, and non-state funds), starting in FY 1999.
- Require the department to report the FY 1999 data to the JLBC Staff by September 1, 1999.
- Does not address.

OSPB RECOMMENDATION

MODIFY

- Do not Appropriate the State Surplus Property Fund or the Federal Surplus Property Fund.
- Require the department to submit a report on the fund sourcing of their FTE in the previous fiscal year as part of their budget request.
- Same as JLBC Staff.
- Same as JLBC Staff.
- Does not address.
- Require the agency to reimburse the General Fund in the same manner as Other Funds in FY 2000.

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation.

**FLEET MANAGEMENT, Arizona Department of Administration**

JLBC RECOMMENDATION

MODIFY

- Pursue privatization of the Arizona Department of Administration (ADOA) motor pool, if indicated by the consultant's upcoming report.
- Consolidate the state fleet by removing the Department of Economic Security's (DES) statutory exemption from the ADOA motor pool.
- Require non-exempt agencies to transfer ownership of their vehicles to ADOA.
- Delay the statutory requirement for 40% of the state fleet to use alternative fuels and require the department to report back to the PAR Committee by January 15, 1998 on its action plan for compliance with the 40% requirement.
- Does not address.
- Does not address.

OSPB RECOMMENDATION

MODIFY

- Require the agency to implement recommendations of the Office for Excellence in Government/ADOA Consultant.
- Examine eliminating DES's exemption from the ADOA fleet, transferring the title of DES vehicles to ADOA, and transferring ADOA taxi vehicles rented by DES to the ADOA extended dispatch fleet.
- Give ADOA the statutory authority to require agencies to provide information to ADOA on vehicle ownership and use.
- Change ARS § 41-803K.2 to eliminate the requirement that 40% of the entire fleet be powered by alternative fuels.
- Examine statute to determine if there are barriers to using life-cycle costing in procuring new vehicles.
- Change ARS § 28-1441 to allow "Property of" stickers to be placed on windows instead of doors.

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation.

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**BUSINESS ADMINISTRATION AND WELCOME CENTER OPERATION, Office of Tourism**

JLBC RECOMMENDATION

RETAIN

OSPB RECOMMENDATION

RETAIN

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation.

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**SPORTS DEVELOPMENT, Department of Commerce**

JLBC RECOMMENDATION

ELIMINATE

- Remove funding in the FY 1998-1999 General Appropriations Supplemental bill.

OSPB RECOMMENDATION

RETAIN

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation.

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**ARIZONA BUSINESS ASSISTANCE CENTER, Department of Commerce**

JLBC RECOMMENDATION

MODIFY

- Require the department to report back to the PAR Committee by January 15, 1998 on the JLBC/OSPB-suggested performance measures (and any department-suggested performance measures) for these two subprograms.

OSPB RECOMMENDATION

MODIFY

- Same as JLBC Staff.

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation.

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**FINANCIAL SERVICES, Department of Commerce**

    **JLBC RECOMMENDATION**    

**MODIFY**

- Require the department to report back to the PAR Committee by January 15, 1998 on its action plan and timeline for establishing Commerce Economic Development Commission (CEDC) rules.
- Make the criteria for the Work Force Recruitment and Job Training program more competitive to target the program's funding to applicants who will contribute most to the state's economic development and help increase average personal income.
- The Legislature should consider removing the statutory language stating that special consideration be given to economically disadvantaged areas of the state in the CEDC award process or set in statute a percentage of CEDC funding that must go to economically disadvantaged areas.

**ELIMINATE**

- Eliminate the **Border Infrastructure Finance Office** and its funding since the new Greater Arizona Development Authority now provides technical and financial assistance for rural infrastructure projects throughout the state.

    **OSPB RECOMMENDATION**    

**MODIFY**

- Same as JLBC Staff.
- Same as JLBC Staff.
- Require the Department of Commerce to report to the Governor and the Legislature comparing CEDC funding recipients in "economically disadvantaged areas" of the state vs. those in "nondisadvantaged" areas.

**ELIMINATE**

- Same as JLBC Staff.

**PAR Committee Recommendation:** Moved the elimination of the Financial Services program.

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**EDUCATION/NATURAL RESOURCES PAR COMMITTEE**

**UNIVERSITIES EXTENDED EDUCATION, ASU, NAU, UA**

    **JLBC RECOMMENDATION**    

**MODIFY**

- Require the Arizona Board of Regents and the universities to report to the PAR Committee by January 15, 1998 on the suggested improvements in performance measures for the ASU and UA programs.
- Does not address.

    **OSPB RECOMMENDATION**    

**MODIFY**

- Does not address.
- Clarify, through Board Policy, responsibility for course offerings (enrollment issues, collaboration including tech., geographic responsibilities) and fiscal control (cost p/student, operating in the black.)

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation. In addition, the Committee moved the OSPB recommendation, but deleted the words "through Board Policy."

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**DEPARTMENT ADMINISTRATION, Department of Agriculture**

    **JLBC RECOMMENDATION**    

**MODIFY: Administrative Services**

- As a result of the following allocations, there is a General Fund savings of \$117,500.
  - Allocate the department's finance and procurement costs to the General Fund, all special revenue funds, and commodity councils' and commissions' funds based on total expenditures.

    **OSPB RECOMMENDATION**    

**MODIFY: Administrative Services**

- Does not address specific savings.
  - Same as JLBC Staff.

- Allocate the department's human resources costs to the General Fund, all special revenue funds, and commodity councils' and commissions' funds based on FTE Position counts.
- Allocate the costs of the council administrative support position to those councils served based on service hours.
- Do not allocate the department's Management Information Systems (MIS), support services, strategic planning, and directors office functions among the special revenue and commodity councils' and commissions' funds. Add an employee trainer position, a strategic planner and a MIS secretary to the non-allocated base at a cost of \$105,000 to the General Fund.
- Same as JLBC Staff.
- Does not address.
- Same as JLBC Staff.

**MODIFY: Agriculture Consultation and Training (ACT)**

- Divert \$8.50 of the annual \$75 pesticide registration fee currently going to the Water Quality Assurance Revolving Fund to the ACT Fund to fund the difference in lost federal monies and the declining ACT Fund balance (requires a statutory change to ARS 3-351D).
- Increase the ACT Fund appropriation in FY 1999 by 1 FTE Position and \$31,300.
- Create a footnote in the department's budget that indicates that if federal ACT funds are realized in Federal FY 1999, there shall be a dollar for dollar reduction in the ACT General Fund appropriation.
- Have ACT established as a separate program.

**MODIFY: Agriculture Consultation and Training (ACT)**

- Does not address.
- Increase the *General Fund* appropriation in FY 1999 by 1 FTE and \$31,300.
- Same as JLBC Staff.
- Same as JLBC Staff

**PAR Committee Recommendation:** Moved that \$150,000 of General Fund dollars should be added to the Department of Agriculture's budget to cover indirect costs of various administrative activities.

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**STATEWIDE PLANNING, Department of Water Resources**

**JLBC RECOMMENDATION**

**MODIFY**

- Require the Commission to devise a 5-year master plan, including a general assessment of statewide stream and riparian needs, where future resources will be focused, and measures to capture the results of riparian protection and restoration.
- Require the Commission to report back to the PAR Committee by January 15, 1998 with the amount of resources needed to create a master statewide stream and riparian needs plan.
- Does not address.

**OSPB RECOMMENDATION**

**MODIFY**

- Require the Commission to incorporate a general assessment of statewide stream and riparian needs, where future resources will be focused, and measures to capture the results of riparian protection and restoration into the 5-year plan for the program.
- Does not address.
- Change the appropriation of the Water Protection Fund from statutory to legislative appropriation.

**PAR Committee Recommendation:** No action taken.

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## **SCHOOL TO WORK, Department of Education**

### JLBC RECOMMENDATION

#### **MODIFY**

- Require the Department of Education (ADE) to utilize for the Vocational Technological Instruction (VTI) subprogram a performance measure that gauges placement of students in jobs or advanced training related to their VTI coursework.

#### **RETAIN**

- Workforce Development Resource Unit subprogram.
- Single Parent and Displaced Homemaker subprogram.
- ADDITIONAL RECOMMENDATIONS may follow Congressional reauthorization of Carl Perkins.

### OSPB RECOMMENDATION

#### **MODIFY**

- Require ADE to survey former students on student satisfaction and employability. For example: average wage of former students; range of wages of former students; average length of time for job placement; percent of students satisfied with job training; and percent of students continuing their education.

#### **RETAIN**

- Same as JLBC Staff.
- Same as JLBC Staff.
- Same as JLBC Staff.

**PAR Committee Recommendation:** Moved all of the JLBC Staff and OSPB recommendations. In addition, the Committee moved that the agency study the consolidation of similar programs among other agencies, (i.e., the Department of Economic Security, Department of Commerce) and report back to the PAR Committee at the end of the 1998 legislative session.

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## **HEALTH AND WELFARE PAR COMMITTEE**

## **SUBSTANCE ABUSE, Department of Health Services**

### JLBC RECOMMENDATION

#### **MODIFY**

- Convert the Federal Substance Abuse Block Grant and Mental Health Block Grant to appropriated status to allow for greater oversight of the program.
- Require Department of Health Services (DHS) to report back to the PAR Committee by January 15, 1998 on including outcome based performance measures as criteria for compliance in contracts with the Regional Behavioral Health Authorities (RBHAs).
- Require a follow-up PAR in 2000 focusing on the findings from the federally funded study on substance abuse outcomes and on the performance measures included in the new RBHA contracts.

### OSPB RECOMMENDATION

#### **MODIFY**

- OSPB opposes. This action will take away executive discretion in the management and operation of a state agency.
- Same as JLBC Staff.
- Same as JLBC Staff.

**PAR Committee Recommendation:** Moved OSPB recommendation.

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## **CHEMICAL ABUSE PREVENTION, Department of Education**

### JLBC RECOMMENDATION

#### **MODIFY**

- Require the program to report to the PAR Committee by January 15, 1998
  - on its action plan for improving its performance measures and for linking school district funding allocations to performance results, and
  - on its input regarding possible advantages and disadvantages of transferring the program to DHS.

### OSPB RECOMMENDATION

#### **MODIFY**

- Same as JLBC Staff except do not require a report by a specific date.
  - Same as JLBC Staff.
- Oppose the transfer of the program to DHS since federal monies are required to go through the Department of Education (ADE).

- After sufficient time to revise performance measures and to evaluate the program further (with forthcoming federal block grant evaluation funding), the Legislature may want to eliminate the program if there continues to be a lack of tangible measurable results.
- Does not address.
- Does not address.
- Does not address.
- Does not address.
- Does not address.
- Require ADE to document all strategies, including whether these are national, standardized programs or locally developed; and if these strategies have been shown to be effective or considered as "best practices."
- Create 2 subprograms: Chemical Abuse Prevention and Violence Prevention.
- Improve performance measures. Examples: number of schools meeting their specified goals and objectives as required by Title IV; the number of students receiving chemical abuse/violence prevention education; number of student violations of district/school's violence prevention policies involving possession or use of guns, tobacco, alcohol and other drugs (data available from annual Comprehensive Health and Prevention Programs Survey).

**PAR Committee Recommendation:** Moved the first JLBC Staff recommendation and added that ADE must provide information to districts on strategies that have been shown to be effective and to document the number of districts utilizing these known successful programs.

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#### **ORAL HEALTH, Department of Health Services**

##### JLBC RECOMMENDATION

###### **ELIMINATE**

- Repeal the statute that requires DHS oversight of pre-paid dental plans, and eliminate associated funding.

###### **MODIFY**

- Require DHS to report back with an action plan to the PAR Committee by January 15, 1998 on moving continuing education from DHS to a licensing board, or shifting to private classes and ensure cost recovery.
- Does not address.
- Does not address.

##### OSPB RECOMMENDATION

###### **ELIMINATE**

- Same as JLBC Staff.

###### **MODIFY**

- Emphasize a shift to private classes and ensure cost recovery for continuing professional education offered by DHS.
- Assess validity/effectiveness of direct services.
- Improve benchmarking/performance measures.

**PAR Committee Recommendation:** Moved that DHS report to the PAR Committee by January 15, 1998 on how it will implement complete cost recovery of its continuing education classes.

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#### **ADOPTION SERVICES, Department of Economic Security**

##### JLBC RECOMMENDATION

###### **MODIFY**

- Require Department of Economic Security (DES) to report back to the PAR Committee by January 15, 1998 on its action plan with AHCCCS to include non-Title IV-E eligible children in its Title XIX state plan to draw down federal Title XIX funds for non-IV-E special services.

##### OSPB RECOMMENDATION

###### **MODIFY**

- Same as JLBC Staff.

**PAR Committee Recommendation:** Moved the JLBC Staff and OSPB recommendation.

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**VOCATIONAL REHABILITATION SERVICES, Department of Economic Security**

JLBC RECOMMENDATION

MODIFY

- Require the program to report to the PAR Committee by January 15, 1998 on imposing time limits on Employment Support Services.
- Change Employment Support Services line item name to include Developmental Disabilities (DD) to further identify that this line item serves DD clients only.
- Does not address.

OSPB RECOMMENDATION

MODIFY

- Same as JLBC Staff.
- Same as JLBC Staff.
- Include an outcome measure (total expenditures/successful rehabilitations) to evaluate the program.

**PAR Committee Recommendation:** Moved the JLBC Staff and OSPB recommendations with one modification. The report on imposing time limits will be provided to the directors of JLBC Staff and OSPB and is due to them by October 15, 1998.

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**JUSTICE OF THE PEACE SALARIES, State Treasurer**

JLBC RECOMMENDATION

MODIFY

- Request the Auditor General to report back to the PAR Committee by January 15, 1998 with the amount of resources needed to annually perform an inventory audit on caseloads for 10 randomly selected Justice of the Peace Courts.
- Does not address.
- Does not address.

OSPB RECOMMENDATION

MODIFY

- Does not address.
- Move the responsibility for reimbursing the counties for the state's portion of Justice of the Peace salaries from the State Treasurer to the Supreme Court.
- Look at overlap of Justice of Peace courts and municipal courts.

**PAR Committee Recommendation:** Moved the JLBC Staff recommendation.

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**DEPARTMENT OF ADMINISTRATION  
(DOA)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
Agency Summary

JLBC: Lynne Smith/Phil Case  
House Sub: Knaperek

OSPB: Bret Cloninger  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Central Operations	19,932,600	20,769,800	20,313,400	20,664,900	20,132,900
General Services	21,305,000	22,773,000	26,665,900	26,496,400	26,378,400
Information Services	22,617,800	24,911,300	24,757,300	22,387,200	24,319,300
Risk Management	55,730,700	68,786,800	72,071,500	73,144,500	73,721,700
Human Resources	6,815,600	7,555,600	11,051,900	10,900,300	10,912,600
<b>AGENCY TOTAL</b>	<b>126,401,700</b>	<b>144,796,500</b>	<b>154,860,000</b>	<b>153,593,300</b>	<b>155,464,900</b>

## OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	1,014.0	981.0	1,028.6	930.0	916.0
Personal Services	21,423,700	23,995,300	24,880,500	25,012,600	24,928,800
Employee Related Expenditures	4,904,100	5,439,600	6,064,700	5,575,100	5,570,000
All Other Operating Expenditures:					
Professional and Outside Services	1,804,600	1,355,800	1,642,400	1,699,500	1,637,200
Travel - In State	216,400	173,500	197,200	190,800	189,700
Travel - Out of State	58,300	51,500	106,000	76,500	70,300
Other Operating Expenditures	14,564,700	13,172,000	11,986,100	12,014,000	11,929,000
Equipment	295,500	245,800	236,900	209,800	234,900
<b>OPERATING SUBTOTAL</b>	<b>43,267,300</b>	<b>44,433,500</b>	<b>45,113,800</b>	<b>44,778,300</b>	<b>44,559,900</b>
Special Line Items	83,134,400	100,363,000	109,746,200	108,815,000	110,905,000
<b>AGENCY TOTAL</b>	<b>126,401,700</b>	<b>144,796,500</b>	<b>154,860,000</b>	<b>153,593,300</b>	<b>155,464,900</b>

## BY FUND SOURCE

General Fund	27,101,100	26,442,800	26,308,500	26,803,900	26,184,400
Other Appropriated Funds	99,300,600	118,353,700	128,551,500	126,789,400	129,280,500
Other Non-Appropriated Funds	235,987,300	233,648,300	245,185,500	245,401,000	245,401,000
<b>TOTAL - ALL SOURCES</b>	<b>362,389,000</b>	<b>378,444,800</b>	<b>400,045,500</b>	<b>398,994,300</b>	<b>400,865,900</b>

**Agency Description** — *The department provides certain centralized general support services to state agencies, including accounting, financial, personnel, building and grounds maintenance, purchasing, risk management, information technology, and Capitol Police services.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$(258,400)	(1.0)%
Other Appropriated Funds	10,926,800	9.2%
Total Appropriated Funds	\$10,668,400	7.4%

## FY 1999 — Recommended Changes from FY 1998

<b>Standard Changes</b>		
Salary Adjustments	\$732,600 OF	\$417,800 GF
ERE Rates	17,100 OF	(7,000) GF
Risk Management	38,000 OF	13,600 GF
Rent	10,200 OF	37,100 GF

<b>Eliminate One-time</b>		
Equipment	(108,700) OF	(150,400) GF
Other	147,100 OF	400 GF
HVAC Maintenance Contract	-0- OF	209,000 GF
Retiree Accumulated Sick Leave	-0- OF	200,000 GF
Equipment	53,600 OF	90,400 GF
Capitol Police/Security Systems	-0- OF	53,300 GF

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

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Arizona Works	-0- OF	(50,000) GF
AFIS II	-0- OF	(72,600) GF
Veterans' Home	-0- OF	(1,000,000) GF
Appropriate Health		
Insurance Trust Fund	2,477,800 OF	-0- GF
Losses and Related		
Expenditures - RM	2,250,100 OF	-0- GF
Motor Pool	1,716,300 OF	-0- GF
Losses and Related		
Expenditures - WC	1,839,200 OF	-0- GF
Appropriate COP Operations		
& Maintenance Fund	1,370,700 OF	-0- GF
Insurance Premiums	645,300 OF	-0- GF
Personnel Reform	450,000 OF	-0- GF
Project EAGLE/Consulting	385,100 OF	-0- GF
Software and Licenses	257,900 OF	-0- GF
Data Center Charges	203,900 OF	-0- GF
Automation Equipment	(1,559,400) OF	-0- GF

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**JLBC Staff Recommended Format** — Operating Lump Sum  
with Special Line Items by Fund



# **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

DEPT: Arizona Department of Administration  
 PROG: Central Operations

JLBC: Lynne Smith/Phil Case  
 House Sub: Knaperek

OSPB: Bret Cloninger  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	204.2	210.7	216.5	222.7	212.7
Personal Services	4,315,000	5,255,600	5,488,600	5,434,000	5,434,000
Employee Related Expenditures	974,200	1,142,900	1,418,100	1,158,900	1,162,700
All Other Operating Expenditures:					
Professional and Outside Services	264,100	540,000	410,300	467,400	410,300
Travel - In State	4,900	10,300	10,300	10,300	10,300
Travel - Out of State	7,500	13,200	13,200	13,200	13,200
Other Operating Expenditures	1,189,300	1,165,700	1,165,700	1,199,400	1,178,700
Equipment	5,700	122,800	90,300	83,800	90,400
<b>OPERATING SUBTOTAL</b>	<b>6,760,700</b>	<b>8,250,500</b>	<b>8,596,500</b>	<b>8,367,000</b>	<b>8,299,600</b>
<b>SPECIAL LINE ITEMS</b>					
Capitol Police	1,789,700	1,815,900	2,052,300	1,989,700	1,902,900
ENSCO COP	4,585,000	4,585,600	4,586,500	4,586,500	4,586,600
State-Owned Space Rent	900,800	770,200	805,000	770,200	805,000
Lease-Purchase Rent	619,700	745,300	806,400	745,300	747,600
AFIS II	2,074,200	2,475,800	2,541,300	2,475,800	2,532,900
Veterans' Home	2,000,000	1,000,000	0	0	0
Arizona Works (Laws 1997, Ch. 300)	0	50,000	0	0	0
Federal Reimbursement	507,500	0	0	0	0
Unoccupied Lease-Purchase	0	55,900	0	0	0
Performance Based Incentives	0	200,000	0	0	200,000
Hearing Office	5,600	10,000	10,000	10,000	10,000
Employee Bus Subsidy	360,000	426,000	502,000	426,000	455,000
Governor's Regulatory Review Council	329,400	384,600	413,400	394,400	393,300
Sick Leave Program Funding	0	0	0	200,000	200,000
Special Merit Awards	0	0	0	100,000	0
School Capital Facilities Board	0	0	0	600,000	0
<b>PROGRAM TOTAL</b>	<b>19,932,600</b>	<b>20,769,800</b>	<b>20,313,400</b>	<b>20,664,900</b>	<b>20,132,900</b>
<b>BY FUND SOURCE</b>					
General Fund	19,788,800	20,114,100	19,632,000	20,060,300	19,499,300
Other Appropriated Funds	143,800	655,700	681,400	604,600	633,600
Other Non-Appropriated Funds	1,041,300	749,000	1,312,800	1,528,300	1,528,300
<b>TOTAL - ALL SOURCES</b>	<b>20,973,900</b>	<b>21,518,800</b>	<b>21,626,200</b>	<b>22,193,200</b>	<b>21,661,200</b>

**Program Description** — Central Operations includes the Director's office; the Management Services Division, which provides internal department analysis, purchasing, accounting, and budgeting; the General Accounting Office, which maintains the state's financial records, provides accounting services to agencies, and oversees state compliance with financial requirements and appropriation authority; the State Procurement Office, which provides purchasing services and oversees procurement for agencies; and the Capitol Police Department, which provides police officers and security aides for the Phoenix Capitol Mall and Tucson Office Complex.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$(614,800)	(3.1)%
Other Appropriated Funds	(22,100)	(3.4)%
Total Appropriated Funds	\$(636,900)	(3.1)%

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### FY 1999 — Recommended Changes from FY 1998

#### Standard Changes

Salary Adjustments	\$5,000 OF	\$249,600 GF
ERE Rates	(200) OF	(4,200) GF
Risk Management	-0- OF	13,600 GF
Rent	-0- OF	37,100 GF
Eliminate One-time Equipment	-0- OF	(132,400) GF

**Retiree Accumulated Sick Leave** **200,000 GF**  
Laws 1997, Chapter 291 appropriated \$200,000 to the department's newly established Retiree Accumulated Sick Leave (RASL) Fund for FY 1999. As a result of the prior appropriation, this amount will not need to be included in the FY 1999 General Appropriation Act. The monies were appropriated to cover costs at the beginning of the fiscal year (until monies accumulate in the fund) and are transferred back to the General Fund at the end of the fiscal year. The Executive concurs.

Laws 1997, Chapter 291 also changed the sick leave payout for retiring state employees, starting July 1, 1998. It replaced the current payment (\$750 upon retirement to employees with at least 1,000 hours of sick leave) with the following payments:

<u>Hours of Accumulated Sick Leave</u>	<u>Amount Paid for Each Hour of Accumulated Sick Leave Upon Retirement</u>
500 to 749 Hours	25% of Hourly Salary
750 to 999 hours	33% of Hourly Salary
1,000 to 1,500 Hours	50% of Hourly Salary

Payouts are capped at 1,500 hours and can be taken by retirees as cash or health insurance premiums. To fund the program, each agency will be charged 0.05% of total payroll, starting in FY 1999. Both the JLBC Staff and the Executive have included this charge within the Employee Related Expenditures (ERE) rate budgeted for annual agencies, so monies will be available to accumulate in the RASL Fund in FY 1999.

However, rather than implementing the benefit portion of the bill in FY 1999, the JLBC Staff recommends a session law provision in the Public Finance Omnibus Reconciliation Bill to defer enactment of the payouts until legislation is enacted to rectify 2 problems associated with the program: 1) statewide funding and 2) inconsistent implementation plans between the universities. (See JLBC Staff Recommended Statutory Changes.)

Funding for the program appears inadequate, but cost estimates for the program vary widely. The JLBC Staff originally estimated the FY 1999 cost for retirees paid from appropriated funds at \$738,300. This was based on information reported by Arizona Department of

Administration (ADOA) and the Department of Public Safety (DPS). The Executive now estimates the appropriated fund cost at \$9,900,000. The cost estimates have changed as ADOA and the Governor's Office for Excellence in Government (OEG) have worked to refine the data. For example, ADOA originally reported that 399 individuals in the ADOA system retired in FY 1996. Of these, 28, or 7%, had more than 500 hours and would have been eligible for payment had the new structure been in effect. ADOA and OEG now report that 640 people (60% more) actually retired in FY 1996. In addition, they project that, as of June 30, 1999, 1,305 out of 2,402 employees eligible for full retirement will have more than 500 hours of sick leave. This represents 54% of the retiring population, rather than the 7% previously reported. DPS has not changed the data it reported, but surveyed its employees and found that 79 report that they intend to retire in FY 1999. This represents an increase of 193% to 204% over actual DPS retirements of 27 in FY 1995 and 26 in FY 1996, and brings the total sick leave payout cost for DPS to \$1,020,800, rather than the JLBC Staff's previous estimate of \$319,200. Additionally, the first year cost may be higher than originally projected because the bill was enacted with a delayed effective date. Agencies report anecdotal evidence that some employees are waiting until after the payouts take effect to retire.

The second problem with the program is inconsistency between the universities' sick leave payout implementation plans. The University of Arizona (U of A) plans to include sick leave payouts for retiring faculty and calculates the hourly wage for faculty using 1,760 hours per year, rather than the 2,080 hours used for other agencies. As a result, U of A estimates that, had this program been in effect in FY 1997, the cost for its employees would have been \$1,538,500. Arizona State University, in contrast, excludes sick leave for faculty and estimates that the FY 1997 cost for its employees would have been only \$280,600. The JLBC Staff recommends that the Legislature adopt definitions that will provide consistency among the universities. This would also enable development of more reliable cost estimates for the universities.

The JLBC Staff also recommends a session law provision in the Public Finance Omnibus Reconciliation Bill to defer a statutory provision that monies over \$400,000 revert to the General Fund at the end of each fiscal year. Instead, the JLBC Staff recommends that monies be allowed to accumulate in the fund. This will help allow the program to start, if legislation is enacted to solve the 2 problems discussed above, or provide increased funding in FY 2000, if the problems are not resolved during this session. (See JLBC Staff Recommended Statutory Changes.)

The Executive plans to move forward with implementation and recommends \$6,500,000 from the General Fund and

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

\$3,400,000 from Other Appropriated Funds for the sick leave payouts. These amounts are listed as statewide issues, rather than in the Executive recommendation for ADOA.

### **Replacement Equipment** **90,400 GF**

The JLBC Staff recommends a total of \$90,400 for replacement computers, printers, and fax machines. The Executive recommends a total of \$83,800 for replacement equipment.

### **Employee Bus Subsidy** **29,000 OF**

The recommended amount includes an increase of \$29,000 to fund increased bus usage. This provides a total of \$455,000 from the Air Quality Fund to pay for one-half of the cost of bus rides to work by non-university state employees in Maricopa County. The increase reflects a historic growth rate of 16% per year, based on months when a 50% subsidy was in effect. The statute authorizing bus subsidies does not specify the state share. Since FY 1995, the Legislature has funded the subsidy at 50%. During FY 1997, the department used grants from other sources to increase the state portion of the bus fares to 100%, but has since returned to the 50% subsidy funded by the appropriation. The JLBC Staff also recommends continuing the bus subsidy footnote, which clarifies the purpose of the appropriation (see Standard Footnotes). The Executive does not include this increase.

### **AFIS II** **(72,600) GF**

The recommended amount increases funding for the Data Center charge paid by the Finance Division by \$57,100 to reflect classification salary adjustments and statewide salary adjustments appropriated for computer programmers in the Data Center. The recommended amount also includes a decrease of \$(129,700) in Professional and Outside Services to reduce the total Data Center charge to the level required by the department. The Executive concurs but includes the increase under Professional and Outside Services rather than the AFIS II Special Line Item.

### **Executive Tower Security** **51,400 GF**

The recommended amount provides funding for 2 Security Aide positions for the Executive Tower. The aides would be stationed in the building lobby from 7:00 a.m. to 6:00 p.m., Monday through Friday. One aide would remain at a security desk at all times, while the other would patrol surrounding areas. In addition to providing security through radio contact with the Capitol Police, the aides would serve as an information point for the public. The Executive recommends \$150,300 and 5 FTE Positions for this issue. This recommendation includes 2 full-time police officers for the Executive Tower, compared to the JLBC Staff recommendation of 2 full-time security aides. In addition, the Executive recommendation includes 3 full-time security aides to assist in monitoring security systems outside of normal business hours. The JLBC Staff

believes that only security during normal business hours requires additional resources and that security aides will be adequate for this purpose.

### **Capitol Police Operating Budget** **12,500 GF**

The JLBC Staff recommends an increase of \$12,500 for the Capitol Police operating budget. Of the amount, \$4,800 would increase the department's uniform allowance from \$420 to \$720 to fully cover the cost of uniform purchase and up-keep. The remaining \$7,700 would fund annual dues for the Commission on Accreditation of Law Enforcement Agencies. Currently, the Capitol Police Department is not accredited; however, accreditation would improve interaction with other law enforcement agencies and overall agency performance. The Executive recommends an increase of \$6,000 to increase the uniform allowance and for flag replacement on the Capitol Mall. The JLBC Staff does not recommend the flag replacement monies as this is not a new mandate for the department but was transferred internally from other divisions to the Capitol Police.

### **Capitol Police Security System** **(10,500) GF**

The JLBC Staff recommends a total of \$199,500, which includes a reduction of \$(10,500), to continue the multi-year project to expand the security systems on the Capitol Mall and Tucson Office Complex. The Legislature approved \$210,000 in each of the past 3 fiscal years for the project. To date, 23 additional buildings have been placed on a common security system which provides varying degrees of fire, access, and video monitoring. The recommended amount would fund the conversion of the Department of Revenue Building to the same system. An estimated \$353,100 would be required over the next 3 fiscal years to complete the project. The Executive concurs.

### **ENSCO COP** **1,000 GF**

The recommended amount reflects an updated lease-purchase payment requirement. The state utilized lease-purchase financing in the amount of \$55,825,000 in October 1991 to settle with ENSCO and acquire its partially constructed hazardous waste treatment site in Mobile. To date, the Legislature has appropriated approximately \$26,585,600 for annual principal and interest payments; an additional \$66,914,400 will be required through the year 2011. In August, ADOA leased the property to a company which recycles used wood products. The company will make site improvements, maintain the property, and pay a total of \$510,000 to the state over 8 years. The Joint Committee on Capital Review directed ADOA to aggressively market the property for future sale. The Executive concurs.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

**Unoccupied Lease-Purchase (55,900) OF**  
The JLBC Staff recommends moving funding for the lease-purchase payment on vacant state lease space to the General Services cost center.

**Arizona Works (50,000) GF**  
The recommended amount includes a reduction of \$(50,000) to eliminate a one-time appropriation made by Laws 1997, Chapter 300 for accounting and AFIS II programming changes associated with the Department of Economic Security's implementation of electronic benefits transfer. The Executive concurs.

**Fixed Assets (600) GF**  
The recommended amount eliminates \$(600) in one-time expenditures and makes permanent 1 FTE Position to operate and update the state's automated Fixed Asset system. This was previously a limited position. The Executive concurs.

**Veterans' Home (1,000,000) GF**  
The JLBC Staff recommends elimination of the ADOA appropriation for the Veterans' Home in FY 1999. This corresponds with the FY 1999 appropriation for the Veterans' Service Commission. The Executive concurs.

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**JLBC Staff Recommended Format** — Operating Lump Sum by Fund with Employee Bus Subsidy, AFIS II, and ENSCO COP Special Line Items

### JLBC Staff Recommended Footnotes

#### *Standard Footnotes*

The \$455,000 appropriated for the Employee Bus Subsidy shall be used only for a 50% subsidy of charges payable to a regional transit authority for public transportation expenses of non-university 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 1,500,000 persons according to the most recent United States decennial census.

The department may collect an amount not to exceed \$762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. All AFIS II operating costs below \$3,295,500 shall be proportionately distributed among all contributing funding sources, including the state General Fund.

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 the monies in the state General Fund.

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the one-time footnote which made the Performance Based Incentives Special Line Item exempt from lapsing.

The JLBC Staff also recommends deleting the footnote on the Veterans' Home, since this appropriation is being removed from the ADOA budget.

### JLBC Staff Recommended Statutory Changes

As discussed under "Retiree Accumulated Sick Leave," the JLBC Staff recommends a session law provision to defer enactment of the sick leave payouts established by Laws 1997, Chapter 291 until problems with statewide funding and university implementation are resolved. The JLBC Staff also recommends a session law provision to defer the requirement that monies in the Retiree Accumulated Sick Leave Fund over \$400,000 revert to the General Fund.

### Other Issues for Legislative Consideration

#### **School Capital Facilities Board**

The Executive recommends an additional 7 FTE Positions and \$600,000 from the General Fund to fund the transfer of the contractual obligations of the School Capital Facilities Board to ADOA. Laws 1997, Chapter 9, 1<sup>st</sup> Special Session automatically repeals the board given the Arizona Supreme Court's ruling that the state's system of school capital funding remains unconstitutional. Chapter 9 also eliminates the annual transfer of the first \$30,000,000 in endowment earnings to the School Capital Equity Fund, from which the board was funded. The JLBC Staff recommends that the issue of the board's FY 1999 appropriation be addressed in other legislation which addresses school capital funding in a more comprehensive manner.

#### **Performance Based Incentives**

The JLBC Staff recommendation continues \$200,000 from the General Fund, which was added in FY 1998 for performance based incentives for ADOA employees. The Executive recommendation eliminates this funding.

#### **Special Merit Awards**

The Executive recommends an additional \$100,000 from the General Fund for the Special Merit Awards Fund established by A.R.S. § 38-613. Monies in this fund (currently \$0) may be used statewide for awards of up to \$1,000 to employees for ideas which result in cost savings or improved operations in the public interest and for

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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special acts in the public interest. The JLBC Staff does not include this amount because the Executive Branch has not taken advantage of the program authorized by Laws 1996, Chapter 363, which allows agencies to use monies saved through operational improvements for awards to employees.

### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
Air Quality Fund	\$455,000
Capital Outlay Stabilization Fund	89,200
Corrections Fund	89,400
TOTAL	\$633,600

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
PROG: General Services

JLBC: Lynne Smith/Phil Case  
House Sub: Knaperek

OSPB: Bret Cloninger  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	251.0	251.0	268.3	268.5	263.5
Personal Services	4,998,800	5,386,100	5,584,100	5,697,300	5,575,300
Employee Related Expenditures	1,319,700	1,384,800	1,420,100	1,431,800	1,406,100
All Other Operating Expenditures:					
Professional and Outside Services	77,700	92,900	98,100	98,100	92,900
Travel - In State	153,700	112,800	112,800	112,800	112,800
Travel - Out of State	100	2,000	2,000	2,000	2,000
Other Operating Expenditures	1,442,800	1,266,800	1,485,700	1,506,600	1,435,900
Equipment	73,600	113,000	98,000	77,400	95,000
<b>OPERATING SUBTOTAL</b>	<b>8,066,400</b>	<b>8,358,400</b>	<b>8,800,800</b>	<b>8,926,000</b>	<b>8,720,000</b>
<b>SPECIAL LINE ITEMS</b>					
Motor Pool	7,154,600	8,369,600	10,426,800	10,140,300	10,140,000
Relocation	149,500	60,000	74,400	74,400	60,000
Utilities	5,934,500	5,985,000	5,985,000	5,985,000	6,044,900
Unoccupied Lease-Purchase	0	0	0	0	42,800
Operations and Maintenance	0	0	1,378,900	1,370,700	1,370,700
<b>PROGRAM TOTAL</b>	<b>21,305,000</b>	<b>22,773,000</b>	<b>26,665,900</b>	<b>26,496,400</b>	<b>26,378,400</b>
<b>BY FUND SOURCE</b>					
General Fund	6,378,100	6,328,700	6,676,500	6,743,600	6,685,100
Other Appropriated Funds	14,926,900	16,444,300	19,989,400	19,752,800	19,693,300
Other Non-Appropriated Funds	4,789,900	5,493,200	5,835,400	5,835,400	5,835,400
<b>TOTAL - ALL SOURCES</b>	<b>26,094,900</b>	<b>28,266,200</b>	<b>32,501,300</b>	<b>32,331,800</b>	<b>32,213,800</b>

**Program Description** — General Services is comprised of Tenant Services, Building and Planning Services, and Construction Services. Tenant Services manages Arizona Department of Administration (ADOA) owned buildings in the Capitol Mall, provides maintenance and janitorial services, and operates the state Motor Pool, surplus property yard, print shop, and interagency mail services. Building and Planning Services and Construction Services plan and manage the design and construction of state prisons and office buildings, review all state construction projects, inspect the condition of non-university buildings at least once every 4 years, and develop an annual Capital Improvement Plan.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$356,400	5.6%
Other Appropriated Funds	3,249,000	19.8%
Total Appropriated Funds	\$3,605,400	15.8%

## FY 1999 — Recommended Changes from FY 1998

Standard Changes		
Salary Adjustments	\$67,000 OF	\$168,200 GF
ERE Rates	(1,400) OF	(2,800) GF
Risk Management	22,400 OF	-0- GF
Rent	12,200 OF	-0- GF

## Eliminate One-time Equipment

-0- OF (18,000) GF

## Motor Pool Special Line Item

1,716,300 OF

The JLBC Staff recommends a decrease of (2.5) FTE Positions and \$(90,800) for administrative reductions requested by the department; an increase of \$66,500 for a 5% increase in fuel consumption and prices over the FY 1997 amount; an increase of \$52,000 for the department's vehicle maintenance contract; and an

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

increase of \$1,688,600 for vehicle price increases, based on the most recent state bid responses. The Executive essentially concurs, but eliminates (2.75) FTE Positions.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Fleet Management** program during the last year. As a result of that review, the JLBC Staff recommends modifying the program. The PAR Committee adopted the following JLBC Staff recommendations, which are not included in the Staff budget recommendation, pending further work between the budget offices and ADOA:

- Pursue privatization of the ADOA Motor Pool, if indicated by the consultant's upcoming report.
- Consolidate the state fleet by removing the Department of Economic Security's statutory exemption from the ADOA Motor Pool.
- Require non-exempt agencies to transfer ownership of their vehicles to ADOA.
- Delay the statutory requirement for 40% of the state fleet to use alternative fuels and require the department to report back to the PAR Committee by January 15, 1998 on its action plan for compliance with the 40% requirement.

### Appropriate COP Operations

#### and Maintenance Fund

**1,370,700 OF**

Laws 1997, Chapter 210 appropriated the COP Building Operating and Maintenance Fund in FY 1999 for the first time. The JLBC Staff recommends a total of 15 FTE Positions and \$1,370,700 for this new Special Line Item. The fund receives monies from agencies which occupy space in 8 buildings acquired through lease-purchase (COP) financing. The buildings are located away from the Capitol Mall but are operated and maintained by ADOA. For FY 1999, agencies are budgeted \$4.75 per gross square foot for these services, which include custodial, landscaping, repairs, and utilities. Monies are appropriated in individual agency budgets and transferred to the fund for appropriation to ADOA's new Operations and Maintenance Special Line Item. The Executive concurs.

### HVAC Maintenance Contract

**209,000 GF**

The recommended amount funds the increase in the contract to maintain heating, ventilation, and air conditioning (HVAC) systems on the Tucson Complex and Capitol Mall. ADOA maintains small HVAC systems in-house but contracts out for larger, more complex systems. The cost increase from \$275,000 to \$484,000 is based on the low bid for the services. The Executive concurs but recommends an additional \$111,000 and 4 FTE Positions for HVAC cleaning and maintenance. Based on the results of a 1996 PAR of the Facilities Management Program, the JLBC Staff does not recommend these additional positions. The PAR suggested that ADOA's per unit

HVAC budget was in-line with industry standards, although data collection problems made it impossible to make a definitive conclusion.

### Utilities Special Line Item

**59,900 OF**

The JLBC Staff recommends an increase of \$59,900, or 1%, from the Capital Outlay Stabilization Fund (COSF) for the Special Line Item, which funds electric, water, gas, and garbage disposal services on the Capitol Mall and Tucson Complex. For each of the past 2 fiscal years, the expenditures for utilities have come within 1% of the appropriated amount. The recommended amount would provide a larger cushion as utility usage continues to increase, especially on the Capitol Mall. As a result of the state's significant investment in lighting and cooling upgrades, the Special Line Item's funding has not been increased in 5 years. The Executive does not address this issue.

### Unoccupied Lease-Purchase

**42,800 OF**

The JLBC Staff recommends moving this Special Line Item to General Services from the Central Operations cost center. The recommended amount includes a reduction of \$(13,100) to provide a total of \$42,800 from the Capital Outlay Stabilization Fund for the lease-purchase payment on vacant "state-owned" lease space. The Executive does not recommend funding for this line item.

### Rent Adjustment

**(40,900) OF**

The recommended amount reflects adjustments based on actual space occupancy. The reduction includes \$(36,800) from COSF and \$(4,100) from the Corrections Fund. The Executive does not address this issue.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum by Fund with Utilities and Relocation Special Line Items

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

It is the intent of the Legislature that the amount appropriated from the Corrections Fund be expended solely for the oversight of construction projects benefiting the Department of Corrections or the Department of Juvenile Corrections.

### Other Issues for Legislative Consideration



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Surplus Property Management** program during the last year. As a result of that review, the JLBC Staff recommends modifying the program. The PAR Committee adopted the following JLBC Staff recommendations, which will be

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

accomplished separately from the JLBC Staff budget recommendation:

- Appropriate the State Surplus Property Fund and Federal Surplus Property Fund, starting in FY 2000.
- Require the department to submit to the PAR Committee by January 15, 1998 an action plan on its developing new performance measures, based on improved data collection, which will be possible with an automated tracking system.
- Require the department to collect revenue and payment data, by donor fund source (General Fund, all other state funds, and non-state funds), starting in FY 1999.
- Require the department to report the FY 1999 data to the JLBC Staff by September 1, 1999.

### Executive Recommendation

The Executive recommends a total of \$100,200 from the Capital Outlay Stabilization Fund (COSF) and 2 FTE Positions for 3 issues not addressed by the JLBC Staff:

- 1) Of the amount, \$51,500 and 1 FTE Position is for a new engineer position to assist in reviewing construction documents. The JLBC Staff does not recommend this position because performance measures submitted by the department do not indicate a significant increase in activity nor a significant decrease in performance. For example, the number of plans and specifications reviewed increased from 150 in FY 1995 to 180 in FY 1997, but the turn-around time decreased from 30 days to 18 days over this period.
- 2) The Executive also recommends an increase of \$14,400 for the Relocation Special Line Item. No justification is given for this increase, and the JLBC Staff believes that the existing level of \$60,000 is sufficient for unplanned relocations. We continue to believe that planned relocations should be accounted for in individual agency budgets.
- 3) The Executive recommends transferring \$34,300 and 1 FTE Position from the General Fund to COSF based on a similar transfer last year of personnel associated with tenant improvement projects. The JLBC Staff recommends retaining the same number of transferred FTE Positions (5) as were identified in last year's Program Authorization Review of the Facilities Management Program.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Motor Pool Fund	\$10,140,000
Capital Outlay Stabilization Fund	7,714,700
COP Building Operating and Maintenance Fund	1,370,700
Corrections Fund	467,900
TOTAL	\$19,693,300



# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
PROG: Information Services

JLBC: Lynne Smith/Phil Case  
House Sub: Knaperek

OSPB: Bret Cloninger  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	266.3	211.3	211.3	211.3	211.3
Personal Services	6,977,000	7,421,400	7,585,800	7,696,300	7,696,500
Employee Related Expenditures	1,501,600	1,580,500	1,745,500	1,625,800	1,632,700
All Other Operating Expenditures:					
Professional and Outside Services	1,041,200	311,900	697,000	697,000	697,000
Travel - In State	21,500	18,400	23,700	23,700	23,700
Travel - Out of State	43,500	19,300	71,500	44,300	38,100
Other Operating Expenditures	10,375,000	9,086,300	7,578,600	7,613,700	7,613,700
<b>OPERATING SUBTOTAL</b>	<b>19,959,800</b>	<b>18,437,800</b>	<b>17,702,100</b>	<b>17,700,800</b>	<b>17,701,700</b>
<b>SPECIAL LINE ITEMS</b>					
Automation Equipment	507,000	3,553,800	3,991,400	1,622,600	3,553,800
Software and Licenses	1,387,800	1,772,600	2,030,500	2,030,500	2,030,500
Maintenance and Repair	763,200	1,147,100	1,033,300	1,033,300	1,033,300
<b>PROGRAM TOTAL</b>	<b>22,617,800</b>	<b>24,911,300</b>	<b>24,757,300</b>	<b>22,387,200</b>	<b>24,319,300</b>
<b>BY FUND SOURCE</b>					
General Fund	934,200	0	0	0	0
Other Appropriated Funds	21,683,600	24,911,300	24,757,300	22,387,200	24,319,300
Other Non-Appropriated Funds	5,714,400	8,501,100	9,737,800	9,737,800	9,737,800
<b>TOTAL - ALL SOURCES</b>	<b>28,332,200</b>	<b>33,412,400</b>	<b>34,495,100</b>	<b>32,125,000</b>	<b>34,057,100</b>

**Program Description** — *The Information Services Division operates the Data Center, which provides centralized computer services for approximately 70 state agencies, statewide emergency telecommunications services, and state agency telecommunications services.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$(592,000)	(2.4)%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$291,300 OF
ERE Rates	15,600 OF
Risk Management	6,800 OF

### Project EAGLE/Consulting 385,100 OF

The JLBC Staff recommends an increase of \$300,000 for Professional and Outside Services to continue Project EAGLE, which seeks to expand access and consolidate state telecommunications lines through a public-private partnership in the network across Arizona. The recommended amount also includes \$85,100 for disaster recovery and security services. The Executive concurs.

### Rent

**80,000 OF**

The JLBC Staff recommends an increase of \$80,000 for rent. The increased space provides 114 square feet per person, which is below the state average. The Executive concurs.

### Training

**24,100 OF**

The JLBC Staff recommends an increase of \$24,100 for computer training conferences to reflect the department's actual expenditures for training. The Executive recommends an increase of \$30,300.

### Overtime Pay

**20,400 OF**

The recommended amount includes an increase of \$20,400 for overtime. The division previously has not been funded for overtime, but must periodically accommodate rush computer needs of other agencies. The Executive concurs.

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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### **Software and Licenses 257,900 OF**

The recommended amount includes an increase of \$257,900 to reflect increased costs for software and licenses associated with expanded capacity on the Data Center's new mainframe computer. The Executive concurs.

### **Maintenance and Repair (113,800) OF**

The recommended amount includes a decrease of \$(113,800) for projected maintenance costs for FY 1999. The Executive concurs.

### **Automation Equipment (1,559,400) OF**

The recommended amount includes a decrease of \$(1,559,400) to reflect the end of a mainframe computer lease. This provides a total of \$3,553,800 for Data Center and state telecommunications equipment, including lease costs and replacement equipment. The Executive recommends an additional decrease of \$(1,931,200), but adds \$2,843,200 to the Government Information Technology Agency budget for possible consolidation of the Department of Economic Security and Department of Transportation mainframes into the ADOA Data Center.

\* \* \*

### **JLBC Staff Recommended Format — Lump Sum by Fund**

#### **Other Appropriated Fund Source Detail**

	<u>FY 1999 JLBC Rec</u>
Technology and Telecommunications Fund	\$24,319,300

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
PROG: Risk Management

JLBC: Lynne Smith/Phil Case  
House Sub: Knaperek

OSPB: Bret Cloninger  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	173.0	185.0	187.0	82.0	83.0
Personal Services	1,743,200	1,986,700	2,123,100	2,079,200	2,109,300
Employee Related Expenditures	395,000	450,000	508,300	459,900	465,300
All Other Operating Expenditures:					
Professional and Outside Services	214,100	118,000	134,000	134,000	134,000
Travel - In State	23,900	20,000	38,400	32,000	30,900
Travel - Out of State	4,300	9,400	11,700	9,400	9,400
Other Operating Expenditures	558,500	518,300	536,000	538,300	545,900
Equipment	69,400	10,000	44,100	44,100	44,100
<b>OPERATING SUBTOTAL</b>	<b>3,008,400</b>	<b>3,112,400</b>	<b>3,395,600</b>	<b>3,296,900</b>	<b>3,338,900</b>
<b>SPECIAL LINE ITEMS</b>					
Losses and Related Expenditures - RM	27,302,200	35,020,900	36,999,400	37,121,000	36,953,900
Attorney General Defense - RM	4,770,200	5,852,800	6,013,200	5,935,300	5,936,100
Insurance Premiums - RM	4,280,900	5,176,600	5,821,900	5,821,900	5,821,900
Loss Control Grants - RM	237,200	350,000	500,000	500,000	500,000
Risk Management Information System	31,100	233,200	233,200	233,200	233,200
Workers' Compensation	757,100	871,000	932,300	924,200	922,300
Losses and Related Expenditures - WC	14,452,400	16,876,800	16,826,800	18,014,000	18,716,000
Attorney General Defense - WC	114,400	246,400	252,400	251,300	252,700
Insurance Premiums - WC	216,700	293,000	293,000	293,000	293,000
Loss Control Grants - WC	150,000	150,000	200,000	150,000	150,000
Premium Tax	316,200	444,200	444,200	444,200	444,200
University Health Work Program	93,900	159,500	159,500	159,500	159,500
<b>PROGRAM TOTAL</b>	<b>55,730,700</b>	<b>68,786,800</b>	<b>72,071,500</b>	<b>73,144,500</b>	<b>73,721,700</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	55,730,700	68,786,800	72,071,500	73,144,500	73,721,700
Other Non-Appropriated Funds	1,273,200	1,519,000	3,118,900	3,118,900	3,118,900
<b>TOTAL - ALL SOURCES</b>	<b>57,003,900</b>	<b>70,305,800</b>	<b>75,190,400</b>	<b>76,263,400</b>	<b>76,840,600</b>

**Program Description** — *The Risk Management section acts as the state's insurance agent, which includes making property loss and liability payments, as well as developing and administering loss control programs. With the exception of certain limited areas of coverage, the state is self-insured, paying for its own losses and liabilities.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$4,934,900	7.2%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$229,200 OF
ERE Rates	6,500 OF
Risk Management	5,100 OF
Rent	23,600 OF
Eliminate One-time Equipment	(108,700) OF

### Actuarial Fees

**16,000 OF**

The recommended amount includes an additional \$16,000 for the cost of contracted actuarial services. The Executive concurs.

### Investigators

**(70,000) OF**

The JLBC Staff recommends an increase of 2 FTE Positions and \$97,100 for the department to hire in-house investigators, rather than contract investigators, for

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

specific cases where added continuity and knowledge of the state system would aid an investigation. The recommended amount also includes a reduction of \$(167,100) for a corresponding reduction to the contract investigator funding in the Risk Management Losses and Related Expenditures Special Line Item. The Executive recommends 1 FTE Position and \$52,600 for this issue.

### **Equipment 53,600 OF**

The recommended amount includes a total of \$9,500 from the Workers' Compensation Fund for replacement computers and a printer. The recommended amount also includes a total of \$44,100 from the Risk Management Fund for replacement computers and 2 printers. The Executive concurs.

### **Losses and Related Expenditures - RM 2,250,100 OF**

The JLBC Staff recommends an increase of \$2,250,100 for self-insured Risk Management losses and expenditures related to settling these losses. The increase primarily results from higher actuarial estimates for the following: automobile physical damage, automobile liability, building property, and employment liability. The recommended amount reflects the FY 1999 actuarial estimate for the state, using a 50% confidence interval. The Executive concurs.

### **Attorney General Defense -0- OF**

The JLBC Staff recommends eliminating the appropriation of 100 FTE Positions for Risk Management and 4 FTE Positions for Workers' Compensation to reflect the appropriation of these positions in the Attorney General's budget. Funding for these positions remains in the ADOA budget, since the department must pay for Attorney General services. The Executive concurs.

### **Insurance Premiums - RM 645,300 OF**

The recommended amount includes an increase of \$645,300 for the cost of private insurance policies purchased for specific property and liability losses where the state deems it more cost effective to cede risk to an outside insurer. The increase primarily reflects higher costs for aircraft and excess liability policies. The Executive concurs.

### **Loss Control Grants - RM -0- OF**

The recommended amount transfers \$150,000 from the Losses and Related Expenditures Special Line Item to the Loss Control Grants Special Line Item. The department evaluates proposals from state agencies for loss prevention and safety projects, then grants monies for cost-effective projects. Currently, the department can fund less than half of the agencies' loss prevention proposals. The Executive concurs.

### **Workers' Compensation 45,000 OF**

The JLBC Staff recommends an increase of \$30,000 for the department to publicize its Workers' Compensation fraud hotline and early reporting program and an increase of \$15,000 for training. The Executive concurs.

### **Losses and Related Expenditures - WC 1,839,200 OF**

The JLBC Staff recommends an increase of \$1,839,200 for self-insured Workers' Compensation losses and expenditures related to settling these losses. The recommended amount reflects the FY 1999 actuarial estimate for the state, using a 70% confidence interval, less \$2,000,000 in projected savings from a reduction in outside counsel costs started in FY 1998. Due to the high variability of Workers' Compensation losses and a resulting need for supplemental appropriations, the Legislature has funded these losses at the 70% confidence level starting in FY 1996. The Executive recommends an increase of \$1,137,200, which reflects a 50% confidence interval.

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**JLBC Staff Recommended Format** — Operating Lump Sum by Fund with a Risk Management Special Line Item Lump Sum, an Attorney General Defense-Risk Management Special Line Item, a Workers' Compensation Special Line Item Lump Sum, and an Attorney General Defense-Workers' Compensation Special Line Item

### **JLBC Staff Recommended Footnotes**

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the one-time footnote on FY 1998 Attorney General expenditures.

### **Other Issues for Legislative Consideration**

#### **Construction Insurance Fund**

Refer to the Capital Outlay section of the JLBC Staff recommendation for information on the department's new Construction Insurance Fund, which allows ADOA to self-insure or purchase insurance for the state's liability in design and construction of capital projects.

### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
Risk Management Fund	\$52,667,400
Workers' Compensation Fund	21,054,300
TOTAL	\$73,721,700

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration  
PROG: Human Resources

JLBC: Lynne Smith/Phil Case  
House Sub: Knaperek

OSPB: Bret Cloninger  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	119.5	123.0	145.5	145.5	145.5
Personal Services	3,389,700	3,945,500	4,098,900	4,105,800	4,113,700
Employee Related Expenditures	713,600	881,400	972,700	898,700	903,200
All Other Operating Expenditures:					
Professional and Outside Services	207,500	293,000	303,000	303,000	303,000
Travel - In State	12,400	12,000	12,000	12,000	12,000
Travel - Out of State	2,900	7,600	7,600	7,600	7,600
Other Operating Expenditures	999,100	1,134,900	1,220,100	1,156,000	1,154,800
Equipment	146,800	0	4,500	4,500	5,400
<b>OPERATING SUBTOTAL</b>	<b>5,472,000</b>	<b>6,274,400</b>	<b>6,618,800</b>	<b>6,487,600</b>	<b>6,499,700</b>
<b>SPECIAL LINE ITEMS</b>					
Special Recruitment	9,800	43,500	43,500	43,500	43,500
Personnel Automation Project	175,000	175,000	175,000	175,000	175,000
Data Center Services	1,086,900	1,062,700	1,266,600	1,266,600	1,266,600
Personnel Reform (Laws 1997, Ch. 288)	0	0	450,000	450,000	450,000
Classification Project	71,900	0	0	0	0
Health Insurance and Wellness Programs	0	0	2,498,000	2,477,600	2,477,800
<b>PROGRAM TOTAL</b>	<b>6,815,600</b>	<b>7,555,600</b>	<b>11,051,900</b>	<b>10,900,300</b>	<b>10,912,600</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	6,815,600	7,555,600	11,051,900	10,900,300	10,912,600
Other Non-Appropriated Funds	223,168,500	217,386,000	225,180,600	225,180,600	225,180,600
<b>TOTAL - ALL SOURCES</b>	<b>229,984,100</b>	<b>224,941,600</b>	<b>236,232,500</b>	<b>236,080,900</b>	<b>236,093,200</b>

**Program Description** — *The Human Resources Division serves as the state personnel office, providing recruitment and evaluation services, assisting state agencies with hiring and personnel issues, and administering the state's health insurance plans. The division is funded through a 0.9% charge on state agency payrolls.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$3,357,000	44.4%

## FY 1999 — Recommended Changes from FY 1998

<b>Standard Changes</b>	
<b>Salary Adjustments</b>	<b>\$140,100 OF</b>
<b>ERE Rates</b>	<b>(3,400) OF</b>
<b>Risk Management</b>	<b>3,700 OF</b>
<b>Rent</b>	<b>15,300 OF</b>

**Health Insurance Administration** **2,477,800 OF**  
In accordance with Laws 1997, Chapter 210, administrative expenditures from the Health Insurance Trust Fund become appropriated starting in FY 1999. The JLBC Staff recommends a total of 21.5 FTE Positions and \$2,477,800 from this fund for the department to continue

administering the state employee health insurance and wellness programs. This amount includes \$348,000 for transfer to the universities for their portion of the statewide employee wellness program authorized by Laws 1990, Chapter 355. The amount also includes \$563,800 for contracted services, as the department contracts out for most of the ADOA system wellness program. The Executive concurs.

**Personnel Reform** **450,000 OF**  
Laws 1997, Chapter 288 appropriated \$450,000 to the department for FY 1999. As a result of the prior appropriation, this amount will not need to be included in the FY 1999 General Appropriation Act. The monies will

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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be used to implement reform measures required by the bill.  
The Executive concurs.

**Data Center Services** **203,900 OF**  
The recommended amount includes an increase of \$203,900 for Data Center charges associated with increased use of the Human Resource Management System (HRMS). HRMS is the statewide personnel/payroll computer system. The Executive concurs.

**Analysis** **69,600 OF**  
The JLBC Staff recommends an increase of 1 FTE Position and \$69,600 to conduct market research and statistical analysis of statewide personnel data. The recommended amount includes \$5,400 in one-time equipment. The Executive concurs but adds \$61,500.

\* \* \*

### **JLBC Staff Recommended Format — Lump Sum by Fund**

#### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
Personnel Division Fund	\$8,434,800
Health Insurance Trust Fund	2,477,800
TOTAL	\$10,912,600

**AHCCCS  
(AHC)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
Agency Summary

JLBC: Lisa Cotter  
House Sub: Weiers

OSPB: Shelli Silver/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	102,148,400	101,442,400	111,766,700	109,310,100	108,319,700
Long-Term Care	394,402,400	433,060,300	479,734,400	487,400,800	488,414,900
Acute Care	1,159,010,200	1,306,779,200	1,313,652,100	1,286,219,700	1,285,934,800
<b>AGENCY TOTAL</b>	<b>1,655,561,000</b>	<b>1,841,281,900</b>	<b>1,905,153,200</b>	<b>1,882,930,600</b>	<b>1,882,669,400</b>
<b>OPERATING BUDGET</b>					
Full Time Equivalent Positions	2,209.7	2,209.7	2,277.9	2,281.9	2,266.7
Personal Services	27,976,300	29,831,900	32,051,100	32,043,200	31,791,600
Employee Related Expenditures	6,643,800	6,969,300	8,128,900	7,432,200	7,260,900
All Other Operating Expenditures:					
Professional and Outside Services	7,101,000	7,413,700	8,906,500	8,665,800	8,463,700
Travel - In State	253,700	262,900	265,000	265,000	265,000
Travel - Out of State	41,800	70,000	61,600	61,600	61,600
Other Operating Expenditures	13,036,700	10,991,300	11,603,600	11,596,700	11,541,900
Equipment	1,857,200	1,677,600	3,243,800	1,984,100	1,775,100
<b>OPERATING SUBTOTAL</b>	<b>56,910,500</b>	<b>57,216,700</b>	<b>64,260,500</b>	<b>62,048,600</b>	<b>61,159,800</b>
Special Line Items	1,598,650,500	1,784,065,200	1,840,892,700	1,820,882,000	1,821,509,600
<b>AGENCY TOTAL</b>	<b>1,655,561,000</b>	<b>1,841,281,900</b>	<b>1,905,153,200</b>	<b>1,882,930,600</b>	<b>1,882,669,400</b>
<b>BY FUND SOURCE</b>					
General Fund	459,283,800	504,713,000	524,380,100	516,599,000	512,779,700
Federal Funds	976,902,800	1,094,905,200	1,118,443,100	1,115,325,100	1,116,819,700
County Funds	201,201,100	209,968,500	232,081,000	221,770,200	221,434,500
Third Party Collections	2,876,900	5,000,000	1,583,400	1,583,400	1,583,400
Donations Fund	0	0	1,293,800	1,288,300	1,276,400
Tobacco Tax Funds	15,296,400	26,695,200	27,371,800	26,364,600	28,775,700
<b>TOTAL - ALL SOURCES</b>	<b>1,655,561,000</b>	<b>1,841,281,900</b>	<b>1,905,153,200</b>	<b>1,882,930,600</b>	<b>1,882,669,400</b>

**Agency Description** — The Arizona Health Care Cost Containment System (AHCCCS) is Arizona's alternative to a traditional fee-for-service Medicaid system. Started in 1982, 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 members gain eligibility through a variety of federal and state programs. In some cases, eligibility based on federal programs is tied to the applicant also being eligible for a cash assistance program, such as Supplemental Security Income (SSI). Although another cash assistance program, Aid to Families with Dependent Children (AFDC), was replaced and its automatic link to eligibility severed, citizens who meet AFDC eligibility criteria as of July 16, 1996 will remain eligible for AHCCCS. Low-income pregnant women and children can qualify under a federal "medical assistance only" category. Other individuals not meeting federal eligibility requirements but either indigent or having catastrophic medical expenses may qualify for state-supported assistance in the Medically Needy/Medically Indigent (MN/MI) program or other state-only eligibility programs. In addition to an acute medical services program, AHCCCS also operates the Arizona Long-Term Care System (ALTCS), a Medicaid program that provides long-term nursing care in nursing facilities or home and community based settings.



# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ 8,066,700	1.6%
Federal Funds	21,846,200	2.0%
County Funds	11,534,300	5.5%
Tobacco Tax Funds	2,080,500	7.8%
Donations Fund	1,276,400	100.0%
Third Party Collections	(3,416,600)	(68.3)%
Total Funds	\$41,387,500	2.2%

## FY 1999 — Recommended Changes from FY 1998

Standard Changes		
Salary Adjustments	\$1,970,900 TF	\$931,100 GF
ERE Rates	(153,400) TF	(135,900) GF
Risk Management	10,100 TF	(11,700) GF
Rent	71,600 TF	36,000 GF
Eliminate One-time		
Equipment	(1,677,600) TF	(901,400) GF
Other	(20,700) TF	(6,700) GF

## Medicare Premiums and Qualified

Medicare Beneficiaries	2,262,800 TF	739,600 GF
Maternity Length of Stay	6,328,300 TF	-0- GF
HIV/AIDS Treatment	1,502,000 TF	-0- GF

\* \* \*

JLBC Staff Recommended Format — Varies by Program

## ADMINISTRATION

ALTCS Eligibility		
Determination	1,915,000 TF	842,700 GF
ALTCS Interactive		
Interviewing	262,000 TF	-0- GF
Decision Support System	975,000 TF	-0- GF
ADOA Data Center	1,240,700 TF	407,700 GF
Healthcare Group	1,276,400 TF	-0- GF
DES PASARR	(125,900) TF	(31,300) GF
DES MEDICS	(264,800) TF	(140,700) GF
Equipment	1,398,000 TF	744,500 GF

## LONG-TERM CARE

ALTCS Lump Sum		
Appropriation	55,354,600 TF	7,030,700 GF

## ACUTE CARE

FY 1998 Estimated		
Acute Care Variance	(63,056,700) TF	(5,872,700) GF
Demographic, Inflationary, and Capitation		
Rate Increases	42,318,100 TF	10,766,700 GF
Disproportionate		
Share Payments	(9,047,100) TF	(9,047,100) GF
Health Plan Rate		
Reconciliation	3,032,500 TF	1,883,300 GF
Third Party Collections	-0- TF	831,900 GF
Continue Phase-Down of		
Quick Pay Discount	(4,184,300) TF	-0- GF
Change in FMAP	-0- TF	-0- GF

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
 PROG: Administration

JLBC: Lisa Cotter  
 House Sub: Weiers

OSP: Shelli Silver/Aimee Petrosky  
 Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	2,209.7	2,209.7	2,277.9	2,281.9	2,266.7
Personal Services	27,976,300	29,831,900	32,051,100	32,043,200	31,791,600
Employee Related Expenditures	6,643,800	6,969,300	8,128,900	7,432,200	7,260,900
All Other Operating Expenditures:					
Professional and Outside Services	7,101,000	7,413,700	8,906,500	8,665,800	8,463,700
Travel - In State	253,700	262,900	265,000	265,000	265,000
Travel - Out of State	41,800	70,000	61,600	61,600	61,600
Other Operating Expenditures	13,036,700	10,991,300	11,603,600	11,596,700	11,541,900
Equipment	1,857,200	1,677,600	3,243,800	1,984,100	1,775,100
OPERATING SUBTOTAL	56,910,500	57,216,700	64,260,500	62,048,600	61,159,800
SPECIAL LINE ITEMS					
ADOA Data Center	7,277,900	3,737,900	4,978,600	4,978,600	4,978,600
Indian Advisory Council	201,900	202,800	219,900	215,300	209,100
DES Eligibility	36,563,900	38,287,700	39,256,500	39,045,600	39,057,000
DES DDSA	157,900	205,700	210,400	205,800	208,000
DES PASARR	65,700	205,400	83,500	81,900	81,700
DES MEDICS	369,400	360,800	96,000	96,000	96,000
DHS Licensure	381,400	776,700	889,700	877,400	803,700
DHS PASARR	116,300	212,200	213,600	212,400	212,900
DHS Indirect Costs	103,500	236,500	264,200	260,200	236,500
Healthcare Group Administration	0	0	1,293,800	1,288,300	1,276,400
PROGRAM TOTAL	102,148,400	101,442,400	111,766,700	109,310,100	108,319,700
BY FUND SOURCE					
General Fund	49,089,600	49,008,200	52,961,100	51,754,100	50,742,500
Federal Funds	53,058,800	52,434,200	57,511,800	56,267,700	56,300,800
Donations Fund	0	0	1,293,800	1,288,300	1,276,400
TOTAL - ALL SOURCES	102,148,400	101,442,400	111,766,700	109,310,100	108,319,700

**Program Description** — Administration responsibilities related to health plan contracting include rate negotiations, health plan auditing and financial oversight, and assisting with the formulation of new health plans. Other major Administration responsibilities include the development and maintenance of the management information system, adjudicating provider or eligibility grievances, policy development and research, and agency finance and accounting. Additionally, the Administration performs eligibility determinations for the Arizona Long-Term Care System and for SSI Medical Assistance only (MAO) Eligibility. Eligibility for the Acute Care program is conducted by the Department of Economic Security (DES), counties, and the federal Social Security Administration. The appropriation for DHS – AHCCCS represents an allocation of costs incurred by the Department of Health Services (DHS) in its role of performing licensing and inspections of Title XIX-certified nursing care facilities. This function is a federal Medicaid requirement and is conducted in accordance with an intergovernmental agreement between AHCCCS and DHS.

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$1,734,300	3.5%
Federal Funds	3,866,600	7.4%
Donations Fund	1,276,400	100.0%
<b>Total Funds</b>	<b>\$6,877,300</b>	<b>6.8%</b>

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### FY 1999 — Recommended Changes from FY 1998

#### Standard Changes

Salary Adjustments	\$1,970,900 TF	\$931,100 GF
ERE Rates	(153,400) TF	(135,900) GF
Risk Management	10,100 TF	(11,700) GF
Rent	71,600 TF	36,000 GF
Eliminate One-time		
Equipment	(1,677,600) TF	(901,400) GF
Other	(20,700) TF	(6,700) GF

#### ALTCS Eligibility

**Determination**                      **\$1,915,000 TF**                      **\$842,700 GF**

The JLBC Staff recommends an increase of \$842,700 GF and \$1,915,000 TF for ALTCS eligibility determination. This amount includes \$1,606,200 and 44 FTE Positions for AHCCCS' Division of Member Services, which performs initial medical and financial eligibility determinations for ALTCS applicants as well as annual financial and medical redeterminations for ALTCS members. ALTCS caseloads have grown 23% over the past 3 years and are expected to continue growing steadily. At the same time, the number of eligibility staff has only increased 3% during the past 3 years. AHCCCS reports that in FY 1997, 20% of initial ALTCS eligibility determinations were untimely. Fee-for-service costs are incurred while an applicant is awaiting eligibility approval. Once approved, the member can be enrolled with a Program Contractor at a significantly lower capitated rate. AHCCCS also reports a 4,700 member backlog in medical and financial redeterminations as of June, 1997. Untimely redeterminations cost the state additional funds because members who are no longer eligible for ALTCS remain in the program longer than they should. The Executive recommends \$954,400 GF for new staff for ALTCS eligibility determination.

The recommendation also includes \$156,200 GF and \$312,500 TF for an additional ALTCS field office in Phoenix. The amount includes one-time costs of \$125,000 and annual rent, utilities and maintenance of \$187,500. The increased space is recommended to accommodate a portion of the additional 92 staff appropriated to the Member Services Division since FY 1994. The Executive concurs.

#### ALTCS Interactive

**Interviewing**                      **262,000 TF**                      **-0- GF**

Contingent upon project approval by the Government Information Technology Agency (GITA), the JLBC Staff recommends \$262,000 TF to allow ALTCS financial eligibility interviewers to capture information electronically during face to face interviews. With a growing ALTCS population, computerizing the eligibility interview will save time and improve efficiency. The recommendation includes federal funds expenditure authority for one-time costs of hardware, software, and

consulting, and software licensing and maintenance fees. The JLBC Staff estimates the state match for this project will be \$262,000 and assumes the state match will be funded through the agency's base budget. The Executive concurs with the federal funds authority for this project, but also adds the state match of \$262,000 GF.

**Decision Support System**                      **975,000 TF**                      **-0- GF**

Contingent upon project approval by GITA and the Information Technology Advisory Committee (ITAC), the JLBC Staff recommends \$975,000 TF for the expansion of the Decision Support System. The expansion will allow AHCCCS to obtain more timely information on service utilization data used in operational and financial decision making. The increase includes federal funds expenditure authority for one-time costs of \$975,000 in Professional and Outside Services. AHCCCS estimates the state match for this project will be \$175,000. The JLBC Staff recommendation assumes the state match will be funded through the agency's base budget. The Executive concurs with the federal funds authority for this project, but also adds the state match of \$175,000 GF.

**ADOA Data Center**                      **\$1,240,700 TF**                      **\$407,700 GF**

The JLBC Staff recommends increases of \$407,700 GF and \$1,240,700 TF for the ADOA Data Center Special Line Item. AHCCCS is expected to use more ADOA mainframe time and resources because of increases in AHCCCS' number of records and on-line users. The Executive concurs.

#### Healthcare Group Administration

**Special Line Item**                      **\$1,276,400 TF**                      **-0- GF**

Laws 1997, Chapter 210 appropriated the administrative costs for AHCCCS' Healthcare Group Program. For FY 1999, the JLBC Staff recommendation includes 14 FTE Positions and \$1,276,400 from the AHCCCS Donations Fund for the Healthcare Group Administration Special Line Item. The Healthcare Group Program administers a health insurance program for small businesses and political subdivisions of the state. Its administration funding comes from premiums paid by program participants. The Executive recommends \$1,288,300 and 14 FTE Positions for Healthcare Group administration.

**DES PASARR**                      **(125,900) TF**                      **(31,300) GF**

The JLBC Staff recommends a reduction of (1) FTE Position, \$(31,300) GF and \$(125,900) TF in the DES PASARR Special Line Item. The reduction reflects federal changes allowing for fewer annual resident reviews. These reviews now only need to be completed when there is a significant change in the physical or mental condition of a Developmentally Disabled (DD) client residing in a skilled nursing facility. The Executive concurs.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

**DES MEDICS (264,800) TF (140,700) GF**  
The JLBC Staff recommends a reduction of \$(140,700) GF and \$(264,800) TF in the DES MEDICS Special Line Item. The Special Line Item funds the automation of the eligibility system for SOBRA women and children and other "medical assistance only" programs. The reduction reflects a decrease in the lease purchase payment for MEDICS equipment. The Executive concurs.

**Equipment 1,398,000 TF 744,500 GF**  
The JLBC Staff recommends one-time funding of \$744,500 GF and \$1,398,000 TF for replacement equipment. The recommendation includes funding for 18 alternative fuel vehicles, 17 copiers, 157 personal computers, 69 laser printers, 1 mainframe laser printer, and other equipment. The Executive recommends \$744,300 GF for replacement equipment.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

It is the intent of the Legislature that the appropriation for the Arizona Department of Administration Data Center charges be used only for the payment of charges incurred by the Administration for the usage of computing services provided by the Arizona Department of Administration Data Center.

The amounts appropriated for the Department of Economic Security Special Line Items shall be used for intergovernmental agreements with the Department of Economic Security for the purpose of eligibility determination and other functions as set forth above. The General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based upon the results of the Arizona random moment sampling survey.

The amounts appropriated for the Department of Health Services Special Line Items shall be used for intergovernmental agreements with the Department of Health Services for the purpose of Medicaid-related licensure, certification and registration, and other functions as set forth above.

Of the \$108,319,700 expenditure authority for Administration, \$50,742,500 is appropriated from the state General Fund.

#### New Footnotes

It is the intent of the Legislature that the Department of Economic Security in conjunction with the Arizona Health Care Cost Containment System shall provide quarterly reports on their progress in implementing the Comprehensive Medical and Dental Plan (CMDP) as a health plan. The first report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee will be due March 31, 1998. These quarterly reports will be provided until June 30, 1999. *(This was the recommendation of the CMDP Study Committee, which was to determine the feasibility of transferring CMDP from DES to AHCCCS.)*

The Arizona Health Care Cost Containment System shall report by May 31, 1999 to the Joint Legislative Budget Committee on the feasibility of competitive bidding for the provision of services to developmentally disabled clients by FY 2002. *(See the Department of Economic Security budget recommendation for further detail.)*

Of the FY 1998 \$40,343,200 Total Funds appropriation for the DES-Eligibility Special Line Item, \$2,055,500 in Federal Funds is exempt from lapsing until June 30, 2000. *(These federal funds are available for 3 years to modify DES systems to make a separate Medicaid eligibility calculation for those applying for or receiving cash assistance under TANF.)*

### Other Issues for Legislative Consideration

#### FY 1998 Supplemental for DES-Eligibility

The JLBC Staff recommends that the DES-Eligibility Special Line Item receive an additional \$2,055,500 TF in FY 1998 for eligibility determination changes necessary due to the federal welfare reform law. Prior to the passage of the federal welfare reform law, those receiving Aid to Families with Dependent Children (AFDC) benefits were categorically eligible for AHCCCS benefits. The federal welfare reform law replaced AFDC with Temporary Assistance for Needy Families (TANF) and severed the automatic link between TANF and AHCCCS eligibility. The federal government is providing funding for increased Medicaid administrative costs resulting from the federal welfare reform law. With this funding, DES will modify its existing systems to make a separate Medicaid eligibility calculation for those applying for or receiving cash assistance under TANF. DES estimates that a \$384,000 General Fund match will be required for this project. The JLBC Staff recommends that existing funding in the DES-Eligibility Special Line Item be used for the state match. The JLBC Staff also recommends that the \$2,055,500 increase in federal funding authority be exempt from lapsing until June 30, 2000. *(See related footnote under New Footnotes.)* The Executive concurs at a federal funds cost of \$1,868,200.

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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### **Executive Recommendation**

In addition to the above issues, the Executive recommends a net increase of \$185,000 GF in the AHCCCS operating budget for increases in outside financial consulting and decreases in a variety of areas. The Executive also recommends the following Special Line Item increases from the General Fund: \$2,800 GF for the Indian Advisory Council, \$9,700 GF for DHS Indirect Costs and \$43,900 GF and 1.1 FTE Position for DHS Licensure. Of the DHS Licensure increase, \$17,300 GF and 0.5 FTE Position is a transfer from the DHS Assurance and Licensure Special Line Item.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
PROG: Long-Term Care

JLBC: Lisa Cotter  
House Sub: Weiers

OSPB: Shelli Silver/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0
<b>SPECIAL LINE ITEMS</b>					
ALTCS Lump Sum Appropriation	394,226,500	432,850,600	479,459,400	487,191,100	488,205,200
Board of Nursing	175,900	209,700	275,000	209,700	209,700
<b>PROGRAM TOTAL</b>	<u>394,402,400</u>	<u>433,060,300</u>	<u>479,734,400</u>	<u>487,400,800</u>	<u>488,414,900</u>
<b>BY FUND SOURCE</b>					
General Fund	0	5,728,800	0	13,464,200	12,759,500
Federal Funds	259,890,800	284,052,500	314,342,900	318,855,900	320,910,400
County Funds	134,511,600	143,279,000	165,391,500	155,080,700	154,745,000
<b>TOTAL - ALL SOURCES</b>	<u>394,402,400</u>	<u>433,060,300</u>	<u>479,734,400</u>	<u>487,400,800</u>	<u>488,414,900</u>

**Program Description** — The Arizona Long-Term Care System (ALTCS) was established in 1989 to provide federal Medicaid long-term care services to persons meeting federally-prescribed income and resource standards and at risk of being institutionalized. Prior to FY 1998, ALTCS program costs were funded entirely with county and federal dollars. Beginning in FY 1998, the state and the counties are sharing in the cost of ALTCS program growth. The state continues to fund the non-federal share of the administrative cost of ALTCS. The AHCCCS Administration conducts ALTCS eligibility and is also responsible for contracting with providers. As in the Acute program, providers receive a monthly capitation payment that covers the full range of ALTCS services, including acute medical services.

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ 7,030,700	122.7%
County Funds	11,466,000	8.0%
Federal Funds	36,857,900	13.0%
Total Funds	<u>\$55,354,600</u>	<u>12.8%</u>

## FY 1999 — Recommended Changes from FY 1998

### ALTCS Redistribution Plan

Laws 1997, Chapter 2, 2nd Special Session (H.B. 2006) redistributed the responsibility for non-federal ALTCS program costs. Until FY 1998, the counties were responsible for 100% of the non-federal share of ALTCS program costs. The counties requested state assistance because ALTCS costs have been growing faster than county revenues. Through Chapter 2, from FY 1998 onward the state and the counties will share in the growth of the ALTCS program 50/50.

H.B. 2006 also addresses contribution inequities among counties. Since 1989, each county has contributed to ALTCS according to statutory percentages based upon that county's long-term care expenditures in FY 1988. These percentages are outdated and result in some counties subsidizing other counties' ALTCS expenditures.

Beginning in FY 1998, H.B. 2006 requires that over a 4-year period, counties be phased in to contributing to ALTCS based upon their share of ALTCS expenditures rather than the previous statutory percentages.

Finally, H.B. 2006 contains several provisions to address specific counties' needs. First, it limits each county's ALTCS contribution to 90 cents per \$100 of net assessed property value. Second, it limits the contribution for counties with an On-Reservation population that represents at least 20% of the county's total population. It also limits the contribution of counties who would pay more under the new ALTCS redistribution plan than they would have under the old statutory percentages.

Based upon JLBC Staff estimates, the bill contains a General Fund FY 1998 supplemental appropriation of \$5,728,800 for ALTCS program costs. This General Fund

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

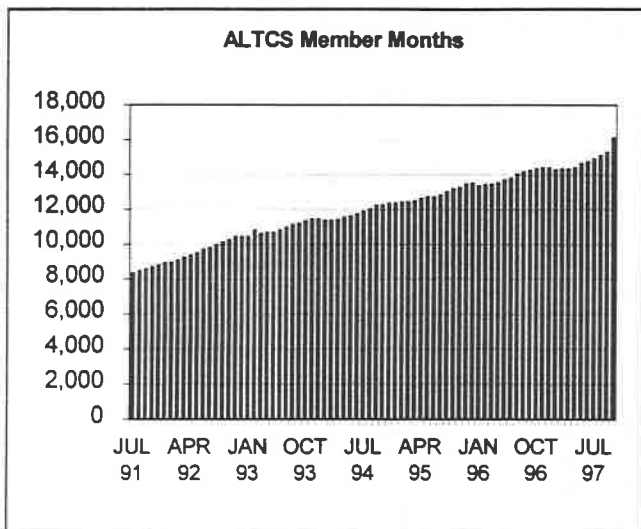
offset reduces the required FY 1998 county contribution from \$149,007,800 to \$143,279,000.

### ALTCS Lump Sum

**Appropriation 55,354,600 TF 7,030,700 GF**

The JLBC Staff recommendation is based on 16,580 average annual member years and 7% population growth over the FY 1998 appropriation. The estimate reflects 3.4% medical inflation for an average per member per month cost of \$2,438, which includes the cost of Capitation, Fee-For-Service, Reinsurance, Medicare Premiums and Nurse Aid Training costs.

The enrollment for the ALTCS program has grown steadily in the 7% to 9% range for the last few years. The following graph displays the growth in ALTCS enrollment since 1991.



Medical inflation, or cost per client, has fluctuated over the life of the program due to increased utilization of home-and-community-based services (HCBS). The cap on placements into HCBS has recently been increased by the Health Care Financing Administration from 40% to 45% of program enrollment. Statewide, actual HCBS enrollment was approximately 38% in FY 1997.

The FY 1999 JLBC Staff recommendation also reflects increased costs for ALTCS' High Cost Behavioral Health members. The number of such members has increased recently, and they require expensive specialized behavioral health settings. During the second half of 1996, AHCCCS agreed to reimburse Program Contractors for High Cost Behavioral Health members through Reinsurance. It is estimated that increased Reinsurance costs for High Cost Behavioral Health members will be approximately \$6 million in FY 1999.

For FY 1999, the JLBC Staff recommendation would require a General Fund ALTCS contribution of

\$12,759,500, which is an increase of \$7,030,700 above the FY 1998 supplemental appropriation. The JLBC Staff recommendation would require a county contribution of \$154,745,000 for long-term care, which is an increase of \$11,466,000, or 8.0% over the estimated FY 1998 contribution. In accordance with Laws 1997, Chapter 2, 2nd Special Session (H.B. 2006), both the state and the county ALTCS contribution shall be specified in the General Appropriation Act. The county amount will be collected through the withholding of sales tax distributions by the formula set forth in A.R.S. § 11-292 as amended by Chapter 2.

It is important to note that the amounts appropriated in the AHCCCS budget for ALTCS do not include expenditures for the Developmental Disabilities (DD) program as the DD portion of the ALTCS program is administered by the Department of Economic Security. Since the inception of the program, the State General Fund has provided the entire state share of matching funds necessary for the ALTCS DD program. The General Fund share of this program has increased from \$11,500,000 in FY 1989 to approximately \$75,000,000 in FY 1998 with the JLBC Staff recommended supplemental.

The Executive recommends an increase of \$54,340,500 TF. This would require a state contribution of \$13,464,200 GF and a county contribution of \$155,080,700 for FY 1999. The Executive estimate includes \$297,000 GF for state-only funding for immigrants who lost federal long-term care benefits through welfare reform.

\* \* \*

**JLBC Staff Recommended Format** — Special Line Items for the Program

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

Any Federal Funds that AHCCCS passes through to the Department of Economic Security for use in Long-Term Care for the developmentally disabled shall not count against the Long-Term Care expenditure authority above.

#### Modification of Prior Year Footnotes

Pursuant to A.R.S. § 11-292B, the ~~FY 1997 FY 1998~~ FY 1998-1999 non-federal portion of the costs of providing Long-Term Care System services is \$167,504,500. THE STATE CONTRIBUTION IS \$12,759,500 AND THE COUNTY CONTRIBUTION IS \$154,745,000. (Laws 1997, Chapter 2, 2<sup>nd</sup> Special Session requires that both the county and state ALTCS contribution be specified in the General Appropriation Act.)

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Health Care Cost Containment System  
PROG: Acute Care

JLBC: Lisa Cotter  
House Sub: Weiers

OSPB: Shelli Silver/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC

## OPERATING BUDGET

Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0
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## SPECIAL LINE ITEMS

Capitation	733,542,200	808,322,700	864,688,500	854,602,100	852,798,800
Fee-For-Service	267,889,400	285,362,700	238,269,500	226,909,100	230,566,700
Reinsurance	21,135,300	39,363,000	39,653,100	34,097,100	34,012,700
Medicare Premiums	18,110,100	17,658,400	19,288,600	21,913,200	19,569,800
Qualified Medicare Beneficiaries	3,908,200	4,582,100	7,482,800	4,728,900	5,017,600
Disproportionate Share Payments	114,425,000	150,310,400	125,979,700	125,679,400	125,679,400
Graduate Medical Education	0	0	18,289,900	18,289,900	18,289,800
Temporary Assistance to Counties	0 <sup>1/</sup>	0	0	0	0
Welfare Reform	0	1,179,900	0	0	0
<b>PROGRAM TOTAL</b>	<b>1,159,010,200</b>	<b>1,306,779,200</b>	<b>1,313,652,100</b>	<b>1,286,219,700</b>	<b>1,285,934,800</b>

## BY FUND SOURCE

General Fund	410,194,200	449,976,000	471,419,000	451,380,700	449,277,700
Federal Funds	663,953,200	758,418,500	746,588,400	740,201,500	739,608,500
County Funds	66,689,500	66,689,500	66,689,500	66,689,500	66,689,500
Third Party Collections	2,876,900	5,000,000	1,583,400	1,583,400	1,583,400
Tobacco Tax Funds	15,296,400	26,695,200	27,371,800	26,364,600	28,775,700
<b>TOTAL - ALL SOURCES</b>	<b>1,159,010,200</b>	<b>1,306,779,200</b>	<b>1,313,652,100</b>	<b>1,286,219,700</b>	<b>1,285,934,800</b>

<sup>1/</sup> Laws 1997, Chapter 7, 1<sup>st</sup> Special Session appropriated \$3,274,000 General Fund to AHCCCS in FY 1997 for the payment of outstanding medical claims for Apache and Navajo counties related to tribal members residing on-reservation. AHCCCS did not expend this appropriation in FY 1997, but pursuant to Laws 1997, Chapter 2, 2<sup>nd</sup> Special Session, these funds will not revert to the General Fund until June 30, 1999.

**Program Description** — The AHCCCS Acute Care program is the medical services component of Arizona's Medicaid Demonstration Project. The program is based on prepaid monthly capitation payments to contracted providers for the full range of authorized medical services including some behavioral health services available to enrolled members. The program follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate and are responsible for managing patient utilization and cost through a system of prior authorization and utilization review, coordinated by a primary care physician or practitioner. As a federal demonstration project, the Acute Care program operates under a series of federal waivers that make the "managed care" concept possible. AHCCCS covers the mandatory federal eligibility groups, as well as certain optional state groups, such as the Medically Needy/Medically Indigent (MN/MI.) In cases involving catastrophic medical expenses, AHCCCS supplements Capitation through Reinsurance in order to preserve health plan financial viability.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ (698,300)	(0.2)%
Federal Funds	(18,810,000)	(2.5)%
Tobacco Tax Funds	2,080,500	7.8%
Third Party Collections	(3,416,600)	(68.3)%
Total Funds	\$(20,844,400)	(1.6)%



## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### FY 1999 — Recommended Changes from FY 1998

#### FY 1998 Estimated Acute

Care Variance \$(63,056,700) TF \$(5,872,700) GF

The JLBC Staff is estimating General Fund expenditures for the Acute Care program to be \$(5,872,700) less than the FY 1998 appropriation. The change from the appropriated amount is attributable to the factors summarized in the table below.

	\$ Change in Millions	
	TF	GF
Caseload Declines & Reinsurance	\$(62.5)	\$(18.6)
Lagging Fee-For-Service Claims	17.0	11.1
Disproportionate Share Payments	(15.6)	0.0
Tobacco Tax/3rd Party Collections	(0.9)	2.6
Federal Immigrant Changes	(1.0)	(1.0)
<b>TOTAL CHANGE</b>	<b>\$(63.1)</b>	<b>\$ (5.9)</b>

The estimate includes savings of \$(18,560,400) GF from lower than expected Reinsurance costs and declining caseloads, particularly in the TANF and SOBRA categories.

The revised 1998 estimate also takes into account a number of AHCCCS contract changes that begin October 1, 1997. The estimate projects much higher Capitation expenditures and lower Fee-For-Service expenditures than the FY 1998 appropriation. Prior to October 1, AHCCCS applicants were covered through Fee-For-Service payments until they enrolled with a health plan. Beginning October 1, 1997, most applicants will be covered through Capitation payments from the first day of the month of application. This change should lead to lower state expenditures in the long run because capitation is less costly than fee-for-service.

The contract change, however, has some additional costs in the short run. In FY 1998, as AHCCCS costs shift from Fee-For-Service to Capitation, there will be roughly 3 months in which AHCCCS is paying both Capitation and lagging Fee-For-Service claims at the same time. The JLBC Staff estimates that additional one-time costs for lagging claims will be \$11,135,500 GF in FY 1998. The JLBC was not aware of this one-time fiscal impact until after the contractual changes had been made. As a result, the JLBC Staff recommends that AHCCCS come before the JLBC for review before shifting other Fee-For-Service populations to Capitation. (See related footnote under New Footnotes.)

Beginning October 1, 1997, AHCCCS will also be using new rate codes for Acute Care Capitation. Because of these changes, the JLBC Staff has relied more on data converted by AHCCCS and less on historical trend data in arriving at revised FY 1998 and FY 1999 estimates.

The FY 1998 Disproportionate Share Hospital program award from the federal government will be \$81,000,000, which is \$(15,583,900) TF lower than the FY 1998 appropriation. However, the JLBC Staff estimates no decrease in the state match for Disproportionate Share payments. Instead, the anticipated General Fund savings will be used to fund the Arizona State Hospital, which has lost its Medicaid certification and is currently ineligible for federal funds. (See *Disproportionate Share issue and the Department of Health budget recommendation for further detail.*)

For FY 1998, the JLBC Staff estimates that use of Tobacco Tax monies and Third Party Collections will be lower than projected in the FY 1998 appropriation. Of the \$26,695,200 appropriated from the Tobacco Tax for AHCCCS budget items, it is estimated that only \$25,753,400 will be expended due to lower expenditures for the expanded Maternity Length of Stay and new HIV/AIDS Drugs. Of the \$5,000,000 estimated for Third Party Collections, it is estimated only \$2,415,300 will be available to be expended. The potential reduction of \$(2,584,700) in Third Party Collections will have to be made up with an increase of \$2,584,700 GF.

The revised FY 1998 estimate includes a \$(1,032,500) GF decrease to reflect 100% state funding added to the AHCCCS budget through Laws 1997, Chapter 300 that is no longer needed because of a change in federal law. Chapter 300 provided \$1,032,500 GF for medical benefits for legal immigrants residing in the U.S. under color of law prior to August 21, 1996 who had been participating in AHCCCS through SSI categorical eligibility and were to become ineligible for federal medical benefits as of September 30, 1997. This group's categorical eligibility has been extended by the federal government until September 30, 1998.

This estimated Acute Care Variance adjustment is shown so that the following amounts accurately reflect the amounts of cost increases or decreases associated with the revised FY 1998 estimate. Relative to the JLBC Staff estimated Acute Care variance, the Executive projects a slightly lower General Fund surplus for FY 1998.

#### Demographic, Inflationary and Capitation

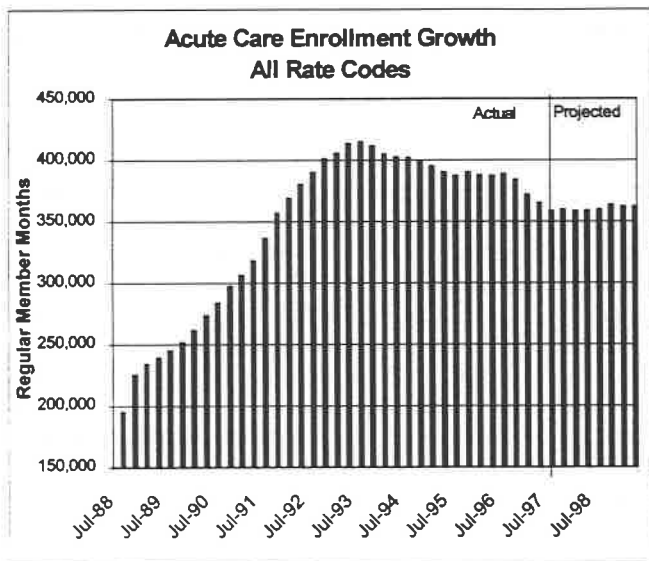
Rate Increases 42,318,100 TF 10,766,700 GF

The JLBC Staff recommends a \$10,766,700 GF and \$42,318,100 TF increase in Capitation, Fee-For-Service and Reinsurance. The JLBC Staff estimates reflect demographic and inflationary increases for those AHCCCS members enrolled in capitated health plans, and other populations whose services are paid on a fee-for-service basis. Such populations include Native Americans served by Indian Health Services facilities or referred off-reservation, and persons eligible for only emergency services coverage. The estimate also includes increased

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

FY 1999 costs for the Graduate Medical Education Program, which was previously included in Capitation and is now budgeted separately in the Graduate Medical Education Special Line Item. The JLBC Staff recommendation projects that overall AHCCCS enrollment will grow by slightly less than 1% in FY 1999.

The JLBC Staff recommendation includes 3.36% cost growth in FY 1999 for Fee-For-Service. Capitation rates are determined through a competitive bid process with AHCCCS typically awarding 2 or 3-year Acute Care contracts and adjusting rates on an annual basis. The JLBC Staff recommendation allows for a combined average enrollment and capitation rate increase of 5.8% across all rate codes.



The JLBC Staff recommendation includes a reduction of \$(17,000,000) TF and \$(11,135,500) GF for the FY 1998 one-time Fee-For-Service lag. The recommendation also reflects changes in immigrant coverage due to welfare reform and the discontinuation of routine prenatal/postpartum coverage for undocumented immigrants. The Executive recommends a General Fund increase of \$11,912,400 for Capitation, Fee-For-Service, Reinsurance, and Graduate Medical Education demographics and medical inflation.

**Graduate Medical Education**      -0- TF      -0- GF  
Pursuant to Laws 1997, Chapter 256, beginning in FY 1998 AHCCCS is to establish a separate Graduate Medical Education program to reimburse hospitals that have graduate medical education programs. The Graduate Medical Education allocation is to be adjusted annually by the increase or decrease in the Data Resources Incorporated hospital market index for prospective hospital reimbursement. For FY 1999, the Graduate Medical Education program will require \$18,289,900 TF and

\$9,189,600 GF. The Executive recommends \$9,261,500 GF for Graduate Medical Education.

### FY 1999 Health Plan

**Rate Reconciliation**      3,032,500 TF      1,883,300 GF  
Beginning October 1, 1997, AHCCCS Acute Care contracts include expanded capitation coverage from the time period when a person first presents him/herself for medical services. This "prior period" is generally more expensive than the regular capitation period because people often present themselves for medical services only when they have a medical emergency. AHCCCS has agreed to reconcile with health plans for up to 5% of the negotiated "prior period" capitation rates at the end of the first contract year under the new system. The potential cost of the reconciliation adjustment is \$1,883,300 GF and \$3,032,500 TF. The Executive concurs.

### Disproportionate Share Payments

**FY 1998**      (15,583,900) TF      -0- GF  
**FY 1999**      (9,047,100) TF      (9,047,100) GF  
As reflected in the section on the FY 1998 Acute Care Variance, the FY 1998 Disproportionate Share Hospital (DSH) program award from the federal government will be \$81,000,000, which is \$(15,583,900) TF lower than the FY 1998 appropriation. However, for FY 1998 the JLBC Staff estimates no decrease in the state match for Disproportionate Share Payments. Instead, the anticipated General Fund savings will be used to fund the Arizona State Hospital, which has lost its Medicaid certification and is currently ineligible for federal funds. Aside from the Arizona State Hospital state-only funding, the FY 1998 DSH reduction will be shared proportionately by all DSH recipients.

The FY 1999 federal DSH award is expected to be the same as the FY 1998 award. It is expected, however, that by FY 1999 the Arizona State Hospital will have regained Medicaid certification and will be eligible for federal DSH funding. For FY 1999, the JLBC Staff projects a \$(9,047,100) GF decrease for DSH to reflect the end of state-only funding for ASH and the lower state match required for the lower federal DSH award.

Disproportionate Share is a federal Medicaid program for providing supplemental payments to hospitals that serve disproportionately large numbers of low income patients, many of whom may not be able to pay for their care. Payments are based on a share of hospital patient days used by Medicaid-eligible patients, or by a hospital's "low income" utilization rate. States may also make payments to optional state-defined categories of hospitals. In Arizona, these include county and state-operated hospitals and hospitals affiliated with AHCCCS health plans. In addition to hospital payments, this appropriation also provides payments to counties without county-operated

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

hospitals. These are referred to as county in-lieu payments.

It is important to note that the Disproportionate Share Payment figures are only preliminary and will change. At the end of this program section is a table that shows a simplified depiction of the Disproportionate Share Program. This recommendation requires annual session law language in the Omnibus Reconciliation Bill. The Executive concurs with the JLBC DSH recommendation.

### **Medicare Premiums            1,643,400 TF            534,200 GF**

The JLBC Staff recommendation includes increased funding of \$534,200 GF and \$1,643,400 TF for Medicare Premiums. This line item represents the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and Medicare Part A (hospital insurance) coverage. This "buy-in" reduces state costs since the federal government, through Medicare, absorbs some costs that otherwise would have been paid by AHCCCS. The recommended increase reflects both population growth and the increased cost of Part B premiums. The Executive recommends an increase of \$1,362,500 GF and \$3,986,800 TF.

### **Qualified Medicare**

#### **Beneficiaries (QMBs)            619,400 TF            205,400 GF**

The JLBC Staff recommendation includes \$205,400 GF and \$619,400 TF for the QMBs line item. Federal law requires states to pay Medicare Part A and Part B premiums, deductibles and co-payments for eligible low income Medicare recipients. The Executive recommends an increase of \$110,700 GF and \$330,700 TF.

### **Third Party Collections            -0- TF            831,900 GF**

For a number of years, funding for the AHCCCS budget has included \$5,000,000 in Third Party Collections as an offset to the General Fund contribution. Actual Third Party Collections, however, have been lower than \$5,000,000. It is estimated that Third Party Collections will total \$2,415,300 in FY 1998 and \$1,583,400 in FY 1999. The reduction in collections in FY 1999 will have to be made up with a General Fund increase of \$831,900. The Executive concurs.

### **County Acute Care Contribution            -0- TF            -0- GF**

The JLBC Staff recommendation maintains the county contribution to the Acute Care program at the current year level of \$66,689,500. Under this recommendation, the state would bear a state match increase of \$1,382,200 for Acute Care (General Fund and Tobacco Tax Funds), while the counties and the state would share the cost of the increase in ALTCS which is estimated to be \$18,496,700 for FY 1999. (*See AHCCCS ALTCS cost center for an expanded analysis of changes in county and state contributions.*) The county contribution is set annually in

a session law provision in the Omnibus Reconciliation Bill. The Executive concurs.

### **Continue Phase-Down of**

#### **Quick Pay Discount            (4,184,300) TF            -0- GF**

The JLBC Staff recommends continuing the phase-down of the "Quick Pay Discount" for FY 1999 (7% state-only; 1% federal), resulting in a cumulative cost of \$17,606,700 TF. This is \$(4,184,300) less than the amount appropriated for the quick pay phase-down in FY 1998. The JLBC Staff also recommends that the state share of this cost, \$7,546,400, be funded from the Tobacco Tax Fund. This amount is \$(432,400) less than the FY 1998 Tobacco Tax appropriation for quick pay. The quick pay discount is a reduction in the reimbursement for bills paid "quickly" by AHCCCS (within 30 days of receipt). The quick pay discount for state-only reimbursement is being lowered by 1% each year until reaching 1% in 2005. On March 1, 1999, the state-only rate will be lowered from 8% to 7%. The rate was previously as high as 10%.

The reimbursement for federal categorical populations was lowered from 3% on October 1, 1997 to 1%. No further reductions are planned. The FY 1999 estimate for the quick pay phase-down is lower than the FY 1998 appropriation because the JLBC Staff is no longer calculating quick pay for Reinsurance. AHCCCS has confirmed that quick pay is not applicable to Reinsurance claims. The JLBC Staff recommends that the session law provision allowing use of Tobacco Tax monies for these purposes be continued. The Executive recommends that \$7,826,600 in Tobacco Tax monies be used for the quick pay phase-down.

### **Change in the Federal Medical**

#### **Assistance Percentage (FMAP)            -0- TF            -0- GF**

The JLBC Staff recommends an increase of \$397,200 state match for a change in the federal matching rate known as the FMAP. This rate is based on a relationship between a 3-year "moving average" for Arizona per capita income and national average per capita income. For federal FY 1999, Arizona's FMAP is estimated to increase from 65.33% to 65.50%. The JLBC Staff recommends using Tobacco Tax Funds to support the loss of federal matching funds due to FMAP changes since FY 1996. The state share of this cost was funded with \$4,145,000 in Tobacco Tax monies in FY 1998. In FY 1999, the use of Tobacco Tax monies to fund the state share of the change in the FMAP will increase to \$4,542,200. The JLBC Staff recommends that the session law provision allowing use of Tobacco Tax monies for these purposes be continued. The Executive estimates that FMAP will cost the state \$4.4 million in FY 1999, but recommends freezing Tobacco Tax FMAP funding at \$4,145,000 to ensure sufficient Tobacco Tax Medically Needy Account monies to fund the State Children's Health Insurance Program.

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### **Maternity Length of Stay 6,328,300 TF -0- GF**

The JLBC Staff recommendation includes continued funding for increases in the length of stay for mothers and infants following birth. In accordance with a recent federal law, health plans may not restrict hospital stays to less than 48 hours following a normal delivery or 96 hours following a caesarian section. Under the law, the length of stay may be shortened if the attending physician in consultation with the mother makes the decision to do so.

It is estimated that the increase in maternity length of stay will cost \$5,836,800 TF in FY 1998 and \$12,165,100 TF in FY 1999. Since the additional cost results from a change in covered services, the JLBC Staff recommends the FY 1999 state share of \$4,213,200 continue to be funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. This is an increase of \$2,294,200 over the estimated Tobacco Tax monies required for maternity length of stay in FY 1998. The JLBC Staff recommends that the session law provision allowing the use of Tobacco Tax monies for these purposes be continued. The Executive recommends freezing Tobacco Tax maternity length of stay funding at \$1,919,000 to ensure sufficient Tobacco Tax Medically Needy Account monies to fund the State Children's Health Insurance Program.

### **HIV/AIDS Treatment 1,502,000 TF -0- GF**

The JLBC Staff recommends continued funding to provide a specific drug therapy to Title XIX HIV/AIDS recipients. The coverage of these "protease inhibitors" is required by the federal Health Care Financing Administration as a successful means of delaying the progression to AIDS and prolonging life. It is estimated that the cost of this drug therapy will be \$2,733,100 TF in FY 1998 and \$4,275,100 TF in FY 1999. Since the additional cost results from a change in covered services, the JLBC Staff recommends the state share of the cost, \$2,473,900, be funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. This is an increase of \$867,500 over the estimated Tobacco Tax monies required for HIV/AIDS Treatment in FY 1998. The JLBC Staff recommends that the session law provision allowing the use of Tobacco Tax monies for these purposes be continued. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format** — Special Line Items for the Program

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Of the appropriation for Disproportionate Share Payments made pursuant to A.R.S. § 36-2903.01R, the sum of \$\_\_\_\_\_ is for qualifying county operated hospitals,

\$\_\_\_\_\_ is for deposit in the Arizona State Hospital Fund and \$\_\_\_\_\_ is for other qualifying disproportionate share hospitals.

The remaining \$\_\_\_\_\_ is for in-lieu payments to counties having a population of 500,000 persons or less according to the most recent United States decennial census, in an amount which is the difference between the disproportionate share payments made pursuant to A.R.S. § 36-2903.01R, and \$\_\_\_\_\_, if the disproportionate share payments are less than \$\_\_\_\_\_. For each county that would receive less than \$\_\_\_\_\_ from these in-lieu payments, the system administration shall make an additional in-lieu payment that will provide the county with a total payment of \$\_\_\_\_\_. (These numbers will be added later when the Disproportionate Share numbers are final.)

Of the \$1,285,934,800 expenditure authority for Acute Care, \$449,277,700 is appropriated from the State General Fund.

#### *New Footnotes*

Before making capitation changes to current fee-for-service programs that may have a budgetary impact in FY 1999 or FY 2000, the Arizona Health Care Cost Containment System shall report its plan to the Joint Legislative Budget Committee for review. (See discussion of FY 1998 Acute Care Variance for the reasoning behind this footnote.)

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning the establishment of a study committee on the Comprehensive Medical and Dental Program.

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends authorizing AHCCCS in FY 1999 to use the Medically Needy Account of the Tobacco Tax and Health Care Fund to continue the quick pay phase-down, pay for the elimination of the \$10,000,000 reduction in state-only hospital bills, replace reduced Federal Funds, fund extended maternity length of stay coverage, and fund the newly-required HIV/AIDS treatment.

The JLBC Staff recommends setting the FY 1999 county Acute Care contribution at \$66,689,500, the same level as FY 1998.

The JLBC Staff recommends continuing the annual Omnibus Reconciliation Bill provision of adjusting the upcoming fiscal year's county repayment requirement under the Disproportionate Share Hospital (DSH) program in line with projected federal funding. The JLBC Staff also recommends continuing the provision of extending the

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

county expenditure limit adjustments associated with DSH payments an additional year.

The JLBC Staff recommends that any excess DSH funds remaining in the Arizona State Hospital Fund at the end of the fiscal year revert to the General Fund. *(This technical change is necessary to properly distribute funds within the DSH program.)*

### Other Issues for Legislative Consideration

#### State Children's Health Insurance Program (SCHIP)

The Federal Balanced Budget Act of 1997 provides new federal funding to states for health care coverage for uninsured children who fall below 200% of the federal poverty level and are not eligible for Medicaid as of June 1, 1997. Arizona may use this new Title XXI funding to expand the AHCCCS program or to provide health insurance under a new state program. Up to 10% of the funding may be used for outreach. Arizona is eligible for an estimated \$113,000,000 per year in FY 1998 through FY 2000. To draw down federal funds, the state will be required to provide matching funds of \$36,000,000 per year through FY 2000. The state's first year funding will become available October 1, 1997, and each year's allocation may be expended over a 3-year period before it reverts to the federal government. Arizona must have a federally approved SCHIP plan by September 30, 1998 to retain the first year's allotment.

Beyond the first 3 years of the program, Arizona's share of federal funding is estimated to drop to \$106,000,000 in FY 2001 and \$73,000,000 in FY 2002. The lower amounts to Arizona result from a change in how funds are allocated among state and a decrease in total federal funding in the out years of the program. The federal government has allocated, but not appropriated, funding for FY 2003 through FY 2007.

The Executive recommends that Arizona's SCHIP program cover children up to 175% of the federal poverty level and be funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. While the JLBC Staff does not make an SCHIP recommendation, the Medically Needy Account cannot support all of its current obligations and SCHIP on an ongoing basis. As shown in the Tobacco Tax table that follows, the Medically Needy Account's projected carry-forward balance at the end of FY 1998 is \$68,991,100. This surplus could support the state's SCHIP match for less than 2 years. In addition, the JLBC Staff projects that in FY 1999, the Medically Needy Account's revenues will equal \$84,288,600 and its expenditures will equal \$91,519,900. If the Legislature opts to fund the SCHIP state match with Medically Needy Account monies on an ongoing basis, funding decreases will need to be made to other Medically Needy Account expenditures.

If an SCHIP plan is implemented in Arizona, it will create a "woodwork effect" that will lead to higher AHCCCS costs. That is, as SCHIP outreach efforts encourage parents to apply for health coverage for their children, some of the applicants will be found eligible for the current AHCCCS program (Title XIX). Federal law requires that these children be enrolled in the current AHCCCS program, which has a lower federal match rate than SCHIP. Based upon preliminary research, the Executive estimates this woodwork effect will lead to an AHCCCS General Fund increase of \$8,136,100 for 3 quarters of FY 1999. The Executive has not recommended this funding as part of the AHCCCS budget. They may pursue this issue through separate legislation.

#### Executive Recommendation

The Executive recommends an increase of \$648,300 TF and \$223,700 GF in FY 1999 for Federally Qualified Health Centers (FQHCs). Per federal law, FQHCs are entitled to 100% cost reimbursement for services provided to Title XIX recipients. However, through its federal Section 1115 waiver, AHCCCS is not required to offer 100% cost reimbursement to FQHCs. For several years, AHCCCS has been negotiating a settlement with FQHCs for retroactive reimbursement to April 1990. The settlement is expected to include a future supplemental capitation rate of \$1.75 per member per month. The Executive recommendation would cover this supplemental capitation rate in FY 1999.

#### Summary of the Tobacco Tax and Health Care Fund

As shown in the Tobacco Tax table, the JLBC projects that Tobacco Tax revenues will equal \$127,217,400 and Tobacco Tax expenditure earmarks will equal \$130,692,700 in FY 1999. The projected expenditures include \$28,775,700 for items in the FY 1999 AHCCCS budget, which is \$2,080,500 more than Tobacco Tax funding for items in the FY 1998 AHCCCS budget. The FY 1999 JLBC Staff recommendation includes the following Tobacco Tax funding:

- Phase-down of the Quick Pay Discount—\$7,546,400
- Elimination of \$10,000,000 Reduction on State-Only Hospital Bills—\$10,000,000
- Change in Federal Medical Assistance—\$4,542,200
- Expanded Maternity Length of Stay—\$4,213,200
- HIV/AIDS Treatment—\$2,473,900

# **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>Tobacco Tax and Health Care Fund</b>			
<u>Funds Available</u>			
Revenue	<u>\$126,368,800</u>	<u>\$127,091,900</u>	<u>\$127,217,400</u>
<u>Allocation</u>			
DOR Administration	303,900	345,700	352,600
Transfer to AHCCCS-Medically Needy & Interest	87,166,600	85,716,800	84,288,600
Transfer to DHS-Health Education & Interest	29,361,100	29,223,300	29,221,700
Transfer to DHS-Health Research & Interest	6,368,700	6,338,800	6,338,500
Transfer to DOC Corrections	280,400	280,400	280,400
Medical Services Stabilization Fund Interest	2,202,300	3,438,400	4,360,300
Premium Sharing Fund Revenue	685,800	1,748,500	2,375,400
<b>Total Allocation</b>	<u>126,368,800</u>	<u>127,091,900</u>	<u>127,217,400</u>
<b>AHCCCS Medically Needy Account</b>			
<u>Funds Available</u>			
Balance Forward	101,271,100	86,549,900	68,991,100
Transfer In – Tobacco Tax and Health Care Fund	82,829,400	82,410,000	82,405,100
Interest Revenue	4,337,200	3,306,800	1,883,500
<b>Total Funds Available</b>	<u>\$188,437,700</u>	<u>\$172,266,700</u>	<u>\$153,279,700</u>
<u>Allocation</u>			
Offset Loss in Federal Funding	2,021,200	4,145,000	4,542,200
Phase-Down of Quick Pay Discount	4,522,800	7,978,800	7,546,400
\$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	0	1,919,000	4,213,200
HIV/AIDS Treatment	0	2,652,400	2,473,900
Transplants	1,707,900	3,500,000	3,500,000
DHS Construction	0 <sup>1/</sup>	0	0
Transfer to AHCCCS-Medical Services Stab Fund	45,000,000	15,000,000	15,000,000
Transfer to AHCCCS-Premium Sharing Demo Project	20,075,000	20,400,000	20,400,000
Transfer to DHS-Medically Needy	18,560,900	36,180,400	22,744,200
Transfer to DHS Health Crisis Fund	0	1,000,000	600,000
Transfer to DES Aging and Adult Administration	0	500,000	500,000
<b>Total Allocation</b>	<u>101,887,800</u>	<u>103,275,600</u>	<u>91,519,900</u>
<b>Balance Forward</b>	<u>\$ 86,549,900</u>	<u>\$ 68,991,100</u>	<u>\$ 61,759,800</u>
<b>AHCCCS Medical Services Stabilization Fund</b>			
<u>Funds Available</u>			
Balance Forward	14,065,400	61,267,700	79,706,100
Transfer In – Medically Needy Account	45,000,000	15,000,000	15,000,000
Interest Revenue	2,202,300	3,438,400	4,360,300
<b>Total Funds Available</b>	<u>\$ 61,267,700</u>	<u>\$ 79,706,100</u>	<u>\$ 99,066,400</u>
<b>AHCCCS Premium Sharing Demo Project Fund</b>			
<u>Funds Available</u>			
Balance Forward	0	20,734,000	28,571,600
Transfer In – Medically Needy Account	20,075,000	20,400,000	20,400,000
Revenue	685,800	1,748,500	2,375,400
<b>Total Funds Available</b>	<u>\$ 20,760,800</u>	<u>\$42,882,500</u>	<u>\$51,347,000</u>
<u>Allocation</u>			
Administrative Expenses	26,800	310,900	293,900
Services	0	14,000,000	20,000,000
<b>Total Allocation</b>	<u>26,800</u>	<u>14,310,900</u>	<u>20,293,900</u>
<b>Balance Forward</b>	<u>\$ 20,734,000</u>	<u>\$28,571,600</u>	<u>\$31,053,100</u>

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## DHS Health Education Account

### Funds Available

Balance Forward	32,424,400	43,596,900	43,089,100
Transfer In – Tobacco Tax and Health Care Fund	27,215,300	27,077,500	27,075,900
Interest Revenue	2,145,800	2,145,800	2,145,800
<b>Total Funds Available</b>	<b>\$ 61,785,500</b>	<b>\$ 72,820,200</b>	<b>\$ 72,310,800</b>

### Allocation

Administration and Program Costs	18,188,600	29,731,100	25,000,000
<b>Total Allocation</b>	<b>18,188,600</b>	<b>29,731,100</b>	<b>25,000,000</b>

<b>Balance Forward</b>	<b>\$ 43,596,900</b>	<b>\$ 43,089,100</b>	<b>\$ 47,310,800</b>
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## DHS Health Research Account

### Funds Available

Balance Forward	7,996,100	11,994,300	10,778,900
Transfer In – Tobacco Tax and Health Care Fund	5,916,300	5,886,400	5,886,100
Interest Revenue	452,400	452,400	452,400
<b>Total Funds Available</b>	<b>\$ 14,364,800</b>	<b>\$ 18,333,100</b>	<b>\$ 17,117,400</b>

### Allocation

Disease Control Research Commission	2,370,500	7,054,200	6,304,100
Transfer to U of A – Liver Research Institute	0	500,000	500,000
<b>Total Allocation</b>	<b>2,370,500</b>	<b>7,554,200</b>	<b>6,804,100</b>

<b>Balance Forward</b>	<b>\$ 11,994,300</b>	<b>\$ 10,778,900</b>	<b>\$ 10,313,300</b>
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## DHS Medically Needy Account

### Funds Available

Balance Forward	0	2,405,500	2,405,500
Transfer In – AHCCCS Medically Needy	18,560,900	36,180,400	22,744,200
<b>Total Funds Available</b>	<b>\$ 18,560,900</b>	<b>\$ 38,585,900</b>	<b>\$ 25,149,700</b>

### Allocation

Primary Care Programs	4,134,700	6,240,000	6,240,000
Qualifying Community Health Centers	4,404,100	5,200,000	5,200,000
Telemedicine	255,000	260,000	0
Mental Health Programs for Non-Title 19	5,000,000	5,000,000	5,000,000
Detoxification Services	500,000	500,000	0
Renal Disease Management	150,000	250,000	250,000
Basic Children's Medical Services Program	1,429,600	5,200,000	5,200,000
Evaluations	282,000	854,200	854,200
Public Health Education	0	7,500,000	0
Rural Private Primary Care Provider Loan Repay Programs	0	111,200	0
Community Health Center Grants	0	2,500,000	0
Primary Care Capital Construction Projects	0	2,500,000	0
Salome Health Services	0	65,000	0
<b>Total Allocation</b>	<b>16,155,400</b>	<b>36,180,400</b>	<b>22,744,200</b>

<b>Balance Forward</b>	<b>\$ 2,405,500</b>	<b>\$ 2,405,500</b>	<b>\$ 2,405,500</b>
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## DHS Health Crisis Fund

### Funds Available

Transfer In – Medically Needy Account	0	1,000,000	600,000
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### Allocation

AIDS/HIV Treatment	0	600,000	0
<b>Total Allocation</b>	<b>0</b>	<b>600,000</b>	<b>0</b>

<b>Balance Forward</b>	<b>\$ 0</b>	<b>\$ 400,000</b>	<b>\$ 1,000,000</b>
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<b>TOTAL EXPENDITURE EARMARKS <sup>2/</sup></b>	<b>\$125,513,800</b>	<b>\$146,373,900</b>	<b>\$130,692,700</b>
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1/ The table assumes that the \$14,800,000 appropriation in Laws 1997, Chapter 5, 1<sup>st</sup> Special Session for construction of the DHS State Health Lab will be repealed.

2/ For the purposes of this table, transfers to and interest earned in the Medical Services Stabilization Account, Premium Sharing Demonstration Project Fund, DHS Health Crisis Fund and DES Aging and Adult Administration are included as expenditures.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## Summary of Disproportionate Share Payments

	FY 1997 Actual	FY 1998 Appropriated	FY 1998 Estimated	FY 1999 Estimated
<b>Maricopa County</b>				
Revenues	79,236,300	82,950,600	88,994,200	69,318,100
Costs	(63,756,100)	(66,843,200)	(75,213,400)	(56,177,800)
Net Benefit	15,480,200	16,107,400	13,780,800	13,140,300
<b>Pima County</b>				
Revenues	17,120,100	17,871,500	19,103,200	15,123,400
Costs	(9,931,500)	(10,391,600)	(12,703,700)	(9,021,400)
Net Benefit	7,188,600	7,479,900	6,399,500	6,102,000
<b>Other Counties</b>				
Revenues	2,374,200	2,470,400	2,113,600	2,015,300
Costs	0	0	0	0
Net Benefit	2,374,200	2,470,400	2,113,600	2,015,300
<b>Private Hospitals</b>				
Revenues	17,847,900	18,571,000	15,888,500	15,150,000
Costs	0	0	0	0
Net Benefit	17,847,900	18,571,000	15,888,500	15,150,000
<b>Arizona State Hospital</b>				
Revenues	28,159,700	28,446,900	8,627,000	24,072,600
Costs	0	0	0	0
Net Benefit 1/	28,159,700	28,446,900	8,627,000 <sup>2/</sup>	24,072,600
<b>TOTAL DSH REVENUE</b>	<b>\$144,738,200</b>	<b>\$150,310,400</b>	<b>\$134,726,500</b>	<b>\$125,679,400</b>
<b>State General Fund</b>				
<u>Revenue</u>				
County Withholding	73,687,600	77,234,800	87,917,100	65,199,200
ASH DSH Transfer	16,165,800	16,453,000	0	12,078,700
Additional Revenue	11,091,300 <sup>3/</sup>	1,053,100 <sup>4/</sup>	1,053,100 <sup>4/</sup>	0
Total Revenue	100,944,700	94,740,900	88,970,200	77,277,900
<u>Appropriation</u>				
State Match	(51,447,100)	(53,726,500)	(53,726,500)	(44,679,400)
<b>NET STATE BENEFIT</b>	<b>\$ 38,406,300<sup>3/</sup></b>	<b>\$ 39,961,300<sup>4/</sup></b>	<b>\$ 34,190,600<sup>4/</sup></b>	<b>\$ 32,598,500</b>

1/ For FY 1997 and FY 1999, of this amount, \$11,993,900 is used as a direct offset and the remainder is deposited into the General Fund.

2/ For FY 1998, ASH has lost its Medicaid certification and is currently ineligible for federal DSH funds. Instead, the state will provide \$8,627,000 in state-only DSH funding for ASH. The remaining \$3,366,900 required for ASH operations will require a GF supplemental. Please see the Department of Health Services budget recommendation for further detail.

3/ Due to the lateness of FY 1996 DSH award, this ASH DSH transfer occurred in FY 1997. For purposes of calculating the net state benefit, this \$11,091,600 is included in FY 1996 revenue rather than FY 1997 revenue.

4/ Due to the lateness of FY 1997 DSH award, this ASH DSH transfer occurred in FY 1998. For purposes of calculating the net state benefit, this \$1,053,100 is included in FY 1997 revenue rather than FY 1998 revenue.



**COMMUNITY COLLEGES  
(COM)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: State Board of Directors for Community Colleges

JLBC: Bruce Groll  
House Sub: Knaperek

OSPB: Rita Sauv  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
State Board Administration	683,000	688,000	1,249,600	1,120,800	993,900
Teacher Certification	145,100	246,500	149,400	145,600	148,800
State Aid to Community College Districts	110,396,900	120,069,700	119,710,600	114,495,400	114,495,400
<b>AGENCY TOTAL</b>	<b>111,225,000</b>	<b>121,004,200</b>	<b>121,109,600</b>	<b>115,761,800</b>	<b>115,638,100</b>
<b>OPERATING BUDGET</b>					
Full Time Equivalent Positions	13.0	13.0	13.0	13.0	13.0
Personal Services	530,500	560,600	588,000	580,100	580,100
Employee Related Expenditures	91,300	95,100	109,400	97,700	91,800
All Other Operating Expenditures:					
Professional and Outside Services	30,300	9,600	29,600	9,600	9,600
Travel - In State	35,500	35,200	35,700	35,700	35,200
Travel - Out of State	4,400	2,800	4,900	2,800	2,800
Other Operating Expenditures	104,700	109,200	109,200	109,200	109,200
Equipment	21,400	12,000	12,200	8,100	4,000
<b>OPERATING SUBTOTAL</b>	<b>818,100</b>	<b>824,500</b>	<b>889,000</b>	<b>843,200</b>	<b>832,700</b>
<b>SPECIAL LINE ITEMS</b>					
Indirect Costs	10,000	10,000	10,000	10,000	10,000
District-by-District Special Line Items*	109,296,900	112,098,700	114,495,600	114,495,400	114,495,400
Technology Assisted Learning	1,100,000	2,756,000	0	0	0
Technology and Special Initiatives	0	5,215,000	5,215,000	0	0
Arizona Transfer Support System	0	100,000	500,000	0	300,000
Arizona Postsecondary Voucher Program	0	0	0	400,000	0
Course Equivalency Guide	0	0	0	13,200	0
<b>AGENCY TOTAL</b>	<b>111,225,000</b>	<b>121,004,200</b>	<b>121,109,600</b>	<b>115,761,800</b>	<b>115,638,100</b>
<b>BY FUND SOURCE</b>					
General Fund	111,079,900	120,757,700	133,960,200	115,616,200	115,489,300
Other Appropriated Funds	145,100	246,500	149,400	145,600	148,800
Federal Funds	3,039,600	3,187,800	2,940,000	2,940,000	2,940,000
<b>TOTAL - ALL SOURCES</b>	<b>114,264,600</b>	<b>124,192,000</b>	<b>137,049,600</b>	<b>118,701,800</b>	<b>118,578,100</b>

\* Details for District-by-District Special Line Items can be found on COM-4.

**Agency Description** — The Arizona community college system is comprised of a state board of directors and 10 college districts. The board consists of 15 members — one from each county, appointed by the Governor; a representative of the Arizona Board of Regents (ABOR); and the Superintendent of Public Instruction or the Superintendent's designee. The State Board of Directors for Community Colleges (State Board): a) enacts ordinances for the governance of the community colleges; b) sets standards for their operation; c) arranges for certification of community college teachers, and fixes and collects fees for issuance and renewal of certificates; and d) fixes student tuition and fees. The community colleges provide programs not exceeding 2 years training in the arts, sciences and humanities beyond the 12<sup>th</sup> grade of public or private high school course of study or vocational education.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$(5,268,400)	(4.4)%
Other Appropriated Funds	(97,700)	(39.6)%
Total Appropriated Funds	\$(5,366,100)	(4.4)%

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$2,500 OF	\$19,200 GF
ERE Rates	(1,200) OF	(4,300) GF
Eliminate One-time Equipment	(3,000) OF	(9,000) GF

### Equipment

4,000 OF

The JLBC Staff recommends a total one-time increase of \$4,000 from the Teacher Certification Fund as follows: \$2,300, to replace an obsolete office copier; and \$1,700 to upgrade certification software. The \$2,300 amount for the copier is a prorated share of the total cost of \$11,800 (\$7,100 General Fund, \$2,300 Certification Fund, and \$2,400 Federal Funds) based on the proportional FTE Position distributions to each fund, respectively. However, no additional GF appropriation is required due to estimated one-time first year savings of \$8,300 in maintenance agreement and per copy service fees and outsourcing.

### Operating State Aid

1,712,200 GF

The JLBC Staff recommends fully funding the Operating State Aid statutory formula in FY 1999 for an increase of \$1,712,200, or 1.9%, over the FY 1998 appropriation. The Executive concurs.

The statutory Operating State Aid formula adds to each district's current year operating aid appropriation additional funding for enrollment growth only. Districts with declining enrollment are "held harmless" and funded at the current year's appropriated base amount.

The Operating State Aid formula works as follows:

1. The total statewide current year operating aid appropriation is divided by the most recent audited full-time student equivalent (FTSE) count to determine the average dollar amount per FTSE or the "growth factor."
2. This factor is multiplied by the growth only FTSE change from the 2 most recent years' audited FTSE at each community college district to determine the dollar growth amount for each district.
3. Then, this dollar growth amount for each community college district (if any) is added to their current year operating aid appropriation to determine their next fiscal year budget amount per statute.

For FY 1999, the funding formula increase is based on statewide audited enrollment "growth only" at community colleges of 1,558 FTSE and an average dollar amount per FTSE or growth factor of \$1,099. This "growth only" formula funding increase reflects FTSE increases and corresponding additional aid to only 5 of the 10 districts.

Current legislation also states that each district has the option of using up to 20% of its total Capital Outlay Aid appropriation for Operating State Aid purposes. The law gives districts greater flexibility in resource planning and spending.

A number of alternatives to the statutory Operating State Aid formula have been discussed in recent years; and as technology changes enable on-line access to actual student enrollment, the Legislature may want to consider a funding model based on current enrollment. (See Other Issues)

## FULL-TIME STUDENT EQUIVALENT COUNT (FTSE)

Districts	FY 1995 Actual	FY 1996 Actual	FY 1997 Actual	Change: FY 1995-FY 1996		Change: FY 1996-FY 1997	
	Combined FTSE *	Combined FTSE*	Combined FTSE*	Combined FTSE*	%	Combined FTSE *	%
Cochise	3,013	2,928	2,919	(85)	(2.82)%	(9)	(0.31)%
Coconino	1,387	1,518	1,588	131	9.44	70	4.61
Graham	2,383	2,450	2,607	67	2.81	157	6.41
Maricopa	43,657	44,911	46,135	1,254	2.87	1,224	2.73
Mohave	2,035	2,136	2,146	101	4.96	10	0.47
Navajo	2,162	2,128	2,128	(34)	(1.57)	0	0
Pima	14,936	15,050	14,997	114	0.76	(53)	(0.35)
Pinal	3,060	3,260	3,079	200	6.54	(181)	(5.55)
Yavapai	2,490	2,718	2,608	228	9.16	(110)	(4.05)
Yuma/LaPaz	2,980	2,996	3,093	16	0.54	97	3.24
Net Total	78,103	80,095	81,300	1,992	2.55%	1,205	1.50%
Growth Only							
Total	—	—	—	2,111	—	1,558	—

\* Combined FTSE includes basic actual (operational), additional short-term, operating/open exit and skill center classes.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## OPERATING AID RECOMMENDATION

<u>Districts</u>	<u>FY 1998 Operating State Aid</u>	<u>FY 1999 JLBC Rec.</u>	<u>FY 1998-1999 \$ Change</u>
Cochise	\$5,083,000	\$5,083,000	\$0
Coconino	2,553,900	2,630,800	76,900
Graham	4,656,300	4,828,800	172,500
Maricopa	38,886,300	40,231,500	1,345,200
Mohave	3,368,500	3,379,500	11,000
Navajo	3,826,300	3,826,300	0
Pima	16,483,700	16,483,700	0
Pinal	5,540,600	5,540,600	0
Yavapai	4,361,500	4,361,500	0
Yuma/La Paz	4,588,700	4,695,300	106,600
<b>Total</b>	<b>\$89,348,800</b>	<b>\$91,061,000</b>	<b>\$1,712,200</b>

### Capital Outlay State Aid

**8,100 GF**

The JLBC Staff recommends fully funding the Capital Outlay State Aid formula in FY 1999 for a net increase of \$8,100, or 0.1%, over the FY 1998 appropriation. The Executive concurs.

This sum is derived by funding the statutory rates of \$210/FTSE for districts with 5,000 or less FTSE, and \$160/FTSE for districts with greater than 5,000 FTSE and multiplying these rates by the total number of audited FTSE for each district.

Alternatives to the statutory Capital Outlay formula have also been discussed. The Legislature may want to consider a model that reflects on-going expenses that colleges will incur regardless of moderate fluctuations in enrollment. (See Other Issues)

## CAPITAL OUTLAY AID RECOMMENDATION

<u>Districts</u>	<u>FY 1998 Capital Outlay Aid</u>	<u>FY 1999 JLBC Rec.</u>	<u>FY 1998-FY 1999 \$ Change</u>
Cochise	\$632,700	\$613,000	(\$19,700)
Coconino	318,800	333,500	14,700
Graham	571,800	547,500	(24,300)
Maricopa	7,185,800	7,381,600	195,800
Mohave	448,600	450,700	2,100
Navajo	454,000	446,900	(7,100)
Pima	2,511,700	2,399,500	(112,200)
Pinal	685,000	646,600	(38,400)
Yavapai	570,800	547,700	(23,100)
Yuma/La Paz	629,200	649,500	20,300
<b>Total</b>	<b>\$14,008,400</b>	<b>\$14,016,500</b>	<b>\$8,100</b>

### Equalization Aid

**676,400 GF**

The JLBC Staff recommends fully funding the Equalization Aid statutory formula in FY 1999 for an increase of \$676,400, or 7.7%, over the FY 1998 appropriation. Four districts continue to be eligible to receive Equalization Aid in FY 1999: Cochise, Graham, Navajo, and Yuma/La Paz. The Executive concurs.

Laws 1992, Chapter 345 amended the previous statutes regarding Equalization Aid. The law established a new minimum assessed valuation (AV) required to establish a community college district (\$448,017,200) and provided that this amount would increase by an "equalization growth factor" defined as the average percentage increase in total assessed valuation for all rural districts for the 2 most recent years for which actual data is available in FY 1994 and beyond. For FY 1998, the minimum primary assessed valuation was \$539,654,200. This amount is adjusted by 4.59%—the average percent change in primary assessed valuation for tax years 1996 and 1997, as shown in the following table—to obtain the new FY 1999 minimum primary assessed valuation base amount of \$564,424,300. The new minimum is then compared to each rural district's Tax Year 1997 Primary Assessed Value to determine Equalization Aid eligibility for FY 1999 budgeting purposes. Equalization Aid is provided to districts with assessed valuations less than the statutory minimum, based on the difference between the district's prior year actual assessed valuation and the minimum assessed valuation at the lesser of \$1.37/\$100 AV or the district's levy.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## EQUALIZATION GROWTH FACTOR

<u>District</u>	<u>Tax Year 1996 Primary AV</u>	<u>Tax Year 1997 Primary AV</u>	<u>Percent Growth</u>
Cochise	\$421,678,814	\$437,540,198	3.76%
Coconino	768,379,239	819,179,271	6.61
Graham	67,597,341	73,089,776	8.13
Mohave	854,345,142	884,967,218	3.58
Navajo	483,505,324	487,024,631	0.73
Pinal	570,545,941	568,158,054	(0.42)
Yavapai	877,928,847	961,650,156	9.54
Yuma/La Paz	537,936,425	560,623,101	4.22
<b>Total</b>	<b>\$4,581,917,073</b>	<b>\$4,792,232,405</b>	<b>4.59%</b>

## EQUALIZATION AID RECOMMENDATION

<u>Districts</u>	<u>FY 1998 Equalization Aid</u>	<u>FY 1999 JLBC Recommendation</u>	<u>FY 1998-FY 1999 % Change</u>	<u>FY 1998-FY 1999 \$ Change</u>
Cochise	\$1,616,300	\$1,738,300	7.55%	\$122,000
Graham	6,467,200	6,731,300	4.08	264,100
Navajo	634,500	896,200	41.25	261,700
Yuma/La Paz	3,500	52,200	121.70	28,600
<b>Total</b>	<b>\$8,741,500</b>	<b>\$9,417,900</b>	<b>7.74%</b>	<b>\$676,400</b>

## TOTAL FY 1999 JLBC STAFF RECOMMENDATION

<u>Districts</u>	<u>FY 1998 Total</u>	<u>FY 1999 Operating State Aid</u>	<u>FY 1999 Capital Outlay</u>	<u>FY 1999 Equalization Aid</u>	<u>FY 1999 Total</u>	<u>FY 1998-1999 % Change</u>	<u>FY 1998-1999 \$ Change</u>
Cochise	\$7,332,000	5,083,000	\$613,000	\$1,738,300	\$7,434,300	1.40%	\$102,300
Coconino	2,872,700	2,630,800	333,500	0	2,964,300	3.19	91,600
Graham	11,695,300	4,828,800	547,500	6,731,300	12,107,600	3.53	412,300
Maricopa	46,072,100	40,231,500	7,381,600	0	47,613,100	3.34	1,541,000
Mohave	3,817,100	3,379,500	450,700	0	3,830,200	0.34	13,100
Navajo	4,914,800	3,826,300	446,900	896,200	5,169,400	5.18	254,600
Pima	18,995,400	16,483,700	2,399,500	0	18,883,200	(0.59)	(112,200)
Pinal	6,225,600	5,540,600	646,600	0	6,187,200	(0.62)	(38,400)
Yavapai	4,932,300	4,361,500	547,700	0	4,909,200	(0.47)	(23,100)
Yuma/La Paz	5,241,400	4,695,300	649,500	52,200	2,396,700	2.97	155,500
<b>Total</b>	<b>\$112,097,700</b>	<b>\$91,061,000</b>	<b>\$14,016,500</b>	<b>\$9,417,900</b>	<b>\$114,495,400</b>	<b>2.14%</b>	<b>\$2,396,700</b>

The above table represents the total JLBC Staff recommendation for Operating State Aid, Capital Outlay Aid, and Equalization Aid.

**Technology Assisted Learning (2,756,000) GF**  
The JLBC Staff recommends a reduction of \$(2,756,000) from the General Fund associated with the one-time

FY 1998 Special Line Item appropriation for Technology Assisted Learning (also known as Arizona Learning Systems or ALS). However, due to the merger of ALS with Project Eagle and the resulting delays in implementation, these monies will not be expended in FY 1998. Normally, if unexpended, these funds must revert to the General Fund. Given the unique

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

circumstances associated with the merger and the limitations of the footnote, the JLBC Staff recommends a partial release of funds in FY 1998 through the Supplemental Budget and modification of the FY 1998 footnote to make the appropriation non-lapsing.

Specifically, the JLBC Staff recommends a partial release of up to \$328,400 from the FY 1998 appropriation for ALS to meet on-going operating and system development funding needs pending fulfillment of the General Appropriation Act criteria governing release of the \$2,756,000 previously appropriated funds. (See FY 1998 Supplemental Modification of Footnote)

As noted, ALS is now part of the statewide Project Eagle initiative—a collaborative outcome of a planning and development process by the community colleges, public universities, Arizona Department of Education, Governor's Office of Telecommunications Policy, Arizona Department of Administration, and private industry. The initiative will create new educational access in remote communities and provide educational and government services to more than 2,000 campuses and satellite centers throughout Arizona at a common rate, regardless of their location in the state (distance-insensitive price). The merger, while significantly increasing statewide access, has resulted in increased complexities and timeline changes outside of the control of ALS. These changes were not anticipated at the time the FY 1998 ALS budget request was submitted and subsequently approved by the Legislature.

The recommended partial release of \$328,400, as shown in the table below, would allow continued curriculum and faculty development of ALS by the community colleges and enable timely implementation upon procurement of a statewide private vendor infrastructure contract.

The Executive concurs with the JLBC Staff recommended \$(2,756,000) reduction but does not address the other recommended changes.

### ALS PARTIAL FUNDING RELEASE

Description	Request
Personnel Services & ERE:	
Interim Project Manager	\$ 25,000
Quality Control and Curriculum Specialist	25,000
Administrative Assistant	17,000
Staff Benefits	13,400
Sub-Total	80,400
Operating:	
Materials, Supplies, Travel	29,800
Contract Services	75,200
Course Content Development	85,000
Faculty Development	58,000
All Other Operating Sub-Total	248,000
Total	\$328,400

**Technology and Special Initiatives (5,215,000) GF**  
The recommended amount reflects a reduction of \$(5,215,000) from the General Fund associated with the one-time FY 1998 Special Line Item appropriation to community college districts. The Executive concurs.

For FY 1999, the community college districts are requesting in a Critical Issue that the Legislature consider and again appropriate—but as a permanent base adjustment—the \$5,215,000 identified as a one-time augmentation to district operating budgets for FY 1998. This money was appropriated to implement technological improvements associated with ALS and other special district initiatives. The appropriation was distributed as follows: Maricopa, \$2,500,000; Pima, \$715,000; and All Other Districts, \$250,000 each.

**Arizona Transfer Support System (ATSS) (100,000) OF 300,000 GF**  
The JLBC Staff recommends a one-time appropriation of \$300,000 from the General Fund to purchase computer equipment and provide the support services required to fund Phase II and fully implement the merged Course Applicability System (CAS) and Data Warehouse initiatives. The recommended amounts also reflect a \$(100,000) reduction from the Teacher Certification Fund for a one-time appropriation for FY 1998 associated with the CAS Phase I initial development. However, as required in the FY 1998 appropriation, the \$300,000 recommended amount for FY 1999 shall be subject to a matching amount of an additional \$200,000—\$100,000 each from the community colleges and public state universities—to provide the \$500,000 total amount needed. ATSS is a joint initiative of the community colleges and universities to facilitate better course transfer articulation and to develop a shared statewide student and financial information database for enhancing reporting and accountability capabilities.

The recommendation is supported by statements in the recent Auditor General's performance audit of the State Board that the new plan (ATSS) improves on existing transfer agreements by providing:

- Up-to-date student and advisor access to transcripts, course equivalencies, and additional course requirements to meet identified education plans from any personal computer with a modem.
- Student access to university advisement services.
- Student academic and demographic information including credits earned, grades, and colleges attended.
- Monitoring of programs to determine effectiveness of the new transfer plan.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

The requested \$500,000 ATSS budget and recommended amounts are based on the following distribution of funds:

AZ TRANSFER SUPPORT SYSTEM (ATSS) PHASE II FUNDING REQUEST	
<u>Description</u>	<u>FY 1999 Request</u>
Hardware/Software Maintenance	\$80,000
Operations: Training, Professional Services; and All Other Operating	50,000
Staffing for 3 Contract Positions: Computer Technician Student Tracking Technician Articulation Facilitator	170,000
Hardware/Software Expansion (one-time)	200,000
<b>Total</b>	<b>\$500,000</b>

Additionally, the State Board and the Arizona Board of Regents shall jointly submit a detailed financial report of the ATSS expenditures, beginning with the \$200,000 institutional match, to the Joint Legislative Budget Committee by January 1, 1999, and revert any unexpended balance to the General Fund on July 1, 1999.

The Executive concurs with the JLBC Staff recommended \$(100,000) OF reduction but does not recommend an appropriation for additional funds.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with District-By-District Special Line Items and Other Special Line Items

### JLBC Staff Recommended Footnotes

#### *Standard Footnotes*

The \$148,800 recommended for the Teacher Certification Fund is intended for the specific purpose of defraying teacher certification costs and includes \$138,800 for total direct certification costs of staff salaries, Employee Related Expenditures and all other direct operating expenses, and \$10,000 for related Indirect Costs for administrative expenses incurred by the Board.

#### *Modification of Prior Year Footnotes*

The Arizona Board of Regents (ABOR) and the State Board of Directors for Community Colleges (State Board) shall continue the Transfer Articulation Study Committee comprised of university and community college members who are representatives of faculty, academic administration, student services and the chief executive offices. It is the intent of the Legislature that the study committee meet at least quarterly to continually improve

the statewide articulation and transfer system, including the process for transfer of lower division general education credits and curriculum requirements for majors, with ~~the objective of~~ A DEFINITIVE TIMELINE FOR reaching consensus on ~~improving the~~ AN agreement that assures that community college students may transfer to Arizona public universities without loss of credit towards a baccalaureate degree. The ABOR and the State Board shall present ~~an~~ A SEMI-annual report of their progress to the Joint Legislative Budget Committee ~~beginning~~ ON JUNE 15, 1998 AND December 15, 1998.

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning the one-time appropriation of \$5,215,000 from the General Fund to the community college districts for Technology and Special Initiatives.

The JLBC Staff recommends deleting the footnote concerning the one-time appropriation of \$100,000 from the Teacher Certification Fund to the State Board of Directors for Community Colleges to implement the Course Applicability System (CAS), and to purchase related computer hardware, software and training.

#### *FY 1998 Supplemental Modification of Footnote*

The \$2,756,000 appropriated for Technology Assisted Learning is appropriated to the State Board of Directors for Community Colleges as a Special Line Item to implement the Arizona Learning Systems statewide plan for interconnecting and consolidating community college, university and K-12 telecommunication systems and tying individual community college districts electronic delivery systems together. The success of the Arizona Learning Systems statewide network plan is dependent upon procuring an infrastructure constructed by private industry. Therefore, NO MORE THAN \$328,400 MAY BE EXPENDED FOR INITIAL OPERATING AND SYSTEM DEVELOPMENT COSTS, AND release of the ~~\$2,756,000~~ \$2,427,600 funding BALANCE for Arizona Learning Systems shall be subject to: 1) successful issuance of a joint request for proposal by the Arizona Learning Systems partnership member boards; 2) successful contract negotiation with a private vendor to provide the Arizona Learning Systems infrastructure at a distance-insensitive price to Arizona Learning Systems partners regardless of their location in Arizona; and 3) ~~review by the Joint Legislative Budget Committee of the private vendor contract; and 4) presentation~~ SUBMISSION to the Joint Legislative Budget Committee of a preliminary methodology for estimating the per-credit hour education costs of Arizona Learning Systems-delivered instruction including how the Arizona Learning Systems revenues and expenses impact Operating and Capital Outlay State Aid. The Arizona Learning Systems partnership shall ~~present~~ SUBMIT an annual enrollment and financial report to the Joint Legislative Budget

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Committee by September 15, 1997, and each year thereafter. THIS APPROPRIATION IS EXEMPT FROM THE PROVISIONS OF A.R.S. § 35-190, RELATING TO LAPSING OF APPROPRIATIONS.

### Other Issues for Legislative Consideration

#### Elimination of Community College Teacher Certification

A.R.S. § 15-1425(1) requires the State Board to, "Permit and arrange for certification of experienced and qualified community leaders . . . for the purpose of teaching . . . ." A.R.S. § 15-1425(7) further requires the State Board to, "Fix and collect fees for issuance and renewal of certificates . . . ." According to the Auditor General in the recently published 1997 Performance Audit report of the State Board, "The statutory requirement for State Board certification of community college teachers could be eliminated without increasing the risk of colleges hiring unqualified teachers." At its November 21, 1997 meeting, the State Board approved the elimination of statewide certification and the establishment of statewide minimum standards in concurrence with the Auditor General's recommendation. The JLBC Staff in our *FY 1995 Budget - Analysis and Recommendations* report made an identical recommendation.

#### Alternatives to Existing Statutory Formulas

A number of alternatives to the statutory funding formulas for Operating and Capital Outlay State Aid have been discussed in recent years; and as technology changes enable on-line access to actual student enrollment, the Legislature may want to consider establishing a study committee to review funding formula alternatives.

#### Operating State Aid

The shortcomings of the existing Operating State Aid statutory formula include: 1) it does not take into account reductions in student FTE that may directly impact operating costs; 2) it does not reflect colleges' current/future funding needs or current/future student enrollments; 3) it is based on audited student FTE counts that are 2 years old; and 4) since 1993, the formula has not been implemented (either it has been changed or notwithstanding in each budget year). Alternatives under discussion include:

- Retain the current formula but use more current unaudited actual FTSE counts and estimates.
- Modify the current formula to implement an "enrollment corridor" funding model that allows for modest annual FTSE fluctuations before additional or reduced state aid is triggered.
- Eliminate the Operating State Aid formula from statute and replace it (but *not* in statute) with a funding formula similar to the universities' "traditional" 22:1 model. This approach removes the entitlement notion of statute yet provides an annual basis for current funding, takes into consideration fluctuations in student enrollment, and allows for consideration of

additional funding based on demonstrated need beyond the prior year's base. The model weights prior year FTSE at 0.25, current year at 0.5, and projected budget year at 0.25 to determine the incremental/decremental funding for the budget year.

#### Capital Outlay State Aid

Alternatives to the statutory Capital Outlay formula have also been discussed:

- Retain the current formula but use more current unaudited actual FTSE counts and estimates.
- Modify the current formula to implement a "base + growth" model to reflect facilities operation, maintenance, and repair expenses that colleges will incur regardless of moderate fluctuations in enrollment. This approach may help ensure that the integrity of state-owned community college facilities and infrastructure are adequately maintained.
- Eliminate the Capital Outlay State Aid formula from statute and incorporate community colleges into the centralized state Building Renewal formula funding.

As technology advances enable access to current year actual student enrollments, the Legislature may want to consider alternative models that provide community colleges' funding based on current/future needs and current/future student enrollments.

#### Arizona Postsecondary Voucher Program Transfer

The Executive recommends transferring administrative responsibility of this program from the Commission for Postsecondary Education to the State Board and a \$400,000 GF appropriation for FY 1999. This change would also require amending A.R.S. § 15-1424.

The Commission recently underwent a Sunset Review audit and the Legislature must now decide whether to retain or sunset the agency. If the Legislature chooses to sunset the Commission, then the JLBC Staff concurs with the Executive's recommendation to transfer administrative responsibilities and funding for the Voucher Program to the State Board.

These issues are discussed in detail in the JLBC Staff's Supplemental Budget recommendations for the Commission.



**DEPARTMENT OF CORRECTIONS  
(DOC)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: State Department of Corrections  
Agency Summary

JLBC: Lorenzo Martinez  
House Sub: Cooley

OSPB: Doug Tucker/Bill Greeney  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Prison Operations	337,670,800	387,118,900	434,936,100	434,079,600	419,578,200
Inmate Health Services	48,265,900	61,037,900	67,339,500	67,669,400	66,919,900
Office of the Director	1,887,700	1,764,700	1,802,900	1,791,300	1,794,000
Administration	39,926,600	38,969,200	44,758,300	42,744,800	42,771,100
<b>AGENCY TOTAL</b>	<b>427,751,000</b>	<b>488,890,700</b>	<b>548,836,800</b>	<b>546,285,100</b>	<b>531,063,200</b>

## OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	8,624.4	9,020.4	10,294.4	10,219.4	9,955.4
Personal Services	215,243,600	238,597,100	277,656,800	271,780,900	269,217,500
Employee Related Expenditures	64,177,300	70,828,600	82,293,500	76,179,800	76,611,600
All Other Operating Expenditures:					
Professional and Outside Services	24,169,900	32,154,300	33,977,100	34,316,500	33,678,300
Travel - In State	679,400	768,000	891,400	863,500	856,700
Travel - Out of State	78,400	116,200	118,500	119,400	118,600
Other Operating Expenditures	58,129,100	58,635,100	65,606,600	65,164,900	63,998,100
Equipment	3,729,700	6,147,500	12,420,600	12,038,100	10,679,800
<b>OPERATING SUBTOTAL</b>	<b>366,207,400</b>	<b>407,246,800</b>	<b>472,964,500</b>	<b>460,463,100</b>	<b>455,160,600</b>

## SPECIAL LINE ITEMS

Food	25,609,800	27,839,600	33,072,500	33,576,300	33,087,400
Work Incentive Pay Plan	6,082,300	8,530,300	8,901,500	9,045,100	8,916,400
Discharge Expense	240,800	336,100	351,300	357,100	351,800
Alternative Fuels	283,500	489,000	489,000	489,000	489,000
1993 Lease-Purchase Payments	9,037,800	12,014,200	0	0	0
1994 Lease-Purchase Payments	7,422,200	12,420,100	12,414,000	12,414,000	12,414,000
Apache County Prison Lease	1,023,900	1,071,100	1,083,500	1,083,500	1,083,500
Community Provider Beds	6,382,900	6,754,000	6,754,000	12,050,500	6,754,000
Return to Custody Beds	0	1,998,300	2,180,000	2,180,000	2,180,000
DWI Beds	5,460,400	10,191,200	10,626,500	10,626,500	10,626,500
Florence/Eyman CO Stipends	0	0	0	4,000,000	0
<b>AGENCY TOTAL</b>	<b>427,751,000</b>	<b>488,890,700</b>	<b>548,836,800</b>	<b>546,285,100</b>	<b>531,063,200</b>

## BY FUND SOURCE

General Fund	409,267,100	462,115,300	534,069,300	531,517,600	516,295,700
Other Appropriated Funds	18,483,900	26,775,400	14,767,500	14,767,500	14,767,500
Other Non-Appropriated Funds	19,460,500	27,034,100	22,575,200	22,575,200	22,575,200
Federal Funds	200,300	411,600	366,100	366,100	366,100
<b>TOTAL - ALL SOURCES</b>	<b>447,411,800</b>	<b>516,336,400</b>	<b>571,778,100</b>	<b>569,226,400</b>	<b>554,004,500</b>

**Agency Description** — The State Department of Corrections (DOC) maintains and administers a statewide system of prisons for the effective custody, control, correction, treatment and rehabilitation of all adult offenders legally committed to the department. Educational and treatment programs are provided for offenders so they will have opportunities to learn more responsible behaviors and increase their chance of returning to society as law-abiding citizens. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$54,180,400	11.7%
Other Appropriated Funds	(12,007,900)	(44.8)%
Total Appropriated Funds	\$42,172,500	8.6%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$9,434,000 GF
ERE Rates	(2,054,000) GF
Risk Management	310,100 GF
Rent	195,100 GF
Eliminate One-time Equipment	(212,700) GF

### Restoration of Perryville Lock

**Replacement Funding 1,700,000 GF**  
 Laws 1997, Chapter 212, reduced the department's FY 1998 operating budget by \$(1,806,200) and reappropriated the monies, in addition to \$2,673,200 from the Corrections Fund, to the Arizona Department of Administration for lock replacement at ASPC-Perryville. The recommended amount restores the funding to the FY 1999 operating budget using the new ERE rates. The Executive recommends \$1,698,600.

**Annualization of Teacher Equity Pay 687,500 GF**  
 The recommended amount annualizes partial-year funding approved in FY 1998 to provide comparable pay between DOC teachers and Department of Juvenile Corrections (DJC) teachers. The Executive recommends \$756,800.

### Continuation of Correctional

**Officer Pay Plan 3,530,100 GF**  
 The recommended amount includes funding for 2 components of the Correctional Officer (CO) Pay Plan approved in FY 1996. Of the amount, \$485,500 funds salary increases for CO I positions that will be promoted to CO II after 18 months of service. The remaining \$3,044,600 funds the third year implementation of a CO II salary step system. Under this system, every CO II with a satisfactory annual evaluation is eligible for a 2.5% increase in salary for up to 5 years. The funding assumes 79% of CO II positions will be eligible in FY 1999. The Executive recommends a total of \$3,524,800.

**Annualization of Prior Prison Openings 596,300 GF**  
 Start-up costs are eliminated and operating costs are annualized for 800 new beds that were opened in Yuma during FY 1998.

**New Prisons 36,648,500 GF**  
 Provides partial year funding to support the operation of the first 3 prison units (2,400 beds) at the new Lewis complex. The amounts reflect an additional 2 months

funding for security and unit staff and 1 month additional funding for all other support staff. The design of the Lewis complex prison units are based on prototypical designs. The recommended funding is based on standardized staffing patterns for these prototypical units, with the exception of staffing for a centralized health unit which will require 60 fewer FTE positions compared to other prison complexes. The recommendation also includes positions for the central office in recognition of increased administrative workloads from the operation of the new complex.

	FTE Positions	FY 1999 Funding	Opening Date
Lewis 800 Level 2/3	456.0	\$20,854,000	Oct-98
Lewis 800 Level 4	356.0	10,368,500	Feb-99
Lewis 800 Level 3	251.0	5,426,000	May-99
TOTAL	1,063.0	\$36,648,500	

Annualization requirements in FY 2000 for these 2,400 beds will require approximately \$1,102,300. In FY 2000, an additional 800 Level 4 adult beds and 350 minors beds are scheduled to come on-line in September 1999, and 600 female beds are scheduled to open in November 1999.

The Executive recommends a total of \$41,984,900 and 1,318 FTE positions to open a total of 3,200 beds in FY 1999. This includes 464 FTE positions and \$21,824,300 to open 800 Level 2/3 beds in October 1998, 357 FTE positions and \$10,671,100 to open 800 Level 4 beds in February 1999, 252 FTE positions and \$6,395,100 to open 800 Level 3 beds in April 1999, and 245 FTE positions and \$3,094,400 to open 800 Level 4 beds in August 1999. Under the JLBC Staff schedule, these latter 800 beds would not open until September 1999 and the opening costs are deferred to FY 2000.

**Population Growth 3,844,800 GF**  
 The recommended amount includes \$5,126,600 to fund the marginal costs (\$3,531 per prisoner) for an estimated average daily population (ADP) increase of 1,452, or 132 net new inmates per month, during FY 1999. The recommended amount also includes a \$(1,281,800) reduction as a base modification to reflect the lower than anticipated ADP during FY 1997. The Executive does not include a base modification to the ADP and recommends \$5,126,800 for population growth.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## Food Privatization (1,304,300) GF

The JLBC Staff recommends the department's plan to privatize food service operations within the prison system. The recommended amount reflects the elimination of (139) FTE positions and \$(5,037,900) in associated funding, and a \$3,733,600 increase to the Food Special Line Item. The Executive recommends a net reduction of \$(1,298,900).

## Uniform Allowance 725,200 GF

The recommended amount reflects increasing the uniform allowance given to CO positions by \$10 per month. The department currently provides a \$50 per month uniform allowance for each CO. This increase will provide a uniform allowance similar to what other law enforcement entities pay. Based on maintenance and replacement costs, the average monthly expense for uniforms is approximately \$95. The Executive did not recommend this issue.

## Florence/Eyman Vanpooling 368,600 GF

The recommended amount provides funding for the department to expand a pilot vanpooling program at the Florence and Eyman prison complexes. The funding will provide for the maintenance and purchase of 16 15-passenger vans to accommodate a waiting list of 236 correctional officers. This recommendation is based on the department's efforts to lower the CO turnover rate at these 2 complexes. The Executive did not recommend this issue, but has recommended \$4,000,000 to provide travel stipends to some correctional officers at the Florence and Eyman complexes. (See Other Issues for Legislative Consideration)

## Community Supervision (163,800) GF

The JLBC Staff recommends the elimination of (5) Parole Officer I positions as a result of lower than anticipated community supervision caseloads. The remaining resources will still allow the department to maintain a 50:1 parolee to parole officer ratio. The Executive does not address this issue.

## Law Library Closures (125,000) GF

The JLBC Staff recommends this reduction as a result of the department no longer having to maintain law libraries for inmates. The department will replace the law library system with contracted paralegals and limited reference materials. The Executive does not address this issue.

## Nursing Assistant Positions -0- GF

The JLBC Staff recommends 16 Nursing Assistant Positions. The department will convert 16 existing Correctional Registered Nurse (CRN) positions to Nursing Assistant positions and use the existing CRN funding to fund the 32 Nursing Assistant positions. The Executive concurs.

## Lease/Lease-Purchase Payments (12,007,900) OF

The recommend amount reflects changes to the payments from the Corrections Fund for the following:

- A \$(12,014,200) decrease for the FY 1993 Lease-Purchase payment. The final payment for this issuance of Certificates of Participation (COP) occurs in FY 1998.
- A \$(6,100) decrease for the FY 1994 Lease-Purchase payment totaling \$12,414,000 in FY 1999. This represents the final payment for this issuance of COPs.
- A \$12,400 increase for the Apache County lease payment totaling \$1,083,500 in FY 1999.

The Executive concurs.

## Additional Prison Capacity

Month/ Year	New Beds	Operational Capacity	Population Projection	Bed Shortage	% Over Capacity
7/97		20,834	23,390	(2,556)	12.3%
8/97		20,834	23,500	(2,666)	12.8%
9/97	600 Male - Private	21,434	23,610	(2,176)	10.2%
10/97		21,434	23,720	(2,286)	10.7%
11/97		21,434	23,830	(2,396)	11.2%
12/97	400 Male - Florence	21,834	23,940	(2,106)	9.6%
1/98		21,834	24,050	(2,216)	10.1%
2/98		21,834	24,160	(2,326)	10.7%
3/98		21,834	24,270	(2,436)	11.2%
4/98		21,834	24,380	(2,546)	11.7%
5/98		21,834	24,490	(2,656)	12.2%
6/98		21,834	24,600	(2,766)	12.7%
7/98	800 Male - Yuma	22,634	24,732	(2,098)	9.3%
8/98		22,634	24,864	(2,230)	9.9%
9/98		22,634	24,996	(2,362)	10.4%
10/98	800 Male - Lewis	23,434	25,128	(1,694)	7.2%
11/98		23,434	25,260	(1,826)	7.8%
12/98		23,434	25,392	(1,958)	8.4%
1/99		23,434	25,524	(2,090)	8.9%
2/99	800 Male - Lewis	24,234	25,656	(1,422)	5.9%
3/99		24,234	25,788	(1,554)	6.4%
4/99		24,234	25,920	(1,686)	7.0%
5/99	800 Male - Lewis	25,034	26,052	(1,018)	4.1%
6/99		25,034	26,184	(1,150)	4.6%
7/99		25,034	26,316	(1,282)	5.1%
8/99		25,034	26,448	(1,414)	5.6%
9/99	800 Male - Lewis				
	350 Minors - Lewis	26,184	26,580	(396)	1.5%
10/99		26,184	26,712	(528)	2.0%
11/99	600 Female - Lewis	26,784	26,844	(60)	0.2%
12/99		26,784	26,976	(192)	0.7%
1/00		26,784	27,108	(324)	1.2%
2/00		26,784	27,240	(456)	1.7%
3/00		26,784	27,372	(588)	2.2%
4/00		26,784	27,504	(720)	2.7%
5/00		26,784	27,636	(852)	3.2%
6/00		26,784	27,768	(984)	3.7%

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

The table above provides a comparison of the projected month-end prison population, the number of beds (expressed as the Operational Capacity), the Projected Bed Shortage, and the percent of the bed deficit over operational capacity (% Over Capacity). The New Beds column indicates when previously authorized beds will come on-line. Three 800-bed prison units at the new Lewis complex are recommended to come on-line in FY 1999. An additional 800 adult male beds, 350 minors beds, and 600 female beds at the Lewis complex will come on-line in FY 2000. The projections assume that the prison population will increase by 110 new inmates per month in FY 1998, and 132 new inmates per month in both FY 1999 and FY 2000. The increase in growth represents the anticipated impact from the 1994 criminal code revisions that increased sentence lengths for violent crimes.

### Corrections Fund

The Corrections Fund is for the construction, major maintenance, and purchase or lease of correctional facilities or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. Revenues deposited to the fund are from luxury taxes on alcohol and tobacco products.

\* \* \*



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Medical and Dental Services** subprograms during the last year. As a result of that review, the JLBC Staff recommends retaining the subprograms.

As a result of federal judicial decisions and the constitutional rights of inmates, DOC is required to provide a constitutionally mandated standard of medical and dental care to incarcerated felons.

The department has established a medical care delivery system that incorporates the constitutionally mandated standard of care. This standard includes the following:

- Ability of inmates to make their health problems known.
- A competent health care staff who are qualified to examine inmates and diagnose their illnesses.
- The capacity of the health care staff to treat effectively inmate illnesses or provide referrals to outside medical/dental providers who can render effective treatment.

<b>CORRECTIONS FUND</b>				
<b>ESTIMATED REVENUE AND EXPENDITURE PROJECTIONS</b>				
(\$ Thousands)				
	FY 1997	FY 1998	FY 1999	FY 2000
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<b>Beginning Balance</b>	<b>\$33,789.4</b>	<b>\$68,010.4</b>	<b>\$4,647.9</b>	<b>\$7,036.6</b>
<b>Revenues</b>	23,258.6	23,346.8	23,346.8	23,346.8
GF & Other Deposits	38,400.0	56,100.0	41,100.0	--
GF Repayment Transfers	18,000.0	--	--	--
Adjustment Account	280.4	--	--	--
<b>Total Revenues</b>	<b>79,939.0</b>	<b>79,446.8</b>	<b>64,446.8</b>	<b>23,346.8</b>
<b>Total Funds Available</b>	<b>113,728.4</b>	<b>147,457.2</b>	<b>69,094.7</b>	<b>30,383.4</b>
<b>Expenditures</b>				
Construction & Maint.	86.4	39.4	--	--
ADOA Staffing	443.3	538.3	557.3	557.3
Drug Enforcement	0.0	38.5	--	--
FY 1993 Lease-Purchase	9,037.8	12,014.2	--	--
FY 1994 Lease-Purchase	7,422.2	12,420.1	12,414.0	--
Apache County Lease	1,023.9	1,071.1	1,083.5	1,083.5
<b>FY 1995 Capital Budget</b>				
Yuma 400 Level 3 Beds	359.4	8.8	--	--
Globe 100 Level 3 Beds	1,214.3	513.5	--	--
Aspen Conversion	0.0	29.7	--	--
<b>FY 1996 Capital Budget</b>				
Level 4 to Level 5 Conver.	0.0	450.0	--	--
Tucson 100 Minors Beds	1,348.9	56.6	--	--
Yuma 400 Level 3 Beds	3,909.3	1,125.8	--	--
Yuma 800 Level 4 Beds	2,813.3	25,394.7	--	--
Lewis Master Plan	1,292.5	702.1	--	--
<b>FY 1997 Capital Budget</b>				
Florence 400 Level 2 Beds	687.4	1,812.6	--	--
Lewis Complex 4,150 Beds	16,079.3	83,920.7	41,100.0	--
<b>Laws 1997, Ch. 212</b>				
Perryville Lock Replacement	0.0	2,673.2	--	--
<b>FY 1999 Capital Budget</b>				
Lewis Complex	--	--	2,695.7	--
Tucson Lock Replacement	--	--	2,207.6	--
New Complex Master Plan	--	--	2,000.0	--
<b>Total Expenditures</b>	<b>45,718.0</b>	<b>142,809.3</b>	<b>62,058.1</b>	<b>1,640.8</b>
<b>Fund Balance</b>	<b>\$68,010.4</b>	<b>\$4,647.9</b>	<b>\$7,036.6</b>	<b>\$28,742.6</b>

There were 2 primary findings from review of these subprograms. The first was that "the department has achieved its primary mission of providing the constitutionally mandated standard of medical and dental care." Close scrutiny by the local federal district court (Casey vs. Lewis) did not find the department's health services to be constitutionally deficient. The second finding was that "the subprograms embody elements of managed care practices." The application of managed care principles, such as prior authorizations, second opinions and committee reviews for specialty services, outside referrals and hospital stays, has allowed the department to control health care costs. The review did note that while available data for other jurisdictions indicate that DOC health care costs are comparable if not lower, these sources

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

of data often utilized varying accounting and management conventions; thus limiting their usefulness as reliable indicators of cost efficiency.

Based on the findings, the Criminal Justice PAR Committee recommended retaining the medical and dental services subprograms, and further recommended that DOC and DJC report on potential cost sharing for health services.

**JLBC Staff Recommended Format - Modified Lump Sum by Agency**

### JLBC Staff Recommended Footnotes

#### *Standard Footnotes*

Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatories Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions.

One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions.

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote relating to JLBC review of cost increases for privately-operated beds. This footnote is no longer necessary.

### Other Issues for Legislative Consideration

#### **Private Beds**

The Executive recommends a contingent amount of \$5,498,000 for the department to contract for 300 privately-operated beds. The Executive anticipates that the impact of Proposition 102 and Laws 1997, Chapter 222 (Juvenile Justice Reform) will increase the bed needs in either DOC or DJC. While the JLBC Staff agrees that Juvenile Justice Reform could potentially have a significant impact on either DOC or DJC, the opening of the new Lewis complex will significantly reduce the overcrowding within the adult prison system as shown in the table on page DOC-3. In addition, the JLBC Staff recommendation for FY 1999 includes the opening of 100 DJC beds in July of 1998 and an additional 100 DJC beds in October of 1998. Given the number of beds that will be opening in both DOC and DJC during FY 1999, the JLBC Staff does not recommend this issue.

#### **Florence/Eyman Correctional Officer Stipends**

The Executive recommends \$4,000,000 for the department to provide a travel stipend to Correctional Officers (CO) at the Florence and Eyman complexes who reside more than 30 miles from their work site. The JLBC Staff does not recommend this issue. Since FY1994, the Legislature has appropriated approximately \$23,000,000 for Correctional Officer pay increases above any statewide salary increases, including \$3,530,100 recommended this year. While turnover for the Florence and Eyman complexes is higher than other complexes, the turnover data indicates that the CO salary increases have not affected turnover. Increased CO salaries may have kept turnover from getting worse, but the data provided by the department indicates that turnover at the Florence and Eyman complexes has remained fairly stable since FY 1994 and has actually increased in other complexes.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec.
Corrections Fund	\$13,497,500
Penitentiary Land Fund	1,000,000
State Charitable, Penal and Reformatories Land Fund	270,000
<b>TOTAL</b>	<b>\$14,767,500</b>

**DEPARTMENT OF ECONOMIC SECURITY  
(DES)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
Agency Summary

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	36,188,600	46,034,500	47,404,500	42,085,300	41,985,900
Developmental Disabilities	35,568,300	37,013,500	38,155,100	37,397,800	49,064,700
Long Term Care	62,959,200	61,395,100	80,303,200	82,557,800	79,965,100
Benefits and Medical Eligibility	215,795,800	270,935,200	241,612,500	227,659,400	224,897,600
Child Support Enforcement	2,923,300	11,747,300	13,529,900	12,733,500	13,624,100
Aging and Community Services	19,062,300	21,960,800	23,487,000	23,452,400	23,454,400
Children, Youth and Families	98,183,800	114,575,000	135,550,100	130,681,200	127,642,200
Employment and Rehabilitation Services	63,266,300	132,676,300	156,524,700	170,900,500	155,218,400
<b>AGENCY TOTAL</b>	<b>533,947,600</b>	<b>696,337,700</b>	<b>736,567,000</b>	<b>727,467,900</b>	<b>715,852,400</b>
<b>OPERATING BUDGET</b>					
Full Time Equivalent Positions	3,754.7	3,717.2	3,906.5	3,889.5	3,772.4
Personal Services	72,129,200	91,985,000	97,483,400	93,573,600	93,707,900
Employee Related Expenditures	16,976,700	20,985,200	22,273,700	20,410,200	20,588,900
All Other Operating Expenditures:					
Professional and Outside Services	3,631,000	3,659,700	6,962,500	3,894,300	5,119,500
Travel - In State	2,336,700	2,585,700	2,730,300	2,567,400	2,583,100
Travel - Out of State	56,100	66,300	73,100	64,500	71,500
Other Operating Expenditures	23,126,700	27,186,500	33,074,500	27,265,000	27,707,200
Equipment	1,158,100	1,915,700	1,831,800	1,364,000	1,451,800
<b>OPERATING SUBTOTAL</b>	<b>119,414,500</b>	<b>148,384,100</b>	<b>164,429,300</b>	<b>149,139,000</b>	<b>151,229,900</b>
Special Line Items	414,533,100	547,953,600	572,137,700	578,328,900	564,622,500
<b>AGENCY TOTAL</b>	<b>533,947,600</b>	<b>696,337,700</b>	<b>736,567,000</b>	<b>727,467,900</b>	<b>715,852,400</b>
<b>BY FUND SOURCE</b>					
General Fund	352,061,800	394,276,900	430,088,600	415,211,500	405,170,200
Other Appropriated Funds	181,885,800	302,060,800	306,478,400	312,256,400	310,682,200
Other Non-Appropriated Funds	274,547,400	307,338,400	308,842,100	308,842,100	308,842,100
Federal Funds	476,076,100	447,629,000	455,510,600	467,084,300	468,090,000
<b>TOTAL - ALL SOURCES</b>	<b>1,284,571,100</b>	<b>1,451,305,100</b>	<b>1,500,919,700</b>	<b>1,503,394,300</b>	<b>1,492,784,500</b>

**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: Developmental Disabilities; Benefits and Medical Eligibility; Aging and Community Services; Children, Youth and Families; Child Support Enforcement; and Employment and Rehabilitation Services.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$10,893,300	2.8%
Other Appropriated Funds	8,621,400	2.9%
Total Appropriated Funds	\$19,514,700	2.8%



# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Pay Annualization	\$1,195,500 OF	\$2,610,800 GF
ERE Rates	(238,500) OF	(385,600) GF
Risk Management	14,400 OF	29,600 GF
Rent	(700) OF	(2,500) GF
Eliminate One-time		
Equipment	(32,600) OF	-0- GF
Other	372,300 OF	(363,000) GF

### Major Policy Issues

The JLBC Staff recommends a General Fund (GF) increase of \$10,893,300 for the Department of Economic Security for FY 1999. The majority of the increase is due to the following 4 major policy issues.

### Long Term Care Caseload Growth and Shortfall

**\$18,508,000 GF**

The recommended amount for DES includes an increase of \$18,508,000 GF associated with caseload growth in the Long Term Care program and with funding shortfalls for the state match. A portion of this amount, an increase of \$10,749,100 GF and \$31,120,700 Total Funds (TF), is for an estimated increase of 1,001 clients, or 12.0%, above the FY 1998 appropriated level. The other portion, an increase of \$7,758,900 GF and \$-0- TF, is to ensure the state contributes the proper amount of state matching funds for the Long Term Care program. The JLBC Staff also recommends a FY 1998 supplemental increase of \$13,594,300 GF and \$14,787,300 TF to address the same issues in FY 1998. *For further details on these increases, please see the Long Term Care cost center narrative.*

### Child Protective Services, Family Builders and

**Children Services Annualization \$7,109,000 GF**

The recommended amount for DES includes an increase of \$7,109,000 for the annualization of the adoption of Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session. The FY 1999 JLBC Staff recommendation adds \$9,400 for the Child Protective Services (CPS) staff, \$2,185,900 for Family Builders, and \$4,913,700 for Children Services to annualize the above special session actions.

Chapter 3 added staff and General Fund dollars in FY 1998 to increase the investigation and response rate to child abuse and neglect reports designated appropriate for investigation or Family Builders response. Chapter 3 added \$6,758,800 to this division for 6-month funding for the following purposes:

- 29 FTE Positions and \$1,196,600 for CPS staff;
- \$3,553,600 to the Family Builders Program for the expansion of this pilot program in Maricopa and Pima Counties;

- \$2,008,600 in the Children Services Special Line Item for support services needed for the increased number of cases being investigated by CPS.

In addition, Chapter 3 provided to the Attorney General's Office \$643,200 and 15 FTE Positions and \$46,300 and 1 FTE Position to the Office of the Ombudsman-Citizen Aide for 6-month funding in FY 1998. For FY 1998, the Attorney General will transfer their money and positions to this division through an Interagency Service Agreement (ISA).

*For further details on Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session and on these increases, please see the Children, Youth and Families cost center narrative.*

### Welfare Caseloads \$(18,028,600) OF (4,000,000) GF

The recommended amount includes a total decrease of \$(22,028,600) TF for projected changes in caseloads for the Temporary Assistance for Needy Families (TANF) program. This decrease is made up 3 components:

- A decrease of \$(29,028,900) OF and \$(4,000,000) GF associated with decreases in the TANF Cash Benefits program;
- An increase of \$4,684,200 OF associated with providing additional job training and job search services to TANF clients through the Job Opportunities and Basic Skills (JOBS) program; and
- An increase of \$6,316,100 OF associated with providing additional child care subsidies to TANF clients and ex-TANF clients.

*For further details on the first component above, please see the Division of Benefits and Medical Eligibility cost center narrative; further details on the other 2 components of this decrease can be found in the Division of Employment and Rehabilitation Services cost center narrative.*

### Child Care Funding Shift \$14,700,000 OF (14,700,000) GF

The recommended amount includes a shift of \$14,700,000 from the General Fund to the TANF Block Grant for support of child care subsidies. This shift will still allow the state to draw down the maximum amount of federal child care dollars available to the state. *For further details, please see the Division of Employment and Rehabilitation Services cost center narrative.*

### Other Issues

#### Child Welfare Information

System Transfer	\$-0- OF	\$(38,600) GF
Finger Imaging		
Automation	(412,800) OF	(830,600) GF
Job Placement Office		
Redesign	(1,000,000) OF	-0- GF

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

<b>Lease-Purchase</b>			
Equipment	(673,000) OF	790,600 GF	
Public Assistance Collections	94,400 OF	-0- GF	
DD (100% State) Growth	-0- OF	172,300 GF	
DD ATP-Coolidge Caseload			
Declines	-0- OF	(337,200) GF	
<b>DD State-Funded Long Term</b>			
Care Services	12,000,000 OF	-0- GF	
LTC ATP-Tucson Phase-Out	-0- OF	(137,100) GF	
TANF Stabilization Fund Deposit	-0- OF	(5,141,000) GF	
<b>TANF Legislative</b>			
Initiatives Removal	(7,500,000) OF	-0- GF	
General Assistance	-0- GF	642,300 GF	
ALTCS Eligibility Pass-Through	-0- OF	(550,600) GF	
DBME Line Worker			
Reduction	(325,300) OF	(812,700) GF	
<b>Appropriation of</b>			
County SSRE/Incentives	1,309,400 OF	-0- GF	
<b>Laws 1997, Chapter 219</b>			
Child Support Changes	599,800 OF	(188,300) GF	
<b>Navajo Nation Child</b>			
Support Services	-0- OF	127,500 GF	
ATLAS Help Desk	-0- OF	(144,400) GF	
Domestic Violence	1,396,300 OF	-0- GF	
Adoption Services	-0- OF	2,678,200 GF	
Children Services	-0- OF	(950,900) GF	
Healthy Families Pilot	-0- OF	(3,000,000) GF	
Family Builders	-0- OF	1,467,700 GF	
CPS Appeals	-0- OF	1,400,000 GF	
Attorney General Realignment	-0- OF	920,000 GF	
<b>Special Administration</b>			
Fund	(4,500,000) OF	4,500,000 GF	
Child Care Market Rates	6,814,800 OF	-0- GF	
Sick Care Child Care	3,982,500 OF	-0- GF	
<b>Work-Related</b>			
Transportation	302,200 OF	-0- GF	
<b>Teen Pregnancy</b>			
Transfer to DHS	(2,000,000) OF	-0- GF	
<b>DD Vocational Rehabilitation</b>			
and Employment Support	-0- OF	2,111,500 GF	
Other	551,300 OF	(591,700) GF	

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

## JLBC Staff Recommended Footnotes

### Standard Footnotes

The above appropriation is 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 the provisions of A.R.S. § 42-1341.

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, Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 25th of the following month. The report shall include an estimate of (1) potential shortfalls in entitlement programs, (2) 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, (3) shortfalls resulting from new leases or renegotiation of current leases and associated costs, and (4) total expenditure authority of the Child Support Enforcement program for the month and year-to-date as compared to prior year totals.

### New Footnotes

The Department of Economic Security shall report the receipt and intended use of all current and prior year reversions from non-appropriated sources to the Joint Legislative Budget Committee. *(This footnote requires the department to report to JLBC all additional monies it receives from non-appropriated sources such as most federal grants. JLBC Staff is concerned that legislators may not have sufficient oversight of additional monies that the department receives from non-appropriated sources that may be able to be used to meet potential current-year shortfalls.)*

### Deletion of Prior Year Footnotes

The JLBC Staff recommends deleting the footnote concerning the provider rate increase since the JLBC Staff recommendation for FY 1999 does not include a provider rate increase.

The JLBC Staff recommends deleting the footnote concerning the General Fund deposit to the TANF Stabilization Fund since the JLBC Staff recommendation for FY 1999 does not include a deposit to the TANF Stabilization Fund.

## Other Issues for Legislative Consideration

### FY 1998 Supplemental

The JLBC Staff recommends a FY 1998 supplemental appropriation that includes the following modifications:

- \$13,594,300 GF increase in the Long Term Care cost center for caseload growth and base shortfall; and
- \$(13,594,300) GF reduction and a \$13,594,300 OF increase in the Division of Employment and Rehabilitation Services to transfer support of child care programs from the General Fund to the TANF Block Grant.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

To make the net effect of the supplemental equal \$0, the JLBC Staff recommends decreasing the TANF Cash Benefits line item in the Division of Benefits and Medical Eligibility by \$(13,594,300) OF, which is possible due to lower than expected caseload levels. *For further details, please see individual cost center narratives.*

### Attorney General Realignment

Laws 1996, Chapter 335 requires the appropriation of all Attorney General ISA's. However, the majority of dollars appropriated for Attorney General legal services in DES has not been established through ISA's. Rather than employing ISA's, DES's appropriation has directly funded FTE Positions and their related operating costs. The JLBC Staff recommends continuation of this practice. The JLBC Staff recommends appropriating Attorney General legal services directly to DES, because the Attorney General's accounting system is unable to provide the detailed reporting level needed to draw down Federal Funds. DES's accounting system is designed to provide the necessary reporting requirements to the federal government. The JLBC Staff recommends displaying DES's Attorney General legal services as a Special Line Item within 3 cost centers of the DES budget. The following reflects the appropriated amounts in the Attorney General Legal Services Special Line Items in the 3 different cost centers:

- Division of Administration: \$405,600 General Fund and 5.9 General Fund FTE Positions; \$102,800 TANF and 2.4 TANF FTE Positions; \$9,300 Child Care Development Fund Block Grant (CCDF) and 0.1 FTE Position; and \$76,100 and 2 FTE Positions Public Assistance Collections Fund. Based on estimates provided by DES and the Office of the Attorney General, a total appropriated and non-appropriated funds amount of \$2,352,500 and 31.9 FTE Positions are available for Attorney General legal services in this division.
- Division of Child Support Enforcement: \$43,700 General Fund, and \$1,536,100 State Share of Retained Earnings (SSRE) and 37.7 SSRE FTE Positions. Based on estimates provided by DES and the Office of the Attorney General, a total appropriated and non-appropriated funds of \$4,641,700 and 111 FTE Positions are available for Attorney General legal services in this division.
- Division of Children, Youth and Families: \$2,944,000 General Fund and 42.2 General Fund FTE Positions and \$13,900 TANF. Based on estimates provided by DES and the Office of the Attorney General, a total appropriated and non-appropriated funds amount of \$4,967,200 and 67 FTE Positions are available for Attorney General legal services in this division.

*For further information on the creation and increase in these Attorney General Legal Services Special Line Items,*

*please see the Divisions of Administration, Child Support Enforcement, and Children, Youth and Families.*

### Federal Welfare Block Grants

The JLBC Staff recommendation includes the appropriation of 2 federal block grants that help fund services to welfare recipients and other low-income individuals: the TANF Block Grant and the CCDF Block Grant. *Further details on each block grant can be found below and in individual cost center narratives.*

The JLBC Staff recommends the appropriation to DES of \$230,459,900 of TANF Block Grant monies in FY 1999. This recommendation is allocated as outlined in the table below.

FY 1999 TANF Block Grant Distribution by DES Program		
Division	JLBC Staff Recommendation	OSPB Recommendation
Administration	\$ 8,960,000	\$ 8,884,000
Benefits & Medical Eligibility	146,500,900	147,952,200
Aging & Community Services	4,165,300	4,164,900
Children, Youth & Families	11,201,300	11,196,700
Employment & Rehab. Services	59,632,400	58,155,900
<b>TOTAL</b>	<b>\$230,459,900</b>	<b>\$230,353,700</b>

In addition to these amounts, the JLBC Staff recommends the transfer of \$2,000,000 of TANF Block Grant monies to the Department of Health Services for teenage pregnancy prevention programs. These monies were located in the DES budget in FY 1998. This brings the total TANF Block Grant amount the JLBC Staff recommends for appropriation in FY 1999 to \$232,459,900. This total is equivalent to the amount of TANF Block Grant monies JLBC Staff expects the state to receive in FY 1999.

JLBC Staff recommends the appropriation of the total \$53,373,800 of CCDF Block Grant monies it expects the state to receive in FY 1999. This recommendation is allocated as outlined in the table below.

FY 1999 CCDF Block Grant Distribution By Program		
Division	JLBC Staff Recommendation	OSPB Recommendation
Administration	\$ 314,700	\$ 314,800
Employment and Rehab. Services	53,059,100	53,260,000
<b>TOTAL</b>	<b>\$53,373,800</b>	<b>\$53,574,800</b>

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### Arizona Works and Welfare Reform

The recommended amount includes monies to implement the new Arizona Works pilot program on January 1, 1999. This new program will replace the EMPOWER Redesign program, which provides cash benefits and services to eligible recipients of TANF assistance, in DES's District I-E, centered around eastern Maricopa County.

JLBC Staff projected the number of clients expected to receive cash benefits and services such as job training, child care subsidies, and transportation, in the Arizona Works pilot area, and adjusted the recommended amount for the relevant line items accordingly. The recommended amounts for these services are included in the line items (such as TANF Cash Benefits) that also fund EMPOWER Redesign clients. JLBC Staff did not project changes in administrative funding for the Arizona Works program because the Procurement Board has not yet issued a Request for Proposals from vendors and details of proposed contracts are not available. In addition, possible legislation that would modify how vendors are paid may be introduced in the 1998 session.

*For further details on these issues, please see the cost center narrative for Divisions of Benefits and Medical Eligibility, Employment and Rehabilitation Services, and Administration.*

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Public Assistance Collections Fund	\$ 280,400
Child Abuse Prevention Fund	810,500
Children & Family Services Training Program Fund	156,000
Child Support Enforcement Administration Fund	10,019,900
Fees (Child Support Enforcement)	594,000
Domestic Violence Shelter Fund	1,396,300
Long Term Care System Fund	12,000,000
Special Administration Fund	1,591,400
Temporary Assistance for Needy Families Block Grant	230,459,900
Child Care and Development Fund Block Grant	53,373,800
TOTAL	\$310,682,200

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
PROG: Administration

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPБ	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	366.5	386.0	384.6	347.3	359.5
Personal Services	10,574,100	12,639,300	13,657,600	11,913,800	12,487,100
Employee Related Expenditures	2,295,000	2,611,600	2,855,900	2,369,900	2,501,800
All Other Operating Expenditures:					
Professional and Outside Services	767,800	1,011,600	1,565,800	939,600	1,384,600
Travel - In State	282,700	277,900	294,200	232,200	241,200
Travel - Out of State	55,700	66,300	73,100	64,500	71,500
Other Operating Expenditures	15,376,100	18,067,100	22,983,300	18,233,100	18,911,200
Equipment	638,600	1,075,200	1,075,200	1,062,500	1,062,500
OPERATING SUBTOTAL	29,990,000	35,749,000	42,505,100	34,815,600	36,659,900
SPECIAL LINE ITEMS					
FMCS Modification	127,600	259,600	259,600	259,600	259,600
Child Welfare Information System	1,638,100	3,622,600	247,600	2,426,700	247,600
Finger Imaging	0	2,105,300	867,800	640,600	863,800
Job Placement Office Redesign	0	1,000,000	0	0	0
EBT - Welfare Reform	0	308,400	316,100	293,000	294,100
Lease-Purchase Equipment	1,430,600	2,582,300	2,699,900	2,699,900	2,699,900
Public Assistance Collections	402,300	407,300	508,400	357,200	361,200
Statewide Indirect Cost Reimbursement	2,600,000	0	0	0	0
Attorney General Legal Services	0	0	0	592,700	599,800
PROGRAM TOTAL	36,188,600	46,034,500	47,404,500	42,085,300	41,985,900
BY FUND SOURCE					
General Fund	27,134,600	34,334,200	36,249,600	32,097,700	31,924,400
Other Appropriated Funds	9,054,000	11,700,300	11,154,900	9,987,600	10,061,500
Other Non-Appropriated Funds	17,052,300	15,845,900	15,856,100	15,856,100	15,856,100
Federal Funds	52,047,400	50,791,000	51,358,200	51,358,200	51,358,200
TOTAL - ALL SOURCES	105,288,300	112,671,400	114,618,800	109,299,600	109,200,200

**Program Description** — The program consists of the Office of the Director, the Division of Employee Services and Support, Business and Finance, Data Administration. This program provides departmentwide administrative, research and evaluation, financial and computer automation support.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$(2,409,800)	(7.0)%
Other Appropriated Funds	(1,638,800)	(14.0)%
Total Appropriated Funds	\$(4,048,600)	(8.8)%

## FY 1999 — Recommended Changes from FY 1998

Standard Changes		
Salary Adjustments	\$193,000 OF	\$385,400 GF
ERE Rates	(11,300) OF	(60,800) GF
Risk Management	14,400 OF	29,600 GF
Rent	(700) OF	(2,500) GF

## Transfers for Travel -

Occupancy	-0- OF	91,100 GF
Other	103,600 OF	(99,400) GF

**Child Welfare Information System** (1,476,800) GF  
The JLBC Staff recommends moving staff and resources to the appropriate locations in the Department of Economic Security's (DES) budget. The Children's

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Information Library and Data Source (CHILDS) automation system went online October 1, 1997 and is being implemented statewide. In FY 1999, the system will be part of the department's normal routine; thus, the resources should be placed in their appropriate location. The recommendation includes the deletion of (1) FTE Position that is no longer needed. This recommendation reflects a transfer of 12.5 FTE Positions and \$1,898,200 from this Special Line Item to this division's operating budget. In addition, another (14) FTE Positions and \$(1,476,800) are transferred out of this division into the operating budget of the Division of Children, Youth and Families.

The staff and related dollars in this division will provide system enhancements, maintenance, and technical support. The staff and related costs transferred to the Division of Children, Youth and Families will predominantly provide for training, system security, and district automation personnel. Both divisions' staff will address user-defined system enhancements, modifications to correct operational problems, and modifications that are necessary to accommodate state and federal regulation, policy or procedural changes.

The Executive recommendation eliminates \$(1,195,900) and (22) FTE Positions. The Executive recommendation retains \$2,426,700 and 5.5 FTE Positions in this Special Line Item in this division. The Executive does not transfer any resources to the Division of Children, Youth and Families.

CHILDS is a comprehensive and integrated system to support the agency's child welfare programs. The system is planned to meet the automation needs of Child Protective Services (CPS), Foster Care, Adoption Services, and the Comprehensive Medical and Dental Program, which provides for the health needs of foster care children. CHILDS interfaces with other related child welfare programs such as the Foster Care Review Board, which is housed in the Supreme Court, the Attorney General's Staff, which is responsible for dependency and children issues, and Child Support Enforcement. State funds were matched by Federal Funds at a 75% match rate through September 30, 1997 and at 50% thereafter.

**Finger Imaging Automation (412,800) OF (830,600) GF**  
The JLBC Staff recommendation reflects a reduction of the one-time costs of \$(412,800) of Temporary Assistance for Needy Families (TANF) dollars and \$(830,600) of General Fund (GF) dollars. Laws 1996, Chapter 346 appropriated \$1,400,000 from the General Fund for FY 1998 with a non-lapsing clause. This Special Line Item funds 3 GF and 1.5 TANF FTE Positions. Chapter 346 required DES to establish a finger imaging program for every adult applicant, adult recipient, or eligible minor parent of General Assistance, Food Stamps, and TANF

Assistance, as a condition of eligibility. The food stamp share, \$390,900, will come from federal non-appropriated food stamp matching dollars. The TANF and food stamp match share is based on each program's proportion of clients out of the total number being fingerprinted.

The Executive recommends the elimination of \$(978,200) GF and \$(486,500) TANF and (3) GF FTE Positions and (1.5) TANF FTE Positions. The Executive recommendation assumes that the contractor beginning in FY 1999 will be responsible for all fingerprint-imaging activities. The JLBC Staff recommendation assumes that DES will need operations staff after the program is implemented. The staff is needed to address user needs, training, modifications to the established system based on changes in rules, policies, and procedures, and evaluation of the project.

**Job Placement Office Redesign (1,000,000) OF**  
The JLBC Staff recommendation reflects the one-time decrease of the monies provided through a FY 1998 TANF appropriation for the redesigning of welfare eligibility offices into job placement offices. The Executive concurs.

**EBT - Welfare Reform 53,600 OF (54,000) GF**  
The JLBC Staff recommendation reflects the realignment of the dollars needed to fund this Electronics Benefit Technology (EBT) project. This project was funded in FY 1998 through Laws 1997, Chapter 300 for the purpose of implementing and operating the electronic transfer for the issuance of TANF cash benefits and food stamp benefits. A total of 5.5 FTE Positions are added to work on this project; 4.5 FTE Positions are funded through GF and 1 FTE Position are funded through TANF dollars. An additional one-time \$50,000 was provided in FY 1998 to the Arizona Department of Administration for aiding in the development and operation of an EBT system.

The EBT system will be implemented statewide during FY 1999. The department's FY 1999 resources will provide for operations staff to ensure the successful statewide implementation. DES is intending to use the EBT interface constructed by Utah and Alaska. Both of these states share the same automated system as Arizona in determining eligibility for Food Stamps and TANF.

The Executive recommends a reduction of \$(68,900) GF, adds 4.5 GF FTE Positions, and adds \$53,500 TANF and 1 TANF FTE Positions.

**Lease-Purchase Equipment (673,000) OF 790,600 GF**  
The JLBC Staff recommendation reflects changes in TANF and GF dollars in the yearly lease-purchase payments for 4 different automation projects. The JLBC Staff recommendation reflects a decrease in federal participation. The department upgraded its CPU through a lease of a new CPU unit. The department still owes

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

money on its lease-purchase payment on its old CPU unit. Federal participation is available for only one of these leases. The Executive concurs.

### Public Assistance Collections

**94,400 OF**

The JLBC Staff recommendation reflects the correct alignment of \$94,400 TANF and 2.6 TANF FTE Positions doing public assistance collections. Last year, these staff and related funding were from federal non-appropriated dollars. The JLBC Staff recommendation also reflects the transfer of 2 TANF funded Attorney General Staff and \$76,100 to the Attorney General Legal Services Special Line Item. In addition, 2 GF funded Attorney General FTE Positions and \$76,100 are transferred to the Attorney General Legal Services Special Line Item. These transfers have no overall dollar effect in this division. The JLBC Staff recommendation funds 2.6 FTE Positions with TANF dollars and 2 FTE Positions with Public Assistance Collections Fund (PACF) dollars. The Executive concurs.

### Attorney General Legal Services

**(1,220,200) GF**

Laws 1996, Chapter 335 requires the appropriation of all Attorney General interagency service agreements (ISA's). However, the majority of dollars appropriated for Attorney General legal services in DES has not been established through ISA's. Rather than employing ISA's, DES's appropriation has directly funded FTE Positions and their related operating costs. The JLBC Staff recommends continuation of this practice. The JLBC Staff recommends appropriating Attorney General legal services directly to DES, because the Attorney General's accounting system is unable to provide the detailed reporting level needed to draw down Federal Funds. DES's accounting system is designed to prove the necessary reporting requirements to the federal government. The JLBC Staff recommends displaying DES's Attorney General legal services as a Special Line Item within the DES budget. The following reflects the transfers into this Special Line Item:

- Move \$370,600 GF and 5.4 GF FTE Positions, \$26,700 TANF and 0.4 FTE Position, and \$9,300 Child Care and Development Fund (CCDF) Block Grant and 0.1 CCDF FTE Position from this division's operating budget (no overall dollar effect);
- Transfer in of \$10,100 GF and 0.5 FTE Position from the Division of Aging and Community Services for the Long Term Care Ombudsman legal services;
- Transfer in of \$24,900 GF for the current ISA with the Attorney General for Developmental Disabilities Long Term Care ISA. (No FTE Positions are included as the 0.3 FTE Position was not counted in DES, but is shown in the Attorney General ISA Fund.);
- Transfer in of \$76,100 PACF and 2 PACF FTE Positions and \$76,100 TANF and 2 TANF FTE Positions (no overall dollar effect); and

- Transfer out \$(1,255,200) and (21.1) FTE Positions from this division to the Attorney General Legal Services Special Line Item in the Division of Children, Youth and Families.

The final bullet reflects the transfer out of dollars and FTE Positions to the Division of Children, Youth and Families. The legal services provided through these dollars and FTE Positions are actually expended in the Division of Children, Youth and Families.

The Executive also creates an Attorney General Legal Services Special Line Item and transfers in a total of \$592,700 and the same FTE Positions plus 0.3 FTE Position for the Developmental Disabilities Long Term Care ISA.

### Customer Satisfaction Survey

**37,800 GF**

The JLBC Staff recommends an increase of \$37,800 and 1 FTE Position to administer customer satisfaction surveys to clients, families, and providers associated with services delivered by the department. JLBC Staff believes that conducting the survey and publicizing the results of the survey to the Legislature will increase the department's responsiveness to concerns of its stakeholders. It will also allow the department to demonstrate better if there has been improvement in that responsiveness. The new FTE Position, a management analyst, will coordinate the distribution and analysis of the surveys. The surveys are expected to be distributed at least twice yearly. JLBC Staff also recommends a new footnote associated with this issue; *see JLBC Staff Recommended Footnotes for further details*. The Executive does not address this policy issue.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

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 such monies to the state General Fund.

#### New Footnotes

The Department of Economic Security shall develop a plan for biannually surveying clients, families, and providers associated with services provided by the department by

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

July 31, 1998. The plan shall be submitted to the Joint Legislative Budget Committee for review. It is the intent of the Legislature that the surveys be conducted at least twice yearly, starting no later than November 1, 1998, and that the first report should be issued no later than January 1, 1999. The department shall report the results of the survey to the Joint Legislative Budget Committee. *(This footnote is associated with the Customer Satisfaction Survey policy issue above. It outlines additional expectations for the survey.)*

### Other Issues for Legislative Consideration

#### Arizona Works

The JLBC Staff has not addressed any potential administration resource changes related to Arizona Works. Depending upon the terms of a signed contract with a vendor and potential changes to the law, it may be necessary to carve out administrative costs associated with the implementation of this program. *For further specifics on the Arizona Works pilot, please see the discussion in the Divisions of Benefits and Medical Eligibility and Employment and Rehabilitation Services and the Summary.*

#### Data Center Expansion

The Executive recommends \$1,178,600 TANF and \$3,228,700 GF to the Government Information Technology Agency (GITA) for its determination of the department's need for expanding its data center. In addition, the Executive recommends appropriating to GITA \$1,766,300 from the State Highway Fund for the Department of Transportation (ADOT). The Executive recommends appropriating the monies to GITA so that the Information Technology Authorization Committee (ITAC) can determine whether to upgrade the DES and ADOT mainframes or consolidate them with another data center.

The JLBC Staff believes that these issues should be considered within each individual department's budget. However, before any final budget recommendation is rendered, GITA and ITAC should first review each agency's request. GITA and ITAC have not yet completed their review of DES's request. In addition, the department should focus its efforts in FY 1999 on resolving problems associated with the Year 2000 automation problem. *See the Government Information Technology Agency discussion in the supplemental section of this book.*

### Other Appropriated Fund Source Detail

	FY 1998 JLBC Rec
Public Assistance Collections Fund	\$ 280,400
Temporary Assistance for Needy Families Block Grant	8,960,000
Child Care and Development Fund Block Grant	314,700
Special Administration Fund	506,400
TOTAL	\$10,061,500



# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
PROG: Developmental Disabilities

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
Full Time Equivalent Positions	437.6	349.6	352.6	350.3	338.6
Personal Services	2,503,600	2,493,300	2,797,200	2,787,500	2,788,200
Employee Related Expenditures	559,000	573,100	646,500	596,400	638,400
All Other Operating Expenditures:					
Professional and Outside Services	238,700	143,900	143,900	143,900	131,900
Travel - In State	108,000	78,100	81,600	81,600	78,100
Other Operating Expenditures	397,400	296,800	332,400	328,300	322,800
Equipment	6,800	0	3,200	3,200	0
<b>OPERATING SUBTOTAL</b>	<b>3,813,500</b>	<b>3,585,200</b>	<b>4,004,800</b>	<b>3,940,900</b>	<b>3,959,400</b>
<b>SPECIAL LINE ITEMS</b>					
Case Management	4,155,200	1,508,400	1,674,000	1,546,200	1,543,900
Home and Community Based Services	22,680,900	26,236,800	26,553,500	26,039,700	26,028,900
Institutional Services	264,800	218,200	218,200	218,200	218,200
Arizona Training Program at Coolidge	4,653,900	5,464,900	5,704,600	5,652,800	5,314,300
State-Funded Long Term Care Services	0	0	0	0	12,000,000
<b>PROGRAM TOTAL</b>	<b>35,568,300</b>	<b>37,013,500</b>	<b>38,155,100</b>	<b>37,397,800</b>	<b>49,064,700</b>
<b>BY FUND SOURCE</b>					
General Fund	35,568,300	37,013,500	38,155,100	37,397,800	37,064,700
Other Appropriated Funds	0	0	0	0	12,000,000
Other Non-Appropriated Funds	301,200	3,887,900	3,992,600	3,992,600	3,992,600
Federal Funds	1,382,500	2,120,800	2,124,000	2,124,000	2,124,000
<b>TOTAL - ALL SOURCES</b>	<b>37,252,000</b>	<b>43,022,200</b>	<b>44,271,700</b>	<b>43,514,400</b>	<b>55,181,300</b>

**Program Description** — The Developmental Disabilities (DD) program provides 100% state funded services to individuals with mental retardation, cerebral palsy, autism or epilepsy. Clients eligible for federal Title XIX program services are funded through the Long Term Care (LTC) Program. Besides contracting for services, the program: a) operates the Arizona Training Program at Coolidge and smaller state-operated group homes, and b) provides case management services to recipients.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ 51,200	0.1%
Long Term Care System Fund	12,000,000	N/A
Total Appropriated Funds	\$12,051,200	32.6%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments **\$319,700 GF**  
ERE Rates **(91,600) GF**

### State Funded Long Term

Care Services **12,000,000 OF**  
The recommended amount includes an increase of \$12,000,000 OF consisting of newly-appropriated funds in the Long Term Care System Fund (LTCSF) transferred

from the Long Term Care cost center. To make the Long Term Care cost center better reflect the costs of providing services eligible for reimbursement from the Arizona Health Care Cost Containment System (AHCCCS), which operates the Arizona Long Term Care System (ALTCSS), the JLBC Staff recommends transferring \$12,000,000 of LTCSF monies from the Long Term Care cost center into the Developmental Disabilities cost center. These are services to Title XIX clients that are not reimbursable by AHCCCS, including Room and Board, for which the state must pay 100% of the costs.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

The LTCSF revenues funding these services are derived from the following sources: Client Billing Revenue, Reinsurance, Foster Care Client Trust, Third Party Liability, Mesa Land Fund, LTCSF Interest, and Preadmission Screening and Annual Resident Review (PASARR). In order to enhance legislative oversight of spending on these services, JLBC Staff recommends appropriating these previously non-appropriated monies. JLBC Staff expects that total revenues from these sources will total \$13,280,000 in FY 1999. The amount by which expected revenues exceeds expenditures, \$1,280,000, is recommended for use toward the state match in the Long Term Care cost center. The Executive does not address this issue.

### **Home and Community Based Services** **172,300 GF**

The recommended amount includes an increase of \$172,300 GF for these 3 purposes:

- \$134,800 to fund 6 months of residential services to 8 new foster care clients as a result of increased referrals from Child Protective Services;
- \$9,000 to fund 6 months of residential services to 3 clients who will attain 18 years of age in FY 1999 and will no longer qualify for foster care; and
- \$28,500 to fund 6 months of day programs and support services to 5 clients who will attain 22 years of age in FY 1999 and will no longer receive a public education.

These increases would require annualization in FY 2000 at a cost of an additional \$172,300.

The Executive concurs, but recommends an increase of \$110,800 for new foster care clients instead of \$134,800.

### **Base Realignment** **-0- GF**

The recommended amount includes a realignment of funding and 14.4 FTE Positions between operating costs and Special Line Items, as requested by the department. The realignment includes the movement of funding for overtime and seasonal employee costs to the programs that provide direct client services. The Executive concurs.

**Attorney General Legal Services** **(12,000) GF**  
The recommended amount includes a transfer of \$(12,000) GF from the operating budget to the Department of Economic Security's (DES) Division of Administration. This is legal staff that is supervised by the Attorney General. The funding, however, has historically been included in this budget. The Executive concurs, but it recommends a transfer of \$(24,000) GF, which includes monies associated with the Long Term Care program.

Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISAs). However, the majority of the agency's Attorney

General legal services are similar to this appropriation in that the dollars are contained within the DES budget. The dollars have not been placed in the Office of the Attorney General's budget. *For further information, see the narrative for the new Attorney General Legal Services Special Line Items in the Divisions of Administration; Children, Youth, and Families; and Child Support Enforcement.*

### **Arizona Training Program at Coolidge (ATP-C) (337,200) GF**

The recommended amount includes a decrease of \$(337,200) and (11) FTE Positions associated with caseload declines at the state-operated ATP-C. In accordance with A.R.S. § 36-554, the department has been making appropriate placements of those individuals at ATP-C who wish, in consultation with their parent or guardian, to be moved to a community residential home. This has resulted in a declining population at ATP-C. The FY 1998 appropriation was based upon a total population of 67 clients: 52 in large group living facilities (LGLFs) and 15 in state-operated group homes (SOGHs). In addition to these clients, the ATP-C campus was also funded to serve 109 clients in FY 1998 through the Long Term Care program.

Because of the estimated outplacement of 5 clients (2 in LGLFs and 3 in SOGHs) in FY 1999, the JLBC Staff recommends a decrease of (11) FTE Positions and \$(334,200). The ATP-C was appropriated an employee to client ratio of 161 employees to 67 clients, or 2.4 employees per client, in FY 1998. The recommended amount for FY 1999 maintains that ratio.

The recommended amount also includes a decrease of \$(3,000) for Stipends and Allowances. The total recommended amount of \$7,400 provides weekly allowances to selected residents residing at the Coolidge campus. As the ATP-C population decreases, the amount of money required for this purpose will decrease.

The Executive does not address this issue.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

It is the intent of the Legislature that monies appropriated for services relating to adult day services in the Division of Developmental Disabilities budget be transferred to the Division of Employment and Rehabilitation Services, Rehabilitation Services Administration to accommodate individuals who are determined by the Division of Developmental Disabilities to need vocational

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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independence in a supported work environment. These monies may be transferred back to the Division of Developmental Disabilities if a supported work environment is no longer the most appropriate day placement for a client.

It is the intent of the Legislature that any available surplus monies for developmental disability programs be applied toward the waiting list, unless there are insufficient funds to annualize these costs in the subsequent year. The children's waiting list shall receive first priority. The amount appropriated for Developmental Disabilities shall be used to provide for services for non-Title XIX eligible clients. The amount shall not be used to pay for other purposes, unless a transfer of monies is reviewed by the Joint Legislative Budget Committee.

The Department of Economic Security shall report all new placements into a state-owned ICF-MR in FY 1999 to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the 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 the most appropriate placement. The department should also report if no new placements were made. This report shall be made available by July 15, 1999.

### **Other Issues for Legislative Consideration**

#### **Published Rate Schedule**

The FY 1997 appropriation included \$304,000 to assist the department in implementing a published rate schedule for providers. The published rate schedule will replace the current system of negotiating contracts for service with individual providers with a set rate per unit of service. The department, after several delays, planned to implement the published rate schedule on October 1, 1997. After hearing concerns from several providers as to the implementation process of the published rate, the Joint Legislative Budget Committee requested the department delay implementation until January 1, 1998 and address providers' issues. Given continued concerns about the department's ability to address procedural questions from providers, the Committee requested in December that the department further delay implementation until July 1, 1998.

#### **Sliding Fee Schedule**

The FY 1997 appropriation included a reduction of \$(1,547,100) associated with the implementation of a co-pay or sliding fee scale for families of clients receiving non-residential services. The department has indicated that it collected \$876 in FY 1997 from sliding fee schedule billings. It expects to collect \$1,500 in FY 1998 and \$15,000 in FY 1999. These numbers are significantly below the FY 1997 reduction, which was based on the

expected amount of billings the department would collect. The department, however, has not requested additional appropriations to make up the difference between the appropriated reduction and the sliding fee schedule billing.

#### **Waiting List Issues**

The department has indicated that it would cost an additional \$1,644,800 GF to eliminate the current waiting list for children and an additional \$523,500 GF to eliminate the current waiting list for adults. The department has provided additional information that indicates that there is currently sufficient funding for new clients age 0-3 years. Given that fact, the JLBC Staff does not recommend additional funding at this time.

#### **Executive Recommendation**

The Executive recommends an increase of \$48,200 GF and 1 FTE Position associated with establishing rules pertaining to licensing and certification timelines. The new position will define time frames for administration completeness and substantial review for licensing and certification applicants, renewals and amendments. JLBC Staff does not recommend funding for this issue because it is not clear that the statutory change will require the additional staff.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
PROG: Long Term Care

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPБ	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	1,051.6	1,050.6	1,086.1	1,073.1	1,072.1
Personal Services	5,254,400	6,100,500	7,951,200	7,853,100	7,848,600
Employee Related Expenditures	1,169,700	1,315,900	1,638,200	1,614,600	1,771,700
All Other Operating Expenditures:					
Professional and Outside Services	1,234,800	1,282,200	1,217,800	1,218,500	1,246,300
Travel - In State	206,400	184,300	188,200	187,800	184,300
Travel - Out of State	0	400	0	0	400
Other Operating Expenditures	979,000	1,070,700	1,130,000	1,121,900	1,020,800
Equipment	16,500	0	19,200	6,400	0
OPERATING SUBTOTAL	8,860,800	9,954,000	12,144,600	12,002,300	12,072,100
SPECIAL LINE ITEMS					
Case Management	8,801,200	8,846,300	11,277,200	10,816,200	10,804,500
Home and Community Based Services	142,535,900	148,669,800	158,043,300	172,710,700	160,328,300
Institutional Services	8,256,800	8,835,300	8,627,900	9,470,800	9,677,700
Medical Services	26,108,900	29,375,700	33,663,000	32,465,300	32,460,400
Arizona Training Program at Coolidge	9,292,200	9,691,900	10,368,800	10,369,000	9,887,100
Arizona Training Program at Tucson	295,400	253,300	0	0	0
PROGRAM TOTAL	204,151,200	215,626,300	234,124,800	247,834,300	235,230,100
BY FUND SOURCE					
General Fund	62,959,200	61,395,100	80,303,200	82,557,800	79,965,100
Federal Funds	141,192,000	154,231,200	153,821,600	165,276,500	155,265,000
TOTAL - ALL SOURCES	204,151,200	215,626,300	234,124,800	247,834,300	235,230,100

**Program Description** — *The Long Term Care (LTC) Program provides services to individuals with mental retardation, cerebral palsy, autism, and epilepsy, who are eligible for the federal Title XIX Program. Title XIX is an entitlement program—any individual meeting the financial and functional requirements must receive assistance. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit and have certain functional needs. Clients not eligible for the federal program can receive services funded through the 100% state Developmental Disabilities (DD) Program. Besides contracting for services, the program: a) operates the Arizona Training Program at Coolidge(ATP-C), and smaller state-operated group homes, and b) provides case management services to recipients.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$18,570,000	30.2%
Federal Funds	1,033,800	0.7%
Total Funds	\$19,603,800	9.1%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments      \$924,100 TF      \$246,500 GF  
ERE Rates                      (18,300) TF      (7,000) GF

## Funding Sources

The Long Term Care is funded from 3 primary sources:

- State General Fund (GF)
- Federal Title XIX capitation revenues received through the Arizona Health Care Cost Containment System (AHCCCS)

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

- Other non-GF, non-Title XIX sources (e.g., client billing revenues, third party liability payments)

The JLBC Staff recommendation is based on an estimate of total program enrollment and projected revenues from Title XIX capitation rates and other non-Title XIX sources. As in past years, the JLBC Staff recommendation includes the appropriation of GF monies and total fund (TF) expenditure authority, which includes all 3 funding sources.

### JLBC Staff Recommendation for Long Term Care

	FY 1998	FY 1999
<b>Uses</b>		
100% state-only	\$ 11,500,000	\$ 12,000,000 <sup>1/</sup>
ALTCS-reimbursable	218,913,600	235,347,800
Total -- Uses	<u>\$230,413,600 <sup>2/</sup></u>	<u>\$247,347,800 <sup>2/</sup></u>
<b>Sources</b>		
Title XIX Capitation	\$143,124,200	\$153,985,000
Non-GF, Non-Title XIX	12,300,000	13,280,000
General Fund	74,989,400	79,965,100
Total -- Sources	<u>\$230,413,600</u>	<u>\$247,230,100</u>

<sup>1/</sup> JLBC Staff recommends transferring funding for 100% state-only ALTCS services to the Developmental Disabilities cost center in FY 1999.

<sup>2/</sup> Chart excludes \$4,250,000 TF expended in indirect administration in FY 1998 and \$4,367,500 TF expended in indirect administration in FY 1999.

### Caseload Growth 31,120,700 TF    10,749,100 GF

The recommended amount includes an overall increase of \$31,120,700 TF and 45 FTE Positions associated with caseload growth in the Long Term Care program. JLBC Staff projects an average monthly population of 9,370 enrolled clients. Of these clients, 9,335 will be "standard" enrolled clients and 35 will be "ventilator dependent" clients. This average population of 9,370 total clients exceeds the FY 1998 appropriated average monthly population of 8,369 by 1,001 clients, or 12.0%. The population is based upon a 7% annual growth rate, which is the historical growth rate for this program, above October 1997 actual enrollment.

This growth affects several Special Line Items, as outlined below:

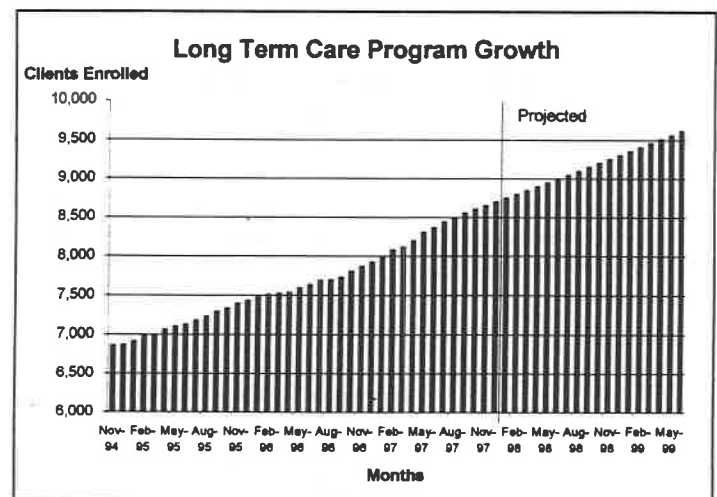
- Case Management: an increase of \$1,644,400 TF and 48 FTE Positions. The 48 FTE Positions is composed of 33 caseworkers, 5 supervisors, 5 secretaries, and 5 information processing specialists.
- Home and Community Based Services: an increase of \$25,112,500 TF associated with the provision of residential programs, day programs, and support services to 979 new member years in FY 1999.
- Institutional Services: an increase of \$1,060,200 TF associated with the provision of residential and day

programs to 24 new clients in FY 1999 with more severe developmental disabilities.

- Medical Services: an increase of \$3,408,900 TF associated with the provision of Acute Care services for 1,001 new member years.
- Arizona Training Program at Coolidge: a decrease of \$(105,300) TF and (3) FTE Positions associated with the expected decrease of (2) clients at the ATP-C campus. The FY 1999 ATP-C population enrolled in the Long Term Care program is expected to be 107 clients, of which 89 reside in Intermediate Care Facilities for the Mentally Retarded (ICF-MRs) and 18 reside in state-operated group homes. In addition to these clients, another 62 clients enrolled in the state-only Developmental Disabilities program are expected to be at the ATP-C campus in FY 1999.

The Executive recommends a total of \$10,380,200 GF and \$30,052,700 TF, along with 36 FTE Positions, for caseload growth of approximately 1,000 clients above the FY 1998 appropriated level.

The JLBC Staff also recommends a FY 1998 supplemental of \$3,412,800 GF and \$9,857,700 TF for caseload growth. The recommended supplemental will fund services to an average of 392 member years above the original FY 1998 estimated caseload level of 8,369 member years. The Executive concurs, but it recommends a supplemental of \$3,779,800 GF and \$10,918,000 TF.



### Base Shortfall -0- TF    7,758,900 GF

The recommended amount includes a shift of \$7,758,900 in funding from the federal Title XIX funds to the General Fund to ensure the state contributes the proper amount of state matching funds for the Long Term Care program. JLBC Staff first calculated the increases in funding required by caseload growth and other technical changes based on the FY 1998 appropriation. JLBC Staff compared that total to the amount of non-GF revenues that the state could expect to receive in FY 1999. Since those

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

increased obligations exceeded the expected increased revenues, JLBC Staff replaced non-GF funding with GF funding as necessary.

In previous years the department was able to fund cash shortfalls in the Long Term Care System Fund with prior year reimbursements and transfers from other cost centers, which were primarily excess welfare cash benefit funding. Since DES is not anticipating further prior year reimbursements and maintenance-of-effort requirements of welfare reform make removing additional welfare cash benefit GF dollars difficult, the JLBC Staff recommends this fund source shift.

The Executive recommends shifting a total of \$10,535,700 and 100.8 FTE Positions from federal Title XIX funds to the General Fund. JLBC Staff believes that this transfer is greater than necessary to address the fund shift issue. JLBC Staff also recommends making the shift in the Home and Community Based Services line item and not transferring FTE Positions.

The JLBC Staff also recommends a FY 1998 supplemental of \$10,181,500 GF and \$4,929,600 TF for the base shortfall. The Executive concurs, but it recommends a supplemental of \$12,781,200 GF and \$3,220,800 TF.

### Transfer of 100% State-Funded

#### ALTCS Services (12,000,000) TF -0- GF

The recommended amount includes a decrease of \$(12,000,000) TF associated with the transfer of 100% state-funded services to ALTCS clients. To make the Long Term Care cost center better reflect the costs of providing services eligible for reimbursement from AHCCCS, which operates ALTCS, the JLBC Staff recommends transferring \$12,000,000 of Long Term Care System Fund monies from the Long Term Care cost center into the Developmental Disabilities cost center. These are services to Title XIX clients that are not reimbursable by AHCCCS, including Room and Board, for which the state must pay 100% of the costs.

The revenues funding these services are derived from the following sources: Client Billing Revenue, Reinsurance, Foster Care Client Trust, Third Party Liability, Mesa Land Fund, Long Term Care System Fund Interest, and Preadmission Screening and Annual Resident Review (PASARR). In order to enhance legislative oversight of spending on these services, JLBC Staff recommends appropriating these previously non-appropriated monies in the Developmental Disabilities cost center. JLBC Staff expects that total revenues from these sources will total \$13,280,000 in FY 1999. The amount by which expected revenues exceeds expenditures, \$1,280,000, is recommended for use toward the state match in the Long Term Care cost center. The Executive does not address this issue.

**Base Realignment -0- TF -0- GF**  
The recommended amount includes a realignment of funding and 96.7 FTE Positions between operating costs and Special Line Items, as requested by the department. The realignment includes the movement of funding for overtime and seasonal employee costs to the programs that provide direct client services. The Executive concurs.

### Attorney General

#### Legal Services (35,900) TF (12,400) GF

The recommended amount includes a transfer of \$(35,900) TF from the operating budget to DES's Division of Administration. This is legal staff that is supervised by the Attorney General. The funding, however, has historically been included in this budget. The Executive concurs, but it realigns the monies within the Developmental Disabilities budget.

Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISAs). However, the majority of the agency's Attorney General legal services are similar to this appropriation in that the dollars are contained within the DES budget. The dollars have not been placed in the Office of the Attorney General's budget. *For further information, see the narrative for the new Attorney General Legal Services Special Line Items in the Divisions of Administration; Children, Youth and Families and Child Support Enforcement.*

#### Transfer of Occupancy (81,000) TF (28,000) GF

The recommended amount includes a decrease of \$(81,000) TF associated with the transfer of occupancy-related costs to the Division of Administration. The Executive concurs.

### Arizona Training Program

#### at Tucson (ATP-T) (305,800) TF (137,100) GF

The recommended amount includes a decrease of \$(305,800) TF and (23.5) FTE Positions associated with the removal of all residential clients from the Arizona Training Program at Tucson campus, which occurred in February 1997. The reduction removes the funding and authorized FTE Positions from this line item, as well as the elimination of this line item.

The Executive concurs with the elimination of this line item, but transfers \$137,000 GF and \$305,800 TF to the Home and Community Based Services line item.

\* \* \*

**JLBC Staff Recommended Format — Operating Lump Sum with Special Line Items for the Program**

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

### **JLBC Staff Recommended Footnotes**

#### *New Footnotes*

All monies in the Long Term Care System Fund unexpended and unencumbered at the end of the fiscal year shall revert to the General Fund, subject to approval by the Arizona Health Care Cost Containment System. *(This footnote clarifies that non-General Fund monies including but not limited to Title XIX capitation rate revenue and client billing revenue shall revert to the General Fund.)*

The Department of Economic Security shall submit a report to the Joint Legislative Budget Committee by September 1, 1998 on making the budget structure for the Division of Developmental Disabilities more closely align with the rate code structure included in the capitation rate the department receives from the Arizona Health Care Cost Containment System. *(This footnote requests that the department report on how to make their budget structure and expenditures better reflect the revenues they receive through the AHCCCS capitation rate.)*

Monies for the Long Term Care program are appropriated for the capitation rates approved in November of 1997. No monies may be expended for a change in these capitation rates unless an expenditure plan is reviewed by the Joint Legislative Budget Committee. *(This footnote is recommended to prevent the department from implementing a capitation rate increase which may have a significant cost associated with it without notifying the Legislature of the change.)*

### **Other Issues for Legislative Consideration**

#### **FY 1998 Supplemental**

The JLBC Staff recommends a FY 1998 supplemental appropriation of \$13,594,300 GF and \$14,787,300 TF associated with caseload growth and base shortfalls in the Long Term Care Program. *For further details, please see the Caseload Growth and Base Shortfall policy issues.*

#### **Competitive Bidding for Services to Developmentally Disabled (DD) Clients**

The JLBC Staff recommends adding a footnote to the AHCCCS budget requiring AHCCCS to report by May 31, 1999 to the Joint Legislative Budget Committee on the feasibility of competitive bidding for DD services by FY 2002. This report will indicate whether AHCCCS believes services to DD clients can be bid out just as services to elderly and physically disabled clients will be completely competitively bid out beginning in FY 2000.

#### **Laws 1995, Chapter 250 - Incompetence to Stand Trial**

Laws 1995, Chapter 250 requires the Division of Developmental Disabilities to provide services in a secure facility to offenders with developmental disabilities who are incompetent to stand trial and are a threat to public

safety, subject to available funding. The department has previously estimated that it currently serves 6 clients with a history of criminal offenses and with costs of \$100,000 annually. The creation of a secure facility could decrease the annual costs of providing services to these clients. The JLBC Staff has understood that this issue would be addressed in additional legislation and did not address this issue in our budget recommendation.

#### **Executive Recommendation**

The Executive recommends an increase of \$33,500 GF and \$97,000 TF along with 2 FTE Positions associated with establishing rules pertaining to licensing and certification timelines. The new positions will define time frames for administration completeness and substantial review for licensing and certification applicants, renewals and amendments. JLBC Staff does not recommend funding for this issue because it is not clear that the statutory change will require the additional staff.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
PROG: Benefits & Medical Eligibility

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	1,270.6	1,270.6	1,222.0	1,222.0	1,222.0
Personal Services	27,902,400	32,273,000	32,405,100	32,544,100	32,394,000
Employee Related Expenditures	7,348,000	7,797,500	7,830,900	7,475,200	7,454,200
All Other Operating Expenditures:					
Professional and Outside Services	562,700	432,600	605,100	432,600	605,100
Travel - In State	718,600	766,700	766,700	766,700	766,700
Other Operating Expenditures	4,236,700	4,679,700	4,470,500	4,045,200	4,470,500
Equipment	234,500	0	0	0	0
OPERATING SUBTOTAL	41,002,900	45,949,500	46,078,300	45,263,800	45,690,500
SPECIAL LINE ITEMS					
TANF Cash Benefits	168,656,500	206,660,700	189,094,300	176,696,500	173,631,800
TANF Stabilization Fund	0	5,141,000	0	0	0
TANF Legislative Initiatives	0	7,500,000	0	0	0
Outreach and Naturalization	0	250,000	250,000	250,000	250,000
General Assistance	5,686,600	4,079,400	5,496,500	4,755,700	4,721,700
Tuberculosis Control	13,700	19,400	19,400	19,400	15,600
Institutional Support Payments	350,200	360,000	360,000	360,000	288,000
Full Employment Project	71,900	110,600	0	0	0
Youth Support Research	14,000	14,000	14,000	14,000	0
ALTCS Eligibility Pass-Through	0	550,600	0	0	0
Arizona Works Procurement Board	0	300,000	300,000	300,000	300,000
PROGRAM TOTAL	215,795,800	270,935,200	241,612,500	227,659,400	224,897,600
BY FUND SOURCE					
General Fund	82,096,100	88,321,900	80,908,800	79,707,200	78,396,700
Other Appropriated Funds	133,699,700	182,613,300	160,703,700	147,952,200	146,500,900
Other Non-Appropriated Funds	28,104,500	28,734,100	29,104,900	29,104,900	29,104,900
Federal Funds	65,269,500	31,755,800	31,970,400	31,970,400	31,970,400
TOTAL - ALL SOURCES	309,169,800	331,425,100	302,687,800	288,734,700	285,972,900

**Program Description** — The program develops policy and operating procedures, determines eligibility, pays benefits and carries out evaluation and monitoring for the following programs: Food Stamps, Temporary Assistance for Needy Families (TANF), General Assistance (GA), Tuberculosis Control, and Institutional Support Payments.

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ (9,925,200)	(11.2)%
Other Appropriated Funds	(36,112,400)	(19.8)%
Total Appropriated Funds	\$(46,037,600)	(17.0)%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments      \$431,500 OF      \$696,200 GF  
ERE Rates      (115,200) OF      (119,500) GF

### Funding Sources

The Division of Benefits and Medical Eligibility (DBME) is funded with monies from both the state General Fund (GF) and the federal TANF Block Grant. Previous to the passage of P.L. 104-193, the 1996 federal welfare reform law, the state only appropriated the GF portion of entitlement-based



## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

welfare spending; the federal share was non-appropriated. The passage of P.L. 104-193 changed the federal portion to a flat block grant and required states to appropriate the block grant.

### TANF Cash Benefits

**Caseload Decrease (29,028,900) OF (4,000,000) GF**  
The recommended amount includes a \$(33,028,900) TF decrease associated with continued caseload declines in the TANF Cash Benefits program. The JLBC Staff recommendation incorporates the following modifications.

- An average caseload of 137,500 recipients at \$104 per month in the single-parent program and 4,300 recipients at \$80 per month in the 2-parent program. These average caseloads will remain flat during FY 1999, but will be adjusted for the transfer of clients into the Arizona Works program on January 1, 1999.
- A decrease of \$(33,028,900) TF associated with the estimated FY 1998 surplus.

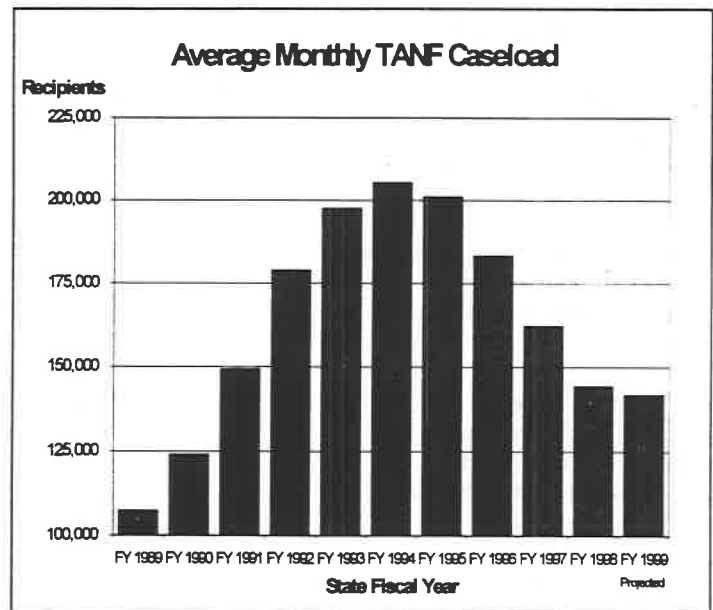
There are many reasons for the decrease Arizona has experienced in its TANF Cash Benefits caseload in the past couple years. The improved state and national economy has helped TANF clients and prospective TANF clients to find employment. A shift in emphasis to considering welfare reciprocity a short-term situation may also have encouraged clients to leave the TANF Cash Benefits system. Given the unpredictability of TANF Cash Benefits caseloads, however, and the possibility of an economic downturn, the JLBC Staff is reluctant to forecast much of a decline in the TANF Cash Benefits caseload for FY 1999.

The recommended amount includes a total of \$9,326,100 TF associated with the transfer of 18,434 recipients and 6,351 cases from the TANF Cash Benefits program operated by the department to the new Arizona Works program on January 1, 1999. JLBC Staff estimates that if these recipients remained in the EMPOWER Redesign program, it would require an additional \$2,096,200 to pay for their cash benefits. *Please see the Summary narrative for further details on the Arizona Works pilot program.*

The Executive recommends a decrease of \$(2,398,100) GF and \$(27,566,100) OF associated with caseload declines. JLBC Staff believes the \$(33,028,900) TF reduction in our FY 1999 recommendation more closely matches caseload declines and better accounts for implementation of the Arizona Works pilot program than the \$(29,964,200) TF reduction recommended by the Executive.

The JLBC Staff also recommends a FY 1998 reduction of \$(13,594,300) of TANF Block Grant monies from this line. This reduction can be made because of lower-than-appropriated caseload levels. The amount of monies

remaining for TANF Cash Benefits in FY 1998 will be \$193,066,400. This reduction will permit an increase in TANF funding for the Day Care Subsidy Special Line Item in the Division of Employment and Rehabilitation Services.



### TANF Stabilization Fund

**(5,141,000) GF**

The JLBC Staff recommends eliminating the \$5,141,000 GF deposit into the TANF Stabilization Fund in FY 1999. After one such deposit in FY 1998, the TANF Stabilization Fund is expected to have a balance of \$4,141,000 in FY 1999. In addition to these funds, JLBC Staff estimates that the state has \$37,861,800 of TANF Block Grant monies on deposit with the federal government. *For further details, please see Excess TANF Block Grant Monies in the Other Issues for Legislative Consideration section below.* The Executive concurs.

### TANF Legislative Initiatives

**(7,500,000) OF**

The recommended amount includes a decrease of \$(7,500,000) of TANF Block Grant monies associated with the elimination of the TANF Legislative Initiatives line. The \$7,500,000 in this line item was appropriated into the Child Care and Development Fund Block Grant by Laws 1997, Chapter 300. The Executive concurs.

### General Assistance Caseload

**642,300 GF**

The recommended amount includes an increase of \$642,300 associated with caseload increases in the General Assistance (GA) program. The total recommended amount of \$4,721,700 GF is made up of the following components:

- \$5,359,200 to pay benefits to 2,900 clients monthly at an average payment of \$154 per month. The current FY 1998 total appropriation of \$4,079,400 includes monies to pay benefits to approximately 2,500 clients expected monthly.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

- \$(1,036,500) in retroactive payments from the federal government for GA recipients who are later accepted into the federal Supplemental Security Income program.
- \$278,000 for contract costs with Advocates for the Disabled.
- \$121,000 for medical examinations and medical consultants.

The total amount includes an estimated \$306,900 associated with the transfer of 377 GA clients into the new Arizona Works pilot program on January 1, 1999. *Please see the Summary narrative for further details on the Arizona Works pilot program.*

The Executive concurs, but recommends an increase of \$676,300 GF for GA caseload increases.

### **Tuberculosis Control (3,800) GF**

The recommended amount includes a decrease of \$(3,800) GF associated with expected caseload declines in the Tuberculosis Control program. The recommended amount will pay benefits to 9 clients monthly at an average payment of \$144.44 per month. The Executive does not address this issue.

### **Food Stamp Issuance Privatization (9,200) GF**

The recommended amount includes a decrease of \$(9,200) GF and (9) FTE Positions associated with the privatization of Food Stamp vault operations. The department privatized these functions, including storage and security of the Food Stamps, on December 1, 1996. The department expects to spend \$174,500 per year in the contract for these services, replacing \$183,600 that otherwise would have been spent for these services with department employees.

The Executive concurs, but it does not recommend the \$(9,200) decrease in funding.

### **Youth Support Research Transfer (14,000) GF**

The recommended amount includes a decrease \$(14,000) GF associated with the recommended transfer of the Youth Support Research appropriation to the Arizona Department of Education (ADE) budget. The line item provides funding for a K-12 pilot program to increase school performance and reduce gang activity. Because it is more education-related than human service-related, and because a similar appropriation exists in the ADE budget, JLBC Staff recommends transferring this appropriation to the ADE budget. The Executive does not address this issue.

### **Institutional Support Payments (72,000) GF**

The recommended amount includes a decrease of \$(72,000) GF associated with expected caseload declines in the Institutional Support Payments program. The recommended amount will pay benefits to 480 clients monthly at an

average payment of \$50 per month. The Joint Legislative Budget Committee has recommended this program be subject to the Program Authorization Review process in FY 1999 and FY 2000. The Executive does not address this issue.

### **Full Employment Project Transfer (115,400) GF**

The recommended amount includes a decrease of \$(115,400) GF and (4) FTE Positions associated with the elimination of the Full Employment Demonstration Project in DBME. The program was authorized as part of Laws 1997, Chapter 300 and no longer needs "demonstration" authority. JLBC Staff recommends a transfer of \$47,200 and 2 FTE Positions to the Division of Employment and Rehabilitation Services (DERS).

The Executive concurs with the decrease, but it recommends transferring \$116,300 and 4 FTE Positions into DERS.

### **ALTCS Eligibility Pass-Through (550,600) GF**

The recommended amount includes a decrease of \$(550,600) GF associated with new federal funding for certain immigrants receiving Arizona Long Term Care System (ALTCS) services. These particular clients had originally lost their ALTCS services as a result of the 1996 federal welfare reform legislation; this appropriation replaced the "lost" federal share that matched the state funds in the Arizona Health Care Cost Containment System (AHCCCS) budget for these clients. In 1997, however, the federal government restored its share of funding for these clients through September 30, 1998. The recommended decrease will not result in a loss of services. The Executive concurs.

### **TANF Salary Adjustment Shift 425,500 OF (425,500) GF**

The recommended amount includes a shift of \$425,500 from the General Fund to the TANF Block Grant associated with funding salary adjustments for employees funded from the TANF Block Grant. In FY 1998, salary adjustments for these employees were appropriated from the GF deposit into the TANF Stabilization Fund, even though the employees' base salaries were paid using TANF Block Grant monies. This recommended shift makes the TANF Block Grant employees completely funded using TANF Block Grant monies. The Executive concurs, but it recommends a shift of \$425,200.

### **Line Worker Reduction (325,300) OF (812,700) GF**

The recommended amount includes a decrease of \$(1,138,000) TF and (35.6) FTE Positions associated with a 2.5% reduction in the number of line workers in the department. The reduction, requested by the department, will reduce the number of workers performing assorted eligibility functions. Although the TANF caseload has decreased 25% since July 1995, the number of eligibility workers has remained constant since that time.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

The Executive concurs, but it recommends a decrease of \$(812,400) GF and \$(325,200) OF.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

The Operating Lump Sum appropriation may be expended on AHCCCS eligibility determinations based upon the results of the Arizona random moment sampling survey.

Notwithstanding A.R.S. § 35-173C, any transfer to or from the \$173,631,800 appropriated for Temporary Assistance for Needy Families Cash Benefits shall require approval of the Joint Legislative Budget Committee.

#### Deletion of Prior Year Footnotes

The JLBC Staff recommends deleting the footnote concerning Youth Support Research since this appropriation is recommended for transfer to ADE.

The JLBC Staff recommends deleting the footnote concerning the Arizona Long Term Care System Eligibility Pass-through since this appropriation is recommended for elimination.

The JLBC Staff recommends deleting the footnote concerning the Full Employment Demonstration Project Fund since this appropriation and the Fund itself is recommended for elimination.

### Other Issues for Legislative Consideration

#### FY 1998 Supplemental

The JLBC Staff recommends a FY 1998 supplemental appropriation transfer of \$13,594,300 of TANF Block Grant monies from TANF Cash Benefits Special Line Item to the Day Care Subsidy line in the Division of Employment and Rehabilitation Services. *For further details, please see the TANF Cash Benefits Caseload Decrease policy issue.*

#### Excess TANF Block Grant Monies

The JLBC Staff estimates that, based on these recommended appropriations, the state could have as much as \$37,861,800 of TANF Block Grant remaining "on account" with the Federal government. This amount takes into account the recommended FY 1998 supplemental appropriation of \$13,594,300 TANF monies to replace GF monies in the Day Care Subsidy line item. These monies should be considered "one time only" since the JLBC Staff recommendation for

FY 1999 fully appropriates all new TANF Block Grant monies the state should expect to receive in FY 1999.

### Executive Recommendation

The Executive recommendation includes a decrease of \$(425,300) GF for operating efficiencies associated with implementation of the Electronic Benefits Transfer (EBT) system for TANF Cash Benefits and Food Stamps. Since the program will still be in the pilot stage in FY 1999 and estimated savings are yet to be realized, JLBC Staff does not recommend eliminating funding based on savings at this time.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Temporary Assistance for Needy Families Block Grant	\$146,500,900

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
 PROG: Child Support Enforcement

JLBC: Marge Cawley/Stefan Shepherd  
 House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
 Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC

## OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	716.2	716.2	715.2	715.2	721.2
Personal Services	14,994,100	17,435,800	17,965,600	14,323,900	14,637,900
Employee Related Expenditures	3,667,700	4,292,600	4,383,700	3,444,700	3,436,600
All Other Operating Expenditures:					
Professional and Outside Services	4,192,700	3,778,200	4,374,200	5,111,600	4,365,400
Travel - In State	119,900	141,800	141,800	98,300	97,500
Other Operating Expenditures	2,446,000	2,717,900	3,688,000	3,617,500	2,715,900
Equipment	5,400	0	12,000	12,000	10,600
<b>OPERATING SUBTOTAL</b>	<b>25,425,800</b>	<b>28,366,300</b>	<b>30,565,300</b>	<b>26,608,000</b>	<b>25,263,900</b>

## SPECIAL LINE ITEMS

Automation Lease-Purchase	34,900	88,500	88,500	88,500	88,500
Phase II Maintenance	2,189,000	2,216,500	2,216,500	2,216,500	1,540,000
Genetic Testing	361,500	723,600	723,600	723,600	723,600
Chapter 219 Central Payment Processing	0	816,400	469,700	164,300	1,869,800
Chapter 300 Paternity Establishment	0	200,000	588,200	294,100	588,200
Central Payments Processing	0	0	288,600	559,200	0
Native American Services	0	0	1,998,100	1,052,900	375,000
County Participation	0	0	0	0	13,078,000
Attorney General Legal Services	0	0	0	4,553,800	4,641,700
<b>PROGRAM TOTAL</b>	<b>28,011,200</b>	<b>32,411,300</b>	<b>36,938,500</b>	<b>36,260,900</b>	<b>48,168,700</b>

## BY FUND SOURCE

General Fund	2,923,300	3,214,600	3,867,700	3,446,500	3,010,200
Other Appropriated Funds	0	8,532,700	9,662,200	9,287,000	10,613,900
Federal Funds	25,087,900	20,664,000	23,408,600	23,527,400	34,544,600
<b>TOTAL - ALL SOURCES</b>	<b>28,011,200</b>	<b>32,411,300</b>	<b>36,938,500</b>	<b>36,260,900</b>	<b>48,168,700</b>

**Program Description** — *The Division of Child Support Enforcement (DCSE) program provides intake services; locates absent parents; assists in establishing paternity; establishes the legal obligation for and the amount of child support payments; and evaluates the absent parent's ability to pay. The program also collects, enforces, investigates and works with the courts to review and adjust child support orders.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ (204,400)	(6.4)%
Other Appropriated Funds	2,081,200	24.4%
Federal Funds	13,880,600	67.2%
<b>Total Funds</b>	<b>\$15,757,400</b>	<b>48.6%</b>

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$765,400 TF	\$800 GF
	213,600 OF	
ERE Rates	(120,800) TF	(41,600) OF

### Funding Sources

The JLBC Staff recommendation for DCSE includes appropriations from the following 4 fund sources:

- General Fund (GF);
- State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

received Temporary Assistance for Needy Families (TANF) Cash Benefits;

- Federal Incentives associated with increased child support collections; and
- Fees from non-custodial parents for posting payments to the central payment clearinghouse.

Laws 1996, Chapter 335 made SSRE and incentives subject to legislative appropriation in FY 1998. FY 1997 expenditures from those sources are displayed as Federal Funds.

In addition to appropriating monies from the 4 sources listed above, the JLBC Staff recommendation also continues the practice of appropriating total funds (TF) expenditure authority for DCSE. The TF expenditure authority consists of the appropriations for the fund sources above plus the matching federal monies DCSE receives, generally at a ratio of 66% federal/34% state.

### Appropriation of County

**SSRE/Incentive Monies 13,078,000 TF 1,309,400 OF**

The recommended amount includes an increase of \$1,309,400 of SSRE and federal incentives that flow through the state's Child Support Enforcement Administration (CSEA) Fund to counties that operate their own child support enforcement system per agreement with the department. The rest of the CSEA Fund was appropriated in FY 1998, but these monies passing through to the counties were inadvertently not included. JLBC Staff also recommends granting the additional TF expenditure authority for Federal Funds associated with all county expenditures, not just those for SSRE/incentive funding. The Executive does not address this issue.

### Payment Processing of Non-Title-IV-D Cases

**1,021,100 TF 305,400 OF 415,300 GF**

The recommended amount includes an increase of \$1,021,100 TF to centralize processing of payments of child support cases from non-federal-Title-IV-D cases.

Laws 1997, Chapter 219 appropriated \$164,300 GF to the department for FY 1999 for the purpose of processing pre-1994 non-Title-IV-D child support and spousal maintenance payments. As a result, this amount will not need to be included in the FY 1999 General Appropriation Act. Additional funding is needed, however, because the appropriation was based on underestimated costs. The additional funding of \$856,800 TF will pay the contractor operating the state's centralized payment clearinghouse when responsibility for these cases is transferred on October 1, 1998. The additional federal funding will match the General Fund monies in this recommendation and the advance appropriation, where applicable. In addition to the GF and federal monies, the department expects to receive \$305,400 in fees associated with

processing these payments. The JLBC Staff recommendation includes the appropriation of those fees.

The Executive concurs, but it recommends increases of \$565,400 GF, \$305,400 OF, and \$1,081,700 TF for this issue. The JLBC Staff believes the Executive recommendation is based on a level of too many pre-1994 cases that will not receive matching monies from the federal government.

### Payment Processing of

**Title-IV-D Cases 785,400 TF 267,100 OF**

The recommended amount includes an increase of \$785,400 TF and a decrease of (3) FTE Positions associated with centralized processing child support payments from federal-Title-IV-D cases. Laws 1996, Chapter 188 required the department to centralize payment processing for IV-D cases and to contract with a private vendor or governmental entity to provide this service.

The recommended amount includes an increase of \$848,700 TF for processing these payments, which consists of \$288,600 in fees associated with processing these payments, plus matching Federal Funds. The Executive concurs.

The recommended amount also includes a decrease of \$(63,300) TF and (3) FTE Positions associated with the privatization of the support payment clearinghouse. The Executive concurs.

### New Hire Reporting and Mailing

**Wage Assignments 413,800 TF 140,700 GF**

The recommended amount includes an increase of \$413,800 TF to enter data into the new State Directory of New Hires, authorized by Laws 1997, Chapter 219, and mail wage assignments to employers. A total of \$384,000 in Professional and Outside Services money is for data entry into the State Directory of New Hires. This funding will allow the processing of 38,462 new hire reports weekly, effective October 1, 1998, outsourced to a private vendor. The other \$29,800 will fund the mailing of 980 wage assignments to employers weekly, effective October 1, 1998. Previously, the non-federal costs of issuing the wage assignments were borne by county clerks of the court throughout the state.

The Executive concurs, but it recommends an increase of \$138,500 GF and \$407,400 TF for this issue.

**Bank Fees 212,000 TF 72,100 GF**

The recommended amount includes an increase of \$212,000 TF to pay financial institutions' fees for quarterly matches of bank records to determine whether the assets of delinquent obligors are held by such institutions. Laws 1997, Chapter 219 permits financial institutions to charge reasonable fees, not to exceed actual

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

costs incurred. The amount includes \$172,000 of one-time Professional and Outside Services funding. The Executive concurs.

### State Case Registry

**Data Entry**                      **80,200 TF**              **27,300 OF**

The recommended amount includes an increase of \$80,200 TF and 2 FTE Positions to enter data into the new State Case Registry authorized by Laws 1997, Chapter 219. The Registry will contain case information for all child support cases in the state, both Title-IV-D and non-Title-IV-D. A total of \$75,500 will fund 2 new CSE Technician II positions who will enter approximately 500 new child support orders monthly and modify orders as necessary. A total of \$13,200 of this funding is one-time capitalized and non-capitalized equipment funding. The recommended amount also includes \$4,700 to reimburse county clerks of the court for mailing support order modifications to DCSE.

The Executive concurs, but it recommends increases of \$11,900 GF, \$16,100 OF, and \$82,400 TF for this issue.

### Laws 1997, Chapter 219

**Previous Appropriations**   **(816,400) TF**      **(816,400) GF**

The recommended amount includes a decrease of \$(816,400) GF associated with one-time FY 1998 appropriations in Laws 1997, Chapter 219. The Executive concurs.

### Federal Funding for Laws 1997,

**Chapter 300**                                      **388,200 TF**

The recommended amount includes an increase of \$388,200 in TF expenditure authority associated with the \$200,000 GF appropriation for private paternity establishment efforts in Laws 1997, Chapter 300. The recommended amount for FY 1999 continues the \$200,000 appropriation and adds the expenditure authority associated with matching federal monies. The recommended TF expenditure authority for private paternity establishment efforts is \$588,200.

The Executive recommends a decrease of \$(100,000) GF in this line item. The total Executive-recommended TF expenditure authority for private paternity establishment efforts is \$294,100.

**Native American Services**   **375,000 TF**              **127,500 GF**

The recommended amount includes an increase of \$375,000 TF associated with the provision of child support enforcement services to the Navajo Nation. Several court decisions have held that state courts have no jurisdiction in cases with pertinent events occurring on the reservation. The Navajo Nation stated that they would not accept the authority of Arizona courts or processes for such cases. In September 1997, the department and the Navajo Nation entered into a \$375,000 agreement; this agreement stated that the state would provide the Nation with funds to hire

child support workers that would be subject to Navajo Nation laws.

The Executive concurs, but recommends an increase of \$358,000 GF and \$1,052,900 TF for this issue. JLBC Staff believes this amount is too high based upon current estimates of usage.

### Attorney General

**-0- TF**

**-0- GF**

#### Legal Services

**-0- OF**

The recommended amount includes the transfer of \$4,641,700 TF and 111 FTE Positions from the division's operating budget into a new Attorney General Legal Services Special Line Item. This is legal staff supervised by the Attorney General. The FTE Positions and funding, however, have historically been included in this budget.

Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISAs). However, the majority of the agency's Attorney General legal services are similar to this appropriation in that the dollars and FTE Positions are contained within the DES budget. The dollars have not been provided to the Office of the Attorney General. *For further information, see the narrative for the new Attorney General Legal Services Special Line Items in the Division of Administration and the Division of Children, Youth and Families.*

The Executive concurs, but it recommends transferring \$4,553,800 TF and 111 FTE Positions.

### ATLAS Help Desk

**(424,500) TF**

**(144,400) GF**

The recommended amount includes a decrease of \$(424,500) TF and an increase of 6 FTE Positions associated with bringing ATLAS help desk staff associated with the Phase II Maintenance Special Line Item into state service. As part of the contract with a private vendor, the department is paying \$40 to \$65 per hour for such services. The department is currently expending significantly less money for similar services in its general operating expenses. The JLBC Staff believes that these currently privatized help desk positions can be brought into state service at great savings to the state. The recommended amount includes canceling the current contract worth \$676,500 for help desk employees and hiring the 6 FTE Positions at a cost of \$252,000. The JLBC Staff also recommends a footnote requiring the department to report to JLBC Staff and OSPB directors by October 1, 1998 on the feasibility of bringing remaining contracted employees for Phase II Maintenance into state service in FY 2000. The Executive does not address this issue.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### JLBC Staff Recommended Footnotes

#### Modification of Prior Year Footnotes

All State Share of Retained Earnings and federal incentives above \$10,019,900 and ~~federal enhanced 90/10 computer monies above \$1,462,900~~ received by the Division of Child Support Enforcement are appropriated for operating expenditures ~~and to the Phase II Conversion Special Line Item, respectively.~~ New full time equivalent positions may be authorized with the increased funding. The Division of Child Support Enforcement shall report the intended use of the funds to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees, and the Directors of the Joint Legislative Budget Committee Staff and the Governor's Office of Strategic Planning and Budgeting. *(Since the department is no longer receiving enhanced 90/10 computer monies, this section of the footnote is no longer needed.)*

#### New Footnotes

The department shall report to the Joint Legislative Budget Committee by October 1, 1998 on the feasibility of bringing the remaining contracted employees for Phase II Maintenance into state service in FY 2000. *(This footnote is recommended since the state may save additional monies by bringing these employees into state service. For additional details, please see the ATLAS Help Desk issue above.)*

#### Deletion of Prior Year Footnotes

The JLBC Staff recommends deleting the footnote concerning a pass-through of the first \$50 of child support payments made to the custodial parent since this policy has been adopted by the department.

### Other Issues for Legislative Consideration

#### Federal Office of Child Support Enforcement's Twenty-First Annual Report to Congress

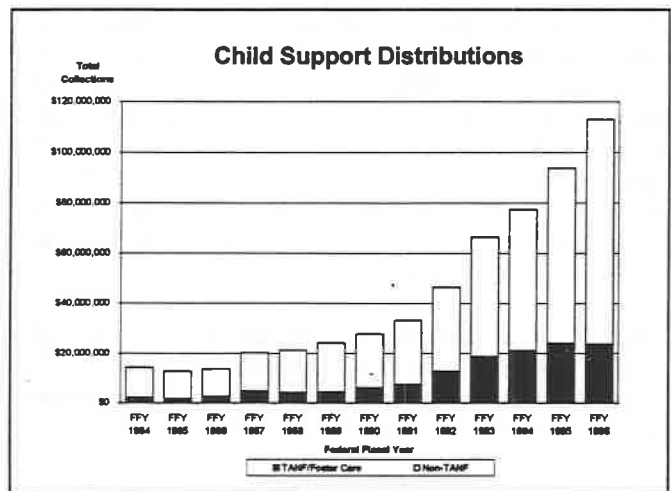
The Twenty-First Annual Report to Congress prints "Box Scores" for states' child support enforcement programs. These scores indicate, among other things, a "cost-effectiveness" ratio, which indicates how many dollars in child support the program collects when it spends \$1 in administrative expenditures. Arizona has consistently ranked among the bottom of all states in this ratio. The latest report, for Federal Fiscal Year (FFY) 1996, states that Arizona collected \$2.42 for each administrative dollar spent, ranking Arizona 47<sup>th</sup> of all states and territories listed. This is an improvement of 63.5% from FFY 1995, when Arizona ranked 52<sup>nd</sup>. According to the department, Arizona's cost-effectiveness ratio rose to \$2.69 in FFY 1997.

### SSRE/Incentive Funding Levels

Recent changes in federal and state laws may reduce the level of SSRE and incentives the state will receive. The federal welfare reform law (codified in state law) may reduce the number of clients receiving welfare payments, thereby possibly reducing the amount of State Share of Retained Earnings the state will collect. Changes putting the state "at the back of the line" for arrearages (past-due child support) may also reduce Arizona's SSRE. Finally, proposed federal legislation may change the formula for how future incentives will be distributed. In addition to the recommended FY 1999 appropriation of \$10,019,900 of SSRE and incentives, the department estimates that it will expend \$2,600,000 of SSRE and incentives as indirect costs in the Division of Administration in FY 1999. Barring any massive shifts in funding, and taking into account the department's improved child support enforcement efforts, the JLBC Staff believes the state will receive sufficient SSRE and incentives to meet its appropriation in FY 1999.

### Distributed Child Support Collections

Since FFY 1984, the department has significantly increased its total distributions to custodial parents by nearly 700%, and its distributions to TANF or Foster Care (FC) client custodial parents by nearly 1000%. This compares favorably with the national average of just over 400% for total distributions and 185% for TANF/FC distributions. The chart below illustrates the increase in collections.



### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Child Support Enforcement	
Administration Fund	\$10,019,900
Fees	594,000
<b>TOTAL</b>	<b>\$10,613,900</b>

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
PROG: Aging & Community Services

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	89.6	89.6	89.6	89.1	89.1
Personal Services	2,682,100	2,970,200	3,062,000	3,061,900	3,061,900
Employee Related Expenditures	591,300	644,500	664,400	640,200	642,200
All Other Operating Expenditures:					
Professional and Outside Services	14,700	14,000	14,000	14,000	14,000
Travel - In State	135,000	156,000	156,000	156,000	156,000
Other Operating Expenditures	208,600	241,600	241,600	241,600	241,600
<b>OPERATING SUBTOTAL</b>	<b>3,631,700</b>	<b>4,026,300</b>	<b>4,138,000</b>	<b>4,113,700</b>	<b>4,115,700</b>
<b>SPECIAL LINE ITEMS</b>					
Adult Services	8,382,000	9,182,100	9,199,700	9,199,700	9,199,700
LTC Ombudsman	102,600	119,200	119,800	109,500	109,500
Respite Care	180,300	185,000	185,000	185,000	185,000
Community and Emergency Services	2,095,600	3,350,500	2,983,800	2,983,800	2,983,800
Coordinated Hunger Program	1,083,300	1,086,600	1,086,600	1,086,600	1,086,600
Coordinated Homeless Program	1,560,200	1,873,000	1,988,600	1,988,600	1,988,600
Domestic Violence	1,911,200	2,022,700	3,670,100	3,670,100	3,670,100
Information and Referral	115,400	115,400	115,400	115,400	115,400
<b>PROGRAM TOTAL</b>	<b>19,062,300</b>	<b>21,960,800</b>	<b>23,487,000</b>	<b>23,452,400</b>	<b>23,454,400</b>
<b>BY FUND SOURCE</b>					
General Fund	16,506,800	17,806,500	17,922,400	17,891,200	17,892,800
Other Appropriated Funds	2,555,500	4,154,300	5,564,600	5,561,200	5,561,600
Other Non-Appropriated Funds	36,537,900	41,901,200	41,942,700	41,942,700	41,942,700
Federal Funds	2,961,400	1,892,200	798,600	798,600	798,600
<b>TOTAL - ALL SOURCES</b>	<b>58,561,600</b>	<b>65,754,200</b>	<b>66,228,300</b>	<b>66,193,700</b>	<b>66,195,700</b>

**Program Description** — *The program provides alternatives to institutional care for the elderly and physically disabled through a range of non-medical home and community-based services. It includes statewide programs of advocacy, social services, nutrition services, program development services, adult protective services, nursing home ombudsman services, volunteer services, and employment opportunities.*

*The program also provides for an array of services primarily through contracts with community-based organizations in the following programmatic areas: social services community action; food and nutritional assistance to persons and families in hunger-related crises; a variety of services for homeless persons and families; emergency services networks; refugee resettlement, including medical assistance; domestic violence victim assistance and prevention; and utility assistance.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$86,300	0.5%
Other Appropriated Funds	1,407,300	33.9%
Total Appropriated Funds	\$1,493,600	6.8%



**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>Salary Adjustments</b>	<b>\$5,500 OF</b>	<b>\$98,700 GF</b>
<b>ERE Rates</b>	<b>200 OF</b>	<b>(14,600) GF</b>
<b>Other</b>	<b>5,300 OF</b>	<b>(5,300) GF</b>

**Adult Services-Older Americans Act 17,600 GF**

The JLBC Staff recommendation adds \$17,600 GF in the Adult Services Special Line Item for an increase in the state match to draw down an additional \$260,800 in federal Older Americans Act (OAA) funding. These additional dollars will provide another 970 functionally impaired adults home-delivered and congregate meals. This General Fund increase will bring the OAA state match to \$897,400. The Executive concurs.

The funds in the Adult Services Special Line Item provide for a community-based continuum of care and services for abused, neglected, and exploited adults. The services provided are based upon the person's ability to perform activities of daily living, family support, and financial status.

The remaining General Fund dollars should be distributed as appropriated in FY 1998:

- Adult Protective Services, \$176,100;
- Supplemental Payments, \$2,156,300;
- Home Care, \$4,868,200;
- Assessments and Case Management, \$1,001,700; and
- Program Development, \$100,000.

**Attorney General Realignment (10,100) GF**

The JLBC Staff recommendation reflects a transfer of a (0.5) FTE Position from the Long Term Care Ombudsman Special Line Item to the Department of Economic Security's (DES) Division of Administration. This is legal staff that is supervised by the Attorney General. The FTE Position and funding, however, have historically been included in this budget. In FY 1999, this funding totals \$10,100 appropriated funds only. The Executive concurs.

Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISA). However, the majority of the agency's Attorney General legal services are similar to this appropriation in that the dollars and FTE Position are contained within the DES budget. The dollars have not been placed in the Office of the Attorney General's budget. *For further information, see the narrative for the new Attorney General Legal Services Special Line Items in the Divisions of Administration; Children, Youth and Families; and Child Support Enforcement.*

**Respite Care**

**-0- GF**

Funds a statewide program to provide relief to care givers of the elderly. Laws 1997, Chapter 162 requires DES to submit an efficacy report on the program to the Governor, the President of the Senate, and the Speaker of the House of Representatives by March 31, 1998. The Executive concurs.

**Community and Emergency Services (366,700) OF**

The JLBC Staff recommendation reflects a display change for the division's budget to more closely align with its program structure. The JLBC Staff recommendation transfers \$(366,700) Temporary Assistance for Needy Families (TANF) dollars from the Community Action Services activity to the Coordinated Homeless Program, \$115,600, and to the Domestic Violence Program, \$251,100. This redistribution more accurately reflects anticipated FY 1999 expenditures. The Executive concurs, except that it shows these dollars in 3 Special Line Items. For display purposes, JLBC Staff has rolled the Executive recommendation and the FY 1997 and FY 1998 appropriations into the Community and Emergency Services program line item.

The recommendation includes General Fund and TANF dollars in this program line for 3 different activities. These activities consist of:

- Emergency Assistance, \$983,500 GF and \$355,600 TANF;
- Utility Assistance, \$-0- GF and \$100,000 TANF; and
- Community Action Services, \$-0- GF and \$1,544,700 TANF.

In addition to the appropriated dollars, each activity receives non-appropriated dollars from federal and other funds. DES estimates receiving \$307,100 from the federal Social Services Block Grant for Emergency Assistance. Another \$4,309,600 from the federal Low Income Home Energy Assistance program and \$643,800 from other non-appropriated fund is anticipated for Utility Assistance. In addition, DES anticipates \$3,929,800 from the federal Community Services Block Grant and \$1,206,400 from the federal Social Services Block Grant to be available for Community Action Services.

Through Emergency Assistance, low-income households in need of temporary financial assistance to address a utility, shelter, repair or special need emergencies are provided aid. Through Utility Assistance, low-income households are aided in paying utility deposits, repairs or replacements of appliances. Through Community Action Services, DES provides financial and technical assistance for local communities to identify priority problems and needs of individuals in poverty. The Executive concurs.

**Coordinated Hunger Program**

**-0- GF**

The JLBC Staff recommendation reflects a change in the Special Line Item name to more closely align with DES's

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

program structure. This program consists of 2 subprograms: the Rural Food Bank Project, \$1,061,800, and the Food Distribution Information, \$24,800. This program receives additional dollars from non-appropriated federal sources: Food Stamp Outreach, \$28,500; Community Services Block Grant, \$33,500; Social Services Block Grant, \$315,500; and Temporary Emergency Food Assistance Program, \$663,000. The Executive concurs.

### Coordinated Homeless Program

**115,600 OF**

The JLBC Staff recommendation reflects a change in the Special Line Item name to more closely align DES's program structure. This program consists of the previously listed Homeless Shelter Special Line Item. The program fully reflects the entire department's homeless planning and coordination activities, and the contracting of funds to community-based organizations providing services for the homeless and near homeless. In addition to the \$1,155,400 from the General Fund and \$833,200 from appropriated TANF dollars, the program receives other non-appropriated dollars. These other non-appropriated dollars include the following federal dollars: Housing and Urban Development's Emergency Shelter Grant, \$388,400; Supportive Housing Program, \$545,000; and Social Services Block Grant, \$235,800. Another \$45,000 is provided through the non-appropriated Homeless Trust Fund. The Executive concurs.

### Domestic Violence

**1,647,400 OF**

The JLBC Staff recommendation includes the newly appropriated Domestic Shelter Fund and the transfer in of \$251,100 of federal TANF dollars, as previously discussed under the Community and Emergency Services Program. Laws 1997, Chapter 210 made the Domestic Violence Shelter Fund subject to legislative appropriation. The FY 1999 recommended appropriation will be the same for this fund as its FY 1998 distribution of \$1,396,300. The JLBC Staff recommendation also reflects the entire Domestic Violence activities in DES. This program now consists of providing shelter and supportive services to domestic violence victims and promoting awareness and prevention. This program is funded through both appropriated state General Fund dollars, \$1,157,900, federal TANF dollars, \$1,115,900, and the Domestic Shelter Fund, \$1,396,300. In addition, non-appropriated federal dollars are utilized for these services: Housing and Urban Development Emergency Shelter Grant, \$82,800, and Social Services Block Grant, \$624,500. The Executive concurs.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review** of the **Domestic Violence** program during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

The Domestic Violence program in DES provides shelter and supportive services to domestic violence victims. In addition, the program promotes awareness and prevention of domestic violence. The PAR of the DES's Domestic Violence program was combined with the Administrative Office of the Courts' (AOC) Domestic Violence Program. In addition to combining these 2 PARs, a discussion of the state's domestic violence programs is included in the PAR Victim Services Overview.

In addition to the dollars provided through DES and AOC, 5 other state agencies provide services to domestic violence victims. The PAR report found that although over half of all funding for victim services programs is reserved specifically for domestic violence victims, funding is not distributed as a result of a coordinated decision-making process. This lack of coordination between state agencies inhibits the efficient allocation of resources among domestic violence shelters.

The Criminal Justice and Transportation PAR Committee adopted several requirements of DES and the other state agencies providing domestic violence services, including that the agencies submit an action plan to the Committee by January 15, 1998 for developing an annual report to the Governor, President of the Senate, and Speaker of the House of Representatives on all state government domestic violence expenditures.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

It is the intent of the Legislature that the \$115,400 appropriated for Information and Referral Services shall be used to fund services in each city of this state with a population of more than 250,000 persons according to the most recent United States decennial or special census.

It is the intent of the Legislature that a state General Fund amount of \$250,000 in Adult Services be matched with \$250,000 from the federal Social Services Block Grant for non-medical and community-based services.

### Other Appropriated Fund Source Detail

	FY 1998 JLBC Rec
Temporary Assistance for Needy Families Block Grant	\$4,165,300
Domestic Violence Shelter Fund	<u>1,396,300</u>
TOTAL	\$5,561,600

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Economic Security  
PROG: Children, Youth and Families

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPb	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	749.4	783.4	801.4	851.9	853.0
Personal Services	20,465,500	23,358,200	25,093,100	24,300,100	24,810,100
Employee Related Expenditures	4,366,600	5,213,800	5,613,700	5,201,800	5,374,800
All Other Operating Expenditures:					
Professional and Outside Services	339,600	254,800	2,487,600	248,500	993,800
Travel - In State	793,100	896,300	959,700	902,700	945,900
Travel - Out of State	400	0	0	0	0
Other Operating Expenditures	1,263,800	1,675,100	1,707,600	1,300,200	1,539,500
Equipment	226,400	807,900	548,400	203,500	385,700
OPERATING SUBTOTAL	27,455,400	32,206,100	36,410,100	32,156,800	34,049,800
SPECIAL LINE ITEMS					
Adoption Services	12,702,000	13,478,500	17,391,800	15,345,500	16,156,700
Children Services	49,209,500	53,784,700	58,447,300	59,861,000	57,847,500
High Risk Infant Services	410,500	686,300	686,300	686,300	686,300
Intensive Family Services	2,267,800	2,435,600	2,435,600	2,435,600	2,435,600
Child Severance Project	514,600	649,900	1,079,000	146,500	146,500
Videotaping	72,000	107,600	110,800	109,300	109,300
Healthy Families Pilot	2,783,500	3,000,000	3,000,000	3,000,000	0
CPS Incentive Pay Program	0	240,000	240,000	240,000	240,000
Family Builders Pilot Program	0	4,353,600	10,448,200	7,989,800	8,007,200
Adoption; Church Programs	0	100,000	100,000	0	0
CPS Appeals	0	0	1,400,000	1,320,900	1,400,000
Child Abuse Prevention	649,900	737,800	810,500	737,800	810,500
Comprehensive Medical & Dental Program	2,118,600	2,794,900	2,990,500	2,794,900	2,794,900
Attorney General Legal Services	0	0	0	3,856,800	2,957,900
PROGRAM TOTAL	98,183,800	114,575,000	135,550,100	130,681,200	127,642,200
BY FUND SOURCE					
General Fund	91,746,000	102,726,700	123,324,400	118,590,700	115,474,400
Other Appropriated Funds	6,437,800	11,848,300	12,225,700	12,090,500	12,167,800
Other Non-Appropriated Funds	8,295,000	10,165,200	11,048,600	11,048,600	11,048,600
Federal Funds	58,866,500	61,649,800	69,940,500	69,940,500	69,940,500
TOTAL - ALL SOURCES	165,345,300	186,390,000	216,539,200	211,670,300	208,631,300

**Program Description** — The program provides staff resources, such as Child Protective Services (CPS) workers, an array of contracted services for abused, neglected or abandoned children, and medical and dental care for foster children. In addition, training resources are provided for CPS investigators, case managers and employees of child welfare agencies and community treatment programs.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$12,747,700	12.4%
Other Appropriated Funds	319,500	2.7%
Total Appropriated Funds	\$13,067,200	11.4%

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### FY 1999 — Recommended Changes from FY 1998

#### Standard Changes

Salary Adjustments	\$139,500 OF	\$693,700 GF
ERE Rates	(27,200) OF	(70,000) GF
Transfer Occupancy	-0- OF	(63,000) GF
Other	135,000 OF	(129,900) GF

#### Child Welfare Information

##### System Transfer 1,438,200 GF

The JLBC Staff recommends the transfer in from the agency's Division of Administration of 14 FTE Positions and \$1,438,200 General Fund for the ongoing maintenance and operation of the new statewide implemented Children's Information Library and Data Source (CHILDS) automation system. The transfer in includes \$461,400, Personal Services; \$98,400, Employee Related Expenditures; \$739,100, Professional and Outside Services; \$13,000, Travel - In State; and \$126,300, Other Operating Expenditures.

The Executive recommendation retains 5.5 FTE Positions and \$2,426,700 in the Child Welfare Information System Special Line Item in DES's Division of Administration. *For more detail on this automation system and the Executive recommendation, please see the narrative in the Division of Administration.*

#### Child Protective Services (CPS) Staff,

##### Family Builders, and Children

##### Services Annualization 7,109,000 GF

The JLBC Staff recommendation reflects the amount needed to annualize the adoption of Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session, which added staff and General Fund dollars to this division in FY 1998 to increase the investigation and response rate to child abuse and neglect reports designated appropriate for investigation or Family Builders response. Chapter 3 added \$6,758,800 to this division for 6-month funding for the following purposes:

- 29 FTE Positions and \$1,196,600 for CPS staff;
- \$3,553,600 to the Family Builders program for the expansion of this pilot program in Maricopa and Pima Counties;
- \$2,008,600 in the Children Services Special Line Item for support services needed for the increased number of cases being investigated by CPS.

In addition, Chapter 3 provided to the Attorney General's Office \$643,200 and 15 FTE Positions and \$46,300 and 1 FTE Position to the Office of the Ombudsman-Citizen Aide for 6-month funding in FY 1998. For FY 1998, the Attorney General will transfer their money and positions to this division through an Interagency Service Agreement.

The FY 1999 JLBC Staff recommendation adds \$9,400 for the CPS staff, \$2,185,900 for Family Builders, and

\$4,913,700 for Children Services to annualize the above special session actions. The annualization of the staff includes the adding of \$542,100 for salary costs and the reduction of \$(532,700) for one-time expenditures. The Executive recommends a total of \$7,188,300 for the annualization of this policy issue.

Chapter 3 also created a Joint Legislative Oversight Committee on Child Protective Services. This Joint Committee is responsible for conducting periodic performance reviews of this division, reviewing and recommending reform measures. In addition, the Joint Committee is required to work with the Auditor General to ensure the Auditor General's recommendations are implemented. The Joint Committee is required to submit semiannual reports of its findings and recommendations to the President of the Senate, the Speaker of the House of Representatives, the Joint Legislative Budget Committee, the Secretary of State, and the Director of the Department of Library, Archives and Public Records.

Based on discussions during the 2<sup>nd</sup> Special Session, FY 1999 appropriation recommendations for CPS, Family Builders, and Children Services will be based upon the findings and recommendations of the newly established Joint Committee. Thus, the JLBC Staff has not recommended additional staff nor additional contracted dollars. Traditionally, increases in this program have been based on estimated growth in the number of CPS reports appropriate for investigation.

#### Adoption Services

##### 2,678,200 GF

The JLBC Staff recommends the adding of \$1,727,300 GF for the current year shortfall and a transfer-in of \$950,900 GF from Children Services for the 406 foster care children anticipated moving to adoption status and qualifying for the adoption subsidy in FY 1999. Besides the children moving from foster care, DES estimates that another 61 privately placed special needs children will be added. The recommendation assumes at least \$8,434,900 in Title IV-E Federal Funds. The Executive recommendation adds \$1,867,000 GF.

The JLBC Staff recommendation reflects only the current year shortfall and the dollars from Children Services to follow the children. Over the years, JLBC Staff has tried to assess the number of children served and the average annual cost per child. However, historically these numbers are artificial. The budgeted amounts are often nowhere near expenditure amounts.

Funding in this Special Line Item subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental or emotional disorders; or who, because of age, sibling relationship, or racial or ethnic background, would otherwise be difficult to place in adoption. The funding

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

provides for ongoing maintenance and/or payment for special services depending on each eligible child's needs.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Adoption Services** program during the last year. As a result of that review, the JLBC Staff recommends modifying the program. JLBC Staff recommends requiring DES to report back to the PAR Committee by January 15, 1998 on its action plan with AHCCCS to include non-Title IV-E eligible children in its Title XIX state plan to draw down federal Title XIX funds for non-Title IV-E special services. The inclusion of these non-Title IV-E children would save the state General Fund dollars.

The PAR report discovered that the program has decreased its average monthly cost per child since FY 1992 by implementing cost reduction actions and managed care practices. In addition, the program has a high retention of the adoptive children remaining within their initial adoptive family placement. The adoptive placement is less costly to the state than maintaining the child in foster care.

Since the publication of this PAR report, the federal government has passed new legislation on special needs adoption that will impact the state program. However, the ramifications of this federal legislation are not yet clear.

### **Children Services (850,900) GF**

In addition to the annualization recommendation discussed above, the JLBC Staff recommends the transfer out of \$(950,900) to Adoption Services to follow those children moving to special needs adoption status. The JLBC Staff further recommends transferring the \$100,000 appropriated through Laws 1997, Chapter 225 to this Special Line Item. The \$100,000 will continue to be used for community and neighborhood based recruitment of adoptive homes for special needs children in foster care.

In addition to General Fund dollars, another \$6,284,800 of TANF dollars are appropriated to Children Services. The program is expected to receive at least \$24,769,400 from non-appropriated Federal Funds and \$890,000 from other Non-Appropriated Funds.

Monies in the Children Services Special Line Item fund a range of contracted services—in-home, out-of-home, and Child Protective Services—to ensure the well-being of children who are abused or neglected.

Besides the annualization amount, the Executive recommends adding \$2,113,500 for 1% caseload growth based on the number of CPS reports appropriate for investigation. The JLBC Staff assumes any budget recommendation to increase dollars in this Special Line Item will come from the Joint Legislative Oversight

Committee on Child Protective Services as discussed earlier. The Executive recommendation further reflects the reduction of Children Services by \$(950,900) for those children moving from foster care to adoption status. The Executive recommends eliminating the \$(100,000) appropriated through Laws 1997, Chapter 225.

### **Healthy Families Pilot (3,000,000) GF**

Laws 1996, Chapter 247 appropriated \$3,000,000 from the General Fund in FY 1997 and FY 1998 to continue the Healthy Families Pilot Program. This pilot was initiated and originally funded in FY 1995 and FY 1996 through Laws 1994, Chapter 1. This pilot provides services to children under 5 years of age and members of their families and is designed to prevent child abuse or neglect and promote child development and wellness. Services include parenting skills training, counseling, nutrition and preventative health care education, developmental and health assessments, and community resources information for such items as immunization, school readiness programs, social, employment and other assistance programs.

The legislation also required the pilot program to be evaluated each year by the Auditor General. The FY 1997 evaluation stated that the pilot is targeting families who need its services, but families are accessing fewer services than envisioned and is experiencing a 47% attrition rate. The high attrition rate contributes to a high yearly cost per family. Given the findings of the FY 1997 report and that the FY 1998 report has not been completed, the impact of the program cannot be measured. Given these factors and that this is a pilot program for which funding has been provided outside the budget process, the JLBC Staff recommends that the Legislature determine whether the pilot program should be continued through separate legislation.

The Executive recommends continuation of funding at \$3,000,000 GF.

### **Family Builders 1,467,700 GF**

In addition to the annualization amount discussed above, the JLBC Staff recommendation reflects the prior year appropriations provided through Laws 1997, Chapter 223. Chapter 223 established this pilot program and appropriated \$800,000 for FY 1998 and \$2,267,700 for FY 1999. The recommendation reflects the reduction of \$(800,000) of the FY 1998 appropriation and the increase of \$2,267,700 from Laws 1997, Chapter 223. The prior year appropriation of \$2,267,700 is displayed, but would not be included in the General Appropriation Act. Within the amount recommended, JLBC Staff recommends \$140,800 to fund 3 FTE Positions. Of these 3 FTE Positions, 2 staff are responsible for coordinating and developing the program. Their responsibilities will also include establishing policies and procedures. The other 1

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FTE Position will be responsible for monitoring providers' contracts. All 3 FTE Positions will participate in the required evaluation of Family Builders. Within the JLBC Staff recommendation, another \$100,000 is set aside for the Auditor General to conduct an evaluation. The Executive concurs.

**Adoption; Church Programs (100,000) GF**  
As discussed under Children Services, the JLBC Staff recommends transferring the \$(100,000) appropriated through Laws 1997, Chapter 225 to the Children Services Special Line Item. This program which allows for the use of all community based organizations, including those with religious affiliation, to aid in recruiting adoptive homes for eligible foster care children fits within the Out-of-Home activities funded in the Children Services Special Line Item.

**CPS Appeals 1,400,000 GF**  
The JLBC Staff recommendation reflects the FY 1999 appropriation from Laws 1997, Chapter 224. Chapter 224 created a process for individuals accused of alleged child abuse or neglect to challenge the department's substantiated findings. Chapter 224 enacted changes effective January 1, 1998 to allow accused individuals to participate in a hearing and appeal process. Chapter 224 appropriated funds for only FY 1999. Since these funds have already been appropriated, they do not need to be included in the General Appropriation Act.

Based on DES's budget request, the JLBC Staff recommends adding 15.5 GF FTE Positions. Of these 15.5 FTE Positions, a total of 8.5 FTE Positions will provide Attorney General legal services. The remaining 7 FTE Positions will be CPS staff.

Based on DES provided information pertaining to Attorney General legal services, the Executive recommends the transfer out of \$(79,100) GF and (4.6) GF FTE Positions and 3.4 FTE Positions funded through non-appropriated dollars from this Special Line Item to the Attorney General Legal Services Special Line Item. The JLBC Staff does not recommend this transfer at this point. JLBC Staff does not believe that \$79,100 is enough dollars to full-year fund 4.6 FTE Positions. Moreover, it is unclear to JLBC Staff why the budget request information differs from the separate Attorney General data that DES provided. JLBC Staff defers a recommendation on transferring dollars to the Attorney General Legal Services Special Line Item until the department more clearly understands its resource and fund sourcing needs to successfully implement this program.

**Child Abuse Prevention 72,200 OF**  
The JLBC Staff recommendation reflects the adding of \$40,000 and 1 FTE Position administering the Child Abuse Prevention Fund. This FTE Position was not included

when this fund moved to appropriated status. The recommendation also adds \$32,200 to the amount being contracted out for child abuse prevention programs. The Child Abuse Prevention Fund provides \$770,000 for the following: Healthy Families, \$630,000; Child Abuse Prevention, \$40,000; and Regional Prevention Councils, \$100,000. The Executive does not add the dollars or FTE Position.

**Attorney General Legal Services 2,174,700 GF**  
Laws 1996, Chapter 335 requires the appropriation of all Attorney General Intergovernmental Service Agreements (ISA's). However, the majority of dollars appropriated for Attorney General legal services in DES has not been established through ISA's. Rather than employing ISA's, DES's appropriation has directly funded FTE Positions and their related operating costs. The JLBC Staff recommends continuation of this practice. The JLBC Staff recommends appropriating Attorney General legal services directly to DES, because the Attorney General's accounting system is unable to provide the detailed reporting level needed to draw down Federal Funds. DES's accounting system is designed to prove the necessary reporting requirements to the federal government. The JLBC Staff recommends displaying DES's Attorney General legal services as a Special Line Item within the DES budget. The following reflects the transfers into this Special Line Item:

- Move \$210,000 GF and 6.1 GF FTE Positions from this division's operating budget (no overall dollar effect);
- Move \$52,100 GF and \$13,900 TANF for the current ISA with the Attorney General for Guardianship Activities from this division's operating budget (There is no overall dollar effect. In addition, no FTE Positions are included as the 0.9 GF and 0.2 TANF FTE Positions were not counted in DES, but are shown in the Attorney General ISA Fund.);
- Move \$507,200 GF for the current ISA with the Attorney General for Severance from this division's Child Severance Project Special Line Item (There is no overall dollar effect. In addition, no FTE Positions are included as the 9.8 GF FTE Positions were not counted in DES, but are shown in the Attorney General ISA Fund);
- Transfer in of \$1,255,200 GF and 21.1 FTE Positions from the Division of Administration; and
- Transfer in \$919,500 and 15 FTE Positions from the Attorney General for the CPS dependency related legal staff provided for in Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session.

The final bullet reflects the transfer of dollars and FTE Positions originally appropriated for dependency litigation to the Office of the Attorney General through Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session. Historically, the Attorney

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General staff who perform dependency litigation are housed in the DES budget.

The Executive also creates an Attorney General Legal Services Special Line Item and transfers in a total of \$3,843,100 and 75.5 FTE Positions. In addition to the JLBC Staff recommendation, the Executive recommendation adds \$877,300 and 18 FTE Positions for Dependency Caseload and Child Severance/Guardianship Caseload Requirements discussed below under "Other Issues for Legislative Consideration." The Executive also transferred dollars and 4.6 FTE Positions from the CPS Appeals Special Line Item that JLBC Staff has not. In addition, the Executive recommendation includes adding 10.7 FTE Positions for the established ISA's. The JLBC Staff recommendation does not include these FTE Positions, since they have not previously been accounted for in the DES budget. These FTE Positions have been appropriated through the Attorney General budget.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

### **JLBC Staff Recommended Footnotes**

#### *Continuation of New FY 1998 Footnotes*

The \$240,000 for the CPS Incentive Pay Program Special Line Item shall be used for Personal Services and Employee Related Expenditures to implement a performance based incentives pilot program for eligible CPS I, II and III workers in accordance with Laws 1995, Chapter 43.

#### *New Footnotes*

It is the intent of the Legislature that the Department of Economic Security in conjunction with the Arizona Health Care Cost Containment System shall provide quarterly reports on their progress in implementing the Comprehensive Medical and Dental Program (CMDP) as a health plan. The first report to the Directors of the Governor's Office of Strategic Planning and Budgeting and the Joint Legislative Budget Committee Staff will be due March 31, 1998. These quarterly reports will be provided until June 30, 1999. *(This was the recommendation of the CMDP Study Committee, which was to determine the feasibility of transferring CMDP from DES to AHCCCS. Please see the discussion on CMDP under Other Issues for Legislative Consideration.)*

### **Other Issues for Legislative Consideration**

#### **Dependency Caseload Requirements**

The Executive recommends a General Fund increase into the Attorney General Legal Services Special Line Item of \$369,100 and 9 FTE Positions that will be matched with a

like amount of federal dollars for legal costs related to dependency filings. The Economic Security Division, Protective Services Section of the Attorney General's Office that is funded in this budget litigates all dependency matters for DES. Due to the increased cases and newly adopted legislative action, the Executive recommends 5 dependency attorneys and 4 support staff to attend all mandated court hearings anticipated in FY 1999. The JLBC Staff has not made any recommendation on this issue. The Staff is awaiting the review and recommendations from the newly created Joint Legislative Oversight Committee on Child Protective Services as discussed above under CPS Staff, Family Builders, and Children Services Annualization narrative.

#### **Child Severance/Guardianship Caseload Requirements**

The Executive recommends \$369,100 in General Fund dollars and 9 FTE Positions for litigating the anticipated growth of severance/guardianship cases in FY 1999. The Executive places these dollars in the Attorney General Legal Services Special Line Item. In addition, the Executive recommends an additional \$60,000 in General Fund dollars to the Child Severance Special Line Item for contracted social studies that are necessary in severance/guardianship cases. The \$369,100 of state dollars will be matched by a like amount of federal dollars. The \$369,100 will fund 5 attorneys and 4 support staff. The department argues that without these additional staff children will remain in foster care. The JLBC Staff has not made any recommendation on this issue. The Staff is awaiting the review and recommendations from the newly created Joint Legislative Oversight Committee on Child Protective Services as discussed above under CPS Staff, Family Builders, and Children Services Annualization narrative.

#### **Comprehensive Medical and Dental Program (CMDP)**

As an outcome of a 1997 Program Authorization Review, a legislative study committee was established to determine the feasibility of transferring CMDP from DES to the Arizona Health Care Cost Containment System (AHCCCS), while maintaining or improving the current level and quality of services provided to eligible foster children. The study committee has recommended that CMDP stay in DES, but will meet all federal Title XIX health plan requirements by June 30, 1999. The study committee directed DES and AHCCCS to work together to ensure that all automation and other health plan requirements are met through the use of both agencies FY 1998 resources. In addition, the committee required DES, in conjunction with AHCCCS, to provide quarterly reports on their progress in implementing CMDP as a health plan. The first report to the CMDP study committee and directors of the Governor's Office of Strategic Planning and Budgeting and JLBC Staff is due March 31, 1998. These quarterly reports will be provided until June 30, 1999.

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### **CPS Incentive Pay Program**

According to the footnote, the incentive pay program was established for eligible CPS I, II and III workers. The department's implementation includes other position classifications that provide direct services to children in the CPS system. To pay for the incentive bonus for the FTE Positions not specified in the footnote, the department is utilizing non-appropriated dollars. If the Legislature wants to include all workers who deal directly with children in the CPS system, then the footnote guiding who is eligible for the pay incentive should be modified to reflect all of these positions and funding sources.

### **November 1997 Performance Audit**

In its November 1997 performance audit of DES's Division of Children, Youth and Families, the Auditor General reported 6 major findings on the department's oversight of child protective services. Pending further review of this performance audit by the Joint Legislative Oversight Committee on Child Protective Services, created through Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session, the JLBC Staff has not recommended any changes to this division's budget. The findings were as follows:

- This division is unable to investigate all child maltreatment reports.
- This division's CPS investigations are not always timely or thorough.
- The CPS case weighting model needs further improvement.
- This division's oversight of group and shelter homes is inadequate.
- Current foster homes are unable to meet certain placement needs.
- Data integrity should remain a continuous priority for the division's information system.

### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
Temporary Assistance for Needy Families Block Grant	\$11,201,300
Child Abuse Prevention Fund	810,500
Children & Family Services Training Fund	156,000
TOTAL	\$12,167,800



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DEPT: Department of Economic Security  
PROG: Employment and Rehabilitation Services

JLBC: Marge Cawley/Stefan Shepherd  
House Sub: Weiers

OSPB: Matt Gottheiner/Aimee Petrosky  
Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPБ	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	336.9	334.4	437.7	416.7	397.5
Personal Services	6,385,500	10,518,600	11,567,500	11,190,000	10,928,300
Employee Related Expenditures	1,490,100	2,335,700	2,594,800	2,389,600	2,333,200
All Other Operating Expenditures:					
Professional and Outside Services	80,100	217,100	237,000	237,000	217,100
Travel - In State	196,600	316,400	359,700	334,000	316,400
Other Operating Expenditures	542,500	1,025,500	1,311,300	1,127,500	1,041,600
Equipment	44,600	32,600	194,300	88,500	0
OPERATING SUBTOTAL	8,739,400	14,445,900	16,264,600	15,366,600	14,836,600
SPECIAL LINE ITEMS					
JOBS	7,679,300	14,942,100	20,511,500	16,984,200	19,626,300
Work-Related Transportation	0	2,000,000	2,000,000	5,006,300	2,302,200
Teen Pregnancy Prevention	0	2,000,000	2,000,000	2,000,000	0
Job Search Stipends	102,100	173,900	173,900	173,900	173,900
Day Care Subsidy	31,229,100	79,278,200	92,969,700	95,884,700	76,776,400
Transitional Child Care Extension Pilot	5,414,600	6,509,400	9,278,200	5,294,100	26,124,600
Vocational Rehabilitation Services	3,102,300	3,285,100	3,285,100	3,285,100	3,655,000
Developmental Disabilities Employment Support	6,970,600	7,381,700	7,381,700	7,381,700	9,063,400
Independent Living Rehabilitation Services	529,600	575,000	575,000	575,000	575,000
Other Receipts	(500,700)	0	0	0	0
UI Employer Reimbursement	0	85,000	85,000	85,000	85,000
Summer Youth Program	0	1,000,000	1,000,000	1,000,000	1,000,000
Project Intervention	0	1,000,000	1,000,000	1,000,000	1,000,000
Welfare to Work Block Grant Programs	0	0	0	16,863,900	0
PROGRAM TOTAL	63,266,300	132,676,300	156,524,700	170,900,500	155,218,400
BY FUND SOURCE					
General Fund	33,127,500	49,464,400	49,357,400	43,522,600	41,441,900
Other Appropriated Funds	30,138,800	83,211,900	107,167,300	127,377,900	113,776,500
Other Non-Appropriated Funds	184,256,500	206,804,100	206,897,200	206,897,200	206,897,200
Federal Funds	129,268,900	124,524,200	122,088,700	122,088,700	122,088,700
TOTAL - ALL SOURCES	376,791,700	464,004,600	485,510,600	499,886,400	484,204,300

**Program Description** —The program provides the following: rehabilitative services to individuals with disabilities, job training opportunities to economically disadvantaged adults and youth; child care subsidy programs; and employability services to Temporary Assistance for Needy Families (TANF) recipients through the Job Opportunity and Basic Skills Training (JOBS) program. Several 100% federally funded programs are located in this division, such as the Unemployment Insurance benefit program and the Job Training Partnership Act (JTPA) program.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ (8,022,500)	(16.2)%
Other Appropriated Funds	30,564,600	36.7%
Total Appropriated Funds	\$22,542,100	17.0%

**FY 1999 — Recommended Changes from FY 1998**

**Standard Changes**

<b>Salary Adjustments</b>	<b>\$212,400 OF</b>	<b>\$169,800 GF</b>
<b>ERE Rates</b>	<b>(43,400) OF</b>	<b>(22,100) GF</b>
<b>Eliminate One-time</b>		
<b>Equipment</b>	<b>(32,600) OF</b>	<b>-0- GF</b>
<b>Other</b>	<b>128,400 OF</b>	<b>(128,400) GF</b>

**Child Care**

**Base Modification      14,700,000 OF (14,700,000) GF**

The recommended amount includes a shift of \$14,700,000 from the General Fund to the TANF Block Grant. The JLBC Staff recommends this shift because the state would otherwise spend approximately \$14,700,000 GF that qualifies for no additional federal child care monies. In order to qualify for the maximum amount of Child Care and Development Fund (CCDF) Block Grant funds the state can receive in FY 1999, JLBC Staff estimates the state must spend \$17,640,900 of its monies on child care services. JLBC Staff estimates that this transfer would leave the state spending \$17,670,600 GF on child care subsidies and administration in FY 1999. This shift would not cause any decrease in services.

The Executive concurs, except that it recommends a shift of \$12,704,900 from GF to the TANF Block Grant. JLBC Staff believes that a transfer of \$14,700,000 will still allow the state to draw down the maximum CCDF grant amount.

The JLBC Staff also recommends a FY 1998 supplemental appropriation of \$13,594,300 of TANF Block Grant monies to replace \$13,594,300 GF spent on child care subsidies. In order to qualify for the maximum amount of CCDF Block Grant funds the state can receive in FY 1998, JLBC Staff estimates the state must spend \$16,870,600 of its monies on child care services. JLBC Staff estimates that this transfer would leave the state spending \$18,776,300 GF on child care subsidies and administration in FY 1998. This shift would not cause any decrease in services. The Executive does not address this issue.

The JLBC Staff recommendation for FY 1999 direct child care subsidies, excluding administration or quality-related programs, totals \$105,413,200 TF, including the non-appropriated federal Social Services Block Grant (SSBG). This amount is an increase of \$49,726,900, or 89%, over the FY 1996 total appropriation for subsidies of \$55,686,300, which includes the non-appropriated predecessors of the appropriated federal block grants and the SSBG.

**Special Administration**

**Base Modification      (4,500,000) OF      4,500,000 GF**

The recommended amount includes a shift of \$4,500,000 in the JOBS and Developmental Disabilities Employment Support Special Line Items from the Special Administration Fund to the General Fund. The Special Administration Fund was appropriated in FY 1997 by Laws 1996, Chapter 312. The FY 1998 appropriation included a one-time "spend-down" of the balance in the fund of approximately \$4,500,000. The shift of funding leaves \$1,591,400 of ongoing spending from the Special Administration Fund for which there are sufficient ongoing revenues. The Executive concurs.

**Eliminate "Double-Counting" of Appropriation      -0- OF**

The recommended amount includes a shift of \$7,500,000 from the CCDF Block Grant to the TANF Block Grant. This shift is required to avoid the "double-counting" of appropriations from the TANF Legislative Initiatives line item in FY 1998. The Executive concurs.

**Child Care Administration FTE Positions      -0- GF**

The recommended amount includes an increase of 59.6 FTE Positions associated with a technical correction for the transfer of the Child Care Administration from the Division of Children, Youth, and Families in FY 1998. The approved FY 1998 budget included a transfer of approximately \$1,925,000 of Personal Services monies, but only 18.3 FTE Positions. In previous years, the funding for personnel in the Child Care Administration shifted from non-appropriated to appropriated sources, but FTE Positions were not shifted. This addition will rectify that shift.

The Executive concurs, but it recommends an increase of 64.7 FTE Positions funded from the General Fund and 1.6 FTE Positions funded from the CCDF Block Grant.

**JOBS Caseload      4,684,200 OF**

The recommended amount includes an increase of \$4,684,200 of TANF Block Grant monies associated with the provision of additional job training and job search services to clients receiving TANF Cash Benefits. The state is required to place an average of 33.8% of its caseload in work activities in FY 1999. The increase will allow the department to serve 3,549 new clients, or approximately 13,139 clients total, per month at an average cost of \$110 per month in its EMPOWER Redesign program. The total recommended amount includes \$2,819,200 for case management services.

The total recommended amount includes \$591,100 associated with the transfer of TANF clients into the new Arizona Works pilot program, effective January 1, 1999. The funds will provide job training and job search services

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to 895 clients per month at an average cost of \$110 per month. JLBC Staff estimates that if the Arizona Works program were stopped and those clients placed in the EMPOWER Redesign program, it would require an additional \$536,200 in funding. *For further details on the Arizona Works pilot program, please see the Summary narrative.*

The Executive recommends an additional \$2,023,200 TANF monies for additional JOBS services. JLBC Staff believes this amount underestimates the number of clients that will need to be served by the JOBS program.

**Day Care Subsidies** **6,316,100 OF**  
The recommended amount includes an increase of \$6,316,100 OF associated with the provision of child care subsidies as outlined below:

- \$2,743,400 in TANF program
- \$1,194,400 in Low Income/Working program
- \$2,378,300 in Transitional Child Care programs

The increase is primarily associated with an increase in the average child care subsidies paid on behalf of clients, along with slight caseload changes in each program. It is unclear exactly why the average monthly subsidy cost is increasing; it implies that parents are selecting care that is slightly more expensive than in FY 1998.

The recommended amount includes an increase of \$2,743,400 to allow the department to serve 10,743 children per month in its TANF program at an average cost of \$191 per month. This is a slight decrease of 154 children from the FY 1998 appropriated level of 10,897 children, but an increase of the average monthly cost from \$182.12. The reason for this slight decline in children served is that the FY 1998 appropriated level appears to have been too high. The October 1997 caseload level was 7,327 children.

The recommended amount also includes an increase of \$1,194,400 to allow the department to serve 18,700 children per month in its Low Income/Working program at an average cost of \$198 per month. The caseload level is approximately equal to the FY 1998 appropriated level; the average monthly cost is an increase from \$192.41.

The recommended amount includes an increase of \$2,378,300 which will allow the department to serve 9,547 children per month in its Transitional Child Care programs, years 1 and 2, at an average cost of approximately \$207 per month. The caseload level is an increase of 424 clients from the FY 1998 appropriated level and is based on the estimated number of clients transitioning into these programs in FY 1999. The average monthly cost is an increase from the FY 1998 appropriated cost of approximately \$194.

The JLBC Staff also recommends renaming the current Transitional Child Care (TCC) Extension Pilot Special Line Item as the Transitional Child Care Special Line Item, which would consist of the TCC Extension Pilot monies and monies for year 1 of TCC currently located in the Day Care Subsidy Special Line Item. Since funding for transitional child care is the only child care funding guaranteed by Arizona law, separating this funding from the rest of the (non-guaranteed) funding will make it easier to monitor. JLBC Staff recommends the transfer of \$14,738,700 from the Day Care Subsidy line to the TCC line for this purpose.

Finally, the overall recommended amount includes a total of \$7,739,800 TF associated with the transfer of clients from the EMPOWER Redesign program to the new Arizona Works pilot program, effective January 1, 1999. The funds will provide child care subsidies to 6,578 children per month at an average costs equal to the average costs for the EMPOWER Redesign program. JLBC Staff estimates that if the Arizona Works program were stopped and those clients placed in the EMPOWER Redesign program, it would reduce child care funding by \$(1,700,300). *For further details on the Arizona Works pilot program, please see the Summary narrative.*

The recommended amount assumes the department will use \$5,514,800 of non-appropriated federal Social Services Block Grant monies to provide child care subsidies.

The Executive recommends an increase of \$4,846,200 TF and 9 FTE Positions for additional child care subsidies. JLBC Staff believes that this total may not take into account higher average subsidy costs.

**Child Care Market Rates** **6,814,800 OF**  
The recommended amount includes an increase of \$6,814,800 of TANF Block Grant monies to increase the maximum rates that the Child Care Administration pays to providers accepting DES clients with infants and toddlers. The current rates are based on a 1989 survey. The department reports that approximately 85% to 90% of providers with whom they contract are at the maximum rates. The recommended amounts would allow DES to pay child care providers up to the 75<sup>th</sup> percentile of rates charged by all providers in 1996 for infants and toddlers (ages 0-3 years). The recommended amount includes \$557,500 to provide market rate increases to infants and toddlers in the Arizona Works pilot program, effective January 1, 1999.

The Executive instead recommends an increase of \$10,949,000 of TANF Block Grant monies to increase the maximum rates paid to providers to the median (50<sup>th</sup> percentile) of rates charged by all providers in 1996 for all children. The JLBC Staff believes its approach of targeting infants and toddlers at higher rates than under the

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Executive proposal is a more beneficial and efficient use of state monies.

**Sick Care Child Care** **3,982,500 OF**  
The recommended amount includes an increase of \$3,982,500 of TANF Block Grant monies to create a new sick care child care program. This program would pay for child care for children who are sick and are prohibited from visiting their regular child care provider. This program would allow parents to continue working while their children are sick, thereby reducing the likelihood that they will lose their jobs by staying at home and caring for a sick child.

Monies for this program would be capped. The amount would provide approximately 1,800 sick days per month in the Day Care Subsidy Special Line Item and 450 sick days per month in the Transitional Child Care Special Line Item, both at an average cost of \$147.50 per day. The recommended amount includes \$258,900 to fund a sick care program for Arizona Works participants, effective January 1, 1999. The Executive does not address this issue.

**Work-Related Transportation** **302,200 OF**  
The recommended amount includes an increase of \$302,200 of TANF Block Grant monies associated with provision of additional transportation services to TANF clients and recently-employed ex-TANF clients. A major obstacle that TANF clients encounter in their path to self-sufficiency is the lack of reliable and convenient transportation. The JLBC Staff recommends that these monies be reserved for bus, taxi or other direct subsidies for TANF clients and recently-employed ex-TANF clients who would have difficulties fulfilling work requirements without additional transportation assistance. It is expected that this amount will provide transportation services to 387 clients monthly at an average cost of \$65 per month.

The Executive recommends an increase of \$3,006,300 of TANF Block Grant monies to expand the department's work-related transportation services. It recommends that the funding be granted to local communities who are best situated to address individual needs. JLBC Staff believes that providing the department with monies for direct grants on behalf of clients will better address clients' immediate transportation needs.

**Full Employment Demonstration**  
**Project Transfer** **46,700 GF**  
The recommended amount includes an increase of \$46,700 GF and 2 FTE Positions associated with the transfer of the Full Employment Demonstration Project from the Division of Benefits and Medical Eligibility (DBME). The amount of money transferred into this division is less than the amount of money transferred out of DBME and is based on actual FY 1997 expenditures. These monies will be

used to help operate the program, which provides employers that hire TANF recipients with subsidies equal to the cash value of their welfare benefits. Increased funds to address the additional clients who will need to be served by the JOBS program are discussed in the *JOBS Caseload* policy issue. The Executive recommends an increase of \$116,300 GF and 4 FTE Positions for this issue.

**Teen Pregnancy Prevention**  
**Transfer to DHS** **(2,000,000) OF** **-0- GF**  
The recommended amount includes a decrease of \$(2,000,000) of TANF Block Grant monies associated with the transfer of the appropriation for teen pregnancy prevention programs to the Department of Health Services (DHS). This appropriation was first created by Laws 1997, Chapter 300 and was intended to be passed through to DHS. Rather than continuing to pass through these monies from DES to DHS, JLBC Staff recommends appropriating these monies directly to DHS. The Executive does not address this issue.

**Developmental Disabilities Vocational**  
**Rehabilitation and Employment Support** **2,111,500 GF**  
The recommended amount includes an increase of \$2,111,500 GF and 1.5 FTE Positions associated with eliminating the waiting list for vocational rehabilitation and employment support services for developmentally disabled clients. A total of 331 developmentally disabled clients are currently waiting for such services. The recommended amount includes \$369,900 for 9 months of vocational rehabilitation services, \$512,900 for 3 months of developmental disabilities employment support, and \$59,900 and 1.5 FTE Positions for case managers. The recommended amount also includes \$1,168,800 for annualization of the developmental disabilities employment support in future years for these clients. The monies for vocational rehabilitation services will also follow these clients.

Of the monies for case managers, \$3,900 is one-time-only equipment funding. In addition to the state money, JLBC Staff expects additional federal funding totaling \$1,463,300 in FY 1999. The Executive does not address this issue.

\* \* \*

**JLBC Staff Recommended Format — Operating Lump Sum with Special Line Items for the Program**

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

It is the intent of the Legislature that the \$19,626,300 appropriated for JOBS may be used to support non-permanent and seasonal positions to fulfill federal program requirements when contracts for services cannot be

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

established with outside parties. The use of such positions shall be reported to the Director of the Joint Legislative Budget Committee Staff.

### *Modification of Prior Year Footnotes*

Of the \$76,776,400 appropriated for Day Care SUBSIDY, \$49,656,300 is for a program in which the upper income limit is 135% OF THE 1997 FEDERAL POVERTY LEVEL ~~at least 65% of the state median income as determined by the Department of Economic Security.~~ This provision may not be construed to impose a duty on an officer, agent or employee of the state to discharge a responsibility or to create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the \$49,656,300 appropriation. *(This modification is needed because of the eligibility changes made to the Low Income/Working program by Laws 1997, Chapter 300.)*

### **Other Issues for Legislative Consideration**

#### **FY 1998 Supplemental**

The JLBC Staff recommends a FY 1998 supplemental appropriation of \$13,594,300 of TANF Block Grant monies to replace \$(13,594,300) GF spent on child care subsidies. *For further details, please see the Child Care Base Modification policy issue.*



#### **Program Authorization Review — The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Vocational**

**Rehabilitation Services** subprogram during the last year. As a result of the review, the JLBC Staff recommends modifying the program.

The Vocational Rehabilitation (VR) Services subprogram assists individuals with disabilities to evaluate and determine appropriate employment goals and to identify services and goods necessary to achieve these goals. After determining an individual is eligible for services, the program provides vocational rehabilitation counseling and develops an Individualized Written Rehabilitation Program (IWRP) for each client. To assist clients in meeting their IWRP goals, the program purchases an array of services such as medical and psychological restoration, training, job development and placement, and rehabilitation technology.

A significant finding was that the subprogram has enrolled developmentally disabled individuals without sufficient regard to the future funding requirements these clients will need for supported employment services. This is significant since many developmentally disabled clients will require supported employment services for many years after receiving vocational rehabilitation services. The Health and Welfare PAR Committee recommended that the name of the Employment Support Services Special

Line Item be changed to Developmentally Disabled Employment Support. The change in this line item name will make it clearer that the monies will go toward developmentally disabled clients only.

### **Executive Recommendation**

The Executive recommends an increase of \$2,000,000 GF and \$14,863,900 OF associated with a new Welfare to Work (WTW) Block Grant. The new WTW Block Grant was created in the federal Balanced Budget Act of 1997 to provide funding for hard-to-serve TANF clients, former TANF clients and other individuals who have a poor work history and do not have a high school education. The WTW Block Grant requires a state or local match of \$1 for every \$2 provided by the federal government. JLBC Staff believes that directing additional monies to the JOBS program may be a more effective method of moving TANF clients into self-sufficiency. We do not know which program will best meet federal work participation requirements.

The Executive also recommends an increase of \$96,300 OF and 3 FTE Positions associated with the FY 1998 transfer of positions and funding from the Division of Administration. JLBC Staff does not recommend the increase because those positions and funding should already be included within the DERS budget.

The Executive recommends an increase of \$32,600 of CCDF Block Grant monies for Equipment.

### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
Temporary Assistance for Needy Families Block Grant	\$59,632,400
Child Care and Development Fund Block Grant	53,059,100
Special Administration Fund	1,085,000
TOTAL	\$113,776,500

**DEPARTMENT OF EDUCATION  
(ADE)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Education  
Agency Summary

JLBC: Steve Schimpp/Justin Garosi  
House Sub: Knaperek

OSPB: Rita Sauv  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
General Services Administration	8,242,800	12,107,700	16,889,600	16,549,100	14,851,900
Assistance to Schools	1,991,936,700	2,147,593,500	2,302,471,200	2,264,570,500	2,173,086,900
<b>AGENCY TOTAL</b>	<b>2,000,179,500</b>	<b>2,159,701,200</b>	<b>2,319,360,800</b>	<b>2,281,119,600</b>	<b>2,187,938,800</b>

## OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	198.7	201.7	207.7	204.7	205.7
Personal Services	4,285,800	4,641,600	4,775,600	4,802,700	4,261,000
Employee Related Expenditures	913,000	975,000	1,058,300	967,400	846,100
All Other Operating Expenditures:					
Professional and Outside Services	156,700	91,500	94,300	91,500	91,500
Travel - In State	45,600	55,800	58,700	55,800	55,800
Travel - Out of State	24,100	45,200	46,600	45,200	45,200
Other Operating Expenditures	1,524,400	1,449,600	1,442,500	1,433,000	1,294,300
Equipment	99,100	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>7,048,700</b>	<b>7,258,700</b>	<b>7,476,000</b>	<b>7,395,600</b>	<b>6,593,900</b>
Special Line Items	1,993,130,800	2,152,442,500	2,311,884,800	2,273,724,000	2,181,344,900
<b>AGENCY TOTAL</b>	<b>2,000,179,500</b>	<b>2,159,701,200</b>	<b>2,319,360,800</b>	<b>2,281,119,600</b>	<b>2,187,938,800</b>

## BY FUND SOURCE

General Fund	1,966,014,600	2,121,661,200	2,278,274,400	2,235,808,300	2,143,073,100
Other Appropriated Funds	34,164,900	38,040,000	40,901,600	45,311,300	44,865,700
Other Non-Appropriated Funds	3,122,700	4,030,700	2,664,400	3,893,400	3,893,400
Federal Funds	432,549,700	494,736,400	483,576,000	483,542,600	483,542,600
<b>TOTAL - ALL SOURCES</b>	<b>2,435,851,900</b>	<b>2,658,468,300</b>	<b>2,805,416,400</b>	<b>2,768,555,600</b>	<b>2,675,374,800</b>

**Agency Description** — The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 1998 it is anticipated that the department will oversee 226 school districts and at least 124 State Board-sponsored charter schools in their provision of public education from preschool through 12th grade.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$21,411,900	1.0%
Other Appropriated Funds	6,825,700	17.9%
Total Appropriated Funds	\$28,237,600	1.3%

## FY 1999 — Recommended Changes from FY 1998

<b>Standard Changes</b>		
Salary Adjustments	\$6,700 OF	\$240,500 GF
ERE Rates	-0- OF	(28,000) GF
Risk Management	-0- OF	700 GF
Rent	-0- OF	(17,300) GF
Other	-0- OF	1,600 GF

## Basic State Aid

Student Growth		107,107,000	GF
Academic Year 1998 @ 3.6%			
Academic Year 1999 @ 3.3%			
Assessed Valuation			
Growth at 7.3%		(92,137,700)	GF
BIA School Funding		(3,382,300)	GF
Department of			
Juvenile Corrections		1,763,000	GF
Miscellaneous		471,600	GF
Endowment	5,894,000 OF	(5,894,000)	GF
<b>Subtotal</b>	<b>5,894,000 OF</b>	<b>7,927,600</b>	<b>GF</b>

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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<b>Additional State Aid</b>		
<b>("Homeowner's Rebate")</b>		<b>14,477,700 GF</b>
<b>Permanent Special Education</b>		
Institutional Voucher Fund		<b>(1,538,000) GF</b>
<b>Achievement Testing</b>		<b>1,304,800 GF</b>
<b>Special Education Placement and</b>		
Residential Education Voucher Fund		<b>(1,101,100) GF</b>
<b>Student Accountability</b>		
Information System		<b>1,000,000 GF</b>
<b>Family Literacy</b>		<b>(1,000,000) GF</b>
<b>Teacher Certification</b>	<b>925,000 OF</b>	<b>(800,000) GF</b>
<b>Certificates of</b>		
Educational Convenience		<b>472,400 GF</b>
<b>Optional Performance</b>		
Incentive Program		<b>100,000 GF</b>
<b>Assistance to School Districts for</b>		
Children of State Employees		<b>91,600 GF</b>
<b>State Board for Charter Schools</b>		<b>84,500 GF</b>
<b>School Report Cards</b>		<b>80,000 GF</b>
<b>Special Education Audit</b>		<b>73,700 GF</b>
<b>Youth Support Research</b>		<b>24,000 GF</b>
<b>Elected Official Salary Increase</b>		<b>17,200 GF</b>

\* \* \*

**JLBC Staff Recommended Format — Varies by Program**



# **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

DEPT: Department of Education  
 PROG: General Services Administration

JLBC: Steve Schimpp/Justin Garosi  
 House Sub: Knaperek

OSPB: Rita Sauv  
 Senate Sub: Huppenthal

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	143.9	143.9	149.9	146.9	147.9
Personal Services	4,285,800	4,641,600	4,775,600	4,802,700	4,261,000
Employee Related Expenditures	913,000	975,000	1,058,300	967,400	846,100
All Other Operating Expenditures:					
Professional and Outside Services	156,700	91,500	94,300	91,500	91,500
Travel - In State	45,600	55,800	58,700	55,800	55,800
Travel - Out of State	24,100	45,200	46,600	45,200	45,200
Other Operating Expenditures	1,524,400	1,449,600	1,442,500	1,433,000	1,294,300
Equipment	99,100	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>7,048,700</b>	<b>7,258,700</b>	<b>7,476,000</b>	<b>7,395,600</b>	<b>6,593,900</b>
<b>SPECIAL LINE ITEMS</b>					
Achievement Testing	310,200	3,035,200	6,432,200	6,215,300	4,340,000
Charter Schools Administration	346,100	203,000	209,900	207,500	207,700
Education Commission of the States	54,400	56,100	57,700	57,700	57,700
Special Education Audit	89,500	234,300	378,300	347,900	310,900
State Board for Charter Schools	0	172,900	178,800	175,100	259,900
State Board of Education	144,100	147,500	150,700	150,000	150,100
Student Accountability Information System	249,800	1,000,000	2,000,000	2,000,000	2,000,000
Teacher Certification	0	0	0	0	931,700
<b>PROGRAM TOTAL</b>	<b>8,242,800</b>	<b>12,107,700</b>	<b>16,883,600</b>	<b>16,549,100</b>	<b>14,851,900</b>
<b>BY FUND SOURCE</b>					
General Fund	8,242,800	12,107,700	16,883,600	16,549,100	13,920,200
Other Appropriated Funds	0	0	0	0	931,700
Other Non-Appropriated Funds	3,101,700	4,009,100	2,642,800	3,871,800	3,871,800
<b>TOTAL - ALL SOURCES</b>	<b>11,344,500</b>	<b>16,116,800</b>	<b>19,526,400</b>	<b>20,420,900</b>	<b>18,723,700</b>

**Program Description** — The General Services Administration (GSA) program is divided into a number of units, including School Finance, Data Processing, Career Ladders, Teacher Certification and Special Education, which provide for the ongoing operation of the Department of Education. The State Superintendent of Public Instruction is funded through this cost center.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$1,812,500	15.0%
Other Appropriated Funds	931,700	NA
Total Appropriated Funds	\$2,744,200	22.7%

## **FY 1999 — Recommended Changes from FY 1998**

<b>Standard Changes</b>		
Salary Adjustments	\$6,700 OF	\$171,200 GF
ERE Rates	-0- OF	(24,100) GF
Risk Management	-0- OF	700 GF
Rent	-0- OF	(17,300) GF
Other — Standard Changes for Education		
Commission of the States		1,600 GF

**Elected Officials Salary Adjustment 17,200 GF**  
 The JLBC Staff recommends half-year funding to increase the salary of the Superintendent of Public Instruction from \$54,600 to \$85,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. If the Legislature takes no action to disapprove of this recommendation, current law requires the salary adjustment to take place on

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

January 1, 1999. The Executive recommends \$17,100 increase due to a slightly different ERE change estimate.

## Achievement Testing

**1,304,800 GF**

Achievement Testing for FY 1999 is expected to consist of norm-referenced testing (NRT) using the Stanford 9, and criterion-referenced testing (CRT) using a new set of tests known as AIMS (Arizona's Instrument to Measure Standards). Both types of testing are required under A.R.S. § 15-741, which mandates NRT testing of grades 3-12 and CRT testing of at least 4 grades designated by the State Board of Education. The Board has determined that grades 3, 5, 8 and 12 will be CRT tested, although only grade 12 will be tested in FY 1999, since additional time will be needed to develop and implement the grade 3, 5 and 8 tests. NRT tests gauge student achievement relative to that of students in comparable "norm" groups nationwide. CRT tests gauge student achievement relative to set criteria such as academic standards. The Arizona AIMS CRT test will gauge student achievement relative to academic ("content") standards adopted by the State Board of Education. No statewide CRT testing has been done since suspension of the former Arizona Student Assessment Program (ASAP) CRT test in FY 1995.

As shown in the Table 1, the JLBC Staff recommends a \$216,100 increase for Stanford 9 testing and a \$905,500 increase for AIMS testing for FY 1999, based on vendor bids. This would result in \$1,529,400 in total Stanford 9 funding and \$2,627,400 in total AIMS funding for FY 1999.

Stanford 9 & AIMS Combined Estimated Testing Costs			
Test	FY 1998	FY 1999 Increase	FY 1999 Total
Stanford 9 (NRT)	\$1,313,300	\$216,100	\$1,529,400
AIMS (CRT)	1,721,900	905,500	2,627,400
Total	\$3,035,200	\$1,121,600	\$4,156,800

Table 2 shows a breakdown of Stanford 9 estimated testing costs per pupil for FY 1998 and FY 1999. In Table 2, the FY 1998 estimated cost exceeds the FY 1998 appropriated amount by \$85,600 (\$0.13 per pupil) due to a \$1.46 per pupil charge for grade 3 students to cover the cost of administering an additional subtest mandated by the state Board of Education after the FY 1998 NRT contract was signed. The estimated FY 1999 unit cost of \$2.39 per pupil is from the already-awarded contract for NRT testing for FY 1999.

Stanford 9 (NRT) Estimated Testing Costs			
	FY 1998 Appropriated	FY 1998 Estimated	FY 1999 Estimated
Total Cost	\$1,313,300	\$1,398,900	\$1,529,400
Pupils Tested	613,995	616,806	640,798
Cost/Pupil	\$2.14	\$2.27	\$2.39

Table 3 shows estimated costs for developing and administering the new AIMS (CRT) test for FY 1998 and FY 1999. Costs cited in the table are based on the recently awarded contract for CRT development and testing for FY 1998 and FY 1999. Per pupil costs are not shown in the table, since it currently is anticipated that all AIMS tests that are developed will be used for several years, spreading out their developmental costs over an unknown number of years. Furthermore, only the high school test will be administered during FY 1999, so no per pupil costs will be incurred for grades 3, 5 and 8 during the year. The unit cost for administering the high school test in FY 1999, excluding test development and related costs, is estimated at approximately \$9.01 per pupil. This assumes that 55,000 10<sup>th</sup> graders will be tested.

Costs to develop "parallel" versions of the 3<sup>rd</sup>, 5<sup>th</sup> and 8<sup>th</sup> grade tests are included in Table 3. This is to allow one form for each grade level to be used in even numbered years and the other during odd numbered years. Table 3 also shows that 6 high school forms are to be developed (2 each in FY 1998, FY 1999 and FY 2000), since high school students will have 5 opportunities to pass the AIMS high school test, starting in their 10<sup>th</sup> grade year. One extra high school form is to be developed to allow for contingencies.

It should be noted that annual costs of the AIMS testing program will increase substantially over those shown in the Table 3 if the State Board of Education should eventually decide that already-used versions of the tests may not be re-used in subsequent years. This is particularly possible with the high school graduation test, since students must pass it in order to graduate, so concerns may arise regarding test security. Likewise it should be noted that FY 2000 costs (not shown in the Table 3) are expected to be approximately \$874,400 higher than in FY 1999 due to first time testing of grades 3, 5 and 8 during FY 2000. Total FY 2000 AIMS testing costs are currently estimated at \$3,501,800. Possible price increases of 10% for FY 1999 and 15% for FY 2000, which may be allowed under the contract, are not included in the above estimates. With these increases, the FY 1999 and FY 2000 estimated costs would increase to \$2,890,100 and \$4,027,000, respectively.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

<b>AIMS (CRT) Estimated Testing Costs</b>		<b>Table 3</b>
	<b>FY 1998 Estimated</b>	<b>FY 1999 Estimated</b>
Planning	\$ 179,600	\$ 0
Develop Grade 3, 5 & 8 Tests (English) @ \$151,500	454,500	0
Parallel English Tests	0	454,500
Spanish Tests @ \$151,500	454,500	0
Parallel Spanish Tests	0	454,500
Braille Tests @ \$13,900	0	41,700
Large Print Tests @ \$1,000	0	3,100
Develop High School Test @ \$313,600	313,600	0
Parallel Tests	313,600	627,200
Braille Tests @ \$13,900	0	27,800
Large Print Tests @ \$1,000	0	2,000
Develop Teacher Directions @ \$1,600	0	9,600
Print High School Tests (55,000 @ \$.18)	0	9,900
Deliver Test Materials	0	154,700
Pre and Post Test Workshops (10 @ \$5,700)	0	57,000
Scoring (55,000 @ \$9.30)	0	511,600
Develop performance standards	0	189,700
Report Results	0	61,500
Miscellaneous	0	22,600
<b>TOTAL</b>	<b>\$1,715,800</b>	<b>\$2,627,400</b>

In addition to cost increases anticipated for NRT and CRT, new costs are expected to result from enactment of Section 15, Paragraph 11 of Laws 1997, Chapter 231. This law requires ADE, starting in FY 1999, to 1) establish a fair and consistent method and standard by which norm-referenced test scores may be evaluated taking into consideration demographic data, 2) establish intervention strategies to assist schools with scores below the acceptable standard, and 3) annually review district and school scores and offer assistance to school districts in analyzing data and implementing intervention strategies (A.R.S. § 15-741.A.11). These additional requirements, plus a now year-old mandate to establish a graduation test (Subsection A, Paragraph 3 of A.R.S. § 15-701.01) result in the need for FTE Positions to be established for this program for the first time. Given the complexity of the new statutory requirements for the program, the importance of implementing a graduation test correctly, and the large scale of K-12 achievement testing in general, the JLBC Staff recommends that 3 new FTE Positions and \$183,200 (\$105,000 Personal Services; \$22,100 ERE;

\$56,100 All Other Operating) be appropriated for this program. This would result in a total increase of \$1,304,800 for Achievement Testing for FY 1999, and total funding of \$4,340,000.

The Executive recommends an increase of \$3,180,100, which consists of \$2,879,600 for AIMS testing and development, \$130,400 for Stanford 9 testing and 3 FTE Positions and \$170,100 for administering the new graduation test and complying with new mandates under Laws 1997, Chapter 231.

## Special Education Audit

**73,700 GF**

A.R.S. § 15-236 requires the department to complete a cost study of special education programs every 2 years. Prior to FY 1997, the department conducted this audit with in-house staff. For FY 1997, however, based on a department request, 2.5 FTE Positions that were dedicated to conducting the cost study audit were eliminated and the December 1997 audit was instead contracted out to a private accounting firm. Based on expenses reported by the contractor for the December 1997 Cost Study, the department currently estimates that contract fees of \$219,200 (an increase of \$114,000) will be required in FY 1999 in order to secure a contractor for the December 1999 audit. This is in addition to an estimated \$127,400 needed for ongoing funding of the 2.5 FTE Positions that conduct fiscal and program accountability audits (rather than cost study audits) of special education programs under this program.

Since contract bids for the December 1999 study are not expected to be filed until after this budget recommendation is published, the JLBC Staff believes that it would be unwise to recommend an increase based solely on costs reported by the December 1997 audit contractor. It instead recommends a \$73,700 increase for estimated contract costs, which equals 75% of the difference between reported contract costs for FY 1998 and the amount provided for contract costs in the FY 1998 appropriation. This would provide total funding of \$310,900 for the program: \$183,500 for contract costs and \$127,400 for the 2.5 FTE Positions that conduct in-house fiscal and program accountability audits under this program. The department currently estimates that there will be no contract cost for the cost study audit in FY 2000 due to its biennial nature.

The Executive recommends a \$110,800 increase in contract cost funding for the program.

## State Board for Charter Schools

**84,500 GF**

The State Board for Charter Schools, established by A.R.S. § 15-182, grants charter status to qualifying applicants pursuant to A.R.S. § 15-183, and exercises general supervision over the schools that it charters. Currently, the board is funded as a Special Line Item in the budget for

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

this cost center and its staff (3 FTE Positions) is housed in the department. In order to provide greater long-term autonomy for the board, its members have requested that it be made its own budget unit starting in FY 1999. The department does not object to this change, and as a result, recommends zeroing out the board's budget in its FY 1999 agency request, allowing it to be transferred to a separate, newly created agency housed outside of ADE. Board staff therefore have submitted a separate budget request for FY 1999, which would provide it with 2 more FTE Positions and \$131,100 in additional funding (including \$45,000 for capital equipment to establish its new headquarters) for the year.

In order to establish the board as its own agency for autonomy purposes and simultaneously provide it with additional resources needed to supervise the rapidly growing number of charter schools under its sponsorship, the JLBC Staff recommends an additional 1 FTE Position and \$84,500 for the board for FY 1999. This would include \$29,000 for furniture, computers and equipment for the board's new office (the location of which has yet to be determined).

The proposed establishment of the board as a separate agency should result in some cost savings for the department, since it will no longer be relying on general operating resources of this cost center (such as photocopying equipment and miscellaneous staff time from FTE Positions not appropriated specifically to the board) to carry out its duties. Nevertheless, the JLBC Staff does not recommend reducing general operating funding for the cost center regarding this policy issue, since the amount of this cost savings is undeterminable and probably relatively small due to the "fixed cost" nature of many overhead and personnel costs in the general operating budget of the department; furthermore, additional resources are needed anyway to supervise the growing number of charter schools sponsored by the State Board of Education (which, like the State Board for Charter Schools, can charter 25 new schools each year). The budget of the State Board of Education is expected to remain within the department for FY 1999.

The Executive recommends funding the board through a new separate cost center rather than as a new separate budget unit, and recommends maintaining funding at the FY 1998 level.

### **State Board of Education**

**-0- GF**

Prior to FY 1998, the State Board of Education was funded as its own cost center in the ADE budget. For FY 1998, the JLBC Staff instead recommended that the budget be appropriated as a Special Line Item in this cost center in order to help reduce the number of cost centers that must be maintained in the state accounting system, and given the very small size of its budget relative to the other 2 cost

centers for the department. Although this change in displaying the appropriation for the State Board was not intended to imply less fiscal autonomy for it, board members nevertheless consider the change to have had such an effect, and therefore request that their budget again be appropriated through a separate cost center starting in FY 1999. The department concurs with this request, as does the JLBC Staff.

This recommendation has no fiscal impact.

The Executive concurs.

### **Student Accountability Information System 1,000,000 GF**

The JLBC Staff recommends an increase of \$1,000,000 for the Student Accountability Information System (SAIS) project, which seeks to enable schools and school districts to transmit financial and student count data to the department over the Internet. Currently, most state-mandated data are supplied to the department on hard copy, computer diskettes or computer tape, and require much more processing effort, time and cost than is anticipated under the SAIS. In addition, "Average Daily Membership" (ADM) student count data for computing formula funding entitlements currently are reported only as aggregated totals, making it impossible for ADE to determine if individual students are included in the ADM count of more than 1 school district or charter school. Such double counting can occur, for example, if a student switches school districts or charter schools during the year, and does not notify his or her former school district or charter school of the change. Under the SAIS, student double counts will be detectable, since ADM data will be reported to ADE on an individual student basis.

The General Appropriation Act for FY 1998 provided \$1,000,000 for this project, and required that most costs related to connecting schools and school districts to the Internet be deferred until after technical feasibility of the project had been confirmed through pilot testing. Pilot testing of the SAIS with a consortium of schools in Pinal County, and with a sample charter school was conducted during the spring of 1997, and successfully reported ADM counts that reflected the attendance of individual students. Data from the pilot test indicated that approximately 2.5% of students in the test population were included in the ADM count of more than 1 school district or charter school. Although a similar double count pattern for the state as a whole should not be assumed, the 2.5% double count figure from the Pinal County pilot test suggests that the SAIS could easily pay for itself in a relatively short period of time by reducing ADM double counts and the redundant formula funding for individual students that results from them.

In order to rapidly implement the SAIS beyond the pilot sites during FY 1999, the department requests \$1,000,000

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

in additional funding (\$2,000,000 total) for the budget year. Based on the success of the FY 1997 pilot testing, the JLBC Staff concurs with this request. Table 4 shows how the department intends to use the recommended \$2,000,000 in FY 1999 funding, if appropriated.

<b>Estimated SAIS Costs for FY 1999</b>		Table 4
<u>Item</u>	<u>Estimated Cost</u>	
Hardware	\$ 200,000	
Software	75,000	
Consultants	1,250,000	
Training	250,000	
Assistance to Schools	225,000	
<b>Total</b>	<b>\$2,000,000</b>	

A summary of estimated state funding requirements for the project, through its scheduled completion in FY 2001, appears in Table 5. ADE staff indicates that, starting in FY 2002, ongoing maintenance of the SAIS will be funded with monies that currently are being used to maintain the department's mainframe computer system. The department intends to abandon that system once the SAIS becomes fully implemented, since it will then become obsolete.

<b>SAIS State Funding Summary</b>			Table 5
<u>Fiscal Year</u>	<u>State Funding</u>	<u>Status</u>	
1997	\$250,000	Appropriated	
1998	1,000,000	Appropriated	
1999	2,000,000	Recommended	
2000	1,000,000	Estimated request	
2001	1,000,000	Estimated request	
2002	-0-	Estimated request	
<b>Total</b>	<b>\$5,250,000</b>		

It should be noted that Federal Technology Literacy Challenge (FTLC) funds and Federal Communication Commission "E rate" funding are greatly reducing the cost to the state of the SAIS. FTLC funding of approximately \$3,200,000 for FY 1997 and \$6,400,000 for FY 1998 have been awarded to Arizona schools for Internet connectivity, computer software and hardware, and professional development. These funds pass-through ADE, which is allowed to keep 5% each year for administration of the grant program. The FCC "E rate" program subsidizes school district and charter school computer-related telecommunications costs by paying a portion of these costs directly to their provider. The estimated benefit to Arizona schools and libraries for the "E rate" program for FY 1999 (its first year) is \$27,000,000. Both sources of funding greatly reduce the cost of the SAIS project by providing school districts with funding for infrastructure

and telecommunications access needed for SAIS utilization.

The Executive concurs.

### Teacher Certification

**(800,000) GF  
925,000 OF**

Based on an agency request, the JLBC Staff recommends changing the way that the department funds its teacher certification unit. Currently the unit is funded through the operating budget of this cost center, rather than through the fees that it collects from teacher certification applicants, which instead are used to offset the cost of Basic State Aid. Starting in FY 1999, the JLBC Staff recommends that the unit instead be funded directly from the fees that it collects, and that the operating budget of the General Services Administration cost center be reduced accordingly.

A.R.S. § 15-531 authorizes the State Board of Education to fix and collect fees for teacher certification, limited to \$20 to \$30 for initial certifications, and \$10 to \$20 for renewals. Currently, the maximum allowable fees are being charged. No changes in fees are anticipated as a result of the recommended change in funding source.

In FY 1997, the teacher certification unit in this cost center generated approximately \$925,000 in fees but received cost center funding of only about \$800,000; therefore, an increase of approximately \$125,000 for teacher certification processing would be anticipated under this change. The department indicates that the net increase in revenue would be used to reduce the existing backlog of work in the unit. Currently it takes approximately 4 months (including fingerprint checks) for an application to be processed during peak application periods. The agency goal under this recommendation is to reduce this processing time down to about 6 weeks per application.

Implementation of this recommendation would require 1) a reduction of (21) FTE Positions and \$(800,000) in General Fund funding for this cost center, 2) establishment of a new Teacher Certification Special Line Item with 21 FTE Positions and \$925,000 in Other Fund funding, and 3) a \$925,000 General Fund increase for Basic State Aid in the Assistance to Schools cost center. The latter increase would be required, since an estimated \$(925,000) offset for Basic State Aid would be lost under this recommendation. *Thus, the net fiscal impact of this recommendation is an increased General Fund cost of \$125,000.* The JLBC Staff recommends this change, however, in order to encourage a reduction in processing time for teacher certification.

Since teacher certification fees currently are processed through a non-appropriated revolving fund that receives funds from a variety of funding sources, the JLBC Staff recommends that an appropriated Teacher Certification

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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Fund be established in order to segregate the monies received from teacher certification applicants, and make possible the appropriation of these monies by the Legislature.

The Executive budget does not address the issues of changing the funding source or funding level for the program.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program. The State Board of Education Special Line Item is a separate program and the State Board for Charter Schools is a separate agency. (See State Boards discussion above.)

### **JLBC Staff Recommended Footnotes**

#### *Modification of Prior Year Footnotes*

Monies appropriated for the Student Accountability Information System (SAIS) shall be spent primarily on costs associated with developing a system by which school districts can transmit student count information to the Department of Education on the Internet. ~~It is the intent of the Legislature that major Internet connectivity costs of the project be deferred until after its technical feasibility has been confirmed through pilot testing of the automated student count reporting system with school districts that already have Internet access.~~ It is also the intent of the Legislature that school districts and charter schools cover the cost of computer workstations, peripheral hardware, leased line charges and other items that are required locally to connect to the SAIS, with state SAIS funding only being used to cover such costs in cases of severe hardship.

#### *New Footnote*

Monies collected by the department for teacher certification fees, as authorized under A.R.S. § 15-531 paragraphs 1 and 2, shall be deposited into a Teacher Certification Fund for use in funding costs of the Teacher Certification program.

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote regarding the amount of Achievement Testing funding that must be dedicated to Norm-Referenced Testing, since it is anticipated that both Norm-Referenced Testing and Criterion-Referenced Testing are fully funded for the budget year.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Education  
PROG: Assistance to Schools

JLBC: Steve Schimpp/Justin Garosi  
House Sub: Knaperek

OSPB: Rita Sauv  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC

## OPERATING BUDGET

*Full Time Equivalent Positions* 54.8 57.8 57.8 57.8 57.8

### Statutory Formula Programs

Basic State Aid	1,806,302,400	1,920,268,100	2,060,071,300	2,017,066,600	1,934,089,700
Additional State Aid	138,660,300	164,871,500	173,429,300	184,472,700	179,349,200
Assist. to Schl. Dists. for Child. of State Employ.	106,700	23,000	114,600	114,600	114,600
Certificates of Education Convenience	1,695,800	2,291,500	2,763,900	2,763,900	2,763,900
Perm. Spec. Ed. Inst. Voucher Fund	7,339,100	10,269,500	9,888,800	10,179,600	8,731,500
Spec. Ed. Plcmt. & Resid. Ed. Voucher Fund	2,245,400	2,606,200	2,495,400	1,595,400	1,505,700
Subtotal	1,956,349,700	2,100,329,800	2,248,763,300	2,216,192,800	2,126,554,600

### Non-Formula Programs

Academic Contest Fund	50,000	50,000	50,000	50,000	50,000
Academic Decathlon	85,000	82,400	82,400	82,400	82,400
Adult Education Assistance	3,558,400	4,568,700	6,578,800	4,574,800	4,574,900
Arizona Geographic Alliance	50,000	50,000	50,000	50,000	50,000
Arizona Humanities Council	40,000	40,000	40,000	40,000	40,000
Arizona Principals' Academy	4,100	25,200	25,200	25,200	25,200
AZ School Service Through Education Technology	234,000	234,000	234,000	234,000	234,000
Arizona Teacher Evaluation	184,900	194,600	197,800	197,100	197,100
Career Ladder Administration	78,800	131,100	133,800	131,300	131,300
Charter Schools Stimulus Fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Chemical Abuse	849,400	854,900	859,400	858,900	858,800
Extended School Year	493,800	500,000	1,000,000	500,000	500,000
Family Literacy Pilot	978,500	1,000,000	1,000,000	1,000,000	0
Gifted Support	1,279,800	1,294,300	1,298,000	1,296,100	1,296,200
Optional Performance Incentive Progs.	200,000	300,000	300,000	300,000	400,000
Residential Placement	0	100,000	100,000	100,000	100,000
School Report Cards	299,300	302,900	407,700	371,500	386,500
School Safety Program	4,840,400	6,000,000	6,000,000	7,000,000	6,000,000
Scotopic Sensitivity Irlen Syndrome	57,700	0	0	0	0
State Block Grant - Early Childhood	14,110,600	19,475,300	23,247,800	19,482,900	19,483,000
State Block Grant - Vocational Education	7,192,300	11,045,300	11,103,000	11,083,500	11,083,900
Youth Support Research	0	15,000	0	0	39,000
Subtotal	35,587,000	47,263,700	53,707,900	48,377,700	46,532,300

## PROGRAM TOTAL

1,991,936,700	2,147,593,500	2,302,471,200	2,264,570,500	2,173,086,900
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## BY FUND SOURCE

General Fund	1,957,771,800	2,109,553,500	2,261,569,600	2,219,259,200	2,129,152,900
Other Appropriated Funds	34,164,900	38,040,000	40,901,600	45,311,300	43,934,000
Other Non-Appropriated Funds	21,000	21,600	21,600	21,600	21,600
Federal Funds	432,549,700	494,736,400	483,576,000	483,542,600	483,542,600
TOTAL - ALL SOURCES	2,424,507,400	2,642,351,500	2,786,068,800	2,748,134,700	2,656,651,100

**Program Description** — Assistance to Schools includes the 6 formula programs and 21 non-formula programs listed above. The largest line item is Basic State Aid, which provides the state's share of equalization assistance to school districts based on a funding formula set in statute.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$19,599,400	0.9%
Other Appropriated Funds	5,894,000	15.5%
Total Appropriated Funds	\$25,493,400	1.2%

## FY 1999 — Recommended Changes from FY 1998

Standard Changes	
Salary Adjustments	\$69,100 GF
ERE Rates	(3,900) GF

### BASIC STATE AID

#### Student Growth 107,107,000 GF

The formula funding entitlement for each school district or charter school is based upon its Average Daily Membership (ADM) student count. Starting in FY 1998, formula funding entitlements are funded on a "current year" basis, which means that they are computed based on current year rather than prior year ADM counts. (School districts or charter schools that have fewer ADM students in the current year than in the prior year, however, have their entitlements based on their prior year counts. Also, formula Capital Outlay Revenue Limit (CORL), Capital Levy Revenue Limit (CLRL) and transportation funding are paid based on *prior* year ADM counts only.) Data on ADM counts since academic year 1989, and estimates for the 1998 and 1999 academic years appear in Table 1. Table 2 shows additional detail for the 1998 and 1999 academic years.

state aid requirement). An analysis of preliminary 40<sup>th</sup> day counts for the current year actually suggests a 3.1% growth rate for academic year 1998, but the JLBC Staff recommends assuming a 3.6% rate due to the increased volatility of Sudden Growth funding under current year funding. The recommended 3.6% growth rate for the 1998 academic year reflects estimated increases of 5%, 1.9%, 3.7% and 5% for school district (non-charter) Preschool Disability, K-8, 9-12 and Group B counts, respectively. The recommended 3.3% rate for the 1999 academic year reflects corresponding growth rates of 5%, 2.3%, 2.8%, and 5%. The lower estimated growth rate for high school students for 1999 is based on an analysis of demographic data.

**Table 2**  
**ADM Breakout for Academic Years 1998 and 1999**

	1998	1999
School Districts	755,870	772,775
District Sponsored Charters	5,010	6,710
State Board Charters	20,530	27,710
Total	781,410	807,195

Separate ADM counts for district sponsored charter schools are listed in Table 2 (although they are combined with ADM counts of sponsoring school districts when the formula funding entitlements of such districts are computed). The estimated 1999 ADM count of 6,710 for district sponsored charter schools represents an increase of 1,700 students above 1998. The estimates in Table 2 for state board sponsored charter schools reflect increases of 7,357 for 1998 and 7,180 for 1999, which compare with a 6,285 ADM student increase for academic year 1997. The application deadline for new charter schools for FY 1999 has not arrived, which makes it difficult to estimate charter school growth in the budget year.

**Table 1**  
**Average Daily Membership (ADM) Students by Academic Year**

Year	Districts (including Charters)	State Charters	Total	Change	% Change
1989	579,964	-	579,964	-	-
1990	589,509	-	589,509	9,545	1.6%
1991	604,763	-	604,763	15,254	2.6%
1992	624,761	-	624,761	19,998	3.3%
1993	646,798	-	646,798	22,037	3.5%
1994	669,742	-	669,742	22,944	3.5%
1995	694,639	-	694,639	24,897	3.7%
1996	716,858	6,888	723,746	29,107	4.2%
1997	740,960	13,173	754,133	30,387	4.2%
1998 est	760,880	20,530	781,410	27,277	3.6%
1999 est	779,485	27,710	807,195	25,785	3.3%

Table 1 shows that the JLBC Staff currently estimates statewide overall ADM growth for school districts and charter schools together (and for all grade levels collectively) at 3.6% for academic year 1998 and 3.3% for academic year 1999 (both of which affect the FY 1999

Based on these ADM estimates, an increased Basic State Aid cost of \$75,359,000 for school district student growth (including district sponsored charter schools and Sudden Growth) and \$31,748,000 for state board sponsored charter school student growth is anticipated for FY 1999, for a total increase of \$107,107,000. (This includes an FY 1998 base adjustment of \$(6,888,400) for student growth in the current year.) The district sponsored charter school estimate assumes average per pupil funding of \$4,380 based on formula modeling. State board sponsored charter schools receive higher per pupil funding under the Basic State Aid formula than do school districts (estimated at



# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

\$3,872/pupil for FY 1999) because they more frequently qualify for small school weights authorized under A.R.S. § 15-943. (The estimated per pupil average for charter and non-charter pupils together for FY 1999 is \$3,887.) Only school districts with fewer than 600 ADM pupils qualify for those weights. The estimated amount for state board sponsored charter schools assumes that transportation costs for state board sponsored charter schools again be funded at \$174 per pupil, as has been the case since FY 1997. This would require a continuation of the FY 1998 session law that set transportation funding for them at the \$174 per pupil level, which the JLBC Staff recommends. With the \$31,748,000 increase in FY 1999, state board sponsored charter school funding would total \$120,012,000.

It should be noted that the FY 1999 estimates do not include a possible increase in the number of Bureau of Indian Affairs (BIA) schools that become chartered as a result of a new federal law that may disallow the current A.R.S. § 15-185.D deduction for certain BIA funding. If this deduction were disallowed, BIA schools that currently are not charter schools would have a strong incentive to become chartered. This issue is discussed further in the BIA Charter Schools narrative below.

The Executive recommends an increase of \$122,673,000 over the FY 1998 appropriation (assuming the same \$(6,888,400) FY 1998 base adjustment as JLBC — a breakdown of the Executive's FY 1998 base adjustment is not available). This estimate assumes 6% growth in preschool disabilities, 2.9% growth in elementary, 3.5% in high school, and 7% growth for Group B students for academic year 1998 for districts alone.

## 7.3% Growth in School District

**Net Assessed Valuation (NAV) (92,137,700) GF**  
Growth in school district assessed valuation increases the local share of total formula funding from both the "qualifying tax rate" of \$4.40 per \$100 NAV and the statewide "county equalization" tax of 53 cents per \$100 NAV. This offsets the state General Fund requirement. For FY 1999, the JLBC Staff projects an additional

\$(92,137,700) offset to Basic State Aid over the offset assumed in the FY 1998 appropriation due to a projected 7.3% increase in school district assessed valuation for FY 1999. This projected growth rate is primarily due to strong growth in class 3 (commercial) and class 5 (single-family housing). (As of this writing, all FY 1999 values have been finalized except for unsecured personal property and appeals of new construction.) This offset includes an FY 1998 base adjustment of \$(5,938,800) due to higher than projected NAV growth for FY 1998 (6.05% actual versus 5.35% projected).

The Executive projects a savings of \$(74,091,100), including county equalization, over the appropriated FY 1998 requirement, including a \$(4,379,600) base adjustment for FY 1998. This is based on 6.7% NAV growth. The JLBC Staff projects a higher offset per percentage increase in NAV because it projects different NAV growth rates for individual districts based on historical trends, whereas OSPB projects all districts to grow at the same rate.

Table 3 presents data on net assessed valuation growth since tax year 1988.

## Increase in Endowment

**Revenue 5,894,000 OF (5,894,000) GF**  
Endowment Earnings of the Permanent State School Fund offset the cost of Basic State Aid. Endowment Earnings consist of interest on securities held in the fund and receipts from leases of state lands. Proceeds from sales of state lands are used to increase the size of the fund. The FY 1999 JLBC Staff recommendation includes an estimated offset of \$(43,934,000) for Endowment Earnings which is \$(5,894,000) more than the \$(38,040,000) offset upon which the FY 1998 Basic State Aid appropriation was based. Of this change, \$(3,270,400) represents a base change for the current year. The Executive recommendation includes an increased offset of \$(7,271,300) for Endowment Earnings, including a \$(3,240,500) base adjustment for FY 1998.

Table 3

Table 3

Net Assessed Valuation (NAV) Percent Growth/Decline by Class Since Tax Year 1988  
(NAV's from tax year 1988 were used in FY 1989, etc.)

Property Class	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998 Proj.
1-Mines	25.1%	29.7%	10.5%	26.8%	22.7%	7.2%	(2.2)%	(1.7)%	(1.4)%	(11.1)	(3.7)
2-Utility	0.7	8.4	(4.1)	(0.3)	(2.9)	(1.1)	(0.4)	(3.2)	(2.9)	(4.0)	(3.7)
2-SRP	4.5	6.1	2.0	0.4	1.7	0.2	1.5	(3.2)	(2.6)	(3.9)	(3.7)
3-Commercial	9.7	10.6	9.6	(1.1)	0.1	(1.0)	(0.6)	(3.6)	5.0	6.1	8.0
4-Ag/vacant	12.2	12.7	4.8	(1.5)	(5.9)	(5.8)	(2.5)	(2.8)	(2.2)	2.0	8.9
5-Homeowners	8.6	7.6	3.7	2.4	2.6	3.0	7.2	10.2	5.4	12.8	11.7
6-Rental	4.5	1.6	(8.0)	(10.7)	(7.7)	(9.4)	(6.9)	8.0	7.5	6.9	8.3
Other	3.5	18.2	17.3	22.6	11.9	(17.2)	13.5	6.9	13.0	42.2	6.4
TOTAL	7.2%	8.8	3.1	(0.2)%	(0.3)%	(0.7)%	1.4%	1.8%	2.9%	6.0	7.3

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

The recommended \$(43,934,000) offset for FY 1999 does not include \$(30,000,000) set aside for resolution of the *Roosevelt v. Bishop* school capital facility funding lawsuit, mirroring the \$(30,000,000) appropriated to the School Capital Equity Fund for FY 1998. If included, this would provide a total FY 1999 Basic State Aid offset of \$(73,934,000).

**State Juvenile Education System 1,763,000 GF**  
Laws 1989, Chapter 266, established the State Juvenile Educational System (SJES) and provided for the calculation and apportionment of equalization assistance for the system beginning in FY 1992. This SJES is administered by the Department of Juvenile Corrections (DJC) and provides educational services for juveniles incarcerated at DJC facilities. Formula funding for SJES is deposited into the State Education Fund for Committed Youth (SEFCY) established by A.R.S. § 15-1372(B).

The total Basic State Aid funding requirement for DJC for FY 1999 is estimated at \$3,718,800, which is an increase of \$1,763,000 over the FY 1998 appropriated amount of \$1,955,800. This requirement assumes that the Average Daily Membership (ADM) count for DJC will increase from 551 (the ADM estimate upon which the FY 1998 appropriation was based) to 958, based on an estimate of the number of beds that will be available at DJC facilities during FY 1999. Of the \$1,763,000 increase, \$1,368,500 reflects an increase in the estimated FY 1998 requirement for the program. This increase is based on a preliminary 40<sup>th</sup> day count of 865 for the program for the current year and assumes that the 4.2% growth rate observed between the 40<sup>th</sup> and 100<sup>th</sup> days in FY 1997 will be repeated in FY 1998. This would yield a total ADM count of 902 pupils for FY 1998.

The Executive recommends an increase of \$2,223,500 and a total appropriation of \$4,179,300.

**State Education Fund for Correctional Education (90,800) GF**  
Laws 1995, Chapter 158, established the State Education Fund for Correctional Education (SEFCE) and authorized separate formula funding for educational costs of pupils committed to the state Department of Corrections (DOC) who are 18 years old or younger or who are 21 years old or younger and have a disability. For FY 1999 the JLBC Staff estimates a total Basic State Aid requirement of \$202,300 for the program, which is \$(90,800) less than the \$293,100 requirement assumed in the overall Basic State Aid appropriation for FY 1998. Of this decrease, \$(66,200) is due to a reduction in the estimated requirement for the current year, due to much lower 40<sup>th</sup> day ADM count than was assumed in the FY 1998 appropriation. The reported 40<sup>th</sup> day count for FY 1998 is 72.3, but is adjusted upward to 139.4 due to the Rapid Decline provision allowed under A.R.S. § 15-942. The FY

1999 estimate assumes a Rapid Decline-adjusted ADM count of 118.5 pupils, which equals 85% of the rapid decline adjusted FY 1998 estimated count of 139.4.

The Executive recommends an increase of \$259,400 for this program and total funding of \$552,500.

**Career Ladder Step Increase 25,800 GF**  
Career Ladder is a teacher performance compensation program, which allows participating districts to increase their Base Levels by percentages stated in statute (A.R.S. § 15-918), depending on the implementation phase the district is in. There are 4 phases with corresponding percentage increases as follows: the Development Phase: 0.5% increase; the Evaluation Phase: 1% increase; the Placement Phase: not greater than a 2.5% increase in the first year or not greater than 4% in the second year; and the Effective Career Ladder Phase: not greater than a 5.5% increase. The FY 1999 estimated requirement for career ladder step increases is \$25,800, reflects the fact that most of the 29 districts participating in this optional program are already in the Effective Career Ladder Phase. No new districts are expected to participate in the program in FY 1999.

The total cost of the program is estimated to be \$45,243,200 in FY 1999, which equals \$30,674,000 in state funding plus \$14,569,200 in funding received from the Qualifying Tax Rate.

The Executive recommends a \$5,800 increase for Career Ladder Step increases.

A new teacher incentive plan known as the A+ plan has been proposed for FY 1999, and would reward teachers based on the number of pupils statewide who score in the top achievement category on standardized tests. As currently proposed, this plan would have no budgetary impact upon the statewide career ladder program.

**Fund Transportation on Prior Year Mileage -0- GF**  
Prior to FY 1998, the Basic State Aid funding formula allowed districts to receive transportation formula funding based on the greatest yearly number of route miles driven by the district's buses in the 3 previous years, pursuant to A.R.S. § 15-945. Laws 1997, Chapter 4, 1<sup>st</sup> Special Session (the Education ORB) notwithstanding this provision for FY 1998, so that transportation formula funding for the current year is based on reported route miles driven in the prior year only. This was recommended by JLBC Staff in order to better reflect districts' actual transportation funding requirements, especially since some districts recently had increased their use of city buses for pupil transportation, and the cost of city bus passes and tokens used by public school students is reimbursed separately in the K-12 transportation funding formula. Apart from the FY 1998 Education ORB provision, a district could have

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received FY 1998 transportation funding both for the cost of bus passes and tokens in the prior year and for the bus route mileage driven 3 years prior. This would have resulted in much higher transportation formula funding levels (estimated at \$4,853,400 for FY 1998), particularly for school districts that are increasing their reliance on city buses to provide to-and-from-school transportation for their pupils.

For FY 1999, the JLBC Staff recommends continuing the FY 1998 Education ORB provision that bases transportation formula funding entitlements for the budget year on reported route miles from the current year. In addition, the JLBC Staff recommends the overall transportation funding formula be reviewed, since a preliminary JLBC Staff analysis of transportation cost data suggests that the current formula systematically over and under funds certain categories of school districts.

The Executive makes no recommendation on this issue.

### Lake Havasu School District

#### Transportation (300,000) GF

Laws 1997, Chapter 231 (the "Education Omnibus" bill) appropriated \$300,000 to Basic State Aid to fund first-time transportation costs of the Lake Havasu Unified School district (which had not provided pupil transportation prior to FY 1998). Separate FY 1999 funding is not required for this item, since the district will qualify for Basic State Aid transportation formula funding in FY 1999 based on the fact that it provided pupil transportation in FY 1998. Transportation formula funding entitlements for school districts are based on prior year data on route miles driven and numbers of eligible pupils transported. The Executive concurs.

#### Rapid Decline 551,500 GF

The JLBC Staff projects an increased requirement of \$551,500 for Rapid Decline for FY 1999, to a level of \$1,830,600 based on current student growth projections. Rapid Decline (A.R.S. § 15-942) is a provision in the Basic State Aid formula that buffers the loss of formula funding for school districts that experience sudden and substantial declines in enrollment. Of this increase, \$(32,400) represents an decrease in the estimated requirement for FY 1998 and \$583,900 represents the projected increase required for FY 1999 above the revised estimate for FY 1998.

In addition, the JLBC Staff again recommends that A.R.S. § 15-492 be amended so that school districts that sponsor a charter school not be considered eligible for Rapid Decline funding if such a charter school switches sponsors or ceases to exist as a state-funded charter school. Such situations currently qualify the former sponsor to receive Rapid Decline funding for the related decline in its student count, even though this loss of students does not impose a

financial hardship on the district, since virtually all of funding generated by the charter school's student count in the prior year was passed on to the charter school.

The Executive projects a \$(145,800) decrease in the Rapid Decline requirement for FY 1999.

#### BIA Charter Schools Deduction (3,382,300) GF

The FY 1999 overall Basic State Aid estimate assumes an increased deduction of \$(3,198,500) for BIA charter schools pursuant to A.R.S. 15-185.D. This amount represents a first time deduction of \$(3,290,400) for 2 schools that were exempted by session law from the A.R.S. § 15-185.D deduction in FY 1998, and a \$(91,900) base adjustment for FY 1998 based on current department estimates.

A.R.S. § 15-185.D requires that state aid for a charter school (or for a school district sponsoring a charter school) be reduced by an amount needed to provide it with the same total amount of maintenance and operation formula funding that it would receive if funded under the Basic State Aid formula only. Thus, any BIA grant charter school that would receive less formula funding under the Indian School Equalization Program (ISEP) maintenance and operation formula is entitled to Basic State Aid funding to make up the difference. BIA grant charter schools that receive more ISEP funding than their statutory Basic State Aid entitlement, however, would receive no state aid.

It should be noted that a change in federal law under Section 315 of the Department of Education Appropriations Act of 1998 may have the effect of disallowing the A.R.S. § 15-185.D deduction, possibly starting even in the current fiscal year. The law states that "Each state that receives a grant under this part and designates a Tribally Controlled School as a Charter School shall not consider payments to a school under the Tribally Controlled Schools Act of 1998 (25 U.S.C. 2507) in determining (1) the eligibility of the school to receive any other Federal, State or local aid; or (2) the amount of such aid." If this law has the effect of disallowing the A.R.S. § 15-185.D. deduction, this would increase the current estimate of the overall Basic State Aid requirement by \$7,037,300 for FY 1998 and \$10,235,800 for FY 1999. Since the Executive branch is seeking to have this federal legislation revised, however, the JLBC Staff does not include a disallowance of the A.R.S. 15-185.D. deduction in its estimates of Basic State Aid funding requirements for FY 1998 or FY 1999.

The Executive recommends an estimated \$(2,057,200) increased deduction for FY 1999 which includes a \$(91,921) base adjustment for FY 1998.

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### Transfer of Vocational Education

#### Group B Weight Funding

-0- GF

The JLBC Staff recommends that all Basic State Aid funding generated by the Vocational Education Group B weight again be transferred to the State Block Grant for Vocational Education, as was done for FY 1998 through Section 10 of the 1998 Education ORB. This issue is described in further detail under the narrative for the State Block Grant for Vocational Education Special Line Item. The Executive makes no recommendation on this issue.

#### Other Adjustments

285,100 GF

The County Equalization offset to Basic State Aid (described above) is reduced each year by costs associated with 1) the small schools service program [A.R.S. § 15-365], 2) costs of educating pupils who are incarcerated in county juvenile detention centers [A.R.S. § 15-913], and 3) costs of educating eligible pupils who are incarcerated in county jails [A.R.S. § 15-913.01]. The JLBC Staff projects that the FY 1999 costs of the small schools service program will remain at a total of \$1,200,000 (Executive concurs), that the formula funding cost of county juvenile detention center education will decrease by \$(415,300) (due to an FY 1998 base adjustment of \$(464,500) based on department estimates) to a total of \$884,700 (Executive concurs), and that formula funding requirements for county jail education will remain at their appropriated FY 1998 level of \$221,500 (up from a revised FY 1998 estimate of \$84,400) (Executive concurs), all based on department estimates.

The recommendation also assumes a \$(638,700) base level change for prior year adjustments to school district budgets (Executive not shown); a decrease of \$943,700 in the offset for miscellaneous collections--which includes \$925,000 for Teacher Certification fees, as described in the narrative for the Teacher Certification in the General Services Administration cost center (the Executive makes no recommendation regarding the Teacher Certification fee issue, and recommends a total change of \$99,900); a decrease of \$(433,500) for tuition loss [A.R.S. § 15-954] (Executive concurs); a decrease of \$(100,000) for student loss (Executive concurs); an increase of \$161,200 for financial and compliance audits [A.R.S. § 15-914] (Executive: \$402,200); an increase of \$(766,000) for the cost of transporting students in unorganized areas (Executive: \$(766,200)); an increase of \$1,487,200 for career ladder adjustments (Executive: \$(930,000); an increase of \$64,600 for bus passes and tokens (Executive: no change); an increase of \$7,200 for small school transportation [A.R.S. § 15-963] (Executive concurs); no change for special education transportation under open enrollment [A.R.S. § 15-816] (Executive concurs); and a decrease of \$(25,300) for other adjustments (Executive not shown).

**Total Basic State Aid      \$5,894,000 OF      \$7,927,600 GF**

### "HOMEOWNERS' REBATE PROGRAM"

#### Additional State Aid

The FY 1998 appropriation of \$164,871,500 and the FY 1999 recommendation of \$179,349,200 are based upon the following assumptions:

#### Additional State Aid Budget Assumptions

Laws 1994, Chapter 41 freezes the rebate percentage rate at 35% for tax year 1994 and thereafter. Laws 1988, Chapter 271 amended A.R.S. § 15-972 to provide that the maximum state reduction in property taxes for any residential parcel shall not exceed \$500. The Additional State Aid adjustments are as follows:

#### 11.7% Increase in Class 5 Property

##### and (0.5)% Decrease in Average School

#### District Tax Rates for Class 5 Properties      13,826,000 GF

Unlike Basic State Aid, Additional State Aid expenditures rise as Class 5 property values rise. Class 5 property is expected to grow somewhat faster than other classes for FY 1999.

#### Homeowners' Rebate Under

##### Constitutional 1% Cap

651,700 GF

The Constitution requires that residential (Class 5) primary property taxes not exceed 1% of a property's full cash value. In effect, the state pays school districts for any portion of a school district's primary levy that would leave a homeowner's property tax bill at more than 1% of the house's full cash value. The total projected size of this portion is \$1,566,800, up \$651,700 from the estimated FY 1998 level of \$915,100.

#### Total Additional State Aid Increase

14,477,700 GF

The Executive recommends an increase of \$19,601,200, which assumes a 13% growth rate for Class 5 property values and 1% growth in school district primary property tax rates for Class 5 properties for FY 1999.

### OTHER STATUTORY FORMULA PROGRAMS

#### Assistance to School Districts for

##### Children of State Employees

91,600 GF

Based on agency estimates, the JLBC Staff recommends a \$91,600 increase for this program in order to meet its formula funding requirements for FY 1999. Of this increase, \$87,600 is to adjust for a shortfall anticipated for FY 1998, and \$4,000 is the estimated increase in the funding requirement for FY 1999 over FY 1998. This program is authorized under A.R.S. § 15-976, and is intended to supplement Basic State Aid funding for students whose parents are employed by and domiciled at the Arizona State Hospital, the Arizona State Schools for the Deaf and the Blind, and institutions and facilities maintained by the Arizona Department of Corrections. The parents of such students typically do not pay property

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taxes in support of local K-12 programs, since they are housed in a state-owned facility. The Executive concurs.

**Certificates of Educational Convenience 472,400 GF**  
The JLBC Staff recommends a \$472,400 increase in the funding requirement for Certificates of Educational Convenience (CEC's) [A.R.S. § 15-825] based on department projections. This program primarily funds "excess" Group B costs of students who, under open enrollment provisions described in A.R.S. § 15-816.01, attend school in a school district in which they do not reside. Such costs reflect differences between special education costs identified in the department's biennial special education cost study and the amount of Basic State Aid funding generated by Group B special education weights. The department currently projects a shortfall of \$144,500 for this program for FY 1998. Therefore the \$472,400 recommended increase for this program for FY 1999 actually represents the sum of the \$144,500 anticipated shortfall for FY 1998 plus a \$327,900 increase for FY 1999. This would provide a total FY 1999 appropriation for the program of \$2,763,900. The Executive concurs.

### **Permanent Special Education**

**Institutional Voucher Fund (1,538,000) GF**  
The JLBC Staff recommends a decrease of \$(1,538,000) in the funding requirement for Permanent Special Education Institutional Vouchers (PSEIV's) [A.R.S. § 15-1202] for FY 1999. This program primarily funds the educational costs of students with a visual or hearing impairment who attend the Arizona Schools for the Deaf and the Blind (ASDB) or a school district that participates in an ASDB cooperative program. The estimated \$(1,538,000) decreased requirement assumes that a surplus of \$(1,157,300) will exist in the fund at the end of FY 1998, based on department estimates, and will carry forward to help fund the program in FY 1999. Thus \$(1,157,300) of the \$(1,538,000) recommended decrease is due to an anticipated FY 1998 surplus. The remaining \$(380,700) is to account for the anticipated reduction in PSEIV funding requirements from FY 1998 to FY 1999 based on agency estimates. Therefore, total General Fund funding of \$8,731,500 would be provided for the program for FY 1999, for total funding (including carry forward) of \$9,888,800, which matches the agency request.

The Executive recommends a \$(89,900) decrease based on an assumed total General Fund cost of \$10,179,600, which includes a recommended \$1,100,000 increase in special education Group B weight funding.

### **Special Education Placement and Residential**

**Education Voucher Fund (1,101,100) GF**  
The JLBC Staff recommends a decrease of \$(1,101,100) in funding for the Special Education Placement and Residential Education Voucher Fund (SEPREVF) [A.R.S.

§ 15-1182], based agency estimates of the funding requirements for this program. The program provides funding for the education of children who are placed in a residential facility by a state placing agency, or who require a residential special education placement as defined in A.R.S. § 15-761. Of the estimated \$(1,101,100) decrease, \$(988,100) is attributable to carry forward funding that is expected to be available at the end of FY 1998 to fund the program during FY 1999, based on department estimates. The remaining \$(113,000) is due to a lower funding requirement for the program for FY 1999, as estimated by the department. Total General Fund funding of \$1,505,700 (including \$600 accounted for under Standard Changes for this cost center) is recommended for the program for FY 1999, providing total funding (including carry forward) of \$2,493,800.

The Executive recommends a \$(1,011,400) decrease for this program.

### **NON-FORMULA PROGRAMS**

**Family Literacy (1,000,000) GF**  
Laws 1996, Chapter 247 appropriated \$1,000,000 for FY 1997 and \$1,000,000 for FY 1998 to continue this program, which was initiated and originally funded in 1995 and 1996 through Laws 1994, Chapter 1. The program seeks to increase the basic academic and literacy skills of undereducated low-income parents and their preschool children in order to help break the intergenerational cycle of poverty and illiteracy. The program's 4 main components are 1) adult literacy instruction, 2) parent and child interaction activities, 3) discussion and support regarding parenting issues, and 4) early childhood education for 3- & 4- year-old children.

The Auditor General released its 3<sup>rd</sup> Annual Evaluation of the program during December of 1997. This report concludes that 1) adult participants show gains in literacy skills, 2) adult participants show slight improvements in parenting behaviors, 3) preschool participants are making progress in developing skills needed for school readiness, and 4) program implementation and monitoring improved during the second full year of the project.

Given that funding for the program for FY 1997 and FY 1998 was appropriated through separate legislation that addressed funding needs of the Healthy Families (DES), Health Start (DHS) and Family Literacy (ADE) programs collectively, the JLBC Staff recommends that FY 1999 funding for Family Literacy likewise be appropriated through separate legislation.

The Executive recommends \$1,000,000 in funding for this program in the regular budget process.

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### **Optional Performance Incentive Programs 100,000 GF**

The JLBC Staff recommends an increase of \$100,000 (resulting in total funding of \$400,000) for Optional Performance Incentive Programs (OPIP) in order to allow more school districts to participate in OPIP programs, which serve as an alternative to Career Ladder incentive compensation programs. The Executive makes no recommendation on this issue.

### **School Report Cards 80,000 GF**

The JLBC Staff recommends an \$80,000 increase for this program for FY 1999 (\$15,000 Professional and Outside Services; \$65,000 Other Operating Expenditures) in order to enable the program to fund anticipated costs of complying with new statutory requirements. Laws 1997, Chapter 231, and Laws 1997, Chapter 4, 1<sup>st</sup> Special Session substantially increase the number of data items that must be included in report cards for each school under A.R.S. § 15-746. These include 1) 3 years worth of achievement testing data for the school; 2) trends in gain or loss in student achievement over time in reading, language arts and mathematics; and 3) data on current expenditures per pupil for classroom supplies, classroom instruction, and other classroom-related expenditures.

The department estimates that these and other additional data requirements will double the size of the current report card. A.R.S. § 15-746 requires the department to provide school districts with copies of the report card, and the department indicates that it expects to print more than 850,000 report cards for FY 1998 in order meet demand. The recommended \$65,000 increase would provide an additional 7.6 cents per report card for 3 new pages. The additional \$15,000 increase is to hire a consultant to modify the program's Internet web page to accommodate the additional data items required by statute.

The goal of the school report card program is to provide the public with easy access to a wide variety of information on public schools in the state.

The Executive recommends a total of \$65,000 in new funding for the program for FY 1999.

### **School Safety -0- GF**

Laws 1997, Chapter 220 (the "Implement Proposition 102" bill) appropriated \$1,000,000 for this program in FY 1998, in addition to the \$5,000,000 appropriated to the program in the FY 1998 General Appropriation Act. The purpose of the additional funding was to increase the number of police officers and juvenile probation officers placed in schools under the program. For FY 1999, the JLBC Staff recommends continuing to fund this program at the FY 1998 level of \$6,000,000 in order to allow participating school districts to maintain programs at their current level.

The Executive recommends \$1,000,000 in new funding for the program for FY 1999, for total funding of \$7,000,000.

### **State Block Grant for Early Childhood -0- GF**

The JLBC Staff recommends that funding for this program be maintained at its FY 1998 level of \$19,483,000 (including \$7,700 for standard changes accounted for elsewhere) for FY 1999. We likewise recommend a continuation of Education ORB provisions from FY 1998 (Laws 1997, Chapter 4, 1<sup>st</sup> Special Session, as amended by Laws 1997, Chapter 231) that define administrative parameters for the program during the current year, preferably through the establishment of statutory language containing those provisions

One change that is recommended for the program for FY 1999 is that school districts that did not participate in the federal free lunch program in FY 1998 be considered ineligible for the program for FY 1999 if they had more than 600 ADM pupils in grades K-3 in FY 1998. This change is intended to eliminate funding for this poverty-related program for relatively wealthy school districts that otherwise would receive funding based on state average eligibility levels for the federal free lunch program. The JLBC Staff recommends that small school districts be excluded from this new provision, since many relatively non-wealthy small school districts do not participate in the federal free lunch program because of their small size rather than because very few of their students would be eligible for it.

The goal of the State Block Grant for Early Childhood Education program is to provide flexible supplemental funding for early childhood programs, including preschool programs for economically disadvantaged children, and programs that serve all public school students statewide who are in grades K-3.

(See "Auditor General Performance Audit of the At-Risk Preschool Expansion Program" narrative below for a review of the December 1997 Auditor General audit of At-Risk Preschool programs. Since establishment of the State Block Grant for Early Childhood Education program in FY 1996, separate funding of at-risk preschool programs has not been appropriated.)

The Executive concurs regarding the recommended funding level, but makes no recommendation regarding program administrative issues.

### **State Block Grant for Vocational Education -0- GF**

The JLBC Staff recommendation for the Vocational Education Block Grant for FY 1999 parallels its recommendation for the Early Childhood Block Grant: 1) continued funding at its FY 1998 level (which equals \$11,045,300 for this program, plus \$38,600 in standard changes accounted for elsewhere), and continuation of

Education ORB provisions from FY 1998 (Laws 1997, Chapter 4, 1<sup>st</sup> Special Session) that define its administrative parameters for the current year, preferably on a permanent law basis. Included in the FY 1998 ORB language for this block grant is language that sets the statutory Group B weight for vocational education to zero. This provision is required to avoid funding the Group B weight both through this program and also through Basic State Aid. As with the Early Childhood Block Grant program, the JLBC Staff recommends that permanent statutory language be established to define administrative parameters for this program in the future, so that ORB language will not be required annually for it.

The State Block Grant for Vocational Education program was created in FY 1997 by consolidating funding for 3 separate vocational education-related Special Line Items in this cost center with funding for the then-separate Vocational Education cost center (through which 34.3 FTE Positions were funded). This consolidation was done in order to improve accountability for this funding and promote increased flexibility regarding its use.

Of the total recommended \$11,083,900 FY 1999 appropriation for this program, \$1,832,600 is for state-level operating expenditures (to fund 34.3 FTE Positions), and \$9,251,300 is "pass through" funding for charter schools and school districts.

The JLBC Staff recommends that the \$9,251,300 in pass-through funding recommended for the program for FY 1999 be allocated whereby 95% is based upon the number of 11th and 12th grade students enrolled in an approved vocational education program in FY 1998, and 5% is based upon placement data on vocational education program completers from FY 1996 (the last year for which such data will be available prior to the start of FY 1999). The FY 1998 ORB indicated that it was the intention of the Legislature that starting in FY 1999 at least 20% of the pass-through funding be allocated based on district-by-district vocational education placement rates. The JLBC Staff recommends, however, that only 5% of pass-through funding allocations be based on placement data, in order to give school districts and charter schools an additional year to develop a workable system of collecting the required placement data.

#### **Youth Support Research**

**24,000 GF**

The JLBC Staff recommends a \$24,000 increase for this program, which seeks to promote improved academic achievement through the use of student incentives. Of the increase, \$14,000 represents a transfer of funding from the Department of Health Services and \$10,000 is an increase in the recommended funding level for the program. This would result in a total funding level of \$39,000 for the program.

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**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Chemical Abuse Prevention** program during the last year. As a result of that review, the JLBC Staff recommends modifying the program by requiring the department to 1) provide information to school districts on strategies that have been shown to be effective for chemical abuse prevention; 2) document the number of districts utilizing such strategies; and 3) report back to the Health and Welfare Joint PAR subcommittee by January 15, 1998 on its action plan for improving its performance measures and for linking school district funding allocations to performance results, and regarding possible advantages and disadvantages of transferring the program to the Department of Health Services.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **School to Work** program during the last year. As a result of that review, the JLBC Staff recommends 1) retaining the Workforce Development Resource Unit (WDRU) and Single Parent and Displaced Homemaker (SPDH) subprograms, 2) modifying the Vocational Technological Instruction (VTI) subprogram by requiring the department to establish a performance measure for it that gauges placement of students in jobs or advanced training related to their VTI coursework, and 3) requiring the department to report back to the Legislature after the 1998 regular session regarding possible consolidation of ADE School to Work programs with related programs in other agencies.

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Program

#### **JLBC Staff Recommended Footnotes**

##### *Standard Footnotes*

**Adult Education** - The appropriated amount is for classes in adult basic education, general education development and citizenship on a statewide basis.

It is the intent of the Legislature that no more than 10% of the appropriation for adult education assistance be used by the Department of Education for operating the Division of Adult Education. It is also the intent of the Legislature that the greatest possible proportion of monies appropriated for adult education programs be devoted to instructional, rather than administrative, aspects of the programs.

##### *Continuation of FY 1998 Footnotes*

**State Block Grant for Early Childhood Education** - The appropriated amount is for block grants to charter schools



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and school districts that offer instructional programs for students in preschool through grade 3. Monies appropriated in the FY 1999 General Appropriation Act for the State Block Grant for Early Childhood Education shall be used to promote improved student achievement by providing flexible supplemental funding for early childhood programs, including preschool programs for economically disadvantaged children, and programs that serve all public school pupils statewide who are in grades K-3. It is the intent of the Legislature that any FY 1999 funding for the State Block Grant for Early Childhood that is not devoted to preschool services be used to promote improved student achievement in grades K-3, such as through reducing class sizes in grades K-3 or providing full-day kindergarten programs. A maximum of 2% of the appropriation for the State Block Grant for Early Childhood Programs Special Line Item may be used by the Department of Education for administration of the block grant program.

State Block Grant for Vocational Education - The appropriated amount is for block grants to charter schools and school districts that have vocational education programs. It is the intent of the Legislature that monies appropriated in the FY 1999 General Appropriation Act for the State Block Grant for Vocational Education be used to promote improved student achievement by providing vocational education programs with flexible supplemental funding that is linked both to numbers of pupils in such programs and to numbers of program completers who enter jobs in fields directly related to the vocational education program that they completed. It is the intent of the Legislature that the amount of State Block Grant for Vocational Education funding that is used for state-level administration of the program be limited to no more than the amount used for such costs during the prior fiscal year plus the applicable amount of any pay raise that may be provided for state employees through legislative appropriation.

Permanent Special Education Institutional Voucher Fund - It is expected that the appropriated amount, when combined with prior year monies of \$1,157,300, will result in total expenditures of \$9,888,800.

Special Education Placement and Residential Education Voucher Fund - It is expected that the appropriated amount, when combined with prior year monies of \$988,100, will result in total expenditures of \$2,493,800.

### *Modification of Prior Year Footnotes*

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 ~~\$38,040,000~~ 43,934,000 in expendable income derived from the Permanent State Common School Fund.

Receipts derived from the Permanent State Common School Fund and any other non-state General Fund revenue source that is dedicated to fund Basic State Aid will be expended, whenever possible, prior to expenditure of state General Fund monies.

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 and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 AND A.R.S. § 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law, except that ~~the first \$30,000,000 in expendable income derived from the Permanent State Common School Fund is appropriated to the School Capital Equity Fund in accordance with the requirements of A.R.S. § 37-521.~~ No expenditures shall be made except as specifically authorized above.

*The recommended changes would have the effect of 1) allowing teacher certification fees collected under A.R.S. § 15-531 to be dedicated to covering costs of the teacher certification unit of the department, rather than serving as an offset to the state funding requirement for Basic State Aid; and 2) deleting the requirement that \$30,000,000 in endowment earnings be deposited into the School Capital Equity Fund each year, since that fund has been abolished pursuant to Laws 1997, Chapter 9, 1<sup>st</sup> Special Session.*

### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote concerning the use of carry-forward monies in the Permanent Special Education Institutional Voucher Fund. The footnote was intended to provide statutory authority for the department to spend carry-forward monies from FY 1995 and earlier fiscal years for which such authority was considered uncertain. Since these carry-forward monies now have been expended, the footnote is no longer needed.

The JLBC Staff recommends deleting the footnote concerning the use of carry-forward monies in the Special Education Placement and Residential Education Voucher Fund. The footnote was intended to provide statutory authority for the department to spend carry-forward monies from FY 1995 and earlier fiscal years for which such authority was considered uncertain. Since these carry-forward monies now have been expended, the footnote is no longer needed.

The JLBC Staff recommends deleting the following standard footnotes that served only to describe programs, since similar footnotes are not provided in budget recommendations for other agencies: Additional State Aid, Assistance to School Districts for Children of State



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Employees, Certificates of Educational Convenience, Permanent Special Education Institutional Voucher Fund, Special Education Placement and Residential Education Voucher Fund, Academic Contest Fund, Academic Decathlon, Arizona Humanities Council, Arizona Principal's Academy, Arizona Teacher Evaluation, Arizona School Services through Educational Technology, Chemical Abuse, Extended School Year, Residential Placement, Arizona Geographic Alliance, Career Ladder Administration, and Gifted Support

### JLBC Staff Recommended Statutory Changes

The JLBC Staff again recommends amending A.R.S. § 15-945 so that the "to and from school" portion of transportation formula funding be based on prior year daily route mileage, rather than the highest daily route mileage from the past 3 prior years. See the "Fund Transportation on Prior Year Mileage" policy issue under "Basic State Aid" for more information.

The JLBC Staff recommends for FY 1999 that formula transportation funding for charter schools again (as in FY 1997 and FY 1998) be provided at a rate of \$174 multiplied by the school's student count through a statutory change. Under current law, A.R.S. § 15-185; 15-186 and 15-816.01 must be notwithstanding in order to implement this policy. This issue affects the "Student Growth" budget estimate discussed in the "Basic State Aid" narrative section.

The JLBC Staff recommends that school districts that did not participate in the federal free lunch program in FY 1998 and which had more than 600 ADM pupils in grades K-3 in FY 1998 be considered ineligible for State Block Grant for Early Childhood funding for FY 1999. This and other policy issues related to this program are discussed in the "State Block Grant for Early Childhood" narrative section.

The JLBC Staff recommends that pass-through funding appropriated to the State Block Grant for Vocational Education Special Line Item for FY 1999 be allocated whereby 95% is based upon the number of 11th and 12th grade students enrolled in an approved vocational education program in FY 1998, and 5% is based upon placement data on vocational education program completers from FY 1996. The Staff again recommends that the current Basic State Aid formula weight for Vocational Education be suspended and the funding transferred to the block grant. See the narrative section for "State Block Grant for Vocational Education" for further details.

The JLBC Staff recommends that, starting in FY 1999, student counts for district-sponsored charter schools not be included in the sponsoring district's student count for

purposes of funding Rapid Decline (A.R.S. § 15-942) except where students in the charter school originally were a part of the district's non-charter ADM count for the years affected. See related discussion in the "Rapid Decline" narrative section.

### Auditor General Performance Audit of the At-Risk Preschool Expansion Program.

The Auditor General released a performance audit of the At-Risk Preschool Expansion program in December of 1997. The audit concludes that 1) at-risk preschool children show moderate improvement during their time in the program, 2) participating preschoolers are marginally better prepared for kindergarten than similar students who did not attend preschool, 3) program effects fade over time, and 4) private sites continue to lag behind public sites in quality.

The audit notes that creation of the State Block Grant for Early Childhood Education (SBGECE) program has eliminated specific funding for the program and concludes that continuing the program without an adequate system of quality assurances and follow-up support programs does not seem a prudent use of public resources. It recommends that the Legislature remove a statutory requirement in Section 2 of Laws 1994, Chapter 2, 9<sup>th</sup> Special Session that it believes is still in effect and requires annual audits of the program.

The JLBC Staff agrees that annual audits for the program should be discontinued, but believes that the audit requirement in Section 2 of Laws 1994, Chapter 2 no longer is in effect because the At-Risk Preschool program referenced in Laws 1994, Chapter 2, 9<sup>th</sup> Special Session no longer exists as a separate program. Instead funding for early childhood programs in general (preschool through Grade 3) is provided through the SBGECE program. Since school districts and charter schools can dedicate their SBGECE funding to whichever preschool or K-3 programs they consider most effective, and since parents of preschool participants can choose the provider they consider to be of best quality, the JLBC Staff does not at this time recommend a reduction in block grant funding despite Auditor General concerns regarding a lack of quality control and follow-up systems for preschool programs funded with block grant monies.

Additional discussion of State Block Grant for Early Childhood Education preschool programs appears in the SBGECE narrative section.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Permanent State Common School Fund	\$43,934,000
TOTAL	\$43,934,000

**DEPARTMENT OF HEALTH SERVICES  
(DHS)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
Agency Summary

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSPB: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	17,767,300	19,211,000	20,526,700	19,532,400	19,933,000
Public Health	16,023,100	16,817,200	18,460,600	18,677,800	17,051,800
Family Health	39,313,500	41,051,500	43,745,200	43,469,300	44,031,300
Behavioral Health	205,672,000	227,063,400	257,317,900	235,412,800	235,909,000
Arizona State Hospital	29,195,000	30,182,200	39,717,500	39,350,300	38,347,700
<b>AGENCY TOTAL</b>	<b>307,970,900</b>	<b>334,325,300</b>	<b>379,767,900</b>	<b>356,442,600</b>	<b>355,272,800</b>

## OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	1,167.1	1,073.1	1,372.5	1,321.1	1,309.1
Personal Services	26,010,700	24,876,300	32,167,600	29,319,800	29,223,600
Employee Related Expenditures	5,798,900	5,637,900	7,680,100	6,634,800	6,537,900
All Other Operating Expenditures:					
Professional and Outside Services	7,419,300	8,313,000	10,451,200	9,774,700	9,180,200
Travel - In State	269,900	328,300	331,900	299,100	305,300
Travel - Out of State	88,500	51,200	53,100	47,700	47,900
Other Operating Expenditures	8,000,800	8,228,300	8,509,200	9,600,000	8,229,700
Equipment	55,900	189,900	200,800	189,900	189,900
<b>OPERATING SUBTOTAL</b>	<b>47,644,000</b>	<b>47,624,900</b>	<b>59,393,900</b>	<b>55,866,000</b>	<b>53,714,500</b>
Special Line Items	260,326,900	286,700,400	320,374,000	300,576,600	301,558,300
<b>AGENCY TOTAL</b>	<b>307,970,900</b>	<b>334,325,300</b>	<b>379,767,900</b>	<b>356,442,600</b>	<b>355,272,800</b>

## BY FUND SOURCE

General Fund	206,302,500	215,473,100	243,314,800	231,479,900	227,843,500
Other Appropriated Funds	15,888,700	19,337,700	20,893,100	20,880,100	23,089,700
Other Non-Appropriated Funds	78,742,800	120,057,100	94,580,600	94,580,600	94,580,600
Federal Funds	224,103,200	241,575,200	256,520,200	245,299,800	245,299,800
<b>TOTAL - ALL SOURCES</b>	<b>525,037,200</b>	<b>596,443,100</b>	<b>615,308,700</b>	<b>592,240,400</b>	<b>590,813,600</b>

**Agency Description** — *The Department of Health Services is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.*

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$12,370,400	5.7%
Other Appropriated Funds	3,752,000	19.4%
<b>Total Appropriated Funds</b>	<b>\$16,122,400</b>	<b>6.9%</b>

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$32,300 OF	\$1,132,100 GF
ERE Rates	(400) OF	(100,700) GF
Risk Management	8,900 OF	(21,000) GF
Rent	(3,300) OF	73,200 GF

### Eliminate One-time Equipment

-0- OF (432,400) GF

### Major Policy Issues

The JLBC Staff recommends a General Fund increase of \$12,370,400 for the Department of Health Services for FY 1999. The majority of the increase is due to the following 3 major policy issues.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## Title XIX Capitation

Rate Increase 10,492,300 TF 5,667,200 GF

The recommended amount provides funding for increases in the capitation rate paid for Title XIX behavioral health services. During FY 1998 new capitation rates were approved for the Children's Behavioral Health, Seriously Mentally Ill Services, and General Mental Health Substance Abuse programs. For FY 1999 the total cost of this increase is \$5,667,200. See the "Behavioral Health" section for more information.

Sexually Violent Persons -0- OF 3,111,400 GF

The recommended amount includes funding for 75 FTE Positions and \$3,111,400 for operating costs for the new Sexually Violent Persons (SVP) program at the Arizona State Hospital (ASH). The program was enacted to provide treatment for individuals convicted of a sexually violent offense and who are likely to commit a sexually violent offense if they are released from prison. ASH received its first SVP in September 1997 and is projected to receive 5 new individuals per month for treatment in this program. See the "Arizona State Hospital" section for more information.

ASH Staffing -0- OF 6,418,400 GF

On June 3, 1997 ASH voluntarily withdrew from the Federal Medicare program following notification from the Federal Health Care Financing Administration that ASH would be decertified due to staffing shortages and lack of active treatment for ASH patients. The loss of certification was due to several factors including changes in ASH's population and high staff turnover following the scheduled downsizing of the patient census. The recommended amount includes an increase of 165 FTE Positions and \$6,418,400 for increased operating costs to provide additional clinical staffing at ASH. See the "Arizona State Hospital" section for more information.

## Other Changes

Equipment	-0- OF	432,400 GF
Privatization of Advocacy		
Services	-0- OF	(52,600) GF
CRS Data System		(240,000) GF
Newborn Screening Fund	2,964,500 OF	-0- GF
Health Start	-0- OF	(1,400,000) GF
Out-of-Wedlock		
Pregnancy Prevention	2,000,000 OF	-0- GF
Behavioral Health		
Operating Budget	-0- OF	(1,100,000) GF
Data Processing		
Debt Retirement	-0- OF	(595,100) GF
Computer Hardware Lease	-0- OF	(246,000) GF
Community Placement Treatment	-0- OF	(2,557,500) GF
Loss of Title XIX Revenue	(1,500,000) OF	1,500,000 GF

ASH Information System	-0- OF	883,600 GF
Technical Changes	250,000 OF	(102,600) GF

\* \* \*

**JLBC Staff Recommended Format** — Modified Lump Sum for the Program

## JLBC Staff Recommended Footnotes

### Standard Footnotes

A monthly report comparing total expenditures for the month and year-to-date as compared to prior years totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 25<sup>th</sup> of the following month. The report shall include an estimate of (1) potential shortfalls in programs, (2) 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 (3) total expenditure authority of the month and year-to-date for Seriously Mentally Ill Services, Regional Residential/Psychiatric Beds, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX, substance Abuse Non-Title XIX, Children's Respite Care, Geriatric Residential Beds, Psychotropic Drugs, Seriously Emotionally Handicapped Children, and Children's Rehabilitative Services.

Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Seriously Mentally Ill Services, Regional Residential/Psychiatric Beds, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX; Substance Abuse Non-Title XIX, Community Therapeutic Substance Abuse Treatment, Mental Health/Substance Abuse State Match for Title XIX, Seriously Emotionally Handicapped Children, Children's Rehabilitative Services, AHCCCS- Children's Rehabilitative Services, EMS Provider Contracts, State EMS Special Projects, Tuberculosis Provider Care and Control, Kidney Program, Adult Cystic Fibrosis, Adult Sickle Cell Anemia, Regional Contamination, High-Risk Perinatal Services, County Prenatal Services Grant, Nutrition Services, Geriatric Residential Beds, Psychotropic Drugs, Children's Respite Care, Community Placement Treatment, Community Treatment Contingency, University of Arizona Poison Control Center Funding, and the Poison Control Center Funding shall require approval of the Joint Legislative Budget Committee. The amounts appropriated for these items shall be used exclusively for the contracts for the provision of services to clients unless a transfer of monies is

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

approved by the Joint Legislative Budget Committee. No monies shall be used from these appropriated amounts for any expenses of the state Department of Health Services.

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.

### Other Issues for Legislative Consideration

#### FY 1998 Supplemental Appropriations

The JLBC Staff recommends supplemental appropriations for FY 1998 from the General Fund of \$6,784,500 for the Title XIX capitation rate increase, \$5,894,500 for staffing increases and the loss of Federal Disproportionate Share funding at the ASH, and \$1,069,700 for the Sexually Violent Persons program, for a total of \$13,748,700 in FY 1998 supplemental appropriations. *See the "Behavioral Health" and "Arizona State Hospital" sections for more information.*

#### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
EMS Operating Fund	\$2,931,300
Poison Control Fund	1,550,000
Child Fatality Review Fund	100,000
Newborn Screening Fund	2,964,500
TANF Block Grant	2,000,000
Alcohol and Other Drug Screening Fund	950,000
Alcohol and Other Drug Abuse Services Fund	600,000
ASH Fund	11,993,900
TOTAL	\$23,089,700

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Health Services  
PROG: Administration

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSPB: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	348.3	347.3	351.8	342.3	342.3
Personal Services	6,424,300	7,209,400	7,159,100	7,339,600	7,337,900
Employee Related Expenditures	1,407,500	1,564,100	1,740,400	1,562,100	1,566,900
All Other Operating Expenditures:					
Professional and Outside Services	502,700	475,700	626,300	579,600	579,600
Travel - In State	52,800	66,200	66,200	58,900	58,900
Travel - Out of State	33,600	13,900	13,900	13,900	13,900
Other Operating Expenditures	4,876,600	5,162,100	5,227,600	4,907,100	5,134,000
Equipment	0	141,400	141,400	141,400	141,400
OPERATING SUBTOTAL	13,297,500	14,632,800	14,974,900	14,602,600	14,832,600
SPECIAL LINE ITEMS					
Morton and Black Canyon Buildings					
Management	180,600	0	0	0	0
Assurance and Licensure	4,289,200	4,578,200	5,131,600	4,509,600	4,680,200
Newborn Screening Fund - Indirect Costs	0	0	420,200	420,200	420,200
PROGRAM TOTAL	17,767,300	19,211,000	20,526,700	19,532,400	19,933,000
BY FUND SOURCE					
General Fund	17,767,300	19,211,000	20,106,500	19,112,200	19,512,800
Other Appropriated Funds	0	0	420,200	420,200	420,200
Other Non-Appropriated Funds	9,935,400	11,417,400	9,587,600	9,587,600	9,587,600
Federal Funds	3,030,100	4,227,500	4,227,500	4,227,500	4,227,500
TOTAL - ALL SOURCES	30,732,800	34,855,900	34,341,800	33,347,500	33,748,100

**Program Description** — *The Administration program encompasses most centralized functions including the Director's Office, business and financial services, and information technology services. The program also provides Assurance and Licensure services which include the monitoring and enforcement of statutes and rules concerning home and community-based adult health care, behavioral health and child care facilities.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$301,800	1.6%
Other Appropriated Funds	420,200	NA
Total Appropriated Funds	\$722,000	3.8%

## FY 1999 — Recommended Changes from FY 1998

Standard Changes	
Salary Adjustment	\$410,300 GF
ERE Rates	(2,100) GF
Risk Management	(21,000) GF
Rent	69,800 GF
Eliminate One-time Equipment	(233,900) GF

**Equipment 233,900 GF**  
The recommended amount includes \$141,400 for replacement computer equipment for the Administration division and \$92,500 for replacement computer equipment and a photocopier for the Assurance and Licensure program. The Executive concurs.

**Information Technology Project (102,600) GF**  
In FY 1996 the department was appropriated \$560,700 from the General Fund for the re-engineering of the department's computer system. Each year, as phases of the project are completed, one-time equipment and

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

contract costs are eliminated and new equipment is recommended. For FY 1999, the JLBC Staff recommends a decrease of \$(46,700) in one-time Professional and Outside Services costs and \$(55,900) in one-time Other Operating Expenditures, for a total decrease of \$(102,600). Including the recommended change, \$158,200 remains in the base budget for the scheduled completion of this project by the end of FY 1999. The Executive concurs.

**Newborn Screening Fund** **420,000 OF**  
Laws 1997, Chapter 210 transferred the Newborn Screening Fund to appropriated status beginning in FY 1999. The JLBC Staff recommends an appropriation of \$420,200 from the Newborn Screening Fund to cover the cost of administering the Newborn Screening Program. The recommended amount is shown in the "Newborn Screening Fund - Indirect Costs" Special Line Item. See the Family Health cost center for more information on the Newborn Screening Program. The Executive concurs.

**Privatization of Advocacy Services** **(\$2,600) GF**  
The department is required to provide advocacy services for the Seriously Mentally Ill (SMI) by the Arnold v. Sam lawsuit. These services are provided by the Office of Oversight and Protection for the SMI and typically involve assisting SMI clients with filing grievances and treatment appeals with the behavioral health system. Since the behavioral health system is also managed by the department, providing both types of services created a conflict of interest within the department. In addition, the Office of Oversight is located in Phoenix and had historically not been able to provide adequate services to clients in the rural areas. In order to address the conflict of interest and to improve access to services, the department decided to privatize the Office beginning January 1, 1997 by contracting with an outside agency.

The JLBC Staff recommends transferring funding that was formerly used for permanent staff to Professional and Outside Services to pay for the contract. For FY 1999, the contract results in net savings of \$(52,600). The recommended amount includes a reduction of (5) FTE Positions, \$(135,300) for Personal Services, \$(31,300) for Employee Related Expenditures, \$(7,300) for Travel - In State, and \$(29,300) for Other Operating Expenditures and an increase of \$150,600 for Professional and Outside Services. In addition, \$37,900 in Federal Title XIX monies will be expended for the contract, for a total contract amount of \$188,200. The Executive concurs, but recommends a net decrease of \$(52,500).

\* \* \*

**JLBC Staff Recommended Format** — Modified Lump Sum for the Program

### Other Issues for Legislative Consideration

#### FTE Transfer

The Executive recommends transferring (0.5) FTE Positions and \$(17,300) from the Assurance and Licensure Special Line Item to AHCCCS to consolidate funding for all Title XIX licensure staff at AHCCCS. The JLBC Staff does not recommend this issue.

#### Licensure Staff

The Executive recommends an increase of 1.1 FTE Positions and \$44,700 for licensing staff in the Assurance and Licensure program. The positions are recommended to address increases in the number of facilities requiring licenses. The JLBC Staff does not recommend this issue.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Newborn Screening Fund	\$420,200

# **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

DEPT: Department Health Services  
PROG: Public Health

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSPB: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	180.2	183.2	185.2	184.2	218.2
Personal Services	3,264,000	3,537,200	3,707,700	3,645,500	3,645,500
Employee Related Expenditures	744,600	798,200	901,300	813,800	816,700
All Other Operating Expenditures:					
Professional and Outside Services	120,200	157,400	157,400	157,400	157,400
Travel - In State	82,100	102,400	106,000	102,400	102,400
Travel - Out of State	16,900	15,100	17,000	15,100	15,100
Other Operating Expenditures	686,300	699,500	716,400	2,345,900	716,800
Equipment	11,600	24,500	35,400	24,500	24,500
<b>OPERATING SUBTOTAL</b>	<b>4,925,700</b>	<b>5,334,300</b>	<b>5,641,200</b>	<b>7,104,600</b>	<b>5,478,400</b>
<b>SPECIAL LINE ITEMS</b>					
Tuberculosis Provider Care and Control	771,600	1,082,000	1,082,000	1,082,000	1,082,000
Direct Grants	578,000	578,000	578,000	578,000	578,000
Vaccines	1,584,500	1,915,100	1,915,100	1,915,100	1,915,100
Reimbursement to Counties	396,300	396,300	396,300	396,300	396,300
Loan Repayment Services	68,200	100,000	100,000	100,000	100,000
TCE Contamination	247,200	250,000	250,000	250,000	250,000
Kidney Program	101,000	101,000	101,000	101,000	101,000
STD Control Subventions	52,400	52,500	52,500	52,500	52,500
AIDS Reporting and Surveillance	124,900	125,000	725,000	125,000	125,000
Border Health Office	40,700	0	0	0	0
Laboratory Services	2,560,000	2,696,200	2,783,400	2,749,700	2,749,200
Disease Control Research Commission	1,383,300	0	0	0	0
U of A Poison Center Funding	562,500	900,000	900,000	900,000	900,000
Poison Control Center Funding	375,000	650,000	650,000	650,000	650,000
EMS Operations	1,490,900	1,637,400	1,686,700	1,674,200	1,674,900
EMS Provider Contracts	327,200	481,200	481,200	481,200	481,200
State EMS Special Projects	61,500	170,000	170,000	170,000	170,000
Ambulance Replacement	142,600	0	0	0	0
EMS Regional Coordinating System	73,600	98,200	98,200	98,200	98,200
Trauma Advisory Board	156,000	250,000	250,000	250,000	250,000
<b>PROGRAM TOTAL</b>	<b>16,023,100</b>	<b>16,817,200</b>	<b>18,460,600</b>	<b>18,677,800</b>	<b>17,051,800</b>
<b>BY FUND SOURCE</b>					
General Fund	12,833,800	12,630,400	14,224,500	14,454,200	12,827,500
Other Appropriated Funds	3,189,300	4,186,800	4,236,100	4,223,600	4,224,300
Other Non-Appropriated Funds	32,023,600	69,421,800	50,408,300	50,408,300	50,408,300
Federal Funds	17,255,800	19,871,900	19,748,800	19,748,800	19,748,800
<b>TOTAL - ALL SOURCES</b>	<b>65,302,500</b>	<b>106,110,900</b>	<b>88,617,700</b>	<b>88,834,900</b>	<b>87,208,900</b>

**Program Description** — *The Public Health program provides emergency medical services which includes funding for both state and local programs and poison control centers. In addition, the program provides funding for some county health programs, disease prevention, and treatment of a number of specific illnesses, as well as maintaining vital records services for birth and death certificates. The program also includes the State Health Laboratory which provides laboratory testing for other state agencies, water testing, contagious disease testing and other public health related testing. The laboratory also monitors and evaluates the quality of laboratory testing statewide.*



# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$197,100	1.6%
Other Appropriated Funds	37,500	0.9%
Total Appropriated Funds	\$234,600	1.4%

## FY 1999 — Recommended Changes from FY 1998

<b>Standard Changes</b>		
Salary Adjustment	\$32,300 OF	\$178,900 GF
ERE Rates	(400) OF	3,800 GF
Risk Management	8,900 OF	-0- GF
Rent	(3,300) OF	14,400 GF
Eliminate One-time Equipment	-0- OF	(174,500) GF

**Equipment 174,500 GF**  
The recommended amount includes \$12,000 for replacement computer equipment and \$12,500 for a copier for the Public Health program and \$150,000 for replacement laboratory equipment for the State Health Laboratory. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format — Modified Lump Sum**  
for the Program

## JLBC Staff Recommended Footnotes

### Standard Footnotes

The appropriation for Direct Grants is to provide for local health work and a portion of the cost of employing 1 public health nurse and 1 sanitarian in each county and is to be divided equally among the 15 counties on a non-matching basis. All monies received by a county under this appropriation that are not used for the prescribed purposes shall revert to the General Fund.

The \$396,300 appropriated for reimbursement to counties is to provide monies to counties for local health work on an equal matching basis and shall be distributed in the following manner: \$174,790 of the monies shall be distributed to counties with populations of less than 500,000 persons based on amounts received in FY 1997. The distribution for counties with a population of more than 500,000 persons or more but less than 1,000,000 persons shall be \$57,750 and for counties with a population of 1,000,000 persons or more the distribution shall be \$163,760.

The \$900,000 appropriated for the University of Arizona Poison Control Center shall not be utilized to support any poison control center other than the one at the University of Arizona. The State Department of Health Services shall

transmit all of the appropriated amount to the University of Arizona for this purpose

The \$650,000 appropriated for Poison Control Center funding shall only be expended for poison control services in counties with a population of more than 1,500,000 persons according to the most recent United States decennial census

## Other Issues for Legislative Consideration

### AIDS Medications

The Executive recommends \$1,632,000 from the General Fund to supplement the federally funded Arizona Drug Assistance Program (ADAP). The program provides AIDS fighting medications to uninsured, low-income persons with HIV. In the past the program was funded entirely through the Federal Ryan White Care Act; however, during FY 1998 federal funding was not sufficient to serve all eligible clients due to the increasing costs of the medications and increasing number of clients. As a result, the Governor authorized \$600,000 from the Tobacco Tax Health Crisis Fund to cover the shortfall.

For FY 1999, federal funding is again not anticipated to be sufficient to serve all eligible clients. The Executive recommends funding from the General Fund to cover the shortfall. The JLBC Staff recommends that the Legislature consider this issue outside the budget process. Supplementing a shortfall in a federally funded program so that all eligible clients might be served represents a significant change in this program and sets a precedent for future years. As a result, the JLBC Staff recommends that the Legislature consider this issue separately.

## Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Emergency Medical Services Operating Fund	\$2,674,300
Poison Control Fund	1,550,000
<b>TOTAL</b>	<b>\$4,224,300</b>

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department Health Services  
PROG: Family Health

JLBC: Jennifer Vermeer  
House Sub: Wejers

OSPB: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	68.6	68.6	77.1	68.6	68.6
Personal Services	1,746,600	1,944,000	2,003,100	1,832,300	2,003,100
Employee Related Expenditures	397,000	432,200	487,000	419,800	441,300
All Other Operating Expenditures:					
Professional and Outside Services	182,400	144,200	144,200	131,700	144,200
Travel - In State	47,200	70,900	70,900	64,700	70,900
Travel - Out of State	8,100	2,400	2,400	2,200	2,400
Other Operating Expenditures	345,600	368,700	368,700	344,100	376,000
<b>OPERATING SUBTOTAL</b>	<b>2,726,900</b>	<b>2,962,400</b>	<b>3,076,300</b>	<b>2,794,800</b>	<b>3,037,900</b>
<b>SPECIAL LINE ITEMS</b>					
Children's Rehabilitative Services	6,471,000	5,351,800	5,351,800	5,351,800	5,111,800
AHCCCS-Children's Rehabilitative Services	24,749,000	25,065,900	25,065,900	25,065,900	25,065,900
Adult Cystic Fibrosis	223,600	223,600	223,600	223,600	223,600
Adult Sickle Cell Anemia	70,100	70,100	70,100	70,100	70,100
High Risk Perinatal Services	2,675,400	4,016,500	4,016,500	4,016,500	4,016,500
Nutrition Services	299,100	330,100	330,100	330,100	330,100
County Prenatal Services Grant	873,600	1,281,100	1,281,100	1,281,100	1,281,100
Teenage Pregnancy Prevention Task Force	152,400	250,000	250,000	250,000	250,000
Health Start	980,400	1,400,000	1,400,000	1,400,000	0
Child Fatality Review Team	92,000	100,000	100,000	100,000	100,000
Newborn Screening Program	0	0	2,579,800	2,585,400	2,544,300
Out of Wedlock Pregnancy Prevention	0	0	0	0	2,000,000
<b>PROGRAM TOTAL</b>	<b>39,313,500</b>	<b>41,051,500</b>	<b>43,745,200</b>	<b>43,469,300</b>	<b>44,031,300</b>
<b>BY FUND SOURCE</b>					
General Fund	22,903,100	24,180,000	24,293,900	24,269,400	22,615,500
Other Appropriated Funds	92,000	357,000	2,936,800	2,942,400	4,901,300
Other Non-Appropriated Funds	1,916,300	3,035,200	0	0	0
Federal Funds	107,633,600	108,279,400	108,388,100	108,388,100	108,388,100
<b>TOTAL - ALL SOURCES</b>	<b>132,545,000</b>	<b>135,851,600</b>	<b>135,618,800</b>	<b>135,599,900</b>	<b>135,904,900</b>

**Program Description** — *The Division of Family Health Services provides non-mental public health programs. The largest program is Children's Rehabilitative Services (CRS) which provides treatment for seriously physically impaired children that would benefit from a team surgical approach. CRS includes children with severe congenital defects, spina bifida, cleft palate, and other serious, yet correctable or improvable conditions. Non-CRS programs include prenatal programs, nutrition services, and targeted care for specific diseases.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$(1,564,500)	(6.5)%
Other Appropriated Funds	4,544,300	NA
Total Appropriated Funds	\$2,979,800	7.3%

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### FY 1999 — Recommended Changes from FY 1998

#### Standard Changes

Salary Adjustments	\$66,800 GF
ERE Rates	1,400 GF
Rent	7,300 GF

#### CRS Data System (240,000) GF

The JLBC Staff recommends shifting \$(240,000) of the cost of the Non-Title XIX portion of the CRS program to the Federal Maternal and Child Health (MCH) Block Grant to finalize the transition begun in FY 1998. The department's contract for the CRS data system was scheduled to expire December 31, 1997. Rather than lease a new system, the department chose to develop its own system to provide the data processing in-house.

Annual expenditures for the data system contract totaled approximately \$480,000 and had been paid from the MCH Block Grant. Since the contract was scheduled to be terminated halfway through FY 1998, expenditures from the MCH Block Grant of \$240,000 in FY 1998 and \$480,000 in FY 1999 will be freed up for other purposes. As these monies are dedicated for children with special health care needs by the MCH funding requirements, the JLBC Staff recommended that these monies be used for CRS services.

As a result, \$(240,000) of the cost of the Non-Title XIX portion of the CRS program was shifted to the MCH Block Grant in FY 1998. To complete the transition, the JLBC Staff recommends that an additional \$(240,000) be shifted from the General Fund to the MCH Block Grant in FY 1999, so that in total, the MCH Block Grant will be paying \$480,000 of the cost of the Non-Title XIX portion of the CRS program. The Executive does not address this issue.

#### Newborn Screening Fund 2,544,300 OF

Laws 1997, Chapter 210 transferred the Newborn Screening Fund to appropriated status beginning in FY 1999. The fund supports the Newborn Screening Program, which provides for centralized testing of all newborns in the state for a standard set of metabolic disorders. If these disorders are detected and treated at birth, serious disabilities can be avoided. The program also provides for follow-up counseling for the parents of affected infants. The program is supported by a fee of \$20 per child, which is collected as part of the hospital charges when the infant is born. The department is required to contract for the laboratory testing portion of the program at least once every 4 years. Currently, the State Health Lab holds the contract.

The JLBC Staff recommends an appropriation of \$2,544,300 and 8.5 FTE Positions from the Newborn Screening Fund for this program. The recommended amount includes \$257,000 for Personal Services, \$23,000

for Employee Related Expenditures, \$2,114,900 for Professional and Outside Services, \$7,000 for Travel - In State, \$12,500 for Travel - Out of State, and \$129,900 for Other Operating Expenditures. Professional and Outside Services includes the contract for follow-up nursing consultation in the amount of \$250,000 and the contract with the State Health Laboratory for the blood testing in the amount of \$1,750,000. The Executive concurs, but recommends \$2,585,400 for this issue.

#### Out-of-Wedlock Pregnancy Prevention 2,000,000 OF

The JLBC Staff recommends transferring the \$2,000,000 appropriated from the Federal Temporary Assistance for Needy Families (TANF) Block Grant for Out-of-Wedlock Pregnancy Prevention from the Department of Economic Security budget to the DHS budget. DHS already administers the program through an interagency agreement pursuant to Laws 1997, Chapter 300.

DHS has combined this funding with new funding from the Federal MCH Block Grant provided in Federal Welfare Reform legislation. Under Welfare Reform, both TANF and the new MCH Block Grant funding are dedicated to preventing out-of-wedlock pregnancies through abstinence-only education programs. The MCH Block Grant requires matching state funding. A portion of the \$7,500,000 allocated from the Tobacco Tax and Health Care Fund Medically Needy Account for public health education programs by Laws 1997, Chapter 123 is being used as the state match. Thus, in total, DHS has approximately \$3,500,000 for out-of-wedlock pregnancy prevention programs. The TANF funding should be shown in the DHS budget to consolidate out-of-wedlock pregnancy prevention funding and provide greater legislative oversight of this program. The Executive does not address this issue.

#### Health Start (1,400,000) GF

Laws 1996, Chapter 247 appropriated \$1,400,000 from the General Fund in FY 1997 and FY 1998 to continue the Health Start Pilot Program. This pilot was initiated and originally funded in FY 1995 and FY 1996 through Laws 1994, Chapter 1. The program provides funding to county health departments and community organizations to create neighborhood outreach programs staffed with lay health workers who assist high risk (low income, minority and teen) pregnant women to obtain prenatal care and other preventative services to improve the health of their infants.

The legislation also required the pilot program to be evaluated in each year by the Auditor General. The FY 1997 evaluation stated that while Health Start clients are experiencing positive outcomes, it is not known to what extent the outcomes can be attributed to the services provided by Health Start. The FY 1998 report has not been completed. Given the findings of the FY 1997 report and that the FY 1998 report has not been completed, the

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

impact of the program cannot be measured. Given these factors and that this is a pilot program for which funding has been provided outside the budget process, the JLBC Staff recommends that the Legislature determine whether the pilot program should be continued through separate legislation. The Executive does not address this issue.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a Program Authorization Review of the Oral Health program during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

The mission of the Office of Oral Health is the promotion of preventive dental care and development of dental services in underserved areas or populations. These activities include developing dental care guidelines, surveying dental needs and resources statewide, providing technical assistance to underserved communities, and providing preventive dental care services to low-income children and other special needs populations, such as individuals with HIV.

The PAR found that in addition to these activities, the Office of Oral Health is responsible for overseeing the quality of care delivered by prepaid dental insurance plans. It is the only type of private managed health care service that is regulated by a state agency other than the Department of Insurance. As a result, the JLBC and OSPB Staffs recommended that the statute requiring DHS to perform this activity (A.R.S. § 20-1015) be amended to transfer this function to the Department of Insurance. The Health and Welfare PAR Committee did not recommend amending this statute due to concerns that whatever action is taken with respect to prepaid dental plans be the same as the policy for Health Maintenance Organizations.

The Office of Oral Health also provides continuing professional education classes, which are required for professional certification for dentists, dental hygienists, and denturists. Costs incurred by the program for these classes have not been adequately tracked in the past. The JLBC and OSPB Staffs recommended the program privatize these classes to the extent possible and ensure that they receive full reimbursement for all costs incurred by the program. The Health and Welfare PAR Committee adopted this recommendation.

\* \* \*

**JLBC Staff Recommended Format** — Modified Lump Sum for the Program

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

The amounts appropriated for Children's Rehabilitative Services, AHCCCS-Children's Rehabilitative Services, and for federal expenditure authority are intended to cover all indirect, fixed contract, fee-for-services costs, and all other costs of the Children's Rehabilitative Services program in full, unless a transfer of funds is approved by the Joint Legislative Budget Committee

The Department of Health Services shall distribute all funds appropriated for the County Prenatal Services Grant on a pass-through basis to counties to provide prenatal programs with consideration to population, need and amount received in prior years

#### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Emergency Medical Services	
Operating Fund	\$ 257,000
Child Fatality Review Fund	100,000
Newborn Screening Fund	2,544,300
Temporary Assistance to Needy	
Families Block Grant	<u>2,000,000</u>
TOTAL	\$4,901,300

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department Health Services  
PROG: Behavioral Health

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSPB: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	69.5	69.5	71.5	69.5	69.5
Personal Services	1,531,700	1,956,100	2,090,500	1,571,700	1,572,700
Employee Related Expenditures	363,800	436,300	508,200	437,900	384,800
All Other Operating Expenditures:					
Professional and Outside Services	406,700	1,875,500	2,073,400	1,456,100	1,456,100
Travel - In State	62,800	70,000	70,000	54,300	54,300
Travel - Out of State	26,000	15,000	15,000	11,700	11,700
Other Operating Expenditures	639,700	565,800	574,900	381,300	381,300
Equipment	20,300	0	0	0	0
<b>OPERATING SUBTOTAL</b>	<b>3,051,000</b>	<b>4,918,700</b>	<b>5,332,000</b>	<b>3,913,000</b>	<b>3,860,900</b>
<b>SPECIAL LINE ITEMS</b>					
Client Satisfaction Incentive Program	28,900	100,000	100,000	100,000	100,000
RBHA Client Encounter Reports	1,734,000	1,848,900	1,848,900	1,848,900	1,848,900
Data Processing Debt Retirement	1,499,600	595,100	0	0	0
Computer Hardware Lease	671,400	996,000	996,000	750,000	750,000
Managed Care and Actuarial Services	1,008,600	0	0	0	0
HUD Grants Compliance	70,000	0	0	0	0
Children's Behavioral Health Services	13,110,200	13,264,400	13,413,200	13,264,400	13,264,400
Seriously Emotionally Handicapped Children	4,375,300	4,375,300	4,375,300	4,375,300	4,375,300
CBH State Match for Title XIX	47,835,600	58,692,600	71,555,800	66,374,600	67,752,500
Children's Respite Care	252,500	252,500	252,500	252,500	252,500
Seriously Mentally Ill Services	89,082,300	95,493,600	108,504,200	94,194,900	94,011,000
Geriatric Residential Beds	2,211,800	2,211,800	2,211,800	2,211,800	2,211,800
Regional Residential/Psychiatric Beds	5,770,300	5,770,300	5,770,300	5,770,300	5,770,300
Psychotropic Drugs	1,257,100	1,257,100	1,257,100	1,257,100	1,257,100
Mental Health Non-Title XIX	9,849,400	9,862,100	9,909,700	9,862,100	9,862,100
Substance Abuse Non-Title XIX	10,894,300	13,235,400	13,336,500	13,235,400	13,485,400
Mental Health and Substance Abuse State Match for Title XIX	10,968,900	12,203,500	16,466,700	15,267,400	15,118,500
Community Therapeutic Substance Abuse Treatment	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Psychiatric Review Board	47,800	80,400	82,200	82,700	82,600
Court Monitoring	253,000	205,700	205,700	205,700	205,700
<b>PROGRAM TOTAL</b>	<b>205,672,000</b>	<b>227,063,400</b>	<b>257,317,900</b>	<b>234,666,100</b>	<b>235,909,000</b>
<b>BY FUND SOURCE</b>					
General Fund	136,210,700	142,763,400	156,972,400	146,287,700	146,533,900
Other Appropriated Funds	0	1,300,000	1,300,000	1,300,000	1,550,000
Other Non-Appropriated Funds	34,608,000	35,994,200	34,396,200	34,396,200	34,396,200
Federal Funds	96,183,700	109,196,400	124,155,800	112,188,700	112,935,400
<b>TOTAL - ALL SOURCES</b>	<b>267,002,400</b>	<b>289,254,000</b>	<b>316,824,400</b>	<b>294,172,600</b>	<b>295,415,500</b>

**Program Description** — The Behavioral Health program administers most mental health services for the state including both adult and children's behavioral health, substance abuse and seriously emotionally handicapped children. Most services are provided through contracts with 5 Regional Behavioral Health Authorities (RBHAs) which then subcontract for provision of services with a provider network. Native American tribes have also begun to establish intergovernmental agreements for services through the RBHAs and also directly with the department.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$3,770,500	2.6%
Other Appropriated Funds	250,000	19.2%
Total Appropriated Funds	\$4,020,500	2.8%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$62,900 GF
ERE Rates	(200) GF
Rent	(18,300) GF

### Computer Hardware Lease (246,000) GF

The recommended amount for the Computer Hardware Lease Special Line Item includes a decrease of \$(246,000) to reflect the actual cost of the lease. The line item is used to pay for on-going hardware and software leases used to operate the Client Information System. The Executive concurs.

### Data Processing Debt Retirement (595,100) GF

The JLBC Staff recommends a decrease of \$(595,100) to eliminate the Data Processing Debt Retirement Special Line Item because no additional payments are required. The line item was originally established to make the required payments on outstanding debts charged to purchase the Client Information System (CIS). The CIS is used to store and analyze data on behavioral health services by category of clients and type of service encounters by each RBHA and statewide. The final payment was made in FY 1998 and no future payments are required. The Executive concurs.

### Title XIX Capitation

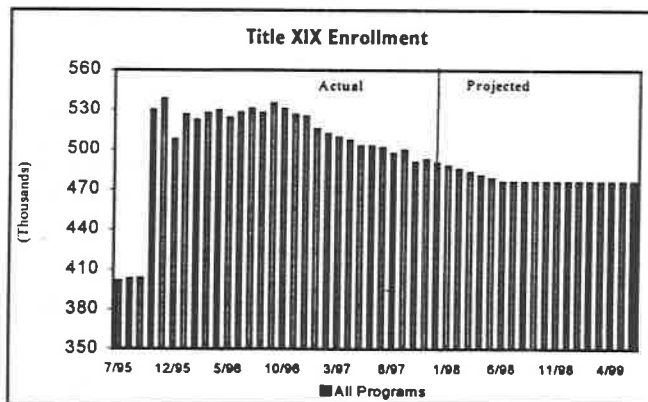
Rate Increase 10,492,300 TF 5,667,200 GF

During FY 1998, the Federal Health Care Financing Administration (HCFA) approved a capitation rate increase for behavioral health Title XIX programs. The magnitude of the increase was based on actuarial data and varied by program, but averaged 40% across all 3 of the behavioral health categories (Children's Behavioral Health, Seriously Mentally Ill (SMI) and General Mental Health/Substance Abuse) and is retroactive to July 1, 1997. As a result, the JLBC Staff recommends a supplemental appropriation of \$6,784,500 for FY 1998. See the "Other Issues for Legislative Consideration" section for further detail.

Two main factors contributed to the need for the increase. First, revenue in the Title XIX programs decreased, while costs increased. DHS receives a capitated payment from AHCCCS for each member of the AHCCCS population that is eligible for behavioral health services. The capitation rate is based on the historical cost of services

and the historical proportion of eligible members that actually use behavioral health services. During FY 1997, enrollment in the AHCCCS population began to decline rapidly, reducing DHS's revenue in the Title XIX programs. At the same time, the number of members using behavioral health services did not decline at the same rate. As a result, the proportion of eligible members using behavioral health services increased beyond the level assumed in the capitation rate. Thus, DHS's Title XIX revenue decreased (due to declining AHCCCS enrollment), but the number of people they were serving did not decrease and in some cases increased, resulting in higher costs. Second, during FY 1997 the census of the Arizona State Hospital (ASH) decreased by approximately 100 patients. This was accomplished by developing alternative treatment settings for the SMI population in the community. The increased use of these community settings was not anticipated in the previous capitation rate and resulted in increased Title XIX costs.

The FY 1999 recommendation does not assume growth in enrollment in the Title XIX programs as enrollment in the programs has actually been declining. The following graph shows the projected enrollment for the Title XIX programs:



The recommended amount includes \$1,500,000 for services to Title XIX children that are not covered under the Title XIX program. For example, Title XIX does not cover the room and board costs associated with staying in a residential treatment center, but does cover all treatment costs. A footnote prohibits the use of monies in the Children's Behavioral Health (Non-Title XIX) Special Line Item for this purpose. Instead, any monies left in the Children's Behavioral Health State Match for Title XIX

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Special Line Item at the end of the fiscal year are to be expended for these non-reimbursable services. Expenditures for Non-Title XIX services to Title XIX eligible children totaled \$900,000 in FY 1995, \$1,100,000 in FY 1996 and it is estimated that \$1,100,000 will be again be expended in FY 1997.

Expenditures for this purpose have not been budgeted in the past, and since all other expenses must be paid first, the payments to the Regional Behavioral Health Authorities (RBHAs) are not made until long after the end of the fiscal year. In order to improve budgetary planning at the RBHA level, the JLBC Staff recommends that an amount be budgeted each year for this purpose. For FY 1999, the JLBC Staff recommends an appropriation of \$1,500,000 in the Children's Behavioral Health State Match for Title XIX program for services that are not covered under the program yet are an essential component of the behavioral health service. This amount represents a \$200,000 increase over the recommended amount for FY 1998.

In addition, funding for behavioral health services to the Developmentally Disabled (DD) population have not been specifically budgeted for in the past. The enrollment forecasts for the Children's Behavioral Health and SMI populations for FY 1999 now include this population. Across the 2 line items, \$666,300 General Fund and \$1,982,600 in total funds has been budgeted for the DD population.

The JLBC Staff recommends one further adjustment to the Title XIX State Match Special Line Items. The new capitation rates assume that 4% of Title XIX dollars will be spent by DHS for administrative costs. However, a footnote in the General Appropriation Act requires all General Fund monies in the State Match Special Line Items to be used for services. As a result, 4% of Federal Title XIX match is used for the administrative cost of the program, but 4% of the state Title XIX match cannot be used for administrative expenses.

In the prior year, the administrative portion left in the state match line items has been used for Non-Title XIX services to Title XIX eligible clients and for the DD population since these expenditures were not specifically included in the Title XIX budget. However, since a total of \$2,166,600 funding has now been specifically added for these issues (General Fund only), and the 4% cannot be spent for administrative expenses, the funding should not be included in the Title XIX budget. As a result, the JLBC Staff recommends a reduction of (4)% or \$(1,853,600) from the State Match Special Line Items. The 4% of federal funding that is allocated for administrative expenditures has been retained and under the FY 1999 recommendation totals \$3,513,000. Monies in the operating budget provide the state match for these administrative monies.

Thus, the JLBC Staff recommendation for FY 1999 includes increased funding for the higher capitation rates approved during FY 1998, specifies funding for Non-Title XIX reimbursable services to Title XIX children and includes a population forecast for the DD population. In addition, the recommendation adjusts for administrative monies that are no longer needed due to the above additions to the budget and cannot be spent for administrative costs due to a footnote in the General Appropriation Act. The forecast assumes level enrollment across all Title XIX programs. The following chart shows the recommended change for each Title XIX program:

<u>Title XIX Program</u>	<u>Total Funds Change</u>	<u>General Fund Change</u>
Children's Behavioral Health	\$9,059,900	\$ 5,083,400
Seriously Mentally Ill <sup>1/</sup>	(1,482,600)	(296,000)
General Mental Health/ Substance Abuse	2,914,900	879,800
<b>Total</b>	<b><u>\$10,492,200</u></b>	<b><u>\$5,667,200</u></b>

1/ Although the capitation rate increased for the SMI population, the overall expenditures show a decrease from the FY 1998 appropriation due to the decline in enrollment during FY 1998.

The Executive concurs, but recommends the following General Fund changes: \$3,147,500 for Children's Behavioral Health, \$(212,700) for SMI Services, and \$934,000 for General Mental Health/Substance Abuse, for a total General Fund increase of \$5,368,800.

The JLBC Staff further recommends that a footnote be added to the General Appropriation Act preventing expenditure of monies for new capitation rate increases until an expenditure plan is approved by the Joint Legislative Budget Committee. In FY 1998, a capitation rate increase with significant General Fund cost associated with it was approved and implemented after the budget for that year had been adopted. Currently, there is not a mechanism for notifying the Legislature of the increase and of the cost associated with it. In order to address this, the JLBC Staff recommends a footnote that would require legislative notification and oversight before the department can proceed with the capitation rate increase. The Executive does not address this issue. *See the "JLBC Staff Recommended Footnotes" section for more information.*

**Behavioral Health Administration (1,100,000) GF**  
The JLBC Staff recommends a decrease in the Behavioral Health operating budget of \$(1,100,000) to reflect actual administrative needs. The capitation rate increase provided additional federal funding for administering the Title XIX program; however, the costs of administering the program have not significantly increased. As a result, fewer General Fund administrative dollars are required. After the reduction, the Behavioral Health operating

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

budget still retains the \$1,853,600 necessary to maintain the appropriate level of state match for the \$3,513,000 in Federal Title XIX administrative monies. The recommended amount includes the following decreases: \$(437,500) in Personal Services, \$(57,900) in Employee Related Expenditures, \$(419,400) in Professional and Outside Services, \$(15,700) in Travel – In State, \$(3,300) in Travel – Out of State, and \$(166,200) in Other Operating Expenditures, for a total decrease of \$(1,100,000). The Executive concurs.

**Alcohol and Other Drug Screening Fund 150,000 OF**  
The recommended amount includes an increase of \$150,000 due to increased revenue projections for FY 1999. The Executive does not address this issue.

**Alcohol and Drug Abuse Services Fund 100,000 OF**  
The recommended amount includes an increase of \$100,000 due to increased revenue projections for FY 1999. The Executive does not address this issue.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review of the Substance Abuse Services** program during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

The Substance Abuse Services program provides substance abuse treatment services to Title XIX and Non-Title XIX eligible clients through contracts with 5 RBHAs. The RBHAs in turn contract with local providers. The program's largest funding source is the Federal Substance Abuse Block Grant, which accounts for 41% of the program's total funding, and provides services to Non-Title XIX populations. The Title XIX program (including both General Fund and matching Federal Funds) constitutes 12% of substance abuse treatment funding. Thus, the Substance Abuse Services program is primarily a Non-Title XIX program.

The PAR report found that the program's effectiveness cannot be established due to the lack of performance data related specifically to Arizona. Currently, studies have not been done in Arizona that would show the outcomes of clients some period after they have completed treatment. However, the program has received a federal grant in the amount of \$881,000 to study treatment outcomes in Arizona.

The PAR report also found that the contracts with the RBHAs do not include adequate program performance or service quality measures as contract compliance criteria. The current contract measures do not provide sufficient information to ensure quality service. The contracts are scheduled to be re-bid at the end of FY 1999.

Given the current lack of data specific to Arizona, the JLBC and OSPB Staffs recommended that a follow-up PAR be conducted in 2000. The follow-up report would focus on the results of the treatment outcome study discussed above and on the performance measures contained in the new RBHA contracts. In addition, the JLBC Staff recommended that the Federal Substance Abuse Block Grant be transferred to appropriated status to increase legislative oversight of the program. The Health and Welfare PAR Committee adopted the JLBC and OSPB Staffs' recommendation to perform a follow-up PAR in 2000, but did not recommend transferring the Substance Abuse Block Grant to appropriated status.

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**JLBC Staff Recommended Format** — Modified Lump Sum for the Program.

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

The amount appropriated for Children's Behavioral Health Services shall be used to provide services for Non-Title XIX eligible children. The amount shall not be used to pay for either federally or non-federally reimbursed services for Title XIX eligible children, unless a transfer of monies is approved by the Joint Legislative Budget Committee.

#### *New Footnotes*

Monies in the Children's Behavioral Health State Match for Title XIX, Seriously Mentally Ill Services, and Mental Health and Substance Abuse State Match for Title XIX Special Line Items are appropriated for the capitation rates approved in September of 1997. No monies may be expended for a change in these capitation rates unless an expenditure plan is reviewed by the Joint Legislative Budget Committee. *(This footnote is recommended to prevent the department from implementing a capitation rate increase which may have a significant cost associated with it without notifying the Legislature of the change. See the "Title XIX Capitation Rate Increase" section for further information).*

### **Other Issues for Legislative Consideration**

#### **FY 1998 Supplemental Appropriation**

The JLBC Staff recommends a supplemental appropriation from the General Fund of \$6,784,500 to address the Title XIX capitation rate increase approved by HCFA (see discussion above). The rate increase was approved retroactive to July 1, 1997 and averages 40% across all 3 Title XIX categories. In addition, the recommended amount includes a reduction for decreased caseload estimates for the remainder of FY 1998 due to declining enrollment. The FY 1998 supplemental recommendation also includes the adjustments included in the FY 1999



## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Title XIX recommendation. These adjustments include funding for Non-Title XIX services for Title XIX eligible children, budgeted at \$1,300,000 for FY 1998, and an enrollment forecast for the DD population totaling \$616,600 General Fund. Also included is a reduction of (4)% for State Match administrative costs that cannot be spent due to a footnote in the General Appropriation Act which totals \$(1,908,500). See the "Title XIX Capitation Rate Increase" section for more discussion of these adjustments. The following chart shows the recommended change for each Title XIX program:

<u>Title XIX Program</u>	<u>Total Funds Change</u>	<u>General Fund Change</u>
Children's Behavioral Health	\$10,908,600	\$ 5,626,200
Seriously Mentally Ill <sup>1/</sup>	(294,800)	144,500
General Mental Health/ Substance Abuse	3,277,300	1,013,800
<b>Total</b>	<b>\$13,891,100</b>	<b>\$6,784,500</b>

<sup>1/</sup> Although the capitation rate increased for the SMI population, the overall expenditures show a decrease from the FY 1998 appropriation due to the decline in enrollment during FY 1998.

The Executive concurs but recommends a total supplemental increase of \$6,933,200.

### ComCare Financial Issues

On July 23, 1997 the Governor declared a Behavioral Health Emergency by Executive Order due to concerns regarding the management of ComCare, the Maricopa County RBHA. At the same time DHS initiated court proceedings to take over the operation of ComCare. On July 28, 1997, ComCare filed for Chapter 11 Bankruptcy. On August 28, 1997, DHS and ComCare reached a settlement and all court actions were withdrawn. According to the terms of the settlement, DHS agreed to pay \$9,660,000 to ComCare's successor organization for the ability to take over the ComCare organization. The funds were transferred to a new corporation called Arizona Behavioral Health Corporation, which was created by ComCare's original Board of Directors. ComCare's infrastructure and employees, except for the Board of Directors, remained intact and are now under the control of DHS. DHS plans to operate the RBHA until a new Request for Proposal is developed for Maricopa County and the contract is rebid sometime during FY 1999.

Following the state's takeover of ComCare, there have been ongoing concerns relating to ComCare's financial status for FY 1998. In a report to the Court Monitor in the Arnold v. Sarn lawsuit submitted November 3, 1997, the department estimated ComCare's revenues and expenditures for FY 1998. These budget projections are included in the chart below:

<b>ComCare</b>			
<b>Projected Budget FY 1998</b>			
<b>Net Gain (Loss) By Program</b>			
	<u>Title XIX</u>	<u>Non-Title XIX</u>	<u>Total</u>
CBH <sup>1/</sup>	\$8,872,700	\$1,008,300	\$9,881,000
SMI	(3,776,200)	(3,249,200)	(7,025,400)
GMH/SA <sup>2/</sup>	754,900	(1,089,600)	(334,700)
<b>Total</b>	<b>\$5,851,400</b>	<b>\$3,330,500</b>	<b>\$2,520,900</b>

<sup>1/</sup> Children's Behavioral Health  
<sup>2/</sup> General Mental Health Substance Abuse

As shown in the chart, DHS projects that ComCare will end FY 1998 with a positive balance of \$2,520,900. This projection includes the increased revenue from the FY 1998 supplemental appropriation for the capitation rate increase, but does not assume any other legislative action. Despite the positive overall balance, the Executive recommends a supplemental appropriation of \$4,000,000 to address the \$(7,025,000) deficit in the SMI program. The Executive estimates that additional administrative savings of approximately \$3,000,000 (not included in the chart above) will be realized during FY 1998 to address the remaining \$(3,025,000) shortfall in the SMI program.

The JLBC Staff does not recommend a supplemental appropriation for this program as it is not needed for ComCare to complete FY 1998 according to current budget projections. In any given year RBHAs profit in some programs and incur losses in other programs. At the end of the year the contract allows the profits and losses to be balanced, creating a net profit or loss for the RBHA for the year. This process is a normal accounting for the end of the fiscal year for the RBHAs. Thus, the JLBC Staff does not recommend addressing the loss in the SMI program when ComCare has an overall positive balance.

### Other Appropriated Fund Source Detail

	<u>FY 1999 JLBC Rec</u>
Alcohol and Other Drug Screening, Education and Treatment Fund	\$950,000
Alcohol and Drug Abuse Services Fund	600,000
<b>TOTAL</b>	<b>\$1,550,000</b>

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department Health Services  
PROG: Arizona State Hospital

JLBC: Jennifer Vermeer  
House Sub: Weiers

OSPB: Christine Sato  
Senate Sub: Wettaw

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE <sup>1/</sup>	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	466.5	369.5	651.9	624.5	610.5
Personal Services	13,044,100	10,229,600	17,207,200	14,930,700	14,664,400
Employee Related Expenditures	2,886,000	2,407,100	4,043,200	3,401,200	3,328,200
All Other Operating Expenditures:					
Professional and Outside Services	6,207,300	5,660,200	7,449,900	7,449,900	6,842,900
Travel - In State	25,000	18,800	18,800	18,800	18,800
Travel - Out of State	3,900	4,800	4,800	4,800	4,800
Other Operating Expenditures	1,452,600	1,432,200	1,621,600	1,621,600	1,621,600
Equipment	24,000	24,000	24,000	24,000	24,000
<b>OPERATING SUBTOTAL</b>	23,642,900	19,776,700	30,369,500	27,451,000	26,504,700
<b>SPECIAL LINE ITEMS</b>					
Community Placement Treatment	5,552,100	10,405,500	7,848,000	7,848,000	7,848,000
Community Treatment Contingency	0	0	0	0	0
ASH Information System	0	0	1,500,000	883,600	883,600
Sexually Violent Persons	0	0	0	3,167,700	3,111,400
<b>PROGRAM TOTAL</b>	29,195,000	30,182,200	39,717,500	39,350,300	38,347,700
<b>BY FUND SOURCE</b>					
General Fund	16,587,600	16,688,300	27,717,500	27,356,400	26,353,800
Other Appropriated Funds	12,607,400	13,493,900	12,000,000	11,993,900	11,993,900
Other Non-Appropriated Funds	259,500	188,500	188,500	188,500	188,500
<b>TOTAL - ALL SOURCES</b>	29,454,500	30,370,700	39,906,000	39,538,800	38,536,200

<sup>1/</sup> The FY 1998 Estimate has been adjusted to reflect transfers approved by the Joint Legislative Budget Committee on April 25, 1995. Of the \$(1,973,300) transferred from the Community Treatment Contingency Special Line Item, \$1,000,000 was transferred to Personal Services, \$200,000 to Employee Related Expenditures and \$773,300 to Other Operating Expenditures.

**Program Description** — Provides inpatient psychiatric hospitalization services for adolescent and adult seriously mentally ill residents. The Arizona State Hospital (ASH) is licensed for a maximum of 511 patients. For FY 1999, ASH is projected to have an average daily census of 300 patients. Based on an average of the previous 6 months, the census will consist of 166 civilly committed (non-forensic) patients, 119 patients committed through the criminal justice system (forensic), and 11 adolescent patient.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$9,665,500	57.9 %
Other Appropriated Funds	(1,500,000)	(11.1)%
Total Appropriated Funds	\$ 8,165,500	27.1%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments \$413,200 GF  
ERE Rates (103,600) GF  
Eliminate One-time Equipment (24,000) GF

### Equipment

**24,000 GF**  
The recommended amount includes \$24,000 for replacement computer equipment. The Executive concurs.

### Sexually Violent Persons

**3,111,400 GF**  
A.R.S. § 13-4601 through 13-4618 defines the commitment process for individuals defined as "Sexually Violent Persons" (SVP). An SVP is defined as a person

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

who has been convicted of or found guilty but insane of a sexually violent offense and who has a mental disorder that makes the person likely to engage in acts of sexual violence. A person who appears to meet these requirements is referred to the county attorney prior to release from prison for a trial. If the individual is determined by the court or jury to be an SVP, the person is required by A.R.S. § 13-4606 to be committed to ASH or another licensed behavioral health inpatient treatment facility until such time as he or she is determined to no longer be a threat to public safety. Thus, these are individuals who have been convicted of a crime, served a sentence, and are then referred for a trial to determine if they are likely to commit a sexually violent crime again. If so, they are committed to ASH for treatment until they are no longer a threat to public safety.

The law became effective July 1, 1996; however, it was not applied due to concerns that the law was unconstitutional on the grounds that SVPs were required to serve 2 sentences for the same crime. On June 23, 1997 the U. S. Supreme Court upheld a challenge to a similar Kansas law, and as a result, during September 1997 the first SVP was committed to ASH. The Department of Corrections estimates that 5 individuals per month will be committed to ASH, for a total of approximately 105 clients by the end of FY 1999. As this population was not previously served at ASH and the buildings currently occupied by the hospital are full, a new program and facilities are required. *See the Capital Outlay section for more information.*

The department researched programs in other states and consulted with an expert in this field from the University of Arizona in designing a staffing model for this population. Based on this model, the JLBC Staff recommends 75 FTE Positions and \$3,111,400 for the operating costs of the SVP program. The recommended amount includes \$1,635,300 for Personal Services and \$203,200 for Employee Related Expenditures. A new position called "residential counselors" comprises the majority of the recommended full-time staff positions (53 of the 75 FTE Positions). The residential counselor position has been created specifically for the SVP population and is a combination of psychiatric technician and security positions. In addition, 15 security FTE Positions are recommended. The remaining 7 positions consist of Registered Nurses and support positions.

The recommended amount also includes \$1,077,900 for Professional and Outside Services and \$195,000 for Other Operating Expenditures. Professional and Outside Services provides funding for contract services and includes \$263,700 for food, \$148,600 for housekeeping and other support services, \$482,600 for contract treatment staff (psychiatrist, psychologist, social worker and recreational therapists services), \$148,000 for medical

services, and \$35,000 for training and consultation costs. Other Operating Expenditures includes \$125,000 for medications, \$50,000 for supplies and \$20,000 for utilities. The Executive concurs, but recommends an increase of 77 FTE Positions and \$3,167,700.

As the program began receiving SVPs during FY 1998 and funding was not included in the FY 1998 budget, the JLBC Staff recommends a supplemental appropriation for FY 1998 of \$1,069,700 for 35.9 FTE Positions. *See the "Other Issues for Legislative Consideration" section for more information.*

### ASH Clinical Staffing

**6,418,400 GF**

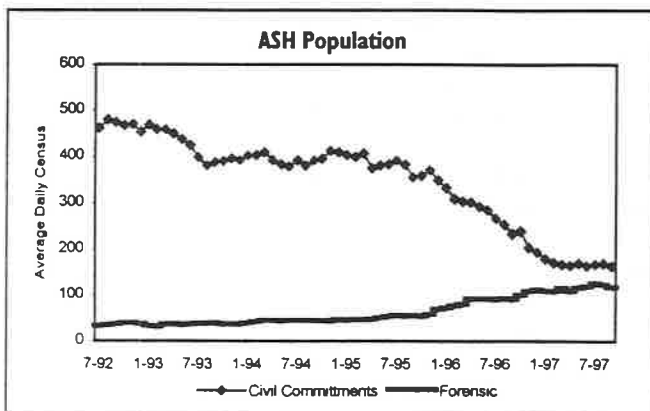
In April 1997 the Federal Health Care Financing Administration (HCFA) notified DHS that it planned to decertify ASH and stop reimbursement for Medicare eligible clients due to staffing shortages and lack of active treatment for ASH patients. The Joint Legislative Budget Committee approved transfers of appropriations for FY 1997 and FY 1998 to allow ASH to hire additional staff and implement additional treatment services. On June 3, 1997 ASH voluntarily withdrew from the Medicare program for 90 days to avoid decertification and to allow more time to implement programs and train and integrate newly hired staff. ASH submitted its reapplication for HCFA certification on September 30, 1997. If HCFA certification is not regained, the state may not be eligible to receive its Federal Disproportionate Share funding for FY 1998. The JLBC Staff recommends a supplemental appropriation for FY 1998 of 82.5 FTE Positions and \$5,894,500 to increase staffing and to address the potential loss of Disproportionate Share funding. *See the "Other Issues for Legislative Consideration" section for more information.*

This situation was the result of high rates of staff turnover and a large number of vacant clinical positions following the scheduled downsizing of ASH's civilly committed population during FY 1997. The downsizing was initiated in FY 1996 in response to the Arnold v. Sam lawsuit and involved reducing the average daily census from 450 patients to 250 over a three-year period from FY 1996 through FY 1998. In order to facilitate this process, funding was transferred from ASH's operating budget to the Community Placement Treatment Special Line Item to pay for treatment in community settings for these patients. In total, ASH's operating budget was reduced by \$(10,748,500) and (323) FTE Positions. The Community Placement Treatment Special Line Item was increased to \$10,405,500.

ASH has historically cared for three distinct populations: patients that were civilly committed for court-ordered care and treatment (non-forensic), adolescents, and individuals committed through the criminal justice system (forensic). Forensic patients have been adjudicated guilty by reason of

insanity, adjudicated guilty but insane, or have been committed to ASH to be restored to competency to stand trial. Historically, ASH's population was primarily non-forensic. In FY 1996, when the downsizing was initiated, ASH's population was composed of 383 civilly committed patients, many of which had been at ASH for 10 years or more, 53 forensic patients and 23 adolescents.

In October of FY 1996 a new law became effective which changed the process by which defendants found incompetent to stand trial received treatment. Prior to enactment of A.R.S. § 13-4512, if these individuals were committed to ASH for treatment the county or municipal court which committed the individual was required to reimburse the state for the cost of care. A.R.S. § 13-4512 established a standard procedure whereby individuals incompetent to stand trial were to receive treatment and required the state to cover the costs of the treatment. As a result, while ASH's civilly committed population was decreasing under the downsizing, the number of patients committed through the criminal justice system under this law was increasing. From October 1, 1995 to November 1, 1997 the number of forensic patients at ASH has increased from 54 to 120 (122%). The change in ASH's population is shown by the following graph.



The increase in forensic patients and decrease in long-term non-forensic patients has had a significant impact on ASH's clinical character. The non-forensic patients remaining at ASH have much shorter lengths of stay than prior to the downsizing and tend to have much more severe behavioral health problems. For example, their behavior tends to be more unpredictable and more violent than the patients who had been at ASH for very long periods. In addition, whereas prior to the downsizing the criminally committed population comprised less than 12% of ASH's population, they now constitute 40% of ASH's population. The forensic patients also have shorter lengths of stay and require more intensive treatment than an average patient in the past. Both populations also typically have more medical problems when they enter ASH, such as tuberculosis. All of these factors contribute to a higher cost per patient than prior to the downsizing and the need

for higher staff to patient ratios to ensure adequate treatment and staff and patient safety.

The changes in ASH's population were not anticipated in the staffing and operating changes adopted to accomplish the downsizing. As units were closed and staff were laid off, turnover among clinical staff positions grew to 50%. ASH was not able to fill the vacancies as rapidly as they occurred and a shortage of clinical staff developed. Patient to patient and patient to staff assaults increased and patient treatment dropped to minimal levels. In addition, the census did not decrease to 250 during FY 1998 as projected, and is projected to remain stable at 300 patients throughout FY 1999, exacerbating the staff shortage. The shortage of clinical staff and lack of active treatment led to HCFA's notification in April that ASH would be decertified.

The JLBC Staff recommends an increase of 165 FTE Positions and a total of \$6,418,400 in associated operating costs to ensure adequate treatment and safety at ASH. The recommended amount includes \$4,069,200 for Personal Services and \$997,100 for Employee Related Expenditures. The JLBC Staff recommendation increases the clinical staffing ratio from the current ratio of approximately 1 clinical staff to 1 patient to 1.36 staff to 1 patient. The ratio of 1.36:1 is the average clinical staffing pattern of 8 comparable western states and is comparable to the national average of 1.4:1. Including contract staff, the increase provides for an overall staffing ratio of 2.16 staff to 1 patient.

The higher than projected census and heightened acuity of the population at ASH has also resulted in increased contract and other operating costs. The recommended amount includes an increase of \$825,600 in Professional and Outside Services, including \$217,000 for additional psychiatrists, \$208,600 for increased medical costs, and \$400,000 for the cost of contract temporary nurses. As discussed above, additional psychiatry staff is needed to provide additional treatment services and current patients require more medical care when they are admitted to ASH. These medical services are provided through a contract with the Maricopa Medical Center. Contract nurses are used to provide temporary help when full-time staff is ill or on vacation.

The recommended amount includes an additional increase of \$357,100 in Professional and Outside Services for the contract for support services, such as food, groundskeeping, housekeeping, and laundry services. The amount included in the FY 1998 appropriation assumed an average daily census of 250 patients. The census is assumed to be 300 for FY 1999 resulting in an increase from FY 1998 of \$252,300. In addition, the contract requires an annual inflation adjustment of 2.6% or the Consumer Price Index, whichever is lower. For FY 1999 the inflation adjustment is 2.6%, resulting in an increased

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

cost of \$104,800. The recommended amount also includes an increase of \$189,400 in Other Operating Expenditures for additional supplies, medications and utility costs associated with the higher census. The Executive concurs, but recommends an increase of 178 FTE Positions and \$7,419,900. The Executive recommendation provides an overall staff to patient ratio of 2.2.

### **Community Placement Treatment (2,557,500) GF**

Since the census did not decline as anticipated and fewer patients will be treated in the community, less Community Placement Treatment funding is needed. The recommended amount includes a reduction of \$(2,557,500) to reflect the actual number of clients that will be treated in community settings. After the recommended reduction, \$7,848,000 remains in the base budget for clients already in community settings. This reflects an estimate of 144 clients at \$54,500 per year. The Executive concurs.

### **Loss of Title XIX Revenue (1,500,000) OF 1,500,000 GF**

The recommended amount includes an increase of \$1,500,000 from the General Fund and a decrease of \$(1,500,000) from the Arizona State Hospital Fund to reflect a decrease in reimbursement for Title XIX eligible individuals. Due to the recent downsizing of the ASH census, fewer patients in ASH are eligible for Title XIX and as a result, Title XIX revenue has declined. The JLBC Staff recommends an increase of \$1,500,000 from the General Fund to offset the reduction in Title XIX revenues. The Executive concurs.

### **ASH Information System 883,600 GF**

The JLBC Staff recommends an increase of \$883,600 for a new hospital information system at ASH. The system will be implemented over 5 years with a total cost of \$2,768,200. The current system does not provide adequate tracking of expenditures, such as costs by unit, and will be phased out as part of the department's overall information technology project begun in FY 1996 (see the Administration program for more detail). The recommended amount was developed by the Government Information Technology Agency as part of their normal review of agency projects. The agency requested a total of \$7,000,000 over 5 years. The Executive concurs.

### **Community Treatment Contingency -0- GF**

During FY 1997, a portion of the total amount transferred from ASH's operating budget to the Community Placement Treatment Special Line Item for the downsizing was placed in the Community Treatment Contingency Special Line Item because the community settings were thought to be less expensive than treatment at ASH. These anticipated savings of \$673,300 were retained in the line item to be available for transfer either to ASH's operating budget or the Community Placement Treatment line item in case costs were higher than expected. During FY 1998, these funds were transferred to ASH's operating budget to address the higher than projected census. The JLBC Staff

recommends eliminating the Community Placement Treatment Special Line Item as all monies have been transferred out of the line item and it is no longer needed. The Executive does not address this issue.

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**JLBC Staff Recommended Format** — Modified Lump Sum for the Program

### **JLBC Staff Recommended Footnotes**

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote which required review by the Joint Legislative Budget Committee prior to expenditure of monies from the Community Treatment Contingency Special Line Item.

### **Other Issues for Legislative Consideration**

#### **FY 1998 Supplemental Appropriations**

The JLBC Staff recommends a supplemental appropriation for FY 1998 of 82.5 FTE Positions and \$5,894,500 to address the staffing issues discussed in the "ASH Staffing" section and the potential loss of Disproportionate Share funding. The recommended amount includes \$2,762,300 for Personal Services, \$640,200 for Employee Related Expenditures, \$1,493,200 for Professional and Outside Services, \$189,400 for Other Operating Expenditures, and a reduction of \$(2,557,500) for adjustments to the Community Placement Treatment Special Line Item, for a net increase of \$2,527,600 for ASH's operating budget. The recommended amount is a proportion of the FY 1999 recommendation with an assumed starting date of April 1, 1997 and is based on achieving a clinical staffing ratio of 1.36 to 1 in FY 1999. The recommended amount also includes \$3,366,900 for the loss of Federal Disproportionate Share revenue due to ASH's loss of HCFA certification. The Executive concurs, but recommends \$5,050,300 to increase ASH staffing and \$3,366,900 for loss of Disproportionate Share funding, for a total supplemental of \$8,417,200.

The JLBC Staff also recommends a FY 1998 supplemental appropriation of 35.9 FTE Positions and \$1,069,700 for the SVP program. ASH started receiving SVPs in September of FY 1998 (see the "Sexually Violent Persons" section for more information). The recommended amount includes \$549,900 for Personal Services, \$71,700 for Employee Related Expenditures, \$197,100 for Professional and Outside Services, \$159,000 for Other Operating Expenditures and \$92,000 for Equipment. The Executive concurs, but recommends \$1,217,400 supplemental funding.

### **Other Appropriated Fund Source Detail**

Arizona State Hospital Fund

	<b>FY 1999</b>
	<b>\$11,993,900</b>

**JUDICIARY**  
**(JUD)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Judiciary  
PROG: Court of Appeals - Division I

JLBC: Brad Regens  
House Sub: Cooley

OSPB: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	101.0	101.5	103.5	101.5	102.5
Personal Services	5,028,000	5,291,500	5,676,600	5,291,500	5,575,500
Employee Related Expenditures	732,200	751,900	814,000	751,900	715,000
All Other Operating Expenditures:					
Professional and Outside Services	1,300	800	41,000	800	800
Travel - In State	81,300	82,400	96,400	82,400	82,800
Other Operating Expenditures	313,900	273,700	356,800	273,700	317,100
Equipment	18,000	14,000	18,600	14,000	16,600
AGENCY TOTAL	6,174,700	6,414,300	7,003,400	6,414,300	6,707,800
BY FUND SOURCE					
General Fund	6,174,700	6,414,300	7,003,400	6,414,300	6,707,800
TOTAL - ALL SOURCES	6,174,700	6,414,300	7,003,400	6,414,300	6,707,800

**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 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.*

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$293,500	4.6%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$123,700 GF
ERE Rates	(63,000) GF
Risk Management	300 GF
Eliminate One-time Equipment	(4,000) GF

### Judicial Salary Increase 145,700 GF

The JLBC Staff recommends half-year funding to increase the salary of Appellate Court Judges from \$111,536 to \$115,500. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. If the Legislature takes no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The JLBC Staff recommendation also includes \$45,900 to annualize the salary adjustment effective January 1, 1998.

The JLBC Staff also recommends a supplemental appropriation for FY 1998 of \$65,200 to annualize the January 1, 1997 increase.

### Computer Support 49,500 GF

The JLBC Staff recommends an increase of \$49,500 and 1 FTE Position to support the division's computer network system. The FTE Position will manage all desktop computer support, including software enhancements and staff training for the division. Included in the recommended amount is \$6,600 in one-time funding for equipment.

### New Telephone System 41,300 GF

The JLBC Staff recommends an increase of \$41,300 to convert the division's current telephone system to the State system operated and maintained by the Arizona Department of Administration. Included in the recommended amount is \$6,900 for one-time installation costs.

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## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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**JLBC Staff Recommended Format** — Lump Sum by Agency

### **Other Issues for Legislative Consideration**

#### **Judicial Salary Increase — FY 1998 Supplemental**

The JLBC Staff recommends a FY 1998 supplemental of \$65,200 from the General Fund to annualize the Appellate Court Judges' salary increase effective January 1, 1997. See policy issue above for more information.

#### **Executive Recommendation**

The Executive did not provide a recommendation or estimate, but displays the division's FY 1998 appropriation in the Recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.





# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Judiciary - Superior Court

JLBC: Brad Regens

OSPB: Christine Sato

House Sub: Cooley

Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	178.0	189.0	200.0	189.0	189.0
Personal Services	6,606,800	6,874,500	7,671,500	6,874,500	7,509,600
Employee Related Expenditures	627,700	487,400	543,900	487,400	523,400
All Other Operating Expenditures:					
Other Operating Expenditures	2,021,800	1,295,300	1,295,300	1,295,300	1,296,200
OPERATING SUBTOTAL	9,256,300	8,657,200	9,510,700	8,657,200	9,329,200
SPECIAL LINE ITEMS					
Juvenile					
Family Counseling	540,100	583,300	610,700	583,300	610,700
Juvenile Standard Probation	4,906,800	5,764,300	8,752,300	5,764,300	7,832,400
Juvenile Intensive Probation	9,674,200	12,237,300	14,177,800	12,237,300	13,289,700
Juvenile Treatment Services	28,646,700	22,845,000	24,025,700	22,845,000	23,690,300
Progressively Increasing Consequences (PIC-Act)	0	9,409,400	10,242,700	9,409,400	9,507,900
Juvenile Crime Reduction Fund	0	3,400,800	3,906,100	3,400,800	3,904,800
State Aid for Detention	0	0	10,000,000	0	0
Adult					
Adult Standard Probation	18,687,400	20,548,400	28,369,900	20,548,400	23,811,600
Adult Intensive Probation	17,440,400	19,962,900	22,369,500	19,962,900	20,451,100
Community Punishment	3,507,800	4,217,400	7,007,300	4,217,400	4,281,200
Interstate Compact - Adult Probation	1,065,100	1,134,400	1,576,900	1,134,400	1,182,800
Other					
Child Support Enforcement	955,500	974,600	986,500	974,600	986,500
Case Processing Assistance Fund	0	2,184,700	2,303,000	2,184,700	2,303,000
Defensive Driving Fund	0	0	3,300,000	4,100,000	3,300,000
Clerk's Records Reduction Project	0	0	100,000	0	0
AGENCY TOTAL	94,680,300	111,919,700	147,239,100	116,019,700	124,481,200
BY FUND SOURCE					
General Fund	94,680,300	105,797,800	137,193,600	105,797,800	114,437,000
Other Appropriated Funds	0	6,121,900	10,045,500	10,221,900	10,044,200
TOTAL - ALL SOURCES	94,680,300	111,919,700	147,239,100	116,019,700	124,481,200

**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.*

## Change in Funding Summary:

### FY 1998 to FY 1999 JLBC

	\$ Change	% Change
General Fund	\$8,639,200	8.2%
Other Appropriated Funds	3,922,300	64.1%
Total Appropriated Funds	\$12,561,500	11.2%

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$7,700 OF	\$1,557,400 GF
ERE Rates	-0- OF	20,600 GF
Risk Management	-0- OF	900 GF

### Judicial Salary Increase 650,500 GF

The JLBC Staff recommends half-year funding to increase the salary of Superior Court Judges from \$108,800 to \$113,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. If the Legislature takes no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The JLBC Staff recommendation also includes \$180,600 to annualize the salary adjustment effective January 1, 1998.

The JLBC Staff also recommends a supplemental appropriation for FY 1998 of \$323,500 to annualize the January 1, 1997 increase.

### Juvenile Crime Overview

Data from the Judiciary shows a (2.4)% decrease in juvenile crime from FY 1996 to FY 1997 (86,617 referrals to 84,504); however, juvenile probation caseloads continue to grow. Laws 1997, Chapter 220 may be one reason for the continued increase in juveniles on probation in FY 1998 and FY 1999. Chapter 220 makes it easier to refer juveniles to adult court. While this provision would normally be expected to reduce juvenile court filings and juvenile probation in the long run, the opposite may be true in the short run.

County attorneys may be filing more felony juvenile petitions in order to qualify juveniles for adult court sooner. In order for a juvenile to be transferred to the adult system as a chronic offender, they must first be adjudicated for 2 prior felony petitions. The following table shows a 4-month (July - October) comparison of the number of juveniles referred to the court and the number of petitions filed by the County Attorney's Office prior to and after passage of Chapter 220. Referred represents the number of individual juveniles that either the court or county attorney received notice of misbehavior. Petitioned represents formal charges filed by the county attorney.

### STATEWIDE TOTALS

July - Oct.	Referred	Petitioned	% Petitioned
FY 1997	21,335	9,995	46.8
FY 1998	20,866	10,654	51.1

The impact of Chapter 220 may best be seen in Maricopa County where the number of juveniles referred declined

from 10,142 to 10,013 (1.3%) yet the number of petitions filed increased from 4,554 to 5,637 (23.8%).

### MARICOPA COUNTY ONLY

July - Oct.	Referred	Petitioned	% Petitioned
FY 1997	10,142	4,554	44.9
FY 1998	10,013	5,637	56.3

While fewer juveniles are committing crimes, county attorneys are formally charging a greater percent. Whether this change in charging practices is due to Chapter 220 and its chronic offender provision, or other factors is unknown at this time.

### Family Counseling

27,400 GF

Family Counseling monies provide funding to the juvenile division of the Superior Courts for prevention of delinquency and incorrigibility among juvenile offenders by strengthening their family relationships. These monies are predominately for non-adjudicated juveniles and their families, and require a 25% county match. In FY 1997, approximately 4,000 families received counseling services at a cost of \$130 per family. The JLBC Staff recommends an increase of \$27,400 to allow an additional 211 families to receive counseling.

### Juvenile Standard Probation

1,936,900 GF

Juvenile Standard Probation monies provide community services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Probation supervision is intended to monitor the juvenile's compliance with the terms and conditions of probation imposed by the court. By the end of FY 1998, approximately 7,950 juveniles will be on standard probation. The FY 1998 authorized caseload capacity is 7,101 or approximately 850 slots less than projected.

The JLBC Staff recommends an increase of \$1,495,900 to add 24 officers, 2 supervisors and 5 support staff at full-year funding to eliminate a caseload capacity deficit in FY 1998. The JLBC Staff recommendation is based on A.R.S. § 8-203B, which states that a juvenile probation officer shall not supervise more than an average of 35 juveniles on probation at one time. The JLBC Staff recommends that \$873,200 of the \$1,495,900 come through a transfer from the Adult Intensive Probation (AIPS) Special Line Item (SLI) to the Juvenile Standard Probation. The shortfall was addressed in FY 1998 by a one-time transfer from the AIPS SLI to Juvenile Standard Probation. The JLBC Staff recommends making the transfer permanent. See Adult Intensive Probation for further discussion.

The recommended amount also includes \$390,200 to add 13 officers, 1 supervisor and 2 support staff at 6-month funding based on a estimated 5.7% growth in the number

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

of juveniles on standard probation. The estimated growth is based on the average annual growth rate from FY 1996 to FY 1997 (8.1%) adjusted by the estimate percentage of juveniles transferred to adult court due to the impact of Laws 1997, Chapter 220 (Juvenile Justice Reform). The additional 13 officers will increase the caseload capacity to 8,396 by the end of FY 1999.

Additionally, the JLBC Staff recommends an increase of \$50,800 to annualize the 6-month funding of 2 officers and 0.6 related field staff position approved for FY 1998.

<b>Additional Probation Officers (PO's)</b>	<b>Funding</b>
24 PO's Added at 6-Month Funding for Shortfall (Transfer from AIPS)	\$873,200
Annualization of 24 PO's for Shortfall	622,700
13 PO's Added at 6-Month Funding for Growth	390,200
Annualization of 2 PO's Added in FY 1998	50,800
	<b>\$1,936,900</b>

### **Juvenile Intensive Probation (JIPS) 853,000 GF**

This program was created to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. For FY 1999, the JLBC Staff recommends \$376,800 to add 5 JIPS teams (1 probation officer and 1 surveillance officer per team), 1 supervisor and 2 support staff positions at 6-month funding for this 100% state funded probation program. Also included in the recommended amount is \$98,000 in one-time funding to purchase 5 new alternatively fueled vehicles.

The current authorized caseload capacity for FY 1998 is 1,962 slots. The Judiciary projects 1,828 juveniles on JIPS at the end of FY 1998 leaving an excess capacity of 134 slots. The Judiciary anticipates an increase of 250 juveniles on JIPS in FY 1999 based on the average annual growth rate from FY 1996 to FY 1997 (16.5%) adjusted by the impact of Laws 1997, Chapter 220 (Juvenile Justice Reform). The JLBC Staff recommends the addition of 5 teams to increase the number of juvenile intensive probation slots by 125, or 6.4%, for a total of 2,087 slots by the end of FY 1999.

Additionally, the JLBC Staff recommends an increase of \$378,200 to annualize the 6-month funding of 5.5 teams, 1.1 supervisors and 2.2 support staff positions approved for FY 1998.

### **Juvenile Treatment Services 812,900 GF**

Juvenile Treatment Services monies allow 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. The JLBC Staff recommends an increase of \$812,900 based on an anticipated 6% increase in the number of juveniles placed on probation in FY 1999.

### **Juvenile Crime Reduction Fund 499,200 OF**

The Juvenile Crime Reduction Fund monies are used to design and implement community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Monies consist of an allocation from the Criminal Justice Enhancement Fund. The JLBC Staff recommends an additional \$499,200, which represents the estimated available fund balance above the FY 1998 appropriation.

### **Adult Standard Probation 2,732,000 GF**

Adult Standard Probation monies provide community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. By the end of FY 1998, approximately 497 probation officers will be supervising 33,009 adults on standard probation. A.R.S. § 12-251A states that an adult probation officer shall not supervise more than an average of 60 adults on probation at one time. The projected FY 1998 ratio is 1 officer for every 66 probationers or a shortfall of 53 officers. The Judiciary addressed a portion of the shortfall in FY 1998 by making a one-time transfer of \$249,500 from the AIPS SLI to Adult Standard Probation to add 10 probation officers at 6-month funding. The JLBC Staff recommends making the transfer permanent and adding an additional \$249,500 to provide full-year funding for the 10 new officers.

The JLBC Staff does not recommend any additional funding to address the remaining probation officer shortfall for 2 reasons. First, a footnote was added to the Judiciary's FY 1997 appropriation requiring counties to maintain their current probation expenditures at the FY 1995 level. In FY 1995, 73.5 case-carrying standard probation officers were county funded; however, in FY 1997, only 55 case-carrying officers were county funded. State probation monies are not intended to supplant county dollars for probation programs.

Second, Laws 1993, Chapter 4, 2<sup>nd</sup> Special Session changed the statutory average of probation officers to probationers from 1:60 to 1:70. However, Laws 1993, Chapter 254 amended the statute back to the 1:60 and increased the adult probationer's assessed monthly probation services fee from \$30 to \$40. The \$10 increase in probation services fees was to fund an additional 27 officers. By the end of FY 1998, the Judiciary anticipates only 12.5 probation officers will be fee funded leaving a shortfall of 14.5 fee funded officers.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### Case-Carrying Standard Probation Officers

	State Funded	County Funded	Fee Funded	Other	Total
FY 95	340	73.5	7	2	422.5
FY 98	426	55	12.5	3.5	497
% Change	25.3	(33.6)	78.6	75	17.6

While not funding the shortfall, the JLBC Staff recommended amount includes \$1,376,900 for new FY 1999 caseload growth. This amount would add 42 officers, 5 supervisors and 10 support staff at 6-month funding. This recommendation is based on an average annual growth rate of 7.6% from FY 1996 to FY 1998 (28,504 to 33,009). Additionally, the JLBC Staff recommends an increase of \$856,100 to annualize the 6-month funding of 32 officers, 6.4 supervisors and 3.2 support staff positions approved for FY 1998.

#### Adult Intensive Probation

**26,600 GF**

The Adult Intensive Probation is a control-oriented sentencing alternative intended to divert serious, non-violent offenders from prison. The JLBC Staff recommends an increase of \$1,149,300 to annualize the 6-month funding of 21.8 teams (1 probation officer and 1 surveillance officer per team), 4.4 supervisors and 8.7 support staff positions approved for FY 1998 for this 100% state funded probation program.

The JLBC Staff recommended amount includes a transfer of \$(873,200) from AIPS to Juvenile Standard Probation. Laws 1997, Chapter 220 appropriated \$989,000 to AIPS to provide supervision for an anticipated increase in juveniles transferred to adult court due to the implementation of Proposition 102 (Juvenile Justice Reform). To date, county attorneys are applying the third strike provision (a 3<sup>rd</sup> felony petition results in the juvenile being transferred to adult court) prospectively. As a result, juveniles are remaining on juvenile standard or juvenile intensive probation rather than being added to AIPS. See sections on Juvenile Crime Overview and Juvenile Standard Probation for further discussion.

The JLBC Staff also recommends an additional transfer of \$(249,500) from AIPS to Adult Standard Probation. Monies are available in the AIPS Special Line Item because the number of adult probationers on AIPS declined by (3.5)% in FY 1997 (from 2,642 to 2,549). If the AIPS population continues to decline or does not increase significantly, there may be additional resources available in the AIPS Special Line Item that can be transferred to other probation programs if necessary.

The 2 JLBC Staff recommended transfers will decrease the number of AIPS slots by (225) leaving a total of 3,726 slots available.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Adult Intensive Probation Services** program during the last year. As a result of that review, the JLBC Staff recommends modifying the subprogram by requiring the Judiciary to submit 2 reports to the Criminal Justice and Transportation PAR Committee, by January 15, 1998.

The JLBC Staff recommends that the Judiciary report back to the PAR Committee by January 15, 1998 on restitution collection in Maricopa County since the addition of an automated Restitution, Fines and Recovery (RFR) system to the Maricopa Clerk of the Court's Automated Cash Management system. The legislation enacting AIPS emphasized the payment of restitution and the Maricopa Clerk's new RFR system enables individual probation officers to receive a monthly printout of their caseload detailing the restitution amount ordered to be paid by each probationer, the amount collected, and any arrearage.

In addition, the JLBC Staff recommends that the Judiciary report back to the PAR Committee by January 15, 1998 detailing Judicial Collection Enhancement Fund (JCEF) supported automation projects and when JCEF monies may be available to implement an automated adult probation case management system. The PAR found that a statewide automated probation case-management system does not exist, which poses an obstacle to data collection, program accountability, research, and evaluation of the probation system. JCEF was created in FY 1989 to increase collections and management of court-imposed fines and fees, and to improve case processing through automation projects.

The Criminal Justice and Transportation PAR Committee concurred with the JLBC Staff recommendation. Per statute, the committee is responsible for introducing any legislation required to enact its recommendations.

#### Interstate Compact - Adult Probation

**21,000 GF**

This funding provides for the administration and supervision of adult probationers transferred from other states to adult probation in Arizona. The JLBC Staff recommends an increase of \$21,000 to annualize the 6-month funding of 1 probation officer approved for FY 1998.

At this time, the JLBC Staff does not recommend adding additional officers for growth in FY 1999. In FY 1996, there were 844 Interstate Compact probationers. In FY 1997, the number increased to 1,084 (28%). The Judiciary anticipates a further increase of 28% in FY 1998 and FY 1999. In comparison, from FY 1996 to FY 1998 the average annual growth of Arizona offenders supervised by Adult Standard Probation increase by 7.6%. The JLBC Staff recommends that the Legislature examine the

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

Interstate Compact and determine whether Arizona's participation is in the best interest of the state before adding additional officers to this program.

### **Case Processing Assistance Fund** **115,400 OF**

The Case Processing Assistance Fund monies are used for salaries for pro tempore judges, as well as for other costs of expediting court case processing and reducing case backlogs. Monies consist of an allocation from the Criminal Justice Enhancement Fund. The JLBC Staff recommends an additional \$115,400, which represents the estimated available fund balance above the FY 1998 appropriation.

### **Defensive Driving Fund** **3,300,000 OF**

The Defensive Driving Fund monies are used 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 traffic offenses prescribed in A.R.S. Title 28, Chapter 6, Articles 2 through 15. Defensive Driving Fund monies are also used to automate municipal and justice of the peace courts, the caseloads of which are largely traffic-related. The JLBC Staff recommends an increase of \$3,300,000 to reflect the first-time appropriation of the Defensive Driving Fund.

#### **Expected FY 1999 Utilization of Defensive Driving Fund**

Administration	\$556,900
Statewide Automation	1,309,000
Local Court Automation	350,000
Local Court Traffic Projects	350,000
Miscellaneous Projects	734,100
<b>TOTAL</b>	<b>\$3,300,000</b>

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

Of the 189 FTE Positions, 136 FTE Positions represent Superior Court judges. 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 additional judges pursuant to A.R.S. § 12-121.

Up to 4.6% of the amounts appropriated for Juvenile Treatment Services and Progressively Increasing Consequences may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-230.02, and to conduct evaluations as needed. The remaining portion of the Juvenile Treatment Services and Progressively Increasing Consequences Line Items

shall be deposited to the Juvenile Probation Fund established by A.R.S. § 8-230.02.

#### *Modification of Prior Year Footnotes*

Receipt of state probation monies by the counties is contingent upon the county maintenance of FY 1995 EXPENDITURE LEVELS FOR EACH PROBATION PROGRAM ~~current probation expenditures at the FY 1995 level~~. State probation monies are not intended to supplant county dollars for probation programs. *Modified to clarify original legislative intent. As the footnote is currently written, counties may meet their FY 1995 expenditure level but shift monies from one probation program to another. For example, a county could change case-carrying standard probation officers to pre-sentence investigators and still meet its required maintenance of effort. The potential shift in resources is a concern to the JLBC Staff because while both the state and the counties pay a share of the cost to supervise standard probationers, in recent years the state has paid for 100% of the growth in probation officers. Such a shift would result in a shortfall of officers and a corresponding need for more officers to be funded by the state.*

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the one-time footnote concerning additional funding for juvenile probation programs.

### **Other Issues for Legislative Consideration**

#### **Name Change: Juvenile Standard Probation SLI**

The JLBC Staff recommends changing the name of the Special Line Item (SLI) related to standard probation services for juvenile offenders. The Staff recommends changing the name from "Juvenile Probation State Aid" to "Juvenile Standard Probation" to more clearly denote the program's purpose.

#### **Name Change: Adult Standard Probation SLI**

The JLBC Staff recommends changing the name of the Special Line Item (SLI) related to standard probation services for adult offenders. The Staff recommends changing the name from "Adult Probation Enhancement" to "Adult Standard Probation" to more clearly denote the program's purpose.

#### **Judicial Salary Increase — FY 1998 Supplemental**

The JLBC Staff recommends a FY 1998 supplemental of \$323,500 from the General Fund to annualize the Superior Court Judges' salary increase effective January 1, 1997. See policy issue above for more information.

#### **State Aid for Detention**

Laws 1997, Chapter 220 provided a one-time appropriation of \$5,451,300 to the State Aid to Detention Fund to provide grants to counties for maintaining,

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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expanding, and operating juvenile detention centers. The Judiciary has requested an additional \$10,000,000 be appropriated in FY 1999 to further increase the capacity of county juvenile detention centers.

### **Executive Recommendation**

The Executive did not provide a recommendation or estimate, but displays the division's FY 1998 appropriation in the Recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec	
Criminal Justice Enhancement Fund	\$6,744,200	<sup>1/</sup>
Defensive Driving Fund	3,300,000	
TOTAL	\$10,044,200	

<sup>1/</sup> Includes the following distributions: Juvenile Crime Reduction Fund, \$3,904,800; Case Processing Assistance Fund, \$2,303,000; Community Punishment, \$536,400.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Judiciary - Supreme Court  
PROG: Judicial and Administrative

JLBC: Brad Regens  
House Sub: Cooley

OSPB: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	123.8	135.8	159.3	135.8	136.8
Personal Services	4,687,200	5,173,600	5,778,300	5,173,600	5,392,000
Employee Related Expenditures	771,300	827,200	930,000	827,200	854,900
All Other Operating Expenditures:					
Professional and Outside Services	55,200	236,000	301,000	236,000	236,000
Travel - In State	65,700	71,000	76,200	71,000	71,400
Other Operating Expenditures	3,798,700	3,784,500	3,538,900	3,784,500	3,512,100
Equipment	313,000	113,900	308,500	113,900	90,900
OPERATING SUBTOTAL	9,691,100	10,206,200	10,932,900	10,206,200	10,157,300
SPECIAL LINE ITEMS					
Judicial Assistance	63,200	87,400	87,400	87,400	87,400
Judicial Education	240,000	242,700	242,700	242,700	242,700
State Grand Jury	432,000	440,000	440,000	440,000	440,000
Judicial Performance Review	310,800	347,300	352,300	347,300	352,000
Commission on Judicial Conduct	254,800	312,900	364,600	312,900	364,600
Post Conviction Relief	0	150,000	150,000	150,000	150,000
Judicial Collection Enhancement Fund (JCEF)	0	810,400	858,200	810,400	858,500
JCEF - Assistance to Courts	0	2,123,600	4,446,300	2,123,600	4,446,300
JCEF - AZ Court Automation Project	0	3,524,200	4,152,700	3,524,200	4,152,700
Private Fiduciary	0	50,000	50,000	50,000	50,000
Technology for the Court	0	0	1,595,000	0	0
AGENCY TOTAL	10,991,900	18,294,700	23,672,100	18,294,700	21,301,500
BY FUND SOURCE					
General Fund	10,991,900	11,786,500	14,164,900	11,786,500	11,794,000
Other Appropriated Funds	0	6,508,200	9,507,200	6,508,200	9,507,500
Other Non-Appropriated Funds	18,253,300	11,697,900	7,911,400	7,911,400	7,911,400
TOTAL - ALL SOURCES	29,245,200	29,992,600	31,583,500	26,206,100	29,212,900

**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.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$7,500	0.1%
Other Appropriated Funds	2,999,300	46.1%
Total Appropriated Funds	\$3,006,800	16.4%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$7,500 OF	\$172,600 GF
ERE Rates	-0- OF	3,000 GF
Risk Management	-0- OF	800 GF

### Rent

Eliminate One-time  
Equipment

-0- OF (275,000) GF

-0- OF (113,900) GF



## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### Judicial Salary Increase

**46,500 GF**

The JLBC Staff recommends half-year funding to increase the salary of Supreme Court Associate Justices from \$114,300 to \$118,000 and the Supreme Court Chief Justice from \$117,000 to \$120,500. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. If the Legislature takes no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The JLBC Staff recommendation also includes \$15,100 to annualize the salary adjustment effective January 1, 1998.

The JLBC Staff also recommends a supplemental appropriation for FY 1998 of \$21,300 to annualize the January 1, 1997 increase.

### Deputy Clerk Specialist

**44,900 GF**

The JLBC Staff recommends an increase of \$44,900 and 1 FTE Position to support the court's steadily rising workload. From FY 1989 to FY 1997, total case filings have increased from 1,141 to 1,499 (31.4%) and terminations have increased from 1,128 to 1,592 (41.1%). The Clerk's Office is responsible for maintaining case files, producing copies of the court's opinions, decisions and rules for distribution to the justices and staff attorneys. Included in the recommended amount is \$6,600 in one-time funding for equipment.

### Replacement Equipment

**128,600 GF**

The JLBC Staff recommends an increase of \$128,600 to replace equipment throughout the State Courts Building including \$90,800 for replacement photocopiers in the Clerk's Office, the Staff Attorney's Office, and for Commission on Judicial Conduct Special Line Item.

### Judicial Collection Enhancement Fund

**2,991,800 OF**

The Judicial Collection Enhancement Fund (JCEF) has 2 purposes: to improve collection and management of monies owed the court, and to improve case processing through automation projects. The JLBC Staff recommends an increase of \$2,991,800, which represents the estimated available fund balance above the FY 1998 appropriation.

#### Expected FY 1999 Utilization of JCEF Monies

Administration	\$251,000
Statewide Automation	5,591,300
Local Court Automation	2,000,000
Cash Management Projects	350,000
Miscellaneous Projects	665,200
Transfer to Public Defender	
Training Fund	600,000
<b>TOTAL</b>	<b>\$9,457,500</b>



### Program Authorization Review — The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Administrative Office of the Courts (AOC)

Domestic Violence subprogram during the last year. As a result of that review, the JLBC Staff recommends retaining the subprogram.

The AOC Domestic Violence subprogram was reviewed in conjunction with the Department of Economic Security Domestic Violence program as part of a cross-functional Victim Services PAR. The PAR found that the AOC Domestic Violence subprogram does not provide domestic violence services duplicated by any other state agency. The subprogram has targeted its mission and goals to educating, training and assisting court personnel in processing domestic violence.

The Criminal Justice and Transportation PAR Committee concurred with the JLBC Staff recommendation.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Agency

### JLBC Staff Recommended Footnotes

#### *Standard Footnotes*

Included in the Lump Sum appropriation is \$1,000 for the purchase of mementos and items for visiting officials.

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the one-time footnote concerning the submittal of a report addressing the gross savings and gross cost of court automation projects. The JLBC Staff received the preliminary report on December 5, 1997 and anticipates receiving the final report on June 30, 1998.

### Other Issues for Legislative Consideration

#### **Judicial Salary Increase — FY 1998 Supplemental**

The JLBC Staff recommends a FY 1998 supplemental of \$21,300 from the General Fund to annualize the judicial salary increase effective January 1, 1997. See policy issue above for more information.

#### **State Grand Jury — FY 1998 Supplemental**

The JLBC Staff recommends \$136,300 GF for excess expenses incurred by counties associated with impaneling and operating state grand juries in FY 1997.

#### **State Court Building — FY 1998 Supplemental**

At its June 19, 1997 meeting, the Joint Committee on Capital Review gave its support of a \$138,000 FY 1998 supplemental appropriation for the Judiciary for tenant

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

improvements to the State Court Building. The JLBC Staff recommends a \$138,000 supplemental appropriation from the Arizona Department of Administration (ADOA) lease-purchase fund. The ADOA lease-purchase fund has available monies due to the Supreme Court being over budgeted \$167,800 for their FY 1998 total lease-purchase payment on the State Court Building.

### **Executive Recommendation**

The Executive did not provide a recommendation or estimate, but displays the division's FY 1998 appropriation in the Recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and Legislature are not subject to the control of the Governor in the preparation and submission of their budgets

### **Fill the Gap**

The Governor has set aside \$8,000,000 to add additional resources to the Judiciary budget. The additional monies are to be used to address increases in workload due to increased arrests and criminal case filings, and to decrease the average time required to process criminal cases. The Executive has not recommended this funding as part of the Judiciary budget. They may pursue this issue through separate legislation.

### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
Judicial Collection Enhancement Fund	\$9,457,500
Confidential Intermediary and Private Fiduciary Fund	50,000
TOTAL	\$9,507,500

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Judiciary - Supreme Court  
PROG: Foster Care Review Board

JLBC: Brad Regens  
House Sub: Cooley

OSPB: Christine Sato  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC

## OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	48.5	46.5	49.5	46.5	48.5
Personal Services	1,064,100	1,164,500	1,300,500	1,164,500	1,268,500
Employee Related Expenditures	205,900	221,600	253,200	221,600	242,400
All Other Operating Expenditures:					
Professional and Outside Services	63,300	74,600	74,600	74,600	74,600
Travel - In State	60,000	53,500	58,700	53,500	58,300
Other Operating Expenditures	241,500	234,200	253,000	234,200	237,400
Equipment	29,200	10,000	276,500	10,000	106,800
<b>OPERATING SUBTOTAL</b>	<b>1,664,000</b>	<b>1,758,400</b>	<b>2,216,500</b>	<b>1,758,400</b>	<b>1,988,000</b>

## SPECIAL LINE ITEMS

Court Appointed Special Advocate	1,400,500	1,581,400	2,127,700	1,581,400	1,673,400
Confidential Intermediary	0	153,800	190,300	153,800	192,100
<b>AGENCY TOTAL</b>	<b>3,064,500</b>	<b>3,493,600</b>	<b>4,534,500</b>	<b>3,493,600</b>	<b>3,853,500</b>

## BY FUND SOURCE

General Fund	1,664,000	1,758,400	2,336,500	1,758,400	1,988,000
Other Appropriated Funds	1,400,500	1,735,200	2,198,000	1,735,200	1,865,500
<b>TOTAL - ALL SOURCES</b>	<b>3,064,500</b>	<b>3,493,600</b>	<b>4,534,500</b>	<b>3,493,600</b>	<b>3,853,500</b>

**Agency Description** — The board reviews cases of dependent children in out-of-home placement to assess progress toward returning the child home or achieving a permanent plan for the child's removal. Federal law requires that each state provide independent administrative reviews of children who are in out-of-home care. Each review board reviews as many as 100 children and is comprised of 5 volunteers appointed by the presiding judge in each county.

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$229,600	13.1%
Other Appropriated Funds	130,300	7.5%
<b>Total Appropriated Funds</b>	<b>\$359,900</b>	<b>10.3%</b>

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$36,500 OF	\$43,800 GF
ERE Rates	-0- OF	3,500 GF
Rent	-0- OF	(400) GF
Eliminate One-time		
Equipment	-0- OF	(10,000) GF

### FCRB Program Specialists

101,200 GF

The JLBC Staff recommends an increase of \$101,200 and 2 FTE Positions to handle caseload growth. A.R.S. § 8-515.01 requires the establishment of a Foster Care Review Board (FCRB) for each 100 children, or fraction thereof, who are in out-of-home placement and who are the subject of a dependency action. By the end of FY 1997, there

were approximately 6,500 children in out-of-home care. By the end of FY 1999, it is projected there will be an additional 932 children in out-of-home care. (Since 1987, caseload growth has averaged 7.4% annually.) Based on average annual growth, 10 additional FCRB's will be added by the end of FY 1999. Each program specialist manages 5 review boards. Included in the recommended amount is \$15,300 in one-time funding for equipment associated with the new positions.

### Replacement Equipment

91,500 GF

The JLBC Staff recommends an increase of \$91,500 to replace equipment associated with the administration of the FCRB, including the program's photocopy machine which will be 9.5 years old by FY 1999.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

**Court Appointed Special Advocate (CASA) 59,600 OF**  
The CASA program trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings. It is entirely supported by the CASA Fund, which consists of 30% of state lottery unclaimed prize money. The JLBC Staff recommends an increase of \$59,600 for volunteer recruitment and for a training conference.

An Auditor General Performance Review of the CASA program found that as of October 31, 1996, 6,032 children were eligible to receive a CASA yet only 1,104 children (18%) were being served. The JLBC Staff does not recommend hiring additional CASA field coordinators because the CASA program was appropriated \$1,468,900, from the CASA Fund, in FY 1997 yet the fund received only \$1,164,800 in revenue. The CASA Fund currently has an estimated \$1,000,000 balance forward; however, if expenditures continue to outgrow revenue, the fund balance will be depleted within 3 - 5 years. Adding CASA coordinators at this time would only increase the rate at which the fund balance is declining.

**Confidential Intermediary 34,200 OF**  
The Confidential Intermediary (CI) program trains and certifies confidential intermediaries to facilitate contact between adoptee or adoptive parents and birth parents, while protecting court and agency records and anonymity of those who desire it. The program is funded by adoption filing surcharges and by a birth certificate surcharge.

Based on the CI program's current workload, an Auditor General Performance Review recommended eliminating 1 FTE Position. Prior to taking that step, the JLBC Staff recommends an increase of \$34,200 in one-time funding for an advertising campaign to educate the public regarding the program's services. If the number of individuals requesting to be certified as confidential intermediaries does not significantly increase as a result of the advertising campaign, then the JLBC Staff would concur with the Auditor General recommendation.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Agency

### Other Issues for Legislative Consideration

#### Executive Recommendation

The Executive did not provide a recommendation or estimate, but displays the division's FY 1998 appropriation in the Recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
Court Appointed Special Advocate Fund	\$1,673,400
Confidential Intermediary Fund	192,100
<b>TOTAL</b>	<b>\$1,865,500</b>

**DEPARTMENT OF  
JUVENILE CORRECTIONS  
(DJC)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Juvenile Corrections  
Agency Summary

JLBC: Phil Case/Brad Mortensen  
House Sub: Cooley

OSPB: Bill Greeney  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	4,804,600	4,559,800	6,722,300	4,753,900	4,688,400
Secure Care	28,255,000	35,023,900	40,607,400	47,201,000	44,159,700
Community Care	13,240,800	13,677,300	15,312,100	13,771,000	14,070,300
Education	4,082,700	5,233,700	6,136,900	7,713,300	6,560,400
<b>AGENCY TOTAL</b>	<b>50,383,100</b>	<b>58,494,700</b>	<b>68,778,700</b>	<b>73,439,200</b>	<b>69,478,800</b>
<b>OPERATING BUDGET</b>					
Full Time Equivalent Positions	895.5	1,011.0	1,123.0	1,363.0	1,367.5
Personal Services	22,780,300	27,321,100	33,957,700	36,442,200	35,527,600
Employee Related Expenditures	6,354,600	7,540,500	10,260,700	9,730,700	9,633,900
All Other Operating Expenditures:					
Professional and Outside Services	713,500	782,500	1,585,900	963,200	1,487,400
Travel - In State	364,000	387,800	532,300	441,100	492,600
Travel - Out of State	20,900	16,300	16,300	16,300	16,300
Food	0	0	0	407,000	0
Other Operating Expenditures	5,425,000	6,258,500	7,204,900	8,039,900	7,379,600
Equipment	155,200	661,100	638,200	1,536,600	448,000
<b>OPERATING SUBTOTAL</b>	<b>35,813,500</b>	<b>42,967,800</b>	<b>54,196,000</b>	<b>57,577,000</b>	<b>54,985,400</b>
<b>SPECIAL LINE ITEMS</b>					
Due Process	303,700	315,300	0	331,500	0
Youth Rights	262,900	267,100	0	279,100	0
Court Monitors	73,100	0	0	0	0
Classification/Risk Assessment	29,000	77,000	0	77,000	0
Staff Training and Certification	102,400	103,200	0	103,200	0
Food	553,500	667,400	759,700	871,700	880,600
Special Treatment Programs	395,500	397,300	0	397,300	0
Work Incentive Pay Plan	161,700	225,100	264,100	311,700	329,100
Boot Camp	2,620,600	3,174,400	3,176,100	3,174,400	3,174,400
Outcome Evaluations	29,300	110,000	0	110,000	110,000
Community Services Contracts	9,717,100	9,854,800	10,382,800	9,854,800	9,999,300
Family Transition	125,900	131,600	0	144,200	0
Community Work Program	194,900	203,700	0	207,300	0
<b>AGENCY TOTAL</b>	<b>50,383,100</b>	<b>58,494,700</b>	<b>68,778,700</b>	<b>73,439,200</b>	<b>69,478,800</b>
<b>BY FUND SOURCE</b>					
General Fund	48,204,300	55,922,700	66,009,200	68,659,900	65,160,000
Other Appropriated Funds	2,178,800	2,572,000	2,769,500	4,779,300	4,318,800
Other Non-Appropriated Funds	204,600	133,900	121,400	121,400	121,400
Federal Funds	2,430,100	1,981,700	2,050,600	2,050,600	2,050,600
<b>TOTAL - ALL SOURCES</b>	<b>53,017,800</b>	<b>60,610,300</b>	<b>70,950,700</b>	<b>75,611,200</b>	<b>71,650,800</b>

**Agency Description** — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated by the Courts to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youths until they are released from custody or reach age 18. The department is organized into Administration, Secure Care, Community Care, and Education divisions.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ 9,237,300	16.5%
Other Appropriated Funds	1,746,800	67.9%
Total Appropriated Funds	\$10,984,100	18.8%

## FY 1999 — Recommended Changes from FY 1998

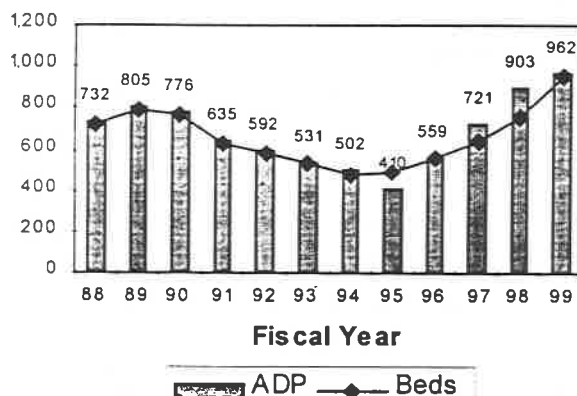
### Standard Changes

Salary Adjustments	\$1,162,900 GF
ERE Rates	(109,000) GF
Risk Management	6,900 GF
Rent	52,500 GF
Eliminate One-time Equipment	(524,700) GF

### FY 1998 and FY 1999 Secure Care Beds

As shown in the following graph, DJC's secure care average daily population (ADP) is growing rapidly. The most plausible explanation for this increase is the lifting of the *Johnson v. Upchurch* consent decree. During the consent decree, population caps imposed by the federal court "artificially" limited the department's secure care population. When the caps were lifted, the population immediately increased. The expected transfer of significant numbers of juveniles from DJC to the Department of Corrections (DOC) as a result of last session's Juvenile Justice Bill (Laws 1997, Chapter 220) has not yet materialized. This may be due to a technical problem in the bill that was corrected during the November 1997 special session.

DJC Average Daily Population (ADP)



Using pre-Chapter 220 population projections from the National Council on Crime and Delinquency (NCCD), a DJC consultant, ADP is forecast to rise from 721 in FY 1997 to 903 in FY 1998. This growth represents a 25% increase and would place the department 145 juveniles above its funded bed capacity of 758.

The JLBC Staff's recommendations are based on this NCCD population forecast, which has tracked ADP fairly well. For example, NCCD's forecast for November 1997 was 900, only (14) or (1.5)% below actual ADP. Since the passage of the Juvenile Justice Bill, NCCD has revised its numbers significantly upward to an ADP of 1,243 in FY 1999. The JLBC Staff acknowledges that the ADP could well exceed the earlier NCCD forecast; however, we have concerns with the new forecast. We believe it overstates the number and average length of stay of 2<sup>nd</sup> time felony, or "chronic," offenders who will be committed to DJC under the terms of Chapter 220. The Executive also believes the NCCD numbers to be high and assumes a middle scenario of 1,101 ADP.

**FY 1998 Supplemental** - To address the FY 1998 bed deficit, the JLBC Staff recommends a FY 1998 supplemental appropriation of \$1,062,500 GF and 28 FTE Positions. The recommended amount is based on secure care funding for 100 beds for a quarter of the year and would provide for supplemental staffing and unbudgeted operating costs. In addition, the JLBC Staff estimates the department will receive an additional \$1,352,300 in Juvenile Education Fund monies through the Arizona Department of Education (these monies do not require an additional appropriation.) This appropriation is based on the significant growth in DJC's secure care population and does not require additional legislation. The JLBC Staff recommends an additional 4.5 FTE Positions for education staff. The combined total of \$2,414,800 and 32.5 FTE Positions would allow the department to operate 100 "temporary" beds at existing facilities in order to ease the department's over-crowding problem until 200 beds at the new complex can be brought on-line in FY 1999.

The Executive recommends a FY 1998 supplemental appropriation of \$1,321,100 GF and 67.5 FTE Positions to open 200 new DJC beds at a DOC prison. ASPC-Tucson currently has about 100 vacant beds in a facility designed to house 200 DOC minors. In order to free-up the full 200, the Executive recommends privatizing adult prison beds and shifting DOC minors to the vacated adult beds. (See *Department of Corrections write-up for more information.*) The JLBC Staff believes that the additional 200 beds will not be necessary in FY 1999 and that the department's bed deficit is best addressed through the use of "temporary" beds at existing facilities until 200 beds at the new DJC complex are available. The Executive estimates that the department will receive \$1,886,200 OF in FY 1998 supplemental Education Fund monies. This estimate is

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

\$533,900 higher than the JLBC Staff estimate based on a higher secure care population projection.

**FY 1999 Bed Needs** - The JLBC Staff's FY 1999 recommendations include funding to open 200 new beds. With the new beds, DJC's total secure care capacity would be 958, just short of the FY 1999 projected ADP of 962. The Executive recommends opening 400 new beds through FY 1999 (200 in FY 1998 and 200 in FY 1999). Specifics of each bed plan are discussed under individual policy issues, as summarized in the following table:

<b>FY 1999 Total Secure Care Beds JLBC Staff and Executive Recommendations</b>		
	<u>JLBC Staff</u>	<u>Executive</u>
Estimated ADP	962	1,101
Existing Beds	758	758
New Beds	<u>200</u>	<u>400</u>
<b>Total Beds</b>	<b><u>958</u></b>	<b><u>1,158</u></b>
Surplus/(Deficit)	(4)	57

### Annualize Funding for

#### **New Complex Beds      785,300 OF      4,044,100 GF**

The department received \$1,105,900 GF and 22.5 FTE Positions in FY 1998 to open the first 100 beds in July 1998 at a new secure care complex that is under construction south of the town of Buckeye. When complete, the complex will consist of a 100-bed maximum-security unit and a 300-bed high-security unit. Construction of the first 200 beds has been funded and is scheduled to be completed by July 1998 (first 100 beds) and October 1998 (second 100 beds).

Of the FY 1998 amount, \$460,900 is for one-time start-up costs and \$645,000 is for on-going operations. The JLBC Staff recommends an additional \$4,829,400 (\$4,044,100 GF and \$785,300 OF) and 130.5 FTE Positions to annualize the costs of these beds. The total annual operating costs for the beds would be \$5,474,400 and 153 FTE Positions, which includes administrative staff for the entire complex. *(See table below.)* The annual operating cost per bed for the first 100 beds would be \$54,700. This cost should approach the departmentwide average cost per bed of \$50,000 as additional beds are added.

<b>New Complex Operating Costs - 1<sup>st</sup> 100 Beds</b>	
Youth Correctional Officer I's	43.0
Youth Correctional Officer II's	29.0
Education Staff	22.0
Other Staff	<u>59.0</u>
<b>Total FTE Positions</b>	<b>153.0</b>
Operating - Secure Care	\$4,469,900
Operating - Education	845,900
Food Special Line Item	106,600
WIPP Special Line Item	<u>52,000</u>
<b>Total Funding</b>	<b>\$5,474,400</b>

The Executive recommends \$5,812,300 GF and 153.0 FTE Positions for the full-year costs of the beds.

### Add 100 Beds

#### **at New Complex      720,600 OF      4,545,500 GF**

The JLBC Staff recommends \$5,266,100 and 130 FTE Positions to start-up and operate the second 100 beds at the new secure care complex which will open in October 1998. Of the amount, \$460,900 represents one-time funding to supply and equip the beds. The remaining \$4,805,200 represents full-year operating costs, equating to \$48,100 per bed. *(See table below.)* When combined with the total \$5,474,400 recommended for the first 100 beds, the annual per bed cost becomes \$51,400, closer to the departmentwide average.

<b>New Complex Operating Costs - 2<sup>nd</sup> 100 Beds</b>	
Youth Correctional Officer I's	43.0
Youth Correctional Officer II's	29.0
Education Staff	18.0
Other Staff	<u>40.0</u>
<b>Total FTE Positions</b>	<b>130.0</b>
Operating - Secure Care	\$3,926,000
Operating - Education	720,600
One-time Costs	460,900
Food Special Line Item	106,600
WIPP Special Line Item	<u>52,000</u>
<b>Total Funding</b>	<b>\$5,266,100</b>

The second 100 beds are not scheduled to be completed until October 1998; however, the JLBC Staff is recommending full-year funding as part of a strategy to address the department's existing over-crowding problem. *(See the FY 1998 supplemental recommendation under the FY 1998 and FY 1999 Secure Care Beds policy issue for more detail.)* Until the new beds are ready, the funding would be used to provide additional staff and services at existing DJC facilities to accommodate the department's over-crowding. When the beds are ready, the resources would be shifted to the new complex.

The Executive recommends \$6,283,200 GF and 149 FTE Positions to open the beds. The amount includes \$2,565,100 in start-up monies and \$3,718,100 to operate the beds for 9 months beginning in October. The recommended on-going operating costs are only slightly higher than the JLBC Staff recommendation; however, the Executive's start-up recommendation is significantly higher (by \$902,900). The JLBC Staff recommends the same funding to start-up the second 100 beds as was appropriated for the first 100 beds. The Executive includes additional monies for a phone system, computer wiring, computers, and vehicles which the JLBC Staff believes were to be included in the construction cost of the beds or are excessive.



## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### FTE Positions for AMS Expansion

-0- GF

The JLBC Staff recommends 93 FTE Positions to staff the 96-bed expansion of the department's Adobe Mountain School (AMS). Laws 1997, Chapter 220 appropriated \$4,000,000 in FY 1998 for the expansion but did not appropriate FTE Positions. Of the recommended FTE Positions, 78 are for the Secure Care division, 14 are for the Education division, and 1 is for the Community Services division. The Executive concurs.

### Parole Funding for AMS Expansion

300,000 GF

The JLBC Staff recommends \$144,500 and 3 FTE Positions for parole officers, and \$155,500 for community services. Laws 1997, Chapter 220 appropriated \$4,000,000 in FY 1998 to the department to expand AMS by 96 beds. Of this amount, the department will expend \$300,000 to purchase a modular building for additional classroom space. The JLBC Staff eliminates the \$300,000 as a one-time equipment cost but shifts this amount to the Community Services division to fund the parole officers and \$155,500 worth of community services contracts. The Executive concurs.

### Equalization Assistance 240,900 OF (240,900) GF

The estimated equalization assistance amount received through the Arizona Department of Education will increase by an estimated \$1,746,800 OF. Of this amount, the JLBC Staff allocates \$1,505,900 to cover the education costs of operating 200 beds at the new complex. The remaining \$240,900 is used as an offset to the base operating costs supported by the General Fund. The Executive estimates the FY 1999 increase at \$2,207,300 due to a higher secure care population estimate.

### Eliminate Display of Special Line Items

-0- GF

The JLBC Staff recommends eliminating the display of Special Line Items associated with the *Johnson v. Upchurch* consent decree. The consent decree ended in May 1997 and it is no longer necessary to highlight these expenditures. A total of \$1,534,600 for the following Special Line Items would be blended into the department's regular line item budget: Youth Rights, Due Process, Classification/Risk Assessment, Staff Training and Certification, Special Treatment Programs, Family Transition, Community Work Program. The Executive does not recommend eliminating the display of these Special Line Items.

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**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Health Services** program during the last year. As a result of that review, the JLBC Staff recommends modifying the program. The PAR found that the program's per capita costs "appear high and that the agency has no plan to

reduce or even monitor costs." Two factors seemed to drive the per capita costs: 1) heavy utilization of services, and 2) the cost of catastrophic medical cases. To address these concerns, the JLBC Staff recommends that the department report back to the Criminal Justice and Transportation PAR Committee by January 15, 1998. The report should address the use of screening procedures to reduce unnecessary utilization of services. It should also address the use of insurance to protect the program against unplanned expenditures resulting from catastrophic medical cases.

The Criminal Justice and Transportation PAR Committee recommended modifying the Health Services program by requiring DJC to provide the committee with the 2 reports recommended by the JLBC Staff. The committee also adopted requirements that DJC and the DOC report on potential cost sharing for health services, and that DJC report on the use of family medical insurance for incarcerated juveniles. Per statute, the committee is responsible for introducing any legislation required to enact its recommendations.

**JLBC Staff Recommended Format** — Modified Lump Sum by Agency

### JLBC Staff Recommended Footnotes

#### *Standard Footnotes*

Prior to the expenditure of any Juvenile Education Fund receipts in excess of the \$3,718,800 in the Juvenile Education Fund source, the Department of Juvenile Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatories Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and with the Constitution, to be used for the support of state juvenile institutions and reformatories.

#### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the one-time footnote relating to the opening of the new secure care complex.

### Other Issues for Legislative Consideration

#### **FY 1998 Supplemental**

The JLBC Staff recommends a FY 1998 supplemental appropriation of \$1,062,500 GF and 32.5 FTE Positions to address a secure care bed deficit. (See earlier policy issue of this discussion.)

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

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### Executive Recommendation

The Executive recommends a total of \$4,994,200 (\$3,433,400 GF and \$1,560,800 OF) and 135 FTE Positions in FY 1999 to operate 200 beds at ASPC-Tucson. This recommendation annualizes a FY 1998 supplemental recommendation to open these beds in March 1998. *(See the FY 1998 supplemental recommendation under the FY 1998 and FY 1999 Secure Care Beds policy issue for more detail.)* The JLBC Staff does not recommend this issue, believing that the beds will not be necessary once the 200 beds at the new complex are open.

### Staffing Ratios

The average annual cost to operate a DJC secure care bed is \$50,000. This figure includes the cost of security, education, and administrative staff, as well as the other costs associated with caring for incarcerated juveniles. One of the reasons for the high cost is the high ratio of staff to juveniles. The ratio of secure care and education staff to juveniles is approximately 1 to 1. The *Johnson v. Upchurch* consent decree required specific staffing ratios such as 1 security staff member to each 8 juveniles during the daytime. The department intends to maintain these ratios, and the FY 1999 JLBC Staff recommendations also maintains them. However, the JLBC Staff recommends that the ratios be closely examined in the future to ensure that the ratios are necessary and cost effective.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
State Charitable, Penal and Reformatory Land Earnings	\$ 300,000
Criminal Justice Enhancement Fund	300,000
Juvenile Education Fund	3,718,800
TOTAL	\$4,318,800

**DEPARTMENT OF TRANSPORTATION  
(DOT)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
Agency Summary

JLBC: Bob Hull/Jim Rounds  
House Sub: Cooley

OSPB: John Arnold  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>BY PROGRAM/ORGANIZATION</b>					
Administration	43,977,900	43,508,400	75,958,900	74,164,000	75,240,500
Highways	39,481,700	41,607,600	44,333,300	42,224,400	42,261,400
Highway Maintenance	69,657,500	76,562,700	80,527,400	79,552,300	78,348,000
Aeronautics Division	1,424,400	1,658,100	1,721,200	1,683,800	1,675,700
Motor Vehicle Division	29,575,500	60,932,700	61,805,700	62,740,600	61,003,400
<b>AGENCY TOTAL</b>	<b>184,117,000</b>	<b>224,269,500</b>	<b>264,346,500</b>	<b>260,365,100</b>	<b>258,529,000</b>
<b>OPERATING BUDGET</b>					
Full Time Equivalent Positions	3,021.0	3,683.0	3,920.0	3,888.0	3,888.0
Personal Services	80,691,500	104,051,800	108,326,500	107,363,500	105,293,700
Employee Related Expenditures	20,015,000	26,182,600	29,432,400	25,517,500	25,364,200
All Other Operating Expenditures:					
Professional and Outside Services	1,565,500	3,145,200	1,868,800	1,883,800	1,863,800
Travel - In State	1,732,600	1,716,000	1,736,000	1,710,800	1,708,400
Travel - Out of State	176,900	156,900	156,900	154,400	154,500
Other Operating Expenditures	26,562,600	31,843,300	31,945,500	30,277,000	30,786,400
Equipment	767,900	1,200,100	1,796,200	2,427,000	1,490,100
<b>OPERATING SUBTOTAL</b>	<b>131,512,000</b>	<b>168,295,900</b>	<b>175,262,300</b>	<b>169,334,000</b>	<b>166,661,100</b>
Special Line Items	52,605,000	55,973,600	89,084,200	91,031,100	91,867,900
<b>AGENCY TOTAL</b>	<b>184,117,000</b>	<b>224,269,500</b>	<b>264,346,500</b>	<b>260,365,100</b>	<b>258,529,000</b>
<b>BY FUND SOURCE</b>					
General Fund	291,200	578,000	581,600	579,300	579,500
Other Appropriated Funds	183,825,800	223,691,500	263,764,900	259,785,800	257,949,500
Other Non-Appropriated Funds	284,366,500	340,799,600	244,884,300	244,884,300	244,884,300
Federal Funds	314,269,400	319,267,100	316,203,800	316,203,800	316,203,800
<b>TOTAL - ALL SOURCES</b>	<b>782,752,900</b>	<b>884,336,200</b>	<b>825,434,600</b>	<b>821,453,200</b>	<b>819,617,100</b>

**Agency Description** — The Department of Transportation has jurisdiction over state highways, other state roads, state airports and all state-owned transportation systems. The responsibilities of the department include the following: register motor vehicles and aircraft; license drivers; collect revenues; enforce motor vehicle and aviation statutes; do multi-modal state transportation planning and investigate new transportation systems in cooperation with local governments; establish an annually updated priority program for transportation capital improvements; design, construct and maintain state highways, airports and public transportation systems; and administer transportation safety systems.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$ 1,500	0.3%
Other Appropriated Funds	3,671,700	1.6%
Appropriate Equipment Fund	30,586,300	NA
Total Appropriated Funds	\$34,259,500	15.3%

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## FY 1999 — Recommended Changes from FY 1998

<b>Standard Changes</b>		
Salary Adjustments	\$4,037,800 OF	\$1,700 GF
ERE Rates	(526,700) OF	(300) GF
Risk Management	759,400 OF	100 GF
Rent	3,100 OF	-0- GF
<b>Eliminate One-time</b>		
Equipment	(1,279,100) OF	-0- GF
Other	(61,900) OF	-0- GF
New Equipment	1,190,100 OF	
Appropriate Equipment Fund	30,586,300 OF	
Highway Maintenance Workload	1,000,000 OF	
Landscape Maintenance	270,000 OF	
Computer Network Upgrade	138,600 OF	
Mainframe Peripherals Upgrade	101,700 OF	
Privatization of Grand Canyon Airport	-0- OF	
Automated Highway Research	-0- OF	
Transportation Planning	(262,600) OF	
Mainframe Downgrade	(422,300) OF	
Special Projects	(1,276,400) OF	

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**JLBC Staff Recommended Format** — Varies by Program. Motor Vehicle Division and Highway Maintenance are listed separately as programs. Administration, Highways, and Aeronautics are combined into an Operating Lump Sum with Special Line Items.

## JLBC Staff Recommended Footnotes

### New Footnotes

Before spending more than \$300,000 of the \$1,174,600 departmentwide for replacement personal computer equipment in FY 1999, the department shall present to the Joint Legislative Budget Committee its expenditure plan for the \$1,174,600 as approved by the Government Information Technology Agency. The department shall explain how the \$1,174,600 of personal computer equipment addresses its departmentwide automation plan for personal computer equipment and software. *(Provides for legislative oversight of the department's long-term plan for coordinating and meeting its personal computer hardware and software needs.)*

## Other Issues for Legislative Consideration

### Overview of Departmental Budget

The JLBC Staff recommends appropriation of the Transportation Department Equipment Fund, a formerly non-appropriated fund, as specified by Laws 1997, Chapter 210. This adds a recommended 247 FTE Positions and \$30,586,300 to the department's FY 1999 appropriated budget. For more information please see Administration.

The JLBC Staff recommends that 14 FTE Positions and \$608,900 for the continued operation of the Grand Canyon Airport by the department be transferred from the Aeronautics Division's operating budget to a Special Line. The department projects that an independent airport authority will be operating and managing the airport by July 1, 1998. JLBC Staff also recommends a new footnote which provides for JLBC review before expenditure of any of the Special Line appropriation, in case the July 1, 1998 date is not met. For more information please see Aeronautics Division.

The JLBC Staff recommends a new footnote to transfer \$100,000 of the State Highway Fund appropriation for Highways to Arizona State University for automated highway system research. This would implement the recommendation of the Joint Interim Committee on Maricopa Oversight and Input on Transportation (MOVE-IT). For more information please see Highways.

## FTE Position Changes

The JLBC Staff recommends a decrease of (42) FTE Positions for the department, including decreases of (28) FTE Positions in Administration, (8) FTE Positions in Highways, and (6) FTE Positions in Motor Vehicle Division. In addition, (1) tax administrator FTE Position and related expenditures are transferred from Administration to Motor Vehicle Division, to better align the position with its duties. For more information, please see Administration, Highways and Motor Vehicle Division.

## New Equipment

This includes \$1,174,600 for replacement personal computer equipment departmentwide. The Government Information Technology Agency (GITA) is evaluating the department's request for a 5-year desktop computer replacement and upgrade project totaling \$24,600,000, which includes the \$1,174,600 for personal computer equipment in FY 1999. This is comparable to the level of funding for replacement personal computer equipment approved for FY 1998. GITA approval is required before the project proceeds, and a new footnote is recommended to require the department to report to the Joint Legislative Budget Committee to provide for increased legislative oversight of this issue.

## Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
State Highway	\$224,882,200
Transportation Department Equipment	30,586,300
State Aviation	1,675,700
Safety Enforcement & Transportation	
Infrastructure	766,800
Air Quality	38,500
TOTAL	\$257,949,500

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### Highway Construction

The State Transportation Board oversees the department's highway construction program. The Five-Year Highway Construction Program adopted by the Board on June 20, 1997 includes monies from the State Highway Fund, Federal Funds, Maricopa Regional Area Road Fund, Highway User Revenue Fund for controlled access roads, and bond revenues. The highway construction program totals \$866,439,000 for FY 1999, including \$623,974,000 for construction and maintenance projects scheduled to begin in FY 1999 and \$242,465,000 for debt service, as follows:

#### FY 1999 Highway Construction Program Adopted by State Transportation Board

Construction	\$222,163,000
Urban Controlled Access <sup>1/</sup>	235,011,000
Pavement Preservation Maintenance	80,331,000
Other <sup>2/</sup>	86,469,000
Debt Service <sup>3/</sup>	242,465,000
<b>TOTAL</b>	<b>\$866,439,000</b>

<sup>1/</sup> Includes expenditures from the Highway User Revenue Fund for controlled access and from the Maricopa Regional Area Road Fund.

<sup>2/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

<sup>3/</sup> Provided by the department. Includes \$46,059,000 for State Highway Fund statewide construction bonds, \$46,270,000 for Maricopa Association of Governments and Pima Association of Governments controlled access Highway User Revenue Fund bonds, and \$150,136,000 for Maricopa Regional Area Road Fund bonds.

### Highway User Revenue Fund Analysis

The Highway User Revenue Fund (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, vehicle registration, driver's license, and others. HURF is the primary source of monies for the department's operating budget. The last line of the following table, which shows Net State Highway Fund Monies Available for Statewide Highway Construction, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, Carryover Funds, and Miscellaneous Funds available for construction. Rather, the last line represents the amount that is available from the State Highway Fund to fund the State Transportation Board's 5-Year Plan.

The JLBC Staff recommendation makes \$163,771,000 available in FY 1999 for statewide highway construction, which is \$3,466,000 more than is left by the Executive recommendation. The difference is that the JLBC Staff recommends \$3,466,000 less for the operating budget.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## HIGHWAY USER REVENUE FUND ANALYSIS (In Thousands)

	FY 1997 <u>Actual</u>	FY 1998 <u>Estimate</u>	FY 1999 <u>Request</u>	FY 1999 <u>Exec Rec</u>	FY 1999 <u>JLBC Rec</u>
Total HURF Collections	\$896,962	\$925,800	\$941,770	\$941,770	\$941,770
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000	1,000	1,000
Dept. of Public Safety Transfer from HURF	<u>17,500</u>	<u>15,000</u>	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>
Net HURF Collections	878,462	909,800	928,270	928,270	928,270
Less: Cities <sup>2/</sup>	267,930	277,489	283,122	283,122	283,122
Counties <sup>2/</sup>	166,908	172,862	176,371	176,371	176,371
Controlled Access <sup>3/</sup>	<u>67,431</u>	<u>69,836</u>	<u>71,254</u>	<u>71,254</u>	<u>71,254</u>
Net State Highway Fund (Discretionary)	376,193	389,613	397,523	397,523	397,523
Plus: Other Income <sup>4/</sup>	28,441	59,061	59,698	59,698	59,698
Less: Operating Budget	179,890	220,476	230,348	226,582	224,882
ADOT Mainframe funded in GITA	0	0	0	1,766	0
Operating Carryovers, Adjustments and Transfer <sup>5/</sup>	2,519	3,516	5	5	5
Capital Outlay and Building Renewal	7,696	6,815	16,898	8,427	8,427
Capital Non-Lapsing Carryovers	0	13,465	0	0	0
Dept of Public Safety Transfer from Highway Fund	19,600 <sup>6/</sup>	15,000	12,500	12,500	12,500
Year 2000 Computer Projects	0	6,364	1,577	1,577	1,577
Dept. of Emergency and Military Affairs - 1993 Flood Relief	574	800	0	0	0
Debt Service <sup>7/</sup>	<u>31,595</u>	<u>29,430</u>	<u>46,059</u> <sup>8/</sup>	<u>46,059</u> <sup>8/</sup>	<u>46,059</u> <sup>8/</sup>
Net Highway Fund Available for Statewide Highway Construction (5-Year Plan) <sup>9/</sup>	\$162,760	\$152,808	\$149,834	\$160,305	\$163,771

- <sup>1/</sup> Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.
- <sup>2/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
- <sup>3/</sup> A statutorily defined distribution of State Highway Fund monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County.
- <sup>4/</sup> Includes interest and rental income, transfers including from the Public Roads Fund, 2% of the vehicle license tax, revenue from 5 formerly non-appropriated funds beginning in FY 1998, and miscellaneous sales and other income.
- <sup>5/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement beginning FY 1998 by Laws 1997, Chapter 183.
- <sup>6/</sup> Includes an additional \$2,100,000 transfer to DPS as maximum final payment for Maricopa County's title and registration facilities.
- <sup>7/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.
- <sup>8/</sup> Includes debt service on a planned bond issue of \$212,000,000 in FY 1999.
- <sup>9/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal, carryover, and miscellaneous funds available for construction.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
PROG: Administration

JLBC: Bob Hull  
House Sub: Cooley

OSPB: John Arnold  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	475.0	498.0	742.0	716.0	716.0
Personal Services	15,100,500	16,995,700	17,417,900	16,226,000	16,224,900
Employee Related Expenditures	3,368,200	3,898,800	4,691,100	3,623,400	3,632,600
All Other Operating Expenditures:					
Professional and Outside Services	1,089,100	990,600	990,600	985,600	985,600
Travel - In State	188,500	159,300	159,300	154,800	154,800
Travel - Out of State	72,000	41,400	35,900	33,400	34,400
Other Operating Expenditures	13,957,100	12,938,600	13,028,000	10,539,000	12,305,300
Equipment	279,500	218,000	514,100	1,039,100	218,000
OPERATING SUBTOTAL	34,054,900	35,242,400	36,836,900	32,601,300	33,555,600
SPECIAL LINE ITEMS					
Risk Management Premium	9,276,300	8,266,000	8,266,000	9,024,400	9,024,400
Regional Area Road Fund Rent	646,700	0	0	0	0
Transportation Department Equipment Fund	0	0	30,856,000	30,704,900	30,586,300
Computer Network Upgrade	0	0	0	0	138,600
Mainframe Peripherals Upgrade	0	0	0	0	101,700
Attorney General Legal Services	0	0	0	1,833,400	1,833,900
PROGRAM TOTAL	43,977,900	43,508,400	75,958,900	74,164,000	75,240,500
BY FUND SOURCE					
Other Appropriated Funds	43,977,900	43,508,400	75,958,900	74,164,000	75,240,500
Other Non-Appropriated Funds	41,476,600	42,782,800	12,010,900	12,010,900	12,010,900
Federal Funds	314,178,100	313,117,100	314,053,800	314,053,800	314,053,800
TOTAL - ALL SOURCES	399,632,600	399,408,300	402,023,600	400,228,700	401,305,200

**Program Description** — Administration establishes and provides policy, guidance and overall direction to the department. It provides financial, data processing and administrative support for the department, including audit and analysis, community relations, affirmative action, and legal assistance.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$1,145,800	2.6%
Appropriate Equipment Fund	30,586,300	NA
Total Appropriated Funds	\$31,732,100	72.9%

## FY 1999 — Recommended Changes from FY 1998

Standard Changes	
Salary Adjustments	\$671,300 OF
ERE Rates	(89,700) OF
Risk Management	758,100 OF
Rent	3,100 OF
Eliminate One-time Equipment	(218,000) OF

**New Equipment 218,000 OF**  
Reflects an increase of \$218,000 for replacement office and personal computer equipment, including \$185,000 for personal computer equipment which requires approval by the Government Information Technology Agency in order to proceed with the project. The Executive concurs.

The Executive also recommends an additional \$682,500 to replace additional older personal computers contingent upon approval from the Government Information Technology Agency. JLBC Staff does not recommend this additional spending. The JLBC Staff has recommended a



## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

total of \$1,174,600 departmentwide for replacement personal computer equipment in the Equipment line, contingent upon approval from the Government Information Technology Agency. JLBC Staff believes that before additional monies are spent for personal computers, the department should have a departmentwide plan approved by the Government Information Technology Agency, which addresses its personal computer needs, compatibility and support from a departmentwide perspective.

**Appropriate Equipment Fund** **30,586,300 OF**  
Includes 247 FTE Positions and \$30,586,300 from the Transportation Department Equipment Fund, including \$9,278,000 for fleet replacement and \$280,000 for repair shop equipment replacement. Laws 1997, Chapter 210 requires the appropriation of this fund beginning in FY 1999. This is largely funded by charges to departmental sections for renting vehicles and equipment, such as the Equipment Rentals Special Line in Highway Maintenance and charges under Other Operating Expenditures in other sections. Equipment Services uses this fund to maintain and replace the department's 4,253 vehicles and equipment, including 1,439 automobiles and pickup trucks, 870 heavy trucks and heavy equipment, and 1,944 items of other equipment (spreaders, movers, welders, forklifts, patchers, compressors, weed sprayers, sign boards, etc.). For the 5 fiscal years 1993 through 1997 the department replaced an annual average of 10.7% of its automobiles and pickup trucks, 5.1% of heavy trucks and heavy equipment, and 8.6% of other equipment.

The recommended amount includes a decrease of \$(11,300) to adjust magazine and newspaper subscriptions to the level of actual expenditures reported by the department. The recommended amount also includes \$113,000 for replacement office and personal computer equipment for the 247 FTE Positions, including \$78,000 for personal computer equipment which requires approval by the Government Information Technology Agency in order to proceed with the project. The Executive concurs with 247 FTE Positions and recommends \$30,704,900.

**Transfers** **170,200 OF**  
Reflects the transfer-in of \$170,200 to Administration from other units including \$45,700 from Highways, \$52,100 from Highway Maintenance, and \$72,400 from Motor Vehicle Division. These expenditures represent each unit's share of on-going employee programs which are run by Administration including tuition reimbursement, quality training, and rewards and recognition. The Executive concurs.

**Mainframe Peripherals Upgrade** **101,700 OF**  
Reflects an increase of \$101,700 to upgrade mainframe computer peripheral equipment and its uninterruptible power supply, which is the first of 3 equal annual

installment/purchase payments. The estimated 3-year total cost is \$305,100. Government Information Technology Agency approval is required before the project proceeds. The Executive recommends that a total of \$1,766,300, including \$101,700 for the department's mainframe peripherals upgrade, be appropriated to the Government Information Technology Agency to explore data center consolidation (see mainframe downgrade policy issue), since this policy issue also involves the department's mainframe. The JLBC Staff believes that the Government Information Technology Agency can perform this function without transferring this money from the department.

**Computer Network Upgrade** **138,600 OF**  
Reflects an increase of \$138,600 to upgrade hardware and software for the department's wide area computer network and network management system, which is the first of 3 equal annual installment/purchase payments. The estimated 5-year total cost is \$575,800, which includes \$415,800 for installment/purchase payments and \$160,000 for licensing and maintenance fees at the rate of \$40,000 per year beginning FY 2000. Government Information Technology Agency approval is required before the project proceeds. The Executive concurs.

**Attorney General Legal Services** **-0- OF**  
Reflects a reduction of (26) FTE Positions for attorneys and related staff, which are supervised by the Attorney General. The FTE Positions and funding, however, have historically been included in this budget. In FY 1999, this funding totals \$1,833,900. Laws 1996, Chapter 335 requires the appropriation of the Attorney General intergovernmental service agreements (ISA). Consistent with this legislation, the JLBC Staff recommends appropriating these amounts and the 26 FTE Positions in the Attorney General's ISA Fund. Rather than appropriate Highway Fund directly to the Attorney General, these amounts would continue to be appropriated as a special line to ADOT and then transferred to the Attorney General via an ISA. The Executive concurs with a reduction of (26) FTE Positions and recommends \$1,883,400.

**Eliminate FTE Positions** **(6,000) OF**  
Reflects decreases of (2) FTE Positions and \$(6,000) of Employee Related Expenditures for the elimination of an Information Processing Specialist II grade 11 from the audit group and a Groundskeeper II grade 12. The department used the resulting \$31,500 of Personal Services to fund reclassifications. The Executive concurs with a decrease of (2) FTE Positions, but does not decrease Employee Related Expenditures.

**Subscriptions** **(12,600) OF**  
Reflects a decrease of \$(12,600) for Other Operating Expenditures to adjust magazine and newspaper subscriptions to the level of actual expenditures reported

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

by the department. The Executive does not address this issue.

**FTE Position Transfer (73,600) OF**  
Reflects the transfer-out of (1) FTE Tax Administrator Position and \$(73,600) from Administration to Motor Vehicle Division, to better align the position in its close daily work with Motor Vehicle Division personnel regarding tax matters. The Executive concurs with the transfer-out of (1) FTE Position and transfers \$(72,000).

**Utilities Transfer (93,000) OF**  
Reflects the transfer-out of \$(93,000) from Administration to Highways, in order to align utility and janitorial expenditures for the traffic studies section with the user. The Executive concurs.

**Mainframe Downgrade (422,300) OF**  
Reflects a decrease of \$(422,300) to downgrade the capacity of the mainframe computer whose lease expires October 31, 1998. The department leased an upgraded mainframe beginning November 1, 1995 to accommodate the Enterprise project, which never materialized. The Executive concurs. The Executive also recommends an additional decrease of \$(1,770,000) from the department's mainframe hardware and software budget and an appropriation of \$1,766,300 to the Government Information Technology Agency to explore data center consolidation with the Arizona Department of Administration. The JLBC Staff believes that the Government Information Technology Agency should explore data center consolidation, and that it can perform this function without transferring this money from the department.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Non-Motor Vehicle Division and Non-Highway Maintenance remainder of the department.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
State Highway	\$44,615,700
Transportation Department Equipment	30,586,300
Air Quality	38,500
TOTAL	\$75,240,500

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
PROG: Highways

JLBC: Bob Hull  
House Sub: Cooley

OSPB: John Arnold  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	839.0	839.0	837.0	831.0	831.0
Personal Services	26,825,500	29,041,600	30,227,900	29,795,400	29,799,100
Employee Related Expenditures	6,137,300	6,643,500	8,135,600	6,547,700	6,584,000
All Other Operating Expenditures:					
Professional and Outside Services	208,700	110,500	110,500	110,500	110,500
Travel - In State	637,800	725,300	725,300	724,600	724,600
Travel - Out of State	54,500	73,500	73,500	73,500	73,500
Other Operating Expenditures	4,924,700	3,628,000	3,675,300	3,587,500	3,584,500
Equipment	221,300	462,500	462,500	462,500	462,500
OPERATING SUBTOTAL	39,009,800	40,684,900	43,410,600	41,301,700	41,338,700
SPECIAL LINE ITEMS					
Radio Communications	405,600	405,900	405,900	405,900	405,900
Regional Public Transportation	50,000	0	0	0	0
Other Transit Planning	16,300	16,800	16,800	16,800	16,800
Traffic Signal Synchronization	0	500,000	500,000	500,000	500,000
PROGRAM TOTAL	39,481,700	41,607,600	44,333,300	42,224,400	42,261,400
BY FUND SOURCE					
General Fund	68,100	578,000	581,600	579,300	579,500
Other Appropriated Funds	39,413,600	41,029,600	43,751,700	41,645,100	41,681,900
Other Non-Appropriated Funds	204,029,400	296,388,000	231,236,000	231,236,000	231,236,000
TOTAL - ALL SOURCES	243,511,100	337,995,600	275,569,300	273,460,400	273,497,400

**Program Description** — Highways plans the statewide transportation system, including highways and airports. It is responsible for the location, design, right-of-way acquisition and construction of new highways for the state highway system. It coordinates a variety of services on a statewide basis, including: Federal Section 18 funds for general public transit services in rural areas; Federal Section 16(b)(2) funds for elderly and handicapped transportation; technical transit planning and training to rural public bodies and social service agencies; and urban transit projects demonstrating potential air quality benefits.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$1,500	0.3%
Other Appropriated Funds	652,300	1.6%
Total Appropriated Funds	\$653,800	1.6%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$1,018,300 OF	\$1,700 GF
ERE Rates	(141,600) OF	(300) GF
Risk Management	-0- OF	100 GF
Eliminate One-time Equipment	(462,500) OF	-0- GF

### New Equipment

**462,500 OF**

Reflects an increase of \$462,500 for replacement office and personal computer equipment, including \$438,000 for personal computer equipment which requires approval by the Government Information Technology Agency in order to proceed with the project. The Executive concurs.

### Utilities Transfer

**93,000 OF**

Reflects the transfer-in of \$93,000 to Highways from Administration, in order to align utility and janitorial

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

expenditures for the traffic studies section with the user. The Executive concurs.

**Traffic Signal Synchronization** -0- GF  
Laws 1997, Chapter 269 appropriated \$500,000 to the department for FY 1999. As a result, this amount will not need to be included in the FY 1999 General Appropriation Act. The monies will be used for distribution to cities and counties for synchronization of traffic control signals within and across jurisdictional boundaries. The Executive concurs.

**Automated Highway Research** -0- GF  
Reflects the earmarking of \$100,000 of the total State Highway Fund appropriation to be transferred to Arizona State University and used for automated highway system research. Please see recommended new footnote for more information. The Executive does not address this issue.

**Subscriptions** (3,100) OF  
Reflects a decrease of \$(3,100) for Other Operating Expenditures to adjust magazine and newspaper subscriptions to the level of actual expenditures reported by the department. The Executive does not address this issue.

**Eliminate FTE Positions** (6,000) OF  
Reflects decreases of (2) FTE Positions and \$(6,000) of Employee Related Expenditures for the elimination of a Quality Control Specialist grade 17 and an Administrative Assistant I grade 13. The department used the resulting \$40,000 of Personal Services to fund reclassifications. The Executive concurs with a decrease of (2) FTE Positions, but does not decrease Employee Related Expenditures.

**Transfer** (45,700) OF  
Reflects the transfer-out of \$(45,700) from Highways to Administration, for Highways share of on-going employee programs which are run by Administration including tuition reimbursement, quality training, and rewards and recognition. The Executive concurs.

**Transportation Planning** (262,600) OF  
Reflects decreases of (6) FTE Transportation Planning Positions and \$(262,600), based on department agreement with an Auditor General recommendation in Performance Audit Report Number 97-9. The Auditor General found that the Pima Association of Governments is the only Metropolitan Planning Organization out of 4 in Arizona that has department employees performing its transportation planning functions. The Auditor General recommended that the department no longer perform this function. The Executive concurs with a decrease of (6) FTE Positions, and recommends a decrease of \$(268,600).

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Non-Motor Vehicle Division and Non-Highway Maintenance remainder of the department.

### JLBC Staff Recommended Footnotes

#### *New Footnotes*

Of the \$41,681,900 appropriated from the State Highway Fund, \$100,000 shall be transferred on July 1, 1998 to Arizona State University for the purposes of establishing an Automated Highway System Research Center to study the feasibility of automated highway system technology in improving traffic capacity, air quality and traffic safety along Interstate 10 between Phoenix and Tucson, to acquire a fully-automated "smart car," and to maintain the demonstration test track behind Arizona State University's Sun Devil Stadium. *(Implements the recommendation of the Joint Interim Committee on Maricopa Oversight and Input on Transportation (MOVE-IT).)*

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
State Highway	\$41,681,900

\* \* \*

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
PROG: Highway Maintenance

JLBC: Bob Hull  
House Sub: Cooley

OSPB: John Arnold  
Senate Sub: Cirillo

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	951.0	951.0	951.0	951.0	951.0
Personal Services	21,727,600	23,095,300	24,230,300	23,820,700	23,090,200
Employee Related Expenditures	6,095,700	6,248,200	6,520,400	6,064,500	5,887,800
All Other Operating Expenditures:					
Professional and Outside Services	149,700	20,000	20,000	20,000	20,000
Travel - In State	672,300	340,000	360,000	340,000	340,000
Travel - Out of State	2,400	0	0	0	0
Other Operating Expenditures	2,551,500	3,718,800	3,756,300	3,666,700	3,659,100
Equipment	224,300	0	300,000	300,000	300,000
<b>OPERATING SUBTOTAL</b>	<b>31,423,500</b>	<b>33,422,300</b>	<b>35,187,000</b>	<b>34,211,900</b>	<b>33,297,100</b>
<b>SPECIAL LINE ITEMS</b>					
Central Maintenance	1,151,000	1,274,900	1,359,900	1,359,900	1,274,900
Contract Maintenance	5,284,600	8,600,000	7,807,500	7,807,500	3,649,600
Materials	13,339,000	15,962,700	16,145,200	16,145,200	15,483,700
Equipment Rentals	18,062,900	16,452,800	19,177,800	19,177,800	18,138,100
Right-of-Way Vegetative Treatment	396,500	850,000	850,000	850,000	850,000
Landscape Maintenance	0	0	0	0	5,654,600
<b>PROGRAM TOTAL</b>	<b>69,657,500</b>	<b>76,562,700</b>	<b>80,527,400</b>	<b>79,552,300</b>	<b>78,348,000</b>
<b>BY FUND SOURCE</b>					
Other Appropriated Funds	69,657,500	76,562,700	80,527,400	79,552,300	78,348,000
<b>TOTAL - ALL SOURCES</b>	<b>69,657,500</b>	<b>76,562,700</b>	<b>80,527,400</b>	<b>79,552,300</b>	<b>78,348,000</b>

**Program Description** — Highway Maintenance is responsible for the management and maintenance of the state highway system.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$1,785,300	2.3 %

## FY 1999 — Recommended Changes from FY 1998

**Standard Changes**  
**Salary Adjustments** \$827,300 OF  
**ERE Rates** (252,300) OF

**Workload Increase** 1,000,000 OF  
 Reflects an increase of \$1,000,000, including \$500,000 for Materials and \$500,000 for Equipment Rentals, for increasing highway maintenance needs as additional miles of roadway come online and so that state highway conditions do not deteriorate. The total of \$1,270,000 recommended for workload increase and landscape maintenance (see next policy issue) represents 1.7% of the approved FY 1998 budget for Highway Maintenance.

A 1997 Program Authorization Review of Highway Maintenance found that Arizona highways are above average in terms of their physical condition when compared to national averages, based on Federal Highway Administration data. The Program Authorization Review also found that the roads have earned a "good" rating in each of the department's 4 annual roadway self-assessments, which were begun in FY 1993. Further, Auditor General Performance Audit Report Number 97-17 issued October 1997 noted that Arizona's roads and bridges are in better condition than those nationally and compare favorably to other Western states.

JLBC Staff again recommends, as we did last year, that the department develop performance measures for Highway Maintenance which directly tie different funding levels to the quantities and quality of maintenance to be delivered.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

This has not yet occurred. When the department is able to do this, and to monitor and report the actual results, then the question of increased funding for Highway Maintenance can be addressed based on specific benefits to be derived therefrom. The Executive recommends an increase of \$2,500,000, including increases of \$85,000 for Central Maintenance, \$507,500 for Contract Maintenance, \$932,500 for Materials, and \$975,000 for Equipment Rentals.

**Landscape Maintenance** **270,000 OF**  
Reflects an increase of \$270,000 to improve landscape maintenance and better address plants dying from lack of water and weed control. This represents a 5% increase over the department's FY 1998 expenditure plan of \$5,384,600 for landscape maintenance. The Landscape Maintenance special line is recommended to increase the visibility and legislative oversight of landscape maintenance. It includes transfers of 36 FTE Positions and \$5,384,600 of resources currently performing landscape maintenance, including \$730,500 from Personal Services, \$210,000 from Employee Related Expenditures, \$564,700 from Equipment Rentals, \$229,000 from Materials, and \$3,650,400 from Contract Maintenance.

As with the rest of the Highway Maintenance workload, JLBC Staff will be better able to address the question of resource needs when the department can tie different funding levels to different outcomes, and then measures and reports the actual results. Then the question of the funding level for Landscape Maintenance can be addressed based on specific outcomes to be derived from specific funding levels. The Executive does not address this issue.

**Transfers** **-0- OF**  
Reflects \$0 net change resulting from transfers between line items to better reflect actual expenditures, including increases of \$1,750,000 for Equipment Rentals and \$300,000 for replacement office, field and personal computer equipment, and decreases of \$(1,300,000) for Contract Maintenance and \$(750,000) for Materials. The \$300,000 for replacement office, field and personal computer equipment includes \$133,500 for personal computer equipment, which requires approval by the Government Information Technology Agency in order to proceed with the project. The Executive concurs.

**Right-of-Way Vegetative Treatment** **-0- OF**  
Laws 1996, Chapter 365 appropriated \$850,000 to the department for FY 1999. As a result, this amount will not need to be included in the FY 1999 General Appropriation Act. The monies will be used for multiple vegetative treatment along state highways, such as tree thinning, underbrush removal, pruning, chipping of scrap material, seeding and approved harvesting. The Executive concurs.

**Subscriptions** **(7,600) OF**  
Reflects a decrease of \$(7,600) for Other Operating Expenditures to adjust magazine and newspaper subscriptions to the level of actual expenditures reported by the department. The Executive does not address this issue.

**Transfer** **(52,100) OF**  
Reflects the transfer-out of \$(52,100) from Highway Maintenance to Administration, for Highway Maintenance share of on-going employee programs which are run by Administration including tuition reimbursement, quality training, and rewards and recognition. The Executive concurs.

\* \* \*

**JLBC Staff Recommended Format** — Lump Sum for the Program with Landscape Maintenance Special Line Item. *(Joint Legislative Budget Committee approval would be required prior to transferring funds out of Landscape Maintenance.)*

### JLBC Staff Recommended Footnotes

#### Modification of Prior Year Footnotes

This appropriation is exempt from A.R.S. § 35-190, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to the State Highway Fund on August 31, ~~1998~~ 1999. *(Each year Highway Maintenance delays spending some of its appropriation due to uncertain maintenance needs caused by inclement winter weather. This footnote allows them 2 additional months to spend their remaining FY 1999 appropriation, before reverting unexpended and unencumbered monies to the State Highway Fund.)*

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
State Highway	\$78,348,000

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
PROG: Aeronautics Division

JLBC: Bob Hull  
House Sub: Cooley

OSPB: John Arnold  
Senate Sub: Cirillo

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	33.0	33.0	33.0	33.0	33.0
Personal Services	716,500	894,200	932,100	921,800	631,100
Employee Related Expenditures	184,000	229,800	255,000	226,700	145,300
All Other Operating Expenditures:					
Professional and Outside Services	12,600	58,600	58,600	58,600	58,600
Travel - In State	19,300	29,900	29,900	29,900	27,500
Travel - Out of State	15,600	11,000	11,000	11,000	10,100
Other Operating Expenditures	433,600	415,000	415,000	416,200	174,600
Equipment	42,800	9,600	9,600	9,600	9,600
OPERATING SUBTOTAL	1,424,400	1,648,100	1,711,200	1,673,800	1,056,800
SPECIAL LINE ITEMS					
Reimbursement to Highway Fund	0	10,000	10,000	10,000	10,000
Grand Canyon Airport	0	0	0	0	608,900
PROGRAM TOTAL	1,424,400	1,658,100	1,721,200	1,683,800	1,675,700
BY FUND SOURCE					
Other Appropriated Funds	1,424,400	1,658,100	1,721,200	1,683,800	1,675,700
Federal Funds	91,300	6,150,000	2,150,000	2,150,000	2,150,000
TOTAL - ALL SOURCES	1,515,700	7,808,100	3,871,200	3,833,800	3,825,700

**Program Description** — *The Aeronautics Division registers and licenses all general aviation aircraft in the state, administers the airports development grant and airports loan programs, and operates the Grand Canyon National Park Airport.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$17,600	1.1%

## FY 1999 — Recommended Changes from FY 1998

Standard Changes	
Salary Adjustments	\$31,500 OF
ERE Rates	(5,900) OF
Risk Management	1,200 OF
Eliminate One-time	
Equipment	(9,600) OF

**New Equipment** **9,600 OF**  
Reflects an increase of \$9,600 for replacement personal computer equipment, which requires approval by the Government Information Technology Agency in order to proceed with the project. The Executive concurs.

**Privatization of Grand Canyon Airport** **-0- OF**  
Reflects the transfer of 14 FTE Positions and \$608,900 from the operating budget to the Grand Canyon Airport Special Line, which represents resources that will be

needed to continue operating the airport if privatization is not effective by July 1, 1998. One FTE Position currently associated with the airport and related monies are retained in the operating budget to act as a liaison with the proposed independent airport authority. JLBC Staff recommends a new footnote that provides for legislative oversight of the department's progress in privatizing the airport, before the expenditure of any Grand Canyon Airport Special Line monies for FY 1999. The Executive essentially concurs, but does not create a special line for the Grand Canyon Airport. The Executive recommends that \$549,000 of the operating budget be for the Grand Canyon Airport and that its expenditure be predicated upon approval by the Joint Legislative Budget Committee.

The Grand Canyon National Park Airport Commission was appointed by the Governor in June 1995 to make a recommendation regarding ownership and management options for the airport. The commission engaged Price Waterhouse LLP, which recommended either an

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

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independent airport authority or a long-term lease, and prepared strategic business plans for each option. In July 1996 the commission recommended that an independent airport authority (non-profit civic corporation structure) be created to operate and manage the airport. The department anticipates issuing the Request for Proposals in February 1998. If all goes well, an independent airport authority should be operating and managing the airport by July 1, 1998.

### Subscriptions

(9,200) OF

Reflects a decrease of \$(9,200) for Other Operating Expenditures to adjust magazine and newspaper subscriptions to the level of actual expenditures reported by the department. The Executive does not address this issue.

\* \* \*

**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items for the Non-Motor Vehicle Division and Non-Highway Maintenance remainder of the department.

### JLBC Staff Recommended Footnotes

#### *New Footnotes*

Before expending any of the \$608,900 of the FY 1999 appropriation for the Grand Canyon Airport Special Line, the department shall report to the Joint Legislative Budget Committee on the status and projected date of the privatization of the airport. *(Provides for legislative oversight of the department's progress in the privatization of the Grand Canyon Airport.)*

### Other Appropriated Fund Source Detail

	FY 1999
	JLBC Rec
State Aviation	<u>\$1,675,700</u>



# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Department of Transportation  
PROG: Motor Vehicle Division

JLBC: Jim Rounds/Bob Hull  
House Sub: Cooley

OSPB: John Arnold  
Senate Sub: Cirillo

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	723.0	1,362.0	1,357.0	1,357.0	1,357.0
Personal Services	16,321,400	34,025,000	35,518,300	36,599,600	35,548,400
Employee Related Expenditures	4,229,800	9,162,300	9,830,300	9,055,200	9,114,500
All Other Operating Expenditures:					
Professional and Outside Services	105,400	1,965,500	689,100	709,100	689,100
Travel - In State	214,700	461,500	461,500	461,500	461,500
Travel - Out of State	32,400	31,000	36,500	36,500	36,500
Other Operating Expenditures	4,695,700	11,142,900	11,070,900	12,067,600	11,062,900
Equipment	0	510,000	510,000	615,800	500,000
<b>OPERATING SUBTOTAL</b>	25,599,400	57,298,200	58,116,600	59,545,300	57,412,900
<b>SPECIAL LINE ITEMS</b>					
Abandoned Vehicle Administration	377,900	463,800	477,900	0	405,200
Safety Enforcement and Infrastructure	1,909,400	759,000	799,500	776,800	766,800
Medical Advisory Board	84,200	0	0	0	0
Mobile Home Administration	115,100	0	0	0	0
License Plates and Tabs	1,266,400	1,275,300	1,275,300	1,275,300	1,275,300
Number Plate Replacement	0	1,020,000	1,020,000	1,020,000	1,020,000
Attorney General Legal Services	0	116,400	116,400	123,200	123,200
Auto Salvage, Theft Prevention	223,100	0	0	0	0
<b>PROGRAM TOTAL</b>	29,575,500	60,932,700	61,805,700	62,740,600	61,003,400
<b>BY FUND SOURCE</b>					
General Fund	223,100	0	0	0	0
Other Appropriated Funds	29,352,400	60,932,700	61,805,700	62,740,600	61,003,400
Other Non-Appropriated Funds	38,860,500	1,628,800	1,637,400	1,637,400	1,637,400
<b>TOTAL - ALL SOURCES</b>	68,436,000	62,561,500	63,443,100	64,378,000	62,640,800

**Program Description** — *The Motor Vehicle Division (MVD) regulates vehicular operations within the state through the issuance and control of various permits, registrations and licenses.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
Other Appropriated Funds	\$70,700	0.1%

## FY 1999 — Recommended Changes from FY 1998

<b>Standard Changes</b>	
Salary Adjustment	\$1,489,400 OF
ERE Rates	(37,200) OF
Risk Management	100 OF
Eliminate One-time Equipment	(589,000) OF

**Equipment and Other Adjustments** 500,000 OF  
The JLBC Staff recommends that \$500,000 of the Equipment monies be retained for replacement office and personal computer equipment, including \$330,500 for personal computer equipment which requires approval by

the Government Information Technology Agency in order to proceed with the project. The Executive recommends a total of \$629,800 for Equipment including \$510,000 for general equipment purchases, \$40,800 for safes, \$65,000 for a microfilm machine, and \$14,000 in a Special Line Item.

For FY 1998, the division received an additional \$938,900 in the operating portion of its budget and \$79,000 in Special Line Items to be used for equipment purchases. The division also received \$200,000 to be used for uniforms for the customer service representatives. The division has since reallocated \$428,900 of the Equipment

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

monies to the Other Operating Expenditures portion of the budget to cover anticipated funding deficiencies. In addition, the department has discontinued its uniform policy for customer service clerks.

Rather than remove the entire \$1,217,900 from the equipment and uniform allocation, we recommend that only the \$589,000 currently designated by the department for Equipment purchases be considered a one-time Equipment expense. This will allow for \$628,900 to remain in the budget to cover any funding shortages in Other Operating Expenditures. The Executive first recommends the removal of the \$200,000 in uniform monies, then recommends an increase of \$805,800 in Other Operating Expenditures to cover any funding deficiencies. The JLBC Staff does not recommend this further increase in Other Operating Expenditures since we recommend that \$628,900 be retained in the budget for this purpose.

### **Special Projects (1,276,400) OF**

This decrease reflects the removal of one-time funding for 7 special projects that the department estimates will produce an additional \$52,700,000 in FY 1998. The projects include a second phase of biennial registration, stepped-up vehicle enforcement, annual vehicle records maintenance, expanded sales of vehicle records, automation of vehicle records research, automation of port permit violation tracking, and accelerating alternative fuel plate revenue along with a provision allowing the personalization of the plates. The department will report by August 31, 1998 all additional FY 1998 revenues received as a result of the projects. The Executive concurs.

### **Transfer of Tax Administrator 73,600 OF**

The JLBC Staff recommends the transfer of a tax administrator from Administration to the MVD to more closely align the tax administration duties with the area that is supported. The transfer includes \$67,700 in Personal Services and ERE, and \$5,900 in related expenditures. A corresponding decrease is included in Administration. The Executive recommends the transfer of 1 FTE Position and \$72,000.

### **Administrative Adjustment (72,400) OF**

The JLBC Staff recommends the agency's request to transfer a portion of each division's shared costs to Administration. A corresponding increase is included in Administration. The Executive concurs.

### **FTE Reduction (17,900) OF**

The JLBC Staff recommendation includes the elimination of (6) FTE Positions which were removed by the department in FY 1997 to fund reclassifications. The recommendation includes the accompanying decrease of \$(17,900) in ERE. The Executive concurs.

### **Attorney General Services 6,800 OF**

Reflects an increase of \$6,800 to accommodate a cost increase in Attorney General services. The Executive concurs.

### **Subscriptions (6,300) OF**

Reflects a decrease of \$(6,300) in Other Operating Expenditures to adjust magazine and newspaper subscriptions to the level of actual expenditures reported by the department. The Executive does not address this issue.

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**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Department of Public Safety (DPS) Special Services** program during the last year, including the Motor Carrier Safety Enforcement sub-program. Both DPS and MVD participate in this program. The JLBC Staff originally recommended that DPS be the sole agency responsible for enforcing motor carrier safety. The Criminal Justice/Transportation PAR Committee instead voted to retain the sub-program as it currently exists. The JLBC Staff budget recommendation reflects the PAR Committee's decision.

The PAR committee will review the results of a consultant's study that is currently being conducted in MVD. Also, MVD will report to the Staffs of the JLBC and OSPB on a monthly basis the number of inspections, hours worked, FTE utilization and the number of inspections conducted by a joint task force.

**JLBC Staff Recommended Format** — Lump Sum for the Program

### **JLBC Staff Recommended Footnotes**

#### *Modification of Prior Year Footnotes*

~~If H.B. 2171 or similar legislation which eliminates the weight distance tax in FY 1998 is enacted into law, then the following shall occur: 1) the department shall report its projected savings for FY 1999 in dollars and FTE Positions due to this legislation not later than July 31, 1997 to the Joint Legislative Budget Committee; 2) The department may use up to \$200,000 of FY 1998 savings due to implementing this law to contract for auditing services for the Motor Vehicle Division to enhance revenue enforcement, and shall report by July 31, 1998 to the Joint Legislative Budget Committee as to the effectiveness of the additional auditing DONE IN RESPONSE TO THE ELIMINATION OF THE WEIGHT-DISTANCE TAX IN FY 1998, including a comparison of projected and actual audit assessments for~~

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

FY 1998. *(The recommended modification will remove an expired reporting requirement.)*

The department shall provide written quarterly reports to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the House of Representatives and Senate Appropriations Committees, and the Director of the Joint Legislative Budget Committee, documenting the monthly averages for customer wait time, transaction time, and total time in the office for each MVD field office equipped with electronic customer monitoring devices AS WELL AS THE AGGREGATE WEIGHTED AVERAGE WAIT AND TRANSACTION TIME, and the reasons for changes therein. *(The recommended modification will allow for a more meaningful analysis of changes in customer wait times. See Other Issues for Legislative Consideration for further discussion of this issue.)*

### New Footnotes

The department shall provide written quarterly reports to the Joint Legislative Budget Committee, documenting both monetary and workload savings as a result of the following efficiency enhancing efforts: 1) the biennial registration program, 2) the "Third Party" privatization campaign, 3) the extended drivers license program, 4) efforts to increase mail-in registrations, and 5) efforts to increase Internet registrations. The department shall include in the report an account of where the above described savings have been applied, and how this application has furthered customer service. *(The information that the department submits will allow for a more meaningful analysis of its resource needs in the future.)*

### Deletion of Prior Year Footnotes

The JLBC Staff recommends the elimination of the one-time footnote concerning the reporting of the results of expanding the Performance-Based Incentive Pay Program for FY 1997.

The JLBC Staff recommends the elimination of the one-time footnote concerning the department reporting its efforts to increase mail-in and Internet registrations. The JLBC Staff is recommending that a more comprehensive reporting requirement be added *(see New Footnotes)*.

The JLBC Staff recommends the elimination of the one-time footnote requiring the department to report realized revenue collections as a result of its 7 special projects. The department would still be required to report the revenue amounts by August 31, 1998.

### Other Issues for Legislative Consideration

#### Personal Services and Customer Wait Times

The Executive recommends an additional \$700,000 for Personal Services and ERE in FY 1998 through a

supplemental recommendation, and recommends an additional \$1,360,200 in FY 1999.

Currently, the JLBC Staff does not recommend additional Personal Services dollars. In FY 1998, the division indicated that it expected a 30% workload reduction in its field offices resulting from the biennial registration and extended drivers license programs. The division was to use the displaced FTE Positions and Personal Services dollars that were maintained in the budget to reduce customer wait times. The division also plans on continuing its privatization efforts which would further reduce the need for additional Personal Services dollars. Furthermore, additional workload reductions could be realized from an increase in renewals by mail and the Internet. The JLBC Staff believes that if the division's workload is reduced, and if privatization efforts continue, the division should be able to work within its current staffing and funding limits and still enhance customer service.

Customer wait times since October 1996, have averaged 36.5 minutes (this is well above the department's goal of a 20 minute average). There is the possibility that additional FTE Positions and Personal Services dollars may be needed to address the customer service concern. However, we recommend that the department first exhaust all of its privatization and efficiency enhancing efforts prior to legislative action to increase the Personal Services level. A proper analysis of staffing and funding levels can be performed after the department fully documents the effects of the "Third Party" privatization campaign, the realized workload reduction from the biennial registration and extended drivers license programs, and the realized reduction in workloads from efforts to increase the number of mail-in and Internet registrations. We recommend adding a new footnote requiring the department to fully document savings in these areas *(see New Footnotes)*.

### Consolidation of Funds

Laws 1997, Chapter 58, provides that the Dealer Enforcement Fund and the Abandoned Vehicle Fund be merged into the State Highway Fund beginning in FY 1999. The JLBC Staff recommends 6 FTE Positions and \$276,100 for the Dealer Enforcement program, and 14 FTE Positions and \$405,200 for the Abandoned Vehicle program. The Abandoned Vehicle Administration monies are displayed as a separate line item for information purposes only.

### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
State Highway Fund	\$60,236,600
Safety Enforcement Fund	766,800
TOTAL	\$61,003,400

**UNIVERSITIES**  
**(UNI)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona Board of Regents

JLBC: John Lee/Steve Grunig  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	28.0	28.1	44.1	28.6	28.1
Personal Services	1,299,100	1,374,100	1,495,000	1,427,300	1,427,400
Employee Related Expenditures	249,400	267,500	304,200	274,900	270,600
All Other Operating Expenditures:					
Professional and Outside Services	34,400	37,500	37,500	37,500	37,500
Travel - In State	5,800	11,400	12,000	11,700	11,400
Travel - Out of State	0	0	1,000	0	0
Other Operating Expenditures	226,000	226,300	242,000	238,500	238,500
Equipment	0	0	10,400	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,814,700</b>	<b>1,916,800</b>	<b>2,102,100</b>	<b>1,989,900</b>	<b>1,985,400</b>
<b>SPECIAL LINE ITEMS</b>					
Western Interstate Commission Office	79,000	81,000	83,000	83,000	83,000
WICHE Student Subsidies	2,420,000	2,634,400	2,704,900	2,634,400	2,704,900
Student Financial Aid Trust Fund	1,638,400	1,761,100	1,933,400	1,761,100	1,933,400
Teacher Loan Forgiveness Fund for Deaf & Blind	95,000	95,000	95,000	95,000	95,000
Western Governors University (WGU)	0	100,000	0	0	0
Faculty Teaching Incentive Program Fund (TIP)	0	4,000,000	8,000,000	8,000,000	8,000,000
Grants for Information Technology	0	0	600,000	0	0
Arizona Learning Link - Phase I	0	0	915,100	0	0
State Student Incentive Grants (SSIG)	0	0	0	3,364,500	0
Alzheimer's Disease Research	0	0	0	1,200,000	0
Board of Regents and University Issues	0	0	0	5,000,000	0
<b>AGENCY TOTAL</b>	<b>6,047,100</b>	<b>10,588,300</b>	<b>16,433,500</b>	<b>24,127,900</b>	<b>14,801,700</b>
<b>BY FUND SOURCE</b>					
General Fund	6,047,100	10,588,300	16,433,500	21,984,200	14,801,700
Other Appropriated Funds	0	0	0	2,143,700	0
Other Non-Appropriated Funds	432,600	1,251,200	737,900	737,900	737,900
Federal Funds	797,700	744,800	744,800	744,800	744,800
<b>TOTAL - ALL SOURCES</b>	<b>7,277,400</b>	<b>12,584,300</b>	<b>17,916,200</b>	<b>25,610,600</b>	<b>16,284,400</b>

**Agency Description** —The board governs the 3 state universities, appoints presidents of the universities, sets the tuition and fees, establishes curricula, awards degrees, and prescribes qualifications for admission of all students to the universities. The board also adopts personnel rules and controls the university finances and expenditures including bonding, budget and all non-appropriated funds.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$4,213,400	39.8%
Other Appropriated Funds	-0-	0.0%
Total Appropriated Funds	\$4,213,400	39.8%

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## FY 1999 — Recommended Changes from FY 1998

Standard Changes	
Salary Adjustments	\$ 60,300 GF
ERE Rates	(3,900) GF
Risk Management	100 GF
Rent	12,100 GF

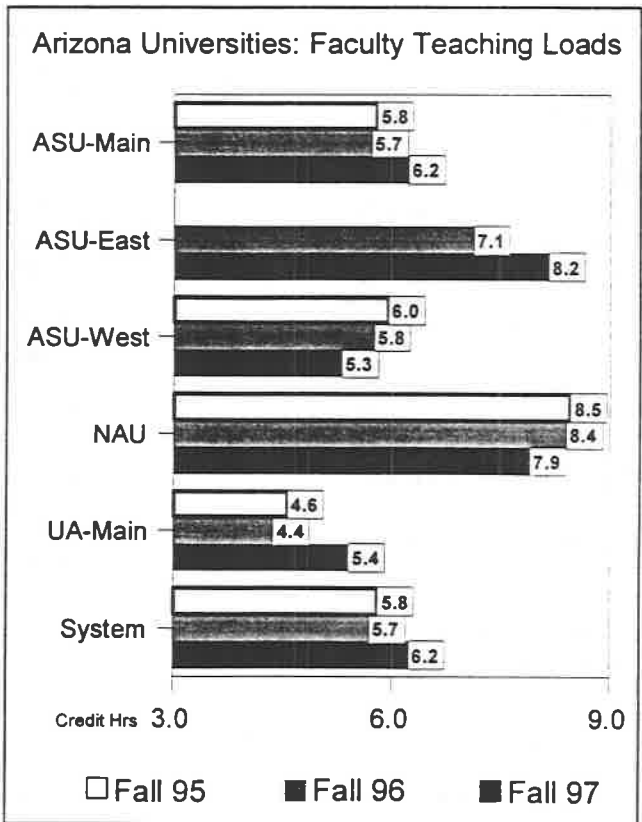
Salary Annualization for Faculty Teaching Incentive Program (TIP) 4,000,000 GF

Performance Measures (University System)	FY 96 (Fall 95)	FY 97 (Fall 96)	FY 98 (Fall 97)
Faculty Teaching Load (Hours Per Week)			
Full Professors	5.45	5.41	5.92
Associate Professors	6.12	5.94	6.46
Assistant Professors	5.98	5.83	6.50
Average	5.81	5.70	6.24

The JLBC Staff recommendation provides \$4,000,000 to annualize the teaching incentive bonuses for qualifying faculty of the universities based on a minimum of 6 credit hours of teaching load per semester in regular classes during the fall semester of 1997. The teaching incentive bonuses range between 2% and 5% of academic year base salary per semester, effective January 1, 1998. The recommended sum of \$4,000,000 includes \$250,000 for the College of Medicine. New teaching load data for the fall semester of 1997 indicate a systemwide average increase of 9.5% for classroom teaching load per ranked faculty from the fall semester of 1996. The Executive concurs with the JLBC Staff recommendation for the TIP annualization.

The JLBC Staff recommends that a working group be established to address faculty work and incentive issues in order to determine merits of continuous funding for the Faculty Teaching Incentive Program in the future. The working group may be composed of members from the university system, the Legislature, the Office of the Governor, students, parents, and the business community. Findings of the working group should be presented to the Joint Legislative Budget Committee (JLBC) on or before March 1, 1998. The staffs of the Arizona Board of Regents (ABOR) and the JLBC may coordinate research, data, and meeting agendas for the working group. The JLBC Staff will review the working group's findings and make its recommendation to the JLBC and the Legislature.

The above chart shows that during the fall semester of 1997 the ranked faculty teaching loads in classrooms were 6.2 hours at ASU-Main, 8.2 hours at ASU-East, 5.3 hours at ASU-West, 7.9 hours at NAU, and 5.4 hours at UA. The universities have important missions for teaching, research and public service. The public expect the teaching mission to be the first priority of the public



universities. The JLBC Staff recognizes that the faculty members' instructional activities include direct classroom teaching, student advising, course preparation, and grading examinations and papers. However, the fundamental question still remains: Are our ranked faculty spending enough time in the classroom? The Legislature, Governor, and the Arizona Board of Regents must examine whether the state resources are being optimized at the universities for classroom teaching by ranked faculty.

### WICHE Interstate Commission Office 2,000 GF

The JLBC Staff recommends a \$2,000 increase to provide Arizona's share of WICHE (Western Interstate Commission on Higher Education) administrative costs as a membership fee in accordance with A.R.S. § 15-1742. The Executive recommends the same amount.

### WICHE Student Subsidies 70,500 GF

The JLBC Staff recommends a \$70,500, or 2.7%, fee adjustment increase to fund 177 student subsidies that provide partial financial support and preferential access for Arizona residents at universities outside of Arizona. Arizona students participating in the WICHE-Professional Student Exchange Program choose careers in certain health care professions for which education is not offered in the state universities of Arizona. All WICHE participants are required to practice in Arizona 1 year for each year of support or repay the state one-half of all funds expended on their behalf, plus interest. Alternatively, participants may practice in an underserved Arizona community and

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

## WICHE Professional Student Exchange Program Projected Student Participation by State Academic Year 1998-99

	<u>California</u>	<u>Colorado</u>	<u>Oregon</u>	<u>Washington</u>	<u>Missouri</u>	<u>Utah</u>	<u>Total</u>
Dentistry	20	14	14	3	--	--	51
Occupational Therapy	2	5	2	6	--	--	15
Optometry	9	--	7	--	--	--	16
Osteopathy	10	--	--	--	10	--	20
Physician Assistant	1	1	--	2	--	2	6
Veterinary Medicine	--	54	7	8	--	--	69
Total	42	74	30	19	10	2	177

receive 1 year of state service credit for each 6 months of practice. The above table shows the projected geographic distribution of WICHE students by field of study. The Executive recommends no additional funding for this program.

### Student Financial Aid Trust Fund 172,300 GF

The JLBC Staff recommends a \$172,300 increase over the FY 1998 funding level of \$1,761,100 for state appropriated matching funds based upon actual student surcharge fees collected during FY 1997 in accordance with the provisions of A.R.S. § 15-1642. The fund is used to provide immediate aid to students with verifiable financial need or unique need due to their special circumstances and to create an endowment for future financial aid. The Executive recommends no additional funding for this program.

### Western Governors University (100,000) GF

The JLBC Staff recommendation provides the requested deletion of \$(100,000) for the Western Governor's University. The Executive concurs with the JLBC Staff recommendation.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review** of the College of Extended Education at Arizona State University (ASU), Personal and Professional Development Programs and Office of Management Development at Northern Arizona University (NAU), and Extended University at the University of Arizona (UA). As a result of that review, the JLBC Staff recommends modifying the programs for ASU and UA.

The ASU College of Extended Education assists other ASU-Main and ASU-West colleges and academic units as an initiator, broker, and facilitator of credit and non-credit program offerings. The college helps to provide 16 degree programs and credit classes focusing on the non-traditional student. The college offers professional and continuing education and community outreach. Additionally, the college administers the Arizona Prevention Resource Center and the Gang and Drug Prevention Resource Center. The college also administers the American Language and Culture Program.

The NAU Personal and Professional Development program provides non-credit programs to medical, social service, mental health, and education customers in Northern Arizona and on the Navajo and Hopi reservations. The Office of Management Development in the College of Business Administration provides individuals and organizations with the Elderhostel program (non-credit residentially based academic programs for senior citizens) and seminars and workshops on business-related topics.

The UA's Extended University provides credit courses during the evenings and on weekends. Extended University provides off-campus courses, including courses delivered through distance learning. It offers non-credit programs such as Elderhostel and other personal and professional development programs. Extended University also offers correspondence courses for grades 4-12 and non-credit programs for children in preschool through high school.

Off-campus degree programs make university education available to students in all parts of the state. The importance of these programs is difficult to overemphasize. In the areas where university off-campus programs do exist, the joint review found them to be responsive to community needs and well received. Yet, it appears that off-campus degree programs may not exist in all areas where they are desired by students.

The review found that although some information on off-campus credit bearing education has been gathered in the past, the universities and the ABOR currently do not have some of the essential data required to effectively manage off-campus education on a statewide basis.

The JLBC Staff recommends that the ABOR take a stronger role in the strategic planning and annual evaluation of statewide off-campus university education. It is suggested that data be collected annually regarding all university off-campus student enrollments, such as student counts, used for 22:1 enrollment growth funding, and that data be collected annually regarding the type and location of all university off-campus degree programs.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency

## JLBC Staff Recommended Footnotes

### Standard Footnotes

Faculty Teaching Incentive Program Fund is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

### Modification of Prior Year Footnotes

The Arizona Board of Regents (ABOR) and the State Board of Directors for Community Colleges (State Board) shall continue the Transfer Articulation Study Committee comprised of university and community college members who are representatives of faculty, academic administration, student services and the chief executive offices. ~~to continue collaborative efforts.~~ It is the intent of the Legislature that the study committee meet at least quarterly to continually improve the statewide articulation and transfer system, including the process for transfer of lower division general education credits and curriculum requirements for majors, with ~~the objective of A~~

DEFINITIVE TIMELINE FOR reaching consensus on ~~improving the~~ AN agreement that assures that community college students may transfer to Arizona public universities without loss of credit towards a baccalaureate degree. The ABOR and the State Board shall present an SEMI-annual report of their progress to the Joint Legislative Budget Committee ~~beginning~~ ON JUNE 15, 1998 AND ON December 15, 1998.

## Other Issues for Legislative Consideration

### State Student Incentive Grants (SSIG)

The Executive recommends transferring the SSIG program from the Commission for Postsecondary Education to ABOR. The recommended transfer provides \$3,364,500 and 0.5 FTE Positions, including \$1,220,800 from the General Fund and \$2,143,700 from the Postsecondary Education Fund. The JLBC Staff does not recommend the transfer as the commission is statutorily mandated to promulgate various services to students in both public and private higher education.

### Alzheimer's Disease Research

The Executive recommends funding of \$1,200,000 to support Alzheimer's disease research in Arizona.

## UNIVERSITY SYSTEM SALARY ADJUSTMENTS FOR FY 1999 (Personal Services and Employee Related Expenditures)

	FY 1998 Annualization		FY 1999 Salary Adjustments		TOTAL
	CSA	2.5% + Merit	CSA	Merit	
ASU-Main Campus	\$180,000	\$2,781,100	\$2,545,900	\$3,363,400	\$8,870,400
ASU-East Campus	4,900	82,300	68,200	96,100	251,500
ASU-West Campus	21,000	317,700	295,600	356,900	991,200
ASU-Total	205,900	3,181,100	2,909,700	3,816,400	10,113,100
Northern Arizona University	71,600	1,011,000	1,011,100	1,149,200	3,242,900
NAU-Yuma	1,200	18,200	17,300	19,300	56,000
NAU Total	72,800	1,029,200	1,028,400	1,168,500	3,298,900
University of Arizona-Main Campus	148,100	2,255,500	2,099,800	2,616,500	7,119,900
Agriculture	26,500	379,700	375,600	442,400	1,224,200
Pima Campus	800	20,000	11,300	14,900	47,000
Sierra Vista	1,400	27,100	18,400	19,900	66,800
UA Total	176,800	2,682,300	2,505,100	3,093,700	8,457,900
Health Sciences Center	21,500	384,100	305,500	517,000	1,228,100
Clinical Teaching Support	--	110,600	--	76,100	186,700
Telemedicine Network	100	4,400	2,000	3,800	10,300
Clinical Rural Rotations	200	5,200	3,300	3,700	12,400
HSC Total	21,800	504,300	310,800	600,600	1,437,500
Arizona Board of Regents	\$ 900	\$ 26,500	\$ 13,000	\$ 19,900	\$ 60,300
Faculty Teaching Incentive Program	--	4,000,000	--	--	4,000,000
<b>TOTAL SYSTEM</b>	<b>\$478,200</b>	<b>\$11,423,400</b>	<b>\$6,767,000</b>	<b>\$8,699,100</b>	<b>\$27,367,700</b>



**Board of Regents and University Issues**

The Executive recommendation provides \$5,000,000 for the university system initiatives to be distributed to the campuses according to ABOR priorities.

**Auditor General Performance Audit – Arizona Universities' Space Utilization**

The Auditor General found that the average use of all classrooms ranges between 25 and 28 hours per week out of a possible 50 hours, Monday through Friday, between 7:00 a.m. and 5:00 p.m.

The Auditor General further states that “by using their existing classrooms more often, the universities may be able to serve more students, convert underutilized classrooms into other types of needed space, or prevent or delay construction of new classroom space.”

The Auditor General recommends that the classrooms should be more highly utilized and ABOR should hold the universities accountable for meeting the classroom use guidelines and consider how the universities are utilizing space when reviewing their requests for classroom construction.

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona State University - Main Campus

JLBC: John Lee/Steve Grunig  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	5,362.9	5,519.4	5,972.4	5,668.3	5,763.4
Personal Services	195,248,300	226,923,900	249,920,600	240,955,700	240,968,100
Employee Related Expenditures	35,427,200	39,826,500	43,604,400	42,233,700	43,737,900
All Other Operating Expenditures:					
Professional and Outside Services	3,361,300	1,369,900	1,399,900	1,369,900	1,369,900
Travel - In State	132,900	352,400	414,500	452,300	382,400
Travel - Out of State	1,701,100	766,800	947,800	766,800	866,800
Library Acquisitions	6,992,000	6,464,700	6,494,700	6,464,700	6,464,700
Other Operating Expenditures	40,428,300	38,101,000	39,186,800	38,607,000	38,402,200
Equipment	12,943,000	9,053,300	15,490,500	9,503,000	9,503,300
<b>AGENCY TOTAL</b>	<b>296,234,100</b>	<b>322,858,500</b>	<b>357,459,200</b>	<b>340,353,100</b>	<b>341,695,300</b>
<b>BY FUND SOURCE</b>					
General Fund	216,693,100	234,608,800	266,023,200	248,917,100	249,040,400
Other Appropriated Funds	79,541,000	88,249,700	91,436,000	91,436,000	92,654,900
Other Non-Appropriated Funds	147,431,600	162,599,500	179,533,300	179,533,300	179,533,300
Federal Funds	59,225,500	61,882,300	64,167,300	64,167,300	64,167,300
<b>TOTAL - ALL SOURCES</b>	<b>502,891,200</b>	<b>547,340,300</b>	<b>601,159,800</b>	<b>584,053,700</b>	<b>585,395,900</b>

**Agency Description** — Established in 1885, Arizona State University (ASU) is one of the 3 state universities governed by the Arizona Board of Regents. As a Research I institution, Arizona State University - Main Campus offers over 250 degree programs to approximately 42,000 students in 13 colleges and schools, and also provides academic courses at the Downtown Center in Phoenix.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$14,431,600	6.2 %
Other Appropriated Funds	4,405,200	5.0%
Total Appropriated Funds	\$18,836,800	5.8%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$8,870,400 GF
ERE Rates	1,658,900 GF
Risk Management	76,200 GF

### Enrollment Growth \$3,186,300 OF 5,129,000 GF

The JLBC Staff recommendation provides an increase of \$8,315,300 and 150 FTE Positions for student enrollment growth of 2,200 FTE students based upon a 3-year rolling weighted average enrollment of 39,167 full-time equivalent students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The 150 FTE Positions recommended include 100 faculty and 50 secretary and support staff positions. The Executive

recommends \$8,650,200 and 149.9 FTE Positions for enrollment growth.

### Funding Transfer to ASU-East Campus (84,000) GF

The JLBC Staff recommendation provides the requested transfer of \$(84,000) and (1) FTE faculty position to the East Campus for support of academic programs. The Executive recommends the transfer for \$85,400 and 1 faculty position.

### Instruction Enhancement -0- GF

The university revised its FY 1998 state operating budget (expenditure authority) for an increase of \$8,223,300 and 95 FTE Positions, with additional tuition and fee revenues of \$8,223,300. The JLBC Staff recommendation provides the line item adjustments to reflect the FY 1998 revised budget. The additional 95 FTE Positions are reflected in the FY 1999 recommendation. The Executive

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

recommendation does not include 95 FTE Positions either in FY 1998 or FY 1999.

### Local Collections Retention for Academic Revenue Bond

#### Debt Service 1,218,900 OF (1,218,900) GF

The JLBC Staff recommends a \$(1,218,900) decrease for academic revenue bond debt service budget set aside in Local Collections Retention for FY 1999 from \$16,926,000 to \$15,707,100. This downward adjustment is based on the delayed issuance of Liberal Arts Mediated Classroom Building bond. If the university issues the revenue bond in November 1998 as a revised plan, an additional debt service requirement of \$658,000 can be funded from the carry-forward balance of the same amount from FY 1998. The following table shows the debt service requirements:

	FY 1998	FY 1999
Debt Service - Budget/Request	\$16,363,000	\$16,926,000
- Estimate	15,705,000	15,707,100
Balance	\$ 658,000	\$ 1,218,900

The academic revenue bond debt service is paid from non-resident tuition that is set aside in Local Collections Retention. The JLBC Staff recommends that the budget surplus of \$1,218,900 for the FY 1999 debt service be transferred to the University Collections Fund for the university operating budget, which reduces the General Fund by the same amount. The JLBC Staff further recommends that the carry-forward balance of \$658,000 from FY 1998 be used in FY 2000 for debt service if the first debt service payment for the new academic revenue bond is not due before July 1, 1999.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review** of the College of Extended Education at Arizona State University during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

The ASU College of Extended Education assists other ASU-Main and ASU-West colleges and academic units as an initiator, broker, and facilitator of credit and non-credit program offerings. The college helps to provide 16 degree programs and credit classes focusing on the non-traditional student. The college offers professional and continuing education, and community outreach. Additionally, the college administers the Arizona Prevention Resource Center and the Drug and Gang Prevention Resource Center. The college also administers the American Language and Culture Program.

The joint review found that the College of Extended Education's programs were generally responsive to a wide range of community needs. A concern of the review was

the lack of information on off-campus activities. The College of Extended Education offers credit programs evening and on weekends, as well as off campus. For reporting purposes, these programs are often combined. As a result, it is difficult to determine the effectiveness of either kind of program taken by itself. The important role played by off-campus programs requires that pertinent information regarding these programs be gathered on an annual basis. The JLBC Staff recommends reevaluating and improving the College of Extended Education's performance measures related to off-campus education.

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### JLBC Staff Recommended Format — Lump Sum by Agency

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

The appropriated monies are not to be used for scholarships.

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 where the state is the adverse party.

Any unencumbered balances remaining in the collections account on June 30, 1998, 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. No part of this appropriation shall 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 hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

#### Deletion of Prior Year Footnotes

The JLBC Staff recommends deleting the footnote relating to tuition adjustment for the College of Law. Based on the findings of the College of Law PAR, the Legislature mandated the university to raise resident tuition by \$1,000 and non-resident tuition by \$2,000 beginning in the fall semester of 1997. The Arizona Board of Regents, at its meeting on December 5, 1997, approved a tuition increase of \$375 for students arriving in the fall of 1998 and an additional increase of \$375 in FY 2000. Students arriving in FY 2000 would pay the full \$750 increase.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### Other Issues for Legislative Consideration

#### Decision Packages and Additional Tuition Revenues

The Arizona Board of Regents is likely to raise the student tuition rate for FY 1999, and ASU will realize additional tuition revenues to increase the expenditure authority. The current tuition rates for residents and non-residents are \$1,988 and \$8,640, respectively. The Arizona's resident tuition rate is one of the lowest in the country (the bottom 10%). Furthermore, Congress passed the student tax credit legislation, known as "Hope Scholarship," that will give college students and their families a \$1,500 tax credit for the first 2 years of college. The new legislation also provides a \$1,000-a-year tax credit for the third and fourth years of college and for graduate study.

Coupled with the federal tax credit legislation and the Arizona's low-tuition ranking, the university's request for program enhancement and decision package funding can be accommodated with the projected tuition revenue increase.

#### Electronic Library Initiative

The university is requesting \$900,000 for the ASU-EZ Journal Server to create easy and powerful WEB-based access to the full text and graphics of broad core journals and newspapers for undergraduate education and graduate research.

#### Decision Packages

The university is requesting \$14,236,300 for various decision packages, which include Other Enrollment Growth (\$2,748,000), Professional Business Masters' Degree Programs (\$438,300), Teaching/Research/Service Activities (\$6,367,000), Improving K-16 Education Opportunities (\$1,901,000), Preparing Future Professionals (\$1,664,200), and Improving Technology Infrastructure (\$1,117,800). On a priority basis, some or all of these decision packages can be funded with additional tuition revenues for FY 1999.

#### Auditor General Performance Audits - ASU Research Park

The Research Park was created in 1983 to further the university's research missions by encouraging the transfer of university-developed technology to the private sector and also to contribute to the state's economic development.

The Research Park was intended to become financially self-sufficient. However, ASU has subsidized the park with \$7,500,000 of the university monies since FY 1990.

The Auditor General suggests that the Arizona Board of Regents, ASU, and the Research Park management should consider methods to ensure a financial viability of the park.

### Other Appropriated Fund Source Detail

University Collections Fund

FY 1999  
JLBC Rec  
\$92,654,900

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona State University - East Campus

JLBC: John Lee/Steve Grunig

OSPB: Bill Greeney

House Sub: Knaperek

Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC

## OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	112.0	148.0	199.0	149.0	155.0
Personal Services	4,493,300	6,426,200	8,485,700	6,613,900	6,873,000
Employee Related Expenditures	821,100	1,129,300	1,490,500	1,173,300	1,246,500
All Other Operating Expenditures:					
Professional and Outside Services	523,900	585,000	975,600	173,300	960,600
Travel - In State	9,800	8,300	22,000	8,300	8,300
Travel - Out of State	41,800	23,700	54,700	23,700	23,700
Library Acquisitions	11,300	32,500	183,100	32,500	32,500
Other Operating Expenditures	1,642,800	1,128,800	2,865,300	1,644,700	1,877,600
Equipment	148,500	341,400	797,500	341,400	368,100
<b>AGENCY TOTAL</b>	<b>7,692,500</b>	<b>9,675,200</b>	<b>14,874,400</b>	<b>10,011,100</b>	<b>11,390,300</b>

## BY FUND SOURCE

General Fund	5,023,600	6,995,000	12,194,200	7,330,900	8,710,100
Other Appropriated Funds	2,668,900	2,680,200	2,680,200	2,680,200	2,680,200
Other Non-Appropriated Funds	2,452,600	2,707,100	3,231,200	3,231,200	3,231,200
Federal Funds	740,800	770,400	801,100	801,100	801,100
<b>TOTAL - ALL SOURCES</b>	<b>10,885,900</b>	<b>13,152,700</b>	<b>18,906,700</b>	<b>14,043,400</b>	<b>15,422,600</b>

**Agency Description** — Laws 1994, Chapter 218 authorized the Arizona Board of Regents to maintain an Arizona State University (ASU) campus in eastern Maricopa County. It is the intent of the Legislature that the Arizona State University - East Campus be located at the site of the former Williams Air Force Base. The facilities for the ASU-East include approximately 600 acres, 83 buildings, 656 single family residents and related personal property, and may accommodate 10,000 students by the year 2010 in order to meet Arizona's future enrollment demand.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$1,715,100	24.5%
Other Appropriated Funds	-0-	0.0%
Total Appropriated Funds	\$1,715,100	17.7%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments **\$251,500 GF**

ERE Rates **39,900 GF**

Funding Transfer from ASU-Main **84,000 GF**

The JLBC Staff recommendation provides a funding transfer of \$84,000 for 1 FTE faculty position from ASU-Main Campus to support the East Campus academic programs. The Executive recommends the transfer for \$85,400 and 1 faculty position.

New Facilities Support **1,339,700 GF**

The JLBC Staff recommendation provides \$1,339,700 and 6 FTE Positions to support the operations, maintenance,

and security costs of the Technology Center Building and new campus facilities. In order to renovate the Technology Center Building, the Legislature appropriated \$2,997,000 for FY 1998 and \$3,000,000 for FY 1999. The renovated facility will support the existing programs in technology as a modern, highly functional classroom/laboratory complex. The Executive recommendation provides no funding for new facilities support.

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**JLBC Staff Recommended Format** — Lump Sum by Agency

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

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### JLBC Staff Recommended Footnotes

#### *Standard Footnotes*

Any unencumbered balances remaining in the collections account on June 30, 1998, 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. No part of this appropriation shall 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 hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

The appropriated monies are not to be used for scholarships.

### Other Issues for Legislative Consideration

#### **Decision Packages and Additional Tuition Revenues**

The Arizona Board of Regents is likely to raise the student tuition rate for FY 1999, and ASU-East will realize additional tuition revenues to increase the expenditure authority. The current tuition rates for residents and non-residents are \$1,988 and \$8,640, respectively. The Arizona's resident tuition rate is one of the lowest in the country (the bottom 10%). Furthermore, Congress passed the student tax credit legislation, known as "Hope Scholarship," that will give college students and their families a \$1,500 tax credit for the first 2 years of college. The new legislation also provides a \$1,000-a-year tax credit for the third and fourth years of college and for graduate study.

Therefore, coupled with the federal tax credit legislation and the Arizona's low-tuition ranking, the university's request for program enhancement can be partially accommodated with the projected tuition revenue increase.

#### **New Campus Program Development**

The request includes \$3,515,800 for new campus program development to continue developing academic offerings and services to meet the demand of future students including applied social sciences, education, microelectronics, computer applications technology, and information management technology.

### Other Appropriated Fund Source Detail

	FY 1999
	JLBC Rec
University Collections Fund	<u>\$2,680,200</u>

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Arizona State University - West Campus

JLBC: John Lee/Steve Grunig

OSPB: Bill Greeney

House Sub: Knaperek

Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	634.4	640.9	657.9	640.9	640.9
Personal Services	21,561,000	24,580,100	26,216,600	25,268,300	25,454,300
Employee Related Expenditures	4,200,600	4,389,500	4,647,400	4,520,100	4,911,300
All Other Operating Expenditures:					
Professional and Outside Services	682,400	479,800	569,000	479,800	479,800
Travel - In State	43,800	97,700	101,300	97,700	97,700
Travel - Out of State	268,900	211,600	223,600	211,600	211,600
Library Acquisitions	1,213,100	1,212,000	1,212,000	1,212,000	1,212,000
Other Operating Expenditures	10,080,200	8,677,300	8,753,700	8,857,500	8,677,300
Equipment	1,782,100	2,106,000	2,364,100	2,106,000	2,106,000
<b>AGENCY TOTAL</b>	<b>39,832,100</b>	<b>41,754,000</b>	<b>44,087,700</b>	<b>42,753,000</b>	<b>43,150,000</b>
<b>BY FUND SOURCE</b>					
General Fund	34,354,000	35,744,800	37,984,400	36,649,700	37,046,700
Other Appropriated Funds	5,478,100	6,009,200	6,103,300	6,103,300	6,103,300
Other Non-Appropriated Funds	2,532,900	2,710,400	2,836,700	2,836,700	2,836,700
Federal Funds	617,300	642,100	667,700	667,700	667,700
<b>TOTAL - ALL SOURCES</b>	<b>42,982,300</b>	<b>45,106,500</b>	<b>47,592,100</b>	<b>46,257,400</b>	<b>46,654,400</b>

**Agency Description** — Established as a separate budget unit in 1984, Arizona State University-West Campus offers upper division baccalaureate and selective masters' programs to approximately 5,000 students at the 300-acre site in northwestern Phoenix.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$1,301,900	3.6%
Other Appropriated Funds	94,100	1.6%
Total Appropriated Funds	\$1,396,000	3.3%

## FY 1999 — Recommended Changes from FY 1998

Standard Changes	
Salary Adjustments	\$991,200 GF
ERE Rates	404,800 GF

### The University Collections

**Fund**      **\$94,100 OF**      **(94,100) GF**  
A small increase in enrollment provides additional tuition and fee revenues, which decrease the General Fund requirement by the same amount. The Executive concurs.

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**JLBC Staff Recommended Format** — Lump Sum by Agency

## JLBC Staff Recommended Footnotes

### Standard Footnotes

Any unencumbered balances remaining in the collections account on June 30, 1998, 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. No part of this appropriation shall 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 hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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The appropriated monies are not to be used for scholarships.

### **Other Issues for Legislative Consideration**

#### **Decision Packages and Additional Tuition Revenues**

The Arizona Board of Regents is likely to raise the student tuition rate for FY 1999, and the university will realize additional tuition revenues to increase the expenditure authority. The current tuition rates for resident and non-resident are \$1,988 and \$8,640, respectively.

The Arizona's resident tuition rate is one of the lowest in the country (the bottom 10%). Furthermore, Congress passed the student tax credit legislation in 1997, known as "Hope Scholarship," that will give college students and their families a \$1,500 tax credit for the first 2 years of college. The new legislation also provides a \$1,000-a-year tax credit for the third and fourth years of college and for graduate study.

Therefore, coupled with the federal tax credit legislation and the Arizona's low-tuition ranking, the university's request for program enhancement and decision package funding can be accommodated with the projected tuition revenue increase.

#### **Academic Program Development**

The request includes \$772,500 for academic program development to expand the current programs to serve an increasing number of West Valley students.

### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
University Collection Fund	<u>\$6,103,300</u>



# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Northern Arizona University

JLBC: John Lee/Steve Grunig  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997 ACTUAL	FY 1998 ESTIMATE	FY 1999		
			REQUEST	OSPB	JLBC
OPERATING BUDGET					
Full Time Equivalent Positions	2,085.7	2,229.7	2,285.4	2,209.9	2,216.1
Personal Services	73,405,100	80,013,600	85,550,800	82,040,300	82,154,000
Employee Related Expenditures	15,337,100	16,434,700	17,380,100	16,739,200	16,049,600
All Other Operating Expenditures:					
Professional and Outside Services	1,109,400	589,400	600,400	589,400	589,400
Travel - In State	535,000	775,300	929,200	762,100	771,300
Travel - Out of State	704,600	474,800	484,800	474,800	465,600
Library Acquisitions	2,602,200	2,595,100	2,745,100	2,595,100	2,595,100
Other Operating Expenditures	15,539,600	16,176,300	18,509,800	16,144,000	16,295,700
Equipment	6,136,500	4,422,500	6,590,500	4,319,500	4,370,500
OPERATING SUBTOTAL	115,369,500	121,481,700	132,790,700	123,664,400	123,291,200
SPECIAL LINE ITEMS					
NAU-Yuma	2,127,400	2,447,900	2,502,800	2,486,100	2,527,500
AGENCY TOTAL	117,496,900	123,929,600	135,293,500	126,150,500	125,818,700
BY FUND SOURCE					
General Fund	90,922,200	97,288,600	108,652,500	99,509,500	99,177,700
Other Appropriated Funds	26,574,700	26,641,000	26,641,000	26,641,000	26,641,000
Other Non-Appropriated Funds	69,865,700	73,543,300	75,738,100	75,738,100	75,738,100
Federal Funds	19,657,000	20,075,400	20,509,900	20,509,900	20,509,900
TOTAL - ALL SOURCES	207,019,600	217,548,300	231,541,500	222,398,500	222,066,700

**Agency Description** — Established in 1899, Northern Arizona University (NAU) is one of 3 state universities governed by the Arizona Board of Regents. The university offers 137 degree programs to approximately 20,000 students in 9 colleges, schools and 1 center, and provides academic programs at many instructional sites throughout the state and at the Yuma Campus that operates in conjunction with Arizona Western College.

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$1,889,100	1.9%
Other Appropriated Funds	-0-	0.0%
Total Appropriated Funds	\$1,889,100	1.5%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments **\$3,298,900 GF**  
ERE Rates **(601,100) GF**  
Risk Management **24,500 GF**

### Enrollment Decline **(1,101,600) GF**

The JLBC Staff recommendation provides decreases of \$(1,101,600) and (19.8) FTE Positions for student enrollment decline of (290) FTE students based upon a 3-year rolling weighted average enrollment of 17,186 full-time equivalent students, in accordance with the funding formula of 22:1:0.5 (student to faculty to support

positions). The reduction of (19.8) FTE Positions recommended include (13.2) faculty and (6.6) secretary and staff positions. The Executive recommends decreases of \$(1,129,800) and (19.8) FTE Positions for enrollment decline.

### New Facilities Support **268,400 GF**

The JLBC Staff recommendation provides \$268,400 and 6.2 new FTE Positions for the new facility operating costs including the new Biology and Biochemistry Building and 2 newly acquired properties (Centennial Building and LDS Facility). The Executive recommendation provides no funding for new facilities support.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### NAU-Yuma

-0- GF

The JLBC Staff recommendation provides a funding increase of \$79,600, which includes \$56,000 for Salary Adjustments and \$23,600 for ERE Rate adjustment. The increased amounts are included in the universitywide changes. The Executive recommends \$38,200 for salary adjustments.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a Program Authorization Review of the Personal and Professional Development Programs and Office of Management Development at Northern Arizona University (NAU) during the last year. As a result of that review, the JLBC Staff recommends retaining the program.

The NAU Personal and Professional Development Programs provide non-credit programs to medical, social service, mental health, and education customers in Northern Arizona and on the Navajo and Hopi reservations. The Office of Management Development in the College of Business Administration provides individuals and organizations with the Elderhostel program (non-credit residentially based academic programs for senior citizens) and seminars and workshops on business-related topics.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

Any unencumbered balances remaining in the collections account on June 30, 1998, 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. No part of this appropriation shall 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 hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

The appropriated monies are not to be used for scholarships.

### Other Issues for Legislative Consideration

#### Decision Packages and Additional Tuition Revenues

The Arizona Board of Regents is likely to raise the student tuition rate for FY 1999, and the university will realize additional tuition revenues to increase the expenditure authority. The current tuition rates for resident and non-resident are \$1,988 and \$7,754, respectively.

The Arizona's resident tuition rate is one of the lowest in the country (the bottom 10%). Furthermore, Congress passed the student tax credit legislation in 1997, known as "Hope Scholarship," that will give college students and their families a \$1,500 tax credit for the first 2 years of college. The new legislation also provides a \$1,000-a-year tax credit for the third and fourth years of college and for graduate study.

Therefore, coupled with the federal tax credit legislation and the Arizona's low-tuition ranking, the university's request for program enhancement and decision package funding can be accommodated with the projected tuition revenue increase.

#### Electronic Initiative

The university is requesting \$400,000 to focus on the delivery of higher education opportunities throughout the state, enabling the university library to function as a virtual library.

#### Decision Packages

The university is requesting \$8,205,800 for various decision packages, which include Stateside Initiative (\$5,683,300), Environmental Sciences (\$522,500) and Technological Retooling for the 21<sup>st</sup> Century (\$2,000,000). On a priority basis, some of these decision packages can be funded with additional tuition revenues for FY 1999.

#### Other Appropriated Fund Source Detail

	FY 1999 JLBC Rec
University Collections Fund	\$26,641,100

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: University of Arizona - Main Campus

JLBC: John Lee/Steve Grunig  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	5,374.3	5,431.0	5,568.7	5,424.1	5,447.1
Personal Services	167,507,700	181,026,000	192,595,200	220,403,700	187,875,700
Employee Related Expenditures	32,116,400	32,370,300	34,310,500	39,749,300	33,173,300
All Other Operating Expenditures:					
Professional and Outside Services	1,885,500	2,173,100	2,173,100	2,477,500	2,173,100
Travel - In State	190,900	326,800	478,100	912,800	329,000
Travel - Out of State	608,400	413,200	456,100	541,600	420,600
Library Acquisitions	6,625,000	6,852,300	7,748,600	6,852,300	6,852,300
Other Operating Expenditures	29,513,000	34,761,500	37,521,700	38,460,100	35,349,400
Equipment	5,141,200	4,344,300	7,336,400	5,480,700	4,384,800
<b>OPERATING SUBTOTAL</b>	<b>243,588,100</b>	<b>262,267,500</b>	<b>282,619,700</b>	<b>314,878,000</b>	<b>270,558,200</b>
<b>SPECIAL LINE ITEMS</b>					
Agriculture	40,595,200	42,194,200	43,701,300	0	43,212,900
Pima County Campus	2,659,600	2,228,300	2,823,600	0	1,724,200
Sierra Vista Campus	1,337,800	2,047,700	2,457,600	2,068,300	2,110,100
<b>AGENCY TOTAL</b>	<b>288,180,700</b>	<b>308,737,700</b>	<b>331,602,200</b>	<b>316,946,300</b>	<b>317,605,400</b>
<b>BY FUND SOURCE</b>					
General Fund	232,910,100	244,577,400	267,987,800	253,786,200	253,991,000
Other Appropriated Funds	55,270,600	64,160,300	63,614,400	63,160,100	63,614,400
Other Non-Appropriated Funds	254,942,300	250,195,300	276,573,200	276,573,200	276,573,200
Federal Funds	130,461,200	134,674,500	123,342,800	123,342,800	123,342,800
<b>TOTAL - ALL SOURCES</b>	<b>673,584,200</b>	<b>693,607,500</b>	<b>731,518,200</b>	<b>716,862,300</b>	<b>717,521,400</b>

**Agency Description** — Established in 1885 as a land grant institution, the University of Arizona (UA) is one of the 3 state universities governed by the Arizona Board of Regents. As a land grant Research I institution, the university offers 377 degree programs to approximately 35,000 students in 15 colleges, schools and divisions, and provides academic programs at Sierra Vista Campus. Beginning in fall of 1996, Pima County Campus (also known as Arizona International Campus) started offering academic programs for undergraduate students at the University of Arizona Science and Technology Park.

## Change in Funding Summary:

	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$9,413,600	3.8%
Other Appropriated Funds	(545,900)	(0.9)%
Total Appropriated Funds	\$8,867,700	2.9%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments	\$8,457,900 GF
ERE Rates	(332,400) GF
Risk Management	355,200 GF

**Enrollment Growth**      \$28,200 OF      579,000 GF  
The JLBC Staff recommendation provides an increase of \$607,200 and 11 FTE Positions for student enrollment

growth of 162 FTE students based upon a 3-year rolling weighted average enrollment of 29,002 full-time equivalent students, in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The 11 FTE Positions recommended include 7.4 faculty and 3.6 secretary and staff positions. The Executive recommends \$634,200 and 11 FTE Positions for enrollment growth.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### **Annualization of New Facilities Support 325,700 GF**

The JLBC Staff recommendation provides \$325,700 and 5.1 FTE Positions for the operational costs of 2 new facilities, which include the Agriculture Research Complex and the Life Sciences North Shell Space. The Executive recommendation does not provide funding for new facilities annualization.

### **Agriculture -0- OF -0- GF**

The JLBC Staff recommendation provides a total funding of \$43,212,900 for the Agriculture Program, which includes \$37,422,200 from the General Fund and \$5,790,700 from the University Collections Fund. The total amount recommended includes \$1,224,200 for Salary Adjustments and a decrease of \$(205,500) for the ERE Rate adjustment. The amounts for Salary and ERE Rate adjustments are included in the universitywide totals. The Executive recommendation does not include a Special Line Item for Agriculture.

### **Pima County Campus (Arizona International College) (545,900) OF -0- GF**

The JLBC Staff recommendation provides a total funding of \$1,724,200 for Pima County Campus, also known as Arizona International College, which includes \$1,140,100 from the General Fund and \$584,100 from the University Collections Fund. The total amount recommended includes \$47,000 for Salary Adjustments and a \$(5,200) decrease for ERE Rate adjustment, which are shown in the universitywide totals.

The recommended amount includes a \$(545,900) decrease for Other Operating Expenditures, primarily relating to the lease-payment to the UA Science and Technology Park facility as the college is scheduled to move to the UA-Main Campus in FY 1999, and a Collection Fund decrease of the same amount due to the unrealized tuition revenues.

The Executive recommendation does not include a Special Line Item for Pima County Campus. However, the total amount recommended by the Executive for the university provides 6.7 FTE Positions and \$952,000 for Personal Services and Employee Related Expenditures for the program.

### **Sierra Vista Campus (28,200) OF 28,200 GF**

The JLBC Staff recommendation provides a total funding of \$2,110,100 for the Sierra Vista Campus, which includes \$1,636,200 from the General Fund and \$473,900 from the University Collections Fund. The total amount recommended includes \$66,800 for Salary Adjustments and a \$(4,400) decrease for ERE Rate adjustment. The amounts for Salary Adjustments and ERE Rate adjustment are included in the universitywide totals. The Executive recommends \$20,600 for salary adjustments.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Extended University** at the UA during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

The UA's Extended University provides credit courses during the evenings and on weekends. Extended University provides off-campus courses, including courses delivered through distance learning. Extended University offers non-credit programs, such as Elderhostel and other personal and professional development programs. Extended University also offers correspondence courses for grades 4-12 and non-credit programs for children in preschool through high school.

The PAR review found that the Extended University's programs provide services to a wide range of educational customers and that there is substantial community support for its programs. A concern of the review was the lack of information on off-campus activities. The UA's off-campus credit programs are offered through Extended University and by individual colleges such as the College of Agriculture. The division of responsibility appears to create difficulties in gathering off-campus information and in strategic planning for off-campus offerings. The JLBC Staff recommends reevaluating and improving performance measures for off-campus programs offered through Extended University and through individual colleges.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency

### **JLBC Staff Recommended Footnotes**

#### *Standard Footnotes*

The appropriated monies are not to be used for scholarships.

Any unencumbered balances remaining in the collections account on June 30, 1998, 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. No part of this appropriation shall 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 hereby appropriated for the purpose of

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

conducting summer sessions, but are excluded from the amounts enumerated above.

### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the footnote relating to tuition adjustment for the College of Law. Based on the findings of the College of Law PAR, the Legislature mandated the university to raise resident tuition by \$1,000 and non-resident tuition by \$2,000 beginning in the fall semester of 1997. The Arizona Board of Regents, at its meeting on December 5, 1997, approved a tuition increase of \$375 for students arriving in the fall of 1998 and an additional increase of \$375 in FY 2000. Students arriving in FY 2000 would pay the full \$750 increase.

### **Other Issues for Legislative Consideration**

#### **Decision Packages and Additional Tuition Revenues**

The Arizona Board of Regents is likely to raise the student tuition rate for FY 1999, and the university will realize additional tuition revenues to increase the expenditure authority. The current tuition rates for resident and non-resident are \$1,988 and \$8,640, respectively.

The Arizona resident tuition rate is one of the lowest in the country (the bottom 10%). Furthermore, Congress passed the student tax credit legislation in 1997, known as "Hope Scholarship," that will give college students and their families a \$1,500 tax credit for the first 2 years of college. The new legislation also provides a \$1,000-a-year tax credit for the third and fourth years of college and for graduate study.

Therefore, coupled with the federal tax credit legislation and Arizona low-tuition ranking, the university's request for program enhancement and decision package funding can be partially accommodated with the projected tuition revenue increase.

#### **Library Acquisitions**

The university is requesting \$896,300 to purchase access to and participate in the creation of new information resources including digitized text, indexes, and on-line journals.

#### **Decision Packages**

The university is requesting \$11,200,000 for various decision packages, which include \$3,400,000 for Pathways to Student Success through the use of modern information technology, \$2,000,000 for Building Economic Partnerships, \$2,000,000 for Enhancing Academic Excellence, and \$3,800,000 for Advance Information Technology.

### **Auditor General Performance Audit – UA Science and Technology Park**

The Science and Technology Park was created in 1995 to further the university's research missions by encouraging the transfer of university-developed technology to the private sector and also to contribute to the state's economic development.

The park was intended to become financially self-sufficient. However, UA has subsidized the park with \$2,500,000 to cover the operating deficit of the park since its inception.

The Auditor General suggests that the Arizona Board of Regents, UA, and the park management should consider methods to ensure a financial viability of the park.

### **Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
University Collections Fund	\$63,614,400

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: University of Arizona - Health Sciences Center JLBC: John Lee/Steve Grunig  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	709.5	674.0	714.4	687.3	688.3
Personal Services	33,394,600	35,872,800	38,663,900	37,291,500	37,183,100
Employee Related Expenditures	5,719,900	6,025,100	6,503,700	6,246,000	6,097,800
All Other Operating Expenditures:					
Professional and Outside Services	248,600	295,300	377,800	295,300	295,300
Travel - In State	15,900	67,700	75,300	71,200	68,800
Travel - Out of State	34,000	26,600	30,100	26,600	30,100
Library Acquisitions	876,300	816,500	816,500	0	816,500
Other Operating Expenditures	2,568,800	2,388,300	3,305,200	3,219,900	2,396,300
Equipment	1,027,400	599,900	631,900	615,700	615,800
<b>OPERATING SUBTOTAL</b>	<b>43,885,500</b>	<b>46,092,200</b>	<b>50,404,400</b>	<b>47,766,200</b>	<b>47,503,700</b>
<b>SPECIAL LINE ITEMS</b>					
Clinical Teaching Support	8,938,100	9,305,300	9,568,700	9,383,200	9,381,500
Telemedicine Network	588,300	1,247,600	1,257,400	1,250,300	1,256,300
Clinical Rural Rotations	0	437,500	449,900	441,100	451,800
Liver Research Institute	0	0	0	500,000	500,000
<b>AGENCY TOTAL</b>	<b>53,411,900</b>	<b>57,082,600</b>	<b>61,680,400</b>	<b>59,340,800</b>	<b>59,093,300</b>
<b>BY FUND SOURCE</b>					
General Fund	48,543,100	51,106,600	55,704,400	53,364,800	53,117,300
Other Appropriated Funds	4,868,800	5,976,000	5,976,000	5,976,000	5,976,000
Other Non-Appropriated Funds	44,803,000	43,226,400	43,930,400	43,930,400	43,930,400
Federal Funds	49,676,700	51,347,900	52,569,400	52,569,400	52,569,400
<b>TOTAL - ALL SOURCES</b>	<b>147,891,600</b>	<b>151,656,900</b>	<b>158,180,200</b>	<b>155,840,600</b>	<b>155,593,100</b>

**Agency Description** — *The Arizona Health Sciences Center (AHSC) consists of the University of Arizona (UA) Colleges of Medicine, Nursing and Pharmacy, and the School of Health Related Professions. Authorized in 1961 by the Arizona Board of Regents, the College of Medicine offers a professional program leading to the M.D. degree for 408 medical students. As a separate budget unit of the University of Arizona, AHSC is governed by the Arizona Board of Regents.*

Change in Funding Summary:	FY 1998 to FY 1999 JLBC	
	\$ Change	% Change
General Fund	\$2,010,700	3.9%
Other Appropriated Funds	-0-	0.0%
Total Appropriated Funds	\$2,010,700	3.5%

## FY 1999 — Recommended Changes from FY 1998

### Standard Changes

Salary Adjustments **\$ 1,437,500 GF**  
ERE Rates **(217,800) GF**

Enrollment Growth **290,000 GF**

The JLBC Staff recommendation provides an increase of \$290,000 and 5.3 FTE Positions for student enrollment growth of 77 FTE students based upon a 3-year rolling

weighted average enrollment of 1,307 full-time equivalent students in accordance with the funding formula of 22:1:0.5 (student to faculty to support positions). The 5.3 FTE Positions recommended include 3.5 faculty and 1.8 secretary and staff positions. The Executive recommends and increase of \$302,300 and 5.3 FTE Positions for enrollment growth.

### Clinical Teaching Support

**-0- GF**  
The JLBC Staff recommendation provides a total budget of \$9,381,500 for the Clinical Teaching Special Line Item,

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

which includes a \$186,700 increase for Salary Adjustments and a \$(110,500) decrease for ERE Rate adjustment. These changes are included in the agencywide totals. The Executive recommends a \$77,900 increase for Salary and ERE Rate adjustments.

### Telemedicine Network

**1,000 GF**

The JLBC Staff recommendation provides a total budget of \$1,256,300 for the Telemedicine Network (also known as Arizona Telemedicine Program) with 4.4 FTE Positions, including a new Nurse Manager position with a \$1,000 net increase through the reallocation of existing resources, to continue to develop an Arizona Rural Telemedicine Network. This total includes a \$8,700 net increase for Salary and ERE Rate adjustments, which are included in the agencywide total. Rural medicine sites under development for telemedicine services include Nogales (Federal Funds), Holbrook, Ganado, Payson, Page, Springerville, Tuba City, Patagonia, Young, Sells, White River, and Yuma (to serve the state prisons). The UA Health Sciences Center and the University Medical Center in Tucson serve as the telemedicine hub. The Executive recommends a \$2,700 increase for salary adjustments.

#### Rural Telemedicine Network: Rural Site Program Estimated Costs

	FY 1997	FY 1998	FY 1999
AHSC Costs	\$ 562,400	\$ 465,400	\$ 503,700
Rural Site Costs	645,200	782,200	752,600
TOTAL	\$1,207,600 *	\$1,247,600	\$1,256,300

\* Includes \$619,300 for equipment encumbrances.

### Clinical Rural Rotations

**-0- GF**

The JLBC Staff recommendation provides a total budget of \$451,800, for the Clinical Rural Rotations program, which includes \$14,300 for Salary and ERE Rate adjustments, which are included in the agencywide totals. Laws 1996, Chapter 237 (H.B. 2301) requires the 3 universities to select 10 nurse practitioner students, 15 medical students, and 4 pharmacy students each year to participate in the program. Of the 10 nurse practitioner students, 4 each shall be chosen by the University of Arizona and Arizona State University, and 2 shall be chosen by Northern Arizona University. The Executive recommends a \$3,600 increase for salary adjustments.

### Liver Research Institute

**500,000 GF**

Laws 1997, Chapter 262 (H.B. 2008) established the Arizona Liver Research Institute at the University of Arizona College of Medicine, with 8 FTE Positions for clinical research to find chemical and natural agents in search for a potential cure for liver diseases. The FY 1998 funding was provided with a \$500,000 transfer from the Health Research Account of the Tobacco Tax and Health Care Fund (A.R.S. § 42-1241). The research funding from the Tobacco Tax and Health Care Fund was based upon the findings of many studies on the causal relationship

between tobacco smoking and a very high incidence of liver cancer.

The JLBC Staff recommendation provides a replacement of the Tobacco Health Fund with the General Fund for the Institute as a permanent seed money to leverage outside grants to meet the statutory mandate on liver research. The Executive concurs with the JLBC Staff recommendation.

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**JLBC Staff Recommended Format** — Operating Lump Sum with Special Line Items by Agency

### JLBC Staff Recommended Footnotes

#### Standard Footnotes

The appropriated monies are not to be used for scholarships.

Any unencumbered balances remaining in the collections account on June 30, 1998, 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. No part of this appropriation shall 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 hereby appropriated for the purpose of conducting summer sessions, but are excluded from the amounts enumerated above.

### Other Issues for Legislative Consideration

#### Decision Packages and Additional Tuition Revenues

The Arizona Board of Regents is likely to raise the student tuition rate for FY 1999, and the university will realize additional tuition revenues to increase the expenditure authority. The current tuition rates for resident and non-resident are \$1,988 and \$8,640, respectively. Medical students' tuition is \$7,930.

The Arizona's resident tuition rate is one of the lowest in the country. Furthermore, Congress passed the student tax credit legislation in 1997, known as "Hope Scholarship," that will give college students and their families a \$1,500 tax credit for the first 2 years of college. The new legislation also provides a \$1,000-a-year tax credit for the third and fourth years of college and for graduate study.

Therefore, coupled with the federal tax credit legislation and Arizona's low-tuition ranking, the university's request for program enhancement and decision package funding

can be partially accommodated with the projected tuition revenue increase.

**Library Support**

The Health Sciences Center is requesting \$400,000 to provide critical support to the Health Sciences Library and the Learning Resource Center in order to meet the state's increasing demand for electronic information resources relating to health information. The Health Sciences Library is the state's most extensive resource for health sciences information, providing year around support 24 hours a day.

**Decision Packages**

The Health Sciences Center is requesting \$2,150,000 for decision packages, which include \$1,200,000 for Public Health Needs of Arizona Communities and \$950,000 for program enhancement for the Colleges of Nursing and Pharmacy to develop innovative educational programs for campus-based students, as well as for practicing health professionals.

The Public Health request would allow the Center to develop a core of community-based health services, control health care costs, and ensure access to preventative health care.

An additional funding for the College of Nursing would allow a curricula expansion at the baccalaureate and master's levels to broaden the educational focus across the continuum of care for more cost-effective nursing care. Likewise, an additional funding for the College of Pharmacy would provide its curricula enhancement to develop innovative educational outreach programs to ensure safe and effective use of medications.

**Other Appropriated Fund Source Detail**

	FY 1999 JLBC Rec
University Collections Fund	<u>\$5,976,000</u>



**COMMISSION FOR  
POSTSECONDARY EDUCATION  
(POS)**

# Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

DEPT: Commission for Postsecondary Education

JLBC: Bruce Groll  
House Sub: Knaperek

OSPB: Bill Greeney  
Senate Sub: Huppenthal

DESCRIPTION	FY 1997	FY 1998	FY 1999		
	ACTUAL	ESTIMATE	REQUEST	OSPB	JLBC
<b>OPERATING BUDGET</b>					
<i>Full Time Equivalent Positions</i>	5.5	5.0	6.0	0.0	5.0
Personal Services	225,100	161,900	165,900	0	167,700
Employee Related Expenditures	45,800	36,100	37,000	0	27,400
All Other Operating Expenditures:					
Professional and Outside Services	19,100	20,000	31,000	0	29,500
Travel - In State	1,200	1,000	2,000	0	1,300
Travel - Out of State	8,700	1,000	4,400	0	3,500
Other Operating Expenditures	43,900	76,200	60,800	0	66,000
Equipment	0	2,000	2,000	0	2,000
<b>OPERATING SUBTOTAL</b>	<b>343,800</b>	<b>298,200</b>	<b>303,100</b>	<b>0</b>	<b>297,400</b>
<b>SPECIAL LINE ITEMS</b>					
Course Equivalency Guide	12,700	13,200	13,200	0	13,200
Arizona Postsecondary Voucher Program	49,000	400,000	400,000	0	400,000
State Student Incentive Grants (SSIG)	1,220,800	1,220,800	1,220,800	0	1,220,800
State Student Incentive Grant-Federal	543,200	1,068,200	1,068,200	0	1,068,200
State Student Incentive Grant-Local	987,000	1,075,500	1,075,500	0	1,075,500
College Savings Plan	0	0	85,400	0	85,100
<b>AGENCY TOTAL</b>	<b>3,156,500</b>	<b>4,075,900</b>	<b>4,166,200</b>	<b>0</b>	<b>4,160,200</b>
<b>BY FUND SOURCE</b>					
General Fund	1,282,500	1,734,900	1,737,000	0	1,732,600
Other Appropriated Funds	1,874,000	2,341,000	2,429,200	0	2,427,600
<b>TOTAL - ALL SOURCES</b>	<b>3,156,500</b>	<b>4,075,900</b>	<b>4,166,200</b>	<b>0</b>	<b>4,160,200</b>

**Agency Description** — The Commission, established as the State Postsecondary Review Entity (SPRE) in FY 1995, is authorized to conduct, review and coordinate the review of postsecondary education institutions in order to determine the eligibility of those institutions for student financial aid monies; and enters into agreements and contracts with state regulatory agencies, accrediting bodies or other peer review systems to conduct program eligibility reviews. The Commission also administers the Arizona Postsecondary Voucher Program, College Savings Plan, Arizona Student Program Investing Resources in Education (ASPIRE) scholarship fund and 3 programs under Title IV of the higher education amendments of 1992; the state student incentive grant (SSIG) program; the federal family education loan program; and the Paul Douglas teacher scholarships program.

Change in Funding Summary:	FY 1997 to FY 1998 JLBC		FY 1998 JLBC to FY 1999 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	\$400,900	30.1%	\$(2,300)	(0.1)%
Other Appropriated Funds	(588,100)	(20.1)%	86,600	3.7%
Total Appropriated Funds	\$187,200	(4.4)%	\$84,300	2.1%

## FY 1999 — Overview

During the 1997 legislative session, the Legislature approved a reduced level biennial budget for the Commission for FY 1998 only, with FY 1999 and future years funding subject to the outcome of a Sunset Review and legislative appropriation.

For FY 1999, should the Legislature choose to retain the Commission for Postsecondary Education as a viable state agency, the JLBC Staff has prepared the following budget recommendations to implement this intent.

The Executive recommendation continues to not fund the Commission.

## Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations

### FY 1999 — Recommended Changes from FY 1998

#### Standard Changes

Salary Adjustments	\$4,600 OF	\$1,900 GF
ERE Rates	(5,900) OF	(3,500) GF
Rent	5,200 OF	-0- GF
Eliminate One-time		
Equipment	(1,300) OF	(700) GF
Other	(3,100) OF	-0- GF

**Equipment**                      **2,000 OF**                      **-0- GF**  
The JLBC Staff recommends a one-time increase of \$2,000 from the Postsecondary Fund to upgrade hard-drive and memory capacity of 3 personal computers at approximately \$660 each.

**College Savings Plan**                      **85,100 OF**                      **-0- GF**  
The JLBC Staff recommends the addition of a new Special Line Item and a FY 1999 appropriation from the Postsecondary Fund of \$85,100 and 1 FTE Position for the College Savings Plan statutorily mandated by Laws 1997, Chapter 171 (A.R.S. § 15-1871). Legislative intent mandates that this new program is self-supporting. As such, the recommended appropriation shall consist of "administrative fees and service charges imposed and collected by the Commission (e.g., from banks, program participants and other individuals) relating to the program." The budget distribution of the recommended amount is as follows:

Personal Services	\$25,500
ERE	5,000
Professional Services	28,000
Travel	3,000
Other Operating	23,600
TOTAL	\$85,100

The recommended amount includes a \$20,000 one-time Professional and Outside Services appropriation for "retention of professional services including accountants, auditors and consultants" per A.R.S. § 15-1874(2) for initial program development and implementation.

\* \* \*

**JLBC Staff Recommended Format** — Modified Lump Sum with Special Line Items by Agency

#### JLBC Staff Recommended Footnotes

##### Standard Footnotes

The appropriation for the State Student Incentive Grant is to be used to make grants under the Arizona State Student Incentive Grant program administered by the Arizona Commission for Postsecondary Education. Grants may be made according to the provisions of applicable federal and state laws and regulations relating to this program to

Arizona residents who demonstrate financial need and who are attending, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution

Each participating institution, public or private, in order to be eligible to receive state matching funds under the State Student Incentive Grant program for grants to students, shall provide an amount of institutional matching funds that shall be equal to the amount of funds provided by the state to the institution for the State Student Incentive Grant program. 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 1998.

For FY 1999, any unencumbered balance remaining in the Postsecondary Fund on June 30, 1998, and all grant monies and other revenues received by the Commission for Postsecondary Education during this fiscal year, when paid into the State Treasury, are appropriated for the explicit purposes designated by Special Line Items for which state, federal, institutional and other monies are received including state student incentive grants, teacher scholarships and the Postsecondary Review Entity Program.

##### Continuation of FY 1998 Footnotes

The Commission shall prepare and present quarterly to the Joint Legislative Budget Committee Staff and the Governor's Office of Strategic Planning and Budgeting a detailed line item income and expenditure statement with fund sources and uses explicitly delineated.

Of the total amount appropriated for the Arizona Postsecondary Voucher Program, no more than 10% may be used for program administrative costs.

##### Deletion of Prior Year Footnotes

The JLBC Staff recommends deletion of the footnote requiring that "Funding for the Commission in FY 1999 and beyond shall be contingent upon a favorable Sunset Review recommendation and legislative appropriation," as it is no longer necessary. The Auditor General released its Performance Audit (Sunset Review) findings for the Commission in November 1997. The Legislature must now decide whether to retain or sunset the agency. (See *Sunset Review discussion for more detail.*)

#### Other Issues for Legislative Consideration

##### Sunset Review

Chapter 14, Article 5, Termination Under Sunset Law states: "The Commission for Postsecondary Education shall terminate on July 1, 1998, unless continued."

## **Joint Legislative Budget Committee - Fiscal Year 1999 Budget - Analysis and Recommendations**

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The recently released Sunset Audit report by Office of the Auditor General found that the Commission is currently at a turning point. The report summarizes that: (1) the federal mandate for which the Commission was created no longer exists; and (2) that the Commission is planning to expand its policy analysis and early awareness activities. The Auditor General's report recommends that the Legislature consider whether it wants the Commission to continue to develop a new role and, if not, that it should consider sunsetting the Commission, since other entities could or do perform its other activities. The report further recommends that if the Legislature deems the Commission's expanded mission and plans to conduct policy studies are desired, it should change the Commission's budgetary and statutory authority to clearly specify these roles.

### **Appropriation of Funds**

The Commission is engaged in or is planning to engage in a number of programs and activities that involve fund-raising from private businesses and foundations. As Critical Issues for FY 1999, the Commission is requesting a total of \$383,600 in non-appropriated funds expenditure authority for 3 programs:

1. Arizona Minority Education Policy Analysis Center (AMEPAC), \$67,600;
2. Arizona College and Career Guide, \$16,000; and
3. Twelve Plus Partnership, \$300,000.

This request relates to the aforementioned budgetary and statutory changes that would be required if the Legislature appropriates funds to continue the agency and is consistent with the Commission's intent to initiate new programs and expand its fund-raising activities.

A.R.S. § 15-1853.B., has been interpreted by both Legislative Council and, in an opinion to the Commission, by the Attorney General that the activities of the Commission and funding for those activities must be appropriated by the Legislature and deposited into the Postsecondary Fund unless otherwise specified by the Legislature. This interpretation is also affirmed by the Auditor General's Office in their Performance Audit (Sunset Review) of the Commission.

Therefore, if the will of the Legislature is to support the continued and expanded mission of the Commission into these areas, the JLBC Staff recommends that the statutes are amended to ensure that the agency's mandates are more clearly defined and that its funding is consistent with legislative intent.

**SUPPLEMENTALS**  
**(S)**

**Arizona Department of Agriculture**

**Karnal Bunt                      FY 1999:        \$(300,000) GF**

The department's FY 1999 appropriation includes \$300,000 from the General Fund to help Arizona wheat farmers comply with United States Department of Agriculture (USDA) Karnal Bunt quarantine requirements. Since the time of the appropriation, the USDA lifted the quarantine on all but a fraction of the state's wheat fields. As a result, it is anticipated that current federal funding will be sufficient. The JLBC Staff recommends eliminating the \$(300,000) General Fund appropriation for FY 1999. The Executive does not address this issue.

**Seed Law Ex-Appropriation      FY 1999:                \$-0- OF**

The Executive recommends ex-appropriating \$(43,800) from the Seed Law Fund due to unrealized revenues. Revenues were lower, in part, due to the circumstances of the Karnal Bunt emergency. The JLBC Staff does not recommend this ex-appropriation as the Karnal Bunt emergency has subsided and revenues are expected to increase. The JLBC Staff will monitor revenues through FY 1999 and recommended adjustments for FY 2000.



**PAR - Administrative Costs**

**FY 1999:        \$79,500 OF        \$(58,900) GF**

The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Department Administration** program during the last year. As a result of that review, the JLBC Staff recommends modifying the funding source of the program.

The JLBC Staff recommends an improved plan for allocating administrative costs among the agency's special revenue and commodity council funds. Under the plan, costs associated with the finance and procurement functions of the department will be allocated to each agency funding source based upon total expenditures from the previous fiscal year. Costs associated with human resource functions will be allocated according to each funding source based on FTE Position counts. In addition, the costs of a council administration support position are allocated to the councils based on service hours. Funding sources subject to the allocation include the General Fund, all appropriated and non-appropriated special revenue funds, and all commodity council and commission funds. Only Federal Funds are excluded from the allocation plan as their administrative overhead is collected from the cognizant federal agency.

The total budgeted amount for the finance, procurement, and human resources divisions, as well as the council support position in FY 1998 is \$645,700. The General Fund, which represents approximately 66% of total department expenditures and 66% of total department FTE Positions,

would be allocated 66% of the \$645,700. This equates to a General Fund allotment of \$424,500. Because the General Fund currently provides for \$542,000 of the total costs, the new allocation results in a General Fund decrease of \$(117,500).

All special revenue funds would be allocated approximately 26% of the total or \$169,600. Of this amount, only \$79,500 is allocated to appropriated special revenue funds. Thus, the Other Fund increase is \$79,500 and the remaining \$90,100 is allocated to Non-Appropriated Funds. Finally, the councils' funds would be allocated approximately 8% of the total or \$51,600. The JLBC Staff recommends that when the councils and the department enter into yearly interagency agreements for administrative support, the agreed amount should be equivalent to the amount determined in the JLBC Staff allocation plan for each council or commission.

In addition, the JLBC Staff recommends that funding for the Program and Projects Specialist position and a MIS Secretary position be shifted to the General Fund. These positions were previously funded from administrative assessments. However, under the allocation plan above, only finance, procurement, and human resources divisions are funded by administrative assessments. Because the Program and Project Specialist and the MIS Secretary are not in one of these divisions, it is necessary for them to be General Funded. This is an addition of 1.8 FTE Positions with a General Fund increase of \$58,600.

The Executive concurs with the JLBC allocation plan but does not address any General Fund savings.

The Education/Natural Resources PAR Committee reviewed the JLBC Staff recommendations in December. The committee did not recommend the JLBC Staff plan, but instead recommended that all of the department's administrative costs be General Funded. It was recommended that the department receive a \$150,000 increase in their FY 1999 budget. The JLBC Staff has not recommended a General Fund increase out of concerns that a precedent may be set for other agencies that also allocate administrative costs. There would be a significant General Fund impact if the General Fund were to provide for all administrative costs that are currently allocated to other fund sources statewide. In addition, not allocating the administrative costs of these programs obscures the true cost of program operation. This presents difficulties when a program is considered for privatization.



**PAR - Employee Training**

**FY 1999:                \$46,300 GF**

The JLBC Staff recommends that the department be appropriated an additional FTE Position for training purposes. The need for this position was identified in the

## Joint Legislative Budget Committee - Biennial Supplementals - Analysis and Recommendations

PAR Self-Assessment. The department currently has only 0.2 FTE Position devoted to training. Only 60% of department employees indicated that they were satisfied with the level of training they had received. The new position will maintain training records and track required continuing education units, some of which are required for federal certification. The General Fund increase for this position is \$46,300. The Executive concurs. The Education/Natural Resources PAR Committee made no specific recommendation on this issue.



### PAR - Consultation and Training

FY 1999:

**\$31,300 OF**

The PAR report also reviewed the **Agriculture Consulting and Training (ACT)** sub-program. Due to losses in federal funding and a declining ACT Fund balance, the sub-program faces a funding shortage in FY 1999. To provide for necessary funding, the JLBC Staff recommends diverting \$4 of the annual \$75 pesticide registration fee currently going to the Water Quality Revolving Fund (WQARF) to the ACT Fund. (See *JLBC Staff Recommended Statutory Changes*.) This funding source is recommended as over 90% of all issues handled by ACT are pesticide related. The JLBC Staff recommends an increase of \$31,300 and 1 FTE Position to the FY 1999 ACT Fund appropriation to allow for expenditure of the new revenue. The Executive also recommends a \$31,300 increase but would fund that increase from the General Fund. The PAR Committee did not make a recommendation on this issue.

### JLBC Staff Recommended Footnote

#### *New Footnote*

If Federal Funds are realized in state FY 1999 for purposes of the Agriculture Consultation and Training Program, there shall be a dollar for dollar reduction in the Agriculture Consultation and Training FY 1999 General Fund appropriation.

### JLBC Staff Recommended Statutory Changes

The JLBC Staff recommends a FY 1999 change to A.R.S. § 3-351 that would divert \$4 of the annual \$75 fee for pesticide registration currently going to the Water Quality Assurance Revolving Fund (WQARF) to the Agriculture Consultation and Training (ACT) Fund. To meet future needs of the ACT program, the JLBC Staff recommends that \$8.50 of the fee be diverted to the ACT Fund in FY 2000 and future years. The impact to the WQARF is minimal due to a funding scheme that guarantees the fund \$18,000,000 annually beginning FY 2000, regardless of the amount it collects in fees.

### Department of Agriculture

FY 1999 Change:	\$110,800 OF	\$(312,600) GF
FY 1999 Revised Total:	2,286,100 OF	11,192,900 GF

## Attorney General—Department of Law



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Office of Victim Services (OVS)** program during the last year. As a result of that review, the JLBC Staff recommends modifying the OVS program by clarifying, through the budget process, that there is no distinction between adult and juvenile Victims Rights Implementation Revolving (VRIRF) monies.

The OVS has 2 functions: (1) to provide direct, mandated services to victims, and (2) to administer VRIRF monies as a funding offset program to aid other justice entities in providing mandated victim rights. The PAR found that the Office of the Attorney General effectively serves victims in cases prosecuted by the Attorney General. The PAR also found that OVS has chosen to treat adult and juvenile VRIRF monies as separate accounts. The separation of adult and juvenile victims' rights services hinders program efficiency and effectiveness at both state and local levels.

The Criminal Justice and Transportation PAR Committee concurred with the JLBC Staff recommendation. Per statute, the committee is responsible for introducing any legislation required to enact its recommendations.

### Interagency Service Agreements

FY 1999: **\$7,770,000 OF**

Pursuant to Laws 1996, Chapter 335, the Attorney General Interagency Service Agreements (ISA) Fund was appropriated for the first time in FY 1998 and FY 1999. Certain legal services provided to the Arizona Department of Administration (ADOA), the Department of Economic Security (DES), and the Department of Transportation (ADOT) were not appropriated for FY 1998 to allow the agencies involved to agree on the FTE Positions and dollar amounts. A footnote in the FY 1998 General Appropriation Act states that it is the intent of the Legislature to enact a FY 1999 supplemental appropriation for the Interagency Service Agreements Fund to include legal services provided by the Attorney General to ADOA, DES, and ADOT. The footnote also required the 4 agencies to jointly report their recommendations to the JLBC regarding the FTE Position and dollar amounts to be covered by the FY 1999 ISA's.

Based on the reports, the JLBC Staff recommends appropriating 100 FTE Positions and \$5,936,100 from the ISA Fund for ADOA Risk Management Insurance Defense. In addition, the JLBC Staff recommends appropriating 26 FTE Positions and \$1,833,900 from the ISA Fund for a ADOT Transportation ISA. The Executive concurs.

**Department of Economic Security**

Laws 1996, Chapter 335 requires the appropriation of all Attorney General ISA's. However, the majority of dollars appropriated for Attorney General legal services in Department of Economic Security (DES) has not been established through ISA's. Rather than employing ISA's, DES's appropriation has directly funded FTE Positions and their related operating costs. The JLBC Staff recommends continuation of this practice. The JLBC Staff does not recommend appropriating the associated 209.9 FTE Positions and \$10,521,500 to the Attorney General due to the inability of the Attorney General's accounting system to provide the detailed reporting level needed to draw down Federal Funds. DES has developed its own accounting system designed to provide the necessary reporting requirements to the federal government. This amount does not include existing DES-Attorney General ISA's appropriated in FY 1998. The Attorney General's FY 1999 appropriation from the ISA Fund does include the necessary FTE Positions and funding to continue the existing ISA's. The JLBC Staff recommends displaying DES's Attorney General Legal Services as a Special Line Item within the DES budget. *(See DES for additional information.)* The Executive recommends appropriating 218 FTE Positions and \$10,380,300 to DES's Attorney General Legal Services Special Line Item.

**Child Protective Services Dependency Petitions**

**FY 1999: \$-0- GF**

Laws 1997, Chapter 3, 2<sup>nd</sup> Special Session appropriated 15 FTE Positions and \$643,200 in 6-month funding to the Office of the Attorney General to address growth in dependency petitions resulting from an increase in Child Protective Services cases. The JLBC Staff recommends a FY 1999 supplemental appropriation of \$919,500 to annualize the FY 1998 increase. Additionally, the JLBC Staff recommends appropriating the monies and FTE Positions to the DES Attorney General Legal Services Special Line Item in the Division of Children, Youth and Families. *(See DES for additional information.)* The Executive concurs but recommends appropriating \$950,300.

**Replacement Software FY 1999: \$-0-GF**

The Executive recommends \$600,000 from the General Fund to replace the Attorney General's Case and Matter Management software application. The JLBC Staff does not recommend the increased funding. The Attorney General should submit its software replacement request to the Government Information Technology Agency (GITA) to be considered for funding from GITA's Year 2000 - Agency Projects Special Line Item. The 1998 General Appropriation Act appropriated \$18,000,000 in General Fund monies to GITA for Year 2000 projects.

**Office of the Attorney General**

**FY 1999 Change: \$7,770,000 OF \$-0- GF**  
**FY 1999 Revised Total: 21,159,900 OF 24,398,000 GF**

**Department of Commerce**

**Housing Development Fund FY 1999: \$500,000 OF**

Laws 1996, Chapter 355 created the Housing Development Fund for loans or grants to develop affordable housing in rural areas of the state within 20 miles of an existing or planned prison facility. Chapter 355 also transferred \$500,000 in FY 1999 from the Housing Trust Fund to the Housing Development Fund. Since monies in the Housing Development Fund are subject to legislative appropriation, the JLBC Staff recommends appropriating \$500,000 from the fund in FY 1999 for housing loans or grants. The Executive concurs.



**PAR - Financial Services**

**FY 1999: \$(103,200) OF**

The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Department of Commerce **Financial Services Division** during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

The Financial Services Division is comprised of 7 financial assistance activities: the Commerce Economic Development Commission (CEDC), Work Force Recruitment and Job Training, Revolving Energy Loans for Arizona, Economic Strength Projects, Enterprise Zones, the Border Infrastructure Finance Office, and Private Activity Bonds. The JLBC/OSPB review found that the CEDC's failure to adopt rules undermines the credibility of CEDC funding decisions. In addition, although statute requires that special consideration be given to economically disadvantaged areas of the state in the CEDC award process, the majority of CEDC funding goes to companies in urban, non-disadvantaged areas of the state. The review also found that the Work Force Recruitment and Job Training approval process is not very competitive, and that some companies training workers for low hourly wages receive funding. *(See policy issue below.)* Finally, the review concluded that the activities of the Border Infrastructure Finance Office overlap with the activities of the Department of Commerce's recently established Greater Arizona Development Authority.

The Economic Development PAR Committee recommended eliminating the activities within the Financial Services Division along with associated funding. Per statute, the committee is responsible for introducing any legislation required to enact its recommendations. The JLBC Staff recommendation only includes the elimination of the Border Infrastructure Finance Office, \$(103,200) from the CEDC Fund, and (1) FTE Position. The Border Infrastructure



## Joint Legislative Budget Committee - Biennial Supplementals - Analysis and Recommendations

Finance Office is no longer necessary because the Department of Commerce's new Greater Arizona Development Authority now provides technical and financial assistance for rural infrastructure projects throughout the state. The Executive concurs with the elimination of the Border Infrastructure Finance Office and its funding.



### PAR - Office of Sports Development

FY 1999: \$(107,400) GF

The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Department of Commerce **Office of Sports Development** during the last year. As a result of that review, the JLBC Staff recommends eliminating the program.

The JLBC/OSPB review found that there is no conclusive evidence that the Office of Sports Development is directly responsible for the past growth of the sports industry in Arizona, nor that the office is indispensable to the industry's future. The review also concluded that the office's operations could be enhanced by redefining the mission to accommodate more focused and updated goals, or by housing sports development operations within the Department of Commerce's National Marketing Division.

The Economic Development PAR Committee adopted the JLBC Staff recommendation to eliminate the Office of Sports Development. The Office of Sports Development was budgeted \$107,400 GF and 2 FTE Positions in FY 1998, so its elimination would result in a budget decrease of \$(107,400) GF and (2) FTE Positions. The Executive does not recommend eliminating the Office of Sports Development.



### PAR - AZ Business Assistance Center

The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Department of Commerce **Arizona Business Assistance Center** during the last year. As a result of that review, the JLBC Staff recommends modifying the program.

The Arizona Business Assistance Center includes 3 subprograms: the Arizona Business Connection, Minority and Women-Owned Business Enterprise Services, and the Small Business Advocate. The JLBC/OSPB review found that surveys conducted by the Department of Commerce indicate that customers are very satisfied with the services of the Arizona Business Connection, a "one-stop" shop for those interested in starting or expanding a business in Arizona. The review also found that the department would not provide goals and performance measures for the Small Business Advocate and Minority/Women-Owned Business Enterprise Services, which makes it difficult to know whether these subprograms are achieving their intended results.

The Economic Development PAR Committee adopted the JLBC Staff recommendation that the Arizona Business Assistance Center develop performance measures for the Small Business Advocate and the Minority/Women-Owned Business Enterprise Services subprograms. This recommendation has no budgetary impact.

### Arizona-Sonora Regional Development

FY 1999: \$-0- GF

The Executive recommends \$100,000 from the General Fund for the Governor's Arizona-Mexico Commission to continue implementing key components of the Arizona-Sonora Regional Economic Development Vision. The JLBC Staff does not recommend funding for this issue, as it was not included in the Department of Commerce's budget request and is not a critical issue to fund in the second year of the biennial budget cycle.

### Senior Living Office

FY 1999: \$-0- GF

The Executive recommends 1 new FTE Position and \$200,000 from the General Fund to support the Rural Retirement Development Program in the Senior Living Office. Of the recommended funding, \$45,000 would support the new FTE Position and \$155,000 would fund advertising efforts to attract retirement-age individuals and businesses that target the retirement community to rural Arizona. The JLBC Staff does not recommend funding as the department has already been budgeted \$200,000 from the CEDC Fund in FY 1999 for the Senior Living Office. The department may target this funding to rural Arizona, if this area is a top priority. In addition, the department's FY 1999 budget already includes 1 new FTE Position and \$217,100 in the National Marketing Division for rural marketing.

### Other Issues for Legislative Consideration

#### Job Training

The Executive recommends a \$1,000,000 GF increase for the Work Force Recruitment and Job Training Program. The program is currently appropriated \$4,500,000 GF for job training grants for businesses expanding or relocating in Arizona. The Governor also requests that the Legislature increase the Job Training set-aside for rural and small businesses from 15% to 25% of the program's funding. The Executive has not recommended this funding as part of the Department of Commerce budget. They may pursue this issue through separate legislation. The JLBC Staff does not recommend the increased funding for the Work Force Recruitment and Job Training program. As explained in the summary of the Financial Services Program Authorization Review, the JLBC/OSPB Staffs found that the Work Force Recruitment and Job Training approval process is not very competitive. Between FY 1995 and FY 1997, at least 80% of all applicants received funding, including companies training workers for low hourly wages. The JLBC Staff

recommends that the criteria for the Work Force Recruitment and Job Training program be made more competitive to target the program's current funding of \$4,500,000 to applicants who will contribute most to the state's economic development and help increase average personal income.

**Technology Development Authority**

The Executive recommends \$2,000,000 for a tax credit for businesses that contribute to the Arizona Technology Development Authority. The credit will be equal to two-thirds of the contribution, not to exceed \$100,000. The Authority was established by Laws 1993, Chapter 128 to help transfer new manufacturing technologies to the state, to stimulate the creation and expansion of technology-related businesses in Arizona, and to provide a link between public and private organizations to promote the advancement of science and technology education. To date, no state funds have been appropriated to support the Authority. The Executive has not recommended this funding as part of the Department of Commerce budget. They may pursue this issue through separate legislation.

**Department of Commerce**

<b>FY 1999 Change:</b>	<b>\$396,800 OF</b>	<b>\$(107,400) GF</b>
<b>FY 1999 Revised Total:</b>	<b>7,990,200 OF</b>	<b>19,822,400 GF</b>

**Registrar of Contractors**

**Imaging System** **FY 1999: \$909,000 OF**  
 The JLBC recommends an increase of \$909,000 to upgrade the department's current imaging system and to expand imaging capabilities to the department's Legal Division. The Legal Division is often required to share legal files with the Office of Administrative Hearings, the Attorney General, and other judicial agencies. Expanding the imaging system will allow these files to be shared electronically, thus speeding the workflow process. A footnote in the FY 1997 General Appropriation Act states that it is the intent of the Legislature to provide a supplemental appropriation during the 2<sup>nd</sup> Regular Session of the 43<sup>rd</sup> Legislature after a request for proposal (RFP) is issued and a cost determined. The agency has since issued a RFP; however, the bid received did not significantly differ from original estimates. The costs of expanding the system will be shared between the appropriated Registrar of Contractors Fund and the non-appropriated Contractors Recovery Fund. Of the increase, all but \$97,600 is one-time expenditures. The Executive concurs.

**Registrar of Contractors**

<b>FY 1999 Change:</b>	<b>\$909,000 OF</b>
<b>FY 1999 Revised Total:</b>	<b>6,972,000 OF</b>

**Corporation Commission**

**Elected Official Salaries** **FY 1999: \$13,500 GF**  
 The JLBC Staff recommends half-year funding to increase the salary of the 3 Corporation Commissioners from \$65,000 to \$73,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. If the Legislature takes no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The Executive concurs.

**Corporation Commission**

<b>FY 1999 Change:</b>	<b>\$-0- OF</b>	<b>\$13,500 GF</b>
<b>FY 1999 Revised Total:</b>	<b>10,449,100 OF</b>	<b>5,836,300 GF</b>

**Board of Cosmetology**

**Additional Space** **FY 1999: \$49,900 OF**  
 The board is in need of additional office space. The addition of 2 new FTE Positions in FY 1998, as well as an increase of in-office visitors, has made the current office space inadequate. The issue is particularly critical at this time as additional space that is adjacent to the current office has become available. The JLBC Staff recommends an increase of \$49,900 from the Board of Cosmetology Fund to fund the additional rent. Of this amount, \$26,600 is for one-time moving and improvement costs. The Executive concurs.

**Board of Cosmetology**

<b>FY 1999 Change:</b>	<b>\$49,900 OF</b>
<b>FY 1999 Revised Total:</b>	<b>881,100 OF</b>

**Arizona Criminal Justice Commission**

**Victim Compensation** **FY 1999: \$450,000 OF**  
 The JLBC Staff recommends an increased appropriation to the Crime Victim Compensation program of \$450,000 from the Crime Victim Compensation Fund. With this additional appropriation, the size of the program will be \$1,550,000. All of these funds are distributed by the Arizona Criminal Justice Commission (ACJC) to county compensation boards that award cash compensation to direct and indirect crime victims for specified expenses resulting from their victimization. The fund receives 4.6% of the revenues into the Criminal Justice Enhancement Fund (CJEF). JLBC Staff analysis shows that overall growth of CJEF will cause the Victim Compensation Fund to experience a growing balance forward if the additional revenues that flow from CJEF to the Victim Compensation Fund are not appropriated for use in the program. Funding the program at this level allows for a half-year's funding to be maintained as a balance forward. The Executive concurs.



**Program Authorization Review** — The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **ACJC Victim Services**

program during the last year. As a result of that review, the JLBC Staff recommends modifying the Victim Compensation subprogram. The PAR found that this subprogram effectively delivers cash compensation to crime victims. However, the program is inefficient because it allows 20% of grants to cover administrative costs. The JLBC Staff recommended modifying this program by requiring ACJC to submit an action plan that states how the program can reduce administration costs per applicant, which have increased over the last 3 years. The Criminal Justice/Transportation PAR Committee adopted this recommendation.

**Victim Assistance**                      **FY 1999:**                      **\$100,000 OF**

The JLBC Staff recommends an increased appropriation of \$100,000 from the Crime Victim Assistance Fund to the Crime Victim Assistance program. This program awards grants to local government and non-profit organizations that provide assistance to direct and indirect victims of crime. Monies in the Victim Assistance Fund are generated by the collection of parole, probation, and community supervision fees. JLBC Staff analysis shows that revenue into this fund is growing at a greater rate than anticipated. The rate of growth provides sufficient funds for this increased appropriation and prevents the unnecessary accumulation of a large balance forward. The increase in available funds partially results from the more effective collection of interstate compact agreements. The Executive does not recommend this funding increase.



**Program Authorization Review** - The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **ACJC Victim Services**

program during the last year. As a result of that review, the JLBC Staff recommends modifying the Victim Assistance subprogram. The JLBC Staff recommendation requires that ACJC submit 2 action plans to resolve findings of inefficiency and ineffectiveness reported in the PAR. The first plan will address how the program can conduct effective compliance audits, and the second will address how grants can be distributed to correlate more with the uniform crime index. The Criminal Justice/Transportation PAR Committee adopted these recommendations. The JLBC Staff originally recommended consolidating a similar federal victim assistance program administered by the Department of Public Safety (DPS) with the Victim Assistance subprogram in ACJC. However, the Executive recommended consolidating the 2 programs in DPS. The PAR Committee did not adopt either of these recommendations. The JLBC Staff now concurs with retaining the 2 programs in separate agencies. The Executive recommends exappropriating the funding already appropriated to this program and consolidating it

with the federal victims assistance program administered by DPS.

**Arizona Criminal Justice Commission**

**FY 1999 Change:**    **\$550,000 OF**

**FY 1999 Revised Total:**    **2,458,100 OF**

**Arizona State Schools for the Deaf and the Blind**

**Cost Center and Line Item Adjustments**

**FY 1999:**                      **\$-0- OF**                      **\$-0- GF**

The Executive recommends transferring 1 FTE Position and its associated Personal Services and ERE from the Tucson cost center to the Administration/Statewide Programs cost center. This FTE Position was placed in the incorrect cost center when cost centers were realigned.

In addition, the Executive recommends privatizing 1.5 FTE Positions and transferring funds from Personal Services and Employee Related Expenditures to Professional and Outside Services to pay for the private service providers.

The JLBC Staff does not recommend these changes. The agency has already made the appropriate internal adjustments. Rather than address these technical corrections in the second year of the biennium, they can be corrected when the entire budget is appropriated in the 1999 legislative session.

**Arizona State Schools for the Deaf and the Blind**

**FY 1999 Change:**    **\$-0- OF**                      **\$-0- GF**

**FY 1999 Revised Total:**    **6,420,600 OF**                      **18,073,700 GF**

**Department of Emergency and Military Affairs**

**JLBC Staff Recommended Statutory Changes**

The Executive recommends a FY 1998 one-time increase of \$1,000,000 GF for emergencies declared by the Governor. Pursuant to A.R.S. § 35-192F(3), each fiscal year \$4,000,000 is set aside in the General Fund for Governor-declared emergencies such as floods, storms, or other natural disasters. The \$4,000,000 is not part of an agency budget; rather, it appears on the state balance sheet under Administrative Adjustments and Emergencies. For years, the Department of Emergency and Military Affairs (DEMA) has interpreted A.R.S. § 35-192F(3) to mean that the state cannot designate more than \$4,000,000 for new emergencies in any given fiscal year. The Attorney General, however, has recently advised DEMA that the \$4,000,000 limitation applies to expenditures rather than allocations. The Attorney General's interpretation causes a cash flow problem in FY 1998 as DEMA expects to expend more than \$4,000,000 on a combination of prior year emergencies and current year

emergencies. The JLBC Staff does not recommend funding the additional \$1,000,000 GF in FY 1998. Instead, the JLBC Staff recommends a statutory change clarifying that the \$4,000,000 annual limit applies to the amount that can be designated for new emergencies rather than expenditures. This statutory change would solve the FY 1998 cash flow problem.

### **Department of Environmental Quality**

#### **Emissions Control Program**

##### **Vehicle Emissions**

##### **Inspection Fund**

**FY 1998**

**\$(3,787,300) OF**

##### **Arizona Clean Air Fund**

**FY 1998**

**\$1,960,000 OF**

Laws 1997, Chapter 269 appropriated \$5,747,300 from the Arizona Clean Air Fund (ACAF) to the Vehicle Emissions Inspection (VEI) Fund in FY 1998 for the Emissions Control Program. Of this amount, \$1,960,000 has been transferred to the VEI Fund. The JLBC Staff recommends ex-appropriating the untransferred portion of the appropriation, which is \$(3,787,300). The JLBC Staff also recommends that the \$1,960,000 transferred to VEI Fund be appropriated from the VEI Fund back to the ACAF.

The Emissions Control Program requires all 1981 or newer vehicles registered in Maricopa and Pima Counties to have a biennial emissions inspection. Maricopa County residents are subject to an I/M 240 inspection, which is more stringent than the standard inspection to which Pima County residents are subject. There are 5 components to the program's operation:

- Operating Costs - These costs include programmatic overhead such as personnel, travel and equipment expenses.
- I/M 240 Buy-down - Current law stipulates that the maximum fee that can be assessed to the general public for an inspection is \$20 per biennium. Because the actual I/M 240 inspection cost is \$24.30, the state subsidizes the \$4.30 difference.
- Repair Grants - Grants are provided to low income families for vehicle repairs necessary to comply with relevant emissions standards.
- Remote Sensing Contract - The program has a contract with a private vendor to provide roadway devices (smog dogs) which measure the emissions of passing vehicles and read the vehicle's license plates. Owners of vehicles with excessive emissions are notified by mail and must get an emissions test.
- Remote Sensing Tests - The state provides a 100% subsidy to those required to have an inspection as a result of being measured in excess of emissions standards by a remote sensing device.

In the 1997 General Appropriation Act, the FY 1998 and FY 1999 appropriations for the program are \$3,503,200 and \$3,545,200 respectively. These amounts are sufficient to cover the operating costs, repair grants, and the remote sensing contract expenses. The amounts did not include the I/M 240 buy-down or the remote sensing tests, as it was presumed at the time that no further state-funded subsidies were going to be provided. Legislation that would have eliminated state subsidization of the program ultimately failed. This left the program with the statutory requirement of subsidizing the I/M 240 buy-down and the remote sensing tests. To fund these and other requirements, the Legislature appropriated \$5,747,300 from the Arizona Clean Air Fund (ACAF) to the Vehicle Emissions Inspection (VEI) Fund in FY 1998. For FY 1999, no funding source was designated.

In addition to the appropriation to the VEI Fund, the ACAF also has a FY 1998 commitment of \$6,200,000 to the City of Phoenix for alternative fuel buses. In October, the JLBC Staff reviewed ACAF revenues and found that due to weak Lottery sales, the fund would not be able to support both the VEI transfer and alternative fuel bus grant in FY 1998.

The JLBC Staff recommends that monies available to the state from a provision in the contract between Department of Environmental Quality and the private contractor for the Emissions Control Program be used to replace the FY 1998 appropriation from the ACAF to the VEI Fund, leaving both funds solvent.

The provision, known as the "over/under" provision, is an amendment that was added to the original contract with the initiation of I/M 240 inspections in 1995. In order to recover fixed (capital) and marginal (operating) costs, the contractor projected the number of tests that would be performed during the life of the contract and then established a fee for each test. A provision was included stating that should the actual number of tests vary by more than 1.25% of the projection in any year, the contract would be adjusted. If actual test volumes exceed projections, the state would be credited for 80% of the fee for each inspection performed above the projected level. The 80% represents the fixed costs of each inspection fee. Because the fixed costs are recovered in total from the vehicles that were originally projected, the only costs of performing tests above the projected amount are the marginal costs. The contract therefore states that 80%, or the fixed costs, are to be credited back to the state for each test performed above the projected level. (Conversely, if actual tests are below projections, the contractor is to be credited for 80% of the fee for each inspection below the projected level so that total fixed costs are still recovered.) The contract states the "overage" or "underage" credit amounts are to be negotiated by "changes in the following years' fees or service level, or as otherwise may be negotiated."

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Actual test data from 1995 through 1997 exceeded the 1.25% variance level in each year. Applying an 80% credit to each inspection over the projected level results in an estimated \$9,166,700 overage credit to the state.

The JLBC Staff recommends that a portion of this credit be used to fund the Emissions Control Program instead of the ACAF appropriation in FY 1998. This is accomplished, in part, by eliminating the I/M 240 buy-down and the remote sensing test subsidy for the last 7 months of FY 1998. To do this, it is necessary to utilize \$2,263,600 of the overage balance. Utilizing the overage for these purposes leaves the Emissions Control Program with a reduced total expenditure need of \$4,741,700. (See table below.) Given that the FY 1998 revenues are estimated to be \$2,925,800, an additional \$1,815,900 is necessary for operations. The JLBC Staff recommends that the needed \$1,815,900 also be provided from the overage amount. Doing this, in addition

VEHICLE EMISSIONS INSPECTION FUND		
	FY 1998 Approved	FY 1998 JLBC Rec.
<b>REVENUES</b>		
Beginning Balance	\$1,633,400	\$1,774,900
ACAF	5,747,300	0 <sup>1/</sup>
Overage Amount	0	1,815,900 <sup>2/</sup>
Other	1,016,200	1,150,900
Total Available	8,396,900	4,741,700
<b>EXPENDITURES</b>		
Operating Costs	2,526,000	2,528,100
I/M 240 Buy-down	4,237,000	1,091,700 <sup>3/</sup>
Other	1,633,900	1,121,900
Total Expenditures	8,396,900	4,741,700
Ending Balance	\$0	\$0

1/ The current appropriation from the ACAF to the VEI Fund is \$5,747,300. Utilizing the overage amount eliminates the need for this appropriation.

2/ This amount would be credited to the fund from the overage amount. It will be used for program costs other than I/M 240 buy-down and remote sensing tests.

3/ This figure is the state payment of buy-down amounts made for the first 5 months of FY 1998. Beginning December 1997, and through the remainder of the FY 1998, the JLBC Staff recommends that the state will no longer make buy-down payments but will rely on the \$9,166,700 overage

to eliminating the I/M 240 buy-down and remote sensing test subsidy, has the effect of reducing the overage credit to \$5,087,200 at the end of FY 1998.

Using overage monies to fund the VEI Fund in FY 1998 eliminates the need for the \$5,747,300 appropriation from the ACAF. Legislative action is required to eliminate the appropriation. (See *JLBC Staff Recommended Statutory Changes*.) Without the transfer, the ACAF is able to meet its obligation for the City of Phoenix's alternative fueled buses in FY 1998.

The Emissions Control Program will require additional funding in FY 1999. The exact amount and the funding source will depend on the program's structure, which may be changed by impending legislation. The Legislature will need to address the FY 1999 funding need as a part of the legislation.

The Executive does not address this issue for FY 1998 nor FY 1999; however, they do set aside \$5,000,000 in contingency funding for air quality issues of which emissions control may be a part. (See *Other Issues for Legislative Consideration*.)

### Safe Drinking Water/Clean Water Funds

**FY 1999:**

**\$-0- GF**

The department's FY 1999 budget includes \$2,720,000 as a 20% match of Federal Funds allocated to the state's Safe Drinking Water Fund. Federal and state match dollars are used to assist communities with installing and upgrading drinking water facilities. The state match amount was based on an estimate of the federal allocation for FY 1999. The actual federal allocation was lower than anticipated, thereby reducing the required 20% match by \$(1,268,500). The JLBC Staff recommends that this amount be transferred to the department's Clean Water Fund to provide a portion of the required 20% match for that fund.

The Clean Water Fund also receives yearly federal allocations that must be matched with a 20% state contribution. The fund is administered by the Water Infrastructure Finance Authority (WIFA) and is used to make low interest loans to waste water system operators throughout the state. Loans are made on a priority need basis. To date, all state matching funds have been generated through bonds issued by WIFA. Using this bonding is estimated to make \$25,000,000 in loans available to local communities. The JLBC Staff recommends that WIFA continue to issue bonds as a means of achieving the 20% match. For FY 1999, however, JLBC Staff recommends transferring the \$1,268,500 that was formerly for the Safe Drinking Water Fund match, as a portion of the match amount. The transfer will reduce the extent to which WIFA needs to issue bonds necessary for the state match and, thus, increases their ability to loan. With the additional funding, WIFA's loan capacity increases by nearly \$10,000,000, making \$34,795,400 available for lending to Arizona communities.

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The Executive concurs with reducing the Safe Drinking Water Fund match by \$(1,268,500). In addition, the Executive recommends a General Fund increase of \$4,334,600 to the Clean Water Revolving Fund to provide the full state match amount for federal allocations in FY 1996 through FY 1999. The total General Fund impact of the Executive's recommendation is \$3,076,100.

### **Hazardous Waste Program      FY 1999:      \$120,200 OF**

The Hazardous Waste Program is currently trying to eliminate a permitting backlog of over 40 hazardous waste facilities and has devised a strategy for all permits to be processed by the year 2000. There are currently 5 permit writers working on the caseload. These positions are split funded between the General Fund and Federal Funds; however, Federal Funds will not be available in FY 1999 for 2.3 of the positions. A.R.S. § 49-922 allows the collection of fees for the costs associated with the issuing of hazardous waste permits, and the JLBC Staff recommends that these fees replace lost federal funding. This recommendation includes an increase of 2.3 FTE Positions and \$120,200 from the fund. The increases will allow the program to address its backlog according to the scheduled strategy. The Executive concurs but recommends an increase of \$134,900.

The Executive recommends a replacement vehicle at \$20,000. The JLBC Staff does not concur.

### **Solid Waste Fee Fund      FY 1999:      \$141,000 OF**

A.R.S. § 49-761 mandates the Department of Environmental Quality (DEQ) to regulate biosolids (i.e. wastewater treatment plant sludge) applied on agricultural lands for the purpose of fertilization and soil enhancement. The department is in the process of seeking "state primacy" from the U.S. Environmental Protection Agency (EPA) for the parallel federal program. The EPA initially provided DEQ with grant funding as an incentive to undertake activities leading to state primacy. These monies are being used to develop rules and to establish a database of land application sites. The incentive monies expire in FY 1999. The JLBC Staff recommends an increase of 1.5 FTE Positions and \$54,300, of which \$5,900 are one-time expenditures from the Solid Waste Fee Fund. Without this increase, the department will not have funding to oversee implementation of the biosolids program, thus jeopardizing state primacy for the program. The Executive concurs but would only add 1 FTE Position for this purpose.

In addition, the JLBC Staff recommends an increase of \$86,700 to the Solid Waste Fee Fund as a technical correction from a prior year budget. The Executive concurs at a slightly higher level.

The Executive also recommends an increase of 1 FTE Position for regulated solid waste facilities. The JLBC Staff

does not concur. The FY 1998 budget included a position for this purpose. The JLBC Staff will wait to recommend additional positions until it is determined how the position added last year will affect the program's workload.

### **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends striking Section 24 of Laws 1997, Chapter 269. This section appropriates \$5,747,300 from the Arizona Clean Air Fund to the Vehicle Emissions Inspection Fund for the Emissions Control Program. The JLBC Staff recommends that the appropriation be eliminated and that program funding be provided from the overage credit held by the program contractor.

### **Other Issues for Legislative Consideration**

#### **Air Quality Planning and Strategies**

The Executive is recommending \$5,000,000 General Fund be set aside for contingency allocations to implement possible Air Quality Task Force measures necessary to comply with U.S. Environmental Protection Agency (EPA) air quality standards. The Air Quality Task Force was appointed by the Governor to study pollution reduction methods. A report identifying areas for legislative action is expected to be submitted to the Governor in 1998. The Executive has not recommended this funding in DEQ's FY 1999 budget. They may pursue this through separate legislation.

#### **Department of Environmental Quality**

<b>FY 1998 Change:</b>	<b>\$(1,827,300) OF</b>	<b>\$-0- GF</b>
<b>FY 1998 Revised Total:</b>	<b>22,145,200 OF</b>	<b>32,309,500 GF</b>

<b>FY 1999 Change:</b>	<b>\$261,200 OF</b>	<b>\$-0- GF</b>
<b>FY 1999 Revised Total:</b>	<b>18,563,400 OF</b>	<b>29,177,300 GF</b>

### **State Board of Equalization**

<b>Workload Adjustment</b>	<b>FY 1998:</b>	<b>\$(112,000) GF</b>
	<b>FY 1999:</b>	<b>(112,900) GF</b>

The JLBC Staff recommends decreases of (1.5) FTE Positions and \$(112,000) in FY 1998 and (1.5) FTE Positions and \$(112,900) in FY 1999 to better reflect actual expenditures. This would leave the board with 8.5 FTE Positions and \$694,600 for FY 1998 and 8.5 FTE Positions and \$705,900 for FY 1999, compared to actual expenditures of 7.6 FTE Positions and \$581,900 in FY 1997. FY 1997 was the first full fiscal year of normalized board operations and procedures for hearing property tax appeals for properties in Maricopa and Pima Counties in place of the Maricopa and Pima County Boards of Equalization, and the second year for the board operating under this format. Improvements were made to operating procedures and data management the first year, and were fine tuned in FY 1997.

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The board attributes half of its requested decrease of \$(112,000) for FY 1998 to a workload influenced by stable market conditions and half to its previous operational improvements. The Executive concurs.

### State Board of Equalization

<b>FY 1998 Change:</b>	<b>\$(112,000) GF</b>
<b>FY 1998 Revised Total:</b>	<b>694,600 GF</b>

<b>FY 1999 Change:</b>	<b>\$(112,900) GF</b>
<b>FY 1999 Revised Total:</b>	<b>705,900 GF</b>

### Arizona Game and Fish Department

#### Underfunded Pay Annualization FY 1999: \$22,100 OF

The JLBC Staff recommends an increase of \$22,100 including: (1) an increase of \$18,500 from the Watercraft Licensing Fund (\$16,000 for Personal Services and \$2,500 for ERE); and (2) an increase of \$3,600 from the Game, Non-Game, Fish and Endangered Species Fund (\$3,100 for Personal Services and \$500 for ERE). The Executive does not address this issue.

### Arizona Game and Fish Department

<b>FY 1999 Change:</b>	<b>\$22,100 OF</b>
<b>FY 1999 Revised Total:</b>	<b>20,895,000 OF</b>

### Government Information Technology Agency

#### Year 2000 - Agency Projects FY 1999: \$-0- GF

The "Year 2000" computer problem refers to a necessity to evaluate all information technology functions that use a 2-digit code for the year (e.g., "00" for "2000") and make alterations, where required. Last year the Legislature appropriated all Year 2000 funding (beyond that which agencies absorb in their base budgets) to the Government Information Technology Agency (GITA) because the Year 2000 needs of most agencies had not yet been determined and GITA is charged with overseeing state agencies' information technology expenditures.

The sum of \$10,000,000 General Fund and \$7,330,000 Other Funds was appropriated for FY 1998 and \$8,000,000 General Fund and \$2,077,000 Other Funds was appropriated for FY 1999. GITA allocates funding to various agencies, upon approval of the agency's Year 2000 plan and project justification. Resolution of Year 2000 problems is required to enable the smooth continuation of state government functions and prevent state liability for service failures.

The Executive recommends an increase of \$8,000,000, for a total of \$16,000,000 from the General Fund in FY 1999, for GITA's Year 2000 - Agency Projects Special Line Item. The increased amount reflects \$3,300,000 for hardware costs,

\$1,500,000 for software upgrades, \$1,300,000 for information technology personnel cost increases, \$1,400,000 for personal computer upgrades, and \$500,000 for oversight.

In order to facilitate Year 2000 planning and prevent fiscal year-end project rushes, the JLBC Staff recommends adding a new footnote to GITA's FY 1998 and FY 1999 existing appropriations to delay the appropriations from lapsing until after FY 2000 (*see below*). However, the JLBC Staff does not recommend additional monies because much of the \$10,000,000 appropriated for FY 1998 is still unspent, agencies have been directed by the Governor to fund Year 2000 costs out of their existing budgets when possible, and \$3,094,000 of the requested amount is not projected to be spent until FY 2000. In addition, the Executive has access to monies for personnel cost increases through the statewide Classification Salary Adjustment (CSA) appropriation. The Legislature appropriated \$16,500,000 from the General Fund for CSA's in FY 1999. These monies should be allocated by the Executive to the most critical FTE Positions, including Year 2000 positions. After the Year 2000 project has been completed and the limited term Year 2000 FTE positions have been eliminated, the CSA monies could be reallocated to other state FTE Positions.

### Mainframe Upgrades/Consolidation

<b>FY 1999:</b>	<b>\$-0- OF</b>	<b>\$-0- GF</b>
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The Executive recommends a total of \$3,228,700 from the General Fund and \$1,178,600 from the Temporary Assistance for Needy Families Block Grant for mainframe upgrades for the Department of Economic Security (DES). The Executive also recommends a total of \$1,766,300 from the State Highway Fund for mainframe updates for the Arizona Department of Transportation (ADOT). The Executive recommends appropriating the monies to GITA so that the Information Technology Authorization Committee (ITAC) can determine whether to update the DES and ADOT mainframes or consolidate them with another data center.

The JLBC Staff does not recommend funding for these issues. The JLBC Staff believes that the time and energy of agency automation staffs should focus on the Year 2000 problem for the next year. Furthermore, the JLBC Staff believes that these issues should be considered in the context of the DES and ADOT budgets - not in the GITA budget. GITA and ITAC already have statutory responsibility for oversight and coordination of information technology expenditures by state agencies. Monies do not have to be appropriated to GITA to enable this oversight. If ITAC determines that the mainframe computers should be consolidated, monies appropriated to DES and/or ADOT could be spent for this purpose. In general, the JLBC Staff recommends that project monies be appropriated directly to an agency implementing a project (rather than to GITA) so



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that the agency retains primary responsibility for the project and the expenditures are reflected in the program costs. While Year 2000 monies were appropriated to GITA for other state agencies, this was a unique case. The monies were appropriated to GITA because of the short time frame available, inability to identify individual agency amounts, and desire for statewide tracking of Year 2000 expenditures.

For information on the mainframe issues, refer to "Other Issues for Legislative Consideration" in the JLBC Staff recommendation for the DES Division of Administration and the "Mainframe Downgrades" and "Mainframe Peripherals Upgrade" policy issues in the JLBC Staff recommendation for ADOT Administration.

### JLBC Staff Recommended Footnotes

#### *Modification of Prior FY 1998 and FY 1999 Footnotes*

It is the intent of the Legislature that monies appropriated to the Government Information Technology Agency through the Year 2000 - Agency Projects Special Line Item shall be used only for expenditures allowed by the fund from which they were appropriated and any unexpended monies shall revert to the fund of origin AT THE END OF FY 2000.

#### *New FY 1999 Footnotes*

The appropriation for Year 2000 is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until the end of FY 2000.

### Government Information Technology Agency

<b>FY 1999 Change:</b>	<b>\$-0- OF</b>	<b>\$-0- GF</b>
<b>FY 1999 Revised Total:</b>	<b>4,238,700 OF</b>	<b>8,000,000 GF</b>

### Office of the Governor

#### **Prior Administration Leave Payoff**

<b>FY 1998:</b>	<b>\$200,000 GF</b>
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The JLBC Staff concurs with the Executive recommendation for an increase of \$200,000 in FY 1998 due to unforeseen charges to pay off annual leave for departing staff during the transition to the Hull Administration.

#### **Office of the Governor**

<b>FY 1998 Change:</b>	<b>\$200,000 GF</b>
<b>FY 1998 Revised Total:</b>	<b>5,505,100 GF</b>

### Governor's Office of Management and Budgeting

#### **Workload Adjustment**

<b>FY 1998:</b>	<b>\$(200,000) GF</b>
<b>FY 1999:</b>	<b>\$(200,000) GF</b>

The JLBC Staff concurs with the Executive recommendation for decreases of \$(200,000) in FY 1998 and \$(200,000) in FY 1999, and in addition recommends a decrease of (3) FTE

Positions for FY 1999 for the Office for Excellence in Government. The decrease for FY 1998 is available due to on-going vacancies, and offsets the \$200,000 increase in the Governor's Office budget for prior administration leave payoff. The Executive is currently evaluating the future role of the Office for Excellence in Government and feels that the decrease recommended for FY 1999 is a reasonable reduction.

### Governor's Office of Management and Budgeting

<b>FY 1998 Change:</b>	<b>\$-0- OF</b>	<b>\$(200,000) GF</b>
<b>FY 1998 Revised Total:</b>	<b>500,000 OF</b>	<b>3,223,400 GF</b>

<b>FY 1999 Change:</b>	<b>\$-0- OF</b>	<b>\$(200,000) GF</b>
<b>FY 1999 Revised Total:</b>	<b>500,000 OF</b>	<b>3,304,600 GF</b>

### Arizona Historical Society

<b>Exposition 2000</b>	<b>FY 1999:</b>	<b>\$-0- GF</b>
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The Executive recommends \$500,000 from the General Fund to the Papago Park Museum Special Line Item to partially fund a year-long exhibit focusing on Arizona state government. The Executive expects private funds will finance the remainder of the project. The Arizona Historical Society estimates that completing the museum's permanent exhibits and developing Exposition 2000 will cost approximately \$5,600,000. The JLBC Staff does not recommend funding for this issue because construction of the Papago Park Museum was based on the state General Fund covering the museum's operating and lease-purchase costs, while private donations funded the exhibits. The total lease-purchase cost for constructing the museum is approximately \$26,700,000. Since FY 1990, approximately \$15,700,000 in General Fund monies has been appropriated for operating the Papago Park Museum, which includes the annual lease-purchase payment. For FY 1999, the Legislature has already appropriated \$2,260,000 to the Papago Park Museum, including \$1,255,200 for the lease-purchase payment on the building.

#### **Arizona Historical Society - Total**

<b>FY 1999 Change:</b>	<b>\$ -0- GF</b>
<b>FY 1999 Revised Total:</b>	<b>4,353,600 GF</b>

### Board of Homeopathic Medical Examiners

<b>New Computer and Software</b>	<b>FY 1998:</b>	<b>\$3,600 OF</b>
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The JLBC Staff recommends a one-time FY 1998 increase of \$3,600 from the Board of Homeopathic Medical Examiners Fund to allow the board to buy a replacement computer and upgrade its software package. The current computer and software are incapable of supporting the increased automation the board's new Executive Director plans on implementing to regulate the growing practitioners



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of homeopathic medicine. The Executive does not recommend this one-time funding for computer equipment.

### Board of Homeopathic Medical Examiners

<b>FY 1998 Change:</b>	<b>\$3,600 OF</b>
<b>FY 1998 Revised Total:</b>	<b>45,300 OF</b>

### Industrial Commission of Arizona

**Self Insurance Pools**                      **FY 1999:**                      **\$-0- OF**  
Laws 1997, Chapter 194 allows employers to join together as pools to become self-insured for the purpose of providing workers' compensation insurance coverage. The Industrial Commission of Arizona is charged with regulating the insurance pools. The Executive recommends 1 FTE Position, \$29,800 in Personal Services and ERE and \$2,500 for a computer in FY 1999 to compensate for an increase in workload as a result of this legislation. The JLBC Staff does not recommend funding for this issue. The Industrial Commission estimates that the number of pooled organizations will increase from 123 in FY 1998 to 283 in FY 2001. However, it will take time to realize the additional workload. Furthermore, the agency does not have any accurate estimates of FY 1999 workload increases. This issue would be reexamined in the FY 2000 and FY 2001 budget development if workload in this area increases according to expectations.

### Industrial Commission of Arizona

<b>FY 1999 Change:</b>	<b>\$-0- OF</b>
<b>FY 1999 Revised Total:</b>	<b>13,677,400 OF</b>

### Department of Insurance

**Eliminate 1 Vacant FTE Position**   **FY 1999:**                      **\$(2,600) GF**  
Per the agency's request, the JLBC Staff recommends a decrease of \$(2,600) in Employee Related Expenditures and the elimination of 1 vacant FTE Position. Several other FTE Positions have been reclassified to handle the work responsibilities of the vacant position. The Personal Services of the vacant FTE Position have been redistributed to the reclassified positions. The Executive does not address this issue.

### Replacement Computer Equipment

**FY 1999:**                      **\$342,100 GF**  
The National Association of Insurance Commissioners (NAIC) provides the Department of Insurance (DOI) with database information regarding consumer protection, license administration and solvency regulation. By December 1997, the NAIC will have replaced its mainframe computer with a client-server personal computer (PC) network. The NAIC databases will not be accessible to DOI personnel without PC workstations. The NAIC database contains financial

information for all insurance companies that transact business in 1 or more states and the status of licenses in other states. Without PC workstations, DOI's Licensing, Rates and Regulation, and Life and Health Divisions will be unable to access NAIC's centralized database which contains the names of insurance agents and companies that have been subject to disciplinary action. Therefore, DOI could unknowingly license an entity that has been subject to disciplinary action in another state.

The JLBC Staff recommends a one-time increase of \$342,100 to replace 61 AS/400 terminals with desktop PCs. The additional appropriation will also fund 4 new servers and provide for necessary software upgrades. DOI's terminal replacement plan was reviewed and approved by the Government Information Technology Agency. The Executive concurs.

### Network Specialist

**\$-0- GF**

The Executive recommends an increase of \$37,500 and 1 FTE Position to support the department's local area network computer system. The JLBC Staff does not recommend funding because it is felt that the department already has sufficient computer support resources.

### Department of Insurance

<b>FY 1999 Change:</b>	<b>\$339,500 GF</b>
<b>FY 1999 Revised Total:</b>	<b>5,396,000 GF</b>

### Legislature - House of Representatives

**Workload Adjustment**                      **FY 1999**                      **\$1,000,000 GF**  
The JLBC Staff recommends the House of Representatives' request for a \$1,000,000 increase in their operating budget.

### Legislature - House of Representatives

<b>FY 1999 Change:</b>	<b>\$1,000,000 GF</b>
<b>FY 1999 Revised Total:</b>	<b>9,601,200 GF</b>

### Legislature - Legislative Council

### Ombudsman Citizens Aide Assistant

**FY 1999:**                      **\$79,600 GF**

The JLBC Staff recommends an increase of \$79,600 in FY 1999 for an assistant for the Ombudsman Citizens Aide Office to investigate complaints relating to Child Protective Services in the Department of Economic Security. This annualizes the half-year additional appropriation of \$46,300 for FY 1998 made by Laws 1997, Chapter 3, 2nd Special Session, making a total appropriation of 5 FTE Positions and \$349,800 to the Ombudsman Citizens Aide Office Special Line Item for FY 1999. The Executive concurs.

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### Legislature - Legislative Council

<b>FY 1999 Change:</b>	<b>\$79,600 GF</b>
<b>FY 1999 Revised Total:</b>	<b>4,032,300 GF</b>

**Legislature - Department of Library, Archives and Public Records**

<b>State Law Library</b>	<b>FY 1998:</b>	<b>\$15,000 OF</b>
	<b>FY 1999:</b>	<b>46,200 GF</b>

At its June 19, 1997 meeting, the Joint Committee on Capital Review gave its support of a \$15,000 FY 1998 supplemental appropriation for the Department of Library, Archives and Public Records (DLAPR) for tenant improvement to the State Court Building. The JLBC Staff recommends a \$15,000 supplemental appropriation from the Arizona Department of Administration (ADOA) lease-purchase payment fund to DLAPR to begin the expansion of the State Law Library. The ADOA lease-purchase fund has available monies due to the Supreme Court being over budgeted \$167,800 for their FY 1998 total lease-purchase payment on the State Court Building.

The JLBC Staff also recommends a \$46,200 FY 1999 supplemental appropriation for DLAPR to cover an increase in the department's lease-purchase payment due to the expansion of the State Law Library.

**Vital Records**                      **FY 1999:**                      **\$113,100 GF**

Laws 1997, Chapter 155 requires the DLAPR to provide public access to birth certificates after 75 years have passed after the date of birth and public access to death certificates after 50 years have passed after the date of death. The JLBC Staff recommends an increase of \$113,100 and 2 FTE Positions for the cost of providing public access to these vital records. The recommended funding increase includes \$56,100 for one-time equipment purchases.

## Department of Library, Archives and Public Records

FY 1998 Change:	\$15,000 OF
FY 1998 Revised Total:	15,000 OF
FY 1999 Change:	\$159,300 GF
FY 1999 Revised Total:	6,461,900 GF

## Department of Liquor Licenses and Control

<b>Licensing Control System Conversion</b>	<b>\$70,000 GF</b>
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The JLBC Staff recommends a General Fund increase of \$70,000 for consulting fees and upgrades to the department's automated file and retrieval system. The system's current interface software is outdated and there is little technical support for it. The department originally requested over \$400,000 for this and other upgrades. The request was reviewed by the Government Information Technology

Agency, which approved \$70,000 of improvements. The increase is a one-time expenditure. The Executive concurs.

**Department of Liquor Licenses and Control**

<b>FY 1999 Change:</b>	<b>\$70,000 GF</b>
<b>FY 1999 Revised Total:</b>	<b>2,847,600 GF</b>

## Board of Medical Student Loans

## Medical Student Loan Repayments

**FY 1999: \$56,800 OF \$(56,800) GF**

The JLBC Staff recommends a reduction of \$(56,800) General Fund and a corresponding increase of \$56,800 to the Medical Student Loan Fund appropriations for FY 1999, as requested by the board, to reflect higher than anticipated medical student loan repayments. The unexpected repayments, including interest, were received from 2 physicians who chose to repay their loans rather than serve in a medically underserved Arizona community. The recommended revised total appropriation amounts are: from the General Fund, \$239,000; and from the Medical Student Loan Fund, \$77,400. These recommended adjustments have a net budgetary impact to the agency of \$0 and do not change the total appropriated amount of \$316,400 or the number of medical students (16) to receive loans for FY 1999. However, the change does result in a \$56,800 savings to the state General Fund. The Executive concurs.

### Board of Medical Student Loans

<b>FY 1999 Change:</b>	<b>\$56,800 OF</b>	<b>\$(56,800) GF</b>
<b>FY 1999 Revised Total:</b>	<b>77,400 OF</b>	<b>239,000 GF</b>

## State Mine Inspector

<b>Mined Land Reclamation</b>	<b>FY 1999:</b>	<b>\$38,200 GF</b>
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Certain mining and exploration companies are required to submit reclamation plans to the State Mine Inspector's Office for the surface disturbed by their operations. The office then reviews these plans for approval. In FY 1997 and FY 1998, there were 2 FTE Positions devoted to reviewing reclamation plans. All reclamation plans were due April 1, 1997. The Legislature eliminated 1 of the FTE Positions in FY 1999, as it was anticipated that the majority of the plan reviews would be completed by that time. Of the 21 operations required to submit plans, 11 have been given extensions and are not expected to be submitted until the spring of 1998. The JLBC Staff recommends that the eliminated position be continued for FY 1999 to fully address all reclamation plans and that future needs of the program be addressed in the FY 2000 budget. This results in an increase of \$38,200 and 1 FTE Position to the office's FY 1999 budget. The Executive concurs.

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### **Travel - In State                      FY 1999:                      \$16,700 GF**

The office was appropriated funding for the purchase of 2 new vehicles in FY 1998. Funding for these vehicles' motor pool charges was not included. The JLBC Staff recommends an increase of \$16,700 in Travel - In State to provide for motor pool costs.

### **State Mine Inspector**

**FY 1999 Change:                      \$54,900 GF**

**FY 1999 Revised Total:                      1,035,800 GF**

### **Naturopathic Physicians Board of Medical Examiners**

#### **Administrative Support                      FY 1998:                      \$11,200 OF**

**FY 1999:                      11,200 OF**

The JLBC Staff recommends funding an increase of a 0.5 FTE Position, \$9,000 in Personal Services, and \$2,200 in Employee Related Expenditures from the Board of Naturopathic Physicians Examiners Fund in both FY 1998 and FY 1999 to support the increased processing due to the growing regulatory activities of the board. The creation of a school of naturopathic medicine in the state, along with new clinical training programs and a greater number of naturopathic physicians has increased the workload of the board's staff. The Executive does not recommend funding for these increases.

#### **Naturopathic Physicians Board of Medical Examiners**

**FY 1998 Change:                      \$11,200 OF**

**FY 1998 Revised Total:                      104,800 OF**

**FY 1999 Change:                      \$11,200 OF**

**FY 1999 Revised Total:                      95,700 OF**

### **Arizona Navigable Stream Adjudication Commission**

#### **Engineering Study                      FY 1999:                      \$-0- GF**

The FY 1998 appropriation includes \$68,000 for a study to determine small stream navigability. A portion of the services will not be performed or billed in FY 1998. The Executive recommends that the engineering study monies become non-lapsing in FY 1998. In addition, the Executive recommends supplemental funding in FY 1999 in the amount of \$9,400 to cover anticipated legal costs. At this time the agency can not provide an accurate estimate of exactly what engineering study monies will not be used in FY 1998, and what additional monies would then be needed in FY 1999. Furthermore, the agency can not provide an accurate estimate of its anticipated FY 1999 legal costs. The JLBC Staff recommends that unused monies in the agency's budget in FY 1998 carryforward to FY 1999. This

recommendation is more flexible than the Executive's recommendation in that the agency's entire budget would become non-lapsing (as opposed to just the engineering study monies). This would give the agency additional flexibility to resolve the legal costs funding problem in FY 1999. In addition, this recommendation would eliminate the problem of currently not knowing the exact amount of engineering study monies that would be unused in FY 1998. To implement this recommendation, the following footnote is recommended:

#### **JLBC Staff Recommended Footnotes**

##### *New FY 1999 Footnotes*

Any unexpended amount of the FY 1998 appropriation does not revert to the General Fund pursuant to A.R.S. § 35-190 until June 30, 1999.

#### **Arizona Navigable Stream Adjudication Commission**

**FY 1999 Change:                      \$-0- GF**

**FY 1999 Revised Total:                      144,600 GF**

### **State Board of Nursing**

#### **Complaint Investigation                      FY 1999:                      \$41,000 OF**

The JLBC Staff recommends an increase of \$34,100 for Personal Services and \$6,900 for Employee Related Expenditures, for a total of \$41,000 for 1 FTE Position to address increases in the complaint investigation workload. From FY 1995 to FY 1996 the number of complaints increased from 631 to 1,375 and as a result, the FY 1998 budget included an increase of \$51,000 for Attorney General legal services. The Board projected a slight increase to 1,450 for FY 1997; however, the number of complaints increased to 2,081. The recommended amount provides an additional position to address the increase in complaints. The Executive concurs.

#### **State Board of Nursing**

**FY 1999 Change:                      \$41,000 OF**

**FY 1999 Revised Total:                      1,647,300 OF**

### **Arizona Board of Osteopathic Examiners**

#### **Impaired Physicians Program                      FY 1999:                      \$29,000 OF**

A.R.S. § 32-1861 states that the board may establish an Impaired Physician Program and stipulates that \$20 of each annual licensing renewal fee may be allocated to the program. The board is requesting to establish the program, as currently there are approximately 20 impaired osteopathic physicians in the state. The program will perform random substance testing on physicians in the program as well as monitoring the physician's therapy, medication and licensure restrictions. The JLBC Staff recommends an increase of

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\$29,000 from the Osteopathic Examiners Fund in FY 1999 to fund the program. The Executive concurs.

### Arizona Board of Osteopathic Examiners

<b>FY 1999 Change:</b>	<b>\$29,000 OF</b>
<b>FY 1999 Revised Total:</b>	<b>389,400 OF</b>

### Arizona State Parks Board

#### Kartchner Caverns Operating - General Fund

<b>FY 1998:</b>	<b>\$(161,800) GF</b>
<b>FY 1999:</b>	<b>(498,900) GF</b>

The JLBC Staff recommends a reduction of \$(161,800) GF and (8.5) FTE Positions to the Kartchner Caverns Operating Special Line Item for a revised total FY 1998 appropriation of \$149,400 GF and 3.5 FTE Positions. These recommended changes are based on new information that Kartchner Caverns State Park will not open during FY 1998, but that a minimum level of funding and positions are necessary to maintain the grounds and new facilities as each of the multiphases in the park's development are completed. The \$149,400 GF and 3.5 FTE Positions are for a total of 8 months full-funding beginning November 1, 1997 to provide for ongoing operating expenses of Kartchner Caverns State Park notwithstanding a specific opening date. The JLBC Staff also recommends deleting the FY 1998 General Appropriation Act footnote pertaining to the reversion of funds based on a formal opening date of April 1, 1998. The FY 1998 footnote is no longer necessary since the appropriation will now reflect the fixed cost of operating the park. The Executive concurs.

For FY 1999, the JLBC Staff recommends a reduction of \$(498,900) GF and (3.5) FTE Positions to the Kartchner Caverns Operating Special Line Item for a revised total FY 1999 appropriation of \$457,700 GF and 25.5 FTE Positions. These recommended changes are based on new information that Kartchner Caverns State Park will most optimistically open by April 1, 1999. Of the \$457,700 GF and 25.5 FTE Positions: \$224,300 and 3.5 FTE Positions are intended to provide 12 months full-funding for ongoing operating expenses of Kartchner Caverns State Park notwithstanding a specific opening date; and \$233,400 and 22 FTE Positions are intended to provide a total of 5 months full-funding, including 2 months for pre-opening preparation and training beginning February 1, 1999 and 3 months for ongoing operating expenses of Kartchner Caverns State Park based on a formal opening date of April 1, 1999. The JLBC Staff also recommends: (1) deleting the FY 1999 General Appropriation Act footnote pertaining to full-funding for the park and the reversion of funds for each month of delayed opening beyond July 1, 1998; (2) adding a new footnote based on a revised estimated formal opening date of April 1, 1999; and (3) continuing the requirement that State Parks present a detailed progress report on the development of

Kartchner Caverns to the Joint Legislative Budget Committee by January 15, 1999. The Executive does not recommend these changes.

#### Kartchner Caverns Operating - Enhancement Fund

<b>FY 1998:</b>	<b>\$-0- OF</b>
<b>FY 1999:</b>	<b>-0- OF</b>

For both FY 1998 and FY 1999, the JLBC Staff recommends transferring \$172,200 and 3.5 FTE Positions from the Enhancement Fund (including: Personnel Services, \$103,100; ERE, \$26,100; and All Other Operating, \$43,000) to a new Kartchner Caverns Operating-Enhancement Fund Special Line Item to separately account for these existing Enhancement Fund appropriations and FTE Positions dedicated to Kartchner from the rest of the State Parks Board's operating budget, thus making it easier to depict the cost and revenue of this special park. The \$172,200 OF and 3.5 FTE Positions are intended to provide 12 months full-funding in both years for ongoing operating expenses of Kartchner Caverns State Park notwithstanding a specific opening date.

#### JLBC Recommended Footnotes

##### *New FY 1999 Footnote*

Of the \$457,700 state General Fund appropriation and 25.5 FTE Positions for Kartchner Caverns Operating: \$224,300 and 3.5 FTE Positions are intended to provide 12 months full-funding for ongoing operating expenses of Kartchner Caverns State Park notwithstanding a specific opening date; and \$233,400 and 22 FTE Positions are intended to provide a total of 5 months full-funding, including 2 months for pre-opening preparation and training beginning February 1, 1999 and 3 months for ongoing operating expenses of Kartchner Caverns State Park based on a formal opening date of April 1, 1999. If the caverns' opening is delayed after April 1, 1999, one-third of the \$233,400 or \$77,800, shall revert to the state General Fund for each month beyond April 1, 1999 that the full opening of Kartchner is delayed. The State Parks shall present a detailed progress report on the development of Kartchner Caverns and the anticipated opening date to the Joint Legislative Budget Committee by January 15, 1999.

##### *Deletion of FY 1998 Footnotes*

The JLBC Staff recommends deleting the FY 1998 General Appropriation Act footnote pertaining to the reversion of funds based on a formal opening date of April 1, 1998, as it is no longer applicable.

##### *Deletion of FY 1999 Footnotes*

The JLBC Staff recommends deleting the FY 1999 General Appropriation Act footnote pertaining to the 12 months full-funding for Kartchner and reversion of funds for each month beyond July 1, 1998 that the park is not open, as this timeline is no longer applicable. A new footnote is recommended to

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more accurately reflect the revised timeline and anticipated opening date.

### JLBC Staff Recommended Statutory Changes

The JLBC Staff recommends that the Chapter 6, 1st Special Session language be amended to change the Enhancement Fund "cap" effective date from July 1, 1998 to July 1, 2000. The "cap" sets the maximum amount of monies that can be spent from the Enhancement Fund for state parks and temporarily diverts "excess" revenues above the capped amount to expedite the Tonto State Park lease-purchase payoff. This recommended change would allow Parks to continue to meet their current Enhancement Fund obligations at other state parks, provide adequate time to open Kartchner and again attain a positive cashflow, and would still enable expedited payoff of the Tonto lease by 2006 (6 years earlier than anticipated) and save the state nearly \$400,000 in interest expenses.

### Other Issues for Legislative Consideration

#### Arizona Open Space Conservation

The Executive recommends a \$5,000,000 General Fund appropriation from the Land Conservation Fund to implement the Arizona Land Preserve Initiative (Laws 1997, Chapter 261). The monies are intended to assist Arizona communities in conserving their most unique land through protection of natural scenery, recreational opportunities, wildlife habitat, agriculture and watersheds. The Executive has not recommended this funding as part of the State Parks budget. They may pursue this through separate legislation.

#### Arizona State Parks Board - Total

FY 1998 Change:	\$-0- OF	\$(161,800) GF
FY 1998 Revised Total:	3,645,000 OF	6,631,600 GF

FY 1999 Change:	\$-0- OF	\$(498,900) GF
FY 1999 Revised Total:	3,307,400 OF	7,180,200 GF

### Personnel Board

Workload Increase	FY 1998:	\$71,600 GF
	FY 1999:	42,200 GF

The JLBC Staff recommends an increase of \$71,600 in FY 1998 and \$42,200 in FY 1999 to fund an unexpected increase in the board's hearing costs. The FY 1998 amount includes a one-time increase of \$29,400 for a contractor to transcribe a 4 ½ month backlog of tape recorded hearings. Upon advice of legal counsel, before the Personnel Board makes a decision on a case, board members review a transcript of the hearing and the hearing officer's recommendation. In addition to the one-time FY 1998 amount, the JLBC Staff recommends \$42,200 in Professional and Outside Services for hearing officer, attorney,

transcription, and court reporter services in each FY 1998 and FY 1999.

The number of cases received by the Personnel Board increased by 19% over FY 1997 during the first 5 months of FY 1998. The complexity of cases also increased, resulting in a 102% increase in the number of hearing days, in spite of efforts to limit the hearings. Since state law requires cases to be heard within 30 days, the board has prioritized its FY 1998 budget to allow minimum processing of all cases received. However, the board has suspended all "delayable" functions, including transcription services. Without a supplemental appropriation, decisions on most of the pending FY 1998 cases will be deferred until FY 1999, creating a larger backlog. As one consequence of the delay, if the Personnel Board overturns an agency's decision to dismiss an employee, the agency typically is required to reimburse the employee for back wages during the months the employee was off work waiting for the board's decision. The supplemental appropriation would enable the board to eliminate the backlog and remain current in FY 1999. The Executive recommends \$42,200 in FY 1998, but does not recommend a FY 1999 supplemental amount, pending further evidence that the workload increase will continue.

#### Personnel Board

FY 1998 Change:	\$71,600 GF
FY 1998 Revised Total:	385,800 GF

FY 1999 Change:	\$42,200 GF
FY 1999 Revised Total:	358,900 GF

### Arizona Pioneers' Home

#### Miners' Fund Replacement

FY 1998:	\$-0- OF	\$-0- GF
FY 1999:	-0- OF	-0- GF

The Executive recommends that the Pioneers' Home discontinue use of the Miners' Fund in FY 1998 and FY 1999 and that these expenditures be replaced with appropriations from the General Fund. The Executive recommends a supplemental appropriation of \$1,930,800 and 39 FTE Positions from the General Fund for FY 1998 and an increase of \$1,927,500 and 39 FTE Positions for FY 1999. The Executive recommendation also eliminates the Miners' Fund appropriations of \$(1,465,900) and (39) FTE Positions for FY 1998 and \$(1,458,000) and (39) FTE Positions for FY 1999. This action was based on a 1987 Attorney General opinion that stated that monies from the Miners' Fund should only be used for an accredited hospital for disabled miners. This opinion was the basis for a finding in the Auditor General's 1997 Performance Audit of the Home, which stated that usage of the Miners' Fund should be discontinued. The Auditor General's Audit was part of the Home's statutory sunset review which was conducted to determine

whether the Home should be continued for another 10 years. The Joint Committees of Reference on the Pioneers' Home and Disabled Miners' Hospital considered the audit and recommended that legislation be drafted to continue the Home and that it include a study committee to examine this issue and others raised in the audit. The JLBC Staff does not recommend a change in the appropriation pending the recommendations of this committee.

**Arizona Pioneers' Home**

<b>FY 1998 Change:</b>	<b>\$-0- OF</b>	<b>\$-0- GF</b>
<b>FY 1998 Revised Total:</b>	<b>2,015,600 OF</b>	<b>2,252,500 GF</b>

<b>FY 1999 Change:</b>	<b>\$-0- OF</b>	<b>\$-0- GF</b>
<b>FY 1999 Revised Total:</b>	<b>2,007,700 OF</b>	<b>2,311,900 GF</b>

**Department of Public Safety**

**GITEM - Pima Squad**                      **FY 1999:**                      **\$389,600 GF**  
 The JLBC Staff recommends \$389,600 and 3 FTE Positions for continuation of the GITEM Pima Squad that was created by Laws 1997, Chapter 220 (Juvenile Justice Reform). The Executive concurs.

**Victim Notification**                      **FY 1999:**                      **\$-0- GF**  
 The JLBC Staff recommends the Sex Offender Community Notification Coordinator position that was created within the department pursuant to Laws 1997, Chapter 136. The Executive concurs.



**PAR - Victim Assistance Fund**

The JLBC and OSPB Staffs conducted a Program Authorization Review (PAR) of the Arizona Criminal Justice Commission's (ACJC) Victim Services program during the last year. As a result of that review, the JLBC Staff concurs with the recommendation of the Criminal Justice/Transportation PAR Committee to retain the program.

The PAR found significant overlap between ACJC's Victim Assistance subprogram and the federal victim assistance program administered by the Department of Public Safety (DPS). The Criminal Justice/Transportation PAR Committee did not find compelling evidence to consolidate these programs. However, the Executive recommends exappropriating \$450,000 OF from ACJC's Victim Assistance subprogram and appropriating this amount plus \$100,000 OF to DPS to combine the 2 state and federal Victims Assistance programs. The JLBC Staff does not recommend the Executive's proposed transfer from ACJC to DPS, but does recommend an increased appropriation for ACJC from the Victims Assistance Fund. *(Please see the Victims Assistance Subprogram policy issue under ACJC.)*

**Other Issues for Legislative Consideration**

**Patrol Vehicles**

The Executive recommends \$925,000 from the General Fund and \$1,000,000 from the Highway Patrol Fund for the purchase of 77 patrol vehicles. The JLBC Staff does not recommend any additional funding for patrol vehicles. The department was appropriated \$2,340,000 in FY 1999 for the purchase of 90 replacement patrol vehicles. Because of procurement requirements, the department typically receives the majority of patrol vehicles the fiscal year after the fiscal year in which funding is appropriated. However, with the biennial appropriation for FY 1999 already in place, the department should have enough lead time to ensure that the majority of the vehicles are received in the same fiscal year in which the appropriation is made. The FY 1999 appropriation for 90 replacement patrol vehicles should ensure that the department will have a patrol-capable vehicle with less than 100,000 miles for every sworn officer.

**Peace Officer Training Fund**

The Executive recommends \$925,000 GF as a one-time appropriation to the Peace Officer Training Fund to establish a regional law enforcement training facility. The Executive recommends this funding as an Executive Policy Initiative and not part of the DPS budget. Because this initiative may be pursued through separate legislation, the JLBC Staff recommendation does not address the issue.

**Department of Public Safety**

<b>FY 1999 Change:</b>	<b>\$-0- OF</b>	<b>\$389,600 GF</b>
<b>FY 1999 Revised Total:</b>	<b>44,001,300 OF</b>	<b>73,910,400 GF</b>

**Arizona State Retirement System**

**FY 1997 Projects**                      **FY 1998:**                      **\$371,500 OF**

The JLBC Staff recommends a one-time increase of \$371,500 from the State Retirement System Administration Account to facilitate the completion of 5 projects begun in FY 1997. The funds designated to complete these projects were no longer available after July 1, 1997, and the ASRS appropriation for FY 1998 did not include funding for these projects. The distribution of the funds includes \$148,800 for accelerated applications development, including programming and overall system coordination; \$72,000 for technical training and the purchase of another server for the Public Employee Retirement Information System (PERIS); \$109,400 for the printing and distribution of the Member Handbook; \$15,000 for Audio Visual upgrades in the ASRS boardroom; and \$26,300 for telephone system upgrades. The Executive recommends \$330,200 for this issue.

<b>Implementation of S.B. 1247</b>	<b>FY 1998:</b>	<b>\$51,800 OF</b>
	<b>FY 1999:</b>	<b>30,000 OF</b>

The JLBC Staff recommends increases of \$51,800 in FY 1998 and \$30,000 and 1 FTE Position for FY 1999 from the State Retirement System Administration Account to implement the payroll deduction service purchase provisions of S.B. 1247. Funding to implement these provisions was not included in the legislation. The FY 1998 amount includes \$40,000 in Professional and Outside Services for one-time contractor programming adjustments to PERIS; \$7,400 of Personal Services and \$900 of Employee Related Expenditures (ERE) for overtime programming by ASRS staff, and \$3,500 for one-time equipment purchases. The FY 1999 amount includes \$23,900 in Personal Services and \$6,100 in ERE for a Fiscal Service Specialist III to establish and maintain individual service purchase accounts. The Executive recommends \$50,000 for this issue in FY 1998 and concurs with the FY 1999 recommendation.

<b>Professional Service Contracts</b>	<b>FY 1998:</b>	<b>\$128,000 OF</b>
	<b>FY 1999:</b>	<b>230,600 OF</b>

The JLBC Staff recommends increases in Professional and Outside Services of \$128,000 in FY 1998 and \$230,600 in FY 1999 from the State Retirement System Administration Account to address shortages in the amount budgeted for professional service contracts. The sum of \$40,000 in each year will go to the actuary contract. This amount will fund the base contract amount, 2 program tests, and an estimated minimum number of additional actuarial valuations and cost studies.

The remaining amount of the recommended increase will cover the costs of outsourcing the retiree payroll and refund functions to the custodial bank. With regard to the payroll, \$245,200 was appropriated in FY 1998 to outsource the retiree payroll from January 1 to June 30. This amount was annualized in the ASRS appropriation for FY 1999. Outsourcing the payroll was based on 45,000 retirees with an estimated total cost of \$300,000 in FY 1998 and \$600,000 in FY 1999. The retiree population will grow, however, to an estimated average of 51,353 for the second half of FY 1998 and an estimated average of 53,675 in FY 1999. This increases the cost of providing the service, which costs \$1.11 per retiree per month, by \$42,000 in FY 1998 and \$115,000 in FY 1999. These costs are included in the recommended increases above.

Finally, the recommendation includes \$46,000 in FY 1998 and \$75,600 in FY 1999 to outsource the payment of refunds to members who withdraw from ASRS. Having the custodial bank perform this function as well will eliminate the need of ASRS to operate, maintain and eventually replace its mail machine. The cost per refund is \$6.28, and it is estimated that there will be 9,000 refunds in the second half of FY 1998 and 15,375 in FY 1999. Annual cost

savings from outsourcing the refunds is estimated at \$21,000, while additional annual savings to the Retirement Fund from interest earned on the float will be around \$10,700 per year. The Executive recommends \$128,300 for these issues in FY 1998 and \$231,000 in FY 1999.

<b>Computer Enhancements</b>	<b>FY 1998:</b>	<b>\$-0- OF</b>
	<b>FY 1999:</b>	<b>-0- OF</b>

The JLBC Staff recommends that monies appropriated for PERIS Applications Development and for Network Enhancements in FY 1998 and FY 1999 be combined in a PERIS Special Line Item and that the FY 1998 monies be exempted from A.R.S. lapsing provisions until FY 1999. The length and complexity of these Government Information Technology Agency-approved projects prevents them from being completed during the 1998 fiscal year. (*See JLBC Staff Recommended Footnotes.*) The Executive does not address this issue.

<b>Redeemed Service Costs</b>	<b>FY 1998:</b>	<b>\$-0- OF</b>
	<b>FY 1999:</b>	<b>-0- OF</b>

Laws 1997, Chapter 280 requires ASRS to recalculate the cost of redeemed service according to statutory changes for active and retired system members. ASRS must refund any collections which exceed the amount required under the new statutory provisions to retired members or active members upon their retirement. Chapter 280 appropriates \$200,500 to offset the cost of the recalculations. However, because refunds cannot be made to members in active status, costs will be incurred for this requirement until the last person retires who purchased redeemed service prior to July 1, 1997. To allow this appropriation to fund additional recalculations for already retired members and soon to retire active members, the JLBC Staff recommends making this appropriation exempt from lapsing until the end of FY 1999. *(See JLBC Staff Recommended Statutory Changes)*. The Executive does not address this issue.

### JLBC Staff Recommended Footnotes

### New Footnotes

Monies appropriated for the PERIS Special Line Item in FY 1998 shall be exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations until June 30, 1999. (See the "Computer Enhancements" policy issue for more details.)

## JLBC Staff Recommended Statutory Changes

The JLBC Staff recommends that the appropriation of \$200,500 in Laws 1997, Chapter 280, Section 22, be exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations until June 30, 1999. (*See the "Redeemed Service Costs" policy issue for more details.*)



# Joint Legislative Budget Committee - Biennial Supplementals - Analysis and Recommendations

## Arizona State Retirement System

FY 1998 Change: \$551,300 OF  
FY 1998 Revised Total: 10,031,700 OF

FY 1999 Change: \$260,600 OF  
FY 1999 Revised Total: 9,077,800 OF

## Department of Revenue

### Federal Employee Retirement Contribution Refund Project

FY 1998: \$1,344,100 GF  
FY 1999: 67,600 GF

The JLBC Staff recommends one-time increases of \$1,344,100 in FY 1998 and \$67,600 in FY 1999 to process 40,000 claims from federal employees for refunds of Arizona income taxes paid on their federal retirement plan contributions for tax years 1986 through 1990. In 1990 the Arizona statute was changed to provide federal employees the same tax treatment as that afforded state employees, who were allowed to deduct contributions to state retirement plans when calculating Arizona taxable income. During the summer of 1997, after several court decisions and a decision by the State Board of Tax Appeals had made the likelihood of Arizona winning a further appeal remote, Governor Symington ordered the department to implement the project. Most refunds are expected to occur in FY 1998 at a cost of \$16,000,000. This latter dollar amount is reflected as part of the JLBC Staff's revenue estimate for individual income tax returns.

For FY 1994, the department was appropriated and spent \$1,550,000 to administer a federal retiree income tax relief program involving 44,500 claims for tax years 1984 through 1989. That program involved refunds to federal retirees, due to a difference in the tax treatment of state retirement benefits versus federal retirement benefits. The department plans to use more computer matching of data in the current project where possible, but otherwise the 2 projects are of similar scope. The Executive concurs.

Volume and Rate Increases FY 1998: \$150,000 GF  
FY 1999: 630,000 GF

The JLBC Staff recommends increases of \$150,000 in FY 1998 and \$630,000 in FY 1999 to reflect volume and rate increases, including \$150,000 for postage for FY 1998, and the following for FY 1999: \$150,000 for postage; \$150,000 for electronic funds transfer, \$110,000 for telecommunications, \$100,000 for tax form printing, \$80,000 for temporary staff and \$40,000 for lien fees. The department has absorbed volume and/or rate increases in each of these items over the past 4 years, without receiving specific adjustments for them. The Executive concurs, except that it recommends \$300,000 for postage for FY 1999.

### Year 2000 Automation Update Projects

FY 1998: \$-0- GF  
FY 1999: -0- GF

The Executive recommends \$163,000 for FY 1998 and \$877,000 for FY 1999 to make 3 automated systems year 2000 compliant. Their recommendation includes \$163,000 for FY 1998 and \$103,000 for FY 1999 for the department's automated collections system, \$574,000 for FY 1999 for the remittance processing and data entry system, and \$200,000 for 3 specialized phone systems that provide support in handling taxpayer requests, questions and collections. The JLBC Staff does not recommend funding for this issue. It is recommended instead that the department work with the Government Information Technology Agency to prioritize its automation needs, and absorb what costs the department can. Any remaining year 2000 needs should be funded through the Government Information Technology Agency's year 2000 appropriation.

Electronic Filing Pilot Project FY 1998: \$-0- GF  
FY 1999: -0- GF

The Executive recommends \$60,000 for FY 1998 and \$238,000 for FY 1999 for an electronic filing pilot project for individual income tax returns. The JLBC Staff does not recommend funding for this issue, until the department's computer systems are in compliance with year 2000 requirements. Until then it is recommended that the department's computer resources not be further strained with new automation projects not caused by year 2000 needs.

Out-of-State Travel FY 1998: \$-0- GF  
FY 1999: -0- GF

The Executive recommends \$100,000 for FY 1998 and \$200,000 for FY 1999 to increase the number of out-of-state audits of companies whose headquarters are outside Arizona. The JLBC Staff does not recommend funding for this issue, since it believes that the department has sufficient out-of-state funding. The department had out-of-state travel expenditures of \$519,900 for FY 1994, \$396,900 for FY 1995, \$504,600 for FY 1996, and \$605,100 for FY 1997, and has approved out-of-state travel amounts of \$653,200 for FY 1998 and \$653,200 for FY 1999.

Remodel Data Entry Area FY 1998: \$-0- GF

The Executive recommends \$27,600 for FY 1998 for costs the department incurred remodeling the data entry area in response to an employee's complaint about safety. The JLBC Staff does not recommend funding for this issue, since the department has absorbed the cost within its existing budget.



## Joint Legislative Budget Committee - Biennial Supplementals - Analysis and Recommendations

### Department of Revenue

**FY 1998 Change:** \$-0- OF \$1,494,100 GF  
**FY 1998 Revised Total:** 1,387,500 OF 55,139,100 GF

**FY 1999 Change:** \$-0- OF \$697,600 GF  
**FY 1999 Revised Total:** 1,404,900 OF 55,609,800 GF

### Secretary of State - Department of State

**Elected Official Salaries FY 1999: \$2,800 GF**

The JLBC Staff recommends half-year funding to increase the salary of the Secretary of State from \$65,000 to \$70,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. If the Legislature takes no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The Executive concurs.

### Secretary of State - Department of State

**FY 1999 Change:** \$2,800 GF  
**FY 1999 Revised Total:** 4,372,500 GF

### State Board for School Capital Facilities

See Central Operations in the Arizona Department of Administration for a discussion of the agency's FY 1999 budget.

### Structural Pest Control Commission

**Annual Leave Payoff FY 1999: \$9,000 OF**

The Executive Director of the Structural Pest Control Commission has announced he will retire no later than the end of September 1998. As of September 1997, he had accrued approximately 240 hours of annual leave that will have to be paid out by the agency in FY 1999. To cover this unanticipated cost, the JLBC Staff recommends one-time funding of \$9,000. The Executive concurs at a cost of \$9,200.

### Structural Pest Control Commission

**FY 1999 Change:** \$9,000 OF  
**FY 1999 Revised Total:** 1,473,700 OF

### State Board of Tax Appeals

**Rent FY 1999: \$8,100 GF**

The JLBC Staff recommends an increase of \$8,100 in FY 1999 for additional rent of private office space, due to the board's move to a new location from the Courts Building to accommodate expansion of the Judicial Department in early FY 1998. This was not a problem for FY 1998, since

the board was able to save 3 months rent due to a delay in completing the remodeling of its new office after it had moved in. The board had \$266,300 of actual FY 1997 expenditures out of an approved \$269,700, and has an approved operating budget of \$281,100 for FY 1999. The Executive concurs.

### State Board of Tax Appeals

**FY 1999 Change:** \$8,100 GF  
**FY 1999 Revised Total:** 289,200 GF

### State Board of Technical Registration

**Greenfields Pilot Program FY 1999: \$62,100 OF**

Laws 1997, Chapter 296 creates a pilot voluntary soil remediation program within the Arizona Department of Environmental Quality to identify and remediate up to 100 "brownfields" within the state and return them to productive use. The act also charges the Board of Technical Registration with certifying remediation specialists. The JLBC Staff recommends a FY 1999 supplemental appropriation of \$62,100 and a 0.5 FTE Position for costs associated with certifying remediation specialists. The recommended increase includes \$27,100 to hire an Administrative Assistant (Grade 15) to process the new applicants and \$35,000 for the board to develop a certification test. The Executive concurs.

### State Board of Technical Registration

**FY 1999 Change:** \$62,100 OF  
**FY 1999 Revised Total:** 892,000 OF

### Office of Tourism



#### PAR - Welcome Center and Business Operations

The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the Arizona Office of Tourism's (AOT) **Business Administration and Welcome Center Operations** during the last year. As a result of that review, the JLBC Staff recommends retaining the program.

AOT operates the Painted Cliffs Welcome Center near Lupton, Arizona off of Interstate 40. The JLBC/OSPB review found that customers are very satisfied with services provided at the Welcome Center. Data from AOT also indicate the Welcome Center contributes to the state's economic development. However, the JLBC/OSPB review found that available data does not allow for objective comparisons of the Welcome Center's economic benefits relative to AOT's other marketing programs. Finally, the review found that AOT has substantially improved the controls and effectiveness of its financial management,

## Joint Legislative Budget Committee - Biennial Supplementals - Analysis and Recommendations

human resources, and strategic planning systems since the 1994 Auditor General's performance audit.

The Economic Development PAR Committee adopted the JLBC Staff recommendation to retain the program. This recommendation has no budgetary impact.

### Arizona Office of Tourism

**FY 1998 Change:** \$-0- GF  
**FY 1998 Revised Total:** 8,295,500 GF

### State Treasurer

**Justice of the Peace Salaries FY 1998: \$71,300 GF**

The JLBC Staff recommends a FY 1998 increase of \$71,300 in the Justice of the Peace Salaries Special Line Item to cover FY 1997 Justice of the Peace reimbursements above the FY 1997 appropriated amount. This special line item is for pass-through funds used to pay the state portion of Justice of the Peace salaries. The state share is 40% of the total salaries in accordance with A.R.S. § 22-117. The salaries are determined by a calculation of judicial productivity credits, which are then used to determine the percentage of a Superior Court Judge salary to be paid to each Justice of the Peace. The Executive concurs at a cost of \$71,200.



**Program Authorization Review** - The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Justice of the Peace Salaries** Special Line Item during the last year. As a result of that review, the JLBC Staff recommends modifying the Special Line Item by requiring the Auditor General to report back to the Health and Welfare PAR Committee, by January 15, 1998 with the amount of resources needed to annually perform an inventory audit on caseloads for 10 randomly selected Justice of the Peace Courts.

Justice of the Peace salaries are calculated every 2 years based on the average annual case filings for the preceding 2-year period. The PAR found that although Justice of the Peace salaries are based on case filings, no audits are performed on reported case filing activity.

The Health and Welfare PAR Committee adopted the JLBC Staff recommendation. Per statute, the committee is responsible for introducing any legislation required to enact its recommendations.

**Elected Official Salaries FY 1999: \$2,800 GF**

The JLBC Staff recommends half-year funding to increase the salary of the State Treasurer from \$65,000 to \$70,000. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. If the

Legislature takes no action to disapprove of this recommendation, current law requires the salary adjustment to take place on January 1, 1999. The Executive concurs.

### State Treasurer

**FY 1998 Change:** \$71,300 GF  
**FY 1998 Revised Total:** 5,320,700 GF

**FY 1999 Change:** \$2,800 GF  
**FY 1999 Revised Total:** 4,447,800 GF

### Commission on Uniform State Laws

**New Commissioner FY 1999: \$2,100 GF**

The Commission on Uniform State Laws consists of 3 members appointed by the Governor and any Arizona resident that is a life member of the National Conference of Commissioners on Uniform State Laws. When the FY 1999 budget was passed, the commission consisted of 4 members; 3 appointees, and 1 life member. Since then, 1 of the appointees became a life member of the national commission. The Governor appointed another commissioner to fill the vacancy, bringing the total number of members on the commission to 5. The JLBC Staff recommends a FY 1999 General Fund increase of \$2,100 for travel and per diem costs associated with the additional commissioner. The Executive concurs.

### Commission on Uniform State Laws

**FY 1999 Change:** \$2,100 GF  
**FY 1999 Revised Total:** 33,700 GF

### Department of Water Resources



**Program Authorization Review** - The JLBC and OSPB Staffs conducted a **Program Authorization Review (PAR)** of the **Statewide Planning** program during last year. As a result of that review, the JLBC Staff recommends modifying the Water Protection Fund Commission portion of the program.

The Statewide Planning Program includes 2 subprograms: Statewide Planning which proposes management strategies to preserve and enhance state water supplies and the Water Protection Fund Commission which provides grants to individuals and organizations to restore and conserve rivers, streams, and riparian habitats. The review found that the Statewide Planning Subprogram is meeting its mission efficiently and effectively. The requests for management assistance from water use groups in the state have steadily increased each year.

Regarding the Water Protection Fund Commission, the PAR concluded that the extent of the river and stream degradation

## Joint Legislative Budget Committee - Biennial Supplementals - Analysis and Recommendations

as well as the dollar value of projects needing funding is not known. In addition, it is difficult to estimate the value of benefits received from many of the restoration projects. The JLBC and OSPB Staffs recommended that the Commission develop a general assessment of statewide stream and riparian needs, as well as measures to capture the results of restoration projects. The Education/Natural Resources PAR Committee did not adopt this recommendation.

### Department of Water Resources

<b>FY 1999 Change:</b>	<b>\$-0- OF</b>	<b>\$-0- GF</b>
<b>FY 1999 Revised Total:</b>	<b>80,000 OF</b>	<b>19,979,700 GF</b>

### Department of Weights and Measures

### Other Issues for Legislative Consideration

#### Rent Adjustment

The Executive recommends an additional \$6,800 in General Fund money for the department's adjusted rental payment. The JLBC Staff recommends that the rent adjustment be made through the Capital Outlay Stabilization Fund, with the money put into the Arizona Department of Administration's budget.

### Department of Weights and Measures

<b>FY 1999 Change:</b>	<b>\$320,400 OF</b>	<b>\$86,000 GF</b>
<b>FY 1999 Revised Total:</b>	<b>744,700 OF</b>	<b>1,703,300 GF</b>

#### Maricopa County Gasoline Reformulation Program

**FY 1999: \$320,400 OF**

The JLBC Staff recommends an additional \$320,400 in FY 1999 from the Air Quality Fund to enable the department to implement a gasoline reformulation program required by the federal Environmental Protection Agency. Laws 1997, Chapter 117 appropriated \$150,000 in FY 1998 to establish, in concert with the Arizona Department of Environmental Quality and industry, a set of administrative rules regarding the accepted gasoline formulas. The recommended supplemental appropriation for FY 1999 would allow the department to implement and enforce the program through registration of suppliers and oxygenate blenders, and inspection and audits of suppliers.

The recommended FY 1999 amount provides for a Program Manager to exercise oversight of the program, as well as sophisticated audits of refineries, pipelines, and terminals by outside contractors. The Executive concurs.

#### Maricopa County Vapor Recovery Enforcement

**FY 1999: \$86,000 GF**

The JLBC Staff recommends an increase of \$86,000 in FY 1999 for the Vapor Recovery program to maintain enhanced enforcement of vapor recovery in gasoline dispensing devices located in Maricopa County. Laws 1997, Chapter 269 appropriated \$90,000 in FY 1998 for this program but did not authorize FY 1999 funding. The recommended supplemental amount for FY 1999 would allow the department to maintain the 2 additional Inspectors that it has hired to perform compliance inspections and a 0.5 FTE Position Information Processor to enter inspection data into a database. The recent downgrading of the county's airshed classification from moderate to serious underscores the need for increased vapor recovery enforcement.

The Executive recommendation of \$82,000 includes no money for additional operating expenses. The JLBC Staff recommends \$4,000 for this purpose.

**CAPITAL OUTLAY BUDGET  
(CB)**

**FISCAL YEAR 1999**

**CAPITAL OUTLAY BUDGET RECOMMENDATIONS**

**BY THE STAFF OF THE JOINT COMMITTEE ON CAPITAL REVIEW**

**MEMBERS**

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Gus Arzberger  
Jack A. Brown  
James Henderson, Jr.  
John Huppenthal  
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**HOUSE**

Robert "Bob" Burns, Chairman  
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Lori S. Daniels  
Art Hamilton  
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Barry Wong

**STAFF**

Richard Stavneak, Director  
Phil Case, Senior Fiscal Analyst  
Janet Belisle, Secretary/Clerk

# Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

## Capital Outlay Summary

JLBC: Phil Case/Brian Schmitz  
JCCR Chair: Burns

OSP: Brett Cloninger  
JCCR Vice-Chair: Bowers

DESCRIPTION	FY 1998 APPROP	FY 1999		
		REQUEST	OSPB	JLBC
<b>BUILDING RENEWAL</b>				
Arizona Department of Administration Building System	7,428,400	14,925,200	12,210,500	14,925,200
Arizona Department of Transportation Building System	746,500	2,380,500	2,088,400	2,088,400
Arizona Board of Regents Building System	14,779,100	32,031,700	25,625,400	32,031,700
<b>SUBTOTAL</b>	<b>22,954,000</b>	<b>49,337,400</b>	<b>39,924,300</b>	<b>49,045,300</b>
<b>ADVANCE APPROPRIATIONS</b>				
Arizona Department of Administration Building System	61,193,800	41,615,000	41,100,000	41,615,000
Arizona Department of Transportation Building System	3,200,000	0	0	0
Arizona Board of Regents Building System	0	3,000,000	3,000,000	3,000,000
<b>SUBTOTAL</b>	<b>64,393,800</b>	<b>44,615,000</b>	<b>44,100,000</b>	<b>44,615,000</b>
<b>NEW PROJECTS</b>				
Arizona Department of Administration Building System	32,617,200	202,979,000	30,989,400	68,157,600
Arizona Department of Transportation Building System	276,423,500	298,599,400	284,003,000	303,023,400
Arizona Board of Regents Building System	2,997,000	4,000,000	0	0
<b>SUBTOTAL</b>	<b>312,037,700</b>	<b>505,578,400</b>	<b>314,992,400</b>	<b>371,181,000</b>
<b>TOTAL - ALL PROJECTS</b>	<b>399,385,500</b>	<b>599,530,800</b>	<b>399,016,700</b>	<b>464,841,300</b>
<b>FUND SUMMARY</b>				
General Fund	99,287,300	280,198,700	96,005,200	146,805,800
Other Appropriated Funds	300,098,200	319,332,100	303,011,500	318,035,500
<b>TOTAL - ALL SOURCES</b>	<b>399,385,500</b>	<b>599,530,800</b>	<b>399,016,700</b>	<b>464,841,300</b>

**Description** — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, or enhance the state's capital stock which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other facilities which support the missions of the various state agencies. 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 annual Capital Outlay Bill, but may be made through other bills as well.

## FY 1999 — JLBC Staff Recommendations

**Building Renewal** **\$6,885,600 OF \$42,159,700 GF**  
The recommended amounts are based on 100% funding of the building renewal formula. The JLBC Staff also recommends that up to 25% of building renewal monies be available for projects to comply with the Americans with Disabilities Act (ADA) and for infrastructure repair and major maintenance. The Executive recommends 80% funding of the General Fund portion of the formula and 100% funding of the Other Funds portion of the formula.

The Executive recommendation totals \$33,038,700 GF and \$6,885,600 OF. (See the Building Renewal write-up for more information.)

**Advance Appropriations** **515,000 OF 44,100,000 GF**  
The recommended amounts were appropriated in prior legislative sessions. The Executive concurs with the General Fund recommendation but does not address the Other Fund recommendation. (See the ADOA building system write-up and the ABOR building system write-up for more information.)

# Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

**New Projects** 310,634,900 OF 60,546,100 GF  
The recommended amounts would fund projects worth \$60,546,100 GF and \$7,611,500 OF within the ADOA building system; and projects worth \$303,023,400 OF for ADOT. The Executive recommendation totals \$18,866,500 GF and \$296,125,900 OF. (See the ADOA building system write-up and the ADOT building system write-up for more information.)

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## Other Issues for Legislative Consideration

### Lease-Purchase Facilities

ADOA, the Industrial Commission, Arizona State University, Northern Arizona University, and the University of Arizona have entered into lease-purchase agreements for the acquisition and construction of state facilities. The table below provides information related to state lease-purchase agreements as of December 31, 1997. The General Fund and Other Appropriated Fund amounts are included in agency.

### Bonding Summary

ABOR, on behalf of the universities, and ADOT have issued revenue bonds to acquire and construct facilities and to purchase equipment. Bonding levels and issuances for the universities are authorized by the Legislature. The table below summarizes the state's outstanding bonds as of June 30, 1997.

<b>Bonding Summary</b>		
<b>Issuing Entity</b>	<b>Original Issue</b>	<b>FY 1999 Payment</b>
<b>ABOR Building System</b>		
Arizona State University	\$ 256,656,000	\$ 22,434,000
Northern Arizona University	157,530,000	11,717,600
University of Arizona	375,270,000	24,242,800
Subtotal - ABOR	\$ 789,456,000	\$ 58,394,400
Department of Transportation	652,500,000	46,059,000
<b>TOTAL</b>	<b>\$1,441,956,000</b>	<b>\$104,453,4000</b>

### Lease-Purchase Summary

<b>Project-Year</b>	<b>Original Issue</b>	<b>FY 1999 Payment</b>
<b>ADOA Building System</b>		
ENSCO- 1991	\$55,080,000	\$4,586,500
Revenue Building - 1992	26,919,000	2,131,000
DES Group Homes - 1992	3,420,500	272,400
16th Ave. Parking - 1992	5,390,000	383,600
Courts Building -1992	40,440,000	3,418,800
Historical Museum - 1992	13,665,000	1,255,600
ASDB Food Service - 1992	3,765,000	380,500
DES West - 1992	36,205,000	3,013,200
Tucson Office Building - 1992	22,365,000	2,166,700
Capital Center - 1992	20,845,000	1,726,800
Welcome Center - 1992	490,000	67,600
Distressed Properties - 1992	15,625,000	2,217,800
Game & Fish Office -1993	2,927,300	82,000
Records Management - 1993	2,441,900	183,000
Library for the Blind -1993	1,405,100	106,000
ASDB Projects - 1993	15,811,200	1,198,600
1616 West Adams - 1993	8,020,900	609,700
Tonto Natural Bridge -1993	4,721,900	353,400
DOC 768 Beds - 1994	44,370,000	12,414,000
AHCCCS Buildings -1995	12,000,000	1,656,100
Subtotal - ADOA	\$335,907,800	\$38,223,300
Industrial Commission	17,000,000	1,000,000
<b>ABOR Building System</b>		
Arizona State University	67,120,000	5,722,000
Northern Arizona State University	2,108,000	199,100
University of Arizona	75,153,300	7,727,600
Subtotal - Universities	\$144,381,300	\$13,648,700
<b>TOTAL</b>	<b>\$497,289,100</b>	<b>\$52,872,000</b>

# Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

Capital Outlay  
Building Renewal

JLBC: Phil Case/Brian Schmitz  
JCCR Chairman: Burns

OSPB: Bret Cloninger  
JCCR Vice-Chair: Bowers

JCCR Chairman: Davis		JCCR Vice Chairman: Edwards			
DESCRIPTION	AGENCY	FY 1998	FY 1999		
		APPROP	REQUEST	OSPB	JLBC
<b>BUILDING SYSTEM</b>					
Arizona Department of Administration	ADOA	7,428,400	14,925,200	12,210,500	14,925,200
Arizona Department of Transportation	ADOT	746,500	2,380,500	2,088,400	2,088,400
Universities	ABOR	14,779,100	32,031,700	25,625,400	32,031,700
<b>TOTAL</b>		22,954,000	49,337,400	39,924,300	49,045,300

## BY FUND SOURCE

General Fund	ADOA/ABOR	18,989,800	45,659,700	33,038,700	42,159,700
Capital Outlay Stabilization Fund	ADOA	2,000,000	0	3,500,000	3,500,000
Coliseum and Exposition Center Fund	Coliseum	902,900	963,800	963,800	963,800
Game and Fish Fund	Game & Fish	212,600	242,400	242,400	242,400
State Lottery Fund	Lottery	21,600	24,700	24,700	24,700
SAMHC Building Renewal Fund	DHS	80,600	66,300	66,300	66,300
State Highway Fund	ADOT	714,800	2,333,600	2,041,500	2,041,500
State Aviation Fund	ADOT	31,700	46,900	46,900	46,900
<b>TOTAL - ALL SOURCES</b>		<b>22,954,000</b>	<b>49,337,400</b>	<b>39,924,300</b>	<b>49,045,300</b>

## FUND SUMMARY

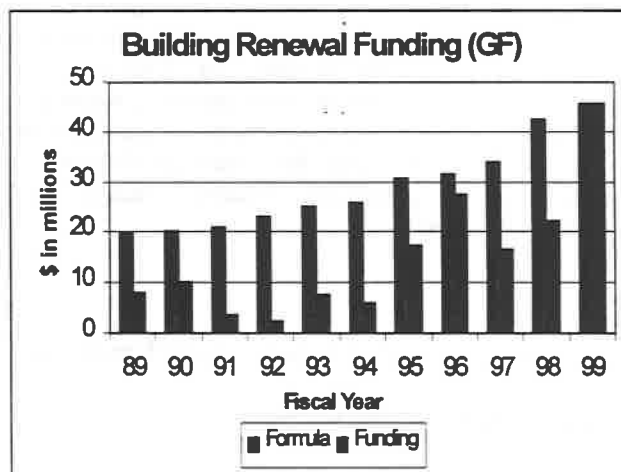
General Fund	18,989,800	45,659,700	33,038,700	42,159,700
Other Appropriated Funds	3,964,200	3,677,700	6,885,600	6,885,600
<b>TOTAL - ALL SOURCES</b>	<b>22,954,000</b>	<b>49,337,400</b>	<b>39,924,300</b>	<b>49,045,300</b>

**Description** — Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. Pursuant to Laws 1986, Chapter 85, 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. Building Renewal involves the repair and reworking of a building, including the upgrading of systems which will result in maintaining a building's expected useful life. Building Renewal funds may not be used for building additions, infrastructure additions, landscaping, area beautification, routine maintenance, or demolition and removal of buildings. Available appropriations are administered by the Arizona Department of Administration (ADOA), the Arizona Board of Regents (ABOR), and the Arizona Department of Transportation (ADOT) for their respective building systems. Appropriations for Building Renewal are from a variety of fund sources including the General Fund.

## FY 1999 — JLBC Staff Recommendations

**Building Renewal \$6,885,600 OF \$42,159,700 GF**  
The recommended amounts represent 100% funding of the General Fund and Highway Fund portions of the formula. The funding recommendation for the General Fund portion includes \$3,500,000 from the Capital Outlay Stabilization Fund (COSF) for the ADOA Building System. The recommended amounts also include 100% funding for all remaining funds. If appropriated, the recommended General Fund amount would represent the highest appropriation ever for building renewal (see following graph).

The Executive recommends 80% funding for the General Fund portion of the building renewal formula, including \$3,500,000 from COSF. This General Fund recommendation is \$(9,121,000) less than the JLBC Staff





## Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

recommendation. The Executive recommends 100% funding for all remaining funds. The following table compares the JLBC Staff and Executive General Fund building renewal recommendations:

<b>General Fund Building Renewal Recommendations</b>			
<b>Building System</b>	<b>JLBC Rec.</b>	<b>Executive Rec.</b>	<b>JLBC above Executive</b>
ADOA	\$10,128,000	\$7,413,300	\$2,714,700
ABOR	32,031,700	25,625,400	6,406,300
<b>Total</b>	<b>\$42,159,700</b>	<b>\$33,038,700</b>	<b>\$9,121,000</b>

### ADA Compliance and

#### Infrastructure Renewal

-0- OF

-0- GF

For FY 1998, provisions in the Capital Outlay Bill and Omnibus Reconciliation Bill (ORB) permit agencies to utilize up to 25% of building renewal monies for building compliance with the Americans with Disabilities Act (ADA) and infrastructure repair. Annual provisions for ADA have been in these bills dating back to FY 1996; FY 1998 represents the first year that infrastructure repairs were permitted. Laws 1997, Chapter 85 permanently alters the definition of building renewal to include the repair or reworking of infrastructure such as utility systems, roadways, and parking lots. Prior to this change, infrastructure repair was not eligible for building renewal monies, and there was no dedicated funding source for this purpose.

The JLBC Staff recommends continuation of the Capital Outlay Bill footnote and ORB provision permitting the use of up to 25% of building renewal monies for ADA compliance or infrastructure repair. These provisions would continue to provide agencies with flexibility to address ADA issues and would limit spending on infrastructure repairs. For FY 1998, ADOA is expecting to expend approximately 9% of building renewal monies on ADA projects, down from 15% in FY 1997. With the most critical ADA projects being completed first, the annual funding requirement should continue to diminish. The limit on infrastructure spending is intended to ensure that building renewal monies are directed to their originally intended purpose, while providing agencies with significant flexibility in addressing infrastructure repair needs. (See *JLBC Staff Recommended Footnotes and JLBC Staff Recommended Statutory Changes*.) The Executive concurs.

\* \* \*

### JLBC Staff Recommended Format — Lump Sum by Fund

### JLBC Staff Recommended Footnotes

#### *Continuation of New FY 1998 Footnotes*

Of the monies appropriated for building renewal, 25% or less may be spent for state building modifications to

comply with the Americans with Disabilities Act or for infrastructure replacement and repair.

### JLBC Staff Recommended Statutory Changes

The JLBC Staff recommends language permitting the use of up to 25% of building renewal monies for state building modifications to comply with the ADA and for infrastructure replacement and repair.

# Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

Capital Outlay

Arizona Department of Administration Building System

JLBC: Phil Case/Brian Schmitz

JCCR Chairman: Burns

OSPB: Bret Cloninger

JCCR Vice-Chair: Bowers

			FY 1999		
DESCRIPTION	AGENCY	FUND	REQUEST	OSPB	JLBC
ADVANCE APPROPRIATIONS					
ASPC-Lewis	ADOA	General Fund	41,100,000	41,100,000	41,100,000
Old Capitol Renovation	Legislative Council	LEJ Land Fund	515,000	0	515,000
SUBTOTAL			41,615,000	41,100,000	41,615,000

## NEW PROJECTS

Construct Capitol Mall Office Building	ADOA	General Fund	28,000,000	0	25,150,000
State Health Laboratory	ADOA	General Fund	21,693,000	14,000,000	15,000,000
Construct Flagstaff Office Building	ADOA	General Fund	0	0	10,060,000
Build-Out New DJC Complex	ADOA	General Fund	8,812,400	0	7,042,000
Capitol Mall Facilities	ADOA	General Fund	1,000,000	1,000,000	0
Renovate ASDB Athletic Facilities	ASDB	General Fund	2,604,600	0	2,000,000
Capitol Mall Maintenance Compound	ADOA	General Fund	1,402,300	0	1,244,100
New ASH Facility	ADOA	COP	0	0	0
DES Uninterruptible Power Supply	DES	General Fund	2,028,800	2,028,800	0
Arizona Training Program at Tucson Study	DES	General Fund	0	0	25,000
Move Genealogy Archives	DLAPR	General Fund	25,000	0	25,000
Underground Storage Tanks	ADOA	Motor Pool Fund	850,000	245,300	250,000
COP Debt Service	ADOA	General Fund	0	1,592,400	0
ASPC-Lewis	ADOA	Corrections Fund	0	2,695,700	2,695,700
Prison Planning and Siting	ADOA	Corrections Fund	0	2,000,000	2,000,000
ASPC-Tucson Locks	ADOA	Corrections Fund	2,207,600	0	2,207,600
Douglas Sewer Line	ADOA	Corrections Fund	5,290,000	5,290,000	0
Game and Fish Facilities Improvements	Game & Fish	Game & Fish Fund	212,400	212,400	182,400
Shooting Range Development	Game & Fish	Game & Fish Fund	50,000	50,000	50,000
Flagstaff Shooting Range Planning	Game & Fish	Game & Fish Fund	500,000	103,700	125,800
Migratory Waterfowl Habitat	Game & Fish	Waterfowl Conserv.	100,000	100,000	100,000
ADOA Motor Pool	Motor Pool	ADOA	1,671,100	1,671,100	0
<b>SUBTOTAL</b>			<b>76,447,200</b>	<b>30,989,400</b>	<b>68,157,600</b>

## TOTAL - ALL PROJECTS <sup>1/</sup>

118,062,200 72,089,400 109,772,600

## FUND SUMMARY

General Fund	115,013,700	59,966,500	101,646,100
Other Appropriated Funds	3,048,500	12,122,900	8,126,500
<b>TOTAL - ALL SOURCES</b>	<b>118,062,200</b>	<b>72,089,400</b>	<b>109,772,600</b>

1/ The total request for all projects, including those not shown, was \$192,972,500 GF and \$10,006,500 OF.

**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 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 recommendations for FY 1999 are for specific projects within the building system but do not include building renewal projects. Appropriations for ADOA Building System projects may be from the General Fund or Other Funds.

**FY 1999 — JLBC Staff Recommendations**

**Advance Appropriations \$515,000 OF \$41,100,000 GF**  
A total of \$41,100,000 GF and \$500,000 OF was appropriated to agencies within the ADOA Building System for capital projects in FY 1999 by bills from prior legislative sessions. Since these appropriations have already been enacted into law, they would not need to be included in the FY 1999 Capital Outlay Bill.

The FY 1997 Capital Outlay Bill appropriated \$1,400,000 in FY 1997 from the Legislative, Executive, and Judicial Land Fund and the fund's FY 1998 through FY 2000 revenues for the renovation of the Old Capitol Building. The FY 1999 fund revenues are now estimated to be \$515,000. The JLBC Staff recommends retaining the FY 1999 appropriation for the Old Capitol Building.

Laws 1996, Chapter 337, in combination with Chapter 2, 5<sup>th</sup> Special Session, appropriated \$141,100,000 to ADOA over 3 years to design and construct 4,150 prison beds at ASPC-Lewis. The following table summarizes the appropriations.

<b>ASPC-Lewis Advance Appropriations</b>			
<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>Total</u>
\$ 43,900,000	\$ 56,100,000	\$ 41,100,000	\$ 141,100,000

The JLBC Staff recommends retaining the FY 1999 appropriation to complete the project. (*See ASPC-Lewis Policy Issue for a discussion of a related FY 1999 recommendation.*) The Executive recommends the ASPC-Lewis appropriation but does not address the Old Capitol Building appropriation.

**General Fund**

**Construct Capitol Mall Office Building 25,150,000 GF**  
The recommended amount would fund the construction of a new office building on the Capitol Mall. Laws 1997, Chapter 2, 1<sup>st</sup> Special Session appropriated \$1,100,000 GF to ADOA for the design of a new office building on the Capitol Mall. Prior to the release of monies for the building's design, the department was required to present alternative sites to the Joint Committee on Capital Review for consideration. After reviewing the alternatives, the Committee endorsed a site next to the existing Mines and Minerals Museum. The site will accommodate a 185,000 square foot building and will require the construction of a parking structure. The parking structure would be constructed just north of the site between the existing health laboratory and the 1616 W. Adams building. Two likely occupants of the building would be the Departments of Water Resources and Commerce, both of which have private leases which expire around the year 2000 when the

building should be completed. The recommended amount includes 1 FTE Position and up to \$55,000 per year for Personal Services and Employee Related Expenditures to oversee the project until its completion. The JLBC Staff recommendation is based on a construction cost of \$100 per square foot, plus \$6,500,000 for the parking structure and site improvements. (*See Project-Specific FTE Positions Policy Issue for more information.*)

The Executive recommends utilizing lease-purchase financing for the building's construction and a construction cost of \$27,300,000. The JLBC Staff recommends against the use of lease-purchase financing. The state utilized lease-purchase financing for construction and acquisition projects during difficult budget years; however, pay-as-you-go financing has been used for all major projects in recent years. The use of lease-purchase financing would generate interest expenses as well as transactions costs associated with the issuing of debt.

**State Health Laboratory 15,000,000 GF**  
The recommended amount would fund improvements to provide adequate state health laboratory facilities. The existing health laboratory is overcrowded, unsafe, and obsolete. Laws 1997, Chapter 2, 1<sup>st</sup> Special Session appropriated \$14,800,000 from the Tobacco Tax Fund to construct a new laboratory; however, the appropriation is being challenged by referendum for being an inappropriate use of Tobacco Tax monies. Rather than wait for the outcome of the referendum, the JLBC Staff recommends a General Fund appropriation to address the need for improved facilities. The JLBC Staff also recommends that the legislation appropriating the Tobacco Tax monies be repealed. (*See JLBC Staff Recommended Statutory Changes.*)

Since the Chapter 2 appropriation, ADOA has indicated that the cost of the planned new laboratory building has increased to \$21,700,000. This new building would provide 46,600 square feet of usable space compared to the existing laboratory's 25,000 square feet. In light of the dramatic cost increase and a renewed interest in privatizing aspects of the laboratory, the JLBC Staff recommendation would allow for the construction of a smaller than planned building and/or renovations to the existing laboratory building. A third option would be to purchase or lease an existing facility elsewhere. Prior to the expenditure of any monies, the Legislative Council should complete a privatization study detailing the approach to be taken. Several existing laboratory functions may be suitable for privatization, such as the newborn screening program. Prior to the expenditure of any funds, the results of the privatization study should be presented to the JCCR for its review (*See JLBC Staff Recommended Footnotes for suggested footnote language.*)

## **Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations**

The Executive recommends \$14,000,000 in FY 1999 and \$7,700,000 in FY 2000 for the construction of a new laboratory building on the Capitol Mall. As discussed above, the JLBC Staff believes that the dramatic cost increases in the project budget warrants the further investigation of other options.

**Construct Flagstaff Office Building 10,060,000 GF**  
Laws 1995, Chapter 2, 8<sup>th</sup> Special Session appropriated \$260,000 GF to ADOA to design a state office building in Flagstaff. Prior to the release of monies for the building's design, the department was required to present a conceptual plan to the JCCR. After reviewing the plan, the Committee endorsed the construction of a building of approximately 85,000 square feet. The recommended amount includes 1 FTE Position and up to \$55,000 per year for Personal Services and Employee Related Expenditures to oversee the project until its completion. The JLBC Staff recommendation is based on a construction cost of \$100 per square foot and \$1,500,000 for site development and other costs. *(See Project-Specific FTE Positions Policy Issue for more information.)*

The Executive recommends the use of lease-purchase financing for the construction of a new Flagstaff office building at a cost of \$10,900,000. As with the Capitol Mall building, the JLBC Staff recommends against the use of lease-purchase financing due to its increased interest and transactions costs.

**Build-Out New DJC Complex 7,042,000 GF**  
The recommended amount would fund construction of an additional 200 beds at the new Department of Juvenile Corrections (DJC) secure care complex under construction south of Buckeye. The Legislature has already appropriated \$14,000,000 GF to design the entire 400-bed complex and to construct the first 200 beds, with the necessary infrastructure and support facilities for the full 400 beds. The first 100 beds are scheduled to be completed in July 1998 and the second 100 beds in October 1998; however, with rapid growth in DJC's secure care population, the next 200 beds are expected to be necessary by FY 2000. The recommended amount includes 2 FTE Positions and up to \$100,000 per year for Personal Services and Employee Related Expenditures to oversee the project until its completion. *(See Project-Specific FTE Positions Policy Issue for more information.)* The JLBC Staff recommendation equates to \$35,000 per bed compared to \$70,000 per bed for the first 200 beds, which included infrastructure and support facilities.

The Executive recommends \$8,812,400 as a FY 1998 supplemental appropriation for the construction of the second 200 beds. This recommendation reflects a cost increase recently identified by DOA and DJC. Contrary to Legislative intent, some support facilities and infrastructure has not been included in the construction of

the first 200 beds. This fact was only recently brought to light in spite of the fact that the project has been before the JCCR 3 times in the past year.

**Renovate ASDB Athletic Facilities 2,000,000 GF**  
The recommended amount would fund the renovation of the athletic facilities at the Arizona School for the Deaf and the Blind's (ASDB) Tucson Campus. The existing facilities contain numerous problems including lack of compliance with the Americans with Disabilities Act (ADA). This facility is believed to represent the largest ADA compliance "problem" of any state facility. Approximately half of the project budget would address ADA compliance issues. The requested scope of work includes a 10,000 square foot addition to the existing building and a new running track. The building addition would add storage space, recreation space, and a new student center. The existing student center is in a basement and is inaccessible to some disabled students. The project would also include the renovation of existing space, the swimming pool and outdoor basketball courts. The recommended funding is \$600,000 less than requested, so the scope of the project would have to be reduced somewhat. The Executive does not address this issue.

**Capitol Mall Maintenance Compound 1,244,100 GF**  
The recommended amount would fund the completion of a new maintenance facility for the Capitol Mall. Until 1997, ADOA had used the 18,500 square foot Jackson School building at 20<sup>th</sup> Avenue and Jackson as its primary office, shop, and storage facility. However, the Jackson School is literally falling apart and is not safe for occupancy. At its June 1997 meeting, the JCCR gave a favorable review to the department's plan to use \$183,600 from a FY 1996 appropriation for Capitol Mall Land Acquisition and Improvements for the initial construction of a new maintenance compound which would incorporate an existing warehouse facility. The additional \$1,244,100 would fund the construction of 6,360 square feet of warehouse and shop space, a 4,150 square foot office building, and related infrastructure improvements. The Executive does not address this issue.

**Arizona Training Program at Tucson Study 25,000 GF**  
The recommended amount would fund a study of the Arizona Training Program at Tucson (ATP-T) land, which was deeded to the state by the federal government on July 14, 1997. The population of ATP-T declined steadily in recent years; in February 1997, the last client left the ATP-T campus. The department uses the campus as a work environment for a number of employees. In order to determine whether it is in the state's best interest to continue the current use of the land and its facilities, JLBC Staff is recommending that the department contract for a study of ATP-T. The study should include an appraisal of the land, an investigation of possible alternative uses, an

## Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

analysis of the costs of providing campus-based services at an alternative location, and a recommendation for the final use of the campus. The department should present the study results to the JCCR. (*See JLBC Staff Recommended Footnotes.*) The Executive does not address this issue.

### Move Genealogy Archives

25,000 GF

The recommended amount would allow the Department of Library, Archives, and Public Records (DLAPR) to move the state's genealogy archives from the basement of the Capitol Addition to the 3<sup>rd</sup> floor. The genealogy archives, one of DLAPR's most used collections, will be more accessible to the public on the 3<sup>rd</sup> floor. The Executive does not address this issue.

### DES Uninterruptible Power Supply

-0- GF

The Executive recommends \$2,028,800 to upgrade the electrical system for the Department of Economic Security (DES) data center. The funding would provide improved battery backup, generator, and electrical "cleaning" equipment. The project was recently approved by the Information Technology Authorization Committee (ITAC); however, in doing so, the Committee recommended that the Government Information Technology Agency (GITA) study the issue of consolidating the state's data centers. The Executive recommends appropriating the monies to GITA but that their expenditure should be contingent on the results of the study of data center consolidation. The JLBC Staff recommends deferring the appropriation until the study is completed.

### New Arizona State Hospital Facility

-0- GF

The Executive recommends lease-purchase financing to construct a new 176-bed facility at the Arizona State Hospital (ASH). The new facility would be constructed in the northwest portion of the campus at a cost of \$27,600,000. Construction would require the demolition of several existing buildings, including a 34-bed facility currently utilized by the Department of Juvenile Corrections. Last year the JLBC Staff recommended the construction of the facility, while the Executive did not. However, the JLBC Staff believes that the future of ASH is in considerable doubt and that it is not prudent to construct the facility at this time. Uncertainty exists about the behavioral health population managed by ASH, the sexually violent population being added to the ASH campus, and replacement options for the 34 DJC beds. In addition, the JLBC recommends against the use of lease-purchase financing as it is more costly both in terms of interest payments and transactions costs.

### COP Debt Service

-0- GF

The Executive recommends \$1,592,400 to make first-year payments on a \$65,800,000 lease-purchase issue to finance the construction of a Capitol Mall building, Flagstaff office building, and Arizona State Hospital facility. The JLBC

Staff does not recommend this funding, as we do not recommend the use of lease-purchase financing. The Executive's recommended Certificates of Participation (COP), a form of lease-purchase financing, would carry a term of 5 years. The Executive does not estimate a total annual debt service for the issue; however, we estimate it would be approximately \$14,000,000. Over the course of the term, approximately \$6,000,000 in interest payments would be made, including the first year's payment which is entirely interest.

### Capitol Mall Facilities

-0- GF

The Executive recommends \$1,000,000 from the General Fund for general facilities improvements, especially infrastructure upgrades, on the Capitol Mall. The JLBC Staff does not recommend this appropriation. Instead, the JLBC Staff recommendation includes significant funding for the Capitol Mall through the Capitol Mall Office Building and State Health Laboratory issues. Additionally, with the JLBC Staff's recommendation for 100% funding of the building renewal formula, an additional \$2,700,000 above the Executive recommendation would be available for Capitol Mall, or other areas, for infrastructure or building improvements.

### Project-Specific FTE Positions

-0- OF

-0- GF

In order to better track the number of FTE Positions involved in capital projects, language has been added since FY 1995 to the Capital Outlay Bill prohibiting the expenditure of monies for Personal Services and Employee Related Expenditures, except where specified in the bill. The following table lists FTE Positions previously authorized that are expected to continue to be required in FY 1999 and new FTE Positions recommended for FY 1999. Monies for the new FY 1999 FTE Positions are included in the related project recommendation (*see project write-ups for more information.*)

ADOA Project-Specific FTE Positions		
Project	FTE Positions	Personal Services and ERE
<u>FY 1996 Bills</u>		
800 Level IV Prison Beds -Yuma	4.0	\$187,200
<u>FY 1997 Bills</u>		
SW Regional Prison Construction	16.0	748,800
SW Regional Juvenile Complex	2.0	93,600
<u>FY 1999 Recommendations</u>		
SW Regional Juvenile Complex	2.0	100,000
Capitol Mall Office Building	1.0	55,000
Flagstaff Office Building	1.0	55,000
TOTAL	26.0	\$1,239,600

The JLBC Staff also recommends continuation of the Capital Outlay Bill footnote requiring ADOA to report on the status of these project-specific FTE Positions as part of

## Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

its annual capital budget request. The Executive does not address this issue.

### Other Funds

**Underground Storage Tanks** **250,000 OF**  
The recommended amount from the Motor Pool Fund would fund the replacement of underground fuel storage tanks at ADOA's motor pool facility. The tanks are subject to compliance with federal regulations by January 1999. The Executive recommends this issue as part of its recommendation to construct a new motor pool facility. (See the Motor Pool policy issue for further discussion.) The Executive also recommends an additional \$245,000 from the General Fund to address other fuel tanks in the ADOA building system.

**ASPC-Lewis** **2,695,700 OF**  
The recommended amount from the Corrections Fund would fund cost overruns associated with the construction of ASPC-Lewis. As described in the "Advance Appropriations" policy issue, the project has been appropriated \$141,100,000 over 3 years for its construction. In October 1997, ADOA reported to the JCCR that the project was experiencing cost overruns totaling \$22,443,500. At its December 1997 meeting, the Committee adopted a funding plan to address the cost overruns. The plan included \$15,700,000 in federal grant monies, \$2,047,800 in project cuts, and a \$4,695,700 appropriation from the Corrections Fund in FY 1999. Since the Committee's action, it appears that an additional \$2,000,000 in federal monies will be available. The recommended amount would be identified as the required state match to the federal monies. Of the amount, a portion would be appropriated to a related ASPC-Yuma project as state matching monies. The project to construct an additional 800-bed prison unit at ASPC-Yuma is being constructed as part of the ASPC-Lewis contract and is responsible for some of the cost overruns. The Executive concurs.

**Prison Planning and Siting** **2,000,000 OF**  
The recommended amount from the Corrections Fund would pay for costs associated with the planning and siting of the next round of prison construction. Currently, a 4,150-bed complex, ASPC-Lewis, is under construction south of Buckeye. These beds will be brought on-line in FY 1999 and FY 2000. At the current rate of prisoner growth, additional beds will be needed in FY 2001. The appropriation would go to ADOA, which would work with the Joint Select Committee on Prisons to plan and site additional prisons, including a long-term solution to the housing of sexually violent persons. The recommended monies would be used for master planning, studies, site acquisition costs, and site development costs for new prison facilities. The JLBC Staff recommends a Capital Outlay Bill footnote restricting these expenditures to non-

site specific purposes until any new facilities have been sited by the Legislature. (See JLBC Staff Recommended Footnotes for suggested footnote language.) The Executive concurs but would direct the monies specifically to the planning of the next prison complex only.

**ASPC-Tucson Locks** **2,207,600 OF**  
The recommended amount from the Corrections Fund would complete the scope of the work first addressed by Laws 1997, Chapter 212. Chapter 212 appropriated \$2,673,200 from the Corrections Fund and \$1,806,200 from the General Fund, a total of \$4,479,400, for prison security improvements. The scope of the work was to replace cell locks, make other safety improvements, and replace the electrical distribution system at ASPC-Perryville, and to replace cell locks at ASPC-Tucson. The work at ASPC-Perryville is being addressed with the Chapter 212 appropriations, but \$2,207,600 is needed for the ASPC-Tucson lock replacement. Over time, the type of lock at the prison complex is prone to failure, resulting in dangerous situations. The Legislature was aware of the funding shortfall in Chapter 212; however, the shortfall had been estimated to be \$2,664,600. The Executive recommends reallocating General Fund monies from the Department of Corrections FY 1998 operating budget for the project. The JLBC Staff does not recommend the Executive's approach, as it would have a direct General Fund cost. If not used for this project, the monies would revert to the General Fund.

**Douglas Sewer Line** **-0- OF**  
The Executive recommends \$5,290,000 from the Corrections Fund to construct a sewer line from ASPC-Douglas to the City of Douglas wastewater treatment plant. Last year, the Legislature appropriated \$300,000 to design improvements to the wastewater system at the prison. Prior to the expenditure of the monies, ADOA is required to present its plan to the JCCR for review. The plan has not yet been presented; therefore, the JLBC Staff does not recommend funding for the project. Additionally, the construction cost for the project had been estimated at \$2,200,000 but has increased to \$5,290,000. The substantial increase in cost is of concern and requires a detailed explanation from ADOA.

**Game and Fish Facilities Improvements** **182,400 OF**  
The recommended amount from the Game and Fish Fund would address the following projects: 1) completion of paving at the Deer Valley complex (\$68,300); 2) street paving at the Deer Valley complex (\$34,100); and 3) city water hook-up at the Kingman Office (\$80,000). The individual amounts shown above are rough estimates, and the department will have the ability to shift monies between the listed projects but not to other projects. The Executive also recommends \$30,000 for the construction of roadway frontage improvements at the department's Mesa office. The JLBC Staff does not recommend these

## Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

monies because the project is not deemed essential to operations.

### **Shooting Range Development 50,000 OF**

The recommended amount from the Arizona Game and Fish Fund is equal to the FY 1998 appropriation. Monies from this appropriation would be available as grants to private shooting organizations to develop, upgrade, and repair shooting ranges throughout the state. The Executive concurs.

### **Flagstaff Shooting Range Planning 125,800 OF**

The Arizona Game and Fish Department requests \$500,000 from the Game and Fish Fund for the design and construction of the first phase of a multi-purpose shooting range near Flagstaff. The total cost of the project is estimated to be \$1,244,400. The recommended amount would fund the complete design of the project and associated site tests. The JLBC Staff believes that it is premature to provide construction monies for the project. The department intends to acquire the necessary land through a land exchange, which has yet to occur. Furthermore, the cost estimate and plan need to be refined. For example, the current plan calls for the construction of 2 miles of roadways at a cost of \$180,000. The length of roadway seems excessive, while the cost estimate seems low. As planned by the department, the design of the shooting range should allow for the phasing of construction. The Executive recommends \$103,700 for this issue.

### **Migratory Waterfowl Habitat 100,000 OF**

The recommended amount from the Waterfowl Conservation Fund would provide for the purchase of waterfowl habitat. The primary source of revenues for this fund is sales of an annual duck stamp, which is required to hunt ducks in Arizona. The amount would be used to match other public and private funds to acquire wetlands. These monies are dedicated by statute and may not be used for any purpose other than acquisition of waterfowl habitat. The FY 1998 Capital Outlay Bill appropriated \$100,000 for this issue. The Executive concurs.

### **New Motor Pool Facility -0- OF**

The Executive recommends \$1,671,100 from the Motor Pool Fund for the construction of a new ADOA motor pool facility. The JLBC does not recommend this appropriation, as the existing facility appears to be basically adequate.

\* \* \*

**JLBC Staff Recommended Format** — Lump Sum by Project  
by Agency

## **JLBC Staff Recommended Footnotes**

### *Continuation of New FY 1998 Footnotes*

The Arizona Department of Administration shall report on the status of project-specific FTE Positions in its annual capital budget request.

### *New Footnotes*

Prior to the expenditure of monies for the State Health Laboratory, the Legislative Council shall complete a privatization study of health laboratory functions. The study should detail which functions are recommended for privatization and how the remaining functions would be accommodated in renovated or new laboratory space. The study shall be presented to the Joint Committee on Capital Review for its review before any monies are expended.

Upon completion of the Arizona Training Program at Tucson study, the study results shall be presented to the Joint Committee on Capital Review for its review.

The appropriation for prison planning and siting shall be used for master planning, studies, site acquisition costs, and site development costs for new prison facilities. The Arizona Department of Administration shall work with the Joint Select Committee on Corrections in planning and siting these facilities. The expenditure of these monies is limited to non-site specific purposes until any new facilities have been sited by the Legislature.

### *Deletion of Prior Year Footnotes*

The JLBC Staff recommends deleting the one-time footnote relating to the siting of a new Capitol Mall office building.

The JLBC Staff recommends deleting the one-time footnote relating to an analysis of selling or retaining the "distressed properties" acquired in 1992.

The JLBC Staff recommends deleting the one-time footnote relating to the expenditure of monies to design the Arizona State Prison Complex at Douglas wastewater treatment plant improvements.

## **JLBC Staff Recommended Statutory Changes**

The JLBC Staff recommends repealing the language in last year's Capital Outlay Bill and Omnibus Reconciliation Bill which appropriated monies from the Tobacco Tax Fund for the construction of a state health laboratory.

## **Other Issues for Legislative Consideration**

### **Sexually Violent Persons Program (ASH)**

#### **- FY 1998 Supplemental Appropriation**

A.R.S. § 13-4603 requires persons categorized as "sexually violent predators" to be committed to the

Arizona State Hospital (ASH) until such time as they are determined to no longer be a threat to public safety. The law became effective July 1, 1996; however, it was not applied until after June 23, 1997 when the U.S. Supreme Court upheld a challenge to a similar Kansas law. During September 1997 the first "sexually violent person" was committed to ASH. The Department of Corrections estimates that 5 individuals per month will be committed to ASH, for a total of approximately 105 persons by the end of FY 1999. As this population was not previously served at ASH and the buildings currently occupied by the hospital are full, a new program and facilities are required.

The JLBC Staff recommends a FY 1998 supplemental appropriation of \$425,000 from the General Fund for the Department of Health Services to fund the renovation of the Alamo and Cholla buildings at ASH. The renovation would provide beds for up to 106 persons. The Executive recommends \$1,650,000 for this issue as a FY 1998 supplemental appropriation. The Executive recommendation includes monies for the renovation of Alamo and Cholla as well as the purchase and installation of modular buildings for additional beds. The JLBC Staff recommends against the installation of these modular buildings given the uncertainty of the size of the population and the already crowded nature of the ASH campus. If additional beds above the JLBC Staff recommendation are needed, the Kachina building on the ASH campus could be renovated quickly to provide approximately 100 beds. The Kachina building would be demolished if a new ASH facility is built. However, the JLBC Staff does not recommend funding for such a facility given the general uncertainty surrounding ASH's future. *(See the New Arizona State Hospital policy issue for more information.)*

#### **Veterans' Home Reimbursement**

The State Veterans Home was completed in the summer of 1995 at a total cost of \$14,233,100. Of this amount, \$5,000,000 was financed by the State General Fund and \$9,233,100 was to come from federal funds. A portion of the federal monies, \$560,300, was withheld until the Veterans Home could demonstrate that it was fully operational. These monies have now been released to the state and were deposited by the General Accounting Office to the State Home for Veterans Trust Fund. The Executive recommends that the Legislature consider the use of these monies and appropriate them accordingly.

The JLBC Staff believes that legislative action is not required. Pursuant to A.R.S. § 35-142.01, reimbursement monies shall be deposited to the General Fund unless the Director of the Department of Administration determines that the reimbursement is necessary for operation of the budget unit and was not specifically considered and rejected by the Legislature at the time of the appropriation. These monies were never intended for operations but were

earmarked for construction; furthermore, expenditure of these monies by the Veterans Service Commission would require the agency to exceed its appropriations authority. The monies should be transferred to the General Fund to reimburse the state for construction expenditures above the \$5,000,000 originally appropriated for that purpose.

#### **Construction Insurance Rates**

Laws 1996, Chapter 195 provides that, starting July 1, 1998, the state and political subdivisions can no longer require that they be held harmless in construction or architect-engineer professional service contracts from liability due to their own partial negligence. Therefore, starting in FY 1999, the state and contractors will each be responsible for their own portion of any shared negligence.

To help implement the new provision, Laws 1997, Chapter 85 allows ADOA to self-insure or purchase insurance for design and construction of public works projects. The act also establishes a Construction Insurance Fund, which shall receive monies necessary to pay the cost of construction-related insurance or self-insurance from each capital construction project budget at rates established by ADOA and reviewed by JCCR. ADOA proposed a rate of 0.6% per capital project, and the JCCR gave the rate a favorable review. Each new construction and design project in the JLBC Staff's Capital Outlay recommendations includes the 0.6% cost for insurance. ADOA will collect these amounts and deposit them to the Construction Insurance Fund.

For projects over \$50,000,000, ADOA may use a different approach, intended to cover all owner and contractor insurance costs. This "wrap-up" or "owner controlled insurance program," where feasible, results in reduced costs for the state and the contractor. The department must assess large projects for compatibility with a wrap-up program and calculate the costs on a case-by-case basis. No projects qualify for wrap-up insurance in the JLBC Staff's FY 1999 recommendations. The Executive does not address this issue.



# Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

Capital Outlay

Arizona Department of Transportation Building System

JLBC: Phil Case/Brian Schmitz

JCCR Chairman: Burns

OSP: Bret Cloninger

JCCR Vice-Chair: Bowers

DESCRIPTION	AGENCY	FUND	FY 1999		
			REQUEST	OSPB	JLBC
NEW PROJECTS					
Underground Storage Tanks Upgrades	ADOT	Highway	860,000	860,000	860,000
Spreader Racks	ADOT	Highway	1,045,000	1,045,000	1,045,000
Southeast Regional MVD Service Center (Land)	ADOT	Highway	900,000	900,000	900,000
De-icer Building - Jacob's Lake	ADOT	Highway	180,000	180,000	180,000
Water Systems Improvements	ADOT	Highway	800,000	800,000	800,000
North Central Regional MVD Service Center	ADOT	Highway	2,100,000	0	2,100,000
Tucson Traffic Operations Office	ADOT	Highway	500,000	500,000	500,000
Relocation and Remodeling	ADOT	Highway	500,000	300,000	0
Traffic Operations Warehouse	ADOT	Highway	1,500,000	1,500,000	0
Sierra Vista Maintenance Facility	ADOT	Highway	300,000	300,000	0
Statewide Highway Construction	ADOT	Highway	149,834,000	160,305,000	163,771,000
Controlled Access Highways	ADOT	Highway	71,254,000	71,254,000	71,254,000
Debt Service	ADOT	Highway	46,059,000	46,059,000	46,059,000
Nogales Port-of-Entry	ADOT	Safety Enforcement	1,000,000	0	1,000,000
Airport Planning and Development	ADOT	Aviation	14,508,900	0	14,554,400
TOTAL - ALL PROJECTS <sup>1/</sup>			291,340,900	284,003,000	303,023,400
FUND SUMMARY					
General Fund			0	0	0
Other Appropriated Funds			291,340,900	284,003,000	303,023,400
TOTAL - ALL SOURCES			291,340,900	284,003,000	303,023,400

1/ The total request for all projects, including those not shown, was \$298,599,400 OF.

**Description** — The Arizona Department of Transportation Building System (ADOT) includes all buildings and highways controlled by ADOT. The following recommendations for FY 1999 include appropriations for state highway construction and other projects related to ADOT's mission but do not include building renewal projects. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.

## FY 1999 — JLBC Staff Recommendations

### Underground Storage Tanks Upgrades 860,000 OF

The recommended amount would fund the removal, replacement, and/or upgrading of ADOT-owned underground fuel storage tanks throughout the state. These tanks provide fuel for state vehicles where private fuel sources are not available or where vehicle fleets are serviced. Federal regulations require all fuel storage tanks to comply with leak detection and containment provisions by January 1999. This project is part of a multi-year project for which the department has already been appropriated approximately \$5,500,000. In conjunction with this project, the department is reducing its total number of fuel tanks and fuel sites. The reduction of tanks will save an estimated \$1,470,000. According to the department's most recent estimates, an additional \$190,000 would be required to bring all of its tanks into

compliance with federal regulations. The Executive concurs.

### Spreader Racks 1,045,000 OF

The recommended amount would fund the replacement of 53 spreader racks at 14 locations across the state. The racks are used to store spreaders, which are carried on the backs of utility trucks in order to salt and sand roads. The existing racks are makeshift, constructed of wood or scrap metal, and are considered unsafe. The department has already been appropriated \$428,000 for this multi-year project. The recommended amount would complete the project at an average total cost of \$19,700 per rack. The Executive concurs.

### Southeast Regional MVD

#### Service Center (Land)

900,000 OF

The recommended amount would fund the acquisition of 5 acres in the Mesa/Chandler area for the future construction

## Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

of a service center. ADOT currently operates 2 small offices, one in Mesa and one in Chandler; however, with the area's rapid growth, additional capacity is needed. The recommended amount is based on \$180,000 per acre. A future appropriation of approximately \$2,100,000 will be required to construct the planned 20,000 square foot facility. The Executive concurs.

**De-icer Building - Jacob's Lake** **180,000 OF**  
The recommended amount would fund the construction of 1 de-icer building at Jacob's Lake (Route 67, north of the Grand Canyon). The building would store sand and pre-mixed materials used on snow and ice. Currently, these materials are stored in the outdoors, where they can be damaged by moisture. This project is part of a multi-year plan to construct 24 buildings at cold-weather sites. To date, the department has received funding for 7 such buildings. The Executive concurs.

**Water Systems Improvements** **800,000 OF**  
The water systems at several remote ADOT facilities have deteriorated to the point that they are no longer functional or do not meet quality standards. The recommended amount would fund necessary upgrades or replacements, including the digging of wells, at 7 maintenance camps and rest areas statewide. The water is used for human consumption, highway maintenance activities, and fire suppression. The Executive concurs.

**North Central Regional MVD Service Center** **2,100,000 OF**  
On July 1, 1995, ADOT acquired Maricopa County's drivers license operations and merged them with ADOT's title and registration operations, creating dual service capabilities. As part of the merger, 2 facilities in North Phoenix are scheduled to be transferred back to the county. These 2 facilities are currently operating as single function service centers and were initially judged to be too small to accommodate dual function services. Their transfer to the county will leave ADOT with no service centers in the north-central valley. ADOT is negotiating with the county to lease the facilities until a replacement facility can be provided. The Legislature appropriated \$900,000 in FY 1998 to purchase land for the construction of a new service center. However, ADOT now believes that one of the buildings to be transferred back to the county may be suitable for a dual function center and that the county may be willing to sell it to the state. This would probably be the most cost-effective approach to providing necessary services in the north-central valley.

The JLBC Staff recommends \$2,100,000 for the new service center through purchase and renovation of a county building or through construction of a new building. As required by statute, prior to the purchase of land and buildings, or the release of monies for construction, ADOT must present the details of the project to the Joint

Committee on Capital Review (JCCR) for approval (in the case of an acquisition) or for review (in the case of construction). ADOT is developing a prototype design for this type of facility, and the \$2,100,000 recommendation is consistent with the amount appropriated in FY 1998 for the construction of a new service center in North Scottsdale. The JLBC Staff recommends a Capital Outlay Bill footnote clarifying the Legislature's intent that ADOT must receive JCCR approval prior to the acquisition of land for a new building or the purchase of an existing county facility. (See *JLBC Staff Recommended Footnotes*.) The Executive does not address this issue.

**Tucson Traffic Operations Center** **500,000 OF**  
The recommended amount would fund the purchase of an available building to replace the existing Tucson Traffic Operations Center. The existing traffic operations center was constructed in the 1940s, is in poor condition, and is not cost-effective to rehabilitate. The available building is conveniently located next to ADOT's district headquarters and contains 6,500 square feet. Approximately \$100,000 of the recommended amount would be used for tenant improvements. If the building is sold to another buyer, the recommended amount would be available for the construction of a new building. The Executive concurs.

**Relocation and Remodeling** **-0- OF**  
The Executive recommends \$300,000 for the refurbishing and redesign of building interiors statewide to accommodate personnel relocations. The JLBC Staff does not recommend funding for this issue, believing that major relocations should be funded on a policy-specific basis and that minor relocations should be funded out of the agency's operating budget.

**Traffic Operations Warehouse** **-0- OF**  
The Executive recommends \$1,500,000 for the construction of a new warehouse at the department's Durango Maintenance Yard in Phoenix. The new warehouse would be 16,000 square feet in size and would cost \$94 per square foot to build. The JLBC Staff does not recommend funding for this project. The department has not justified the need to expand the warehouse beyond its existing size of 4,800 square feet, and the JLBC Staff believes the construction cost is too high. Furthermore, the JLBC Staff recommends delaying any new construction at the maintenance yard until a master plan and 2 existing construction projects are completed. A master plan is scheduled to be completed in April 1998.

**Sierra Vista Maintenance Facility** **-0- OF**  
The Executive recommends \$300,000 for land acquisition for a new maintenance yard near Sierra Vista. The JLBC Staff does not recommend funding for this project. The department has not justified the need for a new facility given the relatively close proximity of a maintenance yard in St. David, approximately 30 miles away. The JLBC

## **Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations**

Staff recommends that the department develop a consistent methodology for siting its maintenance facilities statewide.

**Statewide Highway Construction** **163,771,000 OF**  
The recommended amount would be available for statewide highway construction. The expenditure of these monies is determined by the Transportation Board, which develops a 5-year plan. The recommended amount includes 665 FTE Positions and \$27,812,500 for employees directly related to highway construction projects. The Executive recommends \$160,305,000 for this issue. The JLBC Staff recommendation is higher than the Executive's due to the JLBC Staff's lower recommendations for the department's operating budget and building construction budget.

**Controlled Access Highways** **71,254,000 OF**  
The Highway User Fund formula dedicates monies for the construction of urban freeways. The JLBC Staff estimates that the Maricopa County Association of Governments (MAG) would receive approximately \$53,440,500 and the Pima County Association of Governments (PAG) would receive approximately \$17,813,500. The Executive concurs.

**Debt Service** **46,059,000 OF**  
ADOT has approximately \$611,000,000 in outstanding bonds. The recommended amount would fund the appropriated portion of the debt service on the bonds. The Executive concurs.

**Nogales Port-of-Entry** **1,000,000 OF**  
The recommended amount from the Safety Enforcement and Transportation Infrastructure Fund (SETIF) would provide partial funding for improvements at the Nogales port-of-entry. The improvements will provide facilities for vehicle inspections and licensing. The total cost of the project is estimated at \$3,932,000. Laws 1997, Chapter 182 appropriated \$800,000 from SETIF for Arizona-Mexico Border Ports and Associated Infrastructure. The department intends to use these monies for the Nogales port-of-entry project, leaving an unfunded requirement of \$2,132,000. The project, however, is intended to be completed in phases. Chapter 182 requires the Joint Legislative Review Committee on Transportation between Sonora, Mexico, and Arizona to annually make recommendations for expenditures from SETIF. The Committee endorsed this project at its November 1997 meeting. The Executive does not address this issue.

**Airport Planning and Development** **14,554,400 OF**  
The recommended amount would provide funding from the Aviation Fund for the department's airport construction program. The fund's revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport. As was enacted last year, 50% of the revenue from the flight property tax is

deposited to the General Fund on an annual basis. The Executive does not address this issue.

\* \* \*

### **JLBC Staff Recommended Format — Lump Sum by Project**

#### **JLBC Staff Recommended Footnotes**

##### *Modification of Prior Year Footnotes*

Prior to the expenditure of any operating budget monies from this section, the Arizona Department of Transportation shall submit information on any operating budget expenses funded from this section to the Joint Legislative Budget Committee and the Joint Committee on Capital Review by ~~July 1, 1997~~ JULY 1, 1998 for review. The submittal shall contain at least as much detail as the department's annual operating budget request. Operating budget expenditures are defined as any expenditure for Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel - In State, Travel - Out of State, and Other Operating Expenditures. *(Date change to conform to FY 1999 schedule.)*

##### *New Footnotes*

Prior to the acquisition of land or buildings for a new North Central Regional MVD Service Center in the Phoenix Metropolitan Area, the department must receive approval from the Joint Committee on Capital Review. *(This will ensure that the Legislature has input on the decision to purchase or construct a new facility.)*

### **Other Issues for Legislative Consideration**

#### **Building Construction Backlog**

In the past 2 years, the JLBC Staff has reported on ADOT's large building construction backlog. In its FY 1998 Capital Improvement Plan, the department reported \$15,670,200 in unexpended appropriations, some dating back to FY 1991. Because of the backlog, JLBC Staff recommended only the very highest priority capital projects for funding in FY 1997 and FY 1998.

The department appears to have improved its performance. As of November 1997, the department had expended or encumbered \$8,834,700, or 67%, of its FY 1998 beginning construction balance of \$13,237,300. All of the projects funded by the remaining \$4,402,600 are in the later stages of design development. The JLBC Staff has taken this improvement into account in making its FY 1999 recommendations.

#### **Total Highway Construction Funding**

Only a small portion of the state's total highway construction funding is appropriated. The following table summarizes the estimated revenues and expenditures for

## **Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations**

FY 1999. Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of Debt Service is appropriated. The construction expenditure figures are taken from the Transportation Board's 5-Year Highway Construction Program.

<b>Estimated FY 1999 Highway Construction</b> <b>(\$ in thousands)</b>	
<b>Balance Forward</b>	<b>\$115,745</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction	163,771
Appropriated Controlled Access Highways (MAG)	53,441
Appropriated Controlled Access Highways (PAG)	17,814
1/2 Cent Sales Tax	182,060
Federal Aid	211,561
Miscellaneous Income	28,158
HURF Bond Proceeds	60,000
Subtotal - Revenues	\$716,805
<b>Total Funds Available for Construction</b>	<b>\$832,550</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	46,059
Other Debt Service	193,919
Subtotal - Debt Service	\$239,978
<b>Planned Construction Expenditures</b>	
Major Construction	180,100
Minor Construction	36,636
System Maintenance	93,686
Other	47,948
Subtotal-State Construction	\$358,370
Controlled Access Highways (MAG/PAG)	99,711
<b>Total Planned Expenditures</b>	<b>\$698,059</b>
<b>Balance Forward</b>	<b>\$134,491</b>

## Joint Legislative Budget Committee - Fiscal Year 1999 Capital Budget - Analysis and Recommendations

Capital Outlay  
Arizona Board of Regents Building System

JLBC: Phil Case/Brian Schmitz  
JCCR Chair: Burns

OSPB: Brett Cloninger  
JCCR Vice-Chair: Bowers

DESCRIPTION	AGENCY	FUND	FY 1999		
			REQUEST	OSPB	JLBC
ADVANCE APPROPRIATIONS					
ASU-East Technology Center Renovation	ASU	General Fund	3,000,000	3,000,000	3,000,000
TOTAL - ALL PROJECTS			3,000,000	3,000,000	3,000,000
FUND SUMMARY					
General Fund			3,000,000	3,000,000	3,000,000
Other Appropriated Funds			0	0	0
TOTAL - ALL SOURCES			3,000,000	3,000,000	3,000,000

1/ The total request for all projects, including those not shown, was \$7,000,000 GF.

**Description** — *The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities. The following recommendations for FY 1999 are for specific projects within the building system but do not include building renewal projects. Appropriations for the ABOR Building System are made from the General Fund.*

### FY 1999 — JLBC Staff Recommendations

**Advance Appropriation** **\$3,000,000 GF**  
Laws 1997, Chapter 2, 1<sup>st</sup> Special Session, appropriated \$2,997,000 in FY 1998 and \$3,000,000 in FY 1999 for the renovation of the ASU-East Technology Center. Since these appropriations have already been enacted into law, they would not need to be included in the FY 1999 Capital Outlay Bill. The JLBC Staff recommends retaining the FY 1999 appropriation to complete funding for the project. The Executive concurs.

\* \* \*

exception of building renewal appropriations. The universities' major needs are in new campus construction, building renovation and adaptive reuse, and infrastructure repair.

### Other Issues for Legislative Consideration

#### University Bonding Authority

Laws 1996, Chapter 334 authorized ABOR to issue up to \$245,400,000 in revenue bonds for the universities under its jurisdiction. Chapter 334 requires ABOR to submit a multi-year bonding plan to the Joint Committee on Capital Review (JCCR) for its review and to the Governor's Office for comment. Additionally, specific projects must appear on the plan, receive JCCR approval, and be given to the Governor's Office for comment before bonds are issued. At its May 1997 meeting, the JCCR gave a favorable review to the ABOR bonding plan. The JCCR also approved a total of \$30,900,000 in bonding projects for Northern Arizona University

The JLBC Staff believes that the \$245,400,000 in bonding authority will adequately address most of the universities' capital funding needs for the next few years, with the

## **NON-APPROPRIATED FUNDS**

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## INTRODUCTION

The Non-Appropriated Funds budget is a supplement to the budget prepared by the Staff of the Joint Legislative Budget Committee (JLBC). This publication displays revenues and expenditures from funding sources outside of the legislative appropriations process. Total non-appropriated expenditures are estimated to be \$5.5 billion in FY 1999. Almost 53% of these expenditures are federal funds. Most federal grants require certain levels of state funding or other support.

The information in this section provides the supporting details for the amounts shown on the Federal Funds and Other Non-Appropriated lines in the Proposed Budget FY 1999, Analysis and Recommendations book. There may be cases where there are differences between the amounts shown in the Proposed Budget and this publication. Such differences are directly attributable to timing, as this section of the publication is completed before the Proposed Budget is finalized.

### Elements of this Report

This report begins with the non-appropriated funds of annual major budget units. In the 1998 session, the Legislature will approve FY 1999 funding for 11 major budget units. Most all other budget units received both a FY 1998 and FY 1999 appropriation. As a result, we have not included individual fund detail for these "biennial" budget units nor updated these biennial expenditures in most circumstances. (Several biennial budget unit funds have been included, however, if they are new or are of significant concern). While each biennial budget fund does not have a separate page in this volume, we have listed each fund in the summary of individual fund expenditures (Exhibit I on page iii). In this summary, the FY 1999 Estimated Expenditures for biennial agencies are the same amounts as were reported in our FY 1998 and FY 1999 Non-Appropriated Funds report. Furthermore, for the same reason, the FY 1997 biennial expenditures are estimates, as opposed to actual amounts.

In the non-appropriated individual fund detail, we provide a brief explanation of the fund's purpose and source(s) of revenue, the A.R.S. citation and the Arizona Financial Information System (AFIS) fund number. Some funds contained in this publication include appropriated dollars. These funds have been included for specific reasons; for example, the Lottery Fund is included to show, in one place, the source and disposition of all Lottery monies. In order to avoid double counting of both appropriated and non-appropriated funds, appropriations are shown on a separate line and are not included in the expenditure total.

At the end of the document, there is a list of 502 funds specifically authorized by statute and/or in the Arizona Department of Administration's accounting system. The list describes the type of fund and whether this volume contains more information on this fund.

### Reporting Requirement

After the listing of funds, there is a summary listing of our November 1, 1997 recommendation to eliminate 5% of all funds and appropriate 5% of all non-appropriated expenditures.

Laws 1994, Chapter 366, as amended by Laws 1997, Chapter 58, established a new requirement for the JLBC Staff to make annual recommendations to the JLBC on non-appropriated funds. We are required to recommend:

- the elimination or consolidation of a minimum of 5% of the total number of funds, and
- the conversion of at least 5% of the dollar value of all non-appropriated funds to appropriated status.

The legislation is an outgrowth of the Legislature's belief that it should exercise greater oversight of non-appropriated funds. The need for this oversight is demonstrated by the significant role of non-appropriated funds in the state budget. There are over 502 funds authorized specifically by law or in the state's accounting system. Of that number, only 153 are annually appropriated by the Legislature. In addition, 48.6% of the state's total spending authority is expended from non-appropriated sources.

For our November 1, 1997 recommendation, we determined that the 502 separate funds include non-appropriated resources totaling \$4.1 billion. (We excluded Federal Title 19 resources since they are included in the General Appropriation Act.) As a result, we are required to recommend the elimination or consolidation of 25 funds (5%) and the transfer to appropriated status of funds with a dollar value of \$203.1 million (5%). Our baseline expenditures were derived from the original FY 1998 estimated expenditures in the FY 1998 Non-Appropriated Funds report.



In our November 1 report, we recommended the elimination of 29 funds, or 6% of all funds. Of the 29 funds, all are inactive, duplicate another existing fund, have already been statutorily repealed or would be consolidated with another fund. We also recommended the transfer of \$257.6 million, or 6.3%, to appropriated status. Of the \$257.6 million, \$187.4 million represent the recommended appropriation of 8 federal grants. We have chosen funds which would benefit from improved legislative oversight. The funds either finance basic agency operating costs or duplicate a General Fund subsidized program.

If an annual agency's fund is being recommended for elimination or transfer to appropriated status, the individual fund page in this report is footnoted to that effect. All funds, by agency, in our 5% recommendations are listed at the end of this report. The annual agencies recommendation are displayed first, followed by the recommendations for biennial agencies.

Other reports which together comprise the JLBC Staff Analysis and Recommendations for the FY 1999 budget include:

- A Summary of Recommendations and Economic and Revenue Forecast, and
- Analysis and Recommendations (agency operating and capital outlay budgets).

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES  
For Fiscal Years 1997, 1998 and 1999 1/**

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
<b>ANNUAL AGENCIES</b>			
<b>Department of Administration (ADA)</b>			
Americans with Disabilities Act, Arizona			
Office for (2000)	243,300	226,700	215,500
Construction Insurance Fund (4219)	1,273,200	1,519,000	3,118,900
Co-Op State Purchasing Agreement (4213)	97,700	108,700	108,700
COP Building Operating & Maintenance Fund (1025)	1,232,300	1,306,800	1,378,900
Emergency Telecommunications Revolving (2176)	5,714,400	8,501,100	9,737,800
Employee Related Expenditures/Benefits Admin (AAA3035)	14,583,300	15,423,100	16,194,300
Health Administration & Benefit Insurance Trust (AAA3161)	217,000	568,300	520,000
Public Buildings Land Earnings (3127)	172,900	0	0
Retiree Accumulated Sick Leave (to be established)	0	0	738,300
Special Employee Health Insurance Trust (AAA3015)	208,368,200	201,394,600	208,466,300
Special Services Revolving (4208)	2,830,000	3,205,400	3,237,700
State Employee Travel Reduction (2261)	700,300	413,600	465,800
Surplus Property - Federal (4215)	207,200	278,400	259,400
Surplus Property - State (4214)	347,500	702,600	959,400
Department of Administration - Subtotal	\$235,987,300	\$233,648,300	\$245,401,000
<b>AHCCCS (HCA)</b>			
County Contributions (2120/2223)	207,606,200	209,968,500	221,434,500
Federal Funds (2120/2223)	1,061,278,100	1,094,905,200	1,116,819,700
Health Care Group Medical Premiums (3197)	25,968,400	29,156,600	28,595,800
Third Party Collections (3791/3019)	5,943,900	6,049,000	4,089,000
Tobacco Tax & Health Care Fund - Medically			
Needy Account (1306)	18,251,900	30,195,200	32,275,700
Tobacco Tax & Health Care Fund - Medical			
Services Stabilization Fund (3037)	0	0	0
Tobacco Tax & Health Care Fund - Premium			
Sharing Demonstration Project Fund (N/A)	26,800	14,310,900	20,293,900
AHCCCS - Subtotal	\$1,319,075,300	\$1,384,585,400	\$1,423,508,600
<b>State Board of Directors for Community Colleges (CMA)</b>			
Federal Grants (2000)	198,700	240,000	240,000
Les Aries Memorial (3321)	0	0	0
State Board of Directors for Community College - Subtotal	\$198,700	\$240,000	\$240,000
<b>State Department of Corrections (DCA)</b>			
Alcohol Abuse Treatment (2204)	289,200	659,000	367,000
Arizona Correctional Industries Revolving (4002)	13,382,200	16,380,200	16,984,100
Corrections Fund - Adjustment Account (RVA1306)	0	0	0
Criminal Justice Enhancement (2035)	2,922,500	2,900,900	2,925,600
Donations (3147)	0	0	0
Drug Treatment and Education Revolving (2277)	0	1,573,500	213,000
Education Fund for Correctional Education, State (2107)	316,900	294,600	552,500
Federal (2000)	200,300	411,600	366,100
Penitentiary Land Earnings (3140)	183,700	0	0
Risk Management Insurance Reimbursement (3748)	985,300	985,300	985,300
Non-Federal Grants (2001)	49,700	47,700	47,700
Special Services (3187)	356,500	3,720,300	500,000
State Charitable, Penal & Reform. Land Earnings (3141)	974,500	472,600	0
State Department of Corrections - Subtotal	\$19,660,800	\$27,445,700	\$22,941,300
<b>Department of Economic Security (DEA)</b>			
AZ Industries for the Blind (4003)	7,989,600	7,289,500	7,289,200
Capital Investment (2093)	31,900	65,000	65,000
Child Abuse Prevention (2162)	649,600	0	0
Child Passenger Restraint (2192)	66,700	64,500	64,500
Child Support Enforcement Administration (2091)	7,759,900	0	0
DES Client Trust (3152)	2,546,700	2,450,000	2,450,000
Developmentally Disabled Client Services Trust (2019)	0	0	0
Domestic Violence Shelter (2160)	876,100	1,096,300	0
Economic Security Donations (3145)	62,800	121,500	121,600
Federal Grants (2000)	373,039,400	354,603,600	353,497,200
Full-Employment Demonstration Project (1023)	123,500	576,200	590,800
Homeless Trust (3026)	33,000	45,000	45,000
Long Term Care (Federal) (2224)	163,224,400	155,912,300	167,342,000
Mesa Land (3151)	0	300,000	300,000
Neighbors Helping Neighbors (2348)	53,300	53,800	53,800
Private Donations & Resource Development (3202)	100	0	0
Special Olympics Tax Refund (3207)	31,500	70,000	70,000
Spinal & Head Injuries Trust (2335)	664,600	643,500	643,500
TANF Stabilization (2305)	0	0	0

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1997, 1998 and 1999 1/**

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
Technology System (2314)	0	1,000,000	1,000,000
Unemployment Insurance Benefits (TRA9005)	174,194,000	209,000,000	209,000,000
Utility Assistance (3092)	422,000	598,700	598,700
Dept. of Economic Security - Subtotal	\$731,769,100	\$733,889,900	\$743,131,300
Department of Education (EDA)			
Federal Funds (2000)	432,549,700	493,966,800	483,542,600
Food Distribution (4210)	212,800	361,600	186,300
Permanent State School (3138)	34,164,900	0	0
Printing Revolving (4211)	2,888,900	3,647,500	3,685,500
Youth Farm Loan (2136)	21,000	21,600	21,600
Department of Education - Subtotal	\$469,837,300	\$497,997,500	\$487,436,000
Department of Health Services (HSA)			
Agreements (2144)	5,964,800	6,281,000	5,014,100
Alcohol and Drug Abuse Services Fund (2318)	689,100	0	0
Alcohol and Other Drug Screening, Education or Treatment Fund (2227)	650,000	0	0
Arizona State Hospital - Land Earnings (3128)	254,300	153,000	153,000
Disease Control Research Fund (DIA2090)	7,000	12,000	10,000
Donations (3010)	103,800	306,900	60,700
Environmental Lab Licensing Revolving Fund (3017)	802,100	844,100	850,000
Federal Grants (2000)	135,323,400	139,612,200	138,518,600
Indirect Costs (9000)	3,872,000	4,865,000	4,548,300
Medical Services Enhancement Fund (MSEF) (TRA2186)	0	0	0
Newborn Screening Program Fund (2184)	1,916,300	3,035,200	0
Title XIX Services and County Contributions (2144)	113,714,700	130,220,900	140,177,600
Tobacco Tax & Health Care Fund - Health Crisis Fund (2312)	0	600,000	0
Tobacco Tax & Health Care Fund - Health Education Account (1308)	18,188,600	29,500,000	25,000,000
Tobacco Tax & Health Care Fund - Health Research Account (DSA2096)	2,370,500	7,554,200	6,804,100
Tobacco Tax & Health Care Fund - Subsidiary Medically Needy Account (3037)	14,524,600	36,180,400	22,744,200
Department of Health Services - Subtotal	\$298,381,200	\$359,164,900	\$343,880,600
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	204,600	216,000	216,000
Case Processing Assistance (2075)	1,601,100	0	0
Community Punishment Program (2119)	0	536,400	0
Confidential Intermediary (2276)	160,400	0	0
County Public Defender Training (3013)	593,600	598,100	598,100
Defensive Driving School (2247)	3,270,200	3,250,100	0
Drug Enforcement Account (2075)	2,353,100	2,344,100	2,344,100
Drug Treatment and Education Fund (2277)	2,400	3,192,700	3,192,700
Grants and Special Revenue (2084)	1,695,000	1,560,500	1,560,500
Judicial Collection Enhancement (2246)	6,328,900	0	0
Juvenile Crime Reduction (2139)	2,044,000	0	0
Arizona Judiciary - Supreme Court - Subtotal	\$18,253,300	\$11,697,900	\$7,911,400
Department of Juvenile Corrections (DJA)			
Federal Funds (2000)	2,430,100	1,981,700	2,050,600
Juvenile Corrections (3024)	178,900	133,900	121,400
Parental Assessment and Restitution (2185)	1,100	0	0
Special Services (3735)	25,700	0	0
Department of Juvenile Corrections - Subtotal	\$2,635,800	\$2,115,600	\$2,172,000
Department of Transportation (DTA)			
Arizona Highways Magazine Enterprise (2031)	12,208,400	12,329,500	12,010,900
Aviation Federal Funds (2267)	91,300	6,150,000	2,150,000
Commercial Driver's License (2251)	1,005,700	0	0
County Auto License (2137)	34,978,200	0	0
Criminal Background Investigation (2291)	298,000	0	0
Economic Strength Project (2244)	685,700	1,450,000	1,100,000
Equipment Revolving (2071)	29,268,200	30,453,300	0
Federal Grants (2097)	314,178,100	313,117,100	314,053,800
Maricopa Regional Area Road (2029)	203,343,700	294,938,000	230,136,000
Motor Carrier Safety Revolving (2380)	32,600	50,000	35,000
Motor Vehicle Liability Insurance Enforcement (2285)	780,100	835,300	838,700
Motorcycle Education (2094)	110,800	0	0
Number Plate Replacement (2250)	1,245,400	0	0

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1997, 1998 and 1999 1/**

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
Underground Storage Tank Revolving (2030)	106,300	157,600	160,100
Vehicle Inspection and Title Enforcement (2272)	303,400	585,900	603,600
Department of Transportation - Subtotal	\$598,635,900	\$660,066,700	\$561,088,100
Arizona Board of Regents (BRA)			
Collections Revolving (2183)	0	0	0
Federal (NA)	797,700	744,800	744,800
Regents Local Fund (ASU Account)	432,600	566,900	555,900
Teacher Loan Forgiveness (2249)	0	0	0
University Land Funds (3134/3184)	0	684,300	182,000
Arizona Board of Regents - Subtotal	\$1,230,300	\$1,996,000	\$1,482,700
Arizona State University - Main Campus			
Auxiliary (NA)	58,993,700	64,893,100	71,382,400
Designated Funds (NA)	57,383,300	65,417,000	74,575,300
Endowment and Life Income (NA)	0	0	0
Federal Grants (NA)	59,088,000	61,744,200	64,029,200
Federal Indirect Cost Recovery (NA)	137,500	138,100	138,100
Indirect Cost Recovery (Non-Federal) (NA)	26,200	26,300	26,300
Loan (NA)	592,700	610,000	630,000
Restricted Funds (NA)	30,435,700	31,653,100	32,919,300
Arizona State University - Main Campus - Subtotal	\$206,657,100	\$224,481,800	\$243,700,600
Arizona State University - East Campus			
Auxiliary (NA)	0	57,800	77,000
Designated Funds (NA)	197,000	225,400	245,700
Endowment and Life Income (NA)	0	0	0
Federal Grants (NA)	740,300	769,900	800,600
Federal Indirect Cost Recovery (NA)	500	500	500
Indirect Cost Recovery (Non-Federal) (NA)	600	600	600
Restricted Funds (NA)	2,255,000	2,423,300	2,907,900
Arizona State University - East Campus - Subtotal	\$3,193,400	\$3,477,500	\$4,032,300
Arizona State University - West Campus			
Auxiliary (NA)	358,300	369,000	380,100
Designated Funds (NA)	1,994,400	2,154,000	2,261,600
Endowment and Life Income (NA)	0	0	0
Federal Grants (NA)	616,500	641,300	666,900
Federal Indirect Cost Recovery (NA)	800	800	800
Indirect Cost Recovery - Non-Federal (NA)	200	200	200
Loan (NA)	0	0	0
Restricted Funds (NA)	180,000	187,200	194,700
Arizona State University - West Campus - Subtotal	\$3,150,200	\$3,352,500	\$3,504,300
Northern Arizona University			
Auxiliary Enterprises (NA)	34,054,300	35,471,100	36,535,200
Designated Funds (NA)	19,982,300	22,800,700	23,484,700
Endowment (NA)	0	0	0
Federal Grants (NA)	19,384,000	19,577,100	20,006,600
Federal Indirect Cost Recovery (NA)	273,000	498,300	503,300
Indirect Cost Recovery (Non-Federal) (NA)	86,200	157,400	158,900
Loan (NA)	255,800	275,000	275,000
Restricted Fund (Excluding Federal Funds) (NA)	15,487,100	14,839,100	15,284,300
Northern Arizona University - Subtotal	\$89,522,700	\$93,618,700	\$96,248,000
University of Arizona - Main Campus			
Auxiliary Enterprise Fund (NA)	126,341,600	130,131,900	134,035,800
Designated Funds (NA)	82,645,500	73,079,100	79,271,600
Endowment and Similar Funds (NA)	0	0	0
Federal Grants (NA)	105,586,300	109,053,300	96,952,900
Federal Indirect Cost Recovery (NA)	24,874,900	25,621,200	26,389,900
Loan (NA)	133,600	87,600	90,200
Restricted Funds (NA)	45,821,600	46,896,700	63,175,600
University of Arizona - Main Campus - Subtotal	\$385,403,500	\$384,869,800	\$399,916,000
University of Arizona - AZ Health Sciences Center			
Auxiliary Enterprise Fund (NA)	6,137,500	6,321,600	6,511,300
Designated Funds (NA)	12,164,000	10,575,600	10,634,800
Endowment and Similar Funds (NA)	0	0	0
Federal Grants and Contracts (NA)	37,889,600	39,207,200	40,064,500
Federal Indirect Cost Recovery (NA)	11,787,100	12,140,700	12,504,900
Restricted Funds (NA)	26,501,500	26,329,200	26,784,300
University of Arizona - AZ Health Sciences Ctr - Subtotal	\$94,479,700	\$94,574,300	\$96,499,800
<b>TOTAL - ANNUAL AGENCIES</b>	<b>\$4,478,071,600</b>	<b>\$4,717,222,500</b>	<b>\$4,683,094,000</b>

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1997, 1998 and 1999 1/**

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
<b>BIENNIAL AGENCIES</b>			
Arizona Department of Agriculture (AHA)			
Arizona Wine Promotional (2205)	43,000	13,700	13,700
Beef Council (2083)	637,700	637,700	637,700
Citrus Research Council (2299)	87,300	128,100	128,100
Cotton Research and Protection Council (2013)	1,788,100	1,873,900	1,963,900
Dangerous Plants, Pests and Diseases (2054)	582,000	0	0
Designated Fund - Administrative Support (3011)	135,700	103,300	96,900
Designated Fund - State Agriculture Laboratory and All Other (3011)	242,700	242,700	242,700
Federal (2000)	889,400	452,500	452,500
Federal/State Inspection Program (2113)	2,438,000	2,546,900	2,661,300
Grain Research and Promotion Council (2201)	212,000	150,300	150,300
Hay Law Fund (2143)	200	300	400
Iceberg Lettuce Research Council (2259)	82,600	55,900	55,900
Livestock Custody Fund (2065)	45,700	38,600	38,600
Native Plant Law (2298)	207,200	0	0
Organic Food Certification	12,500	0	0
Seed Law (2064)	66,400	0	0
Yuma County Citrus Pest Control (2145)	0	0	0
Arizona Department of Agriculture - Subtotal	\$7,470,500	\$6,243,900	\$6,442,000
AZ Commission on the Arts (HUA)			
Arts Endowment Fund (NA)	0	0	0
Arts Fund - Federal (2000)	590,800	418,600	418,600
Arts Special Revenues (2116)	135,000	119,000	69,000
Arts Trust (3014)	1,021,400	1,020,000	1,020,000
AZ Commission on the Arts - Subtotal	\$1,747,200	\$1,557,600	\$1,507,600
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	3,205,000	3,205,000	3,205,000
Antitrust Enforcement Revolving (2016)	694,000	0	0
Attorney General Expendable Trust (3102)	0	0	0
Attorney General Special Fund (2118)	0	0	0
Civil Division (NA)	0	0	0
CJEF Distribution to County Attorneys (2068)	2,247,300	2,354,400	2,501,600
Consumer Protection - Consumer Fraud Revolving (2014)	499,500	506,600	506,600
Consumer Protection - Court-Ordered Trust Account (3180)	91,900	91,900	91,900
Court-Ordered Trust: Miscellaneous Accounts (3180)	0	0	0
Federal Funds (2117)	3,919,600	3,834,500	3,834,500
Intergovernmental Agreements (2157)	21,994,700	0	0
Maricopa County Superior Court Clerk Court- Ordered Trust Account (3180)	0	0	0
Prisoner Litigation Revolving (2156)	0	0	0
AZ Prosecuting Attorneys Advisory Council (2057)	921,000	876,900	876,900
Public Accommodations (2021)	0	0	0
Rural Gasoline Antitrust Court Ordered Trust Account (3180)	78,100	78,100	78,100
Vehicle Emissions Test Court Ordered Trust Account (3180)	797,200	0	0
Victim Witness (2228)	165,100	21,300	21,300
Attorney General - Department of Law - Subtotal	\$34,613,400	\$10,968,700	\$11,115,900
Auto Theft Authority (ATA)			
Automobile Theft Authority Fund (2060)	\$807,600	\$0	\$0
State Banking Department (BDA)			
Escrow Recovery (2341)	0	0	0
Receivership Revolving (3023)	208,100	208,900	12,600
Revolving (2126)	139,700	142,000	142,000
State Banking Department - Subtotal	\$347,800	\$350,900	\$154,600
Department of Building and Fire Safety (MMA)			
Arson Detection Reward (2169)	500	500	500
Building and Fire Safety Fund (2211)	267,200	257,000	252,900
Federal Grants (2211)	35,000	10,000	10,000
Manufactured Housing Cash Bond (3722)	0	0	0
Manufactured Housing Consumer Recovery (3090)	55,000	55,000	55,000
Mobile Home Relocation (2237)	50,100	50,100	50,100
Department of Building and Fire Safety - Subtotal	\$407,800	\$372,600	\$368,500
Arizona Coliseum & Exposition Center Board (CLA)			
Capital Outlay (4006)	400,000	400,000	400,000
Coliseum Improvement Revenue Bond Reserve (5002)	0	0	0
Coliseum Improvement Special Sinking (5003)	0	0	0

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
For Fiscal Years 1997, 1998 and 1999 1/

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
Construction and Improvement Bond Interest (5001)	0	0	0
Arizona Coliseum & Exposition Center Board -Subtotal	\$400,000	\$400,000	\$400,000
Department of Commerce (EPA)			
Capital Markets Account (2245)	1,000,000	1,000,000	1,000,000
Clean Air Fund, Arizona (1238) 2/	229,800	6,432,000	259,400
Commerce and Economic Development (2245)	2,450,000	2,950,000	3,450,000
Commerce and Solar Energy (1020)	0	0	0
Community Workshops (2149)	261,200	278,700	279,800
Donations (3189)	124,000	93,000	93,000
Federal Grants (2000)	15,082,400	17,158,500	17,158,500
Greater AZ Development Authority Rev. Fund (NA) 2/	0	328,000	540,000
Housing Development (NA)	0	500,000	500,000
Housing Finance Review (2234)	400,000	410,200	413,600
Housing Trust (2235)	4,000,000	6,500,000	6,500,000
International Development Authority, AZ (NA)	0	0	0
Minority Business Fund (3000)	0	0	0
Oil Overcharge (3171)	6,504,800	3,241,000	3,241,000
Recycling (2289)	72,100	72,100	77,100
State Employee Rideshare (2214-Closed)	0	0	0
Work Force Recruitment and Job Training (1237)	350,000	325,000	300,000
Department of Commerce - Subtotal	\$30,474,300	\$39,288,500	\$33,812,400
State Compensation Fund 3/			
State Compensation Fund	\$387,887,900	\$372,595,500	\$364,811,400
Registrar of Contractors (RGA)			
Contractors' Recovery (3155)	\$3,141,800	\$3,193,800	\$3,093,800
Corporation Commission (CCA)			
Federal (2000)	98,000	98,000	98,000
Public Access (2333)	1,285,200	0	0
Securities Regulatory and Enforcement (2264)	2,018,300	0	0
Corporation Commission - Subtotal	\$3,401,500	\$98,000	\$98,000
Arizona Criminal Justice Commission (JCA)			
Criminal Justice Records Improvement (2229)	1,836,600	1,603,900	1,603,900
Drug Enforcement Account (2229)	10,342,800	9,788,000	9,788,000
Federal Grant Pass Through (2229)	838,400	1,057,200	1,057,200
High Intensity Drug Trafficking Areas (2229)	0	0	0
Statistical Analysis Center (2229)	53,200	49,900	49,900
Victims Assistance (2199)	450,000	0	0
Victims Compensation (2198)	1,100,000	0	0
Arizona Criminal Justice Commission - Subtotal	\$14,621,000	\$12,499,000	\$12,499,000
Arizona State Schools for the Deaf and the Blind (SDA)			
Enterprise (4222)	79,600	79,100	79,100
Federal Grants (2000)	1,236,500	1,105,100	940,900
Non-Federal Grants (2011)	13,000	8,000	8,000
Regional Cooperatives (4221)	1,780,000	2,016,000	2,220,000
Trust (3148)	84,500	84,500	84,500
Arizona State Schools for the Deaf and the Blind - Subtotal	\$3,193,600	\$3,292,700	\$3,332,500
Arizona Drug and Gang Prevention Resource Center			
Intergovernmental Agreements (NA)	\$2,218,800	\$2,218,100	\$2,218,100
Department of Emergency & Military Affairs (MAA)			
Camp Navajo (2106)	6,158,600	6,352,600	6,352,600
Emergency Management Training Fund (2087)	0	0	0
Federal Funds - Emergency (2000)	16,798,500	36,874,300	10,170,200
Federal Funds - Military (2000)	14,836,400	14,890,000	14,890,000
Freedom Academy (2104)	24,500	24,500	24,500
Morale, Welfare and Recreation (2124)	6,000	1,000	1,000
Department of Emergency & Military Affairs - Subtotal	\$37,824,000	\$58,142,400	\$31,438,300
Commission on the Arizona Environment (ENA)			
Donations Fund (3002)	0	0	0
Special Revolving (2210)	0	0	0
Commission on the Arizona Environment - Subtotal	\$0	\$0	\$0
Department of Environmental Quality (EVA)			
Air Quality (2226)	4,452,900	4,224,500	4,275,500
Circle K Settlement (3003)	147,500	147,800	147,800
Clean Water Revolving Fund (2254)	3,911,300	4,067,700	4,075,200
Drinking Water Revolving Fund (4320) 2/	0	0	0
Federal (2000)	13,999,200	9,944,900	9,944,900
Greenfields Pilot Program Fund (3150) 2/	0	0	0
Indirect Cost Fund (7000)	5,112,400	4,376,900	4,400,500
Intergovernmental Agreements (2180)	0	0	0
Landfill Trust Fund (3028)	20,000	20,000	0

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
For Fiscal Years 1997, 1998 and 1999 1/

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
Small Water Systems (2225)	55,000	40,000	39,000
Solid Waste Recycling (2289)	1,910,500	1,721,900	2,048,400
Used Oil Fund (3500)	135,700	100,800	100,800
UST Fund - Area A Assurance Account (2271) 2/	7,137,500	22,233,200	11,389,600
UST Fund - Grant Account (2271) 2/	217,800	4,564,400	2,885,000
UST Fund - Non-Maricopa County Assurance Account (2271) 2/	18,852,300	29,811,500	12,292,500
UST Fund - Regulatory Account (2271) 2/	919,700	781,700	665,600
Voluntary Lawn Mower Retirement Fund (2310) 2/	0	0	0
Waste Tire Grant (2290)	0	0	0
Wastewater Treatment Revolving (2254)	1,898,600	953,500	1,345,900
Water Quality Assurance Revolving Fund (2221) 2/	4,331,800	2,832,000	2,787,900
Department of Environmental Quality - Subtotal	\$63,102,200	\$85,820,800	\$56,398,600
Equal Opportunity, Governor's Office of (AFA)			
Equal Employment & Economic Development (2000)	\$58,100	\$58,100	\$58,100
Arizona Game & Fish Department (GFA)			
Conservation Development (2062)	6,000	6,000	6,000
Donations (3100)	408,000	408,000	408,000
Federal Funds (2000)	16,928,400	17,183,500	17,183,500
Heritage (2295)	9,214,400	8,987,700	8,996,500
Off Highway Vehicle Recreation (2253)	584,000	589,700	589,700
Publications Revolving (4007)	180,000	180,000	180,000
Trust (3111)	475,000	475,000	475,000
Wildlife Theft Prevention (2080)	210,500	219,000	225,000
Arizona Game & Fish Department - Subtotal	\$28,006,300	\$28,048,900	\$28,063,700
Arizona Geological Survey (GSA)			
Donations (3030)	0	0	0
Federal Grants (2000)	102,400	138,000	138,000
Intergovernmental Grants (2800)	37,300	37,300	37,300
Oil and Gas Drilling Bond (3704)	0	0	0
Printing Revolving (2233)	65,600	65,500	66,500
Arizona Geological Survey - Subtotal	\$205,300	\$240,800	\$241,800
Office of the Governor (GVA)			
The Arizona Fund (3021)	0	0	0
County Fairs Livestock & Agricultural Promotion (2037)	1,188,200	1,188,200	1,188,200
Federal Grant (2000)	18,217,500	8,615,000	8,615,000
Governor's Endowment Partnership (3206)	0	0	0
Governor's Office for Children (3192)	0	0	0
Office of the Governor - Subtotal	\$19,405,700	\$9,803,200	\$9,803,200
Arizona Council for the Hearing Impaired (DFA)			
Donations (3162)	1,400	0	0
Federal Grants (2048)	57,500	57,500	57,500
Text Telephone Relay System and Distribution (2047)	4,131,100	0	0
Arizona Council for the Hearing Impaired - Subtotal	\$4,190,000	\$57,500	\$57,500
Arizona Historical Society (HIA)			
Enterprise Funds (NA)	46,200	77,300	71,000
Grant Funds (NA)	999,500	999,500	999,500
Historical Society Magazine (2033)	29,800	29,800	29,800
Preservation and Restoration (2125)	28,800	28,800	28,800
Private Funds (NA)	197,800	197,800	197,800
Restricted Funds (NA)	292,100	292,100	225,800
Trust Funds (NA)	27,200	27,200	27,200
Arizona Historical Society - Subtotal	\$1,621,400	\$1,652,500	\$1,579,900
Prescott Historical Society of Arizona (PAZ)			
Sharlot Hall Historical Society (NA)	\$796,800	\$898,500	\$910,100
Arizona Commission of Indian Affairs (IAA)			
Publications Fund (4013)	\$12,000	\$12,500	\$13,000
Industrial Commission of Arizona (ICA)			
Federal Grants (2095)	1,572,200	1,572,200	1,572,200
Revolving (2002)	120,000	142,600	165,500
Special Fund (9003)	16,827,000	17,386,800	17,778,300
Industrial Commission of Arizona- Subtotal	\$18,519,200	\$19,101,600	\$19,516,000
Department of Insurance (IDA)			
Computer System (2320, 2216)	0	0	0
Examiners' Revolving (2034)	7,288,900	7,589,900	7,788,200
Joint Underwriting Plan (2073)	105,800	83,700	83,700
Life and Disability Insurance Guaranty (NA)	21,058,000	21,610,000	4,530,000
Property and Casualty Insurance Guaranty (NA)	3,777,300	1,701,900	1,608,900
Receivership Liquidation (3104)	165,600	167,300	167,300
Small Employer Reinsurance (2092)	28,500	32,500	28,500
Department of Insurance - Subtotal	\$32,424,100	\$31,185,300	\$14,206,600
VIII			

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1997, 1998 and 1999 1/**

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
State Land Department (LDA)			
Cooperative Forestry Program (2232)	0	0	0
Development Planning Permit Applications Fund (2231)	0	0	0
Environmental Special Plate	898,500	0	0
Federal (2232)	1,042,900	972,900	960,200
Federal Reclamation Trust (2024)	1,313,000	310,000	195,000
Fire Suppression (2360)	5,763,300	1,972,000	1,991,200
Interagency Agreements (2212)	51,600	52,800	54,000
Legal Advertising Revolving (2248)	100,000	100,000	100,000
Quitclaim Deed Application Revolving (2230)	0	0	0
Resource Analysis Revolving (4009)	53,900	50,000	50,000
Riparian Acquisition Trust (3201)	0	0	0
Timber Suspense (3158)	170,900	159,100	132,600
Zoning Application Fees (2220)	15,000	25,000	25,000
State Land Department - Subtotal	\$9,409,100	\$3,641,800	\$3,508,000
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,053,400	\$1,145,300	\$1,145,300
Legislature - Dept. of Library, Archives & Public Records (LAA)			
Donations (3149)	200,400	85,800	85,800
Federal Grants (2000)	1,570,200	1,720,200	1,725,200
Gift Shop Revolving (4008)	92,700	72,700	72,700
Miscellaneous Collections (2115)	190,200	124,300	40,000
Legislature - Dept. of Library, Archives & Pub. Rcds - Subtotal	\$2,053,500	\$2,003,000	\$1,923,700
Department of Liquor Licenses and Control (LLA)			
Federal (2000)	0	0	0
Racketeering (3018)	1,100	0	0
Special Collections (3008)	336,300	346,500	348,700
Department of Liquor Licenses & Control - Subtotal	\$337,400	\$346,500	\$348,700
Arizona State Lottery Commission (LAO)			
State Lottery (2122)	\$136,708,000	\$135,928,000	\$130,780,000
Board of Medical Examiners (MEA)			
Physician Monitoring Fund (2150)	\$356,000	\$0	\$0
Board of Medical Student Loans (MSA)			
Medical Student Loan (3306)	\$58,300	\$0	\$0
State Mine Inspector (MIA)			
Federal Grants (2000)	\$332,600	\$265,000	\$265,000
Department of Mines & Mineral Resources (MNA)			
Museum Donations (3156)	81,200	71,200	59,200
Print Revolving (4004)	9,500	10,000	9,500
Department of Mines & Mineral Resources - Subtotal	\$90,700	\$81,200	\$68,700
State Board of Nursing (BNA)			
Nurse Aide Training & Registration (2000)	\$436,700	\$436,700	\$436,700
AZ Parents Commission on Drug Education & Prevention (PCA)			
Drug Treatment & Education Fund (2277) 2/	\$0	\$2,000,000	\$2,000,000
Arizona State Parks Board (PRA)			
Arizona Conservation Corps (2280)	56,700	0	0
Donations (3117)	45,000	50,000	55,000
Federal Funds (2000)	829,700	516,000	475,000
Heritage (2296)	13,596,400	14,154,300	9,253,000
Intergovernmental Agreement Fund (1024)	59,500	55,500	12,500
Land and Water Conservation Surcharge (2123)	14,000	14,000	14,000
Off Highway Vehicle (2253)	283,600	292,700	305,900
Publications and Souvenir Revolving (4010)	262,000	292,600	327,600
State Lake Improvement (2106)	9,020,500	8,409,700	8,569,000
State Parks Enhancement (2202)	4,733,700	1,942,800	2,578,600
Tonto Natural Bridge Revolving (4012)	0	0	0
Trails Grant (2262)	0	0	0
Arizona State Parks Board - Subtotal	\$28,901,100	\$25,727,600	\$21,590,600
Arizona Pioneers' Home (PLA)			
Donations (3143)	53,000	53,000	53,000
Miners Hospital Land Earnings (3130)	566,000	498,400	538,100
State Charitable, Penal & Reform. Land Earnings (2129)	754,100	0	0
Arizona Pioneers' Home - Subtotal	\$1,373,100	\$551,400	\$591,100
Commission for Postsecondary Education (PEA)			
AZ Student Program Investing Resources			
In Education (ASPIRE) (2407)	0	0	0
AZ Teachers Incentive Program (ATIP) (2249)	0	0	0
Commission for Postsecondary Education - Subtotal	\$0	\$0	\$0



**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1997, 1998 and 1999 1/**

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
Arizona Power Authority			
Arizona Power Authority (NA)	2,505,500	2,505,500	2,505,500
Hoover Uprating (NA)	19,710,600	19,710,600	19,710,600
Arizona Power Authority - Subtotal	\$22,216,100	\$22,216,100	\$22,216,100
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery Fund (3027)	\$53,000	\$53,000	\$53,000
Department of Public Safety (PSA)			
AFIS (2286)	1,260,800	0	0
Anti-Driving Under the Influence (2353)	0	0	0
Anti-Racketeering (3123)	1,593,200	1,263,700	1,003,900
Arizona DNA Identification System (2337)	340,500	0	0
Crime Lab Assessment (2282)	553,000	0	0
Criminal Justice Enhancement - Pass Through (3702)	1,749,800	770,100	699,000
Donations (3123)	0	0	0
DPS Administration Fund (2322)	1,767,200	444,900	434,000
Federal Block Grants - Pass Through (2000)	3,015,200	2,574,000	2,574,000
Federal Grants - Gov's Office of Community and Highway Safety (2000)	2,894,300	2,485,100	2,485,100
Federal Grants & Reimbursements (2000)	6,173,200	3,433,900	3,433,900
Fingerprint (2159)	3,474,100	3,943,900	4,138,500
Highway Patrol (2032)	5,105,400	0	0
Motor Carrier Safety Receiving Fund (2380)	17,600	7,500	7,500
Peace Officers Training Fund (2049)	4,632,800	4,405,000	4,486,000
Records Processing (2278)	171,500	175,000	178,600
Department of Public Safety - Subtotal	\$32,748,600	\$19,503,100	\$19,440,500
Public Safety Personnel Retirement System (NA)			
Administrative Expenses (NA)	\$1,418,900	\$1,500,000	\$1,550,000
Fire Fighter Cancer Insurance Policy Program Account (NA)	61,200	64,000	67,000
Public Safety Personnel Retirement System - Subtotal	\$1,480,100	\$1,564,000	\$1,617,000
Arizona Department of Racing (RCA)			
Admin. of County Fairs Racing Betterment & Breeders Award (2018)	49,800	51,300	51,300
Arizona Breeders Award (2206)	706,800	800,000	800,000
County Fairs Racing Betterment (2207)	545,000	800,000	800,000
Greyhound Adoption Program (2015)	1,200	0	1,400
Stallion Award (2315)	0	103,500	83,600
Arizona Department of Racing - Subtotal	\$1,302,800	\$1,754,800	\$1,736,300
Radiation Regulatory Agency (AEA)			
Federal Grants (2000)	\$124,600	\$124,600	\$124,600
State Real Estate Department (REA)			
Education Revolving (4011)	46,300	28,000	64,900
Recovery (3119)	197,900	222,200	231,100
State Real Estate Department - Subtotal	\$244,200	\$250,200	\$296,000
Arizona State Retirement System (RSA)			
Administration Account - Investment Expenses(1401)	15,232,400	15,586,500	15,586,500
Administrative Account - Other	5,040,700	0	0
Arizona State Retirement System - Subtotal	\$20,273,100	\$15,586,500	\$15,586,500
Department of Revenue (RVA)			
DOR Estate and Unclaimed Property (1520)	1,067,600	0	0
Escheated Estates (3745)	0	0	0
Liability Setoff Revolving (2179)	591,700	270,000	270,300
Revenue Publications Revolving (2166)	102,900	113,300	124,400
Special Collections (2168)	0	0	0
Waste Tire (2356)	4,789,200	2,394,600	0
Department of Revenue - Subtotal	\$6,551,400	\$2,777,900	\$394,700
Secretary of State - Department of State (STA)			
Arizona Blue Book Revolving (2006)	40,000	27,000	30,000
Data Processing Acquisition (2265)	95,000	96,000	97,000
Secretary of State - Department of State - Subtotal	\$135,000	\$123,000	\$127,000
Structural Pest Control Commission (SBA)			
Federal Certification and Enforcement Grant (2000)	\$102,900	\$97,000	\$97,000
Office of Tourism (TOA)			
Tourism Workshop (3163)	\$295,000	\$295,000	\$275,000

**SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES**  
**For Fiscal Years 1997, 1998 and 1999 1/**

	FY 1997 Actual	FY 1998 Estimate	FY 1999 Estimate 1/
Arizona Veterans' Service Commission (VSA)			
Desert Storm Memorial (3703)	21,600	0	0
Federal Funds (2000)	665,700	165,700	165,700
Arizona Veterans' Services Commission - Subtotal	<u>\$687,300</u>	<u>\$165,700</u>	<u>\$165,700</u>
Department of Water Resources (WCA)			
Administrative (3025)	0	0	0
Arizona Water Banking Fund (2110)	2,778,500	8,634,800	10,472,000
Arizona Water Quality Fund 2/	0	718,000	791,500
Augmentation and Conservation (2213)	1,365,900	1,370,100	1,370,100
Emergency Dam Repair (2218)	0	0	0
Federal Grants (2000)	88,700	88,700	88,700
Flood Control Loan (3319)	0	0	0
Flood Warning System (1021)	112,300	95,400	90,400
General Adjudications (2191)	0	0	0
Groundwater Enforcement (2135)	0	0	0
Non-Emergency Dam Repair (2219)	0	0	0
Permits Administration Fund (2320)	0	0	0
State Water Storage (2287)	23,134,200	0	0
Surface/Groundwater Trust (3101)	0	0	0
Water Protection (1302)	2,237,200	5,362,200	362,200
Department of Water Resources - Subtotal	<u>\$29,716,800</u>	<u>\$16,269,200</u>	<u>\$13,174,900</u>
TOTAL - BIENNIAL AGENCIES	\$993,939,100	\$941,008,000	\$840,102,700
TOTAL - FEDERAL AND OTHER NON- APPROPRIATED FUND EXPENDITURES	\$5,472,010,700	\$5,658,230,500	\$5,523,196,700
Total - Other Funds	2,591,050,100	2,695,122,200	2,576,793,700
Total - Federal Funds	2,880,960,600	2,963,108,300	2,946,403,000
TOTAL - FEDERAL AND OTHER NON-APPROPRIATED EXPENDITURES	<u><u>\$5,472,010,700</u></u>	<u><u>\$5,658,230,500</u></u>	<u><u>\$5,523,196,700</u></u>

1/ The non-appropriated biennial budget information is included in this listing to provide a complete picture of these monies, but these numbers have been updated since last year. As a result, the FY 1997 column for the biennial budget units reflects an estimate, not an actual figure. Exceptions are noted in footnote 2.

2/ Represents new estimate from FY 1998 Non-Appropriated Funds book.

3/ The Joint Legislative Budget Committee approves the State Compensation Fund operating budget. The FY 1998 and FY 1999 amounts represent spending for calendar years 1997 and 1998.

NA = No Fund Number

# Fiscal Year 1999 Non-Appropriated Funds

## ARIZONA DEPARTMENT OF ADMINISTRATION

### Agency Summary

ANALYST: Lynne Smith/Phil Case

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	51,257,500	43,830,900	38,335,700
Revenue	<u>237,739,700</u>	<u>232,115,800</u>	<u>243,834,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>288,997,200</u>	<u>275,946,700</u>	<u>282,170,100</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>110.3</u>	<u>108.8</u>	<u>93.8</u>
Operating Subtotal	8,813,200	9,312,500	6,773,800
Special Line Items Total	<u>227,174,100</u>	<u>224,335,800</u>	<u>237,248,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>235,987,300</u>	<u>233,648,300</u>	<u>244,022,100</u>
APPROPRIATIONS	1,160,200	3,748,000	4,174,000
TRANSFERS	8,018,800	122,900	0
BALANCE FORWARD <sup>1/</sup>	43,830,900	38,427,500	33,974,000

1/ The ending balance at the end of one fiscal year does not equal the beginning balance of the next year as some funds have become appropriated and are no longer included.

### ARIZONA OFFICE FOR AMERICANS WITH DISABILITIES ACT (ADA2000)

A.R.S. § 35-142E

**Source of Revenue:** Federal grants and private contributions. Revenues are dependent on the availability of federal funds through the Department of Economic Security.

**Purpose of Fund:** To assist the State of Arizona in the implementation and enforcement of the federal Americans with Disabilities Act (ADA). This includes providing resources and information to the private sector, serving as ADA coordinator for state agencies, and assisting other government entities.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	32,900	11,200	0
Revenue	<u>221,600</u>	<u>215,500</u>	<u>215,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>254,500</u>	<u>226,700</u>	<u>215,500</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>
Operating Subtotal	243,300	226,700	215,500
 <b>TOTAL FUNDS EXPENDED</b>	<u>243,300</u>	<u>226,700</u>	<u>215,500</u>
 <b>BALANCE FORWARD</b>	11,200	0	0

### CONSTRUCTION INSURANCE FUND (ADA4219)

A.R.S. § 41-622

**Source of Revenue:** Charges to agencies for state construction projects. The rate is set by the department and reviewed by the Joint Committee on Capital Review.

**Purpose of Fund:** To provide self insurance and purchase "wrap-up" or "owner-controlled insurance programs" (OCIPs) for state construction projects with a total cost over \$50,000,000. An OCIP is an insurance program provided by the owner of a project (the state) to protect its own interests and those of all participating contractors. Typically, it includes a series of insurance policies combined with loss prevention and quality assurance programs.

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

**CONSTRUCTION INSURANCE FUND (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	258,000	66,200
Revenue <sup>1/</sup>	<u>1,531,200</u>	<u>1,327,200</u>	<u>3,052,700</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,531,200</u>	<u>1,585,200</u>	<u>3,118,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>
Operating Subtotal	<u>0</u>	<u>288,200</u>	<u>216,200</u>
Insurance Premiums	<u>1,273,200</u>	<u>1,230,800</u>	<u>2,902,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>1,273,200</u>	<u>1,519,000</u>	<u>3,118,900</u>
 <b>BALANCE FORWARD</b>	 258,000	 66,200	 0

1/ The FY 1997 and FY 1998 Revenues reflect payments for a pilot construction program, prior to the establishment of rates.

**CO-OP STATE PURCHASING AGREEMENT (ADA4213)**

**A.R.S. § 35-142**

**Source of Revenue:** Annual subscription fees collected from local governments for microfiche published by the State Purchasing Office and fees collected from individuals for copies of public records.

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

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	91,200	86,800	63,500
Revenue	<u>93,300</u>	<u>85,400</u>	<u>85,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>184,500</u>	<u>172,200</u>	<u>148,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Operating Subtotal	<u>97,700</u>	<u>108,700</u>	<u>108,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>97,700</u>	<u>108,700</u>	<u>108,700</u>
 <b>BALANCE FORWARD</b>	 86,800	 63,500	 40,200

**COP BUILDING OPERATING & MAINTENANCE FUND (ADA1025)**

**A.R.S. § 35-142**

**Source of Revenue:** Charges to agencies for operations and maintenance costs associated with the occupancy of state Certificate of Participation (COP) buildings located away from the Capitol Mall. This fund has been converted to appropriated status beginning in FY 1999 pursuant to Laws 1997, Chapter 210.

**Purpose of Fund:** To provide operations and maintenance services for state COP (lease-purchase) buildings located away from the Capitol Mall.

# **Fiscal Year 1999 Non-Appropriated Funds**

## **ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

### **COP BUILDING OPERATING & MAINTENANCE FUND (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	23,200	90,100	0
Revenue	<u>1,299,200</u>	<u>1,308,500</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,322,400</u>	<u>1,398,600</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>15.0</u>	<u>15.0</u>	<u>0.0</u>
Operating Subtotal	<u>1,232,300</u>	<u>1,306,800</u>	<u>0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>1,232,300</u>	<u>1,306,800</u>	<u>0</u>
<b>BALANCE FORWARD</b>	90,100	91,800	0

### **EMERGENCY TELECOMMUNICATIONS REVOLVING (ADA2176)**

**A.R.S. § 41-704**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Receipts from the telecommunications services excise tax (up to 1½% of gross sales) levied against monthly telephone bills and remitted by the telephone companies, as authorized by A.R.S. § 41-1472, and interest which accrues to the fund.

**Purpose of Fund:** To implement and operate emergency telecommunication services (911) through political subdivisions of the state. The funds may be used for necessary equipment and services, consulting services (up to 3% of revenue), and monthly recurring costs for capital, maintenance, and operations.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	4,385,800	5,544,300	5,541,900
Revenue	<u>6,872,900</u>	<u>8,498,700</u>	<u>9,062,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>11,258,700</u>	<u>14,043,000</u>	<u>14,604,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Operating Subtotal	<u>116,800</u>	<u>128,800</u>	<u>52,800</u>
Distributions to Local Governments	5,597,600	8,372,300	9,685,000
<b>TOTAL FUNDS EXPENDED</b>	<u>5,714,400</u>	<u>8,501,100</u>	<u>9,737,800</u>
<b>BALANCE FORWARD</b>	5,544,300	5,541,900	4,867,000

### **EMPLOYEE RELATED EXPENDITURES/BENEFITS ADMINISTRATION (AAA3035)**

**A.R.S. § 38-651**

**Source of Revenue:** Employer contributions for life, accident, and dismemberment insurance and employee contributions for a "cafeteria" employee benefit plan. The cafeteria plan includes vision, short-term disability, long-term disability, and supplemental life insurance.

**Purpose of Fund:** To pay claims for state employee benefit plans (other than health insurance).

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

**EMPLOYEE RELATED EXPENDITURES/BENEFITS ADMINISTRATION (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	858,100	965,600	965,600
Revenue	<u>14,690,800</u>	<u>15,423,100</u>	<u>16,194,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>15,548,900</u>	<u>16,388,700</u>	<u>17,159,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Insurance Premiums	14,583,300	15,423,100	16,194,300
<b>TOTAL FUNDS EXPENDED</b>	<u>14,583,300</u>	<u>15,423,100</u>	<u>16,194,300</u>
<b>BALANCE FORWARD</b>	965,600	965,600	965,600

**HEALTH ADMINISTRATION & BENEFIT INSURANCE TRUST (AAA3161)**

**A.R.S. § 38-652**

**Source of Revenue:** Monies received from insurance carriers and interest. Currently, this applies only to Northern Arizona University's Blue Cross policy.

**Purpose of Fund:** To provide benefits for employees participating in health and accident insurance or to offset employee contributions.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,117,700	4,045,700	3,677,400
Revenue	<u>1,145,000</u>	<u>200,000</u>	<u>200,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>4,262,700</u>	<u>4,245,700</u>	<u>3,877,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	217,000	568,300	520,000
<b>TOTAL FUNDS EXPENDED</b>	<u>217,000</u>	<u>568,300</u>	<u>520,000</u>
<b>BALANCE FORWARD</b>	4,045,700	3,677,400	3,357,400

**PUBLIC BUILDINGS LAND EARNINGS (ADA3127)**

**A.R.S. § 37-525**

**Source of Revenue:** Monies received from interest on the Legislative, Executive, and Judicial Public Buildings Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the lease of these lands.

**Purpose of Fund:** To provide a continuous source of monies for Legislative, Executive, or Judicial Buildings erected in the state. These monies are subject to legislative appropriation.

# Fiscal Year 1999 Non-Appropriated Funds

## ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)

### PUBLIC BUILDINGS LAND EARNINGS (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,118,000	1,460,200	(295,800)
Revenue	<u>515,100</u>	<u>515,100</u>	<u>515,100</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,633,100</u>	<u>1,975,300</u>	<u>219,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Governor's Office Renovation	72,900	0	0
Legislative Council--Old Capitol Renovation	<u>100,000</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>172,900</u>	<u>0</u>	<u>0</u>
<b>APPROPRIATIONS TO:</b>			
GOVERNOR'S OFFICE	0	253,900 <sup>1/</sup>	0
SENATE	0	200,000 <sup>1/</sup>	0
SUPREME COURT	0	2,100 <sup>1/</sup>	0
LEGISLATIVE COUNCIL	0	1,815,100 <sup>1/</sup>	219,300 <sup>1/</sup>
<b>BALANCE FORWARD</b>	<u>1,460,200</u>	<u>(295,800)</u>	<u>0</u>

1/ Reflects remaining expenditure authority from non-lapsing prior year appropriations of \$253,900 to the Office of the Governor and \$200,000 to the Senate (Laws 1991, Chapter 287), plus \$2,100 to the Supreme Court (Laws 1993, Chapter 1, 2<sup>nd</sup> Special Session), and \$1,400,000 in FY 1997 plus the annual fund revenues for FY 1998 through FY 2000 to the Legislative Council for the renovation of the Old Capitol (Laws 1996, Chapter 2, 5<sup>th</sup> Special Session). Since not all prior year appropriations are expected to be fully expended in FY 1998, it is not anticipated that the fund will actually be in deficit.

### RETIREE ACCUMULATED SICK LEAVE (To be established)

**A.R.S. § 38-616**

**Source of Revenue:** A pro rata charge of 0.05% on the payroll of all state agencies. The fund is established effective July 1, 1998.

**Purpose of Fund:** Payment of insurance premiums or cash payouts to eligible retiring state employees. Payments are made on a percentage basis (25%, 33%, or 50%) of hourly salary for 500 to 1,500 hours of accumulated sick leave upon retirement. Monies over \$400,000 revert to the General Fund at the end of the fiscal year.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>0</u>	<u>0</u>	<u>738,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>0</u>	<u>738,300</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>0</u>	<u>0</u>	<u>738,300 <sup>1/</sup></u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>738,300</u>
<b>BALANCE FORWARD</b>	<u>0</u>	<u>0</u>	<u>0</u>

1/ The department has not yet estimated FY 1999 expenditures from the fund.

# Fiscal Year 1999 Non-Appropriated Funds

## ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)

### SPECIAL EMPLOYEE HEALTH INSURANCE TRUST (AAA3015)

A.R.S. § 38-654

**Source of Revenue:** Employer and employee medical and dental insurance contributions. Administrative expenditures from this fund have been converted to appropriated status beginning in FY 1999 pursuant to Laws 1997, Chapter 210.

**Purpose of Fund:** To administer state employee benefit plans, pay claims for state employee health insurance plans, and operate the Wellness and Communications programs.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	40,545,300	29,088,800	26,370,800
Revenue	204,911,700	198,676,600	207,904,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>245,457,000</u>	<u>227,765,400</u>	<u>234,275,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	24.0	21.5	21.5
Operating Subtotal	2,194,700	2,085,000	0
Medical and Dental Insurance Premiums	206,173,500	199,309,600	208,466,300
<b>TOTAL FUNDS EXPENDED</b>	<u>208,368,200</u>	<u>201,394,600</u>	<u>208,466,300</u>
APPROPRIATIONS	0	0	2,477,800
TRANSFERS TO GENERAL FUND	8,000,000	0	0
BALANCE FORWARD	29,088,800	26,370,800	23,331,300

### SPECIAL SERVICES REVOLVING (ADA4208)

A.R.S. § 35-193

**Source of Revenue:** Charges or payments from agencies using various centralized services operated by the agency. In addition, administrative funds for operation of the State Boards' Office flow through this fund. The State Boards' Office is under the Arizona Department of Administration, but is funded by transfers of appropriated monies from the participating boards. Expenditures from this fund for the State Boards' Office have been converted to appropriated status beginning in FY 2000 pursuant to Laws 1997, Chapter 210.

**Purpose of Fund:** To enable the Arizona Department of Administration to provide office supplies, printing, office services, and other administrative management services for agencies of state government. Expenditures by the State Boards' Office are for centralized services and pooled resources of 10 small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	481,800	1,064,100	858,700
Revenue	3,412,300	3,000,000	3,000,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,894,100</u>	<u>4,064,100</u>	<u>3,858,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	36.8	36.8	36.8
Operating Subtotal	3,258,900	3,205,400	3,237,700
GAAP Offset <sup>1/</sup>	(428,900)	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>2,830,000</u>	<u>3,205,400</u>	<u>3,237,700</u>
BALANCE FORWARD	1,064,100	858,700	621,000

<sup>1/</sup> The GAAP Offset reflects adjustments made by the General Accounting Office to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The FY 1997 amount reflects adjustments for prepaid inventory and the acquisition and depreciation of fixed assets.



# Fiscal Year 1999 Non-Appropriated Funds

## ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)

### STATE EMPLOYEE TRAVEL REDUCTION (ADA2261)

A.R.S. § 41-101.03

**Source of Revenue:** Appropriations, grants, gifts, federal funds, and fees.

**Purpose of Fund:** To establish, operate, and administer a ride sharing program for the transportation of state employees between residence and place of work.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	47,100	158,300	144,700
Revenue	811,500	400,000	400,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>858,600</u>	<u>558,300</u>	<u>544,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3.2	3.2	3.2
Operating Subtotal	441,200	413,600	465,800
Administrative Adjustments	259,100	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>700,300</u>	<u>413,600</u>	<u>465,800</u>
<b>BALANCE FORWARD</b>	158,300	144,700	78,900

### SURPLUS PROPERTY - FEDERAL (ADA4215)

A.R.S. § 41-2606

**Source of Revenue:** Receipts from the sale of federal surplus property and interest which accrues to the fund.

**Purpose of Fund:** To collect, store and administer the sale of federal surplus property. Uncommitted monies in excess of \$50,000 at the close of the fiscal year shall be returned to eligible agencies in the following fiscal year through discounted service and handling charges.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	77,800	118,900	117,600
Revenue	248,300	277,100	277,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>326,100</u>	<u>396,000</u>	<u>394,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	8.3	8.3	8.3
Operating Subtotal	224,600	278,400	259,400
GAAP Offset <sup>1/</sup>	(17,400)	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>207,200</u>	<u>278,400</u>	<u>259,400</u>
<b>BALANCE FORWARD <sup>2/</sup></b>	118,900	117,600	135,200

<sup>1/</sup> The GAAP Offset reflects adjustments made by the General Accounting Office to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The FY 1997 amount reflects adjustments for the depreciation of fixed assets.

<sup>2/</sup> The balance forward includes monies committed by the department for year-end payroll and significant future-year projects.

# **Fiscal Year 1999 Non-Appropriated Funds**

## **ARIZONA DEPARTMENT OF ADMINISTRATION (Continued)**

### **SURPLUS PROPERTY - STATE (ADA4214)**

**A.R.S. § 41-2606**

**Source of Revenue:** Receipts from the sale of state surplus property. A portion of the revenue is retained to cover operating costs; the balance is returned to donor agencies.

**Purpose of Fund:** To collect, store and administer the sale of surplus property. All uncommitted monies in excess of \$100,000 at the close of the fiscal year revert to the General Fund.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	478,600	938,900	825,100
Revenue	1,986,800	2,188,600	2,188,600
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,465,400</u>	<u>3,127,500</u>	<u>3,013,700</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	15.5	15.5	15.5
Operating Subtotal	786,700	702,600	959,400
GAAP Offset <sup>1/</sup>	(439,200)	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>347,500</u>	<u>702,600</u>	<u>959,400</u>
TRANSFERS TO DONOR AGENCIES	1,160,200	1,476,900	1,476,900
TRANSFERS TO GENERAL FUND	18,800	122,900	0
<b>BALANCE FORWARD <sup>2/</sup></b>	<u>938,900</u>	<u>825,100</u>	<u>577,400</u>

1/ The GAAP Offset reflects adjustments made by the General Accounting Office to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The FY 1997 account reflects adjustments for transfers to donor agencies and the depreciation of fixed assets.

2/ The balance forward includes monies committed by the department for year-end payroll and significant future-year projects.

# Fiscal Year 1999 Non-Appropriated Funds

AHCCCS		
Agency Summary		ANALYST: Lisa Cotter

	FY 1997	FY 1998	FY 1999
FUNDS AVAILABLE			
Balance Forward	96,798,400	177,989,800	186,739,400
Revenue	1,483,902,600	1,466,415,400	1,500,272,500
TOTAL FUNDS AVAILABLE	1,580,701,000	1,644,405,200	1,687,011,900
FUNDS EXPENDED			
Full Time Equivalent Positions	1,181.4	1,187.4	1,196.3
Operating Subtotal	826,800	1,725,000	293,900
Special Line Items Total	1,318,248,500	1,382,860,400	1,423,214,700
TOTAL FUNDS EXPENDED	1,319,075,300	1,384,585,400	1,423,508,600
APPROPRIATIONS	0	0	1,293,800
TRANSFERS	83,635,900	73,080,400	59,244,200
BALANCE FORWARD	177,989,800	186,739,400	202,965,300

COUNTY CONTRIBUTIONS (HCA2120/Acute Care)(HCA2223/Long Term Care)	A.R.S. § 36-2912/Acute Care 36-2953/Long Term Care
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**Source of Revenue:** Counties' contributions.

**Purpose of Fund:** Statutorily prescribed county contributions for the provision of acute medical and long term care services to AHCCCS eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid (Title XIX) dollars.

	FY 1997	FY 1998	FY 1999
FUNDS AVAILABLE			
Balance Forward	0	0	0
Revenue	207,606,200	209,968,500	221,434,500
TOTAL FUNDS AVAILABLE	207,606,200	209,968,500	221,434,500
FUNDS EXPENDED			
Full Time Equivalent Positions	0.0	0.0	0.0
Acute Care	66,689,500	66,689,500	66,689,500
Long Term Care	140,916,700	143,279,000	154,745,000
TOTAL FUNDS EXPENDED	207,606,200	209,968,500	221,434,500
BALANCE FORWARD	0	0	0

FEDERAL FUNDS (HCA2120 Acute Care)(HCA2223/Long Term Care)	A.R.S. § 36-2913/Acute Care 36-2953/Long Term Care
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**Source of Revenue:** Federal government through the Department of Health & Human Services, Health Care Financing Administration.

**Purpose of Fund:** Federal Match for AHCCCS administrative costs and for the provision of acute and long term care services to categorically eligible populations.

	FY 1997	FY 1998	FY 1999
FUNDS AVAILABLE			
Balance Forward	(26,385,800)	0	0
Revenue	1,087,663,900	1,094,905,200	1,116,819,700
TOTAL FUNDS AVAILABLE	1,061,278,100	1,094,905,200	1,116,819,700

# **Fiscal Year 1999 Non-Appropriated Funds**

## **AHCCCS (Continued)**

### **FUNDS EXPENDED**

<i>Full Time Equivalent Positions</i>	1,168.4	1,168.4	1,190.3
Administration	53,058,800	52,434,200	56,300,800
Acute Care	748,328,500	758,418,500	739,608,500
Long Term Care	259,890,800	284,052,500	320,910,400
<b>TOTAL FUNDS EXPENDED</b>	<b>1,061,278,100</b>	<b>1,094,905,200</b>	<b>1,116,819,700</b>
 <b>BALANCE FORWARD</b>	 <b>0</b>	 <b>0</b>	 <b>0</b>

### **HEALTH CARE GROUP MEDICAL PREMIUMS (HCA3197)**

**A.R.S. § 36-2913**

**The administrative portion of this fund has been converted to appropriated status beginning in FY 1999 pursuant to Laws 1997, Chapter 20.**

**Source of Revenue:** Monthly administrative charge (\$4) and premiums paid by employers and employees enrolled in the Health Care Group.

**Purpose of Fund:** To pay administration costs of the Health Care Group, AHCCCS' health insurance plan for small business. Fund also used to pay medical claims of enrolled members.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,176,700	6,153,900	5,901,800
Revenue	26,945,600	28,904,500	31,201,400
<b>TOTAL FUNDS AVAILABLE</b>	<b>32,122,300</b>	<b>35,058,400</b>	<b>37,103,200</b>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	13.0	13.0	0.0
Operating Subtotal	800,000	1,414,100	0
Health Plan Capitated Premiums	25,168,400	27,742,500	28,595,800
 <b>TOTAL FUNDS EXPENDED</b>	<b>25,968,400</b>	<b>29,156,600</b>	<b>28,595,800</b>
<b>APPROPRIATIONS</b>	<b>0</b>	<b>0</b>	<b>1,293,800</b>
 <b>BALANCE FORWARD</b>	 <b>6,153,900</b>	 <b>5,901,800</b>	 <b>7,213,600</b>

### **THIRD PARTY COLLECTIONS (HCA3791/Acute Care)(HCA3019/Long Term Care)**

**A.R.S. § 36-2913**

**Source of Revenue:** Collections from third-party payers, and sanctions on counties for eligibility errors in the Medically Needy/Medically Indigent program.

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

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,670,900	3,284,200	3,585,400
Revenue	6,557,200	6,350,200	4,409,400
<b>TOTAL FUNDS AVAILABLE</b>	<b>9,228,100</b>	<b>9,634,400</b>	<b>7,994,800</b>

# **Fiscal Year 1999 Non-Appropriated Funds**

## **AHCCCS (Continued)**

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

	0.0	0.0	0.0
Collection Agency Share	776,300	869,100	586,300
Returned to Health Plans	1,298,200	1,378,100	956,900
General Fund Offset	2,478,900	2,415,700	1,583,400
Federal Share/Other Disbursements	1,390,500	1,386,100	962,400
<b>TOTAL FUNDS EXPENDED</b>	<b>5,943,900</b>	<b>6,049,000</b>	<b>4,089,000</b>
 <b>BALANCE FORWARD</b>	 <b>3,284,200</b>	 <b>3,585,400</b>	 <b>3,905,800</b>

### **TOBACCO TAX AND HEALTH CARE FUND (RVA1306)**

**A.R.S. § 42-1241B**

**Source of Revenue:** The fund consists of all tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies, pursuant to A.R.S. § 42-1241B.

**Purpose of Fund:** The funds are distributed to Arizona Health Care Cost Containment System (AHCCCS) for the Medically Needy Account (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%) and the Health Research Account (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 41-1241C, 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.

The following table summarizes the expenditures of each account receiving a distribution from the Tobacco Tax and Health Care Fund. The individual accounts are detailed in later sections: Corrections Fund in the State Department of Corrections; AHCCCS Medically Needy Account. AHCCCS Medical Services Stabilization and AHCCCS Premium Sharing Demonstration Project Funds immediately following this table; DHS Health Education, DHS Health Research and DHS Medically Needy Accounts in the Department of Health Services.

	<u><b>FY 1997</b></u>	<u><b>FY 1998</b></u>	<u><b>FY 1999</b></u>
<b>FUNDS AVAILABLE</b>			
Balance Forward - All Accounts	141,691,700	144,546,700	125,764,700
Revenue	126,368,800	127,091,900	127,217,400
<b>TOTAL FUNDS AVAILABLE</b>	<b>268,060,500</b>	<b>271,638,600</b>	<b>252,982,100</b>
 <b>FUNDS EXPENDED</b>			
DOR Administration	303,900	345,700	352,600
Transfer Out - Corrections Fund <sup>1/</sup>	280,400	280,400	280,400
<b>TOTAL FUNDS EXPENDED</b>	<b>584,300</b>	<b>626,100</b>	<b>633,000</b>
 <b>AHCCCS Medically Needy Account</b>			
<b>FUNDS EXPENDED</b>			
Offset Loss in Federal Funding <sup>2/</sup>	2,021,200	4,145,000	4,542,200
Phase-Down of Quick Pay Discount <sup>2/</sup>	4,522,800	7,978,800	7,546,400
\$10 M Hospital Reimbursement <sup>2/</sup>	10,000,000	10,000,000	10,000,000
Maternity Length of Stay <sup>2/</sup>	0	1,919,000	4,213,200
HIV/AIDS Treatment <sup>2/</sup>	0	2,652,400	2,473,900
Transplants	1,707,900	3,500,000	3,500,000
DHS Construction	0 <sup>3/</sup>	0	0
<b>TOTAL FUNDS EXPENDED</b>	<b>18,251,900</b>	<b>30,195,200</b>	<b>32,275,700</b>

### **AHCCCS Medical Services Stabilization Fund <sup>4/</sup>**

<b>FUNDS AVAILABLE</b>			
Transfer In - Medically Needy Account	45,000,000	15,000,000	15,000,000
Interest Revenue	2,202,300	3,438,400	4,360,300

**Fiscal Year 1999 Non-Appropriated Funds**

**AHCCCS (Continued)**

**AHCCCS Premium Sharing Demo Project Fund <sup>5/</sup>**

**FUNDS AVAILABLE**

Transfer In - Medically Needy Account	20,075,000	20,400,000	20,400,000
Revenue	685,800	1,748,500	2,375,400

**DHS Health Crisis Fund**

**FUNDS AVAILABLE**

Transfer In - Medically Needy Account	0	1,000,000	600,000
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**DHS Health Education Account**

**FUNDS EXPENDED**

Administration and Program Costs	18,188,600	29,731,100	25,000,000
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**DHS Health Research Account**

**FUNDS EXPENDED**

Disease Control Research Commission	2,370,500	7,054,200	6,304,100
Transfer to U of A - Liver Research Institute	0	500,000	500,000
<b>TOTAL FUNDS EXPENDED</b>	<b>2,370,500</b>	<b>7,554,200</b>	<b>6,804,100</b>

**DHS Medically Needy Account**

**FUNDS EXPENDED**

Primary Care Programs	4,134,700	6,240,000	6,240,000
Qualifying Community Health Centers	4,404,100	5,200,000	5,200,000
Telemedicine	255,000	260,000	0
Mental Health Programs for Non-Title 19	5,000,000	5,000,000	5,000,000
Detoxification Services	500,000	500,000	0
Renal Disease Management	150,000	250,000	250,000
Basic Children's Medical Services Program	1,429,600	5,200,000	5,200,000
Evaluations	282,000	854,200	854,200
Public Health Education	0	7,500,000	0
Rural Private Primary Care Provider Loan Repay Programs	0	111,200	0
Community Health Center Grants	0	2,500,000	0
Primary Care Capital Construction Projects	0	2,500,000	0
Salome Health Services	0	65,000	0
<b>TOTAL FUNDS EXPENDED</b>	<b>16,155,400</b>	<b>36,180,400</b>	<b>22,744,200</b>

<b>TOTAL FUNDS EXPENDED - ALL ACCOUNTS</b>	<b>123,513,800</b>	<b>145,873,900</b>	<b>130,192,700</b>
<b>BALANCE FORWARD - ALL ACCOUNTS</b>	<b>144,546,700</b>	<b>125,764,700</b>	<b>122,789,400</b>

- 1/ These monies are transferred to the Corrections Fund where they are commingled with other revenue sources. Thus, these monies cannot be associated with a specific project's expenditures. They are included as expenditures for the purposes of this table.
- 2/ The JLBC Staff recommends use of Tobacco Tax monies to fund these issues in FY 1999. See AHCCCS – Acute Care narrative in the Proposed Budget FY 1999 Analysis and Recommendations for more details.
- 3/ The table assumes that the \$14,800,000 appropriated in Laws 1997, Chapter 5, 1<sup>st</sup> Special Session for construction of the DHS State Health Lab will be repealed.
- 4/ These monies are transferred to the AHCCCS Medical Services Stabilization Fund for use as outlined in A.R.S. § 36-2922. The JLBC Staff is not currently projecting the expenditure of these monies but they are included as expenditures for the purposes of this table.
- 5/ These monies are transferred to the AHCCCS Premium Sharing Demonstration Project Fund for use as outlined in A.R.S. § 36-2923. Except for \$400,000 which may be used for administration and analysis, monies may not be expended until a Premium Sharing Demonstration Project is established. The JLBC Staff has included these monies as expenditures for the purposes of this table.

# Fiscal Year 1999 Non-Appropriated Funds

## AHCCCS (Continued)

### TOBACCO TAX AND HEALTH CARE FUND - MEDICALLY NEEDED ACCOUNT (HCA1306)

A.R.S. § 42-1241C

**Source of Revenue:** The account receives 70 cents of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account.

**Purpose of Fund:** Monies are used 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 Department of Health Services (DHS) for statutorily established services, grant and pilot programs.

The JLBC Staff recommends continued use of Tobacco Tax monies to fund the state share of the Quick Pay Discount phase-down, to offset the loss of federal funding due to a change in the federal matching rate, to fund the elimination of the \$10,000,000 reduction of payments to private hospitals, and to fund expanded Maternity Length of Stay coverage and costs associated with a new HIV/AIDS treatment. See AHCCCS - Acute Care narrative in the Proposed Budget FY 1999 Analysis and Recommendations for more details.

	FY 1997	FY 1998	FY 1999
<b>FUNDS AVAILABLE</b>			
Balance Forward	101,271,200	86,550,000	68,974,500
Revenue	87,166,600	85,700,100	84,271,800
<b>TOTAL FUNDS AVAILABLE</b>	<b>188,437,800</b>	<b>172,250,100</b>	<b>153,246,300</b>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
 Offset Loss in Federal Funding	2,021,200	4,145,000	4,542,200
Phase-Down of Quick Pay Discount	4,522,800	7,978,800	7,546,400
\$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	0	1,919,000	4,213,200
HIV/AIDS Treatment	0	2,652,400	2,473,900
Transplants	1,707,900	3,500,000	3,500,000
DHS Construction	0 <sup>1/</sup>	0	0
<b>TOTAL FUNDS EXPENDED</b>	<b>18,251,900</b>	<b>30,195,200</b>	<b>32,275,700</b>
TRANSFER TO AHCCCS MED STABILIZATION	45,000,000	15,000,000	15,000,000
TRANSFER TO AHCCCS PREMIUM SHARING	20,075,000	20,400,000	20,400,000
TRANSFER TO DHS	18,560,900	36,180,400	22,744,200
TRANSFER TO HEALTH CRISIS FUND	0	1,000,000	600,000
TRANSFER TO DES AGING & ADULT ADMINISTRATION	0	500,000	500,000
<b>BALANCE FORWARD</b>	<b>86,550,000</b>	<b>68,974,500</b>	<b>61,726,400</b>

1/ The table assumes that the \$14,800,000 appropriated in Laws 1997, Chapter 5, 1<sup>st</sup> Special Session for construction of the DHS State Health Lab will be repealed.

### TOBACCO TAX AND HEALTH CARE FUND - MEDICAL SERVICES STABILIZATION FUND (HCA3037)

A.R.S. § 36-2922

**Source of Revenue:** Monthly transfer of \$1,250,000 from Tobacco Tax and Health Care Fund-Medically Needy Account and interest earned on these monies, pursuant to A.R.S. § 42-1241B. For FY 1997, Laws 1996, Chapter 368 authorized a one-time transfer of \$30,000,000 from the Tobacco Tax and Health Care Fund - Medically Needy Account.

**Purpose of Fund:** To offset increases above the appropriated amount in the cost of providing health care services to persons statutorily determined to be medically indigent, medically needy or low income children. Monies may also be used to offset increases in the cost of providing services to persons determined to be federally eligible if the increase results from a loss of federal funding.

	FY 1997	FY 1998	FY 1999
<b>FUNDS AVAILABLE</b>			
Balance Forward	14,065,400	61,267,700	79,706,100
Revenue	2,202,300	3,438,400	4,360,300
Transfer In - Tobacco Tax Fund	45,000,000	15,000,000	15,000,000
<b>TOTAL FUNDS AVAILABLE</b>	<b>61,267,700</b>	<b>79,706,100</b>	<b>99,066,400</b>

# **Fiscal Year 1999 Non-Appropriated Funds**

## **AHCCCS (Continued)**

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

0.0

0.0

0.0

**TOTAL FUNDS EXPENDED**

0

0

0

**BALANCE FORWARD**

61,267,700

79,706,100

99,066,400

### **TOBACCO TAX AND HEALTH CARE FUND - PREMIUM SHARING DEMONSTRATION PROJECT FUND (HCA2151)**

**A.R.S. § 36-2921**

**Source of Revenue:** Consists of \$20,000,000 transferred annually from the Tobacco Tax and Health Care Fund – Medically Needy Account. Following enactment of a demonstration project plan, premiums collected from the plan participants will also be deposited in the fund.

**Purpose of Fund:** Provide eligible members access to medical services provided by AHCCCS providers through a cost sharing arrangement. For both FY 1998 and FY 1999, no more than \$400,000 may be expended for administration or analysis related to the development or implementation of the project.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	20,734,000	28,571,600
Revenue	685,800	1,748,500	2,375,400
Transfer In - AHCCCS Medically Needy	20,075,000	20,400,000	20,400,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>20,760,800</u>	<u>42,882,500</u>	<u>51,347,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	6.0	6.0
Operating Subtotal	26,800	310,900	293,900
Healthplan Capitated Premiums	0	14,000,000	20,000,000
<b>TOTAL FUNDS EXPENDED</b>	<u>26,800</u>	<u>14,310,900</u>	<u>20,293,900</u>
<b>BALANCE FORWARD</b>	20,734,000	28,571,600	31,053,100



# Fiscal Year 1999 Non-Appropriated Funds

## STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES

### Agency Summary

ANALYST: Bruce Groll

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	56,100	295,000	56,700
Revenue	<u>3,278,500</u>	<u>2,949,500</u>	<u>2,949,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,334,600</u>	<u>3,244,500</u>	<u>3,006,200</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>
Operating Subtotal	<u>198,700</u>	<u>240,000</u>	<u>240,000</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>198,700</u>	<u>240,000</u>	<u>240,000</u>
 TRANSFERS TO COMMUNITY COLLEGE DISTRICTS	2,840,900	2,947,800	2,700,000
BALANCE FORWARD	295,000	56,700	66,200

### FEDERAL GRANTS (CMA2000)

A.R.S. § 15-1424

**Source of Revenue:** Federal Grants.

**Purpose of Fund:** To fund various federal projects at community colleges statewide in the areas of adult training, articulation, literacy, vocational training, and English proficiency, and provide State Board support for administration of funds.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	24,900	262,100	22,100
Revenue	<u>3,276,800</u>	<u>2,947,800</u>	<u>2,947,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,301,700</u>	<u>3,209,900</u>	<u>2,969,900</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>
Operating Subtotal	<u>198,700</u>	<u>240,000</u>	<u>240,000</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>198,700</u>	<u>240,000</u>	<u>240,000</u>
 TRANSFERS TO COMMUNITY COLLEGE DISTRICTS	2,840,900	2,947,800	2,700,000
BALANCE FORWARD	262,100	22,100	29,900

**Fiscal Year 1999 Non-Appropriated Funds**

**STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES (Continued)**

**LES ARIES MEMORIAL (CMA3321)**

**A.R.S. § 15-1424**

**Source of Revenue:** Interest on investment of principal, the source of which is private donations.

**Purpose of Fund:** To provide scholarships to community college students pursuing an education in real estate.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	31,200	32,900	34,600
Revenue	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>32,900</u>	<u>34,600</u>	<u>36,300</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	32,900	34,600	36,300

**Fiscal Year 1999 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS**

**Agency Summary**

**ANALYST: Lorenzo Martinez**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,458,300	13,562,700	16,181,600
Revenue	43,685,300	47,286,800	45,498,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>54,143,600</u>	<u>60,849,500</u>	<u>61,680,000</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	105.0	105.5	103.0
Operating Subtotal	14,444,900	21,784,100	17,272,800
Special Line Items Total	5,215,900	5,661,600	5,668,500
<b>TOTAL FUNDS EXPENDED</b>	<u>19,660,800</u>	<u>27,445,700</u>	<u>22,941,300</u>
APPROPRIATIONS	1,586,400	1,270,000	1,270,000
TRANSFERS	19,333,700	15,952,200	15,952,200
BALANCE FORWARD	13,562,700	16,181,600	21,516,500

**ALCOHOL ABUSE TREATMENT (DCA2204)**

**A.R.S. § 31-255**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Penalty assessments on violations of traffic, motor vehicle and game and fish statutes, and 67% of inmate earnings from work contracts with city, county, state, and federal government agencies. The average inmate labor charge is \$0.75 per hour.

**Purpose of Fund:** Monies are used for the treatment of Driving While Intoxicated inmates, including the purchase of necessary materials and related equipment. Specialized services are provided to inmates who are ordered by the courts to undergo such treatment programs, but do not have the financial ability to pay for their treatment.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	212,700	382,500	196,300
Revenue	459,000	472,800	487,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>671,700</u>	<u>855,300</u>	<u>683,300</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	163,700	404,000	200,000
Work Incentive Pay Plan	125,500	255,000	167,000
<b>TOTAL FUNDS EXPENDED</b>	<u>289,200</u>	<u>659,000</u>	<u>367,000</u>
 <b>BALANCE FORWARD</b>	382,500	196,300	316,300

**ARIZONA CORRECTIONAL INDUSTRIES REVOLVING (DCA4002)**

**A.R.S. § 41-1624**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.

**Purpose of Fund:** Monies are used 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.

# Fiscal Year 1999 Non-Appropriated Funds

## STATE DEPARTMENT OF CORRECTIONS (Continued)

### ARIZONA CORRECTIONAL INDUSTRIES REVOLVING (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	3,648,000	4,590,700	5,763,300
Revenue	<u>14,324,900</u>	<u>17,552,800</u>	<u>18,200,000</u>
TOTAL FUNDS AVAILABLE	17,972,900	22,143,500	23,963,300
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>95.0</u>	<u>95.0</u>	<u>95.0</u>
Operating Subtotal	11,326,400	13,832,600	14,342,600
Inmate Wages	2,055,800	2,547,600	2,641,500
TOTAL FUNDS EXPENDED	<u>13,382,200</u>	<u>16,380,200</u>	<u>16,984,100</u>
BALANCE FORWARD	4,590,700	5,763,300	6,979,200

### CORRECTIONS FUND – ADJUSTMENT ACCOUNT (RVA1306)

**A.R.S. § 42-1241**

**Source of Revenue:** The account receives 2 cents of each dollar deposited in the Tobacco Tax and Health Care Fund administered by the Department of Revenue (DOR).

**Purpose of Fund:** Serves as a holding account for monies to be transferred to the Corrections Fund to compensate for decreases in the Corrections Fund, resulting from lower tobacco tax revenues available under A.R.S. § 41-1204.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	0	0	0
Revenue	<u>2,118,000</u>	<u>2,118,000</u>	<u>2,118,000</u>
TOTAL FUNDS AVAILABLE	2,118,000	2,118,000	2,118,000
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
TRANSFERS	2,118,000 <sup>1/</sup>	2,118,000 <sup>2/</sup>	2,118,000 <sup>2/</sup>
BALANCE FORWARD	0	0	0

1/ Of this amount, \$280,400 was transferred to the Corrections Fund. See AHCCCS for more details.

2/ The Department of Revenue will determine the distribution, pursuant to statute, of these monies.

### CRIMINAL JUSTICE ENHANCEMENT (DCA2035)

**A.R.S. § 41-2401**

**Source of Revenue:** The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies.

**Purpose of Fund:** Under the supervision of DOC, monies are distributed to counties for training of detention officers, county jail operational enhancement, and DOC administrative expenses.

**Fiscal Year 1999 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**CRIMINAL JUSTICE ENHANCEMENT (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,400	55,800	54,900
Revenue	<u>2,972,900</u>	<u>2,900,000</u>	<u>2,900,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,978,300</u>	<u>2,955,800</u>	<u>2,954,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>2.0</u>	<u>1.0</u>	<u>2.0</u>
Operating Subtotal	<u>63,800</u>	<u>41,900</u>	<u>65,600</u>
Distributions to Counties	<u>2,858,700</u>	<u>2,859,000</u>	<u>2,860,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>2,922,500</u>	<u>2,900,900</u>	<u>2,925,600</u>
<b>BALANCE FORWARD</b>	55,800	54,900	29,300

**DONATIONS (DCA3147)**

**A.R.S. § 41-1605**

**Source of Revenue:** Private grants and disposal of donated properties.

**Purpose of Fund:** General uses as specified by the particular donation.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	23,000	23,000	23,000
Revenue	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>BALANCE FORWARD</b>	23,000	23,000	23,000

**DRUG TREATMENT AND EDUCATION REVOLVING (DCA2277)**

**A.R.S. § 42-1204**

**Source of Revenue:** Ten percent of Luxury Privilege Taxes collected between January 1, 1997 and December 31, 1999.

**Purpose of Fund:** To pay expenses for implementation of conditions imposed by the Board of Executive Clemency including participation in rehabilitation programs or counseling for inmates released on parole.

**Fiscal Year 1999 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**DRUG TREATMENT AND EDUCATION REVOLVING (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	1,242,200	2,083,700
Revenue	<u>1,242,200</u>	<u>2,415,000</u>	<u>2,417,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,242,200</u>	<u>3,657,200</u>	<u>4,501,500</u>
<b>FUNDS EXPENDED</b>			
Full Time Equivalent Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>0</u>	<u>1,573,500</u>	<u>213,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>1,573,500</u>	<u>213,000</u>
<b>BALANCE FORWARD</b>	1,242,200	2,083,700	4,288,500

**STATE EDUCATION FUND FOR CORRECTIONAL EDUCATION (DCA2107)**

**A.R.S. § 15-1371**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** State equalization assistance and other monies from the Department of Education.

**Purpose of Fund:** Provide education to pupils under the age of 18 years and pupils with disabilities who are age 21 or younger and who are committed to the Department of Corrections.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	68,100	0
Revenue	<u>385,000</u>	<u>226,500</u>	<u>552,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>385,000</u>	<u>294,600</u>	<u>552,500</u>
<b>FUNDS EXPENDED</b>			
Full Time Equivalent Positions	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>
Operating Subtotal	<u>316,900</u>	<u>294,600</u>	<u>552,500</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>316,900</u>	<u>294,600</u>	<u>552,500</u>
<b>BALANCE FORWARD</b>	68,100	0	0

**FEDERAL (DCA2000)**

**A.R.S. § 35-142**

**Source of Revenue:** Education and State Criminal Alien Assistance Program (SCAAP) Federal Grants.

**Purpose of Fund:** Grant monies provide funding for inmate education, school breakfast and lunch programs, and General Fund reimbursements for the incarceration of illegal aliens.

# Fiscal Year 1999 Non-Appropriated Funds

## STATE DEPARTMENT OF CORRECTIONS (Continued)

### FEDERAL (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	77,000	235,800	245,700
Revenue	<u>17,574,800</u>	<u>14,255,700</u>	<u>14,327,200</u>
TOTAL FUNDS AVAILABLE	17,651,800	14,491,500	14,572,900
FUNDS EXPENDED			
Full Time Equivalent Positions	<u>2.0</u>	<u>3.5</u>	<u>0.0</u>
Operating Subtotal	200,300	411,600	366,100
TOTAL FUNDS EXPENDED	<u>200,300</u>	<u>411,600</u>	<u>366,100</u>
TRANSFERS	17,215,700	13,834,200	13,834,200
BALANCE FORWARD	235,800	245,700	372,600

### NON-FEDERAL GRANTS (DCA2001)

A.R.S. § 41-1605

**Source of Revenue:** Various Non-Federal Fund Grants.

**Purpose of Fund:** This fund serves as a repository for various grants received by the department. The fund is used to deposit Victim's Rights Implementation Grants from the Attorney General, Prevention Loss Grants from the Arizona Department of Administration. Indirect Costs from other grants, and fees from workshops and seminars.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	31,300	27,400	29,000
Revenue	<u>45,800</u>	<u>49,300</u>	<u>49,300</u>
TOTAL FUNDS AVAILABLE	77,100	76,700	78,300
FUNDS EXPENDED			
Full Time Equivalent Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	49,700	47,700	47,700
TOTAL FUNDS EXPENDED	<u>49,700</u>	<u>47,700</u>	<u>47,700</u>
BALANCE FORWARD	27,400	29,000	30,600

### PENITENTIARY LAND EARNINGS (DCA3140)

A.R.S. § 37-525

**Source of Revenue:** Monies received from 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.

In addition to the land earnings shown, land lease payments by the Adobe Mountain and Black Canyon Juvenile Institutions are deposited to the fund. These lease payments are funded by a General Fund appropriation. To avoid duplication of accounting, the General Fund amount of these lease payments for the Adobe Mountain and Black Canyon Institutions have been excluded for the purposes of this presentation. The actual and estimated lease payments are: FY 1997 - \$1,356,100; FY 1998 - \$1,362,000; and FY 1999 - \$1,391,700.

**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.

**Fiscal Year 1999 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**PENITENTIARY LAND EARNINGS (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	797,100	872,600	1,131,800
Revenue	<u>1,259,200</u>	<u>1,259,200</u>	<u>1,259,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,056,300</u>	<u>2,131,800</u>	<u>2,391,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>7,800</u>	<u>0</u>	<u>0</u>
Continued Appropriations	175,900	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>183,700</u>	<u>0</u>	<u>0</u>
<b>APPROPRIATIONS</b>	1,000,000	1,000,000	1,000,000
<b>BALANCE FORWARD</b>	872,600	1,131,800	1,391,000

**RISK MANAGEMENT INSURANCE REIMBURSEMENT (DCA3748)**

**A.R.S. § 41-1605**

**Source of Revenue:** Funds from the Risk Management Revolving Fund administered by the Arizona Department of Administration.

**Purpose of Fund:** Reimbursements for losses of state property.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	81,600	338,700	595,800
Revenue	<u>1,242,400</u>	<u>1,242,400</u>	<u>1,242,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,324,000</u>	<u>1,581,100</u>	<u>1,838,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>985,300</u>	<u>985,300</u>	<u>985,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>985,300</u>	<u>985,300</u>	<u>985,300</u>
<b>BALANCE FORWARD</b>	338,700	595,800	852,900

**SPECIAL SERVICES (DCA3187)**

**A.R.S. § 41-1604**

**Source of Revenue:** Profits from canteens, hobby shops, and commissions on telephone service.

**Purpose of Fund:** Fund monies are used for the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops.

A major portion of the Special Service 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.



**Fiscal Year 1999 Non-Appropriated Funds**

**STATE DEPARTMENT OF CORRECTIONS (Continued)**

**SPECIAL SERVICES (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,943,500	5,283,300	6,058,100
Revenue	<u>1,696,300</u>	<u>4,495,100</u>	<u>1,675,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,639,800</u>	<u>9,778,400</u>	<u>7,733,100</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>356,500</u>	<u>3,720,300</u>	<u>500,000</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>356,500</u>	<u>3,720,300</u>	<u>500,000</u>
 <b>BALANCE FORWARD</b>	<u>5,283,300</u>	<u>6,058,100</u>	<u>7,233,100</u>

**STATE CHARITABLE, PENAL, AND REFORMATORIES LAND EARNINGS (DCA3141)**

**A.R.S. § 41-1662**

**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. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** To provide a continuous source of monies for the benefit and support of state penal institutions.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,638,700	442,600	0
Revenue	<u>364,800</u>	<u>300,000</u>	<u>270,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,003,500</u>	<u>742,600</u>	<u>270,000</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>974,500</u>	<u>472,600</u>	<u>0</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>974,500</u>	<u>472,600</u>	<u>0</u>
<b>APPROPRIATIONS</b>	<u>586,400</u> <sup>1/</sup>	<u>270,000</u>	<u>270,000</u>
 <b>BALANCE FORWARD</b>	<u>442,600</u>	<u>0</u>	<u>0</u>

1/ The amount includes \$586,400 from prior years' appropriations.

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY**

**Agency Summary**

**ANALYST: Marge Cawley/Stefan Shepherd**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	748,342,200	836,607,000	881,108,700
Revenue	825,489,700	780,128,300	784,935,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,573,831,900</u>	<u>1,616,735,300</u>	<u>1,666,044,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	5,097.0	4,940.5	4,938.6
Operating Subtotal	203,492,600	203,587,100	204,994,900
Special Line Items Total	528,276,500	530,302,800	538,136,400
<b>TOTAL FUNDS EXPENDED</b>	<u>731,769,100</u>	<u>733,889,900</u>	<u>743,131,300</u>
<b>APPROPRIATIONS</b>	0	1,000,000	0
<b>TRANSFERS</b>	1,306,200	0	0
<b>BALANCE FORWARD <sup>1/</sup></b>	840,756,600	881,845,400	922,913,300

<sup>1/</sup> The ending balance at the end of one fiscal year does not equal the beginning balance of the next year as some funds have become appropriated and are no longer included.

**ARIZONA INDUSTRIES FOR THE BLIND (DEA4003)**

**A.R.S. § 41-1975**

**Source of Revenue:** Proceeds from sales of products of Arizona Industries for the Blind.

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,130,600	115,500	47,800
Revenue	6,974,500	7,221,800	7,241,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>8,105,100</u>	<u>7,337,300</u>	<u>7,289,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	65.0	60.5	60.5
Operating Subtotal	3,275,900	2,596,400	2,596,100
Aid to Organizations	4,456,400	4,693,100	4,693,100
Administrative Adjustments	257,300	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>7,989,600</u>	<u>7,289,500</u>	<u>7,289,200</u>
<b>BALANCE FORWARD</b>	115,500	47,800	400

**CAPITAL INVESTMENT (DEA2093)**

**A.R.S. § 4-116**

**Source of Revenue:** Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.5.

**Purpose of Fund:** To be used by the Department of Mental Retardation (now DES, pursuant to A.R.S. § 36-551) for buildings, equipment, and other capital investments.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	216,800	126,700	126,700
Revenue	64,900	65,000	65,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>281,700</u>	<u>191,700</u>	<u>191,700</u>

# **Fiscal Year 1999 Non-Appropriated Funds**

## **DEPARTMENT OF ECONOMIC SECURITY (Continued)**

### **FUNDS EXPENDED**

#### *Full Time Equivalent Positions*

	0.0	0.0	0.0
Operating Subtotal	18,800	0	0
Building Remodeling	0	65,000	65,000
Administrative Adjustments	13,100	0	0
<b>TOTAL FUNDS EXPENDED</b>	<b>31,900</b>	<b>65,000</b>	<b>65,000</b>
<b>TRANSFERS</b>	<b>123,100</b>	<b>0</b>	<b>0</b>
<b>BALANCE FORWARD</b>	<b>126,700</b>	<b>126,700</b>	<b>126,700</b>

### **CHILD ABUSE PREVENTION (DEA2162)**

**A.R.S. § 8-550.01**

**Source of Revenue:** A portion of the surcharge on the issuance of a marriage license or the filing for dissolution of marriage and all funds received through check-off contributions on the Arizona tax form. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** Provides financial assistance to community treatment programs benefiting abused children and their parents or guardians. Not more than 5% of monies of the fund may be expended for administrative expenses related to the fund.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	744,100	0	0
Revenue	745,100	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<b>1,489,200</b>	<b>0</b>	<b>0</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Aid to Individuals	649,600	0	0
<b>TOTAL FUNDS EXPENDED</b>	<b>649,600</b>	<b>0</b>	<b>0</b>
<b>BALANCE FORWARD</b>	<b>839,600</b>	<b>0</b>	<b>0</b>

### **CHILD PASSENGER RESTRAINT (DEA2192)**

**A.R.S. § 28-907**

**Source of Revenue:** Fines or penalties from parents, guardians or legal custodians who fail to sufficiently restrain children in motor vehicles, who are under the age of 4, or weigh less than 40 pounds.

**Purpose of Fund:** To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	22,600	50,600	56,500
Revenue	94,700	70,400	70,400
<b>TOTAL FUNDS AVAILABLE</b>	<b>117,300</b>	<b>121,000</b>	<b>126,900</b>

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Child Passenger Restraint Systems	66,700	64,500	64,500
TOTAL FUNDS EXPENDED	66,700	64,500	64,500
BALANCE FORWARD	50,600	56,500	62,400

**CHILD SUPPORT ENFORCEMENT ADMINISTRATION (DEA2091)**

**A.R.S. § 46-406**

**Source of Revenue:** State Share of Retained Earnings (SSRE) from child support collections and federal incentives. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** To fund the statewide Child Support Enforcement program.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	319,900	0	0
Revenue	10,749,900	0	0
TOTAL FUNDS AVAILABLE	11,069,800	0	0
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	243.5	0.0	0.0
Operating Subtotal	6,344,700		
County Participation	1,146,900	0	0
Clearinghouse	119,600	0	0
Other	148,700	0	0
TOTAL FUNDS EXPENDED	7,759,900	0	0
BALANCE FORWARD	3,309,900	0	0

**DES CLIENT TRUST (DEA3152)**

**A.R.S. § 41-1954**

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	2,726,900	1,899,700	1,899,700
Revenue	2,852,600	2,450,000	2,450,000
TOTAL FUNDS AVAILABLE	5,579,500	4,349,700	4,349,700

# **Fiscal Year 1999 Non-Appropriated Funds**

## **DEPARTMENT OF ECONOMIC SECURITY (Continued)**

FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	2,546,700	2,450,000	2,450,000
 TOTAL FUNDS EXPENDED	 <u>2,546,700</u>	 <u>2,450,000</u>	 <u>2,450,000</u>
TRANSFERS	1,133,100	0	0
BALANCE FORWARD	1,899,700	1,899,700	1,899,700

### **DEVELOPMENTALLY DISABLED CLIENT SERVICES TRUST (DEA2019)**

**A.R.S. § 36-572**

**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.

**Purpose of Fund:** To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	274,500	289,200	303,700
Revenue	<u>14,700</u>	<u>14,500</u>	<u>14,500</u>
TOTAL FUNDS AVAILABLE	289,200	303,700	318,200
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 TOTAL FUNDS EXPENDED	 <u>0</u>	 <u>0</u>	 <u>0</u>
 BALANCE FORWARD	 289,200	 303,700	 318,200

### **DOMESTIC VIOLENCE SHELTER (DEA2160)**

**A.R.S. § 36-3002**

**Source of Revenue:** Fees from marriage licenses, marriage dissolutions and legal separations together with any federal monies or private grants, gifts or contributions. This fund has been converted to appropriated status beginning in FY 1999 pursuant to Laws 1997, Chapter 210.

**Purpose of Fund:** The monies in this fund are provided to qualified shelters for victims of domestic violence.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	648,900	736,700	0
Revenue	<u>963,900</u>	<u>1,096,300</u>	<u>0</u>
TOTAL FUNDS AVAILABLE	1,612,800	1,833,000	0

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	876,100	1,096,300	0
 TOTAL FUNDS EXPENDED	 <u>876,100</u>	 <u>1,096,300</u>	 <u>0</u>
 BALANCE FORWARD	 736,700	 736,700	 0

**ECONOMIC SECURITY DONATIONS (DEA3145)**

**A.R.S. § 36-571**

**Source of Revenue:** Grants, gifts, or bequests.

**Purpose of Fund:** Funds are disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest, and in accordance with A.R.S. § 35-149.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	109,200	159,700	153,000
Revenue	<u>113,300</u>	<u>114,800</u>	<u>114,900</u>
TOTAL FUNDS AVAILABLE	222,500	274,500	267,900
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	62,800	121,500	121,600
 TOTAL FUNDS EXPENDED	 <u>62,800</u>	 <u>121,500</u>	 <u>121,600</u>
 BALANCE FORWARD	 159,700	 153,000	 146,300

**FEDERAL GRANTS (DEA2000)**

**A.R.S. § 41-101.01**

**The Welfare-to-Work, Social Services, and Community Services Block Grants  
portion is recommended for transfer to appropriated status.**

**Source of Revenue:** Federal grants, excluding Temporary Assistance for Needy Families and Child Care and Development Fund Block Grants.

**Purpose of Fund:** To be expended as stipulated by federal statutes authorizing the availability of the federal monies.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	111,658,000	111,658,000	111,658,000
Revenue	<u>373,039,400</u>	<u>354,603,600</u>	<u>353,497,200</u>
TOTAL FUNDS AVAILABLE	484,697,400	466,261,600	465,155,200

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF ECONOMIC SECURITY (Continued)

FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	3,989.8	4,048.3	4,032.3
Operating Subtotal	164,341,500	167,761,600	169,194,700
Aid to Individuals	208,697,900	186,842,000	184,302,500
TOTAL FUNDS EXPENDED	373,039,400	354,603,600	353,497,200
BALANCE FORWARD	111,658,000	111,658,000	111,658,000

### FULL-EMPLOYMENT DEMONSTRATION PROJECT (DEA1023)

Laws 1994, Ch. 301

**This fund is recommended for elimination.**

**Source of Revenue:** Legislative appropriations and federal monies. To avoid double counting, the legislative appropriations and Temporary Assistance for Needy Families (TANF) cash-out payments have not been included in this display, only the cash-out of Food Stamp benefits.

**Purpose of Fund:** To administer the 3-year Full Employment Demonstration Project, which replaces certain welfare benefits with guaranteed employment. The project will help people achieve self-sufficiency and be competitive in the work force.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	190,600	198,800	0
Revenue	131,700	377,400	590,800
TOTAL FUNDS AVAILABLE	322,300	576,200	590,800
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	4.0	2.5	2.5
Operating Subtotal	89,200	470,000	484,600
Aid to Individuals	34,300	106,200	106,200
TOTAL FUNDS EXPENDED	123,500	576,200	590,800
BALANCE FORWARD	198,800	0	0

### HOMELESS TRUST (DEA3026)

A.R.S. § 41-2021

**Source of Revenue:** Unclaimed or void warrants, up to \$1 million, served as the initial source of financing. After the initial \$1 million, the sources of revenue will be donations and investment earnings.

**Purpose of Fund:** To provide funds for homeless shelter and supportive services. First year expenditures were limited to \$200,000. After the \$200,000 expenditure, yearly expenditures are limited to interest earned. Expenditures from this fund require a match of 25% by grantees.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	850,700	862,300	862,300
Revenue	44,600	45,000	45,000
TOTAL FUNDS AVAILABLE	895,300	907,300	907,300

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	33,000	45,000	45,000
<b>TOTAL FUNDS EXPENDED</b>	<u>33,000</u>	<u>45,000</u>	<u>45,000</u>
<b>BALANCE FORWARD</b>	862,300	862,300	862,300

**LONG TERM CARE (FEDERAL) (DEA2224)**

**A.R.S. § 36-2953**

**Source of Revenue:** Federal Title XIX monies, other federal monies, client revenue for room and board, third-party recovery, and interest.

**Purpose of Fund:** To fund administrative and program costs associated with the Long Term Care System. Client Revenue is used to offset the cost of room and board, which is not reimbursed by the federal government.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	9,152,700	488,100	0
Revenue	<u>154,559,800</u>	<u>155,424,200</u>	<u>167,342,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	163,712,500	155,912,300	167,342,000
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>791.0</u>	<u>790.5</u>	<u>804.6</u>
Operating Subtotal	29,130,700	31,514,900	31,475,300
Aid to Individuals/Contract Costs	119,322,600	124,397,400	135,866,700
Administrative Adjustments	14,771,100	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>163,224,400</u>	<u>155,912,300</u>	<u>167,342,000</u>
<b>BALANCE FORWARD</b>	488,100	0	0

**MESA LAND (DEA3151)**

**Laws 1976, Ch. 140**

**Source of Revenue:** Proceeds from the sale of donated land located in Mesa.

**Purpose of Fund:** To be used for the establishment and operation of community-based, state-operated, residential group homes and/or habilitation and training facilities. The funds may not be used for the Arizona Training Centers in Coolidge and Tucson.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,095,100	5,315,100	5,315,100
Revenue	<u>270,000</u>	<u>300,000</u>	<u>300,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	5,365,100	5,615,100	5,615,100
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Room and Board	0	300,000	300,000
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>300,000</u>	<u>300,000</u>
<b>TRANSFERS</b>	50,000	0	0
<b>BALANCE FORWARD</b>	5,315,100	5,315,100	5,315,100



**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF ECONOMIC SECURITY (Continued)**

**NEIGHBORS HELPING NEIGHBORS (DEA2348)**

**A.R.S. § 46-741**

**Source of Revenue:** Includes contributions from income tax refunds and other donations, as well as interest earned on the fund's balance.

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	54,900	53,600	53,600
Revenue	<u>52,000</u>	<u>53,800</u>	<u>53,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>106,900</u>	<u>107,400</u>	<u>107,400</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 Aid to Individuals	53,300	53,800	53,800
 <b>TOTAL FUNDS EXPENDED</b>	<u>53,300</u>	<u>53,800</u>	<u>53,800</u>
 <b>BALANCE FORWARD</b>	53,600	53,600	53,600

**PRIVATE DONATIONS AND RESOURCE DEVELOPMENT (DEA3202)**

**A.R.S. § 41-2013**

**Source of Revenue:** Private donations. This fund was eliminated by Laws 1997, Chapter 58 and the remaining balances were transferred to the General Fund.

**Purpose of Fund:** Assist departmental programs that aid foster parents, volunteers, clients of the department and agencies, parents or guardians who care for clients of the department.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	200	0	0
Revenue	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>200</u>	<u>0</u>	<u>0</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 Aid to Individuals	100	0	0
 <b>TOTAL FUNDS EXPENDED</b>	<u>100</u>	<u>0</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	100	0	0

**SPECIAL OLYMPICS TAX REFUND (DEA3207)**

**A.R.S. § 41-173**

**Source of Revenue:** Includes contributions from income tax refunds and other donations, as well as interest earned on the fund's balance.

**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.

## Fiscal Year 1999 Non-Appropriated Funds

### DEPARTMENT OF ECONOMIC SECURITY (Continued)

#### SPECIAL OLYMPICS TAX REFUND (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	59,200	59,200
Revenue	<u>90,700</u>	<u>70,000</u>	<u>70,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>90,700</u>	<u>129,200</u>	<u>129,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Organizations	31,500	70,000	70,000
<b>TOTAL FUNDS EXPENDED</b>	<u>31,500</u>	<u>70,000</u>	<u>70,000</u>
<b>BALANCE FORWARD</b>	59,200	59,200	59,200

#### SPINAL AND HEAD INJURIES TRUST (DEA2335)

A.R.S. § 41-3203

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Revenues are generated from a 13% penalty assessment levied on every fine, penalty, and forfeiture collected by the Courts on traffic, motor vehicle, and game and fish statutes through the Medical Services Enhancement Fund (MSEF). The Spinal and Head Injuries Trust will receive 22% of the MSEF monies.

**Purpose of Fund:** Expended upon the approval of DES's Rehabilitation Services Administration only if other resources are not available or are not available in a timely manner for the following 5 purposes: 1) prevention and education; 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's administrative costs for administering the provisions.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,123,100	1,979,500	2,826,500
Revenue	<u>1,521,000</u>	<u>1,490,500</u>	<u>1,490,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,644,100</u>	<u>3,470,000</u>	<u>4,317,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>
Operating Subtotal	283,000	235,500	235,500
Aid to Individuals	370,900	408,000	408,000
Administrative Adjustments	10,700	0	0
<b>TOTAL FUNDS EXPENDED</b>	<u>664,600</u>	<u>643,500</u>	<u>643,500</u>
<b>BALANCE FORWARD</b>	1,979,500	2,826,500	3,673,500

#### TANF STABILIZATION (DEA2305)

A.R.S. § 46-138.03

**This fund is subject to legislative appropriation pursuant to Federal Welfare Reform.**

**Source of Revenue:** Monies appropriated to the fund by the Legislature.

**Purpose of Fund:** To supplement existing appropriations when caseloads for the Temporary Assistance for Needy Families program exceed budgeted projections.

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF ECONOMIC SECURITY (Continued)

### TANF STABILIZATION (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	0	0	4,141,000
Revenue	<u>0</u>	<u>5,141,000</u>	<u>0</u>
TOTAL FUNDS AVAILABLE	0	5,141,000	4,141,000
 FUNDS EXPENDED			
Full Time Equivalent Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 TOTAL FUNDS EXPENDED	<u>0</u>	<u>0</u>	<u>0</u>
APPROPRIATIONS	0	1,000,000	0
 BALANCE FORWARD	0	4,141,000	4,141,000

### TECHNOLOGY SYSTEM (DEA2314)

**Laws 1997, Ch. 300**

**Source of Revenue:** Productivity savings transferred from DES's general appropriation as a result of implementation of a computer-based technology system that will determine eligibility for welfare programs and support welfare reform processes. In FY 1998 it also contains \$1,000,000 GF appropriated to the fund by the Legislature out of the TANF Stabilization Fund.

**Purpose of Fund:** To pay for the technology system.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	0	0	0
Revenue	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
TOTAL FUNDS AVAILABLE	0	1,000,000	1,000,000
 FUNDS EXPENDED			
Full Time Equivalent Positions	<u>0.0</u>	<u>35.0</u>	<u>35.0</u>
Operating Subtotal	0	1,000,000	1,000,000
 TOTAL FUNDS EXPENDED	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
 BALANCE FORWARD	0	0	0

### UNEMPLOYMENT INSURANCE BENEFITS (TRA9005)

**A.R.S. § 23-701**

**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. Total Funds Available include the monies in both accounts.

The U.S. Treasury tracks each state's account separately. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury.

**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 Social Security Act.

# **Fiscal Year 1999 Non-Appropriated Funds**

## **DEPARTMENT OF ECONOMIC SECURITY (Continued)**

### **UNEMPLOYMENT INSURANCE BENEFITS (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	613,437,400	711,845,400	752,845,400
Revenue	<u>272,602,000</u>	<u>250,000,000</u>	<u>250,000,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>886,039,400</u>	<u>961,845,400</u>	<u>1,002,845,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Benefits	174,194,000	209,000,000	209,000,000
<b>TOTAL FUNDS EXPENDED</b>	<u>174,194,000</u>	<u>209,000,000</u>	<u>209,000,000</u>
<b>BALANCE FORWARD</b>	711,845,400	752,845,400	793,845,400

### **UTILITY ASSISTANCE (DEA3092)**

**A.R.S. § 46-731**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Unclaimed or abandoned utility deposits as defined under A.R.S. § 46-731B.

**Purpose of Fund:** To provide utility repair and deposit assistance to eligible recipients. Financial assistance to an individual shall not exceed \$600 per fiscal year. 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 community action or other agency providing energy assistance for administrative costs.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	586,000	768,900	760,200
Revenue	<u>604,900</u>	<u>590,000</u>	<u>590,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,190,900</u>	<u>1,358,900</u>	<u>1,350,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Operating Subtotal	8,800	8,700	8,700
Aid to Individuals	403,200	590,000	590,000
Administrative Adjustments	<u>10,000</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>422,000</u>	<u>598,700</u>	<u>598,700</u>
<b>BALANCE FORWARD</b>	768,900	760,200	751,500

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION**

**Agency Summary**

**ANALYST: Steve Schimpp/Justin Garosi**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,511,400	(2,334,600)	1,257,800
Revenue	465,746.600	502,151.900	487,351.100
<b>TOTAL FUNDS AVAILABLE</b>	<u>468,258,000</u>	<u>499,817,300</u>	<u>488,608,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	218.4	220.1	212.5
Operating Subtotal	10,224,500	18,202,300	13,081,800
Special Line Items Total	459,612,800	479,795,200	474,354,200
<b>TOTAL FUNDS EXPENDED</b>	<u>469,837,300</u>	<u>497,997,500</u>	<u>487,436,000</u>
TRANSFERS	2,000	562,000	0
<b>BALANCE FORWARD <sup>1/</sup></b>	<u>(1,581,300)</u>	<u>1,257,800</u>	<u>1,172,900</u>

<sup>1/</sup> The ending balance at the end of one fiscal year does not equal the beginning of the next year as some funds have become appropriated and are no longer included.

**FEDERAL FUNDS (EDA2000)**

**A.R.S. § 35-142**

**Federal Title I funds are recommended for transfer to appropriated status.**

**Source of Revenue:** Federal Grants including: Child Nutrition Assistance; Federal Impact Aid – Public Law 81-874; Title I Grants; Special Education – Title VIB; and Vocational Education.

**Purpose of Fund:** To be expended as stipulated by federal statutes authorizing the Federal Grants.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(50,300)	(3,782,600)	68,200
Revenue	428,819,400	498,379,600	483,507,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>428,769,100</u>	<u>494,597,000</u>	<u>483,576,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	159.1	160.8	153.2
Operating Subtotal	8,284,700	15,267,200	10,279,000
Pass-through Funds to Non-State Agencies	379,440,300	474,615,800	471,357,100
Aid to Individuals	43,984,000	1,991,600	473,900
Indirect Costs	840,700	2,092,200	1,432,600
<b>TOTAL FUNDS EXPENDED</b>	<u>432,549,700</u>	<u>493,966,800</u>	<u>483,542,600</u>
TRANSFER TO FEDERAL GOVERNMENT	2,000	562,000	0
<b>BALANCE FORWARD</b>	<u>(3,782,600)</u>	<u>68,200</u>	<u>33,400</u>

**FOOD DISTRIBUTION (EDA4210)**

**A.R.S. § 15-1152**

**Source of Revenue:** Fees from school districts participating in the federal food commodities program.

**Purpose of Fund:** To pay costs associated with administering the federal food commodities program.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	294,800	284,900	153,300
Revenue	202,900	230,000	230,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>497,700</u>	<u>514,900</u>	<u>383,300</u>

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION (Continued)**

FUNDS EXPENDED  
*Full Time Equivalent Positions*  
 Operating Subtotal

4.9	4.9	4.9
<u>212,800</u>	<u>361,600</u>	<u>186,300</u>

TOTAL FUNDS EXPENDED

<u>212,800</u>	<u>361,600</u>	<u>186,300</u>
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BALANCE FORWARD

284,900	153,300	197,000
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**PERMANENT STATE SCHOOL (EDA3138)**

**A..R.S. § 37-521**

**Source of Revenue:** Monies received from leases of state school trust lands and interest earnings on the principal balance in the fund. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** The fund is dedicated to the support of common schools.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	781,600	0	0
Revenue	<u>34,136,600</u>	<u>0</u>	<u>0</u>
TOTAL FUNDS AVAILABLE	34,918,200	0	
FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Assistance to Schools	<u>34,164,900</u>	<u>0</u>	<u>0</u>
TOTAL FUNDS EXPENDED	<u>34,164,900</u>	<u>0</u>	<u>0</u>
BALANCE FORWARD	753,300	0	0

**PRINTING REVOLVING (EDA4211)**

**A.R.S. § 15-237**

**Source of Revenue:** Printshop charges and receipts for in-house and interagency publishing (\$215,900). Also processed through this fund are cost allocation/indirect cost revenues from federal projects (\$967,500), teacher certification fees (\$853,900 general fees + \$81,600 for fingerprinting), ROTC pass-through funding (\$209,400), fees from workshops and conferences (\$81,900), revenues from publication sales (\$64,400), interagency contract fees (\$31,600), and miscellaneous court settlement receipts (\$39,700). (All figures cited are for FY 1997.)

**Purpose of Fund:** Serves as a revolving fund for revenues and expenditures pertaining to the agency printshop. Also serves as a clearinghouse for other agency funds of a revolving nature.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	1,073,200	730,200	582,800
Revenue	<u>2,545,900</u>	<u>3,500,100</u>	<u>3,570,700</u>
TOTAL FUNDS AVAILABLE	3,619,100	4,230,300	4,153,500

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF EDUCATION (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

	<u>54.4</u>	<u>54.4</u>	<u>54.4</u>
Operating Subtotal	1,727,000	2,573,500	2,616,500
Assistance to Schools	952,500	859,000	859,000
Federal Pass-Through	209,400	215,000	210,000
 TOTAL FUNDS EXPENDED	 <u>2,888,900</u>	 <u>3,647,500</u>	 <u>3,685,500</u>
 BALANCE FORWARD	 730,200	 582,800	 468,000

**YOUTH FARM LOAN (EDA2136)**

**A.R.S. § 15-1173**

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	412,100	432,900	453,500
Revenue	<u>41,800</u>	<u>42,200</u>	<u>42,600</u>
TOTAL FUNDS AVAILABLE	453,900	475,100	496,100
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	21,000	21,600	21,600
Assistance to Schools	21,000	21,600	21,600
 TOTAL FUNDS EXPENDED	 <u>21,000</u>	 <u>21,600</u>	 <u>21,600</u>
 BALANCE FORWARD	 432,900	 453,500	 474,500

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES**

**Agency Summary**

**ANALYST:** Jennifer Vermeer

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	43,417,800	62,366,700	57,096,400
Revenue	<u>326,714,600</u>	<u>361,433,600</u>	<u>354,111,700</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>370,132,400</u>	<u>423,800,300</u>	<u>411,208,100</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>474.0</u>	<u>485.9</u>	<u>461.1</u>
Operating Subtotal	<u>264,078,900</u>	<u>286,795,800</u>	<u>290,219,900</u>
Special Line Items	<u>34,302,300</u>	<u>72,369,100</u>	<u>53,660,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>298,381,200</u>	<u>359,164,900</u>	<u>343,880,600</u>
ADMINISTRATIVE ADJUSTMENTS	1,630,800	231,100	0
TRANSFERS	6,772,400	6,775,000	6,775,000
<b>BALANCE FORWARD <sup>1/</sup></b>	<u>63,348,000</u>	<u>57,629,300</u>	<u>60,552,500</u>

1/ The ending balance at the end of one fiscal year does not equal the beginning balance of the next year as some funds have become appropriated and are no longer included.

**AGREEMENTS (HSA2144)**

**A.R.S. § 35-142**

**Source of Revenue:** Intergovernmental agreements between DHS and other state, local, and federal government entities. This fund includes sub-accounts for Liquor Services Fees authorized under A.R.S. § 4-203.02 (FY 98 revenue: \$38,000) and Arizona State Hospital Rental Income (FY 98 revenue: \$769,100).

**Purpose of Fund:** Monies are expended to fund services which DHS has agreed to perform at the request of or in conjunction with public agencies.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	970,100	202,500	(2,221,800)
Revenue	<u>5,197,200</u>	<u>3,856,700</u>	<u>3,909,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>6,167,300</u>	<u>4,059,200</u>	<u>1,688,100</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>47.5</u>	<u>45.5</u>	<u>46.0</u>
Operating Subtotal	<u>5,964,800</u>	<u>6,281,000</u>	<u>5,014,100</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>5,964,800</u>	<u>6,281,000</u>	<u>5,014,100</u>
 <b>BALANCE FORWARD</b>	202,500	(2,221,800)	(3,326,000)

**ALCOHOL AND DRUG ABUSE SERVICES FUND (HSA2318)**

**A.R.S. § 36-2219.01**

**This fund is recommended for consolidation in a new Substance Abuse Services Fund.**

**Source of Revenue:** The fund receives 9.4% of revenues to the Medical Services Enhancement Fund pursuant to A.R.S. § 36-2219.01 Paragraph B4. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** Monies are used for drug and alcohol abuse treatment services for individuals that are not eligible for Title XIX.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	400,600	0	0
Revenue	<u>580,200</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>980,800</u>	<u>0</u>	<u>0</u>



# **Fiscal Year 1999 Non-Appropriated Funds**

## **DEPARTMENT OF HEALTH SERVICES (Continued)**

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

Operating Subtotal

0.0

689,100

0.0

0

0.0

0

**TOTAL FUNDS EXPENDED**

689,100

0

0

**BALANCE FORWARD**

291,700

0

0

### **ALCOHOL AND OTHER DRUG SCREENING, EDUCATION OR TREATMENT FUND (HSA2227)**

**A.R.S. § 36-2005**

**This fund is recommended for consolidation in a new Substance Abuse Services Fund.**

**Source of Revenue:** The fund receives 14.2% of revenues to the Medical Services Enhancement Fund pursuant to A.R.S. § 36-2219.01 Paragraph B1. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** Monies are to be used for alcohol and other drug screening, education, or treatment for persons who have been ordered by the court to attend and who do not have sufficient ability to pay.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	377,900	0	0
Revenue	961,700	0	0
<b>TOTAL FUNDS AVAILABLE</b>	1,339,600	0	0

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

Operating Subtotal

0.0

650,000

0.0

0

0.0

0

**TOTAL FUNDS EXPENDED**

650,000

0

0

**BALANCE FORWARD**

689,600

0

0

### **ARIZONA STATE HOSPITAL - LAND EARNINGS (HSA3128)**

**A.R.S. § 36-211**

**This fund is recommended for transfer to appropriated status.**

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,500	146,500	388,500
Revenue	390,300	395,000	395,000
<b>TOTAL FUNDS AVAILABLE</b>	400,800	541,500	783,500

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

FUNDS EXPENDED			
Full Time Equivalent Positions	0.0	0.0	0.0
Operating Subtotal	254,300	153,000	153,000
 TOTAL FUNDS EXPENDED	 254,300	 153,000	 153,000
 BALANCE FORWARD	 146,500	 388,500	 630,500

**DISEASE CONTROL RESEARCH FUND (DIA2090)**

**A.R.S. § 36-274**

**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.

**Purpose of Fund:** Funds are to be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	186,900	187,300	182,500
Revenue	7,400	7,200	7,000
TOTAL FUNDS AVAILABLE	194,300	194,500	189,500
 FUNDS EXPENDED			
Full Time Equivalent Positions	0.0	0.0	0.0
Operating Subtotal	7,000	12,000	10,000
 TOTAL FUNDS EXPENDED	 7,000	 12,000	 10,000
 BALANCE FORWARD	 187,300	 182,500	 179,500

**DONATIONS (HSA3010)**

**A.R.S. § 36-132**

**Source of Revenue:** Individual donations for various health related purposes.

**Purpose of Fund:** Provides funding 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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	427,500	359,500	116,600
Revenue	35,800	64,000	31,000
TOTAL FUNDS AVAILABLE	463,300	423,500	147,600
 FUNDS EXPENDED			
Full Time Equivalent Positions	0.0	0.0	0.0
Operating Subtotal	103,800	306,900	60,700
 TOTAL FUNDS EXPENDED	 103,800	 306,900	 60,700
 BALANCE FORWARD	 359,500	 116,600	 86,900

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**ENVIRONMENTAL LAB LICENSING REVOLVING FUND (HSA3017)**

**A.R.S. § 36-495.15**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Monies from gifts, grants, donations, fees derived from department sponsored workshops, conferences and seminars and fees collected for environmental laboratory licensure.

**Purpose of Fund:** For costs associated with licensing environmental laboratories by the Department of Health Services.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	27,400	16,100	27,400
Revenue	<u>790,800</u>	<u>855,400</u>	<u>850,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>818,200</u>	<u>871,500</u>	<u>877,400</u>
<b>FUNDS EXPENDED</b>			
Full Time Equivalent Positions	<u>14.0</u>	<u>14.0</u>	<u>14.0</u>
Operating Subtotal	<u>802,100</u>	<u>844,100</u>	<u>850,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>802,100</u>	<u>844,100</u>	<u>850,000</u>
<b>BALANCE FORWARD</b>	16,100	27,400	27,400

**FEDERAL GRANTS (HSA2000)**

**A.R.S. § No Citation**

**The Maternal and Child Health Block Grant, Mental Health Block Grant and Substance Abuse Block Grant are recommended for transfer to appropriated status.**

**Source of Revenue:** Grants and reimbursements from the federal government. Federal reimbursement for the Title XIX program is not included in this fund and can be found in the Title XIX Services and County Contributions Fund (HSA2144).

**Purpose of Fund:** To provide health services in accordance with the terms of each specific grant.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(2,419,400)	(533,600)	29,900
Revenue	<u>137,209,200</u>	<u>140,175,700</u>	<u>138,518,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>134,789,800</u>	<u>139,642,100</u>	<u>138,548,400</u>
<b>FUNDS EXPENDED</b>			
Full Time Equivalent Positions	<u>236.8</u>	<u>249.7</u>	<u>248.0</u>
Operating Subtotal	<u>135,323,400</u>	<u>139,612,200</u>	<u>138,518,600</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>135,323,400</u>	<u>139,612,200</u>	<u>138,518,600</u>
<b>BALANCE FORWARD</b>	(533,600)	29,900	29,800

**INDIRECT COSTS (HSA9000)**

**A.R.S. § 35-142**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** Indirect costs are charges made to federal funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of programs.

**Purpose of Fund:** These funds are used to pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF HEALTH SERVICES (Continued)

### INDIRECT COSTS (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,717,000	2,270,200	1,905,200
Revenue	<u>4,425,200</u>	<u>4,500,000</u>	<u>4,550,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>6,142,200</u>	<u>6,770,200</u>	<u>6,455,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>78.4</u>	<u>77.0</u>	<u>77.0</u>
Operating Subtotal	<u>3,872,000</u>	<u>4,865,000</u>	<u>4,548,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>3,872,000</u>	<u>4,865,000</u>	<u>4,548,300</u>
<b>BALANCE FORWARD</b>	2,270,200	1,905,200	1,906,900

### MEDICAL SERVICES ENHANCEMENT FUND (TRA2186)

**A.R.S. § 36-2219.01**

**Source of Revenue:** A 13% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.

**Purpose of Fund:** Monies are distributed on a percentage basis to various non-appropriated funds. See page for each individual non-appropriated fund for detailed information on each recipient.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>% of MSEF</u>	<u>APPROP.</u>
<b>FUNDS AVAILABLE</b>					
Balance Forward	0	0	0		
Revenue	<u>6,772,400</u>	<u>6,775,000</u>	<u>6,775,000</u>		
<b>TOTAL FUNDS AVAILABLE</b>	<u>6,772,400</u>	<u>6,775,000</u>	<u>6,775,000</u>		
<b>FUNDS EXPENDED</b>					
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>		
Operating Subtotal	<u>0</u>	<u>0</u>	<u>0</u>		
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>0</u>	<u>0</u>		
<b>TRANSFERS TO:</b>					
Department of Economic Security					
Spinal and Head Injuries Trust	1,489,900	1,490,500	1,490,500	22.0	no
Department of Health Services					
EMS Operating	3,311,700	3,313,000	3,313,000	48.9	no <sup>1/</sup>
Drug and Alcohol Abuse Services	636,600	636,900	636,900	9.4	yes
Alcohol and Other Drug Screening	961,700	962,000	962,000	14.2	no <sup>1/</sup>
General Fund	372,500	372,600	372,600	5.5	no
<b>BALANCE FORWARD</b>	0	0	0	100.0	

<sup>1/</sup> These monies represent a continuing appropriation from the MSEF, but are appropriated prior to expenditure by the Legislature to the recipient agency.

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**NEWBORN SCREENING PROGRAM FUND (HSA2184)**

**A.R.S. § 36-694**

**Source of Revenue:** The department collects a fee of \$20 as part of the hospital charges for each child born in Arizona. This fund has been converted to appropriated status beginning in FY 1999 pursuant to Laws 1997, Chapter 210.

**Purpose of Fund:** The fund provides monies for the centralized testing of all newborns in the state for a standard set of metabolic 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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,184,800	1,468,100	0
Revenue	<u>2,199,600</u>	<u>2,100,000</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,384,400</u>	<u>3,568,100</u>	<u>0</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>23.0</u>	<u>24.5</u>	<u>0.0</u>
Operating Subtotal	<u>1,916,300</u>	<u>3,035,200</u>	<u>0</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>1,916,300</u>	<u>3,035,200</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	<u>1,468,100</u>	<u>532,900</u>	<u>0</u>

**TITLE XIX SERVICES AND COUNTY CONTRIBUTIONS (HSA2144)**

**A.R.S. § 35-142**

**Source of Revenue:** The fund receives federal match dollars for treating behavioral health problems in Title XIX-eligible persons, federal match dollars for Title XIX-eligible persons in the Children's Rehabilitative Services (CRS) program, and Maricopa and Pima Counties' contributions for treating persons with behavioral health problems.

**Purpose of Fund:** This fund is simply a receiving account. Revenues and expenditures related to behavioral health and the CRS program have been separated from the Agreements Fund for information purposes.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	112,700	252,100	0
Revenue	<u>113,854,100</u>	<u>129,968,800</u>	<u>140,177,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>113,966,800</u>	<u>130,220,900</u>	<u>140,177,600</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>46.3</u>	<u>46.4</u>	<u>46.4</u>
Operating Subtotal	<u>113,714,700</u>	<u>130,220,900</u>	<u>140,177,600</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>113,714,700</u>	<u>130,220,900</u>	<u>140,177,600</u>
 <b>BALANCE FORWARD</b>	<u>252,100</u>	<u>0</u>	<u>0</u>

**TOBACCO TAX AND HEALTH CARE FUND - HEALTH CRISIS FUND (HSA2312)**

**A.R.S. § 36-797**

**Source of Revenue:** The account receives transfers from the Medically Needy Account, which is managed by AHCCCS. The transfers shall be sufficient to maintain an annual fund balance of \$1,000,000.

**Purpose of Fund:** Monies may only be used for expenses incurred for a health crisis which is declared by the Governor by Executive Order. The fund balance shall not exceed \$1,000,000 but may fall below that amount during a fiscal year as a result of approved expenditures. Expenditures shall not exceed \$1,000,000 annually.

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**TOBACCO TAX AND HEALTH CARE FUND - HEALTH CRISIS FUND (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	400,000
Revenue	<u>0</u>	<u>1,000,000</u>	<u>600,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>0</u>	<u>600,000</u>	<u>0</u>
 <b>TOTAL FUNDS EXPENDED</b>	 <u>0</u>	 <u>600,000</u>	 <u>0</u>
 <b>BALANCE FORWARD</b>	 0	 400,000	 1,000,000

**TOBACCO TAX AND HEALTH CARE FUND - HEALTH EDUCATION ACCOUNT (HSA1308)**

**A.R.S. § 41-1241C**

**Source of Revenue:** The account receives 23 cents of each dollar deposited in the Tobacco Tax and Health Care Fund administered by the Department of Revenue (DOR). The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account.

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	32,424,400	43,596,900	43,083,600
Revenue	<u>29,361,100</u>	<u>29,217,800</u>	<u>29,216,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>61,785,500</u>	<u>72,814,700</u>	<u>72,299,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>14.6</u>	<u>14.6</u>	<u>14.6</u>
Operating Subtotal	<u>614,700</u>	<u>651,000</u>	<u>651,000</u>
Media Contract	11,544,600	13,200,000	13,200,000
Local Grants	<u>6,029,300</u>	<u>15,649,000</u>	<u>11,149,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>18,188,600</u>	<u>29,500,000</u>	<u>25,000,000</u>
<b>ADMINISTRATIVE ADJUSTMENTS</b>	0	231,100	0
 <b>BALANCE FORWARD</b>	 43,596,900	 43,083,600	 47,299,800

**TOBACCO TAX AND HEALTH CARE FUND - HEALTH RESEARCH ACCOUNT (DSA2096)**

**A.R.S. § 42-1241C**

**Source of Revenue:** The account receives 5 cents of each dollar deposited in the Tobacco Tax and Health Care Fund administered by the Department of Revenue (DOR). The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account.

**Purpose of Fund:** Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	7,997,400	11,995,600	10,779,000
Revenue	<u>6,368,700</u>	<u>6,337,600</u>	<u>6,337,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>14,366,100</u>	<u>18,333,200</u>	<u>17,116,300</u>

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF HEALTH SERVICES (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

	3.2	4.0	5.0
Operating Subtotal	166,700	214,500	236,600
Research Grants	2,203,800	7,339,700	6,567,500

TOTAL FUNDS EXPENDED	2,370,500	7,554,200	6,804,100
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BALANCE FORWARD	11,995,600	10,779,000	10,312,200
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**TOBACCO TAX AND HEALTH CARE FUND - SUBSIDIARY MEDICALLY  
NEEDY ACCOUNT (HSA3037)**

**A.R.S. § 42-1241C**

**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.

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	2,405,500	2,405,500
Revenue	18,560,900	36,180,400	22,744,200
TOTAL FUNDS AVAILABLE	18,560,900	38,585,900	25,149,700
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	10.2	10.2	10.2
Mental Health Grant	5,000,000	5,000,000	5,000,000
Primary Care Services	4,437,900	6,240,000	6,240,000
Qualifying Community Health Centers	3,879,800	5,200,000	5,200,000
Detoxification Pilot Program	500,000	500,000	0
Telemedicine Pilot Program	139,100	260,000	0
Renal Disease	150,000	250,000	250,000
Basic Children's Medical Services Program	135,800	5,200,000	5,200,000
Evaluation	282,000	854,200	854,200
Primary Care Capital Construction	0	2,500,000	0
Salome Health Services	0	65,000	0
Public Health Education	0	7,500,000	0
Rural Private Primary Care Provider Loan Repayment	0	111,200	0
Community Health Center Grants	0	2,500,000	0
TOTAL FUNDS EXPENDED	14,524,600	36,180,400	22,744,200
ADMINISTRATIVE ADJUSTMENTS	1,630,800	0	0
BALANCE FORWARD	2,405,500	2,405,500	2,405,500

**Fiscal Year 1999 Non-Appropriated Funds**

**JUDICIARY - SUPREME COURT**

**Agency Summary**

**ANALYST: Brad Regens**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,148,400	1,602,300	852,600
Revenue	<u>22,125,200</u>	<u>15,334,300</u>	<u>12,426,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>25,273,600</u>	<u>16,936,600</u>	<u>13,279,100</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>74.7</u>	<u>43.2</u>	<u>9.1</u>
Operating Subtotal	<u>3,275,500</u>	<u>2,065,200</u>	<u>1,525,700</u>
Special Line Items Total	<u>14,977,800</u>	<u>9,632,700</u>	<u>6,385,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>18,253,300</u>	<u>11,697,900</u>	<u>7,911,400</u>
 TRANSFERS	2,106,800	3,000,000	3,000,000
BALANCE FORWARD <sup>1/</sup>	4,913,500	2,238,700	2,367,700

1/ The ending balance at the end of one fiscal year does not equal the beginning balance of the next year as some funds have become appropriated and are no longer included.

**ALTERNATIVE DISPUTE RESOLUTION (SPA3245)**

**A.R.S. § 12-135**

**Source of Revenue:** As of January 1, 1998, 0.35% of fee collections on civil filings in 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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	123,000	117,200	64,900
Revenue	<u>198,800</u>	<u>163,700</u>	<u>163,700</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>321,800</u>	<u>280,900</u>	<u>228,600</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Operating Subtotal	<u>20,700</u>	<u>22,900</u>	<u>22,900</u>
Assistance to Courts	<u>183,900</u>	<u>193,100</u>	<u>193,100</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>204,600</u>	<u>216,000</u>	<u>216,000</u>
 BALANCE FORWARD	117,200	64,900	12,600

**CASE PROCESSING ASSISTANCE (SPA2075)**

**A.R.S. § 41-2401**

**Source of Revenue:** 6.02% of the Criminal Justice Enhancement Fund. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** To enhance the ability of the courts to process criminal and delinquency cases.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	880,800	0	0
Revenue	<u>1,647,400</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,528,200</u>	<u>0</u>	<u>0</u>



# **Fiscal Year 1999 Non-Appropriated Funds**

## **JUDICIARY - SUPREME COURT (Continued)**

FUNDS EXPENDED			
Full Time Equivalent Positions	<u>7.7</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	91,200	0	0
Assistance to Courts	1,509,900	0	0
 TOTAL FUNDS EXPENDED	 <u>1,601,100</u>	 <u>0</u>	 <u>0</u>
 BALANCE FORWARD	 927,100	 0	 0

## **COMMUNITY PUNISHMENT PROGRAM (SPA2119)**

**A.R.S. § 41-2401**

**Source of Revenue:** 2.13% of the Criminal Justice Enhancement Fund. This fund has been converted to appropriated status beginning in FY 1999 pursuant to Laws 1997, Chapter 210.

**Purpose of Fund:** To provide drug treatment services to adult probationers.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	0	239,400	0
Revenue	<u>239,400</u>	<u>500,000</u>	
TOTAL FUNDS AVAILABLE	239,400	739,400	0
 FUNDS EXPENDED			
Full Time Equivalent Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assistance to Courts	0	536,400	0
 TOTAL FUNDS EXPENDED	 <u>0</u>	 <u>536,400</u>	 <u>0</u>
 BALANCE FORWARD	 239,400	 203,000	 0

## **CONFIDENTIAL INTERMEDIARY (SPA2276)**

**A.R.S. § 8-135**

**Source of Revenue:** 0.26% of fee collections on civil filings in Superior Court and a \$1 surcharge on fees for all certified copies of birth certificates. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** Funding source for the Supreme Court to administer and implement the Confidential Intermediary program, which became effective April 1, 1993. This program provides for an individual or an adoption agency, as specified by the Court, to act as a contact between an adoptive parent or guardian and an adoptee or a birth parent in locating confidential information or establishing contact between them. Also may be used to fund Private Fiduciary program.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	118,400	0	0
Revenue	<u>204,700</u>	<u>0</u>	<u>0</u>
TOTAL FUNDS AVAILABLE	323,100	0	0

# **Fiscal Year 1999 Non-Appropriated Funds**

## **JUDICIARY - SUPREME COURT (Continued)**

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

	<u>3.2</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	160,400	0	0

TOTAL FUNDS EXPENDED

<u>160,400</u>	<u>0</u>	<u>0</u>
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BALANCE FORWARD

162,700	0	0
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### **COUNTY PUBLIC DEFENDER TRAINING (SPA3013)**

**A.R.S. § 12-117**

**Source of Revenue:** Through December 31, 1997, \$2 of the \$12 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis. After December 31, 1997, \$2 of the \$20 surcharge.

**Purpose of Fund:** Allocated to each county Public Defender Office exclusively for training.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	500	900	2,000
Revenue	<u>594,000</u>	<u>599,200</u>	<u>599,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	594,500	600,100	601,200

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

	<u>0.5</u>	<u>0.8</u>	<u>0.8</u>
Operating Subtotal	23,400	32,100	32,100
Disbursements to Public Defenders	570,200	566,000	566,000

TOTAL FUNDS EXPENDED

<u>593,600</u>	<u>598,100</u>	<u>598,100</u>
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BALANCE FORWARD

900	2,000	3,100
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### **DEFENSIVE DRIVING SCHOOL (SPA2247)**

**A.R.S. § 28-493**

**Source of Revenue:** A fee, not to exceed \$15, imposed on each person who attends a defensive driving school. The fee is set by the Supreme Court. This fund has been converted to appropriated status beginning in FY 1999 pursuant to Laws 1997, Chapter 210.

**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 traffic offenses prescribed in A.R.S. Title 28, Chapter 6, Articles 2 through 15 related to highway traffic. The Court Automation Special Line Item monies are being used to automate municipal and justice-of-the-peace courts, the caseload of which is largely traffic-related.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,022,500	2,075,400	0
Revenue	<u>2,323,100</u>	<u>2,357,800</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	5,345,600	4,433,200	0

# **Fiscal Year 1999 Non-Appropriated Funds**

## **JUDICIARY - SUPREME COURT (Continued)**

### **FUNDS EXPENDED**

<i>Full Time Equivalent Positions</i>	<u>31.8</u>	<u>34.1</u>	<u>0.0</u>
Operating Subtotal	997,000	539,500	0
Arizona Court Automation Project	1,615,000	1,625,800	0
Assistance to Courts	658,200	1,084,800	0
<b>TOTAL FUNDS EXPENDED</b>	<u>3,270,200</u>	<u>3,250,100</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	 2,075,400	 1,183,100	 0

### **DRUG ENFORCEMENT ACCOUNT (SPA2075)**

**A.R.S. § 41-2402**

**Source of Revenue:** Distribution from the Arizona Criminal Justice Commission's Drug Enforcement Account.

**Purpose of Fund:** To fund programs that enhance the ability of the courts to process drug offenses and related cases.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	52,300	43,000	48,900
Revenue	<u>2,343,800</u>	<u>2,350,000</u>	<u>2,300,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,396,100</u>	<u>2,393,000</u>	<u>2,348,900</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>
Operating Subtotal	150,200	157,700	157,700
Assistance to Cities and Counties	2,202,900	2,186,400	2,186,400
 <b>TOTAL FUNDS EXPENDED</b>	<u>2,353,100</u>	<u>2,344,100</u>	<u>2,344,100</u>
 <b>BALANCE FORWARD</b>	 43,000	 48,900	 4,800

### **DRUG TREATMENT AND EDUCATION FUND (SPA2277)**

**A.R.S. § 13-901.02**

**Source of Revenue:** From January 1, 1997 through December 31, 1999, the fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. After December 31, 1999, the fund receives 10% of tax revenue collected on spirituous liquors and 25% of tax revenue collected on vinous and malt liquor.

**Purpose of Fund:** 50% of fund monies are transferred to Superior Court probation departments to cover the costs of placing persons in drug education and treatment programs. Such monies are allocated by the Administrative Office of the Supreme Court according to a formula based on probation caseloads. The remaining 50% of the monies are transferred to the Arizona Parents Commission on Drug Education and Prevention.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	1,510,400	1,317,700
Revenue	<u>3,025,600</u>	<u>6,000,000</u>	<u>6,000,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,025,600</u>	<u>7,510,400</u>	<u>7,317,700</u>

# **Fiscal Year 1999 Non-Appropriated Funds**

## **JUDICIARY - SUPREME COURT (Continued)**

### **FUNDS EXPENDED**

#### *Full Time Equivalent Positions*

	0.0	0.0	0.0
Operating Subtotal	2,400	233,000	233,000
Assistance to Courts	0	2,959,700	2,959,700

<b>TOTAL FUNDS EXPENDED</b>	<b>2,400</b>	<b>3,192,700</b>	<b>3,192,700</b>
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#### **TRANSFER TO ARIZONA PARENTS COMMISSION ON**

<b>DRUG EDUCATION AND PREVENTION</b>	<b>1,512,800</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>BALANCE FORWARD</b>	<b>1,510,400</b>	<b>1,317,700</b>	<b>1,125,000</b>

## **GRANTS AND SPECIAL REVENUE (SPA2084)**

**A.R.S. § 41-401.01**

**Source of Revenue:** Monies provided from various sources, private and public, for specific programs and projects. Includes transfers from the Judicial Collection Enhancement Fund (JCEF) of \$1,991,100 in FY 1997 and \$2,039,600 in FY 1998 and FY 1999.

**Purpose of Fund:** Expended by the courts as specified in the agreement for the specific programs and projects. Currently, the fund is being used in part to make payments on the Arizona Courts Automation Project (ACAP). The negative fund balances reflect the state's liability for an ACAP contract. The JCEF revenues are used to make payments on this contract.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	(3,984,100)	(2,384,000)	(580,900)
Revenue	3,295,100	3,363,600	3,363,600
<b>TOTAL FUNDS AVAILABLE</b>	<b>(689,000)</b>	<b>979,600</b>	<b>2,782,700</b>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	4.6	3.8	3.8
Operating Subtotal	1,214,500	1,080,000	1,080,000
Assistance to Courts	480,500	480,500	480,500
<b>TOTAL FUNDS EXPENDED</b>	<b>1,695,000</b>	<b>1,560,500</b>	<b>1,560,500</b>
<b>BALANCE FORWARD</b>	<b>(2,384,000)</b>	<b>(580,900)</b>	<b>1,222,200</b>

## **JUDICIAL COLLECTION ENHANCEMENT (SPA2246)**

**A.R.S. § 12-113**

**Source of Revenue:** As of January 1, 1998, \$11 of the \$20 surcharge on each person paying a court ordered penalty, fine or sanction on a time-payment basis; 27.78% of civil filing fees in the Supreme Court, 19.42% in the Court of Appeals, 17.07% in Superior Court, 18.39% in Justice of the Peace Courts, 19.18% in Municipal Courts; and \$5 from each defensive driving school attendee. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** To improve collection and management of monies owed the court, and to improve case processing through automation projects.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,806,500	0	0
Revenue	5,649,900	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<b>7,456,400</b>	<b>0</b>	<b>0</b>

# **Fiscal Year 1999 Non-Appropriated Funds**

## **JUDICIARY - SUPREME COURT (Continued)**

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

Operating Subtotal	14.0	0.0	0.0
Assistance to Courts	201,500	0	0
	6,127,400	0	0

### **TOTAL FUNDS EXPENDED**

TRANSFER TO PUBLIC DEFENDER FUND  
BALANCE FORWARD

594,000	0	0
533,500	0	0

## **JUVENILE CRIME REDUCTION (SPA2139)**

**A.R.S. § 41-2401**

**Source of Revenue:** 9.35% of the Criminal Justice Enhancement Fund. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** Development and implementation of statewide programs to reduce juvenile crime.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,128,500	0	0
Revenue	2,603,400	0	0
<b>TOTAL FUNDS AVAILABLE</b>	3,731,900	0	0
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	8.4	0.0	0.0
Operating Subtotal	414,200	0	0
Assistance to Courts	1,629,800	0	0
<b>TOTAL FUNDS EXPENDED</b>	2,044,000	0	0
<b>BALANCE FORWARD</b>	1,687,900	0	0

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF JUVENILE CORRECTIONS**

**Agency Summary**

**ANALYST:** Phil Case/Brad Mortensen

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	643,100	294,000	284,000
Revenue	<u>2,402,700</u>	<u>2,105,600</u>	<u>2,209,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,045,800</u>	<u>2,399,600</u>	<u>2,493,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>21.3</u>	<u>25.5</u>	<u>26.5</u>
Operating Subtotal	<u>2,159,700</u>	<u>2,074,500</u>	<u>2,131,600</u>
Special Line Items Total	476,100	41,100	40,400
<b>TOTAL FUNDS EXPENDED</b>	<u>2,635,800</u>	<u>2,115,600</u>	<u>2,172,000</u>
<b>TRANSFERS</b>	116,000	0	0
<b>BALANCE FORWARD</b>	294,000	284,000	321,200

**FEDERAL FUNDS (DJA2000)**

**A.R.S. § 35-142**

**Source of Revenue:** Federal funds received through the Arizona Department of Education.

**Purpose of Fund:** Used for the National School Breakfast and Lunch Program, Special Education, Job Training Partnership Act (JTPA), substance abuse, and other federal programs.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	563,100	258,100	260,600
Revenue	<u>2,125,100</u>	<u>1,984,200</u>	<u>2,087,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,688,200</u>	<u>2,242,300</u>	<u>2,348,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>20.3</u>	<u>24.5</u>	<u>25.5</u>
Operating Subtotal	<u>1,954,000</u>	<u>1,940,600</u>	<u>2,010,200</u>
Indirect Cost Allocation	476,100	41,100	40,400
<b>TOTAL FUNDS EXPENDED</b>	<u>2,430,100</u>	<u>1,981,700</u>	<u>2,050,600</u>
<b>BALANCE FORWARD</b>	258,100	260,600	297,800

**JUVENILE CORRECTIONS (DJA3024)**

**A.R.S. § 41-2810**

**Source of Revenue:** Donations by individuals and businesses, proceeds from vending machines, fund-raising efforts, etc..

**Purpose of Fund:** Used for additional supplies and department conferences, for purposes agreed upon by donors and agency director, or for special student activities.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	44,700	35,900	23,400
Revenue	<u>170,100</u>	<u>121,400</u>	<u>121,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>214,800</u>	<u>157,300</u>	<u>144,800</u>

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF JUVENILE CORRECTIONS (Continued)

### FUNDS EXPENDED

*Full Time Equivalent Positions*

	1.0	1.0	1.0
Operating Subtotal	178,900	133,900	121,400

TOTAL FUNDS EXPENDED

	178,900	133,900	121,400
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BALANCE FORWARD

	35,900	23,400	23,400
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### PARENTAL ASSESSMENT AND RESTITUTION (DJA2185)

A.R.S. § 41-2812 (Repealed)

**Source of Revenue:** Court-ordered assessments from parents of committed youth. This fund was eliminated by Laws 1996, Chapter 220 and the remaining balances were transferred to the General Fund

**Purpose of Fund:** For partial reimbursement of youths' room and board costs. Parents are assessed according to financial ability. Monies in the fund are used for repair projects at the institutions and to supplement the Work-Incentive Pay Plan (WIPP).

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	6,800	0	0
Revenue	0	0	0
<b>TOTAL FUNDS AVAILABLE</b>	6,800	0	0
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	1,100	0	0
<b>TOTAL FUNDS EXPENDED</b>	1,100	0	0
TRANSFER TO GENERAL FUND	5,700	0	0
BALANCE FORWARD	0	0	0

### SPECIAL SERVICES (DJA3735)

A.R.S. § 41-2807

**Source of Revenue:** Proceeds from vending machines, fund-raising efforts (bake sales, etc.), and the like. This fund was eliminated by Laws 1996, Chapter 220 and the remaining balances were transferred to the Juvenile Corrections Fund.

**Purpose of Fund:** For special student activities and related awards, trophies, or other expenses.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	28,500	0	0
Revenue	107,500	0	0
<b>TOTAL FUNDS AVAILABLE</b>	136,000	0	0
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	25,700	0	0
<b>TOTAL FUNDS EXPENDED</b>	25,700	0	0
TRANSFER TO JUVENILE CORRECTIONS FUND	110,300	0	0
BALANCE FORWARD	0	0	0

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF TRANSPORTATION**

**Agency Summary**

**ANALYST:** Bob Hull/Jim Rounds

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	98,104,900	119,887,500	87,004,400
Revenue	<u>621,653,500</u>	<u>629,806,000</u>	<u>613,482,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>719,758,400</u>	<u>749,693,500</u>	<u>700,487,200</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>1002.5</u>	<u>371.0</u>	<u>122.5</u>
Operating Subtotal	<u>83,484,300</u>	<u>47,596,700</u>	<u>16,683,600</u>
Special Line Items Total	515,151,600	612,470,000	544,404,500
 <b>TOTAL FUNDS EXPENDED</b>	<u>598,635,900</u>	<u>660,066,700</u>	<u>561,088,100</u>
 <b>TRANSFERS</b>	113,400	181,000	173,700
<b>BALANCE FORWARD 1/</b>	121,009,100	89,445,800	139,225,400

1/ The ending balance at the end of one fiscal year does not equal the beginning balance of the next year as some funds have become appropriated and are no longer included.

**ARIZONA HIGHWAYS MAGAZINE ENTERPRISE (DTA2031)**

**A.R.S. § 28-7315**

**Source of Revenue:** The fund consists of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. Monies are received by sales of subscriptions, maps, pamphlets and other materials, and interest earnings.

**Purpose of Fund:** Provides 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 Funds and expenditures are exempt from statutory allotment provisions.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,453,200	4,842,400	4,303,300
Revenue	<u>11,597,600</u>	<u>11,790,400</u>	<u>12,144,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>17,050,800</u>	<u>16,632,800</u>	<u>16,447,500</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>83.0</u>	<u>83.0</u>	<u>83.0</u>
Operating Subtotal	<u>12,208,400</u>	<u>12,329,500</u>	<u>12,010,900</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>12,208,400</u>	<u>12,329,500</u>	<u>12,010,900</u>
 <b>BALANCE FORWARD</b>	4,842,400	4,303,300	4,436,600

**AVIATION FEDERAL FUNDS (DTA2267)**

**A.R.S. § 28-363**

**Source of Revenue:** Federal Grants.

**Purpose of Fund:** To develop Grand Canyon Airport; to update the State Aviation System Plan; to conduct FAA Airport Inspection Program.



# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF TRANSPORTATION (Continued)

### AVIATION FEDERAL FUNDS (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>91,300</u>	<u>6,150,000</u>	<u>2,150,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	91,300	6,150,000	2,150,000
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	69,000	371,000	276,000
Land Acquisition and Capital Projects	22,300	5,779,000	1,874,000
 <b>TOTAL FUNDS EXPENDED</b>	<u>91,300</u>	<u>6,150,000</u>	<u>2,150,000</u>
 <b>BALANCE FORWARD</b>	0	0	0

### COMMERCIAL DRIVER'S LICENSE (DTA2251)

**A.R.S. § 28-3003**

**Source of Revenue:** The fund is established with fees collected pursuant to A.R.S. § 28-205 for certain instruction permits, driver's license applications, renewals and tests including specific endorsements (e.g., bus, hazardous materials, tank vehicles, double-triple trailers, etc., otherwise known as commercial). Interest may be earned on inactive balance. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** The funds enable the department to carry out commercial driver's licensing function and to cover the administrative costs of commercial operator driving tests. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Balances exceeding \$200,000 at the end of a fiscal year revert to the State Highway Fund.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	172,600	0	0
Revenue	<u>850,700</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	1,023,300	0	0
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>23.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	1,005,700	0	0
 <b>TOTAL FUNDS EXPENDED</b>	<u>1,005,700</u>	<u>0</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	17,600	0	0

### COUNTY AUTO LICENSE (DTA2137)

**A.R.S. § 28-6991**

**Source of Revenue:** The fund consists of taxes retained pursuant to A.R.S. § 28-159(VLT), fees assessed for Title and Registration, an Air Quality fee, collegiate plate fees, etc., and interest earnings. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** The fund enables the department to carry out duties relative to vehicular titling and registration (Maricopa County was added July 1995), and to cover costs associated with air quality compliance and administrative costs of collegiate plates and environmental number plates. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Balances in excess of \$100,000 per county contracting with the state pursuant to A.R.S. § 28-301.02 at the end of the fiscal year revert to the State Highway Fund.

## Fiscal Year 1999 Non-Appropriated Funds

### DEPARTMENT OF TRANSPORTATION (Continued)

#### COUNTY AUTO LICENSE (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,342,500	0	0
Revenue	<u>32,417,700</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>35,760,200</u>	<u>0</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	618.0	0.0	0.0
Operating Subtotal	<u>34,978,200</u>	<u>0</u>	<u>0</u>
 <b>TOTAL FUNDS EXPENDED</b>	 <u>34,978,200</u>	 <u>0</u>	 <u>0</u>
 <b>BALANCE FORWARD</b>	 782,000	 0	 0

#### CRIMINAL BACKGROUND INVESTIGATION (DTA2291)

**A.R.S. § 28-4302**

**Source of Revenue:** The fund consists of fees collected for dealer's, manufacturer's, distributor's, factory branch's, distributor branch's or wrecker's license applications pursuant to A.R.S. § 28-205, paragraph 6. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** Monies in the fund are utilized for processing applications and for the requisite criminal background investigations pursuant to A.R.S. Title 28, Chapter 8, Article 1. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Any monies in excess of \$200,000, in the fund at the close of a fiscal year, revert to the Highway Revenue Fund.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	105,600	0	0
Revenue	<u>198,100</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>303,700</u>	<u>0</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	6.0	0.0	0.0
Operating Subtotal	<u>298,000</u>	<u>0</u>	<u>0</u>
 <b>TOTAL FUNDS EXPENDED</b>	 <u>298,000</u>	 <u>0</u>	 <u>0</u>
 <b>BALANCE FORWARD</b>	 5,700	 0	 0

#### ECONOMIC STRENGTH PROJECT (DTA2244)

**A.R.S. § 28-7282**

**Source of Revenue:** The fund receives \$1,000,000 each June 15 distributed by the department from the Highway User Revenue Fund and interest from investment of inactive balances.

**Purpose of Fund:** The fund provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the State General Fund.

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF TRANSPORTATION (Continued)

### ECONOMIC STRENGTH PROJECT (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,447,700	1,835,600	1,485,600
Revenue	<u>1,073,600</u>	<u>1,100,000</u>	<u>1,100,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	2,521,300	2,935,600	2,585,600
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Economic Strength Highway Projects	685,700	1,450,000	1,100,000
 <b>TOTAL FUNDS EXPENDED</b>	<u>685,700</u>	<u>1,450,000</u>	<u>1,100,000</u>
 <b>BALANCE FORWARD</b>	1,835,600	1,485,600	1,485,600

### EQUIPMENT REVOLVING (DTA2071)

**A.R.S. § 28-7006**

**Source of Revenue:** The fund consists of monies appropriated by the Legislature (for purchase, repairs and maintenance); equipment rental; sale at auction; insurance recoveries; donations and interest earnings. This fund has been converted to appropriated status beginning in FY 1999 pursuant to Laws 1997, Chapter 210.

**Purpose of Fund:** Provides for ownership, maintenance, service or repair of equipment and consumable material including salaries/benefits. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Funds.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	7,110,200	5,082,600	0
Revenue	<u>27,240,600</u>	<u>27,812,100</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	34,350,800	32,894,700	0
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>232.0</u>	<u>247.0</u>	<u>0.0</u>
Operating Subtotal	29,268,200	30,453,300	0
 <b>TOTAL FUNDS EXPENDED</b>	<u>29,268,200</u>	<u>30,453,300</u>	<u>0</u>
 <b>BALANCE FORWARD</b>	5,082,600	2,441,400	0

### FEDERAL GRANTS (DTA2097)

**A.R.S. § 28-363**

**Source of Revenue:** Federal Grants, other than Aviation Federal Grants.

**Purpose of Fund:** Federal highway construction; fatal accident reporting; purchase of equipment for urban mass transit; assistance to elderly and handicapped; rural public transit; other planning; technical studies; rail planning/replacement of cross ties; highway statistical reporting; commercial driver's license; youth safety; library updates; and pupil transportation.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	37,300	0	0
Revenue	<u>314,140,800</u>	<u>313,117,100</u>	<u>314,053,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	314,178,100	313,117,100	314,053,800

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF TRANSPORTATION (Continued)

### FUNDS EXPENDED

#### Full Time Equivalent Positions

	5.5	8.0	6.5
Operating Subtotal	2,993,900	2,727,100	2,669,800
Land Acquisition and Capital Projects	236,656,900	242,306,000	242,800,000
Pass Through (to Non-St. Agencies/Unclassified Aid)	74,527,300	68,084,000	68,584,000
<b>TOTAL FUNDS EXPENDED</b>	<b>314,178,100</b>	<b>313,117,100</b>	<b>314,053,800</b>
 BALANCE FORWARD	 0	 0	 0

### MARICOPA REGIONAL AREA ROAD (DTA2029)

**A.R.S. § 28-6302**

**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 a county with a population of 1.2 million or more, plus proceeds from the sale of bonds, rents, and interest earnings.

**Purpose of Fund:** The monies in the bond proceeds and construction account may be obligated or expended with certain restrictions 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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	79,309,900	107,222,800	80,530,800
Revenue	231,256,600	268,246,000	282,361,000
<b>TOTAL FUNDS AVAILABLE</b>	<b>310,566,500</b>	<b>375,468,800</b>	<b>362,891,800</b>
 <b>FUNDS EXPENDED</b>			
Full Time Equivalent Positions	1.0	1.0	1.0
Operating Subtotal	84,300	87,000	89,500
Construction	71,612,900	143,030,000	72,806,500
Debt Service	124,896,100	144,938,000	150,136,000
Regional Transportation System	6,750,400	6,883,000	7,104,000
<b>TOTAL FUNDS EXPENDED</b>	<b>203,343,700</b>	<b>294,938,000</b>	<b>230,136,000</b>
 BALANCE FORWARD	 107,222,800	 80,530,800	 132,755,800

### MOTOR CARRIER SAFETY REVOLVING (DTA2380)

**A.R.S. § 28-5203**

**Source of Revenue:** The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes deposited pursuant to A.R.S. Title 28, Chapter 19, "Motor Carrier Safety" which applies to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste; and monies received from private grants or donations.

**Purpose of Fund:** ADOT's MVD, the Attorney General, and DPS use the funds to carry out the provisions of the chapter. DPS conducts investigations, MVD administers hearings, and the Attorney General enforces civil penalties. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	43,400	60,900	36,600
Revenue	65,700	50,000	50,000
<b>TOTAL FUNDS AVAILABLE</b>	<b>109,100</b>	<b>110,900</b>	<b>86,600</b>

# **Fiscal Year 1999 Non-Appropriated Funds**

## **DEPARTMENT OF TRANSPORTATION (Continued)**

<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>32,600</u>	<u>50,000</u>	<u>35,000</u>
 <b>TOTAL FUNDS EXPENDED</b>	 <u>32,600</u>	 <u>50,000</u>	 <u>35,000</u>
 <b>TRANSFERS</b>	 15,600	 24,300	 15,000
<b>BALANCE FORWARD</b>	<b>60,900</b>	<b>36,600</b>	<b>36,600</b>

<b>MOTOR VEHICLE LIABILITY INSURANCE ENFORCEMENT (DTA2285)</b>	<b>A.R.S. § 28-4151</b>
<b>This fund is recommended for transfer to appropriated status.</b>	
<b>Source of Revenue:</b> The fund consists of fees received by the department pursuant to A.R.S. Title 28, Chapter 7, Article 8 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.	
<b>Purpose of Fund:</b> The fund provides monies for the department to enforce the provisions of A.R.S. Title 28, Chapter 7, Article 8 regarding mandatory motor vehicle liability insurance.	

	<u><b>FY 1997</b></u>	<u><b>FY 1998</b></u>	<u><b>FY 1999</b></u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	557,100	525,200	438,100
Revenue	<u>748,200</u>	<u>748,200</u>	<u>748,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,305,300</u>	<u>1,273,400</u>	<u>1,186,300</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	16.0	16.0	16.0
Operating Subtotal	<u>780,100</u>	<u>835,300</u>	<u>838,700</u>
 <b>TOTAL FUNDS EXPENDED</b>	 <u>780,100</u>	 <u>835,300</u>	 <u>838,700</u>
 <b>BALANCE FORWARD</b>	 525,200	 438,100	 347,600

<b>MOTORCYCLE EDUCATION (DTA2094)</b>	<b>A.R.S. § 28-2010</b>
<b>Source of Revenue:</b> The fund receives \$1 from each motorcycle registration fee collected, pursuant to A.R.S. § 28-205, relating to motor vehicle fees. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.	
<b>Purpose of Fund:</b> These fund are utilized to implement a motorcycle testing and education program, which may include contracting for education services.	

	<u><b>FY 1997</b></u>	<u><b>FY 1998</b></u>	<u><b>FY 1999</b></u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	59,100	0	0
Revenue	<u>73,000</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>132,100</u>	<u>0</u>	<u>0</u>

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF TRANSPORTATION (Continued)

FUNDS EXPENDED			
Full Time Equivalent Positions	2.0	0.0	0.0
Operating Subtotal	110,800	0	0
 TOTAL FUNDS EXPENDED	 110,800	 0	 0
 BALANCE FORWARD	 21,300	 0	 0

### NUMBER PLATE REPLACEMENT (DTA2250)

A.R.S. § 28-2353

**Source of Revenue:** The fund is composed of 25 cents of each vehicle registration fee collected. These monies are in addition to fees authorized to be kept by A.R.S. § 28-301 and A.R.S. § 28-301.03. This fund has been converted to appropriated status beginning in FY 1998 pursuant to Laws 1996, Chapter 335.

**Purpose of Fund:** The funds provide for the systematic replacement of license plates that are no longer readable. Interest earned on fund monies remains in the Highway User Revenue Fund. Monies in excess of \$110,000 as of June 30 of each year must be deposited into the Highway User Revenue Fund.

	FY 1997	FY 1998	FY 1999
FUNDS AVAILABLE			
Balance Forward	296,500	0	0
Revenue	1,243,900	0	0
TOTAL FUNDS AVAILABLE	1,540,400	0	0
 FUNDS EXPENDED			
Full Time Equivalent Positions	0.0	0.0	0.0
Operating Subtotal	1,245,400	0	0
 TOTAL FUNDS EXPENDED	 1,245,400	 0	 0
 BALANCE FORWARD	 295,000	 0	 0

### UNDERGROUND STORAGE TANK REVOLVING (DTA2030)

A.R.S. § 28-6008

**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:** 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 or the underlying tax liability." The department retains only administrative costs as determined by an intergovernmental agreement between the Arizona Department of Transportation and the Department of Environmental Quality.

	FY 1997	FY 1998	FY 1999
FUNDS AVAILABLE			
Balance Forward	167,700	61,400	100
Revenue	0	96,300	165,600
TOTAL FUNDS AVAILABLE	167,700	157,700	165,700

# **Fiscal Year 1999 Non-Appropriated Funds**

## **DEPARTMENT OF TRANSPORTATION (Continued)**

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

Operating Subtotal	<u>4.0</u> 106,300	<u>4.0</u> 157,600	<u>4.0</u> 160,100
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TOTAL FUNDS EXPENDED

<u>106,300</u>	<u>157,600</u>	<u>160,100</u>
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BALANCE FORWARD

61,400	100	5,600
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### **VEHICLE INSPECTION AND TITLE ENFORCEMENT (DTA2272)**

**A.R.S. § 28-2012**

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** The fund consists of 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:** The fund is 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 the Department of Public Safety for investigations concerning automobile theft.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,100	256,600	209,900
Revenue	<u>655,700</u>	<u>695,900</u>	<u>710,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>657,800</u>	<u>952,500</u>	<u>919,900</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>12.0</u>	<u>12.0</u>	<u>12.0</u>
Operating Subtotal	<u>303,400</u>	<u>585,900</u>	<u>603,600</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>303,400</u>	<u>585,900</u>	<u>603,600</u>
 <b>TRANSFERS</b>	97,800	156,700	158,700
<b>BALANCE FORWARD</b>	256,600	209,900	157,600

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA BOARD OF REGENTS**

**Agency Summary of Combined Funds**

**ANALYST: John Lee/Steve Grunig**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	355,300	849,400	279,100
Revenue	3,607,900	3,269,600	3,232,800
Transfer In: from University Local Funds	469,300	484,300	498,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>4,432,500</u>	<u>4,603,300</u>	<u>4,010,700</u>
<b>TOTAL FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	4.0	5.7	6.0
Operating Subtotal	<u>457,700</u>	<u>1,289,900</u>	<u>776,600</u>
Special Line Items Total	772,600	706,100	706,100
<b>TOTAL FUNDS EXPENDED</b>	<u>1,230,300</u>	<u>1,996,000</u>	<u>1,482,700</u>
<b>TRANSFERS OUT</b>	2,352,800	2,328,200	2,304,000
<b>BALANCE FORWARD</b>	849,400	279,100	224,000

**ARIZONA BOARD OF REGENTS**

**Agency Summary of Local Funds**

**ANALYST: John Lee/Steve Grunig**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	355,300	849,400	279,100
Revenue	2,810,200	2,524,800	2,488,000
Transfer In: from University Local Funds	469,300	484,300	498,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,634,800</u>	<u>3,858,500</u>	<u>3,265,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	4.0	5.7	6.0
Operating Subtotal	<u>432,600</u>	<u>1,251,200</u>	<u>737,900</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>432,600</u>	<u>1,251,200</u>	<u>737,900</u>
<b>TRANSFERS OUT</b>	2,352,800	2,328,200	2,304,000
<b>BALANCE FORWARD</b>	849,400	279,100	224,000

**COLLECTIONS REVOLVING (BRA2183)**

**A.R.S. § 15-1746**

**Source of Revenue:** Retention of Western Interstate Commission for Higher Education (WICHE) repayments.

**Purpose of Fund:** A forward funding mechanism for new WICHE students entering participating professional schools.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	9,200	9,900	10,000
Revenue	700	100	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>9,900</u>	<u>10,000</u>	<u>10,000</u>



**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA BOARD OF REGENTS (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

0.0

0.0

0.0

**TOTAL FUNDS EXPENDED**

0

0

0

**BALANCE FORWARD**

9,900

10,000

10,000

**REGENTS LOCAL FUND (ASU Account)**

**A.R.S. § 15-1621**

**Source of Revenue:** University Local Funds

**Purpose of Fund:** The Arizona Board of Regents supplements its operating budget with the local fund contributions from the 3 universities.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	274,100	313,000	269,100
Revenue	2,200	38,700	2,000
Transfer In: from University Local Funds	469,300	484,300	498,800
<b>TOTAL FUNDS AVAILABLE</b>	<u>745,600</u>	<u>836,000</u>	<u>769,900</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	4.0	5.7	6.0
Operating Subtotal	432,600	566,900	555,900
 <b>TOTAL FUNDS EXPENDED</b>	<u>432,600</u>	<u>566,900</u>	<u>555,900</u>
 <b>BALANCE FORWARD</b>	313,000	269,100	214,000

**TEACHER LOAN FORGIVENESS (BRA2249)**

**A.R.S. § 15-1640**

**Source of Revenue:** Transfer of General Fund appropriations to non-appropriated fund and repayment loan.

**Purpose of Fund:** The Arizona Teacher Incentive Program (ATIP) is an incentive program to encourage students to accept teaching positions in underserved areas of the state.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	14,600	14,600	0
Revenue	0	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<u>14,600</u>	<u>14,600</u>	<u>0</u>

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA BOARD OF REGENTS (Continued)**

**FUNDS EXPENDED**

<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
TOTAL FUNDS EXPENDED	0	0	0
TRANSFERS OUT	0	14,600	0
BALANCE FORWARD	14,600	0	0

**UNIVERSITY LAND FUNDS (BRA3134/3184)**

**A.R.S. § 15-1662**

**Source of Revenue:** University Land Fund; Normal Schools Land Fund; Agricultural and Mechanical Colleges Land Fund; Military Institutes Land fund; and University Matching Grant Fund.

**Purpose of Fund:** The funds are distributed to universities for the use of the universities.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	57,400	511,900	0
Revenue	2,807,300	2,486,000	2,486,000
TOTAL FUNDS AVAILABLE	2,864,700	2,997,900	2,486,000
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	0	684,300	182,000
TOTAL FUNDS EXPENDED	0	684,300	182,000
TRANSFER TO UNIVERSITIES	2,352,800	2,313,600	2,304,000
BALANCE FORWARD	511,900	0	0

**FEDERAL (No Fund Number)**

**A.R.S. § 15-1620**

**Source of Revenue:** Federal Grants: Eisenhower Math/Science Education.

**Purpose of Fund:** To improve teaching skills for mathematics and science teachers.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Balance Forward	0	0	0
Revenue	797,700	744,800	744,800
TOTAL FUNDS AVAILABLE	797,700	744,800	744,800
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	25,100	38,700	38,700
Grants	772,600	706,100	706,100
TOTAL FUNDS EXPENDED	797,700	744,800	744,800
BALANCE FORWARD	0	0	0

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS**

**Agency Summary of Combined Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	96,389,500	114,212,600	123,961,800
Revenue	<u>258,663,700</u>	<u>270,019,900</u>	<u>287,531,500</u>
TOTAL FUNDS AVAILABLE	355,053,200	384,232,500	411,493,300
 TOTAL FUNDS EXPENDED			
Full Time Equivalent Positions	<u>2,475.8</u>	<u>2,482.5</u>	<u>2,489.3</u>
Operating Subtotal	206,657,100	224,481,800	243,700,600
 TOTAL FUNDS EXPENDED	<u>206,657,100</u>	<u>224,481,800</u>	<u>243,700,600</u>
 TRANSFERS	34,183,500	35,788,900	37,113,500
BALANCE FORWARD	114,212,600	123,961,800	130,679,200

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS**

**Agency Summary of Local Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	95,808,600	112,275,200	120,849,600
Revenue	<u>187,686,000</u>	<u>195,783,600</u>	<u>210,139,300</u>
TOTAL FUNDS AVAILABLE	283,494,600	308,058,800	330,988,900
 FUNDS EXPENDED			
Full Time Equivalent Positions	<u>1,787.7</u>	<u>1,792.9</u>	<u>1,798.9</u>
Operating Subtotal	147,431,600	162,599,500	179,533,300
 TOTAL FUNDS EXPENDED	<u>147,431,600</u>	<u>162,599,500</u>	<u>179,533,300</u>
 TRANSFERS	23,787,800	24,609,700	24,821,400
BALANCE FORWARD	112,275,200	120,849,600	126,634,200

**AUXILIARY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is derived from sales and services from substantially self-supporting activities.

**Purpose of Fund:** The purpose of the fund is to account for transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff. Auxiliary enterprises include, but are not limited to, residence halls, food services, bookstore and intercollegiate athletics.

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)**

**AUXILIARY (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	8,533,400	11,409,200	14,391,000
Revenue	<u>75,067,900</u>	<u>81,073,300</u>	<u>87,559,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>83,601,300</u>	<u>92,482,500</u>	<u>101,950,200</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>744.2</u>	<u>745.7</u>	<u>747.4</u>
Operating Subtotal	<u>58,993,700</u>	<u>64,893,100</u>	<u>71,382,400</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>58,993,700</u>	<u>64,893,100</u>	<u>71,382,400</u>
<b>TRANSFERS</b>	13,198,400	13,198,400	13,198,400
<b>BALANCE FORWARD</b>	11,409,200	14,391,000	17,369,400

**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The sources of revenue are tuition and fees retained by the university, summer session fees, administrative costs of student aid, and unrestricted gifts.

**Purpose of Fund:** The purpose of the fund is primarily to account for transactions related to academic year tuition and fees retained by the university, the summer sessions programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts. The resources in this fund have been designated for specific purposes by the university. Indirect cost recovery, which is part of designated funds, is presented separately.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	40,098,400	44,942,000	47,710,600
Revenue	<u>74,483,800</u>	<u>80,442,500</u>	<u>86,877,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>114,582,200</u>	<u>125,384,500</u>	<u>134,588,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>703.4</u>	<u>706.7</u>	<u>710.5</u>
Operating Subtotal	<u>57,383,300</u>	<u>65,417,000</u>	<u>74,575,300</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>57,383,300</u>	<u>65,417,000</u>	<u>74,575,300</u>
<b>TRANSFERS</b>	12,256,900	12,256,900	12,256,900
<b>BALANCE FORWARD</b>	44,942,000	47,710,600	47,756,300

**ENDOWMENT AND LIFE INCOME (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The primary sources of revenue are gifts, investment income, and financial aid trust fund fees assessed to students.

**Purpose of Fund:** Permanent endowment funds are subject to the restrictions of donor gift instrument requiring that the principal be invested in perpetuity and that only the income be used for current operations. Term endowments provide that, upon the passage of a stated period of time, all or part of the principal may be expended. Quasi-endowments have been established by the university for the same purposes as endowment funds. Life income funds are used to account for cash or other property contributed to the university subject to the requirements that the university periodically pay the income earned on such assets to designated beneficiaries.

# Fiscal Year 1999 Non-Appropriated Funds

## ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)

### ENDOWMENT AND LIFE INCOME (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	30,864,600	38,404,200	40,144,200
Revenue	<u>6,928,000</u>	<u>1,740,000</u>	<u>1,810,000</u>
TOTAL FUNDS AVAILABLE	37,792,600	40,144,200	41,954,200
FUNDS EXPENDED			
Full Time Equivalent Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL FUNDS EXPENDED	0	0	0
TRANSFERS	(611,600)	0	0
BALANCE FORWARD	38,404,200	40,144,200	41,954,200

### INDIRECT COST RECOVERY - NON-FEDERAL (No Fund Number)

A.R.S. § 15-1601

**Source of Revenue:** Indirect costs recovered from non-federal sponsored research programs.

**Purpose of Fund:** To account for transactions designated for various activities that assist or promote sponsored research.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	137,300	406,900	630,300
Revenue	<u>2,202,300</u>	<u>2,366,500</u>	<u>2,532,200</u>
TOTAL FUNDS AVAILABLE	2,339,600	2,773,400	3,162,500
FUNDS EXPENDED			
Full Time Equivalent Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>26,200</u>	<u>26,300</u>	<u>26,300</u>
TOTAL FUNDS EXPENDED	26,200	26,300	26,300
TRANSFERS	1,906,500	2,116,800	2,328,500
BALANCE FORWARD	406,900	630,300	807,700

### LOAN (No Fund Number)

A.R.S. § 15-1601

**Source of Revenue:** The source of revenue is primarily interest on student loans for programs funded by the federal government.

**Purpose of Fund:** The purpose of the fund is to account for loans to students. Provisions of the federal loan program stipulate that: The university match one-third of the capital contributions; and a portion of the loan principal and interest (ranging from 15% to 30% per year) can be canceled and absorbed by the federal government, if the recipient completes certain employment requirements.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	13,083,100	13,133,200	13,188,100
Revenue	<u>622,900</u>	<u>645,000</u>	<u>663,000</u>
TOTAL FUNDS AVAILABLE	13,706,000	13,778,200	13,851,100
FUNDS EXPENDED			

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)**

<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	592,700	610,000	630,000
 TOTAL FUNDS EXPENDED	 592,700	 610,000	 630,000
TRANSFERS	(19,900)	(19,900)	(19,900)
BALANCE FORWARD	13,133,200	13,188,100	13,241,000

**RESTRICTED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The primary source of revenues are grants from private donors and non-federal agencies.

**Purpose of Fund:** The purpose of the fund is to account for current funds expended for operating purposes but restricted by donors or non-federal agencies as to the specific purpose for which they may be expended.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	3,091,800	3,979,700	4,785,400
Revenue	28,381,100	29,516,300	30,697,000
TOTAL FUNDS AVAILABLE	31,472,900	33,496,000	35,482,400
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	340.1	340.5	341.0
Operating Subtotal	30,435,700	31,653,100	32,919,300
 TOTAL FUNDS EXPENDED	 30,435,700	 31,653,100	 32,919,300
TRANSFERS	(2,942,500)	(2,942,500)	(2,942,500)
BALANCE FORWARD	3,979,700	4,785,400	5,505,600

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS**

**Agency Summary of Federal Funds**

**ANALYST: John Lee/Steve Grunig**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	580,900	1,937,400	3,112,200
Revenue	70,977,700	74,236,300	77,392,200
TOTAL FUNDS AVAILABLE	71,558,600	76,173,700	80,504,400
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	688.1	689.6	690.4
Operating Subtotal	59,225,500	61,882,300	64,167,300
 TOTAL FUNDS EXPENDED	 59,225,500	 61,882,300	 64,167,300
TRANSFERS	10,395,700	11,179,200	12,292,100
BALANCE FORWARD	1,937,400	3,112,200	4,045,000

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - MAIN CAMPUS (Continued)**

**FEDERAL GRANTS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is grants from the federal government.

**Purpose of Fund:** The purpose of the fund is to account for current operating funds restricted in use by the federal government.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	150,500	52,500	52,500
Revenue	<u>59,361,800</u>	<u>61,794,200</u>	<u>64,079,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>59,512,300</u>	<u>61,846,700</u>	<u>64,131,700</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>688.1</u>	<u>689.6</u>	<u>690.4</u>
Operating Subtotal	<u>59,088,000</u>	<u>61,744,200</u>	<u>64,029,200</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>59,088,000</u>	<u>61,744,200</u>	<u>64,029,200</u>
 <b>TRANSFERS</b>	371,800	50,000	50,000
<b>BALANCE FORWARD</b>	52,500	52,500	52,500

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is indirect costs recovered from federal sponsored research programs.

**Purpose of Fund:** The purpose of the fund is to account for transactions designated for various activities that assist or promote sponsored research.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	430,400	1,884,900	3,059,700
Revenue	<u>11,615,900</u>	<u>12,442,100</u>	<u>13,313,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>12,046,300</u>	<u>14,327,000</u>	<u>16,372,700</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>137,500</u>	<u>138,100</u>	<u>138,100</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>137,500</u>	<u>138,100</u>	<u>138,100</u>
 <b>TRANSFERS</b>	10,023,900	11,129,200	12,242,100
<b>BALANCE FORWARD</b>	1,884,900	3,059,700	3,992,500

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - EAST CAMPUS**

**Agency Summary of Combined Funds**

**ANALYST: John Lee/Steve Grunig**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,400	192,100	111,200
Revenue	3,335,900	3,609,700	4,308,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,338,300</u>	<u>3,801,800</u>	<u>4,419,300</u>
 <b>TOTAL FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	43.3	51.7	59.2
Operating Subtotal	<u>3,193,400</u>	<u>3,477,500</u>	<u>4,032,300</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>3,193,400</u>	<u>3,477,500</u>	<u>4,032,300</u>
 TRANSFERS	(47,200)	213,100	249,400
<b>BALANCE FORWARD</b>	192,100	111,200	137,600

**ARIZONA STATE UNIVERSITY - EAST CAMPUS**

**Agency Summary of Local Funds**

**ANALYST: John Lee/Steve Grunig**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	2,400	187,300	102,000
Revenue	2,553,000	2,793,500	3,457,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,555,400</u>	<u>2,980,800</u>	<u>3,559,900</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	31.0	39.4	46.8
Operating Subtotal	<u>2,452,600</u>	<u>2,707,100</u>	<u>3,231,200</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>2,452,600</u>	<u>2,707,100</u>	<u>3,231,200</u>
 TRANSFERS	(84,500)	171,700	203,900
<b>BALANCE FORWARD</b>	187,300	102,000	124,800

**AUXILIARY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is derived from sales and services from substantially self-supporting activities.

**Purpose of Fund:** The purpose of the fund is to account for transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	1,200	1,900
Revenue	1,200	58,500	77,500
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,200</u>	<u>59,700</u>	<u>79,400</u>



# **Fiscal Year 1999 Non-Appropriated Funds**

## **ARIZONA STATE UNIVERSITY - EAST CAMPUS (Continued)**

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

Operating Subtotal	0	57,800	77,000
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TOTAL FUNDS EXPENDED

BALANCE FORWARD

1,200

1,900

2,400

### **DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The sources of revenue are primarily summer sessions fees, tuition and fees retained by the university, and miscellaneous local funds.

**Purpose of Fund:** The purpose of the fund is primarily to account for transactions related to summer session and other miscellaneous local funds that have been designated for specific purposes by the university.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,600	166,600	67,300
Revenue	233,500	248,400	401,200
<b>TOTAL FUNDS AVAILABLE</b>	235,100	415,000	468,500
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	3.5	6.0	6.5
Operating Subtotal	197,000	225,400	245,700
 <b>TOTAL FUNDS EXPENDED</b>	197,000	225,400	245,700
 <b>TRANSFERS</b>	(128,500)	122,300	149,600
<b>BALANCE FORWARD</b>	166,600	67,300	73,200

### **ENDOWMENT AND LIFE INCOME (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Student fees set aside in a permanent endowment.

**Purpose of Fund:** To accumulate a pool of funds so that future earnings can be used for financial aid.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	400	6,500	14,600
Revenue	6,100	8,100	12,200
<b>TOTAL FUNDS AVAILABLE</b>	6,500	14,600	26,800

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - EAST CAMPUS (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

0.0

0.0

0.0

**TOTAL FUNDS EXPENDED**

0

0

0

**BALANCE FORWARD**

6,500

14,600

26,800

**INDIRECT COST RECOVERY - NON-FEDERAL (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect costs recovered from non-federal sponsored research programs.

**Purpose of Fund:** To account for transactions designated for various activities that assist or promote sponsored research at the university.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	5,700	10,900
Revenue	50,800	55,200	59,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>50,800</u>	<u>60,900</u>	<u>70,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	600	600	600
<b>TOTAL FUNDS EXPENDED</b>	<u>600</u>	<u>600</u>	<u>600</u>
<b>TRANSFERS</b>	44,500	49,400	54,300
<b>BALANCE FORWARD</b>	5,700	10,900	15,100

**RESTRICTED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is primarily the state appropriated match for the Financial Aid Trust Fund and non-federal grants and contracts.

**Purpose of Fund:** The purpose of the fund is to account for current funds expended for operating purposes but restricted for current financial aid or other purposes specified by donors.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	400	7,300	7,300
Revenue	2,261,400	2,423,300	2,907,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>2,261,800</u>	<u>2,430,600</u>	<u>2,915,200</u>

# Fiscal Year 1999 Non-Appropriated Funds

## ARIZONA STATE UNIVERSITY - EAST CAMPUS (Continued)

### FUNDS EXPENDED

Full Time Equivalent Positions

Operating Subtotal

27.5	29.4	35.3
2,255,000	2,423,300	2,907,900

TOTAL FUNDS EXPENDED

2,255,000	2,423,300	2,907,900
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TRANSFERS

(500)	0	0
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BALANCE FORWARD

7,300	7,300	7,300
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## ARIZONA STATE UNIVERSITY - EAST CAMPUS

### Agency Summary of Federal Funds

ANALYST: John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	4,800	9,200
Revenue	782,900	816,200	850,200
<b>TOTAL FUNDS AVAILABLE</b>	782,900	821,000	859,400
 <b>FUNDS EXPENDED</b>			
Full Time Equivalent Positions	12.3	12.3	12.4
Operating Subtotal	740,800	770,400	801,100
 <b>TOTAL FUNDS EXPENDED</b>	740,800	770,400	801,100
 TRANSFERS	37,300	41,400	45,500
BALANCE FORWARD	4,800	9,200	12,800

### FEDERAL GRANTS (No Fund Number)

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is grants from the federal government.

**Purpose of Fund:** The purpose of the fund is to account for current funds expended for operating purposes but restricted as to use by the federal government agencies. Operating expenditures include indirect cost recovery charges.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	740,300	769,900	800,700
<b>TOTAL FUNDS AVAILABLE</b>	740,300	769,900	800,700
 <b>FUNDS EXPENDED</b>			
Full Time Equivalent Positions	12.3	12.3	12.4
Operating Subtotal	740,300	769,900	800,600
 <b>TOTAL FUNDS EXPENDED</b>	740,300	769,900	800,600
  BALANCE FORWARD	0	0	100

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - EAST CAMPUS (Continued)**

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect costs recovered from sponsored federal research programs.

**Purpose of Fund:** To account for transactions designated for various activities that assist or promote sponsored research at the university.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	4,800	9,200
Revenue	<u>42,600</u>	<u>46,300</u>	<u>49,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>42,600</u>	<u>51,100</u>	<u>58,700</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>500</u>	<u>500</u>	<u>500</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>500</u>	<u>500</u>	<u>500</u>
 TRANSFERS	37,300	41,400	45,500
BALANCE FORWARD	4,800	9,200	12,700

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - WEST CAMPUS**

**Agency Summary of Combined Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,885,600	2,366,400	2,882,600
Revenue	<u>3,875,700</u>	<u>4,127,700</u>	<u>4,320,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,761,300</u>	<u>6,494,100</u>	<u>7,203,000</u>
 <b>TOTAL FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>54.6</u>	<u>54.7</u>	<u>54.7</u>
Operating Subtotal	<u>3,150,200</u>	<u>3,352,500</u>	<u>3,504,300</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>3,150,200</u>	<u>3,352,500</u>	<u>3,504,300</u>
 TRANSFERS	244,700	259,000	271,800
BALANCE FORWARD	2,366,400	2,882,600	3,426,900

**ARIZONA STATE UNIVERSITY - WEST CAMPUS**

**Agency Summary of Local Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,881,500	2,354,400	2,864,200
Revenue	<u>3,195,100</u>	<u>3,417,600</u>	<u>3,579,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,076,600</u>	<u>5,772,000</u>	<u>6,444,100</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>42.2</u>	<u>42.3</u>	<u>42.3</u>
Operating Subtotal	<u>2,532,900</u>	<u>2,710,400</u>	<u>2,836,600</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>2,532,900</u>	<u>2,710,400</u>	<u>2,836,600</u>
 TRANSFERS	189,300	197,400	204,000
BALANCE FORWARD	2,354,400	2,864,200	3,403,500

**AUXILIARY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is derived from sales and services from substantially self-supporting activities.

**Purpose of Fund:** The purpose of the fund is to account for transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Balance Forward	472,000	519,200	567,800
Revenue	<u>557,500</u>	<u>574,200</u>	<u>591,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,029,500</u>	<u>1,093,400</u>	<u>1,159,300</u>

## Fiscal Year 1999 Non-Appropriated Funds

### ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)

#### FUNDS EXPENDED

*Full Time Equivalent Positions*

	10.7	10.7	10.7
Operating Subtotal	358,300	369,000	380,100

#### TOTAL FUNDS EXPENDED

TRANSFERS	152,000	156,600	161,300
BALANCE FORWARD	519,200	567,800	617,900

#### DESIGNATED FUNDS (No Fund Number)

A.R.S. § 15-1601

**Source of Revenue:** The sources of revenue are primarily summer sessions fees, tuition and fees retained by the university, and miscellaneous local funds.

**Purpose of Fund:** The purpose of the fund is primarily to account for transactions related to summer session and other miscellaneous local funds that have been designated for specific purposes by the university.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Balance Forward	1,075,300	1,390,600	1,731,100
Revenue	2,329,700	2,516,100	2,641,900
TOTAL FUNDS AVAILABLE	3,405,000	3,906,700	4,373,000
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	<u>22.1</u>	<u>22.2</u>	<u>22.2</u>
Operating Subtotal	1,994,400	2,154,000	2,261,600
 TOTAL FUNDS EXPENDED	1,994,400	2,154,000	2,261,600
 TRANSFERS	20,000	21,600	21,600
BALANCE FORWARD	1,390,600	1,731,100	2,089,800

#### ENDOWMENT AND LIFE INCOME (No Fund Number)

A.R.S. § 15-1601

**Source of Revenue:** Student fees set aside in a permanent endowment.

**Purpose of Fund:** To accumulate a pool of funds so that future earnings can be used for financial aid.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	329,900	414,500	507,600
Revenue	84,600	93,100	102,400
TOTAL FUNDS AVAILABLE	414,500	507,600	610,000

# **Fiscal Year 1999 Non-Appropriated Funds**

## **ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)**

### **FUNDS EXPENDED**

*Full Time Equivalent Positions*

0.0	0.0	0.0
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**TOTAL FUNDS EXPENDED**

0	0	0
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**BALANCE FORWARD**

414,500	507,600	610,000
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### **INDIRECT COST RECOVERY - NON-FEDERAL (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect costs recovered from non-federal sponsored research programs.

**Purpose of Fund:** To account for transactions designated for various activities that assist or promote sponsored research at the university.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	2,200	4,200
Revenue	19,400	21,100	22,600
<b>TOTAL FUNDS AVAILABLE</b>	19,400	23,300	26,800
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	200	200	200
 <b>TOTAL FUNDS EXPENDED</b>	200	200	200
 <b>TRANSFERS</b>	17,000	18,900	20,800
<b>BALANCE FORWARD</b>	2,200	4,200	5,800

### **LOAN (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** The source of revenue is primarily donations for short-term loan programs.

**Purpose of Fund:** The purpose of the fund is to provide short-term loans to students at the West Campus.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	4,300	4,300	5,300
Revenue	0	1,000	1,000
<b>TOTAL FUNDS AVAILABLE</b>	4,300	5,300	6,300
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
 <b>TOTAL FUNDS EXPENDED</b>	0	0	0
 <b>BALANCE FORWARD</b>	4,300	5,300	6,300

# Fiscal Year 1999 Non-Appropriated Funds

## ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)

### RESTRICTED FUNDS (No Fund Number)

A.R.S. § 15-1601

**Source of Revenue:** The source of revenue is primarily the state appropriated match for the Financial Aid Trust Fund and non-federal grants and contracts.

**Purpose of Fund:** The purpose of the fund is to account for current funds expended for operating purposes but restricted for current financial aid or other purposes specified by donors.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	23,600	48,200
Revenue	<u>203,900</u>	<u>212,100</u>	<u>220,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>203,900</u>	<u>235,700</u>	<u>268,700</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>9.4</u>	<u>9.4</u>	<u>9.4</u>
Operating Subtotal	<u>180,000</u>	<u>187,200</u>	<u>194,700</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>180,000</u>	<u>187,200</u>	<u>194,700</u>
 TRANSFERS	300	300	300
BALANCE FORWARD	23,600	48,200	73,700

## ARIZONA STATE UNIVERSITY - WEST CAMPUS

### Agency Summary of Federal Funds

ANALYST: John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	4,100	12,000	18,400
Revenue	<u>680,600</u>	<u>710,100</u>	<u>740,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>684,700</u>	<u>722,100</u>	<u>758,900</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>12.4</u>	<u>12.4</u>	<u>12.4</u>
Operating Subtotal	<u>617,300</u>	<u>642,100</u>	<u>667,700</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>617,300</u>	<u>642,100</u>	<u>667,700</u>
 TRANSFERS	55,400	61,600	67,800
BALANCE FORWARD	12,000	18,400	23,400

### FEDERAL GRANTS (No Fund Number)

A.R.S. § 15-1601

**Source of Revenue:** The source of revenue is grants from the federal government.

**Purpose of Fund:** The purpose of the fund is to account for current funds expended for operating purposes but restricted as to use by the federal government agencies. Operating expenditures include indirect cost recovery charges.



**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA STATE UNIVERSITY - WEST CAMPUS (Continued)**

**FEDERAL GRANTS (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>616,500</u>	<u>641,300</u>	<u>666,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>616,500</u>	<u>641,300</u>	<u>666,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>12.4</u>	<u>12.4</u>	<u>12.4</u>
Operating Subtotal	<u>616,500</u>	<u>641,300</u>	<u>666,900</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>616,500</u>	<u>641,300</u>	<u>666,900</u>
<b>BALANCE FORWARD</b>	0	0	0

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect costs recovered from sponsored federal research programs.

**Purpose of Fund:** To account for transactions designated for various activities that assist or promote sponsored research at the university.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	4,100	12,000	18,400
Revenue	<u>64,100</u>	<u>68,800</u>	<u>73,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>68,200</u>	<u>80,800</u>	<u>92,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>800</u>	<u>800</u>	<u>800</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>800</u>	<u>800</u>	<u>800</u>
<b>TRANSFERS</b>	55,400	61,600	67,800
<b>BALANCE FORWARD</b>	12,000	18,400	23,400

# Fiscal Year 1999 Non-Appropriated Funds

## NORTHERN ARIZONA UNIVERSITY

### Agency Summary of Combined Funds

ANALYST: John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	37,656,800	36,338,600	35,715,600
Revenue	112,846,500	114,973,800	118,364,600
TOTAL FUNDS AVAILABLE	150,503,300	151,312,400	154,080,200
 TOTAL FUNDS EXPENDED			
Full Time Equivalent Positions	731.8	807.8	833.3
Operating Subtotal	89,522,700	93,618,700	96,248,000
 TOTAL FUNDS EXPENDED	89,522,700	93,618,700	96,248,000
 TRANSFERS	24,642,000	21,978,100	22,768,300
BALANCE FORWARD	36,338,600	35,715,600	35,063,900

## NORTHERN ARIZONA UNIVERSITY

### Agency Summary of Local Funds

ANALYST: John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	36,955,600	35,486,900	35,005,800
Revenue	87,879,100	90,703,000	93,393,200
TOTAL FUNDS AVAILABLE	124,834,700	126,189,900	128,399,000
 FUNDS EXPENDED			
Full Time Equivalent Positions	579.6	646.2	665.6
Operating Subtotal	69,865,700	73,543,300	75,738,100
 TOTAL FUNDS EXPENDED	69,865,700	73,543,300	75,738,100
 TRANSFERS	19,482,100	17,640,800	18,163,400
BALANCE FORWARD	35,486,900	35,005,800	34,497,500

### AUXILIARY ENTERPRISES (No Fund Number)

A.R.S. § 15-1601

**Source of Revenue:** Revenues primarily from sales and services through substantially self-supporting activities.

**Purpose of Fund:** The Auxiliary Enterprises Fund accounts for transactions of substantially self-supporting, noneducational activities that primarily provide a service to students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, intercollegiate athletics, internal service operations and others.

**Fiscal Year 1999 Non-Appropriated Funds**

**NORTHERN ARIZONA UNIVERSITY (Continued)**

**AUXILIARY ENTERPRISES (Continued)**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	12,297,700	9,659,000	10,467,200
Revenue	<u>36,404,500</u>	<u>38,431,300</u>	<u>39,584,200</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>48,702,200</u>	<u>48,090,300</u>	<u>50,051,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>251.9</u>	<u>277.3</u>	<u>285.6</u>
Operating Subtotal	<u>34,054,300</u>	<u>35,471,100</u>	<u>36,535,200</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>34,054,300</u>	<u>35,471,100</u>	<u>36,535,200</u>
<b>TRANSFERS</b>	4,988,900	2,152,000	2,216,600
<b>BALANCE FORWARD</b>	9,659,000	10,467,200	11,299,600

**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues from summer session fees, tuition and fees retained by the university, and administrative cost recovery from student aid and unrestricted gifts and grants.

**Purpose of Fund:** To account for the University's summer session programs, the recovery of administrative programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts and grants.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,906,300	11,738,600	10,056,200
Revenue	<u>35,208,000</u>	<u>36,468,300</u>	<u>37,562,300</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>46,114,300</u>	<u>48,206,900</u>	<u>47,618,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>236.6</u>	<u>279.7</u>	<u>288.1</u>
Operating Subtotal	<u>19,982,300</u>	<u>22,800,700</u>	<u>23,484,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>19,982,300</u>	<u>22,800,700</u>	<u>23,484,700</u>
<b>TRANSFERS</b>	14,393,400	15,350,000	15,810,500
<b>BALANCE FORWARD</b>	11,738,600	10,056,200	8,323,300

**ENDOWMENT (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Receipts include funds from the state, student fees for the financial aid trust, new donations, and interest earnings.

**Purpose of Fund:** The Endowment Fund consists of endowment and quasi-endowment funds. Endowment funds are subject to restrictions of the donor gift instruments, requiring that the principal be invested in perpetuity and that only the income be utilized.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	5,321,300	5,750,400	6,180,400
Revenue	<u>429,100</u>	<u>430,000</u>	<u>430,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,750,400</u>	<u>6,180,400</u>	<u>6,610,400</u>

**Fiscal Year 1999 Non-Appropriated Funds**

**NORTHERN ARIZONA UNIVERSITY (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

0.0

0.0

0.0

**TOTAL FUNDS EXPENDED**

0

0

0

**BALANCE FORWARD**

5,750,400

6,180,400

6,610,400

**INDIRECT COST RECOVERY - NON FEDERAL (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect costs recovered from non-federal sponsored research projects and grants.

**Purpose of Fund:** These resources account for transactions related to the summer session programs, the recovery of indirect costs of sponsored research programs, the recovery of administrative programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts and grants.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	221,400	269,000	224,100
Revenue	478,100	445,400	449,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>699,500</u>	<u>714,400</u>	<u>674,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	1.3	3.0	3.1
Operating Subtotal	86,200	157,400	158,900
<b>TOTAL FUNDS EXPENDED</b>	<u>86,200</u>	<u>157,400</u>	<u>158,900</u>
<b>TRANSFERS</b>	344,300	332,900	336,200
<b>BALANCE FORWARD</b>	269,000	224,100	178,900

**LOAN (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Interest earned on student loans for programs funded by the federal government.

**Purpose of Fund:** The Loan Fund, primarily financed by the federal government, is for loans to students. Interest is recorded on an accrual basis. This is a revolving loan fund, and if the program ended, approximately \$5 million would be returned to the federal government.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	6,513,800	6,604,200	6,629,200
Revenue	296,500	300,000	300,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>6,810,300</u>	<u>6,904,200</u>	<u>6,929,200</u>

**Fiscal Year 1999 Non-Appropriated Funds**

**NORTHERN ARIZONA UNIVERSITY (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

	0.0	0.0	0.0
Operating Subtotal	<u>255,800</u>	<u>275,000</u>	<u>275,000</u>

TOTAL FUNDS EXPENDED

<u>255,800</u>	<u>275,000</u>	<u>275,000</u>
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TRANSFERS

(49,700)	0	0
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BALANCE FORWARD

6,604,200	6,629,200	6,654,200
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**RESTRICTED FUND (Excluding Federal Funds) (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Grants from other than federal sources.

**Purpose of Fund:** The Restricted Fund is used to account for current funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purposes for which they may be expended.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,695,100	1,465,700	1,448,700
Revenue	<u>15,062,900</u>	<u>14,628,000</u>	<u>15,066,800</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>16,758,000</u>	<u>16,093,700</u>	<u>16,515,500</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	89.8	86.2	88.8
Operating Subtotal	<u>15,487,100</u>	<u>14,839,100</u>	<u>15,284,300</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>15,487,100</u>	<u>14,839,100</u>	<u>15,284,300</u>
 <b>TRANSFERS</b>	(194,800)	(194,100)	(199,900)
<b>BALANCE FORWARD</b>	1,465,700	1,448,700	1,431,100

**NORTHERN ARIZONA UNIVERSITY**

**Agency Summary of Federal Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	701,200	851,700	709,800
Revenue	<u>24,967,400</u>	<u>24,270,800</u>	<u>24,971,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>25,668,600</u>	<u>25,122,500</u>	<u>25,681,200</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	152.2	161.6	167.7
Operating Subtotal	<u>19,657,000</u>	<u>20,075,400</u>	<u>20,509,900</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>19,657,000</u>	<u>20,075,400</u>	<u>20,509,900</u>
 <b>TRANSFERS</b>	5,159,900	4,337,300	4,604,900
<b>BALANCE FORWARD</b>	851,700	709,800	566,400

**Fiscal Year 1999 Non-Appropriated Funds**

**NORTHERN ARIZONA UNIVERSITY (Continued)**

<b>FEDERAL GRANTS (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> Federal Grants.	
<b>Purpose of Fund:</b> Federal grants are used for operating purposes but restricted by federal agencies as to the specific purpose for which they may be expended.	

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	23,453,600	22,860,300	23,546,800
<b>TOTAL FUNDS AVAILABLE</b>	23,453,600	22,860,300	23,546,800
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	148.0	152.0	158.0
Operating Subtotal	19,384,000	19,577,100	20,006,600
<b>TOTAL FUNDS EXPENDED</b>	19,384,000	19,577,100	20,006,600
TRANSFERS	4,069,600	3,283,200	3,540,200
BALANCE FORWARD	0	0	0

<b>FEDERAL INDIRECT COST RECOVERY (No Fund Number)</b>	<b>A.R.S. § 15-1601</b>
<b>Source of Revenue:</b> Overhead charges for federal research projects and grants.	
<b>Purpose of Fund:</b> Overhead charges partially support related administrative costs or research programs.	

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Balance Forward	701,200	851,700	709,800
Revenue	1,513,800	1,410,500	1,424,600
<b>TOTAL FUNDS AVAILABLE</b>	2,215,000	2,262,200	2,134,400
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	4.2	9.6	9.7
Operating Subtotal	273,000	498,300	503,300
<b>TOTAL FUNDS EXPENDED</b>	273,000	498,300	503,300
TRANSFERS	1,090,300	1,054,100	1,064,700
BALANCE FORWARD	851,700	709,800	566,400

**Fiscal Year 1999 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS**

**Agency Summary of Combined Funds**

**ANALYST: John Lee/Steve Grunig**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	132,928,100	132,173,400	146,105,100
Revenue	<u>430,347,000</u>	<u>444,384,700</u>	<u>457,716,200</u>
TOTAL FUNDS AVAILABLE	563,275,100	576,558,100	603,821,300
 TOTAL FUNDS EXPENDED			
Full Time Equivalent Positions	<u>3,262.0</u>	<u>3,270.5</u>	<u>3,286.6</u>
Operating Subtotal	385,403,500	384,869,800	399,916,000
 TOTAL FUNDS EXPENDED	<u>385,403,500</u>	<u>384,869,800</u>	<u>399,916,000</u>
 TRANSFERS	45,698,200	45,583,200	45,558,200
BALANCE FORWARD	132,173,400	146,105,100	158,347,100

**UNIVERSITY OF ARIZONA - MAIN CAMPUS**

**Agency Summary of Local Funds**

**ANALYST: John Lee/Steve Grunig**

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	116,812,500	114,390,500	142,936,100
Revenue	<u>298,788,700</u>	<u>324,894,300</u>	<u>334,373,400</u>
TOTAL FUNDS AVAILABLE	415,601,200	439,284,800	477,309,500
 FUNDS EXPENDED			
Full Time Equivalent Positions	<u>2,088.4</u>	<u>2,087.0</u>	<u>2,128.2</u>
Operating Subtotal	254,942,300	250,195,300	276,573,200
 TOTAL FUNDS EXPENDED	<u>254,942,300</u>	<u>250,195,300</u>	<u>276,573,200</u>
 TRANSFERS	46,268,400	46,153,400	46,128,400
BALANCE FORWARD	114,390,500	142,936,100	154,607,900

**AUXILIARY ENTERPRISE FUND (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues are primarily from sales and services offered to the students, faculty, staff and public, but are not themselves educational activities, including revenues from student housing, bookstores, student union, intercollegiate athletics, and others.

**Purpose of Fund:** The Auxiliary Enterprise Funds account for the revenues and expenditures of revenue-producing and substantially self-supporting activities that perform a service to the student body, faculty, and public, but are not themselves educational activities.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	22,560,600	22,612,100	22,975,000
Revenue	<u>136,722,000</u>	<u>140,823,700</u>	<u>145,048,400</u>
TOTAL FUNDS AVAILABLE	159,282,600	163,435,800	168,023,400

**Fiscal Year 1999 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

	917.8	922.3	926.8
Operating Subtotal	126,341,600	130,131,900	134,035,800

**TOTAL FUNDS EXPENDED**

126,341,600	130,131,900	134,035,800
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TRANSFERS

10,328,900	10,328,900	10,328,900
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BALANCE FORWARD

22,612,100	22,975,000	23,658,700
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**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues are derived from summer session, Extended University, the Alumni Association, conferences, Administrative Service charge, unrestricted gifts, income from short-term investments, and tuition and fees retained by the university.

**Purpose of Fund:** The Designated Funds provide current operating funds that are limited for a specific purpose by specific action of the Arizona Board of Regents or by an administrative unit of the university authorized by the board to designate funds.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	37,916,900	27,298,600	30,756,200
Revenue	112,737,000	117,246,500	120,763,900
<b>TOTAL FUNDS AVAILABLE</b>	150,653,900	144,545,100	151,520,100

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

	777.1	773.4	777.1
Operating Subtotal	82,645,500	73,079,100	79,271,600

**TOTAL FUNDS EXPENDED**

82,645,500	73,079,100	79,271,600
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TRANSFERS

40,709,800	40,709,800	40,709,800
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BALANCE FORWARD

27,298,600	30,756,200	31,538,700
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**ENDOWMENT AND SIMILAR FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues from donors to create new endowments and interest on established endowments.

**Purpose of Fund:** The Endowment and Similar Funds account for private gifts that require the principal to be permanently invested and only the income be utilized for general or specified requirements.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	41,702,100	45,379,600	49,176,100
Revenue	3,967,200	4,086,200	4,208,800
<b>TOTAL FUNDS AVAILABLE</b>	45,669,300	49,465,800	53,384,900



**Fiscal Year 1999 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Continued)**

**FUNDS EXPENDED**

<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS EXPENDED</b>	0	0	0
	<hr/>	<hr/>	<hr/>
<b>TRANSFERS</b>	289,700	289,700	289,700
<b>BALANCE FORWARD</b>	45,379,600	49,176,100	53,095,200

**LOAN (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues from federally funded or privately sponsored student loan programs.

**Purpose of Fund:** For loans made to assist students in the financing of their education.

	<u><b>FY 1997</b></u>	<u><b>FY 1998</b></u>	<u><b>FY 1999</b></u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	977,600	754,200	696,800
Revenue	<u>165,600</u>	<u>170,600</u>	<u>175,700</u>
<b>TOTAL FUNDS AVAILABLE</b>	1,143,200	924,800	872,500
	<hr/>	<hr/>	<hr/>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	<u>133,600</u>	<u>87,600</u>	<u>90,200</u>
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNDS EXPENDED</b>	133,600	87,600	90,200
	<hr/>	<hr/>	<hr/>
<b>TRANSFERS</b>	255,400	140,400	115,400
<b>BALANCE FORWARD</b>	754,200	696,800	666,900

**RESTRICTED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Grants or contracts from private organizations, state and local government entities.

**Purpose of Fund:** The Restricted Funds account for governmental and private gifts, grants and contracts. The purposes are restricted by the donor or supporting agency. Funds not used for the restricted purposes revert to the sponsor or donor.

	<u><b>FY 1997</b></u>	<u><b>FY 1998</b></u>	<u><b>FY 1999</b></u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	13,655,300	18,346,000	39,332,000
Revenue	<u>45,196,900</u>	<u>62,567,300</u>	<u>64,176,600</u>
<b>TOTAL FUNDS AVAILABLE</b>	58,852,200	80,913,300	103,508,600

**Fiscal Year 1999 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - MAIN CAMPUS (Continued)**

FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	393.5	391.3	424.3
Operating Subtotal	45,821,600	46,896,700	63,175,600
 TOTAL FUNDS EXPENDED	 45,821,600	 46,896,700	 63,175,600
TRANSFERS	(5,315,400)	(5,315,400)	(5,315,400)
BALANCE FORWARD	18,346,000	39,332,000	45,648,400

**UNIVERSITY OF ARIZONA - MAIN CAMPUS**

**Agency Summary of Federal Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Balance Forward	16,115,600	17,782,900	3,169,000
Revenue	131,558,300	119,490,400	123,342,800
TOTAL FUNDS AVAILABLE	147,673,900	137,273,300	126,511,800
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	1,173.6	1,183.5	1,158.4
Operating Subtotal	130,461,200	134,674,500	123,342,800
 TOTAL FUNDS EXPENDED	 130,461,200	 134,674,500	 123,342,800
TRANSFERS	(570,200)	(570,200)	(570,200)
BALANCE FORWARD	17,782,900	3,169,000	3,739,200

**FEDERAL GRANTS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Grants or contracts from federal government agencies.

**Purpose of Fund:** Federal grants and contracts are used for the purposes specified by granting agencies. The purposes are restricted by the supporting agency. Funds not used for the restricted purpose revert to the sponsor.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	16,115,600	17,782,900	3,169,000
Revenue	106,683,400	93,869,200	96,952,900
TOTAL FUNDS AVAILABLE	122,799,000	111,652,100	100,121,900

# Fiscal Year 1999 Non-Appropriated Funds

## UNIVERSITY OF ARIZONA - MAIN CAMPUS (Continued)

### FUNDS EXPENDED

*Full Time Equivalent Positions*

	1,173.6	1,183.5	1,158.4
Operating Subtotal	105,586,300	109,053,300	96,952,900
 TOTAL FUNDS EXPENDED	 105,586,300	 109,053,300	 96,952,900
 TRANSFERS	 (570,200)	 (570,200)	 (570,200)
BALANCE FORWARD	17,782,900	3,169,000	3,739,200

### FEDERAL INDIRECT COST RECOVERY (No Fund Number)

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect Cost revenue is derived by charging certain federal sponsored grant and contract entities a negotiated rate of overhead.

**Purpose of Fund:** The Indirect Cost Recovery Fund provides the source of funds utilized by the institution to cover those costs indirectly associated with grant and contract activity. The fund supplements the general administrative and operating expenses for the university and affected departments.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
FUNDS AVAILABLE			
Balance Forward	0	0	0
Revenue	24,874,900	25,621,200	26,389,900
TOTAL FUNDS AVAILABLE	24,874,900	25,621,200	26,389,900
 FUNDS EXPENDED			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Operating Subtotal	24,874,900	25,621,200	26,389,900
 TOTAL FUNDS EXPENDED	 24,874,900	 25,621,200	 26,389,900
 BALANCE FORWARD	 0	 0	 0

**Fiscal Year 1999 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER**

**Agency Summary of Combined Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	57,504,100	57,793,000	60,351,700
Revenue	92,498,600	94,863,000	97,968,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>150,002,700</u>	<u>152,656,000</u>	<u>158,320,100</u>
 <b>TOTAL FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	906.0	887.7	885.9
Operating Subtotal	<u>94,479,700</u>	<u>94,574,300</u>	<u>96,499,800</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>94,479,700</u>	<u>94,574,300</u>	<u>96,499,800</u>
 TRANSFERS	(2,270,000)	(2,270,000)	(2,270,000)
BALANCE FORWARD	57,793,000	60,351,700	64,090,300

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER**

**Agency Summary of Local Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	56,998,700	57,046,600	59,914,500
Revenue	42,581,200	43,824,600	45,399,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>99,579,900</u>	<u>100,871,200</u>	<u>105,313,500</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	469.7	447.0	444.2
Operating Subtotal	<u>44,803,000</u>	<u>43,226,400</u>	<u>43,930,400</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>44,803,000</u>	<u>43,226,400</u>	<u>43,930,400</u>
 TRANSFERS	(2,269,700)	(2,269,700)	(2,269,700)
BALANCE FORWARD	57,046,600	59,914,500	63,652,800

**AUXILIARY ENTERPRISE FUND (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues from student housing, bookstores, student union, stores, intercollegiate athletics, and others.

**Purpose of Fund:** The Auxiliary Enterprise Funds account for the revenues and expenditures of revenue producing and substantially self-supporting activities that perform a service to the student body, faculty and public, but are not themselves educational activities.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,655,500	1,845,100	2,040,700
Revenue	6,335,500	6,525,600	6,721,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>7,991,000</u>	<u>8,370,700</u>	<u>8,762,100</u>

**Fiscal Year 1999 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER (Continued)**

**FUNDS EXPENDED**

*Full Time Equivalent Positions*

	55.4	55.7	56.0
Operating Subtotal	6,137,500	6,321,600	6,511,300
 TOTAL FUNDS EXPENDED	 6,137,500	 6,321,600	 6,511,300
 TRANSFERS	 8,400	 8,400	 8,400
BALANCE FORWARD	1,845,100	2,040,700	2,242,400

**DESIGNATED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues generated from summer session, conferences, and unrestricted gifts.

**Purpose of Fund:** The Designated Funds provide current operating funds that are limited for a specific purpose by specific action of the Arizona Board of Regents or by an administrative unit of the university authorized by the board to designate funds.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	10,386,300	8,269,200	8,141,000
Revenue	7,767,500	8,168,000	8,672,600
<b>TOTAL FUNDS AVAILABLE</b>	18,153,800	16,437,200	16,813,600
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	142.6	120.8	120.6
Operating Subtotal	12,164,000	10,575,600	10,634,800
 TOTAL FUNDS EXPENDED	 12,164,000	 10,575,600	 10,634,800
 TRANSFERS	 (2,279,400)	 (2,279,400)	 (2,279,400)
BALANCE FORWARD	8,269,200	8,141,000	8,458,200

**ENDOWMENT AND SIMILAR FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Revenues are received from donors to create new endowments and interest on established endowments.

**Purpose of Fund:** The Endowment and Similar Funds account for private gifts that require the principal to be permanently invested and only the income be utilized for general or specified requirements.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	30,239,900	32,666,700	35,134,400
Revenue	1,364,500	1,405,400	1,447,600
<b>TOTAL FUNDS AVAILABLE</b>	31,604,400	34,072,100	36,582,000

**Fiscal Year 1999 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER (Continued)**

**FUNDS EXPENDED**

<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
 TOTAL FUNDS EXPENDED	 <u>0</u>	 <u>0</u>	 <u>0</u>
TRANSFERS	(1,062,300)	(1,062,300)	(1,062,300)
BALANCE FORWARD	32,666,700	35,134,400	37,644,300

**RESTRICTED FUNDS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Grants or contracts from private organizations, state and local governmental entities.

**Purpose of Fund:** The Restricted Funds account for governmental and private gifts, grants and contracts. The purposes are restricted by the donor or supporting agency. Funds not used for the restricted purposes revert to the sponsor or donor.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	14,717,000	14,265,600	14,598,400
Revenue	<u>27,113,700</u>	<u>27,725,600</u>	<u>28,557,400</u>
TOTAL FUNDS AVAILABLE	41,830,700	41,991,200	43,155,800
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>271.7</u>	<u>270.5</u>	<u>267.6</u>
Operating Subtotal	26,501,500	26,329,200	26,784,300
 TOTAL FUNDS EXPENDED	 <u>26,501,500</u>	 <u>26,329,200</u>	 <u>26,784,300</u>
TRANSFERS	1,063,600	1,063,600	1,063,600
BALANCE FORWARD	14,265,600	14,598,400	15,307,900

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER**

**Agency Summary of Federal Funds**

**ANALYST:** John Lee/Steve Grunig

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	505,400	746,400	437,200
Revenue	<u>49,917,400</u>	<u>51,038,400</u>	<u>52,569,400</u>
TOTAL FUNDS AVAILABLE	50,422,800	51,784,800	53,006,600
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>436.3</u>	<u>440.7</u>	<u>441.7</u>
Operating Subtotal	49,676,700	51,347,900	52,569,400
 TOTAL FUNDS EXPENDED	 <u>49,676,700</u>	 <u>51,347,900</u>	 <u>52,569,400</u>
TRANSFERS	(300)	(300)	(300)
BALANCE FORWARD	746,400	437,200	437,500

**Fiscal Year 1999 Non-Appropriated Funds**

**UNIVERSITY OF ARIZONA - ARIZONA HEALTH SCIENCES CENTER (Continued)**

**FEDERAL GRANTS AND CONTRACTS (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Federal grants and contracts.

**Purpose of Fund:** Federal Funds account for governmental grants and contracts. The purposes are restricted by the donor or supporting agency. Funds not used for the restricted purpose revert to the sponsor or donor.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	505,400	746,400	437,200
Revenue	<u>38,130,300</u>	<u>38,897,700</u>	<u>40,064,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>38,635,700</u>	<u>39,644,100</u>	<u>40,501,700</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>436.3</u>	<u>440.7</u>	<u>441.7</u>
Operating Subtotal	<u>37,889,600</u>	<u>39,207,200</u>	<u>40,064,500</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>37,889,600</u>	<u>39,207,200</u>	<u>40,064,500</u>
 TRANSFERS	(300)	(300)	(300)
<b>BALANCE FORWARD</b>	746,400	437,200	437,500

**FEDERAL INDIRECT COST RECOVERY (No Fund Number)**

**A.R.S. § 15-1601**

**Source of Revenue:** Indirect Cost revenue is derived by charging certain federal sponsored grant and contract activities a negotiated rate of overhead.

**Purpose of Fund:** The Indirect Cost Recovery Fund provides the source of funds utilized by the institution to cover those costs indirectly associated with grant and contract activity related to departmental and general administration, sponsored projects administration, operation and maintenance of plant, library, student services, equipment use, building use and interest expense.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>11,787,100</u>	<u>12,140,700</u>	<u>12,504,900</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>11,787,100</u>	<u>12,140,700</u>	<u>12,504,900</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>11,787,100</u>	<u>12,140,700</u>	<u>12,504,900</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>11,787,100</u>	<u>12,140,700</u>	<u>12,504,900</u>
  <b>BALANCE FORWARD</b>	0	0	0

# Fiscal Year 1999 Non-Appropriated Funds

DEPARTMENT OF COMMERCE <sup>1/</sup>

ANALYST: Lisa Cotter

## ARIZONA CLEAN AIR FUND (EPA1238)

A.R.S. § 41-1516

**This fund is recommended for transfer to appropriated status.**

**Source of Revenue:** The Arizona Clean Air Fund (ACAF) has 7 revenue sources. Their descriptions and estimated FY 1998 revenues to the fund are as follows:

- 1) Legislative appropriations. Laws 1996, 7th Special Session, Chapter 6, Section 44 requires that the first \$1,000,000 of any monies deposited to the General Fund in any fiscal year from the settlement proceeds of the Farm and Home and Northstar cases be appropriated to the ACAF (The FY 1998 estimate assumes that only \$1,000,000 from the Farm and Home Settlement will be available).
- 2) A \$250,000 annual transfer from DEQ's Air Quality Fund.
- 3) State agency appropriations for purchasing or converting alternative fuel vehicles that have not been spent by the end of each fiscal year (FY 1998 - \$0).
- 4) Monies from DEQ's Vehicle Repair Grant Program that have not been spent by the end of each fiscal year (FY 1998 - \$0).
- 5) A fee that owners of new vehicles may pay to forego the vehicle's first emissions inspection (FY 1998 - \$2,400,000).
- 6) In FY 1998, 31% of revenues from State Lottery computerized bingo games and 21.5% of revenues from State Lottery instant bingo games after obligations are met to the Heritage Fund and the General Fund. In FY 1999, 29% of revenues from computerized bingo games and 21.5% of revenues from instant bingo games after obligations are met to the Heritage Fund (FY 1998 - \$0).
- 7) Gifts, grants, and donations.

**Purpose of Fund:** The ACAF was established to replace the Alternative Fuel Delivery System Fund under Laws 1996, 7th Special Session, Chapter 6 to promote the use of alternative fuels by supporting the following programs and their administrative costs:

- 1) Providing individual grants of up to \$100,000 to providers of alternative fuel who establish alternative fuel delivery systems accessible to the general public.
- 2) Providing individual or small business grants of up to \$1,000 for the purchase and installation of an alternative fuel delivery system on the individual's or small business' property. No more than half of the fund's deposits may be used for this purpose.
- 3) Providing grants to specified school districts, cities and towns to pay a portion of the cost incurred for alternative fuels programs.
- 4) Paying to alter high occupancy vehicle lane sign markings to indicate any alternative fuel vehicle may use the lanes.

In addition, Laws 1997, Chapter 269 appropriated from the ACAF to the Department of Environmental Quality \$5,747,300 in FY 1998 for the Vehicle Emissions Inspection program. Laws 1997, Chapter 269 also appropriated \$5,000,000 from the ACAF to the Department of Commerce in FY 1999 for alternative fuel bus matching grants for cities within Maricopa and Pima Counties.

As shown below, under current revenue projections the ACAF will not be able to support its current expenditure commitments. An adjustment will need to be made to prevent an ACAF deficit in FY 1998 and FY 1999. To avoid a FY 1998 deficit, the JLBC Staff recommends eliminating the ACAF appropriation for the Vehicle Emissions Inspection program.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,301,200	3,157,800	0
Appropriation Transfers In	750,000	1,250,000	1,250,000
Revenue	1,393,200	2,400,000	2,400,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>3,444,400</u>	<u>6,807,800</u>	<u>3,650,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>1.5</u>	<u>1.5</u>
Operating Subtotal	97,000	232,000	259,400
Aid to Individuals	129,800	0	0
Aid to Organizations	3,000	6,200,000	0
<b>TOTAL FUNDS EXPENDED</b>	<u>229,800</u>	<u>6,432,000</u>	<u>259,400</u>
<b>APPROPRIATIONS</b>	0	5,747,300	5,000,000
<b>TRANSFERS OUT - To General Fund</b>	56,800	0	0
<b>BALANCE FORWARD</b>	3,157,800	(5,371,500)	(1,609,400)

1/ The full detail of the Department of Commerce's FY 1998 and FY 1999 non-appropriated funds appears in the JLBC Staff's January 1997 Non-Appropriated Funds report. Funds are presented here only if they have significantly changed from last year.



**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF COMMERCE (Continued)**

**GREATER AZ DEVELOPMENT AUTHORITY REVOLVING FUND (EPA2311)**

**A.R.S. § 41-1553.04**

**Source of Revenue:** Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.

**Purpose of Fund:** Laws 1997, Chapter 208 established the Greater Arizona Development Authority (GADA) and the GADA Revolving 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. Other revenue to the fund may be used for the Department of Commerce's GADA operating costs as well as technical and financial assistance to communities.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	2,800,000
Appropriations	0	3,000,000	8,000,000
Interest Earned	0	128,000	540,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>3,128,000</u>	<u>11,340,000</u>
 <b>FUNDS EXPENDED</b>			
Full Time Equivalent Positions	0.0	2.7	3.7
Operating Subtotal	<u>0</u>	<u>328,000</u>	<u>540,000</u>
 <b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>328,000</u>	<u>540,000</u>
 <b>BALANCE FORWARD</b>	0	2,800,000	10,800,000

**Fiscal Year 1999 Non-Appropriated Funds**

**STATE COMPENSATION FUND**

ANALYST: Jim Rounds

**STATE COMPENSATION FUND (TRA9002)**

**A.R.S. § 23-981**

**Source of Revenue:** Worker's compensation insurance premiums; investment income, including capital gains; other income.

**Purpose of Fund:** The State Compensation Fund is established for the purpose of insuring employers against liability for workers' compensation, occupational disease compensation and medical, surgical and hospital benefits pursuant to the provisions of Arizona and federal statutes.

By statute, the State Compensation Fund's operating and capital outlay budget is prepared on a calendar year basis and submitted for review and approval by the Joint Legislative Budget Committee.

	<u>CY 1996</u>	<u>CY 1997</u>	<u>CY 1998</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	185,057,800	240,727,900	268,232,400
Revenue	<u>443,558,000</u>	<u>400,100,000</u>	<u>376,500,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>628,615,800</u>	<u>640,827,900</u>	<u>644,732,400</u>
 <b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>744.0</u>	<u>746.0</u>	<u>736.0</u>
Operating Subtotal	35,186,000	35,807,200	36,588,000
Special Line Items	10,129,900	12,788,300	10,223,400
Compensation and Medical Benefits	288,851,700	254,000,000	248,000,000
Policyholder Dividends	48,650,000	60,000,000	60,000,000
Accounting Adjustments	<u>5,070,300</u>	<u>10,000,000</u>	<u>10,000,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>387,887,900</u>	<u>372,595,500</u>	<u>364,811,400</u>
 <b>BALANCE FORWARD</b>	 240,727,900	 268,232,400	 279,921,000

# **Fiscal Year 1999 Non-Appropriated Funds**

## **DEPARTMENT OF ENVIRONMENTAL QUALITY <sup>1/</sup>**

**ANALYST: Chris Earnest**

### **CLEAN WATER REVOLVING FUND (EVA2254)**

**A.R.S. § 49-374**

**Source of Revenue:** Legislative appropriations, bond proceeds, loan repayments, donations, and interest.

**Purpose of Fund:** This fund was formerly the Wastewater Treatment Revolving Fund. Monies are used 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 (WIFA) administers the loans.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	1,391,000	1,362,900	1,274,600
Revenue	<u>3,956,900</u>	<u>4,106,400</u>	<u>5,640,400</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>5,347,900</u>	<u>5,469,300</u>	<u>6,915,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>5.0</u>	<u>6.0</u>	<u>6.0</u>
Operating Subtotal	<u>3,911,300</u>	<u>4,067,700</u>	<u>5,343,700</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>3,911,300</u>	<u>4,067,700</u>	<u>5,343,700</u>
<b>TRANSFER TO INDIRECT COST FUND</b>	73,700	127,000	131,000
<b>BALANCE FORWARD</b>	1,362,900	1,274,600	1,440,300

1/ The full detail of the Department of Environmental Quality's FY 1998 and FY 1999 non-appropriated funds appears in the JLBC Staff's January 1997 Non-Appropriated Funds Report. Funds are presented here only if they have significantly changed from last year.

### **DRINKING WATER REVOLVING FUND (EVA4320)**

**A.R.S. § 49-473.01**

**Source of Revenue:** Legislative appropriations, donations, and interest.

**Purpose of Fund:** This fund was created by Laws 1997, Chapter 130. Monies are used for making 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 (WIFA) administers the loans.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	<u>0</u>	<u>3,380,000</u>	<u>1,451,500</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>3,380,000</u>	<u>1,451,500</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>0</u>	<u>3,380,000</u>	<u>1,451,500</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>3,380,000 <sup>1/</sup></u>	<u>1,451,500 <sup>1/</sup></u>
<b>BALANCE FORWARD</b>	0	0	0

1/ These amounts are not included as an expenditure in the Summary at the front of this report to avoid the double counting of General Fund expenditures.

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)

### GREENFIELDS PILOT PROGRAM FUND (EVA3115)

Laws 1997, Chapter 296

**Source of Revenue:** Legislative appropriations and program fees. There is a \$100,000 and a \$70,000 General Fund appropriation in FY 1998 and FY 1999, respectively. These appropriations are intended as start-up monies and will be paid back to the General Fund as fees are collected.

**Purpose of Fund:** This fund was created by Laws 1997, Chapter 296. The Greenfields Program is intended 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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	0	100,000	70,000
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>100,000</u>	<u>70,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.6	0.7
Operating Subtotal	<u>0</u>	<u>82,100</u>	<u>45,800</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>82,100</u> <sup>1/</sup>	<u>45,800</u> <sup>1/</sup>
TRANSFERS TO INDIRECT COST FUND	0	17,900	24,200
<b>BALANCE FORWARD</b>	0	0	0

<sup>1/</sup> These amounts are not included as an expenditure in the Summary at the front of this report to avoid the double counting of General Fund expenditures.

**NOTE: The Underground Storage Tank (UST) Fund is displayed first as a fund summary, then by individual account.**

### UNDERGROUND STORAGE TANK (UST) FUND SUMMARY (EVA2271)

A.R.S. § 49-1015(A)

**Source of Revenue:** See each account for specific revenue sources.

**Purpose of Fund:** See each account for specific account purpose.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	37,428,800	34,776,000	2,824,900
Revenue	28,801,500	28,639,800	26,086,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>66,230,300</u>	<u>63,415,800</u>	<u>28,911,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	82.9	90.7	90.7
Operating Subtotal	10,267,100	12,863,200	8,988,200
Special Line Items Total	19,860,200	46,105,600	18,244,500
<b>TOTAL FUNDS EXPENDED</b>	<u>30,127,300</u>	<u>58,968,800</u>	<u>27,232,700</u>
TRANSFERS	1,327,000	1,622,100	1,678,300
<b>BALANCE FORWARD</b>	34,776,000	2,824,900	0

# Fiscal Year 1999 Non-Appropriated Funds

## DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)

### UST FUND - AREA A ASSURANCE ACCOUNT (EVA2271)

A.R.S. § 49-1051

**Source of Revenue:** Area A (Maricopa County) excise tax revenues, cost recovery, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline. There is a \$3,000,000 and a \$757,400 General Fund appropriation in FY 1997 and FY 1998 respectively.

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	6,513,400	10,484,400	0
Revenue	14,304,900	12,950,600	11,878,900
<b>TOTAL FUNDS AVAILABLE</b>	<u>20,818,300</u>	<u>23,435,000</u>	<u>11,878,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	10.7	24.0	24.0
Operating Subtotal	2,942,400	2,200,200	1,615,700
Individual Claims	6,220,100	19,815,400	9,315,500
State Lead Sites	975,000	975,000	458,400
<b>TOTAL FUNDS EXPENDED</b>	<u>10,137,500 <sup>1/</sup></u>	<u>22,990,600 <sup>2/</sup></u>	<u>11,389,600</u>
<b>TRANSFER TO INDIRECT COST FUND</b>	196,400	444,400	489,300
<b>BALANCE FORWARD</b>	10,484,400	0	0

1/ Of this amount, only \$7,137,500 is included as an expenditure in the Summary at the front of this report. The \$3,000,000 General Fund appropriation is not included to avoid the double counting of General Fund expenditures.

2/ Of this amount, only \$22,233,200 is included as expenditures in the Summary at the front of this report. The \$757,400 General Fund appropriation is not included to avoid the double counting of General Fund expenditures.

### UST FUND - GRANT ACCOUNT (EVA2271)

A.R.S. § 49-1071

**Source of Revenue:** Ten percent of excise tax, one-time tank fees levied in 1990, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline. Amounts received from the excise tax are statutorily capped at \$5,600,000; the account reached this cap in August 1994.

**Purpose of Fund:** To make grants, up to \$100,000, to UST owners/operators for the purposes of meeting tank performance standards, removing tanks for closure or replacement, or paying the portion of corrective action costs that are less than the deductible amount under the Assurance Fund. The Grant Account was divided into the Area A and non-Maricopa County Accounts by Laws 1993, Chapter 1, 6th Special Session. The table below depicts the entire Grant Account.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	6,998,000	7,197,800	2,824,900
Revenue	451,100	216,000	84,700
<b>TOTAL FUNDS AVAILABLE</b>	<u>7,449,100</u>	<u>7,413,800</u>	<u>2,909,600</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	2.2	1.9	1.9
Operating Subtotal	217,800	4,564,400	2,885,000
<b>TOTAL FUNDS EXPENDED</b>	<u>217,800</u>	<u>4,564,400</u>	<u>2,885,000</u>
<b>TRANSFER TO INDIRECT COST FUND</b>	33,500	24,500	24,600
<b>BALANCE FORWARD</b>	7,197,800	2,824,900	0

**Fiscal Year 1999 Non-Appropriated Funds**

**DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)**

**UST FUND - NON-MARICOPA COUNTY ASSURANCE ACCOUNT (EVA2271)**

**A.R.S. § 49-1051**

**Source of Revenue:** Non-Maricopa County excise tax revenues, cost recovery, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline. There is also an \$820,600 General Fund appropriation in FY 1998.

**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 areas other than Area A.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	23,591,600	16,999,800	0
Revenue	13,065,600	14,508,200	13,177,400
<b>TOTAL FUNDS AVAILABLE</b>	<u>36,657,200</u>	<u>31,508,000</u>	<u>13,177,400</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	51.9	48.8	48.8
Operating Subtotal	6,187,200	5,316,900	3,821,900
Individual Claims	11,615,100	24,265,200	8,119,100
State Lead Sites	1,050,000	1,050,000	351,500
<b>TOTAL FUNDS EXPENDED</b>	<u>18,852,300</u>	<u>30,632,100</u> <sup>1/</sup>	<u>12,292,500</u>
TRANSFER TO INDIRECT COST FUND	805,100	875,900	884,900
<b>BALANCE FORWARD</b>	16,999,800	0	0

1/ Of this amount, only \$29,811,500 is included as expenditures in the Summary at the front of this report. The \$820,600 General Fund appropriation is not included so as to avoid the double counting of expenditures.

**UST FUND - REGULATORY ACCOUNT (EVA2271)**

**A.R.S. § 49-1015**

**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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	325,800	94,000	0
Revenue	979,900	965,000	945,100
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,305,700</u>	<u>1,059,000</u>	<u>945,100</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	18.1	16.0	16.0
Operating Subtotal	919,700	781,700	665,600
<b>TOTAL FUNDS EXPENDED</b>	<u>919,700</u>	<u>781,700</u>	<u>665,600</u>
TRANSFER TO INDIRECT COST FUND	292,000	277,300	279,500
<b>BALANCE FORWARD</b>	94,000	0	0

**VOLUNTARY LAWN MOWER RETIREMENT FUND (EVA2310)**

**A.R.S. § 49-474**

**Source of Revenue:** Laws 1997, Chapter 269 created this fund and appropriated \$1,000,000 from the General Fund to it.

**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.

## Fiscal Year 1999 Non-Appropriated Funds

### DEPARTMENT OF ENVIRONMENTAL QUALITY (Continued)

#### VOLUNTARY LAWN MOWER RETIREMENT FUND (Continued)

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	0
Revenue	0	1,000,000	
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>1,000,000</u>	<u>0</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Aid to Individuals	0	1,000,000	0
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>1,000,000</u> <sup>1/</sup>	<u>0</u>
<b>BALANCE FORWARD</b>	0	0	0

1/ This amount is not included as an expenditure in the Summary at the front of this report to avoid the double counting of General Fund expenditures.

#### WATER QUALITY ASSURANCE REVOLVING FUND (WQARF) (EVA2221)

A.R.S. § 49-282

**Source of Revenue:** Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. There is a \$14.5 million General Fund appropriation in both FY 1998 and FY 1999. As required by Laws 1997, Chapter 287, beginning in FY 2000, \$15 million will be transferred to the WQARF from the Corporate Income Tax. The \$15 million will be adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18 million annually.

**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 an \$800,000 transfer to the Department of Water Resources for well inspection and data management.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	3,524,100	3,575,200	2,672,900
Revenue	<u>5,189,900</u>	<u>18,621,000</u>	<u>18,621,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>8,714,000</u>	<u>22,196,200</u>	<u>21,293,900</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>43.9</u>	<u>67.8</u>	<u>67.8</u>
Operating Subtotal	<u>4,331,800</u>	<u>17,355,300</u>	<u>17,287,900</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>4,331,800</u>	<u>17,355,300</u> <sup>1/</sup>	<u>17,287,900</u> <sup>2/</sup>
<b>TRANSFERS:</b>			
INDIRECT COST FUND	807,000	1,368,000	1,435,400
ARIZONA WATER QUALITY FUND	0	800,000	800,000
<b>BALANCE FORWARD</b>	<u>3,575,200</u>	<u>2,672,900</u>	<u>1,770,600</u>

1/ Of this amount, only \$2,832,000 is included as an expenditure in the Summary at the front of this report. The \$14,500,000 General Fund appropriation is not included to avoid the double counting of General Fund expenditures.

2/ Of this amount, only \$2,787,900 is included as an expenditures in the Summary at the front of this report. The \$14,500,000 General Fund appropriation is not included to avoid the double counting of General Fund expenditures.

**Fiscal Year 1999 Non-Appropriated Funds**

**ARIZONA PARENTS COMMISSION ON DRUG  
EDUCATION AND PREVENTION**

ANALYST: Brad Regens

**DRUG TREATMENT AND EDUCATION FUND (PCA2277)**

**A.R.S. § 41-1604.17**

**Source of Revenue:** 50% of the Judiciary Drug Education and Treatment Fund (SPA2277).

**Purpose of Fund:** To fund 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.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	1,512,800	2,512,800
Revenue	<u>1,512,800</u>	<u>3,000,000</u>	<u>3,000,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>1,512,800</u>	<u>4,512,800</u>	<u>5,512,800</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Subtotal	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>
<b>BALANCE FORWARD</b>	1,512,800	2,512,800	3,512,800



# **Fiscal Year 1999 Non-Appropriated Funds**

## **DEPARTMENT OF WATER RESOURCES<sup>1/</sup>**

**ANALYST: Chris Earnest**

### **ARIZONA WATER QUALITY FUND (WCA2304)**

**A.R.S. § 45-618**

**Source of Revenue:** An annual \$800,000 transfer from the Water Quality Assurance Revolving Fund (WQARF) administered by the Arizona Department of Environmental Quality (ADEQ).

**Purpose of Fund:** This fund was created by Laws 1997, Chapter 287. Monies are used to inspect wells for vertical cross-contamination of groundwater by hazardous substances and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with ADEQ's WQARF Priority Site Remediation Program.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<b>FUNDS AVAILABLE</b>			
Balance Forward	0	0	82,000
Revenue	<u>0</u>	<u>800,000</u>	<u>800,000</u>
<b>TOTAL FUNDS AVAILABLE</b>	<u>0</u>	<u>800,000</u>	<u>882,000</u>
<b>FUNDS EXPENDED</b>			
<i>Full Time Equivalent Positions</i>	<u>0.0</u>	<u>13.5</u>	<u>13.5</u>
Operating Subtotal	<u>0</u>	<u>718,000</u>	<u>791,500</u>
<b>TOTAL FUNDS EXPENDED</b>	<u>0</u>	<u>718,000</u>	<u>791,500</u>
<b>BALANCE FORWARD</b>	0	82,000	90,500

1/ The full detail of the Department of Water Resources' FY 1998 and FY 1999 non-appropriated funds appears in the JLBC Staff's January 1997 Non-Appropriated Funds Report. Funds are presented here only if they have significantly changed from last year.

## **STATUS OF OTHER FUNDS**

## STATUS OF FUNDS

The JLBC Staff is statutorily required each year to recommend the elimination or consolidation of 5% of the state's funds in existence in that year. Our estimate of the number of funds specifically authorized by statute and/or in the Arizona Department of Administration's accounting system is 502. Below is a list of these funds in the baseline. The list also provides more information on the type of fund and where more information can be found. The main categories of funds are as follows:

- **Appropriated:** Included as part of the Staff's recommendation on Appropriated funds. See the Analysis and Recommendations volume for more information.
- **See Individual Funds:** A non-appropriated fund which has a separate fund summary in this volume. If a fund is not likely to be found under its fund name, the status list gives further guidance on the fund's expenditures.
- **Clearing Account:** A non-appropriated fund which exists for accounting purposes. Any fund expenditures are accounted for in another fund. These funds do not have their own fund summary in this volume.
- **Custodial** A non-appropriated fund which the state holds for some other party. The status list will note whether this volume contains information on that fund.
- **Trust** A non-appropriated fund which represents the corpus of the state Permanent Land Trust Funds. The corpus of the fund is invested, not spent. Interest income is transferred to separate expendable funds, which have the designation in this listing of "Trust-Earnings." The trust funds do not usually have a fund summary in this volume.

Each agency's 3-letter identification code and each fund's 4-digit fund number are shown in parenthesis. These identification codes correspond with those in the statewide accounting system.

### FUND

### STATUS

#### STATEWIDE FUNDS (AAA)

Federal Grant (2000)	See Individual Agencies
General Fixed Assets (1300)	Clearing Account
General Fund (1000)	Appropriated
Indirect Cost Recovery (9000)	See Individual Agencies
Long Term Debt (1200)	Clearing Account
Statewide Payroll Fund (9200)	Clearing Account

#### ANNUAL BUDGET UNITS

Arizona Department of Administration (ADA) <sup>1/</sup>	
Admin - AFIS II Collections (4203)	Clearing Account
Bus Card Plus Replacement Fund (AAA 1027)	Clearing Account
Capital Outlay Stabilization (1600)	Appropriated
Capital Project Stabilization (AAA 1001)	Inactive
Certificates of Participation (AAA 5005)	Clearing Account
Construction Insurance Fund (4219)	See Individual Fund
Co-Op State Purchasing Agreement (4213)	See Individual Fund
COP Building Operating and Maintenance Fund (1025)	See Individual Fund

<sup>1/</sup> Includes some statewide accounting funds with 3-letter codes of AAA.

**FUND**

D.O.A. Loss Control Projects (2303)  
D.O.A. - Merit Award Fund (3190)  
Emergency Telecommunications Revolving (2176)  
Employee Related Expenditures/Benefits Admin. (AAA 3035)  
Health Administration and Benefit Insurance Trust (AAA 3161)  
Indirect Cost Recovery Fund (9000)  
Information Technology (2152)  
Motor Pool Revolving (4204)  
Permanent Risk Management Revolving (4215)  
Personnel Division (1107)  
Plan Deposits (3196)  
Public Buildings Land Earnings (3127)  
Retiree Accumulated Sick Leave (NA)  
Special Employee Health Insurance Trust (AAA 3015)  
Special Services Revolving (4208)  
State Employee Travel Reduction Fund (2261)  
Surplus Property - Federal (4215)  
Surplus Property - State (4214)  
Technology and Telecommunications (4201)  
Workers' Compensation (4218)

**AHCCCS (HCA)**

AHCCCS Fund (2120)  
AHCCCS Donations (3197)  
  
AHCCCS Third Party Collections (3791)  
Arizona Long Term Care System (2223)  
Health Care Group Medical Premiums (3197)  
Health Plan Performance Bond (3734)  
Long-Term Care Reinsurance (2222)  
Tobacco Tax - Medically Needy Account (1306)  
Tobacco Tax - Medical Services Stabilization Fund (3037)  
Tobacco Tax - Premium Sharing Demonstration  
Project Fund (2151)

**Board of Directors for Community Colleges (CMA)**

Certification Fund (2009)  
Les Aries Memorial Earnings (3172)  
Les Aries Memorial Fund (3321)

**Department of Corrections (DCA)**

Alcohol Abuse Treatment (2204)  
Arizona Correctional Industries Revolving (4002)  
Corrections (2088)  
Criminal Justice Enhancement Fund Pass Through (2035)  
Donations (3147)  
Drug Treatment and Education Revolving (2277)  
Education Fund for Correctional Education (2107)  
Inmate Care Revolving (2089)  
Non-Federal Grants (2001)

**STATUS**

Clearing Account  
Inactive  
See Individual Fund  
See Individual Fund  
See Individual Fund  
Clearing  
Appropriated  
Appropriated  
Appropriated  
Appropriated  
Custodial  
Appropriated/See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
Appropriated  
Appropriated

See County Contributions and Federal Funds  
See Individual Fund (Health Care Group  
Medical Premiums)  
See Individual Fund  
See County Contributions and Federal Funds  
See Individual Fund  
Custodial Monies  
Inactive  
See Individual Fund  
See Individual Fund  
See Individual Fund

Appropriated  
Inactive  
See Individual Fund

See Individual Fund  
See Individual Fund  
Appropriated  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
Inactive  
See Individual Fund

**FUND****STATUS**

Penitentiary Land Earnings (3140)  
Permanent Training (NA)  
Risk Management Insurance Reimbursement (3748)  
Special Services (3187)  
State Charitable, Penal and Reformatories Land Earnings (3141)

Appropriated (Trust-Earnings)  
Inactive  
See Individual Fund  
See Individual Fund  
Appropriated (Trust-Earnings)

**Department of Economic Security (DEA)**

Arizona Industries for the Blind (4003)  
Capital Investment (2093)  
CCDF Block Grant (NA)  
Child Abuse Prevention and Treatment (2162)  
Child Passenger Restraint (2192)  
Child Support Enforcement [Economic Security Case Administration] (2091)  
Child Support Enforcement (3022)  
Children and Family Services Training Program (2173)  
Client Trust (3152)  
DD Client Services Trust [Phoenix ATP Closure] (2019)  
Domestic Violence Shelter (2160)  
Donations (3145)  
Full Employment Demonstration Project (1023)  
Governmental Services (2182)  
Homeless Trust (3026)  
Long Term Care System (2224)  
Mesa Land (3151)  
Neighbors Helping Neighbors (2348)  
Project Intervention Fund (1012)  
Public Assistance and Administration Revolving (2217)  
Public Assistance Collections (2217)  
Revenue from State or Local Agency (3193)  
Special Administration (2066)  
Special Olympics Tax Refund (3207)  
Spinal and Head Injuries Trust (2335)  
Summer Youth Program (1011)  
TANF Block Grant (NA)  
TANF Stabilization (2305)  
Technology System (2314)  
Unemployment Insurance Benefits (TRA 9005)  
Utility Assistance (3092)

See Individual Fund  
See Individual Fund  
Appropriated  
Appropriated  
See Individual Fund  
Appropriated  
  
Custodial Monies  
Appropriated  
See Individual Fund  
See Individual Fund  
Appropriated  
See Individual Fund  
See Individual Fund  
Clearing Account  
See Individual Fund  
See Individual Fund  
See Individual Fund  
Receives Appropriated Monies  
Clearing Account  
Appropriated  
Clearing Account  
Appropriated  
See Individual Fund  
See Individual Fund  
Receives Appropriated Monies  
Appropriated  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund

**Department of Education (EDA)**

Academic Contests Fund (1006)  
Charter School Stimulus Fund (1007)  
Communication (Internal Services Fund) (4209)  
Education Commodity (4210)  
Permanent Special Education Instit. Voucher Fund (1005)  
Permanent State School (2582)  
Permanent School Earnings (3138)  
Printing (4211)

Receives only Appropriated Monies  
Receives only Appropriated Monies  
Clearing Account  
See Food Distribution Fund  
Receives only Appropriated Monies  
Appropriated (Trust Monies)  
Appropriated (Trust Monies)  
See Individual Fund

## FUND

Special Educational Placement & Residential Education  
Voucher Fund (1009)  
Youth Farm Loan (2136)

### Department of Health Services (HSA) Agreements (2144)

Alcohol and Drug Abuse Services (2318)  
Alcohol and Other Drug Screening, Education  
or Treatment (2227)  
Arizona State Hospital (3120)  
Building Renewal (2133)  
Child Fatality Review (3036)  
Disease Control Research (DIA 2090)  
Donations (3010)  
Emergency Medical Services Operating (2171)  
Environmental Lab Licensing Revolving (3017)  
Internal Services (4202)  
Medical Services Enhancement Fund (TRA 2186)  
Newborn Screening Program (2184)  
Nursing Care Institutional (2329)  
Poison Control (2112)  
Public Health (NA)  
State Hospital Land Earnings (3128)  
State Hospital Revolving (NA)  
Tobacco Tax and Health Care Fund - Health  
Crisis Fund (2312)  
Tobacco Tax and Health Care Fund - Health  
Education Account (1308)  
Tobacco Tax and Health Care Fund - Health Research  
Account (2096)  
Tobacco Tax and Health Care Fund -  
Subsidiary Medically Needy Account (3037)

### Judiciary - Court of Appeals

Division I - State Funds (COA 2086)  
Division I - Judges Retirement (COA 3175)  
Division II - State Funds (CTA 2072)

### Judiciary - Supreme Court (SPA)

Alternative Dispute Resolution (3245)  
Community Punishment Program Fines (2119)  
Confidential Intermediary (2276)  
County Public Defender Training (3013)  
Court Appointed Special Advocate (2275)  
Criminal Justice Enhancement Fund (2075)

Defensive Driving School (2247)

## STATUS

Receives only Appropriated Monies

See Individual Fund

See Individual Fund, Rental Income and Title 19  
and County Contributions Funds

Appropriated

Appropriated

Appropriated

Appropriated

Appropriated

See Individual Fund

See Individual Fund

Appropriated

See Individual Fund

Clearing Account

Partially Appropriated (See individual page)

See Individual Fund

Inactive

Receives only Appropriated Monies

Inactive

See Individual Fund (Trust-Earnings)

Revolving

See Individual Fund

See Individual Fund

See Individual Fund

See Individual Fund

Inactive

Custodial

Inactive

See Individual Fund

Appropriated

Appropriated

See Individual Fund

Appropriated

Case Processing Assistance and Juvenile

Crime Reduction distributions are  
appropriated. See Drug Enforcement

Account for non-appropriated expenditures.

See Individual Fund

## FUND

Drug Treatment and Education (2277)  
Grants and Special Revenue (2084)  
Judicial Collection Enhancement (2246)  
Juvenile Crime Reduction (2139)  
Juvenile Probation (2139)  
State Aid to Detention (2141)

### Department of Juvenile Corrections (DJA)

Criminal Justice Enhancement (2281)  
Juvenile Corrections Fund (3024)  
Juvenile Education (2323)  
State Charitable, Penal and Reformatories (3029)

### Department of Transportation (DTA)

Arizona Highways Magazine Enterprise (2031)  
ADOT Bond Proceeds M/RARF (Series 3806)  
ADOT Donations Fund (3080)  
ADOT MVD Clearing Fund (3153)  
ADOT Warehouse (4212)  
Cash Deposits Fund (2266)  
Contract Counsel Revolving (N/A)  
Economic Strength Project (2244)  
Equipment Revolving (2071)  
Highway Debt Service (5004)  
Highway (2030)  
Highway User Revenue Fund (3113)  
Local Agency Deposits Fund (3701)  
Maricopa Regional Area Road (2029)  
Maricopa/RARF Debt Service (5008)  
Motor Carrier Safety Revolving (2380)  
Motor Vehicle Liability Insurance Enforcement (2285)  
Rental Tax & Bond Deposit (3737)  
Safety Enforcement and Transportation Infrastructure (2108)  
Vehicle Inspection and Title Enforcement (2272)

### Universities

#### Board of Regents (BRA)

A & M College Land Earnings (3131)  
Bd of Regents Land - Base (3185)  
Bd of Regents Univ. Land-Matching (3184)  
Collections Revolving (2183)  
Collegiate Plates (NA)

Financial Aid Trust (NA) (A.R.S. § 15-1642)

Military Institute Land Earnings (3132)  
Normal School Land Earnings (3136)  
Regents Postsecondary Local (2139)

University Land Earnings (3134)

## STATUS

See Individual Fund  
See Individual Fund  
Appropriated  
Appropriated  
Receives only Appropriated Funds  
Receives only Appropriated Funds

Appropriated  
See Individual Fund  
Appropriated  
Appropriated (Trust-Earnings)

See Individual Fund  
Inactive (Clearing Account)  
Clearing Account  
Clearing Account  
Clearing Account  
Clearing Account  
Clearing Account  
See Individual Fund  
Appropriated  
Inactive (Clearing Account)  
Appropriated  
Appropriated  
Clearing Account  
See Individual Fund  
Clearing Account  
See Individual Funds in ADOT and DPS  
See Individual Fund  
Clearing Account  
Appropriated  
See Individual Fund

See University Land Fund (Trust-Earnings)  
See University Land Fund (Trust-Earnings)  
See University Land Fund (Trust-Earnings)  
See Individual Fund  
Accounted for in individual universities'  
restricted funds.  
Accounted for in individual universities'  
restricted funds.  
University Land Fund (Trust-Earnings)  
University Land Fund (Trust-Earnings)  
Inactive (Function transferred to Commission for  
Postsecondary Education)  
See University Land Fund (Trust-Earnings)

**FUND****STATUS****Arizona State University (ASA)**

Collegiate Plates (2239)

Collections - Local (1410)

Collections - Appropriations (1411)

Included in Other University Funds

Included in Other University Funds

Appropriated

**Northern Arizona University (NAA)**

Collections - Local (1420)

Collections - Appropriations (1421)

Collegiate Plates (2240)

Included in Other University Funds

Appropriated

Included in Other University Funds

**University of Arizona-Main Campus (UAA)**

Acquisition and Preservation (3032)

Collections - Local (1400)

Collections - Appropriations (1402)

Collegiate Plates (2238)

School of Mines Land Earnings (3133)

Inactive

Included in Other University Funds

Appropriated

Included in Other University Funds

Included in Other University Funds

(Trust-Earnings)

Clearing Account

U of A Local Payroll Clearing (9204)

**University of Arizona - Health Sciences Center (UAA)**

Collections (1403)

Appropriated

**BIENNIAL BUDGET UNITS****Board of Accountancy Fund (ABA 2001)**

Appropriated

**Office of Administrative Hearings (HGA NA)**

Appropriated

**Department of Agriculture (AHA)**

Agriculture Consulting and Training (1239)

Aquaculture (2297)

Arizona Wine Promotional (2205)

Beef Council of Arizona (2083)

Citrus, Fruit and Vegetable Revolving (2260)

Citrus Research Council (2299)

Commercial Feed (2012)

Cotton Research and Protection Council

[Abatement Revolving] (2013)

Dangerous Plants (2054)

Designated (3011)

Egg Inspection (2022)

Fertilizers Materials (2081)

Grain Research and Promotion Council (2201)

Hay Law (2143)

Iceberg Lettuce Research Council (2259)

Native Plant (2298)

Livestock Custody (NA)

Appropriated

Appropriated

See Individual Fund

See Individual Fund

Appropriated

See Individual Fund

Appropriated

See Individual Fund

Appropriated

See Individual Fund

Appropriated

Appropriated

See Individual Fund

See Individual Fund

See Individual Fund

Appropriated

See Individual Fund

See FY 1998 Non-Appropriated Funds book for biennial budget units.



**FUND****STATUS**

Organic Certification (2342)	Appropriated
Pesticide (2051)	Appropriated
Ratite Control Fund (2098)	Appropriated
Seed Law (2064)	Appropriated
Board of Appraisal Fund (APA 2270)	Appropriated
Arizona Commission on the Arts (HUA)	
Arizona Commission on the Arts (2116)	See Individual Fund
Arizona Arts Endowment (3105)	See Individual Fund
Arizona Arts Trust (3014)	See Individual Fund
Attorney General - Department of Law (AGA)	
Antiracketeering Revolving (2131)	See Individual Fund
Antitrust Revolving (2016)	Appropriated
Arizona Prosecuting Attorneys Advisory Council (2057)	See Individual Fund
Attorney General Expendable Trust (3102)	See Individual Fund
Collection Enforcement Revolving (2132)	Appropriated
Consumer Fraud (2014)	See Individual Fund
Court Ordered Trust (3180)	See Individual Fund
CJEF Distribution to County Attorneys (2068)	See Individual Fund
State Grand Jury Fund (3215)	Receives only Appropriated Funds
Intergovernmental Grants (2157)	Appropriated
Liability Defense (2164)	See Civil Division Fund
Prisoner Litigation Revolving (2156)	See Individual Fund
Victims' Rights Implementation Revolving (3215)	Appropriated
Victims' Witness Assistance (2228)	See Individual Fund
Automotive Theft Prevention Authority (ATA 2060)	Appropriated
State Banking Department (BDA)	
Escrow Recovery (2341)	See Individual Fund
Receivership Revolving (3023)	See Individual Fund
Revolving (2126)	See Individual Fund
Board of Barber Examiners Fund (BBA 2007)	Appropriated
Board of Behavioral Health Examiners Fund (BHA 2256)	Appropriated
Department of Building & Fire Safety (MMA)	
Arson Detection (2169)	See Individual Fund
Building and Fire Safety (2211)	See Individual Fund
Manufactured Housing Consumer Recovery (3090)	See Individual Fund
Manufactured Housing Cash Bond (3722)	See Individual Fund
Mobile Home Relocation (2237)	See Individual Fund
Board of Chiropractic Examiners Fund (CEA 2010)	Appropriated

See FY 1998 Non-Appropriated Funds book for biennial budget units.

## FUND

Arizona Coliseum and Exposition Center Board (CLA)  
Capital Outlay (4006)  
Enterprise (4001)

### Department of Commerce (EPA)

Arizona Clean Air (1238)  
Bond (2196)  
Commerce and Economic Development (2245)  
  
Community Workshops (2149)  
Donations (3189)  
Greater Arizona Development Authority Revolving (2311)  
Housing Development (2313)  
Housing Finance Review (2234)  
Housing Trust (2235)  
International Development Authority (NA)  
Oil Overcharge [Energy Conservation] (3171)  
Work Force Recruitment and Training (1237)

State Compensation Fund (TRA9002)

Constitutional Defense Council Revolving (AAA 1026)

### Registrar of Contractors (RGA)

Contractors' Recovery (3155)  
License Application Suspense (3723)  
License Contractor Bond Fund (3721)  
Registrar of Contractors (2406)

### Corporation Commission (CCA)

Arts Trust (3014)  
Investment Management Regulatory (2404)  
Pipeline Safety Revolving (2174)  
Public Access (2333)  
Security Clearing (3726)  
Security Regulatory and Enforcement (2264)  
Utility Regulation Revolving (2172)  
Utility Siting (2076)

Board of Cosmetology Fund (CBA 2017)

### Arizona Criminal Justice Commission (JCA)

Administration of Narcotic Assistance (2229)  
County Jail Juvenile Improvement (2148)  
ACJC (2134)

## STATUS

See Individual Fund  
Appropriated

See Individual Fund  
Appropriated  
See Individual Fund, including Capital Market  
Account  
See Individual Fund  
See Individual Fund  
Revolving  
Appropriated  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund

See Individual Fund

Receives Appropriated Monies

See Individual Fund  
Clearing Account  
Custodial Monies  
Appropriated

Appropriated  
Appropriated  
Appropriated  
Appropriated  
Inactive  
Appropriated  
Appropriated  
Clearing Account

Appropriated

See Individual Funds, including Drug and Gang  
Receives Appropriated Monies  
Appropriated

See FY 1998 Non-Appropriated Funds book for biennial budget units.

## FUND

Street Gang Enforcement Revolving Fund (1022)  
Victims Assistance (2199)  
Victims Compensation (2198)

Arizona State Schools for the Deaf and the Blind (SDA)  
Enterprise (4222)

Non-Federal Grants (2011)  
Land Earnings (3139)  
Regional Cooperatives (4221)  
Special Education Voucher (2142)  
Trust [School Donations] (3148)

Board of Dental Examiners Fund (DXA 2020)

Arizona Drug and Gang Prevention Resource Center  
Resource Center (NA) (A.R.S. § 41-2402[H])

Department of Emergency and Military Affairs (MAA)  
Camp Navajo (2106)  
Clifton Flood Control Project (1236)  
Emergency Management Training (2087)  
Emergency Response Fund (3031)  
Freedom Academy (2104)  
Morale, Welfare and Recreation (2124)  
National Guard Fund (2140)

Advisory Council on Environmental Education (EEA)  
Environmental Awareness Education (2102)

Department of Environmental Quality (EVA)  
ADEQ Payroll Fund (9210)  
Air Permits Administration (2328)  
Air Quality (2226)  
Building Lease Fund (3216)  
Centralized Monitoring (2308)  
Clean Water Revolving (2254)  
Donations (3006)  
Drinking Water Revolving (4320)  
Emissions Inspection (2082)  
Greenfields Program (3115)  
Hazardous Waste (2178)  
Intergovernmental Agreements (2180)  
Small Water Systems (2225)  
Solid Waste Fee (3110)

## STATUS

Receives Appropriated Monies (Inactive, last  
used in FY 1995)  
Appropriated  
Appropriated

See Individual Fund

See Individual Fund  
Appropriated  
See Individual Fund  
Appropriated  
See Individual Fund

Appropriated

Partially Appropriated. See Individual Fund.

See Individual Fund  
Appropriated  
See Individual Fund  
Appropriated  
See Individual Fund  
See Individual Fund  
Receives only Appropriated Monies

Inactive (See FY 1994 Non-Appropriated Fund  
Volume)

Clearing Account  
Appropriated  
See Individual Fund  
Inactive  
Inactive  
See Individual Fund  
Inactive  
See Individual Fund  
Appropriated  
See Individual Fund  
Appropriated  
See Individual Fund  
See Individual Fund  
Appropriated

See FY 1998 Non-Appropriated Funds book for biennial budget units.

## FUND

Solid Waste Recycling (2289)  
Underground Storage Tank (2271)  
Used Oil (3500)  
Voluntary Lawn Mower Retirement (2310)

Water Quality Assurance Revolving (2221)  
Water Quality Fee Fund (4100)

Board of Funeral Directors and Embalmers Fund (FDA 2026)

Game and Fish Department (GFA)

Capital Improvement (2203)  
Conservation Development (2062)  
Game and Fish Big Game Permit (3712)  
Game and Fish California Stamp (3709)  
Game and Fish Fund (2027)  
Game and Fish Kaibab Co-op (3714)  
Game and Fish Nevada Stamp (3708)  
Game and Fish Utah Stamp (3710)  
Game, Non-Game, Fish and Endangered Species (2127)  
Heritage (2295)  
Land and Water Conservation Recreation Development (2036)  
Publications Revolving (4007)  
Revolving (2028)  
Trust (3111)  
Watercraft Licensing (2079)  
Waterfowl Conservation (2209)  
Wildlife Endowment (2279)  
Wildlife Theft Prevention (2080)

Arizona Geological Survey (GSA2317)

Government Information Technology Agency (GTA)

Information Technology (2152)

Office of the Governor (GVA)

Arizona Fund (3021)  
Arizona Public Interest (3016)  
County Fairs Livestock and Agricultural Promotion (2037)  
Governor's Endowment Partnership (3206)  
Governor's Office for Children (3192)  
Office for Excellence in Government (2403)

Arizona Council for the Hearing Impaired (DFA)

Telecommunication Fund for the Deaf (2047)

## STATUS

See Individual Fund  
See Individual Fund and Accounts  
Appropriated  
See Individual Fund. Receives only  
Appropriated Monies  
See Individual Fund  
Appropriated

Appropriated

Appropriated  
See Individual Fund  
Clearing Account  
Clearing Account  
Appropriated  
Clearing Account  
Clearing Account  
Clearing Account  
Appropriated  
See Individual Fund  
Appropriated  
See Individual Fund  
Clearing Account  
See Individual Fund  
Appropriated  
Appropriated  
Appropriated  
See Individual Fund

Inactive

Appropriated

See Individual Fund  
Inactive  
See Individual Fund  
See Individual Fund  
See Individual Fund  
Appropriated

Appropriated

See FY 1998 Non-Appropriated Funds book for biennial budget units.

## FUND

## STATUS

### Arizona Historical Society (HIA)

Enterprise (NA)  
Grants (NA)  
Historical Society Magazine (2033)  
Historical Society Revolving (2900)  
Historical Society Discretionary (3159)  
Preservation and Restoration (2125)  
Private Funds (NA)  
Restricted Funds (NA)  
Trust Funds (NA)

See Individual Fund  
See Individual Fund  
See Individual Fund  
Inactive  
Clearing Account  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund

### Board of Homeopathic Medical Examiners Fund (HEA 2041)

Appropriated

### Arizona Commission of Indian Affairs (IAA) Publications (4013)

See Individual Fund

### Industrial Commission of Arizona (ICA)

Administration (2177)  
Revolving (2002)

Appropriated  
See Individual Fund

### Department of Insurance (IDA)

Assessments (2316)  
  
Examiners Revolving (2034)  
Fingerprinting (2163)  
Life and Disability Guaranty (NA)  
Property and Casualty Guaranty (NA)  
Receivership Liquidation (3104)  
Tax Premium Clearing (3727)

See Joint Underwriting Plan and  
Small Employer Reinsurance  
See Individual Fund  
Clearing Account  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
Clearing Account

### State Land Department (LDA)

CAP Municipal and Industrial Repayment (N/A)  
Cooperative Fire Control Program (2195)  
Cooperative Forestry Program (2232)  
Environmental Special Plate (2354)  
Federal Reclamation Trust (2024)  
Fire Suppression Fund (2360)  
Floodplain Land Exchange (N/A) (A.R.S. § 37-610.01)  
Interagency Agreements (2212)  
Land - Advertise/Appraisals (3733)  
Land Clearance (3732)  
Legal Advertising Revolving (2248)  
Quitclaim Deed Application Revolving (2230)  
Resource Analysis Revolving (4009)  
Riparian Acquisition Trust (3201)

Inactive until after FY 2000  
See Individual Fund  
See Individual Fund  
Appropriated  
See Individual Fund  
See Individual Fund  
Inactive  
See Individual Fund  
Inactive  
Custodial Monies  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund

See FY 1998 Non-Appropriated Funds book for biennial budget units.

<b>FUND</b>	<b>STATUS</b>
Timber Suspense (3158)	See Individual Fund
Zoning Application Fees (2220)	See Individual Fund
Legislature - Auditor General (AUA)	
Audit Services Revolving (2242)	See Individual Fund
Legislature - Dept of Library, Archives and Public Records (LAA)	
Donations (3149)	See Individual Fund
Gift Shop Revolving (4008)	See Individual Fund
Miscellaneous Collections (2215)	See Individual Fund
Legislature - Senate	
President's Fund	Inactive
Department of Liquor Licenses & Control (LLA)	
Special Collections (3008)	See Individual Fund
Arizona State Lottery Commission (LOA)	
Lottery Fund (2122)	See Individual Fund
Lottery - Interest Earnings (3179)	Clearing Account
State Medical Examiners Board Fund (MEA 2038)	Appropriated
Board of Medical Student Loans (MSA)	
Medical Student Loans (3306)	Appropriated
Department of Mines and Mineral Resources (MNA)	
Museum Donations (3156)	See Individual Fund
Printing Revolving (4004)	See Individual Fund
Board of Naturopathic Physicians Examiners Fund (NBA 2042)	Appropriated
Nursing Board Fund (BNA 2044)	Appropriated (includes non-appropriated Nurse Aide Training and Registration subaccount)
Board of Nursing Care Institution Administrators Fund (NCA 2043)	Appropriated
Occupational Therapy Board Fund (OTA 2263)	Appropriated
Board of Dispensing Opticians Fund (DOA 2046)	Appropriated
Board of Optometry Fund (OBA 2023)	Appropriated
Board of Osteopathic Examiners Fund (OSA 2048)	Appropriated
Arizona Parents Commission on Drug Education and Prevention (PCA2277)	See Individual Fund

See FY 1998 Non-Appropriated Funds book for biennial budget units.

**FUND****STATUS**

State Parks Board (PRA)	
Donations (3117)	See Individual Fund
Intergovernmental Agreements (1024)	See Individual Fund
Land and Water Conservation Surcharge (2123)	See Individual Fund
Law Enforcement and Boating Safety (2111)	Appropriated
Off-Highway Vehicle (2253)	See Individual Fund
Heritage (2296)	See Individual Fund
Publications and Souvenir Revolving (4010)	See Individual Fund
Reservation Surcharge Revolving (1304)	Appropriated
State Lake Improvement (2105)	See Individual Fund
State Parks Enhancement (2202)	See Individual Fund/Partially Appropriated
Board of Pharmacy Fund (PMA 2052)	Appropriated
Board of Physical Therapy Examiners Fund (PTA 2053)	Appropriated
Pioneers' Home (PIA)	
Donations (3143)	See Individual Fund
Miners Hospital (3143)	Appropriated (Trust-Earnings)
State Charitable, Penal and Reformatories Land Earnings (3129)	Appropriated (Trust-Earnings)
Board of Podiatry Examiners Fund (POA 2055)	Appropriated
Commission for Postsecondary Education (PEA)	
Arizona Student Program Investing Resources in Education (2407)	See Individual Fund
Postsecondary Education (2405)	Appropriated
Postsecondary Education Voucher (2128)	Receives only Appropriated Monies
Teacher Incentive Program (2249)	See Individual Fund
Arizona Power Authority (PAA)	
Administrative Surcharge (2123)	See Individual Fund
Arizona Power Authority (NA)	See Individual Fund
Hoover Upgrading (NA)	See Individual Fund
Board of Private Postsecondary Education (PVA)	
Private Postsecondary Education Cash (3150)	Custodial Monies
Private Postsecondary Education Fund (2056)	Appropriated
Student Tuition Recovery (3027)	See Individual Fund
Board of Psychologist Examiners Fund (SYA 2058)	Appropriated
Department of Public Safety (PSA)	
Administration (2322)	See Individual Fund
Anti-Racketeering (3123)	See Individual Fund
Arizona Fingerprint Identification System (2286)	Appropriated
Arizona Highway Patrol (2032)	Appropriated
Crime Laboratory Assessment (2282)	Appropriated

See FY 1998 Non-Appropriated Funds book for biennial budget units.

**FUND****STATUS**

Criminal Justice Enhancement Fund Pass Through (3702)	See Individual Fund/Partially Appropriated
DNA Identification System (2337)	Appropriated
DPS Joint Fund - Control (2085)	Clearing Account
Motor Carrier Safety Revolving (2380)	See Individual Fund (Counts as individual fund only in ADOT)
Peace Officers Training (2049)	See Individual Fund
Records Processing (2278)	See Individual Fund
Public Safety State Retirement System (NA)	
Administrative Expenses (NA)	See Individual Fund
Correction Officers Retirement Plan (NA) (A.R.S. § 38-882)	Custodial Monies
Elected Officials' Retirement Plan (NA) (A.R.S. § 38-802)	Custodial Monies
Fire Fighter Cancer Insurance Policy Program Account (NA) (A.R.S. § 38-642)	See Individual Fund
Public Safety Personnel Retirement (NA) (A.R.S. § 38-842)	Custodial Monies
Arizona Department of Racing (RCA)	
Administration of County Fairs Betterment and Breeders (2018)	See Individual Fund
Arizona Breeders Award (2206)	See Individual Fund
County Fair Racing (2170)	Appropriated
County Fairs Racing Betterment (2207)	See Individual Fund
Greyhound Adoption Program (2015)	See Individual Fund
Racing Commission Bond Deposit (3720)	Custodial Monies
Stallion Award (2315)	See Individual Fund
Radiation Regulatory Agency (AEA)	
Nuclear Emergency Management (2138)	Receives Appropriated Monies
Radiation Regulatory and Perpetual Care (3118)	Inactive
Radiologic Technologist Certification (2061)	Appropriated
State Real Estate Department (REA)	
Recovery (3119)	See Individual Fund
Printing Revolving (4011)	See Individual Fund
Residential Utility Consumer Office (UOA)	
RUCO Revolving (2175)	Appropriated
Board of Respiratory Care Examiners Fund (RBA 2269)	Appropriated
Arizona State Retirement System (RSA)	
Administration Account Retirement System (1401,1405) (A.R.S. § 38-721)	Partially Appropriated/See Individual Fund
Public Employee's Retirement Trust Fund (NA) (A.R.S. § 38-712)	Custodial Monies
Long-Term Disability Trust (NA) (A.R.S. § 38-797.02)	Custodial Monies

See FY 1998 Non-Appropriated Funds book for biennial budget units.



## FUND

### Department of Revenue (RVA)

Escheated Revenues (3745)  
Excise & Privilege (1510)  
Estate and Unclaimed (1520)  
Income Tax/Tax Refund Fund (2069) (A.R.S. § 42-128)  
Liability Setoff Revolving (2179)  
Publication Revolving (2166)  
Urban Revenue Sharing (2074)  
Special Collections (2168)  
Tax Protest Resolution Fund (3718)  
Tobacco Tax and Health Care (1306)  
Waste Tire (2356)

### School Capital Facilities Board

School Capital Equity Fund (EDA 2273)

### Secretary of State (STA)

Arizona Blue Book (2006)  
Data Processing Acquisition (2265)  
Special Fund for Reimbursement of County Recordors (NA)  
(A.R.S. § 19-121.05)

### Structural Pest Control Commission (SBA)

SPCC Fund (2050)  
SPCC Inspection Support (2039)

### Board of Technical Registration Fund (TEA 2070)

### Office of Tourism (TOA)

Tourism (2236)  
Workshop (3163)

### State Treasurer (TRA)

Agriculture & Mechanical Colleges Land (3301)  
A.S.U./N.A.U. State College Land (3314)  
Budget Stabilization Fund (3034)  
Cash Deposit - Lieu of Bond (3020)  
County Assistance Fund (3751)  
CAWCD - Ak Chin Water Supply (3188)  
Criminal Justice Enhancement (3702)  
Deaf & Blind School (3313)  
Disproportionate Share (1019)  
East Maricopa Floodway (3753)  
Executive, Legislative, Judicial Land (3305)  
Fire Fighters/Emergency Paramedics, AZ (3033)  
Forest Reserve (3730)

## STATUS

See Individual Fund  
Clearing Account  
Appropriated/See Individual Fund  
Clearing Account  
See Individual Fund  
See Individual Fund  
Clearing Account  
See Individual Fund  
Clearing Account  
See Individual Funds in AHCCCS, DHS, DOC  
See Individual Funds in DOR and DEQ

See Individual Fund

See Individual Fund  
See Individual Fund  
Inactive

Appropriated  
Appropriated

Appropriated

Receives only appropriated funds  
See Individual Fund

Trust  
Trust  
Receives Appropriated Funds  
Clearing Account  
See Lottery Fund Distribution  
Custodial Monies  
See Individual Funds in various agencies  
Trust  
Custodial Monies  
Custodial Monies  
Trust (See Public Buildings Land Earnings in  
Inactive  
Clearing Account

See FY 1998 Non-Appropriated Funds book for biennial budget units.

## FUND

Garnishment & Levies (3164)  
Local Government Investment Pool (3166)  
Local Transportation Assistance (3747)  
Military Institutions Land (3307)  
Miners Hospital Land (3316)  
Miners Hospital Land 1929 (3308)  
Peace Officers Memorial Fund, Arizona (3191)  
Penitentiary Land (3311)  
Permanent School Land (3312)  
Plan Six Facility Fund - CAWCD (3792)  
Political Parties Trust (3202)  
Public Roads & Education (2059)

Riparian Acquisition Trust (3322)  
Risk Management Pool Fund (3794)  
School District Housing Facility Fund (3750)  
School of Mines Land (3309)  
Special Olympics Fund (3207)  
State Charitable, Penal and Reformatories Land (3302)

State Hospital Land (3304)  
Taylor Grazing Act (3729)  
Telephone Solicitation Cash Bond (3798)  
Treasurer Administrative (3736)  
Treasurer's Arbitrage Earnings (3012)  
Treasurer's Condemnation (3157)  
Treasurer's Fund (7090)  
Treasurer's Warrant Note Redemption (3183)  
University Land (3315)  
University Land 1881 (3317)  
Urban In Lieu Payment Fund (3715)

Veterans' Service Commission (VSA)  
State Home for Veterans' Trust (2355)  
Veterans' Conservatorship (2077)  
Veterans' Fiduciary (3218)

Board of Veterinary Medical Examining Fund (VTA 2078)

Department of Water Resources (WCA)  
Administrative (3025)  
Augmentation and Conservation (2213)  
Arizona Water Banking (2110)  
Arizona Water Quality (2304)

## STATUS

Custodial Monies  
Custodial Monies  
See Lottery Fund Distribution  
Trust  
Trust  
Trust  
Inactive  
Trust  
Trust  
Custodial Monies  
Clearing Account  
Clearing Account. Monies are distributed to the  
Highway Fund and Permanent State School  
Fund. (A.R.S. § 37-741)  
Custodial Monies. See Land Department.  
Custodial Monies  
Inactive  
Trust  
See Individual Fund in DES  
Trust. (The Trust-Earnings are appropriated to  
Department of Corrections, Department of  
Juvenile Corrections and Pioneers' Home)  
Trust  
Clearing Account  
Custodial Monies  
Custodial Monies  
Clearing Account  
Custodial Monies  
Clearing Account  
Clearing Account  
Trust  
Trust  
Clearing Account

Appropriated  
Appropriated  
Custodial Monies

Appropriated

See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund

See FY 1998 Non-Appropriated Funds book for biennial budget units.

**FUND****STATUS**

Arizona Water Protection (1302)  
Emergency Dam Repair (2218)  
Flood Control Loan (3319)  
Flood Warning System (1021)  
General Adjudications (2191)  
Non-Emergency Dam Repair (2219)  
Purchase and Retirement (NA)  
State Water Storage (2287)

See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
See Individual Fund  
Inactive until 2006  
See Individual Fund

**OTHER <sup>1/</sup>**

Multi-County Water Conservation District (WTA)  
Central Arizona Water Conservation District (3742)  
Ground Water Replenishment (3743)

Non-state funds  
Non-state funds

**School Districts**

District Services (A.R.S. § 15-1108)

Non-state funds

**County**

Child Support Automation (A.R.S. § 12-2462)  
Children's Issue Education (A.R.S. § 25-354)  
Expedited Child Support and Visitation (A.R.S. § 25-340)  
Local Alternative Dispute Resolution (A.R.S. § 12-135.01)  
Document Storage and Retrieval Conversion &  
Maintenance Fund (A.R.S. § 11-475.01)  
Special Fund for Reimbursement of County Recorders  
(A.R.S. § 19-208.05)

Non-state funds  
Non-state funds  
Non-state funds  
Non-state funds  
Non-State Fund (Board of Supervisors)  
Non-State Funds

<sup>1/</sup> Does not represent an exhaustive list of other funds authorized in Arizona Revised Statutes.

**RECOMMENDATIONS TO ELIMINATE OR  
CONSOLIDATE 5% OF ALL FUNDS  
AND  
TO CONVERT 5% OF NON-APPROPRIATED  
FUND EXPENDITURES TO APPROPRIATED  
STATUS**

**RECOMMENDATIONS TO  
ELIMINATE OR CONSOLIDATE  
5% OF ALL FUNDS**

**ANNUAL BUDGET UNITS**

**REASON**

Administration, Department of

- Information Technology Fund (ADA2152)<sup>1/</sup>
- Loss Control Projects Fund (ADA2303)
- Workers' Compensation Fund (ADA4218)

Inactive  
Inactive  
Consolidate with Risk Management Fund

Economic Security, Department of

- Summer Youth Program Fund (DEA1011)
- Project Intervention Fund (DEA1012)
- Full Employment Demonstration Project Fund (DEA1023)

Eliminate fund to simplify accounting  
Eliminate fund to simplify accounting  
Eliminate fund to simplify accounting

Education, Department of

- Permanent Special Education Institutional Voucher Fund (EDA1005)
- Special Education Placement and Residential Education Voucher Fund (EDA1009)<sup>1/</sup>

Consolidate into new "Special Education Fund"

Consolidate into new "Special Education Fund"

Health Services, Department of

- Alcohol and Drug Abuse Services Fund (HSA2318)
- Alcohol and Other Drug Screening, Education, or Treatment Fund (HSA2227)<sup>1/</sup>

Consolidate into new "Substance Abuse Services Fund"  
Consolidate into new "Substance Abuse Services Fund"

Judiciary

- State Funds (COA2086)
- State Funds (CTA2072)

Inactive  
Inactive

Regents, Arizona Board of

- Regents Postsecondary Local (BRA2139)

Inactive

Transportation, Department of

- ADOT Bond Proceeds M/RARF (Series 1993) (DTA3806)

Inactive

**BIENNIAL BUDGET UNITS**

Agriculture, Department of

- Aquaculture Fund (AHA2297)
- Ratite Control Fund (AHA2098)<sup>1/</sup>
- Dangerous Plants, Pests and Diseases Fund (AHA2054)
- Organic Food Certification Fund (AHA2342)<sup>1/</sup>
- Seed Law Fund (AHA2064)
- Hay Law Fund (AHA2143)<sup>1/</sup>

Consolidate into new "Animal Disease Control Fund"  
Consolidate into new "Animal Disease Control Fund"  
Consolidate into new "Integrated Pest Management Fund"  
Consolidate into new "Integrated Pest Management Fund"  
Consolidate into new "Seed and Hay Quality Assurance Fund"  
Consolidate into new "Seed and Hay Quality Assurance Fund"

## REASON

- Commercial Feed Fund (AHA2012)
- Fertilizer Materials Fund (AHA2081)
- Pesticides Fund (AHA2051) <sup>1/</sup>

### Corporation Commission

- Security Clearing Fund (CCA3726)

### Criminal Justice Commission, Arizona

- Crime Victim Assistance Fund (JCA2199)
- Crime Victim Compensation Fund (JCA2198) <sup>1/</sup>

### Deaf and Blind, Arizona School for the

- Endowment Earnings and Non-Resident Tuition (SDA3139)
- Deaf and Blind Special Education (SDA2142) <sup>1/</sup>

### Emergency and Military Affairs, Department of

- Emergency Management Training Fund (MAA2087)

### Game and Fish Department

- Game and Fish Federal Reclamation Trust Fund (N/A)

### Library, Archives and Public Records, Department of

- Donations (LAA3149)
- Miscellaneous Collections Fund (LAA2115) <sup>1/</sup>

### Mines and Mineral Resources, Department of

- Print Revolving Fund (MNA4004)

### Parks Board, Arizona State

- Intergovernmental Agreement Revolving Fund (PRA1024)
- Land and Water Conservation Surcharge Fund (PRA2123) <sup>1/</sup>

### State Land Department

- Zoning Application Fees (LDA2220)
- Legal Advertising Revolving (LDA2248) <sup>1/</sup>
- Cooperative Forestry (LDA2232)

### Structural Pest Control Commission

- Structural Pest Control Commission Inspection Support Fund (SBA2039)

### Water Resources, Department of

- Flood Control Loan (WCA3319)
- Emergency Dam Repair Fund (WCA2218)
- Non-emergency Dam Repair Fund (WCA2219) <sup>1/</sup>

Consolidate into new "Environmental Service Fund"

Consolidate into new "Environmental Service Fund"

Consolidate into new "Environmental Service Fund"

Inactive, statutory authority already repealed

Consolidate into new "Crime Victims Assistance and Compensation Fund"

Consolidate into new "Crime Victims Assistance and Compensation Fund"

Consolidate into new "Arizona School for the Deaf and Blind Fund"

Consolidate into new "Arizona School for the Deaf and Blind Fund"

Inactive

Inactive

Consolidate into new "Department of Library, Archives and Public Records Fund"

Consolidate into new "Department of Library, Archives and Public Records Fund"

Consolidate into Mines and Mineral Resources Fund

Consolidate into new "Partnership Fund"

Consolidate into new "Partnership Fund"

Consolidate into new "Land Department Revolving Fund"

Consolidate into new "Land Department Revolving Fund"

Inactive

Consolidate with Structural Pest Control Commission Fund

Inactive

Consolidate into new "Dam Repair Fund"

Consolidate into new "Dam Repair Fund"

<sup>1/</sup> These funds do not count toward the 5% target.

**RECOMMENDATIONS TO CONVERT 5%  
OF NON-APPROPRIATED FUND EXPENDITURES TO  
APPROPRIATED STATUS**

**ANNUAL BUDGET UNITS**

**ANNUAL EXPENDITURE LEVEL**

Administration, Department of

- Emergency Telecommunications Revolving Fund (ADA2176) \$ 8,501,100

Corrections, Department of

- State Education Fund for Correctional Education (DCA2107) 294,600
- Arizona Correctional Industries Revolving Fund (DCA4002) 16,380,200
- Alcohol Abuse Treatment Fund (DCA2204) 659,000

Economic Security, Department of

- Welfare-to-Work Block Grant (DEA2000) 13,115,100
- Spinal and Head Injuries Trust Fund (DEA2335) 643,500
- Utility Assistance Fund (DEA3092) 598,700
- Social Services Block Grant (DEA2000) 38,222,600
- Community Services Block Grant (DEA2000) 4,084,000

Education, Department of

- Title I (EDA2000) 92,453,300

Health Services, Department of

- Indirect Cost Recovery (HSA9000) 4,865,000
- Environmental Lab Licensing Revolving Fund (HSA3017) 844,100
- Maternal and Child Health Block Grant (HSA2000) 6,891,900
- Substance Abuse Block Grant (HSA2000) 19,968,800
- Mental Health Block Grant (HSA2000) 3,870,300

Transportation, Department of

- Motor Vehicle Liability Insurance Enforcement (DTA2285) 749,900
- Vehicle Inspection & Title Enforcement (DTA2272) 945,900

**BIENNIAL BUDGET UNITS**

Agriculture, Department of

- Livestock Custody Fund (AHA2065) 50,800
- Agriculture Designated Fund (AHA3011) 168,400

Commerce, Department of

- Community Development Block Grant (EPA2000) 8,800,000
- Housing Trust Fund (EPA2235) 6,300,000
- Oil Overcharge Fund (EPA3171) 6,600,000
- Arizona Clean Air Fund (EPA1238) 5,720,700

Emergency and Military Affairs, Department of (MAA)

- Camp Navajo Fund (MAA2106) 6,352,600

Environmental Quality, Department of

- Indirect Cost Fund (EVA7000) 8,900,400

**ANNUAL EXPENDITURE LEVEL**

**Public Safety Personnel Retirement System**

• Public Safety Personnel Retirement Fund (n/a) — Administrative Expenses	1,500,000
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**Tourism, Office of**

• Tourism Workshop Fund (TOA3163)	<u>100,000</u>
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<b>TOTAL</b>	<b><u><u>\$257,580,900</u></u></b>
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