

STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

**\*\* REVISED \*\***

### JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, June 23, 2009

8:00 A.M.

House Hearing Room 4

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of April 28, 2009.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION - Arizona Department of Administration - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Health Plans as Required under A.R.S. § 38-658A.
- 1. [ARIZONA DEPARTMENT OF CORRECTIONS - Consider Approval and Review of Requested Transfer of Appropriations.](#)
- 2. [ARIZONA DEPARTMENT OF EDUCATION - Review of Proposed Transfer of Funds from Basic State Aid to Special Education Fund under A.R.S. § 15-901.03.](#)
- 3. [SECRETARY OF STATE - Review of Proposed Transfer of Funds from Election Services Line Item.](#)
- 4. [ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Requested Exchange of Fund Transfers.](#)
- 5. DEPARTMENT OF ECONOMIC SECURITY
  - [A. Review of Requested Exchange of Fund Transfers.](#)
  - [B. Review of Requested Transfer of Appropriations.](#)

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

~~6/18/09~~

6/19/09

sls

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.



STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

**MINUTES OF THE MEETING**

**JOINT LEGISLATIVE BUDGET COMMITTEE**

April 28, 2009

The Chairman called the meeting to order at 8:10 a.m., Tuesday, April 28, 2009, in House Hearing Room 4. The following were present:

|          |                               |                                   |
|----------|-------------------------------|-----------------------------------|
| Members: | Senator Pearce, Vice-Chairman | Representative Kavanagh, Chairman |
|          | Senator Aboud                 | Representative Biggs              |
|          | Senator Aguirre               | Representative Cajero Bedford     |
|          | Senator Gray                  | Representative Heinz              |
|          | Senator Harper                | Representative McComish           |
|          | Senator Pierce                | Representative Murphy             |
|          | Senator Rios                  | Representative Williams           |
|          | Senator Waring                |                                   |

Absent: Representative Campbell

**APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee to the minutes of December 19, 2009, Chairman Kavanagh stated that the minutes would stand approved.

**ADOPTION OF COMMITTEE RULES AND REGULATIONS**

Mr. Richard Stavneak, Director, JLBC, stated that this item is for the adoption of the Committee's rules and regulations. Every 2 years, the Committee adopts its rules. These rules are the same rules the Committee used the prior 2 years.

Senator Pearce moved that the rules and regulations as presented by the JLBC Staff be adopted. The motion carried.

**CORPORATION COMMISSION, DEPARTMENT OF HOUSING, DEPARTMENT OF INSURANCE, AND STATE PARKS BOARD - Review of Requested Exchange of Fund Transfers.**

Mr. Stefan Shepherd, JLBC Staff, stated that this item is a JLBC review of agency requests to transfer money between fund transfers authorized in the January FY 2009 budget revisions bill.

Mr. Jay Ziemann, Assistant Director, State Parks Board, responded to member questions.

Senator Pearce moved that the Committee give a favorable review of the proposed exchange of fund transfers (option #1). The motion carried.

(Continued)



**ARIZONA PIONEERS' HOME - Consider Approval of Requested Transfer of Appropriations.**

Mr. Art Smith, JLBC Staff, stated that this item is a Pioneers' Home request for approval to transfer up to \$100,000 from the Personal Services Line to the Employee Related Expenditures line within the Pioneers' Home budget. As a Modified Lump Sum agency, the Pioneers' Home is required to have JLBC approval before shifting monies between salaries and health benefits.

*Senator Pearce moved that the Committee approve the agency request to transfer up to \$100,000 from Personal Services to the Employee Related Expenditures line in FY 2009. The Personal Services line is projected to have a surplus of \$495,000 available in FY 2009 to cover this shortfall. The motion carried.*

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

Mr. Dan Hunting, JLBC Staff, stated that this item is a request by the Department of Environmental Quality (DEQ) for a review of a plan to increase the appropriation from the Indirect Cost Recovery Fund pursuant to a footnote in the FY 2009 budget.

Mr. Patrick Cunningham, Acting Director, Department of Environmental Quality, responded to member questions.

*Senator Pearce moved option number 2, to give a favorable review of increasing expenditures by \$599,600 to \$12,500,000. This option would effectively reduce the FY 2010 draft plan transfer from \$4.2 million to \$3.2 million.*

*Senator Rios offered an alternate motion that the Committee accept #1, to give a favorable review of increasing expenditures by the full \$1,999,600 request to \$13,900,100. This option would effectively reduce the amount of Indirect Cost Recovery Fund transfer in the March 26 FY 2010 draft plan from \$4.2 million to \$0.5 million.*

*Senator Gray moved to call to question.*

Senator Rios asked for a ruling by the Rules Attorney

Representative Kavanagh then stated that because there was not a Rules Attorney in the meeting, the Chairman's ruling will stand.

*Representative Kavanagh stated that the question has been called and moved for a vote on option number 2. The motion carried.*

**AHCCCS - Review of Revised Acute Care Capitation Rate Changes - Agency Request.**

Ms. Amy Upston, JLBC Staff, stated that this item is a review of the revised capitation rates for AHCCCS' Acute Care program. AHCCCS is requesting 3 changes which will result in General Fund savings of approximately \$1.4 million in FY 2009. These changes are being requested in part to help them address the lump sum cut that they received.

Mr. Tom Betlach, Deputy Director, AHCCCS, responded to member questions.

*Senator Pearce moved that the Committee give a favorable review to the contract year-ending (CYE) 2009 capitation rates proposed by AHCCCS. The motion carried.*

**ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND - Review of Intended Use of Voucher Fund Expenditures.**

Mr. Jack Brown, JLBC Staff, stated that a footnote in the FY 2008 General Appropriation Act requires the Arizona State Schools for the Deaf and the Blind (ASDB) request Committee review before spending from the Voucher Fund adjustment Special Line Item in FY 2009. ASDB received an appropriation of \$878,500 for this Special Line Item in FY 2009. The Committee has at least the following 2 options: 1) a favorable review of the proposed \$878,500 expenditure plan, or 2) an unfavorable review.

(Continued)



Mr. Harold Hoff, Superintendent, ASDB responded to member questions.

Senator Pearce moved that the Committee give a favorable review of the proposed \$878,500 expenditure plan. The motion carried.

#### **ATTORNEY GENERAL**

- A. Review of Allocation of Settlement Monies - State vs. Countrywide**
- B. Review of Allocation of Settlement Monies - State vs. Eli Lilly**
- C. Review of Allocation of Settlement Monies - State vs. Great Expectations**
- D. Review of Allocation of Settlement Monies - State vs. Pfizer, Inc.**

Ms. Marge Zylla, JLBC Staff, stated that in items 7A through 7D, the Attorney General's (AG) Office is requesting favorable reviews of the allocation of monies received from settlements. They are all based on complaints concerning consumer fraud issues and each settlement has a designated amount that will be deposited into the Consumer Fraud Revolving Fund. This fund supports consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act.

Senator Pearce moved that the Committee give a favorable review to the settlements for Countrywide Financial Corporation, Eli Lilly, Great Expectations, and Pfizer. The motion carried.

#### **DINÉ COLLEGE - Review of Funding Compact.**

Ms. Zylla stated that this item is a review of the renewal of the funding compact between Diné College, which is the community college within the Navajo Nation, and the State of Arizona.

Mr. Ferlin Clark, President, Diné College, responded to member questions and referred to the handout he gave to members. (Attachment 1)

Senator Pearce moved that the Committee give a favorable review to the compact for 10 years.

Senator Harper made a substitute motion for an unfavorable review. The substitute motion failed.

The original motion carried.

#### **EXECUTIVE SESSION - Arizona Department of Administration - Risk Management Services - Consideration of Proposed Settlements under Rule 14.**

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

At 9:18 a.m. the Joint Legislative Budget Committee went into Executive Session.

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

At 10:45 a.m. the Committee reconvened into open session.

Senator Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of *Nelke v. State of Arizona, et al.* The motion carried.

Senator Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of *Blair v. State of Arizona, et al.* The motion carried.

Senator Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of *Riggs, et al. v. State of Arizona.*

Senator Harper made a substitute motion to not approve the recommended settlement proposal by the Attorney General's Office in the case of *Riggs, et al. v. State of Arizona.* Division was called and the substitute motion failed by a hand vote of 4 ayes and 7 nays.

(Continued)



The original motion carried.

Without objection, the meeting adjourned at 10:50 a.m.

Respectfully submitted:

---

Sandy Schumacher, Secretary

---

Richard Stavneak, Director

---

Representative John Kavanagh, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>.



STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: June 18, 2009

TO: Representative John Kavanagh  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Martin Lorenzo, Principal 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 \$28.4 million within the department's budget line items.

A.R.S. § 35-173 requires Committee approval prior to transferring monies to or from Personal Services and Employee Related Expenditures (ERE). In addition, Laws 2008, Chapter 285 requires that any transfer to or from the amounts appropriated for Personal Services and ERE for Overtime/Compensatory Time (OT/CT), County Jail, New State Prison Beds, Private Prison Per Diem, and Provisional Beds line items require review by the Joint Legislative Budget Committee (JLBC).

**Recommendation**

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

Further, the JLBC Staff recommends a favorable review of the remaining transfers. Based on ADC's projected expenditures, there is sufficient funding available for the transfers.

In addition, the JLBC Staff recommends that the Committee approve and favorably review the shift of up to \$250,000 in or out of any line item in the event that these requested transfers do not match department needs through the end of the fiscal year.

*Table 1* lists the recommended transfers.

(Continued)



**Table 1**

**Arizona Department of Correction's Requested  
Transfers Requiring Committee Approval and Review**

|   | <b><u>Current<br/>Appropriation</u></b> <sup>1/</sup> | <b><u>Requested<br/>Transfers</u></b> | <b><u>Requested<br/>Appropriation</u></b> |
|---|---|---------------------------------------|---|
| Correctional Officer Personal Services*   | \$289,965,900   | \$9,734,000                           | \$299,699,900                             |
| Health Care Personal Services*            | 37,449,400  | 2,000,600                             | 39,450,000                                |
| All Other Personal Services*              | 71,637,500  | (5,154,600)                           | 66,482,900                                |
| Employee Related Expenditures*            | 163,976,500   | 11,731,100                            | 175,707,600                               |
| Overtime/Compensatory Time**              | 23,831,400  | (13,752,700)                          | 10,078,700                                |
| Health Other Operating Expenditures**     | 86,607,900  | 1,500,000                             | 88,107,900                                |
| Non Health Other Operating Expenditures** | 122,795,600   | 3,100,800                             | 125,896,400                               |
| County Jail Beds**                        | 866,200   | (59,600)                              | 806,600                                   |
| New State Prison Beds**                   | 2,822,000   | 0                                     | 2,822,000                                 |
| Private Prison Per Diem**                 | 82,952,600  | 330,600                               | 83,283,200                                |
| Provisional Beds**                        | <u>94,884,000</u>                                     | <u>(9,430,200)</u>                    | <u>85,453,800</u>                         |
| <b>Total</b>                              | <b>\$977,789,000</b>                                  | <b>\$ 0</b>                           | <b>\$977,789,000</b>                      |

<sup>1/</sup> These amounts reflect a reduction of \$(21,912,500) as specified in Laws 2009, First Special Session, Chapter 1.

\* Committee approval is required for these line items.

\*\* Committee review is required for these line items.

## Analysis

### Background

In June 2008 (FY 2008), the JLBC approved and favorably reviewed the transfer of nearly \$20.8 million between the departments' line items. Because these transfers occurred so late in the fiscal year, the FY 2009 General Appropriation Act was not adjusted to reflect the revised expenditure level. As a result, the department is now requesting the transfer of \$28.4 million between their line items to reflect projected expenditures. Currently, the House and Senate FY 2010 budget plan, as passed by both chambers, attempts to permanently correct these imbalances.

### Personal Services and Employee Related Expenditures

The department is estimating a shortfall in the Correctional Officer of \$(9.7) million and Health Care \$(2.0) million Personal Services Line Items and a surplus in the All Other of \$5.2 million in Personal Services Line Item. In total, the department is forecasting Personal Services expenditures in excess of \$405.6 million in FY 2009, \$(503,800) below actual expenditures in FY 2008.

With respect to ERE (employee benefits), the department forecasts total expenditures to be in excess of \$175.7 million, \$6.5 million above the department's expenditures in FY 2008 and \$11.7 million above the department's FY 2009 appropriation. Based on the forecasted Personal Services and ERE expenditures, the proposed transfers would result in an employee benefits rate of 43.3% in FY 2009, higher than the department's rate of 41.7% last fiscal year. Relative to FY 2008, the higher expenditure level and rate is anticipated to be due to the Arizona Department of Administration (ADOA) continuing to charge ADC based on actual health insurance despite the elimination of a footnote requiring this action. The elimination of the footnote was intended to direct ADOA to "sweep" specified amounts from the department's appropriation, similar to the way other agencies are charged.

(Continued)



#### Overtime/Compensatory Time Transfer

Internally, ADC has limited OT/CT expenditures to a 15-minute briefing period prior to a Correctional Officer's shift. This action has resulted in projected FY 2009 OT/CT expenditures of less than \$10.1 million. At this level, the projected expenditures are \$(3.3) million less than the prior year expenditures and \$(13.8) million below their FY 2009 appropriation.

#### Health Care and Non-Health Other Operating Expenditures

The department plans to shift \$4.6 million to the Other Operating Expenditures (OOE) line items, including \$1.5 million to the Health Care OOE line item, and \$3.1 million to the Non-Health Care OOE line item. The shortfall in the Health Care OOE line item is due to higher than anticipated costs associated with inmate medical care, such as medication and supplies. The shortfall in the Non-Health Care OOE line item is reportedly due to inflationary increases such as the 4.7% (or \$3.0 million) increase in the cost of food the department has experienced this fiscal year.

#### County Jail Beds

Currently, ADC contracts for 48 Navajo County Jail beds to house Arizona inmates on a temporary basis at a per diem rate of \$49.44. The department's requested shift of \$(59,600) out of County Jail Beds line item would result in an estimated monthly average daily population of 44.7 inmates in FY 2009.

#### Provisional Beds

In FY 2009, ADC received \$116.7 million to fund existing and new contracts for up to 5,374 provisional beds. Laws 2009, First Special Session, Chapter 1, however, reduced this amount to \$94.9 million, allowing the department to contract for 4,892 provisional beds, including a new contract for 752 beds. Due to delays in the phase-in of the 752 beds (which occurred between April and May 2009), ADC estimates a further one-time savings in the line item equal to \$9.4 million. The 4,892 provisional beds under contract are comprised of; 2,160 beds in Watonga, OK, 1,980 beds in Hinton, OK, and 752 beds in Walsenburg, CO.

#### Private Prison Per Diem

The department was appropriated \$83.0 million in FY 2009 for 4,264 beds at private prison facilities within Arizona. The annual cost for all 4,264 beds would total slightly less than \$84.9 million; however, all beds are not typically filled every day of the fiscal year due. This fiscal year, ADC requires an additional \$330,600 to fund the forecasted number of filled private beds.

RS/ML:sls



# Arizona Department of Corrections



JANICE K. BREWER  
GOVERNOR

1601 WEST JEFFERSON  
PHOENIX, ARIZONA 85007  
(602) 542-5497  
www.azcorrections.gov



CHARLES L. RYAN  
DIRECTOR

April 24, 2009

The Honorable John Kavanagh  
Chair, Joint Legislative Budget Committee  
Arizona House of Representatives  
1700 West Washington Street  
Phoenix, AZ 85007



The Honorable Russell K. Pearce  
Vice Chair, Joint Legislative Budget Committee  
Arizona State Senate  
1700 West Washington Street  
Phoenix, AZ 85007

Gentlemen:

Pursuant to A.R.S. § 35-173 and Laws 2008, Chapter 285 the Arizona Department of Corrections (ADC) requests placement on the next meeting agenda of the Joint Legislative Budget Committee (JLBC) to consider the transfer of \$28,397,100 General Fund between appropriation line items. The amount being requested for transfer by line is shown in the table found below.

| Arizona Department of Corrections<br>Transfers Requiring Committee Approval and Review |                                       |                        |                            |
|--|---------------------------------------|------------------------|----------------------------|
|  | Current<br>Appropriation <sup>1</sup> | Requested<br>Transfers | Requested<br>Appropriation |
| Correctional Officer Personal Services   | 289,965,900                           | 9,734,000              | 299,699,900                |
| Health Care Personal Services  | 37,449,400                            | 2,000,600              | 39,450,000                 |
| All Other Personal Services  | 71,637,500                            | (5,154,600)            | 66,482,900                 |
| Total Personal Services  | 399,052,800                           | 6,580,000              | 405,632,800                |
| Overtime/Compensatory Time SLI   | 23,831,400                            | (13,752,700)           | 10,078,700                 |
| Employee Related Expenditures  | 163,976,500                           | 11,731,100             | 175,707,600                |
| Health AOOE  | 86,607,900                            | 1,500,000              | 88,107,900                 |
| Non Health AOOE  | 122,795,600                           | 3,100,800              | 125,896,400                |
| County Jail Beds SLI   | 866,200                               | (59,600)               | 806,600                    |
| Private Prison Per Diem SLI  | 82,952,600                            | 330,600                | 83,283,200                 |
| Provisional Beds SLI   | 94,884,000                            | (9,430,200)            | 85,453,800                 |
| New State Beds   | 2,822,000                             | -                      | 2,822,000                  |
| Total  | 977,789,000                           | -                      | 977,789,000                |

<sup>1</sup> Amounts reflect a reduction of \$21,912,500 pursuant to Laws 2009, First Special Session, Chapter 1.



Personal Services - \$6,580,000 (Transfer To)

The ADC is estimating a shortfall in the Correctional Officer (\$9,734,000) and Health Care (\$2,000,600) Personal Services line items and a surplus in the All Other (\$5,154,600) Personal Services Line Item. These requested transfer amounts are necessary to align the appropriated amounts with projected expenditures even after holding a high number of positions vacant. Similar transfers have been required in each of the past several years and in the FY 2010 JLBC Baseline an adjustment is included to make similar adjustments to the base.

Employee Related Expenditures - \$11,731,100 (Transfer To)

Employee Related Expenditures (ERE) are projected to be \$175,600,000 with a shortfall of \$11,731,100 in FY 2009. The FY 2009 transfer is needed to align with the projected personal services expenditures. The substantial shortfall is primarily due to cover a shortage for health and dental insurance which will exceed the allocation by a projected \$9,113,100 in FY 2009. In addition, in FY 2009 the ADC was appropriated an additional \$3,166,600 to fund a rate increase of 1.86% (7.04% to 8.90%) for the correctional officers retirement plan (CORP). The actual increase in CORP payments was \$7,484,000 leaving an unfunded balance of \$4,317,400.

Overtime/Compensatory Time SLI - \$13,752,700 (Transfer From)

Funds are available due to the strict management of overtime which has been limited to the 15 minute briefing time per shift for correctional officers and other critical coverage needs. Overtime and compensatory costs are projected at \$10,078,700 in FY 2009. The current appropriation of \$23,831,400 less the projected expenditures will leave approximately \$13,752,700 remaining that is required and available to cover shortfalls in other line items.

Health Care All Other Operating Expenditures (AOOE) - \$1,500,000 (Transfer To)

Actual expenditures for FY 2009 are estimated to be \$88,107,900 resulting in a projected shortfall of \$1,500,000. The funds pay for temporary agency services, hospital and medical services, medical and dental supplies, pharmaceuticals, medical diet meals, transfers to AHCCCS for payment of claims, etc. These funds are needed to cover higher than expected inmate medical needs, medications, and supplies.

Non-Health Care AOOE - \$3,100,800 (Transfer To)

A transfer of \$3,100,800 is required to meet both the operational and inflationary needs of an overcrowded prison system. Unfunded inflation continues to deteriorate the operating base along with an aging prison system which requires an increasing level of expenditures to maintain a safe and secure operational condition. For example, in FY 2009 the price of inmate meals were increased by 4.7% which resulted in an unfunded increase of \$2,966,200 for food in FY 2009.

County Jail Beds - \$59,600 (Transfer From)

The County Jail Beds SLI provides funding for 48 beds located at the Navajo County Jail. These beds are contracted for at a per diem rate of \$49.44. ADC projects actual costs at \$806,600. When compared to the appropriated amount of \$866,200 there is a projected surplus of \$59,600 due to a projected average daily population (ADP) of 44.7.

Private Prison Per Diem - \$330,600 (Transfer To)

An additional \$330,300 is required to fund a portion of the cost of the 200 temporary sex offender beds added at the Central Arizona Correctional Facility (CACF) in FY 2009. Funding for these additional beds is included in the FY 2010 JLBC Baseline.



The Honorable John Kavanagh  
The Honorable Russell K. Pearce  
April 24, 2009  
Page 3

Provisional Beds - \$9,430,200 (Transfer From)

In FY 2009, the ADC received \$117,235,900 for up to 5,374 beds. As a result of lump sum reductions (\$500,000) and Laws 2009, First Special Session, Chapter 1 (\$21,851,900) the appropriation has been reduced to \$94,884,000. The Department requests to transfer an additional \$9,430,200 available in this line to cover shortfalls. These excess funds were accrued as a result of: 1) Not contracting for the number of funded beds. ADC is currently under contract for 4,892 provisional beds at three facilities, and 2) Delays in the loading of inmates into contracted beds.

I appreciate your consideration and timely attention to this matter.

Sincerely,



Charles L. Ryan  
Director

Attachment – Detailed plan for transfers “to” and “from”

cc: Richard Stavneak, Director, Joint Legislative Budget Committee  
Eileen Klein, Director, Office of Strategic Planning and Budgeting



## Attachment

| Action Item                                   | Transfer<br>From    | Transfer<br>To    |
|---|---------------------|-------------------|
| <b>Correctional Officer Personal Services</b> |                     | 9,734,000         |
| All Other Personal Services                   | (5,154,600)         |                   |
| Provisional Beds SLI                          | (4,558,400)         |                   |
| Overtime/Compensatory Time SLI                | (21,000)            |                   |
| <b>Health Care Personal Services</b>          |                     | 2,000,600         |
| Overtime/Compensatory Time SLI                | (2,000,600)         |                   |
| <b>Employee Related Expenditures</b>          |                     | 11,731,100        |
| Overtime/Compensatory Time SLI                | (11,731,100)        |                   |
| <b>Health OOE</b>                             |                     | 1,500,000         |
| Provisional Beds SLI                          | (1,500,000)         |                   |
| <b>Non Health OOE</b>                         |                     | 3,100,800         |
| Provisional Beds SLI                          | (3,100,800)         |                   |
| <b>Private Prison Per Diem SLI</b>            |                     | 330,600           |
| Provisional Beds SLI                          | (271,000)           |                   |
| County Jail Beds SLI                          | (59,600)            |                   |
| <b>TOTAL</b>                                  | <b>(28,397,100)</b> | <b>28,397,100</b> |



STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: June 18, 2009

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Deputy Director

SUBJECT: Arizona Department of Education - Review of Proposed Transfer of Funds from Basic  
State Aid to Special Education Fund Under A.R.S. § 15-901.03

**Request**

Pursuant to A.R.S. § 15-901.03, the Arizona Department of Education (ADE) requests a favorable review of its plan to transfer \$5,000,000 in surplus General Fund monies for Basic State Aid to the Special Education Fund in order to address a projected shortfall for the latter program for FY 2009.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review to the proposed transfer, as surplus Basic State Aid monies are available for transfer and the proposed transfer amount corresponds to the currently projected shortfall for the Special Education Fund for FY 2009.

**Analysis**

The Special Education Fund provides formula funding for pupils who attend the Arizona State Schools for the Deaf and the Blind (ASDB) pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. For FY 2009, ADE projects that the Special Education Fund will need approximately \$40.2 million in order to fully fund formula costs, but will have only \$35.2 million in available revenues, resulting in a shortfall of approximately \$5.0 million. This shortfall could be funded through a transfer from Basic State Aid, which ADE currently projects will have a \$49.3 million surplus for FY 2009 (tentative and subject to change). A.R.S. § 15-901.03 requires Committee review of any transfer of funds into or out of Basic State Aid, however, so ADE requests Committee review of the proposed transfer.

RS/SSC:sls





State of Arizona  
Department of Education

Tom Horne  
Superintendent of  
Public Instruction

June 9, 2009

REVISED

Richard Stavneak, Director  
Joint Legislative Budget Committee

Dear Mr. Stavneak:

The Special Education Fund pursuant to 15-1175 thru 15-1205 has a current deficit of \$4,934,754. These funds support placement of a child in a private residential facility for residential special education as defined in § 15-761 or in an Institution as defined in § 15-1201. In the past two years this fund has been swept of the following amounts:

- In FY 2008, pursuant to Laws 2008, 2nd Regular Session, HB 2620, Chapter 53, Section 2, the Department of Education was required to make a transfer of \$15,000,000 from the Special Ed Fund to the General Fund. However, the fund only had \$12,970,756.11 available, which is the amount which was transferred.
- In FY 2009, pursuant to Laws 2008, 2nd Regular session, HB 2209, Chapter 285, Section 24, the Department of Education was required to make a transfer of \$4,234,000 from the Special Ed Fund to the General Fund. This amount was swept from the Special Ed fund in August, 2008.

Due to the special services these institutions and residential facilities provide, the Department of Education is requesting the Committee's approval to transfer \$5 Million from Basic State Aid into the Special Education Fund. Currently, the Basic State Aid has a surplus of \$49.2 Million, which is reflected in the attached May 15<sup>th</sup> Shortfall Report.

I appreciate your assistance in this matter. If you have questions concerning this issue please contact me at (602) 542-3132.

Sincerely,

Vicki G Salazar  
Associate Superintendent of  
Business & Finance  
[vicki.salazar@azed.gov](mailto:vicki.salazar@azed.gov)  
(602) 542-3139

Cc: Tom Horne, Superintendent of Public Instruction  
Steve Schimpp, JLBC





Arizona Department of Education  
School Finance  
Revised June 8, 2009 Shortfall/Surplus Report FY2009

| BASIC STATE AID                                      | FY 2009              | May 15, 2009         | FY 2009              | Approp/Actual      | Line Reference |
|--|----------------------|----------------------|----------------------|--------------------|----------------|
| Classification                                       | Appropriation        | Apportionment        | Projection           | Difference FY 2009 |                |
| District Prior Year ADM & Route Miles                | 5,195,040,900        | 5,048,077,162        | 5,048,077,162        | 146,963,738        | (1)            |
| Add:   |                      |                      |                      |                    |                |
| Growth in Student Count (District only)              | 130,000,000          | 64,982,729           | 70,000,000           | 60,000,000         | (2)            |
| Rapid Decline  | 0                    | 0                    | 0                    | 0                  | (3)            |
| District Sponsored Char Schools                      | 3,579,400            | 2,782,032            | 3,579,400            | 0                  | (4)            |
| Board Sponsored Char Schools                         | 612,661,400          | \$ 631,412,301       | 633,412,301          | (20,750,901)       | (5)            |
| ADJC - Arizona Dept. of Juvenile Correction          | 2,684,800            | \$2,335,755          | 2,548,259            | 136,541            | (6)            |
| AZ DOC - Arizona Dept. of Corrections                | 424,000              | 420,816              | 459,101              | (35,101)           | (7)            |
| CEC - Grp A Ed., Out-of-State & UnOrg Tr             | 1,113,700            | 415,511              | 1,697,349            | (583,649)          | (8)            |
| Student Loss (A.R.S. §15-902)                        | 0                    | 0                    | 0                    | 0                  | (9)            |
| Tuition Loss (A.R.S. §15-954)                        | 186,700              | 0                    | 0                    | 186,700            | (10)           |
| Small School Svcs. Program (ARS 15-365)              | 1,162,000            | 1,140,186            | 1,140,186            | 21,814             | (11)           |
| Small School Transportation (ARS 15-963)             | 232,400              | 282,812              | 282,812              | (50,412)           | (12)           |
| Financial/ Comp Audits (A.R.S. §15-914)              | 7,541,800            | 6,348,695            | 7,769,451            | (227,651)          | (13)           |
| Misc. Adjustments                                    | 0                    | 16,986,727           | 16,986,727           | (16,986,727)       | (14)           |
| County Detention Centers (ARS 15-913)                | 1,190,200            | 1,124,717            | 1,124,717            | 65,483             | (15)           |
| County Jails (ARS 15-913.01)                         | 550,500              | 559,114              | 559,114              | (8,614)            | (16)           |
| Sub - total Equalization Requirement:                | 5,956,367,800        | 5,776,868,556        | 5,787,636,577        | 168,731,223        |                |
| Laws 2008, HB 2620 Rollover                          | 272,627,700          | 272,627,700          | 272,627,700          | 0                  |                |
| Appropriation to SEI                                 | (646,400)            | 0                    | 0                    | (646,400)          |                |
| Laws 2009 Senate Bill 1006 Adjustment                | (123,198,000)        | 123,198,000          | 0                    | (123,198,000)      |                |
| Laws 2009, HB 2028 Deferment                         | (260,185,272)        | -260,185,272         | (260,185,272)        | 0                  |                |
| Laws 2008, HB 2211 Rollover                          | (535,237,536)        | -535,237,536         | (535,237,536)        | 0                  |                |
| <b>Total Equalization Requirement:</b>               | <b>5,309,728,292</b> | <b>5,377,271,448</b> | <b>5,264,841,469</b> | <b>44,886,823</b>  |                |
| Funding Sources:                                     |                      |                      |                      |                    |                |
| QTR Levy (including Career Ladder local s            | 1,925,689,400        | \$1,915,702,043      | 1,915,702,043        | (9,987,357)        | (17)           |
| County Equalization Tax                              | 0                    | 0                    | 0                    | 0                  | (18)           |
| State trust land earnings (Endowment Earr            | 45,220,700           | 45,220,700           | 45,220,700           | 0                  | (19)           |
| Proposition 301 (Additional Day(s))                  | 86,280,500           | 100,660,583          | 100,660,583          | 14,380,083         | (20)           |
| General Fund   | 3,636,567,364        | 2,880,997,377        | 3,636,567,364        | 0                  | (21)           |
| Laws 2009 Senate Bill 1006 Adjustment                | (123,198,000)        | 0                    | (123,198,000)        | 0                  |                |
| Appropriation to SEI                                 | (646,400)            | 0                    | (646,400)            | 0                  |                |
| Laws 2009, HB 2028 Deferment                         | (260,185,272)        | 0                    | (260,185,272)        | 0                  |                |
| <b>Subtotal of Deductions:</b>                       | <b>5,309,728,292</b> | <b>4,942,580,704</b> | <b>5,314,121,018</b> | <b>4,392,726</b>   |                |
| <b>Total Basic Aid (Shortfall)/Surplus</b>           | <b>0</b>             |                      | <b>49,279,549</b>    | <b>49,279,549</b>  |                |
| Vocational Education Extended School Year            | 190,879              | 190,879              | 190,879              | 0                  | (22)           |
| Optional Performance Incentive Program (OP           | 0                    | 0                    | 0                    | 0                  | (23)           |
| Additional State Aid                                 | 404,880,500          | 295,940,789          | 295,940,789          | 108,939,711        | (24)           |
| Laws 2009, HB 2028 Deferment                         | (39,814,728)         |                      |                      | (39,814,728)       |                |
| Laws 2008, HB 2211 Rollover                          | (67,390,164)         |                      |                      | (67,390,164)       |                |
| <b>Total Additional State Aid</b>                    | <b>297,866,487</b>   | <b>296,131,668</b>   | <b>296,131,668</b>   | <b>1,734,819</b>   |                |
| Assistance to Schools (15-976)                       | 103,700              | 0                    | 103,700              | 0                  | (25)           |
| Certificate of Educational Convenience (CEC-         |                      |                      |                      |                    |                |
| CEC-B (15-825 B)                                     | 880,200              | 0                    | 639,003              | 241,197            |                |
| <b>Total Certificate of Educational Convenier</b>    | <b>880,200</b>       | <b>0</b>             | <b>639,003</b>       | <b>241,197</b>     | <b>(26)</b>    |
| Special Ed. Placement and Residential Ed.            |                      |                      |                      |                    |                |
| Voucher Fund   | 7,160,400            | 4,978,667            | 7,278,667            | (118,267)          |                |
| ADMINISTRATION                                       | 69,400               | 68,914               | 68,914               | 486                |                |
| Prior Year C/O                                       | 0                    | 306,722              | 306,722              | (306,722)          |                |
| <b>Total Spec. Ed. Placement &amp; Residential i</b> | <b>7,229,800</b>     | <b>5,354,303</b>     | <b>7,654,303</b>     | <b>(424,503)</b>   | <b>(27)</b>    |
| Permanent Special Ed. Institutional Vouchers         | 28,007,900           | 29,018,361           | 32,500,592           | (4,492,692)        |                |
| Prior Year C/O Funds                                 | 0                    | 17,560               | 17,560               | (17,560)           |                |
| <b>Total Permanent Special Ed. Institutional V</b>   | <b>28,007,900</b>    | <b>29,035,921</b>    | <b>32,518,152</b>    | <b>(4,510,252)</b> | <b>(28)</b>    |
| Residential & Institutional Prior Yr C/O Funds       | 0                    | 324,281              | 324,281              | (324,281)          |                |
| Residential & Institutional Curr Yr Approp           | 35,237,700           | 34,065,943           | 39,848,173           | (4,610,473)        |                |
| Residential & Institutional Total                    | 35,237,700           | 34,390,224           | 40,172,454           | (4,934,754)        |                |
| Extraordinary Special Education Needs                | 0                    | 0                    | 0                    | 0                  |                |
| <b>Total Other Formula Program Requirement</b>       | <b>334,088,087</b>   | <b>330,521,892</b>   | <b>337,046,826</b>   | <b>(2,958,739)</b> |                |
| Funding Sources:                                     |                      |                      |                      |                    |                |
| General Fund   | 334,088,087          | 330,197,611          | 334,088,087          | 0                  |                |
| Roll over payment                                    | 0                    | 0                    | 0                    | 0                  |                |
| Other Non-Appropriated C/O                           | 0                    | 324,281              | 0                    | 0                  |                |
| <b>Subtotal of Deductions:</b>                       | <b>334,088,087</b>   | <b>330,521,892</b>   | <b>334,088,087</b>   | <b>0</b>           |                |
| <b>Total Other Formula Programs (Shortfall)/S</b>    | <b>0</b>             | <b>0</b>             | <b>(2,958,739)</b>   | <b>(2,958,739)</b> |                |
| <b>Total Surplus/Shortfall</b>                       | <b>0</b>             |                      | <b>46,320,811</b>    | <b>46,320,811</b>  |                |



STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

**DATE:** June 18, 2009

**TO:** Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

**THRU:** Richard Stavneak, Director

**FROM:** Jack Brown, Fiscal Analyst

**SUBJECT:** Secretary of State – Review of Proposed Transfer of Funds from Election  
Services Line Item

**Request**

Pursuant to a General Appropriation Act footnote (Laws 2007, Chapter 255), the Secretary of State's office requests Committee review of the proposed \$132,000 transfer from the Election Services line item in FY 2009 to the Election Systems Improvement Fund. The transfer would allow the Secretary of State to pull down an additional \$3,720,800 in federal election funds made available by the Help America Vote Act (HAVA).

**Recommendation**

The Committee has at least the following options:

1. A favorable review of the transfer. This option would allow the Secretary of State to pull down an additional \$3,720,800 of HAVA funding.
2. An unfavorable review. The Secretary of State would maintain its current balance of HAVA funds.

**Analysis**

Federal HAVA funding typically requires a 5% percent match, however, Arizona previously overmatched for prior payments. Therefore the match required to pull down the additional \$3,720,800 in funding will be slightly less than 5%.

(Continued)



Arizona has used past HAVA funding to replace all punch card and lever voting machines, as well as to implement a statewide voter registration database. Current uses of HAVA monies include: poll worker recruitment and training; operation, maintenance, and support for accessible voting machines; and voter education.

The Secretary of State currently plans to use the additional HAVA funds for traditional HAVA activities and to update the agency's web site to improve the reporting of election results.

The transfer would leave the Election Services line item with an FY 2009 appropriation of approximately \$4.2 million. The Secretary of State's office expects a surplus of at least \$132,000 for this line item at the end of the current fiscal year, part of which would be transferred per the Secretary of State's request. The Election Services line item funds expenses related to the conduction of elections in the state, which includes: reimbursing counties for certain election costs, voter registration, certification of candidates for state office, testing and certification of voting devices for use by counties, and certification of the results of statewide elections.

RS/JBr:sls





**KEN BENNETT**  
**SECRETARY OF STATE**  
**STATE OF ARIZONA**



June 8, 2009



Honorable John Kavanagh, Chairman  
Joint Legislative Budget Committee  
1700 West Washington  
Phoenix, Arizona

Re: Agenda item for June JLBC meeting

Dear Chairman Kavanagh:

I would like to request, pursuant to laws 2007, chapter 255, section 91, that the Joint Legislative Budget Committee review a transfer of \$132,000 in funds from the 2008-2009 election services line item to the election fund.

The Federal Government released two more rounds of HAVA Funding in 2008 and 2009. Arizona's portion totals \$3,916,591.65 if we provide a 5% match totaling \$195,830.03. Arizona slightly overmatched the original HAVA funding in 2003 by \$63,973. Arizona received \$40,584,515 in HAVA requirement payments in 2004. Arizona's 5% state match requirement for this was \$2,136,027. Arizona actually appropriated \$2,200,000 for matching purposes (\$800,000 in 2003 \$1,400,000 in 2004). The Election Assistance Commission (EAC) stated that Arizona can take credit for the extra \$63,973 deposited into the Election Fund in 2004 to go towards to 2008 and 2009 state match requirement. Therefore, Arizona needs approximately \$132,000 in match money to obtain the additional \$3,720,761.

|        | Federal Government – 95%<br>Portion | State 5%<br>Match | Total          |
|--------|-------------------------------------|-------------------|----------------|
| FY2008 | \$1,730,587.00                      | \$91,084.00       | \$1,821,671.00 |
| FY2009 | \$1,990,174.61                      | \$104,746.03      | \$2,094,920.65 |
| Total  | \$3,720,761.61                      | \$195,830.03      | \$3,916,591.65 |



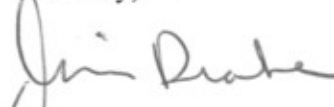
Honorable John Kavanaugh

Page 2

June 8, 2009

Thank you in advance for your assistance in this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jim Drake". The signature is fluid and cursive, with the first name "Jim" and last name "Drake" clearly distinguishable.

Jim Drake  
Assistant Secretary of State

CC: The Honorable Russell Pearce  
Vice Chairman, JLBC

Richard Stavneak, Director  
Joint Legislative Budget Committee



STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: June 18, 2009

TO: Representative John Kavanagh, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Dan Hunting, Fiscal Analyst

SUBJECT: Arizona Department of Administration - Review of Requested Exchange of Fund Transfers

**Request**

The FY 2009 Budget Reductions and Transfers Bill (Laws 2009, 1<sup>st</sup> Special Session, Chapter 1, Section 29) requires the Joint Legislative Budget Committee (JLBC) review of agency requests to transfer monies between their own funds in order to comply with transfers required by the act. The Arizona Department of Administration (ADOA) has requested Committee review of fund transfers pursuant to this bill.

**Recommendation**

The Committee has at least the following 2 options:

1. A favorable review of the proposed exchange of fund transfers.
2. An unfavorable review.

**Analysis**

*Table 1* summarizes the requested fund transfers.

(Continued)



**Table 1**

**Requested FY 2009 Fund Transfer Switches**

| <b><u>ADOA Program</u></b>   | <b><u>Fund Specified in<br/>Laws 2009, Ch. 1 <sup>1/</sup></u></b> | <b><u>Ch. 1 Transfer<br/>Amount <sup>2/</sup></u></b> | <b><u>Transfer Type</u></b>                 | <b><u>Agency<br/>Proposed Fund <sup>3/</sup></u></b> | <b><u>Revised<br/>Transfer<br/>Amount <sup>4/</sup></u></b> |
|--|--|---|---|--|---|
| Telecommunications<br>Program Office   | Telecommunications<br>Fund   | \$1,087,300   | EBT <sup>5/</sup>                           | Risk Management<br>Revolving Fund                    | \$1,087,300   |
| FY09 Administrative Adjustments<br>and Building Renewal                              | Capital Outlay<br>Stabilization Fund                               | 1,382,200   | FRAT <sup>6/</sup><br>and SLS <sup>7/</sup> | Risk Management<br>Revolving Fund                    | 1,382,200   |
| Human Resources Division and<br>Human Resources Division, FY<br>2010 Working Capital | Personnel Division Fund  | 786,800   | FRAT and SLS                                | Risk Management<br>Revolving Fund                    | 786,800   |
| 911 Office   | Emergency<br>Telecommunication<br>Services Revolving<br>Fund       | 13,000  | SLS   | Risk Management<br>Revolving Fund                    | 13,000  |
|  |  | <u>\$3,269,400 <sup>8/</sup></u>                      |   |  | <u>\$3,269,400 <sup>8/</sup></u>                            |

<sup>1/</sup> Fund source for reductions mandated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 1.

<sup>2/</sup> Amount for reductions mandated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 1.

<sup>3/</sup> Funds from which agencies are requesting transfers in order to accommodate the mandated reductions.

<sup>4/</sup> Transfer amounts proposed by agencies.

<sup>5/</sup> Excess balance transfers (EBTs) sweep money from anticipated FY 2009 ending balances into the General Fund.

<sup>6/</sup> Fund reduction and transfers (FRATs) reduce annual FY 2009 spending from the agency's Other Funds. An amount equal to these reductions would be swept into the General Fund.

<sup>7/</sup> Salary lump sum reductions (SLSs) reduce annual FY 2009 spending from the agency's Other Funds. An amount equal to these reductions would be swept into the General Fund.

<sup>8/</sup> Numbers do not add due to rounding.

**Telecommunications Fund**

Laws 2009, 1<sup>st</sup> Special Session, Chapter 1, Section 4 requires an excess balance transfer (EBT) of \$1,496,100 from the Telecommunications Fund to the General Fund. EBTs sweep money from the anticipated FY 2009 ending balances into the General Fund. The department is requesting to transfer \$1,087,300 from the Risk Management Revolving Fund instead of the Telecommunications Fund in order to complete the EBT. According to a cash flow analysis provided by the agency, the Telecommunications Fund would have an FY 2009 ending balance of \$(1,087,300) if the EBT is completed without the transfer from the Risk Management Revolving Fund. If a transfer is completed from the Risk Management Revolving Fund, the agency estimates the Telecommunications Fund will have an FY 2009 ending balance of \$0. The agency was very near completion of a large call center project at the time Chapter 1 was passed. According to the department, it was impractical to cancel this project and recoup funds for the EBT.

SB 1188, the FY 2010 budget bill passed by the House and Senate, includes a transfer of \$581,300 from the Risk Management Fund.

The Telecommunications Fund receives revenue from charges to state agencies for telephone and computer communications services. The fund is used to manage the statewide contract for telecommunication services.

**Capital Outlay Stabilization Fund**

Chapter 1, Sections 5 and 7 also require the department to transfer a total of \$1,433,100 from the Capital Outlay Stabilization Fund (COSF) to the General Fund. This amount includes a \$1,300,000 Fund Reduction and Transfer (FRAT) and a \$133,100 Salary Lump Sum reduction. FRATs direct agencies to reduce expenditures by a specified amount and transfer that amount to the General Fund. Salary Lump

(Continued)



Sum reductions work similarly, but with the spending reduction targeted to the fund's Personal Services line. The department is requesting to transfer \$1,382,200 from the Risk Management Revolving Fund instead of COSF to facilitate these transfers. The remaining \$50,900 would be transferred from COSF, leaving the fund with an FY 2009 ending balance of \$1,431,600. The department is anticipating increased expenses to the fund in FY 2010 due to higher utility costs and decreased revenue due to state agencies vacating office space.

The Capital Outlay Stabilization Fund receives rent charges from agencies that occupy state buildings. The fund pays for maintenance, utilities, and construction of state-owned buildings.

#### Personnel Division Fund

A total of \$1,246,700 is to be transferred from the Personnel Division Fund to the General Fund under Chapter 1, Sections 5 and 7. This amount consists of a \$935,600 FRAT and a \$311,100 Salary Lump Sum reduction. The department proposes transferring \$786,800 from the Risk Management Revolving Fund to meet these transfer requirements. ADOA reports that revenues to the Personnel Division Fund have declined by 7% due to personnel reductions in other state agencies.

The Personnel Division Fund is used to operate the department's Human Resources Division, which oversees benefit programs and provides centralized human resources services for state agencies. Funds are directed to the Personnel Division Fund through a 1.07% charge to state agency payrolls.

#### Emergency Telecommunication Services Revolving Fund

Chapter 1, Section 7 further requires the department to make a transfer of \$13,000 from the Emergency Telecommunications Services Revolving Fund to the General Fund as a Salary Lump Sum reduction. ADOA instead proposes making the transfer from the Risk Management Revolving Fund.

The Emergency Telecommunications Services Revolving Fund receives an excise tax of \$0.28 per month on telephone accounts. The fund is used to develop 911 emergency telephone service statewide.

#### Risk Management Revolving Fund

SB 1188, the FY 2010 budget bill passed by the House and Senate, includes a \$581,300 salary lump sum reduction for the Risk Management Revolving Fund. This reduction, coupled with the \$3,269,400 transferred from the fund to the above named funds, will leave the Risk Management Revolving Fund with an FY 2010 ending balance of \$34,959,900. This balance, along with the proposed FY 2010 appropriation to the fund, will enable the department to meet its actuarially projected liabilities.

The Risk Management Revolving Fund is part of the state's self-insurance system. The fund receives assessments to state agencies, which are then used to pay for liability, property, and worker's compensation claims against the state.

RS/DH:ss



JANICE K. BREWER  
Governor



WILLIAM BELL  
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 N 15<sup>TH</sup> AVE, SUITE 401  
PHOENIX, ARIZONA 85007  
(602) 542-1500



May 29, 2009

Mr. D. Clark Partridge  
State Comptroller  
General Accounting Office  
100 N. 15<sup>th</sup> Avenue  
Phoenix, Arizona 85007

*Clark*  
Dear Mr. Partridge:

Pursuant to Laws 2009, 1<sup>st</sup> Special Session, Chapter 1 (SB 1001), Section 29, the Arizona Department of Administration (ADOA) requests authorization to transfer \$3,269,382 from the Risk Management Fund to the following funds:

| Division/Section                               | Transfer Amount    | From                 | To  |
|--|--------------------|----------------------|---|
| Telecommunications Program Office              | \$1,087,330        | Risk Management Fund | Telecommunications Fund                             |
| FY 09 Administrative Adjustments               | \$125,000          | Risk Management Fund | Capital Outlay Stabilization Fund                   |
| Building Renewal                               | \$1,257,214        | Risk Management Fund | Capital Outlay Stabilization Fund                   |
| Human Resources Division                       | \$586,838          | Risk Management Fund | Personnel Division Fund                             |
| 911 Office                                     | \$13,000           | Risk Management Fund | Emergency Telecommunication Services Revolving Fund |
| Human Resources Division FY 10 Working Capital | \$200,000          | Risk Management Fund | Personnel Division Fund                             |
| <b>Total</b>                                   | <b>\$3,269,382</b> |                      |   |

The attached cash flow projections for the Personnel Division Fund, the Capital Outlay Stabilization Fund, the Telecommunications Fund and the Risk Management Fund show the current budgets without the transfer. The transfer amounts will have the effect of increasing the ending cash balance.

Please note the following:

- The Personnel Division Fund, as a result of SB 1001, reduced its FTE count from 99.75 FTEs to 84.25 FTEs (out of an appropriated amount of 139 FTEs). During February and March, also as a result of SB 1001, revenues to the fund experienced a reduction of nearly 7%. Since



Human Resources is funded with a pro rata share of ADOA System A agency personal services, reductions in expenditures by both ADOA and other agencies directly impact the revenues to this fund. The required transfers by SB 1001 had the effect of "double cutting" the Personnel Division Fund budget, creating a significant cash shortage. The transfer amount increases the ending cash to \$200,000.

- The Capital Outlay Stabilization Fund is in part appropriated for capital projects that were in progress. ADOA is transferring funds to complete FY 08 and FY 09 projects that have signed contracts, are in progress, encumbered, and will not be completed until FY 10, for a total of \$1,257,214. An additional \$125,000 is requested to provide for unrealized FY 09 administrative adjustments that are processed in FY 10. The transfer amount will increase the ending cash to \$1,431,629.
- Similarly, the Telecommunications Fund completed a major call center project that was impractical to abort at the moment of the passage of SB 1001. Ending cash at the end of the transfer will be \$0.
- The transfer to the Emergency Telecommunication Services Revolving Fund enables the fund to remain eligible for Federal Grant funding. Transfers out of the fund make the fund ineligible for grant funding. In FY 2009 ADOA has applied for, but not received, this type of grant. The transfer is to hold the program harmless from Federal Grant restrictions and will not materially affect the ending balance.
- ADOA was unable to transfer \$1,174,416 of the required \$8,066,100 General Fund as mandated by Sections 3 and 6 of SB 1001. Of the original \$27,109,600 ADOA General Fund appropriation, only \$6,891,684 remained unexpended as of January 31, 2009, the effective date of the act. ADOA is not requesting a transfer for this amount, but only notes this for your information.

Please contact me if you have any questions.

Sincerely,



Paul Shannon  
Assistant Director  
Budget and Resource Planning

c: Richard Stavneak

Attachments.



Fund: 4231, for Index(es): 11900, 11910, 11920, 11930, 11950, 11990

| APPROPRIATION  |            |   |       |         |           |       |           |         |         |         |         |         |   |   |   | YTD APPROP | APPROPRIATION REM |
|--|------------|---|-------|---------|-----------|-------|-----------|---------|---------|---------|---------|---------|---|---|---|------------|-------------------|
| APPROPRIATION (LESS SETASIDE)  |            |   |       |         |           |       |           |         |         |         |         |         |   |   |   | 6,066,917  | 1,219,383         |
| ESTIMATED JULY CASH AUGUST CASH SEPTEMBER CASH OCTOBER CASH NOVEMBER CASH DECEMBER CASH JANUARY CASH FEBRUARY CASH MARCH CASH APRIL CASH MAY CASH JUNE CASH 13TH MONTH CASH YTD CASH PROJECTED |            |   |       |         |           |       |           |         |         |         |         |         |   |   |   | REVENUES   | REVENUE           |
| Operations (11900)   | 3,518,385  | - | -     | -       | 288,288   | 5,604 | 584,400   | 288,357 | 291,299 | 290,922 | 295,993 | 288,454 | - | - | - | 2,054,878  | 288,454           |
| IC (11990)   | 6,703,488  | - | 1,816 | 839,727 | (958,105) | -     | 1,087,642 | 538,426 | 537,590 | 538,594 | 541,197 | 535,284 | - | - | - | 3,415,829  | 535,284           |
| REVENUES   | 10,221,874 | - | 1,816 | 839,727 | (369,835) | 5,604 | 1,672,042 | 827,785 | 828,889 | 827,496 | 837,090 | 823,738 | - | - | - | 5,470,507  | 823,738           |

| OBJECT EXPENDITURES  | BUDGET       | JULY       | AUGUST     | SEPTEMBER  | OCTOBER    | NOVEMBER     | DECEMBER   | JANUARY      | FEBRUARY   | MARCH     | APRIL      | MAY          | JUNE       | 13TH MONTH | YTD EXPENDITURES | FY 2009 PROJECTED EXPENDITURES | PROJECTION (OVER OR UNDER BUDGET) |
|--|--------------|------------|------------|------------|------------|--------------|------------|--------------|------------|-----------|------------|--------------|------------|------------|------------------|--------------------------------|-----------------------------------|
| 6000 PERSONAL SERVICES                                       | 1,160,500    | 105,761    | 75,961     | 77,214     | 77,656     | 77,707       | 82,095     | 102,119      | 87,363     | 93,733    | 93,733     | 93,733       | 93,733     | -          | 774,340          | 107,465                        | 284,604                           |
| 6100 ERE   | 434,600      | 37,278     | 29,729     | 29,676     | 27,349     | 27,349       | 28,171     | 35,426       | 23,272     | 18,474    | 18,043     | 18,519       | 18,519     | -          | 266,059          | 37,009                         | 129,506                           |
| 6200 PROFESSIONAL & OUTSIDE                                  | 200,000      | 9,040      | 1,000      | 1,000      | (1,340)    | 1,125        | -          | -            | -          | -         | 290        | -            | -          | 1,000      | 11,115           | 1,000                          | 187,885                           |
| 6500 TRAVEL - IN STATE                                       | 200          | -          | -          | -          | -          | 160          | 71         | -            | 82         | -         | -          | -            | -          | -          | 323              | 177                            | (300)                             |
| 6600 TRAVEL - OUT OF STATE                                   | -            | -          | -          | -          | -          | -            | -          | -            | -          | -         | -          | -            | -          | -          | -                | -                              | -                                 |
| 7000 OTHER OPERATING EXPENSES                                | 673,964      | 4,777      | 20,967     | 17,188     | 553,735    | 5,804        | 8,443      | 6,886        | 16,637     | 2,882     | 1,790      | 9,824        | 74,437     | 11,873     | 636,966          | 96,234                         | (61,298)                          |
| 8100 CAPITAL OUTLAY  | -            | -          | -          | -          | -          | 209,000      | -          | -            | -          | -         | -          | -            | -          | -          | 209,000          | -                              | (209,000)                         |
| 8400 CAPITAL EQUIPMENT                                       | -            | -          | -          | -          | -          | -            | -          | -            | -          | -         | -          | -            | -          | -          | -                | -                              | -                                 |
| 8500 OTHER EQUIPMENT   | 5,100        | -          | -          | -          | -          | -            | 5,096      | 1,115        | -          | -         | -          | -            | -          | -          | 6,211            | -                              | (1,111)                           |
| 9000 COST ALLOCATIONS  | 85,236       | 6,884      | 4,795      | 4,912      | 6,185      | 4,920        | 4,823      | 7,328        | 4,468      | 3,641     | 6,375      | 5,579        | 5,579      | 2,765      | 54,312           | 13,904                         | 27,000                            |
| 9100 OPERATING TRANSFERS OUT                                 | -            | -          | -          | -          | 15,400     | -            | -          | -            | -          | -         | -          | -            | -          | -          | 15,400           | -                              | (15,400)                          |
| OPERATIONS TOTALS  | \$ 2,675,600 | \$ 184,719 | \$ 128,482 | \$ 126,269 | \$ 679,033 | \$ 376,564   | \$ 126,669 | \$ 155,873   | \$ 111,832 | \$ 78,630 | \$ 80,231  | \$ 87,695    | \$ 192,269 | \$ 15,915  | \$ 2,028,223     | \$ 255,639                     | \$ 291,538                        |
| INDEX 11990 TPO Equipment SLI                                | \$ 4,713,700 | \$ -       | \$ 27,175  | \$ 312,374 | \$ -       | \$ 896,508   | \$ -       | \$ 2,853,153 | \$ 107,709 | \$ -      | \$ 165,844 | \$ 2,012,571 | \$ 44,016  | \$ 355,959 | \$ 4,162,762     | \$ 2,412,549                   | \$ (1,861,808)                    |
| TOTAL  | \$ 7,389,300 | \$ 184,719 | \$ 155,657 | \$ 438,643 | \$ 679,033 | \$ 1,273,073 | \$ 126,669 | \$ 2,809,026 | \$ 219,541 | \$ 78,630 | \$ 246,075 | \$ 2,100,227 | \$ 196,285 | \$ 371,874 | \$ 6,190,984     | \$ 2,668,188                   | \$ (1,570,070)                    |
| CHECK 82 / 828 SCREEN FOR CURRENT MONTH AND YTD EXPENDITURES |              |            |            |            |            |              |            |              |            |           |            |              |            |            |                  |                                |                                   |

| DASH OR OF APPROP LESS SETASIDE                                      | BEGINNING CASH | JULY         | AUGUST       | SEPTEMBER    | OCTOBER      | NOVEMBER     | DECEMBER     | JANUARY      | FEBRUARY     | MARCH        | APRIL        | MAY          | JUNE           | 13TH MONTH | YTD CASH REVENUES AND EXPENDITURES | FY 2009 PROJECTED REMAINS | YEAR TOTAL     |
|--|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|------------|------------------------------------|---------------------------|----------------|
| CASH COLLECTIONS   | \$ 3,357,161   | -            | 1,816        | 839,727      | (369,835)    | 5,604        | 1,672,042    | 827,785      | 828,889      | 827,496      | 837,090      | 823,738      | -              | -          | \$ 5,470,507                       | \$ 823,738                | \$ 6,294,225   |
| CASH EXPENDITURES  | -              | (184,719)    | (128,482)    | (126,269)    | (679,033)    | (376,564)    | (126,669)    | (155,873)    | (111,832)    | (78,630)     | (80,231)     | (87,695)     | (192,269)      | (15,915)   | \$ (2,028,223)                     | \$ (255,639)              | \$ (2,284,062) |
| SETASIDE-Index 14110   | -              | -            | -            | (1,050)      | -            | (1,500)      | -            | -            | -            | -            | (80,231)     | (87,695)     | -              | -          | \$ (2,460)                         | \$ (2,460)                | \$ (2,460)     |
| Budget Management Plan   | \$ 5,419,100   | -            | -            | -            | -            | -            | -            | -            | (2,028,900)  | -            | -            | -            | (3,392,200)    | -          | \$ (2,028,900)                     | \$ (3,392,200)            | \$ (5,419,100) |
| Accrued Expenses   | -              | (483,104)    | (2,736)      | 2,716        | (2,716)      | 111,546      | (109,929)    | (1,618)      | 2,720        | (2,720)      | -            | -            | -              | -          | \$ (483,843)                       | \$ (483,843)              | \$ (483,843)   |
| Prior Year Expenditures  | -              | (84,670)     | (3,791)      | (145)        | -            | (102)        | -            | -            | (0)          | -            | -            | -            | -              | -          | \$ (88,708)                        | \$ (88,708)               | \$ (88,708)    |
| Prior Year 11000 Revenue   | -              | 295,332      | 593,009      | -            | 289,827      | -            | -            | -            | -            | -            | -            | -            | -              | -          | 1,183,268                          | -                         | 1,183,268      |
| Prior Year 11500 Revenue   | -              | 922,090      | 1,048,647    | -            | 922,079      | -            | -            | -            | -            | -            | -            | -            | -              | -          | 2,893,706                          | -                         | 2,893,706      |
| Prior Year Total Revenue   | -              | 1,218,412    | 1,641,656    | -            | 1,211,906    | -            | -            | -            | -            | -            | -            | -            | -              | -          | 4,076,974                          | -                         | 4,076,974      |
| INDEX 11990 TPO Equipment SLI  | -              | -            | (27,175)     | (312,374)    | -            | (896,508)    | -            | (2,853,153)  | (107,709)    | -            | (165,844)    | (2,012,571)  | (44,016)       | (355,959)  | \$ (4,162,762)                     | \$ (2,412,549)            | \$ (6,575,308) |
| CASH EXPENDITURES  | -              | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            | -              | -          | -                                  | -                         | -              |
| ENDING CASH  | \$ 3,883,100   | \$ 3,365,315 | \$ 3,167,000 | \$ 3,332,178 | \$ 4,774,954 | \$ 6,210,068 | \$ 4,227,190 | \$ 2,812,315 | \$ 3,558,561 | \$ 4,148,537 | \$ 2,873,028 | \$ (715,457) | \$ (1,087,330) | \$ -       | \$ (1,087,330)                     | \$ -                      | \$ (1,087,330) |
| BEGINNING CASH 57 SCREEN BY IND TYPE = INC, IND YR = 03, IND MO = 13 | \$ -           | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -           | \$ -       | \$ -                               | \$ -                      | \$ (0)         |

Assumptions:



For month ending: April, 2009

Fund: 1600, for index(es): 20010, 20030, 20040, 20800, 20900, 40900, 40600, 40710, 40720, 40740, 40750, 40760, 40770

| APPROPRIATION (LESS SETASIDE) |  |  |  |  |  |  |  |  |  |  |  |  |  | YTD APPROP        |  | APPROP REM        |  |
|-------------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|-------------------|--|-------------------|--|
| APPROPRIATION                 |  |  |  |  |  |  |  |  |  |  |  |  |  | 11,437,800        |  |                   |  |
| ESTIMATED REVENUE             |  |  |  |  |  |  |  |  |  |  |  |  |  | YTD CASH REVENUES |  | FY 2009 PROJECTED |  |
| REVENUES                      |  |  |  |  |  |  |  |  |  |  |  |  |  | 20,935,130        |  | 333,325           |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |
|                               |  |  |  |  |  |  |  |  |  |  |  |  |  |                   |  |                   |  |



## 4/20/2009

CHECK 62 / 678 SCREEN FOR CURRENT MONTH AND YTD EXPENDITURES[illegible]



Fund: 2176, for Index(es): All Active FY 2009 Indexes

| APPROPRIATION                 |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | YTD APPROP        | APPROP REM        |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| APPROPRIATION (LESS SETASIDE) |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | 14,071,424        | 14,783,319        |
|                               |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |                   |
| ESTIMATED REVENUE             | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | CURRENT MONTH CASH | YTD CASH REVENUES | PROJECTED REVENUE |
| REVENUES                      | 18,200,429         | 0                  | 1,693,898          | 1,598,884          | 1,437,073          | 1,574,253          | 1,467,392          | 1,508,202          | 1,547,020          | 1,390,708          | 1,542,862          | 1,542,862          | 13,760,292        | 4,440,137         |

| OBJECT   | EXPENDITURES             | BUDGET        | JULY      | AUGUST       | SEPTEMBER  | OCTOBER      | NOVEMBER     | DECEMBER     | JANUARY      | FEBRUARY     | MARCH      | APRIL        | YTD EXPENDITURES | PROJECTED EXPENDITURES | PROJECTION (OVER) OR UNDER BUDGET |
|--|--------------------------|---------------|-----------|--------------|------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|------------------|------------------------|-----------------------------------|
| 6000   | PERSONAL SERVICES        | 258,000       | 29,747    | 19,831       | 19,831     | 19,831       | 19,831       | 29,747       | 19,831       | 19,831       | 19,831     | 19,831       | 218,144          | 39,664                 | 192                               |
| 6100   | ERE                      | 84,000        | 8,569     | 5,696        | 5,696      | 6,840        | 6,834        | 10,258       | 6,834        | 6,841        | 6,842      | 7,449        | 71,860           | 13,668                 | (1,528)                           |
| 6200   | PROFESSIONAL & OUTSIDE   | 6,000         | -         | 2,084        | 3,055      | (240)        | 1,893        | 215          | 2,347        | 215          | 215        | 19,785       | 29,569           | 1,227                  | (24,796)                          |
| 6500   | TRAVEL - IN STATE        | 6,000         | 378       | -            | 393        | 507          | 836          | 1,294        | 26           | 488          | 495        | -            | 4,416            | 1,000                  | 584                               |
| 6800   | TRAVEL - OUT OF STATE    | 2,100         | -         | -            | -          | -            | 992          | 190          | -            | -            | -          | -            | 1,182            | -                      | 918                               |
| 7000   | OTHER OPERATING EXPENSES | 28,470,192    | -         | 1,319,098    | 902,756    | 1,721,158    | 1,226,388    | 2,635,696    | 1,739,120    | 1,580,597    | 941,109    | 1,653,320    | 13,719,241       | 11,583,042             | 3,187,909                         |
| 8400   | CAPITAL EQUIPMENT        | -             | -         | -            | -          | -            | -            | -            | -            | -            | -          | -            | -                | -                      | -                                 |
| 8500   | OTHER EQUIPMENT          | 351           | -         | -            | -          | -            | -            | -            | -            | -            | -          | -            | -                | 88                     | 263                               |
| 9000   | COST ALLOCATIONS         | 8,100         | 993       | 700          | 717        | 896          | 718          | 705          | 1,059        | 654          | 720        | 739          | 7,912            | 1,032                  | (844)                             |
| 9100   | OPERATING TRANSFERS OUT  | -             | -         | -            | -          | 6,100        | -            | -            | -            | 13,000       | -          | -            | 19,100           | -                      | (19,100)                          |
| TOTALS   |                          | \$ 28,834,743 | \$ 39,688 | \$ 1,347,410 | \$ 932,449 | \$ 1,755,091 | \$ 1,257,491 | \$ 2,678,105 | \$ 1,769,228 | \$ 1,621,626 | \$ 969,213 | \$ 1,701,125 | \$ 14,071,424    | \$ 11,639,721          | \$ 3,123,598                      |
| CHECK 52 / 52B SCREEN FOR CURRENT MONTH AND YTD EXPENDITURES |                          |               |           |              |            |              |              |              |              |              |            |              |                  |                        |                                   |

| CASH OR OF APPROP LESS SETASIDE                                   | BEGINNING CASH | JULY          | AUGUST        | SEPTEMBER     | OCTOBER       | NOVEMBER      | DECEMBER      | JANUARY       | FEBRUARY      | MARCH         | APRIL         | YTD CASH REVENUES AND EXPENDITURES | PROJECTED REMAINING | YEAR TOTAL    |
|---|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------------------|---------------------|---------------|
| CASH COLLECTIONS  | \$ 55,886,506  | \$ 0          | \$ 1,693,898  | \$ 1,598,884  | \$ 1,437,073  | \$ 1,574,253  | \$ 1,467,392  | \$ 1,508,202  | \$ 1,547,020  | \$ 1,390,708  | \$ 1,542,862  | \$ 13,760,292                      | \$ 4,440,137        | \$ 18,200,429 |
| CASH COLLECTIONS FOR PRIOR AY                                     |                |               |               |               |               |               |               |               |               |               |               |                                    |                     |               |
| CASH EXPENDITURES   |                | \$ 39,688     | \$ 1,347,410  | \$ 932,449    | \$ 1,755,091  | \$ 1,257,491  | \$ 2,678,105  | \$ 1,769,228  | \$ 1,621,626  | \$ 969,213    | \$ 1,701,125  | \$ 14,071,424                      | \$ 11,639,721       | \$ 25,711,145 |
| CASH EXPENDITURES-PRIOR YEAR                                      |                | \$ 2,623,118  | \$ 210,391    |               |               |               | \$ (19,097)   |               |               |               |               | \$ 2,814,412                       | \$ -                | \$ 2,814,412  |
| SETASIDE / GF SWEEP   |                |               | \$ 25,085,500 |               |               |               |               |               |               |               |               | \$ 25,085,500                      | \$ -                | \$ 25,085,500 |
| ACCRUED EXPENDITURES  |                |               |               |               |               |               |               |               |               |               |               | \$ -                               | \$ -                | \$ -          |
| ENDING CASH   |                |               |               |               |               |               |               |               |               |               |               |                                    |                     | \$ 20,475,879 |
| BEGINNING CASH 57 SCREEN: INQ TYPE = MC, INQ YR = 03, INQ MO = 13 |                |               |               |               |               |               |               |               |               |               |               |                                    |                     |               |
| 57 SCREEN YTD BALANCE   | \$ 55,886,506  | \$ 53,223,701 | \$ 28,274,298 | \$ 28,940,733 | \$ 28,622,715 | \$ 28,939,477 | \$ 27,747,861 | \$ 27,486,836 | \$ 27,412,230 | \$ 27,833,725 | \$ 27,675,462 |                                    |                     |               |

Notes:

General Fund Sweep occurred in August 2009 in the amount of \$ 25,085,500.  
Actual expenditures were considerably less than the projected amounts from July through October.  
These projected amounts were added to the existing projected amounts in the months of March to June.



STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: June 18, 2009

TO: Representative John Kavanagh  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jay Chilton, Senior Fiscal Analyst

SUBJECT: Department of Economic Security - Review of Requested Exchange of Fund Transfers

**Request**

The FY 2009 Budget Reductions and Transfers Bill (Laws 2009, 1<sup>st</sup> Special Session, Chapter 1, Section 29) requires JLBC review of agency requests to transfer monies between their own funds in order to comply with transfers required by the act. The Department of Economic Security has requested Committee review of fund transfers pursuant to this bill.

**Recommendation**

The Committee has at least the following 2 options:

1. A favorable review of the proposed exchange of fund transfers.
2. An unfavorable review, as the transfer from the Arizona Training Program at Phoenix Closure Fund interferes with the availability of funds for a planned FY 2010 excess balance transfer.

**Analysis**

*Table 1* summarizes the proposed transfers. Laws 2009, 1<sup>st</sup> Special Session, Chapter 1, requires an excess balance transfer (EBT) of \$266,600 from the Arizona Industries for the Blind (AIB) Fund to the General Fund. An EBT sweeps money from the anticipated FY 2009 ending balances into the General Fund. The bill requires an additional transfer of \$151,200 from the AIB Fund to the General Fund as a result of personnel expense reduction savings.

The AIB receives no General Fund support and is self-supporting - the fund consists of revenues from its business operations, such as sales of products and contracts with government agencies for warehousing, distribution, and manufacturing services. DES reports that no surplus funds are available and that the transfers totaling \$417,800 would result in layoffs of at least 30 individuals employed by AIB. Rather

(Continued)



Table 1

**Requested FY 2009 Fund Transfer Switches**

| <b>Fund Specified in<br/>Laws 2009, Ch. 1 <sup>1/</sup></b> | <b>Ch. 1<br/>Transfer<br/>Amount <sup>2/</sup></b> | <b>Transfer Type</b>                         | <b>Agency Proposed Fund <sup>3/</sup></b>                 | <b>Revised Transfer<br/>Amount <sup>4/</sup></b> |
|---|--|--|---|--|
| Arizona Industries<br>for the Blind Fund                    | \$266,600  | EBT <sup>5/</sup>                            | Spinal and Head Injuries Trust<br>Fund                    | \$417,800  |
| Arizona Industries<br>for the Blind Fund                    | \$151,200  | Personnel<br>Expense Reduction <sup>6/</sup> |   |  |
| Long Term Care<br>System Fund                               | \$1,650,000  | EBT  | Arizona Training Program at<br>Phoenix Closure Fund       | \$1,200,000                                      |
|   |  |  | Community-Based Marriage and<br>Communication Skills Fund | \$450,000  |
|   | <hr/> \$2,067,800                                  |  |   | <hr/> \$2,067,800                                |

<sup>1/</sup> Fund source for reductions mandated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 1.

<sup>2/</sup> Amount for reductions mandated by Laws 2009, 1<sup>st</sup> Special Session, Chapter 1.

<sup>3/</sup> Funds from which agencies are requesting transfers in order to accommodate the mandated reductions.

<sup>4/</sup> Transfer amounts proposed by agencies.

<sup>5/</sup> Excess balance transfers (EBTs) sweep money from anticipated FY 2009 ending balances into the General Fund.

<sup>6/</sup> Personnel Expense Reductions reduce annual FY 2009 spending from an agency fund attributable to reducing personnel expenditures.

than make these transfers, DES proposes to instead transfer \$417,800 from the Spinal and Head Injuries Trust Fund to the General Fund.

Additionally, DES plans to transfer \$450,000 from the Community-Based Marriage and Communication Skills Program Fund and \$1,200,000 from the Developmentally Disabled Client Services Trust Fund rather than transfer \$1,650,000 from the Long Term Care System Fund. DES says that these exchanges are necessary to implement the reduction and transfer provisions relating to the Division of Developmental Disabilities (DDD) in Laws 2009, 1<sup>st</sup> Special Session, Chapter 1. Reductions to DDD included a fund reduction and transfer of \$(1,434,000) and an excess balance transfer of \$(6,872,000) from the Long Term Care System Fund, as well as a \$(2,959,100) reduction to the state-only program budget. The proposed exchange would reduce the excess balance transfer to \$(5,222,000).

In addition, as part of its implementation of the agencywide lump sum reduction, DES planned to reduce provider rates and suspend non-residential state-only services. The Arizona Association of Providers for People with Disabilities filed a lawsuit challenging those reductions and the Maricopa County Superior Court granted a temporary restraining order preventing the department from implementing those measures. As a result, the department did not realize the expected savings amount of about \$17 million. The restraining order was lifted on April 30, 2009 and the rate reductions were implemented on May 25. Because of the delay in implementation as a result of the restraining order, DES was not able to reduce spending by the amount that it had initially planned, which decreased the agency's ability to meet the requirements of the Long Term Care System Fund transfers.

At the beginning of FY 2009, the Community-Based Marriage and Communication Skills Program Fund had a balance of \$1,395,500, and DES had initially planned to spend the entire balance in FY 2009, but the agency reduced spending from the fund as part of its contract review process as it prepared to reduce its budget in FY 2009, leaving a balance of \$450,000 in the fund. The Community-Based Marriage and Communication Skills Program Fund received a deposit from the General Fund in the past, but the program was eliminated in the original FY 2009 budget.

(Continued)



The Arizona Training Program at Phoenix Closure Fund, which is also called the Developmentally Disabled Client Services Trust Fund, consists of the proceeds from the sale of the land and buildings used by the Arizona Training Program at Phoenix, which was a state-owned and operated institution for the developmentally disabled. The land was sold in 1998 for \$4,250,000 and DES has since used the interest earned on the fund to provide services. The original FY 2009 budget, however, swept \$1,600,000 from the fund to the General Fund, leaving a balance of \$2,900,800. Laws 2009, 1<sup>st</sup> Special Session, Chapter 1 then transferred half of the remaining balance to the General Fund, leaving \$1,450,400 in the fund. The FY 2010 legislative budget as passed as SB 1188 on June 5, 2009 includes an excess balance transfer of \$1,450,400 to sweep the remaining balance of the fund. If DES transfers \$1,200,000 to the LTCSF as proposed, the money for that excess balance transfer in FY 2010 will not be available.

RS/JC:sls





## DEPARTMENT OF ECONOMIC SECURITY

*Your Partner For A Stronger Arizona*

Janice K. Brewer  
Governor

Linda J. Blessing, Ph.D.  
Interim Director

APR 22 2009



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

Dear Mr. Stavneak:

Pursuant to Laws 2009, First Special Session, Chapter 1 (SB 1001), Section 29, the Department of Economic Security requests Joint Legislative Budget Committee review of various fund transfers necessary to implement appropriation reductions and transfers to the General Fund also included in that legislation.

A. Notwithstanding any other law, in fiscal year 2008-2009 a budget unit may request a cash transfer between its own funds from the state comptroller to comply with a reduction or transfer required by this act.

C. Before transferring any monies pursuant to subsection A, the transfer must be reviewed by the joint legislative budget committee.

The Department will transfer \$417,800 from the Spinal and Head Injuries Trust Fund to the Arizona Industries for the Blind (AIB) Fund. These funds will then be transferred to the General Fund. AIB is self-supporting from the proceeds of its business operations (e.g. contracts with the federal government for warehousing, distribution, and manufacturing services) and receives no General Fund support. SB 1001 included transfers of \$417,800 from AIB to the General Fund. However, no surplus funds are available and such transfers would result in layoffs of at least 30 blind individuals employed by AIB. The transfer from the Spinal and Head Injuries Trust Fund will not result in a reduction to existing service levels, but does represent a foregone opportunity to provide rehabilitation services to additional individuals with spinal and head injuries.

The Department will transfer \$1.2 million from the Developmentally Disabled Client Services Trust Fund (referred to as the Arizona Training Program at Phoenix Fund in SB 1001) and \$450,000 from the Community-Based Marriage and Communication Skills Program Fund to the Long Term Care System Fund. Spending of Community-Based Marriage and Communication Skills Program Fund dollars in fiscal year 2009 is less than was projected as several planned contracts were suspended during the contract review process. These transfers

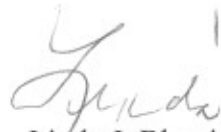


are necessary to partially resolve shortfalls in the Division of Developmental Disabilities (Division) and implement the reduction and transfer provisions of SB 1001. The Department requested a \$17.7 million total fund (\$6.3 million General Fund) supplemental to resolve a shortfall in the Division's Medicaid-funded Arizona Long Term Care System resulting from an underestimation of the capitation rate. This supplemental was not funded by SB 1001. Additionally, appropriation reductions made by SB 1001 impact the Division. First, the worksheets that detail the components of the lump sum reductions included in SB 1001 specified a \$2,959,100 reduction directed to the state-only budget. Second, a portion of the unspecified lump sum reduction was allocated to the Division's appropriations.

To implement the reductions necessary to address the unfunded supplemental request, specified reductions, and the Division's portion of the Department's unspecified lump sum reduction, the Department intended to implement various operating reductions, a ten-percent provider rate decrease, and the suspension of non-residential state-only services. However, the Arizona Association of Providers for People with Disabilities (AAPPD) filed a lawsuit challenging the latter two actions and Maricopa County Superior Court's Judge Joseph Heilman granted a temporary restraining order preventing the Department from implementing these measures. The Department is appealing this decision, but each week that passes reduces the savings that will be realized by approximately \$1 million. The transfers discussed above are necessary to address a portion of the budgetary savings that have been lost due to the temporary restraining order.

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

Sincerely,



Linda J. Blessing  
Interim Director

cc: Members of the Joint Legislative Budget Committee  
Eileen Klein, Director, Governor's Office of Strategic Planning and Budgeting  
D. Clark Partridge, State Comptroller, General Accounting Office, Arizona Department  
of Administration



STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2010  
PAULA ABOUD  
AMANDA AGUIRRE  
CHUCK GRAY  
JACK HARPER  
STEVE PIERCE  
REBECCA RIOS  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2009  
ANDY BIGGS  
OLIVIA CAJERO BEDFORD  
CLOVES C. CAMPBELL, JR.  
MATT HEINZ  
JOHN MCCOMISH  
RICK MURPHY  
VIC WILLIAMS

DATE: June 19, 2009

TO: Representative John Kavanagh  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jay Chilton, Senior Fiscal Analyst

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

**Request**

Pursuant to multiple FY 2009 General Appropriation Act footnotes, the Department of Economic Security (DES) requests Committee review of multiple transfers. The transfers are detailed in *Table 1*.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the proposed transfers.

**Analysis**

TANF Cash Benefits Shortfall

DES projects a shortfall of up to \$2 million in the Temporary Assistance for Needy Families (TANF) Cash Benefits Special Line Item (SLI). Beginning in November 2009, DES believed that rising caseloads would cause a shortfall in the program in FY 2009. As part of its implementation of the lump sum reduction required by the FY 2009 budget revisions, DES reduced the Cash Benefits SLI appropriation by \$7.5 million and reduced the amount of the monthly cash benefits payment by 20%. The reduction in the benefit amount resulted in savings roughly equal to the amount of the reduction taken in the SLI, but did not resolve the shortfall. JLBC concurs that a shortfall of between \$1 million and \$2 million exists in the program. As of April 2009, the average monthly caseload is 4% higher in FY 2009 than the average monthly caseload in FY 2008. DES intends to resolve this shortfall with transfers of \$625,000 each from the Administration Division operating budget and from the Division of Benefits and Medical Eligibility (DBME) operating budget, as well as a \$750,000 transfer from the Division of Employment and Rehabilitation Services (DERS) operating budget.

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

(Continued)



Transitional Child Care SLI, which funds former TANF recipients for up to 2 years. DES proposes to transfer \$7.5 million of Federal Child Care Development Fund Block Grant monies from the Transitional Child Care SLI to the Day Care Subsidy SLI to align funding with actual caseloads. In FY 2008, DES transferred \$4 million from the Transitional Child Care SLI to the Day Care Subsidy SLI, but that shift was not included in the final budget. Based on year-to-date spending, JLBC Staff agrees that there will likely be a shortfall in the Day Care Subsidy SLI and that there is at least a \$7 million surplus in the Transitional Child Care SLI.

#### Children Services

DES proposes a transfer of funds between SLIs in the Children Services program to reflect actual spending and to resolve shortfalls in the placement line items. DES proposes General Fund transfers of \$1.5 million to the Child Protective Services (CPS) Emergency Placement SLI, \$1.25 million to the Foster Care Placement SLI, and \$1.2 million to the CPS Residential Placement SLI. All 3 transfers of General Fund money will be from the Children Support Services SLI.

| <b>Table 1</b>  |                            |                           |                       |
|---|----------------------------|---------------------------|-----------------------|
| <b>DES PROPOSED TRANSFERS</b>                             |                            |                           |                       |
| <b><u>Proposed Funding Increases (Transfers To)</u></b>   | <b><u>General Fund</u></b> | <b><u>Other Funds</u></b> | <b><u>Total</u></b>   |
| TANF Cash Benefits  | \$2,000,000                |                           | \$2,000,000           |
| Day Care Subsidy  |                            | \$7,000,000               | 7,000,000             |
| CPS Emergency Placement                                   | 1,500,000                  |                           | 1,500,000             |
| Foster Care Placement                                     | 1,250,000                  |                           | 1,250,000             |
| CPS Residential Placement                                 | <u>1,200,000</u>           |                           | <u>1,200,000</u>      |
| <b>Subtotal</b>   | <b>\$5,950,000</b>         | <b>\$7,000,000</b>        | <b>\$12,950,000</b>   |
| <b><u>Proposed Funding Decreases (Transfers From)</u></b> |                            |                           |                       |
| Administration Division operating budget                  | \$(625,000)                |                           | \$ (625,000)          |
| DBME operating budget                                     | (625,000)                  |                           | (625,000)             |
| DERS operating budget                                     | (750,000)                  |                           | (750,000)             |
| Transitional Child Care                                   |                            | \$(7,000,000)             | (7,000,000)           |
| Children Support Services                                 | <u>(3,950,000)</u>         |                           | <u>(3,950,000)</u>    |
| <b>Subtotal</b>   | <b>\$(5,950,000)</b>       | <b>\$(7,000,000)</b>      | <b>\$(12,950,000)</b> |

RS:JC:ss





## DEPARTMENT OF ECONOMIC SECURITY

*Your Partner For A Stronger Arizona*

Janice K. Brewer  
Governor

Neal Young  
Director

JUN 17 2009



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

Dear Mr. Stavneak:

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

### Cash Assistance

Due to increased caseloads, the Department projects a shortfall of up to \$2 million in the Cash Assistance program. Pursuant to Laws 2008, Chapter 285, Section 6, the Department requests review of Temporary Assistance for Needy Families (TANF) appropriation transfers of \$625,000 from the Administration operating budget, \$625,000 from the operating budget of the Division of Benefits and Medical Eligibility, and \$750,000 from the Division of Employment and Rehabilitation Services' operating budget, to the Temporary Assistance for Needy Families Cash Benefits special line item.

Notwithstanding section 35-173, subsection C, Arizona Revised Statutes, any transfer to or from the \$125,148,000 appropriated for temporary assistance for needy families cash benefits requires review by the joint legislative budget committee.

Additionally, pursuant to Laws 2008, Chapter 285, Section 6, the Department is also providing notification of its intent to use the \$500,000 in appropriation authority included in the Temporary Assistance for Needy Families Cash Benefits special line item to ensure sufficient cash flow for tribes operating their own TANF programs.

Of the amount appropriated for temporary assistance for needy families cash benefits, \$500,000 reflects appropriation authority only to ensure sufficient cash flow to administer cash benefits for tribes operating their own welfare programs. The department shall notify the joint legislative budget committee and the governor's office of strategic planning and budgeting staff before the use of any of the \$500,000 appropriation authority.

### Child Care

Laws 2008, Chapter 285, Section 6 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 requests review of a transfer of up to \$7.5 million of Child Care and Development Fund dollars from the Transitional Child Care special line item to the Day Care Subsidy special line item, both of which provide child care services. Transfers between these line items have been required in recent years to align funding with actual caseloads.

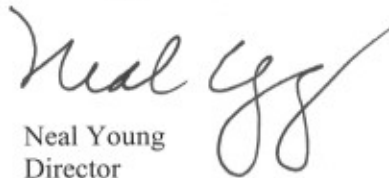
### **Children Services**

A reallocation of funds within the Children Services program is necessary to address shortfalls in the placement line items. Pursuant to Laws 2008, Chapter 285, section 6, the Department requests review of General Fund transfers of \$1.5 million to the CPS Emergency Placement special line item, \$1.25 million to the Foster Care Placement special line item, and \$1.2 million to the CPS Residential Placement special line item, from the Children Support Services special line item.

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.

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

Sincerely,

  
Neal Young  
Director

cc: Members of the Joint Legislative Budget Committee  
Eileen Klein, Director, Governor's Office of Strategic Planning and Budgeting  
D. Clark Partridge, State Comptroller