

STATE OF ARIZONA

Joint Legislative Budget Committee

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STEVE YARBROUGH

JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, June 19, 2007 *

8:00 a.m.

House Hearing Room 4

MEETING NOTICE

- Call to Order
- [Approval of Minutes of May 10, 2007.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION - AHCCCS - Review of Medicaid Eligibility Privatization Request for Proposal.
- 1. [ATTORNEY GENERAL - Review of Allocation of Settlement Monies.](#)
- 2. [ARIZONA CRIMINAL JUSTICE COMMISSION - Review of Intended Use of Monies in the Victim Compensation and Assistance Fund.](#)
- 3. [DEPARTMENT OF EDUCATION - Review of Xanterra Settlement.](#)
- 4. [DEPARTMENT OF PUBLIC SAFETY - Quarterly Review of the Arizona Public Safety Communications Advisory Commission.](#)
- 5. [DEPARTMENT OF ECONOMIC SECURITY - Review of Requested Transfer of Appropriations.](#)
- 6. [ARIZONA DEPARTMENT OF CORRECTIONS - Consider Approval and Review of Requested Transfer of Appropriations.](#)

* If the House and the Senate are not in session on June 19, this meeting will be deferred to a later date.

The Chairman reserves the right to set the order of the agenda.

6/14/07

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

May 10, 2007

The Vice-Chairman called the meeting to order at 8:15 a.m., Thursday May 10, 2007, in House Hearing Room 4. The following were present:

Members:	Representative Pearce, Chairman	Senator Burns, Vice-Chairman
	Representative Biggs	Senator Aboud
	Representative Cajero Bedford	Senator Aguirre
	Representative Lopez	Senator Garcia
	Representative Rios	Senator Harper
	Representative Yarbrough	Senator Verschoor
		Senator Waring
Absent:	Representative Adams	Senator Flake
	Representative Boone	

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of March 29, 2007, Vice-Chairman Burns stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF CORRECTIONS – Consider Approval and Review of Requested Transfer of Appropriations.

Ms. Kim Cordes-Sween, JLBC Staff, said this item concerns the Arizona Department of Corrections' (ADC) request to consider the transfer of \$27.9 million within the department's operating budget line items and Special Line Items (SLI). JLBC Staff is proposing an alternative recommendation that represents a FY 2007 consensus forecast, which was agreed to by JLBC Staff and the Governor's Office of Strategic Planning and Budgeting. *Table 1* on page 2 of the memo in the agenda document illustrates the JLBC proposal, as well as ADC's transfer request. The House and the Senate currently include FY 2007 supplemental funding which also impacts the department's cost.

Ms. Dora Schriro, Director, ADC, responded to member questions.

Senator Harper moved that the Committee adopt the JLBC Staff recommendation to approve and give a favorable review of an alternative transfer of funds proposal shown below:

<u>Line Item</u>	<u>JLBC Approved Transfers</u>
Correctional Officer Personal Services	\$10,225,500
Health Care Personal Services	(7,371,700)
All Other Personal Services	(7,029,000)
Employee Related Expenditures	4,442,700
Overtime/Compensatory Time SLI	7,319,600
Health Other Operating Expenditures	3,353,900
Non Health Other Operating Expenditures	1,945,300
County Jail Beds SLI	17,700
Private Prison Per Diem SLI	(13,103,700)
Provisional Beds SLI	199,700

The motion carried.

DEPARTMENT OF PUBLIC SAFETY – Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission.

Mr. Martin Lorenzo, JLBC Staff, said that this item is a review of the Department of Public Safety's (DPS) Gang and Immigration Intelligence Team Enforcement Mission's (GIITEM) expenditure plan regarding their \$10 million appropriation. The \$10 million was appropriated in FY 2007 to increase local participation in GIITEM, as well as to fund various border security efforts. Currently, DPS is requesting to spend an additional \$4 million, including \$1.6 million to be distributed to the Maricopa County Sheriff's Office, \$1.9 million to be distributed to the City of Phoenix Police Department and the United States Immigration and Customs Enforcement agency, and roughly a half-million dollars for the purchase of equipment. The JLBC Staff recommends a favorable review of the department's request with the following 2 provisions: 1) the use of \$357,000 for the purchase of portable fingerprint readers is contingent upon Project Investment Justification approval from the Government Information Technology Agency, and 2) DPS submit a revised expenditure plan prior to: 1) expending any additional monies beyond the reviewed expenditures; or 2) expending the approved amounts on items not in their current plan.

Senator Harper moved that the Committee give a favorable review to expend an additional \$4,047,600 (of the \$10,000,000 appropriation) for non-DPS law enforcement agencies and equipment purchases as recommended by JLBC Staff with the 2 caveats listed above. The motion carried.

DEPARTMENT OF COMMERCE – Review of First Quarterly Expenditure Report for the Arizona 21st Century Competitive Initiative Fund.

Mr. Grant Nülle, JLBC Staff, said that this item is a review of the first quarterly expenditure report of Science Foundation Arizona's (SFAz) expenditure of monies from the Arizona 21st Century Competitive Initiative Fund and changes to the initial Memorandum of Understanding (MOU) between the Department of Commerce (COM) and SFAz .

Table 1 on page 2 of the memo in the agenda book provides highlights of SFAz awards and expenditures. Awards for 5 of the 7 programs have been announced and SFAz has approved approximately \$13 million in awards. The \$13 million figure differs slightly from the \$13.9 million shown in the Awards Amount column of *Table 1* and this is due to SFAz having to withdraw 1 of its K-12 awards due to a potential conflict of interest. SFAz expects to announce awards for the final 2 grant programs, Public-Private Research and the Other Discretionary Grant programs, later this month. Mr. Nülle referred members to the Proposed Reallocation column and stated that SFAz proposed that the Department of Commerce agree to amend the MOU to the 21st Century Fund to reduce the level of funding for the Federal Research Leverage program and transfer these award grant monies to other grant programs. The Proposed Reallocation table shows that \$400,000 will be transferred to the K-12 Student programs, \$100,000 to the K-12 Teacher Internships program, and the remaining \$500,000 to the Other Discretionary Grants program. According to SFAz there were not enough qualified projects in the Federal Research Leverage program to justify the original \$5 million expenditure allocation.

SFAz submitted first year performance measures with numeric goals in the first quarterly report. A detailed list of recommended performance measures are included in *Table 2* and *Table 3*. Results of measures and the first year of SFAz funding will be reported in June 2008. The JLBC Staff recommends that the Committee give a favorable review of the proposed transfer and the first quarterly expenditure report. The JLBC Staff also suggests that the Committee recommend the following measures be tracked by SFAz:

- 1) Number of SFAz awards per investment program that result in commercial products;
- 2) Amount of licensing and royalty revenue earned by grant recipients;
- 3) A breakdown of the "dollars leveraged from other sources" measure by federal, private foundation, and venture capital sources when submitting results for the first year performance measures.

Discussion ensued on this item.

Dr. William Harris, CEO, Ms. Margaret Mullen, Chief Operating Officer, and Mr. Don Budinger, Board Chairman, of SFAz, responded to member questions.

Senator Harper moved the JLBC Staff's recommendation to give a favorable review of the transfer of \$1 million and the first quarterly expenditure report. In addition, the Committee requested the 3 performance measures listed above be tracked by SFAz and requested that SFAz provide numeric goals for the performance measures of the \$2.5 million other discretionary grants program in its next quarterly report. The motion carried.

ATTORNEY GENERAL (AG)

A. Review of Allocation of Settlement Monies.

Ms. Leah Ruggieri, JLBC Staff, said that the AG's office is requesting a favorable review of the Budget Car & Truck Sales consent judgment. The consent judgment is a result of allegations that Budget deceptively advertised used vehicles. The AG's office stands to gain \$125,000, specifically for attorney costs and fees associated with the case. The money will be deposited into the Consumer Fraud Revolving Fund. The JLBC Staff is recommending a favorable review of the consent judgment allocation.

Senator Harper moved that the Committee give a favorable review of the allocation plan from the Budget Car & Truck Sales consent judgment as recommended by JLBC Staff. The motion carried.

B. Review of Intended Use of Monies in the Antitrust Enforcement Revolving Fund.

Ms. Leah Ruggieri, JLBC Staff, said that the AG's office is requesting to expend above their appropriation from the Antitrust Enforcement Revolving Fund in FY 2007. A General Appropriation Act footnote for this year says that the AG's office may spend above their appropriation as long as they seek Committee review. The appropriation for FY 2007 is \$232,400. The AG is requesting to expend \$318,000 primarily for personnel costs associated with non-attorney staff positions and operating costs associated with the Antitrust Unit. As this fund has a sufficient balance, and the proposed usage of the fund above the original appropriation is consistent with statute, the JLBC Staff recommends a favorable review of the AG's request.

Senator Harper moved that the Committee give a favorable review of the intended expenditures of \$318,000 in Antitrust Enforcement Revolving Fund monies as recommended by JLBC Staff. The motion carried.

Representative Pearce resumed the Chair.

ARIZONA DEPARTMENT OF EDUCATION – Report of Plan to Fund AIMS Study Guides with Achievement Testing Monies.

Mr. Steve Schimpp, JLBC Staff, said that this item concerns AIMS Study Guides and the Arizona Department of Education's (ADE) report on its plan to spend surplus Achievement Testing funding on the AIMS Study Guides. A General Appropriation Act footnote requires ADE to come before the Committee to report any changes to the Achievement Testing program that would increase costs. The department plans to fund the study guides with the surplus Achievement Testing funding from FY 2006 and FY 2007. In August 2006, ADE signed a 3-year contract with McGraw-Hill, who also is the vendor for the AIMS test, to provide study guides, which provide each student with sample test questions for the AIMS test to help them pass it. There is a study guide that is given to all high schoolers who failed the AIMS test and there is also a guide given to all 9th graders.

Mr. Schimpp provided background on the Failing Schools Tutoring Fund.

The Committee has at least the following options: 1) A favorable review. Surplus monies are available within the Achievement Testing program and the study guides can be viewed as an allowable use of these funds; 2) An unfavorable review. The AIMS Study Guides were intended to be funded with non-appropriated monies from the Failing Schools Tutoring Fund and, 3) No action. Statute only requires the Committee to receive a report and a review is not required.

Ms. Vicki Salazar, Associate Superintendent of Business and Finance, Ms. Roberta Alley, Assistant Superintendent of Education, and Ms. Margaret Garcia-Dugan, Deputy Superintendent of Public Instruction of ADE, responded to member questions.

Senator Burns moved that the Committee give a favorable review of ADE's plan to use \$3,583,900 in combined FY 2006 carry forward and FY 2007 surplus monies for Achievement Testing to fund the cost of AIMS Study Guides for FY 2007. The motion carried.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY – Review of Intended Use of Monies in the Indirect Cost Recovery Fund.

Mr. Dan Hunting, JLBC Staff, said a footnote in the FY 2007 budget requires the Department of Environmental Quality (DEQ) to seek review of expenditures in excess of \$10.5 million from the Indirect Cost Recovery Fund. In the first 3 quarters of this fiscal year, a total of \$9 million was expended from this fund. DEQ is seeking a favorable review of expenditures with an estimated total of \$11.8 million for the year. Expenditures from the fund in FY 2006 came to \$11.1 million. The JLBC Staff recommends that the Committee give a favorable review to this request.

Senator Burns moved that the Committee give a favorable review to DEQ's request for the intended use of monies in the Indirect Cost Recovery Fund as recommended by the JLBC Staff. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Third Party Progress Report.

Mr. Bob Hull, JLBC Staff, said that this item is a review of the Arizona Department of Transportation's (ADOT) third party progress report for the third quarter. The JLBC Staff recommends a favorable review, given the progress ADOT is making in increasing its use of third parties and reducing the quality assurance backlog. The memo also contains a separate report from ADOT on their statistical sampling method for third party transactions. ADOT has reduced their rate of review for third party transactions from 10% to 4% and still retained statistical validity, which has allowed them to reduce their quality assurance backlog. No Committee action is required on the third party transactions statistical sampling and validity report. However, JLBC Staff recommends that ADOT report back in 1 year on whether they have maintained their 4% sampling size and statistical validity.

Senator Burns moved that the Committee give a favorable review of ADOT's Third Party progress report as recommended by JLBC Staff. In addition, ADOT is to provide a progress report on their 1-year pilot project by April 30, 2008.

EXECUTIVE SESSION

Senator Burns moved that the Committee go into Executive Session. The motion carried.

At 9:30 a.m. the Joint Legislative Budget Committee went into Executive Session.

Senator Burns moved that the Committee reconvene into open session. The motion carried.

At 10:25 a.m. the Committee reconvened into open session.

A. Arizona Department of Administration, Risk Management Services – Consideration of Proposed Settlements under Rule 14.

Senator Burns moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the cases of:

1. *Roe v. State of Arizona, et al*
2. *Kinthead v. State of Arizona, et al*

The motion carried.

B. AHCCCS – Review of Medicaid Eligibility Privatization Request for Proposal.

The Committee did not take action and AHCCCS is to return and report again to the Committee.

Without objection, the meeting adjourned at 10:45 a.m.

Respectfully submitted:

Tanya Smith, Secretary

Richard Stavneak, Director

Representative Russell Pearce, Chairman

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DATE: June 14, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Attorney General – Review of Allocation of Settlement Monies

Request

Pursuant to a footnote in the General Appropriation Act, the Office of the Attorney General (AG) has notified the Committee of the allocation of monies received from the Purdue Pharma L.P. consent judgment.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the allocation plan for the Purdue Pharma consent judgment. The allocation plan is consistent with A.R.S. § 44-1531.01, which relates to the distribution of monies recovered as a result of enforcing consumer protection or consumer fraud statutes.

Analysis

The General Appropriation Act contains a footnote that requires JLBC review of the allocation or expenditure plan for settlement monies over \$100,000 received by the AG or any other person on behalf of the State of Arizona, and it specifies that the AG shall not allocate or expend these monies until the JLBC reviews the allocations or expenditures. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review.

In May 2007, the Attorney General and 25 other states entered into a consent judgment with Purdue Pharma as a result of allegations that the company encouraged doctors to prescribe OxyContin for uses not approved by the FDA and failed to adequately disclose the potential for addiction, abuse, and diversion of OxyContin for illegal uses. OxyContin is a narcotic pain medication prescribed to patients suffering from moderate to severe chronic pain. The total multi-state settlement is \$19.5 million, of which Arizona's share is \$717,500. This amount will be deposited into the Consumer Fraud Revolving Fund to finance attorney costs and fees and consumer fraud education. In addition, the settlement requires Purdue Pharma to meet specific standards in marketing OxyContin to doctors.

RS/LR:ts



Terry Goddard
Attorney General

Office of the Attorney General
State of Arizona

Rene Rebillot
Consumer Protection &
Advocacy Section

May 15, 2007

The Honorable Timothy S. Bee
President of the Senate
1700 West Washington Street
Phoenix, AZ 85007

The Honorable James P. Weiers
Speaker of the House
1700 West Washington Street
Phoenix, AZ 85007

The Honorable Russell K. Pearce
Chairman, Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, AZ 85007



Re: State v. Purdue Pharma L. P., *et al.*

Dear Gentlemen:

Arizona, 25 other states and the District of Columbia recently settled allegations of deceptive marketing of the opioid OxyContin with Purdue Pharma L. P., *et al.* This settlement resolves allegations that Purdue encouraged doctors to prescribe OxyContin for uses not approved by the FDA and allegations the company failed to adequately disclose the potential for addiction, abuse and diversion of OxyContin for illegal use. The case was settled by consent judgment.

The consent judgment requires Purdue to correct its alleged abusive and excessive marketing practices. In addition, Purdue must maintain an abuse and diversion detection program to identify prescribers who are over-prescribing OxyContin. Purdue must train all sales representatives in the abuse and diversion detection program before they can promote OxyContin.

The settlement also requires Purdue to:

- Market and promote OxyContin in a manner that is consistent with its FDA-approved package insert.

Hon. Timothy S. Bee
Hon. James P. Weiers
Hon. Russell K. Pearce
May 15, 2007
Page 2


- Ensure that its sales representatives do not minimize the FDA-approved uses for OxyContin.
- Ensure the company does not base sales representatives' bonuses solely on the volume of OxyContin their doctors prescribed.
- Take into account in sales representatives' evaluations whether they educated their prescribers about OxyContin and its potential for abuse and diversion.

Arizona's share of the \$19.5 million settlement is \$717,500. This recovery will be placed in the Consumer Fraud Revolving Fund pursuant to A.R.S. § 44-1531.01.

Our notification to you of this settlement is made without prejudice to this office's long standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Please call (602) 542-7701, if you have any questions regarding this matter.

Sincerely,



Rene Rebillot
Section Chief Counsel
Consumer Protection and Advocacy Section

RR/

Enclosure

cc: The Honorable Robert L. Burns
The Honorable Marsha Arzberger
The Honorable Phil Lopes
Mr. Richard Stavneak
Ms. Leah Ruggieri
Mr. Timothy Nelson
Ms. Sheryl Rabin
Mr. John Stevens

#1006434

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DATE: June 14, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Kevin Bates, Fiscal Analyst

SUBJECT: Arizona Criminal Justice Commission – Review of Intended Use of Monies in the Victim Compensation and Assistance Fund

Request

The Arizona Criminal Justice Commission (ACJC) requests the Committee prospectively give a favorable review of the additional expenditure of \$300,000 above the amount in the House and Senate budget proposals for victim compensation in FY 2008. The House and Senate FY 2008 budget proposals include a standard provision continuing the requirement that the Committee review the intended use of any receipts in excess of the appropriated amount. ACJC received this funding as part of a forfeiture arising from an Arizona Attorney General fraud prosecution.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request. This would expand the amount of funding available in FY 2008 for distribution by county crime victim compensation boards. This also would be contingent on the approved FY 2008 budget maintaining the current level of program funding.

Analysis

Following the Attorney General's prosecution, a Scottsdale-based firm agreed to forfeit \$28,750,000 to the state. This amount was distributed for various purposes, including a statutorily-required allocation to the Victim Compensation and Assistance Fund, which is administered by ACJC. A.R.S. § 13-4311 requires that 10%, or \$2,875,000, of the forfeited balance be deposited into the Victim Compensation and Assistance Fund.

For FY 2008, ACJC intends to use only a portion of the \$2,875,000. To provide funding stability to the compensation program, ACJC intends to spend an additional \$300,000 each year, drawing down the available monies from the settlement. At \$300,000 per year, the settlement monies would provide an increased level of program funding through FY 2016.

(Continued)

ACJC requests review of this additional expenditure at this time so that the agency can finalize its county funding agreements before the beginning of FY 2008. Because coordinators of local victim compensation programs must make budgetary decisions based on the amount of funding received from ACJC, the agency wishes to provide this information before July 1.

ACJC distributes monies in the Victim Compensation and Assistance Fund to support 2 programs: the Crime Victim Compensation program and the Crime Victim Assistance program. In FY 2007, ACJC was appropriated \$3,400,000 for these 2 programs. ACJC allocated \$2,500,000 for victim compensation and \$900,000 for victim assistance. These amounts would remain the same in the House and Senate FY 2008 budget proposals.

ACJC is requesting the additional expenditure of \$300,000 for the Victim Compensation program in FY 2008, bringing the total amount for that program to \$2,800,000. This new funding is requested only for victim compensation because ACJC maintains that the intent of the forfeited funds is for victim compensation. *Table 1* shows the allocation of victim compensation funding by county.

Table 1		
<u>Victim Compensation Program</u>		
<u>County</u>	<u>Requested Increase</u>	<u>Revised FY 2008</u>
Apache	\$ 3,546	\$ 42,063
Cochise	6,431	67,474
Coconino	6,293	66,492
Gila	2,703	35,264
Graham	1,731	27,002
Greenlee	395	15,430
La Paz	1,011	20,746
Maricopa	180,454	1,558,754
Mohave	9,436	92,609
Navajo	5,399	58,483
Pima	46,689	413,627
Pinal	14,268	130,030
Santa Cruz	2,152	30,524
Yavapai	10,148	98,911
Yuma	9,344	92,051
<i>Subtotal</i>	\$300,000	\$2,800,000
Minus Reserve*	N/A	(50,000)
Total	\$300,000	\$2,750,000

* Program rules require a reserve of \$50,000.

To be reimbursed by the Victim Compensation program, a victim of crime in Arizona must meet certain eligibility requirements. A victim must: 1) report the crime to police within 72 hours, 2) fill out a compensation application within 2 years of the crime, 3) cooperate with any law enforcement investigations, and 4) have suffered a physical injury, mental distress or economic loss because of the crime.

Local victim compensation boards, comprised of community volunteers and coordinated by the county attorney's office, approve or deny awards, which are based on a victim's eligibility and funding availability. Compensation can be awarded for costs such as medical bills, mental health counseling, funeral expenses, and lost wages. The program cannot cover costs related to attorney fees, property loss, or pain and suffering. Compensation also cannot be made to a victim who is incarcerated or in such a way that would benefit an offender. The maximum award amount is \$20,000.

(Continued)

In comparison, the Victim Assistance program provides competitive grants to government and nonprofit agencies that provide direct services to crime victims. These services include salaries and expenses related to providing emergency shelter, crisis counseling or intervention, information or referral services, and assistance in navigating the criminal justice system.

RS/KB:ss



Arizona Criminal Justice Commission



Acting Chairperson
DOUGLAS L. BARTOSH, Chief
Cottonwood Police Department

KELLY ANDERSON, Mayor
City of Maricopa

JOSEPH ARPAIO
Maricopa County Sheriff

DUANE BELCHER, Chairperson
Board of Executive Clemency

DAVID K. BYERS, Director
Administrative Office of the Courts

CLARENCE DUPNIK
Pima County Sheriff

TONY ESTRADA
Santa Cruz County Sheriff

TERRY GODDARD
Attorney General

DANIEL HUGHES, Chief
Surprise Police Department

BARBARA LAWALL
Pima County Attorney

RICHARD MIRANDA, Chief
Tucson Police Department

RALPH OGDEN
Yuma County Sheriff

DAVID SANDERS
Pima County Chief Probation Officer

DORA SCHRIBO, Director
Department of Corrections

LINDA SCOTT
Former Judge

GEORGE E. SILVA
Santa Cruz County Attorney

CARL TAYLOR
Coconino County Supervisor

ANDREW P. THOMAS
Maricopa County Attorney

ROGER VANDERPOOL, Director
Department of Public Safety

May 11, 2007

The Honorable Russell Pearce, Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

Dear Representative Pearce:

The Arizona Criminal Justice Commission (ACJC) respectfully requests placement on the next Joint Legislative Budget Committee for review of a proposal to spend an additional \$300,000 pursuant to a footnote in the General Appropriations Act (Laws 2006, Chapter 344). The footnote allows ACJC increased expenditure authority from the Victim Compensation and Assistance Fund if receipts received by ACJC exceed \$3.4 million in FY 2007. Prior to any expenditure, the Commission must submit information on the intended use of monies for review by the Joint Legislative Budget Committee.

In December 2006, the Arizona Attorney General's Office (AG) transferred \$2,875,000 to ACJC's Victim Compensation and Assistance Fund from a Racketeer Influenced and Corrupt Organizations (RICO) seizure involving a product fraud case. A.R.S. § 13-4311 requires 10 percent of the remaining balance of a forfeiture, after injured parties are compensated, to be transferred to the fund. ACJC's proposal would increase the projected FY 2008 Victim Compensation Program size from \$2,500,000 to \$2,800,000. The remaining funds from the RICO transfer would be gradually spent down over a period of fiscal years to provide some funding stability for the program.

ACJC administers the Crime Victim Compensation and Assistance Fund. The fund supports two victims programs: The Crime Victim Compensation Program and the Crime Victim Assistance Program. The purpose of these programs is to establish, maintain, and support programs that compensate and assist victims of crime. Monies in the Victim Compensation Program are allocated to the counties based on a distribution formula and used to provide financial assistance, services, and cash reimbursement to victims of crime. Victims are eligible for lost wages, medical, funeral, and counseling expenses.

The Commission requests to be placed on the agenda for the next Joint Legislative Budget Committee meeting to provide information on the intended use of these monies. The ability to utilize these monies will benefit innocent victims of crime throughout the State of Arizona. We appreciate your consideration of the Commission's request.

Sincerely,

Executive Director
John A. Blackburn, Jr.

1110 West Washington, Suite 230
Phoenix, Arizona 85007
PHONE: (602) 364-1146
FAX: (602) 364-1175
www.azcjc.gov

John A. Blackburn, Jr.
Executive Director

Our mission is to sustain and enhance the coordination, cohesiveness, productivity and effectiveness of the Criminal Justice System in Arizona

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: June 14, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Assistant Director

SUBJECT: Department of Education – Review of Xanterra Settlement

Request

Pursuant to A.R.S. § 15-915(B), the Arizona Department of Education (ADE) requests a favorable review of its plan to provide school districts in Coconino County with \$1,002,600 in corrected Basic State Aid funding due to a recent settlement in the Arizona Tax Court regarding property taxes paid in prior years by Xanterra Parks and Resorts, LLC.

Summary

The JLBC Staff recommends that the Committee give a favorable review of the request, as it conforms with statutory requirements regarding state aid corrections required as a result of Arizona Tax Court rulings.

Analysis

Subject to review by the JLBC, A.R.S. § 15-915(B) requires the Superintendent of Public Instruction to reimburse school districts for K-12 “local share” taxes that they must refund to a taxpayer due to an Arizona Tax Court ruling that reduces the taxpayer’s assessed property value for prior fiscal years. In this regard, the Arizona Court of Appeals on April 10, 2007 upheld an earlier Arizona State Tax Court ruling that determined that Xanterra Parks and Resorts, LLC (“Xanterra”), which operates concessions at the South Rim of Grand Canyon National Park, did not own improvements that it made in recent years to properties such as the El Tovar Hotel and therefore was entitled to a refund of property taxes that it paid on those improvements. The appellate court instead determined that those improvements were federally-owned and therefore not subject to taxation. Coconino County, which appealed the original tax court ruling, does not plan further appeals in the case.

The Arizona Court of Appeals ruling has the effect of requiring the state to refund K-12 Qualifying Tax Rate (QTR) and County Equalization Tax Rate (CETR) taxes paid by Xanterra for FY 2001 through

(Continued)

FY 2004, pursuant to A.R.S. § 15-915(B). Those taxes equaled \$881,400 for the QTR (*Attachment 1*) and \$121,100 for the CETR (*Attachment 2*), for a total of \$1,002,600 (rounded).

The QTR refund shown in *Attachment 1* applies only to Grand Canyon Unified, as all of the properties in question are located within that school district. (Under the K-12 Basic State Aid formula, QTR taxes are “credited” in whole to the school district that generates them.)

The CETR refunds shown in *Attachment 2*, however, apply to all school districts in Coconino County, as CETR revenues are pooled and shared on a countywide basis. The CETR is currently suspended, but was in effect for the years in question.

The computed \$1,002,600 refund total does not include settlement-related interest costs or monies to reimburse school districts for taxes paid by Xanterra for items other than the QTR and CETR, such as for small school district budget exemptions, excess utilities, overrides and bond debt service, as those costs are not addressed in A.R.S. § 15-915(B).

RS/SSc:ym
Attachments



State of Arizona
Department of Education

Tom Horne
Superintendent of
Public Instruction

May 18, 2007

Mr. Robert Burns, JLBC Chairman
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007



Re: Coconino County - Correction to State Aid and County Equalization Amounts pursuant to ARS 15-915(B) (Fiscal Years 2001, 2002, 2003 and 2004) due to the Xanterra Parks & Resorts. LLC
Property Tax Judgment for tax years 2000, 2001, 2002, and 2003

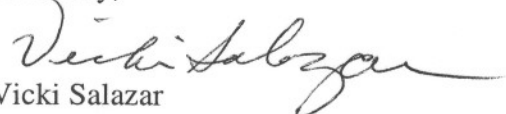
Dear Mr. Burns,

This memorandum is submitted to you pursuant to ARS 15-915 (B) which provides that corrections to state aid based on a change in assessed valuation – pursuant to ARS 42-16213 - are subject to review by the JLBC.

The Coconino County Assessors office has corrected the assessed valuations by district for Xanterra Parks & Resorts, LLC property. These corrections affect fiscal years 2001, 2002, 2003, and 2004. The calculated state aid corrections are summarized for Grand Canyon Unified School District in the attached document. The original and revised assessments from Coconino County for Grand Canyon Unified School District are also included in the attachment document.

If you have any other questions or concerns please contact Mr. Phil Williams at 602-542-8250 or via email at pwillia@ade.az.gov.

Sincerely,


Vicki Salazar
Associate Superintendent – Finance

Cc: Richard Stavneak, Director, JLBC Staff, Phil Williams, Deputy Associate Superintendent – School Finance.

Xantera Assessed Valuations
Impact on Grand Canyon Unified Equalization Assistance
School years 2001-02 through 2003-2004

School Year:	<u>2000-01</u>		<u>2001-02</u>		<u>2002-03</u>		<u>2003-04</u>	
Tax Year:	<u>2000</u>		<u>2001</u>		<u>2002</u>		<u>2003</u>	
<u>Final APOR55</u>	Elementary	High School	Elementary	High School ¹	Elementary	High School	Elementary	High School
Primary Assessed Valuation (PAV):	20,384,758	20,384,758	30,181,501	30,181,501	23,615,051	23,615,051	21,985,459	21,985,459
Qualifying Tax Rate:	2.1265	2.1265	2.0647	2.0647	2.0296	2.0296	1.9583	1.9583
Qualifying Levy:	433,482	433,482	623,157	623,157	479,291	479,291	430,541	430,541
Equalization Base:	1,292,684	452,562	1,269,081	486,573	1,256,826	510,789	1,220,186	638,286
Equalization:	859,202	19,080	645,924	-	777,535	31,498	789,645	207,745
Xantera PAV (LPV):	6,191,033	6,191,033	6,024,592	6,024,592	6,242,562	6,242,562	6,136,263	6,136,263
<u>Corrected (Subtracted Xantera PAV):</u>								
Primary Assessed Valuation (PAV):	14,193,725	14,193,725	24,156,909	24,156,909	17,372,490	17,372,490	15,849,196	15,849,196
Qualifying Tax Rate:	2.1265	2.1265	2.0647	2.0647	2.0296	2.0296	1.9583	1.9583
Qualifying Levy:	301,830	301,830	498,768	498,768	352,592	352,592	310,375	310,375
Equalization Base:	1,292,684	452,562	1,269,081	486,573	1,256,826	510,789	1,220,186	638,286
Equalization:	990,854	150,733	770,314	-	904,234	158,197	909,811	327,911
Increase to Equalization:	131,652.32	131,652.32	124,389.76	-	126,699.03	126,699.03	120,166.44	120,166.44
Total :	\$881,425.34	263,304.64		124,389.76		253,398.06		240,332.88

¹ In School year 2001-02, the qualifying levy exceeded the high school portion of the equalization assistance. There is no impact on this portion of equalization assistance.

Xantera PAV (LPV):	6,191,033	6,191,033	6,024,592	6,242,562	6,242,562	6,136,263	6,136,263
Qualifying Tax Rate:	2.1265	2.1265	2.0647	2.0296	2.0296	1.9583	1.9583
Qualifying Levy IMPACT:	131,652.32	131,652.32	124,389.76	126,699.03	126,699.03	120,166.44	120,166.44

Sent to Lisa Bowey, 1-7-05 (corrected version)

H:\V_SF_LoriD\LoriD\APOR\FY2008\Xantera Qualified Tax Levy.xls

Lyle Friesen
Arizona Department of Education, School Finance

January 7, 2005

Grand Canyon - Xanterra Assessment Correction

EntityID	Name	CTDS	2000	2001	2002	2003	2004	2005	2006
4192	Flagstaff Unified District	030201000	\$ 0	\$ (32,123)	\$ (21,566)	\$ (27,806)	\$ (27,084)	\$ 0	\$ 0
4193	Williams Unified District	030202000	\$ 0	\$ (1,490)	\$ (1,021)	\$ (1,139)	\$ (1,199)	\$ (0)	\$ 0
4194	Grand Canyon Unified District	030204000	\$ (0)	\$ 29,509	\$ 13,260	\$ 25,860	\$ 25,487	\$ (0)	\$ (0)
4195	Fredonia-Moccasin Unified District	030206000	\$ 0	\$ (2,258)	\$ (1,336)	\$ (1,763)	\$ (1,640)	\$ (0)	\$ (0)
4196	Page Unified District	030208000	\$ (0)	\$ (9,246)	\$ (6,774)	\$ (9,916)	\$ (8,654)	\$ 0	\$ 0
4197	Tuba City Unified District	030215000	\$ (0)	\$ (15,046)	\$ (10,772)	\$ (13,627)	\$ (13,737)	\$ 0	\$ (0)
4198	Chevelon Butte School District	030305000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4199	Maine Consolidated School District	030310000	\$ (0)	\$ (567)	\$ (347)	\$ (386)	\$ (356)	\$ (0)	\$ 0
10386	Coconino County Regional Accommodation SD	030199000	\$ (0)	\$ (496)	\$ (355)	\$ (306)	\$ (310)	\$ -	\$ -
79381	CAVIAT Coconino Assoc for Vocation Industry and Technology	030801000			\$ (1,055)	\$ (1,437)	\$ (1,452)	\$ (0)	\$ (0)
				\$ (31,717)	\$ (29,966)	\$ (30,520)	\$ (28,945)	\$ -	\$ (0)
									\$ (121,148)

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DATE: June 14, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jay Chilton, Fiscal Analyst

SUBJECT: Department of Public Safety – Quarterly Review of the Arizona Public Safety
Communication Advisory Commission

Request

Pursuant to A.R.S. § 41-1830.42C, the Department of Public Safety (DPS) has submitted for review its FY 2007 third quarter expenditures and progress for the statewide interoperability design project.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request. Third quarter expenditures totaled \$247,200 of approximately \$4.3 million in FY 2007 funding. Activities in the third quarter addressed projects identified in the Public Safety Communication Advisory Commission (PSCC) timeline relating to both the “short-term” and “long-term” interoperable solutions.

Analysis

Background

The Arizona PSCC was established to develop a statewide standard-based interoperability system that allows public safety personnel from one agency to communicate, via mobile radio, with personnel from other agencies. An interoperable system enhances the ability of various public safety agencies to coordinate their actions in the event of a large-scale emergency as well as daily emergencies. Construction costs of a statewide interoperability communication system have been estimated to be as high as \$300 million. The PSCC timeline (*see Attachment A*) targets the establishment of a financing and development plan for the system by July 2008.

(Continued)

Activities

PSCC progress in the third quarter regarding the timeline and the “short-term” interoperable solution included increasing the number of Arizona Emergency Radio System (AERS) user agencies to 70. This short-term solution, while allowing interagency communication, is limited to a single talk group, which is described as a conversation between users in a geographical area. The PSCC describes this functionality as “basic interoperability” for first responders. The Arizona Statewide Interoperability Executive Committee (SIEC) also changed the name of AERS to the Arizona Interagency Radio System (AIRS) to emphasize that an interoperable system enables communication between various agencies. The full deployment of AIRS, which includes the installation of equipment at over 40 sites, is expected by July 2009 (Milestone 9).

With respect to the “long-term” interoperable solution, the consulting firm contracted to create the conceptual design for the solution has developed an accelerated schedule in order to carry out the initial demonstration project sooner than originally planned. The PSCC indicates that some elements of the demonstration project will be in place and operational to support and improve interoperability during Super Bowl 2008. The long-term solution differs from the short-term solution in that it will allow an unlimited number of talk groups, creating a more robust interoperability solution open to more simultaneous users than AIRS (Milestone 10).

The PSCC anticipates that in July 2007 the U.S. Departments of Commerce and Homeland Security will announce awards for a grant for statewide interoperable communications systems. The proceeds from a commercial radio spectrum sale, an anticipated \$960 million, will be divided among the 50 states, 5 U.S. territories and possessions, and the District of Columbia. The awards will be determined based on a risk assessment formula, with 5% being made available at the end of September and the remaining 95% available in March 2008 based on a completed statewide interoperability plan.

The PSCC expects to use this funding for completion of the AIRS network and upgrading the DPS microwave system. The microwave system is the backbone of the DPS statewide radio system and is divided into 3 segments, also called loops. The total cost of the microwave system upgrade project is currently estimated at \$47.5 million. The Legislature has approved funding for the South Loop in the amount of \$2.5 million each year from FY 2007 through FY 2009. The amount is a combination of General Fund, Game and Fish Fund, and State Highway Fund dollars. It was also expected that \$1.6 million of Homeland Security money would be distributed for this project in each year over the same span, although to date the Homeland Security funding has been unavailable.

The PSCC Support Office has also worked with the Department of Public Safety’s Wireless Systems Bureau in filing grant applications for State Homeland Security Grant Program (SHSGP) monies to aid in upgrading the DPS microwave system and expanding the PSCC’s demonstration project (Milestone 13).

Expenditures

Laws 2004, Chapter 275 included a non-lapsing appropriation of \$3 million to DPS in FY 2005 for design costs of a statewide radio interoperability communication system. At the beginning of FY 2007, \$2,987,200 was remaining from that non-lapsing appropriation. In addition, the FY 2007 General Appropriation Act appropriated \$1,335,000 to DPS from the General Fund for the PSCC through the Statewide Interoperability Special Line Item. Therefore, there was a total of \$4,322,200 in monies available for expenditure in FY 2007.

In the third quarter, the PSCC expended roughly \$122,200 for costs associated with the 7 filled FTE Positions.

(Continued)

Total third quarter expenditures also included \$125,100 from the PSCC's non-lapsing funds paid to the consulting firm contracted to create the conceptual design of the "long-term" solution. Total expenditures for the quarter were \$247,300, leaving \$3,540,700 for the remainder of FY 2007.

Table 1 indicates FY 2007 monies available for expenditure and first and third quarter expenditures.

Table 1				
	<u>PSCC Appropriation & Expenditures</u>			
	<u>FY 2007 Funding Available</u>	<u>1st Quarter Expenditures</u>	<u>2nd Quarter Expenditures</u>	<u>3rd Quarter Expenditures</u>
Personal Services	\$ 737,300	\$118,100	\$ 79,600	\$ 95,800
Employee Related Expenditures	230,100	20,100	13,900	18,800
Professional & Outside Services	2,987,200 ^{1/}	65,700 ^{2/}	195,000 ^{2/}	125,100 ^{2/}
Travel - In State	41,400	400	400	200
Travel - Out of State	26,600	2,500	--	1,200
Other Operating Expenditures	299,600	47,100	9,400	6,200
Equipment	--	--	--	--
Total Operating Expenditures	\$4,322,200	\$253,900	\$298,300	\$247,300

^{1/} The amount remaining from the Laws 2004, Chapter 275 non-lapsing appropriation of \$3 million is included in the Professional & Outside Services line.

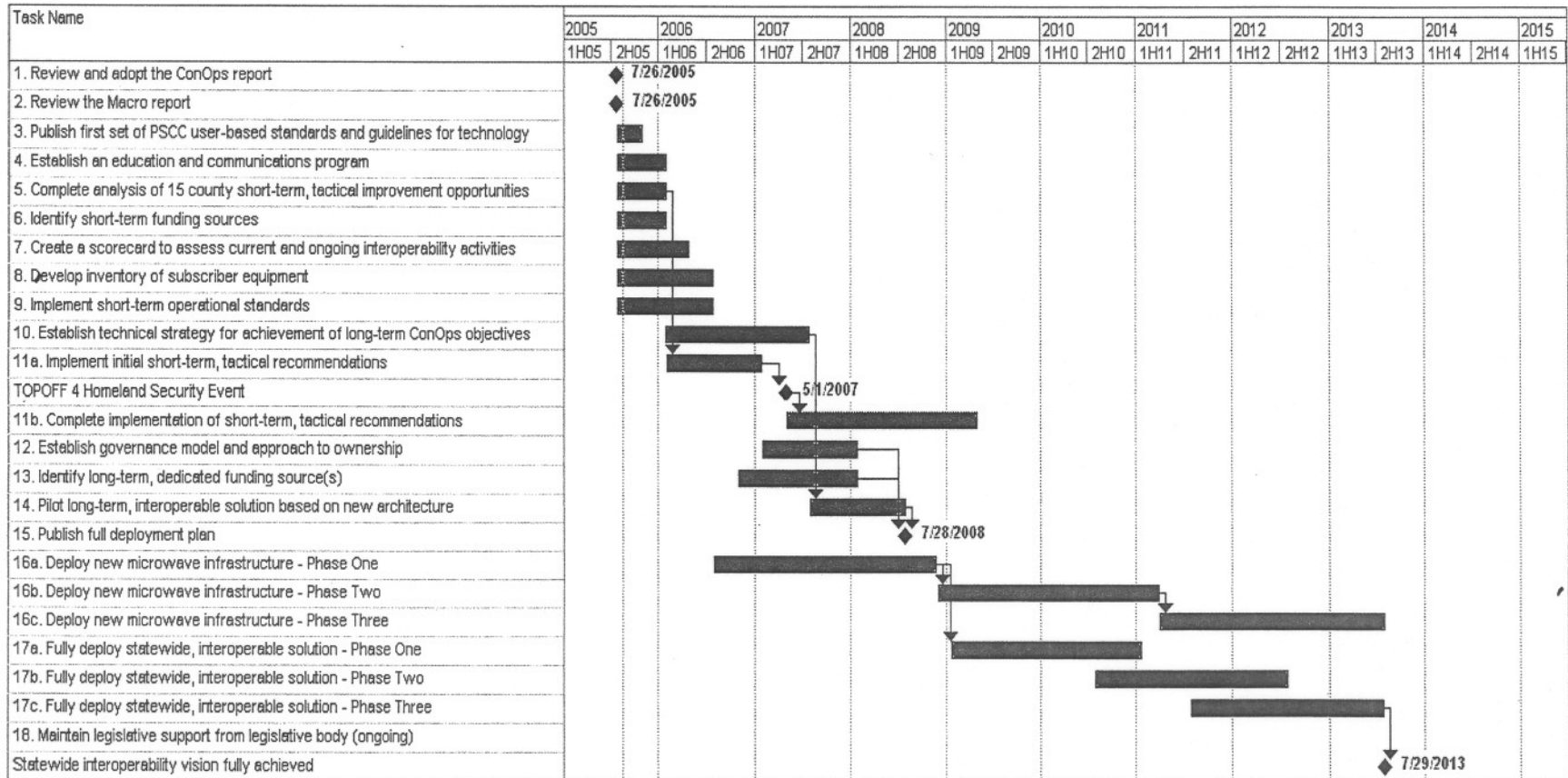
^{2/} Expenditures in Professional & Outside Services for all quarters are from the \$3 million in non-lapsing monies.

RS/JC:ss

(Continued)

The following project plan conveys the major components of the short- and long-term strategies for achieving statewide interoperability in the State of Arizona. Through execution of this plan, the State can address the critical communications issues facing public safety and realize the vision for radio interoperability shared by the PSCC and the State of Arizona.

Figure 2. Arizona Statewide Interoperability Project Plan



xc:Jch/ML

ARIZONA DEPARTMENT OF PUBLIC SAFETY

2102 WEST ENCANTO BLVD. P.O. BOX 6638 PHOENIX, ARIZONA 85005-6638 (602) 223-2000



JANET NAPOLITANO
GOVERNOR

ROGER VANDERPOOL
DIRECTOR

May 17, 2007

Mr. Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007



Dear Mr. Stavneak:

Attached is the FY 2007 third quarter report for the Arizona Public Safety Communications Commission (PSCC). Included is a narrative of our activities and progress relative to milestones identified in our Concept of Operations document for report period January 1, 2007 through March 31, 2007, as well as an up-to-date expenditure report.

If we can answer any questions or assist you or your staff in any manner, please contact Mr. Curt B. Knight, Executive Director, PSCC at (602) 271-7400.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Vanderpool".

Roger Vanderpool
Director

rl

Attachments

PSCC Concept of Operations Milestone Activities:

MILESTONE 4 – EDUCATION AND COMMUNICATION PROGRAM

As one of five Arizona representatives, Mr. Curt Knight participated in a planning workshop hosted by the National Governor's Association and U. S. Department of Homeland Security on March 21-23, 2007. The workshop focused on statewide interoperability planning and a companion grant application for interoperable systems. Grant monies will be made available through the U. S. Departments of Commerce and Homeland Security in advance of expected proceeds from a commercial radio spectrum sale. An anticipated \$960 million will be divided among 56 states, U. S. territories/possessions and the District of Columbia. As a non-competitive grant, awards will be announced in mid-July based on a risk-assessment formula. The statewide interoperability draft plan, a component of the grant application, is due on September 30, 2007 with the final plan due on November 1, 2007. Five percent of each state's awarded amount will be available at the end of September with the remaining 95 percent available March 31, 2008 based on a completed statewide interoperability plan.

The PSCC Support Office has applied in writing to the U. S. Department of Homeland Security for technical assistance through its Interoperable Communications Technical Assistance Program (ICTAP) for organizing and performing an initial review of the Arizona plan.

On April 9, 2007, Mr. Curt Knight briefed members of the Governor's staff, Department of Homeland Security, Department of Administration, Department of Corrections, City of Phoenix Emergency Management and the Government Information Technology Agency reference interoperability progress in Arizona, the high-level status of our project and access to the above-referenced grant monies.

MILESTONE 9 – IMPLEMENT SHORT-TERM OPERATIONAL STANDARDS:

The Arizona Statewide Interoperability Executive Committee (SIEC) approved the Arizona Emergency Radio System (AERS) to Arizona Interagency Radio System (AIRS) name change to help improve the user's understanding that this is an "interagency" radio system designed for regular day-to-day uses as opposed to an "emergency" only radio system. Also included in the SIEC approval were improvements in first responders operational planning through a standardized radio programming and channel-naming convention for all mobile and portable radios operating on the AIRS network.

Seventy (70) public safety agencies throughout Arizona have signed a Memorandum of Understanding to use the AIRS network as part of an overall interagency communications solution. The following is a breakdown of the various organizations:

Law Enforcement	23
Fire Service	20
Emergency Management	5
State Government Agencies	4
Federal Agencies	3
Emergency Medical Service	2
Tribal Governmental Agencies	1
Other Agencies	12

Public Safety Communications Commission

PSCC is working with the U. S. Department of Homeland Security and the Federal Partnership for Interoperable Communications (FPIC) to encourage federal support and participation in the PSCC's demonstration project.

MILESTONE 10 – ESTABLISH TECHNICAL STRATEGY FOR ACHIEVEMENT OF LONG-TERM CONCEPT OF OPERATIONS OBJECTIVES:

Under the direction of the PSCC and the PSCC Support Office, Federal Engineering (FE) has developed options for an accelerated schedule in order to carry out the initial demonstration project sooner than originally planned. A workshop/focus group was held on March 20 to review the viability and applicability of different solutions available for an overall statewide system. A single-band, 700 MHz, digitally trunked, Project 25 solution was recommended by the Focus Group. At its April 24, 2007 meeting, the PSCC adopted the Focus Group's proposed direction with an understanding this recommendation will drive the demonstration project with some elements in place and operational to support and improve interoperability during Super Bowl 2008.

MILESTONE 12 – ESTABLISH GOVERNANCE MODEL AND APPROACH TO OWNERSHIP:

No significant activity to report this quarter.

MILESTONE 13 – IDENTIFY LONG-TERM, DEDICATED FUNDING SOURCE(S):

In addition to state general fund monies being requested for FY 2008/2009 for completion of the detailed design and to expand the demonstration project, the PSCC Support Office has also filed grant applications for State Homeland Security Grant Program monies (SHSGP). The PSCC Support Office in concert with the Department's Wireless Systems Bureau has applied to the Arizona Department of Homeland Security for monies to augment state general funds for the Department's south microwave loop and to further expand the PSCC's demonstration project.

Grant awards from the above-referenced Commerce/DHS interoperability grant are expected to be focused on completion of the AIRS network, microwave deployment and Arizona's long-term interoperability plan.

The PSCC Support Office, Federal Engineering (FE) and the Government Information Technology Agency (GITA) have begun review sessions to ensure the PSCC project business plan document will directly address the elements of a Project Investment Justification (PIJ).

STAFFING:

Ms. Renee Larson joined the PSCC support staff as the Administrative Services Officer the latter part of March. She replaced Ms. Holly Burkenbine who accepted a position in the Department of Public Safety's Wireless Systems Bureau.

FUTURE PSCC MEETINGS:

Tuesday, July 10, 2007 at 1:00 p.m.
Flagstaff City Hall
211 West Aspen Avenue
Flagstaff, Arizona

Tuesday, October 23, 2007 at 1:00 p.m.
City of Peoria Council Chambers
8401 West Monroe Street
Peoria, Arizona

BUDGET:

Expenditures for the third quarter of FY 2007 totaled \$122,172.51.

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: June 14, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Eric Jorgensen, Fiscal Analyst

SUBJECT: Department of Economic Security – Review of Requested Transfer of Appropriations

Request

Pursuant to multiple FY 2007 General Appropriation Act footnotes, the Department of Economic Security (DES) requests Committee review of transfers involving the Child Care program, the Temporary Assistance for Needy Families (TANF) Cash Benefits Special Line Item (SLI), the Children Services SLIs, and the Developmental Disabilities/Long Term Care program. These transfers include significant increases to the Division of Benefits and Medical Eligibility (DBME) operating budget, the Children Support Services SLI, the Developmental Disabilities (DD) State-Funded Long-Term Care Services SLI, and the Long Term Care (LTC) Home and Community Based Services SLI. There are also various transfers to realign funding sources, most of which are consistent with changes included in both House and Senate versions of the FY 2008 budget. These transfers are detailed on *Table 1*.

Recommendation

The Committee has at least the following options:

1. A favorable review of the transfers, with the provision that DES use non-appropriated fund sources and savings first to mitigate the projected shortfalls. The Committee has attached this provision to prior reviews of DES transfers.
2. An unfavorable review of the proposed DBME Operating Budget transfer. The Committee unfavorably reviewed a similar transfer last year due to concerns with using savings from declining entitlement benefits to fund administrative expansion.

These transfers address \$24.3 million of the department's projected \$28.5 million total fund shortfall. DES would resolve the remaining \$4.2 million shortfall with options that do not require Committee review.

(Continued)

Table 1			
DES Proposed Transfers (In Millions)			
	General Fund	Other Funds	Total
<u>Proposed Funding Increases (Transfers To)</u>			
DBME Operating	\$ 6.0	\$ -	\$ 6.0
Transitional Child Care	-	1.0	1.0
Children Support Services	13.6	-	13.6
LTC Home and Community Based Services	1.5	-	1.5
State Funded Long Term Care Services	<u>2.2</u>	<u>-</u>	<u>2.2</u>
Subtotal	\$ 23.3	\$ 1.0	\$ 24.3
<u>Proposed Funding Decreases (Transfers From)</u>			
TANF Cash Benefits	\$ (14.0)	\$ -	\$ (14.0)
Day Care Subsidy	-	(1.0)	(1.0)
CPS Residential Placement	(0.6)	-	(0.6)
JOBS	-	(5.0)	(5.0)
DDD Arizona Training Program at Coolidge	(0.5)	-	(0.5)
DDD Case Management	(1.0)	-	(1.0)
DDD Operating	(0.4)	-	(0.4)
DDD Institutional Services	(0.2)	-	(0.2)
DDD Home and Community Based Services	<u>(1.6)</u>	<u>-</u>	<u>(1.6)</u>
Subtotal	\$ (18.3)	\$ (6.0)	\$ (24.3)
<u>Funding Realignments (Program)</u>			
DCYF Operating	\$ (5.0)	\$ 5.0	\$ -
Children Support Services	(2.1)	2.1	-
CPS Emergency Placements	0.9	(0.9)	-
CPS Residential Placements	1.0	(1.0)	-
Foster Care Placements	<u>0.2</u>	<u>(0.2)</u>	<u>-</u>
Subtotal	\$ (5.0)	\$ 5.0	\$ -

Under either option, JLBC Staff also recommends that DES report back to the Committee by July 15, 2007 on how the department ultimately solved the entire shortfall, including any transfers not needing review, one-time monies, or savings from both appropriated and non-appropriated sources.

Analysis

TANF Cash Benefits Surplus

Based on year-to-date spending, JLBC Staff concurs that at least \$14 million of the appropriated \$135.6 million is available from the TANF Cash Benefits SLI from lower-than-expected caseloads. As of March 2007, caseloads were 10% lower than the previous year. These savings are reflected in both House and Senate Engrossed versions of the FY 2008 budget.

DBME Operating Shortfall

DES requests that \$6 million of the General Fund TANF Cash Benefits surplus be transferred to the DBME operating budget to cover a projected \$6 million shortfall. In FY 2005 and FY 2006, this issue was resolved with a similar fund transfer. In FY 2006, the Committee unfavorably reviewed this transfer, expressing concern that savings from declining entitlement benefits were being used to expand the administrative budget. Based on year-to-date expenditures, JLBC Staff estimates at least a \$4 million

(Continued)

shortfall. This shortfall is not addressed in either the House or Senate Engrossed version of the FY 2008 budget.

According to DES, there are 2 main reasons for the \$6 million shortfall. First, contract costs for processing electronic transactions have increased over the amount the budget can currently support. Second, DES attributes some of the shortfall to an increased workload due to the intensive case management needed to administer the TANF diversion program mentioned above and a rising food stamp caseload. While the federal government pays 100% of the cost of the food stamps themselves, the state pays 50% of the administrative costs. Overall, DES asserts that their total workload has doubled since 2001, while the DBME operating budget has declined by (5)%.

Child Care

Appropriations for the Child Care program are split between 2 line items, the Day Care Subsidy SLI, which funds TANF recipients and working families under 165% of the Federal Poverty Level, and the Transitional Child Care SLI, which funds former TANF recipients for up to 2 years. As in previous years, the total appropriation is sufficient for the program; however, DES proposes to transfer \$1 million of Federal Child Care Development Fund Block Grant monies from the Day Care Subsidy SLI to the Transitional Child Care SLI to align funding with actual caseloads. Based on year-to-date spending, JLBC Staff agrees that there will likely be a shortfall in the Transitional Child Care appropriation and that there is at least a \$1 million surplus in the Day Care Subsidy SLI.

Division of Children, Youth and Families (DCYF) and Children Services

DES requests that \$13.6 million of General Fund monies be transferred to the Children Support Services SLI to cover a projected shortfall. This line item provides services, including counseling, parent training, lab tests, and home recruitment, for children in the Child Protective Services (CPS) system. These services are provided to children who remain in their own homes as well as those in out-of-home placements. DES asserts that the shortfall is due to an increased emphasis on providing in-home services to children so they can remain with their families. DES has seen a year-to-date reduction of nearly (2)% in out-of-home placements, after large increases in FY 2004 (19%) and FY 2005 (12%). Based on year-to-date expenditures, JLBC Staff estimates at least a \$9 million shortfall. Both House and Senate Engrossed versions of the FY 2008 budget contain additional funding for the Children Support Services SLI; however, the amount is between \$1.2 million and \$3.1 million less than the projected \$13.6 million shortfall.

While costly out-of-home placements have decreased, only \$600,000 of the \$13.6 million shortfall is solved by savings in out-of-home placements. The remaining monies would come from the TANF Cash Assistance surplus (\$8 million) and a surplus in the JOBS Program (\$5 million), which helps TANF recipients with employment needs. DES reports that the JOBS Program has a one-time surplus due to significant vacancy savings. DES associates these savings with high case manager turnover because of the statewide privatization initiative scheduled to be fully implemented by September 30, 2007. Based on year-to-date expenditures, JLBC Staff concurs that there is a \$5 million surplus in the JOBS SLI.

In addition to the increased funding in Children Support Services, DES has requested several transfers to align funding sources with eligible populations. These transfers do not represent a net increase in funding to any of the involved programs, but rather a shift between General Fund and Federal TANF Block Grant sources. These realignments involve the DCYF operating budget, the Children Support Services SLI and the 3 out-of-home placement SLIs. All these transfers, except the operating budget transfer, are addressed in both versions of the proposed FY 2008 budget. The operating budget shift is a one-time shift done in conjunction with the JOBS SLI surplus transfer.

While these transfers would solve \$13.6 million of the shortfall, the remaining \$4.2 million shortfall, located in the Adoption Services SLI, would be resolved with other sources and transfers not needing

(Continued)

Committee review. Continued funding for the Adoption Services shortfall is included in both House and Senate Engrossed versions of the FY 2008 budget.

Developmental Disabilities/Long Term Care

DES requests that \$1.5 million of General Fund monies be transferred to the Long Term Care Home and Community Based Services SLI. DES reports that the LTC Home and Community Based Services shortfall is due to higher than budgeted premium tax costs. Since 2003, the Long Term Care program has been subject to the same 2% premiums tax on total capitation payments as private insurers. DES proposes to resolve this issue by transferring \$1 million from the state-only Case Management SLI and \$500,000 from the state-only Arizona Training Center at Coolidge SLI. Based on year-to-date expenditures, JLBC Staff concurs that there are sufficient amounts in these line items for the transfers.

DES also requests that \$2.2 million of General Fund monies be transferred to the State Funded Long Term Care SLI. According to DES, the State Funded Long Term Care SLI shortfall is due to higher than budgeted costs for a legislatively-mandated provider rate increase. The department proposes to resolve this shortfall with transfers from the Division of Developmental Disabilities operating budget (\$400,000), the state-only Institutional Services SLI (\$200,000), and the state-only Home and Community Based Services SLI (\$1.6 million). Based on year-to-date expenditures, JLBC Staff concurs that there are sufficient amounts in these line items for the transfers. Both House and Senate Engrossed versions of the FY 2008 budget resolve this shortfall in future years with an increased appropriation from the Long Term Care System Fund.

RS/EJ:ss



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Janet Napolitano
Governor

MAY 30 2007



Mr. Richard Stavneak
Director, Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Mr. Stavneak:

The Department requests to be placed on the Joint Legislative Budget Committee's June agenda for review of several appropriation transfers.

Division of Benefits and Medical Eligibility

Due primarily to significant caseload growth in the Food Stamps program in recent years, there is a shortfall in the Division of Benefits and Medical Eligibility's (DBME) operating budget. As in previous years, a transfer from the TANF Cash Benefits special line item (SLI) is necessary to resolve this shortfall. Laws 2006, Chapter 344, Section 10 includes the following footnote:

Notwithstanding section 35-173, subsection C, Arizona Revised Statutes, any transfer to or from the \$135,605,400 appropriated for temporary assistance for needy families cash benefits requires review by the joint legislative budget committee.

The Department proposes a \$6.0 million General Fund transfer from the TANF Cash Benefits SLI to the DBME operating budget.

Child Care Subsidy

Laws 2006, Chapter 344, Section 10 includes the following footnote:

The amounts appropriated for day care subsidy and transitional child care shall be used exclusively for child care costs unless a transfer of monies is reviewed by the joint legislative budget committee. Monies shall not be used from these appropriated amounts for any other expenses of the department of economic security unless a transfer of monies is reviewed by the joint legislative budget committee.

The Department proposes a \$1.0 million Child Care and Development Fund transfer from the Day Care Subsidy SLI to the Transitional Child Care SLI, both of which provide child care services. Transfers between these line items have been required in recent years to align funding with actual caseloads.

Children Services

Laws 2006, Chapter 344, Section 10 includes the following footnote:

Notwithstanding section 35-173, subsection C, Arizona Revised Statutes, any transfer to or from the amounts appropriated for children support services, CPS emergency placement, CPS residential placement or foster care placement requires review by the joint legislative budget committee.

The Department has increased the number of children served in their homes, resulting in increased expenditures in the Children Support Services SLI. The Department proposes an \$8.0 million General Fund transfer from the TANF Cash Benefits SLI to the Children Support Services SLI. Additionally, the Department proposes a \$5.0 million General Fund transfer from the operating budget of the Division of Children, Youth and Families (DCYF) after a \$5.0 million Temporary Assistance for Needy Families (TANF) block grant transfer from the Jobs SLI to the DCYF operating budget. Lastly, several transfers are necessary to properly align fund sources and expenditures. The Department proposes transfers of TANF funding to the Children Support Services SLI, including \$0.2 million from the Foster Care Placement SLI, \$1.6 million from the CPS Residential Placement SLI, and \$0.9 million from CPS Emergency Placement SLI. From the Children Support Services SLI, the Department proposes General Fund transfers totaling \$0.2 million to the Foster Care Placement SLI, \$1.0 million to the CPS Residential Placement SLI, and \$0.9 million to the CPS Emergency Placement SLI.

Developmental Disabilities

Laws 2006, Chapter 344, Section 10 includes the following footnote:


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 monies 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 nontitle XIX eligible clients. The amount shall not be used for other purposes, unless a transfer of monies is reviewed by the joint legislative budget committee.

The fiscal year 2007 budget for the Arizona Long Term Care System (ALTCS) program assumed a lesser capitation rate than the actuarial rate approved by the Centers for Medicare and Medicaid Services. To operate the program without a General Fund supplemental, the Department proposes that a \$1.0 million surplus in the state-only Case Management Services SLI

and a \$0.5 million surplus in the state-only Arizona Training Program at Coolidge SLI be transferred to the ALTCS program. Additionally, the Department proposes transfers of \$0.4 million from the state-only Developmental Disabilities operating lump sum, \$0.2 million from the state-only Institutional Services SLI, and \$1.6 million from the state-only Home and Community Based Services SLI to the State-Funded Long Term Care Services SLI.

If you have any questions, please contact Stephen Pawlowski, Financial Services Administrator, at (602) 542-3786.

Sincerely,

A handwritten signature in black ink, reading "Tracy L. Wareing". The signature is fluid and cursive, with the first name "Tracy" and last name "Wareing" clearly legible.

Tracy L. Wareing
Director

cc: Members of the Joint Legislative Budget Committee
James Apperson, Director, Office of Strategic Planning and Budgeting

STATE OF ARIZONA

Joint Legislative Budget Committee

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HOUSE OF
REPRESENTATIVES

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DATE: June 14, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Martin Lorenzo, Fiscal Analyst
Kimberly Cordes-Sween, Fiscal Analyst

SUBJECT: Arizona Department of Corrections – Consider Approval and Review of Requested
Transfer of Appropriations

Request

The Arizona Department of Corrections (ADC) requests the Committee consider the transfer of nearly \$4.2 million within the department's operating budget line items and Special Line Items (SLI). Under the plan, monies would be transferred from line items that, at current funding levels, are projected to result in a surplus at the end of FY 2007 to line items projected to result in a deficit at the end of FY 2007.

A.R.S. § 35-173 requires Committee approval prior to transferring monies to or from Personal Services and Employee Related Expenditures. In addition, Laws 2006, Chapter 344 requires that any transfer to or from the amounts appropriated for the Overtime/Compensatory Time or Provisional Beds SLI's would require review by the Joint Legislative Budget Committee (JLBC).

At its May 2007 JLBC Meeting, the Committee approved transfers totaling \$27.9 million between ADC's budget line items and Special Line Items to reflect the JLBC and the Governor's Office of Strategic Planning and Budgeting (OSPB) consensus forecast. The June transfer request would shift an additional \$4.2 million to meet funding needs through the end of the fiscal year.

Recommendation

The JLBC Staff recommends that the Committee approve the ADC request for the Personal Services and Employee Related Expenditure transfers. Committee approval would ensure the payment of state employee salaries.

The Committee has at least the following 2 options with regard to the remaining transfers:

(Continued)

- 1) A favorable review. Based on projected expenditures, there is sufficient funding available for the transfers.
- 2) An unfavorable review. The transfers include \$2.1 million in savings as a result of not filling half of the Indiana provisional beds. While ADC has indicated this is due to security concerns, the department may also be generating these savings to pay other bills.

ADC is also proposing to transfer another \$2.3 million into the overtime line item. There may also be concerns that the department has not lowered its overtime expenses as much as anticipated. After adjusting for salary increases, overtime is projected to decline by \$(2.1) million while CO II starting salaries increased from \$29,698 to \$32,641.

In addition, the JLBC Staff recommends that the Committee allow the department to be able to shift up to \$250,000 in or out of any line item or Special Line Item for any remaining monies in FY 2007. In case that these requested transfers do not exactly match department needs through the end of the fiscal year, this provision would enable ADC to spend all remaining funding allocated to the department.

The following table provides the department's current funding level, proposed transfer amounts, and the revised appropriation total for each line item.

Table 1 Arizona Department of Correction's Transfers Requiring Committee Approval and Review			
	<u>Current</u> <u>Funding Level</u>	<u>Requested</u> <u>Transfers</u>	<u>Requested</u> <u>Funding Level</u>
Correctional Officer Personal Services*	\$274,232,700	\$1,258,500	\$275,491,200
Health Care Personal Services*	35,869,200	127,800	35,997,000
All Other Personal Services*	69,987,200	(481,000)	69,506,200
Employee Related Expenditures*	143,711,700	392,000	144,103,700
Overtime/Compensatory Time SLI**	41,195,100	2,283,200	43,478,300
Health OOE ^{1/} **	66,141,300	0	66,141,300
Non Health OOE**	124,835,900	107,500	124,943,400
County Jail Beds SLI**	1,027,200	(22,100)	1,005,100
Private Prison Per Diem SLI**	68,743,100	(1,541,000)	67,202,100
Provisional Beds SLI**	<u>35,133,100</u>	<u>(2,124,900)</u>	<u>33,008,200</u>
Total	\$860,876,500	\$ 0	\$860,876,500

^{1/} These amounts do not include a proposed health care supplemental of \$9 million to \$9.6 million.
* Committee approval is required for these line items.
** Committee review is required for these line items.

Analysis

Personal Services and Employee Related Expenditures (ERE)

As shown in *Table 1*, the department is estimating a shortfall in the Correctional Officer and Health Care Personal Services line items and a surplus in the All Other Personal Services line item. In total, the department is forecasting Personal Services expenditures of nearly \$381 million in FY 2007. Based on the department's monthly expenditure reports, the proposed transfers in the 3 Personal Services line items would provide the department with an average of \$15.1 million per-pay-period through the end of FY 2007. This amount appears to be accurate given the average cost per-pay-period in April was \$14.9 million and the department continues to fill vacant positions.

With respect to ERE (employee benefits), the department forecasts total expenditures to be in excess of \$144.1 million, or \$392,000 above the department's current funding level. Based on the forecasted

(Continued)

Personal Services and ERE expenditures, the proposed transfers would result in an employee benefits rate of 37.82% in FY 2007, which is consistent with the department's adjusted appropriated rate.

Overtime/Compensatory Time (OT/CT)

Laws 2006, Chapter 344 (General Appropriation Act) shifted monies from OT/CT to increase the salaries of those in the Correctional Officer (CO) series. The higher pay was intended to reduce vacancies and, thereby, reduce overtime expenditures. For example, CO II starting salaries increased by 19.3% to \$32,641 in FY 2007.

While the department has made progress in filling vacant CO II positions, the increases in staffing have not reduced OT/CT expenditures as quickly as anticipated. To date, the Committee has approved the transfer of \$21.5 million into the OT/CT SLI, increasing the OT/CT allocation to \$41.2 million. Now, the department requests to transfer an additional \$2.3 million to cover anticipated OT/CT costs in FY 2007 of \$43.5 million. When adjusted for recent statewide and correctional officer series salary adjustments, the department's anticipated FY 2007 OT/CT expenditures are approximately \$2.1 million less than the department expended in FY 2006.

Due to the majority of new hires occurring in recent months, overtime is anticipated to be further reduced in FY 2008. For example, the department has filled an additional 698 CO II Positions through June 4, however of this amount, approximately 360 positions have been added since March 2007.

Health Care

The transfer request does not include any shifts for the Health Other Operating Expenses (Health OOE) line. The department has revised their anticipated health care expenditures to \$75.8 million, which is \$9.6 million below the current funding level. The Executive is anticipating a supplemental appropriation to cover these costs. Currently, the House of Representatives and Senate have proposed legislation to provide the department with a supplemental appropriation of \$9 million and \$9.6 million, respectively, to cover the projected Health OOE shortfall.

Non-Health OOE

At its May 2007 meeting, the Committee approved the transfer of \$1.9 million into the Non-Health OOE line item resulting in a total allocation of \$124.8 million. Now, the department estimates expenditures in the Non-Health OOE line item to be \$124.9 million, \$107,500 above the current funding level. As a result, ADC requests to shift an additional \$107,500 into the Non-Health OOE line to cover the projected shortfall.

County Jail Beds

There are currently 48 Navajo County Jail beds that are housing Arizona inmates on a temporary basis. The department's requested shift of \$22,100 out of County Jail Beds SLI appears reasonable based on the current per diem rate of \$49.44 and ADC's month end populations at the jail, which reflects an estimated 3% vacancy rate.

Provisional Beds

The department is requesting to shift a total of \$2.1 million out of the Provisional Beds SLI to various line items, as identified in *Table 1*. As reported at the May 2007 JLBC meeting, ADC began transferring inmates in March to newly contracted Indiana provisional beds at a per diem rate of \$64. A total of 1,260 inmates were scheduled to be transferred to the Indiana Newcastle Facility by the end of the fiscal year. Due to an April 24 disturbance at the facility, which involved both Arizona and Indiana inmates, the department stopped transferring inmates to the facility pending further investigation into the disturbance and conditions at the facility. At the time of the disturbance, only 630 Arizona inmates were housed at

(Continued)

the Indiana facility and the department does not anticipate transferring new inmates to Indiana before the end of the fiscal year.

Since only half of the contracted 1,260 beds will be used for the remaining portion of the fiscal year, the Provisional Beds SLI will have an unanticipated surplus. The department has indicated that the delay is due to negotiations with Indiana about the conditions at the facility with regards to security, inmate privileges, and program services. If negotiations are successful, ADC plans to continue loading the 1,260 beds in Indiana.

One alternative reason for the more than 2-month delay in transferring additional inmates may be to generate savings to cover other internal department costs. If ADC continued to fill the Indiana beds, it would not have the \$2.1 million available to address its overruns in other line items.

After the \$2.1 million shift, the Provisional Beds SLI will have total funding of \$33 million in FY 2007. In addition to the Indiana contract, ADC houses 1,440 Arizona inmates in provisional beds at the Diamondback Facility in Oklahoma.

Private Prison Per Diem

The department was originally funded \$81.8 million in FY 2007 to house 4,264 inmates at 5 private prison facilities within the State of Arizona. At the May JLBC meeting, the department shifted \$13 million out of the Private Prison Per Diem SLI and is now requesting to shift an additional \$1.5 million out of this SLI for use in other lines. In May, ADC was aware that there was an additional \$1.5 million available to shift out of this SLI; however, at the time ADC did not choose to use these monies to resolve shortfalls.

Based on monthly expenditure reports provided by the department, ADC has a surplus of funding in this line due to a canceled Newton County Texas 645 bed contract, private prison contractor rebates to ADC for not meeting certain contractual agreements such as staffing requirements, and inmate vacancies at the private prisons. ADC should have sufficient funding remaining after the requested shift to cover the costs of the 5 existing private prison contracts. The Private Prison Per Diem SLI will have \$67.2 million remaining after the transfer.

RS/ML/KC:ss

Arizona Department of Corrections



JANET NAPOLITANO
GOVERNOR

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007



DORA B. SCHIRO
DIRECTOR

June 4, 2007

The Honorable Robert Burns
Chair, Joint Legislative Budget Committee
Arizona Legislature
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Tom Boone
Vice Chair, Joint Legislative Budget Committee
Arizona Legislature
1700 West Washington Street
Phoenix, Arizona 85007

Gentlemen:

The Arizona Department of Corrections submitted a request dated May 25, 2007 for placement on the next agenda for the meeting of the Joint Legislative Budget Committee to consider transfers of funds between appropriation line items. This letter amends that request with updated dollar figures for the transfers. The first request is to transfer funds to cover projected Correctional Officers Personal Services costs. The second transfer is to cover projected Health Care Personal Services costs. The third transfer is to cover projected Overtime/Compensatory costs. The fourth transfer supplements Non-Health Care All Other Operating Expenses. Finally, we propose transferring funds to cover Employee Related Expenses. Table 1, attached, summarizes these five requests.

Correctional Officer Personal Services

The projected cost for Correction Officer Personal Services exceeds the Special Line Item Appropriation by \$1,258,500. We would like to move \$755,400 from the projected surplus in the Private Prison Per Diem Special Line Item; \$481,000 from the projected surplus in All Other Personal Services appropriation; and \$22,100 from the projected surplus in the County Jail Beds Special Line Item to cover the shortage in the Correctional Officer Personal Services Special Line Item.

The Honorable Robert Burns
The Honorable Tom Boone
June 4, 2007
Page 2

Health Care Personal Services

The projected cost for Health Care Personal Services exceeds the Special Line Item Appropriation by \$127,800. We would like to move \$127,800 from the projected surplus in the Private Prison Per Diem Special Line Item to resolve this shortfall.

Overtime/Compensatory Time Appropriation Shortfall

We forecast a \$2,283,200 shortage in Overtime/Compensatory Time this fiscal year. We would like to move \$158,300 from the projected surplus in the Private Prison Per Diem Special Line Item Appropriation, and \$2,124,900 from the projected surplus in the Provisional Beds Special Line Item Appropriation to resolve this shortage.

Non-Health All Other Operating Expenses

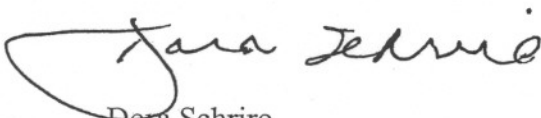
We forecast a shortfall of \$107,500 in All Other Operating Expenses. We would like to transfer \$107,500 from Private Prison Per Diem Appropriation to resolve this issue.

Employee Related Expenses

The Department is projecting a shortfall of \$392,000 in Employee Related Expenses (ERE). We would like to transfer \$392,000 from Private Prison Per Diem Appropriation to cover this expense.

I appreciate your consideration and timely attention.

Sincerely,



Dora Schriro
Director

Attachment

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
James J. Apperson, Director, Office for Strategic Planning and Budgeting

ARIZONA DEPARTMENT OF CORRECTIONS
Joint Legislative Budget Committee
Transfer Request April, 2007

Table 1

Action Item	<u>Transfer To:</u>	<u>Transfer From:</u>
Correctional Officer Personal Services	1,258,500	
Private Prison Per Diem		(755,400)
All Other Personal Services		(481,000)
County Jail Beds		(22,100)
Health Care Personal Services	127,800	
Private Prison Per Diem		(127,800)
Overtime/Compensation Time	2,283,200	
Private Prison Per Diem		(158,300)
Provisional Beds		(2,124,900)
Non-Health All Other Operating Expenses	107,500	
Private Prison Per Diem		(107,500)
Employee Related Expenses	392,000	
Private Prison Per Diem		(392,000)
	<hr/> 4,169,000	<hr/> (4,169,000)

Arizona Department of Corrections
Monthly Budget Report Summary
April 2007

	Most Recent Month Compared to the Same Month Last Year			Year-to-date Expenditures Compared to the Same Time Period Last Year				Projected Total Expenditures for This Year Compared to Total Expenditures Last Year and Compared to This Year's Appropriation					
	FY 2006 Apr. 2006	FY 2007 Apr. 2007	Difference	FY 2006 YTD (July 05 thru Apr. 06)	FY 2007 YTD (July 06 thru Apr. 07)	Difference	% Change	FY 2006 Expenditures (f)	FY 2007 Appropriation (c)	FY 2007 Projected Costs	% Change: FY 2007 Projection over FY 2006 Expenditures	% Change: FY 2007 Appropriation over FY 2007 Projection	FY 2007 Appropriation Compared to FY 2007 Projection
Amended Summary													
Personal Services	26,812,226	29,733,363	2,921,137	286,913,973	320,745,575	33,831,602	12%	339,743,356	384,264,300	380,993,771	12%	1%	3,270,529
Correctional Officers (a)	18,421,365	21,742,183	3,320,818	197,124,515	231,422,958	34,298,443	17%	233,476,269	264,007,200	275,491,154	18%	-4%	(11,483,954)
Health Care (a)	3,017,155	2,770,800	(246,354)	32,286,159	30,346,972	(1,939,187)	-6%	38,203,841	43,240,900	35,996,972	-6%	20%	7,243,928
All Other (a)	5,373,707	5,220,380	(153,327)	57,503,299	58,975,645	1,472,346	3%	68,063,246	77,016,200	69,505,645	2%	11%	7,510,555
Overtime/ Compensation Time (b)	4,300,834	2,762,098	(1,538,736)	26,405,122	37,737,248	11,332,126	43%	40,569,810	33,842,400 (d)	43,478,333	7%	-22%	(9,635,933)
ERE (b)	22,038,716	14,786,258	(7,252,458)	125,119,920	118,338,678	(6,781,242)	-5%	125,652,674	139,293,100 (d)	144,103,748	15%	-3%	(4,810,648)
Health All Other Operating Expenses	3,620,090	7,059,514	3,439,424	42,362,487	50,930,530	8,568,043	20%	64,419,761	62,787,400	75,797,300	18%	-17%	(13,009,900)
P & O	2,951,256	6,030,626	3,079,370	33,720,893	41,521,952	7,801,059	0%	52,969,819	42,105,900	63,419,376	20%	-34%	(21,313,476)
In-state Travel	7,309	6,543	(766)	36,993	45,594	8,601	0%	50,717	50,000	51,674	2%	-3%	(1,674)
Out-of-state Travel	5,111	2,214	(2,897)	9,263	11,438	2,175	0%	4,838	0	10,469	116%	-100%	(10,469)
OOE	652,187	1,001,133	348,946	8,534,699	9,217,332	682,633	8%	11,280,632	19,921,300	12,217,805	8%	63%	7,703,495
Food	0	0	0	0	0	0	0%	0	0	0	0%	0%	0
Equipment	4,227	18,997	14,770	60,638	134,213	73,575	0%	113,754	710,200	97,976	-14%	625%	612,224
Non-Health AOOE	9,442,656	11,238,920	1,796,264	87,155,913	96,093,091	8,937,178	10%	118,399,497	122,140,600	124,193,400	5%	-2%	(2,052,800)
P & O	232,707	1,220,336	987,629	2,701,339	4,774,524	2,073,185	0%	7,652,460	0	5,983,861	-22%	-100%	(5,983,861)
In-state Travel	36,307	33,871	(2,436)	277,455	205,280	(72,175)	-26%	384,249	228,400	317,519	-17%	-28%	(89,119)
Out-of-state Travel	9,314	17,352	8,038	112,007	80,258	(31,749)	-28%	137,731	134,300	107,022	-22%	25%	27,278
OOE	5,987,312	6,468,659	481,347	54,973,620	59,147,073	4,173,453	8%	70,517,058	85,683,700	75,254,663	7%	14%	10,429,037
Food	2,894,001	3,453,592	559,591	24,861,837	27,782,976	2,921,139	12%	32,430,145	33,846,800	36,426,387	12%	-7%	(2,579,587)
Equipment	283,015	45,110	(237,905)	4,229,656	4,102,981	(126,675)	0%	7,277,855	2,247,400	6,103,948	-16%	-63%	(3,856,548)
County Jail Beds	58,784	134,773	75,989	1,290,285	703,877	(586,409)	0%	1,827,204	1,018,500	1,006,060	-45%	1%	12,440
Private Prison Per Diem	499,345	5,836,545	5,337,200	29,911,252	45,108,397	15,197,145	0%	52,496,482	81,846,800	67,201,712	28%	22%	14,645,088
Provisional Beds	2,625,531	2,068,461	(557,070)	5,194,948	22,929,919	17,734,971	0%	16,719,291	34,933,400	33,008,176	97%	6%	1,925,224
Total	69,398,182	73,619,931	4,221,750	604,353,901	692,587,315	88,233,414	15%	759,828,075	860,126,500	869,782,500	14%	-1%	(9,656,000)
GPS Monitor (e)	0	0	0	0	53,079	53,079	0	0	750,000	750,000	n/a	n/a	0 (g)
Agency Total	69,398,182	73,619,931	4,221,750	604,353,901	692,640,394	88,286,493	0	759,828,075	860,876,500	870,532,500			

Comp Time Liability (Included in OT/Comp Time line)

2,166,048

(a) Actual expenditures for these amounts for FY 2006 are not available in the state accounting system, but estimates were calculated based on the proportions used in the FY2007 appropriated amounts.

(b) These appropriations amounts were of concern to the Executive during budget negotiations last spring. The amount of PS for Correctional Officers existing before the July 1, 2006 pay raise was adequate to pay only about 79% of all officer positions. If the FY 2007 pay increase for Correctional Officers is successful in retraining and attracting additional officers, the PS appropriations will be insufficient to cover the additional filled positions.

(c) The amounts shown as totals for All Other Operating Expenditures are the appropriations; the object lines for each of those appropriations are the early estimates by the legislative staff of how AOOE would be spread among the objects.

(d) Reflects the transfer of \$6,854,300 from ERE to OT/Comp approved by JLBC in December and the transfer of \$6,000,000 and \$1,500,000 in February.

(e) GPS monitoring funds are legislatively dedicated for monitoring sex offenders and does not lapse until June, 2008. The total FY2007 expenditures are projected at \$126,545. This appropriation line is not included in the calculation of surplus/deficit.

(f) 2006 YTD expenditures have been adjusted to include administrative adjustments

(g) Balance of this fund will be used in FY2008 and not to offset current deficit in FY2007.