

## GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the General Appropriation Act (Laws 1999, Chapter 1, 1<sup>st</sup> Special Session) provides direction with regard to several general provisions.

### General Provisions

**Salary Adjustments** — Section 109 appropriates salary adjustments for state employees in FY 2000 and FY 2001. The Joint Legislative Budget Committee (JLBC) Staff shall determine and the Arizona Department of Administration (ADOA) shall allocate, to each agency or department, an amount sufficient to increase the annual salary level of each employee by the amount shown in *Table 1*. (A listing of the general salary adjustment allocations by agency can be found starting on page GP-5.)

It is the intent of the Legislature that the guidelines established by each personnel system for the distribution of the merit pay adjustments shall ensure that eligible employees who are performing satisfactorily shall receive merit adjustments.

The employees of the Arizona State Schools for the Deaf and the Blind (ASDB), correctional officers who are eligible for the correctional officer pay plan within the Department of Corrections (DOC), board and commission members who are paid on a per diem basis, and agency heads who are appointed for a fixed term of office are not eligible for general salary adjustments. (Refer to the ASDB and DOC section of this report for information on separately funded salary increases for these agencies.)

The amounts shown in *Table 1* include Classification Maintenance Review (CMR) adjustments for certain state employees in the ADOA personnel system, effective January 1, 2000 and January 1, 2001. CMR adjustments are a review of the competitiveness and “fairness” of state employee pay for similar classes of employees. The JLBC Staff shall determine and the ADOA shall allocate, to each agency or department, the appropriate CMR adjustment amounts.

On or before September 1, 1999 and September 1, 2000 ADOA shall report to the JLBC its recommendations for the job classifications to receive adjustments in FY 2000 and FY 2001, respectively. The recommendations shall include the rationale for these selections; the estimated dollar amount associated with each adjustment; and information concerning the job classes selected, including turnover in the classification, salaries for comparable positions outside state service, vacancy rates and duration in the classification, and the availability of applicants for vacant positions in the classification.

**Table 1**

|                       |  | <u>General<br/>Fund</u> | <u>Other<br/>Funds</u> |
|-----------------------|--|-------------------------|------------------------|
| <b>FY 2000</b>        |  |                         |                        |
| 4/1/00                | 2% Merit (0 to 4%)                     | \$7,420,000             | \$1,700,000            |
| 1/1/00                | ADOA CMR                               | <u>1,650,000</u>        | <u>400,000</u>         |
| <b>FY 2000 Total</b>  |  | <b>\$9,070,000</b>      | <b>\$2,100,000</b>     |
| <b>FY 2001</b>        |  |                         |                        |
| 7/1/00                | Fully Fund FY 2000<br>Salary Increases | \$29,680,000            | \$6,800,000            |
| 7/1/00                | Fully Fund FY 2000<br>CMR Adjustments  | <u>3,300,000</u>        | <u>800,000</u>         |
| Subtotal              |  | \$32,980,000            | \$7,600,000            |
| 4/1/01                | 2% Merit (0 to 4%)                     | \$7,591,000             | \$1,700,000            |
| 1/1/00                | ADOA CMR                               | <u>1,650,000</u>        | <u>400,000</u>         |
| Subtotal              |  | <u>9,241,000</u>        | <u>2,100,000</u>       |
| <b>FY 2001 Total</b>  |  | <b>\$42,221,000</b>     | <b>\$9,700,000</b>     |
| <b>Biennial Total</b> |  | <b>\$51,291,000</b>     | <b>\$11,800,000</b>    |

It is the intent of the Legislature that the CMR adjustments be made to job classes in the ADOA personnel system that are critical to the orderly conduct of state operations and that are experiencing substantially above average turnover or have salaries that are substantially below comparable positions outside state service. It is the intent of the Legislature that a CMR adjustment be applied to all positions within a single job classification. If the recommendation includes an adjustment that will not be applied to all positions within a single job classification, ADOA shall separately list all of the positions within the job classification, by agency or department, and the rationale for excluding some positions from the adjustment.

On or before February 15, 2000 and February 15, 2001, respectively, ADOA shall also report to the Director of the JLBC the suballocation of the adjustment amounts, by program and/or cost center, line item and fund name. Any unallocated balance shall revert to the fund from which it was appropriated on May 1, 2000 and May 1, 2001, respectively, unless the JLBC determines that additional classification salary adjustments are necessary.

**Motor Pool Rates** — Section 110 of the General Appropriation Act appropriates \$1,651,000 from the General Fund and \$2,411,500 from Other Appropriated Funds for Motor Pool rate increases for state agencies. The JLBC Staff shall determine (by July 1, 2000) and ADOA shall allocate to each agency an amount projected to equal the Motor Pool rate increase for that agency. These monies are intended to allow ADOA to increase the FY 2001 Motor Pool rates to the level required to support operation of the vehicle fleet. In recent years, the Motor Pool has charged rates below a cost-recovery level by

deferring vehicle purchases and expending its surplus fund balance. (For additional information on the Motor Pool, see page 10 in the ADOA section of this report)

**Expenditure Reporting** — Section 113 states that it is the intent of the Legislature that all budget units receiving Lump Sum appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used to implement budget reform legislation (Laws 1997, Chapter 210) if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting (OSPB).

**FTE Position Reporting** — Section 114 states that the Full Time Equivalent (FTE) Positions contained in the General Appropriation Act are subject to appropriation. The section directs the Director of ADOA to account for the utilization of all appropriated FTE Positions, excluding FTE Positions in the Department of Economic Security, Universities, and Department of Environmental Quality. The Director shall submit reports for FY 2000 and FY 2001 by February 1, 2000 and 2001, respectively, for the first half of the fiscal year and by August 1, 2000 and 2001 for the entire fiscal year to the Director of the JLBC. The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. The Department of Economic Security, Universities, and Department of Environmental Quality shall report to the Director of the JLBC in a manner comparable to the ADOA report.

**Interim Reporting** — Section 115 requires that the Executive Branch provide to the JLBC a preliminary estimate of the General Fund ending balance for FY 1999, FY 2000, and FY 2001. These reports are required by September 15, 1999; September 1, 2000; and September 1, 2001; respectively. The estimates shall include projections of total revenues, total expenditures, and the ending balance. ADOA shall continue to provide the final report for the fiscal year in its annual financial report, pursuant to A.R.S. § 35-131.

Based on the information provided by the Executive Branch, the JLBC Staff shall report to the JLBC by September 30 of 1999, 2000, and 2001 on whether that fiscal year's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. The Executive Branch may also provide its own estimates to the JLBC by September 30<sup>th</sup> of each year.

## **Other Overall Issues**

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2000 and FY 2001 budgets reflect the adoption of technical assumptions. In most circumstances, the individual agency descriptions do not include a discussion of these technical issues. Any dollar changes to agency budgets resulting from statewide technical adjustments are delineated in the tables following this section.

**Biennial Budgeting** — This year for the first time, the Legislature appropriated biennial budgets for all state agencies (except for the Board of Medical Examiners). In these biennial budgets, an agency receives a separate appropriation for each of 2 fiscal years. The first year (FY 2000) appropriations for "90-10" regulatory agencies do not lapse until the end of the second year (FY 2001). Except where specifically noted, the appropriations for all other agencies lapse at the end of each fiscal year.

**Budget Format** — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

**Lump Sum** — The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further Legislative or Executive Branch review. Within this format, any Special Line Items may be listed separately.

**Modified Lump Sum** — The appropriation for each fiscal year consists of at least 3 lines: Personal Services, Employee Related Expenditures (ERE), and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, pursuant to A.R.S. § 35-173, an agency must seek approval of the JLBC before moving any funds into or out of the Personal Services and ERE line items. Any other transfers would require approval by ADOA, but not the Committee.

**Detailed Line Item** — The appropriation for each fiscal year consists of each line item listed in the Appropriations Report, including Professional and Outside Services, Travel, Other Operating Expenditures, Equipment, Food, and any Special Line Items. The same rules govern Personal Services and ERE transfers as noted in the Modified Lump Sum description. The appropriation requires the agency to seek ADOA approval before transferring monies between all other line items.

**Health Insurance Adjustments** — Health insurance monies are incorporated into individual agency appropriations. These appropriations represent the average medical and dental insurance cost for each particular agency, based on actual FY 1999 participation. Health insurance amounts shall be transferred to the Special Employee Health Insurance Trust Fund. The total FY 2000 appropriated medical and dental insurance amounts are as follows: General Fund \$106,808,900; Other Funds \$24,965,200; Total \$131,774,100. The FY 2001 amounts include a 5% increase above the FY 2000 rate for each agency. The total FY 2001 amounts are as follows: General Fund \$113,607,100; Other Funds \$26,411,700; Total \$140,018,800. *(The agency detail for these amounts can be found starting on page GP-14.)*

**Employer Contribution Rates** — Table 2 provides an estimate of employer contribution rates during FY 2000. Except for life insurance, rates are calculated as a percent of Personal Services.

**Table 2**

|   | <b>FY 2000</b>        | <b>FY 2001</b> |
|---|-----------------------|----------------|
|   | <b>Rate</b>           | <b>Rate</b>    |
| Life Insurance (per FTE Position)                 | \$37.68               | \$37.68        |
| Unemployment Insurance                            | 0.20%                 | 0.25%          |
| Personnel Division Services                       | 0.90                  | 0.90           |
| Disability (Non-State Retirement)                 | 0.40                  | 0.40           |
| Information Technology Planning                   | 0.15                  | 0.15           |
| Retiree Accumulated Sick Leave                    | 0.40                  | 0.55           |
| <b>Federal Insurance Contributions Act (FICA)</b> |                       |                |
| Social Security (salary # \$68,400)               | 6.20%                 | 6.20%          |
| Medicare (no salary cap)                          | 1.45                  | 1.45           |
|   | <b>FY2000/FY 2001</b> |                |
| <b>State Retirement Systems</b>                   | <b>Rate</b>           |                |
| State Retirement                                  | 2.66%                 |                |
| Correctional Officers - DOC                       | 5.00                  |                |
| Correctional Offices - DJC                        | 6.55                  |                |
| Elected Officials                                 | 0.73                  |                |
| Liquor License Investigators                      | 5.26                  |                |
| Department of Public Safety *                     | 6.04*                 |                |
| Northern Arizona University Police                | 1.23                  |                |
| University of Arizona Police                      | 4.52                  |                |
| Arizona State University Police                   | 3.21                  |                |
| Game and Fish Department                          | 11.60                 |                |
| DEMA Firefighters                                 | 5.00                  |                |
| Attorney General Investigators                    | 7.48                  |                |
| ADOA Capitol Police                               | 6.37                  |                |

\* Includes 5% member contribution paid by the state.

**Workers' Compensation** — The rates vary by individual agency. Agency budgets include the Workers' Compensation rates recommended by the ADOA Risk Management section. Monies are deposited into the Risk Management Fund, for payment of costs associated with Workers' Compensation losses. *(For a discussion of Risk Management Fund balances, see page 16 in the ADOA section.)*

**Inflation** — In general, no inflation increases were added.

**Lease-Purchase** — The appropriations include lease-purchase payments for certain buildings. In addition, agencies occupying space in the Sun State Building, Doubletree Building, Agriculture Lab, Department of Public Safety District 19 Office Building, Corpstein Building, Centre Pointe Building, Kingman State Office Building, and Black Canyon Building will be charged \$4.48 per gross square foot for Operations and Maintenance expenses. These amounts are included in agency appropriations and will be transferred to ADOA, which will be responsible for providing the service, either directly or under contract. *(Please refer to page GP-22 and GP-24)*

**Rent** — The appropriations include rent for agencies and divisions housed in state-owned buildings. All appropriations to agencies for rent in state-owned space are to be paid into the Capital Outlay Stabilization Fund (COSF). For FY 2000, the rates applied per square foot for state-owned space are Office, \$13.50; Storage, \$4.50. *(For a listing of individual agency charges, see page GP-25. For a discussion of COSF balances, see page 11 in the ADOA section.)*

These rates are expected to generate the deposit of \$11,007,600 in FY 2000 and \$11,013,200 in FY 2001 into COSF, which is used to fund building renewal, utility charges in the Capitol Mall and Tucson Mall, staff in ADOA, and specific building projects. The rental rate is determined by the Joint Committee on Capital Review.

**Risk Management** — The Other Operating Expenditures line of individual agency budgets includes the Risk Management rates billed by the ADOA Risk Management section. Monies are deposited into the Risk Management Fund, for payment of costs associated with Risk Management losses. *(For a listing of individual agency billings, see page GP-27. For a discussion of Risk Management Fund balances, see page 16 in the ADOA section.)*