

ALPHABETICAL INDEX OF STATE AGENCIES

	<u>Page No.</u>		<u>Page No.</u>
AHCCCS		Human Resources.....	18
Summary	AHC - 1	Information Technology Services.....	22
Administration	AHC - 8	Support Services	25
Acute Care.....	AHC - 15	Risk Management	28
Long-Term Care	AHC - 24	Administrative Hearings, Office of.....	31
COMMUNITY COLLEGES, STATE BD OF DIR. FOR.	COM - 1	Agriculture, Arizona Department of	35
CORRECTIONS, STATE DEPARTMENT OF.....	DOC - 42	Appraisal, State Board of	43
ECONOMIC SECURITY, DEPARTMENT OF		Arts, Arizona Commission on the.....	45
Summary	DES - 1	Attorney General - Department of Law	48
Administration	DES - 12	Auditor General	198
Developmental Disabilities	DES - 15	Automobile Theft Authority.....	54
Long-Term Care	DES - 19	Banking Department, State.....	58
Benefits and Medical Eligibility.....	DES - 24	Barbers, Board of.....	60
Child Support Enforcement	DES - 29	Behavioral Health Examiners, Board of.....	62
Aging and Community Services	DES - 33	Boxing Commission, Arizona State	65
Children, Youth and Families	DES - 36	Building & Fire Safety, Department of.....	67
Employment and Rehabilitation Services.....	DES - 46	Charter Schools, State Board for.....	70
EDUCATION, DEPARTMENT OF		Chiropractic Examiners, State Board of.....	72
Summary	ADE - 1	Citizens Clean Election Commission.....	75
General Services Administration.....	ADE - 11	Commerce, Department of	76
Assistance to Schools.....	ADE - 13	Compensation Fund, State.....	83
HEALTH SERVICES, DEPARTMENT OF		Contractors, Registrar of.....	84
Summary	DHS - 1	Corporation Commission.....	88
Administration	DHS - 9	Cosmetology, Board of.....	94
Public Health.....	DHS - 15	Criminal Justice Commission, AZ.....	97
Family Health.....	DHS - 21	Deaf & the Blind, AZ State Schools for the.....	102
Behavioral Health.....	DHS - 26	Deaf and the Hard of Hearing, Commission for the.....	111
Arizona State Hospital.....	DHS - 32	Dental Examiners, State Board of.....	114
JUDICIARY		Drug & Gang Prevention Resource Center, AZ.....	117
Supreme Court	JUD - 1	Emergency and Military Affairs, Department of.....	120
Court of Appeals - Division I.....	JUD - 7	Environmental Quality, Department of.....	124
Superior Court.....	JUD - 9	Equal Opportunity, Governor's Office of.....	139
SCHOOL FACILITIES BOARD.....	SFB - 1	Equalization, State Board of.....	141
		Executive Clemency, Board of.....	143
TRANSPORTATION, DEPARTMENT OF		Exposition & State Fair Board, AZ.....	145
Summary	DOT - 1	Funeral Directors & Embalmers, State Board of.....	147
Administration	DOT - 8	Game & Fish Department, Arizona.....	149
Highways.....	DOT - 11	Gaming, Department of.....	156
Motor Vehicle Division	DOT - 17	Geological Survey, Arizona.....	159
Aeronautics Division.....	DOT - 20	Government Information Technology Agency.....	161
		Governor, Office of the.....	165
UNIVERSITIES		Governor's Office for Excellence in Government.....	168
Regents, Arizona Board of.....	UNI - 1	Governor's Office of Strategic Planning & Budgeting.....	170
Arizona State University - Main Campus.....	UNI - 6	Historical Society, Arizona.....	171
Arizona State University - East Campus.....	UNI - 11	Historical Society of AZ, Prescott.....	174
Arizona State University - West Campus	UNI - 14	Board of Homeopathic Medical Examiners, Bd. of.....	176
Northern Arizona University.....	UNI - 17	House of Representatives.....	200
University of Arizona - Main Campus.....	UNI - 21	Independent Redistricting Commission.....	178
University of Arizona - Health Sciences Center.....	UNI - 26	Indian Affairs, AZ Commission of.....	179
		Industrial Commission of Arizona.....	181
OTHER BUDGETS		Insurance, Department of.....	184
Accountancy, State Board of	1	Joint Legislative Budget Committee.....	201
Acupuncture Examiners, Board of.....	4	Juvenile Corrections, Department of.....	188
ADMINISTRATION, ARIZONA DEPARTMENT OF		Land Department, State.....	192
Agency Summary.....	6	Law Enforcement Merit System Council.....	280
Financial Services.....	13	Legislative Council.....	203
Facilities Management.....	15	Library, Archives & Public Records, Arizona State.....	205
		Liquor Licenses & Control, Department of.....	209

ALPHABETICAL INDEX OF STATE AGENCIES

	<u>Page No.</u>
Lottery Commission, Arizona State.....	212
Medical Examiners, Board of.....	218
Medical Student Loans, Board of.....	221
Mine Inspector, State.....	224
Mines & Mineral Resources, Department of.....	227
Naturopathic Physicians Bd. of Medical Examiners.....	229
Navigable Stream Adjudication Commission, AZ.....	232
Nursing, State Board of.....	233
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of.....	237
Occupational Safety. & Health Review Bd.....	181
Occupational Therapy Examiners, Board of.....	240
Opticians, State Board of Dispensing.....	243
Optometry, State Board of.....	245
Osteopathic Examiners, AZ Board of.....	248
Parents Commission on Drug Education & Prevention, AZ	251
Parks Board, Arizona State.....	252
Personnel Board.....	258
Pharmacy, AZ State Board of.....	260
Physical Therapy Examiners, Board of.....	263
Pioneers' Home, Arizona.....	265
Podiatry Examiners, State Board of.....	269
Postsecondary Education, Commission for.....	271
Power Authority, Arizona.....	275
Private Postsecondary Education, State Bd. for.....	277
Psychologist Examiners, State Board of.....	278
Public Safety, Department of.....	280
Public Safety Personnel Retirement System.....	291
Racing, Arizona Department of.....	293
Radiation Regulatory Agency.....	296
Rangers' Pensions, Arizona.....	299
Real Estate Department, State.....	300
Residential Utility Consumer Office.....	304
Respiratory Care Examiners, Board of.....	306
Retirement System, Arizona State.....	308
Revenue, Department of.....	312
Secretary of State, Department of State.....	319
Senate.....	208
State Boards' Office.....	322
Structural Pest Control Commission.....	324
Tax Appeals, State Board of.....	327
Technical Registration, State Board of.....	329
Tourism, Office of.....	332
Treasurer, State.....	336
Uniform State Laws, Commission on.....	339
Veterans' Service, Department of.....	341
Veterinary Medical Examining Board, AZ. State.....	345
Water Resources, Department of.....	347
Weights and Measures, Department of.....	353
 CAPITAL BUDGET.....	 CB - 1

Arizona Health Care Cost Containment System

Agency Summary

Phyllis Biedess, Director

JLBC: Gretchen Logan

House Subcommittee: Johnson

OSPB: Aimee Basye

Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Administration	149,410,900	199,708,200	194,796,100	203,078,300	209,241,800	220,639,700
Acute Care	1,247,825,700	1,361,170,100	1,512,999,700	1,624,662,000	1,648,216,300	1,752,633,100
Long-Term Care	499,026,300	568,248,800	639,238,000	612,134,100	727,325,500	670,017,900
AGENCY TOTAL	1,896,262,900	2,129,127,100	2,347,033,800	2,439,874,400	2,584,783,600	2,643,290,700

OPERATING BUDGET

Full Time Equivalent Positions	2,407.5	2,424.5	2,509.1	2,478.8	2,511.7	2,478.8
Personal Services	31,050,900	32,798,000	34,993,300	34,638,500	35,040,000	34,638,500
Employee Related Expenditures	6,976,800	7,515,500	8,787,900	8,312,100	8,812,300	8,319,000
All Other Operating Expenditures:						
Professional and Outside Services	4,236,400	4,459,300	2,952,200	4,459,300	2,877,200	4,459,300
Travel - In State	278,300	253,300	443,400	256,300	443,400	256,300
Travel - Out of State	44,900	46,900	33,600	46,900	33,600	46,900
Other Operating Expenditures	12,365,400	12,391,300	17,145,400	15,908,700	17,359,100	16,141,100
Equipment	2,520,400	2,203,700	2,222,700	3,844,800	2,282,500	4,637,900
OPERATING SUBTOTAL	57,473,100	59,668,000	66,578,500	67,466,600	66,848,100	68,499,000
Special Line Items	1,838,789,800	2,069,459,100	2,280,455,300	2,372,407,800	2,517,935,500	2,574,791,700
AGENCY TOTAL	1,896,262,900	2,129,127,100	2,347,033,800	2,439,874,400	2,584,783,600	2,643,290,700

FUND SOURCES

General Fund	482,550,500	529,380,800	538,909,200	677,877,600	652,063,500	741,317,400
County Funds	221,493,500	224,104,700	236,943,700	231,846,300	253,351,100	241,252,300
Tobacco Tax Funds	40,039,300	31,947,300	31,947,300	23,056,900	31,947,300	22,129,100
Tobacco Settlement Fund	0	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Donations Fund	881,300	1,272,000	1,284,200	1,300,500	1,284,500	1,300,600
Third Party Collections	1,124,800	882,000	291,500	291,500	194,700	194,700
Children's Health Insurance Program Fund	35,556,500	79,686,900	66,119,200	69,827,300	79,648,400	87,294,000
Federal Title XIX Funds	1,114,617,000	1,253,853,400	1,463,538,700	1,427,674,300	1,558,294,100	1,541,802,600
SUBTOTAL - Other Appropriated Funds	1,413,712,400	1,599,746,300	1,808,124,600	1,761,996,800	1,932,720,100	1,901,973,300
SUBTOTAL - Appropriated Funds	1,896,262,900	2,129,127,100	2,347,033,800	2,439,874,400	2,584,783,600	2,643,290,700
Other Non-Appropriated Funds	147,209,200	175,838,200	109,773,300	109,773,300	103,994,700	103,994,700
Federal Funds	311,100	312,300	300,000	300,000	300,000	300,000
TOTAL - ALL SOURCES	2,043,783,200	2,305,277,600	2,457,107,100	2,549,947,700	2,689,078,300	2,747,585,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	148,496,800	28.1%	211,936,600	40.0%	360,433,400
County Funds	7,741,600	3.5%	17,147,600	7.7%	24,889,200
Tobacco Tax Funds	(8,890,400)	-27.8%	(9,818,200)	-30.7%	(18,708,600)
Donations Fund	28,500	2.2%	28,600	2.2%	57,100
Third Party Collections	(590,500)	-67.0%	(687,300)	-77.9%	(1,277,800)
CHIP Fund	(9,859,600)	-12.4%	7,607,100	9.5%	(2,252,500)
Federal Title XIX Funds	162,250,500	13.9%	302,227,000	18.9%	464,477,500
Total Appropriated Funds	310,747,300	14.6%	514,163,600	24.1%	824,910,900

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of people under age 65 that are uninsured	27/24	24	24	24
• % of children (under 18 years) that are uninsured	26/22	22	22	22
• AHCCCS enrollment	508,514/457,663	521,005/515,795	544,024	583,364/622,705
• Children’s Health Insurance Program (CHIP) enrollment	15,805/15,015	35,095/35,025	37,539	45,627/54,558
• Premium Sharing enrollment	4,110/4,480	7,000/6,552	7,000	7,000

Comments:

- Of the total 1999 population of Arizonans under age 65 (4,303,000), there are approximately 1,034,000 (24%) that are uninsured.
- Of the total 1999 population of Arizona children (1,398,000), there are approximately 308,000 (22%) that are uninsured.
- AHCCCS enrollment estimates assume participation of 10.5% of the state’s population.
- CHIP enrollment estimates as provided by the agency.
Premium Sharing enrollment is capped at 7,000 participants. The estimates above assume that the program will continue; however, under current law the program will sunset on September 30, 2001.

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$488,900	\$488,900
	OF	9,400	9,400
	TF	986,300	986,300
ERE Rates	GF	323,700	329,400
	OF	5,300	5,400
	TF	710,500	726,500
Risk Management	GF	69,300	71,100
	TF	102,400	109,200
Rent	GF	41,200	52,200
	TF	82,000	103,300
ADMINISTRATION			
Finger Imaging Program	GF	800,000	800,000
	TF	1,800,000	1,800,000
Member Services Growth	GF	1,320,100	1,312,400
	TF	2,638,300	2,622,800
Early Fraud Detection	GF	219,800	188,300
	TF	219,800	188,300
DHS Licensure Staff	GF	179,100	169,600
	TF	211,300	192,300
Medicaid in Public Schools	GF	57,900	55,400
	TF	115,400	110,400

ADOA Data Center	GF	584,000	584,000
Charges	TF	1,668,500	1,668,500
Health Insurance			
Portability and	GF	472,900	467,200
Accountability Act	TF	3,753,500	3,351,300
Other	GF	(13,800)	(13,800)
	TF	13,900	1,465,500
Children’s Health	TT	927,800	-0-
Insurance Program	TF	(8,931,800)	7,607,100
ACUTE CARE			
FY 2001 Demographic &	GF	124,720,600	173,748,100
Inflationary Increases	TF	280,960,700	402,961,500
Fraud Detection Savings	GF	(1,500,000)	(1,500,000)
	TF	(1,500,000)	(1,500,000)
Hospital Pilot	GF	(6,727,000)	(7,130,300)
Reimbursement	TF	(13,342,200)	(14,142,700)
Medicare Premiums	GF	1,279,400	2,398,100
	TF	(14,812,800)	(11,225,000)
Disproportionate Share	GF	1,777,600	1,777,600
Payments	TF	280,300	280,300
Graduate Medical	GF	374,900	681,000
Education	TF	585,200	1,189,200
Third Party Collections	GF	590,500	687,300
	TF	-0-	-0-

Continues Phase-Down of Quick Pay Discount	GF	2,191,500	3,423,300
	TF	5,828,800	8,020,300
Maternity Length of Stay	GF	1,849,800	1,982,500
	TF	5,491,900	5,879,400
HIV/AIDS Treatment	GF	-0-	-0-
	TF	-0-	-0-
Tobacco Tax Shift	GF	9,818,200	9,818,200
	TT	(9,818,200)	(9,818,200)

JLBC RECOMMENDED FORMAT — Varies by Program

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The FY 2001 Acute Care supplemental requirement is \$75,225,500 State Funds and \$161,354,500 TF above the originally appropriated amount. However, after the \$29,000,000 Tobacco Tax transfer authorized by the Executive in November 2000 and the ALTCS savings of \$4,455,700 GF and \$8,789,100 TF are taken into account, the total remaining shortfall is \$41,769,800 State Funds and \$123,565,400 TF. *(Please see the Demographic and Inflationary Increases policy issue in the Acute Care program for additional.)*

LONG-TERM CARE

ALTCS Growth	GF	9,578,200	21,546,100
	TF	43,885,300	101,769,100

* * *

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
-------------------------	----------------	----------------	----------------	----------------

Children's Health Insurance Program (HCA2409/A.R.S. § 36-2995)

Appropriated

Source of Revenue: Includes Federal State Children's Health Insurance Program (SCHIP) funding (75% of fund) and state matching funds from the Medically Needy Account of the Tobacco Tax and Health Care Fund (25% of fund).

Purpose of Fund: To provide health insurance for low-income children 19 and under. The eligibility limit for the program has been set at 200% of the Federal Poverty Level (FPL), which is \$34,100 for a family of 4.

Funds Expended	35,556,500	79,686,900	69,827,300	87,294,000
Year-End Fund Balance	10,977,200	12,229,300	0	0

County Contributions (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2912 Acute Care/A.R.S. § 36-2953 Long Term Care)

Non-Appropriated

Source of Revenue: Statutorily prescribed county contributions.

Purpose of Fund: For the provision of acute medical and long term care services to AHCCCS eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid (Title XIX) dollars.

Funds Expended	221,493,500	224,104,700	231,846,300	241,252,300
Year-End Fund Balance	0	0	0	0

Donations (HCA3197/A.R.S. § 36-2913)

Appropriated

Source of Revenue: Monthly administrative charge of \$4 per Health Care Group member. Health Care Group program expenses are funded through the non-appropriated AHCCCS Health Care Group Medical Premiums Fund, which receives revenue from premiums paid by employers and employees.

Purpose of Fund: To pay administration costs of Health Care Group, which is AHCCCS' health insurance plan for small businesses.

Funds Expended	881,300	1,272,000	1,300,500	1,300,600
Year-End Fund Balance	0	0	0	0

Employee Recognition (HCA2025/A.R.S. § 36-2903)

Non-Appropriated

Source of Revenue: Private donations.

Purpose of Fund: To be used for the agency's employee recognition program.

Funds Expended	8,200	12,100	10,000	10,000
Year-End Fund Balance	2,100	0	0	0

Federal (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2913 Acute Care/A.R.S. § 36-2953 Long Term Care)

Non-Appropriated

Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Health Care Financing Administration.

Purpose of Fund: For AHCCCS' administrative costs and for the provision of acute and long term care services to categorically eligible populations.

Funds Expended	1,114,617,000	1,253,853,400	1,427,674,300	1,541,802,600
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
Federal Grants (HCA2000/A.R.S. § 36-2913)				Non-Appropriated
Source of Revenue: Federal grant monies.				
Purpose of Fund: To provide funding for the Healthy Start South Phoenix Project and the Healthy Start Infrastructure/Capacity Building Projects.				
Funds Expended	311,100	312,300	300,000	300,000
Year-End Fund Balance	12,300	0	0	0
Health Care Group Medical Premiums (HCA3197/A.R.S. § 36-2913)				Non-Appropriated
Source of Revenue: Premiums paid by employers and employees enrolled in Health Care Group. Health Care Group administrative expenditures are funded through the Donations Fund, which is appropriated.				
Purpose of Fund: To pay medical claims for members of Health Care Group, which is AHCCCS' health insurance plan for small businesses. In addition to this funding, Health Care Group has received \$8,000,000 for reinsurance costs each year beginning in FY 1999. In FY 1999 and FY 2000 this additional funding came from the Tobacco Tax and Health Care Medical Services Stabilization Fund. Beginning in FY 2001 and each year thereafter, the \$8,000,000 reinsurance cost is funded with Tobacco Settlement monies.				
Funds Expended	18,792,700	24,715,200	25,164,400	25,807,800
Year-End Fund Balance	6,267,600	7,947,300	9,657,200	11,761,800
Intergovernmental Service (HCA2438/A.R.S. § 36-2927)				Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.				
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.				
Funds Expended	2,370,100	7,955,600	9,764,700	9,286,900
Year-End Fund Balance	1,336,300	607,300	957,000	1,310,200
Third Party Collections (HCA3791 Acute Care/HCA3019 Long Term Care/A.R.S. § 36-2913)				Non-Appropriated
Source of Revenue: Collections from third-party payers, and sanctions on counties for eligibility errors in the Medically Needy/Medically Indigent program.				
Purpose of Fund: To provide acute medical services to AHCCCS members.				
Funds Expended	1,124,800	1,644,500	1,454,100	1,443,600
Year-End Fund Balance	3,127,100	2,679,700	2,299,000	1,896,300
Arizona Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)				Non-Appropriated
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.				
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 general election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs. Also includes previously enacted appropriations.				
Balance Forward	35,373,200	100,314,100	0	0
Tobacco Settlement Payments	<u>84,940,900</u>	<u>89,822,400</u>	<u>108,498,200</u>	<u>109,789,900</u>
Total Available	120,314,100	190,136,500		
ASH Construction	20,000,000	20,000,000	20,000,000	20,000,000
Healthcare Group	0	8,000,000	8,000,000	8,000,000
Behavioral Health	0	70,000,000	0	0
Healthy Families	0	5,000,000	5,120,000	5,217,300
AZ Health Education System	0	4,000,000	4,096,000	4,173,800
Teenage Pregnancy Prevention	0	3,000,000	3,072,000	3,130,400
Disease Control Research	0	2,000,000	2,048,000	2,086,900
Health Start	0	2,000,000	2,048,000	2,086,900
WIC Food Program	<u>0</u>	<u>1,000,000</u>	<u>1,024,000</u>	<u>1,043,500</u>
Total Expenditures	20,000,000	115,000,000	45,408,000	45,738,800
Total Available for AHCCCS Expansion	100,314,100	75,136,500	63,090,200	64,051,100

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

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

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

Please see the table following the Summary of Funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Tax and Health Care Fund.

Tobacco Tax and Health Care – Medically Needy Account (HCA1306/A.R.S. § 36-774)**Non-Appropriated**

Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account.

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

Please see the table following the Summary of Funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Tax and Health Care Fund.

Tobacco Tax and Health Care – Medical Services**Non-Appropriated****Stabilization (HCA3037/A.R.S. § 36-2922)**

Source of Revenue: Monthly transfer of \$1,250,000 from Tobacco Tax and Health Care Fund - Medically Needy Account and interest earned on these monies. Laws 1998, Chapter 4, 4th Special Session discontinued this allocation after July 1, 1999. The fund will continue to accrue interest, so the balance will continue to increase over time.

Purpose of Fund: To offset increases above the appropriated amount in the cost of providing health care services to persons statutorily determined to be medically indigent, medically needy or low income children. Monies may also be used to offset increases in the cost of providing services to persons determined to be federally eligible if the increase results from a loss of federal funding. Laws 1999, Chapter 313 allocated \$8,000,000 in FY 2000 to provide reinsurance to Health Care Group health plans.

Please see the table following the Summary of Funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Tax and Health Care Fund.

Tobacco Tax and Health Care – Premium Sharing Demonstration**Non-Appropriated****Project (HCA2151/A.R.S. § 36-2923)**

Source of Revenue: Consists of 3 annual transfers of \$20,000,000 in FY 1997, FY 1998 and FY 1999 from the Tobacco Tax and Health Care Fund - Medically Needy Account. Following enactment of a demonstration project plan, premiums collected from the plan participants will also be deposited in the fund. Program is set to expire on September 30, 2001 with all unexpended and unencumbered monies reverting to the Medically Needy Account on October 1, 2002.

Purpose of Fund: To provide eligible members access to medical services through a cost sharing arrangement. To be eligible for the program the family's household income cannot exceed 200% FPL. The monthly premium paid by enrollees is based on income, though averages \$23 per month per member. In addition, up to 200 chronically ill individuals with incomes up to 400% FPL may enroll. Total program enrollment is capped at 7,000.

Please see the table following the Summary of Funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Tax and Health Care Fund.

Tobacco Tax and Health Care Fund	FY 2001	FY 2002	FY 2003
<u>Funds Available</u>			
Tobacco Tax Collections	\$107,895,100 ^{1/}	\$105,737,200	\$103,622,500
<u>Allocation</u>			
DOR Administration	\$310,900	\$310,900	\$310,900
Transfer to AHCCCS Medically Needy Account	76,645,600	75,104,200	73,593,700
Transfer to DHS Health Education Account	25,183,500	24,677,100	24,180,800
Transfer to DHS Health Research Account	5,474,700	5,364,600	5,256,700
Transfer to DOC Corrections Fund	280,400	280,400	280,400
Total Allocation	\$107,895,100	\$105,737,200	\$103,622,500
Medically Needy Account			
<u>Funds Available</u>			
Balance Forward	\$78,579,200	\$53,081,200	\$59,207,500
Revertments ^{2/}	20,480,200	0	0
Transfer In - Tobacco Tax and Health Care Fund	76,645,600	75,104,200	73,593,700
Interest Revenue	3,880,600	3,204,600	3,320,000
Total Funds Available	\$179,585,600	\$131,390,000	\$136,121,200
<u>AHCCCS Allocations</u>			
Offset Loss in Federal Funding	\$ 4,542,200	\$ 0	\$ 0
Phase-Down of Quick Pay Discount	8,206,700	8,206,700	8,206,700
\$10 M Hospital Reimbursement	10,000,000	10,000,000	10,000,000
Maternity Length of Stay	2,572,800	2,572,800	2,572,800
HIV/AIDS Treatment	1,349,600	1,349,600	1,349,600
FY 2000 Medical Inflation	5,276,000	0	0
Transplants	3,590,000	3,590,000	3,590,000
Transfer to Medical Services Stabilization Fund	0	0	0
Transfer to Premium Sharing Demo Project Fund	0	0	0
Transfer to Children's Health Insurance Fund	19,833,700	9,040,000	21,944,100
Transfer to DHS Health Crisis Fund	960,000	1,000,000	1,000,000
Transfer to DES Aging and Adult Administration	500,000	500,000	500,000
Transfer to AHCCCS for FY 2001 shortfall	29,000,000	0	0
<u>DHS Allocations</u>			
Primary Care Programs	6,240,000	6,240,000	6,240,000
Qualifying Community Health Centers	5,200,000	5,200,000	5,200,000
Community Health Centers	4,000,000	0	0
Telemedicine	0	0	0
Mental Health Programs for Non-Title 19	5,200,000	5,200,000	5,200,000
Detoxification Services	0	0	0
Renal Disease Management	260,000	260,000	260,000
Basic Children's Medical Services Program	0	0	0
Evaluations	854,200	854,200	854,200
Public Health Education ^{3/}	0	0	0
Rural Primary Care Provider Loan Repay Program	111,200	111,200	111,200
Primary Care Capital Construction Projects	0	0	0
HIV/AIDS Drug Assistance Program (ADAP)	1,000,000	1,000,000	1,000,000
Nonrenal Disease Management	208,000	208,000	208,000
CHIP Direct Services	1,000,000	0	0
Ajo Health Services	0	0	0
Psychotropic Medications - SMI Non-Title XIX	16,600,000	16,600,000	16,600,000
Total Allocation	\$126,504,400	\$71,932,500	\$84,836,600
Balance Forward	\$53,081,200	\$59,457,500	\$51,284,600

^{1/} Revenue estimates assume a decrease of (2.0)%. Revenues actually declined by (1.18)% in FY 1999 and (2.65)% in FY 2000.

^{2/} Revertments include monies transferred pursuant to Laws 2000, Chapter 304 and unexpended DHS allocations.

^{3/} Shown as expended in FY 1998 when appropriated.

AHCCCS Medical Services Stabilization Fund	FY 2001	FY 2002	FY 2003
<u>Funds Available</u>			
Balance Forward	\$72,876,000	\$34,750,000	\$36,487,500
Transfer In - Tobacco Tax Medically Needy	0	0	0
Interest Revenue	3,643,800	1,737,500	1,824,400
Total Funds Available	\$76,519,800	\$36,487,500	\$38,311,900
<u>Allocation</u>			
FY 2001 Supplemental	41,769,800	0	0
Balance Forward	\$34,750,000	\$36,487,500	\$38,311,900
AHCCCS Premium Sharing Demo Project Fund			
<u>Funds Available</u>			
Balance Forward	\$45,988,700	\$28,307,100	\$23,326,300
Transfer In - Tobacco Tax Medically Needy	0	0	0
Interest Revenue	2,299,400	1,415,400	1,166,300
Premiums Collected	1,915,500	515,200	0
Total Funds Available	\$50,203,600	\$30,237,700	\$24,492,600
<u>Allocation</u>			
Administrative Expenses	\$559,800	\$188,700	\$0
Services	21,336,700	6,722,700	0
Balance Forward	\$28,307,100	\$23,326,300	\$24,492,600
DHS Health Crisis Fund			
<u>Funds Available</u>			
Balance Forward	\$40,000	\$0	\$0
Transfer In - AHCCCS Medically Needy Account	960,000	1,000,000	1,000,000
Total Funds Available	\$1,000,000	\$1,000,000	\$1,000,000
<u>Allocation</u>			
Allocation	1,000,000	1,000,000	1,000,000
Balance Forward	\$0	\$0	\$0
DHS Health Education Account			
<u>Funds Available</u>			
Balance Forward	\$35,832,700	\$29,437,400	\$22,203,300
Transfer In - Tobacco Tax and Health Care Fund	25,183,500	24,677,100	24,180,800
Interest Revenue	2,421,200	2,088,800	1,714,700
Total Funds Available	\$63,437,400	\$56,203,300	\$48,098,800
<u>Allocation - Administration & Program Costs</u>			
	\$34,000,000	\$34,000,000	\$34,000,000
Balance Forward	\$29,437,400	\$22,203,300	\$14,098,800
DHS Health Research Account			
<u>Funds Available</u>			
Balance Forward	\$9,035,800	\$6,773,400	\$5,341,600
Transfer In - Tobacco Tax and Health Care Fund	5,474,700	5,364,600	5,256,700
Interest Revenue	362,800	303,500	265,000
Total Funds Available	\$14,873,300	\$12,441,500	\$10,863,300
<u>Allocation</u>			
Disease Control Research Commission	\$6,099,900	\$6,099,900	\$6,099,900
Transfer to U of A - Liver Research Institute	0	0	0
Anticancer Drug Discovery	2,000,000	1,000,000	0
Balance Forward	\$6,773,400	\$5,341,600	\$4,763,400

[Click here to return to Table of Contents](#)

Arizona Health Care Cost Containment System

Administration

JLBC: Gretchen Logan
OSP: Aimee Basye

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	2,407.5	2,424.5	2,509.1	2,478.8	2,511.7	2,478.8
Personal Services	31,050,900	32,798,000	34,993,300	34,638,500	35,040,000	34,638,500
Employee Related Expenditures	6,976,800	7,515,500	8,787,900	8,312,100	8,812,300	8,319,000
All Other Operating Expenditures:						
Professional and Outside Services	4,236,400	4,459,300	2,952,200	4,459,300	2,877,200	4,459,300
Travel - In State	278,300	253,300	443,400	256,300	443,400	256,300
Travel - Out of State	44,900	46,900	33,600	46,900	33,600	46,900
Other Operating Expenditures	12,365,400	12,391,300	17,145,400	15,908,700	17,359,100	16,141,100
Equipment	2,520,400	2,203,700	2,222,700	3,844,800	2,282,500	4,637,900
OPERATING SUBTOTAL	57,473,100	59,668,000	66,578,500	67,466,600	66,848,100	68,499,000
SPECIAL LINE ITEMS						
ADOA Data Center Charges	5,676,900	4,978,600	5,280,000	6,647,100	5,976,300	6,647,100
Indian Advisory Council	198,700	216,700	226,200	222,900	226,200	222,900
DES Eligibility	40,157,000	43,816,600	45,105,800	44,529,000	45,071,400	44,537,500
DES Title XIX Pass-Through	267,200	296,500	299,700	301,900	299,700	302,000
DHS Title XIX Pass-Through	1,004,000	1,398,800	1,728,400	1,681,000	1,718,400	1,662,400
Health Care Group Administration	8,881,300	9,285,800	9,298,000	9,300,500	9,298,000	9,300,600
Office of Administrative Hearings	222,700	160,300	186,600	174,200	186,600	174,200
CHIP - Administration	5,726,000	7,523,900	7,538,500	8,623,900	7,538,500	9,001,800
CHIP - Services	29,804,000	72,163,000	58,554,400	62,131,200	72,078,600	78,292,200
Finger Imaging	0	200,000	0	2,000,000	0	2,000,000
PROGRAM TOTAL	149,410,900	199,708,200	194,796,100	203,078,300	209,241,800	220,639,700

FUND SOURCES						
General Fund	49,343,300	53,709,500	57,706,600	58,252,600	57,973,000	58,214,200
Donations Fund	881,300	1,272,000	1,284,200	1,300,500	1,284,500	1,300,600
Tobacco Tax Funds	8,000,000	0	0	927,800	0	0
Tobacco Settlement Fund	0	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Children's Health Insurance Program Fund	35,556,500	79,686,900	66,119,200	69,827,300	79,648,400	87,294,000
Federal Title XIX Funds	55,629,800	57,039,800	61,686,100	64,770,100	62,335,900	65,830,900
SUBTOTAL - Other Appropriated Funds	100,067,600	145,998,700	137,089,500	144,825,700	151,268,800	162,425,500
SUBTOTAL - Appropriated Funds	149,410,900	199,708,200	194,796,100	203,078,300	209,241,800	220,639,700
Other Non-Appropriated Funds	2,378,300	7,967,700	9,774,700	9,774,700	9,296,900	9,296,900
TOTAL - ALL SOURCES	151,789,200	207,675,900	266,256,900	212,853,000	280,874,600	229,936,600

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	4,543,100	8.5%	4,504,700	8.4%	9,047,800
Donations Fund	28,500	2.2%	28,600	2.2%	57,100
CHIP Fund	(9,859,600)	-12.4%	7,607,100	9.5%	(2,252,500)
Tobacco Tax	927,800	--	0	--	927,800
Federal Title XIX Funds	7,730,300	13.6%	8,791,100	15.4%	16,521,400
Total Appropriated Funds	3,370,100	1.7%	20,931,500	10.5%	24,301,600

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Cost avoidance from Fraud and Abuse Prevention Program (in millions)	\$2/\$4.2	\$6/\$7.4	\$7	\$7
• % of enrollees filing a grievance	NA/0.67	0.7/0.5	0.4	0.4
• % of eligibility accuracy as measured by quality control sample	95/97	95/97	97	97
• % of AHCCCS employee turnover	NA/11.4	11/11.9	11.7	11.5
• Administration as a % of total cost	NA	4.6/NA	4.6	4.4

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
	Pay Annualization		
	GF	\$488,900	\$488,900
	OF	9,400	9,400
	TF	986,300	986,300
ERE Rates	GF	323,700	329,400
	OF	5,300	5,400
	TF	710,500	726,500
Risk Management	GF	69,300	71,100
	TF	102,400	109,200
Rent	GF	41,200	52,200
	TF	82,000	103,300
Other	GF	(13,800)	(13,800)
	TF	13,900	13,900
Finger Imaging Program	GF	800,000	800,000
	TF	1,800,000	1,800,000

The JLBC recommends a total biennial increase of \$1,600,000 General Fund (GF) and \$3,600,000 Total Fund (TF) to fund the implementation of a Finger Imaging Program for selected AHCCCS participants. This amount includes an increase of \$800,000 GF and \$1,800,000 TF in both FY 2002 and FY 2003 above FY 2001.

Laws 2000, Chapter 378 appropriated \$200,000 GF in FY 2001 to provide funding for the design of a Finger Imaging Program as an eligibility requirement for AHCCCS participants (excluding children, the elderly, and pregnant women). The legislation also specifies an implementation date of July 1, 2001 subject to legislative appropriation and the availability of federal matching funds. Implementation of the program involves deployment of finger imaging point-of-sale (POS) devices at pharmacies that serve AHCCCS clients and at AHCCCS and county eligibility offices. Eligibility is also

determined at Department of Economic Security (DES) offices; however, DES is already equipped with finger imaging devices. The program will be operated by an outside contractor, as is done at DES; therefore, the annual cost of \$1,000,000 GF and \$2,000,000 TF represents an ongoing expenditure. The contractor will be responsible for equipping the pharmacies and eligibility offices with POS devices and associated software, maintaining the hardware and software, training the users of the POS devices and software, and storing the finger images. The Executive recommends eliminating the FY 2001 funding of \$(200,000).

Member Services Growth	GF	1,320,100	1,312,400
	TF	2,638,300	2,622,800

The JLBC recommends a total biennial increase of \$2,632,500 GF and \$5,261,100 TF to address workload increases in the Division of Member Services, due to demographic growth in the long-term care program (ALTCS) and the Medicare Cost Sharing programs. This amount includes a FY 2002 increase of \$1,320,100 GF and \$2,638,300 TF and 32 FTE Positions above FY 2001 and a FY 2003 increase of \$1,312,400 GF and \$2,622,800 TF and 32 FTE Positions above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment.

Over the FY 2000 and FY 2001 biennium, enrollment in the ALTCS program will grow by approximately 12% and in the FY 2002 and FY 2003 biennium the program is anticipated to grow an additional 12%. Enrollment growth translates into additional applications and redeterminations to be processed by existing staff. Delay in the processing of initial applications adversely affects the quality of service provided to ALTCS clients who are primarily frail and elderly. Delay in processing financial and medical redeterminations has fiscal implications as well. For

example, in FY 2000 the timely discontinuance of 4,677 members who had become ineligible for the program resulted in cost avoidance of approximately \$82,900,000. However, as of June 2000, 2,095 financial redeterminations were overdue and 1,954 medical reassessments were backlogged. Therefore, the cost avoidance in FY 2000 could have been substantially more than was realized if staffing levels had been sufficient to meet the increasing workload. The increase of 32 FTE Positions and the associated biennial funding of \$1,464,800 GF and \$2,925,700 TF addresses the growth in this population. The Executive recommends biennial funding of \$1,868,800 GF and \$4,089,900 TF and 42.6 FTE Positions.

In addition to the staffing increase, the JLBC recommendation includes a biennial increase of \$1,167,700 GF and \$2,335,400 TF to fund the development of the AHCCCS Customer Eligibility (ACE) computer application. Without the implementation of the ACE system, the estimated staffing shortfall would be significantly higher than the recommended increase of 32 FTE Positions. The implementation of the ACE system will streamline and automate the application and redetermination processes. This will allow eligibility staff to handle more cases than they are currently able to in the existing mainframe computing and paperwork intensive system. The ACE project was approved by the Information Technology Authorization Committee (ITAC) provided that the project is developed to accommodate the No Wrong Door initiative. To this end, the JLBC recommends a new footnote that would require AHCCCS to report on the compatibility of the ACE system and the No Wrong Door initiative. *(Please see the JLBC Recommended Footnotes for further information.)* In addition to the funding discussed above, the CHIP Fund will contribute \$276,200 in FY 2003 to this project, which is included in the appropriation for CHIP Administration. The Executive concurs on the funding for the ACE project.

Expansion of Early	GF	219,800	188,300
Fraud Detection Unit	TF	219,800	188,300

The JLBC recommends a total biennial increase of \$408,100 GF to expand the Early Fraud Detection Unit to Pima County. This amount includes a FY 2002 increase of \$219,800 GF and 5 FTE Positions above FY 2001 and a FY 2003 increase of \$188,300 GF and 5 FTE Positions above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment.

County eligibility workers perform AHCCCS eligibility determinations at the hospital for state-only groups such as the Medically Needy/Medically Indigent (MN/MI) and State Emergency Services. The fraud investigators review all AHCCCS applications at the hospital and conduct home visits to verify inconsistent information prior to approval. It is anticipated that the expansion of this unit to Pima County will result in total biennial cost avoidance of \$3,000,000 GF in Acute Care cost. This amount includes \$1,500,000 GF in FY 2002 and FY 2003. These savings

have been incorporated in the Acute Care Program. The Executive recommends a biennial increase of \$311,700 GF and 4 FTE Positions.

Medicaid in Public	GF	57,900	55,400
Schools	TF	115,400	110,400

The JLBC recommends a total biennial increase of \$113,300 GF and \$225,800 TF to provide funding for oversight of the Medicaid in Public Schools initiative. This amount includes a FY 2002 increase of \$57,900 GF and \$115,400 TF and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$55,400 GF and \$110,400 TF and 2 FTE Positions above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment.

The Medicaid in Public Schools initiative will allow schools to begin receiving federal matching monies for services provided to Title XIX eligible children who fall under the federal Individuals with Disability Education Act (IDEA). Under the IDEA, states are required to make available services that are necessary for students with disabilities to obtain a "free and appropriate education". Examples of the types of services that would be eligible for federal reimbursement are speech therapy, administering medications, and other medical services required by the student during the school day.

The recommended FTE Positions would provide oversight of the claims submitted for reimbursement to ensure that services provided meet the definition of medical necessity. This is a critical function in the implementation of this initiative, because AHCCCS is the liable party if claims are not submitted properly by the schools. The Executive recommends a biennial increase of \$103,700 GF and \$207,400 TF and 2 FTE Positions.

DHS Licensure Staff	GF	94,300	84,800
	TF	188,600	169,600

The JLBC recommends a total biennial increase of \$179,100 GF and \$358,200 TF in the DHS Title XIX Pass-Through Special Line Item for licensure staff. This amount includes a FY 2002 increase of \$94,300 GF and \$188,600 TF and 2.8 FTE Positions above FY 2001 and a FY 2003 increase of \$84,800 GF and \$169,600 TF and 2.8 FTE Positions above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment. Growth in ALTCS enrollment has created an increased demand for Title XIX certified nursing facilities and assisted living homes, which must be inspected and licensed by DHS Licensure staff. The recommendation also provides additional staff for inspection of behavioral health facilities and juvenile homes. *(Please see the Assurance and Licensure policy issue and the Juvenile Group Home Database policy issue in DHS Administration for further information.)* The Executive recommends a biennial increase of \$242,400 GF and \$365,700 TF and 2 FTE Positions.

DHS Licensure	GF	84,800	84,800
Staff Supplemental	TF	22,700	22,700

The JLBC recommends a total biennial increase of \$169,600 GF and \$45,400 TF in the DHS Title XIX Pass-Through Special Line Item to continue funding for a FY 2001 supplemental. *(Please see Other Issues for Legislative Consideration for further information.)* This amount includes a FY 2002 and FY 2003 increase of \$84,800 GF and \$22,700 TF and a 0.5 FTE Position above FY 2001 for 2 technical adjustments.

The first technical adjustment involves shifting the fund source from Federal Funds to the General Fund for \$62,100 appropriated in FY 2001 for a 0.8 FTE Position to meet the increased demand for inspection of Title XIX nursing facilities. This issue should have been funded by the General Fund to allow the agency to draw down federal matching monies. The Executive does not address this issue.

The second technical correction involves an increase of \$22,700 GF and a 0.5 FTE Position to provide the correct state match for federal Title XIX monies that pass through AHCCCS to the DHS Assurance and Licensure Division. An equivalent decrease is made in the Assurance and Licensure Special Line Item in the DHS budget. The Executive recommends \$22,900 GF and a 0.5 FTE Position.

Healthcare Group

Reinsurance	OF	-0-	-0-
--------------------	-----------	------------	------------

Laws 1999, Chapter 313 appropriated \$8,000,000 from Tobacco Settlement monies in FY 2001, and each year thereafter, to provide funding for Healthcare Group Reinsurance. The Executive concurs.

State of Hawaii

Agreement	OF	-0-	-0-
------------------	-----------	------------	------------

Laws 1999, Chapter 313 established a mechanism for AHCCCS to enter into agreements with other states to design, develop, install, and operate information systems on other states behalf. In September 1998, AHCCCS entered into an agreement with the State of Hawaii to develop and manage their Medicaid information system. In return, AHCCCS is compensated for all associated direct and indirect costs, and in addition, they may realize cost savings as a result of the agreement. The enabling legislation specifies that cost savings generated from the agreement are to be used to supplement existing funding for: 1) employee recruitment and retention efforts; and, 2) technology upgrades used in the operation of the system. Chapter 313 further specifies that the JLBC or the Office of Strategic Planning and Budgeting (OSPB) cannot recommend using the cost savings realized from this agreement to supplant existing monies appropriated to the agency.

While Chapter 313 included a requirement to report by January 1 of each year on that status of specific projects, the financial status of the project(s), and a description of

any personnel initiatives that are initiated with monies received as a result of an agreement, the JLBC recommends that the report also include information on the agency's use of the cost savings that results from entering into an agreement with another state. In addition, the JLBC recommends that the annual report include detail on the source of all revenues and expenditure of monies from the Intergovernmental Service Fund. *(Please see the JLBC Recommended Footnotes for further information.)* The Executive does not address this issue.

ADOA Data	GF	584,000	584,000
Center Charges	TF	1,668,500	1,668,500

The JLBC recommends a total biennial increase of \$1,168,000 GF and \$3,337,000 TF in the ADOA Data Center Charges Special Line Item to reflect the agency's increased usage of the data center. This amount includes a FY 2002 increase of \$584,000 GF and \$1,668,500 TF in both FY 2002 and FY 2003 above FY 2001. The additional funding will bring the appropriation for the ADOA Data Center up to the actual expenditure level for FY 2001. The agency requires additional funding due to enrollment increases and program expansions, which both contribute to increased usage of the data center. The Executive recommends a biennial increase of \$440,700 GF and \$1,259,100 TF and incorporates the anticipated savings from the Data Center Consolidation. *(Please see Data Center Consolidation policy issue for further information.)*

Data Center

Consolidation	GF	-0-	-0-
----------------------	-----------	------------	------------

AHCCCS data services are currently provided through a new state data center administered by the Department of Administration. Costs of the data center are charged to each participating agency. The Executive is recommending expanding the current data center to include the Department of Revenue and the Department of Transportation data systems. It is anticipated that the consolidation of these 2 large systems will lead to reduced charges for other participating agencies. The level and fund source of these reductions, however, is unclear at this time. The JLBC Staff is continuing to analyze this issue. The Executive has incorporated the anticipated AHCCCS savings of \$2,115,000 TF.

Health Insurance

Portability and	GF	472,900	467,200
Accountability Act	TF	3,753,500	3,351,300

The JLBC recommends a total biennial increase of \$940,100 GF and \$7,104,800 TF to address the requirements of the federal Health Insurance Portability and Accountability Act (HIPAA) that relate to administrative simplification. This amount includes a FY 2002 increase of \$472,900 GF and \$3,753,500 TF and 12 FTE Positions above FY 2001 and a FY 2003 increase of \$467,200 GF and \$3,351,300 TF and 12 FTE Positions above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment. Of the 12 FTE Positions recommended, 6 are temporary and are only for

biennial CHIP Fund decrease of \$(13,693,000) for CHIP Services.

CHIP - Administration OF 172,200 1,477,900

The JLBC recommends a total biennial CHIP Fund increase of \$1,650,100 to fund CHIP administrative costs. This amount includes a FY 2002 increase of \$172,200 above FY 2001 and a FY 2003 increase of \$1,477,900 above FY 2001.

In addition to the CHIP Fund increase, the JLBC recommends an additional Tobacco Tax allocation of \$927,800 in FY 2002 only. This amount will be funded from the balance in the CHIP Fund. *(Please see discussion in the CHIP – Services policy issue for further information).* The administrative component of CHIP is capped by federal law at 10% of program costs. With enrollment lower than originally projected, the administrative component of the program requires additional Tobacco Tax dollars in FY 2002 to pay for administrative costs above the 10% cap. Current enrollment projections for FY 2003 will allow for all administrative expenditures to be paid under the 10% cap; therefore, additional Tobacco Tax dollars will not be required in FY 2003.

The recommended amount for CHIP Administration provides for all standard operating expenses, including \$48,900 for the annualization of the FY 2001 pay increase. In addition, the recommended amount includes funding for the CHIP portion of the HIPAA and ACE projects, funding for CHIP’s use of the ADOA Data Center, Risk Management and Office of Administrative Hearing charges, and additional equipment.

The administrative component of the CHIP program includes both direct and indirect costs. Direct costs are those that are incurred specifically and exclusively in the operation of CHIP. In contrast, indirect costs are those that are incurred by the agency as a whole that also benefit the operation of CHIP, such as consulting and auditing services, technology upgrades, risk management charges, upper level management, and payroll functions. Indirect costs are allocated to the different programs within AHCCCS based upon enrollment, with CHIP currently being responsible for 8% of these agencywide indirect costs. This cost allocation methodology is required in order to be in compliance with Health Care Financing Administration (HCFA) regulations.

Detail on allocation of the CHIP Administration appropriation is included in the following table:

	<u>FY 2002</u>	<u>FY 2003</u>
Personal Services & ERE	\$3,019,000	\$3,019,000
Salary Annualization	48,900	48,900
Direct Operating Expenditures	3,225,700	3,355,400
Indirect Operating Expenditures	1,976,000	1,976,000
Office of Administrative Hearings	33,000	33,000
ADOA Data Center	8,600	8,600
Risk Management	30,000	32,900
HIPAA	282,700	251,800
New Eligibility System (ACE)	0	276,200
Total	\$8,623,900	\$9,001,800
Fund Source:		
CHIP Fund	7,696,100	9,001,800
Additional Tobacco Tax	927,800	0

The Executive recommends a biennial CHIP Fund increase of \$32,100 in addition to \$709,100 in Tobacco Tax monies in FY 2002 to cover CHIP administrative expenses above the 10% cap.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Of the \$203,078,300 expenditure authority for Administration in FY 2002, \$58,252,600 is appropriated from the state General Fund, \$1,300,500 is appropriated from the Donations Fund and \$69,827,300 is appropriated from the Children's Health Insurance Program Fund. Of the \$220,639,700 expenditure authority for Administration in FY 2003, \$58,214,200 is appropriated from the state General Fund, \$1,300,600 is appropriated from the Donations Fund and \$87,294,000 is appropriated from the Children’s Health Insurance Fund.

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

The amounts appropriated for the Department of Economic Security Special Line Item shall be used for intergovernmental agreements with the Department of Economic Security for the purpose of eligibility determination and other functions. The General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey.

The amounts appropriated for the Department of Health Services Special Line Item shall be used for intergovernmental agreements with the Department of

Health Services for the purpose of medicaid-related licensure, certification and registration, and other functions.

New Footnotes

The AHCCCS Administration shall report by January 1 of each year on agency's use of the cost savings that results from entering into an agreement with another state as outlined in Laws 1999, Chapter 313. The report shall also include detail on the source of all revenues and expenditure of monies from the Intergovernmental Service Fund. *(Please see the State of Hawaii Agreement policy issue for further discussion.)*

Prior to the expenditure of any monies for the AHCCCS Customer Eligibility system, AHCCCS shall submit a report to the Joint Legislative Budget Committee for its review. The report shall discuss how the automation improvements are compatible with the No Wrong Door initiative. *(Please see the Member Services Growth policy issue for further information.)*

The JLBC recommends the use of \$9,344,600 in Tobacco Tax monies remaining from previous CHIP appropriations, in addition to new FY 2002 Tobacco Tax monies, to provide the total Tobacco Tax funding needed for the CHIP program. *(Please see the CHIP – Services policy issue for further information.)*

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends authorizing AHCCCS to use \$18,384,600 in FY 2002 and \$21,944,100 in FY 2003 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to provide the state match for the CHIP Fund.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

As discussed in the *DHS Licensure Staff Supplemental* policy issue, there are 2 technical adjustments included in the FY 2001 supplemental. These FY 2001 technical adjustments result in an increase of \$84,800 GF and \$22,700 TF above the original FY 2001 appropriation. The JLBC recommends that AHCCCS fund this supplemental with a transfer of FY 2001 General Fund Acute Care monies. *(Please see the DHS Licensure Staff Supplemental policy issue for additional detail on the recommended FY 2001 supplemental.)*

[Click here to return to Table of Contents](#)

Executive Recommendation

DES Eligibility Staff

The Executive recommends a biennial increase of \$424,200 GF and \$1,810,500 TF and 19 FTE Positions for additional DES Eligibility Staff due to the increasing number of AHCCCS enrollees. The JLBC does not recommend this increase because reductions in staff have not mirrored the actual reduction in caseloads experienced in the 1990's; therefore, it is assumed that the current staffing level is sufficient to handle the AHCCCS enrollment increases that began in FY 1999.

Freedom to Work

The Executive recommends a biennial increase of \$1,591,600 GF and \$2,663,100 TF and 1 FTE Position to fund 2 new Title XIX eligibility groups that were established in the federal Freedom to Work Incentives Act of 1999 to improve access to employment training and placement services for people for disabilities who want to work. This issue is not included in the JLBC recommendation.

Baby Arizona

The Executive recommends a biennial increase of \$287,600 GF and \$575,200 TF to fund the state match for the Baby Arizona program, which encourages expecting mothers to seek prenatal care early in the pregnancy. The state match for this issue was previously provided by donations from the private sector. This issue is not included in the JLBC recommendation.

Arizona Health Care Cost Containment System

Acute Care

JLBC: Gretchen Logan
OSP: Aimee Basye

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0	0.0
SPECIAL LINE ITEMS						
Capitation	867,561,700	902,181,000	1,078,790,600	1,079,781,400	1,174,096,300	1,169,032,200
Fee-For-Service	199,188,400	225,133,800	297,828,100	298,501,600	330,212,400	329,227,400
Reinsurance	27,828,700	41,949,800	68,780,600	68,420,800	72,390,800	72,223,600
Medicare Premiums	26,963,800	48,724,100	33,575,300	33,911,300	36,887,700	37,499,000
Disproportionate Share Payments	107,993,300	124,891,500	15,150,000	125,171,800	15,150,000	125,171,800
Graduate Medical Education	18,289,800	18,289,900	18,875,100	18,875,100	19,479,100	19,479,100
PROGRAM TOTAL	1,247,825,700	1,361,170,100	1,512,999,700	1,624,662,000	1,648,216,300	1,752,633,100
FUND SOURCES						
General Fund	413,364,300	440,656,700	431,508,400	575,032,200	528,815,300	626,542,500
Tobacco Tax Funds	32,039,300	31,947,300	31,947,300	22,129,100	31,947,300	22,129,100
Third Party Collections	1,124,800	882,000	291,500	291,500	194,700	194,700
County Funds	66,905,500	66,689,500	66,689,500	66,689,500	66,689,500	66,689,500
Federal Title XIX Funds	734,391,800	820,994,600	982,563,000	960,519,700	1,020,569,500	1,037,077,300
SUBTOTAL - Other Appropriated Funds	834,461,400	920,513,400	1,081,491,300	1,049,629,800	1,119,401,000	1,126,090,600
SUBTOTAL - Appropriated Funds	1,247,825,700	1,361,170,100	1,512,999,700	1,624,662,000	1,648,216,300	1,752,633,100
Other Non-Appropriated Funds	144,830,900	167,108,000	98,836,000	98,836,000	93,448,900	93,448,900
Federal Funds	311,100	312,300	300,000	300,000	300,000	300,000
TOTAL - ALL SOURCES	1,392,967,700	1,528,590,400	1,612,135,700	1,723,798,000	1,741,965,200	1,846,382,000

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	134,375,500	30.5%	185,885,800	42.2%	320,261,300
Tobacco Tax	(9,818,200)	-30.7%	(9,818,200)	-30.7%	(19,636,400)
Third Party Collections	(590,500)	-67.0%	(687,300)	-77.9%	(1,277,800)
Federal Title XIX Funds	139,525,100	17.0%	216,082,700	26.3%	355,607,800
Total Appropriated Funds	263,491,900	19.4%	391,463,000	28.8%	654,954,900

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Immunization rate for 2-year-old children enrolled in AHCCCS	85/75	90/78	80	83
• Children receiving preventive well child care (EPSDT)	70/70	75/70	71	75
• Children receiving at least 1 annual dental visit	55/40	45/49	54	61
• Women receiving prenatal care in the 1 st trimester	NA/54	56/56	60	66
• Member satisfaction as measured by percentage of enrollees that choose to change health plans	NA/3.5	4/3.5	4	4

RECOMMENDED CHANGES FROM FY 2001

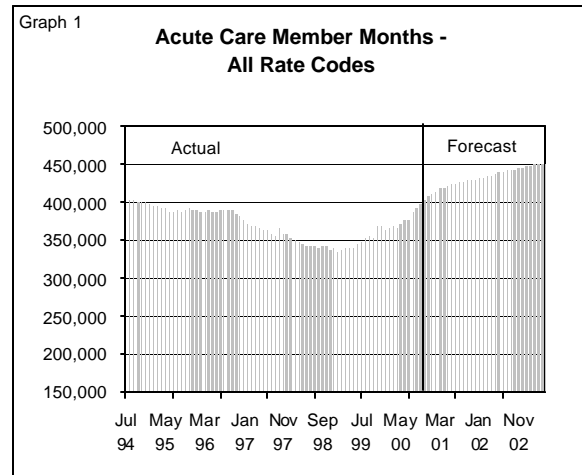
FY 2002 FY 2003

Demographic & Inflationary Increases GF 124,720,600 173,748,100
TF 280,960,700 402,961,500

The JLBC recommends a total biennial increase of \$298,468,700 from the General Fund (GF) and \$683,922,200 in Total Funds (TF) to address demographic and inflationary increases in the Capitation, Fee-For-Service, and Reinsurance Special Line Items in the Acute Care program. This amount includes a FY 2002 increase of \$124,720,600 GF and \$280,960,700 TF above FY 2001 and a FY 2003 increase of \$173,748,100 GF and \$402,961,500 TF above FY 2001. The Executive recommends a biennial increase of \$300,837,800 GF and \$682,369,600 TF for demographic and inflationary increases.

FY 2001 Shortfall

During the 2000 Legislative Session, the JLBC projected that the AHCCCS Acute Care program would require a supplemental appropriation of \$53,773,900 State Funds and \$80,737,400 TF in FY 2001. Higher than expected enrollment and capitation rate increases have resulted in a revision to that FY 2001 shortfall estimate. The JLBC now recommends a supplemental for the Capitation, Fee-For-Service, and Reinsurance Special Line Items of \$75,225,500 State Funds and \$161,354,500 TF for FY 2001. However, the State Fund requirement has been offset by 1) a transfer of \$29,000,000 from the Tobacco Tax and Health Care Fund Medically Needy Account authorized by the Executive in November 2000; and, 2) savings in the ALTCS program of \$4,455,700 GF and \$8,789,100 TF, which the JLBC recommends be transferred to the Acute Care program. Therefore, the total requirement in FY 2001 has been reduced to \$41,769,800 in State Funds and \$123,565,400 TF. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount. The Executive recommends \$39,276,900 GF and \$101,083,800 TF to address the FY 2001 shortfall. The Executive recommendation also takes into account the \$29,000,000 transferred from the Medically Needy account and the anticipated FY 2001 savings in the ALTCS program.



Under the JLBC recommendation, the funding source for the estimated FY 2001 State Funding shortfall will need to be determined; however, one possibility is the Medical Stabilization Fund. The Medical Stabilization fund was established to provide a funding source for AHCCCS if their appropriation in a given fiscal year is insufficient to cover the cost of AHCCCS medical services. AHCCCS must notify the Chairperson of the Joint Legislative Budget Committee (JLBC) and the Director of the Governor's Office of Strategic Planning and Budgeting that the appropriation is insufficient. Following the review of the evidence of a deficiency, the JLBC may recommend that AHCCCS withdraw the amount required to cover the shortfall from the Medical Stabilization Fund. The FY 2001 Medical Stabilization Fund balance is projected to be approximately \$76,519,800. Therefore, the fund has an adequate balance to cover the remaining FY 2001 State Funding shortfall. Given the process for use of the Stabilization Fund, AHCCCS will not need to be part of the FY 2001 supplemental bill.

Enrollment

Acute Care member months had been steadily declining since the early 1990's, which was then used to offset growth in other areas. *Graph 1* shows the total Acute Care member months from FY 1995 through FY 2003. As shown in the graph, Acute Care member months began to increase in FY 1999. From February 1999 to November 2000, the Acute Care member month increase has been dramatic; increasing 19% over this time period. The JLBC estimates that Acute Care enrollment will increase in FY

2002 by 81,638 member years, or 20.2%, above the original appropriated FY 2001 level and 6.0% above the FY 2001 revised level. In FY 2003, member years are projected to increase 97,596, which is 24.2% above the originally appropriated FY 2001 level and 3.3% above the estimated FY 2002 level.

Table 1 shows total member years for each rate code for: 1) the original FY 2001 appropriation; 2) the revised FY 2001 estimates and percent change from the appropriated level; 3) the projected FY 2002 estimate and percent change from the FY 2001 appropriated level and revised level; and, 4) the projected FY 2003 estimate and percent change from the FY 2001 appropriated level and FY 2002 projected level. Based on these projections, the JLBC recommendation includes a FY 2002 increase in Capitation, Fee-For-Service, and Reinsurance of \$70,994,400 GF and \$154,957,300 TF above FY 2001 for enrollment growth. For FY 2003, the recommended amount includes an increase of \$79,871,800 GF and \$183,329,800 TF above FY 2001 for enrollment growth.

Some of the enrollment increase is attributable to the “woodwork effect” from the Children’s Health Insurance Program (CHIP). This new program began in October 1998 and provides health insurance coverage for uninsured children up to 200% of the federal poverty level (FPL). Outreach for the CHIP program creates a “woodwork

effect,” because about half of the children who apply for health coverage under the CHIP program are actually eligible for the standard AHCCCS program (Title XIX). Federal law requires that these children be enrolled in the Title XIX AHCCCS program. Since the inception of the program, approximately 50% of those who present for CHIP enrollment are actually eligible for the Title XIX AHCCCS program.

Also creating enrollment growth is an increase in “1931” enrollees, which are defined as parents of children eligible for the Title XIX AHCCCS program (1931 refers to a section of the Social Security Act which established this eligibility group). Enrollment in the 1931 category is currently limited to TANF eligible parents at approximately 30% FPL. These parents may or may not be receiving TANF cash assistance. Families who are enrolled in the 1931 category can continue to receive AHCCCS benefits under the Transitional Medical Assistance (TMA) program when they become employed and lose their TANF cash assistance provided that their income does not exceed 185% FPL. Families are eligible for TMA coverage for up to 24 months, though a redetermination is done every 6 months. Historically, only approximately 11% of those eligible for the TMA program participated. However, the current TMA participation rate is approximately 22%.

Federally-Eligible Rate Codes	<u>Enrollment</u>							
	FY 2001 Member Years^{1/}			FY 2002 Member Years^{1/}		FY 2003 Member Years^{1/}		
	<u>Approp.</u>	<u>Revised</u>	<u>% Change</u>	<u>Projected</u>	<u>% Change</u>	<u>Projected</u>	<u>% Change</u>	
TANF <1	35,033	38,863	10.9%	40,392	3.9%	41,668	3.2%	
TANF 1-13	177,299	202,107	14.0%	213,963	5.9%	221,741	3.6%	
TANF 14-44 Female	60,642	80,455	32.7%	89,714	11.5%	93,997	4.8%	
TANF 14-44 Male	12,773	24,236	89.7%	27,511	13.5%	28,714	4.4%	
TANF 45+	2,579	4,390	70.2%	4,944	12.6%	5,242	6.0%	
SSI w/Medicare	20,278	20,574	1.5%	20,659	0.4%	20,733	0.4%	
SSI w/o Medicare	49,689	46,437	-6.5%	47,261	1.8%	48,243	2.1%	
Family Planning	24,069	21,225	-11.8%	21,246	0.1%	21,246	0.0%	
Deliveries	1,578	2,037	29.1%	2,090	2.6%	2,150	2.9%	
MN/MI	19,161	16,634	-13.2%	16,550	-0.5%	16,556	0.0%	
EAC/ELIC <1	12	37	211.9%	31	-18.3%	31	0.0%	
EAC/ELIC 1-13	152	521	242.5%	541	3.9%	541	0.0%	
Total Member Years	403,265	457,516	13.5%	484,903	6.0%^{2/}	500,861	3.3%^{3/}	
Increase (Decrease) from original FY 2001 Appropriation		54,457	13.5%	81,638	20.2%	97,596	24.2%	

^{1/} Member years are calculated as projected member months divided by 12 and do not necessarily indicate actual number of clients enrolled. Includes both regular member months and prior period member months.
^{2/} Percent change from FY 2001 revised level.
^{3/} Percent change from FY 2002 level.

The 1931 category was established in 1996 with the passage of federal welfare reform legislation. One component of this reform legislation was to “delink” AHCCCS coverage from eligibility for cash assistance. This means that a person can lose their cash assistance when they became employed, but maintain AHCCCS coverage. However, AHCCCS enrollment continued to decrease after the passage of federal welfare reform legislation. The federal Health Care Financing Administration (HCFA) issued a directive to states in FY 2000 regarding the actions required to identify those who had been inappropriately dropped from Medicaid. Procedural changes are now in place that prevent clients from being dropped when they obtain employment (provided their income does not exceed 185% FPL). This has resulted in a dramatic increase in enrollment for this population.

Inflation

Capitation payments are made on a per member per month basis to health plans under contract with AHCCCS for the cost of care provided to enrolled members. Because factors, such as age, can impact utilization and costs, capitation payments are broken down into rate codes. The capitation rates are based on an actuarial assessment of medical services utilization and costs incurred by each of the rate codes. Rates vary by health plan, though they remain within the parameters set by the actuarial study and contract negotiations. *Table 2* shows: 1) the projected FY 2001 capitation rates used in the original appropriation; 2) the actual FY 2001 rates and the percent increase (decrease) from the appropriated level; 3) the projected FY 2002 rates; and, 4) the projected FY 2003 rates.

The capitation rate for the MN/MI population increased by 22.5% in FY 2001. While the MN/MI population has been decreasing over the past 4 years, the expenditures per enrollee have increased from approximately \$732 in

Contract Year (CY) 1995 to \$1,145 in CY 1998. Because costs per enrollee were increasing so rapidly, the assessment of costs and the amount health plans bid for this population was too low. The result has been that health plans have experienced significant losses in the MN/MI program. For example, in CY 1996 through CY 1998, health plan losses for the state-only programs — MN/MI, Eligible Assistance Children (EAC), and Eligible Low Income Children (ELIC) — have ranged from \$20,000,000 to \$30,000,000 per year. The FY 2001 capitation rate increase for the MN/MI population more accurately reflects the actual cost of the program and will ensure the continued financial viability of health plans that serve the AHCCCS population.

Because capitation rates are set on a contract year (CY) basis, inflationary increases are applied to rates at the beginning of the contract year, or October 1, which is the beginning of the 2nd quarter of the fiscal year. The JLBC recommendation allows for medical inflation in Capitation of 5.4% in CY 2002 and an additional inflationary increase of 5.2% in CY 2003 for all populations. Medical inflation has begun to increase due to factors such as the aging of the population and the rising cost of pharmaceuticals. These factors have less of an impact on Fee-For-Service and Reinsurance, which often involve the provision of services in a hospital setting. Therefore, the JLBC recommendation provides for medical inflation of 3.4% in CY 2002 and an additional inflationary increase of 3% in CY 2003 in Fee-For-Service and Reinsurance. These inflationary amounts are based on the Hospital Prospective Reimbursement Basket estimates, which are developed by HCFA. In total, the inflationary adjustments for Capitation, Fee-For Service, and Reinsurance result in a FY 2002 increase of \$53,726,200 GF and \$126,003,400 TF above FY 2001. For FY 2003, the recommendation includes an increase of \$93,876,400 GF and \$219,631,700 TF above FY 2001 for medical inflation.

	<u>Capitation Rates</u>							
	FY 2001			FY 2002		FY 2003		
	Capitation Rates			Capitation Rates		Capitation Rates		
Federally-Eligible								
Rate Codes	<u>Approp.</u>	<u>Revised</u>	<u>% Change</u>	<u>Projected</u>	<u>% Change</u>	<u>Projected</u>	<u>% Change</u>	
TANF <1	341.81	328.95	-3.8%	344.33	4.7%	362.40	5.2%	
TANF 1-13	65.99	72.43	9.8%	77.26	6.7%	81.31	5.2%	
TANF 14-44 Female	182.19	116.82	-35.9%	122.59	4.9%	129.03	5.2%	
TANF 14-44 Male	88.65	94.94	7.1%	99.87	5.2%	105.11	5.2%	
TANF 45+	220.26	232.79	5.7%	247.04	6.1%	260.00	5.2%	
SSI w/Medicare	147.77	166.28	12.5%	178.49	7.3%	187.85	5.2%	
SSI w/o Medicare	332.90	336.88	1.2%	355.06	5.4%	373.69	5.2%	
Family Planning	21.99	21.47	-2.4%	22.62	5.4%	23.81	5.2%	
Deliveries	4,550.55	5,207.12	14.4%	5,439.44	4.5%	5,724.91	5.2%	
MN/MI	451.01	552.70	22.5%	599.88	8.5%	631.36	5.2%	
EAC/ELIC <1	341.81	329.50	-3.6%	344.33	4.5%	362.40	5.2%	
EAC/ELIC 1-13	65.99	72.49	9.8%	77.26	6.6%	81.31	5.2%	

Fraud Detection Savings GF (1,500,000) (1,500,000)
TF (1,500,000) (1,500,000)

The JLBC recommends a total biennial decrease of \$(3,000,000) GF in Capitation expenditures due to cost avoidance from increased fraud detection. This amount includes a decrease of \$(1,500,000) in both FY 2002 and FY 2003 from FY 2001. The JLBC recommendation includes a total biennial increase of \$408,100 GF in the Administration program to expand the Early Fraud Detection Unit to Pima County.

Eligibility for the AHCCCS programs for people who apply at a hospital is determined by county eligibility workers. Therefore, the primary population the county determines eligibility for is the 100% state-funded MN/MI population. The Early Fraud Detection Unit conducts home visits to verify the actual household income and living arrangements. From these visits additional information is obtained that can result in the applicant being deemed ineligible for AHCCCS. While operating in Maricopa County the unit's investigations resulted in cost avoidance of \$4,200,000 in FY 1999. With the addition of 4 more FTE Positions in FY 2000, the unit's investigations resulted in cost avoidance of \$7,300,000. Given these past results, the JLBC estimates that the new unit will achieve total cost avoidance over the FY 2002 – 2003 biennium of \$3,000,000 GF. The Executive does not address this issue.

Hospital Reimbursement GF (6,727,000) (7,130,300)
Pilot Program TF (13,342,200) (14,142,700)

The JLBC recommends reinstating the Hospital Pilot Reimbursement program, which was sunset on September 30, 2000. Reinstatement of this program would result in total biennial cost avoidance of \$(13,857,300) GF and \$(27,484,900) TF in the Capitation Special Line Item. This amount includes a FY 2002 reduction of \$(6,727,000) GF and \$(13,342,200) TF and a FY 2003 reduction of \$(7,130,300) GF and \$(14,142,700) TF.

The Hospital Pilot Reimbursement program began in FY 1998 and required contracts to be negotiated between health plans and hospitals in both Maricopa and Pima County to establish reimbursement levels based on market forces. The average rate negotiated between health plans and hospitals was 95% of the standard reimbursement level. In addition, hospitals that did not have a contract with a health plan were only reimbursed at 95% of the standard rate. Therefore, the elimination of this program resulted in a 5% increase in the reimbursement levels health plans pay to hospitals, because without the pilot program there is no incentive for hospitals to continue contracts where they received less than the standard rate. Reinstatement of the program will reestablish the incentive for health plans and hospitals to enter into contracts; resulting in the cost avoidance cited above. A statutory change is required to reinstate this program (*see JLBC Recommended Statutory Changes*). The Executive does not address this issue.

Medicare Premiums GF 1,279,400 2,398,100
TF (14,812,800) (11,225,000)

The JLBC recommends a total biennial increase of \$3,677,500 GF in the Medicare Premiums Special Line Item. This amount includes a FY 2002 increase of \$1,279,400 GF above FY 2001 and a FY 2003 increase of \$2,398,100 GF above FY 2001. While there is an increase in the General Fund requirement for this Special Line Item, there is a decrease in Total Funds, because the FY 2001 appropriation included more federal expenditure authority for Qualified Individuals than was required. Since, Qualified Individuals are a 100% federally funded population, there is not a corresponding General Fund reduction. Thus, the JLBC recommendation includes a total biennial decrease of \$(26,037,800) TF. This amount includes a FY 2002 decrease of \$(14,812,800) TF below FY 2001 and a FY 2003 decrease of \$(11,225,000) TF below FY 2001. The \$3,587,700 TF increase in FY 2003 above FY 2002 is due to anticipated program growth in that year.

The 3 Medicare cost sharing programs that are funded through the Medicare Premiums Special Line Item are: 1) Medicare Premiums; 2) Qualified Medical Beneficiaries; and, 3) Qualified Individuals. The Medicare Premiums program provides funding for the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and Medicare Part A (hospital insurance) coverage. This "buy-in" reduces state costs since the federal government, through Medicare, absorbs some costs that otherwise would have been paid by AHCCCS.

The second Medicare cost sharing program is the Qualified Medical Beneficiaries (QMB) program. Federal law requires states to pay Medicare Part A and Part B premiums, deductibles, and co-payments for eligible low-income Medicare recipients. The income threshold for participation in the QMB program is approximately \$6,100 annually for an individual.

The final Medicare cost sharing program is the Qualified Individual program. Federal law requires that states expand the Medicare Part B buy-in program for certain qualified individuals with incomes between 120% and 175% of the FPL (which based on the most recent FPL guidelines equates to annual income for an individual of approximately \$10,000 to \$14,600). Although this program is mandatory, it is 100% federally funded up to the amount of the federal allotment provided. States are responsible for 100% of costs above the federal allotment, but may cap enrollment. AHCCCS plans to cap enrollment so as to use only Federal Funds for this program. The Executive recommends a biennial increase of \$3,445,600 GF and a biennial decrease of \$(11,836,400).

Disproportionate Share Payments	GF	1,777,600	1,777,600
	TF	280,300	280,300

The JLBC recommends a total biennial increase of \$3,555,200 GF and \$560,600 TF in the Disproportionate Share Payments (DSH) Special Line Item. This amount includes an increase of \$1,777,600 GF and \$280,300 TF in both FY 2002 and FY 2003 above FY 2001. During the 2000 Legislative Session, the JLBC projected that the DSH Special Line Item would require a General Fund supplemental appropriation of \$280,300. This estimate has not changed. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

The FY 2001 shortfall is due to the Federal Medical Assistance Percentage (FMAP) decreasing from 65.92% in Federal Fiscal Year (FFY) 2000 to 65.77% in FFY 2001. This decrease in federal participation necessitates an increase in the state match. The FY 2002 and FY 2003 increase results from the FMAP decreasing further to 64.98% in FFY 2002, which again necessitates an increase in the state match. *(Please see the JLBC Recommended Statutory Changes for information on revision required for the FY 2001 supplemental.)* The Executive concurs regarding the FY 2001 supplemental. In FY 2002 and FY 2003, the Executive recommends a biennial decrease of \$(38,586,000) GF and \$(109,741,500) TF, which eliminates all DSH funding except the \$15,150,000 TF allocation received by private hospitals. The elimination of DSH is a component of the Executive's Proposition 204 recommendation. *(Please see Executive Recommendation section for further information.)*

Graduate Medical Education	GF	374,900	681,000
	TF	585,200	1,189,200

The JLBC recommends a total biennial increase of \$1,055,900 GF and \$1,774,400 TF in the Graduate Medical Education Special Line Item. This amount includes a FY 2002 increase of \$374,900 GF and \$585,200 TF above FY 2001 and a FY 2003 increase of \$681,000 GF and \$1,189,200 TF above FY 2001.

Laws 1997, Chapter 256 established a separate Graduate Medical Education program to reimburse hospitals that have a graduate medical education program. Prior to the establishment of a separate program, reimbursement for graduate education programs was included in capitation payments. Pursuant to Laws 1997, Chapter 256, the Graduate Medical Education allocation is to be adjusted annually by the increase or decrease in the Data Resources Incorporated hospital market index for prospective hospital reimbursement. The recommended increases for this line item are in accordance with the required adjustments of 3.5% in FY 2002 and 3.2% in FY 2003. The Executive recommends a biennial increase of \$991,600 GF and \$1,774,600 TF.

Third Party Collections	GF	590,500	687,300
	TF	-0-	-0-

The JLBC recommends a total biennial increase of \$1,277,800 GF to compensate for the decline in Third Party Collections revenue, which is used to offset the General Fund contribution in the Acute Care program. This amount includes a FY 2002 increase of \$590,500 GF above FY 2001 and a FY 2003 increase of \$687,300 GF above FY 2001. Third Party Collections have been decreasing since the October 1997 contract change that resulted in the majority of applicants being covered by capitation from the first day of the month of application. Prior to this contract change, applicants were covered by Fee-For-Service until enrollment in a health plan. This contract change has made it increasingly difficult to collect from Third Parties since a capitated payment is made in advance to the health plan. While AHCCCS cannot recover costs incurred by the health plans, they do require them to recover their direct costs, which is a factor considered when developing the capitation rates. To offset the decrease in Third Party Collections, the JLBC recommends the General Fund increases cited above. The Executive concurs.

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

The JLBC recommendation maintains the county contribution to the Acute Care program at the current level of \$66,689,500. The county contribution is set annually in a session law provision in the Omnibus Reconciliation Bill. The Executive concurs.

Continues Phase-Down of Quick Pay Discount	GF	2,191,500	3,423,300
	TF	5,828,800	8,020,300

The JLBC recommends a total biennial increase of \$5,614,800 GF and \$13,849,100 TF to continue the phase-down of the "Quick Pay Discount" for FY 2002 (4% state-only; 1% federal) and for FY 2003 (3% state; 1% federal). This amount includes a FY 2002 increase of \$2,191,500 GF and \$5,828,800 TF above FY 2001 and a FY 2003 increase of \$3,423,300 GF and \$8,020,300 TF above FY 2001.

The JLBC recommends freezing the FY 2002 and FY 2003 Tobacco Tax allocations for Quick Pay at the FY 2001 level of \$8,206,700 in each year due to declining balances in the Medically Needy Account. Prior to FY 2002, the state share of this cost was funded exclusively from the Tobacco Tax and Health Care Medically Needy Account. Combined with the General Fund increases cited above, the state share of the Quick Pay cost totals \$10,398,300 in FY 2002 and \$11,630,000 in FY 2003.

The quick pay discount is a reduction in the reimbursement for bills paid "quickly" by AHCCCS (within 30 days of receipt). The quick pay discount for state-only reimbursement is being lowered by 1% each year until reaching 1% in FY 2005. On March 1, 2002, the state-only rate will be lowered from 5% to 4%, and on March 1, 2003 from 4% to 3%. The rate was previously as high as

“If AHCCCS receives approval of a 100% federal reimbursement rate for Indian Health Services off-reservation contracted referrals, the resulting General Fund savings of up to \$22,500,000 in FY 2002 and \$45,097,900 in FY 2003 is reappropriated to the Arnold v. Sarn Special Line Item in the Department of Health Services for Seriously Mentally Ill services.”

* * *

JLBC RECOMMENDED FORMAT — Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Of the \$1,624,662,000 expenditure authority for Acute Care in FY 2002, \$575,032,200 is appropriated from the state General Fund. Of the \$1,752,633,100 expenditure authority for Acute Care in FY 2003, \$626,542,500 is appropriated from the state General Fund.

Of the appropriation for Disproportionate Share Payments for FY 2002 and FY 2003 made pursuant to A.R.S. § 36-2903.01R, the sum of \$_____ is for qualifying county operated hospitals, \$_____ is for deposit in the Arizona State Hospital Fund and \$_____ is for other qualifying disproportionate share hospitals.

The remaining \$2,015,300 is for in lieu payments to counties having a population of 500,000 persons or less according to the most recent United States decennial census in an amount that is the difference between the disproportionate share payments made pursuant to A.R.S. § 36-2903.01R, and \$201,700, if the disproportionate share payments are less than \$201,700. For each county that would receive less than \$100,900 from these in lieu payments, the Arizona Health Care Cost Containment System Administration shall make an additional in lieu payment that will provide the county with a total payment of \$100,900.

The FY 2002 and FY 2003 Disproportionate Share Payment of \$_____ is based on federal FY 2002 and FY 2003 authorized expenditure level of \$_____. If the final federal expenditure authorization is an amount different from the estimate, the Governor shall direct the Arizona Health Care Cost Containment System Administration, subject to the availability of monies and subject to the review of the Joint Legislative Budget Committee, to proportionately adjust authorization amounts among the identified recipients of disproportionate share hospital payment. Prior to the final payment, the Governor shall provide notification to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Staff Director of the Joint Legislative Budget Committee of the adjusted federal authorized expenditure level and the proposed distribution plan for these monies.

Modification of Prior Year Footnotes

Before making ~~capitation~~ FEE-FOR-SERVICE PROGRAM OR RATE changes to ~~current fee for service programs~~ that may have a budgetary impact OR AN IMPACT ON CAPITATION RATES in ~~FY 2000 or FY 2001~~ FY 2002 and FY 2003, the Arizona Health Care Cost Containment System Administration shall report its plan to the Joint Legislative Budget Committee for review.

New Footnotes

Prior to implementation of capitation rate changes that have a budgetary impact, the Arizona Health Care Cost Containment System Administration shall report its plan to the Joint Legislation Budget Committee for review. *The JLBC recommends the new footnote and the modified footnote above, in order to raise awareness of fee-for-service and capitation rate changes that have a budgetary impact. Currently these changes are made at the discretion of the AHCCCS Administration based on actuarial analysis.*

If AHCCCS receives approval of a 100% federal reimbursement rate for Indian Health Services off-reservation contracted referrals, the resulting General Fund savings of up to \$22,500,000 in FY 2002 and \$45,097,900 in FY 2003 is reappropriated to the Arnold v. Sarn Special Line Item in the Department of Health Services for Seriously Mentally Ill services. *(Please see HIS Contracted Referral policy issue for further information.)*

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends reinstating the Hospital Pilot Reimbursement program for FY 2002 and FY 2003. *(See policy issue description.)*

The JLBC recommends authorizing AHCCCS in FY 2002 and FY 2003 to use the Medically Needy Account of the Tobacco Tax and Health Care Fund to continue funding for the quick pay phase-down, the elimination of the \$10,000,000 reduction in state-only hospital bills, extended maternity length of stay coverage, and HIV/AIDS treatment.

The JLBC recommends setting the FY 2002 and FY 2003 county Acute Care contributions at \$66,689,500, the same level as FY 2001.

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

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

As discussed in the *Demographic and Inflationary Increases* policy issue, the FY 2001 Acute Care supplemental requirement is \$75,225,500 State Funds and \$161,354,500 TF above the originally appropriated amount. However, after the \$29,000,000 Tobacco Tax transfer and the ALTCSS savings of \$4,455,700 GF and \$8,789,100 TF are taken into account, the total remaining shortfall is \$41,769,800 State Funds and \$123,565,400 TF. (Please see the *Demographic and Inflationary Increases* policy issues for additional detail on the recommended FY 2001 supplemental).

Executive Recommendation

Proposition 204

The Executive recommends a total GF biennial decrease of \$(164,686,300) for savings related to Proposition 204. This includes a FY 2002 GF decrease of \$(82,933,900) and a FY 2003 GF decrease of \$(81,752,400). These AHCCCS savings are offset by GF costs in other areas of the budget. At the 2000 general election, voters approved Proposition 204, which expands eligibility for the AHCCCS program to 100% of the Federal Poverty Level (FPL) and allocates monies from the tobacco settlement for the cost of the expansion.

AHCCCS is in the process of applying for a waiver from HCFA to obtain federal matching funds for the AHCCCS expansion. The Executive budget assumes that a federal waiver is approved and has recommended a funding scheme for the program. The JLBC has not incorporated any Proposition 204 impacts in the budget recommendation because implementation of this program will involve very significant policy decisions and due to a lack of time to fully analyze the Executive’s proposal. As a result, we recommend that these policy decisions and any resulting budget impacts be addressed during the legislative session.

The following bullets summarize the Executive’s recommendations related to Proposition 204.

Disproportionate Share Hospitals - The Executive recommends relinquishing most of Arizona’s federal DSH payment in order to obtain federal approval of a waiver for the Proposition 204 program. Under the Executive’s recommendation, the private hospital allocation of \$5,300,000 GF and \$15,150,000 TF would be retained. The loss of most of the DSH payment results in a reduction in General Fund revenue, but in the AHCCCS budget it results in a savings of \$(40,200,000) in both FY 2002 and FY 2003 because the state match for the DSH program is no longer needed.

MN/MI Savings – The Executive recommendation assumes that the current 100% state-funded MN/MI population would become eligible for Federal matching funds under the Proposition 204 waiver. This results in an estimated GF savings of \$(169,102,000) in FY 2002 and \$(177,723,600) in FY 2003. The Executive recommends that \$45,000,000 annually of these savings be used to offset the General Fund revenue loss associated with giving up the federal DSH payment. The remaining savings of \$124,102,000 in FY 2002 and \$132,723,600 in FY 2003 are transferred to a new “Budget Neutrality Compliance Fund”.

State Match Costs – The Executive estimates that if a waiver is approved, the state match cost of the program will exceed the amount available from tobacco settlement funds in FY 2002 if no MN/MI savings are applied. In order to mitigate the impact to the General Fund, the Executive recommends using the savings from the MN/MI program to fund this additional cost. Thus, the Executive transfers the annual MN/MI savings to the Budget Neutrality Compliance Fund, which is used to pay the unfunded difference between the total state match cost and the amount available from the tobacco settlement. Under the Executive’s estimates, the MN/MI GF savings will be sufficient to cover the cost of the program until FY 2006.

Woodwork Effect – The Executive recommends a FY 2002 GF increase of \$2,279,700 and a FY 2003 increase of \$3,461,200 due to enrollment of some of the Proposition 204 applicants in the current AHCCCS program, known as the “woodwork effect”.

The following table shows the compilation of these numbers into the Executive recommendation. As mentioned above, there are increased General Fund costs in other areas of the budget that offset the savings shown in the AHCCCS budget, for a net cost to the state of approximately \$300,000 in FY 2002 and \$1,500,000 in FY 2003. These increased costs include \$71,200,000 in lost DSH revenue to the General Fund and \$12,000,000 in the Arizona State Hospital (ASH) budget to replace the DSH allocation received by ASH.

Executive Recommendation – Proposition 204		
(in millions)		
	<u>FY 2002</u>	<u>FY 2003</u>
DSH State Match	\$(40.2)	\$(40.2)
MNMI Savings	(169.1)	(177.7)
Woodwork	2.3	3.5
Budget Neutrality		
Fund Deposit	<u>124.1</u>	<u>132.7</u>
Net AHCCCS Savings	\$(82.9)	\$(81.7)
DSH Revenue	71.2	71.2
ASH DSH Replacement	<u>12.0</u>	<u>12.0</u>
Net GF Cost	0.3	1.5

[Click here to return to Table of Contents](#)

Arizona Health Care Cost Containment System

Long-Term Care

JLBC: Gretchen Logan
 OSPB: Aimee Basye

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	0.0
SPECIAL LINE ITEMS						
ALTCS Lump Sum Appropriation	498,816,600	568,039,100	639,028,300	611,924,400	727,115,800	669,808,200
Board of Nursing	209,700	209,700	209,700	209,700	209,700	209,700
PROGRAM TOTAL	499,026,300	568,248,800	639,238,000	612,134,100	727,325,500	670,017,900
FUND SOURCES						
General Fund	19,842,900	35,014,600	49,694,200	44,592,800	65,275,200	56,560,700
County Funds	154,588,000	157,415,200	170,254,200	165,156,800	186,661,600	174,562,800
Federal Title XIX Funds	324,595,400	375,819,000	419,289,600	402,384,500	475,388,700	438,894,400
SUBTOTAL - Other Appropriated Funds	479,183,400	533,234,200	589,543,800	567,541,300	662,050,300	613,457,200
SUBTOTAL - Appropriated Funds	499,026,300	568,248,800	639,238,000	612,134,100	727,325,500	670,017,900
Other Non-Appropriated Funds	0	762,500	1,162,600	1,162,600	1,248,900	1,248,900
TOTAL - ALL SOURCES	499,026,300	569,011,300	640,400,600	613,296,700	728,574,400	671,266,800

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	9,578,200	27.4%	21,546,100	61.5%	31,124,300
County Funds	7,741,600	4.9%	17,147,600	10.9%	24,889,200
Federal Title XIX Funds	26,565,500	7.1%	63,075,400	16.8%	89,640,900
Total Appropriated Funds	43,885,300	7.7%	101,769,100	17.9%	145,654,400

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of nursing facility residents that receive influenza immunization	91/78	95/80	82	85
• % of members whose bedsores (sacral/coccygeal pressure ulcers) improve	72/77	78/73	79	79
• % of members utilizing Home and Community Based Services (HCBS)	41/41	41/46	47	49
• % of ALTCS applications processed on time (within 45 days)	96/93	93/93	91	90
• % of financial redeterminations processed on time (within 12 months)	96/96	96/96	93	90

Comments:

- HCBS enrollment was capped in FY 1999 at 45% by the Health Care Financing Administration (HCFA). However, in FY 2000 (effective 10/1/99) the cap was removed.

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

RECOMMENDED CHANGES FROM FY 2001

FY 2002 FY 2003

ALTCS Growth GF 9,578,200 21,546,100
TF 43,885,300 101,769,100

The JLBC recommends a total biennial increase of \$31,124,300 GF and \$145,654,400 TF for the ALTCS program. This amount includes a FY 2002 increase of \$9,578,200 GF and \$43,885,300 TF above FY 2001 and a FY 2003 increase of \$21,546,100 GF and \$101,769,100 TF above FY 2001. This recommendation reflects the scheduled phase in of the ALTCS redistribution plan adopted in FY 1998. Until 1998, the counties were responsible for 100% of the non-federal share of ALTCS program costs. The counties requested state assistance because ALTCS costs were growing faster than county revenues. Pursuant to Laws 1997, Chapter 2, 2nd Special Session, from FY 1998 onward, the state and the counties share in the growth of the program.

During the 2000 Legislative Session, the JLBC projected that there was a FY 2001 surplus of \$(3,772,000) GF and \$(11,536,500) TF in the ALTCS program. The 2 factors that contribute to a revised FY 2001 surplus estimate are: 1) inclusion of the most recent net assessed value information, which is a factor in determining the state versus county share of the program; and, 2) lower than anticipated growth in FY 1999, which adjusts the base for the FY 2000 and FY 2001 biennium downward. The JLBC now estimates the FY 2001 ALTCS surplus to be \$(4,455,700) GF and \$(8,789,100) TF, which the JLBC recommends transferring to the Acute program to offset the FY 2001 Acute program shortfall. Due to the change in the mix of state versus county dollars, the counties' contribution for FY 2001 remains at the appropriated level.

Chapter 2 also addressed contribution inequities among counties. From 1989 through 1997, each county contributed to ALTCS according to statutory percentages based upon the county's long-term care expenditures in FY 1988. These percentages were outdated and resulted in some counties subsidizing other counties' ALTCS expenditures. Beginning in FY 1998, Chapter 2 requires that over a 4-year period, counties be phased in to contribute to ALTCS based upon their share of ALTCS expenditures rather than the previous statutory percentages.

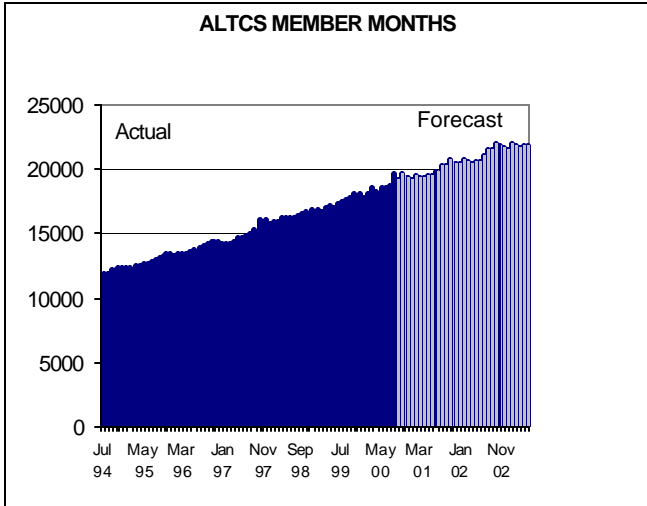
The redistribution plan also has several provisions to address specific counties' needs. First, it limits each county's ALTCS contribution to 90¢ per \$100 of net assessed property value. Second, it limits the contribution for counties with an On-Reservation population that represents at least 20% of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

The JLBC recommendation for the ALTCS program is based on 20,539 average annual member years and 6% population growth for FY 2002 and 21,772 average annual member years and 6% population growth for FY 2003. The recommendation also includes a 3.5% increase for medical inflation in each year for an average per member per month cost of \$2,388 in FY 2002 and an average per member per month cost of \$2,472 in FY 2003. These costs include the cost of Capitation, Fee-For-Service, Reinsurance, Medicare Premiums, and Nurse-Aid Training Costs. The chart below summarizes this information.

	FY 2002		FY 2003	
	Estimate	%	Estimate	%
Member Years	20,539	6.0%	21,772	6.0%
Average Cost per Member	\$2,388	3.5%	\$2,472	3.5%

Medical inflation, or cost per client, has fluctuated over the life of the program due to increased utilization of home and community based services (HCBS). Until FY 2000, HCFA capped HCBS placements at 45%. However, as of October 1, 1999 HCFA removed the cap and no longer limits HCBS placements. Actual statewide FY 2000 HCBS enrollment was 46%. The following graph displays the growth in ALTCS enrollment since 1994.

For FY 2002, the JLBC recommendation would require a total General Fund ALTCS contribution of \$44,592,800, which is an increase of \$9,578,200 above the original FY 2001 appropriation of \$35,014,600. The JLBC recommendation would require a county contribution of \$165,156,800 for long-term care, which is an increase of \$7,741,600 above the original FY 2001 contribution of \$157,415,200. For FY 2003, the JLBC recommendation would require a General Fund appropriation of \$56,560,700, which is an increase of \$21,546,100 above the FY 2001 level. The JLBC recommendation would



require a county contribution of \$174,562,800 for FY 2003, which is an increase of \$17,147,600 above the FY 2002 estimated contribution. The estimated contribution for each county and the percent increase from the prior year is show in the following table.

	<u>FY 2002</u>		<u>FY 2003</u>	
	<u>Estimate</u>	<u>%</u>	<u>Estimate</u>	<u>%</u>
Apache	\$ 394,599	6.5%	\$ 418,111	6.0%
Cochise	4,644,279	4.8%	4,769,861	2.7%
Coconino	1,183,799	6.5%	1,254,333	6.0%
Gila	2,737,891	3.3%	2,771,677	1.2%
Graham	845,933	7.0%	887,045	4.9%
Greenlee	201,606	-14.3%	214,196	6.2%
La Paz	583,722	7.8%	619,221	6.1%
Maricopa	98,999,324	3.6%	105,059,879	6.1%
Mohave	5478,237	17.1%	5,805,850	6.0%
Navajo	1632,209	6.5%	1,729,460	6.0%
Pima	30,580,459	5.6%	32,446,470	6.1%
Pinal	5,988,074	1.5%	5,988,074	0.0%
Santa Cruz	16,025,475	9.0%	1,698,196	6.0%
Yavapai	5,596,045	6.5%	5,929,477	6.0%
Yuma	<u>4,688,060</u>	<u>19.1%</u>	<u>4,970,897</u>	<u>6.0%</u>
Total	\$165,156,790	4.9%	\$174,562,752	5.7%

In accordance with Laws 1997, Chapter 2, 2nd Special Session, both the state and county ALTCS contribution shall be specified in the General Appropriation Act. The county amount will be collected through withholding of sales tax distributions by the formula set forth in A.R.S. § 11-292 as amended by Chapter 2.

It is important to note that the amounts appropriated in the AHCCCS budget for ALTCS does not include expenditures for the Developmental Disabilities (DD) program as the DD portion of the ALTCS program is administered by the Department of Economic Security. Since the inception of the program, the state General Fund has provided the entire state share of matching funds necessary for the ALTCS DD program. The Executive recommends a biennial increase of \$32,642,600 GF and

\$151,052,900 TF to address growth in the ALTCS program.

JLBC RECOMMENDED FORMAT — Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Any Federal Funds that the Arizona Health Care Cost Containment System Administration passes through to the Department of Economic Security for use in long-term administration care for the developmentally disabled shall not count against the Long-Term Care expenditure authority above.

Pursuant to A.R.S. § 11-292B, the FY 2000 nonfederal portion of the costs of providing Long-Term Care System services is \$209,749,600. The state contribution is \$44,592,800 and the county contribution is \$165,156,800. The FY 2001 nonfederal portion of the costs of providing long-term care services is \$231,123,500. The state contribution is \$56,560,700 and the county contribution is \$174,562,800.

New Footnotes

Before making Fee-for-Service program or rate changes that may have a budgetary impact or an impact on capitation payments in FY 2002 and FY 2003, the Arizona Health Care Cost Containment System Administration shall report its plan to the Joint Legislative Budget Committee for review.

Prior to implementation of capitation rate changes that have a budgetary impact, the Arizona Health Care Cost Containment System Administration shall report its plan to the Joint Legislation Budget Committee for review.

The JLBC recommends the 2 new footnotes above in order to raise awareness of fee-for-service and capitation rate changes that have a budgetary impact. Currently, these changes are made at the discretion of the AHCCCS Administration based on actuarial analysis.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

As discussed in the *ALTCS Growth* policy issue, the JLBC recommends transferring the FY 2001 ALTCS surplus of \$(4,455,700) GF and \$(8,789,100) TF to the Acute program. (For additional detail on the recommended transfer, please see the *Demographic and Inflationary Increases* policy issue in the Acute Care program.)

Executive Recommendation

Increased ALTCS Reimbursement

The Executive recommends a biennial increase of \$12,224,600 GF to fund increased reimbursement rates for nursing facilities and HCBS. The JLBC has not recommended this increase, and instead, recommends delaying consideration of this increase until the actuarial analysis of the ALTCS reimbursement rates are completed. This rate increase would also increase the required county contribution and federal contribution to the ALTCS program.

[Click here to return to Table of Contents](#)

State Board of Directors for Community Colleges

Donald E. Puyear, Ph.D., Executive Director

JLBC: Bruce Groll

House Subcommittee: Gray

OSPB: Jeff Young

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
State Board Support	728,800	748,000	786,600	793,000	786,800	790,000
Arizona Transfer Articulation Support						
System SLI	221,900	225,700	225,700	225,700	225,700	225,700
Arizona Learning Systems SLI	2,427,600	0	0	0	0	0
<i>Program Subtotal - State Board Support</i>	3,378,300	973,700	1,012,300	1,018,700	1,012,500	1,015,700
Teacher Certification	148,100	150,400	163,000	165,500	163,100	163,800
Operating State Aid						
Districts SLI	104,642,300	107,939,200	110,024,300	111,593,500	113,389,300	115,581,300
Capital Outlay State Aid						
Districts SLI	14,659,000	15,569,500	15,889,300	16,120,600	16,414,500	16,706,900
Equalization State Aid						
Districts SLI	9,993,000	10,748,700	11,135,700	11,135,700	12,085,700	11,821,600
Workforce Development	0	0	11,672,600	12,479,300	12,593,500	13,641,000
Tribal Assistance	0	0	500,000	370,000	500,000	383,600
AGENCY TOTAL	132,820,700	135,381,500	150,397,200	152,883,300	156,158,600	159,313,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0	13.0	13.0	13.0
Personal Services	617,400	615,000	624,100	624,100	624,100	624,100
Employee Related Expenditures	102,800	111,900	109,100	103,100	109,600	103,500
All Other Operating Expenditures:						
Professional and Outside Services	23,400	12,800	12,800	12,800	12,800	12,800
Travel - In State	28,400	32,100	32,100	32,100	32,100	32,100
Travel - Out of State	3,800	3,200	3,200	3,200	3,200	3,200
Other Operating Expenditures	86,900	119,100	164,000	167,400	163,800	167,300
Equipment	14,200	4,300	4,300	15,800	4,300	10,800
OPERATING SUBTOTAL	876,900	898,400	949,600	958,500	949,900	953,800
Special Line Items	131,943,800	134,483,100	149,447,600	151,924,800	155,208,700	158,360,100
AGENCY TOTAL	132,820,700	135,381,500	150,397,200	152,883,300	156,158,600	159,313,900

FUND SOURCES

General Fund	132,672,600	135,231,100	138,061,600	139,868,500	142,902,000	145,125,500
General Fund - Dedicated	0	0	12,172,600	12,849,300	13,093,500	14,024,600
Community College Certification Fund	148,100	150,400	163,000	165,500	163,100	163,800
SUBTOTAL - Other Appropriated Funds	148,100	150,400	163,000	165,500	163,100	163,800
SUBTOTAL - Appropriated Funds	132,820,700	135,381,500	150,397,200	152,883,300	156,158,600	159,313,900
Federal Funds	2,872,600	3,542,000	3,303,000	3,303,000	3,303,000	3,303,000
TOTAL - ALL SOURCES	135,693,300	138,923,500	153,700,200	156,186,300	159,461,600	162,616,900

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	4,637,400	3.4%	9,894,400	7.3%	14,531,800
General Fund - Dedicated	12,849,300	NA	14,024,600	NA	26,873,900
Other Appropriated Funds	15,100	10.0%	13,400	8.9%	28,500
Total Appropriated Funds	17,501,800	12.9%	23,932,400	17.7%	41,434,200

AGENCY DESCRIPTION — *The Arizona community college system is comprised of a state board of directors and 10 college districts. The board consists of 17 members — one from each county appointed by the Governor, a representative of the Arizona Board of Regents (ABOR), and the Superintendent of Public Instruction or the Superintendent's designee. The State Board of Directors for Community Colleges (State Board): a) enacts ordinances for the governance of the community colleges; b) sets standards for their operation; c) arranges for certification of community college teachers, and fixes and collects fees for issuance and renewal of certificates; and d) fixes student tuition and fees. Arizona's community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associates degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of upper-division students at universities who transfer from an Arizona Community College ≥ 12 credits	NA/34	NA/35	36	40
• % of students who transfer to Arizona public universities without loss of credits	NA/50	NA/65	75	85/95
• No. of applied Baccalaureate programs collaboratively developed with universities	NA/5	NA/6	8	10/12
• % of community college campuses that offer 2-way interactive TV courses	NA/30	NA/42	65	85/100
• % of students completing vocational education programs who enter jobs related to training	85/85	85/85	85	88/90
• Administration as a % of total cost	NA/0.7	0.7/0.7	0.7	0.7/0.7

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$ 8,900	\$ 8,900
	OF	1,200	1,200
ERE Rates	GF	(8,500)	(8,100)
	OF	(1,300)	(1,300)
Risk Management	GF	500	400
	OF	300	300

Operating State Aid **GF 3,654,300** **7,642,100**
 The JLBC recommends a total biennial General Fund increase of \$11,296,400 to fully fund the statutory formula for Operating State Aid per A.R.S. § 15-1466. This amount includes a FY 2002 increase of \$3,654,300 or 3.4% above FY 2001 and a FY 2003 increase of \$7,642,100 above FY 2001.

Table 1

FULL-TIME STUDENT EQUIVALENT COUNT (FTSE)

Districts	<u>FY 1999 Actual</u>	<u>FY 2000 Actual</u>	<u>FY 2001 Est.</u>	<u>Change: FY 1999-FY 2000</u>		<u>Change: FY 2000-FY 2001</u>	
	Combined FTSE*	Combined FTSE*	Combined FTSE *	Combined FTSE *	%	Combined FTSE *	%
Cochise	3,572	3,540	3,656	(32)	-0.90%	116	3.28%
Coconino	1,492	1,604	1,651	112	7.51%	47	2.93%
Graham	2,889	3,042	3,194	153	5.30%	152	5.00%
Maricopa	51,871	53,633	55,886	1,762	3.40%	2,253	4.20%
Mohave	2,297	2,378	2,453	81	3.53%	75	3.15%
Navajo	1,998	2,092	2,078	94	4.70%	(14)	-0.67%
Pima	17,404	17,818	18,410	414	2.38%	592	3.32%
Pinal	3,155	3,252	3,292	97	3.07%	40	1.23%
Yavapai	2,800	2,885	2,971	85	3.04%	86	2.98%
Yuma/LaPaz	<u>3,156</u>	<u>3,533</u>	<u>3,655</u>	<u>377</u>	<u>11.95%</u>	<u>122</u>	<u>3.45%</u>
Net Total	90,634	93,777	97,246	3,143	3.47%	3,469	3.70%
Growth Only Total	--	--	--	3,175	--	3,483	--

* Combined FTSE includes basic actual (operational), additional short-term, operating/open exit, adult basic education and skill

Table 2

OPERATING AID RECOMMENDATION

	FY 2001	FY 2002	FY 2003	FY 2001-2002	FY 2002-2003	FY 2001-2003
<u>Districts</u>	<u>Operating State Aid</u>	<u>JLBC Rec.</u>	<u>JLBC Rec.</u>	<u>\$ Change</u>	<u>\$ Change</u>	<u>\$ Change</u>
Cochise	\$6,321,400	\$6,321,400	\$6,454,200	\$0	\$132,800	\$132,800
Coconino	3,130,800	3,259,700	3,313,500	128,900	53,800	182,700
Graham	5,645,600	5,821,700	5,995,700	176,100	174,000	350,100
Maricopa	47,945,800	49,973,900	52,553,400	2,028,100	2,579,500	4,607,600
Mohave	4,048,800	4,142,000	4,227,900	93,200	85,900	179,100
Navajo	4,326,300	4,434,500	4,434,500	108,200	0	108,200
Pima	19,963,100	20,439,600	21,117,400	476,500	677,800	1,154,300
Pinal	6,165,100	6,276,700	6,322,500	111,600	45,800	157,400
Yavapai	5,079,600	5,177,400	5,275,900	97,800	98,500	196,300
Yuma/La Paz	<u>5,312,700</u>	<u>5,746,600</u>	<u>5,886,300</u>	<u>433,900</u>	<u>139,700</u>	<u>573,600</u>
Total	\$107,939,200	\$111,593,500	\$115,581,300	\$3,652,300	\$3,987,800	\$7,642,100

The Executive concurs with the FY 2002 JLBC recommended amount but recommends a FY 2003 increase of \$6,977,800 above FY 2001. The \$(664,300) FY 2003 difference is due to different assumptions about full-time student equivalent (FTSE) enrollment change. JLBC uses a 5-year average percent change of actual audited FTSE for each district, whereas, the Executive uses estimates provided by the State Board.

The statutory Operating State Aid formula adds to each district's current year Operating State Aid appropriation for enrollment growth only. (See Table 1.) Districts with declining enrollment are "held harmless" and funded at the current year's appropriated base amount. The Operating State Aid allocations are listed in Table 2.

The Operating State Aid formula works as follows:

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

For FY 2002, the funding formula increase is based on statewide audited enrollment "growth only" at community colleges of 3,175 FTSE and an average dollar amount per FTSE or growth factor of \$1,151. This estimate is based upon growth between FY 1999 and FY 2000. The "growth only" formula funding increase reflects FTSE increases and corresponding additional aid to 9 of the 10 districts.

The FY 2003 funding formula increase is based on JLBC district enrollment "growth only" estimates of 3,483 FTSE above FY 2002 and an average dollar amount per FTSE or growth factor of \$1,145. The FY 2003 formula would

normally be determined by the audited growth in FTSE between FY 2000 and FY 2001. Since we do not have FY 2001 audited FTSE at this time, we have provided an estimate of FY 2001 FTSE. Our estimate presumes continued statewide enrollment growth averaging 3.7%, particularly at the larger urban districts of Maricopa and Pima Counties. The average growth is based on the 5-year average percent change of actual audited FTSE by district for FY 1995 to FY 2000.

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

Capital Outlay State Aid GF 551,100 1,137,400

The JLBC recommends a total biennial General Fund increase of \$1,688,500 to fully fund the statutory formula for Capital Outlay State Aid per A.R.S. § 15-1464. This amount includes a FY 2002 increase of \$551,100 or 3.5% above FY 2001 and a FY 2003 increase of \$1,137,400 above FY 2001. The Capital Outlay State Aid allocations are listed in Table 3.

The Executive concurs with the FY 2002 JLBC recommended amount but recommends a FY 2003 increase of \$1,071,600 above FY 2001. The \$(65,800) FY 2003 difference is due to different assumptions about FTSE enrollment change. JLBC uses a 5-year average percent change of actual audited FTSE for each district, whereas, the Executive uses estimates provided by the State Board.

The statutory Capital Outlay State Aid formula adds to or subtracts from each district's current year capital outlay appropriation based on each district's most recent audited total FTSE.

The recommended amounts are derived by funding the statutory rates of \$210/FTSE for districts with 5,000 or less FTSE, and \$160/FTSE for districts with greater than

Table 3**CAPITAL OUTLAY AID RECOMMENDATION**

	FY 2001	FY 2002	FY 2003	FY 2001-2002	FY 2002-2003	FY 2001-2003
<u>Districts</u>	<u>Capital Outlay Aid</u>	<u>JLBC Rec.</u>	<u>JLBC Rec.</u>	<u>\$ Change</u>	<u>\$ Change</u>	<u>\$ Change</u>
Cochise	\$750,100	\$743,400	\$767,800	\$(6,700)	\$24,400	\$17,700
Coconino	313,300	336,800	346,700	23,500	9,900	33,400
Graham	606,700	638,800	670,700	32,100	31,900	64,000
Maricopa	8,299,400	8,581,300	8,941,800	281,900	360,500	642,400
Mohave	482,400	499,400	515,100	17,000	15,700	32,700
Navajo	419,600	439,300	436,400	19,700	(2,900)	16,800
Pima	2,784,600	2,850,900	2,945,600	66,300	94,700	161,000
Pinal	662,600	682,900	691,300	20,300	8,400	28,700
Yavapai	588,000	605,900	623,900	17,900	18,000	35,900
Yuma/La Paz	<u>662,800</u>	<u>741,900</u>	<u>767,600</u>	<u>79,100</u>	<u>25,700</u>	<u>104,800</u>
Total	\$15,569,500	\$16,120,600	\$16,706,900	\$551,100	\$586,300	\$1,137,400

5,000 FTSE and multiplying these rates by the total number of audited FTSE for each district. Again, the FY 2003 funding formula increase is based on JLBC Staff district enrollment estimates using the 5-year average percent change of actual audited FTSE by district for FY 1995 to FY 2000.

Equalization Aid GF 387,000 1,072,900

The JLBC recommends a total biennial General Fund increase of \$1,459,900 to fully fund the statutory formula for Equalization Aid per A.R.S. § 15-1468. This amount includes a FY 2002 increase of \$387,000 or 3.6% above FY 2001 and a FY 2003 increase of \$1,072,900 above FY 2001.

The Executive concurs with the FY 2002 JLBC recommended amount but recommends a FY 2003 increase of \$1,337,000 above FY 2001. The FY 2003 difference is due to different assumptions about changes in district primary assessed valuations (AV). JLBC uses county AVs based on the most recent statewide data from the Arizona Tax Research Association (ATRA) and the JLBC Staff economic forecast, whereas, the Executive uses the amounts requested by the State Board.

Four districts are eligible to receive Equalization Aid in FY 2002 and FY 2003: Cochise, Graham, Navajo, and Pinal County Community College Districts (See Table 4).

Under current law, there is a minimum AV required to establish a community college district. This amount annually increases by an "equalization growth factor" defined as the average percentage increase in total assessed valuation for all rural districts for the 2 most recent years for which actual data is available. For FY 2001, the minimum primary assessed valuation was \$610,296,000. This amount is adjusted by 5.96% (the average percent change in primary assessed valuation for tax years 1999 and 2000, as shown in the Table 5) to obtain the new FY 2002 minimum primary assessed valuation base amount of \$646,669,600.

The new minimum is then compared to each rural district's Tax Year 2000 Primary Assessed Value to determine Equalization Aid eligibility for FY 2002 budgeting purposes. Equalization Aid is provided to districts with assessed valuations less than the statutory minimum, based on the difference between the district's prior year actual assessed valuation and the minimum assessed valuation at the lesser of \$1.37/\$100 AV or the district's levy.

To estimate the Equalization Aid funding requirements for FY 2003, the JLBC used trend analysis to develop districts' estimated primary assessed valuations for tax year 2001. These are the same values used to estimate K-12 formula funding for FY 2003. The resulting average percent change in primary assessed valuation is 4.41% for

Table 4**EQUALIZATION AID RECOMMENDATION**

	FY 2001	FY 2002	FY 2003	FY 2001-2002	FY 2001-2002	FY 2002-2003	FY 2002-2003	FY 2001-2003	FY 2001-2003
<u>Districts</u>	<u>Equal. Aid</u>	<u>JLBC Rec.</u>	<u>JLBC Rec.</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>
Cochise	2,092,200	2,113,500	2,180,400	1.0%	\$21,300	3.2%	\$66,900	4.2%	\$88,200
Graham	7,275,100	7,655,900	7,962,400	5.2%	380,800	4.0%	306,500	9.4%	687,300
Navajo	1,263,600	1,270,300	1,351,400	0.5%	6,700	6.4%	81,100	6.9%	87,800
Pinal	0	96,000	327,400	--	96,000	241.0%	231,400	--	327,400
Yuma/LaPaz	<u>117,800</u>	<u>0</u>	<u>0</u>	<u>(100.0)%</u>	<u>(117,800)</u>	<u>0.0%</u>	<u>0</u>	<u>(100.0)%</u>	<u>(117,800)</u>
Total	\$10,748,700	\$11,135,700	\$11,821,600	3.6%	\$387,000	6.2%	\$685,900	10.0%	\$1,072,900

Table 5

EQUALIZATION GROWTH FACTOR
Estimated for FY 2003

	Tax Year 1999	Tax Year 2000	Tax Year 2001	TY 1999-2000	TY 2000-2001
<u>Districts</u>	<u>Primary AV</u>	<u>Primary AV</u>	<u>Primary AV Est.</u>	<u>% Growth</u>	<u>% Growth</u>
Cochise	\$457,578,184	\$492,396,096	\$516,031,109	7.61%	4.80%
Coconino	909,412,099	971,779,413	1,021,223,779	6.86%	5.09%
Graham	79,270,429	87,843,540	93,992,588	10.82%	7.00%
Mohave	910,375,501	935,484,196	949,693,066	2.76%	1.52%
Navajo	504,649,826	534,952,560	556,343,822	6.00%	4.00%
Pinal	621,699,813	639,663,229	651,288,579	2.89%	1.82%
Yavapai	1,097,131,069	1,181,301,079	1,258,302,192	7.67%	6.52%
Yuma/La Paz	<u>601,697,778</u>	<u>647,141,667</u>	<u>685,640,469</u>	<u>7.55%</u>	<u>5.95%</u>
Total	\$5,181,814,699	\$5,490,561,780	\$5,732,515,604	5.96%	4.41%
Minimum Assessed Value Requirement:					
	\$610,296,000	\$646,669,600	\$675,187,800		

Table 6

TOTAL FY 2002 and FY 2003 JLBC DISTRICT RECOMMENDATIONS

<u>Districts</u>	<u>FY 2001 Total</u>	<u>FY 2002 Total</u>	<u>FY 2003 Total</u>	<u>FY 2001- 2002 % Change</u>	<u>FY 2001- 2002 \$ Change</u>	<u>FY 2002- 2003 % Change</u>	<u>FY 2002- 2003 \$ Change</u>	<u>FY 2001- 2003 % Change</u>	<u>FY 2001- 2003 \$ Change</u>
Cochise	\$9,163,700	\$9,178,300	\$9,402,400	0.2%	\$14,600	2.4%	\$224,100	2.6%	\$238,700
Coconino	3,444,100	3,596,500	3,660,200	4.4%	152,400	1.8%	63,700	6.3%	216,100
Graham	13,527,400	14,116,400	14,628,800	4.4%	589,000	3.6%	512,400	8.1%	1,101,400
Maricopa	56,245,200	58,555,200	61,495,200	4.1%	2,310,000	5.0%	2,940,000	9.3%	5,250,000
Mohave	4,531,200	4,641,400	4,743,000	2.4%	110,200	2.2%	101,600	4.7%	211,800
Navajo	6,009,500	6,144,100	6,222,300	2.2%	134,600	1.3%	78,200	3.5%	212,800
Pima	22,747,700	23,290,500	24,063,000	2.4%	542,800	3.3%	772,500	5.8%	1,315,300
Pinal	6,827,700	7,055,600	7,341,200	3.3%	227,900	4.0%	285,600	7.5%	513,500
Yavapai	5,667,600	5,783,300	5,899,800	2.0%	115,700	2.0%	116,500	4.1%	232,200
Yuma/La Paz	<u>6,093,300</u>	<u>6,488,500</u>	<u>6,653,900</u>	<u>6.5%</u>	<u>395,200</u>	<u>2.5%</u>	<u>165,400</u>	<u>9.2%</u>	<u>560,600</u>
Total	\$134,257,400	\$138,849,800	\$144,109,800	3.4%	\$4,592,400	3.8%	\$5,260,000	7.3%	\$9,852,400

tax years 2000 and 2001, as shown in *Table 5*. Applying this growth factor to the FY 2002 minimum assessed values yields an estimated FY 2003 minimum primary assessed valuation base amount of \$675,187,800.

As these amounts are estimates only, we note that Yuma/La Paz is very close to qualifying for Equalization Aid in FY 2003. Whether the district ultimately qualifies will depend on their actual FY 2001 net assessed value growth relative to all other rural districts. The State Board may require supplemental funding if the actual values are different from our assumptions.

Table 6 shows the total FY 2002 and FY 2003 JLBC recommendations by district for Operating State Aid, Capital Outlay Aid, and Equalization Aid.

“Education 2000”

Workforce Development

Dedicated GF 12,479,300 13,641,000

The JLBC recommends a total biennial General Fund increase of \$26,120,300 for community college district Workforce Development accounts. This amount includes a FY 2002 increase of \$12,479,300 above FY 2001 and a FY 2003 increase of \$13,641,000 above FY 2001. Since district Workforce Development accounts did not exist in FY 2001, the recommended increases for FY 2002 and FY 2003 also equal total recommended funding for those years. The Executive recommends a total biennial General Fund increase of \$24,266,100.

Individual community college district Workforce Development accounts were established by “Education 2000” (Proposition 301), which voters enacted into law during the November 2000 General Election. The recommended amounts are JLBC estimates of monies that will be deposited into the accounts each year under

Education 2000. Education 2000 increased the state Transaction Privilege Tax (TPT) (“sales tax”) rate from 5% to 5.6% and dedicated the new revenues from that rate increase to various programs in public education. The community college district Workforce Development accounts receive 3% of collections from the new sales tax revenues, as shown in *Table 7*.

The sales tax monies will be deposited into the General Fund, but Proposition 301 dedicates the funds for specific purposes and they are not subject to legislative appropriation. As a result, the 0.6% sales tax proceeds will not be included in the General Appropriation Act.

Table 7 shows that the JLBC currently estimates that the additional 0.6% sales tax will generate \$485,976,500 in new revenue in FY 2002 and \$524,698,600 in new revenue in FY 2003. These estimates are only projections and funding will depend on the level of sales tax collections and trust fund earnings.

	FY 2002	FY 2003
Revenues		
Estimated 0.6% Sales Tax Revenue	\$485,976,500	\$524,698,600
Expenditures		
Students FIRST Debt Service	\$70,000,000	\$70,000,000
Universities	49,917,200	54,563,800
Community Colleges	12,479,300	13,641,000
Tribal Assistance	370,000	383,600
Additional School Days	15,305,900	31,530,100
School Safety	7,800,000	7,800,000
Character Education	200,000	200,000
School Accountability	5,849,000	4,586,800
Failing Schools Tutoring Fund	1,500,000	1,500,000
Income Tax Credit for Sales Tax Paid	25,000,000	25,000,000
Available for Site Fund: Sales Tax	297,555,100	315,493,300
Available for Site Fund: Land Trust	<u>2,204,400</u>	<u>6,017,700</u>
Total Available for Site Fund	\$299,759,500	\$321,511,000

Under Education 2000, monies will be transferred monthly into each district’s Workforce Development account. These monies are to be distributed as follows:

- \$1,000,000 each fiscal year for 13 consecutive fiscal years beginning in FY 2002 for matching capital requirements pursuant to A.R.S. § 15-1463 to a district in the order that the campus qualified.
- Thereafter, each district will receive \$200,000 plus a prorated share of the remaining monies based on their percentage of the most recent total statewide audited FTSE.

Detailed estimated distributions of these monies to community college districts for FY 2002 and FY 2003 are shown in *Table 8*.

The legislation charges each community college district board with the responsibility for approving expenditures

for workforce development and job training purposes. These expenditures may include:

- Partnerships with businesses and educational institutions.
- Additional faculty for improved and expanded classroom instruction and course offerings.
- Technology, equipment and technology infrastructure for advanced teaching and learning in classrooms or laboratories.
- Student services such as assessment, advisement and counseling for new and expanded job opportunities.
- The purchase, lease or lease-purchase of real property, for new construction, remodeling or repair of buildings or facilities on real property.

Community college district accountability for these monies includes annual reports on workforce development plans outlining purpose and goals, activities and expenditures authorized, actual expenditures, and general accounting of expenditures to the State Board, Governor, President of the Senate, Speaker of the House of Representatives, and the Department of Commerce. Additionally, the legislation stipulates that these monies cannot be used to supplant or reduce state aid or bond proceeds, nor are they subject to the districts’ constitutional expenditure limitation.

District	Estimated Sales Tax Revenues^{1/}	
	FY 2002	FY 2003
Cochise	\$ 557,800	\$ 600,100
Coconino	362,200	380,700
Graham	507,500	549,500
Maricopa	5,621,400	6,315,200
Mohave	440,400	468,400
Navajo ^{2/3/}	1,411,500	1,427,400
Pima	2,001,100	2,214,500
Pinal	528,700	560,200
Yavapai	491,600	525,100
Yuma/LaPaz	557,100	599,900
District Totals	\$ 12,479,300	\$ 13,641,000
Capital Matching Requirement	\$ 1,000,000	\$ 1,000,000
Fixed District Distribution	2,000,000	2,000,000
Prorata FTSE Distribution	<u>9,479,300</u>	<u>10,641,000</u>
Total Sales Tax Revenues	\$ 12,479,300	\$ 13,641,000

^{1/} Estimated sales tax revenues include \$200,000 to each district plus a prorata share of the remaining revenues based on actual audited FTSE for FY 2002 and estimated FTSE for FY 2003.

^{2/} The FY 2002 amount to Navajo Community College District includes \$1,000,000 in state Capital Matching monies for the Snowflake campus pursuant to A.R.S. § 15-1463 .

^{3/} The FY 2003 amount to Navajo Community College District includes \$1,000,000 in state Capital Matching monies for the Winslow campus pursuant to A.R.S. § 15-1463 .

“Education 2000”

Tribal Assistance

Dedicated GF 370,000 383,600

The JLBC recommends a total biennial General Fund increase of \$753,600 for qualifying Indian colleges. This amount includes a FY 2002 increase of \$370,000 above

FY2001 and a FY2003 increase of \$383,600 above FY2001. Each qualifying tribal college shall receive distributions as if it were a community college district under the jurisdiction of the State Board of Directors for Community Colleges. In other words, each qualifying tribal college will receive \$200,000 plus a prorated share based on their percentage of the most recent total statewide audited FTSE. Since Tribal Assistance to Indian colleges did not exist in FY 2001, the recommended increases for FY2002 and FY2003 also equal total recommended funding for those years. Currently, Dine College is the only tribal college expected to be eligible to receive Education 2000 funds. The Executive recommends a total biennial General Fund increase of \$1,000,000.

Tribal Assistance to qualifying tribal community colleges was established by "Education 2000" (Proposition 301), which voters enacted into law during the November 2000 General Election. The recommended amounts are JLBC estimates of monies that will be deposited into the accounts each year under Education 2000. Education 2000 increased the state Transaction Privilege Tax (TPT) ("sales tax") rate from 5% to 5.6% and dedicated the new revenues from that rate increase to various programs in public education. The estimated distribution amounts of collections from the new sales tax revenues for Tribal Assistance are shown in *Table 7*.

The sales tax monies will be deposited into the General Fund, but Proposition 301 dedicates the funds for specific purposes and they are not subject to legislative appropriation. As a result, the 0.6% sales tax proceeds will not be included in the General Appropriation Act.

Lease Increase	GF	36,500	36,500
	OF	11,000	11,000

The JLBC recommends a total biennial increase of \$73,000 from the General Fund and \$22,000 from the Community College Certification Fund for increased annual lease expenses for office space. The total annual lease increase is \$58,400. Of this amount, \$36,500 will come from the General Fund and \$11,000 will come from the Community College Certification Fund. The JLBC further recommends that the non-appropriated Federal Vocational Education program pay \$10,900, its share of the annual pro-rated cost based on office FTE Position distribution. (See *Table 9*.)

The State Board's old lease of \$55,500 for 4,706 square feet (sq. ft.) at \$11.79/sq. ft. expired June 30, 2000. The State Board was able to negotiate another lease for the same space at the same location for \$93,900, or \$19.96/sq. ft. ? an annual increase of \$38,400. As an alternative, the State Board elected to negotiate a new lease at a nearby office building at 2020 N. Central that houses the Arizona Board of Regents and the Commission for Postsecondary Education, in an effort to facilitate better inter-agency cooperation and collaboration. The new 5-year lease cost is \$113,900 annually for 4,848 sq. ft. or \$23.50/ sq. ft., an annual increase of \$58,400 above the old

lease amount and an additional \$20,000 above the negotiated lease amount had they remained at the old location. The move and new lease took effect November 1, 2000. (This issue is also discussed in *Other Issues for Legislative Consideration, "FY 2001 Supplemental."*)

<u>Fund Source</u>	<u>Old Lease @ \$11.79/sq. ft.</u>	<u>New Lease @ \$23.50/sq. ft.</u>	<u>Annual Increase</u>
General Fund (10 FTE @62.5%)	\$34,700	\$71,200	\$36,500
Certification Fund (3 FTE @18.75%)	\$10,400	\$21,400	\$11,000
Federal Funds (3 FTE @18.75%)	<u>\$10,400</u>	<u>\$21,300</u>	<u>\$10,900</u>
Total Funds (16 FTE @100%)	<u>\$55,500</u>	<u>\$113,900</u>	<u>\$58,400</u>

The Executive recommends a total biennial increase of \$70,800 from the General Fund and \$23,600 from the Community College Certification Fund.

Equipment	GF	7,600	4,300
	OF	3,900	2,200

The JLBC recommends a total biennial increase of \$11,900 from the General Fund and \$6,100 from the Community College Certification Fund for one-time equipment replacement. These amounts include FY 2002 increases of \$7,600 and \$3,900 from the General Fund and Community College Certification Fund, respectively, above FY 2001; and FY 2003 increases of \$4,300 and \$2,200 from the General Fund and Community College Certification Fund, respectively, above FY 2001. The JLBC recommended one-time increases include: \$5,500 to replace an internet server and upgrade software; \$6,500 to replace a local area network server and upgrade software; and \$6,000 to replace 3 obsolete laser printers. The Executive does not recommend these increases.

JLBC RECOMMENDED FORMAT — Operating Lump Sum with District-by-District Special Line Items and Other Special Line Items

JLBC RECOMMENDED FOOTNOTES

Continuation of New FY 2001 Footnotes
The \$165,500 appropriation for FY 2002 and the \$163,800 appropriation for FY 2003 from the Community Colleges Teacher Certification Fund are intended for the specific purpose of defraying teacher certification costs and includes \$155,500 and \$153,800, respectively, for total direct certification costs of staff salaries, Employee Related Expenditures and all other direct operating expenses, and \$10,000 for related indirect costs for administrative expenses incurred by the board.

It is the intent of the Legislature that the Community Colleges and Universities cooperate in operating a Statewide Articulation and Transfer System, including the process for transfer of lower division general education credits, general elective credits, and curriculum requirements for majors, to ensure that community college students may transfer to Arizona public universities without loss of credit toward a baccalaureate degree. It is also the intent of the Legislature that the Higher Education Study Committee continue the collaborative process that assures that the postsecondary education needs of students statewide are met without unnecessary duplication of programs. The committee shall focus its efforts on potential students who reside in rural areas or who cannot meet the regular class schedule due to their employment and family matters. The Arizona Board of Regents and the State Board of Directors for Community Colleges shall submit an annual report of their progress on both articulation and meeting statewide postsecondary education needs to the Joint Legislative Budget Committee by December 15, 2001 and December 15, 2002.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The Executive recommends a FY 2001 supplemental adjustment of \$35,400 from the General Fund and \$34,800 from the Community College Certification Fund for increased annual lease expense for office space. (See *Lease Increase for more information.*) The total annual lease increase at the State Board’s new office location at 2020 N. Central is \$58,400 above their old lease amount at 3225 N. Central (see *Table 10*).

The Executive’s recommendation includes \$23,000 for one-time moving expenses from the Community College Certification Fund. This use of Community College Certification Fund monies for moving expenses is not consistent with the statutory use pursuant to A.R.S. § 15-1425 to certify instructors of classes at community colleges. The lease costs should be pro-rated among the board’s fund sources based on office FTE Position distribution as shown in *Table 10*.

The State Board elected to negotiate a new lease at a nearby office building for an additional cost of \$20,000 or \$3.54/ sq. ft. above the renewable lease amount had they remained in the same building, plus an additional one-time moving charge of \$23,000. Moreover, the State Board could have elected to relocate to a building with a lower lease cost. For these reasons, the JLBC does not recommend a FY 2001 supplemental increase. The JLBC recommends that the State Board fund these lease and moving expenses with existing FY 2001 appropriated funds. However, the JLBC does recommend a FY 2002 base funding increase for the new lease amount. (See *Lease Increase.*)

Dual Enrollment

Laws 2000, Chapter 136 established the 16-member Joint Legislative Study Committee on Dual Enrollment (Study Committee). Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit. These courses are offered at the high schools during the regular school day and are taught by community college certified high school instructors. The legislation charged the Study Committee to:

- Evaluate guidelines for dual enrollment and determine minimum standards necessary to ensure the highest level of quality.
- Examine current state funding and the long term cost benefit of dual enrollment courses.
- Research the effects of dual enrollment on student success, retention and continuation of education.
- Submit a final report to the Governor, the Legislature, the Department of Education, the State Board of Directors for Community Colleges and the Arizona Board of Regents by December 15, 2000.

The principal concerns discussed by the Study Committee were:

- Community colleges and K-12 districts may both be counting the same student for Average Daily Membership and FTSE purposes and thus, are receiving double state aid.

Fund Source	Old Lease	Renew Lease	New Lease	\$ Change		
	3225 N. Central \$11.79/ sq. ft.	3225 N. Central \$19.96/ sq. ft.	2020 N. Central \$23.50/ sq. ft.	Renew-Old \$8.17/ sq. ft.	New-Old \$11.71/ sq. ft.	New-Renew \$3.54/ sq. ft.
General Fund (10 FTE @ 62.5%)	\$34,700	\$58,700	\$71,200	\$24,000	\$36,500	\$12,500
Certification Fund (3 FTE @ 18.75%)	10,400	17,600	21,400	7,200	11,000	3,800
Federal Funds (3 FTE @ 18.75%)	<u>10,400</u>	<u>17,600</u>	<u>21,300</u>	<u>7,200</u>	<u>10,900</u>	<u>3,700</u>
TOTAL FUNDS (16 FTE @ 100%)	\$55,500	\$93,900	\$113,900	\$38,400	\$58,400	\$20,000

- There are no policies or procedures either at the state level or locally that are consistently applied from district-to-district or even within districts as to how dual enrollment courses are offered and funded.
- Quality control of the courses offered and materials used at the high schools and taught by State Board certified K-12 instructors may be sub-standard.

The final report of the Study Committee recommends adoption by the State Board of the State Board's proposed rule R7-1-709, *Community College Classes Offered in Conjunction with High Schools*, as amended by the Study Committee. The amended State Board rule R7-1-709 adequately addresses the academic standards, program quality, and oversight issues but does not provide a statewide funding model that addresses the double funding concerns. The Study Committee did not make a formal recommendation on the funding issue.

The Executive recommends funding the FTSE generated from dual enrollment at 20% of the statutory funding formula rates for Operating and Capital Outlay State Aid. The Executive recommends a total biennial reduction of \$(3,518,400) for approximately 1,655 dual enrollment FTSE in each fiscal year.

Arizona Transfer Articulation Support System

The State Board is requesting a total biennial General Fund increase of \$758,600 to fully fund the ongoing system operating and support services needs of the Arizona

Transfer Articulation Support System (ATASS). ATASS is a joint initiative of the community colleges and universities to facilitate better course transfer articulation and to develop a shared statewide student and financial information database for enhancing reporting and accountability capabilities.

The Legislature provided \$225,700 from the General Fund in FY 2001, or 60% of the total estimated annual system operating costs, to fund Phase II and fully implement the merged Course Applicability System and Data Warehouse initiatives. However, the Legislature also required a 40% matching amount of \$150,500 (\$75,250 each from the community colleges and public state universities) to provide the \$376,200 total amount needed. These combined monies were used to purchase essential system hardware and software and operational support, in addition to demonstrating the mutual commitment between the state, universities and community colleges. To continue the state's 60% match of the total estimated annual system operating costs, estimated to be \$628,100 in FY 2002 and \$581,900 in FY 2003, would require a total biennial General Fund increase of \$321,000. The Executive concurs.

An ATASS expenditure statement showing how state and institutional monies have been used in FY 2000 and FY 2001, the requested budgets, and the approximate 60% state matching amounts for FY 2002 and FY 2003 are shown in *Table 11*.

ARIZONA TRANSFER ARTICULATION SUPPORT SYSTEM (ATASS)						
<u>EXPENDITURE STATEMENT AND BUDGET REQUEST</u>						
<u>Description</u>	<u>FY 2000 Actual</u>	<u>FY 2001 Appropriated</u>	<u>FY 2002 Request*</u>	<u>FY 2002 60% GF Match</u>	<u>FY 2003 Request*</u>	<u>FY 2003 60% GF Match</u>
State General Fund:						
Computer and Data Processing:						
Hardware/Software Maintenance	\$58,000	\$58,000	\$60,000	\$60,000	\$60,000	\$60,000
Memory Expansion, Server/Software Upgrades and Maintenance	0	0	66,000	0	11,000	0
Operations:						
Training, Professional Services, All Other Operating	53,600	50,000	39,000	39,000	39,000	39,000
Salaries and ERE for 4 Contract Positions in FY02&03	110,300	117,700	282,800	282,800	291,600	291,600
Other Personal Services	0	0	70,300	0	70,300	0
Facilities Management, Operations and Administrative Support	<u>148,000</u>	<u>150,500</u>	<u>110,000</u>	<u>0</u>	<u>110,000</u>	<u>0</u>
State General Funds Total	\$221,900	\$225,700	\$628,100	\$381,800	\$581,900	\$390,600
Community College/University Matching Funds:						
Computer and Data Processing:						
Memory Expansion, Server/Software Upgrades and Maintenance	\$0	\$0	\$0	\$66,000	\$0	\$11,000
Operations:						
Other Personal Services	0	0	0	70,300	0	70,300
Facilities Management, Operations and Administrative Support	<u>148,000</u>	<u>150,500</u>	<u>0</u>	<u>110,000</u>	<u>0</u>	<u>110,000</u>
Matching Funds Total	\$148,000	\$150,500	\$0	\$246,300	\$0	\$191,300
ALL FUNDS TOTAL	<u>\$369,900</u>	<u>\$376,200</u>	<u>\$628,100</u>	<u>\$628,100</u>	<u>\$581,900</u>	<u>\$581,900</u>

* The State Board is requesting that the Legislature fund the total annual budget of ATASS from the state General Fund for FY 2002 and FY 2003 and eliminate any matching funds requirement from the community colleges or universities.

Arizona Learning Systems

The State Board is requesting a total biennial General Fund increase of \$8,052,600 to fund implementation of Phase II of the Arizona Learning Systems distance education statewide network. This amount includes \$6,684,300 for FY 2002 and \$1,368,300 for FY 2003 above FY 2001. The FY 2003 amount is lower due to the elimination of one-time telecommunications equipment and professional services for engineering and installation. The Legislature has appropriated and invested more than \$3,800,000 to design and implement the ALS statewide plan for interconnecting and consolidating community college, university, and K-12 telecommunications systems and tying individual community college districts' distance education systems together. (Laws 1996, Chapter 1, 5th Special Session; and Laws 1997, Chapter 1, 1st Special Session.)

ALS is a consortium of Arizona's 10 community college districts under the auspices of the State Board created to promote distance learning across district boundaries using Internet, interactive videoconferencing, and other technologies. ALS development is planned for 3 phases, the first of which is currently being implemented and will establish connectivity for distance learning to one site in each of the state's 10 college districts. The requested funding for FY 2002 and FY 2003 will enable implementation of Phase II to connect an additional 67 college sites, and support the network's operation for 2 years. Phase III, to be implemented in subsequent biennia, will extend the connectivity to public schools, libraries, universities and community sites desiring access to the network. ALS will begin using the network in Spring 2001 to conduct courses developed by its member community college districts for initiatives in workforce and economic development as well as university transfer.

Table 12 shows the requested cost distribution for ALS Phase II Expansion.

	<u>FY 2002</u>	<u>FY 2003</u>
Personal Services	\$ 78,000	\$ 78,000
Employee Related Expenditures	11,700	11,700
Telecommunications	962,400	962,400
Professional Services	1,099,200	295,200
Equipment	4,512,000	0
Administrative Expenditures	21,000	21,000
TOTAL	\$6,684,300	\$1,368,300

ALS will continue to have 1 employee, the Executive Director, who provides general project managerial support for the deployment of the network.

Other Revenue Sources

In recent years, the Legislature has consistently fully funded the statutory formulas for operating, capital outlay and equalization from the General Fund. For the 5-year period, FY 1995 to FY 2000, state General Fund appropriations to community colleges have increased 29.8%, generating an additional \$28,978,000. (See Table 13.) The state General Fund total comprises on average 24.6% of community colleges' revenues from all fund sources, excluding fund balances, transfers, and reserves.

<u>Fiscal Year</u>	<u>Operating State Aid</u>	<u>Capital Outlay State Aid</u>	<u>Equalization Aid</u>	<u>Total \$ Change</u>
1995	\$76,425,800	\$13,786,800	\$7,103,700	\$97,316,300
1996	80,049,300	13,911,700	7,559,900	101,520,900
1997	87,062,600	13,971,300	8,263,000	109,296,900
1998	89,348,800	14,008,400	8,741,500	112,098,700
1999	97,061,000	14,016,500	9,417,900	120,495,400
2000	101,642,300	14,659,000	9,993,000	126,294,300
\$ Change	\$25,216,500	\$872,200	\$2,889,300	\$28,978,000
% Change	32.99%	6.33%	40.67%	29.78%

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of sources, including local property taxes, student tuition and fees, public and private gifts, grants and contracts, and monies generated from auxiliary enterprises such as food services, athletics, and dormitories. The district tax levy accounts for the majority of revenues from all fund sources, on average about 53% of the community colleges' total as shown in the Source of Funds Summary pie chart. (See Graph 1.)

For the 5-year period FY 1995 to FY 2000, districts' primary property tax levies have increased 40.9%, generating an additional \$89,361,300, of which \$60,056,700 accrued to Maricopa Community Colleges, as shown in the Table 14.

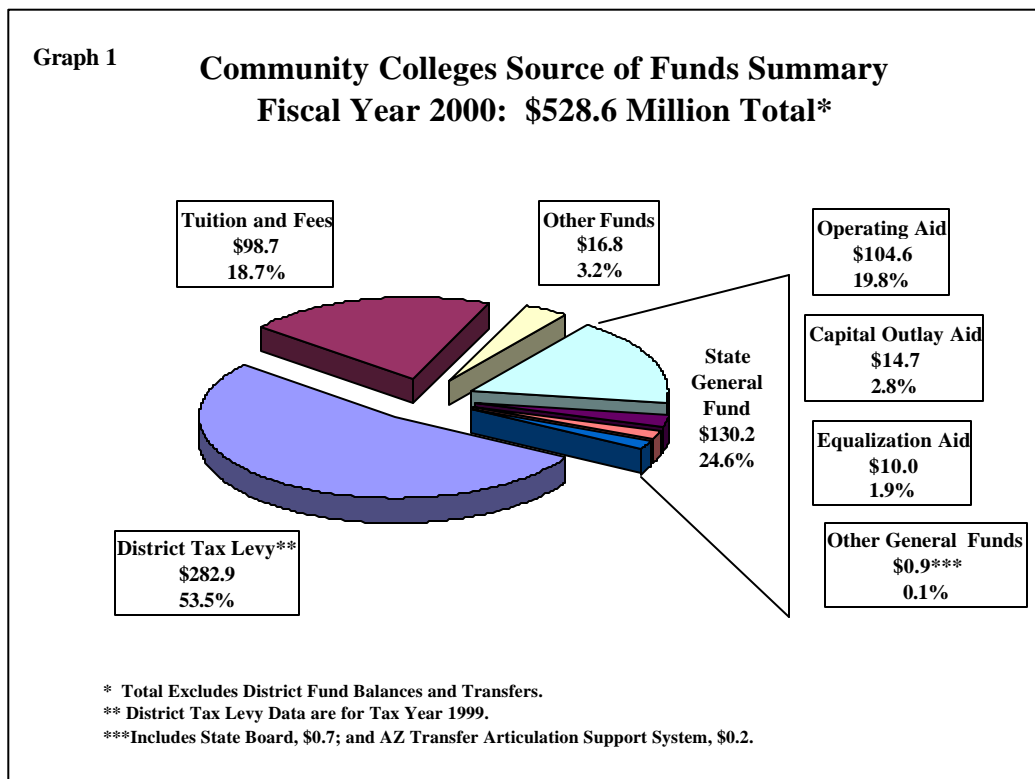


Table 14

Arizona Community College Districts
Primary Property Tax Levies
Tax Years 1995 to 2000
(\$ in Millions)

<u>District</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>\$ Change</u> <u>1995-2000</u>	<u>%</u> <u>Change</u>
Cochise	\$7.157	\$7.366	\$7.599	\$7.755	\$7.947	\$8.552	\$1.395	19.5%
Coconino	2.742	2.908	3.169	3.394	3.639	3.686	0.944	34.4%
Graham	1.213	1.270	1.397	1.406	1.573	1.696	0.483	39.8%
Maricopa	127.583	136.570	146.259	158.026	170.116	187.640	60.057	47.1%
Mohave	6.982	7.180	7.542	7.918	8.345	8.809	1.828	26.2%
Navajo	5.350	5.450	5.639	5.889	6.036	6.083	0.733	13.7%
Pima	35.819	37.508	38.725	41.550	44.802	48.143	12.325	34.4%
Pinal	9.328	9.421	9.826	11.159	12.688	13.466	4.138	44.4%
Yavapai	12.812	13.377	14.030	14.979	16.780	18.109	5.298	41.4%
Yuma/La Paz	9.604	9.860	10.213	10.475	10.961	11.766	2.162	22.5%
Total	\$218.589	\$230.909	\$244.400	\$262.551	\$282.885	\$307.951	\$89.361	40.9%

Source: Arizona Tax Research Association and Tax levy data adopted and published by counties.

Table 15 summarizes the FY 2001 and FY 2002 estimated increases to community colleges from other revenue sources (excluding Secondary Property Tax). For FY 2001, districts will receive an estimated additional

\$31,469,200, or 7.9% increase, for a total Other Revenue Sources amount of \$429,817,100. For FY 2002, the JLBC estimates an additional \$29,308,400, or 6.8% increase, for a total Other Revenue Sources amount of \$459,125,500.

Table 15

**ARIZONA COMMUNITY COLLEGES
Other Fund Sources \$ and % Revenue Change Estimates ^{1/}**

Districts	FY 2000 to FY 2001					FY 2001 to FY 2002				
	Local Primary Property Tax	Tuition and Fees ^{2/}	Other Funds ^{3/}	Total \$ Change	% Change	Local Primary Property Tax ^{4/}	Tuition and Fees ^{5/}	Other Funds	Total \$ Change	% Change
Cochise	\$604,700	\$85,800	\$0	\$690,500	4.99%	\$633,700	\$98,600	\$0	\$732,300	5.04%
Coconino	47,400	210,200	0	257,600	4.33%	49,800	53,100	0	102,900	1.66%
Graham	122,900	218,000	0	340,900	4.88%	131,500	59,700	0	191,200	2.61%
Maricopa	17,524,400	4,140,400	0	21,664,800	9.51%	17,790,600	2,356,500	0	20,147,100	8.08%
Mohave	465,000	30,000	0	495,000	4.94%	483,600	51,800	0	535,400	5.09%
Navajo	46,800	39,500	0	86,300	0.93%	47,700	47,500	0	95,200	1.02%
Pima	3,341,200	1,200,000	0	4,541,200	6.20%	3,559,000	616,200	0	4,175,200	5.37%
Pinal	777,900	5,000	0	782,900	4.68%	824,200	117,700	0	941,900	5.37%
Yavapai	1,329,800	275,600	0	1,605,400	7.88%	1,388,400	100,500	0	1,488,900	6.77%
Yuma/LaPaz	805,200	199,400	0	1,004,600	7.12%	805,200	93,100	0	898,300	5.94%
Total	\$25,065,300	\$6,403,900	\$0	\$31,469,200	7.90%	\$25,713,700	\$3,594,700	\$0	\$29,308,400	6.82%

^{1/} Secondary Property Tax revenues are not included in the above data.

^{2/} Uses current district estimated tuition rates for FY 2001.

^{3/} Assumes no significant change. Other Funds include Auxiliary Enterprise, Federal Funds, Gifts, Grants and Contracts, and Other Miscellaneous.

^{4/} Projected primary property tax rates for tax year 2001 are based on a projected statewide NAV growth of 7.0%. It is assumed that growth attributable to new construction relative to total property value growth is the same in tax year 2001 as in tax year 2000. The property tax rate for each district is assumed to follow the pattern of tax rates in the past several years.

^{5/} Uses 3% average inflator for district tuition growth plus FY 2001 tuition and fees \$/FTSE change estimates multiplied by the projected district enrollment growth for FY 2002.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Community College Certification (CMA2009/A.R.S. § 15-1425)

Appropriated

Source of Revenue: Fees collected for the issuance and renewal of occupational and professional teaching certificates and monies appropriated by the Legislature.

Purpose of Fund: To certify instructors of classes at community colleges.

Funds Expended	148,100	150,400	165,500	163,800
Year-End Fund Balance	203,300	252,900	287,400	323,600

Federal Grants (CMA2000/A.R.S. § 15-1424)

Non-Appropriated

Source of Revenue: Federal grants.

Purpose of Fund: To fund various federal programs at community colleges statewide in the areas of adult training, articulation, literacy, vocational training, and English proficiency, and to provide State Board support for administration of funds.

Funds Expended	2,872,600	3,542,000	3,303,000	3,303,000
Year-End Fund Balance	298,100	59,100	59,100	59,100

Les Aries Memorial (CMA3321/A.R.S. § 15-1424)

Non-Appropriated

Source of Revenue: Interest on investment of principal, the source of which is private donations.

Purpose of Fund: To provide scholarships to community college students pursuing an education in real estate.

Funds Expended	0	0	0	0
Year-End Fund Balance	36,900	38,900	40,900	42,900

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Tribal Assistance (No Fund Number/A.R.S. § 42-5029)

Statutory Distribution

Source of Revenue: Monies remaining after prioritized statutory distributions of collections from the 0.6% education sales tax transferred to qualified Indian tribes. The law directs each qualifying tribal college to receive distributions as if it were a community college district under the jurisdiction of the State Board of Directors for Community Colleges. Those transfers and establishment of the funds were authorized by voter approval of Proposition 301 in the November 2000 General Election.

Purpose of Fund: To provide support to one or more community colleges owned, operated, or chartered by a qualifying Indian tribe and shall be used in a manner consistent with A.R.S. § 15-1472B for workforce development and job training. (See Table 7 and the "Education 2000" Tribal Assistance" policy issue for additional information regarding this fund.)

Funds Expended from the General Fund	0	0	370,000	383,600
Year-End Fund Balance	0	0	0	0

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

Statutory Distribution

Source of Revenue: Three percent of collections from the 0.6% education sales tax transferred to individual community college district workforce development accounts. Those transfers and establishment of the accounts were authorized by voter approval of Proposition 301 in the November 2000 General Election.

Purpose of Fund: To fund workforce development and training activities. (See Tables 7 and 8 under the "Education 2000" Workforce Development" policy issue for additional information regarding these accounts.)

Funds Expended from the General Fund -

Capital	0	0	1,000,000	1,000,000
Funds Expended from the General Fund -				
Operating	0	0	11,479,300	12,641,000
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

State Department of Corrections

Terry L. Stewart, Director

JLBC: Brad Regens
OSP: Bill Greeney

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Prison Operations and Services						
Security	231,325,900	261,053,800	263,927,500	257,843,600	284,422,300	265,492,600
Inmate Education, Treatment and Work Programs	31,927,100	43,253,200	42,176,500	44,511,800	42,181,200	44,796,800
Private Prisons	19,325,000	27,678,300	20,292,200	20,079,600	24,813,100	26,685,800
Inspections and Investigations	6,696,900	5,703,800	6,157,200	6,119,600	6,224,100	6,216,100
Health Care	69,824,700	75,242,700	75,215,500	73,315,100	81,691,300	74,604,000
Prison Management and Support	143,702,700	139,071,300	132,376,600	132,387,800	132,376,600	133,213,300
Program Subtotal - Prison Operations and Services	502,802,300	552,003,100	540,145,500	534,257,500	571,708,600	551,008,600
Community Corrections Administration	8,489,800	8,832,500	8,919,200	8,870,200	8,991,800	8,879,700
Administration	40,291,100	30,949,200	32,564,200	32,740,000	33,180,600	33,264,700
AGENCY TOTAL	551,583,200	591,784,800	581,628,900	575,867,700	613,881,000	593,153,000

OPERATING BUDGET

Full Time Equivalent Positions	10,673.4	10,677.4	10,636.4	10,543.4	10,644.4	10,551.4
Personal Services	303,286,200	320,644,900	321,286,900	316,615,500	325,977,100	323,163,400
Employee Related Expenditures	81,823,100	90,356,000	84,654,500	83,276,600	85,360,500	84,736,100
All Other Operating Expenditures:						
Professional and Outside Services	51,234,300	61,789,600	57,136,500	57,967,000	80,054,400	65,051,600
Travel - In State	983,600	1,053,600	1,067,100	1,057,200	1,076,100	1,076,200
Travel - Out of State	121,900	111,100	114,100	114,100	116,800	115,300
Food	30,796,400	37,355,100	36,783,200	36,102,100	36,909,200	36,843,900
Other Operating Expenditures	75,929,100	75,750,800	75,812,100	76,013,000	79,663,200	77,444,300
Equipment	7,408,600	4,723,700	4,774,500	4,722,200	4,723,700	4,722,200
AGENCY TOTAL	551,583,200	591,784,800	581,628,900	575,867,700	613,881,000	593,153,000

FUND SOURCES

General Fund	548,863,800	587,915,900	572,831,100	570,812,800	592,089,000	588,069,600
Alcohol Abuse Treatment Fund	378,000	449,300	449,300	449,300	449,300	449,300
Corrections Fund	1,074,100	1,083,500	6,013,000	1,083,500	17,007,200	1,083,500
Penitentiary Land Fund	907,500	1,375,000	1,375,000	1,375,000	1,375,000	1,375,000
State Charitable, Penal and Reformatory Institutions Land Fund	18,400	270,000	270,000	270,000	270,000	270,000
State Education Fund for Correctional Education	341,400	691,100	690,500	1,877,100	2,690,500	1,905,600
SUBTOTAL - Other Appropriated Funds	2,719,400	3,868,900	8,797,800	5,054,900	21,792,000	5,083,400
SUBTOTAL - Appropriated Funds	551,583,200	591,784,800	581,628,900	575,867,700	613,881,000	593,153,000
Other Non-Appropriated Funds	24,991,800	31,679,000	35,144,900	35,144,900	38,104,800	38,104,800
Federal Funds	11,522,300	18,084,200	18,536,800	18,536,800	18,536,800	18,536,800
TOTAL - ALL SOURCES	588,097,300	641,548,000	635,310,600	629,549,400	670,522,600	649,794,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(17,103,100)	-2.9%	153,700	0.0%	(16,949,400)
Other Appropriated Funds	1,186,000	30.7%	1,214,500	31.4%	2,400,500
Total Appropriated Funds	(15,917,100)	-2.7%	1,368,200	0.2%	(14,548,900)

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average yearly cost per inmate	\$20,688/ \$20,344	\$20,841/ \$21,097	\$22,129	\$20,814/ \$20,801
• Average daily population - secure facilities	25,873/25,733	27,457/26,158	26,742	27,642/28,542
• Fiscal year-end bed surplus/(shortage)	(1,627)/(2,320)	(1,061)/(1,540)	(1,841)	(1,941)/(1,091)
• Escapes from secure facilities	0/7	0/2	0	0
• Number of inmates receiving GED	NA/1,071	1,195/2,457	2,500	2,550/2,600
• Number of inmate random positive urinalysis results	NA/1,069	968/1,265	1,145	1,025/907
• % of agency staff turnover	NA/15.5	NA/16.6	15.6	11.6
• Administration as a % of total cost	NA	6.7/NA	6.6	6.6

RECOMMENDED CHANGES FROM FY 2001

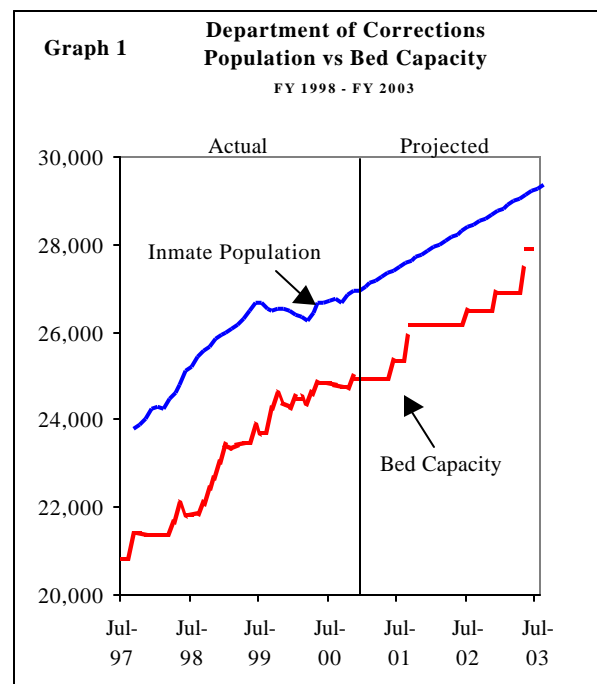
	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 1,722,500	\$ 1,722,500
	OF 4,300	4,300
ERE Rates	GF (6,037,300)	(5,461,900)
	OF (4,500)	(4,100)
Risk Management	GF 1,861,900	2,159,400
Rent	GF 33,600	42,400
Population Growth	GF (3,475,000)	(1,410,000)

The JLBC recommends a total biennial General Fund decrease of \$(4,885,000) due to lower actual inmate population growth than budgeted for FY 2000 and FY 2001. This amount includes a FY 2002 decrease of \$(3,475,000) below FY 2001 and a FY 2003 decrease of \$(1,410,000) below FY 2001. The decrease is lower in FY 2003 than FY 2002 due to higher projected inmate population growth in that year. The JLBC projects a growth rate of 75 net new inmates per month for FY 2002 and FY 2003.

ADC's FY 2000 and FY 2001 appropriations were based on a growth rate of 132 net new inmates per month. The actual FY 2000 growth rate, however, was 19 new inmates per month and the actual FY 2001 year-to-date (through November 2000) was 53 inmates per month. Since May 1999 the monthly inmate growth has been as high as 222 new inmates (March 2000) and as low as (110) new inmates (July 2000). The extreme variations in population growth make projecting inmate growth for FY 2002 and FY 2003 very difficult. However, a projection of 75 new inmates per month tracks the actual FY 2001 year-to-date growth rate and allows for an increase as FY 2001 growth has been higher than FY 2000 actual growth. Using a growth rate of 75, the JLBC projects a FY 2002 average daily population (ADP) of 27,642 and a FY 2003 ADP of 28,542.

While the JLBC projects the inmate population to grow during FY 2001 through FY 2003, there are cost savings as the department's FY 2001 appropriated ADP is 29,041 which is higher than the projected FY 2002 ADP (27,642) and FY 2003 ADP (28,542). (See Graph 1 and Table 2 for a comparison of projected population vs. projected bed capacity.)

The Executive concurs with a population growth rate of 75 new inmates per month for FY 2002 and FY 2003. The Executive, however, recommends a total biennial General Fund decrease of \$(3,392,300), which is \$1,492,700 less than the JLBC recommendation of \$(4,885,000). The difference is attributable to the Executive using a lower marginal cost figure than the JLBC.



Delay Bed Openings GF (12,773,500) (929,800)

The JLBC recommends a total biennial General Fund decrease of \$(13,703,300) due to the delayed opening of 350 state-operated prison beds at the Arizona State Prison Complex (ASPC)-Lewis and 1,400 privately-operated prison beds. This amount includes a FY 2002 decrease of \$(12,773,500) and (11) FTE Positions below FY 2001 and a FY 2003 decrease of \$(929,800) and (3) FTE Positions below FY 2001. The decrease is lower in FY 2003 than FY 2002 as the beds will open during FY 2003.

At the end of November 2000, ADC was operating with a bed deficit of (1,716), or 6.9% above capacity (26,667 inmates and 24,951 operational beds). That bed deficit, however, did not take into account funded but unopened beds at ASPC-Lewis. Due to the department's inability to hire a sufficient number of Correctional Officers, there were 1,550 funded but unopened beds at ASPC-Lewis at the end of November 2000. In addition, the November 2000 bed capacity did not include 400 new privately-operated DUI beds funded for operation beginning in June 2000 and 1,000 new privately-operated beds funded to open June 2001. None of the new privately-operated beds were operational nor had ADC signed a contract with a private vendor for the beds as of the end of December 2000.

Given the lower than projected inmate growth for FY 2000 and the JLBC projected growth rate of 75 new inmates per month for FY 2001 through FY 2003, the JLBC recommends delaying the opening of additional beds until the bed deficit reaches 2,000. This recommendation is consistent with the position of the department, which has indicated that it can operate at a bed deficit of (2,000). The following table summarizes the cost savings and new opening dates for each set of beds recommended by the JLBC for delayed opening. (See Table 2 for a comparison of inmate population and bed capacity.)

JLBC Recommendation for Delaying Bed Openings					
Bed Type	Beds	Original Date	New Date	FY 2002 Funding	FY 2003 Funding
Lewis Level 5	350	Mar. - 00	July - 02	\$ (5,412,900)	\$ 5,420,100
Private Beds	400	June - 00	Dec. - 02	(5,815,700)	3,344,500
Private Beds	1,000	June - 01	May - 03	(1,544,900)	3,079,100
Total	1,750			\$(12,773,500)	\$11,843,700

The FY 2001 ADC base funding contained \$14,639,400 in General Fund monies for these beds, only \$1,865,900 will be needed in FY 2002 to hire staff in preparation of opening the 350 state-operated beds in July 2002. As a result, there is \$(12,773,500) in savings in FY 2002 relative to the FY 2001 base funding level. Most of this funding decrease (\$11,843,700) will be needed in FY 2003 to keep the bed deficit at 2,000 or below. Of the \$14,639,400 in the FY 2001 base, \$13,709,600 will be needed in FY 2003, thereby resulting in \$(929,800) in savings in FY 2003 compared to FY 2001.

The Executive concurs with the bed delays but also recommends a new footnote authorizing the appropriation of additional Corrections Fund monies, at the discretion of the ADC Director, if the Director believes the beds should be opened sooner due to "rapid population growth or safety concerns." The Executive recommends a total biennial Corrections Fund "contingency appropriation" of \$20,856,400. These monies would allow ADC to open the additional 350 state-operated beds in February 2002 rather than August 2002 (the Executive recommended delayed opening date). In addition, the 400 new privately-operated DUI beds would be funded for operation beginning June 2002 instead of December 2002, and the 1,000 new privately-operated beds for operation September 2002 instead of June 2003 (the Executive recommended delayed opening date).

The JLBC does not recommend this contingency appropriation. All of the Executive's contingency bed opening dates are after the Legislature will convene in Regular Session in January 2002. As result, the JLBC recommends that the Legislature consider at that time whether a supplemental appropriation is required to address any rapid population growth or new safety concerns that arise after the 2001 Legislative Session ends.

In addition, the Executive's proposal would result in ADC using Corrections Fund monies for operating purposes. While this is statutorily permissible, the JLBC recommends against this usage as the fund was created to provide monies for the construction of prison facilities. Corrections Fund monies reduce the need to use General Fund monies in prison capital projects. The Executive's proposal would reduce the availability of Corrections Fund monies for future prison construction and as a result increase the General Fund requirement.

Arizona Center for Women GF (3,288,400) (3,288,400)

The JLBC recommends a total biennial General Fund decrease of \$(6,576,800) due to ADC closing ASPC-Phoenix Arizona Center for Women (ACW). This amount includes a decrease of \$(3,288,400) and (89) FTE Positions in both FY 2002 and FY 2003 from FY 2001.

During FY 2000, ADC decided to consolidate the female inmate population at ASPC-Perryville. The consolidation was based on minimizing the number of locations containing female inmates, improving the management of the population and enhancing programming. Prior to designating ASPC-Perryville as an all-female prison, ADC's female population was spread throughout the state at 6 different locations. From a management perspective, the fragmentation of the female population presented problems by requiring duplication of programs, and higher transportation costs as changes in an inmate's classification status required movement from one complex to another instead of within a single complex.

As part of the consolidation, ADC closed ASPC-Phoenix Arizona Center for Women. ACW was originally built as a motel in 1954. The facility was purchased by the state for ADC in 1979 and converted into a female inmate unit. Given the age of the facility, ADC contracted for a study of ACW's physical plant to quantify the capital repair needs of the unit. The study, conducted in 1998, concluded that several millions of dollars were needed to address security, plumbing and electrical issues at the unit. In addition, the department has annually expended approximately \$300,000 for maintenance of the facility. Given the cost to repair and that the facility was not originally built as a prison, ADC closed the facility during the conversion of ASPC-Perryville to an all-female prison. As a result of the closure of ACW, the JLBC recommends a General Fund decrease of \$(3,288,400) and (89) FTE Positions in both FY 2002 and FY 2003 from FY 2001. These savings represent the annual cost to operate ACW minus any inmate related costs which were maintained in the ADC budget as closure of ACW did not impact the number of inmates only where they were located.

The Executive recommends a total biennial General Fund decrease of \$(2,000,000) due to closure of ACW. This amount includes a decrease of \$(1,000,000) in both FY 2002 and FY 2003 from FY 2001. The Executive does not address what ADC should do with the remaining monies associated with the annual operating cost of ACW or the 89 FTE Positions previously assigned to ACW.

Inmate Education	GF	(750,000)	(750,000)
	OF	1,186,200	1,214,300

The JLBC recommends a total biennial General Fund decrease of \$(1,500,000) and an Other Appropriated Fund increase of \$2,400,500. This amount includes a General Fund decrease of \$(750,000) in both FY 2002 and FY 2003 from FY 2001. In addition, this amount includes a State Education Fund for Correctional Education FY 2002 increase of \$1,186,200 above FY 2001 and a FY 2003 increase of \$1,214,300 above FY 2001.

The JLBC recommendation contains 2 parts. First, the JLBC recommends an Other Appropriated Fund FY 2002 increase of \$436,200 above FY 2001 and a FY 2003 increase of \$464,300 above FY 2001 due to an increase in the Basic State Aid funding that ADC receives from the Arizona Department of Education (ADE). The State Education Fund for Correctional Education receives funding from ADE based on the number of Average Daily Membership pupils attending ADC education programs. By law, the department is required to provide educational services to inmates under the age of 18 years and to inmates with disabilities who are age 21 or younger. Laws 1999, Chapter 233 increased the base support level and capital outlay amounts that ADC receives by adjusting the multiplier factor from 0.5 to 0.67. As result, ADC will receive more monies from ADE than in prior years. The first part of the JLBC recommendation appropriates the full level of education receipts expected in FY 2002 (\$1,127,100) and FY 2003 (\$1,155,200).

The second part of the JLBC recommendation is to offset \$750,000 in General Fund monies with State Education Fund for Correctional Education monies. This portion of the recommendation does not change the overall level of funding for ADC inmate education. The recommendation only changes the funding mix due to the large balance forward that has accumulated in the State Education Fund. At the end of FY 2002, the fund's balance forward was approximately \$1,362,700. The fund balance is projected to grow through FY 2001 due to the fund's revenue being higher than the fund's FY 2001 appropriation. The one-time offset and the JLBC recommendation to appropriate the full level of receipts in FY 2002 and FY 2003 will reduce the ending balance to approximately \$294,800 in FY 2003.

The Executive recommends a total biennial fund shift of \$2,000,000 and does not recommend an increase in the overall funding level.

Privatize Teachers

at ASPC-Lewis	GF	(29,700)	(29,700)
----------------------	-----------	-----------------	-----------------

The JLBC recommends a total biennial General Fund decrease of \$(59,400) due to the department's privatization of some of the inmate education programs at ASPC-Lewis. This amount includes a decrease of \$(29,700) and (44) FTE Positions in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

During FY 2000, ADC initiated a pilot program with Rio Salado College to outsource the functional literacy education and general equivalency diploma (GED) preparation inmate education programs at ASPC-Lewis. (ADC teaching staff continued to provide special education services to inmates with learning disabilities who are 21 years old or younger.) The program was initiated with monies available due to lower than projected inmate growth and delayed openings for beds at ASPC-Lewis and continued in FY 2001 with monies appropriated to the department to hire 44 teaching staff positions for ASPC-Lewis.

With continuation of this program in FY 2002 and FY 2003, the JLBC recommends the elimination of the (44) FTE Positions which results in a savings of \$(29,700) per year as the total Personal Services and Employee Related Expenditures amount is greater than the contract amount.

The JLBC also recommends that once ASPC-Lewis is fully operational, the department evaluate the program's performance in comparison to the effectiveness of inmate education programs provided at other Arizona state prison complexes.

The Executive concurs, but does not address the program evaluation recommendation.

Continuation of Correctional

Officer Pay Plan GF 2,877,500 5,343,900

The JLBC recommends a total biennial General Fund increase of \$8,221,400 to continue the Correctional Officer (CO) pay plan established in FY 2000. This amount includes a FY 2002 increase of \$2,877,500 above FY 2001 and a FY 2003 increase of \$5,343,900 above FY 2001. As part of the department’s FY 2000 appropriation, the Legislature established a new CO pay plan that provides an annual increase for CO’s based on experience and education levels. The plan calls for CO’s to receive their first annual increase on the anniversary of their employment date and annually thereafter (for up to 8 years of experience). The JLBC recommends that funding be provided to continue the step system for the next 2 years as the department has continued to experience difficulties in recruiting and retaining CO’s. Systemwide the department had an average monthly CO vacancy rate of approximately 18.4% and a turnover rate of 16.9% for FY 2000. In addition, ADC has been unable to open 1,550 beds (37.3% of all beds) at the new Lewis Complex due to staffing difficulties. The annual salary adjustment equates to an increase of 2.5% to 5%.

In an attempt to further reduce CO vacancies and lower the CO turnover rate, the JLBC recommends an additional pay increase for CO’s during the next biennium. To compete with county detention officer salaries, the JLBC recommends that each CO position receive an increase of \$3,000 on January 1, 2002 and an additional increase of \$1,000 on January 1, 2003. To implement this new pay plan, the JLBC recommends a total biennial General Fund increase of \$44,337,400. This amount includes a FY 2002 increase of \$13,301,200 above FY 2001 and a FY 2003 increase of \$31,036,200 above FY 2001. These monies have not been added to the JLBC recommendation for ADC but rather appear in the JLBC’s statewide pay plan recommendation. (See *Statewide Salary Plan discussion for additional information.*)

The Executive concurs with both the continuation of the current CO pay plan and the additional CO pay increases recommended for FY 2002 and FY 2003.

Enhanced Female Programming

GF 2,300,000 2,300,000

The JLBC recommends a total biennial General Fund increase of \$4,600,000 for enhanced programming for female inmates at ASPC-Perryville. This amount includes an increase of \$2,300,000 in both FY 2002 and FY 2003 above FY 2001.

ADC provides the following programs to female inmates at ASPC-Perryville: Literacy, Education (GED), Vocational, Substance Abuse, Parenting, and Life Skills classes. ADC’s goal is to have each inmate achieve a high school equivalence degree, acquire marketable job skills, address all substance abuse issues and participate in relapse prevention prior to expiration of the inmate’s sentence. The JLBC recommendation would provide an

additional \$2,300,000 in both FY 2002 and FY 2003 to aid ADC in meeting its goal.

The Executive does not recommend additional monies for enhanced female programming. The Executive also does not address what ADC should do with the remaining monies associated with the annual operating cost of ACW but rather leaves \$2,300,000 in General Fund monies in ADC’s base budget to be used at the discretion of the department. Since the cost savings were generated from closing ACW, the JLBC recommends that the additional monies be used for improved female programming at ASPC-Perryville rather than spread across the entire department.

Protective Services Unit GF 455,300 455,300

The JLBC recommends a total biennial General Fund increase of \$910,600 and 10 FTE Positions for a security unit to protect ADC employees and investigate threats against ADC employees by current or former prison inmates. This amount includes an increase of \$455,300 and 10 FTE Positions in both FY 2002 and FY 2003 above FY 2001. Since January 2000, ADC has received 92 threats against staff personnel. The additional monies will fund 8 Special Investigators to provide security and to investigate threats, 1 Special Investigator Manager to oversee the unit and act as a liaison between ADC and local law enforcement, and 1 Administrative Assistant to provide support and prepare statistical reports. The Executive concurs but also recommends an additional \$51,600 for one-time equipment purchases in FY 2002.

Data Center

Consolidation GF -0- -0-

ADC data services are currently provided through a state data center administered by the Department of Administration. Costs of the data center are charged to each participating agency. The Executive is recommending expanding the current data center to include the Department of Revenue and the Department of Transportation data systems. It is anticipated that the consolidation of these 2 large systems will lead to reduced charges for other participating agencies. The level and fund source of these reductions, however, is unclear at this time. The JLBC Staff is continuing to analyze this issue. The Executive recommends a total biennial General Fund decrease of \$(350,900) due to reduced data center charges. This amount includes a FY 2002 decrease of \$(244,200) from FY 2001 and a FY 2003 decrease of \$(106,700) from FY 2001.

Corrections Fund

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

recommended Corrections Fund projects. (See *Capital Outlay for more information.*)

CORRECTIONS FUND				
Estimated Revenue and Expenditure Projections				
(\$ in Thousands)				
	FY 2000	FY 2001	FY 2002	FY 2003
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Beginning Balance	\$22,773.4	\$ 24,572.8	\$ 4,484.5	\$ 18,265.8
Revenues	25,471.4	25,471.4	25,471.4	25,471.4
General Fund	0.0	0.0	64,980.8	8,119.7
Ex-Appropriate General Fund	0.0	0.0	(64,980.8)	(8,119.7)
Other Deposits	0.0	0.0	2,000.0	0.0
Total Revenues	25,471.4	25,471.4	27,471.4	25,471.4
Total Funds Available	\$ 48,244.8	\$ 50,044.2	\$ 31,955.9	\$ 43,737.2
Expenditures				
ADOA Staffing	495.3	553.7	574.7	571.6
Apache County Lease	1,074.1	1,083.5	1,083.5	1,083.5
Administrative Adjustments	11.8	0.0	0.0	0.0
FY 1995 Capital Budget				
Aspen Conversion	(25.3)	25.3	0.0	0.0
Globe 100 Level 3 Beds	2.4	359.8	0.0	0.0
Youthful Offender 100 Beds	57.6	276.0	0.0	0.0
FY 1996 Capital Budget				
Yuma 800 Level 4 Beds	35.8	342.1	0.0	0.0
FY 1997 Capital Budget				
Lewis Master Plan	125.1	99.8	0.0	0.0
Yuma 800 Level 4 Beds	130.8	293.8	0.0	0.0
Laws 1997, Ch. 212				
Perryville Lock Replacement	16.3	85.2	0.0	0.0
FY 1998 Capital Budget				
Lewis Complex	1,096.1	274.5	0.0	0.0
FY 1999 Capital Budget				
Lewis Complex	5,429.2	2,939.3	0.0	0.0
Tucson II Complex	2,013.2	817.7	0.0	0.0
Douglas Wastewater	2,495.6	670.5	0.0	0.0
DJC Beds	532.9	561.0	0.0	0.0
FY 2000/FY 2001 Capital Budget				
Tucson II Complex	6,081.1	37,177.5	88,930.8	30,069.7
Laws 2000, Ch. 363				
Juvenile Detention Beds	4,100.0	0.0	0.0	0.0
FY 2002/FY 2003 Capital Budget				
Ex-Appropriate Tucson II Complex Funding	0.0	0.0	(88,930.8)	(30,069.7)
ADC Building Renewal	0.0	0.0	5,518.8	6,080.8
ADC Safety Improvements	0.0	0.0	3,250.0	1,848.6
ADC Ft. Grant Landfill	0.0	0.0	555.3	0.0
DJC Building Renewal	0.0	0.0	440.8	487.1
DJC Medical Unit	0.0	0.0	785.0	0.0
DJC HVAC Replacement	0.0	0.0	1,482.0	0.0
Total Expenditures	23,672.0	45,559.7	13,690.1	10,071.6
Fund Balance	\$ 24,572.8	\$ 4,484.5	\$ 18,265.8	\$ 33,665.6

Inmate Population and Bed Capacity

The table below provides a comparison of the projected month-end prison population, the number of beds (expressed as Operational Capacity), the Projected Bed Shortage, the percent of the bed deficit over operational capacity (% Over Capacity). The New Beds column indicates when the JLBC recommends the opening of previously funded beds. The inmate projections in the table are based on a growth rate of 75 new inmates per

month in both FY 2002 and FY 2003. The bed deficit at the end of FY 2002 is projected to be (1,941) or 7.4% over capacity. The bed deficit at the end of FY 2003 is projected to be (1,091) or 3.9% over capacity.

Table 2

Comparison of Inmate Population and Bed Capacity^{1/}					
Mo./Year	New Beds	Operational Capacity	Population Projection	Bed Shortage	% Over Capacity
7/99		23,717	26,129	(2,412)	10.2
8/99		23,717	26,161	(2,444)	10.3
9/99		24,249	26,173	(1,924)	7.9
10/99		24,574	26,114	(1,540)	6.3
11/99		24,374	26,019	(1,645)	6.7
12/99		24,310	26,003	(1,693)	7.0
1/00		24,460	25,899	(1,439)	5.9
2/00		24,460	26,071	(1,611)	6.6
3/00		24,382	26,293	(1,911)	7.8
4/00		24,582	26,291	(1,709)	7.0
5/00		24,862	26,331	(1,469)	5.9
6/00		24,862	26,402	(1,540)	6.2
7/00		24,862	26,292	(1,430)	5.8
8/00		24,786	26,472	(1,686)	6.8
9/00		24,751	26,566	(1,815)	7.3
10/00		24,751	26,574	(1,823)	7.4
11/00		24,951	26,667	(1,716)	6.9
12/00		24,951	26,742	(1,791)	7.2
1/01		24,951	26,817	(1,866)	7.5
2/01		24,951	26,892	(1,941)	7.8
3/01		24,951	26,967	(2,016)	8.1
4/01		24,951	27,042	(2,091)	8.4
5/01		24,951	27,117	(2,166)	8.7
6/01	400 Lewis	25,351	27,192	(1,841)	7.3
7/01		25,351	27,267	(1,916)	7.6
8/01		25,351	27,342	(1,991)	7.9
9/01	800 Lewis	26,151	27,417	(1,266)	4.8
10/01		26,151	27,492	(1,341)	5.1
11/01		26,151	27,567	(1,416)	5.4
12/01		26,151	27,642	(1,491)	5.7
1/02		26,151	27,717	(1,566)	6.0
2/02		26,151	27,792	(1,641)	6.3
3/02		26,151	27,867	(1,716)	6.6
4/02		26,151	27,942	(1,791)	6.8
5/02		26,151	28,017	(1,866)	7.1
6/02		26,151	28,092	(1,941)	7.4
7/02	350 Lewis	26,501	28,167	(1,666)	6.3
8/02		26,501	28,242	(1,741)	6.6
9/02		26,501	28,317	(1,816)	6.9
10/02		26,501	28,392	(1,891)	7.1
11/02		26,501	28,467	(1,966)	7.4
12/02	400 Private	26,901	28,542	(1,641)	6.1
1/03		26,901	28,617	(1,716)	6.4
2/03		26,901	28,692	(1,791)	6.7
3/03		26,901	28,767	(1,866)	6.9
4/03		26,901	28,842	(1,941)	7.2
5/03	1,000 Private	27,901	28,917	(1,016)	3.6
6/03		27,901	28,992	(1,091)	3.9

^{1/} Represents actual data through November 2000 and assumes a growth rate of 75 new inmates per month thereafter.

Tucson II Prison Complex

As part of the Capital Outlay section, the JLBC recommends the ex-appropriation of all FY 2002 and FY 2003 monies appropriated to the Arizona Department of Administration (ADOA) for the design and construction of a new 4,200 bed prison complex sited for Tucson. Laws 1999, Chapter 2, 1st Special Session appropriated a total of \$162,938,700 over a 4-year period (FY 2000 through FY 2003) to ADOA for the new prison complex. The JLBC capital recommendation ex-appropriates a total biennial General Fund amount of \$73,100,500 and a total biennial Other Appropriated Fund amount of \$45,900,000. (See Capital Outlay section New Tucson Prison Complex discussion for additional information.)

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Program/Subprogram. (The department's FY 2001 budget format was Modified Lump Sum by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

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

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

Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$1,905,600, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

Deletion of Prior Year Footnotes

JLBC recommends deleting the one-time footnote concerning JLBC review of a Request for Proposal (RFP) for 1,000 privately operated beds to be opened June 2001. The RFP was reviewed by JLBC in August 2000.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

Hepatitis C Treatment

The Executive recommends a General Fund increase of \$5,000,000 in FY 2003 to address Hepatitis C treatment costs for the inmate population. The JLBC does not recommend additional monies for this issue.

Increase in Contracted Medical Costs

The Executive recommends a total biennial General Fund increase of \$2,771,400 for increased health care costs. This amount represents a 5.5% increase for outside hospital and professional medical services. The JLBC does not recommend additional monies for this issue.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Alcohol Abuse Treatment (DCA2204/A.R.S. § 31-255)				Appropriated
Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses. The average charge for inmate labor is \$0.75 per hour.				
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.				
Funds Expended	378,000	449,300	449,300	449,300
Year-End Fund Balance	1,428,300	1,646,900	1,865,500	2,084,100
Arizona Correctional Industries Revolving (DCA4002/A.R.S. § 41-1624)				Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.				
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs.				
Funds Expended	15,485,700	20,044,700	22,899,200	25,359,100
Year-End Fund Balance	6,617,000	6,242,300	5,080,100	4,731,700
Corrections (DCA2088/A.R.S. § 41-1641)				Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.				
Purpose of Fund: For the construction, major maintenance, purchase or lease of correctional or state-operated juvenile facilities. (See Corrections Fund table in the narrative section for additional information.)				
Funds Expended - Operating	1,074,100	1,083,500	1,083,500	1,083,500
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
Criminal Justice Enhancement (DCA2035/A.R.S. § 41-2401)				Non-Appropriated
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: Distribute these monies to counties for the training of detention officers, county jail operational enhancement, and ADC administrative expenses.				
Funds Expended	3,915,700	3,790,300	3,951,600	3,951,600
Year-End Fund Balance	22,400	5,000	15,000	25,000
Donations (DCA3147/A.R.S. § 41-1605)				Non-Appropriated
Source of Revenue: Private grants and the disposal of donated properties.				
Purpose of Fund: To be used as specified by the particular donation.				
Funds Expended	50,300	150,000	100,000	100,000
Year-End Fund Balance	95,700	45,700	45,700	45,700
Drug Treatment and Education Revolving (DCA2277/AR.S. § 42-3106)				Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.				
Purpose of Fund: To provide rehabilitation programs and counseling for inmates, who have a history of substance abuse, released on parole.				
Funds Expended	1,778,500	3,000,000	3,500,000	4,000,000
Year-End Fund Balance	4,489,700	4,249,700	3,149,700	1,549,700
Federal (DCA2000/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Education and other law enforcement related federal grants.				
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.				
Funds Expended	11,522,300	18,084,200	18,536,800	18,536,800
Year-End Fund Balance	0	0	0	0
Non-Federal Grants (DCA2001/A.R.S. § 41-1605)				Non-Appropriated
Source of Revenue: Various non-Federal Fund grants.				
Purpose of Fund: A repository for various grants received by the department. The fund is used to deposit Victims' Rights Implementation Grants from the Attorney General, Prevention Loss Grants from the Arizona Department of Administration (ADOA), Indirect Costs from other grants, and fees from workshops and seminars.				
Funds Expended	99,600	76,600	76,600	76,600
Year-End Fund Balance	0	28,100	60,000	91,900
Penitentiary Land (DCA3140/A.R.S. § 37-525)				Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.				
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance. Not included are lease payments for Adobe Mountain and Black Canyon Department of Juvenile Corrections facilities totaling, \$1,051,400 in FY 2000, \$1,087,200 in FY 2001, \$506,800 in FY 2002, and \$526,600 in FY 2003.				
Funds Expended	907,500	1,375,000	1,375,000	1,375,000
Year-End Fund Balance	2,104,200	2,029,200	1,954,200	1,879,200
Risk Management Insurance Reimbursement (DCA3748/A.R.S. § 41-1605)				Non-Appropriated
Source of Revenue: Funds from the Risk Management Revolving Fund administered by the ADOA.				
Purpose of Fund: Reimbursements for losses of state property.				
Funds Expended	17,400	160,400	160,400	160,400
Year-End Fund Balance	174,600	199,900	225,200	250,500

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Special Services (DCA3187/A.R.S. § 41-1604.03)

Non-Appropriated

Source of Revenue: Profits from canteens, hobby shops, and commissions on telephone service.

Purpose of Fund: For the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops. A major portion of the Special Service Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis.

Funds Expended	3,644,600	4,457,000	4,457,100	4,457,100
Year-End Fund Balance	4,146,600	3,903,200	3,659,700	4,416,200

State Charitable, Penal, and Reformatory Institutions

Land Earnings (DCA3141/A.R.S. § 37-525)

Appropriated

Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.

Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.

Funds Expended	18,400	270,000	270,000	270,000
Year-End Fund Balance	2,102,100	2,132,100	2,162,100	2,192,100

State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)

Appropriated

Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. §15-1372.

Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.

Funds Expended	341,400	691,100	1,877,100	1,905,600
Year-End Fund Balance	1,362,700	1,795,200	1,045,200	294,800

[Click here to return to Table of Contents](#)

Department of Economic Security

Agency Summary

John Clayton, Director

JLBC: Stefan Shepherd/Pat Mah

House Subcommittee: Johnson

OSP: Matt Gottheiner

Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
BY PROGRAM/ORGANIZATION						
Administration	39,029,400	44,836,300	45,452,200	43,085,700	45,767,100	43,015,400
Developmental Disabilities	48,502,300	57,740,800	59,525,800	61,900,800	59,814,400	62,876,800
Long Term Care	100,764,700	104,955,500	144,195,600	143,890,000	167,488,800	166,824,100
Benefits and Medical Eligibility	155,941,600	173,817,700	146,214,300	139,129,400	146,163,100	142,140,900
Child Support Enforcement	13,202,000	14,331,400	15,456,800	16,010,200	16,387,600	16,228,200
Aging and Community Services	27,574,600	35,138,200	37,099,500	40,251,700	37,148,600	40,282,700
Children, Youth and Families	146,257,200	164,737,600	162,402,900	174,944,600	169,607,500	184,600,800
Employment and Rehabilitation Services	169,402,400	261,783,900	261,582,300	270,592,400	270,391,000	287,665,500
AGENCY TOTAL	700,674,200	857,341,400	871,929,400	889,804,800	912,768,100	943,634,400

OPERATING BUDGET

Full Time Equivalent Positions	3,425.0	3,450.8	3,546.0	3,549.2	3,562.1	3,583.5
Personal Services	82,999,800	90,893,800	93,653,100	94,386,800	93,869,400	95,224,800
Employee Related Expenditures	19,654,000	19,849,200	21,030,400	21,052,700	20,908,200	21,275,100
All Other Operating Expenditures:						
Professional and Outside Services	8,192,600	9,180,300	11,431,200	11,561,900	11,636,200	12,642,200
Travel - In State	3,135,200	3,146,900	3,389,800	3,427,100	3,357,500	3,434,500
Travel - Out of State	44,300	45,300	46,400	53,300	46,400	53,300
Other Operating Expenditures	24,936,200	26,338,500	31,044,600	30,440,400	29,734,800	28,857,000
Equipment	5,956,400	2,753,000	6,014,200	7,559,500	2,291,400	2,991,300
OPERATING SUBTOTAL	144,918,500	152,207,000	166,609,700	168,481,700	161,843,900	164,478,200
Special Line Items	555,755,700	705,134,400	705,319,700	721,323,100	750,924,200	779,156,200
AGENCY TOTAL	700,674,200	857,341,400	871,929,400	889,804,800	912,768,100	943,634,400

FUND SOURCES

General Fund	409,950,000	449,401,900	474,078,900	482,227,500	512,105,600	532,064,700
Federal Temporary Assistance for Needy Families Block Grant	209,647,200	272,374,500	228,379,700	234,086,700	235,542,500	230,419,000
Federal Child Care and Development Fund Block Grant	58,001,900	58,582,700	83,970,600	82,611,500	83,970,600	93,962,400
Special Administration Fund	1,023,400	1,601,100	3,605,000	3,105,500	1,605,100	1,605,600
Public Assistance Collections Fund	224,500	289,200	295,700	295,400	295,600	295,700
Long Term Care System Fund	9,791,600	12,964,300	14,377,300	14,491,600	15,173,800	15,362,800
Child Support Enforcement Administration Fund	8,887,400	9,313,500	10,636,900	11,185,900	11,067,600	11,403,600
Domestic Violence Shelter Fund	1,508,600	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Child Abuse Prevention Fund	437,700	1,061,400	812,100	1,062,000	812,100	1,062,000
Children and Family Services Training Program Fund	69,700	156,000	209,600	209,600	209,600	209,600
Spinal and Head Injuries Trust Fund	1,132,200	1,678,000	2,401,000	2,256,100	2,401,000	2,447,400
Workforce Investment Act Grant	0	47,875,000	47,884,600	47,875,000	47,884,600	47,884,300
Federal Reed Act Grant	0	343,800	3,578,000	3,578,000	0	0
Tobacco Litigation Settlement Fund	0	0	0	5,120,000	0	5,217,300
SUBTOTAL - Other Appropriated Funds	290,724,200	407,939,500	397,850,500	407,577,300	400,662,500	411,569,700
SUBTOTAL - Appropriated Funds	700,674,200	857,341,400	871,929,400	889,804,800	912,768,100	943,634,400
Other Non-Appropriated Funds	264,118,500	273,236,800	270,235,500	270,235,500	282,470,600	282,470,600
Federal Funds	453,987,700	504,601,600	569,345,000	569,039,400	613,983,200	611,878,900
TOTAL - ALL SOURCES	1,418,780,400	1,635,179,800	1,711,509,900	1,729,079,700	1,809,221,900	1,837,983,900

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	32,825,600	7.3%	82,662,800	18.4%	115,488,400
Other Appropriated Funds	(362,200)	-0.1%	3,630,200	0.9%	3,269,600
Total Appropriated Funds	32,463,400	3.8%	86,293,000	10.1%	118,758,000

AGENCY DESCRIPTION — *The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration, Developmental Disabilities; Long Term Care, Benefits and Medical Eligibility; Child Support Enforcement; Aging and Community Services; Children, Youth and Families; and Employment and Rehabilitation Services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of TANF recipients who obtained employment	NA/9,604	NA/12,126	12,264	12,264
• % of total Food Stamps payments issued accurately	94.8/94.7	95.0/96.4	95.0	95.0
• % of CPS reports investigated	NA/81	NA/76	74	74
• Agencywide customer satisfaction rating (Scale 1 to 5)	NA	NA	Baseline	3
• Employee satisfaction rating (Scale 1 to 5)	NA	NA	Baseline	3

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$1,704,800	\$1,704,800
	OF 340,600	340,600
ERE Rates	GF 532,600	581,100
	OF 103,200	140,100
Risk Management	GF 604,000	546,900
	OF 182,000	164,800
Rent	GF (49,100)	(49,600)
	OF (14,500)	(19,800)
Major Policy Issues		
Adult Services	GF 3,486,000	3,486,000
Adult Protective Services		
Staffing	GF 205,200	184,500
Children Services	GF (5,641,900)	15,639,600
	OF 2,089,500	3,889,500
TANF/SSBG Changes	OF 8,466,500	(12,815,000)
TANF Balances	GF (9,950,000)	(9,950,000)
	OF 8,527,600	8,527,600
Adoption Services	GF 2,927,600	5,049,200
Child Protective Staffing	GF 1,579,300	3,386,700
	OF 2,943,000	82,200
Adoption Staffing	GF 402,300	458,600
	OF 53,700	9,800
Offset -- Social Services	OF 1,295,700	1,295,700
Long Term Care	GF 36,935,700	59,781,100
Caseloads	OF 1,525,500	2,396,700
DDD Automation	GF 3,483,400	3,717,300
DDD Infrastructure	GF 662,500	608,900
Navajo MOE Reduction	GF (6,505,700)	(6,505,700)
	OF 6,505,700	6,505,700
TANF Cash Benefit		
Caseloads	OF(13,598,500)	(10,231,600)

FLSA Caseloads	OF (2,550,400)	(2,512,400)
Tribal TANF Direct		
Pass-Through	OF(19,407,700)	(19,407,700)
Central Payment		
Processing	OF 1,057,600	1,146,500
Increase Child Care	GF -0-	3,000,000
Rates	OF 11,678,500	22,859,500
Child Care Caseloads	GF 3,896,000	921,000
	OF (4,914,300)	2,303,400
Child Care Quality/		
Earmark	OF 4,250,200	5,445,500
Child Care Staffing	OF 846,400	846,400
JOBS Caseloads	OF(10,647,000)	(9,817,600)
Special Administration	GF (1,500,000)	-0-
Fund Shift to GF	OF 1,500,000	-0-
Reed Act	OF 3,578,000	-0-
Tobacco Litigation	OF 5,120,000	5,217,300
All Other Issues	GF 52,900	102,400
	OF (9,293,500)	(2,737,000)
TANF Base Realignment	GF -0-	-0-
	OF -0-	-0-

The JLBC recommends a shift in funding to realign Temporary Assistance for Needy Families (TANF) Block Grant monies to meet federal guidelines for the state's Maintenance of Effort for administrative expenses. The state is allowed to use up to 15% of its TANF grant amount for administrative expenses. The recommended shifts are necessary to meet this guideline. *Table 1* shows these shifts between General Fund (GF) and TANF across cost centers in the agency, for no net change in expenditures.

Table 1**MAINTENANCE OF EFFORT SHIFT**

Cost Center	General Fund	TANF
Administration		
Operating	\$ (1,400,000)	\$ 1,400,000
Benefits & Medical Eligibility		
Operating	\$(10,000,000)	\$ 10,000,000
TANF Cash Benefits	20,228,500	(20,228,500)
Children, Youth & Families		
Operating	\$ (7,828,500)	\$ 7,828,500
Family Builders	<u>(1,000,000)</u>	<u>1,000,000</u>
Total	\$ <u>-0-</u>	\$ <u>-0-</u>

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES*Standard Footnotes*

The above appropriation is in addition to funds granted to the state by the federal government for the same purposes but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to A.R.S. § 42-5029.

A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 25th of the following month. The report shall include an estimate of (1) potential shortfalls in entitlement programs, (2) potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, (3) shortfalls resulting from new leases or renegotiations of current leases and associated costs, and (4) total expenditure authority of the Child Support Enforcement program for the month and year-to-date as compared to prior year totals.

The Department of Economic Security shall report the receipt and intended use of all current and prior year reversions from nonappropriated sources to the Joint Legislative Budget Committee.

New Footnotes

Any Temporary Assistance for Needy Families Block Grant Funds appropriated or transferred to the Family Builders Special Line Item in FY 2001 may be allocated to pay Family Builders Program claims for FY 2000. In addition, the General Fund appropriation to the Family Builders Special Line Item in FY 2000 may be allocated

for use to the Family Builders Program in FY 2001 and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until June 30, 2001. *(The JLBC recommends this new FY 2001 Supplemental footnote to allow for FY 2000 expenditure corrections from GF to already appropriated FY 2001 TANF. The GF will then be available to be shifted to FY 2001 to cover shortfalls within the agency. The monies will be shifted through Executive transfers to cover the identified shortfalls shown in Table 2.)*

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote related to a lump sum reduction in FY 2000 and FY 2001, since the reduction has now been incorporated into the DES budget.

The JLBC also recommends deleting the footnote related to potential reductions in the Federal Fiscal Year (FFY) 2000 TANF Block Grant since that budget year has now ended.

The JLBC recommends deleting the 2 footnotes added to the budget by Laws 2000, Chapter 281, relating to FFY 1999 claims for the Long Term Care program because the claims have been paid and the requirements met by the department.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**FY 2001 Supplemental**

The JLBC recommends a FY 2001 supplemental appropriation of \$2,064,300 GF and \$986,100 OF to address shortfalls in the agency. The recommendation reduces the original GF "Set Aside" amount by \$(4,784,000). During the 2000 Legislative Session, the JLBC projected that the Department of Economic Security (DES) would require a GF supplemental appropriation of \$6,848,300 in FY 2001. This amount has been revised to \$2,064,300. *Table 2* shows the recommended GF supplemental adjustment by cost center.

As noted, most of the GF supplemental funding will come from existing resources through proposed expenditures shifts and corrections of \$8,400,000 between GF and TANF in the Children, Youth and Families cost center. These GF to TANF shifts are for the Family Builders program, the Healthy Families program, and the Children Services program. The JLBC recommendation would continue these GF shifts to TANF for the Family Builders and Healthy Families program in both FY 2002 and FY 2003. *(See the TANF Balances policy issue in the Children, Youth and Families cost center for further information.)*

Table 2

GENERAL FUND SUPPLEMENTAL

Cost Center	Original "Set Aside" Amount	Revised Supp. Rec.
Shortfalls		
Long Term Care		
Case Management	\$ 149,600	\$ 149,600
Home and Community	10,956,400	16,863,300
Developmental Disabilities		
State-Funded Long Term Care Services	<u>639,300</u>	<u>0</u>
Total Shortfalls	\$11,745,300	\$17,012,900
Surpluses		
Benefits and Medical Eligibility		
Shift from GF to TANF	\$ -0-	\$ (4,879,300)
Children, Youth & Families		
Children Services	(3,474,600)	(246,900)
Family Builders	(1,422,400)	(1,422,400)
Family Builders Shifts from GF to TANF and FY 2000 Expenditure Corrections	<u>-0-</u>	<u>(8,400,000)</u>
Total Surpluses	\$ (4,897,000)	\$(14,948,600)
Grand Total	\$ 6,848,300	\$ 2,064,300

The JLBC also recommends a new footnote to allow for expenditure corrections in FY 2000 to free up GF for use in FY 2001. These GF monies will be from expenditure corrections for the Family Builders program by replacing GF with already appropriated TANF. The GF monies will then be transferred to the various cost centers identified in *Table 2* to help cover the FY 2001 shortfalls.

The JLBC further recommends a FY 2001 supplemental appropriation of \$986,100 OF for State-Funded Long Term Care Services. (*For further information, see the Developmental Disabilities; Long Term Care; Benefits and Medical Eligibility; and Children, Youth, and Families cost centers. Also, see the New Footnote section in this narrative.*) The Executive concurs, but recommends different shifts for a GF Supplemental of \$4,138,800.

OTHER INFORMATION**Federal Block Grants**

The JLBC recommendation includes the appropriation of 2 federal block grants that help fund services to welfare recipients and other low-income individuals: the TANF Block Grant and the Child Care and Development Fund (CCDF) Block Grant.

JLBC recommends the appropriation to DES in FY 2002 of \$234,086,700 TANF Block Grant; JLBC also recommends the appropriation to DES in FY 2003 of \$230,419,000 TANF Block Grant. In addition to these recommended appropriations, JLBC recommends appropriations to the Department of Health Services

(DHS), Northern Arizona University, the Government Information Technology Agency, and portions of recommended salary and provider rate increases. *Table 3* indicates the allocation of TANF Block Grant monies in the JLBC recommendation.

Table 3

TANF RECOMMENDED ALLOCATIONS

Division/Agency	FY 2002	FY 2003
Administration	\$ 6,988,600	\$ 6,968,100
Benefits & Medical Eligibility	54,150,500	57,157,600
Aging & Community Services	13,828,200	13,828,300
Children, Youth & Families	72,253,600	56,547,200
Employment & Rehabilitation Services	<u>86,865,800</u>	<u>95,917,800</u>
Total – DES	\$234,086,700	\$230,419,000
Department of Health Services	2,957,000	2,957,100
Northern Arizona University	500,000	500,000
Government Information Technology Agency	2,494,600	984,800
Provider Increase	500,000	1,500,000
Portion of Salary Increase	<u>800,000</u>	<u>2,400,000</u>
Total – Statewide	\$241,338,300	\$238,760,900

The total recommended TANF appropriation exceeds the amount of monies the state is expected to receive in FY 2002 and FY 2003. This “over-appropriation” is exacerbated by a projected loss of the state’s supplemental grant of nearly \$24,000,000 in FFY 2002. Federal law says this supplemental grant for fast-growing states disappears in FFY 2002; without the elimination of the grant, TANF revenues would increase by nearly \$18,000,000 in SFY 2002 and by nearly \$24,000,000 SFY 2003.

The recommended TANF appropriation does not address the \$20,000,000 bonus of TANF Block Grant monies the state received for reducing out-of-wedlock births. The recommended TANF appropriation does, however, use the \$6,346,300 TANF Block Grant “high performance” bonus received in FY 2001 for success in job retention and earnings of welfare clients. Both bonuses are identical to other TANF Block Grant monies and are subject to the same rules and regulations, including legislative appropriation. *Table 4* outlines how the balance of unused TANF Block Grant monies would change under the JLBC recommendation:

Table 4

TANF BALANCES

	FY 2001	FY 2002	FY 2003
Opening Balance	\$ 92,257,400	\$ 88,307,000	\$ 55,962,200
TANF Revenues	244,793,700	208,993,500	203,012,300
TANF Out-of-Wedlock	20,000,000	0	0
Pregnancy Prevention Bonus			
TANF High Performance Bonus	<u>6,346,300</u>	<u>0</u>	<u>0</u>
Total – TANF Revenues	\$363,397,400	\$297,300,500	\$258,974,500
Total TANF Expenditures	<u>275,090,400</u>	<u>241,338,300</u>	<u>238,760,900</u>
Ending Balance	<u>\$ 88,307,000</u>	<u>\$ 55,962,200</u>	<u>\$ 20,213,600</u>
Yearly Surplus/Shortfall	\$ (3,950,400)	\$ (32,344,800)	\$ (35,748,600)

For further details on how TANF Block Grant monies are recommended for appropriation within each cost center, please see *Table 6* on the following page.

JLBC recommends the appropriation to DES in FY 2002 of \$82,611,500 CCDF Block Grant; JLBC also recommends the appropriation to DES in FY 2003 of \$93,962,400 CCDF Block Grant. In addition to these amounts, the JLBC recommends appropriating \$394,700 in both FY 2002 and FY 2003 in the DHS budget.

Division	FY 2002	FY 2003
Administration	\$ 1,040,200	\$ 1,039,400
Employment & Rehabilitation Services	<u>81,571,300</u>	<u>92,923,000</u>
Total – DES	\$82,611,500	\$93,962,400
DHS: Assurance and Licensure	394,700	394,700
Unallocated Matching grant	<u>3,934,300</u>	<u>9,638,200</u>
Total – Statewide	<u>\$86,940,500</u>	<u>\$103,995,300</u>

Based on DES estimates of future CCDF Block Grant appropriations, these recommendations leave an excess of \$3,934,300 of matching CCDF Block Grant monies available in FY 2002 and an excess of \$9,638,200 matching CCDF available in FY 2003. Additional appropriations of \$2,101,700 GF in FY 2002 and \$5,194,400 GF in FY 2003 would be required as state match for the unallocated monies. *Table 5* indicates how CCDF Block Grant monies are allocated in the JLBC recommendation:

Arizona Works

Laws 1997, Chapter 300 and Laws 1998, Chapter 211 created the Arizona Works pilot welfare program. Starting April 1, 1999, this program replaced the EMPOWER Redesign program, which provided cash benefits and services to eligible recipients of TANF assistance in the department's District I-E, centered around eastern Maricopa County. The JLBC recommendation for FY 2002 and FY 2003 includes monies to continue implementation of this program.

On January 1, 2001, MAXIMUS, the vendor operating the Arizona Works program in District I-E, is scheduled to begin operation of the second Arizona Works pilot welfare program in Mohave County. Because of the relatively small size of the Mohave County pilot area, the JLBC recommendation for FY 2002 and FY 2003 has not included any adjustments related to potential caseload changes in the Mohave County pilot area. *(Please see the Benefits and Medical Eligibility and the Employment and Rehabilitation Services cost centers for further details on monies appropriated for the Arizona Works program.)*

Table 6

Recommended TANF Block Grant Spending

Cost Center/Special Line Item	OSPB Rec. FY 2002	JLBC Rec. FY 2002	OSPB Rec. FY 2003	JLBC Rec. FY 2003
Administration				
Operating	\$5,815,500	\$5,758,600	\$5,907,400	\$5,738,000
Finger Imaging	286,800	286,600	286,700	286,700
Lease-Purchase Equipment	645,100	645,100	645,100	645,000
Public Assistance Collections	167,100	167,000	167,100	167,100
Attorney General Legal Services	132,800	131,300	132,900	131,300
DHS Pregnancy and Perinatal Prevention Programs	700,000	0	700,000	0
Total – Administration	\$7,747,300	\$6,988,600	\$7,839,200	\$6,968,100
Benefits and Medical Eligibility				
Operating	\$10,172,400	\$9,815,300	\$10,208,100	\$9,841,800
TANF Cash Benefits	47,378,500	40,575,200	47,378,500	43,942,100
FLSA Supplement	1,480,400	1,267,200	1,480,400	1,305,200
Tribal Welfare Reform	1,000,000	1,000,000	1,000,000	1,000,000
Arizona Works Administrative Incentives	1,021,500	1,292,800	1,021,500	868,500
Food Stamp Outreach and Education	200,000	200,000	200,000	200,000
Total – Benefits and Medical Eligibility	\$61,252,800	\$54,150,500	\$61,288,500	\$57,157,600
Aging and Community Services				
Operating	\$233,200	\$233,100	\$233,300	\$233,200
Community and Emergency Services	5,996,000	5,996,000	5,996,000	5,996,000
Coordinated Homeless Programs	1,583,200	1,583,200	1,583,200	1,583,200
Domestic Violence Prevention	4,865,900	4,865,900	4,865,900	4,865,900
Marriage and Communication Skills Program	0	1,150,000	0	1,150,000
Total – Aging and Community Services	\$12,678,300	\$13,828,200	\$12,678,400	\$13,828,300
Children, Youth and Families				
Operating	\$14,855,800	\$16,223,300	\$13,334,500	\$13,331,700
Children Services	10,174,300	8,374,300	10,174,300	10,174,300
Healthy Families	5,000,000	4,750,000	5,000,000	4,750,000
Family Builders	6,200,000	6,200,000	6,200,000	6,200,000
Attorney General Legal Services	50,300	46,900	50,300	46,900
TANF-SSBG Deposit	25,595,500	32,066,500	15,099,000	10,785,000
TANF Deposit to Joint Substance Abuse Treatment Fund	3,333,300	3,333,300	10,000,000	10,000,000
Homeless Youth Intervention	400,000	400,000	400,000	400,000
Permanent Guardianship Subsidy	859,300	859,300	859,300	859,300
Total – Children, Youth and Families	\$66,468,500	\$72,253,600	\$61,117,400	\$56,547,200
Employment and Rehabilitation Services				
Operating	\$2,611,600	\$5,969,500	\$2,619,100	\$5,975,100
JOBS	15,629,900	10,072,200	16,629,900	10,901,600
Work-Related Transportation	5,302,200	3,302,200	5,302,200	3,302,200
Wheels to Work Program	0	2,000,000	0	2,000,000
Tax Credit Promotion	0	400,000	0	400,000
Employment Retention and Job Skills	0	1,000,000	0	1,000,000
Young Father Mentoring	0	1,000,000	0	1,000,000
Parenting Skills Classes	250,000	250,000	250,000	250,000
Post-Employment Training	0	1,938,900	0	1,938,900
Domestic Violence Victims Job Training	250,000	250,000	250,000	250,000
Rural Technical Business Assistance	0	200,000	0	200,000
TANF Employment Transition Program	0	9,000,000	0	9,000,000
Day Care Subsidy	33,938,100	22,599,300	45,562,400	30,816,300
Transitional Child Care	22,251,000	28,383,700	22,005,400	28,383,700
Enhanced Quality Reimbursement	0	500,000	0	500,000
Total – Employment and Rehabilitation Services	\$80,232,800	\$86,865,800	\$92,619,000	\$95,917,800
TOTAL – DEPARTMENT OF ECONOMIC SECURITY	\$228,379,700	\$234,086,700	\$235,542,500	\$230,419,000
Department of Health Services	\$2,952,000	\$2,957,000	\$2,952,000	\$2,957,100
Northern Arizona University	\$500,000	\$500,000	\$500,000	\$500,000
Government Information Technology Agency	\$232,700	\$2,494,600	\$289,000	\$984,800
Provider Increase	\$0	\$800,000	\$0	\$2,400,000
Portion of Salary Increase	\$0	\$500,000	\$0	\$1,500,000
TOTAL TANF BLOCK GRANT RECOMMENDATION	\$232,064,400	\$241,338,300	\$239,283,500	\$238,760,900

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Capital Investment (DEA2093/A.R.S. § 4-116)				Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.				
Purpose of Fund: To be used by the Department of Mental Retardation (now DES, pursuant to A.R.S. § 35-551) for buildings, equipment, and other capital investments.				
Funds Expended	121,300	40,000	40,000	40,000
Year-End Fund Balance	140,500	140,500	140,500	140,500
Child Abuse Prevention (DEA2162/A.R.S. § 8-550.01)				Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through a check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.				
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.				
Funds Expended	437,700	1,061,400	1,062,000	1,062,000
Year-End Fund Balance	1,398,100	1,148,600	898,600	898,600
Child Passenger Restraint (DEA2192/A.R.S. § 28-907)				Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in motor vehicles children under the age of 4 or weighing less than 40 pounds.				
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons.				
Funds Expended	192,500	292,800	214,500	218,800
Year-End Fund Balance	105,500	17,700	18,200	19,400
Child Protective Services Expedited Substance Abuse Treatment (DEA2421/A.R.S. § 8-812)				Non-Appropriated
Source of Revenue: An annual appropriation from the state General Fund.				
Purpose of Fund: To provide expedited drug treatment to guardians and parents when a dependency case plan calls for treatment.				
Funds Expended from the General Fund	224,500	224,500	224,500	224,500
Other Funds Expended	133,400	55,500	0	0
Year-End Fund Balance	55,500	0	0	0
Child Support Enforcement Administration (DEA2091/A.R.S. § 46-406)				Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.				
Purpose of Fund: To fund the statewide Child Support Enforcement program.				
Funds Expended	8,887,400	9,313,500	11,185,900	11,403,600
Year-End Fund Balance	329,300	329,300	0	0
Children and Family Services Training Program (DEA2173/A.R.S. § 8-503.01)				Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of Child Protective Services (CPS) files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.				
Purpose of Fund: To administer training for child protective service workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of CPS files may be used only for reimbursing the department for its cost.				
Funds Expended	69,700	156,000	209,600	209,600
Year-End Fund Balance	485,900	509,900	480,300	450,700

	FY 2000	FY 2001	FY 2002	FY 2003
Community-Based Marriage and Communication Skills Program (DEA2434/A.R.S. § 46-362)				Non-Appropriated
Source of Revenue: Legislative appropriations from the Federal Temporary Assistance for Needy Families Block Grant.				
Purpose of Fund: To distribute to community-based organizations whose plans for marriage and communication skills programs are recommended by the Marriage and Parenting Skills Commission. An amount of not more than 5% can be used for administrative costs.				
Funds Expended	0	1,150,000	1,150,000	1,150,000
Year-End Fund Balance	0	0	0	0
DES Client Trust (DEA3152/A.R.S. § 41-1954)				Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.				
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.				
Funds Expended	1,968,400	2,129,100	2,157,400	2,186,300
Year-End Fund Balance	447,600	447,600	447,600	447,600
Developmentally Disabled Client Services Trust (DEA2019/A.R.S. § 36-572)				Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P). ATP-P land was sold in September 1998 for \$4,250,000. The fund may only spend interest earned on the proceeds.				
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.				
Funds Expended	269,000	260,000	260,000	260,000
Year-End Fund Balance	4,742,900	4,742,900	4,742,900	4,742,900
Domestic Violence Shelter (DEA2160/A.R.S. § 36-3002)				Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.				
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.				
Funds Expended	1,508,600	1,700,000	1,700,000	1,700,000
Year-End Fund Balance	1,043,800	1,043,800	1,043,800	1,043,800
Economic Security Donations (DEA3145/A.R.S. § 36-571, 41-1954)				Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.				
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.				
Funds Expended	260,000	200,000	200,000	200,000
Year-End Fund Balance	286,800	207,100	127,400	47,700
Federal Child Care and Development Block Grant (DEA2008/U.S. P.L. 104-193)				Appropriated
Source of Revenue: Federal formula grant.				
Purpose of Fund: To be used for developing child care programs and policies that promote parental choice; providing consumer education to help parents make informed choices on child care; providing child care to welfare recipient parents; and implementing health, safety, licensing, and registration standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of childcare. No monies can be used for purchasing land or building facilities to provide childcare.				
Funds Expended	58,001,900	58,582,700	82,611,500	93,962,400
Year-End Fund Balance	0	0	0	0
Federal Grants (DEA2000/A.R.S. § 41-101.01)				Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Welfare to Work Block Grants.				
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp benefits and administration, Job Training Partnership Act grants, and the Social Services Block Grant.				
Funds Expended	260,197,500	265,042,100	294,765,100	296,698,200
Year-End Fund Balance	296,087,400	294,042,400	299,869,400	310,696,400

	FY 2000	FY 2001	FY 2002	FY 2003
Federal Reed Act Grant (DEA9501/A.R.S. § 23-701)				Appropriated
Source of Revenue: Administrative unemployment security insurance monies redistributed back to the states by the federal Department of Labor.				
Purpose of Fund: To enhance states' employment security programs by providing one-time monies for equipment and short-term operating expenditures to improve customer service delivery for Arizona's unemployment insurance program.				
Funds Expended	0	343,800	3,578,000	0
Year-End Fund Balance	0	0	0	0
Federal Temporary Assistance for Needy Families Block Grant (DEA2007/A.R.S. § U.S. P.L. 104-193)				Appropriated
Source of Revenue: Federal formula grant				
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Excluding certain computer and technology expenses, up to 15% may be expended on administrative costs.				
Funds Expended	209,647,200	272,374,500	234,086,700	230,419,000
Year-End Fund Balance	92,257,400	88,307,000	55,962,200	20,213,600
Homeless Trust (DEA3026/A.R.S. § 41-2021)				Non-Appropriated
Source of Revenue: Unclaimed or void warrants, up to \$1,000,000, served as the initial source of financing. The current sources of revenue are donations and investment earnings.				
Purpose of Fund: To provide funds for homeless shelter and supportive services. Yearly expenditures are limited to interest earned. Expenditures from this fund require a match of 25% by grantees.				
Funds Expended	45,600	50,500	52,500	52,500
Year-End Fund Balance	843,700	843,700	843,700	843,700
Arizona Industries for the Blind (DEA4003/A.R.S. § 41-1975)				Non-Appropriated
Source of Revenue: Proceeds from sales of products of Arizona Industries for the Blind, as well as interest earned on the fund balance.				
Purpose of Fund: To provide funds for the wages and salaries of production workers, inspectors, and other employees necessary for the operation of the training centers, workshops, or home industries; supplies, equipment or other incidental costs.				
Funds Expended	12,823,100	14,400,000	14,500,000	15,000,000
Year-End Fund Balance	2,411,900	2,411,900	2,411,900	2,411,900
Joint Substance Abuse Treatment (DEA2429/A.R.S. § 8-881)				Non-Appropriated
Source of Revenue: Legislative appropriations from the Federal Temporary Assistance for Needy Families Block Grant.				
Purpose of Fund: To be jointly administered by DES and the Department of Health Services for services to families and Federal Temporary Assistance for Needy Families recipients involved with Child Protective Services and whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. An amount of not more than 5% can be used for program development costs. Up to 10% can be used for evaluating community programs delivering the services.				
Funds Expended	0	10,000,000	3,333,300	10,000,000
Year-End Fund Balance	0	0	0	0
Long Term Care System (Federal Matched) (DEA2225/A.R.S. § 36-2953)				Non-Appropriated
Source of Revenue: Federal Title XIX monies.				
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care System.				
Funds Expended	193,790,200	239,559,500	274,274,300	315,180,700
Year-End Fund Balance	23,413,400	21,239,100	19,491,200	17,743,300
Long Term Care System (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)				Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.				
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.				
Funds Expended	9,791,600	12,964,300	14,491,600	15,362,800
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Mesa Land (DEA3151/Laws 1976, Ch. 140)

Non-Appropriated

Source of Revenue: Proceeds from the sale of donated land located in Mesa. Interest proceeds are transferred to the appropriated Long Term Care System Fund.

Purpose of Fund: To be used for the establishment and operation of community-based, state-operated, residential group homes and/or habilitation and training facilities. The funds may not be used for the Arizona Training Centers in Coolidge.

Funds Expended	300,300	290,000	295,000	300,000
Year-End Fund Balance	4,977,600	4,977,600	4,977,600	4,977,600

Miscellaneous Other Grants (DEA2005/A.R.S. § 41-1954)

Non-Appropriated

Source of Revenue: Miscellaneous grants from other state agencies, local governments, and clients.

Purpose of Fund: To pay for portions of associated programs such as vocational rehabilitation, foster grandparent programs, and some foster care services.

Funds Expended	66,999,500	58,400,800	58,504,300	59,765,300
Year-End Fund Balance	9,106,000	4,342,300	9,548,600	1,302,600

Neighbors Helping Neighbors (DEA2348/A.R.S. § 46-741)

Non-Appropriated

Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.

Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.

Funds Expended	76,400	51,000	52,200	44,000
Year-End Fund Balance	29,200	14,200	2,000	0

Public Assistance Collections (DEA2217/A.R.S. § 46-295)

Appropriated

Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.

Purpose of Fund: To improve public assistance collection activities.

Funds Expended	224,500	289,200	295,400	295,700
Year-End Fund Balance	1,019,300	1,125,100	1,232,500	1,344,900

Special Administration (DEA2066/A.R.S. § 23-705)

Appropriated

Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.

Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.

Funds Expended	1,023,400	1,601,100	3,105,500	1,605,600
Year-End Fund Balance	1,668,400	1,668,400	165,300	162,200

Special Olympics Tax Refund (DEA3207/A.R.S. § 41-173)

Non-Appropriated

Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.

Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.

Funds Expended	76,300	123,900	136,300	149,900
Year-End Fund Balance	36,300	36,300	36,300	36,300

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Spinal and Head Injuries Trust (DEA2335/A.R.S. § 41-3203)

Appropriated

Source of Revenue: Revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations. The fund also receives 22% of monies deposited in the Medical Services Enhancement Fund.

Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.

Funds Expended	1,132,200	1,678,000	2,256,100	2,447,400
Year-End Fund Balance	3,717,200	3,717,200	3,717,200	3,753,800

Tobacco Litigation Settlement (No Fund Number/A.R.S. § 36-2901.02)

Statutory Distribution

Source of Revenue: Revenues consist of monies Arizona receives as a result of the Tobacco Litigation Master Settlement and any interest earned on those monies. The monies are allocated in accordance to Proposition 204, which created this fund and received approval from voters in the 2000 election.

Purpose of Fund: To fund the Healthy Families program, which is 1 of 6 programs enacted by Proposition 203 in 1996 for funding from tobacco settlement monies.

Funds Expended from Statutory Requirement	0	0	5,120,000	5,217,300
Year-End Fund Balance	0	0	0	0

Tobacco Tax and Health Care (DEA1306/A.R.S. § 36-2921)

Non-Appropriate d

Source of Revenue: Pending available resources, an annual transfer of \$500,000 from the Medically Needy Account of Tobacco Tax money administered by the Arizona Health Care Cost Containment System.

Purpose of Fund: To provide a variety of services to low-income elderly persons. The services outlined in statute (A.R.S. § 46-192) are for meeting social, physical, and mental health needs, including transportation, nutrition, non-medical home and community based care, and placement in care facilities.

Funds Expended	476,800	643,200	500,000	500,000
Year-End Fund Balance	143,200	0	0	0

Unemployment Insurance Benefits (TRA9005/A.R.S. § 23-701)

Non-Appropriated

Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.

Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act.

Funds Expended	179,720,600	184,500,000	188,190,000	191,953,800
Year-End Fund Balance	993,052,700	1,068,552,700	1,140,362,700	1,208,408,900

Utility Assistance (DEA3092/A.R.S. § 46-731)

Non-Appropriated

Source of Revenue: Unclaimed or abandoned utility deposits as defined under A.R.S. § 46-731B.

Purpose of Fund: To provide utility repair and deposit assistance to eligible recipients. Financial assistance to an individual shall not exceed \$900 per fiscal year. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated community action or other agency providing energy assistance for administrative costs.

Funds Expended	655,300	650,000	650,000	650,000
Year-End Fund Balance	1,078,700	1,078,700	1,078,700	1,078,700

Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)

Appropriated

Source of Revenue: Federal formula grant.

Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.

Funds Expended	0	47,875,000	47,875,000	47,884,300
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Department of Economic Security

Administration

JLBC: Pat Mah
OSP: Matt Gottheiner

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	313.0	313.2	343.9	316.9	343.9	316.9
Personal Services	11,844,300	11,697,300	12,919,900	12,026,200	12,919,900	12,026,200
Employee Related Expenditures	2,394,800	2,385,300	2,677,200	2,458,400	2,684,700	2,467,100
All Other Operating Expenditures:						
Professional and Outside Services	450,500	994,300	1,018,500	1,018,500	1,018,500	1,018,500
Travel - In State	207,600	230,600	266,500	230,600	266,500	230,600
Travel - Out of State	44,300	40,100	40,100	40,100	40,100	40,100
Other Operating Expenditures	15,704,100	19,400,400	21,409,500	20,850,200	21,824,900	20,878,600
Equipment	3,171,800	2,153,100	2,153,100	2,153,100	2,153,100	2,153,100
OPERATING SUBTOTAL	33,817,400	36,901,100	40,484,800	38,777,100	40,907,700	38,814,200
SPECIAL LINE ITEMS						
Finger Imaging	656,800	858,500	857,500	857,200	857,400	857,300
EBT Welfare Reform	244,000	0	0	0	0	0
Lease-Purchase Equipment	3,358,600	2,732,900	2,500,200	2,500,200	2,392,200	2,392,100
Public Assistance Collections	311,800	375,600	382,800	382,500	382,700	382,800
Attorney General Legal Services	640,800	560,500	526,900	568,700	527,100	569,000
High Performance Bonus	0	2,707,700	0	0	0	0
DHS Pregnancy Prevention and Perinatal Programs	0	700,000	700,000	0	700,000	0
PROGRAM TOTAL	39,029,400	44,836,300	45,452,200	43,085,700	45,767,100	43,015,400

FUNDS SOURCES						
General Fund	30,024,800	34,224,100	35,847,800	34,241,000	36,071,400	34,191,600
Federal Temporary Assistance for Needy Families Block Grant	7,637,800	8,775,900	7,747,300	6,988,600	7,839,200	6,968,100
Federal Child Care and Development Fund Block Grant	1,020,400	1,031,000	1,041,400	1,040,200	1,040,800	1,039,400
Special Administration Fund	121,900	516,100	520,000	520,500	520,100	520,600
Public Assistance Collections Fund	224,500	289,200	295,700	295,400	295,600	295,700
SUBTOTAL - Other Appropriated Funds	9,004,600	10,612,200	9,604,400	8,844,700	9,695,700	8,823,800
SUBTOTAL - Appropriated Funds	39,029,400	44,836,300	45,452,200	43,085,700	45,767,100	43,015,400
Other Non-Appropriated Funds	22,136,100	21,531,800	21,531,800	21,531,800	21,531,800	21,531,800
Federal Funds	45,255,300	49,298,500	49,298,500	49,298,500	49,298,500	49,298,500
TOTAL - ALL SOURCES	106,420,800	115,666,600	116,282,500	113,916,000	116,597,400	113,845,700

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	16,900	0.0%	(32,500)	-0.1%	(15,600)
Other Appropriated Funds	(1,767,500)	-16.7%	(1,788,400)	-16.8%	(3,554,300)
Total Appropriated Funds	(1,750,600)	-3.9%	(1,820,900)	-4.1%	(3,569,900)

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

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• Customer satisfaction ratings based on annual survey (Scale 1-5)				
Office of Personnel Management	NA	NA	Baseline	3
Office of Management Development	NA	NA	Baseline	3
Office of Appellate Services Administration	NA	NA	Baseline	3
Office of Technology Services	NA	NA	Baseline	3
Number of districts where Strategic Planning Model was implemented for Early Intervention Program	NA	NA	1	3/6
• % IT service help calls requests resolved in 1 day	NA	NA	85	90/95
• Cost per dollar to recover overpayments	.10/.10	.10/.09	.10	.10
• % of agency staff turnover	12.2/18.0	12.2/16.6	15.6	15.6
• Administration as a % of total cost	NA	6.3/NA	6.0	5.1

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$ 181,300	\$ 181,300
	OF 36,100	36,100
ERE Rates	GF 12,700	20,400
	OF 9,100	10,800
Risk Management	GF 604,000	546,900
	OF 182,000	164,800
Rent	GF (49,100)	(49,600)
	OF (14,500)	(19,800)
Transfer-Occupancy	GF 260,400	260,400
	OF 27,500	27,500

Eliminate "High Performance"

Bonus OF (2,707,700) (2,707,700)

The JLBC recommends eliminating \$(2,707,700) from the Temporary Assistance for Needy Families (TANF) Block Grant beginning in FY 2002. These monies are one-time "High Performance" bonus funds for the state's successes in moving people from welfare to work during FY 1998. These monies were appropriated in Laws 2000, Chapter 393 for FY 2001 to provide employee performance incentive bonuses and to upgrade and replace computer network infrastructure equipment.

The monies are displayed in a High Performance Bonus Special Line Item that is recommended to be abolished after these one-time monies are expended in FY 2001. The Executive concurs.

Appropriation - Shift OF (700,000) (700,000)

The JLBC recommends shifting 2 TANF appropriations from the DES budget to the Department of Health Services (DHS) budget beginning in FY 2002. A total of \$700,000 in TANF dollars was appropriated for FY 2001 by Laws 2000, Chapter 393 for programs administered by DHS. Laws 2000, Chapter 393 appropriated \$500,000 to supplement already authorized TANF monies for teen pregnancy prevention advertising by DHS. In addition, the legislation appropriated \$200,000 TANF to be used by

DHS to supplement other funds available for non-medical perinatal substance abuse treatment and services.

The JLBC recommends that the \$700,000 displayed in the DHS Pregnancy Prevention and Perinatal Programs Special Line Item be directly appropriated to DHS and the Special Line Item be abolished after FY 2001. As a result, the DES budget reflects a \$(700,000) reduction beginning in FY 2002 from FY 2001. The DHS budget has a corresponding increase for no net change in expenditures for these programs. The Executive does not address this issue.

**TANF Base Realignment GF (1,400,000) (1,400,000)
OF 1,400,000 1,400,000**

The JLBC recommends a shift in funding in both FY 2002 and FY 2003 to realign TANF dollars to meet federal guidelines for the state's Maintenance of Effort for administrative expenses. The recommendation deletes \$(1,400,000) from the General Fund (GF) and replaces it with TANF Block Grant dollars for no net change in expenditures. (For further details, see the *Division of Benefits and Medical Eligibility cost center and the Agency Summary narrative.*) The Executive concurs.

ATLAS FTE Transfer GF 213,200 213,200

The JLBC recommends a total biennial increase of \$426,400 GF associated with transferring information technology (IT) personnel working on the division's Arizona Tracking and Location Automated System (ATLAS) to the Division of Administration. This amount includes an increase of \$213,200 GF and 3.7 FTE Positions in both FY 2002 and FY 2003 above FY 2001.

The department has requested this transfer because these types of IT personnel are generally concentrated in the Administration budget. In addition, another \$627,000 and 7.3 FTE are included in the transfer; however, those FTE Positions are funded from Non-Appropriated Funds. The total biennial transfer from all funding sources includes \$840,200 and 11 FTE Positions in both FY 2002 and FY 2003 above FY 2001. A corresponding reduction to this increase is reflected in the Child Support Enforcement cost center for no net change across the agency. The

Executive concurs. (See the ATLAS FTE Transfer in the Child Support Enforcement cost center for additional information.)

Rent -- Private Lease	GF	325,600	434,100
	OF	101,500	101,500

The JLBC recommends a total biennial GF increase of \$759,700 and TANF increase of \$203,000 for the costs of private leased office space that have increased in recent years throughout the state. These amounts include a FY 2002 increase \$427,100 above FY 2001, consisting of a GF increase of \$325,600 and a TANF increase of \$101,500. These amounts also include a FY 2003 increase of \$535,600 above FY 2001, consisting of a GF increase of \$434,100 and a TANF increase of \$101,500. The Executive concurs but recommends funding at \$827,900 in FY 2002 and \$1,317,600 in FY 2003. The GF difference is \$355,600 in FY 2002 and \$628,300 in FY 2003. The TANF difference is \$45,200 in FY 2002 and \$153,700 in FY 2003. The JLBC recommends that these differences be funded from existing resources within the department, including monies that are reallocated to this cost center whenever new employees are added to the department. For example, in the Standard Changes shown at the beginning of this analysis, \$260,400 GF and \$27,500 OF in both FY 2002 and FY 2003, are being reallocated to this cost center for new employees added during the last biennium.

Lease-Purchase	GF	(131,200)	(239,200)
	OF	(101,500)	(101,600)

The JLBC recommends a total biennial GF reduction of \$(370,400) and TANF reduction of \$(203,100) for computer equipment in the Lease-Purchase Equipment Special Line Item. These amounts include a FY 2002 reduction \$(232,700) below FY 2001, consisting of a GF reduction of \$(131,200) and a TANF reduction of \$(101,500). These amounts also include a FY 2003 reduction \$(340,800) below FY 2001, consisting of a GF reduction of \$(239,200) and a TANF reduction of \$(101,600). The department will make final payments in FY 2001 and FY 2002 on 3 lease-purchase agreements for computer equipment. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the

[Click here to return to Table of Contents](#)

State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund.

New Footnotes

In accordance with A.R.S. § 38-654, the Department of Economic Security shall transfer to the Department of Administration for deposit into the Special Employee Health Insurance Trust Fund any unexpended state General Fund monies at the end of each fiscal year appropriated for employer health insurance contributions. (See the *Health Insurance Sweep policy issue in the Other Issues for Legislative Consideration* section of this analysis.)

Deletion of Prior Year Footnotes

The JLBC recommends deleting the one-time footnote concerning the manner in which federal reductions were implemented for non-appropriated Social Services Block Grant monies. These reductions were for FY 2000 and FY 2001.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a GF transfer of \$1,177,200 and 27 FTE Positions from the Children, Youth and Families and the Developmental Disabilities cost centers to this cost center to consolidate licensing functions within the agency. The JLBC does not recommend this issue. The need and benefits of consolidating licensing functions in this cost center should be evaluated as part of the move to program budgeting, which this agency is scheduled for in the next biennium.

Health Insurance Sweep

The Arizona Department of Administration (ADOA) “sweeps” at the beginning of each fiscal year state GF appropriations for state agencies intended to cover employer health insurance costs pursuant to A.R.S. § 38-654. Even though DES has paid the costs through this sweep process, they pay it again through charges collected for bi-weekly employee payroll. This is because DES uses a clearing fund to pay all expenses, which is a combination of GF and OF dollars. As a result, DES has had to provide ADOA several inch-thick documents quarterly to recoup the GF monies. ADOA has agreed to exempt DES from the sweep process to eliminate this double collection process. A.R.S. § 38-654 already gives ADOA the flexibility needed to implement this change. However, to ensure that ADOA continues to receive the full GF appropriation intended for these expenditures, JLBC recommends a new footnote to clarify that any unexpended portion of the agency’s GF appropriation at the end of the fiscal year must be transferred to ADOA. (For further details, see the *New Footnotes* section in this cost center narrative.) The Executive does not address this issue.

Department of Economic Security
Developmental Disabilities

JLBC: Stefan Shepherd
 OSPB: Aimee Basye

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	339.0	339.0	360.0	375.3	360.0	377.4
Personal Services	2,998,500	2,756,700	2,400,700	2,885,500	2,400,700	2,967,300
Employee Related Expenditures	658,100	637,000	572,100	680,800	572,000	700,100
All Other Operating Expenditures:						
Professional and Outside Services	390,900	118,700	618,700	1,496,600	618,700	2,126,400
Travel - In State	114,700	96,600	78,000	98,400	78,000	100,200
Other Operating Expenditures	363,100	320,200	446,500	479,600	446,500	552,000
Equipment	44,800	0	508,000	1,049,200	0	343,900
OPERATING SUBTOTAL	4,570,100	3,929,200	4,624,000	6,690,100	4,115,900	6,789,900
SPECIAL LINE ITEMS						
Case Management	3,566,600	1,948,600	2,998,400	2,996,300	2,998,400	2,997,800
Home and Community Based Services	20,310,200	29,979,900	28,306,800	28,506,200	28,306,800	28,507,100
Institutional Services	125,500	294,900	294,900	294,900	294,900	294,900
Arizona Training Program at Coolidge	4,986,500	5,164,900	5,465,400	5,462,700	5,465,600	5,465,300
State-Funded Long Term Care Services	14,943,400	16,423,300	17,836,300	17,950,600	18,632,800	18,821,800
PROGRAM TOTAL	48,502,300	57,740,800	59,525,800	61,900,800	59,814,400	62,876,800

FUND SOURCES

General Fund	38,710,700	44,776,500	45,148,500	47,409,200	44,640,600	47,514,000
Long Term Care System Fund	9,791,600	12,964,300	14,377,300	14,491,600	15,173,800	15,362,800
SUBTOTAL - Other Appropriated Funds	9,791,600	12,964,300	14,377,300	14,491,600	15,173,800	15,362,800
SUBTOTAL - Appropriated Funds	48,502,300	57,740,800	59,525,800	61,900,800	59,814,400	62,876,800
Other Non-Appropriated Funds	3,799,700	2,285,900	947,000	947,000	947,000	947,000
Federal Funds	1,488,900	2,345,700	2,345,700	2,345,700	2,345,700	2,345,700
TOTAL - ALL SOURCES	53,790,900	62,372,400	62,818,500	65,193,500	63,107,100	66,169,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	2,632,700	5.9%	2,737,500	6.1%	5,370,200
Other Appropriated Funds	1,527,300	11.8%	2,398,500	18.5%	3,925,800
Total Appropriated Funds	4,160,000	7.2%	5,136,000	8.9%	9,296,000

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of consumer satisfaction with case management services	85/85	NA/97	95	95
• % of consumers (people who live at home) who are satisfied with services and support (biennial survey)	NA	NA/65	NA	75/NA
• Total clients including state-only and LTC	17,205/16,995	18,226/17,837	19,455	20,215/21,435
• Cost per member year - ATP-Coolidge (in thousands)	\$87.8/\$91.7	\$89.6/NA	\$90.9	\$93.4/\$93.7
• Total ATP-Coolidge placements	175/179	175/171	175	175

Comments

- The second consumer satisfaction measure is conducted every other year.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$329,900	\$329,900
	OF	900	900
ERE Rates	GF	72,700	80,100
	OF	900	900

Non-Reimbursable

Services **OF 1,525,500 2,396,700**

The JLBC recommends a total biennial Long Term Care System Fund (LTCSF) increase of \$3,922,200 for increases in state-funded services provided to LTC clients. This amount includes a FY 2002 increase of \$1,525,500 above FY 2001 and a FY 2003 increase of \$2,396,700 above FY 2001.

During the 2000 Legislative Session, the JLBC projected that DES would require a supplemental appropriation of \$639,300 GF and \$346,800 Other Appropriated Funds (OF) in FY 2001. The JLBC believes LTCSF revenues will increase enough to meet expenditure projections and now recommends a FY 2001 supplemental of \$986,100 OF. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

These services (e.g., room and board) must be provided to LTC clients but are not eligible for federal cost-sharing like the rest of the LTC program. As the LTC caseload has increased, so have services provided in this line item. The LTCSF received its revenues from a variety of sources including Client Billing Revenue, the Foster Care Client Trust Fund, and Third Party Liability.

The Executive essentially concurs, but recommends a total OF increase of \$3,618,900, including a FY 2002 increase of \$1,411,200 above FY 2001 and a FY 2003 increase of \$2,207,700 above FY 2001.

Automation Project **GF 1,876,100 2,002,100**

The JLBC recommends a total biennial GF increase of \$3,878,200 associated with the development of an

automation project for the Division of Developmental Disabilities (DDD). This amount includes a FY 2002 increase of \$1,876,100 GF and 2.3 FTE Positions above FY 2001 and a FY 2003 increase of \$2,002,100 GF and 4.4 FTE Positions above FY 2001. These monies would match the \$4,695,000 Total Funds (TF) in FY 2002 and \$5,010,600 TF in FY 2003 recommended for automation in the LTC cost center.

The automation project would replace the antiquated ASSISTS computer system and other information systems with an integrated case management, payment and management information system. The new system should be better able to provide financial and demographic information. The department submitted the required Project and Investment Justification proposal to the Government and Information Technology Agency on December 4. This project will require Information Technology Authorization Committee approval.

The recommended FY2002 increase includes \$326,300 and 2.3 FTE Positions to help manage and implement the system, including \$59,200 of one-time equipment costs. The FY 2002 increase also includes \$913,800 for Professional and Outside Services costs (e.g., software development), and \$636,000 for one-time equipment costs related to the new system. Total FY 2002 costs are estimated at \$6,571,100 for the entire division. The recommended FY 2003 increase includes \$458,500 and 4.4 FTE Positions to help manage and implement the system, including \$18,500 of one-time equipment costs. The FY2003 increase also includes \$1,543,600 for Professional and Outside Services (e.g., software and hardware licensing fees). Total FY 2003 costs are estimated at \$7,012,400. *(For further details on this project, please see the "Automation Project" discussion in the Long Term Care narrative.)*

The JLBC also recommends a footnote requiring the department to report on the system's coordination with other programs within the department. *(For further details on this footnote, please see the "New Footnotes" section in the Long Term Care narrative.)*

The Executive does not recommend funding for this issue.

Infrastructure

Improvements GF 354,000 325,400

The JLBC recommends a total biennial GF increase of \$679,400 for one-time equipment. This amount includes a FY 2002 increase of \$354,000 above FY 2001 and a FY 2003 increase of \$325,400 above FY 2001. The division has many pieces of aging equipment, including vehicles, furniture, and phone systems. The FY 2002 recommended one-time funding would replace phone systems at a cost of \$121,100 and furniture and copiers at a cost of \$232,900 (including \$32,200 for state-operated group homes.) The FY 2003 recommended one-time funding would fund replacement vehicles at a cost of \$325,400.

These monies would match the biennial increase of \$1,700,300 TF for infrastructure improvements in the LTC cost center. *(For further details on these improvements, please see the "Infrastructure Improvements" discussion in the Long Term Care narrative.)*

The Executive concurs, but recommends the \$679,400 GF entirely in FY 2002. The Executive also recommends retaining \$171,400 of the funding in FY 2003, for a total biennial increase of \$850,800.

Annualization of "Aging

Out" Services GF -0- -0-

The JLBC recommends not annualizing services to clients "aging out" of school into department programs, resulting in no increase or decrease to the FY 2001 level. Monies for 6 months of these services are included in the FY 2001 budget. The department did not request these annualization monies, estimated at \$171,700 GF. The Executive concurs.

Targeted Case Management

Realignment GF -0- -0-

The JLBC recommends a transfer of \$1,683,900 GF from the Home and Community Based Services (HCBS) Special Line Item to the operating budget and Case Management and ATP-Coolidge Special Line Items starting in FY 2002. The JLBC recommends this transfer because federal revenues generated for Targeted Case Management have been less than expected since the program was implemented in FY 1998, requiring the department to find additional General Fund monies within its budget to fund case management services in this cost center. The transfer also involves the conversion of 34 FTE Positions from non-appropriated to appropriated status.

The Targeted Case Management program provides the Department of Economic Services (DES) with Federal Funds from the Arizona Health Care Cost Containment System (AHCCCS) for providing case management services to DD clients receiving AHCCCS acute care services but not eligible for the LTC program. This amount of Federal Funds was originally estimated at \$2,210,900, but the actual reimbursement has been much lower. The division has transferred funds from the HCBS

Special Line Item in previous years to make up for this shortfall. Given the level of unexpended monies in the HCBS Special Line Item, JLBC believes the department can continue to provide HCBS services without reducing the level of service. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

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

It is the intent of the Legislature that monies appropriated for services relating to adult day services in the Division of Developmental Disabilities budget be transferred to the Division of Employment and Rehabilitation Services, Rehabilitation Services Administration to accommodate individuals who are determined by the Division of Developmental Disabilities to need vocational independence in a supported work environment. These monies may be transferred back to the Division of Developmental Disabilities if a supported work environment is no longer the most appropriate day placement for a client.

The Department of Economic Security shall report all new placements into a state-owned ICF-MR or the Arizona Training Program at Coolidge Campus in FY 2002 and FY 2003 to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee, and the reason why this placement, rather than a placement into a privately run facility for the developmentally disabled, was deemed as the most appropriate placement. The department should also report if no new placements were made. This report shall be made available by July 15, 2002 and July 15, 2003.

Deletion of Prior Year Footnotes

The JLBC Staff recommends deleting the footnote concerning \$800,000 for waiting list services because those clients are now being served.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental of \$986,100 OF for increased costs in providing non-reimbursable services to LTC clients. *(Please see the “Non-Reimbursable Services” discussion above for further details on this issue.)*

Executive Recommendation

The Executive recommends a GF transfer of \$548,300 and 13 FTE Positions from this cost center to the Administration cost center to consolidate licensing functions within the agency. The JLBC does not recommend this issue. The need and benefits of consolidating licensing functions in this cost center should be evaluated as part of the move to program budgeting, which this agency is scheduled in the next biennium.

Auditor General Performance Audits

In November 2000, the Auditor General released a performance audit on the Division of Developmental Disabilities (DDD). The Auditor General’s findings included the following:

- DDD and Child Protective Services (CPS) caseworkers need to better coordinate services for clients involved with both divisions.
- Inadequate information systems hamper DDD efforts to help clients and manage its own operations.
- DDD does not adequately maintain its waiting list.

The JLBC recommendation to replace the current ASSISTS system *(please see the “Automation Improvements” discussion above)* would obviously address the second finding (related to inadequate information systems) and may also aid DDD in addressing CPS coordination and waiting list issues.

Department Initiatives with Potential Cost Impacts

The department is proceeding with several initiatives that may have future cost impacts. These initiatives include the following:

- New Request for Proposals for Habilitation and Room and Board services, which comprise the majority of services provided to DD clients
- Proposals from the “Design Team,” a department-sponsored task force, including a “model rate structure” and person-centered planning
- The case management pilot authorized by Laws 1999, Chapter 292, which will permit persons other than DDD personnel to serve as case managers.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Economic Security

Long Term Care

JLBC: Stefan Shepherd
 OSPB: Aimee Basye

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	1,145.2	1,181.2	1,261.8	1,278.4	1,327.8	1,365.7
Personal Services	7,451,700	7,925,100	6,058,900	8,990,500	6,024,300	9,829,100
Employee Related Expenditures	1,628,500	1,788,400	1,361,600	2,075,600	1,353,800	2,283,900
All Other Operating Expenditures:						
Professional and Outside Services	1,337,500	626,400	281,400	2,913,300	279,800	4,489,500
Travel - In State	275,600	259,800	186,400	284,100	185,300	299,200
Travel - Out of State	0	400	0	400	0	400
Other Operating Expenditures	1,036,600	850,300	1,517,500	1,166,400	2,161,700	1,512,000
Equipment	105,000	0	0	2,798,400	0	1,026,000
OPERATING SUBTOTAL	11,834,900	11,450,400	9,405,800	18,228,700	10,004,900	19,440,100
SPECIAL LINE ITEMS						
Case Management	12,195,900	15,657,300	17,318,500	18,891,200	20,154,800	21,140,300
Home and Community Based Services	205,365,200	213,024,600	323,567,800	298,769,600	381,016,600	348,274,700
Institutional Services	10,271,700	10,787,800	9,840,000	11,335,800	10,164,200	11,837,200
Medical Services	40,339,600	46,708,000	45,574,400	54,735,700	48,542,300	64,736,500
Arizona Training Program at Coolidge	9,847,600	10,744,900	8,410,700	10,934,000	8,383,500	10,939,400
PROGRAM TOTAL	289,854,900	308,373,000	414,117,200	412,895,000	478,266,300	476,368,200
FUND SOURCES						
General Fund	100,764,700	104,955,500	144,195,600	143,890,000	167,488,800	166,824,100
Long Term Care System Fund	189,090,200	203,417,500	269,921,600	269,005,000	310,777,500	309,544,100
TOTAL - ALL SOURCES	289,854,900	308,373,000	414,117,200	412,895,000	478,266,300	476,368,200

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	38,934,500	37.1%	61,868,600	58.9%	100,803,100
Federal Funds	65,587,500	32.2%	106,126,600	52.2%	171,714,100
Total Appropriated Funds	104,522,000	33.9%	167,995,200	54.5%	272,517,200

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of consumer satisfaction with case management services	85/85	NA/97	95	95
• % of consumers (people who live at home) who are satisfied with services and support (biennial survey)	NA	NA/65	NA	75/NA
• Total clients including state-only and LTC	17,205/16,995	18,226/17,837	19,455	20,215/21,435
• Cost per member year - ATP-Coolidge (in thousands)	\$87.8/\$91.7	\$89.6/NA	\$90.9	\$93.4/\$93.7
• Total ATP-Coolidge placements	175/179	175/171	175	175

Comments

- The second consumer satisfaction measure is conducted every other year.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$148,400	\$148,400
	TF	544,500	544,500
ERE Rates	GF	57,900	63,700
	TF	223,800	242,600
Occupancy Transfer	GF	(80,300)	(80,300)
	TF	(235,100)	(235,100)

Funding Sources

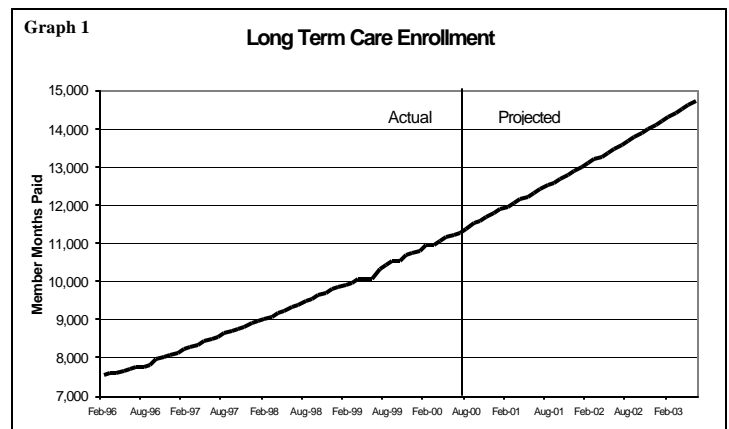
The Long Term Care cost center is funded from 2 sources: the General Fund (GF) and federal Title XIX capitation revenues received from the Arizona Health Care Cost Containment System (AHCCCS). The JLBC recommendation is based on an estimate of total program enrollment and projected revenues from Title XIX capitation rates. The JLBC recommendation includes the appropriation of GF monies and Total Fund (TF) expenditure authority, which includes both the GF and the Title XIX capitation revenues.

In determining the recommended amounts for the Long Term Care cost center, the JLBC estimated FY 2002 and FY 2003 enrollment and capitation rates to derive an increase in LTC funding. This amount was adjusted for changes in the amount of money the state has to pay to generate \$1 in matching Title XIX revenues and the estimated level of LTC-related expenditures in the Administration cost center.

The JLBC estimates that enrollment will grow in FY 2002 by 1,470 clients, or 12.8% above the originally-appropriated FY 2001 level and 9.4% above the revised FY 2001 level. JLBC also estimates that FY 2003 enrollment will grow by an additional 9.4% above FY 2002. *Table 1* below reflects estimated enrollment in both the “enrolled” program as well as the Ventilator Dependent program. *Graph 1* indicates that the estimated FY 2002 and FY 2003 growth matches recent growth in the LTC program.

Table 1

Category	FY 2001 (approp.)	FY 2001 (est.)	FY 2002 (rec.)	FY 2003 (rec.)
Enrolled	11,487	11,832	12,947	14,167
Ventilator Dependent	42	52	52	52
Total	11,529	11,884	12,999	14,219



The capitation rates paid by AHCCCS to DES for each month a LTC client remains in the program are set on a Federal Fiscal Year (FFY) basis, which starts on October 1 of each year. The JLBC estimates that the primary FFY 2002 capitation rate used by AHCCCS, the “enrolled” rate, will grow by 5.5% above the FFY 2001 capitation rate. The JLBC estimates that the “enrolled” FFY 2003 capitation rate will grow by an additional 5.5% above the FFY 2002 rate. *Table 2* below displays recent and estimated future capitation rates by state fiscal year.

Table 2

	Monthly Enrolled Capitation Rates			
	Original	% Change	Revised	% Change
FFY 1998	\$2,105.47	1.9%	\$2,105.47	1.9%
FFY 1999	\$2,277.00	8.1	\$2,277.00	8.1
FFY 2000	\$2,351.00	3.2	\$2,396.97	5.3
FFY 2001	\$2,427.00	3.2	\$2,566.62	7.1
FFY 2002	N/A	N/A	\$2,707.62	5.5
FFY 2003	N/A	N/A	\$2,856.62	5.5

The FY 2001 capitation rate exceeds the capitation rate assumed in the FY 2001 budget, as does the enrollment. As a result, the JLBC also recommends a FY 2001 supplemental. (*For further details, please see the Client Services Growth discussion below.*)

Having estimated the total amount of LTC funding available in FY 2002 and FY 2003, the JLBC recommendation allocates the increased funding within the LTC budget. After adjusting for the standard changes above and minor technical changes (*please see Eliminate One-Time Equipment discussion below*), JLBC allocated the remaining funds into 4 policy issues:

- Client Services Growth
- Case Management Growth
- Automation Project
- Infrastructure Issues

For further details on the recommended funding for each policy issue, please see the discussion on these issues below.

Client Services Growth GF 35,430,200 57,157,700
TF 94,181,300 154,184,600

The JLBC recommends a FY 2002 increase of \$35,430,200 GF and \$94,181,300 TF above FY 2001 and a FY 2003 increase of \$57,157,700 GF and \$154,184,600 TF above FY 2001 for caseload growth and capitation rate increases.

During the 2000 Legislative Session, the JLBC projected that DES would require a supplemental appropriation of \$10,956,400 GF and \$30,747,700 TF in FY 2001 for client services. Capitation rate increases and slightly higher than expected enrollment have resulted in a revision to that FY 2001 shortfall estimate. JLBC now believes there is a total General Fund supplemental need of \$16,863,300 GF and \$47,867,400 TF for these increases. The actual amount recommended for a LTC supplemental is \$1,914,700 GF and \$32,918,800 TF. (*Please see the FY2001 Supplemental discussion below for further details.*) The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

As discussed above, the average monthly caseload is expected to increase 12.8% in FY 2002 above the originally-appropriated FY 2001 level and 9.4% above the revised FY 2001 level. The JLBC also estimates additional 9.4% growth in FY 2003. The increased funding for client services growth is allocated among the following line items:

Client Services Growth above FY 2001		
Special Line Item	FY 2002	FY 2003
Home and Community Based Services	\$85,681,300	\$135,184,600
Institutional Services	500,000	1,000,000
Medical Services	<u>8,000,000</u>	<u>18,000,000</u>
TOTAL	\$94,181,300	\$154,184,600

The JLBC estimates the following average monthly caseloads within each line item. Please note that all clients receive Case Management services, but not all clients access other services in any particular month.

Average Monthly Caseloads		
Special Line Item	FY 2002	FY 2003
Home and Community Based Services	10,970	12,001
Institutional Services	279	305
Arizona Training Program at Coolidge	<u>115</u>	<u>115</u>
Subtotal	11,364	12,421
Case Management only	<u>1,635</u>	<u>1,798</u>
TOTAL	12,999	14,219

The Executive recommends a FY 2002 increase of \$37,128,800 GF and \$112,179,300 TF above FY 2001 and a FY 2003 increase of \$59,165,500 GF and \$175,487,400 TF above FY 2001 for caseload growth and capitation rate increases.

Case Management GF 1,505,500 2,623,400
TF 4,352,400 7,560,100

The JLBC recommends a FY 2002 increase of \$1,505,500 GF and \$4,352,400 and 91.4 TF FTE Positions above FY 2001 and a FY 2003 increase of \$2,623,400 GF and \$7,560,100 and 173.4 TF FTE Positions above FY 2001.

During the 2000 Legislative Session, the JLBC projected that DES would require a supplemental appropriation of \$149,600 GF and \$437,500 and 9 TF FTE Positions in FY 2001 for case management due to caseload growth. Given caseload growth figures, JLBC still recommends a FY 2001 supplemental in those amounts. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

The caseload growth requires not only case managers but also support staff and administrative personnel to process payments and monitor contracts. The FY 2002 increase consists of 66 case management personnel and 25.4 administrative personnel above FY 2001; the FY 2003 increase consists of 124 case management personnel and 49.4 administrative personnel above FY 2001. Included in the FY 2002 increase is \$638,300 TF for one-time equipment costs. Included in the FY 2003 increase is \$565,800 TF for one-time equipment, which will need to be eliminated in FY 2004.

The Executive recommends a FY 2002 increase of \$1,965,600 GF and \$5,652,900 and 80.6 TF FTE Positions above FY 2001 and a FY 2003 increase of \$3,223,900 GF and \$9,246,000 and 146.6 TF FTE Positions above FY 2003.

Automation Project	GF	1,607,300	1,715,200
	TF	4,695,000	5,010,300

The JLBC recommends a total biennial increase of \$3,322,500 GF and \$9,705,300 TF for the development of an automation project for the Division of Developmental Disabilities (DDD). This amount includes a FY 2002 increase of \$1,607,300 GF and \$4,695,000 TF and 5.8 TF FTE Positions above FY 2001 and a FY 2003 increase of \$1,715,200 GF and \$5,010,300 TF and 11.1 TF FTE Positions above FY 2001.

The automation project would replace the antiquated ASSISTS computer system and other information systems with an integrated case management, payment and management information system. The new system should be better able to provide financial and demographic information.

The department submitted the required Project and Investment Justification proposal to the Government and Information Technology Agency on December 4. This project will require Information Technology Authorization Committee approval.

The recommended FY2002 increase includes \$816,400 and 5.8 FTE Positions to help manage and implement the system, including \$148,100 of one-time equipment costs. The FY 2002 increase also includes \$2,286,900 for Professional and Outside Services costs (e.g., software development), and \$1,591,700 for one-time equipment costs related to the new system. Total FY 2002 costs are estimated at \$6,571,100 for the entire division. The recommended FY 2003 increase includes \$1,295,300 and 11.1 FTE Positions to help manage and implement the system, including \$46,200 of one-time equipment costs. The FY2003 increase also includes \$3,863,100 for Professional and Outside Services (e.g., software and hardware licensing fees). Total FY 2003 costs are estimated at \$7,012,400. These monies would match the total biennial increase of \$3,878,200 GF for this issue in the DD cost center. *(For further details on this project, please see the "Automation Project" discussion in the Developmental Disabilities narrative.)* The JLBC also recommends a footnote requiring the department to report on the system's coordination with other programs within the department. *(For further details on this footnote, please see the "New Footnotes" section below.)*

The Executive does not recommend funding for this issue.

Infrastructure	GF	308,500	283,500
Improvements	TF	886,100	814,200

The JLBC recommends a total biennial increase of \$592,000 GF and \$1,700,300 TF for one-time equipment. This includes a FY2002 increase of \$308,500 GF and \$886,100 TF above FY 2001 and a FY 2003 increase of \$283,500 GF and \$814,200 TF above FY 2001. The division has many pieces of aging equipment, including vehicles, furniture, and phone systems. The FY 2002

recommended one-time funding would replace phone systems at a cost of \$303,100 TF and furniture and copiers at a cost of \$583,000 TF (including \$80,700 TF for state-operated group homes) The FY 2003 recommended one-time funding would fund replacement vehicles at a cost of \$814,200 TF.

These monies would match the total biennial increase of \$679,400 GF for one-time equipment in the DD cost center. *(For further details on these improvements, please see the "Infrastructure Improvements" discussion in the Developmental Disabilities narrative.)* The Executive does not address this issue in the LTC cost center.

Eliminate One-Time	GF	(43,000)	(43,000)
Equipment	TF	(126,000)	(126,000)

The JLBC recommends a total biennial decrease of \$(86,000) GF and \$(252,000) TF for elimination of one-time equipment costs. This amount includes a decrease of \$(43,000) GF and \$(126,000) TF in both FY 2002 and FY 2003 below FY 2001. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

All monies in the Long Term Care System Fund unexpended and unencumbered at the end of the fiscal year revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System.

Monies for the Long Term Care program are appropriated for the capitation rates effective on October 1, 2000. No monies may be expended for a change in these capitation rates unless an expenditure plan is reviewed by the Joint Legislative Budget Committee.

New Footnotes

Prior to the expenditure of any monies for improvements to the Division of Developmental Disabilities automation system, the Department of Economic Security shall submit a report to the Joint Legislative Budget Committee for its review. The report shall discuss how the automation improvements will ensure coordination between the Division of Developmental Disabilities and other eligibility-based programs in the Department of Economic Security.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

During the 2000 Legislative Session, the JLBC projected that DES would require a supplemental appropriation of \$11,106,000 GF and \$31,185,200 and 9 TF FTE Positions in FY 2001 for client services and case management due to

capitation rate increases caseload growth. Capitation rate increases and slightly higher than expected enrollment have resulted in a revision to that FY 2001 shortfall estimate. JLBC now believes the cost center needs a supplemental of \$17,012,900 GF and \$48,304,900 and 9 TF FTE Positions. Because of available resources within the department, however, the JLBC recommends a FY 2001 supplemental of \$2,064,300 GF and \$33,356,300 and 9 TF FTE Positions. The remaining \$14,948,600 GF will be freed up within other cost centers and transferred to this cost center. *(Please see the "Client Services Growth" and "Case Management Growth" discussions in this cost center and the "FY 2001 Supplemental" discussion in the Summary narrative for further details.)*

Auditor General Performance Audits

In November 2000, the Auditor General released a performance audit on the Division of Developmental Disabilities (DDD). The Auditor General's findings included the following:

- DDD and Child Protective Services (CPS) caseworkers need to better coordinate services for clients involved with both divisions.
- Inadequate information systems hamper DDD efforts to help clients and manage its own operations.
- DDD does not adequately maintain its waiting list.

The JLBC recommendation to replace the current ASSISTS system *(please see the "Automation Improvements" discussion above)* would obviously address the second finding (related to inadequate information systems) and may also aid DDD in addressing CPS coordination and waiting list issues.

Department Initiatives with Potential Cost Impacts

The department is proceeding with several initiatives that may have future cost impacts. These initiatives include the following:

- New Request for Proposals for Habilitation and Room and Board services, which comprise the majority of services provided to DD clients
- Proposals from the "Design Team," a department-sponsored task force, including a "model rate structure" and person-centered planning
- The case management pilot authorized by Laws 1999, Chapter 292, which will permit persons other than DDD personnel to serve as case managers.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Economic Security
Benefits and Medical Eligibility

JLBC: Stefan Shepherd
 OSPB: Matt Gottheiner

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	752.0	755.3	680.4	670.0	680.4	670.0
Personal Services	21,030,100	24,226,300	23,493,000	22,474,700	23,493,000	22,474,700
Employee Related Expenditures	5,419,400	5,298,100	5,210,100	4,963,000	5,158,900	4,993,900
All Other Operating Expenditures:						
Professional and Outside Services	3,831,700	5,112,500	5,112,500	5,029,700	5,112,500	5,029,700
Travel - In State	727,700	754,100	754,100	695,800	754,100	695,800
Other Operating Expenditures	2,784,800	1,321,000	1,321,000	898,100	1,321,000	898,100
Equipment	1,826,900	0	0	0	0	0
OPERATING SUBTOTAL	35,620,600	36,712,000	35,890,700	34,061,300	35,839,500	34,092,200
SPECIAL LINE ITEMS						
TANF Cash Benefits	114,290,400	125,957,200	101,512,300	91,985,900	101,512,300	95,352,800
FLSA Supplement	849,500	3,817,600	1,480,400	1,267,200	1,480,400	1,305,200
Tribal Welfare Reform	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Arizona Works Agency Procurement Board	277,400	300,000	300,000	300,000	300,000	300,000
Arizona Works Administrative Incentives	629,900	1,021,500	1,021,500	1,292,800	1,021,500	868,500
Outreach and Naturalization	214,200	250,000	250,000	250,000	250,000	250,000
General Assistance	3,776,100	4,260,800	4,260,800	4,260,800	4,260,800	4,260,800
Tuberculosis Control	29,900	10,600	10,600	32,200	10,600	32,200
Institutional Support Payments	253,600	288,000	288,000	266,400	288,000	266,400
Food Stamp Outreach and Education	0	200,000	200,000	200,000	200,000	200,000
Tribal Pass-Through Funding	0	0	0	4,212,800	0	4,212,800
PROGRAM TOTAL	155,941,600	173,817,700	146,214,300	139,129,400	146,163,100	142,140,900
FUND SOURCES						
General Fund	89,860,300	80,656,000	84,961,500	84,978,900	84,874,600	84,983,300
Federal Temporary Assistance for Needy Families Block Grant	66,081,300	93,161,700	61,252,800	54,150,500	61,288,500	57,157,600
SUBTOTAL - Other Appropriated Funds	66,081,300	93,161,700	61,252,800	54,150,500	61,288,500	57,157,600
SUBTOTAL - Appropriated Funds	155,941,600	173,817,700	146,214,300	139,129,400	146,163,100	142,140,900
Other Non-Appropriated Funds	33,802,400	33,935,600	35,357,600	35,357,600	37,162,200	37,162,200
Federal Funds	30,685,200	31,515,500	32,937,500	32,937,500	34,742,100	34,742,100
TOTAL - ALL SOURCES	220,429,200	239,268,800	214,509,400	207,424,500	218,067,400	214,045,200

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	4,322,900	5.4%	4,327,300	5.4%	8,650,200
Other Appropriated Funds	(39,011,200)	-41.9%	(36,004,100)	-38.6%	(75,015,300)
Total Appropriated Funds	(34,688,300)	-20.0%	(31,676,800)	-18.2%	(66,365,100)

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of Cash Benefits issued timely	98.0/98.7	98.0/98.6	98.6	98.6
• % of total Cash Benefits payments issued accurately	96.0/95.1	96.0/97.3	95.0	95.0
• Average Cash Benefits caseload	135,051/92,587	106,022/86,936	90,769	93,527/96,333
• % of total Food Stamps payments issued accurately	94.8/94.7	95.0/96.4	95.0	95.0
• Average Food Stamps caseload (in thousands)	347.2/260.7	NA/258.0	265,295	268,185
• % of clients satisfied with Family Assistance Admin.	NA/86.6	NA/86.7	87.2	87.7/88.2

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 419,800	\$ 419,800
	OF 8,300	8,300
ERE Rates	GF 180,300	184,700
	OF (11,400)	15,100

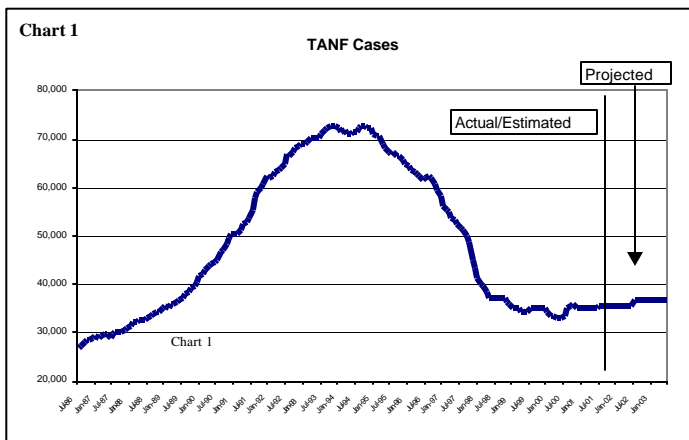
TANF Cash Benefits

Caseloads OF(13,598,500) (10,231,600)

The JLBC recommends a total biennial TANF Block Grant decrease of \$(23,830,100) for lower caseloads in the TANF Cash Benefits program. This amount includes a FY 2002 decrease of \$(13,598,500) below FY 2001 and a FY 2003 decrease of \$(10,231,600) below FY 2001. The projected FY 2002 caseload reflects a (8.9)% decrease in the total caseload below the appropriated FY 2001 figure. The projected FY 2002 caseload is 3.1% above the year-to-date FY 2001 average caseload. The \$3,366,900 increase from FY 2002 to FY 2003 reflects an expected 3% increase in caseloads. Details on the JLBC recommendation for TANF Cash Benefits are shown in *Table 2* on the next page.

The graph in *Chart 1* below shows recent caseload trends in the TANF Cash Benefits program.

Please note the caseload figures reflected above include clients from the 4 Native American tribes operating their own welfare program. (Please see the “Tribal Operations of Welfare Programs” discussion below for further details.)



The Executive recommends a total biennial TANF decrease of \$(21,170,200), including a decrease of \$(10,585,100) in both FY 2002 and FY 2003 from FY 2001.

Navajo Nation and Maintenance of Effort GF (6,505,700) (6,505,700) OF 6,505,700 6,505,700

The JLBC recommends a total biennial shift of \$13,011,400 from the General Fund to the federal TANF Block Grant associated with a reduction of required maintenance of effort (MOE) levels resulting from the Navajo Nation operating their own tribal TANF program. This amount includes a shift of \$6,505,700 and 30 FTE Positions from GF to the TANF Block Grant in both FY 2002 and FY 2003. As part of its FY 2001 supplemental recommendation, the JLBC also assumes that a similar shift totaling \$4,879,300 will be made in FY 2001.

Federal law permits Native American tribes to operate their own TANF programs. Tribes approved by the federal government to operate their TANF program may receive a portion of a state’s TANF Block Grant directly from the federal government. Starting on October 1, 2000, the Navajo Nation will receive a portion of Arizona’s TANF Block Grant. Because this will reduce Arizona’s grant, the MOE level the state is required to fund will also be reduced by \$6,505,700 per year. The JLBC recommends shifting \$6,505,700 and 30 FTE Positions yearly from GF to TANF. The Executive concurs with a total shift of \$6,507,200 per year.

Tribal Operations of Welfare Programs GF -0- -0- OF(19,407,700) (19,407,700)

The JLBC recommends a total biennial TANF Block Grant decrease of \$(38,815,400) associated with tribal operation of welfare programs. This amount includes a decrease of \$(19,407,700) and (85.3) FTE Positions in both FY 2002 and FY 2003 from FY 2001. The amount also includes a transfer of \$4,212,800 GF from the operating budget and the TANF Cash Benefits Special Line Item to a new Tribal Pass-Through Funding Special Line Item. The amount also includes a reduction of (85.3) FTE Positions.

As noted in the “Navajo Nation and Maintenance of Effort” policy issue above, federal law permits Native American tribes to operate their own TANF programs. Starting on October 1, 2000, the Navajo Nation will receive \$15,230,600 TANF Block Grant monies yearly;

Table 2	TANF Cash Benefits					
	FY 2002			FY 2003		
	Cases	Recipients	Recommendation	Cases	Recipients	Recommendation
EMPOWER						
Single-parent (\$105/recipient)	31,150	80,020	\$100,825,200	32,084	82,420	\$103,849,200
2-parent (\$75/recipient)	<u>623</u>	<u>2,872</u>	<u>\$ 2,584,800</u>	<u>642</u>	<u>2,960</u>	<u>\$2,664,000</u>
Total - EMPOWER Redesign	31,773	82,892	\$103,410,000	32,726	85,380	\$106,513,200
Arizona Works (varies by placement)	<u>3,927</u>	<u>10,635</u>	<u>\$ 8,948,700</u>	<u>4,045</u>	<u>10,953</u>	<u>\$9,212,400</u>
TOTAL - Statewide	35,700	93,527	\$112,358,700	36,771	96,333	\$115,725,600
<i>Deduction - Tribal Amounts</i>						
TANF Block Grant (not received by state)			\$(17,636,000)			\$(17,636,000)
General Fund (transferred to new SLI)			<u>\$ (2,736,800)</u>			<u>\$ (2,736,800)</u>
Total - TANF Cash Benefits SLI			\$ 91,985,900			\$ 95,352,800

these monies will be distributed to the Nation by the federal government and will bypass the state. In addition to the Navajo Nation, 3 other tribes – the Salt River Indian Community, the Pascua Yaqui Tribe, and the White Mountain Apache Tribe – currently operate their own welfare programs. A total of \$4,177,100 of TANF Block Grant monies previously distributed to the state are currently distributed directly to the tribes. The revenues and expenditures of these monies, however, have previously been displayed in the state’s TANF “balance sheet.”

In order to more properly display the state’s available TANF revenues, the JLBC recommends deducting the \$15,230,600 TANF to be passed through to the Navajo Nation from the state’s revenues and expenditures. The JLBC also recommends deducting the \$4,177,100 TANF currently passed through to the 3 other tribes from the state’s revenues and expenditures. These 2 TANF deductions, totaling \$19,407,700, are summarized in Table 3 below:

Table 3 Tribal-Related TANF Block Grant Reductions			
Tribes	TANF Cash	Operating	Total
Navajo	\$(13,859,900)	\$(1,370,700)	\$(15,230,600)
3 other tribes	<u>(3,776,100)</u>	<u>(401,000)</u>	<u>(4,177,100)</u>
Total	\$(17,636,000)	\$(1,771,700)	\$(19,407,700)

As part of the \$(1,771,700) reduction in the DES operating budget, the JLBC recommends reducing the number of FTE Positions by (46.5) FTE Positions.

In addition to these reductions, the JLBC also recommends shifting a total of \$4,212,800 GF from the operating budget and the TANF Cash Benefits Special Line Item to a new Tribal Pass-Through Funding Special Line Item. A.R.S. § 46-134 permits the state to provide matching GF monies to tribal governments consistent with the applicable fiscal year budget. These amounts reflect approximately 80% of the GF monies expended on behalf of these tribes in Federal Fiscal Year (FFY) 1994. This amount is allocated as shown in Table 4:

Table 4 Tribal-Related General Fund			
Tribes	TANF Cash	Operating	Total
Navajo	\$1,208,800	\$1,152,900	\$2,361,700
3 other tribes	<u>1,528,000</u>	<u>323,100</u>	<u>1,851,100</u>
Total	\$2,736,800	\$1,476,000	\$4,212,800

Along with the \$(1,476,000) reduction in the DES operating budget, the JLBC recommends reducing the number of FTE Positions by (38.8) FTE Positions.

JLBC estimates of the total federal and state funding received by the 4 tribes operating their own welfare programs in FY 2002 and FY 2003 are shown in Table 5:

Table 5 Summary of Funding to Four Tribes Operating Own Welfare Program	
Category	Amount
TANF Block Grant (not received by state)	\$19,407,700
Tribal Pass-Through Funding SLI (GF)	4,212,800
Tribal Welfare Reform SLI (TANF)	<u>705,700</u> ^{1/}
Total	\$24,326,200

^{1/} Reflects portion of \$1,000,000 TANF appropriation received by 4 tribes operating their own welfare program. These amounts are calculated based on each tribe’s reservation population.

The Executive concurs with the reduction of \$(15,230,000) TANF associated with the Navajo Nation receiving its own portion of the TANF Block Grant. The Executive also recommends an associated reduction of (40.7) FTE Positions. The Executive does not recommend reducing the budget by \$(4,177,100) for the other 3 tribes’ TANF Block Grant. The Executive also does not recommend the GF shift to a new Tribal Pass-Through Funding Special Line Item recommended by JLBC, but does recommend a (34.2) GF FTE Position reduction.

**TANF Base Realignment GF 10,228,500 10,228,500
OF(10,228,500) (10,228,500)**

The JLBC recommends a total biennial shift of \$20,457,000 from the TANF Block Grant to the General Fund to ensure the state stays below the 15% administrative cap for the TANF Block Grant and the state Maintenance of Effort (MOE). These changes include a shift of \$10,228,500 and 213.6 FTE Positions from TANF to GF in both FY 2002 and FY 2003 related to FY 2001. The definition of administration was changed by the federal government in FY 2000, which required these shifts to be done by administrative transfer in FY 2000 and FY 2001. This realignment is matched by other realignments in the Divisions of Administration and Children, Youth and Families, resulting in no net change in GF or TANF funding agencywide. (Please see the "TANF Base Realignment" discussion in the Summary narrative for further details.) The Executive concurs with a shift of \$10,186,900 yearly.

Fair Labor Standards Act

Supplement Caseloads OF (2,550,400) (2,512,400)

The JLBC recommends a total biennial TANF Block Grant decrease of \$(5,062,800) for caseload decreases associated with the Fair Labor Standards Act (FLSA) Supplement. The amount includes a FY 2002 decrease of \$(2,550,400) below FY 2001 and a FY 2003 decrease of \$(2,512,400) below FY 2001.

The FLSA Supplement provides additional cash benefits to TANF clients participating in community work experience programs through the Job Opportunities and Basic Skills program in the Division of Employment and Rehabilitation Services. Because these clients are subject to FLSA rules, the state must ensure that their monthly cash benefits amount divided by the monthly hours worked is greater than the minimum wage. Monies in this Special Line Item supplement the TANF Cash Benefits received by these clients.

Actual expenditures from this Special Line Item have been considerably below appropriated levels. FY 2000 actual expenditures were \$849,500, far below the FY 2000 appropriation. The department currently estimates that 380 clients will receive an average monthly supplement of \$264 in FY 2001, for a total of \$1,203,800. The JLBC recommendation assumes a FY 2002 population of 400 clients receiving \$264 monthly supplements. The JLBC also assumes a 3% population increase in FY 2003 above FY 2002, for a total of 412 clients receiving \$264 monthly supplements. Of the total amounts recommended for the supplement, \$142,600 is estimated to be the Arizona Works portion in FY 2002 and \$148,900 is estimated for FY 2003.

The Executive concurs, but recommends a slightly smaller total TANF Block Grant decrease of \$(4,674,400), including a decrease of \$(2,337,200) in both FY 2002 and FY 2003 from FY 2001.

Arizona Works Administrative Incentives OF 271,300 (153,000)

The JLBC recommends a total biennial TANF Block Grant increase of \$118,300 associated with previously-appropriated monies to fund additional performance incentives for the Arizona Works vendor. This amount includes a FY 2002 increase of \$271,300 above FY 2001 and a FY 2003 decrease of \$(153,000) below FY 2001. The General Appropriation Act for FY 2000 and FY 2001 included a footnote appropriating a total of \$1,292,800 TANF for these incentives in FY 2002 and a total of \$868,500 TANF in FY 2003. The JLBC also recommends shortening the current name of the Special Line Item from Arizona Works Non-TANF Administrative Performance Incentives to Arizona Works Administrative Incentives. The Executive does not address this issue.

Tuberculosis Control GF 21,600 21,600

The JLBC recommends a total biennial GF increase of \$43,200 GF for increased Tuberculosis Control caseloads. This amount includes an increase of \$21,600 in both FY 2002 and FY 2003 above FY 2001. The Tuberculosis Control program provides financial assistance to persons certified unemployable by the state Tuberculosis Control Office because of communicable tuberculosis. Projected caseloads for this Special Line Item are significantly higher than those in the FY 2001 budget, which assumed a monthly caseload of 6 clients. The current caseload is 9; the average caseload over the past 12 months is 18. With the recommended increase, the Special Line Item is projected to fund 20 clients per month at \$134 per month. The Executive does not address this issue.

Institutional Support

Payments GF (21,600) (21,600)

The JLBC recommends a total biennial GF decrease of \$(43,200) for decreased Institutional Support Payment caseloads. This amount includes a decrease of \$(21,600) in both FY 2002 and FY 2003 from FY 2001. The Institutional Support Payments program provides a payment to eligible low-income recipients at least 65 years of age residing in licensed nursing homes, supervisory care homes, foster care homes, or a residential treatment facility. Projected caseloads for this Special Line Item are significantly lower than those in the FY 2001 budget, which assumed a monthly caseload of 480 clients. The current caseload is 396; the average caseload over the past 12 months is 403. With the recommended decrease, the Special Line Item is projected to fund 444 clients per month at \$50 per month. The Executive does not address this issue.

Food Stamp Outreach and

Education OF -0- -0-

The JLBC recommends continuing the appropriation for Food Stamp Outreach and Education established by Laws 2000, Chapter 393. The appropriation provides \$200,000 TANF yearly to the department to hire current or former TANF recipients to conduct Food Stamp Outreach and Education. The Executive concurs.

General Assistance GF -0- -0-

The JLBC does not recommend any changes related to General Assistance caseloads or subsidy levels. The FY 2001 year-to-date average unduplicated caseload has been 2,375 clients, 8.7% below the FY 2001 appropriated level of 2,600 clients. The FY 2001 average subsidy of \$155 almost matches the assumed subsidy of \$154. Although current caseloads are below the FY 2001 appropriated level, caseloads have increased slightly in recent months. Given this trend, therefore, the JLBC recommends no change in General Assistance. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The Operating Lump Sum Appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey.

Notwithstanding A.R.S. § 35-173C, any transfer to or from the \$91,985,900 appropriated for Temporary Assistance for Needy Families Cash Benefits in FY 2002 and the \$95,352,800 appropriated for Temporary Assistance for Needy Families Cash Benefits in FY 2003 requires approval of the Joint Legislative Budget Committee.

The \$1,000,000 appropriated for Tribal Welfare Reform in FY 2002 and FY 2003 shall be distributed to Native American tribes in this state to enhance welfare reform efforts on behalf of tribal citizens. Each \$1,000,000 appropriation shall be distributed to the Department of Economic Security on a proportional basis based on the population residing on the reservation of each tribe in this state.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote related to FY2002 and FY 2003 Arizona Works Non-TANF Administrative Performance Incentives since the footnote in the 1999 General Appropriation Act already appropriates the monies for these incentives. (*Please see the "Arizona Works Non-TANF Administrative Performance Incentives discussion for further details."*)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Arizona Works

The Arizona Works pilot project is scheduled to expand into Mohave County on January 1, 2001. Because of the uncertainty regarding caseloads for this relatively small area, the JLBC recommendation has not adjusted for potential changes in caseload as a result of Arizona Works expansion.

ReDESIGN Automation Project

Laws 1997, Chapter 300 granted the department authority to establish a rules-based eligibility determination system for its welfare programs (cash benefits, job training, and child care). Although the original "gainsharing" method for funding the program has been discarded, the department has proceeded with developing the system. The department is completing its Business Process Reengineering (BPR) portion but has not submitted a revised Project and Investment Justification to the Government Information Technology Agency as required by the Information Technology Administration Committee.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Title IV-D cases (in thousands)	316.8/268.4	316.8/243.3	233.3	228.3/225.3
• Total IV-D collections (in millions)	173.6/189.2	173.6/214.9	235.0	258.0/284.0
• % of IV-D caseload with a IV-D collection	NA/27.9	NA/34.5	39.5	44.4/49.5
• % of current IV-D owed support collected	NA/42.2	NA/44.2	50.2	53.2
• % of IV-D cases in the paternity function for whom paternity was established	9.9/12.5	9.9/16.7	19.4	21.9/24.0
• % of IV-D cases in the enforcement function for which there was at least 1 payment	61.9/63.9	61.9/65.3	66.7	71.2/74.7

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
	Pay Annualization		
	GF	\$ 14,600	\$ 14,600
	OF	99,400	99,400
	TF	330,700	330,700
ERE Rates	GF	5,000	5,300
	OF	41,100	46,800
	TF	135,400	152,700
Occupancy Transfer	OF	(3,000)	(3,000)
	TF	(9,200)	(9,200)

Funding Sources

The JLBC recommendation for DCSE includes direct appropriations from the following 4 fund sources:

- General Fund (GF);
- State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received Temporary Assistance for Needy Families (TANF) Cash Benefits;
- Federal incentives associated with child support collections; and
- Fees from non-custodial parents for posting payments to the central payment clearinghouse.

The last 3 fund sources are deposited into the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund (OF). The table below displays the amount recommended for appropriation from each CSEA Fund source in FY 2002 and FY 2003. Please note that CSEA Fund monies used in the Division of Administration are not appropriated.

	<u>FY 2002</u>	<u>FY 2003</u>
Sources		
State Share of Retained Earnings	\$ 9,544,200	\$ 9,801,900
Federal Incentives	4,330,200	4,416,800
Fees	808,200	856,500
Total	\$14,682,600	\$15,075,200
Uses		
DCSE	\$11,185,900	\$11,403,600
Administration	3,496,700	3,671,600
Total	\$14,682,600	\$15,075,200

In addition to appropriating GF and CSEA Fund monies, the JLBC recommendation also appropriates Total Funds (TF) expenditure authority for DCSE. The TF expenditure authority consists of the appropriations for the fund sources above plus the federal monies DCSE receives, which generally match state funds at a ratio of 66% federal to 34% state. The recommended amount of federal monies are \$33,453,600 in FY 2002 and \$33,949,400 in FY 2003.

Central Payment Processing OF 1,057,600 1,146,500
TF 1,655,900 1,819,800

The JLBC recommends a total biennial increase of \$2,204,100 CSEA Fund and \$3,475,700 TF associated with increased costs in operating the central payment clearinghouse. This amount includes a:

- FY 2002 increase of \$1,057,600 OF and \$1,655,900 TF and 8 FTE Positions above FY 2001; and a
- FY 2003 increase of \$1,146,500 OF and \$1,819,800 TF and 8 FTE Positions above FY 2001.

Laws 1997, Chapter 219 requires the state to operate a central payment clearinghouse for all child support payments, both federal Title IV-D cases (enforced by the department) and non-Title IV-D cases (enforced by private parties). The recommended increase includes additional funds for 3 different areas:

- Vendor payments/postage
- Division personnel
- Misapplied payments

Vendor payments for clearinghouse operations are projected to increase because the number of payments will increase approximately 12% in FY 2002 above FY 2001 and 25% in FY 2003 above FY 2001. Since the vendor is paid on a per payment basis, this caseload increase will increase costs. The caseload increase will also affect postage costs. In addition, postage costs are expected to rise in FY 2002 and per payment costs in the contract are expected to rise in FY 2003. These increases result in a FY 2002 increase of \$182,900 OF and \$538,000 TF above FY 2001 and a FY 2003 increase of \$240,400 OF and \$707,100 TF above FY 2001.

Division personnel are required to do several tasks associated with payment processing such as processing undeliverable checks, researching unidentified payments, and seeking reimbursement for non-sufficient funds (NSF)

checks. The increased caseload (referenced above) and increased complexity of these tasks requires additional personnel. This amount includes a FY 2002 increase of \$124,700 OF and \$367,900 TF and 8 FTE Positions above FY 2001 and a FY 2003 increase of \$106,100 OF and \$312,700 TF and 8 FTE Positions above FY 2001. The decrease in FY 2003 from FY 2002 is from elimination of one-time equipment totaling \$69,600 TF.

Misapplied payments reflect losses due to non-sufficient funds (NSF) checks, custodial parent overpayments, and forgery and fraud. These losses are the department's responsibility; the department must pay for these losses with no federal match. In FY 2000 and FY 2001, the department was appropriated \$30,000 for NSF losses. Subsequent information provided by the department revealed that total misapplied payment losses were significantly higher - actual FY 2000 losses totaled \$675,000. The recommendation includes a FY 2002 increase of \$750,000 OF and \$750,000 TF above FY 2001 and a FY 2003 increase of \$800,000 OF and \$800,000 TF above FY 2001.

The Executive recommends a FY 2002 increase of \$498,900 OF and \$634,000 TF above FY 2001 and a FY 2003 increase of \$803,900 OF and \$1,443,300 TF above FY 2001. The Executive does not recommend funding for division personnel and recommends approximately \$325,000 TF less than the JLBC recommendation per year for misapplied payments. The Executive also recommends consolidating all funding for Central Payment Processing within the operating budget.

County Participation	OF	677,300	800,400
Changes	TF	(2,703,200)	(2,170,600)

The JLBC recommends a total biennial increase of \$1,477,700 OF and a total biennial decrease of \$(4,873,800) TF associated funding changes in counties operating their own child support programs. The total change reflects two separate issues:

- Excess federal appropriation authority: a decrease of \$(3,770,500) TF expenditure authority below FY 2001 in both FY 2002 and FY 2003;
- Program growth: a FY 2002 increase of \$677,300 OF and \$1,067,300 TF above FY 2001 and a FY 2003 increase of \$800,400 OF and \$1,599,900 TF above FY 2001.

The division contracts with several Arizona counties to operate child support programs in those counties. A portion of the SSRE and all of the federal incentives earned by those counties are passed on to the counties to help offset their costs of operating the program. As the state's collections have improved, so has the amount of SSRE and incentives earned by the counties.

The decrease for excess expenditure authority reflects expected expenditures by the counties (minus county appropriations). FY 2000 appropriations of federal

expenditure authority exceeded actual expenditures by more than \$4,000,000. The recommended increases for program growth also reflect an increase in expected CSEA revenues from SSRE and incentives.

The Executive concurs with the increase for program growth, but does not address the excess federal appropriation authority issue.

ATLAS FTE Transfer	GF	(213,200)	(213,200)
	TF	(627,000)	(627,000)

The JLBC recommends a total biennial decrease of \$(426,400) GF and \$(1,254,000) TF associated with transferring information technology (IT) personnel working on the division's Arizona Tracking and Location Automated System (ATLAS) to the Division of Administration. This amount includes a decrease of \$(213,200) GF and \$(627,000) and (11) TF FTE Positions in both FY 2002 and FY 2003 below FY 2001.

The department has requested this transfer because these types of IT personnel are generally concentrated in the Administration budget. The positions will become non-appropriated in that budget. The Executive concurs.

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

All state share of retained earnings and federal incentives above \$11,185,900 in FY 2002 and \$11,403,600 in FY 2003 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. The Division of Child Support Enforcement shall report the intended use of the monies to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Senate and House Appropriations Committees and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a FY 2003 increase of \$500,000 General Fund above FY 2001 for a new Contingency Funds Special Line Item in the event that Child Support Enforcement Administration Fund revenues are inadequate for the appropriation. The JLBC believes that if this occurs, it can be addressed in a FY 2003 supplemental.

Auditor General Performance Audits

In July 1999, the Auditor General released a performance audit on DCSE. The primary finding of the report was that because of the Division's projected revenue shortfalls, DCSE should examine whether the Child Support Enforcement program should be cost recovery or service delivery in nature. A cost recovery focus might lead to increased fees on both custodial and non-custodial parents; a service delivery focus might increase the reliance on the General Fund. Because revenues from SSRE, federal incentives, and fees have been higher than expected at the time of the Auditor General report, the JLBC does not project revenue shortfalls. The JLBC suggests, however, that the Legislature may still wish to consider the basic question raised by the Auditor General's report. The Auditor General is scheduled to release another report on the division by December 31, 2000.

Native American IV-D Services

DES has requested additional funds to expand services to the Hopi and Salt River Pima-Maricopa tribes. The JLBC recommendation does not include funds for these expansions because it believes the department should try to reach agreements with these tribes similar to that reached with the Colorado River tribe, which allowed DES to provide services on the reservation rather than hiring additional personnel.

JLBC would also note that recent federal regulations permit tribes to implement their own child support programs and receive enhanced federal funding. We would note that if the Navajo Nation chose to implement their own child support program, a portion or all of the monies the department currently spends on services to the Navajos could be reduced or transferred to helping other tribes operate their own programs.

Financial Institution Data Match

DCSE would like the authority to expand their use of data matching with financial institutions. Using the data match would allow DCSE to freeze assets of non-custodial parents who owe significant amounts of money to DCSE custodial parents, as permitted by A.R.S. § 25-523(A). DCSE believes that employing this data match could generate significant increases in child support owed to its clients, but also recognizes the risk in freezing of non-custodial parents' assets. JLBC believes that DES should seek this authority and additional funding through separate legislation.

Counties Operating Child Support Programs

Six counties choose to operate their own child support programs. As noted above in the discussion on the County Participation Special Line Item, DES passes through a portion of the SSRE and all of the federal incentives earned by those counties to help offset their costs of operating the program. DES estimates that the 6 counties' FY 2002 "shortfall" (i.e., their state match requirement minus expected SSRE/incentives and FY 2001 county appropriation) to be \$654,700 of state match. Were DES to pay for all of the counties' costs, DES estimates it would require \$1,541,500 of state match. Estimates would vary if DES operated the programs or if private vendors were contracted to operate the programs.

Federal Office of Child Support Enforcement's Twenty-Fourth Annual Report to Congress

The Twenty-Fourth Annual Report to Congress prints "Box Scores" for states' child support enforcement programs. These scores indicate, among other things, a "cost-effectiveness" ratio, which indicates how many dollars in child support the program collects when it spends \$1 in administrative expenditures. Though it has consistently ranked low on this measure, Arizona has shown some improvement in recent years. The latest report, for Federal Fiscal Year (FFY) 1999, states that Arizona collected \$2.88 for each administrative dollar spent, ranking Arizona 43rd of all 54 states and territories listed. This is an improvement of 8.3% from FFY 1998, when Arizona ranked 46th of all states and territories listed.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Economic Security

Child Support Enforcement

JLBC: Stefan Shepherd
OSP: Matt Gottheiner

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	735.2	735.2	724.2	732.2	724.2	732.2
Personal Services	14,660,300	16,705,100	16,792,600	16,702,200	16,792,600	16,702,200
Employee Related Expenditures	3,560,000	3,996,900	4,119,700	4,107,900	4,120,300	4,119,300
All Other Operating Expenditures:						
Professional and Outside Services	6,328,100	6,333,000	9,038,300	6,408,100	9,834,400	6,440,100
Travel - In State	77,600	97,800	97,100	101,300	97,100	101,300
Other Operating Expenditures	2,483,400	3,082,000	2,749,100	3,101,700	2,749,100	3,101,700
Equipment	432,500	0	0	55,200	0	0
OPERATING SUBTOTAL	27,541,900	30,214,800	32,796,800	30,476,400	33,593,500	30,464,600
SPECIAL LINE ITEMS						
Genetic Testing	276,000	723,600	724,000	723,600	724,000	723,600
Central Payment Processing	2,537,400	1,946,900	0	3,088,600	0	3,275,700
County Participation	7,534,700	12,769,500	9,666,800	10,066,300	10,300,700	10,598,900
Attorney General Legal Services	4,754,500	5,026,400	5,111,800	5,108,900	5,119,100	5,114,800
Contingency Funds	0	0	0	0	1,470,600	0
PROGRAM TOTAL	42,644,500	50,681,200	48,299,400	49,463,800	51,207,900	50,177,600

FUND SOURCES

General Fund	4,314,600	5,017,900	4,819,900	4,824,300	5,320,000	4,824,600
Child Support Enforcement						
Administration Fund	8,887,400	9,313,500	10,636,900	11,185,900	11,067,600	11,403,600
SUBTOTAL - Other Appropriated Funds	8,887,400	9,313,500	10,636,900	11,185,900	11,067,600	11,403,600
SUBTOTAL - Appropriated Funds	13,202,000	14,331,400	15,456,800	16,010,200	16,387,600	16,228,200
Federal Funds	29,442,500	36,349,800	32,842,600	33,453,600	34,820,300	33,949,400
TOTAL - ALL SOURCES	42,644,500	50,681,200	48,299,400	49,463,800	51,207,900	50,177,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(193,600)	-3.9%	(193,300)	-3.9%	(386,900)
Other Appropriated Funds	1,872,400	20.1%	2,090,100	22.4%	3,962,500
Federal Funds	(2,896,200)	-8.0%	(2,400,400)	-6.6%	(5,296,600)
Total Appropriated Funds	(1,217,400)	-2.4%	(503,600)	-1.0%	(1,721,000)

PROGRAM DESCRIPTION — *The Division of Child Support Enforcement (DCSE) program provides intake services; locates absent parents; assists in establishing paternity; establishes the legal obligation for the amount of child support payments; and evaluates the absent parent's ability to pay. The program also collects, enforces, investigates and works with the courts to review and adjust child support orders. In addition, the program, through a contract with a private vendor, operates a central payment clearinghouse for all child support payments in the state, including those enforced by private parties.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Title IV-D cases (in thousands)	316.8/268.4	316.8/243.3	233.3	228.3/225.3
• Total IV-D collections (in millions)	173.6/189.2	173.6/214.9	235.0	258.0/284.0
• % of IV-D caseload with a IV-D collection	NA/27.9	NA/34.5	39.5	44.4/49.5
• % of current IV-D owed support collected	NA/42.2	NA/44.2	50.2	53.2
• % of IV-D cases in the paternity function for whom paternity was established	9.9/12.5	9.9/16.7	19.4	21.9/24.0
• % of IV-D cases in the enforcement function for which there was at least 1 payment	61.9/63.9	61.9/65.3	66.7	71.2/74.7

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
	Pay Annualization		
	GF	\$ 14,600	\$ 14,600
	OF	99,400	99,400
	TF	330,700	330,700
ERE Rates	GF	5,000	5,300
	OF	41,100	46,800
	TF	135,400	152,700
Occupancy Transfer	OF	(3,000)	(3,000)
	TF	(9,200)	(9,200)

Funding Sources

The JLBC recommendation for DCSE includes direct appropriations from the following 4 fund sources:

- General Fund (GF);
- State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received Temporary Assistance for Needy Families (TANF) Cash Benefits;
- Federal incentives associated with child support collections; and
- Fees from non-custodial parents for posting payments to the central payment clearinghouse.

The last 3 fund sources are deposited into the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund (OF). The table below displays the amount recommended for appropriation from each CSEA Fund source in FY 2002 and FY 2003. Please note that CSEA Fund monies used in the Division of Administration are not appropriated.

	<u>FY 2002</u>	<u>FY 2003</u>
Sources		
State Share of Retained Earnings		
Earnings	\$ 9,544,200	\$ 9,801,900
Federal Incentives	4,330,200	4,416,800
Fees	808,200	856,500
Total	\$14,682,600	\$15,075,200
Uses		
DCSE	\$11,185,900	\$11,403,600
Administration	3,496,700	3,671,600
Total	\$14,682,600	\$15,075,200

In addition to appropriating GF and CSEA Fund monies, the JLBC recommendation also appropriates Total Funds (TF) expenditure authority for DCSE. The TF expenditure authority consists of the appropriations for the fund sources above plus the federal monies DCSE receives, which generally match state funds at a ratio of 66% federal to 34% state. The recommended amount of federal monies are \$33,453,600 in FY 2002 and \$33,949,400 in FY 2003.

Central Payment Processing **OF 1,057,600** **1,146,500**
 TF 1,655,900 **1,819,800**

The JLBC recommends a total biennial increase of \$2,204,100 CSEA Fund and \$3,475,700 TF associated with increased costs in operating the central payment clearinghouse. This amount includes a:

- FY 2002 increase of \$1,057,600 OF and \$1,655,900 TF and 8 FTE Positions above FY 2001; and a
- FY 2003 increase of \$1,146,500 OF and \$1,819,800 TF and 8 FTE Positions above FY 2001.

Laws 1997, Chapter 219 requires the state to operate a central payment clearinghouse for all child support payments, both federal Title IV-D cases (enforced by the department) and non-Title IV-D cases (enforced by private parties). The recommended increase includes additional funds for 3 different areas:

- Vendor payments/postage
- Division personnel
- Misapplied payments

Vendor payments for clearinghouse operations are projected to increase because the number of payments will increase approximately 12% in FY 2002 above FY 2001 and 25% in FY 2003 above FY 2001. Since the vendor is paid on a per payment basis, this caseload increase will increase costs. The caseload increase will also affect postage costs. In addition, postage costs are expected to rise in FY 2002 and per payment costs in the contract are expected to rise in FY 2003. These increases result in a FY 2002 increase of \$182,900 OF and \$538,000 TF above FY 2001 and a FY 2003 increase of \$240,400 OF and \$707,100 TF above FY 2001.

Division personnel are required to do several tasks associated with payment processing such as processing undeliverable checks, researching unidentified payments, and seeking reimbursement for non-sufficient funds (NSF)

checks. The increased caseload (referenced above) and increased complexity of these tasks requires additional personnel. This amount includes a FY 2002 increase of \$124,700 OF and \$367,900 TF and 8 FTE Positions above FY 2001 and a FY 2003 increase of \$106,100 OF and \$312,700 TF and 8 FTE Positions above FY 2001. The decrease in FY 2003 from FY 2002 is from elimination of one-time equipment totaling \$69,600 TF.

Misapplied payments reflect losses due to non-sufficient funds (NSF) checks, custodial parent overpayments, and forgery and fraud. These losses are the department's responsibility; the department must pay for these losses with no federal match. In FY 2000 and FY 2001, the department was appropriated \$30,000 for NSF losses. Subsequent information provided by the department revealed that total misapplied payment losses were significantly higher - actual FY 2000 losses totaled \$675,000. The recommendation includes a FY 2002 increase of \$750,000 OF and \$750,000 TF above FY 2001 and a FY 2003 increase of \$800,000 OF and \$800,000 TF above FY 2001.

The Executive recommends a FY 2002 increase of \$498,900 OF and \$634,000 TF above FY 2001 and a FY 2003 increase of \$803,900 OF and \$1,443,300 TF above FY 2001. The Executive does not recommend funding for division personnel and recommends approximately \$325,000 TF less than the JLBC recommendation per year for misapplied payments. The Executive also recommends consolidating all funding for Central Payment Processing within the operating budget.

County Participation OF 677,300 800,400
Changes TF (2,703,200) (2,170,600)

The JLBC recommends a total biennial increase of \$1,477,700 OF and a total biennial decrease of \$(4,873,800) TF associated funding changes in counties operating their own child support programs. The total change reflects two separate issues:

- Excess federal appropriation authority: a decrease of \$(3,770,500) TF expenditure authority below FY 2001 in both FY 2002 and FY 2003;
- Program growth: a FY 2002 increase of \$677,300 OF and \$1,067,300 TF above FY 2001 and a FY 2003 increase of \$800,400 OF and \$1,599,900 TF above FY 2001.

The division contracts with several Arizona counties to operate child support programs in those counties. A portion of the SSRE and all of the federal incentives earned by those counties are passed on to the counties to help offset their costs of operating the program. As the state's collections have improved, so has the amount of SSRE and incentives earned by the counties.

The decrease for excess expenditure authority reflects expected expenditures by the counties (minus county appropriations). FY 2000 appropriations of federal

expenditure authority exceeded actual expenditures by more than \$4,000,000. The recommended increases for program growth also reflect an increase in expected CSEA revenues from SSRE and incentives.

The Executive concurs with the increase for program growth, but does not address the excess federal appropriation authority issue.

ATLAS FTE Transfer GF (213,200) (213,200)
TF (627,000) (627,000)

The JLBC recommends a total biennial decrease of \$(426,400) GF and \$(1,254,000) TF associated with transferring information technology (IT) personnel working on the division's Arizona Tracking and Location Automated System (ATLAS) to the Division of Administration. This amount includes a decrease of \$(213,200) GF and \$(627,000) and (11) TF FTE Positions in both FY 2002 and FY 2003 below FY 2001.

The department has requested this transfer because these types of IT personnel are generally concentrated in the Administration budget. The positions will become non-appropriated in that budget. The Executive concurs.

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

All state share of retained earnings and federal incentives above \$11,185,900 in FY 2002 and \$11,403,600 in FY2003 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. The Division of Child Support Enforcement shall report the intended use of the monies to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Senate and House Appropriations Committees and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a FY 2003 increase of \$500,000 General Fund above FY 2001 for a new Contingency Funds Special Line Item in the event that Child Support Enforcement Administration Fund revenues are inadequate for the appropriation. The JLBC believes that if this occurs, it can be addressed in a FY 2003 supplemental.

Auditor General Performance Audits

In July 1999, the Auditor General released a performance audit on DCSE. The primary finding of the report was that because of the Division's projected revenue shortfalls, DCSE should examine whether the Child Support Enforcement program should be cost recovery or service delivery in nature. A cost recovery focus might lead to increased fees on both custodial and non-custodial parents; a service delivery focus might increase the reliance on the General Fund. Because revenues from SSRE, federal incentives, and fees have been higher than expected at the time of the Auditor General report, the JLBC does not project revenue shortfalls. The JLBC suggests, however, that the Legislature may still wish to consider the basic question raised by the Auditor General's report. The Auditor General is scheduled to release another report on the division by December 31, 2000.

Native American IV-D Services

DES has requested additional funds to expand services to the Hopi and Salt River Pima-Maricopa tribes. The JLBC recommendation does not include funds for these expansions because it believes the department should try to reach agreements with these tribes similar to that reached with the Colorado River tribe, which allowed DES to provide services on the reservation rather than hiring additional personnel.

JLBC would also note that recent federal regulations permit tribes to implement their own child support programs and receive enhanced federal funding. We would note that if the Navajo Nation chose to implement their own child support program, a portion or all of the monies the department currently spends on services to the Navajos could be reduced or transferred to helping other tribes operate their own programs.

Financial Institution Data Match

DCSE would like the authority to expand their use of data matching with financial institutions. Using the data match would allow DCSE to freeze assets of non-custodial parents who owe significant amounts of money to DCSE custodial parents, as permitted by A.R.S. § 25-523(A). DCSE believes that employing this data match could generate significant increases in child support owed to its clients, but also recognizes the risk in freezing of non-custodial parents' assets. JLBC believes that DES should seek this authority and additional funding through separate legislation.

Counties Operating Child Support Programs

Six counties choose to operate their own child support programs. As noted above in the discussion on the County Participation Special Line Item, DES passes through a portion of the SSRE and all of the federal incentives earned by those counties to help offset their costs of operating the program. DES estimates that the 6 counties' FY 2002 "shortfall" (i.e., their state match requirement minus expected SSRE/incentives and FY 2001 county appropriation) to be \$654,700 of state match. Were DES to pay for all of the counties' costs, DES estimates it would require \$1,541,500 of state match. Estimates would vary if DES operated the programs or if private vendors were contracted to operate the programs.

Federal Office of Child Support Enforcement's Twenty-Fourth Annual Report to Congress

The Twenty-Fourth Annual Report to Congress prints "Box Scores" for states' child support enforcement programs. These scores indicate, among other things, a "cost-effectiveness" ratio, which indicates how many dollars in child support the program collects when it spends \$1 in administrative expenditures. Though it has consistently ranked low on this measure, Arizona has shown some improvement in recent years. The latest report, for Federal Fiscal Year (FFY) 1999, states that Arizona collected \$2.88 for each administrative dollar spent, ranking Arizona 43rd of all 54 states and territories listed. This is an improvement of 8.3% from FFY 1998, when Arizona ranked 46th of all states and territories listed.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Economic Security
Aging & Community Services

JLBC: Pat Mah
 OSPB: Matt Gottheiner

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	93.1	93.1	93.1	96.1	93.1	96.1
Personal Services	3,538,400	3,795,200	3,851,700	3,937,100	3,851,700	3,937,100
Employee Related Expenditures	704,100	767,400	794,700	811,400	794,800	814,100
All Other Operating Expenditures:						
Professional and Outside Services	89,800	49,000	49,000	49,000	49,000	49,000
Travel - In State	155,700	171,400	171,400	183,400	171,400	183,400
Other Operating Expenditures	346,100	475,300	475,300	490,000	475,300	490,000
Equipment	13,800	10,400	10,400	31,100	10,400	10,400
OPERATING SUBTOTAL	4,847,900	5,268,700	5,352,500	5,502,000	5,352,600	5,484,000
SPECIAL LINE ITEMS						
Adult Services	8,992,500	9,711,800	11,443,600	13,296,300	11,492,600	13,345,300
Long-Term Care Ombudsman	325,300	359,500	359,500	359,500	359,500	359,500
Community and Emergency Services	4,681,400	5,683,800	6,979,500	6,979,500	6,979,500	6,979,500
Coordinated Hunger Program	1,235,400	1,286,600	1,286,600	1,286,600	1,286,600	1,286,600
Coordinated Homeless Program	2,410,400	2,738,600	2,738,600	2,738,600	2,738,600	2,738,600
Domestic Violence Prevention	4,978,200	8,823,800	8,823,800	8,823,800	8,823,800	8,823,800
Information and Referral	103,500	115,400	115,400	115,400	115,400	115,400
TANF Deposit to Community-Based Marriage and Communications Skills Program Fund	0	1,150,000	0	1,150,000	0	1,150,000
PROGRAM TOTAL	27,574,600	35,138,200	37,099,500	40,251,700	37,148,600	40,282,700
FUNDS SOURCES						
General Fund	19,060,000	20,909,300	22,721,200	24,723,500	22,770,200	24,754,400
Federal Temporary Assistance for Needy Families Block Grant	7,006,000	12,528,900	12,678,300	13,828,200	12,678,400	13,828,300
Domestic Violence Shelter Fund	1,508,600	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
SUBTOTAL - Other Appropriated Funds	8,514,600	14,228,900	14,378,300	15,528,200	14,378,400	15,528,300
SUBTOTAL - Appropriated Funds	27,574,600	35,138,200	37,099,500	40,251,700	37,148,600	40,282,700
Other Non-Appropriated Funds	529,100	1,582,200	1,457,200	1,457,200	1,457,200	1,457,200
Federal Funds	23,026,500	29,881,000	29,881,000	29,881,000	29,881,000	29,881,000
TOTAL - ALL SOURCES	51,130,200	66,601,400	68,437,700	71,589,900	68,486,800	71,620,900

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	3,814,200	18.2%	3,845,100	18.4%	7,659,300
Other Appropriated Funds	1,299,300	9.1%	1,299,400	9.1%	2,598,700
Total Appropriated Funds	5,113,500	14.6%	5,144,500	14.6%	10,258,000

PROGRAM DESCRIPTION — *The program provides alternatives to institutional care for the elderly and physically disabled through a range of non-medical home and community-based services. It includes statewide programs of advocacy, social services, nutrition services, program development services, adult protective services, nursing home ombudsman services, volunteer services, and employment opportunities.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• Average % of survey respondents indicating provision of services avoided premature institutionalization	Baseline/82.8	83.5/75.4	78	81/84
• Adult Protective Services investigation % rate	76.4/76.4	80/80	83	85/87
• % of participants in Older Workers program transitioned from subsidized to unsubsidized positions	30/47	30/39	45	47/49
• % of eligibility determination made within 48 hours for Refugee Resettlement Program	92/96	94/100	98	98
• % of clients surveyed who were accurately referred by the Information and Referral Program	75/96	76/87	98	99

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 60,600	\$ 60,600
	OF 2,900	2,900
ERE Rates	GF 15,600	18,200
	OF 700	800

Adult Services GF 3,486,000 3,486,000

The JLBC recommends a total biennial General Fund (GF) increase of \$6,972,000 to fund caseloads for community-based continuum of care and services for abused, neglected, and exploited adults. The amount includes \$3,486,000 in both FY 2002 and FY 2003 above FY 2001. The services provided are based upon a person's ability to perform activities of daily living, family support, and financial status. The intended purpose is to provide assistance to stay at home as an alternative to the more costly move to Adult Care Homes. The monies would fund a growth in the demand for services due to demographic changes for the state because of longer life spans and continuing growth in the retirement age group. An estimated 2,850 clients will be served each year over the biennium, including 1,043 who are currently on the waiting list. The Executive concurs, but recommends \$1,685,000 in both FY 2002 and FY 2003. This amount is a reduction of \$(1,801,000) in both FY 2002 and FY 2003 from the JLBC recommendation. The Executive's recommendation would fund an estimated 1,378 clients each year or slightly less than half the number of clients served under the JLBC recommendation.

Adult Investigations GF 205,200 184,500

The JLBC recommends a total biennial GF increase of \$389,700 to maintain Adult Protective Services (APS) investigation rates at 80.6%. The amount includes a FY 2002 increase of \$205,200 and 3 FTE Positions above FY 2001 and a FY 2003 increase of \$184,500 and 3 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The recommendation funds 3 Human Specialist III FTE Positions and one-time costs of \$20,700 for equipment. The monies are displayed in the operating budget except

for \$51,700 that is part of the Adult Services Special Line Item for emergency services. The Executive does not recommend this issue.

Social Services Block

Grant -- TANF Offset OF 1,295,700 1,295,700

The JLBC recommends a total biennial Temporary Assistance for Needy Families (TANF) Block Grant increase of \$2,591,400 to continue to replace Social Services Block Grant (SSBG) monies that have been cut in recent years. The department used TANF monies of \$2,291,000 in FY 2000 and \$1,612,700 in FY 2001 to reduce the impact of the federal SSBG cuts. However, the department's ability to do these offsets was possible only because it had under spending in TANF appropriations for other programs. There also was TANF monies that had been transferred to SSBG that the 1999 Legislature appropriated to reduce the impact of the SSBG cut; however, those monies are discontinued after FY 2001.

The recommended appropriated TANF monies are used to offset reported reductions for locally planned services. The recommendation includes \$1,038,900 for the Councils of Governments (COG's) and \$256,800 for community services in both FY 2002 and FY 2003 above FY 2001. The monies are appropriated to the Community and Emergency Services Special Line Item for the COG's and locally-based community services. The Executive concurs.

Domestic Violence GF -0- -0- OF -0- -0-

The JLBC recommends continuing appropriations of \$800,000 GF and \$3,000,000 TANF Block Grant initially authorized by Laws 1999, Chapter 182 and Laws 2000, Chapter 362. Laws 1999, Chapter 182 appropriated the \$800,000 GF in both FY 2000 and FY 2001 to increase the number of programs funded from state monies, create a funding base for all emergency residential programs, and fund programs that increase their bed space in under served areas. Laws 2000, Chapter 362 appropriated the \$3,000,000 TANF in 2001 to provide \$2,000,000 for emergency shelter services and \$1,000,000 for legal and lay advocacy services.

Besides continuing the above appropriations, JLBC recommends continuing \$190,900 in increased expenditure authority from the Domestic Violence Shelter Fund. Revenues have been greater than the amount projected when the expenditure authority was set by the 1999 Legislature for the FY 2000 and FY 2001 budget. However, pursuant to a footnote in the General Appropriation Act, the department can utilize these unanticipated revenues if they bring the issue to the Joint Legislative Budget Committee for its review. At its September 2000 meeting, the Committee reviewed the department's request to increase by \$190,900 the expenditure authority on the Domestic Violence Shelter Fund from \$1,509,100 to \$1,700,000 for FY 2001. The JLBC also recommends modifying the footnote to reflect this change in expenditures from the Domestic Violence Shelter Fund. (*See Modifications to Prior Year Footnotes in this cost center for further details.*)

The monies for all of the continued appropriations in this policy issue are displayed in the Domestic Violence Prevention Special Line Item. The recommendation maintains existing appropriations for no net change in expenditures from FY 2001. The Executive concurs.

Marriage Skills Funding OF -0- -0-

The JLBC recommends continuing in both FY 2002 and FY 2003 the TANF appropriation of \$1,150,000 for Marriage Skills education authorized by Laws 2000, Chapter 393 for FY 2001. The appropriation consists of \$1,000,000 for grants to local communities and organizations. The monies are for implementing new or continuing existing programs which build marriage and communication skills and educate clients about family law and domestic violence issues. There also is \$75,000 to provide vouchers for attending training courses and \$75,000 for marriage handbooks for free distribution.

The recommendation maintains existing appropriations for no net change in expenditures from FY 2001. The TANF monies are intended to be deposited into the non-appropriated Community-Based Marriage and Communication Skills Program Fund established by Laws 2000, Chapter 393. Therefore, the recommendation includes displaying the TANF monies in a new Special Line Item called TANF Deposit to Community-Based Marriage and Communication Skills Program Fund Special Line Item. The Executive recommends deleting the annual TANF appropriation of \$1,150,000 and eliminating this program.

Match Requirements GF 46,800 95,800

The JLBC recommends a total biennial GF increase of \$142,600 for state match requirements to draw down Federal Funds. This amount includes a FY 2002 increase of \$46,800 above FY 2001 and a FY 2003 increase of \$95,800 above FY 2001. The monies displayed in the Adult Services Special Line Item will draw down approximately another \$500,000 annually in federal Older Americans Act (OAA) funds, for a total of \$1,136,300

over the biennium. The GF increase will bring the OAA state match to \$1,117,100 annually to draw down \$12,122,000 in federal OAA funds. The monies are used for a variety of services to senior citizens, such as in-home meals, adult day care, and health promotion. The Executive concurs.

Assistance Services OF -0- -0-

The JLBC recommends continuing an appropriation of \$500,000 from TANF initially authorized by Laws 1999, Chapter 328 for both FY 2000 and FY 2001. The monies are for short-term crisis services and are displayed as part of the Community and Emergency Services Special Line Item. The monies in this Special Line Item are used to provide aid to low-income households in need of financial assistance to address household emergencies and grants to agencies to help local communities identify priority problems and needs of individuals in poverty.

The \$500,000 TANF is continued in both FY 2002 and FY 2003 for no net change in expenditures from FY 2001. The Executive concurs.

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that the \$115,400 appropriated in FY 2002 and FY 2003 for Information and Referral Services shall be used to fund services in each city of this state with a population of more than 250,000 persons according to the most recent United States decennial or special census.

It is the intent of the Legislature that a state General Fund amount of \$250,000 in Adult Services be matched with \$250,000 from the federal Social Services Block Grant for non-medical home and community based services.

Modification of Prior Year Footnotes

All Domestic Violence Shelter Fund monies above ~~\$1,509,100~~ \$1,700,000 received by the Department of Economic Security in ~~FY 2000~~ FY 2002 or in ~~FY 2001~~ FY 2003 are appropriated for the Domestic Violence Prevention Special Line Item. The Department of Economic Security shall report the intended use of the monies above ~~\$1,509,100~~ \$1,700,000 in ~~FY 2000~~ FY 2002 and ~~FY 2001~~ FY 2003 to the Joint Legislative Budget Committee. (*The JLBC recommends modifying the above footnote to continue the flexibility that DES has to expend unanticipated revenues to the Domestic Violence Shelter Fund.*)

[Click here to return to Table of Contents](#)

Department of Economic Security
Children, Youth & Families

JLBC: Pat Mah
 OSPB: Matt Gottheiner

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	935.4	946.4	1,022.4	1,031.4	1,015.5	1,033.1
Personal Services	24,154,800	28,108,600	30,111,000	30,600,600	30,327,300	31,051,000
Employee Related Expenditures	5,920,900	6,105,600	6,852,400	6,864,000	6,775,400	6,935,000
All Other Operating Expenditures:						
Professional and Outside Services	521,300	392,200	505,500	505,500	505,500	505,500
Travel - In State	1,469,300	1,413,000	1,637,000	1,654,300	1,604,700	1,654,300
Other Operating Expenditures	3,166,900	2,659,000	3,038,400	3,085,300	2,863,200	3,047,400
Equipment	566,100	245,700	1,643,300	1,643,300	127,900	127,900
OPERATING SUBTOTAL	35,799,300	38,924,100	43,788,700	44,353,000	42,205,100	43,321,100
SPECIAL LINE ITEMS						
Adoption Services	16,864,200	18,507,200	21,734,800	21,734,800	23,856,400	23,856,400
Children Services	36,065,300	45,638,900	41,363,500	41,786,500	51,860,000	64,868,000
High Risk Infant Services	328,300	686,300	686,300	686,300	686,300	686,300
Intensive Family Services	2,190,100	2,435,600	2,435,600	2,435,600	2,435,600	2,435,600
Child Severance Project	36,500	146,500	146,500	146,500	146,500	146,500
Videotaping	0	113,700	0	0	0	0
Healthy Families	4,000,000	5,000,000	5,000,000	10,120,000	5,000,000	10,217,300
CPS Incentive Pay Program	240,000	240,000	221,700	240,000	221,700	240,000
Family Builders Program	9,347,700	9,421,400	8,001,400	8,001,300	8,001,400	8,001,300
CPS Appeals	375,300	591,300	587,500	587,000	587,400	587,300
Child Abuse Prevention	437,700	811,400	812,100	812,000	812,100	812,000
Comprehensive Medical & Dental Program	2,221,400	2,779,900	2,779,900	2,779,900	2,779,900	2,779,900
Attorney General Legal Services	3,621,000	4,233,500	4,308,300	4,254,100	4,308,300	4,256,300
TANF Deposit to SSBG	34,405,500	23,600,000	25,595,500	32,066,500	15,099,000	10,785,000
TANF Deposit to the Joint Substance						
Abuse Treatment Fund	0	10,000,000	3,333,300	3,333,300	10,000,000	10,000,000
Homeless Youth Intervention	0	400,000	400,000	400,000	400,000	400,000
Permanent Guardianship Subsidy	100,400	983,300	983,300	983,300	983,300	983,300
CPS Expedited Substance Abuse Treatment						
Fund Deposit	224,500	224,500	224,500	224,500	224,500	224,500
PROGRAM TOTAL	146,257,200	164,737,600	162,402,900	174,944,600	169,607,500	184,600,800
FUNDS SOURCES						
General Fund	87,883,900	115,522,000	94,912,700	96,299,400	107,468,400	121,564,700
Federal Temporary Assistance for Needy						
Families Block Grant	57,865,900	47,998,200	66,468,500	72,253,600	61,117,400	56,547,200
Child Abuse Prevention Fund	437,700	1,061,400	812,100	1,062,000	812,100	1,062,000
Children and Family Services Training						
Program Fund	69,700	156,000	209,600	209,600	209,600	209,600
Tobacco Litigation Settlement Fund	0	0	0	5,120,000	0	5,217,300
SUBTOTAL - Other Appropriated Funds	58,373,300	49,215,600	67,490,200	78,645,200	62,139,100	63,036,100
SUBTOTAL - Appropriated Funds	146,257,200	164,737,600	162,402,900	174,944,600	169,607,500	184,600,800
Other Non-Appropriated Funds	8,240,600	9,803,800	3,154,400	3,154,400	9,821,100	9,821,100
Federal Funds	65,865,100	76,250,400	76,574,900	76,574,900	76,574,900	76,574,900
TOTAL - ALL SOURCES	220,362,900	250,791,800	242,132,200	254,673,900	256,003,500	270,996,800

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(19,222,600)	-16.6%	6,042,700	5.2%	(13,179,900)
Other Appropriated Funds	29,429,600	59.8%	13,820,500	28.1%	43,250,100
Total Appropriated Funds	10,207,000	6.2%	19,863,200	12.1%	30,070,200

PROGRAM DESCRIPTION — *The program provides staff resources, such as Child Protective Services (CPS) workers, an array of contracted services for abused, neglected or abandoned children, and medical and dental care for foster children. In addition, training resources are provided for CPS investigators, case managers and employees of child welfare agencies and community treatment programs.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of children in out-of-home care who achieved permanent placement	Baseline	NA/24	25	25
• % of children with extended stays in out-of-home care	NA/47	NA/32	31	30/29
• Number of children with finalized adoption	NA/640	NA/857	875	891/909
• CPS and Family Builders % response rate	96/100	96/100	100	100
• Substantiated reports of child maltreatment	NA/5,680	NA/3,670	4,589	4,589
• % of newly hired CPS specialists completing training within 7 months of hire	93/41	93/48	93	93

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 458,100	\$ 458,100
	OF 75,300	75,300
ERE Rates	GF 149,800	148,300
	OF 19,700	32,800
Occupancy Transfer	GF (174,000)	(174,000)
	OF (27,500)	(27,500)
Children Services		
TANF/SSGF Shift	GF (5,641,900)	15,639,600
Child Abuse Shift	GF 250,000	250,000
Subtotal - GF	(5,391,900)	15,889,600
Child Abuse Shift	OF (250,000)	(250,000)
Caseload Growth	OF 2,089,500	3,889,500
Subtotal - OF	1,839,500	3,639,500

The Children Services program provides in-home and out-of-home services to ensure the well being of children who are abused and neglected. The JLBC recommends a total biennial General Fund (GF) increase of \$10,497,700 and Other Funds (OF) of \$5,479,000 for Children Services. These amounts include a GF decrease of \$(5,391,900) in FY 2002 below FY 2001. However, there is a GF increase of \$15,889,600 in FY 2003 above FY 2001. In addition, the amount includes an OF increase of \$1,839,500 in FY 2002 and \$3,639,500 in FY 2003 above FY 2001. There are 3 categories for these adjustments and each is described below.

TANF/SSBG Shift

The JLBC recommends a GF decrease of \$(5,641,900) in FY 2002 below FY 2001 and a GF increase of \$15,639,600 in FY 2003 above FY 2001 due to changes in the amount of monies that are transferred from the Temporary Assistance for Needy Families (TANF) Block Grant to the federal Social Services Block Grant (SSBG). There is unanticipated TANF/SSBG funding to entirely replace the reduced \$(5,641,900) GF in FY 2002. However, these available transferred monies are not expected to continue. As a result, the GF amount is increased by \$15,639,600 in FY 2003 above FY 2001. This amount entirely replaces the expected loss of TANF/SSBG transferred funds. (For further information, see the TANF/SSBG Changes policy issue in this cost center.) The Executive uses a different combination of GF and TANF/SSBG funding from the JLBC recommendation. In addition, the Executive expects a drop in caseload in FY 2002 from FY 2001 and further expects this caseload to hold for FY 2003. As a result, the Executive's GF funding is \$(1,973,000) below the JLBC recommendation in FY 2002. For FY 2003, the Executive adds \$2,881,600 GF, but this amount is \$(12,758,000) below the JLBC recommendation.

Child Abuse Shift

The JLBC recommends a GF increase of \$250,000 in both FY 2002 and FY 2003 above FY 2001 to replace Child Abuse Prevention Fund monies recommended for transfer by the same amount to the Healthy Families Special Line Item. This \$250,000 funding shift between the 2 programs results in no net change in expenditures across the agency. (For further details, see the Healthy Families policy issue

in this cost center.) The Executive recommends deleting the funding from the Children Services program, but does not shift the \$250,000 to the Healthy Families program.

Caseload Growth

The JLBC recommends a TANF increase of \$2,089,500 in FY 2002 and \$3,889,500 in FY 2003 above FY 2001 to provide for caseload growth. The recommendation provides for an expenditure increase of 3.1% in FY 2002 and 6% in FY 2003 above FY 2001. The Executive estimates a drop in caseload, but increases TANF by \$3,889,500 in both FY 2002 and FY 2003 to create GF savings. *Table 1* at the end of the narrative shows both the JLBC and Executive estimates by funding source for FY 2001 and recommendations for FY 2002 and FY 2003.

TANF/SSBG Changes OF 8,466,500 (12,815,000)

The JLBC recommends a total biennial decrease of \$(4,348,500) in federal TANF Block Grant transferred monies to the federal SSBG. This amount includes a FY 2002 increase of \$8,466,500 above FY 2001 and a FY 2003 reduction of \$(12,815,000) below FY 2001. These adjustments reflect the difference in TANF/SSBG allocations of \$32,066,500 in FY 2002 and \$10,785,000 in FY 2003. They are changes to the FY 2001 amount of \$23,600,000.

In recent years, monies have been transferred from the federal TANF Block Grant to the federal SSBG Authorization. The transfer of these monies was part of the 1996 federal welfare reform legislation that created the TANF Block Grant. The legislation allows states to transfer up to 10% of their yearly TANF grants to the SSBG. The amount was reduced from 10% to 4.25% beginning in Federal Fiscal Year (FFY) 2001. However, the federal government changed its policy in December 2000 to continue to allow the 10% transfer at least for FFY 2001. The JLBC uses a transfer of 10% in FY 2002 and 4.25% in FY 2003.

Arizona began using this federal authorization in FY 1999, transferring 10% to fund the Children Services program and to reduce the impact of recent federal cuts made to the state's SSBG grant. *Tables 2, 3, 4 and 5* at the back of this analysis show the amount of transfers for each year from FFY 2000 through FFY 2003. The tables also show how the monies will be expended by State Fiscal Year (SFY). The transfer of \$25,867,100 in FFY 2000 is used to fund expenditures in FY 2001 and FY 2002.

The original transfer for FFY 2000 was estimated at \$23,600,000 but was revised upward by \$2,267,100 in September 2000 because of unanticipated TANF bonuses that the state received. The transfer was increased by taking 10% of the recent \$2,707,700 in "High Performance" bonus monies Arizona received for successes in moving people from welfare to work during FY 1998 and 10% of the \$20,000,000 received for successfully reducing the out-of-wedlock birth rate. The unanticipated \$2,267,100 in additional transferred funds

are recommended for appropriation in FY 2002 for Children Services. This amount is combined with a transfer of \$23,328,400 in FFY 2001 and \$6,471,000 of a \$8,628,000 transfer in FFY 2002. The total of these combined monies is \$32,066,500 for Children Services in FY 2002. The federal timeframes for transfer allows use of three-quarters of the FFY 2002 in FY 2002. The last quarter amount of \$2,157,000 is combined with a transfer of \$8,628,000 to provide for recommended expenditures of \$10,785,000 in FY 2003 for Children Services. The transfers and expenditures in *Tables 2 through 5* are summarized in *Table 6* shown at the back of this analysis. These transferred monies are reflected in the TANF Deposit to SSBG Special Line Item and are appropriated through footnotes. Therefore, the JLBC recommends new footnotes to appropriate the recommended available monies for FY 2002 and FY 2003. (*For further details, see the Children Services policy issue and New Footnotes section in this cost center.*)

The Executive also uses a 10% TANF/SSBG transfer to fund FY 2002 and a 4.25% transfer to fund FY 2003. However, the Executive's recommendation is \$(6,471,000) below JLBC in FY 2002 and \$4,314,000 above JLBC in FY 2003. These differences are because the Executive does not use the three-quarters or \$6,471,000 of a \$8,628,000 transfer for FY 2002 or the remaining last quarter amount of \$2,157,000 for FY 2003. Instead, the Executive uses the \$6,471,000 for FY 2003 and retains the \$2,157,000 for FY 2004. Since the Executive does not use this last quarter amount of \$2,157,000, the net difference is an increase of \$4,314,000 in FY 2003 from the JLBC recommendation.

TANF Balances GF (9,950,000) (9,950,000) OF 8,527,600 8,527,600

The JLBC recommends funding shifts to reduce GF by \$(9,950,000) and increase TANF by \$8,527,600 in both FY 2002 and FY 2003 from FY 2001. The recommendation will make use of excess federal balances estimated at \$88,500,000 at the end of FY 2000. The JLBC recommendation includes the following items:

1. Reduce GF by \$(5,200,000) and replace with \$3,777,600 TANF in both FY 2002 and FY 2003 for the Family Builders program. The result is a difference of \$(1,422,400) GF from the FY 2001 appropriation. That is because the \$1,422,400 in TANF Funds used to offset this GF reduction already were appropriated during the 2000 Legislative Session. The JLBC projected that the FY 2001 GF appropriation for the Family Builders program could be reduced by \$(1,422,400) and the amount replaced with TANF to cover the cost of TANF-eligible services. The GF monies were not formally reallocated, but became part of a "set-aside" intended for reallocation to cover shortfalls within the agency. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 "set-aside" reduction.

(For further details on FY 2001, see FY 2001 Supplemental policy issue in this cost center.)

2. Reduce GF by \$(4,750,000) and replace with TANF by the same amount in both FY 2002 and FY 2003 for the Healthy Families program.

The department reports that it has evaluated the Family Builders and Healthy Families programs to determine the extent to which the services provided meet TANF spending requirements. The department also reports that it has already begun making use of any surplus TANF appropriations to implement the shifts in FY 2001. The Executive concurs, but recommends the entire GF appropriation of \$5,000,000 for Healthy Families be shifted to TANF. The difference is an additional shift of \$250,000 from GF to TANF above the JLBC recommendation. This \$250,000 GF is also shifted under the JLBC recommendation; however, it is shifted from GF to the Child Abuse Prevention Fund. (See the *Child Abuse Fund Shift - Healthy Families policy issue in this cost center.*)

Adoption Services GF 2,927,600 5,049,200

The Adoption Services program subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental or emotional disorders; or who, because of age, sibling relationship, or racial or ethnic background, would otherwise be difficult to place in adoption. The JLBC recommends a total biennial GF increase of \$7,976,800 for Adoption Services because of caseload growth due to state and federal laws that have expedited the movement of foster care children into adoption placement. The amount includes a FY 2002 increase of \$2,927,600 above FY 2001 and a FY 2003 increase of \$5,049,200 above FY 2001. Caseload growth increased by an unanticipated 19.7% in FY 2000 and is expected to grow by the same amount for FY 2001. The recommendation funds this unanticipated growth and assumes a slowing of growth to 16.5% in FY 2002 and 10% in FY 2003 based on historic data.

Funding from state funds is estimated at monthly average payments of approximately \$297 per adoption based on a significantly higher ratio of Title IV-E clients reported by the department. The average payment to adoptive parents is at approximately \$571 per month, including the Title IV-E Federal Funds portion of the costs. The Executive concurs.

Child Protective GF 1,579,300 3,386,700
Caseloads OF 2,943,000 82,200

The JLBC recommends a total biennial GF increase of \$4,966,000 and OF increase of \$3,025,200 for addressing growth in caseloads on Child Protective Services (CPS) workers. This amount includes a FY 2002 increase of \$4,522,300 (including \$1,579,300 GF) and 75.6 FTE Positions above FY 2001 and a FY 2003 increase of \$3,468,900 (including \$3,386,700 GF) and 75.6 FTE Positions above FY 2001. The Other Funds are from TANF, except for \$53,600 in both FY 2002 and FY 2003

from the Children and Family Services Training Program Fund.

The department reports that reaching its goal of 100% investigation of all reported CPS cases since FY 1999 has created growth in caseloads for CPS workers to the extent that they are no longer able to monitor cases on a regular basis. The monitoring is necessary to ensure that cases move through the system as quickly as possible. Only 54% of on going cases are visited on a monthly basis. The department reports that the situation has added to its high employee turnover rate for CPS workers reported at 22.8% in FY 1999 and 22.2% in FY 2000.

To help address this high turnover rate, the department plans to implement the policy of training any newly hired CPS FTE Positions prior to assigning these employees any client caseload duties. The department reports that it is committed to this change given this recommendation to increase staffing to meet caseload ratios established by the Child Welfare League of America (CWLA) as reported in the *1999 CWLA Standards of Excellence* list. With the recommended staffing for these CWLA standards, the department also will be able to implement statewide the Family Group Decision Making Program authorized by Laws 2000, Chapter 369.

Laws 2000, Chapter 369 requires DES to develop a plan for going statewide with the Family Group Decision Making Program, which is currently funded entirely from federal non-appropriated funds. The plan has to be submitted by January 1, 2001 to the Joint Legislative Committee on Children and Family Services for review. The plan must outline polices and benefits of implementing the program statewide by October 1, 2001. The JLBC recommendation includes a new footnote to reflect both the training plans and statewide implementation of the Family Group Decision Making program.

Funding for FY 2002 assumes the training component of the department's plan will be in full operation on January 1, 2002. Therefore, 26.9 of the FTE Positions are funded for just the last 6 months of FY 2002. Monies are included in FY 2003 to annualize the costs of these 26.9 FTE Positions. However, the FY 2003 amount is reduced by \$(1,505,600) from FY 2002 because of the elimination of one-time equipment costs. The JLBC recommendation for 75.6 FTE Positions in both FY 2002 and FY 2003 includes 55.9 FTE CPS III Caseworkers, 6 FTE CPS Unit Supervisors, 6 FTE Human Service Workers, 1.7 FTE Area Program Managers, and 6 FTE clerical support staff. With additional funding from non-appropriated sources, there also will be another 28.1 FTE Positions (including 25.1 CPS III Caseworkers) for a total increase of 103.7 FTE Positions in both FY 2002 and FY 2003 from all funding sources.

The Executive concurs in FY 2002, but does not recommend the new footnote for implementing statewide

the Family Group Decision Making program and training of CPS staff prior to receiving a client caseload assignment. For FY 2003, the Executive recommends a reduction of staffing by (8.6) FTE Positions and \$(461,900) GF because of an anticipated drop in client caseloads. The JLBC does not anticipate this drop in client caseloads. The department's policy changes for CWLA standards, training, and the statewide implementation of the Family Group Decision Making program will impact the need for adequate staffing levels. Therefore, the JLBC does not recommend the Executive's FY 2003 reduction in FTE Positions.

Adoption Staffing	GF	402,300	458,600
	OF	53,700	9,800

The JLBC recommends a total biennial GF increase of \$860,900 and a TANF increase of \$63,500 to keep pace with staffing needs due to significant growth in adoption caseloads. This amount includes a FY 2002 increase of \$456,000 (including \$402,300 GF) and 9.4 FTE Positions above FY 2001 and a FY 2003 increase of \$468,400 (including \$458,600 GF) and 11.1 FTE Positions above FY 2001. The FY 2003 amount includes an increase of 1.7 FTE Positions above FY 2002 because of caseload growth. The FY 2003 recommendation also includes a reduction of \$(43,900) TANF to eliminate one-time equipment costs.

Adoption caseloads increased by an unanticipated 19.7% in FY 2000 and are expected to grow by the same amount for FY 2001. The recommendation for the biennium funds 11.1 Adoption Caseworkers FTE Positions to monitor the increase in cases to ensure that requested services from adoptive families are delivered in a timely manner and that required federal reporting is done in an accurate and acceptable time period. In addition to these appropriated monies, another 1.6 FTE Positions in FY 2002 and 1.9 FTE Positions in FY 2003 will come from non-appropriated funding. These FTE Positions bring the totals to 11 new FTE Positions in FY 2002 and 13 new FTE Positions in FY 2003 to maintain a caseload ratio of approximately 250 client cases per Adoption Caseworker FTE Position. The Executive concurs.

Tobacco Litigation - Healthy Families	OF	5,120,000	5,217,300
--	-----------	------------------	------------------

The JLBC recommends a total biennial increase of \$10,337,300 from the Arizona Tobacco Litigation Settlement Fund for the Healthy Families Program. This amount includes a FY 2002 increase of \$5,120,000 and a FY 2003 increase of \$5,217,300 above FY 2001. At the 2000 General Election, voters approved Proposition 204, which allocates tobacco settlement monies for a variety of programs, including approximately \$5,000,000 annually for the Healthy Families program. The allocation of these monies is determined by the Proposition and the monies are subject to appropriation. As a result, these amounts will not appear in the General Appropriation Act.

There are 2 pending legal questions concerning the dollar level of these funds. First, since the Proposition was

enacted in November, it is unclear whether the entire FY 2001 allocation should be transferred or whether the amount should be prorated. In addition, the Proposition requires the JLBC to compute annual inflation for the programs. Since these programs were originally enacted in 1996, it is unclear whether to compute inflation since 1996 or since 2000. An opinion from the Attorney General has been requested to clarify these issues. In the meantime, our estimates include inflation since FY 2001.

When combined with the existing GF appropriation of \$5,000,000 in Healthy Families, the total funding level for this program is \$10,120,000 in FY 2002 and \$10,217,300 in FY 2003. The Executive does not address this issue.

TANF Base Realignment	GF	(8,828,500)	(8,828,500)
	OF	8,828,500	8,828,500

The JLBC recommends a shift in funding to realign TANF dollars to meet federal guidelines for the state's Maintenance of Effort for administrative expenses. The recommendation reduces GF by \$(8,828,500) and replaces it with TANF Block Grant dollars for no net change in expenditures in both FY 2002 and FY 2003. The recommendation includes the following 2 shifts from GF to TANF:

1. \$7,828,500 and 163.9 FTE Positions in the operating budget; and
2. \$1,000,000 in the Family Builders program displayed in the Family Builders Special Line Item. *(For further details, see the Division of Benefits and Medical Eligibility cost center and the Agency Summary narrative.)*

The Executive concurs.

Equipment - One-Time	GF	(145,300)	(145,300)
-----------------------------	-----------	------------------	------------------

The JLBC recommends a total biennial decrease of \$(290,600) GF to eliminate one-time equipment costs. This amount includes \$(145,300) in both FY 2002 and FY 2003. The Executive concurs.

Substance Abuse	OF	(6,666,700)	-0-
------------------------	-----------	--------------------	------------

The JLBC recommends continuing in both FY 2002 and FY 2003 the FY 2001 appropriation of \$10,000,000 from the federal TANF Block Grant authorized by Laws 2000, Chapter 382. However, because the program will not begin until approximately March 2001, there will be under spending of the FY 2001 non-lapsing \$10,000,000 TANF appropriation. Therefore, the JLBC FY 2002 recommendation reflects a reduction of \$(6,666,700) to use FY 2001 balances by the same amount. As a result, spending in FY 2002 will be the same as the FY 2003 appropriation of \$10,000,000.

The TANF monies are to be jointly administered by DES and the Department of Health Services (DHS) for substance abuse services. The funds are to be used to pay for services for parents, guardians, or custodians whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. The monies also are

to be used for services to recipients of TANF whose substance abuse is a significant barrier to maintaining or obtaining employment.

The 2 agencies involved are in the process of completing an agreement to have DES contract for the services. The amount of monies that will be needed by DHS to assist in jointly overseeing this program could fluctuate from any early estimates the 2 agencies provide. Therefore, the JLBC recommends that the entire appropriation of \$10,000,000 continue to be reflected in the DES budget. The monies are to be deposited into the Joint Substance Abuse Treatment Fund established by Laws 2000, Chapter 382. Because this is a non-appropriated joint fund, the 2 agencies will continue to have the flexibility to share this yearly \$10,000,000 appropriation even though it is reflected solely in the DES budget.

The JLBC also recommends that a new Special Line Item be established for this new program. The monies are displayed in the recommended TANF Deposit to the Joint Substance Abuse Treatment Fund Special Line Item. To clarify the joint purposes of administrative monies for the 2 agencies for this new program, JLBC recommends a new footnote for the General Appropriation Act. (*See New Footnotes in this cost center for further information.*) The Executive concurs, but does not recommend the new footnote to clarify joint purposes of administrative monies between this department and DHS. The Executive's recommendation also reflects 5 new FTE Positions for this department's administrative portion of the TANF appropriation. As indicated earlier in this policy issue, the split of administrative duties could fluctuate from any early estimates the 2 agencies provide. Therefore, the JLBC does not recommend appropriating any FTE Positions at this time. The non-appropriated status of the Joint Substance Abuse Fund provides both agencies with the flexibility to hire any new FTE Positions that are needed, as long as they do not exceed the statutory 5% limit on the joint fund for administrative costs.

Child Abuse Fund Shift - GF (250,000) (250,000)
Healthy Families OF 250,000 250,000

Beginning in FY 2002, the JLBC recommends reducing the GF appropriation for Healthy Families by \$(250,000) and replacing it with a \$250,000 appropriation from the Child Abuse Prevention Fund (CAPF) that had been for the Children Services Special Line. This \$250,000 funding shift between the 2 Special Line Items results in no net change in expenditures across the agency. The offset to this recommendation is reflected in the Children Services policy issue at the beginning of this analysis. The 1999 Legislature approved expenditures from CAPF for the Children Services program beginning in FY 2000, but the agency never expended the monies. The agency believes that the Children Services program does not meet the definition of a child abuse prevention program. Historically, the agency has expended monies from CAPF for the Healthy Families program. Therefore, the JLBC recommends transferring the appropriation to implement

legislative intent, which was to make use of available ending balances estimated at \$1,398,100 at the end of FY 2000 and each year over the biennium. The Executive recommends eliminating the CAPF funding of \$250,000 from the Children Services program, but does not recommend shifting it to fund the Healthy Families program.

Expedited Adoption GF -0- -0-

The JLBC recommends continuing in both FY 2002 and FY 2003 an appropriation of \$300,000 authorized by Laws 1999, Chapter 347. Laws 1999, Chapter 347 appropriated \$300,000 GF in FY 2001 for the purpose of streamlining the adoption processes. The appropriated monies include \$100,000 for adoptive home recruitment and \$200,000 for home placement services, including severance social studies, prospective adoptive parent training, and adoption transition services. The recommendation includes appropriating these monies in the already established Adoption Services Special Line Item.

The JLBC also recommends transferring \$300,000 GF in this cost center from the Children Services Special Line Item to the Adoption Services Special Line Item beginning in FY 2002. The monies are prior appropriations designated for community and neighborhood based recruitment of adoptive homes for special needs children in foster care. The recommendation combines all the adoption appropriations into 1 Special Line Item. The Executive recommends continuing these appropriations, but does not address the issue of shifting the monies from the Children Services Special Line Item to the Adoption Services Special Line Item.

Permanent Guardianship GF -0- -0-
OF -0- -0-

The JLBC recommends continuing appropriations first authorized by Laws 1999, Chapter 251 and Laws 2000, Chapter 393 for a Permanent Guardianship program. The program was established by Laws 1999, Chapter 251 to provide a subsidy to encourage placement of foster care children in private homes under permanent guardianship status. The monies can be used to pay relatives for becoming a permanent guardian of a relative child. The legislation appropriated \$124,000 GF for FY 2001. This amount is continued along with \$859,300 TANF that was also appropriated for FY 2001 for this program by Laws 2000, Chapter 393. The continued appropriation totals \$983,300 in both FY 2002 and FY 2003.

The JLBC also recommends that a new Special Line Item be established for this new program. The monies are displayed in this recommended Permanent Guardianship Subsidy Special Line Item. The Executive concurs.

Homeless Youth OF -0- -0-

The JLBC recommends continuing in both FY 2002 and FY 2003 the appropriation of \$400,000 from TANF that was authorized by Laws 1999, Chapter 328 for both FY 2000 and FY 2001 to establish a homeless youth

intervention program. The program has 2 locations in the state for the purpose of helping clients achieve self-sufficiency from services provided through collaborative partnerships with community and faith-based organizations.

The JLBC recommends that a new Special Line Item be established for this new program. The monies are displayed in this recommended new Homeless Youth Intervention Special Line Item. The Executive concurs.

Transfer of Videotaping GF -0- -0-

The JLBC recommends a transfer of 2 FTE Positions and \$113,700 GF in this cost center from the Videotaping Special Line Item to the operating budget beginning in FY 2002. The monies are for videotaping interviews of child sex abuse victims. The agency reports that the monies in this line are only a portion of the monies used for this purpose. The other monies are already in the operating budget. Therefore, the JLBC recommends that the 2 FTE Positions and \$113,700 GF be transferred to consolidate the monies in 1 place. The JLBC also recommends the elimination of the Videotaping Special Line Item beginning in FY 2002. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The \$240,000 appropriated in FY 2002 and FY 2003 for the Child Protective Services Incentive Pay Program Special Line Item shall be used for Personal Services and Employee Related Expenditures to implement a performance based incentives pilot program for eligible child protective services workers in accordance with Laws 1995, Chapter 43.

New Footnotes

It is the intent of the Legislature that the \$32,066,500 appropriated from the federal Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant for deposit into the TANF Deposit to SSBG Special Line Item be allocated for use to the Children Services program in FY 2002.

It is the intent of the Legislature that the \$10,785,000 appropriated from the federal Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant for deposit into the TANF Deposit to SSBG Special Line Item be allocated for use to the Children Services program in FY 2003. *(The JLBC recommends the above 2 new footnotes to allocate the recommended monies displayed in the TANF to SSBG Deposit Special Line Item.)*

Monies appropriated from the federal Temporary Assistance for Needy Families Block Grant and deposited into the Joint Substance Abuse Treatment Fund pursuant to A.R.S. § 8-881 shall be administered jointly by the Department of Economic Security and the Department of Health Services. The program development costs shall be limited to 5% and shall include training opportunities for community collaboratives. The program evaluation costs shall be limited to 10% and shall include technical assistance to communities for developing and providing substance abuse prevention and treatment programs. The program evaluation costs shall also include expenditures for conducting meetings to ensure collaboration, coordination, and integration of services and funding sources between public and private agencies, programs, service providers, advocates and consumers to meet prevention, treatment and other service needs. *(The JLBC recommends this footnote to clarify use of allocated TANF funding for the new Substance Abuse Treatment Program established by A.R.S. § 46-300.05.)*

The Department of Economic Security shall provide training to any new Child Protective Services FTE Positions prior to assigning to any of these employees any client caseload duties. The department shall also implement statewide in FY 2002 the Family Group Decision Making program authorized by Laws 2000, Chapter 369. *(The JLBC recommends this footnote which requires training of any new FTE CPS caseworker prior to being assigned client caseloads and implementing statewide the Family Group Decision Making program authorized by Laws 2000, Chapter 369.)*

Of the \$39,104,100 General Fund appropriation in the Children Services Special Line Item in FY 2001, \$3,227,700 is intended to be used to cover FY 2001 service contract rate increases and services for non-Title-IV-E eligible clients. *(The JLBC recommends this footnote to clarify the intended use of already appropriated FY 2001 General Fund monies for covering some anticipated shortfalls in the agency.)*

Deletion of Prior Year Footnotes

The JLBC recommends deleting 3 footnotes since they were for allocating TANF transferred SSBG appropriations for prior years.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC FY 2001 Supplemental for this cost center relates to 2 issues. Each is described below.

Family Builders

The JLBC recommends a FY 2001 adjustment of \$(1,422,400) GF for the Family Builders program. The recommendation is the same as JLBC projected during the 2000 Legislative Session for this program. The JLBC recommended last session that the FY 2001 GF appropriation for the Family Builders program be reduced

by \$(1,422,400) and the amount replaced with TANF to cover the cost of TANF-eligible services. The TANF funds for Family Builders were appropriated; however, the GF monies were not formally reallocated. Instead, they became part of a "set-aside" intended for reallocation to cover shortfalls within the agency. Because of shortfalls identified in the Long Term Care (LTC) cost center, the JLBC recommends no GF reduction in FY 2001 for this line item so that the monies remain available for reallocation by the Executive to address the LTC shortfall. The Executive concurs.

Children Services

The JLBC recommended during the 2000 Legislative Session that the FY 2001 GF appropriation for Children Services be reduced by \$(3,474,600) because federal TANF/SSBG monies were available for replacement by the same amount. The TANF/SSBG monies for Children Services were appropriated, but GF monies were not formally reallocated. Instead, they became part of a "set-aside" intended for reallocation to cover shortfalls within the agency.

Based on current estimates for a drop in eligible federal Title IV-E clients and recent rate increases negotiated for service providers, \$3,227,700 of the \$3,474,600 will be needed. To ensure that the \$3,227,700 is used to cover this shortfall because of new service rates and changes in Title IV-E caseloads, the JLBC recommends a new footnote to clarify the intended use of the \$3,227,700 that had been intended for covering other FY 2001 shortfalls within the agency. (*See the New Footnotes section in this cost center for further information.*)

For the remaining surplus amount of \$246,900, the JLBC recommends no GF adjustment for the Children Services Special Line Item in FY 2001. This is because of the estimated shortfall in the LTC cost center mentioned earlier in this policy issue. The \$246,900 will be reallocated by the Executive to cover the LTC shortfall. The Executive concurs, but does not recommend the FY 2001 footnote.

Executive Recommendation

The Executive recommends a GF transfer of \$(628,900) and (14) FTE Positions from this cost center to the Administration cost center to consolidate licensing functions within the agency. The JLBC does not recommend this issue. The need and benefits of consolidating licensing functions in this cost center should be evaluated as part of the move to program budgeting, which this agency is scheduled for in the next biennium.

Auditor General Performance Audits

The Auditor General issued a performance audit dated March 2000 on the Family Builders program pursuant to Laws 1997, Chapter 223. This report is an evaluation of the initial pilot program. According to the Auditor General, the program suffers from insufficient and inaccurate information. Therefore, the Auditor General was unable to determine whether the pilot program was effective. The Auditor General also reported that the capitation rates paid by Family Builders might be too high and that data should be submitted in the budget process to document that rates are appropriate and based on sound data. The JLBC requested data to evaluate the extent to which the Auditor General's concerns about the capitation rate had been addressed by the agency. The Auditor General's concerns are validated by the fact that the agency was unable to keep within the \$7,996,100 FY 2000 appropriation established for this program. Through an Executive appropriation transfer, the department's FY 2000 expenditures exceeded the original appropriation of \$7,996,100 by \$1,351,600. The additional monies came from a transfer of available FY 2000 TANF Funds because of under spending in the TANF appropriation.

According to the department, procedures for data collection have been changed and the changes are now being monitored to ensure they have enhanced the data collection process. New rates were negotiated during the FY 2001 renewal process for Family Builder contracts in District 1 and District 2, and providers were required to submit actual expenditure and estimated cost data to establish these new rates. New rates were set to ensure the department keeps within its annual appropriation of approximately \$8,001,300. The JLBC concurs with the concerns of the Auditor General's office about the lack of accurate data that has been available to evaluate the program. However, the department appears to have made efforts to begin addressing the Auditor General's concerns. The Auditor General will repeat its efforts to evaluate the program, which was established permanently by Laws 2000, Chapter 23. This legislation also requires the Auditor General to evaluate the program again by November 1, 2001 and November 1, 2004.

Table 1

Total Funding for Children Services

Funding Source	Actual FY 2000	Estimated FY 2001	OSPB Rec. FY 2002	JLBC Rec. FY 2002	OSPB Rec. FY 2003	JLBC Rec. FY 2003
General Fund						
Base Appropriation	\$28,477,000	\$ 39,104,100	\$ 39,104,100	\$ 39,104,100	\$ 39,104,100	\$ 39,104,100
TANF SSBG Funds Shift	--	--	(7,614,900)	(5,641,900)	2,881,600	15,639,600
Child Abuse Fund Shift	--	--	0	250,000	0	250,000
Subtotal	\$28,477,000	\$ 39,104,100	\$ 31,489,200	\$ 33,712,200	\$ 41,985,700	\$ 54,993,700
Federal TANF						
Base Appropriation	\$ 5,846,800	\$ 6,284,800	\$ 6,284,800	\$ 6,284,800	\$ 6,284,800	\$ 6,284,800
Replace General Fund			3,889,500		3,889,500	
Caseload Growth	--	--	0	2,089,500	0	3,889,500
Subtotal	\$ 5,846,800	\$ 6,284,800	\$ 10,174,300	\$ 8,374,300	\$ 10,174,300	\$ 10,174,300
Child Abuse Fund	--	250,000	--	--	--	--
Federal TANF to SSBG						
Prior Year Allocation	\$ 7,414,500	\$ 5,405,900	--	--	--	--
Budget Year Allocation	<u>28,999,500</u>	<u>21,018,700</u>	<u>25,595,500</u>	<u>32,066,500</u>	<u>15,099,000</u>	<u>10,785,000</u>
Subtotal	\$36,414,000	\$ 26,424,600	\$ 25,595,500	\$ 32,066,500	\$ 15,099,000	\$ 10,785,000
Non-Appropriated Federal	\$25,950,300	\$ 32,316,000	\$ 33,517,000	\$ 33,517,000	\$ 34,779,700	\$ 34,779,700
Other Non-Appropriated	--	<u>890,000</u>	<u>890,000</u>	<u>890,000</u>	<u>890,000</u>	<u>890,000</u>
Subtotal	\$25,950,300	\$ 33,206,000	\$ 34,407,000	\$ 34,407,000	\$ 35,669,700	\$ 35,669,700
Total	\$96,688,100	\$105,269,500	\$101,666,000	\$108,560,000	\$102,928,700	\$111,622,700

Table 2

**SFY 2001
FFY 2000 TANF Transfer to SSBG**

State Fiscal Years 2001 and 2002	Original	Revised
TANF to SSBG Transfer	\$23,600,000	\$25,867,100
Expenditures for Transfer		
33% Offset for Federal SSBG Cuts	\$ 2,581,300	\$ 2,581,300
FY 2001 Allocation:		
FY 2001 Funding for Children Services	\$12,437,600	\$12,437,600
Replace the Money Recommended for Shift from FY 2001 to FY 2000 for Federal Spending Requirements Recommended for Shift from FY 2001 to FY 2000 for Federal Spending Requirements	5,106,500	5,106,500
Use Additional Monies from Increased Transfer for an Offset to GF Subtotal FY 2001	<u>3,474,600</u>	<u>3,474,600</u>
	\$21,018,700	\$21,018,700
FY 2002 Allocation:		
FY 2002 Funding for Children Services	\$ 0	\$ 2,267,100
Total Expenditures	\$23,600,000	\$25,867,100

Table 3

**SFY 2002
FFY 2001 TANF Transfer to SSBG**

State Fiscal Year 2002	
TANF to SSBG Transfer	\$23,328,400
Expenditures for Transfer	
0% Offset for Federal SSBG Cuts	\$ 0
FY 2002 Allocation:	
FY 2002 Funding for Children Services	<u>\$23,328,400</u>
Total Expenditures	\$23,328,400

Table 4

SFY 2003
FFY 2002 TANF Transfer to SSBG

State Fiscal Year 2002 and 2003	
TANF to SSBG Transfer	\$8,628,000
Expenditures for Transfer	
0% Offset for Federal SSBG Cuts	\$ 0
FY 2002 Allocation:	
FY 2002 Funding for Children Services	\$6,471,000
FY 2003 Allocation:	
FY 2003 Funding for Children Services	<u>\$2,157,000</u>
Total Expenditures	\$8,628,000

Table 5

SFY 2003
FFY 2003 TANF Transfer to SSBG

State Fiscal Year 2003	
TANF to SSBG Transfer	\$8,628,000
Expenditures for Transfer	
0% Offset for Federal SSBG Cuts	\$ 0
FY 2003 Allocation:	
FY 2003 Funding for Children Services	<u>\$8,628,000</u>
Total Expenditures	\$8,628,000

Table 6

TANF Transfers to SSBG and Expenditures

	FFY 1999	FFY 2000	FFY 2001	FFY 2002	FFY 2003	Total by Type
Transfer Amount	\$5,405,900*	\$25,867,100	\$23,328,400	\$8,628,000	\$8,628,000	
Expenditures by State Fiscal Year						
FY 2001 – 33% Offset Federal Cuts	\$ 0	\$ 2,581,300	\$ 0	\$ 0	\$ 0	= \$ 2,581,300
FY 2001 – Children Services	5,405,900	21,018,700	0	0	0	= 26,424,600
FY 2002 – Children Services	0	2,267,100	23,328,400	6,471,000	0	= 32,066,500
FY 2003 – Children Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,157,000</u>	<u>8,628,000</u>	= 10,785,000
Total Expenditure by Transfer	\$ 5,405,900	\$25,867,100	\$23,328,400	\$8,628,000	\$8,628,000	

*Amount shown is only the FY 2001 Children Services portion of a \$34,405,500 transfer.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Economic Security
Employment and Rehabilitation Services

JLBC: Stefan Shepherd
 OSPB: Matt Gottheiner

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	449.5	448.5	464.5	471.5	464.5	471.5
Personal Services	13,007,600	12,457,200	13,057,600	14,253,900	13,057,600	14,272,600
Employee Related Expenditures	2,959,000	2,838,700	3,049,100	3,323,200	3,047,400	3,337,100
All Other Operating Expenditures:						
Professional and Outside Services	439,600	237,800	337,800	378,400	237,800	278,400
Travel - In State	371,100	383,300	384,900	457,200	384,900	457,700
Travel - Out of State	0	5,200	5,200	13,200	5,200	13,200
Other Operating Expenditures	1,470,300	1,019,500	2,890,800	3,379,100	1,112,200	1,614,500
Equipment	161,500	343,800	1,699,400	1,701,100	0	0
OPERATING SUBTOTAL	18,409,100	17,285,500	21,424,800	23,506,100	17,845,100	19,973,500
SPECIAL LINE ITEMS						
JOBS Administration						
JOBS	16,358,600	26,104,300	21,015,000	15,457,300	22,015,000	16,286,700
Work-Related Transportation	2,145,900	3,302,200	5,302,200	3,302,200	5,302,200	3,302,200
Wheels to Work Program	728,100	2,000,000	0	2,000,000	0	2,000,000
Tax Credit Promotion	400,000	400,000	0	400,000	0	400,000
Job Search Stipends	16,200	93,900	93,900	93,900	93,900	93,900
Employment Retention and Job Skills	260,700	1,000,000	0	1,000,000	0	1,000,000
Young Father Mentoring	355,700	1,000,000	0	1,000,000	0	1,000,000
Parenting Skills Classes	0	250,000	250,000	250,000	250,000	250,000
Post-Employment Training	13,700	1,938,900	0	1,938,900	0	1,938,900
Domestic Violence Victims Job Training	0	250,000	250,000	250,000	250,000	250,000
Rural Technical Business Assistance	170,100	200,000	0	200,000	0	200,000
TANF Employment Transition Program	2,119,700	9,000,000	0	9,000,000	0	9,000,000
Child Care Administration						
Day Care Subsidy	87,491,600	94,451,000	122,149,700	116,016,200	133,783,700	128,752,800
Transitional Child Care	25,750,200	38,106,500	24,504,600	31,057,000	24,259,000	37,939,400
Enhanced Quality Reimbursement	0	500,000	0	500,000	0	500,000
Rehabilitation Services Administration						
Vocational Rehabilitation Services	2,769,000	3,389,800	3,389,800	3,913,400	3,389,800	4,070,700
Developmental Disabilities						
Employment Support	9,602,800	10,734,500	11,415,400	10,734,500	11,415,400	10,734,500
Independent Living Rehabilitation Services	546,700	902,300	902,300	902,300	902,300	902,300
Job Training Partnership Act						
Summer Youth Program	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Project Intervention	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Summer Youth Employment and Training	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Workforce Investment Act Programs	0	47,875,000	47,884,600	46,070,600	47,884,600	46,070,600
PROGRAM TOTAL	169,402,400	261,783,900	261,582,300	270,592,400	270,391,000	287,665,500
FUND SOURCES						
General Fund	39,331,000	43,340,600	41,471,700	45,861,200	43,471,600	47,408,000
Federal Temporary Assistance for Needy Families Block Grant	71,056,200	109,909,800	80,232,800	86,865,800	92,619,000	95,917,800
Federal Child Care and Development Fund Block Grant	56,981,500	57,551,700	82,929,200	81,571,300	82,929,800	92,923,000
Workforce Investment Act Grant	0	47,875,000	47,884,600	47,875,000	47,884,600	47,884,300
Special Administration Fund	901,500	1,085,000	3,085,000	2,585,000	1,085,000	1,085,000
Spinal and Head Injuries Trust Fund	1,132,200	1,678,000	2,401,000	2,256,100	2,401,000	2,447,400
Federal Reed Act Grant	0	343,800	3,578,000	3,578,000	0	0
SUBTOTAL - Other Appropriated Funds	130,071,400	218,443,300	220,110,600	224,731,200	226,919,400	240,257,500
SUBTOTAL - Appropriated Funds	169,402,400	261,783,900	261,582,300	270,592,400	270,391,000	287,665,500

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
Other Non-Appropriated Funds	195,610,600	204,097,500	207,787,500	207,787,500	211,551,300	211,551,300
Federal Funds	69,134,000	75,543,200	75,543,200	75,543,200	75,543,200	75,543,200
TOTAL - ALL SOURCES	434,147,000	541,424,600	544,913,000	553,923,100	557,485,500	574,760,000

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	2,520,600	5.8%	4,067,400	9.4%	6,588,000
Other Appropriated Funds	6,287,900	2.9%	21,814,200	10.0%	28,102,100
Total Appropriated Funds	8,808,500	3.4%	25,881,600	9.9%	34,690,100

PROGRAM DESCRIPTION — *This program provides: 1) rehabilitative services to individuals with disabilities; 2) job training opportunities to economically disadvantaged adults and youth; 3) child care subsidy programs; 4) and employability services to Temporary Assistance for Needy Families (TANF) recipients through the Job Opportunity and Basic Skills Training (JOBS) program. Several 100% federally funded programs are located in this division, such as the Unemployment Insurance benefit program and the new Workforce Investment Act programs, replacing the old Job Training Partnership Act (JTPA) program.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• TANF clients who obtained employment	14,937/9,604	14,937/10,334	11,119	11,119
• Average cost per JOBS participant in all work activities	\$451/\$356	\$450/\$582	\$582	\$582
• Total average children in all child care programs per month	38,041/28,876	42,984/41,665	45,372	41,907/43,839
• % of customer satisfaction with child care	92.0/88.6	92.5/90.0	90.5	90.1/91.5
• Vocational Rehabilitation individuals successfully rehabilitated	2,015/2,146	2,015/2,133	2,133	2,197

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$ 92,100	\$ 92,100
	OF	117,700	117,700
ERE Rates	GF	38,600	60,400
	OF	43,100	32,900
Occupancy Transfer	GF	(6,100)	(6,100)

Child Care Recommendations

The JLBC recommendation for child care funding consists of 3 main policy issues:

- Increase Child Care Rates
- Child Care Caseloads
- Child Care Quality Funding

Each policy issue is discussed separately in narratives below. *Table 1* compares the basic components of the JLBC and Executive recommendations:

	FY 2002		FY 2003	
	OSPB	JLBC	OSPB	JLBC
<i>Children Served</i>				
TANF-Related	5,400	6,568	5,500	6,901
Low Income Working	29,900	26,084	32,500	26,084
Transitional Child Care	8,000	9,255	7,800	10,300
Total Children Served	43,300	41,907	45,800	43,285
<i>Subsidy Levels</i>				
Average Subsidy	\$251.44	\$274.28	\$256.37	\$301.01
Market Rate Survey Used	1996	1998	1996	2000
<i>Quality Funding</i>				
Total Quality Funding (in millions)	\$14.9	\$9.8	\$14.9	\$11.0

Further details on the recommendations can be found in the narrative below.

Increase Child Care Rates **GF -0- 3,000,000**
OF 11,678,500 22,859,500

The JLBC recommends a total biennial increase of \$37,538,000 to increase the maximum rates paid to providers of child care in the Department of Economic Security (DES) subsidy system. The amount includes a Child Care and Development Fund (CCDF) Block Grant increase of \$11,678,500 in FY 2002 above FY 2001 and a CCDF increase of \$22,859,500 in FY 2003 above FY 2001. The amount also includes a GF increase of \$3,000,000 in FY 2003 above FY 2001.

Currently, the maximum rates DES child care providers can be reimbursed are set at the 75th percentile of a market rate survey conducted in 1996. A total FY 2002 increase of \$11,678,500 would permit the maximum rates to be increased to the 75th percentile of the 1998 market rate survey on July 1, 2001. This would mean an average monthly per child subsidy of \$274.28. A total FY 2003 increase of \$25,859,500 would permit the maximum rates to be increased to the 75th percentile of the 2000 market rate survey on July 1, 2002. This would mean an average monthly per child subsidy of \$301.01.

The JLBC would note that a majority of the discretionary and earmarked CCDF amounts for this issue are based on an increase in the Federal Fiscal Year (FFY) 2001 budget for CCDF. The recommendation assumes that the state will receive a total of \$40,264,700 in new CCDF monies available for non-quality-related purposes from October 1, 2000 through June 30, 2003. In order to reduce the fiscal “cliff” in FY 2004 resulting from spending 2.75 years of funding in 2 years, the JLBC recommendation leaves \$6,626,500 of these CCDF monies unspent until FY 2004.

The Executive does not recommend this issue. The Executive instead recommends shifting \$(16,807,700) of child care funding from TANF to CCDF. JLBC believes that the Executive’s recommendation overestimates the amount of additional funds by approximately \$1,000,000 over the biennium.

Child Care Caseloads **GF 3,896,000 921,000**
OF (4,914,300) 2,303,400

The JLBC recommends a total biennial General Fund increase of \$4,817,000 and a total biennial Other Appropriated Funds (OF) decrease of \$(2,610,900) for changes to child care caseloads and average monthly subsidies. This amount includes a FY 2002 decrease of \$(1,018,300) below FY 2001 and a FY 2003 increase of \$3,224,400 above FY 2001.

The FY 2002 recommendation includes a \$(13,040,200) TANF decrease and a \$8,125,900 CCDF increase from FY 2001; the FY 2003 recommendation includes a \$(4,823,200) TANF decrease and a \$7,126,600 CCDF increase from FY 2001. Changes in funding include a FY 2002 shift of \$10,742,000 from TANF to GF (\$3,896,000) and matching CCDF funding (\$6,846,000) and a FY 2003 shift of \$2,525,000 from TANF to GF (\$921,000) and matching CCDF (\$1,604,000). The remaining differences unaddressed by the shifts reflect caseload changes.

The FY 2002 recommendations are based on projected caseload levels and current average subsidies. Overall caseload levels have been lower than expected. *Table 2* reflects the number of children expected in the FY 2001 appropriation, the average number of children year-to-date (YTD) in FY 2001, and the number of children recommended for both FY 2002 and FY 2003.

Table 2

Number of Children in DES Child Care Programs

<u>CATEGORY</u>	<u>FY 2001</u> <u>Approp.</u>	<u>FY 00-01</u> <u>Average</u>	<u>FY 2002</u> <u>Rec.</u>	<u>FY 2003</u> <u>Rec.</u>
TANF-Related	11,793	5,026	6,568	6,901
Low Income				
Work-Related	20,296	24,887	26,084	26,084
Transitional Child				
Care	<u>13,283</u>	<u>8,531</u>	<u>9,255</u>	<u>10,300</u>
TOTAL	45,372	38,444	41,907	43,285

The recommended FY 2002 caseload level, 41,907 children, reflects a (7.6)% decrease from the FY 2001 appropriated level of 45,372, but reflects a 4.2% increase above the October 2000 total caseload level of 40,210. The lower-than-expected caseloads in the TANF-related and Transitional Child Care programs is due to TANF Cash Benefit levels lower than projected and an overestimate of cases subject to TANF work requirements. The recommended FY 2003 caseload level, 43,285 children, reflects a 3.3% increase above the recommended FY 2002 caseload level.

Although caseload levels have been lower than appropriated, the average subsidies paid on behalf of clients have been higher than appropriated. The overall average monthly per child subsidy amount recommended for FY 2002 is \$251.05, an increase of 7.4% above the FY 2001 appropriated level of \$233.75, but is roughly equal to the October 2000 average subsidy of \$250.24. The FY 2003 recommended average subsidy under this policy issue is also \$251.05.

Please note that the average subsidy will increase under the JLBC recommendation for increasing child care rates – to \$274.28 per child per month in FY 2002 and to \$301.01 per child per month in FY 2003. (*Please see the “Increase Child Care Rates” discussion above for further details.*)

The Executive recommends a total biennial OF increase of \$16,871,400. This amount includes a FY 2002 increase of \$3,241,500 OF above FY 2001 and a FY 2003 increase of \$13,629,900 OF above FY 2001. The Executive’s FY 2002 recommendation would provide subsidies to 43,300 children at an average subsidy of \$251.44 per child per month. The Executive’s FY 2003 recommendation would provide subsidies to 45,800 children at an average subsidy of \$256.37 per child per month. The Executive recommendation funds more children in the low-income working category than the JLBC recommendation, but fewer children in TANF-related and transitional child care.

Child Care Quality

Funding OF 4,250,200 5,445,500

The JLBC recommends a total biennial federal CCDF Block Grant increase of \$9,695,700 for increased quality-related services. This amount includes an increase of \$4,250,200 in FY 2002 above FY 2001 and an increase of \$5,445,500 in FY 2003 above FY 2001. These changes reflect the required allocations based on the rest of the JLBC recommendation for child care.

The JLBC recommendation would allocate a total of \$9,788,400 CCDF in FY 2002 and a total of \$10,983,700 CCDF in FY 2003 for these quality activities statewide. The amounts consist of 2 funding streams:

- **Earmarked funding:** The federal government will pass through an estimated \$5,922,500 in FY 2002 and \$6,661,200 in FY 2003 earmarked for particular quality-related purposes such as child care resource and referral, expanding supply of quality child care, and infant/toddler and school-age child care. These monies do not require any state match.
- **4% Set-aside:** CCDF regulations require that 4% of total CCDF and non-child care maintenance of effort of monies also be spent on quality-related purposes such as consumer education, services to vulnerable populations, and quality and supply-building. These amounts are estimated at \$3,865,900 in FY 2002 and \$4,433,500 in FY 2003.

Please note that these figures reflect statewide spending. Please see the "Child Care Licensure" discussion below for details on a transfer of CCDF Block Grant monies to the Department of Health Services.

The Executive recommends a total biennial increase of \$18,710,600 CCDF Block Grant for child care quality purposes. This increase includes not only \$8,143,800 over the biennium for the 4% set-aside and required earmark funding but also \$10,566,800 over the biennium for a backlog of quality funding received by the department but not appropriated to the department. The JLBC is willing to consider the backlog issue, but has not received any information on this issue from the department.

JOBS Caseloads OF (10,647,000) (9,817,600)

The JLBC recommends a total biennial TANF Block Grant decrease of \$(20,464,600) for changes to expected caseloads in JOBS, the job training program for TANF clients. This amount includes a FY 2002 decrease of \$(10,647,000) below FY 2001 and a FY 2003 decrease of \$(9,817,600) below FY 2001.

The FY 2002 and FY 2003 recommendations are based on projected caseload levels and current average subsidies. JLBC projects that in FY 2002, 7,085 families will be served monthly in EMPOWER Redesign and 741 families will be served monthly in Arizona Works. These caseload levels reflect a number of changes from the FY 2001 appropriation including the following:

- Decrease of (48.9)% in expected families from the budgeted level of 13,859. This is a decrease of (0.8)% from the caseload as of September 30, 2000.
- Increase of 44.2% in average monthly costs per single-parent family from \$90 per month to \$129.81 per month.

The FY 2002 recommendation is expected to serve all clients who seek JOBS services.

The FY 2003 recommendation assumes that 7,479 families will be served monthly in EMPOWER Redesign and 772 families will be served in Arizona Works, an increase of approximately 5.4% above FY 2002. This increase reflects the projected 3% increase in TANF caseloads discussed in the Division of Benefits and Medical Eligibility narrative as well as an increase in the federal minimum work participation level from 48.75% in FY 2002 to 50.00% in FY 2003. Average monthly costs are projected to remain constant at \$129.81 per month.

The Executive recommends a total biennial decrease of \$(9,131,400) for changes to expected caseloads in JOBS. This amount includes a FY 2002 decrease of \$(5,065,700) below FY 2001 and a FY 2003 decrease of \$(4,065,700) below FY 2001. The JLBC believes the Executive has overestimated the funding necessary to operate the program in FY 2002 and FY 2003.

Child Care Licensure OF (394,700) (394,700)

The JLBC recommends a total biennial CCDF Block Grant decrease of \$(789,400) associated with transferring funding pass-through monies for licensure activities to the Department of Health Services (DHS). This amount includes a decrease of \$(394,700) in both FY 2002 and FY 2003 from FY 2001. The amount transferred reflects the amount of funds currently passed-through to DHS from DES' quality allocation. The JLBC believes it is better to directly appropriate these funds and the associated FTE Positions in the DHS budget. There is no change in service levels associated with this issue. (*Please see the "Assurance and Licensure" discussion in DHS Administration narrative for further details.*) The Executive does not address this issue.

Child Care Administration

Personnel OF 846,400 846,400

The JLBC recommends a total biennial increase of \$1,692,800 for additional Child Care Administration personnel. This amount includes an increase of \$846,400 and 22 FTE Positions in both FY 2002 and FY 2003 above FY 2001. The recommended increase consists of 2 separate increases: 1) to continue funding of personnel that used to be funded by the predecessor to the CCDF Block Grant, and 2) for a new quality control team.

The first portion of the increase includes a TANF Block Grant increase of \$542,600 and 16 FTE Positions above FY 2001 in both FY 2002 and FY 2003. These monies provide funding for personnel that were previously funded

from the old Child Care and Development Block Grant (CCDBG). When that funding was eliminated by the federal government, DES, which had not previously identified these positions, had to transfer monies from other parts of its budget to fund these positions. This increase would provide a permanent source of funding for these positions.

The second portion of the increase includes a CCDF Block Grant increase of \$303,800 and 6 FTE Positions in both FY 2002 and FY 2003 above FY 2001. These monies provide funding for a new quality control team that would implement an administrative review and reconciliation process that would reduce the possibility of overpayment and ensure accuracy and quality of the claim reimbursement process. Given that more money is now spent on child care benefits than on cash benefits, a greater emphasis on these quality control aspects is necessary.

The Executive concurs with the recommendation to fund the 16 FTE Positions previously funded from the old CCDBG, but at a slightly higher amount, \$581,500, and from the CCDF Block Grant instead of the TANF Block Grant. The Executive does not recommend funding for the 6-person quality control team.

Reed Act Funding: Unemployment

Insurance OF 3,578,000 -0-

The JLBC recommends a total biennial Federal Reed Act Grant increase of \$3,578,000 for one-time equipment and short-term operating expenditures for the Employment Security Administration, which administers the Unemployment Insurance program. This amount includes a FY 2002 increase of \$3,578,000 above FY 2001. The department will use the monies to transition from 31 offices to 2 centralized call centers, which is intended to improve customer service delivery. The Executive concurs.

Special Administration GF (1,500,000) -0-
Fund Shift OF 1,500,000 -0-

The JLBC recommends a one-time FY 2002 fund shift of \$1,500,000 in the JOBS Special Line Item from General Fund to the Special Administration Fund. This shift would decrease GF funding in JOBS by \$(1,500,000) in FY 2002 from FY 2001 and increase Special Administration Fund funding in JOBS by \$1,500,000 in FY 2002 above FY 2001. With the recommended shift, the FY 2003 ending balance in the Special Administration Fund, is estimated at \$162,200. The Executive recommends a one-time fund shift of \$2,000,000 from GF to the Special Administration Fund. Based on fund balance information provided by DES, the JLBC believes there are insufficient funds to fund the \$2,000,000 shift.

Spinal and Head Injuries

Trust Fund OF 573,800 764,900

The JLBC recommends a total biennial Spinal and Head Injuries Trust Fund increase of \$1,338,700 for additional services on behalf of clients with spinal and head injuries.

This amount includes a FY 2002 increase of \$573,800 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$764,900 and 1 FTE Position above FY 2001. The increase would add 1 Human Services Program Development Specialist to provide staff support to the Governor's Council of Spinal and Head Injuries. The monies would also be used to expand training to clients with spinal and head injuries, conduct and evaluate prevention programs, and research the need for customized Employment Support Service programs. The FY 2002 amount includes \$1,700 of one-time equipment funding.

The Trust Fund receives 22% of all monies deposited into the Medical Services Enhancement Fund (MSEF). The MSEF receives revenues from a 13% penalty assessment levied on every fine, penalty, forfeiture collected by the Courts on traffic, motor vehicle, and game and fish statutes.

The Trust Fund is projected to have FY 2002 revenues of \$2,292,000 and FY 2003 revenues of \$2,448,100. With the recommended increase, the projected FY 2003 ending balance is \$3,753,800.

The Executive mostly concurs, recommending a biennial increase of \$1,438,400 for this issue, consisting of an increase of \$719,200 in both FY 2002 and FY 2003 above FY 2001. The Executive does not recommend funding for the new FTE Position, but funds the rest of DES' FY 2003 request in FY 2002. The DES request and the JLBC recommendation do not fund an additional \$157,300 for Vocational Rehabilitation services until FY 2003.

Eliminate One-Time

Equipment OF (343,800) (343,800)

The JLBC recommends a total biennial Reed Act funding decrease of \$(687,600) associated with the elimination of one-time equipment. This amount includes a decrease of \$(343,800) OF in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

Base Modification GF -0- -0-
OF -0- -0-

The JLBC recommends a base modification within the Division of Employment and Rehabilitation Services (DERS) cost center which shifts CCDF, TANF and General Fund monies among the operating budget and the Day Care Subsidy and Transitional Child Care Special Line Items. The department requested this modification to ensure that the state complies with the 15% TANF administrative cap and for ease of use. This recommended base modification does not change the overall level of funding in either the operating budget or the subsidy line items. The Executive concurs, but recommends shifting only CCDF Block Grant and TANF Block Grant monies.

Parenting Skills Classes **OF** **-0-** **-0-**
The JLBC recommends continuing the \$250,000 TANF Block Grant annual appropriation made in Laws 1999, Chapter 328 for parenting skills classes for parents receiving TANF assistance. The Executive concurs.

Enhanced Quality Reimbursement **OF** **-0-** **-0-**
The JLBC recommends continuing the \$500,000 TANF Block Grant annual appropriation made in Laws 1999, Chapter 328 for enhanced reimbursement to nationally accredited child care providers who provide services to DES child care clients. The Executive concurs, but recommends moving the funding into the Day Care Subsidy Special Line Item.

Domestic Violence Victims Job Training **OF** **-0-** **-0-**
The JLBC recommends continuing the \$250,000 TANF Block Grant annual appropriation made in Laws 1999, Chapter 328 for job training vouchers for domestic violence victims who are TANF recipients. The Executive concurs.

Independent Living Rehabilitation Services **GF** **-0-** **-0-**
The JLBC recommends continuing the \$425,000 GF annual appropriation made in Laws 1999, Chapter 310 for 2 full-time employees and community provider contracts for independent living rehabilitation services for the blind and visually impaired. These contracts aid elderly blind and visually impaired individuals to live more independently. The Executive concurs.

Apprenticeship Program **GF** **-0-** **-0-**
The JLBC recommendation implements the transfer of the Apprenticeship Services program from DES to the Department of Commerce as enacted by Laws 2000, Chapter 51. The FY 2001 Estimate column reflects the decrease of \$(151,300) and (3) FTE Positions from the original FY 2001 appropriation. The JLBC recommends no additional changes in FY 2002 or FY 2003. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that the \$15,457,300 appropriated for JOBS in FY 2002 and the \$16,286,700 appropriated for JOBS in FY 2003 may be used to support nonpermanent and seasonal positions to fulfill federal program requirements when contracts for services cannot be established with outside parties. The use of such positions shall be reported to the Director of the Joint Legislative Budget Committee.

All federal Workforce Investment Act Funds that are received by the state in excess of \$47,875,000 in FY 2002 and \$47,884,300 in FY 2003 are appropriated to the Workforce Investment Act Programs Special Line Item. Excess monies may not be spent until a proposed expenditure plan for the excess monies has been reviewed by the Joint Legislative Budget Committee.

Continuation of New FY 2001 Footnotes

Of the \$115,569,400 appropriated for Day Care Subsidy in FY 2002 and \$128,647,800 in FY 2003, \$86,867,500 in FY 2002 and \$95,343,800 in FY 2003 are for a program in which the upper income limit is 165% of the federal poverty level. This provision may not be construed to impose a duty on an officer, agent or employee of the state to discharge a responsibility or to create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the \$86,867,500 appropriation in FY 2002 and \$95,343,800 appropriation in FY 2003.

All Spinal and Head Injuries Trust Fund receipts received by the Department of Economic Security in excess of \$2,256,100 in FY 2002 and \$2,447,400 in FY 2003 are appropriated to the Independent Living Rehabilitation Service Special Line Item. Before the expenditure of any Spinal and Head Injuries Trust Fund receipts in excess of \$2,256,100 in FY 2002 and \$2,447,400 in FY 2003, the Department of Economic Security shall submit the intended use of the monies for review by the Joint Legislative Budget Committee.

Deleted Footnotes

The JLBC recommends deleting the footnote regarding the transfer of TANF Block Grant monies to the CCDF Block Grant for use in the Day Care Subsidy and Transitional Child Care Special Line Items. These transfers were previously made to prevent the federal 60-month lifetime limit on TANF benefits apply to clients in non-TANF-related child care. Recent regulation changes have made this transfer unnecessary. As a result, the JLBC recommends deleting the footnote.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a total biennial decrease of \$(31,077,800) TANF by eliminating TANF Block Grant funding for the following programs (listed with their yearly appropriations, which total \$15,538,900):

- Wheels to Work: \$2,000,000
- Tax Credit Promotion: \$400,000
- Employment Retention and Job Skills: \$1,000,000
- Young Fathers Mentoring: \$1,000,000
- Post-Employment Training: \$1,938,900
- Rural Technical Business Assistance: \$200,000
- Employment Transition Program: \$9,000,000

The Executive has provided very little justification for the elimination of these particular programs, many of which have been operational for about a year. The JLBC believes that the elimination of these programs should only occur after policy discussions in the Legislature on the issue. The JLBC continues funding for all these programs at current levels.

The Executive recommends a total biennial increase of \$4,000,000 TANF for the Work-Related Transportation Special Line Item, consisting of a \$2,000,000 increase in both FY 2002 and FY 2003 above FY 2001.

The Executive recommends a total biennial increase of \$3,000,000 TANF Block Grant for a new school age child care pilot program for youth ages 10 to 16. The amount includes a FY 2002 increase of \$1,000,000 above FY 2001 and a FY 2003 increase of \$2,000,000 above FY 2001.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Education

Agency Summary

Honorable Lisa Graham Keegan, Superintendent of Public Instruction

JLBC: Steve Schimpp

House Subcommittee: Gray

OSPB: Dawn Nazary

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
General Services Administration	15,495,200	15,723,000	16,495,700	14,224,900	17,293,000	14,685,700
Assistance to Schools	2,429,705,800	2,507,312,000	2,948,438,100	2,992,275,800	3,131,039,000	3,173,608,000
AGENCY TOTAL	2,445,201,000	2,523,035,000	2,964,933,800	3,006,500,700	3,148,332,000	3,188,293,700

OPERATING BUDGET

Full Time Equivalent Positions	202.7	202.7	222.7	224.7	222.7	224.7
Personal Services	3,582,900	4,376,400	4,374,800	4,486,800	4,374,800	4,486,800
Employee Related Expenditures	741,200	867,500	825,100	918,800	828,700	918,800
All Other Operating Expenditures:						
Professional and Outside Services	591,500	93,500	94,300	93,500	94,300	93,500
Travel - In State	52,200	66,600	66,600	69,600	66,600	69,600
Travel - Out of State	31,300	25,000	25,000	25,000	25,000	25,000
Other Operating Expenditures	1,173,200	1,170,500	1,151,400	1,220,600	1,150,200	1,218,500
Equipment	129,500	0	0	0	0	0
OPERATING SUBTOTAL	6,301,800	6,599,500	6,537,200	6,814,300	6,539,600	6,812,200
Special Line Items	2,438,899,200	2,516,435,500	2,958,396,600	2,999,686,400	3,141,792,400	3,181,481,500
AGENCY TOTAL	2,445,201,000	2,523,035,000	2,964,933,800	3,006,500,700	3,148,332,000	3,188,293,700

FUND SOURCES

General Fund	2,382,662,300	2,450,928,800	2,578,190,600	2,600,203,200	2,722,451,400	2,745,282,500
General Fund - Dedicated	0	0	305,223,600	328,210,000	331,315,100	361,110,200
Permanent State School Fund	61,591,200	71,136,100	74,898,300	74,898,300	74,898,300	74,898,300
Permanent State School Fund - Dedicated	0	0	5,567,500	2,204,400	18,614,500	6,017,700
Teacher Certification Fund	947,500	970,100	1,053,800	984,800	1,052,700	985,000
SUBTOTAL - Other Appropriated Funds	62,538,700	72,106,200	386,743,200	406,297,500	425,880,600	443,011,200
SUBTOTAL - Appropriated Funds	2,445,201,000	2,523,035,000	2,964,933,800	3,006,500,700	3,148,332,000	3,188,293,700
Other Non-Appropriated Funds	1,511,700	1,307,100	3,567,100	3,567,100	7,438,500	7,438,500
Federal Funds	444,621,600	458,102,700	434,291,900	434,291,900	434,103,500	434,103,500
TOTAL - ALL SOURCES	2,891,334,300	2,982,444,800	3,402,792,800	3,444,359,700	3,589,874,000	3,629,835,700

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	149,274,400	6.1%	294,353,700	12.0%	443,628,100
General Fund - Dedicated	328,210,000	NA	361,110,200	NA	689,320,200
Other Appropriated Funds	3,776,900	5.2%	3,777,100	5.2%	7,554,000
Other Appropriated Funds - Dedicated	2,204,400	NA	6,017,700	NA	8,222,100
Total Appropriated Funds	483,465,700	19.2%	665,258,700	26.4%	1,148,724,400

AGENCY DESCRIPTION — *The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2002 and FY 2003 it is anticipated that the department will oversee 228 school districts and at least 190 charter schools in their provision of public education from preschool through grade 12.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of students tested in Grades 2-11 who perform at or above the national norm on the Stanford 9 test.	NA/50.9	51.8/52.1	53	54/55
• % of students meeting or exceeding state academic standards in Math and Language Arts, as measured by the AIMS test:				
-- Students in grades 3, 5 & 8	NA	Baseline/25	30	50/75
• % of students tested	NA/88.6	100/92	93	94/95
• % of Arizona high school students who complete graduation requirements	NA	NA	Baseline	+1
• % of parents who rate "A+" the public school that their oldest school-age child attends	NA/7	NA/8	8	8
• % of agency staff turnover	NA/29.2	NA/21.6	20	19/18
• Administration as a % of total cost	NA	0.2/NA	0.2	0.2

Comment:

- "Baseline" means that the department will use the performance measure for the first time that year and therefore does not yet have an estimate for it. For years after the "baseline" year, the numbers shown indicate the anticipated increase or decrease for the new measure relative to its "baseline" score.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$115,100	\$115,100
	OF	9,800	9,800
ERE Rates	GF	(26,800)	(25,700)
	OF	4,900	5,100
Risk Management	GF	3,300	1,200
Rent	GF	41,300	41,300

FY 2002 SUMMARY

Basic State Aid (FY 2002)			
Enrollment Growth	121,659,300	GF	
Academic Year 2001 @ 3.3%			
Academic Year 2002 @ 3.3%			
Assessed Valuation			
Growth at 7%	(84,375,900)	GF	
2% Deflator ("Education 2000")	62,756,300	GF	
"Truth in Taxation"	19,284,300	GF	
Additional School Day ("Educ 2000")	15,305,900	GF	
Group B Weight Increases	10,916,600	GF	
Rapid Decline	(683,800)	GF	
Dept of Juvenile Corrections	(509,700)	GF	
Transportation Formula	498,500	GF	
Department of Corrections	274,000	GF	
Other Adjustments	431,300	GF	
Endowment Earnings	<u>3,762,200</u>	OF	<u>(3,762,200)</u> GF
Subtotal	3,762,200	OF	141,794,600 GF

"Education 2000" (FY 2002)			
Classroom Site Fund	2,204,400	OF	297,555,100 GF
School Safety			7,800,000 GF
School Accountability			5,849,000 GF
Failing Schools Tutoring Fund			1,500,000 GF
Character Education			<u>200,000</u> GF
Subtotal	2,204,400	OF	312,904,100 GF

Additional State Aid			
("Homeowner's Rebate")	19,595,700	GF	
Special Education Fund	6,353,500	GF	
Student Accountability Info System	(2,002,600)	GF	
Certificates of			
Educational Convenience	(1,288,900)	GF	
Joint Technological Education Districts	(250,000)	GF	
Achievement Testing	185,300	GF	
Assistance to School Districts			
for Children of State Employees	(69,400)	GF	
ADM Auditor	59,600	GF	
Charter Schools Administration	49,800	GF	
State Board of Education	49,800	GF	

FY 2003 SUMMARY

(Above FY 2001)

Basic State Aid (FY 2003)			
Enrollment Growth	247,867,600	GF	
Academic Year 2002 @ 3.3%			
Academic Year 2003 @ 3.4%			
Assessed Valuation			
Growth at 4%	(150,671,400)	GF	
2% Deflator ("Education 2000")	132,225,000	GF	
Additional School Day ("Educ 2000")	32,067,100	GF	
"Truth in Taxation"	20,222,700	GF	
Group B Weight Increases	11,817,500	GF	
Rapid Decline	(683,800)	GF	
Transportation Formula	523,700	GF	
Dept of Juvenile Corrections	(509,700)	GF	
Department of Corrections	302,100	GF	
Other Adjustments	431,300	GF	
Endowment Earnings	<u>3,762,200</u>	OF	<u>(3,762,200)</u> GF
Subtotal	3,762,200	OF	289,829,900 GF

"Education 2000" (FY 2003)			
Classroom Site Fund	6,017,700	OF	315,493,300 GF
School Safety			7,800,000 GF
School Accountability			4,586,800 GF
Failing Schools Tutoring Fund			1,500,000 GF
Character Education			<u>200,000</u> GF
Subtotal	6,017,700	OF	329,580,100 GF

Additional State Aid			
("Homeowner's Rebate")	30,075,800	GF	
Special Education Fund	8,613,000	GF	
Student Accountability Info System	(2,002,600)	GF	
Certificates of			
Educational Convenience	(1,253,400)	GF	
Joint Technological Education Districts	(250,000)	GF	
Achievement Testing	647,700	GF	
Assistance to School Districts			
For Children of State Employees	(67,700)	GF	
ADM Auditor	59,600	GF	
Charter Schools Administration	49,800	GF	
State Board of Education	49,800	GF	

* * *

JLBC RECOMMENDED FORMAT — Varies by Program

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Academic Contest (EDA1006/A.R.S. § 15-1241)				Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.				
Purpose of Fund: To pay for sending state level winners of academic contests and their chaperons to national contests.				
Funds Expended from the General Fund	50,000	50,000	50,000	50,000
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
Assistance for Education (EDA2420/A.R.S. § 43-617)				Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.				
Purpose of Fund: To provide additional funding support for public schools.				
Funds Expended	0	0	0	0
Year-End Fund Balance	55,900	55,900	55,900	55,900
Charter School Stimulus (EDA1007/A.R.S. § 15-188)				Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.				
Purpose of Fund: To encourage the establishment of charter schools by assisting with charter school start-up costs.				
Funds Expended from the General Fund	0	0	0	0
Year-End Fund Balance	754,000	754,000	754,000	754,000
Classroom Site (No Fund Number/A.R.S. § 15-977)				Statutory Distribution
Source of Revenue: Monies transferred to the fund from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Those transfers and establishment of the fund itself were authorized by voter approval of Proposition 301 in the November 2000 General Election.				
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%). (See Table 7 under the "Education 2000" Classroom Site Fund" policy issue in the Assistance to Schools Cost Center for additional information regarding this fund.)				
Funds Expended from the General Fund	0	0	320,001,700	315,707,800
Year-End Fund Balance	0	0	0	0
Education Donations (EDA2025/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.				
Purpose of Fund: To help pay for conferences, programs or other activities that are sponsored by donor organizations.				
Funds Expended	27,500	139,800	141,900	141,900
Year-End Fund Balance	139,800	0	0	0
Failing Schools Tutoring (No Fund Number/A.R.S. § 15-241)				Statutory Distribution
Source of Revenue: Monies automatically appropriated to the fund from a 0.6% sales tax. That tax and the fund itself were authorized by voters through passage of Proposition 301 in the November 2000 General Election. Proposition 301 automatically appropriates \$1,500,000 per year to the fund from the 0.6% sales tax revenues.				
Purpose of Fund: To pay for the tutoring of students in "failing schools" pursuant to A.R.S. § 15-241.				
Funds Expended from the General Fund	0	0	1,500,000	1,500,000
Year-End Fund Balance	0	0	0	0
Federal (EDA2000/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Federal grants including: Child Nutrition Assistance; Federal Impact Aid - Public Law 81-874; Title I Grants; Special Education - Title VIB; and Vocational Education.				
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the Federal grants.				
Funds Expended	444,621,600	458,102,700	434,291,900	434,103,500
Year-End Fund Balance	2,963,800	39,900	39,900	39,900
Food Distribution (EDA4210/A.R.S. § 15-1152)				Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal food commodities program.				
Purpose of Fund: To pay costs associated with administering the federal food commodities program.				
Funds Expended	273,000	253,800	266,500	279,800
Year-End Fund Balance	89,300	89,300	89,300	89,300

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Permanent State School (EDA3138/A.R.S. § 37-521)

Partially-Appropriated

Source of Revenue: Monies received from leases of state school trust lands and interest earnings on the principal balance in the fund. Under Proposition 301 (“Education 2000”) from the November 2000 General Election (effective starting in FY 2002), expendable earnings in the fund, up to the amount generated in FY 2001, are automatically appropriated first to the School Facilities Board’s Revenue Bond Debt Service Fund, if needed, then to the School Facilities Board’s New School Facilities Fund, if needed. Any remaining monies, up to the amount available in FY 2001, then are subject to appropriation to the Department of Education (ADE) to help fund the cost of Basic State Aid pursuant to A.R.S. § 15-971H. Under Proposition 301, expendable earnings beyond the amount available in FY 2001 are automatically deposited into the Classroom Site Fund established by the Proposition.

In the display below we assume for all years that expendable monies in the fund will not be needed by the School Facilities Board and that an amount equal to expendable earnings in the fund for FY 2001 (now at estimated at \$72,663,900) will be appropriated to ADE for Basic State Aid in both FY 2002 and FY 2003. We assume that the difference between estimated expendable earnings for FY 2001 and expendable earnings in FY 2002 and FY 2003 will be automatically deposited into the Classroom Site Fund, as required by Proposition 301. The latter amounts therefore are displayed as “non-appropriated” in the table below.

Purpose of Fund: To support common schools.

Appropriated Funds Expended	61,591,200	71,136,100	74,898,300	74,898,300
Non-Appropriated Funds Expended	0	0	2,204,400	6,017,700
Year-End Fund Balance	7,905,900	7,905,900	0	0

Production Revolving (EDA4211/A.R.S. § 15-237)

Non-Appropriated

Source of Revenue: Printshop charges and receipts for in-house and interagency publishing.

Purpose of Fund: To serve as a revolving fund for revenues and expenditures pertaining to the agency printshop.

Funds Expended	1,171,400	873,600	915,900	969,100
Year-End Fund Balance	506,000	924,600	1,361,400	1,824,300

Research Based Systematic Phonics Instruction (EDA2413/A.R.S. § 35-142)

Non-Appropriated

Source of Revenue: Legislative appropriations from the state General Fund.

Purpose of Fund: Pays for teacher training in methods of research based systematic phonics instruction, pursuant to A.R.S. § 15-718.

Funds Expended from the General Fund	1,000,000	1,000,000	1,000,000	1,000,000
Other Funds Expended	9,800	9,900	8,400	0
Year-End Fund Balance	18,400	8,500	100	100

Special Education (EDA1009/A.R.S. § 15-1182)

Non-Appropriated

Source of Revenue: Legislative appropriations from the state General Fund.

Purpose of Fund: To provide voucher funding for students attending the Arizona State Schools for the Deaf and the Blind pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202.

Funds Expended from the General Fund	16,038,900	16,021,000	23,029,900	25,319,400
Year-End Fund Balance	412,700	1,097,800	0	0

Teacher Certification (EDA2136/A.R.S. § 15-1173)

Appropriated

Source of Revenue: Fees collected by the State Board of Education from teachers and other school personnel who apply for professional certification.

Purpose of Fund: To provide monies for operation of the department’s Teacher Certification program. (The fund technically is a sub-account of the state General Fund, rather than a statutorily-created separate fund.)

Funds Expended	947,500	970,100	984,800	985,000
Year-End Fund Balance	33,700	373,200	698,000	1,022,600

Arizona Youth Farm Loan (EDA2136/A.R.S. § 15-1172)

Non-Appropriated

Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.

Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.

Funds Expended	30,000	30,000	30,000	30,000
Year-End Fund Balance	401,100	395,100	389,100	383,100

[Click here to return to Table of Contents](#)

Department of Education
General Services Administration

JLBC: Steve Schimpp
 OSPB: Dawn Nazary

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	144.9	144.9	147.9	147.9	147.9	147.9
Personal Services	3,582,900	4,376,400	4,374,800	4,486,800	4,374,800	4,486,800
Employee Related Expenditures	741,200	867,500	825,100	918,800	828,700	918,800
All Other Operating Expenditures:						
Professional and Outside Services	591,500	93,500	94,300	93,500	94,300	93,500
Travel - In State	52,200	66,600	66,600	69,600	66,600	69,600
Travel - Out of State	31,300	25,000	25,000	25,000	25,000	25,000
Other Operating Expenditures	1,173,200	1,170,500	1,151,400	1,220,600	1,150,200	1,218,500
Equipment	129,500	0	0	0	0	0
OPERATING SUBTOTAL	6,301,800	6,599,500	6,537,200	6,814,300	6,539,600	6,812,200
SPECIAL LINE ITEMS						
Achievement Testing	5,537,500	5,293,800	7,452,900	5,477,500	8,237,200	5,940,000
Charter School Administration	184,200	210,900	141,100	259,800	156,300	259,900
Education Commission of the States	59,400	61,200	0	61,200	0	61,200
Special Education Audit	201,300	322,000	321,100	321,000	321,100	321,000
State Board of Education	261,800	262,900	989,600	306,300	986,100	306,400
Student Accountability Information System	2,001,700	2,002,600	0	0	0	0
Teacher Certification	947,500	970,100	1,053,800	984,800	1,052,700	985,000
PROGRAM TOTAL	15,495,200	15,723,000	16,495,700	14,224,900	17,293,000	14,685,700

FUND SOURCES						
General Fund	14,547,700	14,752,900	15,441,900	13,240,100	16,240,300	13,700,700
Teacher Certification Fund	947,500	970,100	1,053,800	984,800	1,052,700	985,000
SUBTOTAL - Other Appropriated Funds	947,500	970,100	1,053,800	984,800	1,052,700	985,000
SUBTOTAL - Appropriated Funds	15,495,200	15,723,000	16,495,700	14,224,900	17,293,000	14,685,700
Other Non-Appropriated Funds	1,444,400	1,127,400	1,182,400	1,182,400	1,248,900	1,248,900
TOTAL - ALL SOURCES	16,939,600	16,850,400	17,678,100	15,407,300	18,541,900	15,934,600

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(1,512,800)	-10.3%	(1,052,200)	-7.1%	(2,565,000)
Other Appropriated Funds	14,700	1.5%	14,900	1.5%	29,600
Total Appropriated Funds	(1,498,100)	-9.5%	(1,037,300)	-6.6%	(2,535,400)

PROGRAM DESCRIPTION — *The General Services Administration (GSA) program is divided into a number of units, including School Finance, Data Processing, Career Ladders, Teacher Certification and Special Education, which provide for the ongoing operation of the Department of Education. The State Superintendent of Public Instruction is funded through this cost center.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % completion of on-line Arizona Financial Information System (AFIS) Import and Reporting Project.	NA/50	5/75	90	100
• % of schools that conduct on-line data transfer with the agency.	50/71	78/98	100	100
• % difference between the Average Daily Membership (ADM) statewide total reported as of March 1st each year versus the year-end actual total:				
-- Charter schools	NA	NA	Baseline	-1/-2
-- School districts	NA	NA	Baseline	-1/-2
• Average number of days to process applications for certification services	NA	165/60	45	30
• % of customers satisfied with the agency	NA	NA	Baseline	+1

Comment:

- “Baseline” means that the department will use the performance measure for the first time that year and therefore does not yet have an estimate for it. For years after the “baseline” year, the numbers shown indicate the anticipated increase or decrease for the new measure relative to its “baseline” score.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 80,500	\$ 80,500
	OF	9,800	9,800
ERE Rates	GF	20,200	20,500
	OF	4,900	5,100
Risk Management	GF	3,300	1,200
Rent	GF	41,300	41,300

Achievement Testing **GF** **185,300** **647,700**

The JLBC recommends a total biennial General Fund increase of \$833,000 for Achievement Testing. This amount includes a FY 2002 increase of \$185,300 above FY 2001 and a FY 2003 increase of \$647,700 above FY 2001. The recommended FY 2002 increase consists of a \$(83,900) decrease for Stanford 9 testing below FY 2001 and a \$269,200 increase for Arizona Instrument to Measure Standards (AIMS) testing above FY 2001. The recommended FY 2003 increase consists of a \$109,300 increase for Stanford 9 testing above FY 2001 and a \$538,400 increase for AIMS testing above FY 2001 (see Table 1).

Both types of testing are required under A.R.S. § 15-741, which mandates “norm-referenced testing” of grades 3-12 and AIMS testing of at least 4 grades designated by the State Board of Education. The board currently requires grades 3, 5, 8 and 10 to be AIMS tested every year, plus any 11th and 12th grade students who have not yet passed the high school AIMS test. As of December 2000, it is not known when high school students will be required to pass the high school version of the AIMS test in order to graduate. This is because the Superintendent of Public Instruction recommended in November 2000 that the issue undergo further review. The State Board of Education accepted this recommendation and has not yet issued revised guidelines for it.

The AIMS test gauges student achievement relative to specific academic standards established by the State Board of Education. The Stanford 9 measures student achievement relative to that of students in comparable “norm” groups nationwide. Stanford 9 testing has been conducted in Arizona since FY 1997. Prior to FY 1997 the Iowa Test of Basic Skills (ITBS) was used for norm-referenced testing.

For FY 2001, the Education Omnibus Reconciliation Bill (ORB) from FY 2000 and FY 2001 notwithstanding the statutory requirement that grades 3-12 be Stanford 9 tested, and instead requires that grades 2-11 be tested. Continuing this policy in FY 2002 and FY 2003 would require either a permanent statutory change to A.R.S. § 15-741 or reenactment of the existing ORB provision (see “JLBC Recommended Statutory Changes”). Since permanent law currently requires that the Stanford 9 be administered to Grades 3-12, the JLBC recommendation assumes that those are the grade levels that will take the Stanford 9 during the biennium. This would result in an estimated savings of \$(83,900) in FY 2002 below FY 2001.

<u>Fiscal Year</u>	<u>Stanford 9</u>	<u>AIMS</u>	<u>Total</u>
FY 2001 Appropriation	\$1,943,500	\$3,167,200	\$5,110,700
FY 2002 Above FY 2001	<u>(83,900)</u>	<u>269,200</u>	<u>185,300</u>
FY 2002 Total	\$1,859,600	\$3,436,400	\$5,296,000
FY 2003 Above FY 2001	<u>109,300</u>	<u>538,400</u>	<u>647,700</u>
FY 2003 Total	\$1,968,900	\$3,974,800	\$5,943,700

A savings would occur for the first year of this change because the number of 12th graders added to the testing population would be less than the number of 2nd graders dropped from it for that year. By the second year (FY 2003), however, enrollment growth in Grades 3-12 as a whole would more than offset the one-time decline in the testing population from FY 2002. This would result in an increased cost of \$109,300 in FY 2003 above FY 2001 under our estimates.

The recommended funding amounts for Stanford 9 testing include the anticipated price increases shown in *Table 2*. That table shows a breakdown of Stanford 9 testing costs per pupil for FY 2001 through FY 2003. Based on current department estimates, unit costs for the test would increase from about \$2.59 per pupil in FY 2001 to \$2.62 per pupil in FY 2002 and then to \$2.75 per pupil in FY 2003 under the JLBC recommendation. The relatively smaller cost increase anticipated for FY 2002 versus FY 2003 (3 cents versus 13 cents per pupil) for the Stanford 9 reflects elimination of 2nd Grade testing under the JLBC recommendation in FY 2002. Per pupil testing costs for 2nd Graders are higher than for other grade levels because only 2nd Graders use scannable test books, which are more expensive. The total cost shown for FY 2001 in *Table 2* is \$117,700 less than the appropriated amount shown in *Table 1* because fewer students are expected to take the Stanford 9 test during FY 2001 than was assumed in the FY 2001 appropriation.

	FY 2001 Estimated	FY 2002 Estimated	FY 2003 Estimated
Total Cost	\$1,825,800	\$1,859,600	\$2,052,800
Pupils Tested	703,861	709,780	746,473
Average Cost/Pupil	\$2.59	\$2.62	\$2.75

Recommended FY 2002 and FY 2003 funding totals for AIMS testing (*see Table 3*) likewise would cover both additional students and higher testing costs per student. This is because they assume a 3.5% funding increase per year for enrollment growth plus a 5% funding increase per year for contract cost inflation. The 3.5% annual enrollment growth assumption is based roughly on current JLBC projections for enrollment growth during the biennium. The 5% annual contract inflation assumption is based on the maximum increase allowed each year under the current multi-year AIMS contract. Average per pupil costs for AIMS testing are not shown in *Table 3* because the department currently anticipates that all AIMS tests will be used for several years. This would spread out their development costs over an unknown timeframe, which makes it impossible to compute average per pupil costs for them.

Table 3 does not include costs for AIMS testing changes that are recommended by the department. Those changes would cost an additional \$1,924,400 in FY 2002 and

\$1,982,100 in FY 2003 above FY 2001 and would provide the program with total funding of \$5,360,800 in FY 2002 and \$5,956,900 in FY 2003 (*see Table 4*). Funding changes requested by the department include 1) \$303,700 per year to develop 1 new high school test each year, 2) \$1,441,500 per year to field test the new high school test, 3) \$260,000 per year (rather than \$83,100 in FY 2002 and \$89,500 in FY 2003) for more detailed student guides, 4) \$195,200 per year to develop performance standards in order to set passing scores for revised tests, and 5) varying amounts (including some scoring savings) per year for other miscellaneous changes.

	FY 2002 Estimated	FY 2003 Estimated
Scoring of Tests	\$ 2,980,700	\$3,483,400
Publish Student Guides to State Academic Standards and AIMS Test	83,100	89,500
Print Tests and Teacher Directions for Grades 3, 5 and 8	62,600	67,500
Deliver Test Materials	167,800	181,000
Print Tests and Teacher Directions for High School	26,400	28,400
Pre and Post Test Workshops	61,700	66,600
Miscellaneous	54,100	58,400
TOTAL	\$3,436,400	\$3,974,800

	FY 2002 Estimated	FY 2003 Estimated
Scoring of Tests	\$ 2,342,800	\$2,909,000
Field Test New High School Test	1,441,500	1,441,500
Develop Additional High School Test	303,700	303,700
Publish Student Guides to State Academic Standards and AIMS Test	260,000	260,000
Print Tests and Teacher Directions for Grades 3, 5 and 8	237,700	240,700
Develop Performance Standards (thresholds for passing tests)	195,200	195,200
Deliver Test Materials	154,700	154,700
Print Tests and Teacher Directions for High School	106,900	112,000
Scoring and Reporting for Special Education Version of Test	100,000	100,000
Report Student Scores	93,100	115,000
Pre and Post Test Workshops (10 @ \$5,740)	57,400	57,400
Out of Level Testing (for some special education pupils)	42,900	42,900
Miscellaneous	24,900	24,800
TOTAL	\$5,360,800	\$5,956,900
JLBC Recommendation	3,436,400	3,974,800
Difference from JLBC - Recommendation	\$1,924,400	\$1,982,100

It should be noted that annual costs of AIMS testing would increase substantially above those shown in *Table 4* if new tests must be written for each testing year. A lawsuit that would mandate new AIMS tests each year is still pending. The cost of developing new tests each year is unknown because it would depend upon bids submitted by contractors. A very preliminary response from the current AIMS contractor, however, suggests that it would be about \$8,000,000 per year. This total consists of \$5,000,000 for the elementary tests plus \$3,000,000 (\$1,500,000 X 2) for 2 versions of the high school test each year. Two new versions of the high school test would be required each year because that test is administered twice yearly.

The recommended changes described above, along with \$(1,600) in standard changes shown elsewhere, would result in a total FY 2002 Achievement Testing appropriation of \$5,477,500. This would be an increase of \$183,700 above FY 2001. For FY 2003, the recommended increases plus \$(1,500) in standard changes shown elsewhere would result in a total Achievement Testing appropriation of \$5,940,000. This would be an increase of \$646,200 above FY 2001.

The Executive recommends fully funding the agency request, which would provide an increase of \$2,245,200 in FY 2002 above FY 2001 and an increase of \$3,039,700 in FY 2003 above FY 2002. These amounts assume that the Stanford 9 test would be administered to pupils in Grades 1-9, as requested by the department. (Again, the JLBC recommendation assumes that Grades 3-12 would be tested, since those are the grades that require Stanford 9 testing under current law.) The department wants to drop Stanford 9 testing for Grades 10 and 11 because it believes that test results for those grades are not very useful. It wants to add Stanford 9 testing for 1st Graders and continue Stanford 9 testing for 2^d Graders because it believes that it needs to do so in order to assemble school accountability “profiles” required by Proposition 301. The JLBC recommendation does not include funding for non-formula changes to the Achievement Testing program because it believes that those changes involve policy decisions that warrant further input from members.

FY 2001 Supplemental for Achievement Testing

The JLBC also recommends a FY 2001 General Fund supplemental of \$553,900 for Achievement Testing. This amount would cover increased scoring costs due to more students taking the AIMS test than was anticipated for FY 2001. It would not, however, cover an additional \$1,891,400 in unfunded AIMS testing costs that the department expects to incur by the end of FY 2001. Those costs, if funded, would increase the total supplemental amount for Achievement Testing to \$2,445,300 (see *Table 5*). The JLBC does not recommend funding for items other than “Scoring” in *Table 5* because it believes they reflect policy decisions that should have been subject to legislative review prior to their expenditure.

As shown in *Table 5*, the \$2,245,300 total estimated shortfall for Achievement Testing includes a FY 2000 shortfall of \$982,300 that was carried forward into FY 2001 plus an additional estimated shortfall of \$1,463,000 from FY 2001 itself. Therefore the \$2,445,300 requested supplemental is larger than the \$2,245,200 increase requested by the department for FY 2002 because the supplemental amount is a *cumulative* shortfall over two budget years (FY 2000 and FY 2001). In addition, some of the costs included in the requested supplemental are one-time in nature, such as the \$259,900 increase in FY 2000 for “report development” (for improving earlier versions of test score reports).

Table 5 provides a breakdown of the various shortfall components for FY 2000 and FY 2001 by the department. The cumulative 2-year costs for those items are as follows: 1) \$573,000 for changes in the high school mathematics test, 2) \$553,900 in increased scoring costs due to more students being tested than expected, 3) \$284,800 for guidebooks for elementary students, 4) \$259,900 to develop expanded reports of test scores, 5) \$236,400 for guidebooks for high school students, 6) \$100,000 to score and report results for special education versions of the AIMS tests, 7) \$100,000 for changes to the AIMS reading tests, 8) \$91,200 to convert the AIMS database from a mainframe-based computer system to the new SAIS system, 9) \$87,100 to use scannable books for 3^d Grade testing, 10) \$82,900 for “out of level” testing (which is allowed for some special education pupils) and 11) \$76,100 for miscellaneous costs.

<u>Item</u>	<u>FY 2000 Shortfall</u>	<u>FY 2001 Shortfall</u>	<u>Total Shortfall</u>
Math Test changes	0	\$573,000	\$573,000
Scoring	125,000	428,900	553,900
Student Guides (elementary)	141,900	142,900	284,800
Report Development	259,900	0	259,900
Student Guides (high school)	118,200	118,200	236,400
Special Education test	0	100,000	100,000
Reading Test changes	0	100,000	100,000
Computer Code changes	91,200	0	91,200
Grade 3 Scannable Books	87,100	0	87,100
Out of Level Testing	82,900	0	82,900
Miscellaneous	76,100	0	76,100
TOTAL	\$982,300	\$1,463,000	\$2,445,300

The Executive recommends fully funding the department request for all years. This would provide \$2,445,300 in supplemental funding for FY 2001. It also would provide an increase of \$2,245,200 in FY 2002 above the original FY 2001 appropriation and an increase of \$3,039,700 in FY 2003 above the original FY 2001 appropriation.

Student Accountability Information System GF (2,002,600) (2,002,600)

The JLBC recommends a total biennial General Fund decrease of \$(4,005,200) for the Student Accountability Information System (SAIS). This amount includes a

decrease of \$(2,002,600) in both FY 2002 and FY 2003 below FY 2001, which would eliminate funding for SAIS development. Those monies will not be needed after FY 2001 because system development essentially will be completed by the start of FY 2002. After FY 2001, SAIS costs primarily will be driven by ongoing maintenance needs, including any reprogramming required in order to comply with future changes in funding formulas and data collection needs. Monies for SAIS maintenance in FY 2002 and FY 2003 are recommended under the "Education 2000 C School Accountability" policy issue in the Assistance to Schools Cost Center.

ADE has received a total of \$7,505,200 from the state for SAIS development since monies were first appropriated for this purpose in FY 1997. In addition, the department has provided school districts and charter schools with approximately \$20,000,000 in federal pass through monies for SAIS-related infrastructure and training costs since FY 1997. This funding has been in addition to approximately \$120,000,000 in federal monies that school districts and charter schools have received since that time under the federal "e-rate" program. That program helps school districts and charter schools pay for Internet access.

The Executive concurs.

ADM Auditor GF 59,600 59,600

The JLBC recommends a total biennial General Fund increase of \$119,200 for establishing a full-time Average Daily Membership (ADM) auditor position in the department. This amount includes an increase of \$59,600 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. The JLBC recommends establishing this position because the department currently does not dedicate any staff to monitoring school district and charter school ADM counts. Those counts, however, determine the largest single expenditure in state government—the cost of Basic State Aid.

The purpose of the position would be to ensure that school districts and charter schools submit valid and accurate ADM counts for Basic State Aid funding purposes. This monitoring has the potential to substantially reduce Basic State Aid costs, since a pilot test of SAIS in Pinal County in FY 1997 determined that 2.5% of pupils in the test were incorrectly counted by more than one school district. "Double counting" of ADM is particularly likely in states with high mobility rates, like Arizona. Since SAIS will begin to collect ADM data on an individual student basis in FY 2002, the ability to detect ADM counting errors will be enhanced starting that year, making the hiring of a full-time ADM auditor now more useful.

For simplicity, the JLBC recommends that the new ADM auditor position, if approved, be incorporated into the overall operating budget of the cost center, rather than into a new Special Line Item. In order to assure the intended use of the new position, the JLBC recommends that a footnote be added to the operating budget of the cost

center. This footnote would specify that the department is to use at least 1 FTE Position from its operating budget for ADM auditing (see "New Footnotes" under "JLBC Recommended Footnotes" below).

The Executive does not make a recommendation on this issue.

Charter School

Administration GF 49,800 49,800

The JLBC recommends a total biennial General Fund increase of \$99,600 for Charter School Administration. This amount includes an increase of \$49,800 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001.

The increase is recommended because of the dramatic increase in the number of charter schools in the state since FY 1996—their first year of existence in Arizona. By FY 2003, that number is expected to exceed 500. Each charter school requires many of the same state-level services required for individual school districts, such as computation and processing of state aid payments and oversight and distribution of federal grants. Rapid growth in the number of charter schools in the state therefore has substantially increased the department's administrative workload. The number of personnel authorized for the Charter School Administration program, however, has remained unchanged at 4 FTE Positions for the past several years. The recommended increases, plus standard changes shown elsewhere, would result in total program funding of 5 FTE Positions and \$259,800 for FY 2002 and 5 FTE Positions and \$259,900 for FY 2003.

This program differs from the State Board of Education and State Board for Charter Schools (both of which sponsor and monitor charter schools) in that the 2 boards do not provide administrative support for the statewide charter school program in general. Instead they only provide sponsorship, monitoring and instruction-related services to the individual schools that they sponsor. Another difference is that the 2 boards are not under the administrative jurisdiction of the department, whereas the Charter School Administration program is. In addition, auditing responsibilities differ among the 3 entities in that the boards are only responsible for auditing schools that they sponsor, whereas the Charter School Administration program is responsible for auditing all charter schools for generic issues such as federal grant compliance. (Charter schools also may be sponsored by school districts. The Auditor General is responsible for financial and compliance audits for those charter schools.) Finally, the Charter School Administration program serves as the initial statewide contact for the public-at-large regarding generic charter school issues.

The Executive concurs regarding the 1 FTE Position increase, but recommends funding it at a cost of \$41,200 in FY 2002 and \$37,900 in FY 2003.

State Board of Education GF 49,800 49,800

The JLBC recommends a total biennial General Fund increase of \$99,600 for investigations of alleged immoral or unprofessional conduct by school employees that the State Board of Education is required to conduct pursuant to A.R.S. § 15-203(A.20) and A.R.S. § 15-350. This amount includes an increase of \$49,800 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001.

This increase is recommended because of growth in the number and severity of cases requiring investigation in recent years and the paramount concern of maintaining student safety in schools. In FY 1999, for example, the board, took action against 19 teachers and administrators accused of some type of sexual offense. From 6 in FY 1995. Investigations of alleged immoral or unprofessional conduct of all types increased during that period from 46 cases in FY 1995 to 111 in FY 1999.

Because of this trend, plus a statutory change last year that requires all existing teachers to be re-fingerprinted whenever their teaching certificates are renewed, the board projects that the number of cases requiring investigation will increase from 111 in FY 1999 to 140 in FY 2002 and 176 in FY 2003. Re-fingerprinting is expected to turn up additional cases of criminal misconduct because it will trigger a repeated background check on each teacher or administrator who applies for recertification. Under prior law, background checks were conducted only when school employees first applied for professional certification. Upon a finding of immoral or unprofessional conduct, the board may revoke, suspend, suspend with conditions or censure a school employee.

The recommended increases, along with standard changes shown elsewhere, would increase the board's overall budget to 4 FTE Positions and \$306,300 for FY 2002 and \$306,400 for FY 2003. The board's base budget currently includes 3 FTE Positions and \$262,900. This includes 1 FTE Position and \$100,000 for charter school monitoring. By law the board is required to monitor the financial and academic accountability of charter schools that it sponsors. The board currently sponsors 70 charter schools at 140 different school sites.

The Executive concurs regarding the 1 FTE Position increase for certification-related investigations, but recommends that it be funded at a cost of \$50,900 in FY 2002 and \$45,700 in FY 2003.

The Executive, however, also recommends an increase of 1 FTE Position and \$51,100 in FY 2002 above FY 2001 and 1 FTE Position and \$45,900 in FY 2003 above FY 2001 for charter school monitoring. The JLBC does not recommend additional funding for charter school monitoring because (as mentioned above) the board received an increase of \$100,000 and 1 FTE Position for charter school monitoring in FY 2000 that remains in its base budget.

In addition, the Executive recommends an increase of \$114,400 in both FY 2002 and FY 2003 above FY 2001 in order to make the board a separate state agency. Currently it functions as a separate Cost Center within the department. The Executive believes that the board needs to be a separate state agency in order to increase its autonomy from the department. The JLBC does not concur with this recommendation because a compelling need for the proposed change has not been established.

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program. The State Board of Education Special Line Item is a separate program.

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Monies collected by the Department of Education for teacher certification fees, as authorized by A.R.S. § 15-531, paragraphs 1 and 2, shall be deposited in a Teacher Certification Fund for use in funding costs for the Teacher Certification program.

Modification of Prior Year Footnotes

The appropriated amount includes \$1,859,600 for FY 2002 and \$1,968,900 for FY 2003 for norm-referenced testing of pupils in grades 2 through 11 3 THROUGH 12. ~~The appropriated amount also includes \$65,000 in FY 2000 and \$65,000 in FY 2001 for reporting Stanford 9 reading test scores by individual classroom for pupils in grades 2 and 3.~~ The recommended change in grade levels to be tested is based on the requirement currently in statute for norm-referenced testing. Language dealing with funding for additional reporting of reading test scores is deleted because the department now covers this cost with monies from the School Report Cards program's budget in the Assistance to Schools Cost Center.

New Footnotes

At least 1 FTE Position from the department's operating budget shall be used for auditing Average Daily Membership (ADM) counts from school districts and charter schools. This footnote relates to the 1 new FTE Position that is being recommended for ADM auditing under the "ADM Auditing" policy issue above.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote regarding the use of monies appropriated for SAIS development, since monies will not be appropriated for that purpose after FY 2001. (The JLBC recommends an appropriation for SAIS maintenance for FY 2002 and FY 2003, but the intended use of those monies does not require clarification through an explanatory footnote.)

JLBC RECOMMENDED STATUTORY CHANGES

As noted above under narrative for the “Achievement Testing” policy issue, temporary ORB provisions have been employed since FY1998 to notwithstanding the requirement in A.R.S. § 15-741 that Grades 3-12 be Stanford 9 tested and require instead that Grades 2-11 be tested. If members of the Legislature would like to make this a permanent change, the JLBC recommends that A.R.S. § 15-741 be amended so that ORB language would not be needed for this issue on an ongoing basis.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

LEP Cost Study: The JLBC recommends a FY 2001 General Fund supplemental of \$150,000 for a court-mandated study of costs associated with serving Limited English Proficiency (LEP) pupils. Those pupils currently generate additional funding of roughly \$150 apiece through the existing LEP “Group B” weight in the Basic State Aid formula. Because of an ongoing lawsuit regarding the adequacy of state LEP funding (“Flores v. State of Arizona”), a federal judge has ordered the department to complete a cost study of LEP programs prior to the start of the 2001 Legislative Session.

The department asked for a delay in the study’s due date in view of the 2-year length of time that it takes to complete a similar cost study for special education programs under A.R.S. §15-236. The federal judge, however, denied this request and stated in doing so that the cost study would be

required even if voters approve Proposition 203 in November 2000 (which did occur). He said that the cost study would be needed under Proposition 203 because the “structured English immersion” teaching approach required by that Proposition still would result in add-on costs for LEP students.

The recommended \$150,000 supplemental for this issue equals the department’s estimate of contract costs for the study. The JLBC recommends this funding in order to comply with the court order. The JLBC is concerned, however, that this cost study may not be able to generate valid and accurate findings because it is being done during a very short timeframe.

Achievement Testing: The JLBC also recommends a FY2001 General Fund supplemental of \$553,900 for Achievement Testing. That recommendation is discussed above under the “Achievement Testing” policy issue.

Executive Recommendation

The Executive recommends a \$(61,200) funding decrease for the Education Commission of the States (ECS), which would eliminate funding for that item and thereby cancel Arizona’s membership in ECS. The JLBC does not concur on this issue because some members of the Arizona Legislature currently participate in ECS activities. ECS is a nonprofit, nationwide interstate compact formed in 1965. Its primary purpose is to help state education leaders improve the quality of public education.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Education

Assistance to Schools

JLBC: Steve Schimpp

OSPB: Dawn Nazary

House Subcommittee: Gray

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	57.8	57.8	74.8	76.8	74.8	76.8
<u>Statutory Formula Programs</u>						
Basic State Aid Entitlement	2,168,411,400	2,233,503,500	2,361,753,100	2,379,060,300	2,507,127,500	2,527,095,600
Additional State Aid to Schools	189,969,400	199,222,900	221,923,700	218,818,600	235,239,100	229,298,700
Assistance to School Districts for						
Children of State Employees	31,900	104,600	35,200	35,200	37,000	36,900
Certificates of Education Convenience	643,700	2,148,600	709,700	859,700	745,200	895,200
Special Education Fund	16,038,800	16,706,100	17,785,800	23,029,900	18,745,200	25,319,400
Subtotal	2,375,095,200	2,451,685,700	2,602,207,500	2,621,803,700	2,761,894,000	2,782,645,800
<u>Non-Formula Programs</u>						
Accountability Measures	5,233,100	5,000,000	0	4,998,900	0	4,998,900
AIMS Intervention; Dropout Prevention	0	50,000	550,000	50,000	550,000	50,000
Adult Education Assistance	4,580,800	4,586,800	4,588,600	4,588,600	4,588,600	4,588,700
Arizona Teacher Evaluation	189,000	202,200	0	201,000	0	201,100
Career Ladder Administration	84,300	130,400	0	128,000	0	128,000
Classroom Site Fund	0	0	280,985,300	299,759,500	304,399,600	321,511,000
Character Education	0	0	200,000	200,000	200,000	200,000
Chemical Abuse	837,200	862,200	863,400	863,400	863,400	863,500
Extended School Year	500,000	500,000	500,000	500,000	500,000	500,000
Family Literacy	998,300	1,000,000	1,000,000	1,000,000	1,000,000	999,700
Failing Schools Tutoring Fund	0	0	1,500,000	1,500,000	1,500,000	1,500,000
Gifted Support	1,284,000	1,296,800	1,296,800	1,296,700	1,296,800	1,296,800
Optional Performance Incentive Programs	399,900	400,000	400,000	400,000	400,000	400,000
Parental Choice for Reading Success	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Residential Placement	7,600	100,000	100,000	100,000	100,000	100,000
Safe Schools Program	7,512,400	7,920,000	15,715,700	15,715,800	15,715,800	15,715,900
School Accountability	0	0	5,000,000	5,849,000	4,500,000	4,586,800
School Report Cards	436,900	488,900	489,800	491,000	489,800	491,000
Small Pass-Through Programs	556,400	581,600	581,600	581,600	581,600	581,600
State Block Grant - Early Childhood	19,262,700	19,494,800	19,492,600	19,492,600	19,492,600	19,492,700
State Block Grant - Vocational Education	11,089,000	11,123,600	11,116,800	11,117,000	11,116,800	11,117,500
Vocational Education Extended Year	600,000	600,000	600,000	600,000	600,000	600,000
Vocational Education Demonstration Project	0	250,000	250,000	0	250,000	0
Youth Support Research	39,000	39,000	0	39,000	0	39,000
Subtotal	54,610,600	55,626,300	346,230,600	370,472,100	369,145,000	390,962,200
PROGRAM TOTAL	2,429,705,800	2,507,312,000	2,948,438,100	2,992,275,800	3,131,039,000	3,173,608,000
FUND SOURCES						
General Fund	2,368,114,600	2,436,175,900	2,562,748,700	2,586,963,100	2,706,211,100	2,731,581,800
General Fund - Dedicated	0	0	305,223,600	328,210,000	331,315,100	361,110,200
Permanent State School Fund	61,591,200	71,136,100	74,898,300	74,898,300	74,898,300	74,898,300
Permanent State School Fund - Dedicated	0	0	5,567,500	2,204,400	18,614,500	6,017,700
SUBTOTAL - Other Appropriated Funds	61,591,200	71,136,100	385,689,400	405,312,700	424,827,900	442,026,200
SUBTOTAL - Appropriated Funds	2,429,705,800	2,507,312,000	2,948,438,100	2,992,275,800	3,131,039,000	3,173,608,000
Other Non-Appropriated Funds	67,300	179,700	2,384,700	2,384,700	6,189,600	6,189,600
Federal Funds	444,621,600	458,102,700	434,291,900	434,291,900	434,103,500	434,103,500
TOTAL - ALL SOURCES	2,874,394,700	2,965,594,400	3,385,114,700	3,428,952,400	3,571,332,100	3,613,901,100

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	150,787,200	6.2%	295,405,900	12.1%	446,193,100
General Fund - Dedicated	328,210,000	NA	361,110,200	NA	689,320,200
Other Appropriated Funds	3,762,200	5.3%	3,762,200	5.3%	7,524,400
Other Appropriated Funds - Dedicated	2,204,400	NA	6,017,700	NA	8,222,100
Total Appropriated Funds	484,963,800	19.3%	666,296,000	26.6%	1,151,259,800

PROGRAM DESCRIPTION — Assistance to Schools consists of programs that provide pass-through funding to school districts and charter schools. The largest of these is Basic State Aid, which provides the state's share of equalization assistance to school districts and charter schools based on a funding formula set in statute.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of students tested in Grades 2-11 who perform at or above the national norm on the Stanford 9 test	NA/50.9	51.8/52.1	53	54/55
• % of students meeting or exceeding state academic standards in Math and Language Arts, as measured by the AIMS test:				
-- Students in grades 3, 5 & 8	NA	Baseline/25	30	50/75
• % of students tested	NA/88.6	100/92	93	94/95
• % of Arizona high school students who complete graduation requirements	NA	NA	Baseline	+1
• % of parents who rate "A+" the public school that their oldest school-age child attends	NA/7	NA/8	8	8

Comment:

- "Baseline" means that the department will use the performance measure for the first time that year and therefore does not yet have an estimate for it. For years after the "baseline" year, the numbers shown indicate the anticipated increase or decrease for the new measure relative to its "baseline" score.

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$ 34,600	\$34,600
ERE Rates	GF	(47,000)	(46,200)

BASIC STATE AID

Overview

The various policy issues increase discussed below would result in a total FY 2002 Basic State Aid funding increase of \$145,556,800 above FY 2001 and a total FY 2003 funding increase of \$293,592,100 above FY 2001.

The projected \$145,556,800 increase for FY 2002 would consist of a General Fund increase of \$141,794,600 (including \$15,305,900 in "General Fund - Dedicated" monies from Proposition 301) above FY2001 and an Endowment Earnings increase of \$3,762,200 above FY 2001.

The projected \$293,592,100 increase for FY 2003 would consist of a General Fund increase of \$289,829,900 (including \$31,530,100 in "General Fund - Dedicated" monies from Proposition 301) above FY2001 and an Endowment Earnings increase of \$3,762,200 above FY 2001.

Components of these overall increases are discussed below.

Enrollment Growth GF 121,659,300 247,867,600
 The JLBC recommends a total biennial General Fund increase of \$369,526,900 for increased Basic State Aid costs due to estimated enrollment growth. This amount includes a FY 2002 increase of \$121,659,300 above the FY2001 appropriation and a FY 2003 increase of \$247,867,600 above the FY 2001 appropriation. These amounts, however, reflect not only estimated enrollment growth for FY 2002 and FY 2003, but also a revised projection of the cost of enrollment growth for FY 2001. Relative to the revised FY2001 projection, the recommended FY2002 increase is \$109,263,300 above FY 2001 and the recommended FY 2003 increase is \$235,467,100 above FY 2001

These estimates are based on projected growth in the number of Average Daily Membership (ADM) students attending public schools in the state. Basic State Aid funding for school districts and charter schools is based on their ADM counts. Since FY 1998, the Basic State Aid formula has been funded on a "current year" ADM basis, which means that it has been computed based on current rather than prior year ADM counts. School districts with fewer ADM students in the current year, however, still

have their state aid entitlements based on prior year counts, which saves them money. Also, Capital Outlay Revenue Limit (CORL), “Soft Capital” and transportation funding for school districts are paid based on *prior* year ADM counts only. Charter schools receive “Additional Assistance” rather than separate CORL, Soft Capital and transportation funding. Additional Assistance is paid on a current year ADM basis.

Data on ADM counts since academic year 1992, and estimates for academic years 2001 through 2003 appear in *Table 1*. *Tables 2 and 3* show additional detail for academic years 2001 through 2003.

Year	Districts (including Charters)	State Charters	Total	Change	% Change
	1992	624,761	-	624,761	19,998
1993	646,798	-	646,798	22,037	3.5%
1994	669,742	-	669,742	22,944	3.5%
1995	695,054	-	694,639	24,897	3.7%
1996	717,040	6,897	723,937	28,883	4.2%
1997	740,907	13,543	754,450	30,513	4.2%
1998	755,791	20,804	776,595	22,145	2.9%
1999	774,861	28,453	803,314	26,719	3.4%
2000	793,971	34,656	828,627	25,313	3.2%
2001 est	813,837	42,385	856,222	27,595	3.3%
2002 est	836,946	47,471	884,417	28,195	3.3%
2003 est	862,071	52,218	914,289	29,872	3.4%

Table 1 shows that the JLBC currently estimates statewide overall ADM growth for school districts and charter schools together (and for all grade levels collectively) at 3.3% for academic years 2001 and 2002 and at 3.4% for academic year 2003. The cost of Basic State Aid for school districts in FY 2002 will depend upon their ADM counts from both academic years 2001 and 2002. This is because their “Base Support Level,” CORL, Soft Capital and Transportation funding for FY 2002 will be based on their ADM counts from academic year 2001. Their current year “growth” funding (formerly called “Sudden Growth”) for FY 2002, however, will be based on their ADM counts from academic year 2002. FY 2003 Basic State Aid costs for school districts likewise will depend upon their ADM counts from 2 different years—academic year 2002 and academic year 2003.

Charter school Basic State Aid for FY 2002 and FY 2003 will be based solely on current year ADM counts. This is because charter school “Base Support Level” and “Additional Assistance” funding is paid on a current year basis.

Table 2 below shows the individual growth rates assumed for various components of the overall statewide ADM count for academic years 2001 through 2003. The

estimates in *Table 2* are for school districts and charter schools combined.

Academic Year	Preschool	K-8	9-12	Overall
2001	3.3%	3.1%	3.9%	3.3%
2002	3.3%	3.3%	3.2%	3.3%
2003	3.3%	3.2%	3.9%	3.4%

Separate ADM counts for district sponsored charter schools are listed in *Table 3*, although they are combined with ADM counts of sponsoring school districts when formula costs are computed. The estimated ADM counts shown for district sponsored charter schools represent increases of 500 students per year for both academic years 2002 and 2003. This would constitute 9.7% growth in academic year 2002 and 8.9% growth in academic year 2003.

The estimated ADM counts shown for state board sponsored charter schools reflect an increase of 5,086 students in academic year 2002 (12% growth) and 4,747 students in academic year 2003 (10% growth). Higher growth rates are assumed for state board sponsored charters than for district charters based on past trends.

	2001	2002	2003
School Districts	808,694	831,303	855,928
Dist. Sponsored Charters	5,143	5,643	6,143
St. Board Spon'd Charters	<u>42,385</u>	<u>47,471</u>	<u>52,218</u>
Total	856,222	884,417	914,289

Under these ADM estimates, the JLBC anticipates increased Basic State Aid costs of \$95,166,300 for school district enrollment growth (including district sponsored charter schools and current year ADM growth) and \$26,493,000 for state board sponsored charter school enrollment growth for FY 2002, for a total increase of \$121,659,300 above FY 2001. For FY 2003, the *Table 3* ADM estimates imply an increased Basic State Aid cost of \$196,011,400 for school district enrollment growth (including district sponsored charter schools and current year ADM growth) and \$51,856,200 for state board sponsored charter school enrollment growth, for a total increase of \$247,867,600 above FY 2001.

The estimated average formula cost per pupil for state board sponsored charter schools is \$5,214 for FY 2002 and \$5,349 for FY 2003. State board sponsored charter schools receive higher per pupil funding under the Basic State Aid formula than school districts (estimated at \$4,156 per pupil for FY 2002 and \$4,251 per pupil for FY 2003) because they more frequently qualify for small school district weights authorized by A.R.S. § 15-943. Only school districts with fewer than 600 ADM pupils qualify for those weights. Also, the estimated charter

school amounts reflect Students FIRST increases for charter schools, since those changes all are funded through Basic State Aid. The per pupil averages shown for school districts, however, do not include non-Basic State Aid capital funding that only school districts receive under Students FIRST.

Under Students FIRST, charter schools (both district sponsored and state board sponsored) receive “Additional Assistance” rather than separate CORL, “Soft Capital,” transportation, and “Additional Capital Assistance” funding. The “Additional Assistance” charter school funding amounts for FY 2002 are \$1,228.76 for K-8 students and \$1,432.09 for high school students. For FY 2003 those amounts are \$1,253.34 and \$1,460.73, respectively. The figures for both years are 2% higher than their prior year amounts because of a 2% annual deflator adjustment that now is required under “Education 2000” (Proposition 301). “Education 2000” was enacted into law by voters during the November 2000 General Election.

The estimated \$26,493,000 FY 2002 increase for ADM growth in state board sponsored charter schools would result in total funding of \$247,524,600 for those schools during FY 2002. The estimated \$51,856,200 increase for them in FY 2003, along with other changes accounted for elsewhere, would increase their total funding Basic State Aid funding to \$279,305,800 that year.

The Executive recommends a FY 2002 increase of \$121,287,900 for enrollment growth above FY 2001 and a FY 2003 increase of \$251,762,200 for enrollment growth above FY 2001. This assumes overall ADM growth of 3.1% per year for all years after FY 2000, but with a higher proportion of that growth occurring in charter schools (which are more expensive on a per pupil basis).

Net Assessed Valuation

(NAV) Growth GF (\$84,375,900) (\$150,671,400)

The JLBC recommends a total biennial General Fund decrease of \$(235,047,300) for Basic State Aid due to growth in statewide property values. This amount includes a FY 2002 increased savings of \$(84,375,900) above FY 2001 and a FY 2003 increased savings of \$(150,671,400) above FY 2001. These estimates reflect

the fact that the “local share” of Basic State Aid costs increases whenever property values rise. This is because the “Qualifying Tax Rate” (QTR) and “County Equalization” tax rate for computing “local share” funding generate more money when property values rise. This reduces the amount of K-12 equalization formula funding that must be paid for by the state.

The estimated FY 2002 savings of \$(84,375,900) assumes 7% growth in statewide NAV values for FY 2002 based on current projections. The estimated FY 2003 savings of \$(150,671,400) assumes a currently projected 5% statewide NAV growth rate for that year. These estimates do not include offsets for higher “Truth in Taxation” and Additional State Aid costs that occur whenever statewide NAV values increase. Those increases partially offset state savings due to NAV growth and are discussed separately below.

Table 4 shows data on overall NAV growth since Tax Year 1992 (FY 1993). It also shows a breakdown of growth for various classes of property since Tax Year 1992. Table 4 does not show a breakdown of growth rates by class of property after Tax Year 1999 (FY 2000) because of changes in the property classification system after that date. Those simplifying changes would render incomparable any comparison of growth rates by property class under the new versus old classification systems.

The Executive recommends a FY 2002 savings of \$(92,714,500) above FY 2001 based on 7.25% NAV growth in FY 2002. For FY 2003, the Executive recommends a savings of \$(161,536,700) above FY 2001 based on 6.5% NAV growth in FY 2003 (which would be on top of the 7.25% growth rate assumed for FY 2002).

Table 4

Net Assessed Valuation (NAV) Percent Growth/Decline by Class Since Tax Year 1992

Property Class	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 Proj.	2002 Proj.
1-Mines	22.7%	7.2%	(2.2)%	(1.7)%	(1.4)%	(11.1)	(3.7)	(24.3)			
2-Utility	(2.9)	(1.1)	(0.4)	(3.2)	(2.9)	(4.6)	(3.7)	(3.5)			
2-SRP	1.7	0.2	1.5	(3.2)	(2.6)	(3.9)	(3.7)	(3.9)			
3-Commercial	0.1	(1.0)	(0.6)	(3.6)	5.0	6.1	7.6	9.6			
4-Ag/vacant	(5.9)	(5.8)	(2.5)	(2.8)	(2.2)	2.0	2.3	2.5			
5-Homeowners	2.6	3.0	7.2	10.2	5.4	12.8	8.4	9.3			
6-Rental	(7.7)	(9.4)	(6.9)	8.0	7.5	6.9	7.9	15.5			
Other	11.9	(17.2)	13.5	6.9	13.0	42.2	16.8	9.5			
TOTAL	(0.3)%	(0.7)%	1.4%	1.8%	2.9%	6.0	5.5	6.7	8.4%	7.0%	5.0%

(Comparable breakdown by class not available due to new classification system.)

“Education 2000”

Inflation Adjustment GF 62,756,300 132,225,000

The JLBC recommends a total biennial General Fund increase of \$194,981,300 for inflation adjustments to the Basic State Aid formula, as required by voter approval of “Education 2000” (Proposition 301) in the November 2000 General Election. This amount includes a FY 2002 increase of \$62,756,300 above FY 2001 and a FY 2003 increase of \$132,225,000 above FY 2001. Education 2000 requires the Legislature to increase “the base level or other components of the Revenue Control Limit” by 2% each year through FY 2006. After FY 2006 it requires the Legislature to increase “the base level or other components of the Revenue Control Limit” by either 2% or the change in the GDP price deflator, whichever is less. These costs are not covered by the 0.6% sales tax.

The JLBC estimates that this provision will increase the cost of Basic State Aid by \$62,756,300 in FY 2002 above FY 2001 and \$132,225,000 for FY 2003 above FY 2001. It also will increase the cost of Special Education Fund vouchers (discussed below) by \$370,300 in FY 2002 above FY 2001 and by \$801,200 in FY 2003 above FY 2001. This will result in a total impact of \$63,126,600 in FY 2002 above FY 2001 and \$133,026,200 in FY 2003 above FY 2001. This is because the Basic State Aid “base level” also is used in the funding formula for Special Education Fund vouchers.

These estimates assume that the CORL base level in A.R.S. § 15-961 and the Soft Capital base level in A.R.S. § 15-962 will *not* be adjusted under “Education 2000.” This is because Education 2000 requires a 2% deflator only for “the base level or other components of the Revenue Control Limit.” The CORL and Soft Capital base levels, however, are not a part of the Revenue Control Limit (RCL) under the definition in A.R.S. § 15-947. That definition includes only the “Base Support Level” (BSL) and the “Transportation Support Level” (TSL). These estimates therefore assume that both the BSL and the TSL base levels are increased 2% per year in both FY 2002 and FY 2003. They also assume that the “Additional Assistance” base levels for charter schools in A.R.S. § 15-185(B) would be increased by 2% per year. This is because they include formerly separate TSL funding for charter schools.

Although Proposition 301 mandated a 2% inflation adjustment each year, it did not provide funding for it. This item therefore represents a new state General Fund cost for FY 2002 and FY 2003.

The Executive estimates that the 2% deflator from Proposition 301 will cost \$66,164,700 in FY 2002 above FY 2001 and \$132,550,400 in FY 2003 above FY 2001. The Executive recommends dedicating portions of these overall amounts to increasing special education Group B

weights and the K-3 Group B weight, both of which are defined in A.R.S. § 15-943.

For FY 2002, the Executive recommends dedicating approximately \$6,200,000 of the estimated \$66,164,700 total to increasing selected special education Group B weights. For FY 2003, the Executive recommends dedicating approximately \$8,200,000 of the \$132,550,400 total to increasing selected special education Group B weights and approximately \$7,100,000 to increasing the K-3 Group B weight from 0.06 to 0.07. The remaining amounts of approximately \$59,964,700 in FY 2002 and \$117,250,400 under the Executive recommendation would be dedicated to increasing the formula funding “base level” that is defined in A.R.S. § 15-901(B2).

The JLBC does not dedicate monies from this issue to increasing special education Group B weights because it recommends separate funding for those increases in the “*Special Education Weights*” policy issue discussed below. The JLBC does not recommend dedicating monies from this issue to increasing the K-3 Group B weight because this would shift monies around within the formula but would not necessarily change school spending patterns. This is because monies from the K-3 weight are simply mixed into Basic State Aid totals. They do not result in separate funding allocations for K-3 programs.

“Education 2000” Additional School Days

Dedicated GF	15,305,900	31,530,100
Regular GF	-0-	537,000

The JLBC recommends a total biennial General Fund increase of \$47,373,000 for Basic State Aid due to an increase in the number of school days under Education 2000. This amount includes a FY 2002 increase of \$15,305,900 above FY 2001 and a FY 2003 increase of \$32,067,100 above FY 2001.

The FY 2002 increase would be completely covered by an appropriation of \$15,305,900 provided in Education 2000 (Proposition 301). This appropriation was funded by a new 0.6% sales tax increase. These monies are not subject to legislative appropriation and therefore will not be included in the General Appropriation Act.

The FY 2003 appropriation of \$31,530,100 in Education 2000 for this item, however, is \$537,000 less than the \$32,067,100 revised estimate of that cost. An additional FY 2003 General Fund appropriation of \$537,000 therefore is required in order to fully fund this issue in FY 2003. As noted above, the Education 2000 amount of \$31,530,100 is not subject to legislative appropriation and will not appear in the General Appropriation Act. The “unfunded” portion of \$537,000, however, would need to be appropriated.

Education 2000 requires the school year to be increased by one day per year each year through FY 2006. This would cause the school year to increase from 175 days currently (in FY 2001) to 180 days by FY 2006. The estimates

above assume a 176-day school year in FY 2002 and a 177-day school year in FY 2003.

The Executive concurs for FY 2002 but assumes a total cost of \$31,530,100 for this issue for FY 2003. The latter amount does not include \$537,000 in “regular General Fund” monies that are included in the JLBC recommendation for FY 2003 under revised estimates.

“Truth in Taxation”

Tax Rate Changes GF 19,284,300 20,222,700

The JLBC recommends a total biennial General Fund increase of \$39,507,000 for “Truth in Taxation” (TNT). This amount includes a FY 2002 increase of \$19,284,300 above FY 2001 and a FY 2003 increase of \$20,222,700 above FY 2001.

Laws 1998, Chapter 153 (“school aid; truth in taxation”) requires that the QTR and County Equalization tax rates be adjusted annually in order to offset increases in property values that otherwise would cause increases in tax levies for existing properties. Total statewide property tax levies, however, can still increase because of new properties being added to the tax rolls due to new construction.

The FY 2002 QTR and County Equalization tax rate data will not be available until late January of 2001. The JLBC, however, currently estimates that the FY 2001 QTR rates of \$2.1265 or \$4.2530 per \$100 of NAV (depending upon the type of school district) will need to be reduced to \$2.0952 or \$4.1904 for FY 2002. It also estimates that the FY 2001 County Equalization rate of \$0.5123 per \$100 of NAV will need to be reduced to \$0.5048 for all school districts for FY 2002 (see Table 5).

Estimated TNT Tax Rates			
<u>Tax Rate</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Qualifying Tax Rate (QTR)			
• High School districts and elementary districts located within a high school district	\$2.1265	\$2.0952	\$2.0939
• Unified districts and elementary districts not located within a high school district	\$4.2530	\$4.1904	\$4.1878
County Equalization Tax Rate (all districts)	\$0.5123	\$0.5048	\$0.5045

For FY 2003, the JLBC currently projects QTR tax rates of \$2.0939 or \$4.1878 per \$100 of NAV (depending on the type of school district) and a County Equalization Tax rate of \$0.5045 per \$100 for all districts. Data to precisely estimate FY 2003 TNT tax rates will not be available until late January 2002.

The \$19,284,300 FY 2002 estimate for TNT equals the JLBC estimate of the increased “state share” of costs for Basic State Aid due to TNT tax rate reductions for that year only.

The \$20,222,700 FY 2003 estimate for TNT equals the JLBC estimate of the increased “state share” that year due to cumulative TNT tax rate reductions for both FY2002 and FY 2003. The estimated FY 2003 amount is not substantially larger than the estimated FY 2002 amount because a lower (5% versus 7%) NAV a growth rate is assumed for FY 2003.

It should be noted that the TNT statute (A.R.S. § 41-1276) allows the Legislature to adopt QTR and County Equalization tax rates that exceed computed truth in taxation rates. This must be done, however, through a concurrent resolution approved by an affirmative roll call vote of 2/3rds of the members of both House and Senate. This vote must be passed before the Legislature enacts the General Appropriation Act for the fiscal year affected, and must be preceded by a public hearing to discuss the issue. The JLBC Staff is required by February 15th of each year to report the computed truth in taxation rates for the following fiscal year to the Joint Legislative Tax Committee and the chairmen of the House and Senate Appropriations Committees.

The Executive recommends a FY 2002 increase of \$19,000,000 above FY 2001 and a FY 2003 increase of \$20,000,000 above FY 2001 for this is sue.

Special Education

Weights GF 10,916,600 11,817,500

The JLBC recommends a total biennial General Fund increase of \$22,734,100 for Basic State Aid for increases in special education “Group B” weights. This amount includes a FY2002 increase of \$10,916,600 above FY 2001 and a FY 2003 increase of \$11,817,500 above FY 2001.

Outside of Basic State Aid, additional funding is also recommended for the Special Education Fund (a separate program) in order to cover higher costs for special education vouchers under the higher weights. (See the “Special Education Fund” policy issue in the Other Statutory Formula Programs section.) Both the Basic State Aid and Special Education Fund programs use the same weights in their funding formulas. This would result in a total biennial General Fund increase of \$30,651,300 for this issue. The \$30,651,300 biennial total would consist of an increase of \$14,679,000 in FY 2002 above FY 2001 and an increase of \$15,972,300 in FY 2003 above FY 2001.

The recommended amounts would allow all of the special education Group B weights in A.R.S. § 15-943(2b) to be increased to levels identified in the December 1999 Special Education Cost Study. A.R.S. § 15-236 requires the department to conduct a special education cost study every 2 years in order to determine if current special education weights need to be adjusted in order to cover special education costs. The next special education cost study will be published in December 2001.

Table 6 provides a summary of current special education Group B weights versus the JLBC recommended (December 1999 cost study) weights. Conforming all weights to their cost study levels would increase the weight for 7 disability categories but reduce it for 3 others. The net effect would be to increase funding for special education overall. Weight reductions for some categories are possible during this budget cycle because of past increases in both weights and in the formula funding “base level amount.” Both of those factors affect special education funding levels.

The recommended weights would have to be amended into A.R.S. § 15-943(2b) through a statutory change. That change is recommended in the “Other Issues for Legislative Consideration” section.

<u>Funding Category</u>	<u>Current Weight</u>	<u>* same as cost study weight</u> <u>Recommended Weight *</u>
Hearing Impairment	3.341	4.805
Multiple Disabilities-Resource	4.235	6.067
Multiple Disabilities-Self Contained	5.015	5.875
Multiple Disabilities-Severe Sensory Impairment	6.025	6.578
Orthopedic Impairment-Resource	3.868	3.181
Orthopedic Impairment-Self Contained	5.641	5.616
Preschool Severe Delay	4.979	3.621
Emotional Disabilities-Separate Facility, Private School	4.127	4.680
Moderate Mental Retardation	4.244	4.453
Visual Impairment	4.832	4.840

Note: Cost study weights for combined categories have been imputed by JLBC Staff based on cost study data.

Also affecting special education funding levels during the biennium will be base level increases due to passage of Proposition 301. This will include a 2% base level increase per year for inflation plus an increase of about 0.6% per year for adding 1 additional school day each year. Without these base level increases it would cost an estimated \$29,141,600 rather than \$30,651,300 to fully fund the December 1999 cost study weights, which would save an estimated \$1,509,700 over the biennium. In order to back out this potential savings, the cost study weights would each have to be reduced by about 3.9%. This 3.9% reduction would equal the average annual base level change above FY 2001 over the biennium due to Proposition 301. The FY 2002 base level under Proposition 301 will be about 2.6% above FY 2001 and the FY 2003 base level would be about 5.2% cumulatively above FY 2001. This will result in a total cumulative base level change of about 7.8% during the biennium, or an average of about 3.9% per year.

The JLBC recommends fully funding the December 1999 cost study weights, rather than reducing each of those weights by 3.9%. This is because the cost study weights are based on special education costs observed during FY 1999 rather than on costs projected for FY 2002 and FY 2003. It therefore is not known whether the Proposition 301 base level increases actually would cause special education to be overfunded during the biennium

under the cost study weights. In addition, part of the 3.9% adjustment for each year would be due to adding 1 additional day to the school year, which would increase special education costs above current levels.

The Executive recommends dedicating a portion of 2% deflator monies from Proposition 301 to special education Group B weight increases, rather than providing separate funding for this issue (*see the “Education 2000’ Inflation Adjustment” policy issue above*).

**Endowment Earnings OF 3,762,200 3,762,200
GF (3,762,200) (3,762,200)**

The JLBC recommends a total biennial Permanent State Common School Fund increase of \$7,524,400 due to a revised estimate of Endowment Earnings for FY 2001. This amount includes an increase of \$3,762,200 in both FY 2002 and FY 2003 above the original FY 2001 estimate. The revised FY 2001 estimate increases the amount of Endowment Earnings that are available in the base budget for the program in FY 2002 and FY 2003. Since Endowment Earnings offset the state funding requirement for Basic State Aid on a dollar for dollar basis, the JLBC also recommends a General Fund decrease of \$(3,762,200) for Basic State Aid in both FY 2002 and FY 2003. These changes would result in total Endowment Earnings funding of \$74,898,300 for both FY 2002 and FY 2003. That entire amount would be used each year to offset the state General Fund cost of Basic State Aid.

Endowment Earnings from the Permanent State School Fund have been used for many years to offset the cost of Basic State Aid. They currently consist of interest on securities held in the fund and receipts from leases of state lands. Securities in the fund consist of proceeds from past land sales. A Proposition passed by voters in November 1998 (Proposition 102) also allows the State Treasurer to invest a portion of land sale monies in the stock market. Proposition 102, however, also reduced the amount of earnings considered “expendable” each year in order to protect the “corpus” of monies in the fund from the effects of inflation.

The estimated amount of Endowment Earnings considered “expendable” for Basic State Aid purposes will remain at an estimated total of \$74,898,300 for all years after FY 2001. This is because Laws 2000, Chapter 1, 5th Special Session (the companion bill to Proposition 301 from the November 2000 General Election) dedicates any growth in expendable Endowment Earnings after FY 2001 to the Classroom Site Fund established by it. The amount of Endowment Earnings directed away from Basic State Aid by Chapter 1 is estimated at \$2,204,400 for FY 2002 and \$6,017,700 for FY 2003, both relative to FY 2001. This assumes that expendable Endowment Earnings overall will increase to \$77,102,700 in FY 2002 and to \$80,916,000 in FY 2003. (*See “Education 2000: Classroom Site Fund” narrative below for more information regarding that Fund.*)

The School Facilities Board also could affect the amount of Endowment Earnings available for funding Basic State Aid. This is because A.R.S. § 37-521 allows the board to use Endowment Earnings to pay debt service on State School Facilities Revenue Bonds pursuant to A.R.S. § 15-2054. To date the board has not issued any such bonds and it currently does not plan to do so in either FY 2002 or FY 2003. (These bonds are different from the State School *Improvement* Revenue Bonds that the board is allowed to issue for deficiencies correction [not new construction] under A.R.S. § 15-2081, as established by Laws 2000, Chapter 1, 5th Special Session. Debt service on those bonds, if issued, would be paid with monies from the 0.6% sales tax increase enacted by Proposition 301.)

If the board does decide to issue State School *Facilities* (new construction) Revenue Bonds to help fund new school construction during either FY 2002 or FY 2003, debt service on those bonds would be paid for first with monies from Endowment Earnings, as is required by A.R.S. § 37-521. Any Endowment Earnings *not* required for debt service on State School Facilities Revenue Bonds would be available for direct appropriation to the New School Facilities Fund established by A.R.S. § 15-2041. Any monies still remaining after these first 2 priorities may be appropriated for Basic State Aid. The latter amount, however, is limited by the Proposition 301 requirement described above that allocates to the Classroom Site Fund any expendable Endowment Earnings above the FY 2001 level.

The JLBC recommended amounts for Endowment Earnings for both FY 2002 and FY 2003 assume that no Endowment Earnings will be used for School Facilities Board purpose for those years. If the Legislature decides to help fund Students FIRST with Endowment Earnings for either year, the General Fund cost of Basic State Aid will increase accordingly.

The Executive concurs.

Rapid Decline GF (683,800) (683,800)

The JLBC recommends a total biennial General Fund decrease of \$(1,367,600) for Rapid Decline. This amount includes a decrease of \$(683,800) in both FY 2002 and FY 2003 from FY 2001. These amounts are based on current ADM growth estimates and would provide \$2,200,000 in Rapid Decline funding per year in FY 2002 and FY 2003. Rapid Decline (A.R.S. § 15-942) is a provision in the Basic State Aid formula that buffers the loss of formula funding for school districts that experience sudden and substantial declines in enrollment.

The Executive recommends a decrease of \$(828,600) in both FY 2002 and FY 2003 below FY 2001 for this issue.

Transportation

Formula GF 498,500 523,700

The JLBC recommends a total biennial General Fund increase of \$1,022,200 for changes to the K-12

transportation formula enacted by Laws 2000, Chapter 1, 7th Special Session (the “alternative fuels program changes” bill). This amount includes a FY 2002 increase of \$498,500 above FY 2001 and a FY 2003 increase of \$523,700 above FY 2001.

The projected increases relate to changes in the K-12 transportation funding formula in A.R.S. § 15-945 by Chapter 1. That law eliminated a system of bonuses and penalties that originally were intended to increase the use of alternatively fueled school vehicles. In doing so it restored the statutory transportation formula to what it was before the system of bonuses and penalties was established. This is expected to increase K-12 transportation formula costs above amounts assumed in the FY 2001 appropriation because school districts were losing more money in “penalties” than they were gaining in “bonuses” under the prior formula. The amount of increase is estimated at \$498,500 in FY 2002 and \$523,700 in FY 2003 above the FY 2001 appropriated amount. Since Chapter 1 has already taken effect, it will result in a cost increase during the current year (FY 2001) as well. This increase is estimated at \$473,400 and is included in the overall funding supplemental that is recommended for the department under “Other Issues for Legislative Consideration.”

The Executive recommends an increase of \$587,000 in both FY 2002 and FY 2003 above FY 2001 for this issue.

State Juvenile Education

System GF (509,700) (509,700)

The JLBC recommends a total biennial General Fund decrease of \$(1,019,400) for the State Juvenile Education System (SJES) program. This amount includes a decrease of \$(509,700) in both FY 2002 and FY 2003 below FY 2001. These decreases, however, both include an estimated base reduction of \$(1,000,000) from FY 2001 due to a revised (lower) estimate for that year. Relative to the revised FY 2001 estimate, an increase of \$490,300 is recommended for both FY 2002 and FY 2003 above FY 2001.

Laws 1989, Chapter 266, established the SJES program and provided for the calculation and apportionment of equalization assistance for the system beginning in FY 1992. This SJES is administered by the Department of Juvenile Corrections (DJC) and provides educational services for juveniles incarcerated at DJC facilities. Formula funding for SJES is deposited into the State Education Fund for Committed Youth (SEFCY) established by A.R.S. § 15-1371(E).

The JLBC recommendation would provide the program with \$3,544,400 in total funding for both FY 2002 and FY 2003. These estimates assume that the program will serve 921 Average Daily Membership (ADM) pupils in FY 2002 and 910 ADM pupils in FY 2003. This would be an increase of 128 ADM pupils in FY 2002 and 117 ADM pupils in FY 2003 above the 793 ADM pupil level now projected for FY 2001.

The Executive recommends a FY 2002 decrease of \$(612,700) below FY 2001 and a FY 2003 decrease of \$(583,300) below FY 2001 for this issue.

State Education Fund for Correctional

Education GF 274,000 302,100

The JLBC recommends a total biennial General Fund increase of \$576,100 for the State Education Fund for Correctional Education (SEFCE) program. This amount includes a FY 2002 increase of \$274,000 above FY 2001 and a FY 2003 increase of \$302,100 above FY 2001. These increases, however, both include an estimated base increase of \$270,500 from FY 2001 due to a higher revised estimate for that year. Relative to the revised FY 2001 estimate, an increase of \$3,500 is recommended for FY 2002 and an increase of \$31,600 is recommended for FY 2003.

Laws 1995, Chapter 158, established the SEFCE program and authorized separate formula funding for educational costs of pupils committed to the state Department of Corrections (DOC) who are 18 years old or younger or who are 21 years old or younger and have a disability.

The recommended amounts would provide the program with total funding of \$1,127,100 for FY 2002 and \$1,155,200 for FY 2003. These estimates assume it will serve 447 ADM pupils in both FY 2002 and FY 2003, which would be unchanged from the current JLBC estimate for FY 2001. The program served 373 ADM pupils during FY 2000.

The recommended amounts include formula changes for the program that were established by Laws 1999, Chapter 233. Chapter 233 increased the “multiplier” in the program’s funding formula from 0.5 to 0.67 and provided an “additional appropriation” of \$200,000 per year in both FY 2000 and FY 2001 to cover this increased cost. Separate funding for Chapter 233 is no longer required because this change has been permanently incorporated into the overall funding formula for the program in A.R.S. § 15-1372 starting in FY 2002.

The Executive recommends a FY 2002 decrease of \$(100,700) below FY 2001 and a FY 2003 decrease of \$(44,100) below FY 2001 for this issue.

Other Adjustments GF 431,300 431,300

The JLBC recommends a total biennial General Fund increase of \$862,600 for “other adjustments.” This amount includes an increase of \$431,300 in both FY 2002 and FY 2003 above FY 2001.

These miscellaneous adjustments affect the cost of Basic State Aid. They include 1) the small schools service program [A.R.S. § 15-365], 2) costs of educating pupils who are incarcerated in county juvenile detention centers [A.R.S. § 15-913], 3) costs of educating eligible pupils who are incarcerated in county jails [A.R.S. § 15-913.01], 4) expenditures for “tuition loss” [A.R.S. § 15-954] and 5) small school district transportation costs [A.R.S. § 15-963].

Based on department estimates, the JLBC anticipates for both FY 2002 and FY 2003 relative to FY 2001 that 1) the cost of the small schools service program will decrease by \$(32,600) to a total of \$1,167,400; 2) the cost of county juvenile detention center education programs will increase by \$52,600 to a total of \$937,300; 3) the cost of county jail education programs will increase by \$342,000 to a total of \$563,500; 4) expenditures for tuition loss will increase by \$83,000 to a total of \$300,000; and 5) the costs for small school transportation will decrease by \$(13,700) to a total of \$233,500.

The Executive recommends a FY 2002 increase of \$160,800 above FY 2001 and a FY 2003 increase of \$186,900 above FY 2001 for Other Adjustments.

"HOMEOWNERS' REBATE PROGRAM"

Additional State Aid GF 19,595,700 30,075,800

The JLBC recommends a total biennial General Fund increase of \$49,671,500 for Additional State Aid. This amount includes a FY 2002 increase of \$19,595,700 above the FY 2001 appropriation and a FY 2003 increase of \$30,075,800 above the FY 2001 appropriation. Both amounts, however, include a \$6,811,300 base adjustment for FY 2001 due to a revised estimate for that year. Relative to that revised estimate, the recommended increase for FY 2002 is \$12,784,400 above FY 2001 and the recommended increase for FY 2003 is \$23,264,500 above FY 2001.

The recommended amounts would fully fund the “homeowner’s rebate” program for FY 2002 and FY 2003 under current JLBC estimates. This program is authorized by A.R.S. § 15-972, which requires the state to pay 35% of each homeowner’s school district primary property taxes up to a maximum of \$500 per person. The program also pays homeowner primary property taxes that exceed 1% of the full cash value of a home. This second aspect is referred to as the “1% cap” and is required under the state Constitution. The state Constitution limits Class 3 primary property taxes to no more than 1% of a home’s full cash value. All “Class 3” (formerly “Class 5”) properties are eligible for “homeowner’s rebate” and “1% cap” funding. The recommended \$12,784,400 increase for FY 2002 (above FY 2001 revised) consists of an increase of \$10,775,100 for the 35% rebate and a \$2,009,300 increase for the 1% cap above the FY 2001 revised estimate. It would provide the program with total funding of \$218,818,600 for FY 2002. Of this amount, \$210,111,900 would be for the 35% rebate and \$8,706,700 would be for the 1% cap.

The recommended \$23,264,500 increase for FY 2003 (above FY 2001 revised) consists of an increase of \$19,128,600 for the 35% rebate and a \$4,135,900 increase for the 1% cap above the FY 2001 revised estimate. It would provide the program with total funding of \$229,298,700 for FY 2003. This total would consist of \$218,415,400 for the 35% rebate and \$10,883,300 for the 1% cap.

These estimates assume that Class 3 NAV (owner occupied homes) will grow by 7.6% in FY 2002 and by 5.5% in FY 2003. Those growth rates slightly exceed our projected growth rates for all classes of property combined in those years (7% for FY 2002; 5% for FY 2003) because of continued strong growth in Class 3 construction. (Unlike Basic State Aid, Additional State Aid expenditures rise as Class 3 NAV increases.) They also assume that average school district primary property tax rates will decrease by (1.6)% in FY 2002 and by (1.2%) in FY 2003 based on recent trends. Those tax rates have been trending lower recently because of "Truth in Taxation,," which has resulted in lower QTR and County Equalization tax rates in recent years.

The Executive recommends a FY 2002 increase of \$22,700,800 above FY 2001 and a FY 2003 increase of \$36,016,200 above FY 2001 for the program. These recommendations assume that Class 3 NAV will grow by 8% in FY 2002 and by an additional 6% in FY 2003. They also assume no growth in school district primary property tax rates in either FY 2002 or FY 2003.

OTHER STATUTORY FORMULA PROGRAMS

**Assistance to School Districts
for Children of
State Employees**

GF (69,400) (67,700)

The JLBC recommends a total biennial General Fund decrease of \$(137,100) for the Assistance to School Districts for Children of State Employees (ASDCSE) program. This amount includes a FY 2002 decrease of \$(69,400) below FY 2001 and a FY 2003 decrease of \$(67,700) below FY 2001 based on department estimates. This would provide the program with total funding of \$35,200 for FY 2002 and \$36,900 for FY 2003. The ASDCSE program is authorized by A.R.S. § 15-976, and is intended to supplement Basic State Aid funding for students whose parents are employed by and domiciled at the Arizona State Hospital, the Arizona State Schools for the Deaf and the Blind (ASDB), and institutions and facilities maintained by the Arizona Department of Corrections. The parents of such students typically do not pay property taxes in support of local K-12 programs, since they are housed in a state-owned facility.

The Executive concurs.

Certificates of Educational

Convenience GF (1,288,900) (1,253,400)

The JLBC recommends a total biennial General Fund decrease of \$(2,542,300) for Certificates of Educational Convenience. This amount includes a FY 2002 decrease of \$(1,288,900) below FY 2001 and a FY 2003 decrease of \$(1,253,400) below FY 2001. A FY 2001 base adjustment of \$(1,322,700), however, is included in these amounts due to a revised estimate of program costs in the current year. Relative to the revised FY 2001 estimate, the FY 2002 recommendation is \$33,800 above FY 2001 and the FY 2003 recommendation is \$69,300 above FY 2001.

This would provide the program with total funding of \$859,700 in FY 2002 and \$895,200 in FY 2003.

Certificates of Educational Convenience are required by A.R.S. § 15-825. The program primarily funds "excess" Group B costs for students who, under "open enrollment" (A.R.S. § 15-816.01), attend school in a school district in which they do not reside. Those "excess" costs equal the difference between actual special education expenses incurred by host school districts for non-resident students and the amount of funding that they receive for those students through the Basic State Aid formula.

The recommended amounts include increases for changes in the program's funding guidelines under Laws 1999, Chapter 243. Chapter 243 amended A.R.S. § 15-824 in order to allow school districts to recover "excess" special education costs for non-resident students who are placed in them by a state placing agency, such as DES. Chapter 243 provided an "additional appropriation" of \$150,000 per year for the program for both FY 2000 and FY 2001 to cover the cost of this change. Separate funding for Chapter 243 is no longer required because it has been incorporated into the overall funding recommendation for the program for FY 2002 and FY 2003.

The Executive recommends a FY 2002 decrease of \$(1,438,900) below FY 2001 and a FY 2003 decrease of \$(1,403,400) below FY 2001 for the program.

Special Education Fund GF 6,323,500 8,613,000

The JLBC recommends a total biennial General Fund increase of \$14,936,500 for the Special Education Voucher Fund. This amount includes a FY 2002 increase of \$6,323,500 above FY 2001 and a FY 2003 increase of \$8,613,000 above FY 2001. These amounts, however, both include a \$982,300 base adjustment from FY 2001 under a revised cost estimate for that year. They also include an increase of \$3,621,000 in FY 2002 above FY 2001 and an increase of \$4,013,500 in FY 2003 above FY 2001 for increases in special education Group B weights. (See the "Special Education Weights" policy issue under Basic State Aid for further discussion of that issue.) Apart from those items, the increase due only to growth in the number of students requiring special education vouchers during the biennium equals \$1,720,200 in FY 2002 above FY 2001 (revised) and \$3,617,200 in FY 2003 above FY 2001 (revised).

The Special Education Fund pays for 2 types of special education vouchers: 1) "institutional" vouchers pursuant to A.R.S. § 15-1201, and 2) "residential" vouchers pursuant to A.R.S. §15-1181. "Institutional" vouchers primarily fund educational costs for pupils who attend the State Schools for the Deaf and the Blind (ASDB). "Residential" vouchers fund school costs for students who are placed in a private education facilities for treatment or special education purposes.

The recommended enrollment-related increases are based on current JLBC estimates of students requiring “institutional” and “residential” vouchers during FY2002 and FY2003.

The JLBC currently estimates that the number of pupils requiring “institutional” vouchers will increase from 1,099 in FY 2001 (revised) to 1,182 in FY 2002 (a 7.6% increase above FY 2001 revised). For FY 2003, the JLBC currently estimates that this number will increase to 1,272 pupils (a 15.7% increase above FY 2001 revised).

The JLBC currently estimates that the number of pupils requiring “residential” vouchers will increase from 324 in FY 2001 (revised) to 341 in FY 2002 (a 5% increase above FY 2001 revised). For FY 2003, the JLBC currently estimates that this number will increase to 358 pupils (a 10.3% increase above FY 2001 revised).

The recommended increases for both types of vouchers, including funding for the FY 2001 base adjustment and Group B weight increases, would provide the program with \$23,029,900 in total funding for FY 2002 and \$25,319,400 in total funding for FY 2003.

The \$23,029,900 FY2002 total would consist of \$19,441,200 for “institutional” vouchers and \$3,588,700 for “residential” vouchers.

The \$25,319,400 FY2003 total would consist of \$21,456,700 for “institutional” vouchers and \$3,862,700 for “residential” vouchers.

The Executive recommends a FY 2002 increase of \$1,079,400 above FY 2001 and a FY 2003 increase of \$2,038,900 above FY 2001 for the program. The FY 2002 total consists of an “institutional” voucher increase of \$1,544,700 above FY 2001 and a “residential” voucher decrease of \$(465,300) below FY 2001. The FY 2003 total consists of an “institutional” voucher increase of \$2,269,900 above FY 2001 and a “residential” voucher decrease of \$(231,000) below FY 2001. The amounts recommended for “institutional” vouchers by the Executive are substantially lower than JLBC estimates because the latter reflect both revised (higher) estimates for the current year (FY 2001) based on recent data and the estimated impact of special education Group B weight increases under the JLBC recommendation, as described above.

“EDUCATION 2000” PROGRAMS

“Education 2000” Classroom

Site Fund Dedicated GF	297,555,100	315,493,300
Dedicated OF	2,204,400	6,017,700

The JLBC recommends a total biennial increase of \$621,270,500 for the Classroom Site Fund. This amount includes a FY2002 increase of \$299,759,500 above FY 2001 and a FY 2003 increase of \$321,511,000 above FY 2001.

The recommended \$299,759,500 increase for FY 2002 above FY 2001 includes a General Fund increase of \$297,555,100 and a Permanent State Common School Fund (“Endowment Earnings”) increase of \$2,204,400.

The recommended \$321,511,000 increase for FY 2003 above FY 2001 includes a General Fund increase of \$315,493,300 and a Permanent State Common School Fund (“Endowment Earnings”) increase of \$6,017,700.

Since the Fund did not exist in FY 2001, the recommended increases for FY2002 and FY 2003 also equal total recommended funding for the Fund for those years.

The Classroom Site Fund was established by “Education 2000” (Proposition 301), which voters enacted into law during the November 2000 General Election. The recommended amounts are JLBC estimates of monies that will be deposited into the Fund each year under Education 2000. Education 2000 increased the state Transaction Privilege Tax (TPT) (“sales tax”) rate from 5% to 5.6% and dedicated the new revenues from that rate increase to various programs in public education. The Classroom Site Fund receives any new sales tax revenues that remain after required distributions are made to universities, community colleges and other programs (*see Table 7*). As shown in *Table 7*, it also receives any growth in “Endowment Earnings” (also known as “Land Trust” earnings) beyond the amount of those earnings in FY 2001.

The sales tax monies will be deposited into the General Fund, but Proposition 301 dedicates the funds for specific purposes and they are not subject to legislative appropriation. As a result, the 0.6% sales tax proceeds will not be included in the General Appropriation Act.

Table 7 shows that the JLBC currently estimates that the additional 0.6% sales tax will generate \$485,976,500 in new revenue in FY 2002 and \$524,698,600 in new revenue in FY 2003. These amounts assume 8% annual growth in sales tax revenues during both FY 2002 and FY 2003, which is the same growth rate assumed in JLBC revenue estimates for the biennium. After the required distributions shown in *Table 7*, the sales tax revenues available for deposit into the Fund are projected to equal \$297,555,100 in FY 2002 and \$315,493,300 in FY 2003.

In addition, *Table 7* shows that the JLBC currently estimates that Land Trust earnings will exceed FY 2001 levels by \$2,204,400 in FY 2002 and \$6,017,700 in FY 2003 (which assumes total expendable Land Trust earnings of \$77,102,700 in FY 2002 and \$80,916,000 in FY 2003). Under Education 2000, these amounts also would be deposited into the Fund. Together these monies would result in total Classroom Site Fund deposits of \$299,759,500 in FY 2002 and \$321,511,000 in FY 2003. These estimates are only projections and funding will depend on the level of sales tax collections and trust fund earnings.

Table 7
Estimated Distribution of "Education 2000" Sales Tax Monies

	<u>FY 2002</u>	<u>FY 2003</u>
Revenues		
Estimated 0.6% Sales Tax Revenue	\$ 485,976,500	\$524,698,600
Expenditures		
Students FIRST debt service	70,000,000	70,000,000
Universities	49,917,200	54,563,800
Community Colleges	12,479,300	13,641,000
Tribal Assistance	370,000	383,600
Additional School Days	15,305,900	31,530,100
School Safety	7,800,000	7,800,000
Character Education	200,000	200,000
School Accountability	5,849,000	4,586,800
Failing Schools Tutoring Fund	1,500,000	1,500,000
Income Tax Credit for Sales Tax Paid	25,000,000	25,000,000
Available for Site Fund: Sales Tax	297,555,100	315,493,300
Available for Site Fund: Land Trust	2,204,400	6,017,700
Total Available for Site Fund	\$299,759,500	\$321,511,000

Under Education 2000, Classroom Site Fund monies will be allocated to school districts and charter schools on a per pupil basis. Under A.R.S. § 15-977, as established by Laws 2000, Chapter 1, 5th Special Session, the JLBC Staff is required to determine a per pupil allocation from the fund for each fiscal year by March 30 of the prior fiscal year.

A.R.S. § 15-977, as established by Education 2000, sets guidelines for the use of Classroom Site Fund monies. It requires schools districts and charter schools to devote 40% of these monies to teacher pay raises based on performance, 20% to teacher salary "base increases," and the remaining 40% to a menu of other possible items. These items include 1) class size reduction, 2) additional teacher compensation increases, 3) AIMS intervention programs, 4) teacher development, 5) dropout prevention and 6) teacher liability insurance.

The Executive recommends a FY 2002 total of \$280,985,300 and a FY 2003 total of \$304,399,600 for the Classroom Site Fund. These amounts are lower than those included in the JLBC recommendation primarily because the Executive assumes lower sales tax revenues than does the JLBC. The Executive assumes that the 0.6% sales tax increase will generate \$459,086,600 in FY 2002 (versus \$485,976,500 in the JLBC recommendation) and \$489,782,500 in FY 2003 (versus \$524,698,600 in the JLBC recommendation).

"Education 2000" School Accountability

Dedicated GF 5,849,000 4,586,800

The JLBC recommends a total biennial General Fund increase of \$10,435,800 for School Accountability measures required by Laws 2000, Chapter 1, 5th Special Session in conjunction with "Education 2000" (Proposition 301). This amount includes a FY 2002 increase of \$5,849,000 and 14 FTE Positions above FY 2001 and a

FY 2003 increase of \$4,586,800 and 14 FTE Positions above FY 2001. A breakdown of costs for this item appears in Table 8.

Table 8
School Accountability (JLBC Recommendation)

<u>Item</u>	<u>FY 2002</u>	<u>FY 2003</u>
SAIS Compatibility	\$4,500,000	\$ 0
School Profiles (6 FTE Positions per year)	750,000	387,800
Solution Teams	0	3,600,000
SAIS Maintenance (8 FTE Positions per year)	<u>599,000</u>	<u>599,000</u>
Total	\$5,849,000	\$4,586,800

Laws 2000, Chapter 1, 5 Special Session requires the department to develop and publish an academic achievement profile for every public school in the state by October 15 each year. These profiles will be used in order to determine whether individual schools are "underperforming." An underperforming school that does not improve in the second year of the program (FY 2003) will be designated as a "failing" schools, and must post this designation on its school report card pursuant to A.R.S. § 15-746. In order to help failing schools improve, Laws 2000, Chapter 1, 5 Special Session, Section 3 requires the department to deploy solution teams to them.

In order to fund this new program, "Education 2000" authorizes the Legislature to appropriate up to \$7,000,000 each year from revenues generated by a new 0.6% sales tax increase. For FY 2002 only, however, Laws 2000, Chapter 1, 5th Special Session, Section 60 makes a direct one-time appropriation of \$2,500,000 to the department to help pay for school district and charter school computer modifications needed for compatibility with the department's Student Accountability Information System (SAIS). (See the General Services Administration cost center narrative for additional information regarding SAIS.) Those modifications are needed because many local computer systems are not yet capable of interacting with SAIS. This could keep the department from receiving data that it needs in order to create academic achievement profiles for each school, as is required by "Education 2000."

The department estimates that it will cost a total of \$4,500,000 during FY 2002 to ensure SAIS compatibility statewide by FY 2003. It therefore has requested an additional \$2,000,000 from the "up to \$7 million" monies authorized for school accountability by "Education 2000." This would give the department a total of \$4,500,000 in FY 2002 for SAIS compatibility. The \$2,500,000 already appropriated in Laws 2000, Chapter 1, 5th Special Session plus an additional \$2,000,000 in "up to \$7 million" monies. Since the department's ability to carry out the School Accountability requirements in Chapter 1 depends upon its ability to receive accountability data on-line from charter schools and school districts via SAIS, the JLBC recommends appropriation of the additional \$2,000,000 that is requested.

The department also has requested 6 FTE Positions and an additional \$750,000 of “up to \$7 million” monies in FY2002 in order to develop academic achievement profiles for each school in the state, as is required by Chapter 1. The \$750,000 amount would be reduced to \$387,900 in FY 2003 because consultants hired to help design the profiles would only be needed for 1 year. The JLBC recommends appropriation of these additional amounts since they comply with the intent of the voter approved “Education 2000” program.

As shown in *Table 8*, the JLBC also recommends using \$599,000 in “up to \$7 million” monies from Proposition 301 each year in order to fund SAIS maintenance. This is because the “up to \$7 million” monies are dedicated to school accountability and this also is the underlying purpose of the SAIS system. The JLBC recommends an increase of 8 FTE Positions and \$599,000 for both FY2002 and FY2003 above FY2001 for SAIS maintenance using Proposition 301 monies. The recommended amount of \$599,000 per year is based on the estimated annual operating cost for SAIS in the November 1996 “Project Investigation Justification” (PIJ) plan for the program. That plan, which was approved by the Government Information Technology Agency (GITA), estimated that it would cost about \$1,791,000 per year to maintain and operate SAIS, once completed. The recommended \$599,000 appropriation deducts from this \$1,791,000 estimate a total of \$1,192,000 that already exists in the department’s base budget for computer system operation and maintenance. Since SAIS has now replaced the department’s old mainframe-based computer system, those resources are now available for use by SAIS.

The department’s base budget for computer operation and maintenance in the operating budget for the General Services Administration Cost Center includes 20 FTE Positions. The JLBC recommendation therefore would provide a total of 28 FTE Positions for agencywide computer operation and maintenance needs starting in FY2002. The number of FTE Positions in the department’s computer system operation and maintenance budget did not increase during SAIS development. This is because the department relied largely on outside contractors for SAIS development due to the level of expertise required for SAIS design and construction. New FTE Positions for SAIS maintenance now are recommended because routine maintenance and operation of SAIS can be carried out by less expensive in-house staff.

The 4 items included in the School Accountability budget under the JLBC recommendation, as shown in *Table 8*, would collectively provide the department with \$5,849,000 in total “Education 2000” and Chapter 1 School Accountability funding for FY 2002 and \$4,586,900 in FY 2003. The FY 2002 total would consist of \$2,500,000 already appropriated by Chapter 1 (so those monies would not appear in the General Appropriation Act) plus \$3,349,000 in additional “up to \$7 million” monies that would be subject to appropriation. The FY 2003 total of

\$4,586,900 would consist solely of monies that are subject to appropriation out of the “up to \$7 million” total for that year. This is because neither Chapter 1 nor Proposition 301 provides an advance appropriation for School Accountability after FY 2002.

The Executive concurs regarding the 6 FTE Position increase for School Profiles, the 8 FTE Position increase for SAIS Maintenance and the funding amounts per year for School Profiles. The Executive, however, recommends different funding amounts for SAIS Compatibility, Solution Teams and SAIS Maintenance (*see Table 9*). The JLBC recommendation aligns more closely with the department request, and seeks to assure adequate funding for the program during its first 2 years of implementation.

<u>Item</u>	<u>FY 2002</u>	<u>FY 2003</u>
SAIS Compatibility	\$3,615,600	\$ 0
School Profiles (6 FTE Positions per year)	750,000	387,800
Solution Teams	0	3,523,100
SAIS Maintenance (8 FTE Positions per year)	634,400	589,100
Total	\$5,000,000	\$4,500,000

**“Education 2000” School
Safety Program**

Dedicated GF 7,800,000 7,800,000

The JLBC recommends a total biennial General Fund increase of \$15,600,000 for the Safe Schools program. This amount includes an increase of \$7,800,000 in both FY 2002 and FY 2003 above FY 2001. The \$7,800,000 increase per year is required by “Education 2000” (Proposition 301), which was approved by voters in November 2000. Education 2000 earmarked for the program \$7,800,000 per year out of revenues generated by a new 0.6% sales tax increase. Since these monies are not subject to legislative appropriation, they would not be included in the General Appropriation Act.

The JLBC also recommends an increase of 3 FTE Positions for the program as a FY 2001 base adjustment due to enactment of Laws 2000, Chapter 226 (“School Safety Omnibus”). Chapter 226 appropriated \$150,000 to the department in order to establish and maintain a School Safety Clearinghouse, but did not specify the number of FTE Positions allowed for its operation. The JLBC now recommends an increase of 3 FTE Positions for the clearinghouse in order to formally establish existing positions.

Along with standard changes shown elsewhere, the recommended increases would provide the program with \$15,716,900 in total funding per year in both FY 2002 and FY 2003 (*see Table 10*). This includes \$920,000 in total funding per year under Chapter 226 (the \$150,000 mentioned above plus \$770,000 in increased “pass through” monies). That additional appropriation now is permanently included in the base budget for the program.

NON-FORMULA PROGRAMS

<u>Source</u>	<u>FY 2002</u>	<u>FY 2003</u>
General Appropriation Act	\$7,916,900	\$ 7,916,900
Education 2000	<u>7,800,000</u>	<u>7,800,000</u>
Total	\$15,716,900	\$15,716,900

The Executive concurs.

**“Education 2000” Failing
Schools Tutoring Fund**

Dedicated GF 1,500,000 1,500,000

The JLBC recommends a total biennial General Fund increase of \$3,000,000 for the Failing Schools Tutoring Fund. This amount includes an increase of \$1,500,000 in both FY 2002 and FY 2003 above FY 2001. Since the program did not exist in FY 2001, the recommended amounts equal the total amount of funding recommended for the fund in FY 2002 and FY 2003.

The Failing School Tutoring Fund was established as a result of voter approval of Education 2000 (Proposition 301) in November 2000. The purpose of the fund is to reimburse parents of students in “failing” schools for tutoring needed in order to meet state academic standards. For purposes of the fund, “failing” schools means schools designated as “failing” under criteria established in Education 2000 (A.R.S. § 15-241). Education 2000 automatically appropriates \$1,500,000 per year to the fund from a 0.6% sales tax increase (see Table 7). Since these monies are not subject to legislative appropriation, they would not be included in the General Appropriation Act.

The Executive concurs.

**“Education 2000”
Character Education**

Dedicated GF 200,000 200,000

The JLBC recommends a total biennial General Fund increase of \$400,000 for Charter Education. This amount includes an increase of \$200,000 in both FY 2002 and FY 2003 above FY 2001. This new program is required by “Education 2000” (Proposition 301), which makes each school district and charter school eligible for a matching grant of up to \$1,500 annually for character education programs. The department is required to administer the program and distribute the state matching grant monies.

Education 2000 automatically appropriates \$200,000 each year for the program from a 0.6% sales tax increase (see Table 7). Since these monies are not subject to legislative appropriation, they would not be included in the General Appropriation Act. The program did not exist in FY 2001, so the recommended increases for FY 2002 and FY 2003 equal the total recommended appropriations for the program for those years.

The Executive concurs.

Accountability

Measures GF -0- -0-

The JLBC recommends an increase of 1 FTE Position (but no additional funding) for the program for both FY2002 and FY 2003 above FY 2001. This is recommended as a base adjustment in order to formally establish 1 FTE Position that the department is using based on language in a General Appropriation Act footnote. That footnote allows the department to use for program administration up to \$200,000 of the program’s annual appropriation, but does not specify the number of FTE Positions authorized for this function. The recommended 1 FTE Position increase equals the total number of FTE Positions recommended for the program and would simply maintain program staffing at the current level.

The Executive recommends a decrease of \$(5,000,000) and 1 FTE Position for Accountability Measures in both FY 2002 and FY 2003 in order to eliminate the program. The JLBC does not recommend elimination of this legislatively-established program.

Family Literacy GF -0- -0-

The JLBC recommends an increase of 1 FTE Position in FY 2002 above FY 2001 and an increase of 1 FTE Position for FY 2003 above FY 2001 for the Family Literacy program. The JLBC recommends that these increases be paid out of the program’s current operating budget of \$1,000,000 per year. Therefore no new funding is recommended for this issue.

The recommendation addresses a concern raised by the Auditor General’s office in its March 2000 annual review of the program. That review concluded that the department should increase its oversight of the program to improve site compliance with program criteria. It noted, for example, that some program sites do not adhere to program guidelines regarding minimum numbers of families participating and certain design aspects of the program.

Currently the department passes through the entire \$1,000,000 annual appropriation to program sites. In order to allow it to increase state-level oversight of the program, the JLBC recommends that 1 FTE Position be authorized for the program and that the department use a portion of the program’s annual appropriation to pay for this new FTE Position. Since no FTE Positions currently are authorized for the program, the recommendation would provide a total of 1 FTE Position for the program in both FY 2002 and FY 2003.

The purpose of the program is to help improve the basic academic and literacy skills of economically and educationally disadvantaged parents and their preschool children.

Other findings from the Auditor General's March 2000 review of the program were as follows: 1) its measurable adult education outcomes are generally positive; 2) adult participants show improvements in parenting attitudes and behaviors; and 3) preschool participants make progress, but less than Early Childhood Block Grant participants.

The Executive makes no recommendation on this issue.

Joint Technological

Education Districts GF (250,000) (250,000)

The JLBC recommends a total biennial General Fund decrease of \$(500,000) for the program. This amount includes a decrease of \$(250,000) in both FY 2002 and FY 2003 from FY 2001. This is recommended because Laws 2000, Chapter 344 provided the program with a one-time appropriation for FY 2001. This one-time appropriation therefore needs to be backed out of the department's base budget for FY 2002 and FY 2003. The purpose of the appropriation was to provide one-time capital funding for a vocational technical education demonstration project in an existing structure.

The Executive recommendation does not include a reduction for the program.

AIMS Intervention;

Dropout Prevention GF -0- -0-

The JLBC recommends no change in FY 2002 and FY 2003 for this program. Laws 2000, Chapter 377 established the program and provided it with a \$50,000 appropriation for FY 2001. The JLBC recommends that this \$50,000 amount remain in the department's base budget because Chapter 377 established the program on a permanent basis. It therefore requires ongoing funding in order to operate during FY 2002 and FY 2003.

The Executive recommends a total biennial General Fund increase of \$1,000,000 for the program. This amount includes an increase of \$500,000 in both FY 2002 and FY 2003 above FY 2001. Since the original appropriation for this program was provided through separate legislation (Laws 2000, Chapter 377), the JLBC recommends that any potential increase for it likewise be deferred to "other bills."

* * *

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items for the Program.

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Basic State Aid - The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973, and includes an estimated \$74,898,300 per year in expendable income derived from the Permanent State Common School Fund for FY 2002 and FY 2003.

Receipts derived from the Permanent State Common School Fund and any other non-state General Fund revenue source that is dedicated to fund Basic State Aid will be expended, whenever possible, before expenditure of state General Fund monies.

All monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds as prescribed by the Enabling Act and the Constitution and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. No expenditures may be made except as specifically authorized above.

Accountability Measures - This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Of the monies appropriated for Accountability Measures, not more than \$200,000 shall be for administrative costs. All monies not used for administrative costs shall be used to increase the base level as defined in A.R.S. § 15-901B.

Adult Education - The appropriated amount is for classes in adult basic education, general education development and citizenship on a statewide basis.

It is the intent of the Legislature that no more than 10% of the appropriation for Adult Education Assistance be used by the Department of Education for operating the Division of Adult Education. It is also the intent of the Legislature that the greatest possible proportion of monies appropriated for adult education programs be devoted to instructional, rather than administrative, aspects of the programs.

Small Pass-Through Programs - The appropriated amounts for both FY 2002 and FY 2003 include \$50,000 for the Academic Contest Fund, \$82,400 for Academic Decathlon, \$50,000 for Arizona Geographic Alliance, \$40,000 for Arizona Humanities Council, \$25,200 for Arizona Principals' Academy, \$234,000 for Arizona School Service through Education Technology, \$50,000 for Project Citizen and \$50,000 for the Economic Academic Council.

State Block Grant for Vocational Education - The appropriated amount is for block grants to charter schools and school districts that have vocational education programs. It is the intent of the Legislature that monies appropriated in the FY 2002 and FY 2003 General Appropriations Act for the State Block Grant for Vocational Education be used to promote improved student achievement by providing vocational education programs with flexible supplemental funding that is linked both to numbers of students in such programs and to

numbers of program completers who enter jobs in fields directly related to the vocational education program that they completed. It is the intent of the Legislature that the amount of the State Block Grant for Vocational Education funding that is used for state level administration of the program be limited to no more than the amount used for such costs during the prior fiscal year plus the applicable amount of any pay raise that may be provided for state employees through legislative appropriation.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote regarding the inclusion of academic productivity data in School Report Cards, since the department now addresses this issue every year through “Measurement of Academic Progress” (MAP) reports.

The JLBC recommends deleting the Basic State Aid footnotes regarding “classroom enhancements” and “expanded K-3 weights” because funding for both of those changes is now incorporated in the base budget for the Basic State Aid program.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends modifying A.R.S. § 15-943(2b) in order to make special education Group B weights in that statute equal to weights identified in the December 1999 Special Education Cost Study. See the “Special Education Weights” policy issue in the Basic State Aid section for more information.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC currently estimates that the department will require a FY 2001 General Fund supplemental of approximately \$13,022,200. As shown in Table 11, this amount includes estimated shortfalls of \$13,032,300 for Basic State Aid, \$6,811,300 for Additional State Aid, \$597,400 for Special Education Vouchers, \$553,900 for Achievement Testing and \$200,000 for an LEP cost study. Partially offsetting these amounts are estimated surpluses of \$(6,700,000) for Endowment Earnings and \$(1,472,700) for Certificates of Educational Convenience.

Table 11	
Estimated FY 2001 Supplemental	
<u>Program</u>	<u>Estimated Shortfall or (Surplus)</u>
Basic State Aid	\$13,032,300
Additional State Aid	6,811,300
Special Education Vouchers	597,400
Achievement Testing	553,900
LEP Cost Study	200,000
Certificates of Educational Convenience	(1,472,700)
Endowment Earnings	(6,700,000)
Total	\$13,022,200

The \$13,022,200 estimate is subject to substantial change because the cost of Basic State Aid for FY 2001 will not be known accurately until 100th day ADM counts for the

year become available in late spring of 2001. The current estimate assumes that the statewide ADM count academic will increase by 27,595 pupils (3.3%) in academic year 2001. This compares with an increase of 25,313 ADM pupils (3.2%) in academic year 2000 (see Table 1 under the Basic State Aid narrative for more data on projected ADM counts).

Other components of the net \$13,022,200 supplemental estimate for FY 2001 are discussed in the narrative for those items in this cost center. One exception is the estimated \$553,900 shortfall for Achievement Testing, which is discussed under the narrative for that issue in the General Services Administration cost center. (The department requests \$2,445,300 in supplemental funding for that program). The other exception is the \$6,700,000 “surplus” shown for Endowment Earnings. This is due to a one-time carry-forward of surplus monies in the Permanent State Common School Fund from FY 2000. Those monies will be available during FY 2001 to help fund any supplemental requirement for that year.

During the 1999 Legislative Session, a General Fund “set-aside” of \$37,245,500 was earmarked for the department’s supplemental for FY 2001. The current \$13,022,200 estimate therefore represents a \$(24,223,300) decrease in the projected FY 2001 supplemental requirement for the department.

The Executive recommends a total FY 2001 supplemental of \$23,161,200 based on current department estimates. This amount would include \$17,444,700 for Basic State Aid, \$4,811,000 for Additional State Aid and \$2,456,200 for Achievement Testing (which would fully fund the department’s supplemental request for that item). These costs would be offset by anticipated surpluses of \$1,322,700 for Certificates of Educational Convenience, \$156,900 for Special Education Vouchers and \$71,100 for miscellaneous.

Executive Recommendation

The Executive recommends a decrease of \$(39,000) in both FY 2002 and FY 2003 for Youth Support Research, which would eliminate the program, as requested by the department. The JLBC does not make a recommendation on this issue.

Auditor General Performance Audits

The only Department of Education-related performance audits conducted by the Auditor General since FY 1999 relate to the Family Literacy program. Budget issues pertaining to those audits are discussed under the policy narrative for the Family Literacy program.

The Auditor General, however, also conducted a special study of factors that impact school district administrative costs. This study was required by Laws 1999, Chapter 4, 1st Special Session (the Education ORB from 1999). That law required the JLBC Staff to analyze cost data from FY 1999 in order to identify school districts with

particularly high or low administrative costs for that year. It also required the Auditor General to report to the Legislature regarding factors that help explain difference observed in “high” versus “low” administrative cost school districts identified by the JLBC analysis.

The Auditor General report indicates that cost differences observed in “high” versus “low” administrative cost districts most often are due to inconsistencies in the way that districts classify and allocate their administrative costs. (This issue might be addressed, at least in part, by expanded Auditor General audits of school districts that now will be required under Proposition 301.)

The Auditor General reported that other factors contributing to “high” cost districts include 1) relatively few ADM pupils over which to spread administrative costs, 2) higher compensation due to longevity or relatively high pay scales, 3) higher levels of purchased services, and 4) one-time costs for items such as lawsuit settlement.

The Auditor General reported that other factors contributing to “low” cost districts include 1) 1 employee performing 2 or more duties, 2) lower compensation due to turnover or relatively low pay scales and 3) relatively high numbers of vacant administrative positions.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Health Services

Agency Summary

Catherine Eden, Director

JLBC: Gina Guarascio/Beth Kohler

House Subcommittee: Johnson

OSPB: Christine Sato

Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM/ORGANIZATION						
Administration	22,148,500	24,429,600	29,133,800	28,140,000	28,785,500	26,656,900
Public Health	23,121,600	28,250,700	29,179,600	26,442,200	29,179,800	26,492,800
Family Health	47,313,400	47,836,800	48,917,700	59,655,000	51,128,400	61,840,300
Behavioral Health	268,890,900	343,641,800	349,595,600	384,285,400	377,650,900	437,116,400
Arizona State Hospital	50,197,000	55,747,100	55,842,300	56,044,800	60,510,800	60,509,500
AGENCY TOTAL	411,671,400	499,906,000	512,669,000	554,567,400	547,255,400	612,615,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	1,677.5	1,764.5	1,786.5	1,787.9	1,868.5	1,852.9
Personal Services	37,522,900	39,838,900	40,616,400	40,396,900	42,611,600	42,191,300
Employee Related Expenditures	8,173,900	8,688,200	9,044,100	8,848,200	9,530,500	9,495,500
All Other Operating Expenditures:						
Professional and Outside Services	9,033,400	11,632,200	12,304,100	11,732,200	13,029,400	13,232,200
Travel - In State	265,800	425,000	428,000	425,000	430,500	425,000
Travel - Out of State	58,700	33,700	40,000	33,700	48,000	33,700
Other Operating Expenditures	10,625,800	8,519,200	10,340,100	7,958,400	10,931,000	7,980,600
Equipment	1,091,800	414,500	960,400	806,400	773,000	901,400
OPERATING SUBTOTAL	66,772,300	69,551,700	73,733,100	70,200,800	77,354,000	74,259,700
Special Line Items	344,899,100	430,354,300	438,935,900	484,366,600	469,901,400	538,356,200
AGENCY TOTAL	411,671,400	499,906,000	512,669,000	554,567,400	547,255,400	612,615,900

FUND SOURCES

General Fund	247,769,100	253,876,700	299,803,200	313,007,600	319,982,100	355,946,700
Nursing Care Institution Resident						
Protection Fund	5,100	260,000	160,000	38,000	160,000	38,000
Newborn Screening Program Fund	2,498,500	3,025,900	3,085,800	2,786,000	2,986,100	2,786,300
Indirect Cost Fund	3,953,300	5,085,300	7,761,100	7,596,300	8,013,800	6,140,300
Federal Child Care and Development						
Block Grant	0	0	0	394,700	0	394,700
Tobacco Litigation Settlement Fund	0	0	0	8,192,000	0	8,347,700
Tobacco Tax Medically Needy Account	6,167,400	22,600,000	23,250,000	17,850,000	23,250,000	17,850,000
Tobacco Tax Health Research Account	0	2,000,000	2,000,000	1,000,000	2,000,000	0
Emergency Medical Services Operating Fund	3,779,100	3,409,000	3,548,200	3,455,700	3,549,100	3,458,900
Poison Control Fund	1,550,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000
Environmental Lab Licensure Revolving Fund	561,000	749,700	766,800	767,100	767,100	767,400
Child Fatality Review Fund	94,500	100,000	99,700	99,800	99,800	99,800
Temporary Assistance for Needy Families						
Block Grant	2,247,200	2,252,000	2,256,900	2,957,000	2,257,000	2,957,100
Substance Abuse Services Fund	2,150,000	1,850,000	2,250,000	1,850,000	2,250,000	1,850,000
Federal Title XIX Funds	128,680,200	120,453,500	165,437,300	179,829,300	179,690,400	197,235,100
Serious Mental Illness Services Fund	0	50,000,000	0	0	0	0
Children's Behavioral Health Tobacco						
Settlement Fund	0	20,000,000	0	0	0	0
Arizona State Hospital Fund	11,993,900	11,993,900	0	12,493,900	0	12,493,900
ASH Land Earnings Fund	222,100	400,000	400,000	400,000	400,000	400,000
SUBTOTAL - Other Appropriated Funds	163,902,300	246,029,300	212,865,800	241,559,800	227,273,300	256,669,200
SUBTOTAL - Appropriated Funds	411,671,400	499,906,000	512,669,000	554,567,400	547,255,400	612,615,900
Other Non-Appropriated Funds	108,630,300	109,338,100	105,724,300	105,724,300	105,699,300	105,699,300
Federal Funds	166,043,900	180,703,200	180,714,800	180,714,800	180,714,800	180,714,800
TOTAL - ALL SOURCES	686,345,600	789,947,300	799,108,100	841,006,500	833,669,500	899,030,000

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	59,130,900	23.3%	102,070,000	40.2%	161,200,900
Other Appropriated Funds	(63,845,300)	-50.8%	(66,141,700)	-52.7%	(129,987,000)
Federal Title XIX Funds	59,375,800	49.3%	76,781,600	63.7%	136,157,400
Total Appropriated Funds	54,661,400	10.9%	112,709,900	22.5%	167,371,300

AGENCY DESCRIPTION — *The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of SMI Clients receiving new generation psychotropic medications	NA/31	NA/47	51	59/68
• % of relicensure surveys completed on time				
Child Care Facilities	NA	NA	50	46
Health Care Facilities	NA	NA	50	46
• Percent of high school youth who smoked in the last month	NA/26.1	NA/26.1	25.6	25.1/24.9
• Births by girls under age 19 (rate per 1,000)	NA/30.2	29.5/NA	28.8	28.1
• Agency staff turnover	20.0/16.1	18.0/19.0	10.5	9.5/9.0

Comments:

- Births by girls under age 19 measured by calendar year.

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 820,900	\$ 820,900
	OF 73,600	73,600
	TF 120,900	120,900
ERE Rates	GF 48,300	302,300
	OF 195,000	199,000
	TF (10,500)	(8,500)
Risk Management	GF (10,400)	6,900
	OF (1,800)	1,200
Rent	GF (2,600)	2,300
	OF 7,800	71,000
	TF (7,600)	(7,600)
ADMINISTRATION		
Assurance and Licensure		
Staffing and Retention	GF 935,500	862,900
	OF 394,700	394,700
HIPAA	OF 667,700	573,900
Information Technology	OF 1,426,000	-0-
Healthcare Integrity	GF 19,400	16,900
And Protection Database	OF 19,500	17,000
Nursing Care Resident		
Protection Fund	OF (222,000)	(222,000)
Other	GF (155,700)	(155,700)
	OF 95,900	95,900

PUBLIC HEALTH

Vaccines	GF 1,500,000	2,500,000
TCE Contamination	OF 250,000	250,000
State Lab Equipment	GF 250,000	250,000
	OF (250,000)	(250,000)
DCRC Anti-Cancer		
Drug Discovery	OF (1,000,000)	(2,000,000)
Community Health		
Centers	OF (4,000,000)	(4,000,000)
CHIP Direct Services	OF (1,000,000)	(1,000,000)
Proposition 204		
Public Health Programs	OF 8,192,000	8,347,700

FAMILY HEALTH

AHCCCS-CRS	GF 941,100	1,697,500
	TF 3,554,200	5,619,900
CRS	GF 1,200,000	1,200,000
Dental Sealant	GF 100,000	100,000
Pregnancy Prevention	OF 500,000	500,000
TANF Perinatal Services	OF 200,000	200,000
Family Health Relocation	GF 160,900	160,900
	OF 106,300	106,300

BEHAVIORAL HEALTH

Office of the Court	GF 35,000	35,000
Monitor	TF 35,000	35,000
Title XIX Enrollment and	GF 26,788,500	36,119,000
Capitation	TF 83,505,800	108,932,700

Arnold v. Sarn	GF 27,500,000	54,902,100
	TF 27,500,000	54,902,100
Computer Hardware		
Lease	GF (500,000)	(500,000)
	TF (500,000)	(500,000)
Behavioral Health	OF(70,000,000)	(70,000,000)
Tobacco Settlement Funds	TF (70,000,000)	(70,000,000)

ARIZONA STATE HOSPITAL

IMD Waiver	GF (500,000)	(500,000)
	OF 500,000	500,000
New ASH Support	GF -0-	3,811,800
SVP Program Growth	GF -0-	437,200

* * *

JLBC RECOMMENDED FORMAT — Modified Lump Sum for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

A monthly report comparing total expenditures for the month and year to date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee by the twenty-fifth of the following month. The report shall include an estimate of (1) potential shortfalls in programs, (2) potential Federal and Other Funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfalls without a supplemental appropriation, and (3) total expenditure authority of the month and year to date for Seriously Mentally Ill State Match for Title XIX, Seriously Mentally Ill Non-Title XIX, Children's Behavioral Health Services, Children's Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX, Substance Abuse Non-Title XIX, Seriously Emotionally Handicapped Children and Children's Rehabilitative Services.

Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for Seriously Mentally Ill State Match for Title XIX, Seriously Mentally Ill Non-Title XIX, Children's Behavioral Health Services, Children's

Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX, Substance Abuse Non-Title XIX, Mental Health and Substance Abuse State Match for Title XIX, Seriously Emotionally Handicapped Children, Children's Rehabilitative Services, AHCCCS - Children's Rehabilitative Services, Tuberculosis Provider Care and Control, Kidney Program, Adult Cystic Fibrosis, Adult Sickle Cell Anemia, High-Risk Perinatal Services, County Prenatal Services Grant, Nutrition Services, Community Placement Treatment, Sexually Violent Persons, University of Arizona Poison Control Center funding and the Poison Control Center funding shall require approval of the Joint Legislative Budget Committee. The amounts appropriated for these items shall be used exclusively for contracts for the provision of services to clients unless a transfer of monies is approved by the Joint Legislative Budget Committee. No monies may be used from these appropriated amounts for any other expenses of the Department of Health Services. (General Appropriation Act footnote)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

During the 2000 Legislative Session, the JLBC projected that DHS would require a General Fund supplemental appropriation of \$9,835,200 for FY 2001. Higher than expected enrollment increases in behavioral health have resulted in a revision to that FY 2001 shortfall estimate. JLBC now recommends a General Fund supplemental of \$14,948,000, an Indirect Cost Fund increase of \$195,900 and a Total Funds increase of \$53,224,200 for FY 2001.

These amounts include adjustments for changes in behavioral health capitation rates as well as increases in behavioral health enrollment. Also included is a General Fund decrease of \$(22,700) and (0.5 FTE Position) to the Assurance and Licensure Special Line Item, a General Fund increase of \$35,700 to the Public Health program, a Total Funds increase of \$300,000 for the AHCCCS-CRS program, and an Indirect Cost Fund increase of \$195,900 to the Indirect Cost Fund Special Line Item. *See the Administration Technical Adjustments Policy Issue description and AHCCCS-CRS Title XIX Policy Issue description, and Behavioral Health Title XIX Capitation and Enrollment Policy Issue description for more detail.*

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Agreements/IGA (HSA2144/2500/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Intergovernmental agreements between DHS and other state and local entities. Includes subaccounts for Liquor Services Fees authorized under A.R.S. § 4-203.02 (FY 2000 revenue \$34,650) and Arizona State Hospital Rental Income (FY 2000 revenue: \$679,200).				
Purpose of Fund: To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.				
Funds Expended	13,626,200	14,400,000	14,400,000	14,400,000
Year-End Fund Balance	6,625,900	6,450,900	6,275,900	6,100,900

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Arizona State Hospital Capital Construction (ADA2466/Laws 2000, Chapter 1)

Non-Appropriated

Source of Revenue: \$20,000,000 in 4 fiscal years, beginning FY 2000 through FY 2003 from the Budget Stabilization Fund (BSF). While Laws 2000, Chapter 1 originally specified that these BSF transfers would come from BSF interest earnings, Laws 2000, 7th Special Session, Chapter 1, (the alternative fuels legislation) eliminated the requirement that interest earnings be the source of the BSF transfer.

Purpose of Fund: For demolition, construction and renovation of the Arizona State Hospital.

Funds Expended - Capital	106,500	20,000,000	20,000,000	20,000,000
Year-End Fund Balance	20,166,800	20,166,800	20,166,800	20,166,800

Arizona State Hospital (HSA3120/A.R.S. § 36-545.08)

Appropriated

Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Title XIX reimbursement for services provided at the Arizona State Hospital, and monies collected for services to clients at the state hospital.

Purpose of Fund: To provide treatment of patients at the Arizona State Hospital, or to place Arizona State Hospital patients in the community.

Funds Expended	11,993,900	11,993,900	12,493,900	12,493,900
Year-End Fund Balance	11,929,000	11,929,000	11,429,000	10,929,000

Building Renewal (HSA2133/A.R.S. § 36-545.09)

Appropriated

Source of Revenue: From lease of state owned property (the former Southern Arizona Mental Health Center) in Tucson.

Purpose of Fund: To maintain the property.

Funds Expended - Capital	40,100	58,000	58,000	58,000
Year-End Fund Balance	436,600	553,600	670,600	787,600

Child Fatality Review (HSA3036/A.R.S. § 36-3504)

Appropriated

Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$100,000. Any revenue collected in excess of \$100,000 is appropriated from the fund to the Child Abuse Prevention Fund in the Department of Economic Security.

Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.

Funds Expended	94,500	100,000	99,800	99,800
Year-End Fund Balance	80,600	80,600	80,800	81,000

Children's Behavioral Health Tobacco Settlement

(HSA Account 63021/A.R.S. § 36-503.02)

Statutory Distribution

Source of Revenue: Monies appropriated from the Tobacco Litigation Settlement Account. Statute did not create a separate fund for Children's Behavioral Health purposes, so monies remain with the State Treasurer. The account received a one-time appropriation of \$20,000,000 from tobacco settlement funds in FY 2001.

Purpose of Fund: To provide behavioral health services to children who receive behavioral health services through DHS, the Department of Economic Security, the Department of Juvenile Corrections or the Administrative Office of the Courts. Monies may also be used to support telemedicine programs designed to facilitate the provision of behavioral health services to persons living in medically underserved areas.

Funds Expended	0	20,000,000	0	0
Year-End Fund Balance	0	0	0	0

Disease Control Research (DIA2090/A.R.S. § 36-274)

Non-Appropriated

Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source.

Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development.

Funds Expended	2,522,000	5,039,600	1,700,000	1,700,000
Year-End Fund Balance	5,136,400	2,346,800	1,821,800	221,800

	FY 2000	FY 2001	FY 2002	FY 2003
Donations (HSA3010/2025/A.R.S. § 36-132)				
				Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.				
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.				
Funds Expended	591,100	509,200	485,000	460,000
Year-End Fund Balance	681,400	442,200	227,200	37,200
Emergency Medical Services Operating (HSA2171/A.R.S. § 36-2218)				
				Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: To fund local and state emergency medical services systems.				
Funds Expended	3,779,100	3,409,000	3,455,700	3,458,900
Year-End Fund Balance	2,546,300	3,370,900	4,275,800	5,308,300
Environmental Laboratory Licensure Revolving (HSA3017/A.R.S. § 36-495.15)				
				Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.				
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.				
Funds Expended	561,000	749,700	767,100	767,400
Year-End Fund Balance	198,800	172,100	168,000	163,600
Federal Grants (HSA2000/A.R.S. § 35-142)				
				Non-Appropriated
Source of Revenue: Grants and reimbursements from the federal government. The total for FY 2000 includes \$77,516,000 in grants for the Federal Women, Infants, and Children (WIC) program, and \$26,900,000 for the Substance Abuse Block Grant. Federal reimbursement for the Title XIX program is not included in this fund and can be found in the Title XIX Services and County Contributions Fund (HSA2144).				
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.				
Funds Expended	166,043,900	180,703,200	180,714,800	180,714,800
Year-End Fund Balance	662,000	1,638,100	1,638,100	1,638,100
Indirect Cost (HSA9001/A.R.S. § 36-108)				
				Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.				
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.				
Funds Expended	3,953,300	5,085,300	7,596,300	6,140,300
Year-End Fund Balance	4,383,700	5,775,400	3,988,100	3,656,800
Medical Services Enhancement (TRA2186/A.R.S. § 36-2219.01)				
				Non-Appropriated
Source of Revenue: A 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor vehicle statute violations, and game and fish violations				
Purpose of Fund: Monies are distributed on a percentage basis to various non-appropriated and appropriated funds.				
Funds Transferred				
Department of Economic Security				
Spinal and Head Injuries Trust	1,849,500	1,904,700	1,961,800	2,020,700
Department of Health Services				
EMS Operating	4,110,300	4,233,600	4,360,600	4,491,400
Substance Abuse Services	1,983,700	2,043,200	2,104,500	2,167,600
General Fund	462,300	476,200	490,500	505,200
Year-End Fund Balance	8,405,500	8,657,700	8,917,400	9,184,900

	FY 2000	FY 2001	FY 2002	FY 2003
Newborn Screening Program (HSA2184/A.R.S. § 36-694.01)				Appropriated
Source of Revenue: A fee of \$20 as part of the hospital charges for each child born in Arizona.				
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of metabolic disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.				
Funds Expended	2,498,500	3,025,900	2,786,000	2,786,300
Year-End Fund Balance	1,449,100	1,100,200	1,114,200	1,127,900
Nursing Care Institution Resident Protection (HSA2329/A.R.S. § 36-446.08)				Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.				
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.				
Funds Expended	5,100	260,000	38,000	38,000
Year-End Fund Balance	222,400	400	400	400
Poison Control (HSA2112/Laws 1999, Chapter 176)				Appropriated
Source of Revenue: Revenues from the Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills. The fund receives revenues from this tax equal to 0.3% of local telephone bills. The remainder of the surcharge, equal to 0.8% of local telephone bills, is allocated to the Telecommunication Devices for the Deaf (TDD) Fund, administered by the Commission for the Deaf and the Hard of Hearing.				
Purpose of Fund: To fund the Poison Control Center, located in Maricopa County, and the University of Arizona Poison Control Center, which provide poison control education, services, and treatment information.				
Funds Expended	1,550,000	1,850,000	1,850,000	1,850,000
Year-End Fund Balance	1,630,200	1,614,800	1,599,400	1,584,000
Risk Assessment (HSA2427/A.R.S. § 36-1693)				Non-Appropriated
Source of Revenue: Fees collected from persons, private entities, or state agencies other than the Department of Environmental Quality, for risk assessments performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations. In FY 2001, FY 2002, and FY 2003, the fund receives transfers of \$216,000 each year from the Water Quality Assurance Revolving Fund.				
Purpose of Fund: To conduct health effects studies and risk assessments of public health risks from environmental exposure, to evaluate and calculate cleanup standards, to communicate health risks to the public, and for administrative costs of those activities.				
Funds Expended	0	216,000	216,000	216,000
Year-End Fund Balance	0	75,000	225,000	525,000
Serious Mental Illness Services (HSA2464/A.R.S. § 36-503.02)				Statutory Distribution
Source of Revenue: Monies appropriated from the Tobacco Litigation Settlement Account, other legislative appropriations and interest earned on these monies. The fund received a one-time appropriation of \$70,000,000 from tobacco settlement funds in FY 2001.				
Purpose of Fund: Community Housing, Vocational Rehabilitation, and other recovery support services to persons with serious mental illnesses.				
Funds Expended	0	50,000,000	0	0
Year-End Fund Balance	0	0	0	0
State Hospital Land Earnings (HSA3128/A.R.S. § 36-211)				Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.				
Purpose of Fund: For the benefit and support of the Arizona State Hospital				
Funds Expended	222,100	400,000	400,000	400,000
Year-End Fund Balance	471,900	371,900	271,900	171,900

	FY 2000	FY 2001	FY 2002	FY 2003
Substance Abuse Services (HSA2227/A.R.S. § 36-2005)				Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on motor vehicle civil violations and game and fish violations. Monies are deposited into 2 subaccounts.				
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.				
Funds Expended	2,150,000	1,850,000	1,850,000	1,850,000
Year-End Fund Balance	192,500	342,500	492,500	810,100
Temporary Assistance for Needy Families (TANF) (HSA2007/A.R.S. § 35-142)				Appropriated
Source of Revenue: Federal TANF funds.				
Purpose of Fund: To provide perinatal services for women under 30 who are eligible for TANF or Arizona Works, and to provide abstinence-only education programs intended to prevent out-of-wedlock pregnancy.				
Funds Expended	2,247,200	2,252,000	2,957,000	2,957,100
Year-End Fund Balance	154,900	154,900	154,900	154,900
Title XIX Services and County Contributions (HSA2144/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: The fund receives federal match dollars for treating behavioral health problems in Title XIX-eligible persons, federal match dollars for Title XIX-eligible persons in the Children's Rehabilitative Services (CRS) program, and Maricopa and Pima Counties' contributions for treating persons with behavioral health problems.				
Purpose of Fund: This fund is simply a receiving account. Revenues and expenditures related to behavioral health and the CRS program have been separated from the Agreements Fund for information purposes.				
Appropriated Funds Expended	128,680,200	120,453,500	179,829,300	197,235,100
Non-Appropriated Funds Expended	26,267,035	30,000,000	30,000,000	30,000,000
Year-End Fund Balance	2,500,100	0	0	0
Arizona Tobacco Litigation Settlement				Statutory Distribution
Source of Revenue: Monies received from the Tobacco Litigation Master Settlement Agreement. Funds are transferred to this account for DHS programs. (<i>See AHCCCS section for further detail on this fund.</i>)				
Purpose of Fund: Public Health programs established by Proposition 204.				
Funds Expended	0	0	8,192,000	8,347,700
Year-End Fund Balance	0	0	0	0
Tobacco Tax and Health Care - Health Crisis Fund (HSA2312/A.R.S. § 36-797)				Non-Appropriated
Source of Revenue: The account receives transfers from the Medically Needy Account, which is managed by AHCCCS. The transfers shall be sufficient to maintain an annual fund balance of \$1,000,000.				
Purpose of Fund: Monies may only be used for expenses incurred for a health crisis which is declared by the Governor by Executive Order. The fund balance shall not exceed \$1,000,000 but may fall below that amount during a fiscal year as a result of approved expenditures. Expenditures shall not exceed \$1,000,000 annually.				
Funds Expended	960,000	1,000,000	1,000,000	1,000,000
Year-End Fund Balance	40,000	0	0	0
Tobacco Tax and Health Care - Health Education Account (HSA1308/A.R.S. § 36-772)				Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund.				
Purpose of Fund: Monies are used for community based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations.				
Funds Expended	35,217,300	34,000,000	34,000,000	34,000,000
Year-End Fund Balance	35,832,700	29,437,400	22,203,300	14,098,800
Tobacco Tax and Health Care - Health Research Account (DSA2096/A.R.S. § 36-773)				Non-Appropriated
Source of Revenue: The account receives 5¢ of each dollar deposited in the Tobacco Tax and Health Care Fund.				
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.				
Appropriated Funds Expended	0	2,000,000	1,000,000	0
Non-Appropriated Funds Expended	6,099,900	6,099,900	6,099,900	6,099,900
Year-End Fund Balance	9,035,800	6,773,400	5,341,600	4,763,400

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Tobacco Tax and Health Care - Subsidiary Medically

Non-Appropriated

Needy Account (HSA3037/A.R.S. § 36-774)

Source of Revenue: The account receives funding from the Medically Needy account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. The fund shows \$0 Year-End Balances because all monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account. (See Tobacco Tax Table in the AHCCCS section or in the Public Health section for more detailed information.)

Purpose of Fund: Monies are used for a variety of health programs that are intended to increase primary care and mental health services for uninsured and low-income populations.

Appropriated Funds Expended	6,167,400	22,600,000	17,850,000	17,850,000
Non-Appropriated Funds Expended	23,346,800	18,073,400	17,823,400	17,823,400
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Department of Health Services

Administration

JLBC: Gina Guarascio/Beth Kohler
 OSPB: Christine Sato

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	400.0	400.0	418.0	419.4	418.5	419.4
Personal Services	6,793,200	6,940,000	7,231,700	7,004,500	7,250,400	7,004,500
Employee Related Expenditures	1,391,600	1,470,800	1,543,100	1,505,000	1,536,900	1,511,000
All Other Operating Expenditures:						
Professional and Outside Services	398,400	213,900	1,148,900	183,900	584,900	183,900
Travel - In State	37,000	89,900	92,900	89,900	95,400	89,900
Travel - Out of State	13,500	6,100	12,400	6,100	20,400	6,100
Other Operating Expenditures	3,738,200	4,585,000	6,011,400	4,219,800	6,461,400	4,242,000
Equipment	402,000	165,400	330,300	170,400	142,900	165,400
OPERATING SUBTOTAL	12,773,900	13,471,100	16,370,700	13,179,600	16,092,300	13,202,800
SPECIAL LINE ITEMS						
Assurance and Licensure	5,160,400	5,394,600	6,693,800	6,885,500	6,621,700	6,835,200
Newborn Screening Fund - Indirect Costs	260,900	478,600	478,600	478,600	478,600	478,600
Indirect Cost Fund	3,953,300	5,085,300	5,590,700	7,596,300	5,592,900	6,140,300
PROGRAM TOTAL	22,148,500	24,429,600	29,133,800	28,140,000	28,785,500	26,656,900
FUND SOURCES						
General Fund	17,929,200	18,605,700	20,720,600	19,612,900	20,119,600	19,588,300
Nursing Care Institution Resident						
Protection Fund	5,100	260,000	160,000	38,000	160,000	38,000
Newborn Screening Program Fund	260,900	478,600	478,600	478,600	478,600	478,600
Indirect Cost Fund	3,953,300	5,085,300	7,761,100	7,596,300	8,013,800	6,140,300
Emergency Medical Services Operating Fund	0	0	13,500	19,500	13,500	17,000
Federal Child Care and Development						
Block Grant	0	0	0	394,700	0	394,700
SUBTOTAL - Other Appropriated Funds	4,219,300	5,823,900	8,413,200	8,527,100	8,665,900	7,068,600
SUBTOTAL - Appropriated Funds	22,148,500	24,429,600	29,133,800	28,140,000	28,785,500	26,656,900
Other Non-Appropriated Funds	0	0	0	0	0	0
Federal Funds	3,633,200	4,177,600	4,177,600	4,177,600	4,177,600	4,177,600
TOTAL - ALL SOURCES	25,781,700	28,607,200	33,311,400	32,317,600	32,963,100	30,834,500

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	1,007,200	5.4%	982,600	5.3%	1,989,800
Other Appropriated Funds	2,703,200	46.4%	1,244,700	21.4%	3,947,900
Total Appropriated Funds	3,710,400	15.2%	2,227,300	9.1%	5,937,700

PROGRAM DESCRIPTION – *The Administration program encompasses most centralized functions including the Director’s Office, business and financial services, and information technology services. The program also provides Assurance and Licensure services which include the monitoring and enforcement of statutes and rules concerning home and community-based adult health care, behavioral health and child care facilities.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of relicensure surveys completed on time				
Child Care Facilities	NA	NA	50	46
Health Care Facilities	NA	NA	50	46
• % complaint investigations initiated later than investigative guidelines				
Child Care Facilities	NA/14	NA/19	24	29
Health Care Facilities	NA/44	NA/46	51	56
• Days to process enforcement action	NA	NA/46.0	43.7	41.6/40.0
• Administration as a % of total cost	NA	3.3	3.3	2.3/2.0

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$181,300	\$181,300
	OF	38,300	38,300
ERE Rates	GF	48,400	76,700
	OF	72,100	74,400
Risk Management	GF	(10,400)	6,900
	OF	(1,700)	1,100
Rent	GF	(15,900)	(11,000)
	OF	6,400	65,100
Technical Adjustments	GF	(22,700)	(22,700)
	OF	195,900	195,900

The JLBC recommends a total biennial General Fund decrease of \$(45,400) and a total biennial Indirect Cost Fund increase of \$391,800 for technical adjustments. This amount includes a General Fund decrease of \$(22,700) and a (0.5) FTE Position in both FY 2002 and FY 2003 from FY 2001 in the Assurance and Licensure Special Line Item. During the 2000 Legislative Session, the JLBC projected that the Assurance and Licensure Special Line Item would require a General Fund supplemental decrease for technical adjustments. Certain licensure positions are shown in the AHCCCS budget rather than the Department of Health Services (DHS) budget because they are funded by Title XIX monies. The technical adjustments would provide the appropriate state match for federal Title XIX positions funded in the AHCCCS budget. The JLBC now recommends a General Fund ex-appropriation of \$(22,700) and a (0.5) FTE Position for FY 2001 and continuing these amounts in FY 2002 and FY 2003. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation. An equivalent increase is reflected in the AHCCCS budget, resulting in a zero net effect to the General Fund. The Executive concurs.

The JLBC also recommends a total biennial Indirect Cost Fund increase of \$392,800 to the Indirect Cost Fund Special Line Item for technical adjustments. This amount includes an increase of \$195,900 in both FY 2002 and FY 2003 above FY 2001. During the 2000 Legislative Session, the JLBC predicted that DHS would require an Indirect Cost Fund supplemental appropriation of \$195,900 for technical changes to the Employee Related

Expenditures in the Indirect Cost Fund Special Line Item. The JLBC now recommends an Indirect Cost Fund supplemental of \$195,900 for FY 2001 and continuing this amount in FY 2002 and FY 2003. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation. The Executive concurs.

The JLBC also recommends shifting \$324,000 from the Administration program operating budget to the Assurance and Licensure Special Line Item to accurately reflect rent expenditures. The department currently shifts this amount from the rent appropriation in the Administration operating budget to the Assurance and Licensure Special Line Item through an administrative transfer. The JLBC recommends this shift to reflect the actual funding requirements of the program. This adjustment requires no net change in General Fund expenditures. The Executive concurs.

Assurance and Licensure	GF	615,000	552,400
	OF	394,700	394,700

The JLBC recommends a total biennial General Fund increase of \$1,167,400 and a total biennial Federal Child Care and Development Block Grant increase of \$789,400 to the Assurance and Licensure Special Line Item for staff increases. This amount includes a FY 2002 General Fund increase of \$615,000 and 12.6 FTE Positions above FY 2001 and a FY 2003 increase of \$552,400 and 12.6 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The recommended amount also includes a Federal Child Care and Development Block Grant increase of \$394,700 and 4 FTE Positions in both FY 2002 and FY 2003 above FY 2001. In addition, the JLBC recommends a FY 2002 increase of \$72,200 and 1.4 FTE Positions from the General Fund and \$72,200 and 1.4 FTE Positions in Federal Funds above FY 2001 and a FY 2003 increase of \$65,200 and 1.4 FTE Positions from the General Fund and \$65,200 and 1.4 FTE Positions in Federal Funds in the AHCCCS budget. The FY 2003 increase is lower due to the elimination of one-time equipment.

The Assurance and Licensure Division has experienced an increased workload and increased oversight of facilities, which has led to a backlog of facility applications and investigations. More than 60% of Long Term Care

Facilities licenses have not been renewed in a timely manner and the Office of Long Term Care Licensure has a backlog of over 200 complaint investigations. The Office of Medical Facilities has a backlog of over 400 license renewals and the Office of Assisted Living Licensure has a backlog of 267 license renewals. The Office of Child Care Licensure has a backlog of almost 300 license renewal inspections and 400 annual inspections.

To address these deficiencies, the JLBC recommends a total of increase of 16.6 FTE Positions in both FY 2002 and FY 2003. The recommended amount should eliminate most of the backlogs by FY 2003. The JLBC recommends that DHS report to the JLBC on the status of the backlog in FY 2003. (See Recommended footnotes)

The following table illustrates the total funds and FTE Positions the agency will receive:

FY 2002 Assurance and Licensure Recommended Increases		
	Recommended Increase	FTE Positions
Office of Assisted Living Licensure		
DHS - GF	\$ 121,800	2.3
AHCCCS - GF	21,200	0.4
AHCCCS - Federal Funds	21,200	0.4
Office of Medical Facilities Licensure		
DHS - GF	153,500	3.0
DHS - Federal Funds	230,300	4.5
Office of Child Care Licensure		
DHS - GF	223,400	5.0
DHS - Federal Child Care Block Grant	394,700	4.0
Office of Long Term Care Licensure		
DHS - GF	62,300	1.3
AHCCCS - GF	24,000	0.5
AHCCCS - Federal Funds	24,000	0.5
DHS - Federal Funds	158,100	3.3
Office of Behavioral Health Licensure		
DHS - GF	54,000	1.0
AHCCCS - GF	27,000	0.5
AHCCCS - Federal Funds	<u>27,000</u>	<u>0.5</u>
Total General Fund	687,200	14.0
Total Federal Funds	<u>885,300</u>	<u>13.2</u>
Total	\$1,542,500	27.2

Of the 9 FTE Positions for the Office of Child Care Licensure, 4 FTE Positions will receive funding from the Department of Economic Security (DES) Federal Child Care and Development Block Grant, a portion of which is passed through to the Assurance and Licensure program for the licensure of child care facilities. This amount was \$160,000 in FY 2000 and increased to \$394,700 in FY 2001. These monies are appropriated in the DES budget. The JLBC recommends appropriating the monies that are passed through to DHS in the DHS Assurance and Licensure Special Line Item. The DES budget shows a

corresponding decrease for no net change in total Federal Child Care Development Block Grant appropriation.

Because facilities that serve Title XIX clients are licensed by the Assurance and Licensure Division, certain positions in the division are funded in the AHCCCS budget and received federal matching funds. In FY 2002, the JLBC is also recommending an increase of \$72,200 and 1.4 FTE Positions from the General Fund and \$72,200 and 1.4 FTE Positions in Federal Funds in the AHCCCS DHS Pass-Through Special Line Item. In FY 2003, these amounts are reduced by \$(7,000) General Fund and \$(7,000) Federal Funds for the elimination of one-time equipment. In addition to the Federal Funds passed through from DES and AHCCCS, the Assurance and Licensure Special Line Item will also receive \$418,400 and 7.8 FTE Positions in non-appropriated Federal Funds for similar functions.

The Executive recommends a FY 2002 General Fund increase of \$617,800 and 12.5 FTE Positions above FY 2001 and a FY 2003 General Fund increase of \$552,800 and 12.5 FTE Positions above FY 2001. The Executive recommendation also includes a slightly higher amount in the AHCCCS budget (see DHS Licensure Staff policy issue in AHCCCS Administration program for more information). The Executive does not address funding positions from the Federal Child Care and Development Block Grant.

Assurance and Licensure Salaries

The JLBC recommends a total biennial General Fund increase of \$463,000 salary increases in the Assurance and Licensure Special Line Item. This amount includes an increase of \$231,500 in both FY 2002 and FY 2003 above FY 2001. The Assurance and Licensure Division has traditionally experienced high staff turnover, which has contributed to the license renewal and complaint backlogs in the division offices. In FY 2000, the Office of Medical Facilities Licensure and the Office of Long Term Care Licensure both had a 26% surveyor vacancy rate, which is higher than the department average of 19%. The recommended amounts will raise surveyor salaries by 2.5%, or an average of \$2,700 per employee. By reducing turnover, and combined with the recommended staffing increases, the division should be able to reduce most license renewal backlogs by the end of FY 2003. The Executive concurs.

Juvenile Group Home Database

The JLBC recommends a total biennial General Fund increase of \$83,600 to the Assurance and Licensure Special Line Item for the establishment of a juvenile group home database. This amount includes a FY 2002 increase of \$44,300 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$39,300 and 1 FTE Position above FY 2001. Laws 2000, Chapter 270 requires the department to establish a central registry of approximately 1,100 juvenile group homes licensed by the state.

This legislation also requires that all complaints that relate to an immediate threat to the health or safety of a child be referred to the Assurance and Licensure Division. The department predicts this will increase the number of complaints that will be investigated by the Office of Behavioral Health Licensure by 25%.

In FY 2002, the JLBC recommends \$16,700 and an 0.5 FTE Position for the establishment of the database and \$26,800 and an 0.5 FTE Position for the increased complaint investigations. These amounts are reduced in FY 2003 by a total of \$(3,500) for the elimination of one-time equipment. Because some of the behavioral health facilities licensed by the Office of Behavioral Health Licensure serve Title XIX clients, certain positions in that office are funded in the AHCCCS budget and receive federal Title XIX matching funds. In FY 2002, the JLBC is also recommending a General Fund increase of \$22,100 and an 0.5 FTE Position and a Federal Funds increase of \$22,200 and an 0.5 FTE Position above FY 2001 in the AHCCCS budget. In FY 2003, these amounts are reduced by \$(2,500) due to the elimination of one-time equipment, for a net increase of \$19,600 and an 0.5 FTE Position from the General Fund and \$19,700 and an 0.5 FTE Position from Federal Funds above FY 2001. The Executive concurs but recommends a slightly higher amount in the AHCCCS budget (*See DHS Licensure Staff policy issue in AHCCCS Administration program for more information*).

Board of Fingerprinting GF 44,700 39,700

The JLBC recommends a total biennial General Fund increase of \$84,400 for DHS staff for the Board of Fingerprinting. This amount includes a FY 2002 increase of \$44,700 above FY 2001 and a FY 2003 increase of \$39,700 above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment. A.R.S. § 41-619.52 requires a representative of DHS to serve on the Board of Fingerprinting. This representative will spend at least 10 hours per week serving on the board, in addition to time spent reviewing cases. The workload of the board is expected to increase due to both increased mandates and an effort to reduce the backlog of juvenile cases. The recommended FTE Position would provide for the DHS representation on the board. The Executive concurs.

**Healthcare Integrity GF 19,400 16,900
and Protection Database OF 19,500 17,000**

The JLBC recommends a total biennial General Fund increase of \$36,300 and a total biennial EMS Operating Fund increase of \$36,500 to the Administration Program for the Healthcare Integrity and Protection Database. This amount includes a FY 2002 General Fund increase of \$19,400 and 1 FTE Position above FY 2001 and a FY 2003 General Fund increase of \$15,800 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The EMS Operating Fund amount includes a FY 2002 increase of \$19,500 above FY 2001 and a FY 2003 increase of \$17,000 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment.

Section 1128-E of the Social Security Act, enacted by Congress as part of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), established the Healthcare Integrity and Protection Data Bank. States are required to report to the databank any final actions taken against health care practitioners, providers, and suppliers since August 1996. The department is required to report actions from the Assurance and Licensure Division and the Bureau of Emergency Medical Services (EMS) but has not yet begun reporting to the databank. The Assurance and Licensure Division estimates that over 150 prior actions and 50 actions each year will be reported to the databank. The Bureau of Emergency Medical Services estimates that over 112 prior actions and 45 actions each year will be reported to the databank. The recommended 1 FTE Position would retrieve the necessary information about past actions taken against practitioners, providers, and suppliers and report this information, and enter information about actions taken as they occur. Because the department historically has not collected all the information that is required to be reported to the databank, the position would also be responsible for researching actions taken in previous years and collecting the additional information about these actions that is necessary to complete the reporting requirements. The JLBC recommends funding a portion of the FTE Position from the EMS Operating Fund to reflect the portion of the workload that stems from EMS actions. The Executive does not address this issue.

**Health Insurance Portability
and Accountability Act OF 667,700 573,900**

The JLBC recommends a total biennial Indirect Cost Fund increase of \$1,241,600 to the Indirect Cost Fund Special Line Item to implement the provisions of the Health Insurance Portability and Accountability Act (HIPAA) that relate to Administrative Simplification. This amount includes a FY 2002 increase of \$667,700 and 1.3 FTE Positions above FY 2001 and a FY 2003 increase of \$573,900 and 1.3 FTE Positions above FY 2001. HIPAA requires the standardization of health care claims by October 2002. The department will have to standardize claims relating to Behavioral Health contracts with Regional Behavioral Health Authorities, and for AHCCCS reimbursements for Children's Rehabilitative Services and Primary Care Services in Community Health Centers. The recommended amount would provide for the state portion of the total project cost and assumes a federal match of 75%. If DHS is not able to receive the Federal match, this issue may need to be revisited.

This recommendation is contingent on approval from the Information Technology Advisory Committee (ITAC). ITAC is still working with the department on this project. The department has received provisional approval of the Project Investment Justification (PIJ) for this project and expects to submit a revised PIJ in June 2001.

The Executive recommends a FY 2002 Indirect Cost Fund increase of \$2,065,400 above FY 2001 and a FY 2003

Indirect Cost Fund increase of \$2,303,600 for this issue. The recommended amount assumes no federal match for this project and includes funding in the Administration program operating budget rather than the Indirect Cost Fund Special Line Item. The Executive recommendations are contingent upon ITAC approval.

Agency Reorganization GF (128,400) (128,400)

The JLBC recommends a total biennial General Fund decrease of \$(256,800) to the Administration program for agency reorganization. This amount includes a decrease of \$(128,400) and (3) FTE Positions in both FY 2002 and FY 2003 from FY 2001. The JLBC recommends transferring 3 FTE Positions to other programs within the department to reflect organizational changes requested by the department. Of this amount, 2 FTE Positions and \$81,500 will be transferred to the Public Health program for a Tribal Liaison Position and an Information Technology Program Analyst and 1 FTE Position and \$46,900 will be transferred to the Community and Family Health Services program for a Health Program Consultant. The net General Fund change for the agency is \$0. The Executive concurs.

Information Technology OF 1,426,000 -0-

The JLBC recommends a total biennial Indirect Cost Fund increase of \$1,426,000 to the Indirect Cost Fund Special Line Item to convert the department's software package from Corel Office to Microsoft Office. This amount includes a FY 2002 increase of \$1,426,000 above FY 2001. The department is one of the few remaining state agencies that use the Corel Office Suite software. The department has experienced difficulty transmitting documents both within the department and to other state agencies. The recommended FY 2002 amount would provide for the conversion to the Microsoft Office software package. The FY 2003 amount includes a decrease of \$(1,426,000) to reflect the elimination of these one-time expenditures.

The Executive recommends a FY 2002 General Fund increase of \$1,088,300 and 1 FTE Position above FY 2001 and a FY 2003 General Fund increase of \$524,300 and 1 FTE Position above FY 2001 in the Administration program operating budget. The Executive also recommends an EMS Operating Fund increase of \$13,500 in both FY 2002 and FY 2003 above FY 2001 in the Administration program operating budget. The Executive recommendation includes funding in both FY 2002 and FY 2003 for the conversion from Corel Office to Microsoft Office. The Executive recommendation also includes funding for Information Technology staff to allow faster completion of 3 other Information Technology projects.

Family Health Relocation OF 106,300 106,300

The JLBC recommends a total biennial Indirect Cost Fund increase of \$212,600 to the Indirect Cost Fund Special Line Item for the relocation of the Family Health Program. This amount includes an increase of \$106,300 in both FY 2002 and FY 2003 above FY 2001. Part of the Family

Health Program has been located in the Birch Hall building on the ASH campus. This building will be remodeled for use by another program at ASH. In FY 2001, the department consolidated the offices of the Family Health program into one location. A portion of the Family Health rent costs is paid for out of the Indirect Cost Fund. The recommended amount provides the Indirect Cost Fund share of funding for the increased lease costs associated with the relocation. The Executive recommends an increase of \$125,600 in both FY 2002 and FY 2003 above FY 2001 for this issue.

Nursing Care Institution

Resident Protection

Fund OF (222,000) (222,000)

The JLBC recommends a total biennial decrease of \$(444,000) to the Assurance and Licensure Special Line Item due to less than anticipated revenue in the Nursing Care Institution Resident Protection Fund. This amount includes a \$(222,000) decrease in both FY 2002 and FY 2003 from FY 2001. The Nursing Care Institution Resident Protection Fund receives monies from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. These monies are used for the protection of the health or property of residents of nursing facilities that are found deficient. Monies from this fund were appropriated to the Assurance and Licensure Special Line Item based on projected fund revenue. The fund has received fewer collections than were originally anticipated. The JLBC recommends adjusting the appropriation from this fund to reflect the actual fund revenue. The recommended amount decreases the appropriation from \$260,000 in each fiscal year to \$38,000 in each fiscal year. The Executive recommends a decrease of \$(100,000) in both FY 2002 and FY 2003 below FY 2001.

Urgent Care Standards GF -0- -0-

The JLBC recommends 2 FTE Positions in FY 2002 and FY 2003 to the Assurance and Licensure Special Line Item for the licensing of urgent care centers. Laws 1999, Chapter 333 appropriated \$100,000 to DHS for the licensing of urgent care centers that do not operate under a hospital's license or are not considered a qualifying community health center. The appropriation did not include additional FTE Positions for the department. The JLBC recommends continuing this appropriation in FY 2002 and FY 2003 and recommends an increase of 2 FTE Positions for the licensing of urgent care centers. The Executive recommends 2 FTE Positions and a further increase of \$96,300 in both FY 2002 and FY 2003.

* * *

JLBC RECOMMENDED FORMAT — Modified Lump Sum for the Program

JLBC RECOMMENDED FOOTNOTES

New Footnotes

The Department of Health Services shall report to the Joint Legislative Budget Committee by November 1, 2002 on the status of licensure backlogs in the Assurance and Licensure Division.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 General Fund decrease of \$(22,700) and a (0.5) FTE Position to the Assurance and Licensure Special Line Item and an Indirect Cost Fund increase of \$195,900 to the Indirect Cost Fund Special Line Item. The Executive concurs. (*See the Technical Adjustments Policy Issue description for more detail*).

The Executive recommendation includes a FY 2001 Indirect Cost Fund supplemental of \$800,000 and 4 FTE Positions for compliance with HIPAA requirements. The JLBC does not recommend FY 2001 funding for this issue

because the Project Investment Justification (PIJ) will not receive ITAC approval until the end of FY 2001. The department may not spend monies on the project until the PIJ is approved. The JLBC FY 2002 and FY 2003 recommendation includes the state portion of funding for this issue. (*See Health Insurance Portability and Accountability Act policy issue for more information*)

Performance Audit

Based on its joint audit with the National State Auditors Association, the Auditor General recommended the Assurance and Licensure Division improve its licensure and complaint investigation process and to improve enforcement of home health care regulation. The division has implemented the recommendations of the Auditor General but still faces difficulty conducting timely inspections and investigations. The recommended staff increases for the Office of Medical Facilities should help to further address the findings of the Auditor General.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Health Services

Public Health

JLBC: Gina Guarascio/Beth Kohler
 OSPB: Christine Sato

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	205.7	240.7	242.7	242.7	242.7	242.7
Personal Services	3,760,900	3,976,300	4,084,200	4,084,200	4,084,200	4,084,200
Employee Related Expenditures	824,600	808,800	941,800	944,200	939,200	948,200
All Other Operating Expenditures:						
Professional and Outside Services	107,000	142,200	172,200	172,200	172,200	172,200
Travel - In State	80,200	111,800	111,800	111,800	111,800	111,800
Travel - Out of State	16,600	7,500	7,500	7,500	7,500	7,500
Other Operating Expenditures	891,600	971,800	1,698,300	1,007,400	1,698,300	1,007,400
Equipment	129,400	12,000	12,000	12,000	12,000	12,000
OPERATING SUBTOTAL	5,810,300	6,030,400	7,027,800	6,339,300	7,025,200	6,343,300
SPECIAL LINE ITEMS						
Disease Control						
Tuberculosis Provider Care and Control	1,061,300	1,082,000	1,082,000	1,082,000	1,082,000	1,082,000
Vaccines	1,855,800	1,915,100	1,915,100	3,415,100	1,915,100	4,415,100
STD Control Subventions	7,100	52,500	52,500	52,500	52,500	52,500
AIDS Reporting and Surveillance	1,118,700	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000
Laboratory Services	3,743,200	4,061,400	3,867,200	4,118,800	3,869,100	4,120,800
Kidney Program	101,000	101,000	101,000	101,000	101,000	101,000
Local Health						
Direct Grants	578,000	578,000	578,000	578,000	578,000	578,000
Reimbursement to Counties	396,300	396,300	396,300	396,300	396,300	396,300
TCE Contamination	250,000	0	0	250,000	0	250,000
Primary Care						
Loan Repayment	102,200	100,000	100,000	100,000	100,000	100,000
Children's Health Insurance Program	0	1,000,000	1,000,000	0	1,000,000	0
Community Health Centers	2,167,400	4,000,000	4,000,000	0	4,000,000	0
Disease Research						
Disease Control Research	0	0	0	2,048,000	0	2,086,900
DCRC Anti-Cancer Drug Discovery	0	2,000,000	2,000,000	1,000,000	2,000,000	0
Alzheimer Disease Research	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Emergency Medical Services						
University of Arizona Poison Control	787,500	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Poison Control	762,500	800,000	800,000	800,000	800,000	800,000
EMS Operations	3,100,600	2,959,000	2,834,700	2,736,200	2,835,600	2,741,900
Trauma Advisory Board	279,700	250,000	250,000	250,000	250,000	250,000
PROGRAM TOTAL	23,121,600	28,250,700	29,179,600	26,442,200	29,179,800	26,492,800
FUND SOURCES						
General Fund	14,222,400	14,442,000	14,828,100	16,540,900	14,827,100	17,546,600
Poison Control Fund	1,550,000	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000
Environmental Lab Licensure Revolving Fund	561,000	749,700	766,800	767,100	767,100	767,400
Newborn Screening Program Fund	240,500	250,000	0	0	0	0
Emergency Medical Services Operating Fund	3,380,300	2,959,000	3,084,700	2,986,200	3,085,600	2,991,900
Tobacco Litigation Settlement Fund	0	0	0	2,048,000	0	2,086,900
Tobacco Tax Medically Needy Account	3,167,400	6,000,000	6,650,000	1,250,000	6,650,000	1,250,000
Tobacco Tax Health Research Account	0	2,000,000	2,000,000	1,000,000	2,000,000	0
SUBTOTAL - Other Appropriated Funds	8,899,200	13,808,700	14,351,500	9,901,300	14,352,700	8,946,200
SUBTOTAL - Appropriated Funds	23,121,600	28,250,700	29,179,600	26,442,200	29,179,800	26,492,800
Other Non-Appropriated Funds	71,848,100	68,283,500	64,681,800	64,681,800	64,669,300	64,669,300
Federal Funds	15,414,000	19,338,500	19,260,300	19,260,300	19,260,300	19,260,300
TOTAL - ALL SOURCES	110,383,700	115,872,700	113,121,700	110,384,300	113,109,400	110,422,400

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	2,098,900	14.5%	3,104,600	21.5%	5,203,500
Other Appropriated Funds	(3,907,400)	-28.3%	(4,862,500)	-35.2%	(8,769,900)
Total Appropriated Funds	(1,808,500)	-6.4%	(1,757,900)	-6.2%	(3,566,400)

PROGRAM DESCRIPTION — *The Public Health program provides funding for both state and local emergency medical services programs and poison control centers. In addition, the program provides funding for some county health programs, epidemiology and disease control, and treatment of a number of specific illnesses, as well as maintaining vital records services for birth and death certificates. The program also includes the State Health Laboratory, which provides laboratory testing for other state agencies, water testing, contagious disease testing and other public health related testing. The laboratory also monitors and evaluates the quality of laboratory testing statewide.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of uninsured clients receiving primary care services through the Tobacco Tax grants	55,000/48,864	60,000/55,000	60,000	65,000
• Number of clients receiving HIV medications through the Arizona Drug Assistance Program (average per month)	NA/500	550/633	724	800
• Immunization rate among 2-year-old children	75/77	80/78	80	82/84
• % of high school youth who smoked in the last month	NA/26.1	NA/26.1	25.6	25.1/24.9
• Exposure calls received at AZ Poison Control Centers	76,000/73,500	73,500/73,500	73,500	82,000
• Customer waiting time in Vital Records' lobby (in minutes)	NA/50	30/22	20	20

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 98,500	\$ 98,500
	OF	24,100	24,100
ERE Rates	GF	123,900	129,600
	OF	119,200	120,500
Risk Management	OF	(100)	100
Rent	GF	20,900	20,900
	OF	1,400	5,900

Vaccines

The JLBC recommends a total biennial General Fund increase of \$4,000,000 to the Vaccines Special Line Item to supplement federal monies that provide vaccines to children and to provide funding for 2 new federally recommended vaccines. This amount includes a FY 2002 increase of \$1,500,000 above FY 2001 and a FY 2003 increase of \$2,500,000 above FY 2001.

The recommended amount includes \$288,000 in FY 2002 and \$480,100 in FY 2003 for supplemental monies for the Federal 317 vaccines program, which is a public health program that promotes childhood immunization by providing immunizations to children in public settings such as malls and clinics. The department is projecting a shortfall for the program and the recommended amounts phase-in supplemental funding for the current set of vaccines provided by the program.

The recommended amount also includes \$288,600 in FY 2002 and \$480,900 in FY 2003 to phase-in 317 coverage of the newly recommended Hepatitis A and pneumococcal vaccines. The program has typically provided all vaccines recommended for children by the Advisory Committee on Immunization Practices (ACIP). ACIP has recently added the Hepatitis A vaccine for children ages 6-18 (Hepatitis A vaccines are already provided to children under age 6) and a pneumococcal vaccine for children under age 5 to the list of federally recommended vaccines. The department expects to receive Federal 317 monies to cover only a portion of the costs of the new vaccines and the recommended amount contains funding to supplement these federal monies. In total, the department expects to receive \$1,188,000 in FY 2002 and \$1,266,400 in FY 2003 in Federal Funds for the 317 program. The JLBC recommends adding a footnote that would require the supplemental state monies to revert to the General Fund if the actual Federal Funds received for FY 2002 are greater than \$1,188,000 or actual Federal Funds received for FY 2003 are greater than \$1,266,400.

The recommended amount also includes \$923,400 in FY 2002 and \$1,539,000 in FY 2003 to phase-in coverage of the new vaccines in the state-only immunization program, which provides vaccines to underinsured children. In the past, this program has provided all vaccines recommended by ACIP.

The JLBC recommends adding a footnote to require that all children who receive vaccines under either the Federal 317 program or the state-only immunization program be screened for immunization coverage under private insurance, the federal Vaccines for Children program, or the state Children's Health Insurance Program to ensure that state dollars are not used for children that are already covered by another funding source.

The Executive does not address any of these issues.

Agency Reorganization GF 105,600 105,600

The JLBC recommends a total biennial General Fund increase of \$211,200 to the Public Health program for agency reorganization. This amount includes an increase of \$105,600 and 2 FTE Positions in both FY 2002 and FY 2003 above FY 2001. The JLBC recommends transferring 2 FTE Positions and \$81,500 from the Administration Program and an additional \$24,100 from the Family Health Program to the Public Health program to reflect organizational changes requested by the agency. Of this amount, 1 FTE Position from Administration and \$24,100 from Family Health is for partial funding of a Tribal Liaison position. The remaining 1 FTE Position and \$81,500 is for an Information Technology Program Analyst position and for a Geographic Information System. The net General Fund change for the agency is \$0. The Executive concurs.

Disease Control Research OF 2,048,000 2,086,900

The JLBC recommends a total biennial increase of \$4,134,900 from the Arizona Tobacco Litigation Settlement Fund for Disease Control Research. This amount includes a FY 2002 increase of \$2,048,000 above the original FY 2001 budget and a FY 2003 increase of \$2,086,900 above FY 2001. At the 2000 general election, voters approved Proposition 204, which allocates tobacco settlement monies for a variety of programs, including \$2,000,000 for Disease Control Research. The funding will provide monies for disease research at the Disease Control Research Commission (DCRC), which also receives approximately \$6,100,000 annually from the Health Research Account of the Tobacco Tax and Health Care Fund. Although the Health Research Account is limited to research on tobacco related illnesses, the Proposition 204 allocation may be used for research on any type of disease. The allocation of these monies is determined by the Proposition and the monies are not subject to appropriation. As a result, these amounts will not appear in the General Appropriation Act.

There are two pending legal questions concerning the dollar level of these funds. First, since the Proposition was enacted in November, it is unclear whether the entire FY 2001 allocation should be transferred or whether the amount should be prorated. In addition, the Proposition requires the JLBC to compute annual inflation for the programs. Since these programs were originally enacted in 1996, it is unclear whether to compute inflation since 1996 or since 2000. An opinion from the Attorney General has

been requested to clarify these issues. In the meantime, our estimates include inflation since FY 2001. The Executive does not address this issue.

TCE Contamination OF 250,000 250,000

The JLBC recommends a total biennial increase of \$500,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund for Trichloroethylene (TCE) Contamination services. This amount includes an increase of \$250,000 in both FY 2002 and FY 2003 above FY 2001. The monies in this SLI are for a community health center in Tucson that serves low-income patients and individuals living in areas affected by TCE contamination. General Fund monies for this Special Line Item were eliminated in FY 2001. The recommended amount will restore funding from the Medically Needy Account. The Executive does not address this issue.

**State Laboratory GF 250,000 250,000
Replacement Equipment OF (250,000) (250,000)**

The JLBC recommends a total biennial General Fund increase of \$500,000 and a total biennial Newborn Screening Program Fund decrease of \$(500,000) for state laboratory replacement equipment. This amount includes a General Fund increase of \$250,000 in both FY 2002 and FY 2003 above FY 2001 and a Newborn Screening Program Fund decrease of \$(250,000) in both FY 2002 and FY 2003 below FY 2001. In FY 2000, monies were appropriated from the Newborn Screening Fund to replace equipment at the state health lab. The JLBC recommends shifting this appropriation to the General Fund because, if the appropriation were continued, the total appropriations from the Newborn Screening Fund would be higher than the expected fund revenue. The Executive recommends a Newborn Screening Fund decrease of \$(250,000) in each year and does not recommend shifting this appropriation to the General Fund.

EMS Demonstration OF (100,000) (100,000)

The JLBC recommends a total biennial EMS Operating Fund decrease of \$(200,000) for the elimination of one-time appropriations. This amount includes a decrease of \$(100,000) in both FY 2002 and FY 2003 from FY 2001. Laws 2000, Chapter 327 appropriated \$100,000 from the EMS Operating Fund for a demonstration project on the central medical direction of emergency medical services. This was a one-time appropriation and the JLBC does not recommend continuing the appropriation in FY 2002 and FY 2003. The Executive does not address this issue.

Community Health Centers OF (4,000,000) (4,000,000)

The JLBC recommends a total biennial decrease of \$(8,000,000) from the Medically Needy Account of the Tobacco Tax and Health Care Fund to eliminate the Community Health Centers Special Line Item. This amount includes a decrease of \$(4,000,000) in both FY 2002 and FY 2003 below FY 2001. The monies in the Community Health Centers Special Line Item were used to provide grants to qualifying community health centers

(CHCs) to provide primary care services to Arizona's uninsured population. (See the table at the end of this section for a full description of the DHS Tobacco Tax allocations). The Executive does not address this issue.

Direct Services – Children's Health

Insurance Program OF (1,000,000) (1,000,000)

The JLBC recommends a total biennial decrease of \$(2,000,000) from the Medically Needy Account of the Tobacco Tax and Health Care Fund to eliminate the direct services component of the Children's Health Insurance Program. This amount includes a decrease of \$(1,000,000) in both FY 2002 and FY 2003 below FY 2001. Laws 1998, Chapter 4, 4th Special Session appropriated \$8,000,000 for grants to contracting qualifying health centers and hospitals to provide health care for children eligible for the Children's Health Insurance Program who elect to receive direct, sliding fee scale medical and health care services rather than health care coverage through AHCCCS. This amount was reduced to \$1,000,000 in FY 2000 because utilization of the direct services was lower than expected. The JLBC recommends eliminating the direct services component of the program because only \$20,000 has been spent since the program's inception and no money was spent in FY 2000. The Executive does not address this issue.

DCRC Anti-Cancer

Drug Discovery OF (1,000,000) (2,000,000)

The JLBC recommends a total biennial decrease of \$(3,000,000) from the Health Research Account of the Tobacco Tax and Health Care Fund for Anti-Cancer Drug Discovery. This amount includes a FY 2002 decrease of \$(1,000,000) below FY 2001 and a FY 2003 decrease of \$(2,000,000) below FY 2001. Laws 1998, Chapter 237 appropriated \$5,000,000 in FY 1999, \$2,000,000 in FY 2000, \$2,000,000 in FY 2001, and \$1,000,000 in FY 2002 from the Health Research Account of the Tobacco Tax and Health Care Fund to the Disease Control Research Commission for Anti-Cancer Drug Discovery. The FY 2002 recommended changes reflect a decrease in the appropriation as required by the bill from \$2,000,000 in FY 2001 to \$1,000,000 in FY 2002. The FY 2003 recommended amount reflects the elimination of this appropriation. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Modified Lump Sum for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriation for Direct Grants is to provide for local health work and a portion of the cost of employing 1 public health nurse and 1 sanitarian in each county and is to be divided equally among the 15 counties on a nonmatching basis. All monies that are received by a county under this appropriation and that are not used for the prescribed purposes revert to the state General Fund.

The \$396,300 appropriated in FY 2002 and FY 2003 for Reimbursement to Counties is to provide matching monies to counties for local health work on an equal matching basis and shall be distributed in the following manner: \$174,790 of the monies shall be distributed to counties with populations of less than 500,000 persons based on amounts received in FY 1997. The distribution for counties with a population of 500,000 persons or more but less than 1,000,000 persons is \$57,750, and for counties with a population of 1,000,000 persons or more the distribution is \$163,760.

The \$1,050,000 appropriated in FY 2002 and FY 2003 for the University of Arizona Poison Control Center shall not be used to support any poison control center other than the one at the University of Arizona. The Department of Health Services shall transmit all of the appropriated amount to the University of Arizona for this purpose.

The \$800,000 appropriated in FY 2002 and FY 2003 for Poison Control Center funding shall only be expended for poison control services in counties with a population of more than 1,500,000 persons according to the most recent United States decennial census.

New Footnotes

The Department of Health Services shall report to the Joint Legislative Budget Committee by February 1, 2002 and February 1, 2003 on the amount of federal monies received for FY 2002 and FY 2003 for the 317 vaccines program. If the department receives more than \$1,188,000 in federal monies for FY 2002, the General Fund amount of the state FY 2002 appropriation for the Vaccines SLI equal to the amount by which the federal monies exceed \$1,188,000 shall revert to the General Fund. If the department receives more than \$1,266,400 in federal monies for FY 2003, the General Fund amount of the state FY 2003 appropriation for the Vaccines SLI equal to the amount by which the federal monies exceed \$1,266,400 shall revert to the General Fund. (See *Vaccines policy issue for explanation*).

The Department of Health Services shall require the screening of potential recipients of vaccines for private insurance coverage, eligibility for the federal Vaccines for Children program, and eligibility for the state Children's Health Insurance Program. This requirement applies to vaccines purchased with state monies appropriated for the Vaccines Special Line Item for both the Federal 317 program and the state-only immunization program. (See *Vaccines policy issue for explanation*).

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote relating to the Poison Control Centers report to the Joint Legislative Budget Committee. The report was already submitted and the footnote is no longer required.

The JLBC recommends deleting the footnote relating to the \$4,000,000 appropriated for Community Health Centers. The JLBC has recommended eliminating this appropriation so the footnote is no longer required.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends allocating 0.8% of the Telecommunications Services Excise Tax to the Commission for the Deaf and the Hard of Hearing and 0.3% to the DHS Poison Control Fund for FY 2002 and FY 2003. This recommendation continues the allocations established in Laws 1996, Chapter 5, 5th Special Session. Although the Poison Control Fund revenue decreased by 3.8% from FY 1999 to FY 2000, the fund should have sufficient revenue to support the recommended appropriation of \$1,850,000 in both FY 2002 and FY 2003.

The JLBC recommends authorizing AHCCCS to transfer \$250,000 in FY 2002 and FY 2003 from the Medically Needy Account of the Tobacco Tax and Health Care Fund to DHS for the TCE Contamination Special Line Item.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 General Fund supplemental of \$37,500 to the Public Health Program for ERE technical adjustments. The Executive does not address this issue.

Executive Recommendation

The Executive recommendation includes a total biennial increase of \$1,300,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund for the Arizona Immunization Information System (ASIIS). This amount

includes an increase of \$650,000 in both FY 2002 and FY 2003 above FY 2001. ASIIS is a statewide immunization database that records all vaccinations provided in Arizona. The FY 2000 and FY 2001 operating costs of the database were funded from a one-time allocation from unspent Medically Needy Account monies originally appropriated to DHS in FY 1998. The JLBC recommendation does not continue funding for this program in the budget as the original appropriation was one-time.

Auditor General Performance Audits

Bureau of Emergency Medical Services

Based on its performance audit, the Auditor General recommended the improvement of the complaint tracking process and the formation of a group to study the ambulance regulatory system. The bureau reports that it has made internal improvements and no additional funding is needed to implement the findings of the Auditor General.

Bureau of Epidemiology and Disease Control Services

Based on its performance audit, the Auditor General recommended improvements in disease surveillance and the allocation of resources from tasks to low public health value to high public health value. The bureau reports that the findings of the Auditor General have been implemented and no additional funding is needed.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

Tobacco Tax and Health Care Fund - DHS Allocations	FY 2000	FY 2001	FY 2002	FY 2003
DHS Medically Needy Account				
<u>Funds Available</u>				
Balance Forward	\$0	\$0	\$0	\$0
Transfer In - AHCCCS Medically Needy Account	36,394,400	40,673,400	35,923,400	35,923,400
Total Funds Available	\$36,394,400	\$40,673,400	\$35,923,400	\$35,923,400
<u>Allocation</u>				
Primary Care Programs	5,215,600	6,240,000	6,240,000	6,240,000
Qualifying Community Health Centers	3,874,500	5,200,000	5,200,000	5,200,000
Community Health Centers	2,167,400	4,000,000	0	0
Telemedicine	250,300	0	0	0
Mental Health Programs for Non-Title 19	5,150,000	5,200,000	5,200,000	5,200,000
Detoxification Services	517,100	0	0	0
Renal Disease Management	237,200	260,000	260,000	260,000
Basic Children's Medical Services Program	0	0	0	0
Evaluations	366,200	854,200	854,200	854,200
Rural Primary Care Provider Loan Repay Program	111,200	111,200	111,200	111,200
Primary Care Capital Construction Projects	2,500,000	0	0	0
HIV/AIDS Drug Assistance Program (ADAP)	1,000,000	1,000,000	1,000,000	1,000,000
Nonrenal Disease Management	29,700	208,000	208,000	208,000
CHIP Direct Services	0	1,000,000	0	0
Ajo Health Services	95,000	0	0	0
Psychotropic Medications - SMI Non-Title XIX	8,000,000	16,600,000	16,600,000	16,600,000
TCE Contamination	0	0	250,000	250,000
Total Allocation	\$29,514,200	\$40,673,400	\$35,923,400	\$35,923,400
Balance Reverted to AHCCCS Medically Needy Account	\$6,880,200	\$0	\$0	\$0
DHS Health Crisis Fund				
<u>Funds Available</u>				
Balance Forward	\$971,000	\$40,000	\$0	\$0
Transfer In - AHCCCS Medically Needy Account	29,000	960,000	1,000,000	1,000,000
Total Funds Available	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Allocation	960,000	1,000,000	1,000,000	1,000,000
Balance Forward	\$40,000	\$0	\$0	\$0
DHS Health Education Account				
<u>Funds Available</u>				
Balance Forward	\$42,677,900	\$35,832,700	\$29,437,400	\$22,203,300
Transfer In - Tobacco Tax and Health Care Fund	25,766,100	25,183,500	24,677,100	24,180,800
Interest Revenue	2,606,000	2,421,200	2,088,800	1,714,700
Total Funds Available	\$71,050,000	\$63,437,400	\$56,203,300	\$48,098,800
<u>Allocation - Administration & Program Costs</u>	<u>\$35,217,300</u>	<u>\$34,000,000</u>	<u>\$34,000,000</u>	<u>\$34,000,000</u>
Balance Forward	\$35,832,700	\$29,437,400	\$22,203,300	\$14,098,800
DHS Health Research Account				
<u>Funds Available</u>				
Balance Forward	\$9,501,100	\$9,035,800	\$6,773,400	\$5,341,600
Transfer In - Tobacco Tax and Health Care Fund	5,601,300	5,474,700	5,364,600	5,256,700
Interest Revenue	33,300	362,800	303,500	265,000
Total Funds Available	\$15,135,700	\$14,873,300	\$12,441,500	\$10,863,300
<u>Allocation</u>				
Disease Control Research Commission	\$6,099,900	\$6,099,900	\$6,099,900	\$6,099,900
Anticancer Drug Discovery	0	2,000,000	1,000,000	0
Balance Forward	\$9,035,800	\$6,773,400	\$5,341,600	\$4,763,400

[Click here to return to Table of Contents](#)

Department of Health Services

Family Health

JLBC: Gina Guarascio/Beth Kohler
 OSPB: Christine Sato

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	85.0	85.0	87.0	87.0	87.0	87.0
Personal Services	2,395,800	2,444,500	2,383,900	2,383,900	2,383,900	2,383,900
Employee Related Expenditures	509,200	528,100	529,600	531,100	531,700	533,400
All Other Operating Expenditures:	0	0	0		0	
Professional and Outside Services	82,900	44,200	44,200	144,200	44,200	144,200
Travel - In State	46,600	74,500	74,500	74,500	74,500	74,500
Travel - Out of State	5,700	1,200	1,200	1,200	1,200	1,200
Other Operating Expenditures	415,400	404,900	407,400	568,200	407,400	568,200
Equipment	15,700	0	0	0	0	0
OPERATING SUBTOTAL	3,471,300	3,497,400	3,440,800	3,703,100	3,442,900	3,705,400
SPECIAL LINE ITEMS						
Children's Rehabilitative Services	3,368,000	3,093,800	3,093,800	4,293,800	3,093,800	4,293,800
AHCCCS-Children's Rehabilitative Services	29,352,500	29,352,500	30,176,100	32,906,700	32,484,200	34,972,400
Adult Cystic Fibrosis	223,600	223,600	223,600	223,600	223,600	223,600
Adult Sickle Cell Anemia	70,100	70,100	70,100	70,100	70,100	70,100
High Risk Perinatal Services	4,063,400	3,829,000	3,829,000	3,829,000	3,829,000	3,829,000
Nutrition Services	380,400	390,100	390,100	390,100	390,100	390,100
County Prenatal Services Grant	1,274,800	1,281,100	1,281,100	1,281,100	1,281,100	1,281,100
Teenage Pregnancy Prevention Task Force	288,600	250,000	250,000	250,000	250,000	250,000
Health Start	481,900	1,200,000	1,199,300	3,247,300	1,199,300	3,286,300
Child Fatality Review Team	94,500	100,000	99,700	99,800	99,800	99,800
Newborn Screening Program	1,997,100	2,297,200	2,607,200	2,307,400	2,507,500	2,307,700
Pregnancy Prevention	2,097,700	2,002,000	2,006,900	5,579,000	2,007,000	5,637,500
TANF Perinatal Services	149,500	250,000	250,000	450,000	250,000	450,000
Women, Infants, and Children Food Program	0	0	0	1,024,000	0	1,043,500
PROGRAM TOTAL	47,313,400	47,836,800	48,917,700	59,655,000	51,128,400	61,840,300
FUND SOURCES						
General Fund	23,240,300	23,402,000	23,974,400	25,748,200	24,640,900	26,507,000
Emergency Medical Services Operating Fund	398,800	450,000	450,000	450,000	450,000	450,000
Child Fatality Review Fund	94,500	100,000	99,700	99,800	99,800	99,800
Newborn Screening Program Fund	1,997,100	2,297,300	2,607,200	2,307,400	2,507,500	2,307,700
Temporary Assistance for Needy Families						
Block Grant	2,247,200	2,252,000	2,256,900	2,957,000	2,257,000	2,957,100
Tobacco Litigation Settlement Fund	0	0	0	6,144,000	0	6,260,800
Federal Title XIX Funds	19,335,500	19,335,500	19,529,500	21,948,600	21,173,200	23,257,900
SUBTOTAL - Other Appropriated Funds	24,073,100	24,434,800	24,943,300	33,906,800	26,487,500	35,333,300
SUBTOTAL - Appropriated Funds	47,313,400	47,836,800	48,917,700	59,655,000	51,128,400	61,840,300
Other Non-Appropriated Funds	3,702,100	3,854,600	3,842,500	3,842,500	3,830,000	3,830,000
Federal Funds	108,929,700	118,601,900	118,448,600	118,448,600	118,448,600	118,448,600
TOTAL - ALL SOURCES	159,945,200	170,293,300	171,208,800	181,946,100	173,407,000	184,118,900

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	2,346,200	10.0%	3,105,000	13.3%	5,451,200
Federal Title XIX Funds	2,613,100	11.9%	3,922,400	20.3%	6,535,500
Other Appropriated Funds	6,858,900	134.5%	6,976,100	136.8%	13,835,000
Total Appropriated Funds	11,818,200	24.7%	14,003,500	29.3%	25,821,700

PROGRAM DESCRIPTION — *The Division of Family Health Services provides public health programs primarily targeted toward women, children and the elderly. The largest program is Children's Rehabilitative Services (CRS) which provides treatment for seriously physically impaired children that would benefit from a team surgical approach. CRS includes children with severe congenital defects, spina bifida, cleft palate, and other serious, yet correctable or improvable conditions. Non-CRS programs include prenatal programs, out-of-wedlock pregnancy prevention programs, nutrition services, and targeted care for specific diseases.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• CRS clients served (Title XIX and non-Title XIX)	16,500/16,200	16,500/16,500	16,200	16,200/16,400
• Number of newborns screened under Newborn Screening Program	NA/90,536	80,000/80,000	80,000	82,000/84,000
• Births by girls under age 19 (rate per 1,000)	NA/30.2	29.5/NA	28.8	28.1
• % of women in Health Start program receiving prenatal care in first trimester	56.5/60	63/63	64	65

Comments:

- Births by girls under age 19 measured by calendar year.

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$ 41,000	\$ 41,000
	OF 11,200	11,200
ERE Rates	GF 13,400	15,800
	OF 3,700	4,100
AHCCCS—CRS	GF 941,100	1,697,500
	TF 3,554,200	5,619,900

The JLBC recommends a total biennial General Fund increase of \$2,638,600 and a Total Funds increase of \$9,174,100 for the AHCCCS – Children’s Rehabilitative Services Special Line Item. This amount includes a FY 2002 increase of \$941,100 GF and \$3,554,200 TF above FY 2001, and a FY 2003 increase of \$1,697,500 GF and \$5,619,900 TF above FY 2001. During the 2000 Legislative Session, the JLBC projected that DHS would require a Total Funds supplemental appropriation of \$300,000 for FY 2001. The JLBC recommends a Total Funds supplemental of \$300,000 for FY 2001. (*See the “Other Issues for Legislative Consideration” section for further detail.*) The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

CRS provides comprehensive health care to children suffering from handicapping or potentially handicapping conditions. The goal of the program is to provide early diagnosis and treatment including surgical intervention to prevent or substantially ameliorate medical conditions which, if left untreated, would lead to permanent handicaps. The program also serves children suffering from non-preventable handicaps. The CRS program provides services to children who are eligible for AHCCCS as well as children who are not AHCCCS eligible. Services for children who are AHCCCS eligible

are funded through this line item; services for children that are not AHCCCS eligible are funded through the CRS line item.

In the past, CRS has contracted with community providers on a fixed-price basis. During FY 2000, CRS along with AHCCCS developed a capitation methodology for the CRS program. Beginning in FY 2001, CRS will reimburse contractors using a per-member, per month capitation rate. The FY 2002 recommendation assumes 2% growth in both FY 2001 and FY 2002 from a FY 2000 base, prior to implementation of a capitation plan. CRS providers have not had an incentive to ensure all children who could benefit from CRS services received them, since their level of reimbursement would remain constant no matter how many children were enrolled in the CRS program. Now that providers have an incentive to see that all AHCCCS eligible children who would qualify for the program are enrolled, it is reasonable to assume some level of program growth, particularly in the early stages of program implementation. The FY 2003 recommendation assumes 1% growth over FY 2002.

The FY 2002 and FY 2003 recommendations include projected increases in capitation rates based estimates of medical inflation of 5.2% and 5.3% respectively.

In order to ensure that the Legislature is aware of changes that could affect the state budget, JLBC recommends the addition of a General Appropriation Act footnote requiring JLBC review of any capitation rate changes. (*Please see the New Footnotes section of this program for further details.*)

The Executive recommends a total biennial General Fund increase of \$1,923,600. The Executive does not assume any program growth during the biennium.

Children's Rehabilitative**Services (CRS) GF 1,200,000 1,200,000**

The JLBC recommends a total biennial General Fund increase of \$2,400,000 for the non-Title XIX Children's Rehabilitative Services (CRS) program. This includes an increase of \$1,200,000 in both FY 2002 and FY 2003 above FY 2001. This line item was reduced in FY 2000 and FY 2001 to reflect a shift in funding from the General Fund to fund balances in the non-appropriated Federal Title V Maternal and Child Health Block Grant. The fund balance has now been exhausted. This increase restores the General Fund contribution to this line item to the previous level of funding. The Executive does not address this issue.

Family Health Relocation GF 160,900 160,900

The JLBC recommends a total biennial General Fund increase of \$321,800 for relocation of the Family Health program. This amount includes an increase of \$160,900 in both FY 2002 and FY 2003 above FY 2001. Part of the Family Health Program has been located in the Birch Hall building on the ASH campus. This building will be remodeled for use by another program at ASH. In FY 2001, the department consolidated the offices of the Family Health program into one location. The recommended amount provides the General Fund share of funding for the increased lease costs associated with the relocation. The Executive recommends an increase of \$203,600 in both FY 2002 and FY 2003 above FY 2001 for this issue.

Dental Sealant Program GF 100,000 100,000

The JLBC recommends a total biennial General Fund increase of \$200,000 for the Dental Sealant Program. The Dental Sealant Program in the Office of Oral Health provides preventive sealants to school children who are at high risk for tooth decay. The program received General Fund monies until FY 2000 when General Fund monies were eliminated. The JLBC recommends restoring funding to the Dental Sealant Program. The Executive does not address this issue.

Agency Reorganization GF 22,800 22,800

The JLBC recommends a total biennial General Fund increase of \$45,600 to the Family Health Program for organizational changes requested by the agency. This amount includes an increase of \$22,800 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. The JLBC recommends transferring 1 FTE Position and \$46,900 from the Administration program to the Family Health program for a Health Program Consultant. The JLBC also recommends transferring \$(24,100) from the Community and Family Health Services program to the Public Health Services program for partial funding of a Tribal Liaison Position. These transfers result in a total increase of \$22,800 for the program in each year. The net General Fund change for the agency is \$0. The Executive concurs.

Health Start FTE GF -0- -0-

The JLBC recommends an increase of 3 FTE Positions in both FY 2002 and FY 2003 above FY 2001 for the Health Start Special Line Item. Laws 1999, Chapter 241 appropriated \$1,200,000 from the General Fund in FY 2001 for the Health Start Special Line Item but did not appropriate any FTE Positions for the program. The JLBC recommends continuing the funding for the program and recommends 3 FTE Positions for the program. These positions do not require additional funding. The Executive concurs.

Health Start OF 2,048,000 2,086,900

The JLBC recommends a total biennial increase of \$4,134,900 from the Arizona Tobacco Litigation Settlement Fund for the Health Start program. This amount includes a FY 2002 increase of \$2,048,000 above the original FY 2001 budget and a FY 2003 increase of \$2,086,900 above FY 2001. At the 2000 general election, voters approved Proposition 204, which allocates tobacco settlement monies for a variety of programs, including \$2,000,000 for Health Start. The allocation of these monies is determined by the Proposition and the monies are not subject to appropriation. As a result, these amounts will not appear in the General Appropriation Act.

There are two pending legal questions concerning the dollar level of these funds. First, since the Proposition was enacted in November, it is unclear whether the entire FY 2001 allocation should be transferred or whether the amount should be prorated. In addition, the Proposition requires the JLBC to compute annual inflation for the programs. Since these programs were originally enacted in 1996, it is unclear whether to compute inflation since 1996 or since 2000. An opinion from the Attorney General has been requested to clarify these issues. In the meantime, our estimates include inflation since FY 2001.

When combined with the General Fund appropriation for Health Start of \$1,199,300 in FY 2002 and \$1,199,400 in FY 2003, the total funding level for this program is \$3,247,300 in FY 2002 and \$3,286,300 in FY 2003. The Executive does not address this issue.

Prepaid Dental Oversight GF (133,000) (133,000)

The JLBC recommends a total biennial General Fund decrease of \$(266,000) to reflect a transfer authorized by Laws 2000, Chapter 339. The legislation transferred to the Department of Insurance (DOI) the regulatory responsibilities for dental care service delivery previously conducted by DHS and \$(133,000) and (2) FTE Positions beginning in FY 2002. The JLBC recommendation includes this decrease of \$(133,000) and (2) FTE Positions in both FY 2002 and FY 2003 below FY 2001. Further, the budget for DOI shows a corresponding increase to reflect the transfer. The Executive concurs.

The JLBC recommends a new footnote that clarifies that the General Appropriation Act incorporates the transfer required by Chapter 339. (*See the New Footnotes section for further information.*)

Teenage Pregnancy

Prevention OF 3,072,000 3,130,400

The JLBC recommends a total biennial increase of \$6,202,400 from the Arizona Tobacco Litigation Settlement Fund for Teenage Pregnancy Prevention. This amount includes a FY 2002 increase of \$3,072,000 above the original FY 2001 budget and a FY 2003 increase of \$3,130,400 above FY 2001. This allocation was established by Proposition 204, which appropriates an annual base amount of \$3,000,000 and requires JLBC to calculate inflation annually (*see Health Start for more information on Proposition 204*). The funding will provide for funding for teenage pregnancy prevention programs.

Since the allocation was enacted by Proposition 204 and is not subject to appropriation, it will not appear in the General Appropriation Act. The recommended amounts provide for annual inflation since FY 2001 in both years, as required by the Proposition.

DHS will also receive \$2,007,000 in FY 2002 and \$2,007,100 in FY 2003 for out of wedlock pregnancy prevention programs in the Out of Wedlock Pregnancy Prevention Special Line Item. The JLBC recommends combining the Proposition 204 allocation for Teenage Pregnancy Prevention and the Out of Wedlock Pregnancy Prevention Special Line Item into a Pregnancy Prevention Special Line Item since the funds have a similar purpose. The total funding for this program would be \$5,079,000 in FY 2002 and \$5,137,500 in FY 2003. The Executive does not address this issue.

Pregnancy Prevention OF 500,000 500,000

The JLBC recommends a total biennial Temporary Assistance for Needy Families (TANF) Block Grant increase of \$1,000,000 to the Pregnancy Prevention Special Line Item to shift a teenage pregnancy prevention advertising campaign from the Department of Economic Security (DES) to DHS. This amount includes \$500,000 in both FY 2002 and FY 2003. Laws 2000, Chapter 393 appropriated \$500,000 in FY 2001 from the Temporary Assistance for Needy Families (TANF) Block Grant to DES for a teen pregnancy prevention advertising campaign. The DHS budget contains monies for similar out of wedlock pregnancy prevention programs, and DES contracted with DHS for this campaign. The JLBC recommends continuing this appropriation from the TANF Block Grant in the Pregnancy Prevention Special Line Item. The DES budget shows a corresponding decrease for no net change in expenditures for this program. The Executive does not address this issue.

WIC Program OF 1,024,000 1,043,500

The JLBC recommends a total biennial increase of \$2,067,500 from the Arizona Tobacco Litigation Settlement Fund for the Women, Infant's and Children (WIC) Food program. This amount includes a FY 2002 increase of \$1,024,000 above FY 2001 and a FY 2003 increase of \$1,043,500 above FY 2001. This allocation was established by Proposition 204, which appropriates an annual base amount of \$1,000,000 and requires JLBC to calculate inflation annually (*see Health Start for more information on Proposition 204*). The funding will provide supplemental state monies for the administration of the WIC program, which is a federal program that provides food vouchers to families meeting certain income criteria. In FY 2002, DHS estimates that it will receive \$77,500,000 in federal monies for the WIC program.

Since the allocation was enacted by Proposition 204 and is not subject to appropriation, it will not appear in the General Appropriation Act. The recommended amounts provide for annual inflation since FY 2001 in both years, as required by the Proposition. The Executive does not address this issue.

TANF Perinatal Services OF 200,000 200,000

The JLBC recommends a total biennial TANF Block Grant increase of \$400,000 to shift monies for non-medical perinatal substance abuse treatment and services from DES to the DHS TANF Perinatal Services Special Line Item. This amount includes \$200,000 in both FY 2002 and FY 2003.

The TANF Perinatal Services Special Line Item currently contains \$250,000 from the TANF Block Grant appropriated by Laws 1999, Chapter 328 for both FY 2000 and FY 2001 for a pilot program for non-medical perinatal services for single women under the age of 30 who are eligible for TANF or Arizona Works. The JLBC recommends continuing this appropriation in FY 2002 and FY 2003 but shifting the DES TANF monies to the Special Line Item.

Laws 2000, Chapter 393 appropriated \$200,000 in FY 2001 from the TANF Block Grant to DES for non-medical perinatal substance abuse treatment and services to families whose income does not exceed 200% of the Federal Poverty Guidelines. Under the legislation, the monies were to be provided to DHS to supplement the other monies in the TANF Perinatal Services Special Line Item. The JLBC recommends continuing this appropriation in the DHS TANF Perinatal Services Special Line Item. The DES budget shows a corresponding decrease for no net change in expenditures for this program. The Executive recommends continuing the Laws 1999, Chapter 328 appropriation but does not address shifting DES TANF monies to the Special Line Item.

* * *

JLBC RECOMMENDED FORMAT — Modified Lump Sum for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The amounts appropriated for Children's Rehabilitative Services, for AHCCCS-Children's Rehabilitative Services and for federal expenditure authority are intended to cover all indirect, fixed contract, fee-for-services costs and all other costs of the Children's Rehabilitative Services program in full, unless a transfer of monies is approved by the Joint Legislative Budget Committee.

The Department of Health Services shall distribute all monies appropriated for the County Prenatal Services Grant on a pass-through basis to counties to provide prenatal programs with consideration to population, need and amount received in prior years.

New Footnotes

Monies in the AHCCCS—Children's Rehabilitative Services Special Line Items are appropriated for capitation rates effective December 1, 2000. No monies may be expended for a change in these capitation rates unless an expenditure plan is reviewed by the Joint Legislative Budget Committee. *(The JLBC recommends a new footnote to ensure that Legislators are made aware of changes in the capitation rates and any potential budget impacts before the new rates are implemented.)*

In accordance with Laws 2000, Chapter 339, the appropriation includes \$(133,000) in Personal Services and Employee Related Expenditures and (2) FTE Positions which is transferred from the Department of Health Services to the Department of Insurance. *(The JLBC recommends a new footnote to clarify that the General Appropriation Act incorporates the transfer required by Laws 2000, Chapter 339).*

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote relating to a one-time report from Children's Rehabilitative Services to the Joint Legislative Budget Committee.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a supplemental appropriation of \$300,000 TF for FY 2001 for increased federal expenditure authority for AHCCCS CRS Line Item. The General Fund monies required for the state match are already included in the budget. The Executive does not address this issue.

Executive Recommendation

The Executive recommends a total biennial Newborn Screening Fund increase of \$500,000 to implement a new Newborn Screening test for Congenital Adrenal Hyperplasia (CAH). This amount includes a FY 2002 increase of \$300,000 above FY 2001 and a FY 2003 increase of \$200,000 above FY 2001. The recommended amounts would provide the addition of a CAH test to the Newborn Screening test panel. The recommendation is contingent on a rules change that would increase Newborn Screening Fund revenue. The JLBC recommendation does not contain funding for this issue because, even with a rules change, the Newborn Screening Fund appropriation would be greater than the expected fund revenue if the recommended increase were approved.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Health Services

Family Health

JLBC: Gina Guarascio/Beth Kohler
 OSPB: Christine Sato

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	85.0	85.0	87.0	87.0	87.0	87.0
Personal Services	2,395,800	2,444,500	2,383,900	2,383,900	2,383,900	2,383,900
Employee Related Expenditures	509,200	528,100	529,600	531,100	531,700	533,400
All Other Operating Expenditures:	0	0	0		0	
Professional and Outside Services	82,900	44,200	44,200	144,200	44,200	144,200
Travel - In State	46,600	74,500	74,500	74,500	74,500	74,500
Travel - Out of State	5,700	1,200	1,200	1,200	1,200	1,200
Other Operating Expenditures	415,400	404,900	407,400	568,200	407,400	568,200
Equipment	15,700	0	0	0	0	0
OPERATING SUBTOTAL	3,471,300	3,497,400	3,440,800	3,703,100	3,442,900	3,705,400
SPECIAL LINE ITEMS						
Children's Rehabilitative Services	3,368,000	3,093,800	3,093,800	4,293,800	3,093,800	4,293,800
AHCCCS-Children's Rehabilitative Services	29,352,500	29,352,500	30,176,100	32,906,700	32,484,200	34,972,400
Adult Cystic Fibrosis	223,600	223,600	223,600	223,600	223,600	223,600
Adult Sickle Cell Anemia	70,100	70,100	70,100	70,100	70,100	70,100
High Risk Perinatal Services	4,063,400	3,829,000	3,829,000	3,829,000	3,829,000	3,829,000
Nutrition Services	380,400	390,100	390,100	390,100	390,100	390,100
County Prenatal Services Grant	1,274,800	1,281,100	1,281,100	1,281,100	1,281,100	1,281,100
Teenage Pregnancy Prevention Task Force	288,600	250,000	250,000	250,000	250,000	250,000
Health Start	481,900	1,200,000	1,199,300	3,247,300	1,199,300	3,286,300
Child Fatality Review Team	94,500	100,000	99,700	99,800	99,800	99,800
Newborn Screening Program	1,997,100	2,297,200	2,607,200	2,307,400	2,507,500	2,307,700
Pregnancy Prevention	2,097,700	2,002,000	2,006,900	5,579,000	2,007,000	5,637,500
TANF Perinatal Services	149,500	250,000	250,000	450,000	250,000	450,000
Women, Infants, and Children Food Program	0	0	0	1,024,000	0	1,043,500
PROGRAM TOTAL	47,313,400	47,836,800	48,917,700	59,655,000	51,128,400	61,840,300
FUND SOURCES						
General Fund	23,240,300	23,402,000	23,974,400	25,748,200	24,640,900	26,507,000
Emergency Medical Services Operating Fund	398,800	450,000	450,000	450,000	450,000	450,000
Child Fatality Review Fund	94,500	100,000	99,700	99,800	99,800	99,800
Newborn Screening Program Fund	1,997,100	2,297,300	2,607,200	2,307,400	2,507,500	2,307,700
Temporary Assistance for Needy Families						
Block Grant	2,247,200	2,252,000	2,256,900	2,957,000	2,257,000	2,957,100
Tobacco Litigation Settlement Fund	0	0	0	6,144,000	0	6,260,800
Federal Title XIX Funds	19,335,500	19,335,500	19,529,500	21,948,600	21,173,200	23,257,900
SUBTOTAL - Other Appropriated Funds	24,073,100	24,434,800	24,943,300	33,906,800	26,487,500	35,333,300
SUBTOTAL - Appropriated Funds	47,313,400	47,836,800	48,917,700	59,655,000	51,128,400	61,840,300
Other Non-Appropriated Funds	3,702,100	3,854,600	3,842,500	3,842,500	3,830,000	3,830,000
Federal Funds	108,929,700	118,601,900	118,448,600	118,448,600	118,448,600	118,448,600
TOTAL - ALL SOURCES	159,945,200	170,293,300	171,208,800	181,946,100	173,407,000	184,118,900

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	2,346,200	10.0%	3,105,000	13.3%	5,451,200
Federal Title XIX Funds	2,613,100	11.9%	3,922,400	20.3%	6,535,500
Other Appropriated Funds	6,858,900	134.5%	6,976,100	136.8%	13,835,000
Total Appropriated Funds	11,818,200	24.7%	14,003,500	29.3%	25,821,700

PROGRAM DESCRIPTION — *The Division of Family Health Services provides public health programs primarily targeted toward women, children and the elderly. The largest program is Children's Rehabilitative Services (CRS) which provides treatment for seriously physically impaired children that would benefit from a team surgical approach. CRS includes children with severe congenital defects, spina bifida, cleft palate, and other serious, yet correctable or improvable conditions. Non-CRS programs include prenatal programs, out-of-wedlock pregnancy prevention programs, nutrition services, and targeted care for specific diseases.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• CRS clients served (Title XIX and non-Title XIX)	16,500/16,200	16,500/16,500	16,200	16,200/16,400
• Number of newborns screened under Newborn Screening Program	NA/90,536	80,000/80,000	80,000	82,000/84,000
• Births by girls under age 19 (rate per 1,000)	NA/30.2	29.5/NA	28.8	28.1
• % of women in Health Start program receiving prenatal care in first trimester	56.5/60	63/63	64	65

Comments:

- Births by girls under age 19 measured by calendar year.

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$ 41,000	\$ 41,000
	OF 11,200	11,200
ERE Rates	GF 13,400	15,800
	OF 3,700	4,100
AHCCCS—CRS	GF 941,100	1,697,500
	TF 3,554,200	5,619,900

The JLBC recommends a total biennial General Fund increase of \$2,638,600 and a Total Funds increase of \$9,174,100 for the AHCCCS – Children’s Rehabilitative Services Special Line Item. This amount includes a FY 2002 increase of \$941,100 GF and \$3,554,200 TF above FY 2001, and a FY 2003 increase of \$1,697,500 GF and \$5,619,900 TF above FY 2001. During the 2000 Legislative Session, the JLBC projected that DHS would require a Total Funds supplemental appropriation of \$300,000 for FY 2001. The JLBC recommends a Total Funds supplemental of \$300,000 for FY 2001. (*See the “Other Issues for Legislative Consideration” section for further detail.*) The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

CRS provides comprehensive health care to children suffering from handicapping or potentially handicapping conditions. The goal of the program is to provide early diagnosis and treatment including surgical intervention to prevent or substantially ameliorate medical conditions which, if left untreated, would lead to permanent handicaps. The program also serves children suffering from non-preventable handicaps. The CRS program provides services to children who are eligible for AHCCCS as well as children who are not AHCCCS eligible. Services for children who are AHCCCS eligible

are funded through this line item; services for children that are not AHCCCS eligible are funded through the CRS line item.

In the past, CRS has contracted with community providers on a fixed-price basis. During FY 2000, CRS along with AHCCCS developed a capitation methodology for the CRS program. Beginning in FY 2001, CRS will reimburse contractors using a per-member, per month capitation rate. The FY 2002 recommendation assumes 2% growth in both FY 2001 and FY 2002 from a FY 2000 base, prior to implementation of a capitation plan. CRS providers have not had an incentive to ensure all children who could benefit from CRS services received them, since their level of reimbursement would remain constant no matter how many children were enrolled in the CRS program. Now that providers have an incentive to see that all AHCCCS eligible children who would qualify for the program are enrolled, it is reasonable to assume some level of program growth, particularly in the early stages of program implementation. The FY 2003 recommendation assumes 1% growth over FY 2002.

The FY 2002 and FY 2003 recommendations include projected increases in capitation rates based estimates of medical inflation of 5.2% and 5.3% respectively.

In order to ensure that the Legislature is aware of changes that could affect the state budget, JLBC recommends the addition of a General Appropriation Act footnote requiring JLBC review of any capitation rate changes. (*Please see the New Footnotes section of this program for further details.*)

The Executive recommends a total biennial General Fund increase of \$1,923,600. The Executive does not assume any program growth during the biennium.

Children's Rehabilitative**Services (CRS) GF 1,200,000 1,200,000**

The JLBC recommends a total biennial General Fund increase of \$2,400,000 for the non-Title XIX Children's Rehabilitative Services (CRS) program. This includes an increase of \$1,200,000 in both FY 2002 and FY 2003 above FY 2001. This line item was reduced in FY 2000 and FY 2001 to reflect a shift in funding from the General Fund to fund balances in the non-appropriated Federal Title V Maternal and Child Health Block Grant. The fund balance has now been exhausted. This increase restores the General Fund contribution to this line item to the previous level of funding. The Executive does not address this issue.

Family Health Relocation GF 160,900 160,900

The JLBC recommends a total biennial General Fund increase of \$321,800 for relocation of the Family Health program. This amount includes an increase of \$160,900 in both FY 2002 and FY 2003 above FY 2001. Part of the Family Health Program has been located in the Birch Hall building on the ASH campus. This building will be remodeled for use by another program at ASH. In FY 2001, the department consolidated the offices of the Family Health program into one location. The recommended amount provides the General Fund share of funding for the increased lease costs associated with the relocation. The Executive recommends an increase of \$203,600 in both FY 2002 and FY 2003 above FY 2001 for this issue.

Dental Sealant Program GF 100,000 100,000

The JLBC recommends a total biennial General Fund increase of \$200,000 for the Dental Sealant Program. The Dental Sealant Program in the Office of Oral Health provides preventive sealants to school children who are at high risk for tooth decay. The program received General Fund monies until FY 2000 when General Fund monies were eliminated. The JLBC recommends restoring funding to the Dental Sealant Program. The Executive does not address this issue.

Agency Reorganization GF 22,800 22,800

The JLBC recommends a total biennial General Fund increase of \$45,600 to the Family Health Program for organizational changes requested by the agency. This amount includes an increase of \$22,800 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. The JLBC recommends transferring 1 FTE Position and \$46,900 from the Administration program to the Family Health program for a Health Program Consultant. The JLBC also recommends transferring \$(24,100) from the Community and Family Health Services program to the Public Health Services program for partial funding of a Tribal Liaison Position. These transfers result in a total increase of \$22,800 for the program in each year. The net General Fund change for the agency is \$0. The Executive concurs.

Health Start FTE GF -0- -0-

The JLBC recommends an increase of 3 FTE Positions in both FY 2002 and FY 2003 above FY 2001 for the Health Start Special Line Item. Laws 1999, Chapter 241 appropriated \$1,200,000 from the General Fund in FY 2001 for the Health Start Special Line Item but did not appropriate any FTE Positions for the program. The JLBC recommends continuing the funding for the program and recommends 3 FTE Positions for the program. These positions do not require additional funding. The Executive concurs.

Health Start OF 2,048,000 2,086,900

The JLBC recommends a total biennial increase of \$4,134,900 from the Arizona Tobacco Litigation Settlement Fund for the Health Start program. This amount includes a FY 2002 increase of \$2,048,000 above the original FY 2001 budget and a FY 2003 increase of \$2,086,900 above FY 2001. At the 2000 general election, voters approved Proposition 204, which allocates tobacco settlement monies for a variety of programs, including \$2,000,000 for Health Start. The allocation of these monies is determined by the Proposition and the monies are not subject to appropriation. As a result, these amounts will not appear in the General Appropriation Act.

There are two pending legal questions concerning the dollar level of these funds. First, since the Proposition was enacted in November, it is unclear whether the entire FY 2001 allocation should be transferred or whether the amount should be prorated. In addition, the Proposition requires the JLBC to compute annual inflation for the programs. Since these programs were originally enacted in 1996, it is unclear whether to compute inflation since 1996 or since 2000. An opinion from the Attorney General has been requested to clarify these issues. In the meantime, our estimates include inflation since FY 2001.

When combined with the General Fund appropriation for Health Start of \$1,199,300 in FY 2002 and \$1,199,400 in FY 2003, the total funding level for this program is \$3,247,300 in FY 2002 and \$3,286,300 in FY 2003. The Executive does not address this issue.

Prepaid Dental Oversight GF (133,000) (133,000)

The JLBC recommends a total biennial General Fund decrease of \$(266,000) to reflect a transfer authorized by Laws 2000, Chapter 339. The legislation transferred to the Department of Insurance (DOI) the regulatory responsibilities for dental care service delivery previously conducted by DHS and \$(133,000) and (2) FTE Positions beginning in FY 2002. The JLBC recommendation includes this decrease of \$(133,000) and (2) FTE Positions in both FY 2002 and FY 2003 below FY 2001. Further, the budget for DOI shows a corresponding increase to reflect the transfer. The Executive concurs.

The JLBC recommends a new footnote that clarifies that the General Appropriation Act incorporates the transfer required by Chapter 339. (*See the New Footnotes section for further information.*)

Teenage Pregnancy

Prevention OF 3,072,000 3,130,400

The JLBC recommends a total biennial increase of \$6,202,400 from the Arizona Tobacco Litigation Settlement Fund for Teenage Pregnancy Prevention. This amount includes a FY 2002 increase of \$3,072,000 above the original FY 2001 budget and a FY 2003 increase of \$3,130,400 above FY 2001. This allocation was established by Proposition 204, which appropriates an annual base amount of \$3,000,000 and requires JLBC to calculate inflation annually (*see Health Start for more information on Proposition 204*). The funding will provide for funding for teenage pregnancy prevention programs.

Since the allocation was enacted by Proposition 204 and is not subject to appropriation, it will not appear in the General Appropriation Act. The recommended amounts provide for annual inflation since FY 2001 in both years, as required by the Proposition.

DHS will also receive \$2,007,000 in FY 2002 and \$2,007,100 in FY 2003 for out of wedlock pregnancy prevention programs in the Out of Wedlock Pregnancy Prevention Special Line Item. The JLBC recommends combining the Proposition 204 allocation for Teenage Pregnancy Prevention and the Out of Wedlock Pregnancy Prevention Special Line Item into a Pregnancy Prevention Special Line Item since the funds have a similar purpose. The total funding for this program would be \$5,079,000 in FY 2002 and \$5,137,500 in FY 2003. The Executive does not address this issue.

Pregnancy Prevention OF 500,000 500,000

The JLBC recommends a total biennial Temporary Assistance for Needy Families (TANF) Block Grant increase of \$1,000,000 to the Pregnancy Prevention Special Line Item to shift a teenage pregnancy prevention advertising campaign from the Department of Economic Security (DES) to DHS. This amount includes \$500,000 in both FY 2002 and FY 2003. Laws 2000, Chapter 393 appropriated \$500,000 in FY 2001 from the Temporary Assistance for Needy Families (TANF) Block Grant to DES for a teen pregnancy prevention advertising campaign. The DHS budget contains monies for similar out of wedlock pregnancy prevention programs, and DES contracted with DHS for this campaign. The JLBC recommends continuing this appropriation from the TANF Block Grant in the Pregnancy Prevention Special Line Item. The DES budget shows a corresponding decrease for no net change in expenditures for this program. The Executive does not address this issue.

WIC Program OF 1,024,000 1,043,500

The JLBC recommends a total biennial increase of \$2,067,500 from the Arizona Tobacco Litigation Settlement Fund for the Women, Infant's and Children (WIC) Food program. This amount includes a FY 2002 increase of \$1,024,000 above FY 2001 and a FY 2003 increase of \$1,043,500 above FY 2001. This allocation was established by Proposition 204, which appropriates an annual base amount of \$1,000,000 and requires JLBC to calculate inflation annually (*see Health Start for more information on Proposition 204*). The funding will provide supplemental state monies for the administration of the WIC program, which is a federal program that provides food vouchers to families meeting certain income criteria. In FY 2002, DHS estimates that it will receive \$77,500,000 in federal monies for the WIC program.

Since the allocation was enacted by Proposition 204 and is not subject to appropriation, it will not appear in the General Appropriation Act. The recommended amounts provide for annual inflation since FY 2001 in both years, as required by the Proposition. The Executive does not address this issue.

TANF Perinatal Services OF 200,000 200,000

The JLBC recommends a total biennial TANF Block Grant increase of \$400,000 to shift monies for non-medical perinatal substance abuse treatment and services from DES to the DHS TANF Perinatal Services Special Line Item. This amount includes \$200,000 in both FY 2002 and FY 2003.

The TANF Perinatal Services Special Line Item currently contains \$250,000 from the TANF Block Grant appropriated by Laws 1999, Chapter 328 for both FY 2000 and FY 2001 for a pilot program for non-medical perinatal services for single women under the age of 30 who are eligible for TANF or Arizona Works. The JLBC recommends continuing this appropriation in FY 2002 and FY 2003 but shifting the DES TANF monies to the Special Line Item.

Laws 2000, Chapter 393 appropriated \$200,000 in FY 2001 from the TANF Block Grant to DES for non-medical perinatal substance abuse treatment and services to families whose income does not exceed 200% of the Federal Poverty Guidelines. Under the legislation, the monies were to be provided to DHS to supplement the other monies in the TANF Perinatal Services Special Line Item. The JLBC recommends continuing this appropriation in the DHS TANF Perinatal Services Special Line Item. The DES budget shows a corresponding decrease for no net change in expenditures for this program. The Executive recommends continuing the Laws 1999, Chapter 328 appropriation but does not address shifting DES TANF monies to the Special Line Item.

* * *

JLBC RECOMMENDED FORMAT — Modified Lump Sum for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The amounts appropriated for Children's Rehabilitative Services, for AHCCCS-Children's Rehabilitative Services and for federal expenditure authority are intended to cover all indirect, fixed contract, fee-for-services costs and all other costs of the Children's Rehabilitative Services program in full, unless a transfer of monies is approved by the Joint Legislative Budget Committee.

The Department of Health Services shall distribute all monies appropriated for the County Prenatal Services Grant on a pass-through basis to counties to provide prenatal programs with consideration to population, need and amount received in prior years.

New Footnotes

Monies in the AHCCCS—Children's Rehabilitative Services Special Line Items are appropriated for capitation rates effective December 1, 2000. No monies may be expended for a change in these capitation rates unless an expenditure plan is reviewed by the Joint Legislative Budget Committee. *(The JLBC recommends a new footnote to ensure that Legislators are made aware of changes in the capitation rates and any potential budget impacts before the new rates are implemented.)*

In accordance with Laws 2000, Chapter 339, the appropriation includes \$(133,000) in Personal Services and Employee Related Expenditures and (2) FTE Positions which is transferred from the Department of Health Services to the Department of Insurance. *(The JLBC recommends a new footnote to clarify that the General Appropriation Act incorporates the transfer required by Laws 2000, Chapter 339).*

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote relating to a one-time report from Children's Rehabilitative Services to the Joint Legislative Budget Committee.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a supplemental appropriation of \$300,000 TF for FY 2001 for increased federal expenditure authority for AHCCCS CRS Line Item. The General Fund monies required for the state match are already included in the budget. The Executive does not address this issue.

Executive Recommendation

The Executive recommends a total biennial Newborn Screening Fund increase of \$500,000 to implement a new Newborn Screening test for Congenital Adrenal Hyperplasia (CAH). This amount includes a FY 2002 increase of \$300,000 above FY 2001 and a FY 2003 increase of \$200,000 above FY 2001. The recommended amounts would provide the addition of a CAH test to the Newborn Screening test panel. The recommendation is contingent on a rules change that would increase Newborn Screening Fund revenue. The JLBC recommendation does not contain funding for this issue because, even with a rules change, the Newborn Screening Fund appropriation would be greater than the expected fund revenue if the recommended increase were approved.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Health Services
Behavioral Health

JLBC: Gina Guarascio
 OSPB: Christine Sato

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	128.6	128.6	128.6	128.6	128.6	128.6
Personal Services	3,639,600	3,715,000	3,813,800	3,821,500	3,813,800	3,821,500
Employee Related Expenditures	884,600	888,000	873,100	890,500	873,200	892,500
All Other Operating Expenditures:						
Professional and Outside Services	1,594,500	2,636,900	2,643,800	2,636,900	2,643,800	2,636,900
Travel - In State	65,100	111,400	111,400	111,400	111,400	111,400
Travel - Out of State	16,200	16,500	16,500	16,500	16,500	16,500
Other Operating Expenditures	2,333,000	651,800	257,300	257,300	257,300	257,300
Equipment	16,700	0	482,300	386,900	482,300	386,900
OPERATING SUBTOTAL	8,549,700	8,019,600	8,198,200	8,121,000	8,198,300	8,123,000
SPECIAL LINE ITEMS						
Administration						
Client Satisfaction Incentive Program	52,500	100,000	100,000	100,000	100,000	100,000
RBHA Client Encounter Reports	1,848,900	1,848,900	1,848,900	1,848,900	1,848,900	1,848,900
Computer Hardware Lease	471,400	750,000	250,000	250,000	250,000	250,000
Children's Behavioral Health						
Children's Behavioral Health Services	10,010,100	10,137,700	10,062,700	10,137,700	10,062,700	10,137,700
CBH State Match for Title XIX	70,140,000	65,969,200	89,649,100	101,576,700	96,667,400	116,351,000
Seriously Emotionally Handicapped Children	4,375,300	4,375,300	4,375,300	4,375,300	4,375,300	4,375,300
Tobacco Settlement CBH Services	0	20,000,000		0		0
Seriously Mentally Ill						
Seriously Mentally Ill State Match for Title XIX	71,682,100	67,746,300	111,130,200	103,887,200	128,921,300	112,398,300
Seriously Mentally Ill Non-Title XIX	59,100,000	73,908,800	79,908,800	73,908,800	79,908,800	73,908,800
Tobacco Settlement SMI Services	0	50,000,000	0	0	0	0
Court Monitoring	205,700	205,700	205,700	240,700	240,700	240,700
Psychiatric Review Board	68,600	83,800	85,200	85,200	85,200	85,200
Arnold v. Sarn	0	0	0	27,500,000	0	54,902,100
General Mental Health/Substance Abuse						
Mental Health Non-Title XIX	9,857,100	9,862,100	7,862,100	9,862,100	7,862,100	9,862,100
Substance Abuse Non-Title XIX	15,463,400	15,485,400	9,635,400	15,485,400	9,635,400	15,485,400
Mental Health and Substance Abuse State Match for Title XIX	17,066,100	15,149,000	26,284,000	26,906,400	29,494,800	29,047,900
PROGRAM TOTAL	268,890,900	343,641,800	349,595,600	384,285,400	377,650,900	437,116,400
FUND SOURCES						
General Fund	154,396,200	154,073,800	184,837,800	207,954,700	200,283,700	244,689,200
Substance Abuse Services Fund	2,150,000	1,850,000	2,250,000	1,850,000	2,250,000	1,850,000
Tobacco Tax Medically Needy Account	3,000,000	16,600,000	16,600,000	16,600,000	16,600,000	16,600,000
Federal Title XIX Funds	109,344,700	101,118,000	145,907,800	157,880,700	158,517,200	173,977,200
Serious Mental Illness Services Fund	0	50,000,000	0	0	0	0
Children's Behavioral Health Tobacco Settlement Fund	0	20,000,000	0	0	0	0
SUBTOTAL - Other Appropriated Funds	114,494,700	189,568,000	164,757,800	176,330,700	177,367,200	192,427,200
SUBTOTAL - Appropriated Funds	268,890,900	343,641,800	349,595,600	384,285,400	377,650,900	437,116,400
Other Federal Funds	38,067,000	38,585,200	38,828,300	38,828,300	38,828,300	38,828,300
Other Non-Appropriated Funds	33,080,100	37,200,000	37,200,000	37,200,000	37,200,000	37,200,000
TOTAL - ALL SOURCES	340,038,000	419,427,000	425,623,900	460,313,700	453,679,200	513,144,700

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	53,880,900	35.0%	90,615,400	58.8%	144,496,300
Federal Title XIX Funds	56,762,700	56.1%	72,859,200	72.1%	129,621,900
Other Appropriated Funds	(70,000,000)	(79.1)%	(70,000,000)	(79.1)%	(140,000,000)
Total Appropriated Funds	40,643,600	11.8%	93,474,600	27.2%	134,118,200

PROGRAM DESCRIPTION — *The Behavioral Health program administers most mental health services for the state including both adult and children’s behavioral health services, substance abuse treatment and seriously emotionally handicapped children. Most services are provided through contracts with 5 Regional Behavioral Health Authorities (RBHAs) which then subcontract for provision of services with a provider network. Native American tribes have also begun to establish intergovernmental agreements for services through the RBHAs and also directly with the department.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of SMI Clients receiving new generation psychotropic medications	NA/31	NA/47	51	59/68
• % of RBHA Title XIX clients satisfied with services	86/88	87/67	68	68
• % of clients with improved functioning	75/75	85/78	25	26/27
• Title XIX clients served	39,500/41,500	32,000/38,900	39,200	39,000/41,200
• Non-Title XIX clients served	36,000/32,000	37,900/32,100	36,700	40,600/43,200
• % of eligible Title XIX consumer enrolled	NA/8	NA/8	8	8

Comments:

- Instrument used to collect data regarding % of RBHA Title XIX clients satisfied with services changed in FY 00.
- Instrument used to collect data for % of clients with improved functioning changed in FY 2001.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes	Pay Annualization	GF \$ 42,400	\$ 42,400
		TF 120,900	120,900
ERE Rates		GF 22,600	24,500
		TF (10,500)	(8,500)
Rent		GF (7,600)	(7,600)
		TF (7,600)	(7,600)
Title XIX Enrollment and Capitation		GF 26,788,500	36,119,000
		TF 83,505,800	108,932,700

The JLBC recommends a total biennial General Fund (GF) increase of \$62,907,500 and a Total Funds (TF) increase of \$192,438,800 for Title XIX behavioral health programs. This amount includes a FY 2002 GF increase of

\$26,788,500 and a TF increase of \$83,505,800 above FY 2001, and a FY 2003 GF increase of \$36,119,000 and a Total Funds increase of \$108,932,700 above FY 2001. During the 2000 Legislative Session, the JLBC projected that DHS would require a General Fund supplemental appropriation of \$9,835,200 for FY 2001. Higher than expected enrollment increases have resulted in a revision to that FY 2001 shortfall estimate. JLBC now recommends a General Fund supplemental of \$14,935,000 for FY 2001. (See the “Other Issues for Legislative Consideration” section for further detail.) The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount. Table 1 summarizes the General Fund and Total Funds increase by program.

Table 1	Title XIX Increases			
	FY 2002		FY 2003	
	GF	TF	GF	TF
Children’s Behavioral Health	\$ 11,175,100	\$35,607,500	\$16,532,600	\$ 50,381,800
Seriously Mentally Ill	11,976,300	36,140,900	15,150,600	44,652,000
General Mental Health/Substance Abuse	3,637,100	11,757,400	4,435,800	13,898,900
TOTAL	\$26,788,500	\$83,505,800	\$36,119,000	\$108,932,700

The passage of Proposition 204 will result in a large number of Non-Title XIX SMI clients converting to Title XIX if Arizona receives a waiver for the corresponding federal matching funds (see *Other Issues for Legislative Consideration*). However, how many SMIs will convert and how the program will be implemented is still evolving. Given the current uncertainty about how Proposition 204 will change the Title XIX and Non-Title XIX programs, it is difficult to predict how much of the recommended increase should be allocated to either program. Therefore, the JLBC recommended increase includes funding for both Title XIX and Non-Title XIX populations, but does not specify an amount for each population. Any amount allocated to Title XIX will be matched at 65% by Federal Funds, increasing the total allocated to *Arnold v. Sarn*.

In addition, the JLBC recommendation does not decrease SMI Non-Title XIX funding to reflect the shift to Title XIX due to Proposition 204. Estimates for the number of SMIs that may convert range from 50% to 75%. Those that shift to Title XIX will be covered by tobacco settlement funds under Proposition 204. Since the number of clients served in Non-Title XIX will decrease by 50-75% and the JLBC recommendation does not decrease Non-Title XIX funding, this will result in a significant increase in the amount Non-Title XIX monies available for the SMIs that remain in Non-Title XIX. This significant funding increase will also address the requirements of *Arnold v. Sarn*.

The Executive recommends a FY 2002 GF increase of \$15,898,700 and a FY 2003 GF increase of \$24,947,800 to address *Arnold v. Sarn* requirements. The Executive recommendation specifies that the increase is for prospective increases in the SMI Title XIX capitation rate. The Executive increases the capitation rate by 17% in FY 2002 and an additional 18% in FY 2003 above FY 2002. The Executive does not recommend decreases in Non-Title XIX related to Proposition 204.

**Tobacco Settlement OF (70,000,000) (70,000,000)
Funds TF (70,000,000) (70,000,000)**

Laws 2000, Chapter 2, 3rd Special Session appropriated \$50,000,000 from the Seriously Mentally Ill Services Fund, which received monies from Tobacco Settlement monies, to provide community housing, vocational rehabilitation, and other recovery support services for the seriously mentally ill. The law further appropriated \$20,000,000 from Tobacco Settlement monies for Children’s Behavioral Health services. The legislation stated that these appropriations were intended to be one-time and given that this appropriation will be expended over several years, the JLBC recommends no appropriation for FY 2002 or FY 2003.

DHS required each Regional Behavioral Health Authority (RBHA) to submit a plan that would meet the requirements of the legislation and most effectively utilize the monies within each RBHA. Funding will be allocated to each RBHA based upon population. DHS requires that

programs be operational by July 1, 2001 and must remain in operation through June 30, 2003. DHS specified that a RBHA may use the funds to purchase housing stock or create a rental subsidy program to increase housing stock. Plans for housing purchase, ownership or construction by the RBHA or its subcontractor must be sustained for at least 15 years without additional funding.

Of the \$50,000,000 appropriated for the Seriously Mentally Ill, DHS plans to spend \$16,975,700 on housing programs, \$26,609,000 on recovery support and vocational rehabilitation services, \$1,316,300 on specialized assessment, and \$940,700 on training. Approximately \$3,858,300 will be available for administrative costs for the RBHAs or may be used as “profit”. DHS generally allows each RBHA 8% of a total contract for administration costs and an additional 4% for “profit”. In this context, “profit” represents the excess of state reimbursement over actual operating costs. Profits are generally available for reinvestment in RBHA programs. In addition, \$300,000 will be transferred to the Office of the Auditor General for a performance evaluation of the program.

Chapter 2 also appropriated \$20,000,000 for Children’s Behavioral Health services, and specified that monies be used to provide behavioral health services to families whose children receive behavioral health services through DHS, the Department of Economic Security (DES), the Department of Juvenile Corrections (DJC), and the Administrative Office of the Courts (AOC). Funds may also be used for telemedicine programs. An additional \$150,000 will be transferred to the Office of the Auditor General to be used for a performance evaluation to measure the effectiveness of the program.

DHS again required each RBHA to submit a plan that would meet the requirements of the legislation and most effectively utilize the monies within each RBHA. Funding was allocated to each RBHA based upon population. DHS requires the programs be operational by July 1, 2001, and must remain in operation through June 30, 2003. DHS further required that 30% of the funds available in each RBHA be used for children involved in the juvenile justice system. DHS will reserve \$2 million for development and delivery of a uniform statewide training program. The Executive concurs.

**Office of the Court GF 35,000 35,000
Monitor TF 35,000 35,000**

The JLBC recommends a total biennial General Fund increase of \$70,000 for the Court Monitor. This amount includes an increase of \$35,000 in both FY 2002 and FY 2003 above FY 2001. The Office of Court Monitor was established by the settlement agreement between the Department of Health Services and Maricopa County, and the plaintiffs in *Arnold v. Sarn* to monitor both the state’s and Maricopa County’s compliance with the terms of the agreement. The recommended amount will provide the state share of the cost to monitor several new plans required by the settlement agreement. The Executive does not address this issue.

Computer Hardware **GF** **(500,000)** **(500,000)**
Lease **TF** **(500,000)** **(500,000)**

The JLBC recommends a total biennial General Fund decrease of \$(500,000) for the Computer Hardware Lease Special Line Item. This amount includes a decrease of (\$250,000) in both FY 2002 and FY 2003 below FY 2001. The hardware lease has now expired, however, a maintenance fee of approximately \$250,000 annually remains. The Executive concurs.

18-20 Year Old Services **TF** **-0-** **-0-**

The JLBC recommends continuing the transfer for \$205,100 GF and \$600,000 TF in both FY 2002 and FY 2003 from AHCCCS to DHS for DHS to provide coverage of behavioral health care services for persons who are 18-20 years old and are not seriously mentally ill. This transfer was authorized in Laws 1999, Chapter 313. The Executive concurs.

Psychotropic

Medications **OF** **-0-** **-0-**

The JLBC recommends continuing in both FY 2002 and FY 2003 the FY 2001 appropriation authorized by Laws 2000, Chapter 304 of \$13,600,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund for mental health and psychotropic medications for SMI clients who are not eligible for Title XIX coverage. The Executive concurs.

Substance Abuse **OF** **-0-** **-0-**

The JLBC recommends continuing in both FY 2002 and FY 2003 the FY 2001 appropriation of \$10,000,000 from the federal TANF Block Grant authorized by Laws 2000, Chapter 382. The TANF monies are to be jointly administered by the Department of Economic Security and DHS for substance abuse services. The funds are to be used to pay for services for parents, guardians, or custodians of children and where substance abuse is a significant barrier to maintaining, preserving or reunifying the family. JLBC recommends the entire appropriation be reflected in the DES budget. Because this is a non-appropriated joint fund, the 2 agencies will continue to have the flexibility to share this yearly \$10,000,000 appropriation even though it is reflected solely in the DES budget. Further, JLBC recommends a new footnote in the General Appropriation Act clarifying the joint purposes of administrative monies for the 2 agencies. The Executive does not address this issue. *(See DES section for further details and specific footnote language.)*

* * *

JLBC RECOMMENDED FORMAT — Modified Lump Sum for the Program.

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

All federal Title XIX funds appropriated for administration are appropriated as a Lump Sum.

The amount appropriated for Children's Behavioral Health Services shall be used to provide services for non-Title XIX eligible children. The amount shall not be used to pay for either federally or nonfederally reimbursed services for Title XIX eligible children, unless a transfer of monies is approved by the Joint Legislative Budget Committee.

Monies in the Children's Behavioral Health State Match for Title XIX, Seriously Mentally Ill State Match for Title XIX, and Mental Health and Substance Abuse State Match for Title XIX Special Line Items are appropriated for capitation rates effective on December 1, 2000. No monies may be expended for a change in these capitation rates unless an expenditure plan is reviewed by the Joint Legislative Budget Committee.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends authorizing AHCCCS in both FY 2002 and FY 2003 to transfer to DHS \$16,600,000 from the Medically Needy account of the Tobacco Tax and Health Care Fund for psychotropic and other mental health medications.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental Appropriation

The JLBC recommends a supplemental appropriation of \$14,935,000 GF and \$52,924,200 TF for FY 2001 to address the capitation rate increases approved by HCFA (see discussion above) as well as costs of increased enrollment. The rate changes are effective July 1, 2000, October 1, 2000 and December 1, 2000, and include an increase of 3.4% and 4.1% respectively for the SMI and GMH/SA program, and a decrease of (1.6%) for the CBH program. The Executive recommends a FY 2001 GF supplemental of \$17,030,500 for this issue.

Executive Recommendation

The Executive recommends reducing the General Mental Health (GMH) Non-Title XIX line item by \$(2,000,000) GF in both FY 2002 and FY 2003 below FY 2001 and the Substance Abuse (SA) Non-Title XIX line item by \$(4,000,000) GF in both FY 2002 and FY 2003, below FY 2001 for a total reduction of \$(6,000,000) GF in both FY 2002 and FY 2003 below FY 2001. The Executive recommends transferring these monies to the SMI Non-Title XIX line item for an increase of \$6,000,000 GF in both FY 2002 and FY 2003 above FY 2001. The Executive recommends this transfer because these GMH/SA monies are reportedly being spent on the SMI population. However, with the passage of Proposition 204, there will be more resources in the SMI Non-Title XIX line item available for SMIs. Therefore, JLBC recommends that these GMH/SA Non-Title XIX monies be retained and now be spent for the GMH/SA populations.

The Executive recommends increasing the appropriation from the Substance Abuse Fund by \$400,000 in both FY 2002 and FY 2003. The JLBC does not recommend this increased appropriation because it is not clear fund revenues would support this increase.

Proposition 204

At the 2000 general election, voters approved Proposition 204, which allocates monies from the Tobacco Settlement to expand eligibility for the AHCCCS program to 100% of the Federal Poverty Level. If the federal government approves a waiver, this will result in the conversion of a portion of the current SMI and GMH/SA populations from Non-Title XIX to Title XIX. Implementation of this program will involve very significant policy decisions and as a result, the JLBC has not incorporated any Proposition 204 impacts in the budget recommendation. We recommend that these policy decisions and any resulting budget impacts be addressed during the legislative session.

Auditor General Performance Audits – Coordination and Provision of Behavioral Health Services

The Auditor General found that behavioral health services provided by various state agencies could be better coordinated, resulting in greater efficiencies. The Auditor General made the following recommendations:

- 1) The Legislature should consider directing the Division of Developmental Disabilities (DDD), BHS and AHCCCS to contract with an actuarial firm to determine the cost of having DDD contract directly with providers for its ALTCS clients’ behavioral health services, instead of relying on the RBHAs to deliver such services
- 2) The BHS and AHCCCS should educate the RBHAs and providers regarding the coverage of substance abuse services for all Title XIX clients. BHS is providing this training with a portion of the one-time \$50,000,000 appropriation from the Tobacco Settlement.
- 3) BHS should assist the RBHAs in developing a plan for fulfilling current master’s-level assessment requirements, or developing alternative methods of ensuring that people who perform behavioral health assessments be adequately qualified.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Health Services
Arizona State Hospital

JLBC: Gina Guarascio
 OSPB: Christine Sato

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	858.2	910.2	910.2	910.2	991.7	975.2
Personal Services	20,933,400	22,763,100	23,102,800	23,102,800	25,079,300	24,897,200
Employee Related Expenditures	4,563,900	4,992,500	5,156,500	4,977,400	5,649,500	5,610,400
All Other Operating Expenditures:						
Professional and Outside Services	6,850,600	8,595,000	8,295,000	8,595,000	9,584,300	10,095,000
Travel - In State	36,900	37,400	37,400	37,400	37,400	37,400
Travel - Out of State	6,700	2,400	2,400	2,400	2,400	2,400
Other Operating Expenditures	3,247,600	1,905,700	1,965,700	1,905,700	2,106,600	1,905,700
Equipment	528,000	237,100	135,800	237,100	135,800	337,100
OPERATING SUBTOTAL	36,167,100	38,533,200	38,695,600	38,857,800	42,595,300	42,885,200
SPECIAL LINE ITEMS						
Community Placement Treatment	6,705,400	7,848,000	7,848,000	7,848,000	7,848,000	7,848,000
Sexually Violent Persons	6,333,900	9,365,900	9,298,700	9,339,000	10,067,500	9,776,300
Information Technology	990,600	0	0	0	0	0
PROGRAM TOTAL	50,197,000	55,747,100	55,842,300	56,044,800	60,510,800	60,509,500
FUND SOURCES						
General Fund	37,981,000	43,353,200	55,442,300	43,150,900	60,110,800	47,615,600
Arizona State Hospital Fund	11,993,900	11,993,900	0	12,493,900	0	12,493,900
ASH Land Earnings Fund	222,100	400,000	400,000	400,000	400,000	400,000
SUBTOTAL - Other Appropriated Funds	12,216,000	12,393,900	400,000	12,893,900	400,000	12,893,900
SUBTOTAL - Appropriated Funds	50,197,000	55,747,100	55,842,300	56,044,800	60,510,800	60,509,500
TOTAL - ALL SOURCES	50,197,000	55,747,100	55,842,300	56,044,800	60,510,800	60,509,500

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(202,300)	-0.5%	4,262,400	9.8%	4,060,100
Other Appropriated Funds	500,000	4.0%	500,000	4.0%	1,000,000
Total Appropriated Funds	297,700	0.5%	4,762,400	8.5%	5,060,100

PROGRAM DESCRIPTION — Provides inpatient psychiatric hospitalization services for adolescent and adult seriously mentally ill residents. Over the 12-month period from November 1999 through November 2000, the Arizona State Hospital (ASH) has had an average daily census of 305 patients. This includes 145 civilly committed (non-forensic) patients, 149 patients committed through the criminal justice system (forensic), and 15 adolescent patients. In addition, the program provides secure inpatient treatment for Sexually Violent Persons (SVP), which has a census of 129, as of November 2000.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of clients satisfied with treatment and clinical services	NA/80	NA/85	90	90
• % of clients successfully placed in community who return for another stay within 1 year	NA/10	NA/9.2	9.5	9.5
• Forensic patients year-end census	147/145	167/167	180	180
• Civil adult patients year-end census	153/153	133/133	120	120
• SVP program year-end census	120/90	180/122	240	300
• % of Staff turnover during first 12 months of employment	30/25	15/20	15	15

Comments:

- % of clients who return for another stay within 1 year reflects a JLBC recommended measure.

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$ 457,700	\$457,700
ERE Rates	GF (160,000)	55,700

Summary of State Hospital Status

ASH voluntarily withdrew its Medicare certification in April of 1997 after being notified by the Federal Health Care Financing Administration (HCFA) that it planned to decertify ASH and stop reimbursement for Medicare eligible clients due to staffing shortages and lack of active treatment for ASH patients. In response, the combined increase from both the FY 2000 and FY 2001 appropriation was nearly 23% above the FY 1999 appropriation in order to increase staff and staff salaries, and develop a new transitional living unit to address these problems. ASH regained Medicare certification in June of 2000.

Laws 2000, Chapter 1 provided \$80,000,000 over 4 fiscal years to provide for capital construction of a new civil hospital, construction of several buildings for the Sexually Violent Persons program, and renovation of several existing buildings for the forensic population. The Department of Health Services (DHS) anticipates completion of the Civil Hospital in November of 2002, completion of the Sexually Violent Persons (SVP) facilities in May of 2003, and completion of the forensic hospital in January of 2005.

New Hospital Support GF -0- 3,811,800

The JLBC recommends a General Fund increase of \$3,811,800 and 58 FTE Positions in FY 2003 above FY2001 for costs associated with opening the new Arizona State Hospital. Laws 2000, Chapter 1 appropriated \$80,000,000 over 4 fiscal years for the construction of a new civil hospital, a new adolescent facility, and several SVP dormitories, as well as renovation of existing facilities for the forensic population. Although final design plans are not complete, DHS anticipates that the facilities will have a licensed capacity of 378 when the

new hospital opens in January of 2003. The current facility has a licensed capacity of 335. In order to maintain nurse/patient ratios at the same level as in the current facility, given the change in design, JLBC recommends an increase of 28 FTE Positions for nursing.

In addition, JLBC recommends another 30 FTE Positions, including security guards for a new hospital entrance, as well as psychiatrists, psychologists, and rehabilitation therapists. These positions are also necessary to maintain current staffing ratios in the new facility. This results in a total increase of 58 FTE Positions and \$2,211,800 in FY 2003.

Because the new facility will increase the square footage of the new hospital by more than two-thirds, JLBC recommends an additional \$1,000,000 for contracted costs that are based on square footage measures, including cleaning, and facility maintenance that will increase as the facility grows. Using the same logic, JLBC recommends an additional \$500,000 for increases in utility costs for the new facility. Further, the JLBC recommends an additional \$100,000 in one-time equipment costs associated with opening the new hospital. These primarily include costs for medical equipment.

The Executive recommends an increase of \$4,238,900 in FY 2003 and 67.5 new FTE Positions to address this issue, but also recommends an additional biennial decrease of \$(930,000) in FY 2003 from the ASH budget, for a net increase of \$3,308,900 in FY 2003. These reductions include a decrease in the maintenance budget, as well as a decrease for contracted nursing services.

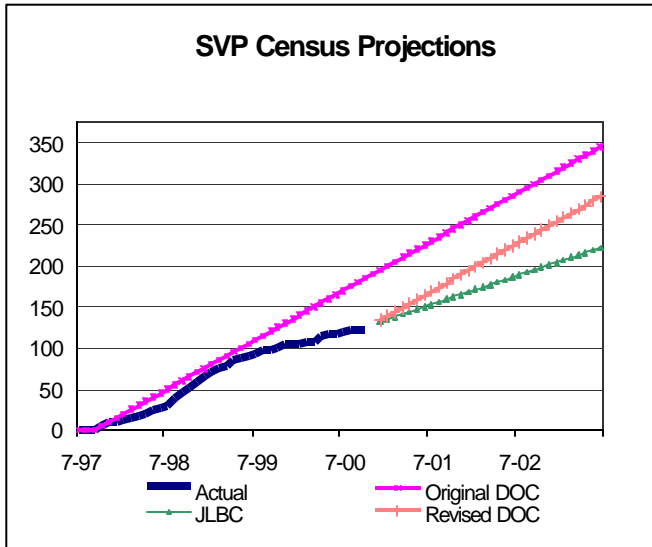
JLBC recommends that costs associated with fixed furniture and equipment be funded out of the \$80,000,000 capital appropriation. The Executive concurs.

SVP Program Growth GF -0- 437,200

The JLBC recommends a General Fund increase of \$437,200 and 7 FTE Positions in FY 2003 above FY 2001 for the SVP program. An SVP is a person who has been convicted of or found guilty but insane of a sexually

violent offense and who has a mental disorder that makes the person likely to engage in acts of sexual violence. If the individual is determined by the court or jury to be an SVP, the person is required by A.R.S. § 13-4606 to be committed to ASH or another licensed behavioral health inpatient facility until such time as he or she is determined to no longer be a threat to public safety.

Appropriations in FY 1998 and 1999 provided monies for the renovation of the Cholla building for the SVP program and for construction of 2 additional 60-bed treatment units. Laws 2000, Chapter 1 provided funding for the construction of 3 additional 60-bed treatment units. Currently, the Cholla building and 2 of the new buildings are occupied. DHS plans to occupy 1 of the new buildings in FY 2002 and another in FY 2003. The final building will be constructed during FY 2002 and available for occupancy in FY 2003. The Cholla building will be renovated for use as offices and treatment facilities. When all treatment units currently funded are complete in May of 2003, 300 beds for the SVP population will be available.



As of November 30, 2000, the SVP program had a census of 129. In the past, the State Department of Corrections (DOC) estimated that the program would grow by 5 new SVPs per month. Based on these projections, the SVP budget was based on a total census of 212 SVPs at the end of FY 2001. However, population growth has averaged approximately 3 new SVPs a month. This has resulted in excess capacity in the FY 2001 budget. The census is projected to grow to 186 by the end of the FY 2002, which is slightly less than the budgeted census in FY 2001. Therefore, the JLBC recommends no funding increase in FY 2002. The census is projected to grow to 222 in FY 2003. The JLBC recommends an increase of \$437,200 and 7 FTE Positions above FY 2001 for the FY 2003 growth. The Executive concurs with the recommendation for no funding increase in FY 2002, and recommends \$764,800 and 14 FTE positions for FY 2003.

Institute for Medical Disease Waiver (IMD) GF (500,000) (500,000) OF 500,000 500,000

The JLBC recommends a total biennial decrease of \$(1,000,000) General Fund and a total biennial increase of \$1,000,000 from the ASH Fund to reflect federal reimbursement for Medicaid eligible clients. This includes a General Fund decrease of \$(500,000) below FY 2001 in both FY 2002 and FY 2003 and an ASH Fund increase of \$500,000 above FY 2001 in both FY 2002 and FY 2003. The increased federal revenue will be deposited in the ASH Fund and can be used to offset the General Fund share of the ASH budget.

During FY 2001, AHCCCS received approval from the federal HCFA of a waiver request that will allow ASH to receive reimbursement for 30 days of a Medicaid eligible patient's stay at ASH. ASH is considered an "Institute of Mental Disease" (IMD) because it is an inpatient mental health treatment facility with more than 16 beds. HCFA does not allow IMDs to receive Medicaid reimbursement without a waiver.

ASH has identified 25 patients served from July through December 2000 that are Title XIX eligible and for which federal reimbursement could be received under the waiver. If this amount were annualized, ASH would receive reimbursement totaling \$743,700. However, since this is a new program and the amount of reimbursement may be less than anticipated, the JLBC recommendation assumes reimbursement of \$500,000 in FY 2002 and FY 2003. Revenue collections above this amount will be deposited in the ASH Fund. The Executive does not address this issue.

JLBC RECOMMENDED FORMAT — Modified Lump Sum for the Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Proposition 204

The Executive recommends a total biennial General Fund increase of \$23,897,800 and a total biennial ASH Fund decrease of \$(23,987,800) to replace ASH's Disproportionate Share Hospital (DSH) payment. This includes a General Fund increase of \$11,993,900 in by FY 2002 and FY 2003 and an equivalent ASH Fund decrease in both years.

At the 2000 general election, voters approved Proposition 204, which allocates monies from the Tobacco Settlement to expand eligibility for the AHCCCS program to 100% of the Federal Poverty Level. The Executive recommends relinquishing most of Arizona's federal DSH payment in order to obtain federal approval of a waiver for the Proposition 204 program. Thus, ASH's DSH payment would need to be replaced with General Fund.

The JLBC recommendation does not include any budget changes related to Proposition 204 because implementation of the program will require very significant policy decisions. How to address the state's DSH program is only one of those policy decisions. We recommend that these policy decisions and any resulting budget impacts be addressed during the legislative session.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Judiciary - Supreme Court

Honorable Thomas A. Zlaket, Chief Justice

JLBC: Kim Hohman/Pat Mah

House Subcommittee: Pearce

OSPB: Keith Fallstrom

Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Justices & Support	3,494,400	3,483,500	3,483,500	3,456,000	3,483,500	3,487,300
Administrative Supervision	7,321,400	7,580,300	7,580,300	7,822,500	7,580,300	7,820,300
Regulatory Activities	630,200	980,200	980,200	985,300	980,200	985,500
Court Assistance	1,557,100	2,981,600	2,981,600	2,932,800	2,981,600	2,932,900
Case Processing						
<i>State Aid</i>	2,931,900	8,369,100	8,369,100	8,378,200	8,369,100	8,378,200
<i>County Reimbursements</i>	353,500	590,000	590,000	590,000	590,000	590,000
<i>Automation</i>	8,900,600	14,464,800	14,464,800	14,431,200	14,464,800	14,431,500
<i>Program Subtotal - Case Processing</i>	12,186,000	23,423,900	23,423,900	23,399,400	23,423,900	23,399,700
Family Services						
<i>Foster Care Review Board</i>	2,079,000	2,180,100	2,180,100	2,142,700	2,180,100	2,143,000
<i>Court Appointed Special Advocate</i>	1,826,000	2,092,400	2,092,400	2,513,400	2,092,400	2,680,200
<i>Model Court</i>	512,400	521,800	521,800	528,400	521,800	528,400
<i>Domestic Relations</i>	905,800	1,013,100	1,013,100	1,008,900	1,013,100	1,008,900
<i>Program Subtotal - Family Services</i>	5,323,200	5,807,400	5,807,400	6,193,400	5,807,400	6,360,500
Judicial Nominations & Performance						
Review	271,200	362,900	362,900	355,800	362,900	355,800
Commission on Judicial Conduct	324,300	330,200	330,200	338,600	330,200	338,700
AGENCY TOTAL	31,107,800	44,950,000	44,950,000	45,483,800	44,950,000	45,680,700

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	218.0	239.4	239.4	247.4	239.4	253.9
Personal Services	7,719,000	10,961,000	10,961,000	11,396,000	10,961,000	11,581,500
Employee Related Expenditures	1,323,400	2,006,100	2,006,100	1,965,100	2,006,100	2,039,900
All Other Operating Expenditures:						
Professional and Outside Services	3,905,300	9,966,100	9,966,100	9,966,100	9,966,100	9,891,100
Travel	200,100	240,700	240,700	247,900	240,700	253,700
Other Operating Expenditures	18,015,000	21,752,800	21,752,800	21,850,800	21,752,800	21,866,100
Equipment	0	23,300	23,300	57,900	23,300	48,400
AGENCY TOTAL	31,107,800	44,950,000	44,950,000	45,483,800	44,950,000	45,680,700

FUND SOURCES

General Fund	16,061,500	18,113,100	18,113,100	18,294,300	18,113,100	18,323,800
Confidential Intermediary and Private						
Fiduciary Fund	30,200	395,100	395,100	394,100	395,100	394,100
Court Appointed Special Advocate Fund	1,826,000	2,092,400	2,092,400	2,513,400	2,092,400	2,680,200
Criminal Case Processing and Enforcement						
Improvement	55,000	0	0	0	0	0
Criminal Justice Enhancement Fund	1,832,400	3,001,200	3,001,200	3,009,600	3,001,200	3,009,600
Defensive Driving School Fund	4,207,600	5,167,300	5,167,300	5,139,800	5,167,300	5,140,300
Judicial Collection Enhancement Fund	6,616,300	12,621,500	12,621,500	12,572,500	12,621,500	12,572,600
State Aid to the Courts Fund	478,800	3,559,400	3,559,400	3,560,100	3,559,400	3,560,100
SUBTOTAL - Other Appropriated Funds	15,046,300	26,836,900	26,836,900	27,189,500	26,836,900	27,356,900
SUBTOTAL - Appropriated Funds	31,107,800	44,950,000	44,950,000	45,483,800	44,950,000	45,680,700
Other Non-Appropriated Funds	10,362,100	9,365,900	11,308,200	11,308,200	9,197,400	9,197,400
TOTAL - ALL SOURCES	41,469,900	54,315,900	56,258,200	56,792,000	54,147,400	54,878,100

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	181,200	1.0%	210,700	1.2%	391,900
Other Appropriated Funds	352,600	1.3%	520,000	1.9%	872,600
Total Appropriated Funds	533,800	1.2%	730,700	1.6%	1,264,500

AGENCY DESCRIPTION — *The Supreme Court consists of 5 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state's highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Annual % increase in court revenues	5/6	5/2.7	5	5
• % of courts with automated accounting and case management systems	NA	80/81	81	81
• New Supreme Court case filings	1,583/1,319	1,319/1,402	1,402	1,402
• Supreme Court cases pending at end of year	155/493	493/580	580	580
• Average calendar days to issue an opinion	NA	NA	NA	Baseline
• % of agency staff turnover	NA/14.2	NA/17.4	16.4	15.4
• Administration as a % of total cost	NA	4.0/NA	3.9	3.9

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$129,600	\$129,600
	OF 52,700	52,700
ERE Rates	GF (45,300)	(12,900)
	OF (68,200)	(67,500)
Risk Management	GF 59,300	53,000
Rent	GF 111,800	115,200

Court Advocates OF 378,800 620,500

The JLBC recommends a total biennial Court Appointed Special Advocate (CASA) Fund increase of \$999,300 to hire additional CASA field coordinators. This amount includes a FY 2002 increase of \$378,800 and 8 FTE Positions above FY 2001 and a FY 2003 increase of \$620,500 and 14.5 FTE Positions above FY 2001. The FY 2003 amount includes \$40,900 in one-time equipment costs.

The CASA program trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings. It is entirely supported by the CASA Fund, which consists of 30% of State Lottery unclaimed prize money. The recommendation provides for 8 additional field coordinator FTE Positions in FY 2002 and another 6.5 FTE Positions in FY 2003 for a total of 14.5 over the biennium. Each coordinator can supervise up to 42 volunteers who, on average, work with 2.7 children. The additional coordinators will enable 907 additional children to receive a CASA volunteer, increasing the total number of children with CASAs to approximately 3,726 in FY

2002. The additional 6.5 FTE field coordinator positions that are recommended for FY 2003 will allow another 737 children to be served. However, there is an estimated 875 children in out-of-home placement who will not be served by the CASA program.

Judicial Salary Increase GF 33,000 33,000

The JLBC recommends a total biennial General Fund increase of \$66,000 for judicial salary increases effective January 1, 2001. This amount includes an increase of \$33,000 in both FY 2002 and FY 2003 above FY 2001.

With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for State Elected Officials. As part of the Executive FY 2000 and FY 2001 supplemental budget recommendations (2000 Legislative Session), the Governor recommended that the salary for the Supreme Court Chief Justice be increased from \$123,000 to \$129,150 and the salary for Supreme Court Associate Justices be increased from \$120,500 to \$126,525 on January 1, 2001. Since the Legislature did not pass a measure specifically disapproving the salary increase, the adjustments became law. During the 2000 Legislative Session, the JLBC projected that the judicial salary increase would require a General Fund supplemental appropriation of \$16,600 in FY 2001. The FY 2002 and FY 2003 amounts reflect full-year funding for the salary increases. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

The JLBC also recommends a General Fund supplemental appropriation of \$16,600 for FY 2001 for the judicial salary increase. (See *Other Issues for Legislative Consideration for additional information*)

Equipment	GF	(5,100)	(5,100)
	OF	(10,700)	(10,700)

The JLBC recommends a total biennial General Fund decrease of \$(10,200) and CASA Fund decrease of \$(21,400) to eliminate one-time FY 2001 equipment funding. This amount includes a General Fund decrease of \$(5,100) in both FY 2002 and FY 2003 from FY 2001 and a CASA Fund reduction of \$(10,700) in both FY 2002 and FY 2003 from FY 2001.

Photocopier Lease

Purchase	GF	(102,100)	(102,100)
-----------------	-----------	------------------	------------------

The JLBC recommends a total biennial decrease of \$(204,200) for the elimination of lease payments for 1 photocopier in the AOC and 1 copier in the Foster Care Review Board. In FY 2001, the third and final lease-purchase payments will be made on the 2 photocopiers. This amount includes a decrease of \$(102,100) in both FY 2002 and FY 2003 from FY 2001.

State Aid to Courts	GF	-0-	-0-
	OF	-0-	-0-

The State Aid to Courts Fund was established by Laws 1999, Chapter 346 to improve the processing of criminal cases in the Superior Court and Justice Courts. State Aid to the Courts receives: 1) General Fund appropriations, 2) 40.97% of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 3) a portion of the monies collected by the Supreme Court and the Court of Appeals. The AOC is required to distribute the monies to the Superior Court and the Justice Courts in each county. In FY 2001, the fund was appropriated \$1,721,100 from the General Fund and \$1,838,400 from court revenues. The JLBC recommends continuing both of these appropriations through FY 2002 and FY 2003.

Certified Court

Reporters	GF	-0-	-0-
------------------	-----------	------------	------------

The Board of Certified Court Reporters was established by Laws 1999, Chapter 335. The Legislature appropriated \$30,000 in one-time monies from the General Fund in FY 2000 for start-up and operating costs of the board. These monies were to be paid back to the General Fund through certification fees collected by the board from court reporters. The JLBC does not recommend a continued General Fund appropriation since the board generates its own revenues. The Other Fund increase is not reflected in the JLBC recommendation as it is a Non-Appropriated Fund.

Elimination of Funding

For Impact Study	OF	-0-	(75,000)
-------------------------	-----------	------------	-----------------

The JLBC recommends a total CASA Fund decrease of \$(75,000) to eliminate monies for a 3-year impact study

that began in FY 2000. This amount provides a FY 2003 decrease of \$(75,000) below FY 2001. The purpose of the study is to compare the outcome of children who have been assigned a CASA to those who have not had that service. The study is to be completed in FY 2002 when the 3-year time period ends.

Program Budget Format

The Child Support Enforcement, Defensive Driving, and Case Processing Assistance Special Line Items have been part of the Superior Court. These are now displayed in the Supreme Court's budget recommendation to reflect the new program structure of the courts.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Program/Subprogram (*The Judiciary's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.*)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Included in the lump sum appropriation is \$1,000 for the purchase of mementos and items for visiting officials.

Modification of Prior Year Footnotes

All Case Processing Assistance Fund receipts received by the Administrative Office of the Courts in excess of \$3,009,600 in ~~FY 2001~~ FY 2002 AND FY 2003 are appropriated. ~~to the Case Processing Assistance Special Line Item.~~ Before the expenditure of any Case Processing Assistance Fund receipts in excess of \$3,009,600 in ~~FY 2001~~ FY 2002 AND FY 2003, the Administrative Office of the Courts shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. (*Footnote is modified due to budget structure changes associated with program budgeting. In addition, the original FY 2001 footnote specified only 1 year and is changed to reflect 2 years.*)

All Defensive Driving Fund receipts received by the Administrative Office of the Courts in excess of \$5,139,800 in ~~FY 2001~~ FY 2002 AND \$5,140,300 IN FY 2003 are appropriated. ~~to the Defensive Driving Special Line Item.~~ Before the expenditure of any Defensive Driving Fund receipts in excess of \$5,139,800 in ~~FY 2001~~ FY 2002 AND \$5,140,300 IN FY 2003, the Administrative Office of the Courts shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. (*Footnote is modified due to budget structure changes associated with program budgeting. In addition, the original FY 2001 footnote specified only 1 year and is changed to reflect 2 years.*)

All Judicial Collection Enhancement Fund (JCEF) receipts received by the Administrative Office of the Courts (AOC)

in excess of \$12,572,500 in ~~FY 2001~~ FY 2002 AND \$12,572,600 IN FY 2003 are appropriated to the Supreme Court. Before the expenditure of JCEF receipts in excess of \$12,572,500 in ~~FY 2001~~ FY 2002 AND \$12,572,600 IN FY 2003, the AOC shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. (Footnote is modified due to budget structure changes associated with program budgeting. In addition, the original FY 2001 footnote specified only 1 year and is changed to reflect 2 years.)

Executive Recommendation

The Executive does not provide a recommendation, but displays the agency's FY 2001 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 General Fund supplemental appropriation of \$16,600 to provide half-year funding for a judicial salary increase effective January 1, 2001. (See *Judicial Salary Increase policy issue for additional information.*)

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Alternative Dispute Resolution (SPA3245/A.R.S. § 12-135)				Non-Appropriated
Source of Revenue: The fund consists of 0.35% of fee collections on civil filings in the Superior Court and 2.42% of civil filings in Justice of the Peace Courts.				
Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.				
Funds Expended	195,500	155,500	155,500	155,500
Year-End Fund Balance	70,700	72,300	73,900	75,500
Confidential Intermediary and Private Fiduciary (SPA2276/A.R.S. § 8-135)				Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.				
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives for one or more persons who are unrelated to the fiduciary.				
Funds Expended	30,200	395,100	394,100	394,100
Year-End Fund Balance	531,600	531,600	531,600	531,600
County Public Defender Training (SPA3013/A.R.S. § 12-117)				Non-Appropriated
Source of Revenue: Two dollars of the \$12 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.				
Purpose of Fund: For training of county public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.				
Funds Expended	521,500	545,000	565,500	588,100
Year-End Fund Balance	1,300	0	0	0
Court Appointed Special Advocate (SPA2275/A.R.S. § 8-524)				Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.				
Purpose of Fund: For operating, improving, maintaining and enhancing the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.				
Funds Expended	1,826,000	2,092,400	2,513,400	2,680,200
Year-End Fund Balance	3,409,900	3,870,900	3,967,600	3,897,500

	FY 2000	FY 2001	FY 2002	FY 2003
Court Reporters (SPA2440/A.R.S. § 32-4007)				Non-Appropriated
Source of Revenue: Court reporters' certification fees.				
Purpose of Fund: To certify court reporters.				
Funds Expended from the General Fund	30,000	0	0	0
Other Funds Expended	104,700	91,800	77,400	63,000
Year-End Fund Balance	8,700	126,300	127,800	127,800
Criminal Case Processing and Enforcement Improvement (SPA1092/A.R.S. § 12-102.01)				Appropriated
Source of Revenue: Receives only General Fund appropriations. The fund received a one-time non-lapsing General Fund appropriation of \$350,000 in FY 1999. Monies that were not spent in FY 1999 carried forward and were spent in FY 2000.				
Purpose of Fund: To improve the processing of criminal cases in the Superior Court and the Justice Courts and the enforcement of court orders, including the collection of court ordered fees, fines, penalties, assessments, sanctions and forfeitures.				
Funds Expended from the General Fund	0	0	0	0
Other Funds Expended	55,000	0	0	0
Year-End Fund Balance	0	0	0	0
Criminal Justice Enhancement (SPA2075/A.R.S. § 41-2401)				Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% of CJEF monies are used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% of CJEF monies are used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.				
Funds Expended	4,480,300	9,881,500	9,893,900	9,893,900
Year-End Fund Balance	3,417,200	0	0	0
Defensive Driving School (SPA2247/A.R.S. § 28-3398)				Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.				
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses.				
Funds Expended	4,207,600	5,167,300	5,139,800	5,140,300
Year-End Fund Balance	1,706,700	1,706,700	1,706,700	1,706,700
Drug Enforcement Account (SPA2075/A.R.S. § 41-2402)				Non-Appropriated
Source of Revenue: Grant from the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.				
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.				
Funds Expended	2,732,300	2,738,000	2,738,000	2,738,000
Year-End Fund Balance	5,700	0	0	0
Drug Treatment and Education (SPA2277/A.R.S. § 13-901.02)				Non-Appropriated
Source of Revenue: The fund receives 10% of tax revenue collected on spirituous liquors and 25% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.				
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads.				
Funds Expended	3,687,000	3,865,100	3,865,100	3,865,100
Year-End Fund Balance	959,100	749,800	540,500	331,200
Grants and Special Revenue (SPA2084/A.R.S. § 41-401.01)				Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.				
Purpose of Fund: To expend grants as required by the contribution.				
Funds Expended	1,226,700	723,700	506,700	506,700
Year-End Fund Balance	167,700	44,000	37,300	30,600

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Judicial Collection Enhancement (SPA2246/A.R.S. § 12-113)

Appropriated

Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 18.39% of Justice of the Peace fees; time payment fees assessed for late court payments; and fees paid for court-ordered diversion programs.

Purpose of Fund: To train court personnel, improve/enhance the court's ability to collect and manage monies assessed or received by the court; and to fund court automation projects likely to improve case processing or the administration of justice.

Funds Expended	6,616,300	12,621,500	12,572,500	12,572,600
Year-End Fund Balance	5,158,300	5,158,300	5,158,300	5,158,300

State Aid to the Courts (SPA2446/A.R.S. § 12-102.02)

Appropriated

Source of Revenue: Legislative appropriations; a portion of court filing fees; and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.

Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.

Funds Expended from the General Fund	478,800	1,721,100	1,721,100	1,721,100
Other Funds Expended	478,800	3,559,400	3,560,100	3,560,100
Year-End Fund Balance	506,000	0	0	0

State Aid to Detention (SPA2141/A.R.S. § 41-2417)

Non-Appropriated

Source of Revenue: Legislative appropriations. In addition to General Fund monies, the fund was appropriated \$4,100,000 from the Corrections Fund in FY 2000 (Laws 2000, Chapter 363).

Purpose of Fund: To provide grants to counties for maintaining, expanding, or operating juvenile detention centers.

Funds Expended from the General Fund	4,981,300	9,381,100	0	0
Other Funds Expended	1,894,400	1,246,800	3,400,000	1,281,000
Year-End Fund Balance	11,012,100	4,431,000	1,281,000	0

[Click here to return to Table of Contents](#)

Judiciary – Court of Appeals

Honorable E. G. Noyes, Jr. Chief Judge, Division I
 Honorable Philip G. Espinosa, Chief Judge, Division II

JLBC: Kim Hohman
 OSPB: Keith Fallstrom

House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Court of Appeals						
<i>Division I</i>	6,859,900	7,066,800	7,066,800	7,252,100	7,066,800	7,312,400
<i>Division II</i>	3,241,800	3,356,400	3,356,400	3,445,800	3,356,400	3,431,800
AGENCY TOTAL	10,101,700	10,423,200	10,423,200	10,697,900	10,423,200	10,744,200

OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	138.5	140.5	140.5	140.5	140.5	140.5
Personal Services	7,679,500	8,087,300	8,087,300	8,299,000	8,087,300	8,299,000
Employee Related Expenditures	986,200	1,094,200	1,094,200	1,159,500	1,094,200	1,206,900
All Other Operating Expenditures:						
Professional and Outside Services	31,400	33,000	33,000	33,000	33,000	33,000
Travel	142,100	113,700	113,700	113,700	113,700	113,700
Other Operating Expenditures	1,169,100	1,059,800	1,059,800	1,072,700	1,059,800	1,071,600
Equipment	93,400	35,200	35,200	20,000	35,200	20,000
AGENCY TOTAL	10,101,700	10,423,200	10,423,200	10,697,900	10,423,200	10,744,200

FUND SOURCES						
General Fund	10,101,700	10,423,200	10,423,200	10,697,900	10,423,200	10,744,200
SUBTOTAL - Appropriated Funds	10,101,700	10,423,200	10,423,200	10,697,900	10,423,200	10,744,200
TOTAL - ALL SOURCES	10,101,700	10,423,200	10,423,200	10,697,900	10,423,200	10,744,200

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	274,700	2.6%	321,000	3.1%	595,700

AGENCY DESCRIPTION — *The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.*

Division I

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• All cases on file	4,450/4,731	4,731/4,744	4,744	4,744
• Cases pending at the end of the year	1,581/2,274	2,274/1,918	1,918	1,918
• Cases upheld upon review	NA	NA	NA	Baseline

Division II

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• All cases on file	2,163/2,411	2,411/2,412	2,412	2,412
• Cases pending at the end of the year	772/1,265	1,265/1,101	1,101	1,101
• Cases upheld upon review	NA	NA	NA	Baseline

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 89,400	\$ 89,400
ERE Rates	GF	45,900	93,300
Risk Management	GF	12,300	10,900
Rent	GF	600	900

Judicial Salary Increase GF 141,700 141,700

The JLBC recommends a total biennial General Fund increase of \$283,400 for judicial salary increases effective January 1, 2001. This amount includes an increase of \$141,700 in both FY 2002 and FY 2003 above FY 2001. With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for Elective State Officers. As part of the Executive FY 2000 and FY 2001 supplemental budget recommendations (2000 Legislative Session), the Governor recommended that the salary for Appellate Court Judges be increased from \$118,000 to \$123,900 on January 1, 2001. During the 2000 Legislative Session, the JLBC projected that the judicial salary increases would require a General Fund supplemental appropriation of \$71,000 in FY 2001. The FY 2002 and FY 2003 recommended amounts reflect full-year funding for the salary increases. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

The JLBC also recommends a General Fund supplemental appropriation of \$71,000 for FY 2001 for the judicial salary increase. *(See Other Issues for Legislative Consideration for additional information.)*

Equipment GF (15,200) (15,200)

The JLBC recommends a total biennial General Fund decrease of \$(30,400) for computer and office equipment. This amount includes elimination of \$(20,900) for one-time FY 2001 equipment funding for Division I, \$(14,300) for one-time FY 2001 equipment funding for Division II,

[Click here to return to Table of Contents](#)

and an increase of \$20,000 in both FY 2002 and FY 2003 above FY 2001. Of this amount, the JLBC recommends \$10,000 for Division I and \$10,000 for Division II. The recommended amount provides the Court of Appeals with funding for unanticipated computer repair and replacement.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Subprogram *(The Court of Appeals FY 2001 budget format was Lump Sum by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

Of the ~~138.5~~ 140.5 FTE Positions for ~~FY 2000~~ FY 2002 AND FY 2003, ~~102.5~~ 103.5 FTE Positions are for Division I and ~~36~~ 37 FTE Positions are for Division II. ~~Of the 140.5 FTE Positions for FY 2001, 103.5 FTE Positions are for Division I and 37 FTE Positions are for Division II.~~

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 General Fund supplemental appropriation of \$71,000 for half-year funding of judicial salary increases effective January 1, 2001. *(See Judicial Salary Increase policy issue for additional information.)*

Executive Recommendation

The Executive does not provide a recommendation, but displays the agency's FY 2001 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

Judiciary – Superior Court

David K. Byers, Director

JLBC: Kim Hohman
OSP: Keith Fallstrom

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Judges Compensation	10,229,200	10,156,500	10,156,500	12,216,200	10,156,500	12,261,900
Adult Probation Services						
<i>Standard Probation</i>	26,079,600	28,127,900	28,127,900	27,624,900	28,127,900	28,400,800
<i>Intensive Probation</i>	20,422,200	21,856,800	21,856,800	20,964,700	21,856,800	20,964,700
<i>Community Punishment</i>	3,772,300	5,701,300	5,701,300	5,736,000	5,701,300	5,736,000
<i>Interstate Compact</i>	1,396,100	1,428,600	1,428,600	1,445,700	1,428,600	1,445,700
<i>Program Subtotal - Adult Probation Services</i>	51,670,200	57,114,600	57,114,600	55,771,300	57,114,600	56,547,200
Juvenile Probation Services						
<i>Standard Probation</i>	7,716,600	8,098,200	8,098,200	8,675,300	8,098,200	9,173,300
<i>Intensive Probation</i>	12,999,400	14,936,700	14,936,700	12,838,000	14,936,700	13,090,900
<i>Treatment Services</i>	22,706,600	24,563,800	24,563,800	24,942,900	24,563,800	25,738,500
<i>Family Counseling</i>	605,700	635,000	635,000	660,400	635,000	661,400
<i>Progressively Increasing Consequences</i>	9,216,800	9,663,900	9,663,900	9,724,400	9,663,900	9,724,400
<i>Juvenile Crime Reduction</i>	2,647,900	5,049,900	5,049,900	5,053,900	5,049,900	5,053,900
<i>Program Subtotal - Juvenile Probation Services</i>	55,893,000	62,947,500	62,947,500	61,894,900	62,947,500	63,442,400
AGENCY TOTAL	117,792,400	130,218,600	130,218,600	129,882,400	130,218,600	132,251,500

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	208.9	192.0	192.0	197.0	192.0	197.0
Personal Services	10,769,500	10,688,300	10,688,300	12,563,400	10,688,300	12,563,400
Employee Related Expenditures	1,040,900	1,299,600	1,299,600	1,413,200	1,299,600	1,413,000
All Other Operating Expenditures:						
Professional and Outside Services	90,800	175,600	175,600	175,600	175,600	175,600
Travel	70,600	161,800	161,800	161,800	161,800	161,800
Other Operating Expenditures	105,820,600	116,885,600	116,885,600	115,060,500	116,885,600	117,151,700
Equipment	0	1,007,700	1,007,700	507,900	1,007,700	786,000
AGENCY TOTAL	117,792,400	130,218,600	130,218,600	129,882,400	130,218,600	132,251,500

FUND SOURCES

General Fund	115,144,500	123,338,300	123,338,300	122,998,100	123,338,300	125,367,200
Criminal Justice Enhancement Fund	2,647,900	6,880,300	6,880,300	6,884,300	6,880,300	6,884,300
SUBTOTAL - Other Appropriated Funds	2,647,900	6,880,300	6,880,300	6,884,300	6,880,300	6,884,300
SUBTOTAL - Appropriated Funds	117,792,400	130,218,600	130,218,600	129,882,400	130,218,600	132,251,500
TOTAL - ALL SOURCES	117,792,400	130,218,600	130,218,600	129,882,400	130,218,600	132,251,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(340,200)	-0.3%	2,028,900	1.6%	1,688,700
Other Appropriated Funds	4,000	0.1%	4,000	0.1%	8,000
Total Appropriated Funds	(336,200)	-0.3%	2,032,900	1.6%	1,696,700

AGENCY DESCRIPTION — *The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
Juvenile Standard Probation:				
• % of probationers successfully completing probation without a referral (a notice of misbehavior)	68/68	71/71	75	75
• Number of probationers at year end	NA/7,261	NA/7,851	8,442	8,946/9,486
• Average annual state cost per probation slot	\$1,425/\$1,049	\$929/\$982	\$945	\$1,016
Juvenile Intensive Probation (JIPS):				
• % of probationers successfully completing probation without a referral (a notice of misbehavior)	68/70	70/67	70	70
• Number of probationers at year end	NA/1,622	NA/1,689	1,713	1,765/1,818
• Average annual state cost per probation slot	\$6,372/\$8,084	\$6,567/\$7,696	\$6,374	\$6,941
Adult Standard Probation:				
• % of probationers successfully completing probation without a new conviction	NA/90	NA/88	90	90
• Number of probationers at year end	NA/33,146	33,378	34,737	35,615/36,516
• Average annual state cost per probation slot	\$833/\$643	\$884/\$781	\$885	\$756
Adult Intensive Probation (AIPS):				
• % of probationers successfully completing probation without a new conviction	75/86	75/77	81	81
• Number of probationers at year end	NA/3,401	NA/3,379	3,411	3,497/3,586
• Average annual state cost per probation slot	\$5,540/\$5,510	\$5,621/\$6,044	\$5,614	\$5,821

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$869,700	\$869,700
	OF	2,800	2,800
ERE Rates	GF	(38,700)	(38,900)
	OF	1,200	1,200
Risk Management	GF	832,100	878,200

Judicial Salary Increase GF **403,900** **403,900**
The JLBC recommends a total biennial General Fund increase of \$807,800 for a judicial salary increase effective January 1, 2001. This amount includes an increase of \$403,900 in both FY 2002 and FY 2003 above FY 2001.

With the exception of legislators, elected official salaries are determined by the recommendation of the Governor and the Commission on Salaries for Elective State Officers. As part of the Executive FY 2000 and FY 2001 supplemental budget recommendations (2000 Legislative Session), the Governor recommended that the salary of Superior Court Judges be increased from \$115,500 to \$120,750 on January 1, 2001. During the 2000 Legislative Session, the JLBC projected that the judicial salary increases would require a General Fund supplemental appropriation of \$212,700 in FY 2001. The FY 2002 and FY 2003 recommended amounts reflect full-year funding for the salary increases. The recommended amounts for FY 2002 and FY 2003 are relative to the original FY 2001 appropriation, which does not include the FY 2001 shortfall amount.

The JLBC also recommends a FY 2001 supplemental of \$212,700 to provide half-year funding for the judicial salary increase. (See *Other Issues for Legislative Consideration for additional information.*)

New Judgeships GF **810,300** **810,300**
The JLBC recommends a total biennial General Fund increase of \$1,620,600 to annualize 8 judgeships added in FY 2000 and to provide funding for 5 new judgeships added in FY 2001. This amount includes an increase of \$810,300 in both FY 2002 and FY 2003 above FY 2001.

Pursuant to A.R.S. § 12-128, one-half of Superior Court Judges' salaries are provided by state General Fund appropriations. Included in the recommendation is \$480,200 to annualize the 8 judgeships added in FY 2000 and \$330,100 to provide funding for the state's 50% share of Personal Services and Employee Related Expenditures for 5 newly established judgeships created in FY 2001 (2 in Maricopa, 1 in Pima, 1 in Pinal, and 1 in Yavapai). (See *Other Issues for Legislative Consideration for additional information.*)

Additionally, the JLBC recommends a FY 2001 General Fund supplemental of \$682,900 for 6-month funding for the 8 judgeships added in FY 2000 and to provide funding for the 5 judgeships added in FY 2001. (See *Other Issues for Legislative Consideration for additional information.*)

Summary of Probation

The state General Fund appropriation provides funding for regular and intensive probation programs and related treatment services for both the juvenile and adult population. The juvenile programs are Juvenile Standard

Probation, Juvenile Intensive Probation, Juvenile Treatment Services, and Progressively Increasing Consequences (PIC-Act). The adult programs are Adult Standard Probation, Adult Intensive Probation, Interstate Compact – Adult, and Community Punishment. For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). For the standard programs and treatment services, the state and counties share the costs. For example, the state and counties both fund probation officer salaries, although in recent years the state has predominantly covered the full cost of additional probation officers (the majority of the state funding for the regular probation programs is required by statute to be expended on salaries for staff). Counties contribute through Probation Service Fee collections, outside grants, and office space.

A General Appropriation Act footnote first approved for FY 1997 and modified by the FY 1999 General Appropriation Act requires that counties maintain their FY 1995 expenditure levels for each probation program.

Statutorily, 1 adult standard probation officer can supervise 60 offenders, 1 juvenile standard probation officer can supervise 35 offenders, and 1 team (2 probation officers) can supervise 25 intensive probationers (both adult and juvenile). In rural counties, small populations spread over great distances require funding the staffing ratios at less than 100% capacity. Therefore, the following recommendations are based on a minimum caseload capacity of 95% for Juvenile Standard, Juvenile Intensive, and Adult Intensive programs, and 98% caseload capacity for Adult Standard Probation.

JUVENILE PROGRAMS

Juvenile Standard

Probation	GF	492,900	990,800
------------------	-----------	----------------	----------------

The JLBC recommends a total biennial General Fund increase of \$1,483,700 for the Juvenile Standard Probation “program.” This amount includes a FY 2002 increase of \$492,900 above FY 2001 and a FY 2003 increase of \$990,800 above FY 2001. The FY 2003 amount is higher due to additional probationer growth in the “program” in that year.

The FY 2002 recommendation includes:

- An increase of \$176,000 to annualize 6 probation officers added in FY 2001.
- A reduction of \$(52,100) for one-time FY 2001 equipment.
- An increase of \$369,000 to add 10 state funded probation officers, 1 supervisor, and 2 support staff positions at 6-month funding and related equipment.

The FY 2003 recommendation includes:

- An increase of \$176,000 to annualize 6 probation officers added in FY 2001.
- A reduction of \$(52,100) for one-time FY 2001 equipment.
- An increase of \$604,500 to annualize probation officers and staff positions added in FY 2002.
- A reduction of \$(72,100) for one-time FY 2002 equipment funding.
- An increase of \$334,500 to add 9 state-funded probation officers, 1 supervisor, 2 support staff positions, and related equipment at 6-month funding.

Juvenile Standard Probation monies provide community services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Probation supervision is intended to monitor the juvenile’s compliance with the terms and conditions of probation imposed by the court. Beginning in FY 2000, the Administrative Office of the Courts (AOC) required each county to fund 1 officer for every 8 state-funded officers in Juvenile Standard Probation and 1 fee-funded officer for every 4 state-funded officers in Adult Standard Probation. The JLBC recommendations for these 2 “programs” are based on this assumption.

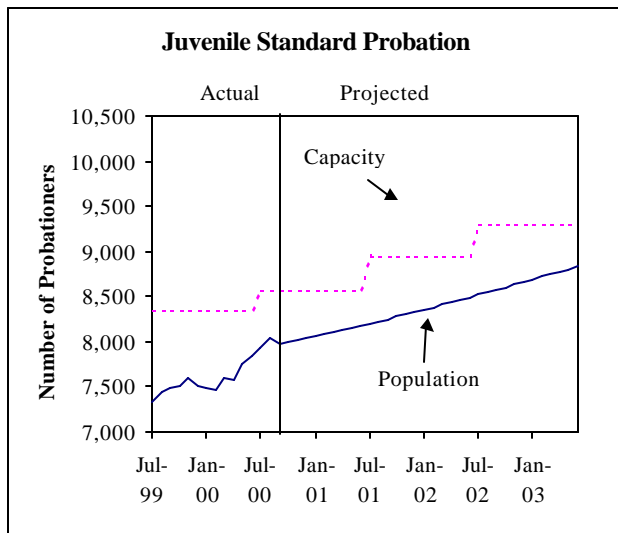
At the end of FY 2000, the number of offenders in the Juvenile Standard Probation “program” was 7,851. This represents an 8% increase in the number of probationers from FY 1999 to FY 2000. In FY 2001, caseload capacity is 8,571 probationer slots.

The JLBC projects the number of juvenile standard probationers to grow at an annual rate of 4% for FY 2002 and FY 2003. Using a 4% growth rate, the JLBC projects the number of juvenile standard probationers to increase to approximately 8,500 by the end of FY 2002. To meet the recommended 95% capacity threshold, the program would need 8,956 probationer slots, or an increase of 385 slots above the FY 2001 funded capacity. To achieve this level, the JLBC recommends an increase of \$369,000 in FY 2002 to add 10 state-funded probation officers (1 fee-funded county officer), 1 supervisor, and 2 support staff positions at 6-month funding. Also, included in the JLBC recommendation for FY 2002 is \$176,000 for the annualization of 6 probation officers added in FY 2001, and a reduction of \$(52,100) for one-time FY 2001 equipment.

Continuing the estimated growth rate of 4%, the JLBC recommends a FY 2003 increase of \$334,500 to add 9 state-funded probation officers (1 fee-funded county officer), 1 supervisor, and 2 support staff positions at 6-month funding. The number of state-funded officers added, as well as 1 fee-funded officer, will increase the program’s caseload capacity by 350 probationer slots for a total caseload capacity of 9,306 by the end of FY 2003. The JLBC projects that at the end of FY 2003 there will be

approximately 8,800 probationers in the Juvenile Standard Probation program. A population of 8,800 would represent approximately 95% of the funded caseload capacity. Also, included in the JLBC recommendation for FY 2003 is \$604,500 for probation officers added in FY 2002, \$176,000 for the annualization of probation officers added in FY 2001, and a reduction of \$(124,200) for one-time FY 2001 and FY 2002 equipment funding.

The change in the number of juvenile probationers and the program's caseload capacity is shown by the following graph.



Juvenile Intensive

Probation (JIPS) GF (2,217,900) (1,965,000)

The JLBC recommends a total biennial General Fund decrease of \$(4,182,900) for the Juvenile Intensive Probation program. This amount includes a FY 2002 decrease of \$(2,217,900) from FY 2001 and a FY 2003 decrease of \$(1,965,000) from FY 2001.

The FY 2002 recommendation includes:

- A reduction of \$(514,800) to eliminate funding for 9 JIPS teams, 2 supervisors, and 3 support staff positions added in FY 2001.
- A reduction of \$(370,500) for one-time vehicle and equipment funding for probation officers added in FY 2001.
- A reduction of \$(1,332,600) to eliminate 9 Juvenile Intensive Probation teams (18 officers) in FY 2002.

The FY 2003 recommendation includes:

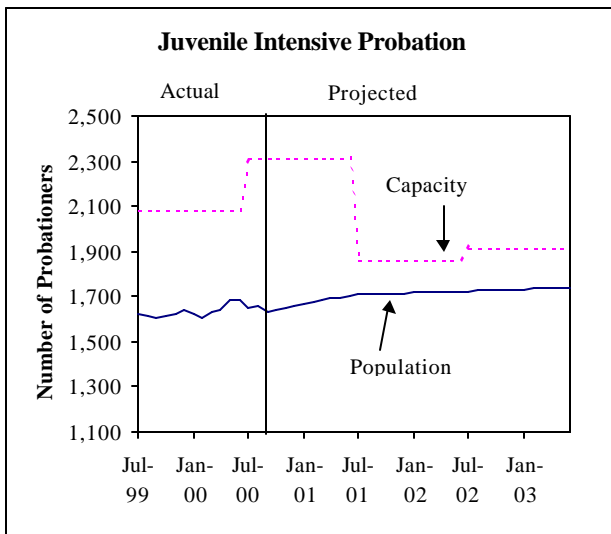
- A reduction of \$(514,800) to eliminate funding for 9 JIPS teams, 2 supervisors, and 3 support staff positions added in FY 2001.
- A reduction of \$(370,500) for one-time vehicle and equipment funding for probation officers added in FY 2001.
- A reduction of \$(1,332,600) to eliminate 9 Juvenile Intensive Probation teams (18 officers) in FY 2002.
- An increase of \$252,900 to add 2 Intensive Probation teams (4 officers) in FY 2003.

JIPS was created to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. Laws 1997, Chapter 220 (Juvenile Justice Reform) modified the eligibility criteria for JIPS by requiring juveniles 14 years old or older who are adjudicated as repeat felony offenders to be placed on JIPS or sent to the Arizona Department of Juvenile Corrections. At the end of FY 2000, the number of probationers in Juvenile Intensive Probation was 1,689. The funded FY 2000 year-end caseload capacity was 2,087 probationer slots. A population of 1,689 would represent approximately 81% of the funded caseload capacity. In FY 2001, 9 JIPS teams, 2 supervisors, and 3 support staff positions were added to the program under the assumption that the JIPS population would increase by 11% in both FY 2000 and 2001. Actual growth from FY 1999 to FY 2000 was 4%. The officers added in FY 2001 would increase JIPS caseload capacity to 2,312 by the end of FY 2001.

Based on the FY 2000 growth rate, the JLBC projects that the current level of caseload funding (2,312 slots) is higher than is needed for the program at the end of FY 2002. Therefore, the JLBC recommends a FY 2002 decrease of \$(2,217,900) for the elimination of 9 JIPS teams added in FY 2001 and 9 additional JIPS teams (18 officers) from the JIPS program. This decrease will bring the funded JIPS caseload capacity to 1,862. With a projected JIPS population of approximately 1,720 at the end of FY 2002, the program will be operating at 93% of its funded caseload capacity. Due to deployment of probation officers currently in the field, a further reduction to attain a 95% operating capacity is not possible. Also, included in the JLBC recommendation for FY 2001 is the reduction of \$(370,500) for one-time vehicle and equipment funding for probation officers added in FY 2001.

In FY 2003, the JLBC estimates a growth rate equal to the Administrative Office of the Courts (AOC) projection of 1%, resulting in a JIPS population of approximately 1,740 by the end of FY 2003. The JLBC recommends an increase of \$252,900 to add 2 JIPS teams in FY 2003 to handle this growth. Also, included in the JLBC recommendation for FY 2003 is a reduction of \$(2,217,900) to continue the elimination of 18 JIPS teams and related equipment expenditures from FY 2002.

The change in the number of juvenile probationers and the program's caseload capacity is shown by the following graph.



Juvenile Treatment Services

GF 389,800 1,185,300

The JLBC recommends a total biennial General Fund increase of \$1,575,100 for juvenile treatment services. This amount includes a FY 2002 increase of \$389,800 above FY 2001 and a FY 2003 increase of \$1,185,300 above FY 2001. Juvenile Treatment Services monies allow the juvenile courts to meet the requirements of A.R.S. § 8-230.01 and A.R.S. § 8-230.02, relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs, residential treatment centers, counseling, shelter care, and other programs. The JLBC projects that the total number of juveniles on probation at the end of FY 2002 and FY 2003 will increase by 4% each year. This growth rate is based on population growth in both Juvenile Standard and Juvenile Intensive Probation programs. The FY 2003 amount is higher due to the continuation of a 4% growth rate.

Family Counseling GF 25,400 26,400

The JLBC recommends a total biennial General Fund increase of \$51,800 for the Family Counseling “program”. This amount includes a FY 2002 increase of \$25,400 above FY 2001 and a FY 2003 increase of \$26,400 above FY 2001. Family Counseling monies provide funding to the Juvenile Division of the Superior Courts for prevention of delinquency and incorrigibility among juvenile offenders by strengthening their family relationships. These monies are predominately for non-adjudicated juveniles and their families, and require a 25% county match. The recommended amount is based on the Department of Economic Security’s projected population growth of 2%. The FY 2003 amount is higher due to the 2% growth in the program continued in the second year.

ADULT PROGRAMS

Adult Standard Probation GF (796,200) (20,300)

The JLBC recommends a total biennial General Fund decrease of \$(816,500) for the Adult Standard Probation program. This amount includes a FY 2002 decrease of

\$(796,200) from FY 2001 and a FY 2003 decrease of \$(20,300) from FY 2001.

The FY 2002 recommendation includes:

- An increase of \$217,000 to annualize 9 officers, 1 supervisor, and 2 support staff positions added in FY 2001.
- A reduction of \$(1,013,200) to eliminate half-year funding for 27 probation officers, 2 supervisors, and 5 support staff positions added in FY 2001.

The FY 2003 recommendation includes:

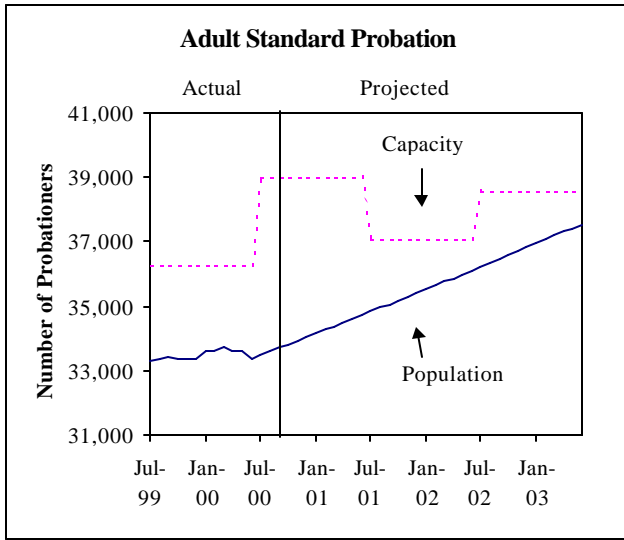
- An increase of \$217,000 to annualize 9 officers, 1 supervisor, and 2 support staff positions added in FY 2001.
- A reduction of \$(1,013,200) to eliminate half-year funding for 27 probation officers, 2 supervisors, and 5 support staff positions added in FY 2001.
- An increase of \$775,900 to add 21 state-funded (4 fee-funded) probation officers, 2 supervisors and 5 support staff positions in FY 2002.

Adult Standard Probation monies provide community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. At the end of FY 2000, there were 33,378 probationers in the Adult Standard Probation program. This represents 1% growth from FY 1999 to FY 2000. The Adult Standard program was appropriated 36 officers, 3 supervisors, and 7 support staff positions at 6-month funding for FY 2001. Due to a sufficient level of funding and a lack of growth in the “program” at the end of FY 2000, the JLBC does not recommend annualizing all of the 36 probation officers appropriated in FY 2001. The JLBC does, however, recommend providing full-year funding for 9 of these officers, 4 of which will be dedicated to domestic violence cases. With this increase, Adult Standard Probation will have a caseload capacity of 37,068 by the end of FY 2002.

Assuming a 4% growth rate, the JLBC projects the number of probationers in Adult Standard Probation to be approximately 36,100 by the end of FY 2002. With the funded caseload capacity of 37,068, the program will be able to handle this growth with the 9 probation officers annualized in FY 2002 and maintain a 97% operating capacity.

The JLBC analysis projects the number of adult standard probationers to be approximately 37,500 by the end of FY 2003. Based on an estimated 4% growth rate, the JLBC recommends an increase of \$775,900 to add 21 state-funded probation officers, 2 supervisors, and 5 support staff positions at half-year funding in FY 2003. The number of state-funded officers added in FY 2003, combined with 4 fee-funded officers, will increase the subprogram’s capacity by 1,500 slots for a total caseload capacity of 38,568 by the end of FY 2003. A population of 37,500 would represent approximately 97% of funded caseload capacity.

The growth in adult standard probationers from FY 2000 through FY 2003, as well as the program's caseload capacity, is shown by the following graph.



Adult Intensive Probation GF (1,111,500) (1,111,500)
 The JLBC recommends a total biennial General Fund decrease of \$(2,223,000) for the Adult Intensive Probation (AIPS) program. This amount includes a decrease of \$(1,111,500) in both FY 2002 and FY 2003 from FY 2001.

The FY 2002 recommendation includes:

- A reduction of \$(500,000) to eliminate funding for 7 Adult Intensive Probation teams, 1 supervisor, and 3 support staff positions added in FY 2001.
- A reduction of \$(167,300) for one-time FY 2001 vehicle funding
- A reduction of \$(444,200) to eliminate 3 additional AIPS teams in FY 2002.

The FY 2003 recommendation includes:

- A reduction of \$(500,000) to eliminate funding for 7 Adult Intensive Probation teams, 1 supervisor, and 3 support staff positions added in FY 2001.
- A reduction of \$(167,300) for one-time FY 2001 vehicle funding
- A reduction of \$(444,200) to eliminate 3 additional AIPS teams in FY 2002.

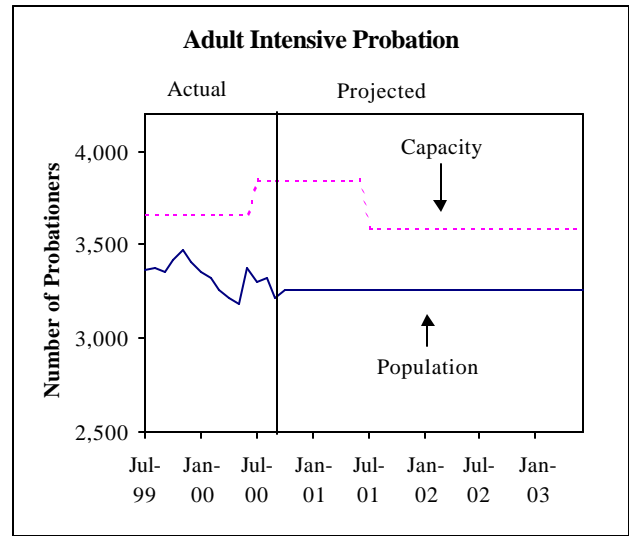
Adult Intensive Probation is a sentencing alternative intended to divert serious, non-violent offenders from prison. The number of adults on AIPS at the end of FY 2000 was 3,379. The caseload capacity at that time was 3,670. The number of probationers at the end of FY 2000 represents a 1% decrease from the number of probationers at the end of FY 1999. Due to a lack of growth in this program, the JLBC does not recommend annualizing the 7 AIPS teams added in FY 2001.

In FY 2002, the JLBC, as well as the AOC project no growth in the AIPS program. The JLBC analysis shows

that the AIPS caseload capacity of 3,670 slots is more than is needed to handle the current number of probationers. Therefore, JLBC recommends a decrease of \$(444,200) to eliminate 3 AIPS teams in FY 2002. Also, included in the FY 2002 recommendation is a decrease of \$(667,300) for the elimination of probation officers added in FY 2001.

Due to a lack of growth in the program, the JLBC does not recommend any additional funding in FY 2003. Included in the recommended amount is the continuation of the FY 2002 reduction of \$(1,111,500) to eliminate FY 2001 funding and an additional 3 probation officer teams.

The growth in adult intensive probationers from FY 2000 through FY 2003, as well as the program's caseload capacity, is shown by the following graph.



Program Budget Format

The Child Support Enforcement, Defensive Driving, and Case Processing Assistance Special Line Items have been part of the Superior Court. These are now displayed in the Supreme Court's budget recommendation to reflect the new program structure of the courts.

JLBC RECOMMENDED FORMAT — Lump Sum by Program/Subprogram (*The Judiciary's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.*)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Of the 197.0 FTE Positions, 153 FTE Positions represent Superior Court judges. One-half of their salaries are provided by state General Fund appropriations pursuant to A.R.S. § 12-128. This is not meant to limit the counties' ability to add additional judges pursuant to A.R.S. § 12-121.

Up to 4.6% of the amounts appropriated for Juvenile Treatment Services and Progressively Increasing Consequences may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-230.01, and to conduct evaluations as needed. The remaining portion of the Juvenile Treatment Services and Progressively Increasing Consequences line items shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-230.01.

Receipt of state probation monies by the counties is contingent on the county maintenance of FY 1995 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs.

Modification of Prior Year Footnotes

All Community Punishment Program receipts received by the Administrative Office of the Courts in excess of \$5,736,000 in FY 2002 AND FY 2003 are appropriated to the Community Punishment ~~Special Line Item~~ SUBPROGRAM. Before the expenditure of any Community Punishment receipts in excess of \$5,736,000 in FY 2002 AND FY 2003, the Administrative Office of the Courts shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. *(Footnote is modified due to budget structure changes associated with program budgeting.)*

All Juvenile Crime Reduction Fund receipts received by the Administrative Office of the Courts in excess of \$5,053,900 in FY 2002 AND FY 2003 are appropriated to the Juvenile Crime Reduction ~~Special Line Item~~ SUBPROGRAM. Before the expenditure of any Juvenile Crime Reduction Fund receipts in excess of \$5,053,900 in FY 2002 AND FY 2003, the Administrative Office of the Courts shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. *(Footnote is modified due to budget structure changes associated with program budgeting.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 General Fund supplemental appropriation of \$212,700 for half-year funding of judicial salary increases effective January 1, 2001. *(See Judicial Salary Increase policy issue for additional information.)*

The JLBC recommends a FY 2001 General Fund supplemental appropriation of \$482,200 to annualize 8 new judgeships established in FY 2000. *(See New Judgeships policy issue for additional information.)*

The JLBC recommends a FY 2001 General Fund supplemental appropriation of \$200,700 to provide funding for 5 judgeships established in FY 2001. This amount provides funding for the state's 50% share of Personal [Click here to return to Table of Contents](#)

Services and Employee Related Expenditures for the new judgeships. *(See New Judgeships policy issue for additional information.)*

Executive Recommendation

The Executive does not provide a recommendation, but displays the agency's FY 2001 appropriation in the recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

School Facilities Board

Philip Geiger, Executive Director

JLBC: Patrick Fearon

House Subcommittee: Gray

OSPB: Dawn Nazary

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
School Facilities Board	2,322,300	1,689,800	1,689,200	1,699,800	1,689,100	1,699,900
New School Facilities SLI	126,579,200	200,000,000	250,000,000	250,000,000	260,000,000	260,000,000
Building Renewal SLI	82,500,000	120,000,000	132,000,000	132,000,000	137,827,900	137,827,900
Deficiencies Correction SLI	26,216,200	150,000,000	70,000,000	190,000,000	190,000,000	70,000,000
AGENCY TOTAL	237,617,700	471,689,800	453,689,200	573,699,800	589,517,000	469,527,800

OPERATING BUDGET

Full Time Equivalent Positions	15.0	19.0	23.0	19.0	23.0	19.0
Personal Services	774,800	1,087,700	1,098,300	1,098,300	1,098,300	1,098,300
Employee Related Expenditures	152,500	192,300	194,900	182,300	194,900	182,500
All Other Operating Expenditures:						
Professional and Outside Services	1,182,500	236,100	200,200	236,900	200,200	236,900
Travel - In State	10,200	25,900	25,900	25,900	25,900	25,900
Travel - Out of State	1,000	0	0	0	0	0
Other Operating Expenditures	139,100	137,800	159,900	146,400	159,800	146,300
Equipment	62,200	10,000	10,000	10,000	10,000	10,000
OPERATING SUBTOTAL	2,322,300	1,689,800	1,689,200	1,699,800	1,689,100	1,699,900
Special Line Items	235,295,400	470,000,000	452,000,000	572,000,000	587,827,900	467,827,900
AGENCY TOTAL	237,617,700	471,689,800	453,689,200	573,699,800	589,517,000	469,527,800

FUND SOURCES

General Fund	95,278,500	471,239,800	383,689,200	503,699,800	519,517,000	399,527,800
General Fund - Dedicated	0	0	70,000,000	70,000,000	70,000,000	70,000,000
Deficiencies Correction Fund	760,000	450,000	0	0	0	0
Capital Reserve Fund	141,579,200	0	0	0	0	0
SUBTOTAL - Other Appropriated Funds	142,339,200	450,000	70,000,000	70,000,000	70,000,000	70,000,000
SUBTOTAL - Appropriated Funds	237,617,700	471,689,800	453,689,200	573,699,800	589,517,000	469,527,800
Other Non-Appropriated Funds	3,227,500	4,062,600	800,000,000	800,000,000	15,000,000	15,000,000
TOTAL - ALL SOURCES	240,845,200	475,752,400	1,253,689,200	1,373,699,800	604,517,000	484,527,800

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	32,460,000	6.9%	(71,712,000)	-15.2%	(39,252,000)
General Fund - Dedicated	70,000,000	NA	70,000,000	NA	140,000,000
Other Appropriated Funds	(450,000)	-100.0%	(450,000)	-100.0%	(900,000)
Total Appropriated Funds	102,010,000	21.6%	(2,162,000)	-0.5%	99,848,000

AGENCY DESCRIPTION — The School Facilities Board was created by Laws 1998, Chapter 1, 5th Special Session. It is composed of 8 members appointed by the Governor, and the Superintendent of Education or her designee. The board administers the New School Facilities Fund, the Building Renewal Fund, and the Deficiencies Correction Fund to provide capital funding for K-12 school districts.

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of school districts meeting minimum adequacy standards	NA	NA	NA	NA/100
• % of schools annually inspected for adequacy	NA	NA/100	10	20
• % of cumulative critical deficiency correction projects completed	NA	NA/8	75	95/100
• % of cumulative non-critical deficiency correction projects completed	NA	NA/0	26	53/100
• Number of new school construction projects completed	NA	NA/5	32	50/35
• Administration as a % of total cost	NA	NA/2.5	2.5	0.01

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 12,600	\$ 12,600
ERE Rates	GF	(11,200)	(11,000)
Risk Management	GF	9,000	8,900
Rent	GF	(400)	(400)
Operating Budget	GF	450,000	450,000
	OF	(450,000)	(450,000)

The JLBC recommends a total biennial General Fund increase of \$900,000 and a total biennial Deficiencies Correction Fund decrease of \$(900,000) to continue an operating increase appropriated last year by Laws 2000, Chapter 163. The fund shift is a more accurate portrayal of the actual source of the board's operating monies. The General Fund is the only source of monies for the Deficiencies Correction Fund.

Chapter 163 added 4 FTE Positions and \$450,000 from the Deficiencies Correction Fund in FY2001 for ongoing operating costs. This FY 2001 appropriation reflected \$202,500 that the board had previously funded with monies remaining from a non-lapsing FY 1999 General Fund appropriation, along with an increase of \$247,500 in new General Fund monies. The board's operating budget is the only portion of its expenditures that is subject to legislative appropriation.

The Executive recommends shifting \$453,600 from the Deficiencies Correction Fund to the General Fund, for a total biennial General Fund increase of \$907,200 and a total biennial Deficiencies Corrections Fund decrease of \$(907,200). The Executive recommendation is slightly larger than the JLBC recommendation because the Executive assumes different rates for Employee Related Expenditures.

Capital Expenditures Overview

The JLBC estimates that the School Facilities Board's statutory funding formulas will require a total biennial increase of \$99,827,900. This includes a FY 2002

increase of \$102,000,000 above FY 2001 and a FY 2003 decrease of \$(2,172,100) below FY 2001.

The \$102,000,000 total for FY 2002 above FY 2001 consists of \$70,000,000 in "General Fund - Dedicated" monies from Proposition 301 and \$32,000,000 in regular General Fund monies.

The \$(2,172,100) total for FY 2003 above FY 2001 consists of \$70,000,000 in "Dedicated General Fund" monies from Proposition 301 and \$(72,172,100) in regular General Fund monies.

The "General Fund - Dedicated" and regular General Fund monies in these totals are not subject to the appropriation process and therefore will not appear in the General Appropriation Act.

The Students FIRST legislation (Laws 1998, Chapter 1, 5th Special Session), as amended, established 3 expenditure categories for K-12 school capital construction: new school facilities, building renewal, and deficiencies correction. Monies for these issues are budgeted as General Fund expenditures and consist of Transaction Privilege Tax (TPT) revenues credited to School Facilities Board funds.

Under state law, the board determines its own funding for these 3 expenditure categories. Increased amounts for these expenditures are discussed below.

New School Facilities **GF 50,000,000 60,000,000**

The JLBC estimates that the New School Facilities Fund will require a total biennial General Fund increase of \$110,000,000 to provide aid to school districts for construction of new schools. This includes a FY 2002 increase of \$50,000,000 above FY 2001 and a FY 2003 increase of \$60,000,000 above FY 2001. The program's expected cost has risen from a total of \$200,000,000 in FY 2001 to \$250,000,000 in FY 2002 and \$260,000,000 in FY 2003.

Background

The New School Facilities Fund is established by A.R.S. § 15-2041 in order to provide funding for school districts to construct new K-12 school facilities. The amounts allocated to each school district are determined by statutory requirements, as interpreted by the School Facilities Board. The primary components of the statutory requirements include enrollment projections, building adequacy standards adopted by the board, geographic factors, square footage per pupil, and square footage costs prescribed by statute and annually updated by JLBC.

The board reports to the Joint Committee on Capital Review (JCCR), by December 1 of each year, the estimated amounts necessary for new school construction in the following fiscal year. By January 1, the board instructs the State Treasurer of the TPT amount to be credited in the following fiscal year to the New School Facilities Fund. The board then distributes the monies to school districts as work is completed on approved projects. In December 2000, the board reported to JCCR that its projected New School Facilities funding need for FY 2002 will be \$250,000,000 and its projected need for FY 2003 will be \$260,000,000.

FY 2002 Requirement

For FY 2002, the board estimates that the New School Facilities Fund will require \$250,000,000 in total funding. This represents a 25% increase over the FY 2001 amount. The increase arises primarily from the construction project schedule for new schools being funded. The projects generally take 2 or more years to complete, with the first year consisting largely of planning and preparatory work and the following years consisting of the more expensive construction phases. The board distributes a project's funding each year based on the phase that the project is in and the amount of construction completed, rather than providing the funding in a lump sum on a one-time basis. The board can stop funding a project in the planning stage if it is no longer justified, but is committed to fund all of the project once construction has begun.

The board estimates that 46 projects will move into the more expensive construction phases and be completed in FY 2002, at a cost of approximately \$205,000,000 in that year. The remaining funding need for FY 2002 is for projects that will be completed in FY 2003 or later. The board estimates that 51 projects will be completed in FY 2001, at a cost of approximately \$148,000,000 in that year (with the remaining funding for that year going to projects to be completed later). On average, the projects to be completed in FY 2001 are smaller and less expensive than the projects to be completed in FY 2002.

The Executive concurs.

FY 2003 Requirement

For FY 2003, the board estimates that the New School Facilities funding will require \$260,000,000 in total funding. This represents a 4% increase over the estimated

FY 2002 amount, which is less than the 25% increase projected for FY 2003 because of project completions as described in the previous paragraph and the lack of firm data on new projects so far in the future. The projected FY 2003 amount will serve as a placeholder until December 2001, at which time the board will provide an updated estimate for that year.

The Executive concurs.

Building Renewal GF 12,000,000 17,827,900

The JLBC estimates that the School Facilities Building Renewal formula will require a total biennial General Fund increase of \$29,827,900. This includes a FY 2002 increase of \$12,000,000 above FY 2001 and a FY 2003 increase of \$17,827,900 above FY 2001. The program's expected cost has risen from a total of \$120,000,000 in FY 2001 to \$132,000,000 in FY 2002 and \$137,827,900 in FY 2003.

Background

The Building Renewal Fund is established by A.R.S. § 15-2031 in order to provide funding for school districts to maintain the adequacy of existing school facilities. Building Renewal monies are for major renovations/repairs, upgrading systems to extend the life of a building, and infrastructure costs on academic buildings owned by a district. The amount allocated to each school district is determined by a statutory formula. The primary components of the formula are building age (which is adjusted for significant remodeling/upgrades) and building capacity value (which takes into account the building's student capacity, square footage, and square footage costs prescribed by statute).

The board reports to JCCR, by December 1 of each year, as to the estimated amounts necessary for Building Renewal in the following fiscal year. By January 1, the board instructs the State Treasurer of the TPT amount to be credited in the following fiscal year to the Building Renewal Fund. The board then distributes the monies to school districts in 2 equal installments, in November and May.

For FY 2001, the board instructed the Treasurer to credit \$120,000,000 to the Building Renewal Fund. Since then, the formula cost for Building Renewal has been recalculated at \$122,725,300 for FY 2001. In a decision addressing the legality of prior-year shortfalls between the transfer instructions to the Treasurer and the calculated formula cost, a Maricopa County district court ruled in October that the funding for Building Renewal each year should be determined by the formula cost. In January, the Attorney General issued a formal opinion that the court ruling does not require or permit the board to present a revised instruction to the Treasurer to make up the shortfall of \$2,725,300 for FY 2001. The board therefore plans to request a supplemental appropriation in the amount of \$2,725,300 to make up the shortfall.

FY 2002 Requirement

For FY 2002, the board estimates that the Building Renewal Formula will require \$132,000,000 in total funding. This represents an increase of 10% over the original FY 2001 allocation. Most of the increase arises

from an adjustment to the inflation factor that was originally assumed for FY 2001 plus an additional 4% inflation factor that is assumed for FY 2002. Also affecting the increase are changes in data for items such as building age. The Executive concurs.

FY 2003 Requirement

For FY 2003, the board estimates the Building Renewal Formula will require \$137,827,900 in total funding. This represents an increase of approximately 4.4% over the estimated FY 2002 amount. Most of the increase arises from an assumed inflation factor of 4% for the year. Data changes for items such as building age account for the rest of the increase. The projected FY 2003 amount will serve as a placeholder until December 2001, at which time the board will provide an updated estimate for that year. The Executive concurs.

Deficiencies Correction

Regular GF	(30,000,000)	(150,000,000)
Dedicated GF	70,000,000	70,000,000

The JLBC recommends a total biennial decrease of \$(40,000,000) for deficiencies corrections. This consists of a FY 2002 increase of \$40,000,000 above FY 2001 and a FY 2003 decrease of \$(80,000,000) below FY 2001.

The recommended FY 2002 increase of \$40,000,000 above FY 2001 consists of a \$(30,000,000) decrease in regular General Fund monies and a \$70,000,000 increase in "Dedicated General Fund" monies from Proposition 301.

The recommended FY 2003 decrease of \$(80,000,000) below FY 2001 consists of a \$(150,000,000) decrease in regular General Fund monies and a \$70,000,000 increase in "Dedicated General Fund" monies from Proposition 301. The "Dedicated General Fund" monies are not subject to the appropriation process and therefore will not appear in the General Appropriation Act.

The recommended \$70,000,000 "Dedicated General Fund" increase for both FY 2002 and FY 2003 is for debt service on new "School Improvement Revenue Bonds." Proposition 301 ("Education 2000") from the November 2000 General Election allows the board to issue "School Improvement Revenue Bonds" to help pay for deficiencies correction. It also allows the board to pay debt service on the bonds with monies dedicated from the 0.6% sales tax increase authorized by the proposition. Since the 0.6% sales tax monies will be deposited into the General Fund but are dedicated for specific purposes such as deficiencies correction debt service, they are referred to above (and throughout this narrative) as "Dedicated General Fund" revenues.

In addition, the JLBC recommends transferring \$15,000,000 in non-appropriated funds from the School Capital Equity Fund to the Deficiencies Corrections Fund in FY 2003. The School Capital Equity Fund consists of monies dedicated to complete school capital projects previously approved by the State Board for School Capital

Facilities, which has now been repealed. Transferring these funds would require special legislation, as discussed below.

Background

The Deficiencies Correction Fund is established by A.R.S. § 15-2021 to correct existing square footage and quality deficiencies. Adequacy requirements are defined in A.R.S. § 15-2011 and in related guidelines that were adopted by the board and approved by JCCR in August 1999. Deficiencies are to be corrected by June 30, 2003. The board was statutorily required to inform the Legislature by December 15, 1999 of the total amount necessary to resolve all deficiencies. Due to delays in the board's development of the facility standards and a contract to assess school conditions relative to the standards, it did not meet this date. In July 2000, however, the board presented a preliminary estimate of \$1,171,300,000 for resolving all deficiencies. This estimate was based on statewide assessment data from a sample of the school districts. The board is scheduled to finish the statewide assessment by early 2001. The final funding requirements for deficiencies correction will not be known until all required projects are bid and under way.

By December 1 of each *even*-numbered year, the board reports to JCCR regarding the estimated amounts needed for Deficiencies Corrections in the following 2 fiscal years. By December 1 of each *odd*-numbered year, the board provides an update to JCCR regarding the estimated amount needed for the 2nd year of the biennium. By January 1 of *each* year, the board instructs the State Treasurer of the TPT amount to be credited in the following fiscal year to the Deficiencies Correction Fund.

Board Recommendation

In December 2000, the board reported to JCCR that it estimated that the Deficiencies Correction Fund would require \$500,000,000 in total funding for FY 2002 and \$436,210,000 in total funding for FY 2003. It also indicated that it would instruct the State Treasurer to credit these amounts to the fund in the respective years. This would provide the fund with total combined funding of \$936,210,000 for the biennium.

Under Proposition 301, \$800,000,000 of that projected cost now can be funded with School Improvement Revenue Bonds. The board believes, however, that it can not issue those bonds in FY 2002 or FY 2003 because of technical problems in the legislation authorizing them, such as the repeal of a bond debt service fund in FY 2005. The board has indicated that if those technical problems are resolved with appropriate legislation it would issue the bonds. The board therefore indicated in its December 2000 report to JCCR that its transfer instruction to the Treasurer would include a contingent instruction such that if it *does* issue bonds, the Treasurer is *not* to transfer any TPT monies to the Deficiencies Correction Fund in FY 2002. The board indicated that it would then instruct the Treasurer to transfer only \$136,210,000 in TPT monies

to the fund in FY2003. This is because School Improvement Revenue Bonds would cover the entire projected cost of deficiencies correction for FY 2002 and all but \$136,210,000 of the projected cost for FY 2003. The Attorney General's office and the Treasurer have signed a letter of understanding with the board that supports the contingent instruction.

JLBC Recommendation for FY 2002

The JLBC recommends a "Regular General Fund" decrease of \$(30,000,000) for deficiencies corrections in FY 2002. This would reduce net General Fund support for deficiencies corrections to \$120,000,000 in that year. The JLBC recommends this change to reduce the General Fund cost of deficiencies correction in FY 2002. These General Fund monies can be eliminated because sufficient resources for this program will be available from the board's planned revenue bonding.

JLBC Recommendation for FY 2003

The JLBC recommends that the General Fund monies for deficiencies corrections be eliminated in FY 2003, representing a reduction of \$(150,000,000) from FY 2001. However, the JLBC also recommends that \$15,000,000 in non-appropriated funds remaining in the School Capital Equity Fund be transferred to the Deficiencies Correction Fund in FY 2003 to provide further funding. The funds in the School Capital Equity Fund are dedicated to complete school capital projects previously approved by the State Board for School Capital Facilities, which was repealed by Laws 1997, Chapter 9, 1st Special Session. Use of these funds in FY 2003 would require legislation permitting the transfer (see *Other Issues for Legislative Consideration section below*).

If the board finds that its final deficiencies correction cost requires more funds than would be available from previous General Fund monies and revenue bonding, however, it could update its FY2003 instructions to the Treasurer prior to January 1, 2002 to cover the shortfall under A.R.S. § 15-2002(A10).

Table 1 summarizes funding that would be available for the program under the JLBC recommendation. This includes \$800,000,000 in funding from School Improvement Revenue Bonds, \$15,000,000 transferred from the School Capital Equity Fund, and \$120,000,000 in continued General Fund funding in FY 2002. Taking into account \$235,000,000 in General Fund monies provided for Deficiencies Correction in FY 1999 through FY2001, minus two small amounts appropriated out for an assessment study and operating costs, the JLBC recommendation would essentially cover the board's current \$1,171,300,000 grand total estimated cost for the program.

Table 1
JLBC Recommendation for Deficiencies Correction

	Total Recommended Funding
FY 1999 General Fund	\$ 35,000,000
FY 2000 General Fund	50,000,000
FY 2001 General Fund	150,000,000
Appropriated out for assessment	(760,000)
Appropriated out for operating	(450,000)
Proposition 301	800,000,000
FY 2002 General Fund	120,000,000
Transfer from School Capital Equity Fund	<u>15,000,000</u>
Total Funding	\$1,168,790,000

Projected debt service costs for School Improvement Revenue Bonds are not shown in *Table 1* because they would be paid with "Dedicated General Fund" monies from Proposition 301, which are not appropriated (see *Table 2*). The estimated School Improvement Revenue Bond debt service costs of \$70,000,000 for both FY2002 and FY2003 in the JLBC recommendation assume that the bonds would have a term of 20 years and would be issued at an interest rate of 6.04%, consistent with current capital market conditions. Debt service costs for School Improvement Revenue Bonds would reduce the amount of funding available for the Proposition 301 "Classroom Site Fund" on a dollar for dollar basis.

The Executive concurs in using \$70,000,000 in Proposition 301 monies to pay debt service on the School Improvement Revenue Bonds in both FY 2002 and FY2003. However, the Executive does not concur regarding the timing of General Fund (non-dedicated) funding that also would be provided for the program over the biennium. Instead of providing \$120,000,000 in FY 2002 and no General Fund (non-dedicated) funding in FY 2003 as in the JLBC recommendation, the Executive would provide no General Fund (non-dedicated) monies in FY 2002 and \$120,000,000 in General Fund (non-dedicated) monies only in FY 2003.

Table 2
Estimated Distribution of "Education 2000" Sales Tax Monies

	<u>FY 2--002</u>	<u>FY 2003</u>
<u>Revenues</u>		
Estimated 0.6% Sales Tax Revenue	\$485,976,500	\$524,698,600
<u>Expenditures</u>		
Students FIRST Debt Service	70,000,000	70,000,000
Universities	49,917,200	54,563,800
Community Colleges	12,479,300	13,641,000
Tribal Assistance	370,000	383,600
Additional School Days	15,305,900	31,530,100
School Safety	7,800,000	7,800,000
Character Education	200,000	200,000
School Accountability	5,849,000	4,586,800
Failing Schools Tutoring Fund	1,500,000	1,500,000
Income Tax Credit for Sales Tax Paid	<u>25,000,000</u>	<u>25,000,000</u>
Available for Site Fund: Sales Tax	297,555,100	315,493,300
Available for Site Fund: Land Trust	<u>2,204,400</u>	<u>6,017,700</u>
Total Available for Site Fund	\$299,759,500	\$321,511,000

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED STATUTORY CHANGES

JLBC RECOMMENDED FOOTNOTES

Elimination of Prior Year Footnotes

The JLBC recommends eliminating the footnote appropriating monies remaining in the Capital Reserve Fund to the board for deposit in the New School Facilities Fund. This change is recommended because no monies remain in the Capital Reserve Fund.

The JLBC recommends modifying the board's instruction to the Treasurer regarding the Deficiencies Correction Fund to require the transfer of \$120,000,000 in TPT monies to the fund in FY 2002. Under existing law, the level of the TPT transfer is governed by the board's January 1, 2001 instruction to the state Treasurer. Assuming that the board issues revenues bonds as it intends, no monies would be transferred to the Deficiencies Correction Fund under that instruction.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Fund Transfer

The JLBC recommends transferring \$15,000,000 in monies remaining in the School Capital Equity Fund to the Deficiencies Correction Fund in FY 2003.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Building Renewal (SFA2465/A.R.S. § 15-2031)				Non-Appropriated
Source of Revenue: Appropriated monies and Transaction Privilege Tax revenues that are credited to the fund each year in an amount determined by the School Facilities Board.				
Purpose of Fund: To provide school districts with monies for maintaining the adequacy of existing school facilities.				
Funds Available				
Balance Forward	0	0	0	0
Revenue				
General Fund Appropriation/TPT Transfer	82,500,000	120,000,000	132,000,000	137,827,900
Total Funds Available	82,500,000	120,000,000	132,000,000	137,827,900
Funds Expended from the General Fund	82,500,000	120,000,000	132,000,000	137,827,900
Other Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0
<i>NOTE: Recent updates to the Building Renewal formula indicate that fully funding it would require \$122,725,300 in FY 2001. The \$120,000,000 shown in the table for FY 2001 is the amount that the board originally instructed the Treasurer to transfer to the Building Renewal Fund for that year. The board will request a supplemental appropriation of \$2,725,300 for FY 2001 in order to make up the shortfall.</i>				
Capital Reserve (SFA2450/A.R.S. § 15-2003)				Appropriated
Source of Revenue: Earnings on the investment of Capital Reserve Fund balances and unobligated monies from the New School Facilities Fund that are credited to the Capital Reserve Fund by the State Treasurer on June 30 of each year.				
Purpose of Fund: To serve as a clearing account for any New School Facilities Fund monies that are unobligated at the end of each fiscal year. This allows the monies to be invested by the State Treasurer until they are appropriated either to the Deficiencies Correction Fund or back to the New School Facilities Fund.				
Funds Available				
Balance Forward	0	0	0	0
Transfer from New School Facilities Fund	195,980,400	0	0	0
Total Funds Available	195,980,400	0	0	0
Funds Appropriated to New School Facilities Fund	180,980,400	0	0	0
Funds Appropriated to Deficiencies Correction Fund	15,000,000	0	0	0
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Deficiencies Correction (SFA2455/A.R.S. § 15-2021)

Non-Appropriated

Source of Revenue: Appropriated monies and Transaction Privilege Tax revenues that are credited to the fund each year in an amount determined by the School Facilities Board. Under current law, up to \$15,000,000 in Capital Reserve Fund monies were appropriated to the Deficiencies Correction Fund in FY 2000 and FY 2001. If these Capital Reserve Fund monies are not available, the Students FIRST legislation substitutes a \$15,000,000 General Fund appropriation. The Capital Reserve Fund monies were available in FY 2000, but not FY 2001.

Purpose of Fund: To provide school districts with monies for correcting existing deficiencies.

Funds Available

Balance Forward	30,213,100	53,996,900	0	0
Revenue				
General Fund Appropriation	0	15,000,000	0	0
General Fund TPT Transfer	35,000,000	135,000,000	120,000,000	0
Capital Reserve Fund Appropriation	15,000,000	0	0	0
School Capital Equity Fund Transfer	0	0	0	15,000,000
Total Funds Available	80,213,100	203,996,900	120,000,000	15,000,000
Funds Expended from the General Fund	11,216,200	203,996,900	120,000,000	0
Funds Expended from the Capital				
Reserve Appropriation	15,000,000	0	0	0
Funds Expended from the School Capital				
Equity Fund Transfer	0	0	0	15,000,000
Year-End Fund Balance	53,996,900	0	0	0

New Schools Facilities (SFA2460/A.R.S. § 15-2041)

Non-Appropriated

Source of Revenue: Appropriated monies and Transaction Privilege Tax revenues that are credited to the fund each year in an amount determined by the School Facilities Board.

Purpose of Fund: To provide school districts with monies for constructing new school facilities.

Funds Available

Balance Forward	0	254,856,700	0	0
Revenue				
General Fund Appropriation /TPT Transfer	200,000,000	200,000,000	250,000,000	260,000,000
Capital Reserve Fund Appropriation	180,980,400	0	0	0
Total Funds Available	380,980,400	454,856,700	250,000,000	260,000,000
Funds Expended from the General Fund	0	200,000,000	250,000,000	260,000,000
Funds Expended from the Capital				
Reserve Appropriation	126,579,200	0	0	0
Year-End Fund Balance	254,856,700	0	0	0

NOTE: The fund balance monies at the end of FY 2000 were all "obligated in contract." The balance was therefore not transferred to the Capital Reserve Fund. They are being expended under their associated contracts in FY 2001.

School Capital Equity (SFA2273/A.R.S. § 15-1051[repealed])

Non-Appropriated

Source of Revenue: Transfers from the General Fund and the Permanent State School Fund.

Purpose of Fund: To complete school capital projects previously approved by the State Board for School Capital Facilities. Laws 1997, Chapter 9, 1st Special Session automatically repealed the board upon the Arizona Supreme Court's ruling that the state's system of school capital funding was unconstitutional.

Funds Available

Balance Forward	22,290,100	19,062,600	15,000,000	15,000,000
Total Funds Available	22,290,100	19,062,600	15,000,000	15,000,000
Funds Expended	3,227,500	4,062,600	0	0
Funds Transferred to Deficiencies				
Correction Fund	0	0	0	15,000,000
Year-End Fund Balance	19,062,600	15,000,000	15,000,000	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

School Facilities Revenue Bond Debt Service (SFA5010/A.R.S. § 15-2054)

Non-Appropriated

Source of Revenue: Monies credited to the fund, if necessary, from the Permanent State School Fund (A.R.S. § 37-521.B1) or state Transaction Privilege Tax revenues.

Purpose of Fund: To pay the debt service on State School Facilities Revenue Bonds issued for new construction.

Funds Available

Balance Forward	0	0	0	0
Revenue				
Permanent State School Fund	0	0	0	0
General Fund TPT Transfer	0	0	0	0
Total Funds Available	0	0	0	0
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

School Facilities Revenue Bond Proceeds (SFA3325/A.R.S. § 15-2053)

Non-Appropriated

Source of Revenue: Proceeds from the sale of up to \$200,000,000 in revenue bonds that may be issued by the School Facilities Board if authorized by the Legislature.

Purpose of Fund: To provide monies for constructing new school facilities.

Funds Available

Balance Forward	0	0	0	0
Revenue				
Proceeds of Revenue Bond Issue	0	0	0	0
Total Funds Available	0	0	0	0
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

School Improvement Revenue Bond Debt Service (No Fund Number/A.R.S. § 15-2084)

Statutory Distribution

Source of Revenue: Revenues from a 0.6% increase in the state Transaction Privilege Tax, as approved under Proposition 301 in the 2000 General Election.

Purpose of Fund: To pay the debt service on \$800,000,000 in State School Improvement Revenue Bonds.

Funds Available

Balance Forward	0	0	0	0
General Fund Dedicated Sales Tax	0	0	70,000,000	70,000,000
Total Funds Available	0	0	70,000,000	70,000,000
Funds Expended from the General Fund	0	0	70,000,000	70,000,000
Year-End Fund Balance	0	0	0	0

School Improvement Revenue Bond Proceeds (No Fund Number/A.R.S. § 15-2083)

Non-Appropriated

Source of Revenue: Proceeds from the sale of up to \$800,000,000 in revenue bonds that may be issued by the School Facilities Board.

Purpose of Fund: To provide monies for correcting existing deficiencies and for bond related expenses.

Funds Available

Balance Forward	0	0	0	0
Issuance of Revenue Bonds	0	0	800,000,000	0
Total Funds Available	0	0	800,000,000	0
Funds Expended	0	0	800,000,000	0
Year-End Fund Balance	0	0	0	0

NOTE: The display above assumes that the Board would issue all \$800,000,000 in allowable bonds at the very start of FY 2002 and spend all bond proceeds by the end of FY 2002, which may not occur.

[Click here to return to Table of Contents](#)

Department of Transportation

Agency Summary

JLBC: Bob Hull
 OSPB: Marcel Benberou

Mary Peters, Director
 House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Administration	47,762,900	48,815,700	58,171,400	56,741,100	54,481,500	52,211,600
Highways	154,001,200	185,357,500	172,074,200	202,730,100	175,083,400	205,480,500
Motor Vehicle	71,362,100	79,799,700	81,693,100	77,738,600	82,720,800	78,821,700
Aeronautics	1,108,900	2,863,000	1,189,300	1,132,600	1,196,800	1,140,200
AGENCY TOTAL	274,235,100	316,835,900	313,128,000	338,342,400	313,482,500	337,654,000

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	4,105.0	4,187.0	4,151.0	4,115.0	4,186.0	4,162.0
Personal Services	122,227,300	127,515,400	131,080,600	131,025,400	133,507,100	132,945,800
Employee Related Expenditures	28,569,800	30,491,700	31,932,400	31,687,100	32,568,700	32,301,100
All Other Operating Expenditures:						
Professional and Outside Services	3,553,700	2,714,000	2,979,900	3,959,700	2,734,200	3,714,000
Travel - In State	2,077,800	2,134,800	2,137,800	2,134,800	2,137,800	2,134,800
Travel - Out of State	233,000	173,300	173,300	173,300	173,300	173,300
Other Operating Expenditures	95,186,000	112,468,900	126,548,800	117,414,400	124,110,900	118,175,100
Equipment	20,292,100	16,695,400	15,678,200	17,707,500	15,653,000	13,969,700
OPERATING SUBTOTAL	272,139,700	292,193,500	310,531,000	304,102,200	310,885,000	303,413,800
Special Line Items	2,095,400	24,642,400	2,597,000	34,240,200	2,597,500	34,240,200
AGENCY TOTAL	274,235,100	316,835,900	313,128,000	338,342,400	313,482,500	337,654,000

FUND SOURCES

General Fund	79,000	21,484,500	85,600	32,185,900	85,500	32,185,900
State Highway Fund	239,834,600	258,279,700	275,499,800	269,095,800	275,833,900	268,386,900
Transportation Department Equipment Fund	30,529,300	30,977,700	33,075,500	32,645,700	33,086,500	32,656,700
State Aviation Fund	1,108,900	1,739,200	1,189,300	1,132,600	1,196,800	1,140,200
Air Quality Fund	45,200	46,400	47,300	47,400	47,300	47,400
Safety Enforcement and Transportation						
Infrastructure Fund	877,500	1,217,000	1,244,000	1,245,700	1,244,800	1,246,400
Motor Vehicle Liability Insurance						
Enforcement Fund	977,700	997,700	1,013,700	1,015,100	1,014,200	1,015,600
Vehicle Inspection and Title						
Enforcement Fund	782,900	969,900	972,800	974,200	973,500	974,900
Grand Canyon Airport Authority						
Operating Fund	0	1,123,800	0	0	0	0
SUBTOTAL - Other Appropriated Funds	274,156,100	295,351,400	313,042,400	306,156,500	313,397,000	305,468,100
SUBTOTAL - Appropriated Funds	274,235,100	316,835,900	313,128,000	338,342,400	313,482,500	337,654,000
Other Non-Appropriated Funds	440,812,500	734,439,000	483,353,700	483,353,700	411,868,000	411,868,000
Federal Funds	429,463,100	437,065,900	453,112,500	453,112,500	479,808,500	479,808,500
TOTAL - ALL SOURCES	1,144,510,700	1,488,340,800	1,249,594,200	1,274,808,600	1,205,159,000	1,229,330,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	10,701,400	49.8%	10,701,400	49.8%	21,402,800
Other Appropriated Funds	10,805,100	3.7%	10,116,700	3.4%	20,921,800
Total Appropriated Funds	21,506,500	6.8%	20,818,100	6.6%	42,324,600

AGENCY DESCRIPTION — *The Department of Transportation has jurisdiction over state highways, other state roads, state airports and all state-owned transportation systems. The responsibilities of the department include the following: register motor vehicles and aircraft; license drivers; collect revenues; enforce motor vehicle and aviation statutes; do multi-modal state transportation planning and investigate new transportation systems in cooperation with local governments; establish an annually updated priority program for transportation capital improvements; design, construct and maintain state highways, airports and public transportation systems; and administer transportation safety systems.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % that Highway User Revenue Fund actual revenues exceed forecast	+2/+4.6	+2/(0.3)	+2	+2
• Statewide lane miles	NA/16,825	16,890/17,512	17,845	17,976/18,168
• Maricopa Regional Area Road Fund lane miles	NA/365	372/428	548	569/641
• % of Highway Maintenance Level of Service - Roads meeting minimum standards	NA/80	NA/86	87	88/90
• Average Motor Vehicle Division office wait time (minutes)	30/29.1	15 to 20/14.9	15 to 20	15 to 20
• Average Motor Vehicle Division telephone wait time (minutes)	3.5/2.2	3/2	1.8	1.5/1.4

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$ 800	\$ 800
	OF 2,157,100	2,157,100
ERE Rates	GF 400	500
	OF 946,000	1,135,000
Risk Management	GF 200	100
	OF 5,869,900	5,336,900
Rent	OF 264,600	313,000
Other	OF 65,000	85,000
State Highway Fund		
Deposit	GF 8,300,000	8,300,000
Local Transportation Assistance		
Fund Deposit	GF 2,400,000	2,400,000
Transportation Department		
Equipment Fund	OF 1,500,000	1,500,000
Motor Pool Equipment		
Rental Rate Increase	OF 1,309,600	1,309,600
Motor Vehicle Customer		
Service Workload	OF 1,061,900	2,499,500
Engineering Pay Plan	OF 1,048,700	2,098,700
Cable Barrier		
Maintenance	OF 1,000,000	1,000,000
Replace Phone System	OF 826,900	581,200
Highway Maintenance		
Workload	OF 800,000	2,100,000
Motor Vehicle New Special		
Computerization Projects	OF 436,700	-0-
Highway Maintenance		
Level of Service	OF 200,000	500,000
Completion of Computer		
Equipment Upgrades	OF (240,300)	(4,058,300)
FTE Position		
Reclassifications	OF (326,900)	(326,900)

Grand Canyon Airport Operations

	OF (636,200)	(636,200)
Net Equipment Change	OF (793,100)	(793,100)
Grand Canyon Airport		
Cash and Revenues	OF (1,123,800)	(1,123,800)
Motor Vehicle Current		
Special Computerization		
Projects	OF (3,561,000)	(3,561,000)

* * *

JLBC RECOMMENDED FORMAT — Varies by Program

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Overview of Department Budget

The JLBC recommends a total biennial General Fund increase of \$21,400,000 to the Highways program to annualize the \$21,400,400 appropriated from the General Fund to the State Highway Fund and to the Local Transportation Assistance Fund in FY 2001, to hold the State Highway Fund and the Local Transportation Assistance Fund harmless for triggered cuts in the vehicle license tax. This amount includes an increase of \$10,700,000 in both FY 2002 and FY 2003 above FY 2001.

The JLBC recommends a total biennial State Highway Fund increase of \$5,600,000 to the Highways program for Highway Maintenance activities, including increases of \$2,900,000 for Highway Maintenance workload, \$2,000,000 for cable barrier maintenance, and \$700,000 for Highway Maintenance level of service. This amount includes a FY 2002 increase of \$2,000,000 above FY 2001 and a FY 2003 increase of \$3,600,000 above FY 2001.

The JLBC recommends a total biennial State Highway Fund increase of \$3,147,400 to the Highways program for pay raises associated with years two and three of ADOT's alternative pay plan for their engineering and technical positions. This amount includes a FY 2002 increase of \$1,048,700 above FY 2001 and a FY 2003 increase of \$2,098,700 above FY 2001.

The JLBC recommends a total biennial State Highway Fund increase of \$3,561,400 and 79 FTE Positions to the Motor Vehicle program for an estimated 6.6% annual growth in customer service field office transactions, and to maintain a maximum customer wait times of 15 to 20 minutes. This amount includes a FY 2002 increase of \$1,061,900 and 32 FTE Positions above FY 2001 and a FY 2003 increase of \$2,499,500 and 79 FTE Positions above FY 2001.

The JLBC recommends a total biennial State Aviation Fund decrease of \$(1,272,400) and (14) FTE Positions to the Aeronautics program for removal of funding to operate the Grand Canyon Airport. ADOT should not be operating the airport after FY 2001, since Laws 2000, Chapter 99 requires that ADOT must lease the airport to a nonprofit corporation, to operate and develop the airport as provided in the lease, by March 1, 2001. This amount includes a decrease of \$(636,200) and (14) FTE Positions in both FY 2002 and FY 2003 from FY 2001.

FTE Position Changes

The JLBC recommends a total biennial decrease of (25) FTE Positions, including decreases of (72) FTE Positions in FY 2002 from FY 2001 and (25) FTE Positions in FY 2003 from FY 2001. The decrease of (72) FTE Positions in FY 2002 includes a decrease of (90) FTE Positions to pay for employee reclassifications, a decrease of (14) FTE Positions to the Aeronautics program for no longer operating the Grand Canyon Airport, and an increase of 32 FTE Positions to the Motor Vehicle program for customer service workload. The decrease of (90) FTE Positions to pay for employee reclassifications

and salary adjustments, includes decreases of (49) FTE Positions to the Highways program, (39) FTE Positions to the Motor Vehicle program, and (2) FTE Positions to the Administration program. The decrease of (25) FTE Positions in FY 2003 includes a further increase of 47 FTE Positions to the Motor Vehicle program for customer service.

* * *

Auditor General Performance Audits

A+B Highway Construction Bidding

The Auditor General issued their performance audit report covering ADOT's use of A+B highway construction bidding in November 1999. A+B bidding differs from traditional contracting in that it allows ADOT to consider a contractor's proposed time to complete a project in addition to the project's costs, when awarding a contract. ADOT had completed 3 out of 6 A+B contracts, at the time of the audit. The Auditor General found that A+B contracting significantly reduced construction times, although its impact on project costs is less known. The statutory authority, A.R.S. § 28-6923.I., for ADOT's A+B bidding pilot program expired on October 1, 1999. The Auditor General recommended that the Legislature consider re-authorizing ADOT to use A+B bidding for appropriate state highway construction projects. Laws 2000, Chapter 135, replaced ADOT's pilot program with a design-build program allowing ADOT to contract for up to 2 design-build projects per fiscal year through June 30, 2007. Each design-build project must have a minimum construction cost of \$40,000,000. ADOT must transmit a report on the benefits of design-build in procuring construction services by January 15 of each year to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Secretary of State, and the Director of the Arizona State Library, Archives and Public Records.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Air Quality (DTA2226/A.R.S. § 49-551)				Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration. The Department of Transportation (ADOT) is appropriated monies from the Air Quality Fund in the Department of Environmental Quality.				
Purpose of Fund: For tracking the availability and sales of oxygenated fuels to ensure that a sufficient supply is available for non-attainment areas of the state.				
Funds Expended	45,200	46,400	47,400	47,400
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Aviation Federal Funds (DTA2267/A.R.S. § 28-363)

Non-Appropriated

Source of Revenue: Federal grants.

Purpose of Fund: To develop Grand Canyon Airport, to update the State Aviation System Plan, and to conduct the FAA Airport Inspection program.

Funds Expended - Capital	0	800,000	3,900,000	2,800,000
Funds Expended - Operating	6,500	8,700	9,000	10,000
Year-End Fund Balance	0	0	0	0

Economic Strength Project (DTA2244/A.R.S. § 28-7282)

Non-Appropriated

Source of Revenue: The fund receives \$1,000,000 each June 15 distributed by the department from the Highway User Revenue Fund and interest from investment of inactive balances.

Purpose of Fund: For "economic strength" highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the State General Fund.

Funds Expended - Capital	944,500	1,100,000	1,100,000	1,100,000
Year-End Fund Balance	2,155,700	2,155,700	2,155,700	2,155,700

Federal Grants (DTA2097/A.R.S. § 28-363)

Non-Appropriated

Source of Revenue: Federal grants, other than aviation federal grants.

Purpose of Fund: For Federal highway construction; fatal accident reporting; purchase of equipment for urban mass transit; assistance to elderly and handicapped; rural public transit; other planning; technical studies; rail planning/replacement of cross ties; highway statistical reporting; commercial driver's license; youth safety; library updates; and pupil transportation.

Funds Expended - Capital	425,709,500	432,942,500	445,912,300	473,717,300
Funds Expended - Operating	3,747,100	3,314,700	3,291,200	3,281,200
Year-End Fund Balance	1,286,400	1,053,000	839,100	718,500

Grand Canyon Airport Authority Operating (GCA2451/A.R.S. § 35-142)

Partially-Appropriated

Source of Revenue: Grand Canyon Airport user fees and charges. This fund was established by the General Accounting Office to account for the airport user fees and charges collected by the Grand Canyon Airport Authority. Laws 2000, Chapter 99, eliminates the Grand Canyon Airport Authority and transfers the fund balance to the department, effective July 18, 2000. Chapter 99 subsequently appropriates this balance, which the General Accounting Office currently shows as \$1,123,800, to the department for transfer on the effective date of the lease to the nonprofit corporation lessee who will operate the airport. The lease has not yet been signed and the transfer of the appropriated monies has not yet occurred. The department is required to lease the airport by March 1, 2001. This fund can be eliminated after the General Accounting Office closes it.

Purpose of Fund: To pay for the Grand Canyon Airport Authority's operating budget.

Appropriated Funds Expended	0	1,123,800	0	0
Non-Appropriated Funds Expended	91,100	125,400	0	0
Year-End Fund Balance	992,800	0	0	0

Highway Expansion and Extension Loan Program (DTA2417/A.R.S. § 28-7674)

Non-Appropriated

Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.

Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Funds Expended from the General Fund -

Capital	0	20,000,000	20,000,000	20,000,000
Other Funds Expended - Capital	161,430,600	259,100,000	123,800,000	57,000,000
Year-End Fund Balance	115,498,600	79,501,300	16,101,300	20,401,300

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Arizona Highway User Revenue (DTA3113/A.R.S. § 28-6533)

Appropriated

Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.

Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget, to the Department of Public Safety (DPS) for a portion of the highway patrol costs, to political subdivisions for highway purposes, and for capital highway construction projects.

Funds Expended - Capital	300,000	4,648,000	0	0
Distribution to Cities	306,729,000	312,146,000	326,839,000	340,963,000
Distribution to Counties	191,077,000	194,452,000	203,604,000	212,403,000
Distribution to Controlled Access	77,195,000	78,558,000	82,256,000	85,811,000
Year-End Fund Balance	89,695,300	105,285,300	129,922,500	154,200,100

Arizona Highways Magazine (DTA2031/A.R.S. § 28-7315)

Non-Appropriated

Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations.

Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Funds and expenditures are exempt from statutory allotment provisions.

Funds Expended	11,414,500	12,619,700	12,306,700	12,542,500
Year-End Fund Balance	3,148,400	2,390,100	2,265,100	2,265,100

Maricopa Regional Area Road (DTA2029/A.R.S. § 28-6302)

Non-Appropriated

Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.

Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system.

Funds Expended - Capital	250,107,000	421,776,700	306,376,600	301,414,200
Funds Expended - Operating	16,652,100	19,466,600	19,516,600	19,566,600
Year-End Fund Balance	145,379,300	18,266,000	65,854,800	72,163,000

Motor Carrier Safety Revolving (DTA2380/A.R.S. § 28-5203)

Non-Appropriated

Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes deposited pursuant to A.R.S. Title 28, Chapter 19, "Motor Carrier Safety" which applies to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste; and monies received from private grants or donations.

Purpose of Fund: To carry out the provisions of the chapter. DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.

Funds Expended	22,600	54,100	54,100	45,000
Year-End Fund Balance	57,300	24,200	2,100	100

Motor Vehicle Liability Insurance Enforcement (DTA2285/A.R.S. § 28-4151)

Appropriated

Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 7, Article 8 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.

Purpose of Fund: For the department to enforce mandatory motor vehicle liability insurance laws.

Funds Expended	977,700	997,700	1,015,100	1,015,600
Year-End Fund Balance	688,200	1,356,400	2,007,200	2,657,500

	FY 2000	FY 2001	FY 2002	FY 2003
Safety Enforcement and Transportation Infrastructure (DTA2108/A.R.S. § 28-6547)				Appropriated
Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico, and interest earnings. Monies in the fund are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.				
Purpose of Fund: For enforcement of vehicle safety requirements by DPS and ADOT, and for the maintenance and upgrade of transportation facilities, within 25 miles of the border with Mexico. Also provides for the maintenance and construction of transportation facilities along the route of the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico.				
Funds Expended - Capital	206,600	2,422,000	0	0
Funds Expended - Operating	877,500	1,217,000	1,245,700	1,246,400
Year-End Fund Balance	5,035,500	4,159,900	5,597,600	6,964,600
Shared Location and Advertising Agreements Expense (DTA2414/A.R.S. § 28-409)				Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.				
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.				
Funds Expended	6,400	30,000	30,000	30,000
Year-End Fund Balance	65,000	65,000	65,000	65,000
State Aviation (DTA2005/A.R.S. § 49-551)				Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes and penalties, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.				
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions.				
Funds Expended - Capital	20,546,200	16,652,000	16,484,000	14,382,000
Funds Expended - Operating	1,108,900	1,739,200	1,132,600	1,140,200
Year-End Fund Balance	17,531,200	11,818,000	6,050,400	2,283,200
State Highway (DTA2030/A.R.S. § 28-6991)				Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, and donations.				
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects.				
Funds Expended from the General Fund -				
Capital	0	16,748,100	25,048,100	25,048,100
Other Funds Expended - Capital	637,118,300	730,674,800	780,451,900	677,451,900
Other Funds - Debt Service	76,582,400	91,704,700	85,411,000	79,875,000
Other Funds Expended - Operating	239,834,600	258,279,700	269,095,800	268,386,900
Year-End Fund Balance	154,105,600	122,040,000	99,448,200	190,173,400
Transportation Department Equipment (DTA2071/A.R.S. § 28-7006)				Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).				
Purpose of Fund: For ownership, maintenance, service or repair of equipment and consumable material including administrative expenses.				
Funds Expended	30,529,300	30,977,700	32,645,700	32,656,700
Year-End Fund Balance	3,671,300	2,488,600	2,092,900	1,686,200
Underground Storage Tank Revolving (DTA2030/A.R.S. § 28-6008)				Non-Appropriated
Source of Revenue: The fund consists of Underground Storage Tank taxes paid by persons liable for motor/aviation fuel taxes; or persons who refine, manufacture or produce compounds, blend or import diesel (liquid petroleum).				
Purpose of Fund: For department administrative expenses. Per subsections A and B of A.R.S. § 28-1599.45, "the director acts only as a collecting agent for the Director of the Department of Environmental Quality and assumes no responsibility or the underlying tax liability." The department retains only administrative costs as determined by an intergovernmental agreement between ADOT and the Department of Environmental Quality.				
Funds Expended	143,700	166,500	169,700	169,700
Year-End Fund Balance	53,900	1,000	100	100

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Vehicle Inspection and Title Enforcement (DTA2272/A.R.S. § 28-2012)

Appropriated

Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.

Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.

Funds Expended	782,900	969,900	974,200	974,900
Year-End Fund Balance	424,100	661,500	894,600	1,127,000

[Click here to return to Table of Contents](#)

Department of Transportation

Administration

JLBC: Bob Hull
OSP: Marcel Benberou

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	476.0	480.0	479.0	477.0	479.0	477.0
Administration						
<i>Director's Office/Transportation Board</i>	551,000	578,100	585,300	584,500	585,900	585,300
<i>Transportation Support Services</i>	45,240,600	46,248,400	55,575,600	54,147,100	51,885,100	49,616,800
Attorney General Legal Services SLI	1,971,300	1,989,200	2,010,500	2,009,500	2,010,500	2,009,500
Subprogram Subtotal	47,211,900	48,237,600	58,171,400	56,156,600	54,481,500	51,626,300
PROGRAM TOTAL	47,762,900	48,815,700	58,171,400	56,741,100	54,481,500	52,211,600
FUND SOURCES						
State Highway Fund	47,717,700	48,691,300	58,124,100	56,693,700	54,434,200	52,164,200
Transportation Department Equipment Fund	0	78,000	0	0	0	0
Air Quality Fund	45,200	46,400	47,300	47,400	47,300	47,400
SUBTOTAL - Other Appropriated Funds	47,762,900	48,815,700	58,171,400	56,741,100	54,481,500	52,211,600
SUBTOTAL - Appropriated Funds	47,762,900	48,815,700	58,171,400	56,741,100	54,481,500	52,211,600
Other Non-Appropriated Funds	11,564,600	12,816,200	12,506,400	12,506,400	12,742,200	12,742,200
TOTAL - ALL SOURCES	59,327,500	61,631,900	70,677,800	69,247,500	67,223,700	64,953,800

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	7,925,400	16.2%	3,395,900	7.0%	11,321,300

PROGRAM DESCRIPTION — Administration establishes and provides policy, guidance and overall direction to the department. It provides financial, data processing and administrative support for the department, including audit and analysis, community relations, affirmative action, and legal assistance.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• External customer satisfaction rating based on annual survey (Scale 1-10)	NA	NA	8.5	8.6-8.7
• % that Highway User Revenue Fund actual revenues or exceed forecast	+2/+4.6	+2/(0.3)	+2	+2
• % that Maricopa Regional Area Road Fund actual revenues exceed forecast	+4/+1.1	+4/+0.8	+2	+2
• % of agency staff turnover	14.7	14.6	NA	NA
• Administration as a % of total cost	NA	15.07/NA	15.14	16.48-16.06

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	OF \$ 316,200	\$ 316,200
ERE Rates	OF 74,200	99,700
Risk Management	OF 5,869,900	5,336,900

Central Phoenix Rent OF 1,160,300 1,202,000
The JLBC recommends a total biennial State Highway Fund increase of \$2,362,300 to the Administration

program for rent at the Arizona Department of Transportation's (ADOT) East Washington Street facility. The FY 2002 amount includes a total transfer-in of \$930,800 from other programs (\$902,200 from Motor Vehicle and \$28,600 from Highways), and an increase in rent of \$229,500. ADOT was appropriated monies in FY 1998 to rent a building at Beardsley Road and I-17, which at ADOT's request were transferred from the Administration program to the Motor Vehicle program. ADOT now requests that these monies be transferred back from the Motor Vehicle program to the Administration

program, along with monies appropriated to the Motor Vehicle program for a central regional motor vehicle field office, to offset the rent for the East Washington Street facility. The East Washington Street facility is occupied by the Administration, Highways and Motor Vehicle programs. This amount includes a FY 2002 increase of \$1,160,300 above FY 2001 and a FY 2003 increase of \$1,202,000 above FY 2001. The FY 2003 amount continues the transfer-in and adds an additional \$41,700 increase in rent above FY2002. The Executive recommends a total biennial State Highway Fund transfer-in of \$1,621,000 from the Motor Vehicle program. This amount includes a transfer-in of \$810,500 in both FY 2002 and FY 2003 above FY 2001.

Replace Phone System OF 826,900 581,200

The JLBC recommends a total biennial State Highway Fund increase of \$1,408,100 for replacement of ADOT's main phone system which is 17 years old and has reached its capacity. This amount includes a FY 2002 increase of \$826,900 above FY 2001 and a FY 2003 increase of \$581,200 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time contract services for the installation of the system. The FY 2002 and FY 2003 amounts include \$410,100 for annual loan payments on \$1,681,700 of replacement equipment. These annual loan payments of \$410,100 would run for 5 years through FY2006 for a total replacement equipment cost of \$2,050,500.

The Information Technology Authorization Committee (ITAC) approved ADOT's phone system replacement plan on March 17, 1999, with the condition that ADOT's implementation must be coordinated with, and approved by, the Arizona Telecommunications System (ATS) group of the Arizona Department of Administration. The Executive recommends a total biennial State Highway Fund increase of \$1,558,100. This amount includes a FY2002 increase of \$826,900 above FY 2001 and a FY 2003 increase of \$731,200 above FY 2001.

Motor Pool Equipment

Rental Rate Increase OF 38,500 38,500

The JLBC recommends a total biennial State Highway Fund increase of \$77,000 for a 6.1% increase in vehicle and heavy equipment rental rates by the ADOT motor pool. This amount includes an increase of \$38,500 in both FY 2002 and FY 2003 above FY 2001. The Executive concurs. *(Please see Highways for more details.)*

Data Center

Consolidation GF -0- -0-

The Executive recommendation includes consolidating ADOT's mainframe computer system into the state's central data center. The Department of Administration will administer the consolidated data center and will allocate their costs to ADOT and all other participating agencies. It is anticipated that the charges allocated by ADOA will be a savings from the amount the agency currently expends to maintain their individual system. The

level and fund source of savings, however, is unclear at this time. The JLBC Staff is continuing to analyze this issue. The Executive recommends a total biennial General Fund increase of \$2,440,500. This amount includes a FY 2002 increase of \$1,280,400 above FY 2001 and a FY 2003 increase of \$1,160,100 above FY 2001.

Completion of Wide

Area Network Upgrade OF -0- (1,116,200)

The JLBC recommends a total biennial State Highway Fund decrease of \$(1,116,200) to the Administration program for the completion of installment/purchase payments on ADOT's wide area network. ADOT will make their third and final annual payment of \$1,116,200 to upgrade their wide area network in FY 2002. This amount includes a FY 2003 decrease of \$(1,116,200) below FY 2001. The Executive concurs.

Completion of Personal

Computer Replacement OF -0- (2,701,800)

The JLBC recommends a total biennial State Highway Fund decrease of \$(2,701,800) to the Administration program for the completion of ADOT's 4-year plan to replace their personal computers. This amount includes a FY 2003 decrease of \$(2,701,800) below FY 2001. The Executive concurs.

FTE Position

Reclassifications OF (7,300) (7,300)

The JLBC recommends a total biennial State Highway Fund decrease of \$(14,600) and (2) FTE Positions from the Administration program to fund ADOT's reclassification of civil rights and human resources FTE Positions in FY2000. This amount includes a decrease of \$(7,300) and (2) FTE Positions in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue.

Transfer Landscape

Position OF (35,000) (35,000)

The JLBC recommends a total biennial State Highway Fund decrease of \$(70,000) to the Administration program for the transfer-out of (1) grounds supervisor FTE Position to the Highways program. This FTE Position handles landscaping at ADOT's main campus. In Highways this FTE Position can be more closely aligned with the rest of ADOT's statewide landscaping resources. This amount includes a decrease of \$(35,000) and (1) FTE Position in both FY 2002 and FY 2003 from FY 2001. The Executive essentially concurs. The Executive recommends a total biennial State Highway Fund decrease of \$(64,000) and the transfer-out of (1) FTE Position. This amount includes a decrease of \$(32,000) and (1) FTE Position in both FY 2002 and FY 2003 from FY 2001.

Personal Computer

Replacement Transfer OF (78,000) (78,000)

The JLBC recommends a total biennial Transportation Department Equipment Fund decrease of \$(156,000) from the Administration program for the transfer-out of personal computer replacement monies to the Highways program. Beginning in FY 2000 a total of \$1,165,000 was

centralized in the Administration program for the funding, acquisition and control of replacement personal computer equipment departmentwide. The \$1,165,000 included \$78,000 appropriated from the Transportation Department Equipment Fund. The recommendation simplifies accounting for the \$78,000 by returning the money to the Vehicles and Heavy Equipment subprogram in the Highways program, and having ADOT account for the use of the money internally for centralized personal computer replacement. This amount includes a decrease of \$(78,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

Completion of Computer

Network and Mainframe

Peripherals Upgrades OF (240,300) (240,300)

The JLBC recommends a total biennial State Highway Fund decrease of \$(480,600) to the Administration program for the completion of 2 installment/purchase loans for computer equipment. ADOT made their third and final annual payment of \$138,600 to upgrade their computer network and of \$101,700 to upgrade their mainframe peripherals in FY 2001. This amount includes a decrease of \$(240,300) in both FY 2002 and FY 2003 below FY 2001. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum for the Program

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Transportation

Highways

JLBC: Bob Hull
 OSPB: Marcel Benberou

House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	2,032.0	2,052.0	2,004.0	2,004.0	2,004.0	2,004.0
Highways						
<i>Development and Administration</i>	39,849,500	41,010,800	42,413,600	42,454,400	43,556,300	43,409,700
State Highway Fund Deposit SLI	0	16,748,100	0	25,048,100	0	25,048,100
Local Transportation Assistance Fund Deposit SLI	0	4,652,300	0	7,052,300	0	7,052,300
Subprogram Subtotal	39,849,500	62,411,200	42,413,600	74,554,800	43,556,300	75,510,100
<i>Maintenance</i>	81,348,700	89,245,200	93,742,700	92,696,900	95,595,600	94,478,300
<i>Intermodal Transportation Planning</i>	2,273,700	2,801,400	2,842,400	2,832,700	2,845,000	2,835,400
<i>Vehicles and Heavy Equipment</i>	30,529,300	30,899,700	33,075,500	32,645,700	33,086,500	32,656,700
PROGRAM TOTAL	154,001,200	185,357,500	172,074,200	202,730,100	175,083,400	205,480,500

FUND SOURCES

General Fund	79,000	21,484,500	85,600	32,185,900	85,500	32,185,900
State Highway Fund	123,392,900	132,973,300	138,913,100	137,898,500	141,911,400	140,637,900
Transportation Department Equipment Fund	30,529,300	30,899,700	33,075,500	32,645,700	33,086,500	32,656,700
SUBTOTAL - Other Appropriated Funds	153,922,200	163,873,000	171,988,600	170,544,200	174,997,900	173,294,600
SUBTOTAL - Appropriated Funds	154,001,200	185,357,500	172,074,200	202,730,100	175,083,400	205,480,500
Other Non-Appropriated Funds	429,134,200	721,443,300	470,793,200	470,793,200	399,080,800	399,080,800
Federal Funds	429,433,300	436,219,300	449,175,300	449,175,300	476,980,300	476,980,300
TOTAL - ALL SOURCES	1,012,568,700	1,343,020,100	1,092,042,700	1,122,698,600	1,051,144,500	1,081,541,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	10,701,400	49.8%	10,701,400	49.8%	21,402,800
Other Appropriated Funds	6,671,200	4.1%	9,421,600	5.7%	16,092,800
Total Appropriated Funds	17,372,600	9.4%	20,123,000	10.9%	37,495,600

PROGRAM DESCRIPTION — *Highways plans the statewide transportation system, including highways and airports. It is responsible for the location, design, right-of-way acquisition and construction of new highways for the state highway system. It is responsible for the management and maintenance of the state highway system. It coordinates a variety of services on a statewide basis, including: Federal Section 18 funds for general public transit services in rural areas; Federal Section 16(b)(2) funds for elderly and handicapped transportation; technical transit planning and training to rural public bodies and social service agencies; and urban transit projects demonstrating potential air quality benefits. It maintains and replaces the department's fleet of vehicles, trucks and specialty equipment.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Actual	Est./Actual	Estimate	Estimate
• Statewide lane miles	NA/16,825	16,890/17,512	17,845	17,976/18,168
• Maricopa Regional Area Road Fund lane miles	NA/365	372/428	548	569/641
• % of Maricopa regional freeway miles completed (144 center line miles total)	NA/40	NA/47	60	63/72
• % of overall highway construction projects completed on schedule	NA	NA	NA	85
• % of Highway Maintenance Level of Service - Roads meeting minimum standards	NA/80	NA/86	87	88/90
• Comments:				
• The JLBC Staff recommends the new performance measure, “% of overall highway construction projects completed on schedule.”				

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$ 800	\$ 800
	OF 1,090,600	1,090,600
ERE Rates	GF 400	500
	OF 436,200	536,600
Risk Management	GF 200	100
Rent	OF 19,200	19,200

State Highway Fund

Deposit GF 8,300,000 8,300,000
 The JLBC recommends a total biennial General Fund increase of \$16,600,000 to annualize the \$16,748,100 appropriated from the General Fund to the State Highway Fund in FY 2001, to hold the State Highway Fund harmless for reductions in the vehicle license tax. Laws 1999, Chapter 5, 1st Special Session provided an estimated \$41,400,400 in vehicle license tax cuts in FY 2001, including \$20,000,000 from the General Fund, \$16,748,100 from the State Highway Fund, and \$4,652,300 from the Local Transportation Assistance Fund. Laws 2000, Chapter 48, appropriated \$16,748,100 from the General Fund to the State Highway Fund in FY 2001 to replace State Highway Fund revenues lost due to the cuts in the vehicle license tax in FY 2001. This amount includes an increase of \$8,300,000 in both FY 2002 and FY 2003 above FY 2001. The Executive does not address this issue in the ADOT operating budget, but does add \$8,300,000 in their overall budget.

Local Transportation Assistance

Fund Deposit GF 2,400,000 2,400,000
 The JLBC recommends a total biennial General Fund increase of \$4,800,000 to annualize the \$4,652,300 appropriated from the General Fund to the Local Transportation Assistance Fund in FY 2001, to hold the Local Transportation Assistance Fund harmless for reductions in the vehicle license tax. Laws 1999, Chapter 5, 1st Special Session provided an estimated \$41,400,400 in vehicle license tax cuts in FY 2001, including \$20,000,000 from the General Fund, \$16,748,100 from the

State Highway Fund, and \$4,652,300 from the Local Transportation Assistance Fund. Laws 2000, Chapter 48, appropriated \$4,652,300 from the General Fund to the Local Transportation Assistance Fund in FY 2001 to replace Local Transportation Assistance Fund revenues lost due to the cuts in the vehicle license tax in FY 2001. This amount includes an increase of \$2,400,000 in both FY 2002 and FY 2003 above FY 2001. The Executive does not address this issue in the ADOT operating budget, but does add \$2,400,000 in their overall budget.

Engineering Pay Plan OF 1,048,700 2,098,700

The JLBC recommends a total biennial State Highway Fund increase of \$3,147,400 for pay raises associated with years two and three of ADOT’s alternative pay plan for their engineering and technical positions. ADOT’s engineering pay plan includes up to 5% salary increases in each of years two and three for employees who meet certain performance evaluation and continuing education criteria. This amount includes a FY 2002 increase of \$1,048,700 above FY 2001 and a FY 2003 increase of \$2,098,700 above FY 2001. The Executive recommends a total biennial increase of \$3,277,200, including a FY 2002 increase of \$1,012,800 above FY 2001 and a FY 2003 increase of \$2,264,400 above FY 2001. The Executive includes the elimination of (49) FTE Positions and the reduction in associated Employee Related Expenditures in this issue. ADOT used the Personal Services from the elimination of (49) FTE Positions to pay for the first year of their alternative engineering pay plan. The JLBC presents the (49) FTE Positions reduction as a separate policy issue.

ADOT reports having only a 12.6% turnover rate in calendar year 1999 for these positions versus an agency-wide turnover rate of 14.7% in FY 1999 and 14.6% in FY 2000. Nevertheless, increased funding for years two and three of the engineer pay plan was ADOT’s second highest priority request. To support their request, ADOT provided the following comparisons to Maricopa County and City of Phoenix salaries as of October 1, 1998. ADOT’s figures reflect the mid-points of their salary

ranges, whereas Maricopa County and City of Phoenix figures represent their average staff salaries at that time.

Table 1
Engineering and Technical Position Salary Comparison as of October 1, 1998

Position	ADOT	City of Phoenix	Maricopa County
District Engineer	\$61,255	\$73,320	\$66,227
Asst District Engineer	56,079	66,518	55,702
Engineer II	56,641	58,375	59,729
Engineer Specialist	39,377	50,211	46,630
Construction Tech II	28,252	35,932	26,874
Construction Tech I	21,667	28,173	26,874

The total biennial State Highway Fund increase is \$5,962,300 for pay raises associated with years two and three of ADOT's engineering pay plan, including increases of \$3,147,400 in ADOT's operating budget and \$2,814,900 in their capital operating budget, as shown in Table 2. This covers a total of 1,164 eligible FTE Positions, including 572 FTE Positions in ADOT's operating budget and 592 FTE Positions in their capital operating budget. (For more information see the Engineering Pay Plan Year One policy issue.)

Table 2
Engineering Pay Plan Years Two and Three

	Increase Over FY 2001	
	FY 2002	FY 2003
<u>Operating Budget</u>		
Highways	\$1,048,700	\$2,098,700
<u>Capital Operating Budget</u>	<u>937,900</u>	<u>1,877,000</u>
Total	\$1,986,600	\$3,975,700

Cable Barrier Maintenance OF 1,000,000 1,000,000

The JLBC recommends a total biennial State Highway Fund increase of \$2,000,000 for contract maintenance of 103 miles of cable barriers on urban freeways by FY 2003 year-end. ADOT has contracted out cable barrier maintenance. The recommendation is based on an estimated cost of \$100,000 per month less estimated insurance recoveries. This amount includes an increase of \$1,000,000 in both FY 2002 and FY 2003 above FY 2001. The Executive essentially concurs, recommending a total biennial increase of \$2,058,700, including a FY 2002 increase of \$1,000,000 above FY 2001 and a FY 2003 increase of \$1,058,700 above FY 2001.

Highway Maintenance Workload OF 800,000 2,100,000

The JLBC recommends a total biennial State Highway Fund increase of \$2,900,000 for increasing Highway Maintenance workload as additional miles of roadway come on line. The department estimates increases of 366 maintenance lane miles in FY 2002, and 433 maintenance lane miles in FY 2003, making a total of 27,478 statewide maintenance lane miles in FY 2003. This amount includes

a FY 2002 increase of \$800,000 above FY 2001 and a FY 2003 increase of \$2,100,000 above FY 2001. The Executive recommends a total biennial increase of \$3,597,400, including a FY 2002 increase of \$999,500 above FY 2001 and a FY 2003 increase of \$2,597,900 above FY 2001.

Level of Service OF 200,000 500,000

The JLBC recommends a total biennial State Highway Fund increase of \$700,000 to continue to increase the level of service of highway maintenance statewide. This amount includes a FY 2002 increase of \$200,000 above FY 2001 and a FY 2003 increase of \$500,000 above FY 2001. These increases would make a total of \$2,200,000 in FY 2002, and \$2,500,000 in FY 2003, for Highway Maintenance levels of service, when added to the \$2,000,000 appropriated for FY 2001.

Highway Maintenance levels of service refers to the percentage of roads statewide that meet ADOT's minimum acceptable standards for 9 categories of Highway Maintenance (pavements, traffic safety, shoulders, roadside, drainage, landscape, snow & ice, vegetation, and rest areas). After receiving training, personnel in ADOT's 9 maintenance district offices are asked to evaluate the 9 maintenance categories on a pass/fail basis using quantitative standards. For example, Pavement is evaluated by the number of cracks in the roadway, and surface roughness. A review of their results is provided by Highway Maintenance management. This past year ADOT refined some of its standards and level of service data. For instance, ADOT decided to raise their pass/fail criteria for their minimum acceptable standard for Pavements. This caused ADOT to restate the level of service for Pavements in FY 1999 from the 93% reported last year to 72% meeting ADOT's current higher minimum standard for Pavements. Table 3 summarizes ADOT's distribution of the \$2,000,000 appropriated for FY 2001, and their respective percentage goals for each category.

Table 3
Highway Maintenance Levels of Service for FY 2000 & FY 2001

Category	FY 2000	FY 2001	FY2001 % Goal
	% Meeting Minimum Standards	Distribution of \$2,000,000	
Pavements	70%	\$ 0	70%
Traffic Safety	94%	50,000	95%
Shoulders	91%	750,000	94%
Roadside	95%	200,000	96%
Drainage	90%	750,000	94%
Landscape	88%	100,000	91%
Snow & Ice	65%	150,000	70%
Vegetation	83%	0	83%
Rest Areas	94%	0	94%
Total	86%	\$2,000,000	87%

During the summer of 1998, ADOT began attempting to develop performance measures for Highway Maintenance, which would directly tie different funding levels to the quantities and quality of maintenance to be delivered. At

that time, ADOT contracted with a private vendor to assess public perception of Arizona's Highway Maintenance program. The analysis indicated that Arizona residents are generally satisfied with current maintenance efforts and rated ADOT maintenance as better than maintenance by local jurisdictions and equal to or better than maintenance by other states. On a scale of 5 for "very poorly maintained" to 1 for "very well maintained," the public's rating for 9 categories averaged 2.3 (paved surfaces, roadside, traffic control, drainage, snow and ice, shoulder, rest area, vegetation, and landscape), while the public's desired level of maintenance averaged 1.7. ADOT has reported verbally that they might reassess public perception of Arizona's highway maintenance program during FY 2002.

As the state moves toward program budgeting, we would like to make level of service a truly viable budgetary performance measure, which relates levels of funding to different levels of service. This would allow the Legislature to make policy decisions regarding Highway Maintenance funding levels based on projected levels of service for given funding levels. While focusing attention on Highway Maintenance levels of service in FY 2000 and FY 2001 has increased ADOT's awareness and has helped ADOT to improve in this area, more work remains to be done. ADOT needs to continue refining its Highway Maintenance level of service performance measurements, and also needs to tie funding levels to levels of service. ADOT has reported verbally that they cannot yet tie Highway Maintenance funding levels to levels of service, but they believe that they will be able to begin using such ties in their FY 2004 and FY 2005 biennial budget request 2 years from now.

The JLBC encourages the department to continue working to make level of service a budgetary performance measure, and recommends continuation of the footnote requiring that ADOT report on the results of level of service funding by August 31, 2002 and 2003. The Executive does not address this issue.

Personal Computer

Replacement Transfer OF 78,000 78,000

The JLBC recommends a total biennial Transportation Department Equipment Fund increase of \$156,000 for the transfer-in of personal computer replacement monies from the Administration program to simplify accounting for these monies. This amount includes an increase of \$78,000 in both FY 2002 and FY 2003 above FY2001. The Executive concurs. *(Please see the Administration program for more information.)*

Landscape Position

Transfer OF 35,000 35,000

The JLBC recommends a total biennial State Highway Fund increase of \$70,000 to the Highways program for the transfer-in of 1 grounds supervisor FTE Position from the Administration program. This FTE Position handles landscaping at ADOT's main campus. In Highways this

FTE Position can be more closely aligned with the rest of ADOT's statewide landscaping resources. This amount includes an increase of \$35,000 and 1 FTE Position in both FY 2002 and FY 2003 from FY 2001. The Executive essentially concurs. The Executive recommends a total biennial State Highway Fund increase of \$64,000 and the transfer-in of 1 FTE Position. This amount includes an increase of \$32,000 and 1 FTE Position in both FY 2002 and FY 2003 from FY 2001.

Motor Pool Equipment

Rental Rate Increase OF 1,195,100 1,195,100

The JLBC recommends a total biennial State Highway Fund increase of \$2,390,200 for the Highways program for a 6.1% increase in vehicle and heavy equipment rental rates. ADOT's last general rental rate increase was in 1986. This recommendation provides monies for ADOT's sections to pay increased vehicle and heavy equipment rental rates to the Transportation Department Equipment Fund, which will help ADOT to address its replacement backlog of \$39,100,000 for vehicles and heavy equipment. The total recommended increase in funding department-wide for the vehicle and heavy equipment rental rate increase is \$1,500,000, including \$1,309,600 in ADOT's operating budget and \$190,400 in their capital operating budget, as shown in *Table 4*.

Table 4

Vehicle and Heavy Equipment Rental Rate Increases

<u>Operating Budget</u>	<u>Recommended Increase</u>
Administration	\$ 38,500
Highways	1,195,100
Motor Vehicle	75,600
Aeronautics	400
Sub-Total	\$1,309,600
<u>Capital Operating Budget</u>	<u>\$ 190,400</u>
Total	\$1,500,000

This amount includes an increase of \$1,195,100 in both FY 2002 and FY 2003 above FY 2001. For more information, please see the Transportation Department Equipment Fund policy issue. The Executive concurs.

Transportation Department

Equipment Fund OF 1,500,000 1,500,000

The JLBC recommends a total biennial Transportation Department Equipment Fund increase of \$3,000,000 for additional replacement equipment, to help ADOT address its replacement backlog of \$39,100,000 for vehicles and heavy equipment. ADOT will produce \$1,500,000 of additional revenue annually for the Transportation Department Equipment Fund by increasing vehicle and heavy equipment rental rates by 6.1%. ADOT's last general rental rate increase was in 1986.

The Transportation Department Equipment Fund, which funds ADOT's motor pool, receives most of its revenue from vehicle and equipment rentals to other ADOT sections. ADOT values its fleet at \$139,600,000, spent

\$6,347,800 for replacement equipment in FY 2000, and has a growing vehicle and heavy equipment replacement backlog of \$39,100,000. ADOT has 4,528 vehicles and equipment, including 1,595 automobiles and pickup trucks, 2,205 heavy trucks and heavy equipment, and 728 items of other equipment (welders, forklifts, compressors, sprayers, sign boards, etc.). For the 3 fiscal years 1998 through 2000 ADOT replaced an annual average of 8.7% of their automobiles and pickup trucks, 8.4% of their heavy trucks and heavy equipment, and 6.6% of other equipment. This amount includes an increase of \$1,500,000 in both FY 2002 and FY 2003 above FY 2001. The Executive concurs.

Central Phoenix Rent OF (28,600) (28,600)

The JLBC recommends a total biennial State Highway Fund transfer-out of \$(57,200) from the Highways program for rent at ADOT's East Washington Street facility, which is being transferred to the Administration program in order to better align this function with ADOT's structure. This amount includes a transfer-out of \$(28,600) in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue.

FTE Position

Reclassifications OF (178,000) (178,000)

The JLBC recommends a total biennial State Highway Fund decrease of \$(356,000) and (49) FTE Positions to the Highways program to account for the Employee Related Expenditures decrease associated with the decrease of (49) FTE Positions. ADOT eliminated (49) FTE Positions in FY 2001 to use the associated Personal Services of \$1,946,600 to pay for the first year of ADOT's alternative engineering pay plan. Eliminating the 49 FTE Positions, however, also frees up \$178,000 in Employee Related Expenditures. The JLBC recommends deleting this funding. The Executive essentially concurs. The Executive agrees with the elimination of both the (49) FTE Positions and the associated Employee Related Expenditures, but does not breakout the dollar amount of their recommended Employee Related Expenditures reduction from their engineering pay plan recommendation for years 2 and 3. (See the *Engineering Pay Plan policy issue for more information.*)

ADOT instituted an optional alternative pay plan for engineers and technical positions effective January 1, 2000 to improve ADOT's salary competitiveness among other private and public employers. The plan was optional for current employees, provided for up to a 10% salary increase in the first year, and required accepting employees to go to non-covered status. New engineering and technical employees are hired under the alternative pay plan. Currently, all but 22 of the 1,164 eligible FTE Positions are under the alternative pay plan. The 1,164 total eligible FTE Positions includes 572 FTE Positions in ADOT's operating budget and 592 FTE Positions in their capital operating budget.

No monies were appropriated to ADOT for this program. In order to pay for the increase in Personal Services for the first year's 10% Personal Services increase, ADOT eliminated a total of (95) FTE Positions, including eliminating (49) FTE Positions from their operating budget, and eliminating (46) FTE Positions from their operating capital budget. Table 5 shows the Personal Services costs and the number of FTE Positions eliminated for both ADOT's operating budget and for their capital operating budget.

Table 5		
Engineering Pay Plan Year One		
	Personal Services	FTE Positions Eliminated
<u>Operating Budget</u>		
Highways	\$1,946,600	(49)
<u>Capital Operating Budget</u>	<u>1,735,500</u>	<u>(46)</u>
Total	\$3,682,100	(95)

Net Equipment Change OF (525,000) (525,000)

The JLBC recommends a total biennial State Highway Fund decrease of \$(1,050,000) to the Maintenance subprogram for one-time equipment for the north Phoenix maintenance facility. This amount includes a decrease of \$(525,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum for the Program with Special Lines

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

OF THE TOTAL AMOUNT APPROPRIATED FOR THE HIGHWAYS PROGRAM, \$92,696,900 IN FY 2002 AND \$94,478,300 IN FY 2003 FOR THE MAINTENANCE SUBPROGRAM ~~The FY 2000 and FY 2001 appropriations~~ are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriations revert to the State Highway Fund on August 31, ~~2000~~ 2002 and August 31, ~~2001~~ 2003, respectively. (Each year Highway Maintenance delays spending some of its appropriation due to uncertain maintenance needs caused by inclement winter weather. This footnote allows them 2 additional months to spend their remaining FY 2002 and FY 2003 appropriations, before reverting unexpended and unencumbered monies to the State Highway Fund.)

The Department of Transportation shall report by August 31 of ~~1999, 2000 and 2001~~ 2002 AND 2003 to the Joint Legislative Budget Committee on the current levels of service for each of the 9 categories of Highway Maintenance. The reports shall explain the department's progress in improving its assessment of levels of service and of assigning costs to different levels of service. The

~~2000 and 2001~~ 2002 AND 2003 reports shall explain how the ~~additional \$1,000,000~~ \$2,200,000 IN FY 2002, AND \$2,500,000 IN FY 2003, appropriations to improve level of service were spent and how the level of service changed for each of these categories. *(The department needs to continue working to make this performance measurement into a viable budget tool. This footnote will help us track their progress.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

Highway Striping

The Executive recommends a total biennial State Highway Fund increase of \$1,990,000 for a 50% increase in the amount of paint and reflective beads used by ADOT to widen highway stripes statewide from 4" to 6" to reduce the number and severity of run-off-the road crashes. This amount includes an increase of \$995,000 in both FY 2002 and FY 2003 above FY 2001. The Governor's Highway Safety Team included both conducting a pilot project for 6" edge striping in the Phoenix metro area, and establishing standards for 6" edge striping, in its Action Plan Matrix, dated September 18, 2000. ADOT has provided a list of 22 other states striping practices, which shows no uniformity in striping practices among the 22

states. Stripe widths range from 4" to 8", sometimes depending on whether the stripes are for freeways or for secondary roads, or whether the stripes are for edge striping or for lane separation. The JLBC recommends that ADOT first document the increased effectiveness of 6" wide lines for safety purposes, if any, and then produce a comprehensive statewide cost/benefit plan for different striping width options for both Arizona's freeways and secondary roads.

Transportation Department Equipment Fund Spending Authority

The Executive recommends an additional total biennial Transportation Department Equipment Fund increase in spending authority of \$1,000,000 above the appropriation level already recommended. The Executive believes that ADOT can increase their motor pool business and revenues by \$500,000 annually by better marketing their motor pool services to other state agencies. This amount includes an increase of \$500,000 in both FY 2002 and FY 2003 above FY 2001. The JLBC recommends that the Transportation Department Equipment Fund be appropriated in-line with the fund's estimated revenues, as it already is in the JLBC recommendation.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Transportation

Motor Vehicle

JLBC: Bob Hull
OSP: Marcel Benberou

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	1,564.0	1,622.0	1,649.0	1,615.0	1,684.0	1,662.0
Motor Vehicle						
<i>Motor Vehicle Support Services</i>	16,449,900	19,187,900	18,692,800	18,455,900	18,697,900	18,463,800
<i>Customer Services</i>	44,560,100	49,316,700	51,470,500	47,750,800	52,461,800	48,794,800
<i>Motor Vehicle Enforcement Services</i>	9,814,400	10,734,400	10,943,300	10,947,900	10,974,100	10,978,600
Attorney General Legal Services SLI	124,100	129,000	132,500	130,300	132,500	130,300
Abandoned Vehicle Administration SLI	413,600	431,700	454,000	453,700	454,500	454,200
Subprogram Subtotal	10,352,100	11,295,100	11,529,800	11,531,900	11,561,100	11,563,100
PROGRAM TOTAL	71,362,100	79,799,700	81,693,100	77,738,600	82,720,800	78,821,700
FUND SOURCES						
State Highway Fund	68,724,000	76,615,100	78,462,600	74,503,600	79,488,300	75,584,800
Safety Enforcement and Transportation Infrastructure Fund	877,500	1,217,000	1,244,000	1,245,700	1,244,800	1,246,400
Motor Vehicle Liability Insurance Enforcement Fund	977,700	997,700	1,013,700	1,015,100	1,014,200	1,015,600
Vehicle Inspection and Title Enforcement Fund	782,900	969,900	972,800	974,200	973,500	974,900
SUBTOTAL - Other Appropriated Funds	71,362,100	79,799,700	81,693,100	77,738,600	82,720,800	78,821,700
SUBTOTAL - Appropriated Funds	71,362,100	79,799,700	81,693,100	77,738,600	82,720,800	78,821,700
Other Non-Appropriated Funds	22,600	54,100	54,100	54,100	45,000	45,000
Federal Funds	23,300	37,900	28,200	28,200	18,200	18,200
TOTAL - ALL SOURCES	71,408,000	79,891,700	81,775,400	77,820,900	82,784,000	78,884,900

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	(2,061,100)	-2.6%	(978,000)	-1.2%	(3,039,100)

PROGRAM DESCRIPTION — *The Motor Vehicle Division (MVD) regulates vehicular operations within the state through the issuance and control of various permits, registrations and licenses.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average office wait time (minutes)	30/29.1	15 to 20/14.9	15 to 20	15 to 20
• Average telephone wait time (minutes)	3.5/2.2	3/2	1.8	1.5/1.4
• % of business processed by third parties	15/18	20/31	26	28/30
• % of alternative renewal methods (mail, internet, third party)	70/68	75/66	67	68/69

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$739,900	\$739,900
ERE Rates	OF	432,700	494,900

Customer Service

Workload	OF	1,061,900	2,499,500
-----------------	-----------	------------------	------------------

The JLBC recommends a total biennial State Highway Fund increase of \$3,561,400 and 79 FTE Positions to the Motor Vehicle program for an estimated 6.6% annual growth in customer service field office transactions, and to maintain a maximum customer wait times of 15 to 20 minutes. This amount includes a FY 2002 increase of \$1,061,900 and 32 customer service FTE Positions above FY 2001 and a FY 2003 increase of \$2,499,500 and 79 FTE Positions above FY 2001. The FY 2003 amounts include \$215,600 for one-time equipment, 33 additional customer service FTE Positions, 11 additional FTE Positions for a remodeled and expanded field office in Surprise, and 3 additional FTE Positions to increase the number of field office administrative zones from 5 to 6 to improve ADOT's coverage of field offices. The JLBC recommends funds in FY 2002 to remodel and expand the Surprise Motor Vehicle Service Center in our capital budget recommendation.

Reducing customer service wait times in Motor Vehicle field offices has been a legislative priority. Additional funding and FTE Positions were appropriated in both FY 2000 and FY 2001, to reduce the statewide customer wait time average in Motor Vehicle field offices to between 15 and 20 minutes. The Arizona Department of Transportation (ADOT) reports that its average customer wait time in Motor Vehicle field offices has improved from 29.1 minutes in FY 1999, to 14.9 minutes in FY 2000. The Executive recommends a total biennial State Highway Fund increase of \$2,523,300 and 59 FTE Positions. This amount includes a FY 2002 increase of \$777,400 and 24 FTE Positions above FY 2001 and a FY 2003 increase of \$1,745,900 and 59 FTE Positions above FY 2001.

New Special Computerization

Projects	OF	436,700	-0-
-----------------	-----------	----------------	------------

The JLBC recommends a total biennial State Highway Fund increase of \$436,700 to the Motor Vehicle program for one-time costs of 2 special computerization projects, including \$309,900 to develop a national motor vehicle title information system to reduce title fraud and \$126,800 to replace ADOT's computerized fuel tax reporting system. The Government Information Technology Agency has approved these projects. This amount includes a FY2002 increase of \$436,700 above FY 2001. The Executive recommends a total biennial State Highway Fund increase of \$1,879,200 and 3 FTE Positions, which includes a FY 2002 increase of \$950,000 and 3 FTE Positions above FY 2001 and a FY 2003 increase of \$929,200 and 3 FTE Positions above FY 2001.

Motor Pool Equipment

Rental Rate Increase	OF	75,600	75,600
-----------------------------	-----------	---------------	---------------

The JLBC recommends a total biennial Other Fund increase of \$151,200, including increases of \$141,200 to the State Highway Fund, and \$10,000 to the Safety Enforcement and Transportation Infrastructure Fund, for a 6.1% increase in vehicle and heavy equipment rental rates by the ADOT motor pool. This amount includes an increase of \$75,600 in both FY 2002 and FY 2003 above FY 2001. The Executive concurs. *(Please see Highways for more details.)*

Ports of Entry Scales	OF	65,000	85,000
------------------------------	-----------	---------------	---------------

The JLBC recommends a total biennial State Highway Fund increase of \$150,000 for the improved maintenance of truck scales at the Ports of Entry. This amount includes a FY 2002 increase of \$65,000 above FY 2001 and a FY2003 increase of \$85,000 above FY 2001. The Executive concurs.

Mexican Border

Trailer Expenses	OF	-0-	-0-
-------------------------	-----------	------------	------------

The JLBC recommends continuing the \$118,100 appropriation from the Safety Enforcement and Transportation Infrastructure Fund to the Motor Vehicle program in FY 2001 by Laws 2000, Chapter 333 for modular trailer operating expenses at Mexican border ports of entry. The JLBC further recommends deleting the footnote making this appropriation exempt from lapsing, since this is a normal operating budget expenditure which does not need to be non-lapsing. The Executive does not address the issue.

FTE Position

Reclassifications	OF	(141,600)	(141,600)
--------------------------	-----------	------------------	------------------

The JLBC recommends a total biennial State Highway Fund decrease of \$(283,200) and (39) FTE Positions from the Motor Vehicle program to fund ADOT's reclassification of 428 FTE Positions out of 580 FTE Positions reviewed during FY 1999 and FY 2000. The decrease of \$(283,200) is the decrease in Employee Related Expenditures associated with eliminating the (39) FTE Positions. ADOT eliminated the (39) FTE Positions to cover the \$658,000 Personal Services cost of reclassifying these positions. This amount includes a decrease of \$(141,600) and (39) FTE Positions in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue.

Net Equipment Change	OF	(268,100)	(268,100)
-----------------------------	-----------	------------------	------------------

The JLBC recommends a total biennial State Highway Fund decrease of \$(536,200) to the Motor Vehicle program for one-time equipment for their call center and customer service. This amount includes a decrease of \$(268,100) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

Plate-To-Owner System OF (840,600) (840,600)

The JLBC recommends a total biennial State Highway Fund decrease of \$(1,681,200) to the Motor Vehicle program for one-time costs of ADOT's special computerization project to expand the plate-to-owner system to all licensed vehicles. Laws 2000, Chapter 198 appropriated \$900,600 to ADOT in FY 2001 for this project, which includes \$840,600 of one-time costs and \$60,000 of continuing annual costs. The appropriation is exempt from lapsing. This amount includes a decrease of \$(840,600) in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue.

Central Phoenix Rent OF (902,200) (902,200)

The JLBC recommends a total biennial State Highway Fund transfer-out of \$(1,804,400) from the Motor Vehicle program for rent at ADOT's East Washington Street facility, which is being transferred to the Administration program in order to better align this function with ADOT's structure. This amount includes a transfer-out of \$(902,200) in both FY 2002 and FY 2003 from FY 2001. The Executive recommends a total biennial State Highway Fund transfer-out of \$(1,621,000) to the Administration program. This amount includes a transfer-out of \$(810,500) in both FY 2002 and FY 2003 above FY 2001. The Executive recommends a total biennial State Highway Fund transfer-out of \$(1,621,000) to the Administration program. This amount includes a transfer-out of \$(810,500) in both FY 2002 and FY 2003 above FY 2001. (Please see Administration for more details.)

Current Special Computerization

Projects OF (2,720,400) (2,720,400)

The JLBC recommends a total biennial State Highway Fund decrease of \$(5,440,800) to the Motor Vehicle program for one-time costs of ADOT's special computerization projects for a fee accounting and revenue management system, for an integrated inventory system, and for an on-line Social Security number verification system. Laws 2000, Chapter 274 appropriated a total of

\$2,750,400 to ADOT in FY 2001 for these projects, which includes \$2,720,400 of one-time costs and \$30,000 of continuing annual costs as shown in the following table. The appropriation is exempt from lapsing. This amount includes a decrease of \$(2,720,400) in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue, but instead leaves this money in the base budget.

Special Computerization Project Costs		
Project	One-Time Cost	Annual Cost
Fee Accounting & Management	\$1,527,000	\$ 0
Integrated Inventory	1,032,200	0
On-line Social Security # Verification	161,200	30,000
Total	\$2,720,400	\$30,000

* * *

JLBC RECOMMENDED FORMAT — Lump Sum for the Program

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote relating to the expenditure of monies deposited in the Vehicle Inspection and Title Enforcement Program, which exceed existing estimates of FY 2000 and FY 2001 expenditures, and the related reporting requirement. (This was a one-time footnote to allow ADOT to expend increased revenues from the sale of seized vehicles, if any, which by now are part of ADOT's regular budget planning.)

The JLBC recommends deleting the footnote making the appropriation for Mexican border trailer expenses exempt from lapsing. (This is a normal operating budget expenditure which does not need to be non-lapsing.)

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Department of Transportation

Aeronautics

JLBC: Bob Hull
 OSPB: Marcel Benberou

House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	33.0	33.0	19.0	19.0	19.0	19.0
Aeronautics	1,108,900	1,739,200	1,189,300	1,132,600	1,196,800	1,140,200
Grand Canyon Airport Cash & Revenues SLI	0	1,123,800	0	0	0	0
PROGRAM TOTAL	1,108,900	2,863,000	1,189,300	1,132,600	1,196,800	1,140,200

FUND SOURCES						
State Aviation Fund	1,108,900	1,739,200	1,189,300	1,132,600	1,196,800	1,140,200
Grand Canyon Airport Authority Operating Fund	0	1,123,800	0	0	0	0
SUBTOTAL - Other Appropriated Funds	1,108,900	2,863,000	1,189,300	1,132,600	1,196,800	1,140,200
SUBTOTAL - Appropriated Funds	1,108,900	2,863,000	1,189,300	1,132,600	1,196,800	1,140,200
Other Non-Appropriated Funds	91,100	125,400	0	0	0	0
Federal Funds	6,500	808,700	3,909,000	3,909,000	2,810,000	2,810,000
TOTAL - ALL SOURCES	1,206,500	3,797,100	5,098,300	5,041,600	4,006,800	3,950,200

CHANGE IN FUNDING SUMMARY	<u>FY 2001 to FY 2002 JLBC</u>		<u>FY 2001 to FY 2003 JLBC</u>		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	(1,730,400)	-60.4%	(1,722,800)	-60.2%	(3,453,200)
Total Appropriated Funds	(1,730,400)	-60.4%	(1,722,800)	-60.2%	(3,453,200)

PROGRAM DESCRIPTION — *The Aeronautics Division registers and licenses all general aviation aircraft in the state, administers the airports development grant and airports loan programs, and oversees the lease of the Grand Canyon National Park Airport.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of airport development projects completed on schedule	NA	NA	NA	75
• % that State Aviation Fund actual revenues exceed projection	NA	NA	NA	+4
• Working days to complete aircraft registration	3/3	3/3	3	2

Comments:

- The JLBC Staff recommends the new performance measures, “% of airport development projects completed on schedule,” and “% that State Aviation Fund actual revenues exceed projection.”

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$10,400	\$10,400
ERE Rates	OF	2,900	3,800
Other	OF	400	400

Phoenix Office Rent **OF** **15,900** **22,600**
 The JLBC recommends a total biennial State Aviation Fund increase of \$38,500 for rent at Aeronautics central Phoenix office. This amount includes a FY 2002 increase of \$15,900 above FY 2001 and a FY 2003 increase of \$22,600 above FY 2001. The Executive concurs.

Grand Canyon Airport Operations **OF** **(636,200)** **(636,200)**
 The JLBC recommends a total biennial State Aviation Fund decrease of \$(1,272,400) and (14) FTE Positions to the Aeronautics program for removal of funding to operate the Grand Canyon Airport. This amount includes a decrease of \$(636,200) and (14) FTE Positions in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

The ownership and management of the Grand Canyon Airport was transferred from the Arizona Department of Transportation (ADOT) to the then newly established Grand Canyon Airport Authority on October 1, 1999, in accordance with Laws 1999, Chapter 213. Prior to the passage of Laws 1999, Chapter 213, which established the Grand Canyon Airport Authority effective October 1, 1999, the General Appropriation Act included \$636,200 in FY 2001, for the operation of the Grand Canyon Airport.

The Authority was envisioned as having more local control, more freedom from the state bureaucracy, and with the ability to borrow funds for capital needs. However, ADOT subsequently determined that the Authority was a semi-autonomous state entity, instead of an independent municipal corporation, which still had to use the state accounting system, personnel system, and administrative rule making process. To remedy these shortcomings, Laws 2000, Chapter 99 was enacted.

Chapter 99 eliminated the Grand Canyon Airport Authority, reverted any unexpended and unencumbered monies previously appropriated to the Authority to the State Aviation Fund, and returned the operation of the Grand Canyon National Park Airport to ADOT, effective July 18, 2000. Chapter 99 also requires that ADOT must lease the airport to a nonprofit corporation, to operate and develop the airport as provided in the lease, by March 1, 2001. At its June 22, 2000 meeting the JLBC received ADOT's report that they planned to expend \$397,500 of their \$636,200 appropriation through the March 1, 2001 lease deadline. The Executive concurs.

Grand Canyon Airport
Cash and Revenues **OF** **(1,123,800)** **(1,123,800)**

The JLBC recommends a total biennial Grand Canyon Airport Authority Operating Fund decrease of \$(2,247,600) to the Aeronautics program for removal of the one-time appropriation of Grand Canyon Airport Cash and Revenues to ADOT for transfer to the nonprofit corporation lessee on the effective date of the lease. This amount includes a decrease of \$(1,123,800) in both FY 2002 and FY 2003 from FY 2001. The source of revenue for this fund was Grand Canyon Airport user fees and charges collected by the Authority, under Laws 1999, Chapter 213, which was to be the Authority's ongoing funding source. The General Accounting Office of the ADOA reported a fund balance of \$1,123,800 on November 21, 2000. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum for the Program

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes
 The JLBC recommends deleting the footnote requiring ADOT to report to the JLBC before expending amounts appropriated for FY 2000 and FY 2001 to operate the Grand Canyon Airport. *[This is no longer needed, since ADOT will not operate the airport after FY 2001.]*

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Arizona Board of Regents

Linda Blessing, Executive Director

JLBC: Lorenzo Martinez/Steve Grunig
 OSPB: Jeff Young

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Governance	2,102,200	2,143,800	2,142,200	2,209,800	2,161,800	2,229,100
ASU-East Lease-Purchase Payment SLI	0	0	0	1,400,000	0	2,016,000
ASU-West Lease-Purchase Payment SLI	0	0	0	1,100,000	0	1,613,000
Technology and Research Initiative Awards SLI	0	0	46,690,400	47,417,200	50,373,900	50,934,800
Area Health Education System SLI	0	0	0	4,096,000	0	4,173,800
<i>Program Subtotal - Governance</i>	2,102,200	2,143,800	48,832,600	56,223,000	52,535,700	60,966,700
Financial Assistance						
Student Financial Assistance SLI	2,155,200	2,355,200	2,355,200	2,355,200	2,455,200	2,455,200
Western Interstate Commission Office SLI	85,000	88,000	92,000	99,000	96,000	103,000
WICHE Student Subsidies SLI	2,711,800	2,834,400	3,282,400	3,282,400	3,436,800	3,436,800
<i>Program Subtotal - Financial Assistance</i>	4,952,000	5,277,600	5,729,600	5,736,600	5,988,000	5,995,000
AGENCY TOTAL	7,054,200	7,421,400	54,562,200	61,959,600	58,523,700	66,961,700

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	29.4	29.4	29.4	29.4	29.4	29.4
Personal Services	1,505,500	1,552,600	1,575,800	1,575,800	1,575,800	1,575,800
Employee Related Expenditures	277,700	305,400	278,800	310,900	279,100	310,900
All Other Operating Expenditures:						
Professional and Outside Services	47,000	45,100	45,100	45,100	45,100	45,100
Travel - In State	14,300	11,400	11,400	11,400	11,400	11,400
Travel - Out of State	0	0	0	0	0	0
Other Operating Expenditures	256,600	229,300	231,100	266,600	250,400	285,900
Equipment	1,100	0	0	0	0	0
OPERATING SUBTOTAL	2,102,200	2,143,800	2,142,200	2,209,800	2,161,800	2,229,100
Special Line Items	4,952,000	5,277,600	52,420,000	59,749,800	56,361,900	64,732,600
AGENCY TOTAL	7,054,200	7,421,400	54,562,200	61,959,600	58,523,700	66,961,700

FUND SOURCES

General Fund	7,054,200	7,421,400	7,871,800	7,946,400	8,149,800	8,224,100
General Fund - Dedicated	0	0	46,690,400	49,917,200	50,373,900	54,563,800
Arizona Tobacco Litigation Settlement Fund - Dedicated	0	0	0	4,096,000	0	4,173,800
SUBTOTAL - Dedicated Funds	0	0	46,690,400	54,013,200	50,373,900	58,737,600
SUBTOTAL - Appropriated Funds	7,054,200	7,421,400	54,562,200	61,959,600	58,523,700	66,961,700
Other Non-Appropriated Funds	3,266,300	3,217,500	3,150,000	3,150,000	3,150,000	3,150,000
Federal Funds	824,200	874,000	874,000	874,000	874,000	874,000
TOTAL - ALL SOURCES	11,144,700	11,512,900	58,586,200	65,983,600	62,547,700	70,985,700

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	525,000	7.1%	802,700	10.8%	1,327,700
Dedicated Funds	54,013,200	NA	58,737,600	NA	112,750,800
Total Appropriated Funds	54,538,200	734.9%	59,540,300	802.3%	114,078,500

AGENCY DESCRIPTION — *The Arizona Board of Regents (ABOR) board governs the 3 state universities, appoints presidents of the universities, sets the tuition and fees, establishes curricula, awards degrees, and prescribes qualifications for admission of all students to the universities. The board also adopts personnel rules and controls the university finances and expenditures including bonding, budgeting and all non-appropriated funds.*

PERFORMANCE MEASURES (Systemwide)	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of graduating seniors who rate their overall university experience as good/excellent	NA	NA/94	94	94/95
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	NA/83	NA/80	79	81/82
• Number of degrees granted:	NA/22,078	NA/22,764	23,060	23,431/23,745
Bachelors	NA/15,406	NA/15,908	16,233	16,545/16,830
Masters	NA/5,474	NA/5,626	5,590	5,610/5,630
First Professional	NA/463	NA/472	477	516/525
Doctorate	NA/735	NA/758	760	760
• Average number of years taken to graduate for student who began as freshmen	NA/5.0	NA/4.9	4.9	4.9
• % of agency staff turnover	NA	NA/18.9	18.9	18.9
• Administration as a % of total cost	NA/1.8	NA/1.9	1.8	1.7/1.6

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$26,300	\$26,300
ERE Rates	GF	2,400	2,400
Risk Management	GF	1,800	1,500
Rent	GF	35,500	55,100

A.R.S. § 15-1642. The Student Financial Aid Trust Fund is used to provide immediate aid to students with verifiable financial need or unique need due to special circumstances. Fifty percent of monies received each year are set aside to create an endowment for future financial aid. The Executive concurs.

Western Interstate

Commission Office GF 11,000 15,000

The JLBC recommends a total biennial increase of \$26,000 for Arizona's Western Interstate Commission on Higher Education (WICHE) membership fee in accordance with A.R.S. § 15-1742. This amount includes a FY 2002 increase of \$11,000 above FY 2001 and a FY 2003 increase of \$15,000 above FY 2001. The membership fee reflects the state's share of administrative costs. The Executive concurs.

Student Financial

Assistance GF -0- 100,000

The JLBC recommends a total biennial increase of \$100,000 for state appropriated matching funds to the Student Financial Aid Trust Fund. This amount includes a FY 2003 increase of \$100,000 above FY 2001. No additional matching monies are required in FY 2002. The recommended amount is based on actual student surcharge fees collected in FY 2000 and estimated collections for FY 2001. Matching funds are required pursuant to

	WICHE Professional Student Exchange Program					
	FY 2001		FY 2002		FY 2003	
	Appropriated		Recommended		Recommended	
	<u>Students</u>	<u>Amount</u>	<u>Students</u>	<u>Amount</u>	<u>Students</u>	<u>Amount</u>
Osteopathy	20	\$ 280,000	24	\$350,400	24	\$362,400
Dentistry						
3-year	9	176,400	11	224,400	11	233,200
4-year	39	573,300	41	627,300	41	651,900
Total Dentistry	48	\$749,700	52	851,700	52	885,100
Veterinary Medicine	70	1,463,000	74	1,605,800	74	1,672,400
Occupational Therapy						
1st year	7	54,600	9	72,900	9	75,600
2nd year	7	91,000	5	67,500	5	70,000
Total Occup. Therapy	14	145,600	14	140,400	14	145,600
Optometry	14	133,000	23	227,700	23	236,900
Physician Assistant	11	63,100	14	106,400	14	134,400
Total	177	\$ 2,834,400	201	\$3,282,400	201	\$3,436,800

WICHE Student

Subsidies GF 448,000 602,400

The JLBC recommends a total biennial increase of \$1,050,400 to fund 24 additional WICHE slots and fee increases for the student subsidies that provide partial financial support and preferential access to Arizona residents at universities outside of Arizona. This amount includes a FY 2002 increase of \$448,000 above FY 2001 and a FY 2003 increase of \$602,400 above FY 2001. The FY 2002 increase above FY 2001 includes \$123,100 to fund an overall 4.3% increase for student subsidies and \$324,900 to increase WICHE slots by 24 (for a total of 201). The FY 2003 amount reflects a \$154,400, or 4.7% increase for student subsidies above FY 2002. The Executive concurs.

Arizona students participating in the WICHE-Professional Student Exchange Program choose careers in certain health care professions for which education is not offered at Arizona universities. All WICHE participants are required to practice in Arizona 1 year for each year of support, or repay the state one-half of all funds expended on their behalf, plus interest. Alternatively, participants may practice in an underserved Arizona community and receive 1 year of state service credit for each 6 months of practice. *Table 1* shows the distribution of WICHE students by field of study.

“Education 2000”

Technology and Research Initiative Fund

Dedicated GF 49,917,200 54,563,800

The JLBC recommends a total biennial increase of \$104,481,000 for the Technology and Research Initiative Fund. This amount includes a FY2002 increase of \$49,917,200 above FY 2001 and a FY 2003 increase of \$54,563,800 above FY 2001.

Since the fund did not exist in FY 2001, the recommended increases for FY2002 and FY 2003 also equal total recommended funding for the fund for those years.

The Technology and Research Initiative Fund was established by “Education 2000” (Proposition 301), which voters enacted into law during the November 2000 General Election. The recommended amounts are JLBC estimates of monies that will be deposited into the fund each year under Education 2000. Education 2000 increased the state Transaction Privilege Tax (TPT) (“sales tax”) rate from 5% to 5.6% and dedicated the new revenues from that rate increase to various programs in public education. The Technology and Research Initiative Fund receives 12% of remaining collections after debt service on state school facilities revenue bonds is allocated.

Table 2 shows the distribution of Education 2000 sales tax monies. The JLBC currently estimates that the additional 0.6% sales tax will generate \$485,976,500 in new revenue in FY 2002 and \$524,698,600 in new revenue in FY 2003. After the required distributions for debt service, 12% of

the sales tax revenues available for deposit into the Technology and Research Initiative Fund are projected to equal \$49,917,200 in FY 2002 and \$54,563,800 in FY 2003. These estimates are only projections and funding will depend on the level of sales tax collections.

	<u>FY 2002</u>	<u>FY 2003</u>
Revenues		
Estimated 0.6% Sales Tax Revenue	\$ 485,976,500	\$524,698,600
Expenditures		
Students FIRST debt service	70,000,000	70,000,000
Universities	49,917,200	54,563,800
Community Colleges	12,479,300	13,641,000
Tribal Assistance	370,000	383,600
Additional School Days	15,305,900	31,530,100
School Safety	7,800,000	7,800,000
Character Education	200,000	200,000
School Accountability	5,849,000	4,586,800
Failing Schools Tutoring Fund	1,500,000	1,500,000
Income Tax Credit for Sales Tax Paid	<u>25,000,000</u>	<u>25,000,000</u>
Available for Site Fund: Sales Tax	297,555,100	315,493,300

Under Education 2000, the Technology and Research Initiative Fund was established to fund new economy technology and research initiatives. Up to 20% of monies may be used for capital projects, including debt service, related to new economy initiatives. The fund is continuously appropriated to ABOR. Education 2000 also appropriated a total of \$2,500,000 from the fund for the first year lease-purchase costs of expanding the Arizona State University East and West campuses. *Table 3* lists the allocation of monies in the fund.

	<u>FY 2002</u>	<u>FY 2003</u>
ASU-East Lease-Purchase Pymt	\$ 1,400,000	\$ 2,016,000
ASU-West Lease-Purchase Pymt	1,100,000	1,613,000
Tech. & Research Initiative Awards	<u>47,417,200</u>	<u>50,934,800</u>
Total	\$49,917,200	\$54,563,800

The Executive estimates \$46,690,400 in FY 2002 and \$50,373,900 in FY 2003.

Arizona Health Education

System Dedicated OF 4,096,000 4,173,800

The JLBC recommends a total biennial increase of \$8,269,800 from the Arizona Tobacco Litigation Settlement Fund for the Arizona Health Education System. This amount includes a FY 2002 increase of \$4,096,000 above FY 2001 and a FY 2003 increase of \$4,173,800 above FY 2001. Since the fund did not exist in FY 2001, the recommended increases also equal total recommended funding in each year.

At the 2000 general election, voters approved Proposition 204, which allocates tobacco settlement monies for a variety of programs, including \$4,000,000 for the Arizona

Health Education System, which consists of 5 area health education centers that represent medically underserved areas. The centers conduct both health professional education programs and programs to recruit and retain minority students in health professions. The allocation of these monies is determined by the Proposition and A.R.S. § 5-522. The monies are not subject to appropriation. As a result, these amounts will not appear in the General Appropriation Act.

There are 2 pending legal questions concerning the dollar level of these funds. First, since the Proposition was enacted in November, it is unclear whether the entire FY 2001 allocation should be transferred or whether the amount should be prorated. The JLBC FY 2001 is currently shown as zero. In addition, the Proposition requires the JLBC to compute annual inflation for the programs. Since these programs were originally enacted in 1996, it is unclear whether to compute inflation since 1996 or since 2000. An opinion from the Attorney General has been requested to clarify these issues. In the meantime, our estimates include inflation since FY 2001. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that the Community Colleges and Universities cooperate in operating a Statewide Articulation and Transfer System, including the process for transfer of lower division general education credits, general elective credits and curriculum requirements for majors, to ensure that community college students may transfer to Arizona public universities without loss of credit toward a baccalaureate degree. It is also the intent of the Legislature that the Higher Education Study Committee continue the collaborative process that

assures that the postsecondary education needs of students statewide are met without unnecessary duplication of programs. The committee shall focus its efforts on potential students who reside in rural areas or who cannot meet the regular class schedule due to their employment and family matters. The Arizona Board of Regents and the State Board of Directors for Community Colleges shall submit an annual report of their progress on both articulation and meeting statewide postsecondary education needs to the Joint Legislative Budget Committee by December 15, 2001 and December 15, 2002.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning annual reporting on progress in increasing faculty teaching loads at the universities. The JLBC recommends focusing on the measures shown above in the Performance Measures table.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Report

Pursuant to a footnote in the FY 2000-FY 2001 General Appropriation Act, the Auditor General conducted a special audit of 3 university items: expenditure of funding for decision packages, expenditure of receipts from student tuition and fees, and student enrollment growth funding. The audit found that the universities spent at least as much money as the Legislature appropriated for decision packages and the outcomes were consistent with the intent of each decision package. The study found that tuition and fee revenues increased 79% from FY 1990 through FY 1999. Expenditures of tuition and fee dollars could not be isolated because they are combined with other sources of unrestricted current operating funds. The audit found that the amounts appropriated for student enrollment growth funding generally followed changes in enrollment trends at the universities. The universities are unable to segregate expenditure of enrollment growth funds from other state-appropriated dollars.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Collections Revolving (BRA2183/A.R.S. § 15-1746)				Non-Appropriated
Source of Revenue: Western Interstate Commission for Higher Education (WICHE) repayments.				
Purpose of Fund: To fund new WICHE students entering participating professional schools. The fund balance was transferred to the General Fund in FY 2001.				
Funds Expended	0	0	0	0
Year-End Fund Balance	9,900	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
Federal (No Fund Number/A.R.S. § 15-1620)				Non-Appropriated
Source of Revenue: Federal grants: Eisenhower Math/Science Education.				
Purpose of Fund: To improve teaching skills for mathematics and science teachers.				
Funds Expended	824,200	874,000	874,000	874,000
Year-End Fund Balance	0	0	0	0
Regents Local (ASU Account/A.R.S. § 15-1621)				Non-Appropriated
Source of Revenue: Contributions from the 3 universities' local funds.				
Purpose of Fund: To supplement the operating budget of the Arizona Board of Regents.				
Funds Expended	551,500	647,500	580,000	580,000
Year-End Fund Balance	357,900	239,600	204,600	186,000
Teacher Loan Forgiveness (BRA2249/A.R.S. § 15-1640)				Non-Appropriated
Source of Revenue: Legislative appropriations and loan repayments.				
Purpose of Fund: To encourage students to accept teaching positions in underserved areas of the state. Pursuant to statute, the fund balance was transferred to the General Fund in FY 2001.				
Funds Expended	0	0	0	0
Year-End Fund Balance	14,600	0	0	0
Technology and Research Initiative (No Fund Number/A.R.S. § 15-1648)				Statutory Distribution
Source of Revenue: Monies automatically appropriated to the fund from a 0.6% sales tax. That tax and the fund itself were authorized by voters through passage of Proposition 301 in the November 2000 General Election.				
Purpose of Fund: For technology and research (new economy) initiatives. Up to 20% of monies may also be used for capital projects, including debt service, related to new economy initiatives.				
Funds Expended from the General Fund	0	0	49,917,200	54,563,800
Year-End Fund Balance	0	0	0	0
Arizona Tobacco Litigation Settlement Fund (No Fund Number/A.R.S. § 5-522)				Statutory Distribution
Source of Revenue: Monies received from the Tobacco Litigation Master Settlement Agreement.				
Purpose of Fund: For the Arizona Health Education System.				
Funds Expended	0	0	4,096,000	4,173,800
Year-End Fund Balance	0	0	0	0
University Land (BRA3131/3132/3134/3136/A.R.S. § 15-1662)				Non-Appropriated
Source of Revenue: Agricultural and Mechanical Colleges Land Fund, Military Institutes Land Fund, University Land Fund, and Normal Schools Land Fund.				
Purpose of Fund: For the use of the universities and to provide matching monies for eminent scholars funding.				
Funds Expended	2,714,800	2,570,000	2,570,000	2,570,000
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Arizona State University - Main Campus

Lattie Coor, Ph.D., President

JLBC: Lorenzo Martinez/Steve Grunig
OSP: Jeff Young

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	5,935.0	6,035.0	5,915.3	6,055.5	5,915.3	6,107.1
Personal Services	242,374,400	266,469,500	263,968,800	271,246,600	263,968,800	273,920,800
Employee Related Expenditures	42,950,700	50,109,000	53,190,200	50,365,700	53,201,200	50,894,000
All Other Operating Expenditures:						
Professional and Outside Services	3,432,100	1,369,900	1,369,900	1,369,900	1,369,900	1,369,900
Travel - In State	124,900	352,400	365,400	356,300	365,400	365,300
Travel - Out of State	2,221,000	409,300	423,700	422,300	423,700	452,300
Library Acquisitions	5,202,800	6,464,700	6,464,700	6,464,700	6,464,700	6,464,700
Other Operating Expenditures	38,930,800	40,104,000	42,997,600	40,659,800	43,031,000	41,577,700
Equipment	19,205,100	9,418,000	9,541,300	9,915,300	9,541,300	10,333,500
AGENCY TOTAL	354,441,800	374,696,800	378,321,600	380,800,600	378,366,000	385,378,200

FUND SOURCES

General Fund	265,228,600	273,605,200	281,960,700	279,321,800	281,586,800	283,481,200
University Collections Fund	89,213,200	101,091,600	96,360,900	101,478,800	96,779,200	101,897,000
SUBTOTAL - Other Appropriated Funds	89,213,200	101,091,600	96,360,900	101,478,800	96,779,200	101,897,000
SUBTOTAL - Appropriated Funds	354,441,800	374,696,800	378,321,600	380,800,600	378,366,000	385,378,200
Other Non-Appropriated Funds	189,696,900	197,962,800	207,078,900	207,078,900	216,619,700	216,619,700
Federal Funds	72,335,800	75,996,000	79,796,300	79,796,300	83,786,000	83,786,000
TOTAL - ALL SOURCES	616,474,500	648,655,600	665,196,800	667,675,800	678,771,700	685,783,900

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	5,716,600	2.1%	9,876,000	3.6%	15,592,600
Other Appropriated Funds	387,200	0.4%	805,400	0.8%	1,192,600
Total Appropriated Funds	6,103,800	1.6%	10,681,400	2.9%	16,785,200

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of the 3 state universities governed by the Arizona Board of Regents (ABOR). As a Research I institution, ASU - Main Campus offers over 250 degree programs to approximately 44,000 students in 14 colleges and schools, and also provides academic courses at the Downtown Center in Phoenix.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of graduating seniors who rate their overall university experience as good/excellent	NA/91	NA/94	94	94/95
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	NA/77	NA/79	80	80/81
• Number of degrees granted:	NA/9,007	NA/9,274	9,340	9,340
Bachelors	NA/6,343	NA/6,622	6,700	6,700
Masters	NA/2,237	NA/2,207	2,200	2,200
First Professional	NA/154	NA/159	160	160
Doctorate	NA/273	NA/286	280	280
• Average number of years taken to graduate for student who began as freshmen	NA/4.9	NA/4.8	4.8	4.8
• External dollars for research and creative activity (millions)	NA/100	NA/107	112	118/124
• % of agency staff turnover	NA	NA/19.2	19.2	19.2
• Administration as a % of total cost	NA/1.3	NA/1.5	1.3	1.2/1.1

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$4,379,000	\$4,379,000
ERE Rates	GF (432,500)	(421,200)
Risk Management	GF 295,100	328,500

Enrollment Growth **GF 1,297,900** **4,542,700**

The JLBC recommends a total biennial General Fund increase of \$5,840,600 for increased student enrollment. This amount includes a FY 2002 increase of \$1,297,900 and 18 FTE Positions above FY 2001 and a FY 2003 increase of \$4,542,700 and 63 FTE Positions above FY 2001. The Executive recommends an increase of \$2,597,600 and 41 FTE Positions in both FY 2002 and FY 2003 above FY 2001.

Student enrollment is based on a comparison of 3-year rolling weighted averages from year to year. The recommended amounts reflect a FY 2002 student enrollment of 39,363, or a 264 student increase of 0.7% from FY 2001, and a FY 2003 student enrollment of 40,032, or a 660 student increase of 1.7% from FY 2002. Funding for FY 2003 may be adjusted to reflect any variances from the current estimates.

By comparison, actual enrollment went from 39,039 in fall 1999 to 39,655 in fall 2000 for an increase of 616 or 1.6%. The 3-year formula was implemented to mitigate the impact of any significant enrollment changes that might occur from one year to another.

The funding formula of 22:1:0.5 increases or decreases funding for 1 faculty and 0.5 support FTE Positions for every 22 student increase or decrease.

New Facilities Support **GF 201,500** **532,300**

The JLBC recommends a total biennial General Fund increase of \$733,800 for operations and maintenance costs associated with the expansion of 2 facilities at the campus. This amount includes a FY 2002 increase of \$201,500 and 6 FTE Positions above FY 2001 and a FY 2003 increase of \$532,300 and 9.6 FTE Positions above FY 2001. The recommended funding and FTE Positions will support the operation and maintenance of the Intercollegiate Athletics Office Building and the Wells Fargo Arena expansion. The Executive does not address this issue.

College of Business

Program Fees **OF 1,034,100** **1,452,300**

The JLBC recommends a total biennial University Collections Fund increase of \$2,486,400 for the College of Business to provide enhancements for professional business master's degree programs. This amount includes a FY 2002 increase of \$1,034,100 and 8.5 FTE Positions above FY 2001 and a FY 2003 increase of \$1,452,300 and 11.5 FTE Positions above FY 2001. The Executive does not address this issue.

For FY 2001, the Arizona Board of Regents approved a \$2,000 annual increase to the existing fee for College of Business professional master's degree programs. The recommended amounts reflect the additional estimated fee collections from the increase.

Exercise and Wellness **GF (24,400)** **(24,400)** **Program Transfer** **OF (646,900)** **(646,900)**

The JLBC recommends a total biennial General Fund decrease of \$(48,800) and University Collections Fund decrease of \$(1,293,800) to transfer the Exercise and Wellness Program and 12 FTE Positions from the Main Campus to the East Campus. These amounts include a FY 2002 and FY 2003 General Fund decrease of \$(24,400) and a University Collections Fund decrease of \$(646,900)

below FY2001. ASU has requested this transfer to enhance academic programming at ASU-East and to help manage the enrollment profile at both ASU-East and ASU-Main. The Executive is recommending a General Fund decrease of \$(658,300) in both FY 2002 and FY 2003.

Eminent Scholars GF -0- 539,100

The JLBC recommends a FY 2003 General Fund increase (above FY 2001) of \$539,100 to restore university operating funding that was lost when Laws 1998, Chapter 173 converted the Universities Land Fund to the Eminent Scholars Matching Grant Fund. In addition, the JLBC recommends continued biennial General Fund funding of \$172,200 that was appropriated by Laws 1999, Chapter 326 to partially restore lost operating funding. This amount includes continued funding of \$86,100 in both FY 2002 and FY 2003. The Eminent Scholars Program is intended to attract and retain eminent faculty at Arizona universities. Earnings from the Eminent Scholars Matching Grant Fund are intended to be used to match earnings on nonpublic endowments dedicated to the Eminent Scholars Program. The Executive recommendation continues the base funding of \$86,100 in both FY 2002 and FY 2003, but does not address any increases.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriated monies are not to be used for scholarships.

The appropriated monies shall not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which the state is the adverse party.

Any unencumbered balances remaining in the collections account on June 30, 2001 and June 30, 2002, respectively, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

Fund Adjustment for Collections Changes

The Executive recommends a General Fund decrease of \$(1,845,900) with a corresponding Collections Fund increase of \$1,845,900 in FY 2002 and a General Fund decrease of \$(2,264,200) with a Collections Fund increase of \$2,264,200 from FY 2001. The Executive estimates that additional tuition and fee collections will be available to offset General Fund funding in the operating budget. The university did not request this adjustment.

Digital Television

The Executive is recommending \$120,000 in both FY 2002 and FY 2003 for costs associated with the operation of a digital television broadcasting system. A federal mandate requires publicly funded television stations to convert to a digital format by 2003. Current operating costs are allocated 19% from appropriated funds and 81% from non-appropriated funds.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Auxiliary (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Sales and services from substantially self-supporting activities.				
Purpose of Fund: To account for transactions of substantially self-supporting, non-educational activities that primarily provide services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, intercollegiate athletics, internal service operations, and others.				
Funds Expended	71,208,300	74,768,700	78,507,300	82,432,600
Year-End Fund Balance	13,256,300	11,689,300	10,838,200	10,746,900

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Designated (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Tuition and fees retained by the university, summer session fees, administrative costs of student aid, and unrestricted gifts and grants.

Purpose of Fund: To account for transactions related to academic year tuition and fees retained by the university, the summer sessions programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts. The resources in this fund have been designated for specific purposes by the university. Indirect Cost Recovery, which is part of Designated Funds, is presented separately.

Funds Expended	74,477,800	77,456,900	80,555,200	83,777,400
Year-End Fund Balance	65,290,100	73,282,600	81,552,000	90,107,300

Endowment and Life Income (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Gifts, investment income, and financial aid trust fees assessed to students.

Purpose of Fund: For the following purposes: Permanent Endowment Funds are subject to the restrictions of donor gifts requiring that the principal be invested in perpetuity and that only the income be used. Term endowments provide that, upon the passage of a stated period of time, all or part of the principal may be expended. Quasi-endowments have been established by the university for the same purposes as Endowment Funds. Life Income Funds are used to account for cash or other property contributed to the university subject to the requirements that the university periodically pay the income earned on such assets to designated beneficiaries.

Funds Expended	0	0	0	0
Year-End Fund Balance	63,819,600	67,877,600	72,138,500	76,612,500

Federal Grants (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Federal grants.

Purpose of Fund: To account for current operating funds restricted in use by the federal government.

Funds Expended	72,151,500	75,802,500	79,593,100	83,572,600
Year-End Fund Balance	0	0	0	0

Federal Indirect Cost Recovery (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Indirect costs recovered from federal sponsored research programs.

Purpose of Fund: To account for transactions designated for various activities that assist or promote sponsored research.

Funds Expended	184,300	193,500	203,200	213,400
Year-End Fund Balance	0	0	0	0

Indirect Cost Recovery - Non-Federal (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Indirect costs recovered from non-federal sponsored research programs and grants.

Purpose of Fund: To account for transactions designated for various activities that assist or promote sponsored research.

Funds Expended	30,100	32,200	34,500	36,900
Year-End Fund Balance	6,185,100	12,031,800	18,241,400	24,837,100

Loan (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Interest earned on student loans for programs funded by the federal government.

Purpose of Fund: To account for loans made to assist students in financing of their education. Provisions of the Federal Loan Program stipulate that the university matches one-third of the capital contributions, and a portion of the loan principal and interest (ranging from 15% to 30% per year) can be canceled and absorbed by the federal government, if the recipient completes certain employment requirements.

Funds Expended	1,021,500	597,800	619,300	642,100
Year-End Fund Balance	12,687,300	12,762,800	12,822,700	12,868,500

Restricted (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Grants from private donors and non-federal agencies.

Purpose of Fund: To account for current funds expendable for operating purposes, but restricted by donors or non-federal agencies as to the specific purpose for which they may be expended.

Funds Expended	42,959,200	45,107,200	47,362,600	49,730,700
Year-End Fund Balance	6,682,200	9,017,000	11,468,500	14,042,700

	FY 2000	FY 2001	FY 2002	FY 2003
University Collections (ASA1411/A.R.S. § 15-1626)				Appropriated
Source of Revenue: Tuition, registration fees, and other revenues.				
Purpose of Fund: To provide operating funding.				
Funds Expended	89,213,200	101,091,600	101,478,800	101,897,000
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Arizona State University - East Campus

Lattie F. Coor, Ph.D., President

JLBC: Lorenzo Martinez/Steve Grunig
OSP: Jeff Young

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	205.0	231.0	223.8	245.0	223.8	254.0
Personal Services	8,431,200	10,321,800	10,140,300	11,035,600	10,140,300	11,304,100
Employee Related Expenditures	1,560,300	1,962,200	2,051,000	2,120,900	1,972,800	2,175,100
All Other Operating Expenditures:						
Professional and Outside Services	639,400	585,000	585,000	585,000	585,000	585,000
Travel - In State	19,800	15,000	15,000	15,000	15,000	15,000
Travel - Out of State	106,500	26,100	26,100	26,100	26,100	26,100
Library Acquisitions	111,800	52,500	52,500	52,500	52,500	52,500
Other Operating Expenditures	2,418,800	2,307,900	2,206,000	2,598,900	2,206,000	3,367,900
Equipment	580,700	551,300	551,300	553,100	551,300	561,200
AGENCY TOTAL	13,868,500	15,821,800	15,627,200	16,987,100	15,549,000	18,086,900

FUND SOURCES

General Fund	11,297,300	11,337,300	12,237,500	11,819,700	10,872,500	11,632,700
University Collections Fund	2,571,200	4,484,500	3,389,700	5,167,400	4,676,500	6,454,200
SUBTOTAL - Other Appropriated Funds	2,571,200	4,484,500	3,389,700	5,167,400	4,676,500	6,454,200
SUBTOTAL - Appropriated Funds	13,868,500	15,821,800	15,627,200	16,987,100	15,549,000	18,086,900
Other Non-Appropriated Funds	1,739,600	2,159,900	2,740,000	2,740,000	3,478,900	3,478,900
Federal Funds	1,645,000	1,728,300	1,814,900	1,814,900	1,906,100	1,906,100
TOTAL - ALL SOURCES	17,253,100	19,710,000	20,182,100	21,542,000	20,934,000	23,471,900

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	482,400	4.3%	295,400	2.6%	777,800
Other Appropriated Funds	682,900	15.2%	1,969,700	43.9%	2,652,600
Total Appropriated Funds	1,165,300	7.4%	2,265,100	14.3%	3,430,400

AGENCY DESCRIPTION — Established as a separate budget unit in 1994, Arizona State University - East Campus offers baccalaureate, master's, and non-degree programs to approximately 1,000 students at a 600-acre site in southeast Mesa, location of the former Williams Air Force Base.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of graduating seniors who rate their overall university experience as good/excellent	NA	NA/86.7	88.5	90/91
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	NA/83	NA/72	72	75/78
• Number of degrees granted:	NA/238	NA/279	365	520/650
Bachelors	NA/171	NA/218	305	450/570
Masters	NA/67	NA/61	60	70/80
• Average number of years taken to graduate for student who began as freshmen	NA/5.7	NA/5.3	5.0	4.8
• Fall semester enrollment (headcount)	NA/1,095	NA/1,466	1,939	2,450/3,150
• % of agency staff turnover	NA	NA/10.3	10.3	10.3
• Administration as a % of total cost	NA/11.0	NA/6.4	6.7	4.7/3.9

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$ 147,100	\$ 147,100
ERE Rates	GF 19,600	9,100
Fund Adjustments for	GF (36,000)	(1,322,800)
Increased Collections	OF 36,000	1,322,800

The JLBC recommends a total biennial General Fund decrease of \$(1,358,800) and a corresponding University Collections Fund increase of \$1,358,800 as a result of higher tuition and fee collections. These amounts include a FY 2002 General Fund decrease of \$(36,000) below FY2001 and a FY 2003 General Fund decrease of \$(1,322,800) below FY 2001 (with corresponding increases from the University Collections Fund in each year). The FY 2003 General Fund increase is higher due to an estimated increase of \$1,286,800 in available tuition and fee collections. Increases in collections are available to offset the General Fund and maintain the base-operating budget. The Executive concurs.

Exercise and Wellness	GF 24,400	24,400
Program Transfer	OF 646,900	646,900

The JLBC recommends a total biennial General Fund increase of \$48,800 and University Collections Fund increase of \$1,293,800 to transfer the Exercise and Wellness Program and 12 FTE Positions from the Main Campus to the East Campus. These amounts include a FY 2002 General Fund increase of \$24,400 and a University Collections Fund increase of \$646,900 above FY 2001. These amounts are continued in FY 2003. ASU has requested this transfer to enhance academic programming at ASU-East and to help manage the enrollment profile at both ASU-East and ASU-Main. The Executive is recommending a General Fund increase of \$658,300 in both FY 2002 and FY 2003.

New Facilities Support	GF 327,300	1,437,600
-------------------------------	------------	-----------

The JLBC recommends a total biennial General Fund increase of \$1,764,900 for operations and maintenance costs associated with the renovation, expansion and

construction of 4 facilities at the campus. This amount includes a FY 2002 increase of \$327,300 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$1,437,600 and 11 FTE Positions above FY 2001. The recommended funding and FTE Positions will support the operation and maintenance of the Agribusiness Center, Simulator Building, Campus Conference Center, and Flightline Facility. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriated monies are not to be used for scholarships.

Any unencumbered balances remaining in the collections account on June 30, 2001 and June 30, 2002, respectively, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Auxiliary (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Sales and services from substantially self-supporting activities.

Purpose of Fund: To account for transactions of substantially self-supporting, non-educational activities that primarily provide services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, intercollegiate athletics, internal service operations, and others.

Funds Expended	54,600	23,300	29,200	37,800
Year-End Fund Balance	(700)	2,300	7,300	14,000

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Designated (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Primarily summer sessions fees, tuition and fees retained by the university, and miscellaneous local funds.

Purpose of Fund: To account for transactions related to summer session and other miscellaneous local funds that have been designated for specific purposes by the university.

Funds Expended	647,500	841,800	1,094,400	1,422,800
Year-End Fund Balance	995,100	1,449,800	2,031,100	2,779,400

Endowment and Life Income (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Student fees set aside in a permanent endowment.

Purpose of Fund: To accumulate a pool of funds so that future earnings can be used for financial aid.

Funds Expended	0	0	0	0
Year-End Fund Balance	48,600	71,300	101,900	143,200

Federal Grants (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Grants from the federal government.

Purpose of Fund: To account for current operating funds restricted in use by the federal government.

Funds Expended	1,641,600	1,724,600	1,810,800	1,901,600
Year-End Fund Balance	0	0	0	0

Federal Indirect Cost Recovery (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Indirect costs recovered from federal sponsored research programs.

Purpose of Fund: To account for transactions designated for various activities that assist or promote sponsored research.

Funds Expended	3,400	3,700	4,100	4,500
Year-End Fund Balance	0	0	0	0

Indirect Cost Recovery - Non Federal (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Indirect costs recovered from non-federal sponsored research programs.

Purpose of Fund: To account for transactions designated for various activities that assist or promote sponsored research.

Funds Expended	2,700	3,200	3,800	4,600
Year-End Fund Balance	90,800	188,500	305,800	446,500

Restricted (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Primarily the state appropriated match for the Financial Aid Trust Fund and non-federal grants and contracts.

Purpose of Fund: To account for current funds expended for operating purposes but restricted for current financial aid or other purposes specified by donors.

Funds Expended	1,034,800	1,291,600	1,612,600	2,013,700
Year-End Fund Balance	39,500	58,000	83,000	116,300

University Collections (ASA1411/A.R.S. § 15-1626)

Appropriated

Source of Revenue: Tuition, registration fees, and other revenues.

Purpose of Fund: To provide operating funding.

Funds Expended	2,571,200	4,484,500	5,167,400	6,454,200
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Arizona State University - West Campus

Lattie F. Coor, Ph.D., President

JLBC: Lorenzo Martinez/Steve Grunig
OSP: Jeff Young

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	660.6	672.0	460.2	672.0	460.2	672.0
Personal Services	25,595,900	28,598,200	28,126,400	29,011,800	28,126,400	29,011,800
Employee Related Expenditures	4,830,000	5,813,100	5,552,900	5,774,900	5,564,100	5,774,000
All Other Operating Expenditures:						
Professional and Outside Services	676,500	479,800	479,800	479,800	479,800	479,800
Travel - In State	47,200	97,700	97,700	97,700	97,700	97,700
Travel - Out of State	334,700	105,800	105,800	105,800	105,800	105,800
Library Acquisitions	1,145,400	1,151,400	1,151,400	1,151,400	1,151,400	1,151,400
Other Operating Expenditures	10,807,800	3,881,000	8,603,200	3,881,000	8,603,200	3,881,000
Equipment	2,639,800	2,106,000	2,106,000	2,106,000	2,106,000	2,106,000
AGENCY TOTAL	46,077,300	42,233,000	46,223,200	42,608,400	46,234,400	42,607,500

FUND SOURCES

General Fund	38,524,400	39,473,600	39,245,800	39,629,100	39,072,000	39,443,200
University Collections Fund	7,552,900	2,759,400	6,977,400	2,979,300	7,162,400	3,164,300
SUBTOTAL - Other Appropriated Funds	7,552,900	2,759,400	6,977,400	2,979,300	7,162,400	3,164,300
SUBTOTAL - Appropriated Funds	46,077,300	42,233,000	46,223,200	42,608,400	46,234,400	42,607,500
Other Non-Appropriated Funds	3,416,900	8,330,100	8,743,100	8,743,100	9,176,400	9,176,400
Federal Funds	1,967,300	2,063,000	2,166,200	2,166,200	2,275,100	2,275,100
TOTAL - ALL SOURCES	51,461,500	52,626,100	57,132,500	53,517,700	57,685,900	54,059,000

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	155,500	0.4%	(30,400)	-0.1%	125,100
Other Appropriated Funds	219,900	8.0%	404,900	14.7%	624,800
Total Appropriated Funds	375,400	0.9%	374,500	0.9%	749,900

AGENCY DESCRIPTION — Established as a separate budget unit in 1984, Arizona State University-West Campus offers upper division baccalaureate and selective masters' programs to approximately 5,000 students at the 300-acre site in northwestern Phoenix.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of graduating seniors who rate their overall university experience as good/excellent	NA/98	NA/99	95	95
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	NA/81	NA/78	79	80/81
• Number of degrees granted:	NA/1,204	NA/1,319	1,320	1,345/1,370
Bachelors	NA/997	NA/1,107	1,110	1,130/1,150
Masters	NA/207	NA/212	210	215/220
• Fall semester enrollment (FTE)	NA/3,456	NA/3,658	3,817	3,822/3,900
• % of agency staff turnover	NA	NA/13.4	13.4	13.4
• Administration as a % of total cost	NA/4.3	NA/4.1	4.5	4.2/4.1

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$471,600	\$471,600
ERE Rates	GF	(96,200)	(97,100)
Fund Adjustments for	GF	(219,900)	(404,900)
Increased Collections	OF	219,900	404,900

The JLBC recommends a total biennial General Fund decrease of \$(624,800) and a corresponding University Collections Fund increase of \$624,800 as a result of higher tuition and fee collections. These amounts include a FY2002 General Fund decrease of \$(219,900) below FY2001 and a FY 2003 General Fund decrease of \$(404,900) below FY 2001 (with corresponding increases from the University Collections Fund in each year). The FY 2003 General Fund increase is higher due to an estimated increase of \$185,000 in available tuition and fee collections. Increases in collections are available to offset the General Fund and maintain the base operating budget. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriated monies are not to be used for scholarships.

Any unencumbered balances remaining in the collections account on June 30, 2001 and June 30, 2002, respectively, and all collections received by the university during the fiscal year, when paid to the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. Within 10 days of the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Auxiliary (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Sales and services from substantially self-supporting activities.				
Purpose of Fund: To account for transactions of substantially self-supporting, non-educational activities that primarily provide services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, intercollegiate athletics, internal service operations, and others.				
Funds Expended	495,100	372,800	387,700	403,100
Year-End Fund Balance	440,500	332,600	220,400	103,800
Designated (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Primarily summer sessions fees, tuition and fees retained by the university, and miscellaneous local funds.				
Purpose of Fund: To account for transactions related to summer session and other miscellaneous local funds that have been designated for specific purposes by the university.				
Funds Expended	2,452,900	7,464,900	7,838,200	8,230,200
Year-End Fund Balance	2,373,700	2,577,000	2,790,400	3,014,300
Endowment and Life Income (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Student fees set aside in a permanent endowment.				
Purpose of Fund: To accumulate a pool of funds so that future earnings can be used for financial aid.				
Funds Expended	0	0	0	0
Year-End Fund Balance	915,800	949,200	984,300	1,021,200

	FY 2000	FY 2001	FY 2002	FY 2003
Federal Grants (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Grants from the federal government.				
Purpose of Fund: To account for current operating funds restricted in use by the federal government.				
Funds Expended	1,963,300	2,063,000	2,166,200	2,275,100
Year-End Fund Balance	0	0	0	0
Federal Indirect Cost Recovery (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Indirect costs recovered from federal sponsored research programs.				
Purpose of Fund: To account for transactions designated for various activities that assist or promote sponsored research.				
Funds Expended	4,000	0	0	0
Year-End Fund Balance	0	0	0	0
Indirect Cost Recovery - Non-Federal (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Indirect costs recovered from non-federal sponsored research programs.				
Purpose of Fund: To account for transactions designated for various activities that assist or promote sponsored research.				
Funds Expended	400	500	600	700
Year-End Fund Balance	80,700	75,000	69,000	61,700
Loan (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Primarily donations for short-term loan programs.				
Purpose of Fund: To provide short-term loans to students.				
Funds Expended	0	0	0	0
Year-End Fund Balance	4,300	4,300	4,300	4,300
Restricted (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Primarily the state appropriated match for the Financial Aid Trust Fund and non-federal grants and contracts.				
Purpose of Fund: To account for current funds expended for operating purposes but restricted for current financial aid or other purposes specified by donors.				
Funds Expended	468,500	491,900	516,600	542,400
Year-End Fund Balance	64,300	97,700	132,700	169,500
University Collections (ASA1411/A.R.S. § 15-1626)				Appropriated
Source of Revenue: Tuition, registration fees, and other revenues.				
Purpose of Fund: To provide operating funding.				
Funds Expended	7,552,900	2,759,400	2,979,300	3,164,300
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Northern Arizona University

Clara M. Lovett, Ph.D., President

JLBC: Lorenzo Martinez/Steve Grunig
OSP: Jeff Young

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	2,255.1	2,346.9	2,269.5	2,304.8	2,269.5	2,303.1
Personal Services	87,705,200	94,442,600	93,597,800	93,998,600	93,597,800	93,908,300
Employee Related Expenditures	17,686,600	19,331,800	20,158,000	20,754,200	20,256,400	20,830,200
All Other Operating Expenditures:						
Professional and Outside Services	2,417,200	2,117,800	1,617,800	2,117,800	1,617,800	2,117,800
Travel - In State	568,700	810,400	782,400	802,100	782,400	801,800
Travel - Out of State	681,900	210,000	210,000	182,100	210,000	181,000
Library Acquisitions	2,401,500	2,687,100	2,687,100	2,687,100	2,687,100	2,687,100
Other Operating Expenditures	18,005,200	17,187,000	17,261,500	17,261,900	17,288,300	17,531,600
Equipment	3,152,000	3,683,100	3,565,000	2,806,800	3,565,000	2,797,900
OPERATING SUBTOTAL	132,618,300	140,469,800	139,879,600	140,610,600	140,004,800	140,855,700
SPECIAL LINE ITEMS						
NAU - Yuma	2,259,200	2,307,700	2,158,400	2,320,000	2,158,400	2,320,900
AGENCY TOTAL	134,877,500	142,777,500	142,038,000	142,930,600	142,163,200	143,176,600

FUND SOURCES						
General Fund	108,429,800	113,169,800	113,483,200	115,166,500	113,608,400	115,408,300
University Collections Fund	26,447,700	29,107,700	28,054,800	27,264,100	28,054,800	27,268,300
Federal Temporary Assistance for Needy Families Block Grant	0	500,000	500,000	500,000	500,000	500,000
SUBTOTAL - Other Appropriated Funds	26,447,700	29,607,700	28,554,800	27,764,100	28,554,800	27,768,300
SUBTOTAL - Appropriated Funds	134,877,500	142,777,500	142,038,000	142,930,600	142,163,200	143,176,600
Other Non-Appropriated Funds	82,368,800	86,695,200	88,065,300	88,065,300	90,269,200	90,269,200
Federal Funds	27,452,200	28,721,500	29,711,500	29,711,500	30,737,400	30,737,400
TOTAL - ALL SOURCES	244,698,500	258,194,200	259,814,800	260,707,400	263,169,800	264,183,200

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	1,996,700	1.8%	2,238,500	2.0%	4,235,200
Other Appropriated Funds	(1,843,600)	-6.2%	(1,839,400)	-6.2%	(3,683,000)
Total Appropriated Funds	153,100	0.1%	399,100	0.3%	552,200

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 state universities governed by the Arizona Board of Regents. The university offers 137 degree programs to approximately 20,000 students in 9 colleges, schools and 1 center, and provides academic programs at many instructional sites throughout the state and at the Yuma Campus that operates in conjunction with Arizona Western College.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of graduating seniors who rate their overall university experience as good/excellent	NA/97	NA/96	97	97
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	NA/94	NA/95	95	95
• Number of degrees granted:	NA/4,778	NA/4,892	4,900	4,900
Bachelors	NA/3,041	NA/2,969	3,000	3,000
Masters	NA/1,692	NA/1,871	1,840	1,840
First Professional	--	--	--	35/40
Doctorate	NA/45	NA/52	60	60
• Average number of years taken to graduate for student who began as freshmen	NA/5.2	NA/5.2	5	5
• Degrees granted to statewide students	NA/618	NA/641	650	660/675
• % of agency staff turnover	NA	NA/21.2	21.2	21.2
• Administration as a % of total cost	NA/2.1	NA/2.4	1.8	1.9/1.8

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$1,625,200	\$1,625,200
ERE Rates	GF 1,632,100	1,728,200
Risk Management	GF 159,100	185,900

Enrollment Growth **GF (2,513,300) (2,638,000)**

The JLBC recommends a total biennial General Fund decrease of \$(5,151,300) for decreasing student enrollment. This amount includes a FY 2002 decrease of \$(2,513,300) and (42.1) FTE Positions below FY 2001 and a FY 2003 decrease of \$(2,638,000) and (43.8) FTE Positions below FY 2001. The Executive recommends a decrease of \$(2,676,600) and (41.9) FTE Positions in both FY 2002 and FY 2003 from FY 2001.

Student enrollment is based on a comparison of 3-year rolling weighted averages from year to year. The recommended amounts reflect a FY 2002 student enrollment of 17,154, or a (615) student decrease of (3.5)% from FY 2001, and a FY 2003 student enrollment of 17,128, or a (25) student decrease of (0.2)% from FY 2002. Funding for FY 2003 may be adjusted to reflect any variances from the current estimates.

By comparison, actual enrollment went from 17,294 in fall 1999 to 17,107 in fall 2000 for a decrease of (187) or (1.1)%. The 3-year formula was implemented to mitigate the impact of any significant enrollment changes that occur from one year to another.

The funding formula of 22:1:0.5 increases or decreases funding for 1 faculty and 0.5 support FTE Positions for every 22 student increase or decrease.

Character Training

Education **GF** **-0-** **-0-**

The JLBC recommends continued biennial Temporary Assistance for Needy Families (TANF) Block Grant funding of \$1,000,000 for the Arizona K-12 Center at NAU for character training education. This amount includes continued TANF Block Grant funding of \$500,000 in both FY 2002 and FY 2003. Laws 2000, Chapter 393 appropriated \$500,000 from the TANF Block Grant in FY 2001 to the Arizona K-12 Center for character training education through contracted providers for persons who are less than 19 years of age and who are eligible for or who are receiving TANF or Arizona Works assistance. The Executive concurs.

One-time Equipment **GF (750,000) (750,000)**

The JLBC recommends a total biennial General Fund decrease of \$(1,500,000) for one-time equipment and furniture funding. This amount includes a decrease of \$(750,000) in both FY 2002 and FY 2003 from FY 2001. Laws 2000, Chapter 228 appropriated \$750,000 from the General Fund in FY 2001 to furnish and equip the new John F. Wettaw Biology/Biochemistry Building. The Executive does not address this issue.

NAU-Yuma **GF** **-0-** **-0-**

The JLBC recommends a total biennial General Fund increase of \$25,500 for pay annualization and ERE Rate changes. This amount includes an increase of \$25,500 for pay annualization in both FY 2002 and FY 2003 above FY 2001. The amount also includes a FY 2002 decrease of \$(13,200) from FY 2001 and a FY 2003 decrease of \$(12,300) from FY 2001 for ERE Rate changes. These amounts are included in the Standard Changes section.

Eminent Scholars **GF** **-0-** **247,800**

The JLBC recommends a FY 2003 General Fund increase (above FY 2001) of \$247,800 to restore university operating funding that was lost when Laws 1998, Chapter 173 converted the Universities Land Fund to the Eminent

Scholars Matching Grant Fund. In addition, the JLBC recommends continued biennial General Fund funding of \$79,000 that was appropriated by Laws 1999, Chapter 326 to partially restore lost operating funding. This amount includes continued funding of \$39,500 in both FY 2002 and FY 2003. The Eminent Scholars Program is intended to attract and retain eminent faculty at Arizona universities. Earnings from the Eminent Scholars Matching Grant Fund are intended to be used to match earnings on nonpublic endowments dedicated to the Eminent Scholars Program. The Executive recommendation continues the base funding of \$39,500 in both FY 2002 and FY 2003, but does not address any increases.

Fund Adjustments for **GF 1,843,600** **1,839,400**
Lower Collections **OF (1,843,600)** **(1,839,400)**

The JLBC recommends a total biennial General Fund increase of \$3,683,000 and a corresponding University Collections Fund decrease of \$(3,683,000) to offset lower tuition and fee collections resulting from decreasing student enrollment. These amounts include a FY 2002 General Fund increase of \$1,843,600 above FY 2001 and a FY 2003 General Fund increase of \$1,839,400 above FY 2001 (with corresponding decreases from the University Collections Fund in each year). The FY 2003 General Fund increase is lower due to an estimated increase of \$4,200 in available tuition and fee collections. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriated monies are not to be used for scholarships.

Any unencumbered balances remaining in the collections account on June 30, 2001 and June 30, 2002, respectively, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Auxiliary (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Sales and services from substantially self-supporting activities.				
Purpose of Fund: To account for transactions of substantially self-supporting, non-educational activities that primarily provide services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, intercollegiate athletics, internal service operations, and others.				
Funds Expended	36,867,600	38,382,800	38,750,500	39,933,500
Year-End Fund Balance	8,429,400	9,373,400	10,736,300	11,718,400
Designated (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Tuition and fees retained by the university, summer session fees, administrative costs of student aid, and unrestricted gifts and grants.				
Purpose of Fund: To account for transactions related to academic year tuition and fees retained by the university, the summer sessions programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts. The resources in this fund have been designated for specific purposes by the university. Indirect Cost Recovery, which is part of Designated Funds, is presented separately.				
Funds Expended	35,119,500	37,958,000	38,717,200	39,491,500
Year-End Fund Balance	8,552,200	8,278,800	7,999,900	7,715,500

	FY 2000	FY 2001	FY 2002	FY 2003
Endowment (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Gifts, investment income, and financial aid trust fees assessed to students.				
Purpose of Fund: For the following purposes: Permanent Endowment Funds are subject to the restrictions of donor gifts requiring that the principal be invested in perpetuity and that only the income be used. Term Endowments provide that, upon the passage of a stated period of time, all or part of the principal may be expended. Quasi-endowments have been established by the university for the same purposes as Endowment Funds.				
Funds Expended	298,700	0	0	0
Year-End Fund Balance	9,099,900	9,529,900	9,959,900	10,389,900
Federal Grants (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Federal grants.				
Purpose of Fund: To account for current operating funds restricted in use by the federal government.				
Funds Expended	25,988,500	27,215,600	28,163,100	29,085,000
Year-End Fund Balance	0	0	0	0
Federal Indirect Cost Recovery (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Indirect costs recovered from federal sponsored research programs.				
Purpose of Fund: To account for transactions designated for various activities that assist or promote sponsored research.				
Funds Expended	1,463,700	1,505,900	1,548,400	1,652,400
Year-End Fund Balance	0	0	0	0
Federal Temporary Assistance for Needy Families Block Grant (No Fund Number/A.R.S. § 15-1601)				Appropriated
Source of Revenue: Federal grant monies appropriated by Laws 2000, Chapter 228.				
Purpose of Fund: To fund character training education.				
Funds Expended	0	500,000	500,000	500,000
Year-End Fund Balance	0	0	0	0
Indirect Cost Recovery - Non Federal (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Indirect costs recovered from non-federal sponsored research programs and grants.				
Purpose of Fund: To account for transactions related to the summer session programs, the recovery of indirect costs of sponsored research programs, the recovery of administrative programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts and grants.				
Funds Expended	258,000	265,500	274,000	280,000
Year-End Fund Balance	1,107,200	1,107,200	1,107,200	1,107,200
Loan (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Interest earned on student loans for programs funded by the federal government.				
Purpose of Fund: To account for loans made to assist students in financing of their education.				
Funds Expended	285,800	275,000	275,000	275,000
Year-End Fund Balance	6,548,200	6,573,200	6,598,200	6,623,200
Restricted (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Grants from private donors and non-federal agencies.				
Purpose of Fund: To account for current funds expendable for operating purposes, but restricted by donors or non-federal agencies as to the specific purposes for which they may be expended.				
Funds Expended	9,539,200	9,813,900	10,048,600	10,289,200
Year-End Fund Balance	1,880,100	1,880,100	1,880,100	1,880,100
University Collections (NAA1421/A.R.S. § 15-1626)				Appropriated
Source of Revenue: Tuition, registration fees, and other revenues.				
Purpose of Fund: To provide operating funding.				
Funds Expended	26,447,700	29,107,700	27,264,100	27,268,300
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

University of Arizona - Main Campus

Peter Likins, Ph.D., President

JLBC: Lorenzo Martinez/Steve Grunig
OSP: Jeff Young

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	5,502.6	5,563.0	5,540.9	5,547.1	5,540.9	5,582.4
Personal Services	195,145,100	212,903,100	211,781,800	215,192,800	211,781,800	216,621,200
Employee Related Expenditures	35,626,200	38,623,000	42,506,300	40,766,200	42,568,300	41,143,200
All Other Operating Expenditures:						
Professional and Outside Services	3,849,800	3,791,200	3,791,200	3,791,200	3,791,200	3,791,200
Travel - In State	210,200	315,600	308,600	311,200	308,600	314,800
Travel - Out of State	867,800	426,400	418,700	411,700	418,700	423,600
Library Acquisitions	9,501,100	0	0	0	0	0
Other Operating Expenditures	38,443,200	33,570,200	30,439,100	35,102,000	30,638,000	36,677,300
Equipment	6,232,300	11,778,400	11,712,200	11,728,300	11,712,200	11,867,300
OPERATING SUBTOTAL	289,875,700	301,407,900	300,957,900	307,303,400	301,218,800	310,838,600
SPECIAL LINE ITEMS						
Agriculture	46,740,500	47,184,000	48,125,600	47,839,600	48,073,600	47,852,600
Arizona International College	1,577,800	2,013,600	1,857,900	2,034,500	1,857,900	2,035,000
Sierra Vista Campus	2,570,400	2,621,300	2,443,400	2,651,400	2,443,400	2,652,000
AGENCY TOTAL	340,764,400	353,226,800	353,384,800	359,828,900	353,593,700	363,378,200

FUNDS SOURCES						
General Fund	263,345,400	270,248,100	278,472,600	281,037,700	278,681,500	285,316,800
University Collections Fund	77,419,000	82,978,700	74,912,200	78,791,200	74,912,200	78,061,400
SUBTOTAL - Other Appropriated Funds	77,419,000	82,978,700	74,912,200	78,791,200	74,912,200	78,061,400
SUBTOTAL - Appropriated Funds	340,764,400	353,226,800	353,384,800	359,828,900	353,593,700	363,378,200
Other Non-Appropriated Funds	299,012,500	311,851,300	322,038,600	322,038,600	328,739,400	328,739,400
Federal Funds	160,702,300	161,513,300	162,440,900	162,440,900	166,354,700	166,354,700
TOTAL - ALL SOURCES	800,479,200	826,591,400	837,864,300	844,308,400	848,687,800	858,472,300

CHANGE IN FUNDING SUMMARY	<u>FY 2001 to FY 2002 JLBC</u>		<u>FY 2001 to FY 2003 JLBC</u>		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	10,789,600	4.0%	15,068,700	5.6%	25,858,300
Other Appropriated Funds	(4,187,500)	-5.0%	(4,917,300)	-5.9%	(9,104,800)
Total Appropriated Funds	6,602,100	1.9%	10,151,400	2.9%	16,753,500

AGENCY DESCRIPTION — Established in 1885 as a land grant institution, the University of Arizona (UA) is one of the 3 state universities governed by the Arizona Board of Regents (ABOR). As a land grant Research I institution, the university offers 377 degree programs to approximately 35,000 students in 15 colleges, schools and divisions, and provides academic programs at the Sierra Vista Campus. Beginning in fall of 1996, Arizona International College started offering academic programs for undergraduate students at the University of Arizona Science and Technology Park. Arizona International College is now located on the Main Campus.

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of graduating seniors who rate their overall university experience as good/excellent	NA	NA/94.3	94.4	94.5
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	NA	NA/73	69	73/75
• Number of degrees granted:	NA/6,300	NA/6,335	6,486	6,578/6,670
Bachelors	NA/4,616	NA/4,709	4,792	4,877/4,962
Masters	NA/1,143	NA/1,118	1,1150	1,154/1,158
First Professional	NA/163	NA/166	169	172/175
Doctorate	NA/378	NA/362	375	375
• Average number of years taken to graduate for students who began as freshmen	NA/4.9	NA/4.8	4.8	4.8
• Gifts, grants and contracts (millions)	NA/204	NA/214	223	232/241
• Administration as a % of total cost	NA/1.5	NA/1.7	1.8	1.7/1.6
• % of agency staff turnover	NA	NA/17.4	17.4	17.4

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$4,110,500	\$4,110,500
ERE Rates	GF 1,971,600	2,066,600
Risk Management	GF 1,000,400	1,199,300

Enrollment Growth **GF (1,277,000)** **8,600**

The JLBC recommends a total biennial General Fund decrease of \$(1,268,400) for changes in estimated student enrollment. This amount includes a FY 2002 decrease of \$(1,277,000) and (22.1) FTE Positions below FY 2001 and a FY 2003 increase of \$8,600 and (4.2) FTE Positions decrease from FY 2001. The \$1,285,600 and 17.9 FTE Positions increase in FY 2003 above FY 2002 is due to anticipated growth in student enrollment in the second year of the biennium. The Executive recommends a decrease of \$(1,387,300) and (22.1) FTE Positions in both FY 2002 and FY 2003 from FY 2001.

Student enrollment is based on a comparison of 3-year rolling weighted averages from year to year. The recommended amounts reflect a FY 2002 student enrollment of 29,732, or a (324) student decrease of (1.1%) from FY 2001, and a FY 2003 student enrollment of 29,994, or a 262 student increase of 0.9% from FY 2002. Funding for FY 2003 may be adjusted to reflect any variances from the current estimates.

By comparison, actual enrollment went from 29,653 in fall 1999 to 29,647 in fall 2000 for a decrease of (6) or (.02)%. The 3-year formula was implemented to mitigate the impact of any significant enrollment changes that might occur from one year to another.

The funding formula of 22:1:0.5 increases or decreases funding for 1 faculty and 0.5 support FTE Positions for every 22 student increase or decrease.

Annualization of New

FY 2001 Facilities **GF 328,800** **328,800**

The JLBC recommends a total biennial General Fund increase of \$657,600 to annualize the operating and maintenance costs of new space at 3 facilities. This amount includes an increase of \$328,800 and 4.3 FTE Positions in both FY 2002 and FY 2003 above FY 2001. The new Integrated Learning Center, the Strength and Conditioning Facility in the McKale Center, and the expansion to the Main Library will become operational in FY 2001. The Executive does not address this issue.

Support for New

FY 2002 Facilities **GF 121,300** **290,300**

The JLBC recommends a total biennial General Fund increase of \$411,600 for operating and maintenance costs associated with the opening of 2 new buildings in FY 2002. This amount includes a FY 2002 increase of \$121,300 and 1.9 FTE Positions above FY 2001 and a FY 2003 increase of \$290,300 and 4.5 FTE Positions above FY 2001. The recommended funding and FTE Positions will support the operation and maintenance of the Learning Services Building on the Main Campus and the Academic Technology Building on the Sierra Vista Campus. The Executive does not address this issue.

Support for New

FY 2003 Facilities **GF -0-** **1,178,300**

The JLBC recommends a FY 2003 General Fund increase of \$1,178,300 and 14.8 FTE Positions to provide partial year funding for operating and maintenance costs associated with the opening of new space at 3 facilities. The Student Union/Bookstore Facility, the Gittings Complex Expansion, and the Highland Commons Health and Wellness Facility will become operational in FY 2003. Annualization funding of approximately \$365,500 and 4.7 FTE Positions will be required in FY 2004. The Executive does not address this issue.

College of Business

Program Fees OF 346,500 502,900

The JLBC recommends a total biennial University Collections Fund increase of \$849,400 for the College of Business to provide enhancements for professional business master’s degree programs. This amount includes a FY 2002 increase of \$346,500 above FY 2001 and a FY 2003 increase of \$502,900 above FY 2001. The Executive does not address this issue.

For FY 2001, the Arizona Board of Regents approved a \$2,000 annual increase to the existing fee for College of Business professional master’s degree programs. The recommended amounts reflect the additional estimated fee collections from the increase.

Eminent Scholars GF -0- 466,100

The JLBC recommends a FY 2003 General Fund increase (above FY 2001) of \$466,100 to restore university operating funding that was lost when Laws 1998, Chapter 173 converted the Universities Land Fund to the Eminent Scholars Matching Grant Fund. In addition, the JLBC recommends continued biennial General Fund funding of \$148,800 that was appropriated by Laws 1999, Chapter 326 to partially restore lost operating funding. This amount includes continued funding of \$74,400 in both FY 2002 and FY 2003. The Eminent Scholars Program is intended to attract and retain eminent faculty at Arizona universities. Earnings from the Eminent Scholars Matching Grant Fund are intended to be used to match earnings on nonpublic endowments dedicated to the Eminent Scholars Program. The Executive recommendation continues the base funding of \$74,400 in both FY 2002 and FY 2003, but does not address any increases.

Fund Adjustments for GF (282,000) 604,200
Collections Changes OF 282,000 (604,200)

The JLBC recommends a total biennial General Fund increase of \$322,200 and a corresponding University Collections Fund decrease of \$(322,200) to offset changes in tuition and fee collections resulting from changes in student enrollment. These amounts include a FY 2002 General Fund decrease of \$(282,000) below FY 2001 and a FY 2003 General Fund increase of \$604,200 above FY 2001 (with corresponding changes to the University Collections Fund in each year). The FY 2003 General Fund increase of \$886,200 above FY 2002 is due to an estimated decrease in tuition and fee collections. The Executive does not address this issue.

Fund Adjustments for GF 4,816,000 4,816,000
Debt Service OF (4,816,000) (4,816,000)

The JLBC recommends a total biennial General Fund increase of \$9,632,000 and a corresponding University Collections Fund decrease of \$(9,632,000) to correct a shortfall in debt service funding and an increase in debt service requirements for the biennium. These amounts include a General Fund increase of \$4,816,000 in both FY 2002 and FY 2003 above FY 2001 (with a

corresponding decrease from the University Collections Fund in each year). The Executive does not address this issue.

Debt service is funded from collections. With a higher debt service estimate, the amount of collections available for general operating expenses decreases. The collections decrease requires an offset from the General Fund to maintain the base operating budget. The recommended amount restores \$3,734,000 in both FY 2002 and FY 2003 that was reduced in the FY 1999-FY 2000 biennium due to a calculation error (*see FY 2001 Supplemental write-up under Other Issues for Legislative Consideration*). The recommended amount also includes a \$1,082,000 offset in both FY 2002 and FY 2003 for new debt service requirements on 2 lease-purchase projects.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriated monies are not to be used for scholarships.

Any unencumbered balances remaining in the collections account on June 30, 2001 and June 30, 2002, respectively, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. Within 10 days after the acceptance of the universities’ semiannual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature.

The approved amount includes \$100,000 for development of management, training and technological courses in greenhouse technology. The \$100,000 approved reverts to the state General Fund at the end of the fiscal year unless the private sector matches the amount for the greenhouse technology.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

FY 2001 Supplemental

The university is requesting a General Fund supplemental of \$3,734,000 for debt service requirements in FY 2001. While the debt service is anticipated to have a shortfall of \$3,734,000 in FY 2001, the university has estimated an increase of \$8,066,500 in available collections above the amount appropriated by the Legislature. The university has allocated the additional collections to the operating budget. While it has been past practice to give discretion to the universities as to how to allocate collections above appropriated amounts, the JLBC recommends the additional collections be applied to the debt service shortfall.

Digital Television

The Executive is recommending \$120,000 in both FY2002 and FY 2003 for costs associated with the operation of a digital television broadcasting system. A federal mandate requires publicly funded television stations to convert to a digital format by 2003. Current operating costs are allocated 35% from appropriated funds and 65% from non-appropriated funds.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Auxiliary (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Sales and services from substantially self-supporting activities.				
Purpose of Fund: To account for transactions of substantially self-supporting, non-educational activities that primarily provide services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, intercollegiate athletics, internal service operations, and others.				
Funds Expended	145,179,600	149,597,300	151,560,300	154,043,300
Year-End Fund Balance	27,220,500	25,241,900	25,894,500	26,948,000
Designated (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Tuition and fees retained by the university, summer session fees, Extended University, the Alumni Association, conferences, administrative service charge, unrestricted gifts, and income from short-term investments.				
Purpose of Fund: To account for transactions related to academic year tuition and fees retained by the university, the summer sessions programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts. The resources in this fund have been designated for specific purposes by the university. Indirect Cost Recovery, which is part of Designated Funds, is presented separately.				
Funds Expended	95,115,400	97,985,700	100,417,100	102,897,500
Year-End Fund Balance	45,434,600	45,417,700	45,905,500	47,063,300
Endowment and Similar (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Revenues from donors to create new endowments and interest on established endowments.				
Purpose of Fund: To account for private gifts and require the principal to be permanently invested and only the income be utilized for general or specific requirements.				
Funds Expended	0	0	0	0
Year-End Fund Balance	109,142,300	117,094,200	125,163,900	133,353,200
Federal Grants (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Federal grants.				
Purpose of Fund: To account for current operating funds restricted in use by the federal government.				
Funds Expended	130,005,800	129,895,900	129,875,000	132,811,800
Year-End Fund Balance	19,123,900	16,391,000	16,900,100	17,371,300
Federal Indirect Cost Recovery (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: To account for current operating funds restricted in use by the federal government.				
Purpose of Fund: To cover costs indirectly associated with grant and contract activity. The fund supplements the general administrative and operating expenses for the university and affected departments.				
Funds Expended	30,696,500	31,617,400	32,565,900	33,542,900
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Loan (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Federally funded or privately sponsored student loan programs.

Purpose of Fund: To account for loans made to assist students in the financing of their education.

Funds Expended	95,600	97,200	98,800	102,400
Year-End Fund Balance	1,223,100	1,571,700	1,932,900	2,305,900

Restricted (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Grants from private donors and non-federal agencies.

Purpose of Fund: To account for current funds expendable for operating purposes, but restricted by donors or non-federal agencies as to the specific purposes for which they may be expended.

Funds Expended	58,621,900	64,171,100	69,962,400	71,696,200
Year-End Fund Balance	30,921,600	36,884,400	37,534,100	37,519,300

University Collections (UAA1402/A.R.S. § 15-1626)

Appropriated

Source of Revenue: Tuition, registration fees, and other revenues.

Purpose of Fund: To provide operating funding.

Funds Expended	77,419,000	82,978,700	78,791,200	78,061,400
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

University of Arizona - Health Sciences Center

Peter Likins, Ph.D., President

JLBC: Lorenzo Martinez/Steve Grunig
OSP: Jeff Young

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	698.4	700.2	708.5	698.2	708.5	698.6
Personal Services	39,249,900	41,115,600	40,821,800	41,625,000	40,821,800	41,646,700
Employee Related Expenditures	6,585,100	7,130,400	7,725,300	7,310,000	7,730,100	7,329,600
All Other Operating Expenditures:						
Professional and Outside Services	431,600	422,100	422,100	422,100	422,100	422,100
Travel - In State	22,700	73,100	72,100	72,700	72,100	72,800
Travel - Out of State	87,900	25,000	24,600	23,600	24,600	23,900
Library Acquisitions	1,151,200	0	0	0	0	0
Other Operating Expenditures	3,055,800	2,250,600	2,745,200	2,246,500	2,745,200	2,247,600
Equipment	748,500	1,719,500	1,713,300	1,713,100	1,713,300	1,715,200
OPERATING SUBTOTAL	51,332,700	52,736,300	53,524,400	53,413,000	53,529,200	53,457,900
SPECIAL LINE ITEMS						
Clinical Teaching Support	9,488,700	9,612,400	8,576,700	9,673,600	8,576,700	9,676,800
Telemedicine Network	1,263,200	1,271,300	1,227,000	1,281,200	1,227,000	1,281,400
Clinical Rural Rotation	475,800	464,800	437,300	474,000	437,300	474,100
Liver Research Institute	451,300	511,300	461,900	518,800	461,900	518,900
AGENCY TOTAL	63,011,700	64,596,100	64,227,300	65,360,600	64,232,100	65,409,100

FUNDS SOURCES						
General Fund	56,214,600	57,704,000	57,621,600	58,397,100	57,562,800	58,382,000
University Collections Fund	6,705,100	6,800,100	6,513,700	6,871,500	6,577,300	6,935,100
Poison Control Fund	92,000	92,000	92,000	92,000	92,000	92,000
SUBTOTAL - Other Appropriated Funds	6,797,100	6,892,100	6,605,700	6,963,500	6,669,300	7,027,100
SUBTOTAL - Appropriated Funds	63,011,700	64,596,100	64,227,300	65,360,600	64,232,100	65,409,100
Other Non-Appropriated Funds	61,011,700	61,263,400	63,547,600	63,547,600	65,449,200	65,449,200
Federal Funds	58,285,600	60,034,200	61,383,900	61,383,900	63,225,300	63,225,300
TOTAL - ALL SOURCES	182,309,000	185,893,700	189,158,800	190,292,100	192,906,600	194,083,600

CHANGE IN FUNDING SUMMARY	<u>FY 2001 to FY 2002 JLBC</u>		<u>FY 2001 to FY 2003 JLBC</u>		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	693,100	1.2%	678,000	1.2%	1,371,100
Other Appropriated Funds	71,400	1.0%	135,000	2.0%	206,400
Total Appropriated Funds	764,500	1.2%	813,000	1.3%	1,577,500

AGENCY DESCRIPTION — The Arizona Health Sciences Center (AHSC) consists of the University of Arizona (U of A) Colleges of Medicine, Nursing and Pharmacy, and the School of Health Related Professions. Authorized in 1961 by the Arizona Board of Regents, the College of Medicine offers a professional program leading to the M.D. degree for 408 medical students. As a separate budget unit of the University of Arizona, AHSC is governed by the Arizona Board of Regents.

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of graduating seniors who rate their overall university experience as good/excellent	NA	NA/98	98	98
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	NA	NA/74	75	75
• Number of degrees granted:	NA/551	NA/562	574	586/600
Bachelors	NA/238	NA/246	256	266/278
Masters	NA/128	NA/129	130	131/132
First Professional	NA/146	NA/147	148	149/150
Doctorate	NA/39	NA/40	40	40
• Gifts, Grants and Contracts (millions)	NA/103	NA/108	113	117/122
• % of agency staff turnover	NA/23.1	NA/23.1	23.1	23.1
• Administration as a % of total cost	NA	NA/1.0	1.2	1.4/1.3

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$795,700	\$795,700
ERE Rates	GF	91,200	110,400

Enrollment Growth GF **(122,400)** **(93,100)**

The JLBC recommends a total biennial General Fund decrease of \$(215,500) for estimated changes in student enrollment. This amount includes a FY 2002 decrease of \$(122,400) and (2) FTE Positions below FY 2001 and a FY 2003 decrease of \$(93,100) and (1.6) FTE Positions below FY 2001. The \$29,300 and 0.4 FTE Position increase in FY 2003 above FY 2002 is due to anticipated growth in student enrollment in the second year of the biennium. The Executive recommends a decrease of \$(129,700) and (2.1) FTE Positions in both FY 2002 and FY 2003 from FY 2001.

Student enrollment is based on a comparison of 3-year rolling weighted averages from year to year. The recommended amounts reflect a FY 2002 student enrollment of 1,344, or a (30) student decrease of 2.2% from FY 2001, and a FY 2003 student enrollment of 1,350, or a 6 student increase of 0.5% from FY 2002. Funding for FY 2003 may be adjusted to reflect any variances from the current estimates.

By comparison, actual enrollment went from 1,358 in fall 1999 to 1,334 in fall 2000 for a decrease of (24) or (1.8)%. The 3-year formula was implemented to mitigate the impact of any significant enrollment changes that might occur from one year to another.

The funding formula of 22:1:0.5 increases or decreases funding for 1 faculty and 0.5 support FTE Positions for every 22 student increase or decrease.

Fund Adjustments for GF **(71,400)** **(135,000)**
Increased Collections OF **71,400** **135,000**

The JLBC recommends a total biennial General Fund decrease of \$(206,400) and a corresponding University Collections Fund increase of \$206,400 as a result of higher tuition and fee collections. These amounts include a FY 2002 General Fund decrease of \$(71,400) below FY 2001 and a FY 2003 General Fund decrease of \$(135,000) below FY 2001 (with corresponding increases from the University Collections Fund in each year). The FY 2003 General Fund decrease is larger due to an estimated increase of \$63,600 in available tuition and fee collections from FY 2002. Increases in collections are available to offset the General Fund and maintain the base operating budget. The Executive recommends a FY 2002 General Fund decrease of \$(55,800) below FY 2001 and a FY 2003 General Fund decrease of \$(119,400) below FY 2001 (with corresponding increases from the University Collections Fund).

Teratogen Information

Program OF **-0-** **-0-**

The JLBC recommends continued biennial Poison Control Fund funding of \$184,000 for the Teratogen Information Program. This amount includes continued funding of \$92,000 in both FY 2002 and FY 2003. Laws 1999, Chapter 291 appropriated \$92,000 from the Poison Control Fund in both FY 2000 and FY 2001 to the U of A to establish a statewide toll free telephone number to provide health care providers and the public with up-to-date information and referrals on possible teratogen exposure, and to develop educational programs and materials. A teratogen is a physical, infectious or chemical agent that causes a change in the normal development of a human embryo or fetus. The program is operated in association with the Poison Control and Information Center at the Health Sciences Center. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriated monies are not to be used for scholarships.

Any unencumbered balances remaining in the collections account on June 30, 2001 and June 30, 2002, respectively, and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution.

No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Auxiliary (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Sales and services from substantially self-supporting activities				
Purpose of Fund: To account for transactions of substantially self-supporting, non-educational activities that primarily provide services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, intercollegiate athletics, internal service operations, and others.				
Funds Expended	6,329,400	5,321,400	5,476,300	5,635,900
Year-End Fund Balance	2,358,900	3,395,500	4,404,800	5,384,700
Designated (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Revenues generated from summer session, conferences, and unrestricted gifts.				
Purpose of Fund: To provide current operating funds that are limited for a specific purpose by specific action of the Arizona Board of Regents or by an administrative unit of the university authorized by the board to designate funds.				
Funds Expended	14,250,400	14,633,500	15,072,300	15,524,300
Year-End Fund Balance	9,865,700	10,536,900	11,055,800	11,417,800
Endowment and Similar (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Revenues are received from donors to create new endowments and interest on established endowments.				
Purpose of Fund: To account for private gifts that require the principal to be permanently invested and only the income be utilized for general or specific requirements.				
Funds Expended	0	0	0	0
Year-End Fund Balance	42,236,900	43,487,100	44,802,600	46,185,300
Federal Grants and Contracts (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: Federal grants and contracts.				
Purpose of Fund: To account for current operating funds restricted in use by the federal government or other donor.				
Funds Expended	44,124,900	45,448,700	46,360,900	47,751,700
Year-End Fund Balance	979,200	543,600	539,400	535,200
Federal Indirect Cost Recovery (No Fund Number/A.R.S. § 15-1601)				Non-Appropriated
Source of Revenue: To account for current operating funds restricted in use by the federal government.				
Purpose of Fund: To cover costs indirectly associated with grant and contract activity. The fund supplements the general administrative and operating expenses for the university and affected departments.				
Funds Expended	14,160,700	14,585,500	15,023,000	15,473,600
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Poison Control (UAA2112/A.R.S. § 36-1162)

Appropriated

Source of Revenue: Revenues from the Telecommunication Services Excise Tax. (See Department of Health Services for more information).

Purpose of Fund: Laws 1999, Chapter 291 appropriated \$92,000 from the Poison Control Fund in FY 2000 and FY 2001 to establish a statewide toll free telephone number for information and referrals on possible Teratogen exposure and to develop educational programs and materials.

Funds Expended	92,000	92,000	92,000	92,000
Year-End Fund Balance	0	0	0	0

Restricted (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Grants or contracts from private organizations, state and local government entities.

Purpose of Fund: To account for governmental and private gifts, grants, and contracts. The purposes are restricted by the donor or supporting agency.

Funds Expended	40,431,900	41,308,500	42,999,000	44,289,000
Year-End Fund Balance	17,861,600	19,974,200	21,725,000	23,547,500

University Collections (UAA1403/A.R.S. § 15-1626)

Appropriated

Source of Revenue: Tuition, registration fees, and other revenues.

Purpose of Fund: To provide operating funding.

Funds Expended	6,705,100	6,800,100	6,871,500	6,935,100
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

State Board of Accountancy

Ruth R. Lee, Executive Director

JLBC: Kim Hohman
OSPB: Theresa Garcia

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
State Board of Accountancy	1,368,600	1,728,200	1,610,800	1,970,000	1,613,100	1,971,900
Contingency SLI	0	10,700	0	0	0	0
AGENCY TOTAL	1,368,600	1,738,900	1,610,800	1,970,000	1,613,100	1,971,900

OPERATING BUDGET						
Full Time Equivalent Positions	10.0	10.0	10.0	10.0	10.0	10.0
Personal Services	310,900	304,200	324,800	345,000	324,800	345,000
Employee Related Expenditures	64,000	67,700	74,100	85,000	74,000	84,600
All Other Operating Expenditures:						
Professional and Outside Services	778,500	1,067,200	911,700	1,236,300	911,700	1,236,300
Travel - In State	6,200	20,400	20,400	20,400	20,400	20,400
Travel - Out of State	6,800	6,300	6,300	6,300	6,300	6,300
Other Operating Expenditures	190,600	250,300	261,400	264,900	263,800	264,800
Equipment	11,600	12,100	12,100	12,100	12,100	14,500
OPERATING SUBTOTAL	1,368,600	1,728,200	1,610,800	1,970,000	1,613,100	1,971,900
Special Line Items	0	10,700	0	0	0	0
AGENCY TOTAL	1,368,600	1,738,900	1,610,800	1,970,000	1,613,100	1,971,900

FUND SOURCES						
Board of Accountancy Fund	1,368,600	1,738,900	1,610,800	1,970,000	1,613,100	1,971,900
SUBTOTAL - Appropriated Funds	1,368,600	1,738,900	1,610,800	1,970,000	1,613,100	1,971,900
TOTAL - ALL SOURCES	1,368,600	1,738,900	1,610,800	1,970,000	1,613,100	1,971,900

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	231,100	13.3%	233,000	13.4%	464,100

AGENCY DESCRIPTION — *The board licenses, investigates, and conducts examinations of certified public accountants and public accountants.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	11,200/10,229	11,200/10,674	11,000	11,250
• Number of complaints received about licensees	1,000/706	1,000/719	1,000	1,000
• Average calendar days to resolve a complaint	135/180	180/180	180	180
• Number of investigations of licensees	500/353	500/350	500	500
• Average calendar days to renew a license (from receipt of application to issuance)	1/1	1/1	1	1
• Administration as a % of total cost	NA	0.8/NA	0.7	0.7

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	OF \$ 8,200	\$ 8,200
ERE Rates	OF 11,500	11,100
Rent	OF 12,900	15,300
Risk Management	OF 700	600

Examination Expenses OF 133,100 133,100

The JLBC recommends a total biennial increase of \$266,200 for costs associated with administering the agency's semi-annual CPA examination. This amount includes an increase of \$133,100 in both FY 2002 and FY 2003 above FY 2001. Of this amount, \$500 is for increased certificate printing costs, \$5,300 for an increase in the board's exam proctoring contract, and \$127,300 for

an increase in exam booklet costs. The American Institute of Certified Public Accountants is increasing the cost of examination booklets and supplies by 45% due to a conversion from paper testing to computer-based testing. The printing of certificates is increasing by 10% while the examination proctoring service used by the board is increasing its fees by 4% for FY 2002 and FY 2003. The amount recommended reflects these additional expenses. The Executive does not recommend funding for this issue.

Salary Increases OF 41,600 41,600

The JLBC recommends a total biennial increase of \$83,200 for salary increases. This amount includes an increase of \$41,600 in both FY 2002 and FY 2003 above FY 2001. The overall workload of the board has increased in recent years and this has resulted in added responsibilities to existing positions. After reviewing comparable positions, the board approved a salary increase for the Director, Deputy Director, and an Administrative Officer at its January 2000 meeting. The remaining 5 positions affected by the salary increase (1 administrative assistant and 4 examination technicians) are the result of the Department of Administration Personnel approved reclassifications. The Executive recommends an increase of \$18,100 to provide funding for the Executive Director's salary increase, but does not recommend any additional funding for the remaining staff salary increases.

Legal Services OF 22,000 22,000

The JLBC recommends a total biennial increase of \$44,000 for an increase in the agency's legal expenses. This amount includes an increase of \$22,000 in both FY 2002 and FY 2003 above FY 2001. The agency contracts with the Office of the Attorney General for full-time services of 2 Assistant Attorneys General. The cost of the Interagency Agreement has increased for FY 2002 and FY 2003. The recommended amount reflects this contractual increase as well as additional legal related expenses such as printing costs and court reporters' fees.

Due to the agency's diminishing fund balance, the Executive does not recommend funding for this issue. The Executive recommendation reduces the agency's legal services expenditures by \$(169,100) in FY 2002 and FY 2003 to bring the agency's total expenditures in line with its licensing and examination revenues, and does not include an estimate for future settlement monies. In addition to licensing and examination fees collected by the board, the agency receives monies from settlements of large legal cases. In FY 2000, the amount of settlement monies totaled \$616,100. The agency's 3-year average revenue from settlements is approximately \$300,000 per year. Given the past 3 years average settlement amounts, the JLBC includes a revenue projection of \$300,000 per year in settlement monies to support the recommended issues. (*See Other Issues for Legislative Consideration for additional information of the board's revenues.*)

Examination Space OF 1,000 1,000

The JLBC recommends a total biennial increase of \$2,000 to allow the board to rent space for examinations. This amount includes an increase of \$1,000 in both FY 2002 and FY 2003 above FY 2001. The board administers the Uniform Certified Public Accountant Examination twice a year in both Phoenix and Tucson. Historically, the board has contracted with government sites to accommodate these needs. Potential examination sites have supplied estimates for use of their facilities in FY 2002 and FY 2003 and these figures reflect an increase in contracting fees charged to the board. The Executive does not recommend funding for this issue.

OAH Cost Allocation Plan OF 100 100

The JLBC recommends a total biennial increase of \$200 for a new Office of Administrative Hearings (OAH) cost allocation plan. This amount includes an increase of \$100 in both FY 2002 and FY 2003 above FY 2001. Previously, 90/10 Boards paid for OAH services out of their base budgets. OAH's billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (*See the OAH section for further information.*)

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$10,700 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges will be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount and include a further increase of \$100, for a total annual OAH charge of \$10,800. The Executive recommends an increase of \$10,400 in both FY 2002 and FY 2003 for this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency (*The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.*)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency’s total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

revenue from settlements is approximately \$300,000 per year. The JLBC recommendation is based on the assumption that the agency will receive an average of \$300,000 per year in settlements, in addition to its licensing and examination revenue. Operating under this assumption, the agency will have a sufficient fund balance through FY 2003 to support the recommended issues. If settlement monies decline, however, the agency will need to evaluate its expenditures and/or consider an increase in its fees.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Diminishing Fund Balance

In addition to licensing and examination fees collected by the board, the agency receives monies from settlements of large legal cases. The agency is unable to estimate an exact figure for these settlements, but a 3-year average

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Board of Accountancy (ABA2001/A.R.S. § 32-705)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.				
Funds Expended	1,368,600	1,738,900	1,970,000	1,971,900
Year-End Fund Balance	1,159,300	746,400	583,500	441,900

[Click here to return to Table of Contents](#)

Acupuncture Board of Examiners

Jean Wise, Executive Director

JLBC: Steve Grunig
 OSPB: Randy Hillier

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Acupuncture Board of Examiners	42,500	47,300	50,300	49,400	50,400	49,400

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	0.5	0.5	0.5	0.5	0.5	0.5
Personal Services	11,000	20,600	25,900	25,900	25,900	25,900
Employee Related Expenditures	4,100	2,000	4,200	4,200	4,300	4,200
All Other Operating Expenditures:						
Professional and Outside Services	23,700	13,600	8,100	8,200	8,100	8,200
Travel - In State	0	1,100	1,100	1,100	1,100	1,100
Other Operating Expenditures	3,400	4,700	5,700	4,700	5,700	4,700
Equipment	300	5,300	5,300	5,300	5,300	5,300
AGENCY TOTAL	42,500	47,300	50,300	49,400	50,400	49,400

FUND SOURCES

Acupuncture Board of Examiners Fund	42,500	47,300	50,300	49,400	50,400	49,400
SUBTOTAL - Appropriated Funds	42,500	47,300	50,300	49,400	50,400	49,400
TOTAL - ALL SOURCES	42,500	47,300	50,300	49,400	50,400	49,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	2,100	4.4%	2,100	4.4%	4,200

AGENCY DESCRIPTION — *The Acupuncture Board of Examiners licenses and regulates the practice of acupuncture by individuals who are not licensed to practice acupuncture by another professional board. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	0	225/225	200	225
• Number of complaints received about licensees	0	0/1	5	10/15
• Average calendar days to resolve a complaint	0	90/90	90	90
• Number of investigations	0	0/0	10	20/30
• Average calendar days to renew a license (from receipt of application to issuance)	60/60	60/60	60	60
• Administration as a % of total cost	NA	9/NA	9	10

Comments:

- Because the board's first year of operation was FY 1999, some performance measures have a value of zero for that year.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 300	\$ 300
ERE Rates	OF	1,600	1,600

State Boards' Office **OF** **200** **200**

The JLBC recommends a total biennial increase of \$400 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an increase of \$200 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Acupuncture Board of Examiners (ANA2412/A.R.S. § 32-3905)

Appropriated

Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.

Funds Expended	42,500	47,300	49,400	49,400
Year-End Fund Balance	5,200	31,000	54,700	78,400

[Click here to return to Table of Contents](#)

Arizona Department of Administration

Agency Summary

Elliott Hibbs, Director

JLBC: Paul Shannon/Rebecca Hecksel

House Subcommittee: Gray

OSP: Kristine Ward

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGETS						
Financial Services	13,895,600	14,066,800	13,784,200	14,221,500	13,878,700	14,226,200
Facilities Management	16,228,000	17,190,500	17,949,200	17,902,200	18,935,100	18,163,100
Human Resources	10,836,800	11,422,200	16,034,400	14,792,900	16,298,300	17,210,200
Information Technology Services	23,684,800	29,707,400	33,115,700	25,840,200	39,283,800	27,921,500
Support Services	18,622,000	23,432,600	20,008,300	23,351,300	22,407,300	23,598,000
Risk Management	67,272,200	75,268,300	79,912,000	80,419,800	82,539,800	82,967,800
AGENCY TOTAL	150,539,400	171,087,800	180,803,800	176,527,900	193,343,000	184,086,800

OPERATING BUDGET

Full Time Equivalent Positions	963.0	963.0	997.9	976.0	1,000.9	983.0
Personal Services	29,586,900	32,704,200	34,568,700	33,487,400	34,678,400	33,599,000
Employee Related Expenditures	6,276,400	7,371,500	7,773,200	7,585,000	7,810,300	7,640,200
All Other Operating Expenditures:						
Professional and Outside Services	2,758,500	3,118,100	3,506,300	3,142,100	3,824,300	3,142,100
Travel - In State	399,900	337,000	341,200	339,000	341,200	339,000
Travel - Out of State	89,300	132,600	128,100	132,600	128,100	132,600
Surplus Aid	44,100	60,000	60,000	1,342,000	60,000	1,342,000
Other Operating Expenditures	22,193,700	25,364,400	26,300,500	27,982,800	31,015,400	28,330,900
Equipment	12,804,200	17,115,700	16,023,600	11,001,500	19,526,200	13,049,500
OPERATING SUBTOTAL	74,153,000	86,203,500	88,701,600	85,012,400	97,383,900	87,575,300
Special Line Items	76,386,400	84,884,300	92,102,200	91,515,500	95,959,100	96,511,500
AGENCY TOTAL	150,539,400	171,087,800	180,803,800	176,527,900	193,343,000	184,086,800

FUND SOURCES

General Fund	25,660,300	28,035,500	27,326,500	27,628,800	27,599,100	27,818,100
Corrections Fund	495,300	553,700	562,700	574,700	563,600	571,600
Capital Outlay Stabilization Fund	8,350,700	8,521,700	8,827,400	8,662,700	11,582,400	10,276,400
Special Employee Health Insurance Trust Fund	2,756,000	2,879,900	2,876,900	2,972,300	2,872,800	2,973,300
Lease Purchase Building Operating and Maintenance Fund	1,268,600	1,343,700	1,352,400	1,351,800	0	0
Personnel Division Fund	8,080,800	8,542,300	13,391,100	11,885,800	13,655,600	14,302,100
Technology and Telecommunications Fund	23,684,800	29,707,400	33,115,700	25,840,200	39,283,800	27,921,500
Air Quality Fund	335,200	475,400	475,400	475,400	475,400	475,400
Motor Vehicle Pool Revolving Fund	10,748,600	12,859,900	11,719,300	12,494,200	13,536,300	12,557,700
Surplus Materials Revolving Fund - State	1,738,500	2,636,000	972,000	3,940,000	961,800	3,940,600
Surplus Materials Revolving Fund - Federal	148,400	264,000	272,400	282,200	272,400	282,300
Risk Management Revolving Fund	67,272,200	75,268,300	79,912,000	80,419,800	82,539,800	82,967,800
SUBTOTAL - Other Appropriated Funds	124,879,100	143,052,300	153,477,300	148,899,100	165,743,900	156,268,700
SUBTOTAL - Appropriated Funds	150,539,400	171,087,800	180,803,800	176,527,900	193,343,000	184,086,800
Other Non-Appropriated Funds	284,441,000	324,289,100	397,318,000	397,318,000	454,002,700	454,002,700
Federal Funds	214,700	53,700	0	0	0	0
TOTAL - ALL SOURCES	435,195,100	495,430,600	578,121,800	573,845,900	647,345,700	638,089,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(406,700)	-1.5%	(217,400)	-0.8%	(624,100)
Other Appropriated Funds	5,846,800	4.1%	13,216,400	9.2%	19,063,200
Total Appropriated Funds	5,440,100	3.2%	12,999,000	7.6%	18,439,100

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of ADOA services receiving a good (6) or better rating from customers, based on biennial survey (Scale 1-8)	38/38	50/42	80	85
• Customer satisfaction with ADOA's facilitation of the flow of information from the agency, the public, community organizations, & other governmental agencies (Scale 1-8)	NA/6.1	NA/5.5	6.0	6.3/6.5
• % of agency staff turnover	NA/16.4	NA/13.2	14	13.5
• Administration as a % of total cost	2.3/NA	2.0/NA	2.0	1.9

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 199,400	\$ 199,400
	OF 413,500	413,500
ERE Rates	GF 101,500	105,300
	OF 39,800	58,700
Risk Management	GF 25,800	35,500
	OF 343,800	419,800
Rent	GF 160,000	164,000
	OF (4,400)	600
Other	GF -0-	21,200
	OF -0-	-0-
ISD Equipment	OF (4,652,200)	(3,279,200)
Motor Pool Equipment	OF (1,340,700)	(1,340,700)
AFV Cost Reimbursement	GF (962,200)	(962,200)
Workers' Comp. Losses	OF (576,900)	1,569,900
ATS Service Additions	OF (531,100)	233,900
RM FTE Positions	OF (71,100)	(81,500)
ENSCO	GF -0-	(600)
Risk Management Losses	OF 4,202,000	4,651,000
HRMS Replacement	OF 2,900,000	5,300,000
Surplus Property	OF 1,282,000	1,282,000
HRMS Operations	OF 359,800	359,800
PLTO Telephones & Data	OF 1,135,300	1,067,700
RM Information System	OF 690,300	664,300
RM Insurance Premiums	OF 705,000	705,000
Motor Pool Fuel Costs	OF 700,000	700,000
Capitol Police	GF -0-	156,700
Utilities	OF 100,000	100,000
Dispatchers	GF 63,800	58,300
Benefits Contract Mgr.	OF 65,200	65,200
Motor Pool Rent	OF 29,100	29,100
Business Continuity	OF 24,000	24,000
FM Equipment	OF 17,000	13,000
RM Vehicle	OF 15,000	-0-
RM Equipment	GF 5,000	5,000
Unoccupied L-P	OF 1,400	260,300

Privatized Lease to Own

ADOA has entered into a privatized lease to own (PLTO) agreement with a private developer for the construction and long-term leasing of 2 new office buildings on the Capitol Mall. At the end of the leasing term (25 years), the state would acquire ownership of the buildings. The intent of the project is to relocate state agencies currently in private space to state space on the Capitol Mall.

Both of the buildings are scheduled for completion in the summer of 2002 and the agencies will be completely moved in by August 2002. By consolidating ADOA in one of the new buildings, state space vacated by ADOA will also be used to house agencies currently in private space. The vacated ADOA space will undergo renovation, and the agencies will be completely moved in by March 2003.

The JLBC recommends a total biennial increase of \$8,162,800 for costs associated with the PLTO project. This amount includes a total biennial General Fund increase of \$1,046,400 and 4 FTE Positions above FY 2001, and a total biennial Other Fund increase of \$7,883,000 and 3 FTE Positions above FY 2001. *Table 1* details the recommended amount from each fund.

The cost for relocating the state agencies that will move into the 2 new buildings is included in the annual lease cost. The lease cost also includes some telephone and data horizontal cabling, and any modular furniture necessary for office reconfiguration. However, there are other costs associated with the PLTO buildings and those agencies that are backfilling the vacated ADOA space, including project management, capital improvement and relocation of backfill agencies. *Table 2* details these costs and lists where a discussion can be found on each individual policy issue.

The JLBC recommends a biennial increase of \$1,946,700 from the Certificates of Participation Fund. This fund has been used as a clearing account for payments towards the certificate of participation for 7 buildings that the state

acquired as a part of a lease-purchase plan in 1992. In FY 2003, the Certificate will be paid off and space within these buildings will be assessed the normal state rental rate of \$13.50 per sq. ft. At the end of FY 2001, there is a projected fund balance of \$2,100,000. A balance has accumulated in the fund because of dividend payments received from the bank and from excess agency rent contributions. At the end of FY 2003, the fund will no longer be needed and the JLBC recommends that the balance remaining in the fund be used to fund the PLTO project. The JLBC recommendation leaves approximately \$470,000 in the fund for unforeseen costs associated with the closing of the certificate.

The JLBC does not recommend any changes to individual agency appropriations for rent. Since agencies will not be moving until FY 2003, the JLBC recommends that the appropriations be adjusted during the 2002 Legislative Session when plans will be more firm as to which agencies will be moving and what rental adjustments need to be made.

The Executive's recommendation is discussed in each individual policy issue. Refer to *Table 2* for the location of each policy issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Fund with Special Line Items

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

State Boards' Office

The State Boards' Office provides centralized services to the state's smallest regulatory boards. Monies for the office come from the participating agencies and flow through the Arizona Department of Administration Special Services Revolving Fund. The office's expenditures are subject to appropriation, starting in FY 2000. The JLBC recommendation appears in the separate State Boards' Office section.

Table 1

Privatized Lease to Own Biennial Impact

<u>Fund</u>	<u>FY 2002</u>		<u>FY 2003</u>		<u>Biennial Increase</u>
	<u>JLBC Recommendation</u>	<u>FTE Positions</u>	<u>JLBC Recommendation</u>	<u>FTE Positions</u>	
General Fund	\$889,700	-	\$ 156,700	4.0	\$1,046,400
Technology & Telecommunications Fund	1,135,300	-	1,067,700	-	2,203,000
Capital Outlay Stabilization Fund	213,700	3.0	2,753,000	3.0	2,966,700
Certificates of Participation Fund	212,400	-	1,734,300	-	1,946,700
TOTAL – ALL FUNDS	\$2,451,100	3.0	\$5,711,700	7.0	\$8,162,800

Table 2

Privatized Lease to Own Funding Sources

<u>Policy Issue</u>	<u>Policy Issue Location</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Biennial Cost</u>	<u>Fund Source</u>
Capital Improvement	Capital Budget	\$ 889,700	\$ -0-	\$ 889,700	General Fund
Capitol Police	ADOA Support Services	-0-	156,700	156,700	General Fund
<i>Subtotal</i>		<u>889,700</u>	<u>156,700</u>	<u>1,046,400</u>	<i>General Fund</i>
Telecommunications ^{1/}	ADOA Information	<u>1,135,300</u>	<u>1,067,700</u>	<u>2,203,000</u>	Technology & Telecommunications
<i>Subtotal</i>	Technology Services	<u>1,135,300</u>	<u>1,067,700</u>	<u>2,203,000</u>	<i>Technology & Telecommunications</i>
Renovate Backfill Space	Capital Budget	<u>213,700</u>	<u>2,753,000</u>	<u>2,966,700</u>	Capital Outlay Stabilization
<i>Subtotal</i>		<u>213,700</u>	<u>2,753,000</u>	<u>2,966,700</u>	<i>Capital Outlay Stabilization</i>
Renovate Backfill Space	Capital Budget	-0-	300,000	300,000	Certificates of Participation
Project Management	Capital Budget	162,400	143,500	305,900	Certificates of Participation
Relocate Backfill Agencies	Capital Budget	50,000	1,007,000	1,057,000	Certificates of Participation
Vacant COP Space	ADOA Facilities Mgt.	-0-	283,800	283,800	Certificates of Participation
<i>Subtotal</i>		<u>212,400</u>	<u>1,734,300</u>	<u>1,946,700</u>	<i>Certificates of Participation</i>
TOTAL FUNDS		\$2,451,100	\$5,711,700	\$8,162,800	

^{1/} The recommended amount from the Technology and Telecommunications Fund will be reimbursed by individual agencies through a monthly charge.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Air Quality (ADA2226/A.R.S. § 49-551)				Appropriated
Source of Revenue: Monies received from a \$1.50 fee assessed on motor vehicle registrations; gifts, grants and donations, and legislative appropriations.				
Purpose of Fund: To fund a travel reduction program, as defined by A.R.S. § 49-588.				
Funds Expended	335,200	475,400	475,400	475,400
Year-End Fund Balance	0	0	0	0
Arizona Office for Americans with Disabilities Act (ADA2000/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Federal grants and private contributions. Revenues are dependent on the availability of federal funds through the Department of Economic Security.				
Purpose of Fund: To assist the State of Arizona in the implementation and enforcement of the federal Americans with Disabilities Act (ADA). This includes providing resources and information to the private sector, serving as ADA coordinator for state agencies, and assisting other government entities.				
Funds Expended	239,300	80,500	26,800	26,800
Year-End Fund Balance	14,000	14,000	14,000	14,000
Capital Outlay Stabilization (ADA1600/A.R.S. § 41-792.01)				Appropriated
Source of Revenue: Charges to agencies for occupancy of space within state-owned buildings and for tenant improvement projects.				
Purpose of Fund: To pay for maintenance, utilities, construction and administration associated with the operation of state-owned buildings.				
Funds Expended - Operating	8,350,700	8,521,700	8,662,700	10,276,400
Funds Expended - Capital	3,471,000	5,950,200	3,517,700	6,502,100
Year-End Fund Balance	4,999,200	1,607,200	1,810,700	918,000
Construction Insurance (ADA4219/A.R.S. § 41-622)				Non-Appropriated
Source of Revenue: Charges to agencies for state construction projects. The rate is set by the department and reviewed by the Joint Committee on Capital Review.				
Purpose of Fund: To provide self-insurance and purchase “wrap-up” or “owner-controlled insurance programs” (OCIP’s) for state construction projects with a total cost over \$50,000,000. An OCIP is an insurance program provided by the owner of a project (the state) to protect its own interests and those of all participating contractors. Typically, it includes a series of insurance policies combined with loss prevention and quality assurance programs.				
Funds Expended	822,000	4,810,800	4,513,200	4,213,400
Year-End Fund Balance	10,230,800	6,049,500	3,997,400	3,997,400
Co-Op State Purchasing Agreement (ADA4213/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Annual subscription fees collected from local governments for microfiche published by the State Purchasing Office and fees collected from individuals for copies of public records.				
Purpose of Fund: To provide microfiche of state purchasing information for local governments and to reproduce public records for local governments and the public.				
Funds Expended	89,500	90,000	95,000	100,000
Year-End Fund Balance	31,100	31,100	31,100	31,100
Corrections (DCA2088/A.R.S. § 41-1641)				Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.				
Purpose of Fund: To pay for construction of the Department of Corrections and Department of Juvenile Corrections facilities, including the associated administration and management costs of ADOA.				
Funds Expended - Operating	495,300	553,700	574,700	571,600
Funds Expended - Capital	20,150,800	43,922,500	12,031,900	8,416,500
Year-End Fund Balance	25,434,200	6,429,400	19,294,200	35,777,500

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

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

Source of Revenue: Receipts from the telecommunications services excise tax (up to 1.5% of gross sales) levied against monthly telephone bills and remitted by the telephone companies, as authorized by A.R.S. § 41-1472, and interest.

Purpose of Fund: To implement and operate emergency telecommunication services (911) through political subdivisions of the state. The funds may be used for necessary equipment and services, consulting services (up to 3% of the revenue), and monthly recurring costs for capital, maintenance, and operations.

Funds Expended	7,514,400	19,382,900	2,273,600	21,656,500
Year-End Fund Balance	14,039,900	4,322,100	12,176,600	1,134,000

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

Source of Revenue: Charges to state agencies for employer contributions for life, accident, and dismemberment insurance and employee contributions for a "cafeteria" employee benefit plan. The cafeteria plan includes vision, short-term disability, long-term disability, and supplemental life insurance.

Purpose of Fund: To pay claims for state employee benefit plans (other than health insurance).

Funds Expended	19,194,900	18,255,700	19,224,500	20,309,000
Year-End Fund Balance	2,394,900	2,394,900	2,394,900	2,394,900

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

Source of Revenue: Receipts from the sale of federal surplus property and interest.

Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Uncommitted monies in excess of \$50,000 at the close of the fiscal year shall be returned to eligible agencies in the following fiscal year through discounted service and handling charges.

Funds Expended	148,300	264,000	282,200	282,300
Year-End Fund Balance	100,100	32,100	19,900	7,600

Health Administration and Benefit Insurance Trust (ITA3161/A.R.S. § 38-652) Non-Appropriated

Source of Revenue: Monies received from insurance carriers and interest. Currently, this applies only to Northern Arizona University's Blue Cross policy.

Purpose of Fund: To provide benefits for employees participating in health and accident insurance or to offset employee contributions.

Funds Expended	504,200	1,614,800	0	0
Year-End Fund Balance	1,579,800	0	0	0

Lease Purchase Building Operating and Maintenance (ADA1025/A.R.S. § 41-792.01) Appropriated

Source of Revenue: Charges to agencies for operations and maintenance costs associated with the occupancy of state Certificate of Participation (COP) buildings located away from the Capitol Mall.

Purpose of Fund: To provide operations and maintenance service for state COP (lease-purchase) buildings.

Funds Expended	1,268,600	1,343,700	1,351,800	0
Year-End Fund Balance	284,900	199,200	105,400	105,400

Motor Vehicle Pool Revolving (ADA4204/A.R.S. § 41-804) Appropriated

Source of Revenue: Charges to agencies for use of motor pool vehicles.

Purpose of Fund: To operate the motor vehicle pool.

Funds Expended	10,748,600	12,859,900	12,494,200	12,557,700
Year-End Fund Balance	4,005,200	3,005,200	3,005,200	3,005,200

Personnel Division (ADA1107/A.R.S. § 41-764) Partially-Appropriated

Source of Revenue: A 0.9% charge on the total payroll of each agency within the ADOA personnel system.

Purpose of Fund: To provide for operating costs within ADOA's Human Resources division.

Appropriated Funds Expended	8,080,800	8,542,300	11,885,800	14,302,100
Non-Appropriated Funds Expended	713,900	1,526,000	0	0
Year-End Fund Balance	500,000	500,000	38,400	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Public Buildings Land Earnings (ADA3127/A.R.S. § 37-525)

Appropriated

Source of Revenue: Monies received from interest on the Legislative, Executive, and Judicial Public Buildings Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the lease of these lands.

Purpose of Fund: To provide a continuous source of monies for Legislative, Executive, or Judicial Buildings erected in the state. These monies are subject to legislative appropriation.

Funds Expended - Capital

Legislative Council-Old Capitol Renovation ^{1/}	607,100	1,167,800	0	0
Year-End Fund Balance	717,800	0	450,000	450,000

^{1/} Laws 1996, Chapter 2, 5th Special Session and Laws 2000, Chapter 246 appropriated all FY 1998 through FY 2001 revenues from the Public Buildings Land Earnings Fund to Legislative Council for renovation and restoration of the Old Capitol Building.

Retiree Accumulated Sick Leave (YYA3200/A.R.S. § 38-616)

Non-Appropriated

Source of Revenue: A pro rata charge on the payroll of all state agencies. This charge, not to exceed .55% of the total benefit eligible payroll, is set by ADOA and subject to JLBC review.

Purpose of Fund: Payment of insurance premiums or cash payouts to eligible retiring state employees. Payments are made on a percentage basis (25%, 33%, or 50%) of hourly salary for 500 to 1,500 hours of accumulated sick leave upon retirement. Payments to an individual shall not exceed \$30,000.

Funds Expended	5,695,200	8,667,000	9,181,800	9,727,400
Year-End Fund Balance	3,554,000	3,539,400	3,183,000	2,456,500

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

Appropriated

Source of Revenue: Charges assessed on agencies insured under the state's risk management system and from all monies recovered by the state pursuant to litigation and other means. Funds are used to pay for damages relating to liability, property, and workers' compensation losses.

Purpose of Fund: For the purchase of risk management services including insurance, loss prevention services, payment of self-insured losses, and administrative costs.

Funds Expended	67,272,200	75,268,300	80,419,800	82,967,800
Year-End Fund Balance	39,109,800	19,510,100	15,122,500	10,784,300

Special Employee Health Insurance Trust (ITA3015/A.R.S. § 38-654)

Partially Appropriated

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

Purpose of Fund: To administer state employee benefit plans, pay claims for state employee health insurance plans, and operate the Wellness and Communications programs. Administrative expenditures from this fund are subject to legislative appropriation.

Appropriated Funds Expended	2,756,000	2,879,900	2,972,300	2,973,300
Non-Appropriated Funds Expended	246,007,100	266,065,900	358,052,500	393,856,800
Year-End Fund Balance	35,472,500	40,822,000	48,924,000	58,132,300

Special Services Revolving (ADA4208/A.R.S. § 35-193)

Partially Appropriated

Source of Revenue: Charges or payments from agencies using various centralized services operated ADOA. In addition, administrative funds for operation of the State Boards' Office flow through this fund. The State Boards' Office is under the Arizona Department of Administration, but is funded by transfers of appropriated monies from the participating boards. Expenditures from this fund for the State Boards' Office are subject to legislative appropriation.

Purpose of Fund: To enable ADOA to provide office supplies, printing, office services, and other administrative management services for state agencies. Expenditures by the State Boards' Office are for centralized services and pooled resources of 11 small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services.

Appropriated Funds Expended	229,000	243,200	249,300	249,400
Non-Appropriated Funds Expended	3,166,300	3,235,500	3,394,600	3,556,800
Year-End Fund Balance	341,200	783,900	1,223,200	1,662,400

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

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

Non-Appropriated

Source of Revenue: Legislative appropriations, grants, gifts, federal funds, and fees.

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

Funds Expended	487,400	535,000	535,000	535,000
Year-End Fund Balance	393,800	393,800	393,800	393,800

State Employee Suggestion Program Awards (ADA3190/A.R.S. § 38-613)

Non-Appropriated

Source of Revenue: Legislative appropriations.

Purpose of Fund: Awards to state employees of up to \$1,000 for a special act in the public interest or for an adopted idea resulting in state savings or improved operations. Up to \$50 per award may be used to purchase recognition materials and up to 6% of monies appropriated to the fund may be used in administering the state suggestion program.

Funds Expended	6,000	0	0	0
Year-End Fund Balance	94,000	94,000	94,000	94,000

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

Appropriated

Source of Revenue: Receipts from the sale of state surplus property. A portion of the revenue is retained to cover operating costs; the balance is returned to donor agencies.

Purpose of Fund: To collect, store, and administer the sale of surplus property. All uncommitted monies in excess of \$100,000 at the close of the fiscal year revert to the General Fund.

Funds Expended	1,738,500	2,636,000	3,940,000	3,940,600
Year-End Fund Balance	791,800	850,100	1,090,300	1,090,300

State Traffic and Parking Control (ADA2453/A.R.S. § 41-796)

Non-Appropriated

Source of Revenue: Penalties and fees collected pursuant to A.R.S. § 41-796 for traffic and parking violations on state property.

Purpose of Fund: To post signs, markings and notices for the regulation of vehicles on state property, and to maintain state parking lots and structures.

Funds Expended	800	25,000	21,000	21,000
Year-End Fund Balance	4,000	0	0	0

Technology and Telecommunications (ADA4201/A.R.S. § 41-713)

Appropriated

Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund also has separate non-appropriated accounts for statewide licensing agreements designated by the Government Information Technology Agency and for Hawaii AHCCCS.

Purpose of Fund: For paying costs incurred in operating the telecommunications voice, data, video or graphics images.

Funds Expended	23,684,800	29,707,400	25,840,200	27,921,500
Year-End Fund Balance	7,946,700	6,247,600	6,247,600	6,247,600

[Click here to return to Table of Contents](#)

Arizona Department of Administration
Financial Services

JLBC: Rebecca Hecksel
 OSPB: Kristine Ward

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	108.2	108.2	109.2	109.2	109.2	109.2
Financial Services						
<i>State Procurement</i>	1,705,900	1,690,200	1,778,300	1,822,300	1,775,400	1,823,900
<i>General Accounting</i>	5,096,700	5,240,400	5,419,000	5,263,000	5,420,900	5,266,700
ENSCO SLI	4,586,700	4,586,700	4,585,500	4,586,700	4,584,900	4,586,100
Arizona Financial Information System SLI	2,506,300	2,549,500	2,001,400	2,549,500	2,097,500	2,549,500
Subprogram Subtotal	12,189,700	12,376,600	12,005,900	12,399,200	12,103,300	12,402,300
PROGRAM TOTAL	13,895,600	14,066,800	13,784,200	14,221,500	13,878,700	14,226,200

FUND SOURCES

General Fund	13,895,600	14,066,800	13,718,900	14,156,300	13,816,900	14,161,000
Special Employee Health Insurance Trust Fund	0	0	65,300	65,200	61,800	65,200
SUBTOTAL - Other Appropriated Funds	0	0	65,300	65,200	61,800	65,200
SUBTOTAL - Appropriated Funds	13,895,600	14,066,800	13,784,200	14,221,500	13,878,700	14,226,200
Other Non-Appropriated Funds	85,600	90,000	95,000	95,000	95,000	95,000
TOTAL - ALL SOURCES	13,981,200	14,156,800	13,879,200	14,316,500	13,973,700	14,321,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	89,500	0.6%	94,200	0.7%	183,700
Other Appropriated Funds	65,200	100.0%	65,200	100.0%	130,400
Total Appropriated Funds	154,700	1.1%	159,400	1.1%	314,100

PROGRAM DESCRIPTION — *Financial Services includes the General Accounting Office, which maintains the state's financial records, provides accounting services to agencies, and oversees state compliance with financial requirements and appropriation authority; and the State Procurement Office, which provides purchasing services and oversees procurement for agencies.*

PERFORMANCE MEASURES

	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• Average cycle time for requests for proposal (RFP) (in days)	80/87	80/93	80	80
• Customer satisfaction rating for the quality of contracts (Scale 1-8)	NA/5.6	NA/5.4	6.0	6.0
• Customer satisfaction rating for purchasing services (Scale 1-8)	6.0/7.4	6.2/7.4	7.4	7.5
• Customer satisfaction rating for the administration of the payroll process (Scale 1-8)	6.2/6.0	6.4/6.5	6.6	6.6
• Customer satisfaction rating for the operation of AFIS (Scale 1-8)	6.0/5.4	6.2/5.4	6.4/5.9	6.0

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$67,000	\$67,000
ERE Rates	GF	18,800	21,700
Rent	GF	3,700	6,100

Benefits Contract

Manager	OF	65,200	65,200
----------------	-----------	---------------	---------------

The JLBC recommends a total biennial Health Insurance Trust Fund increase of \$130,400 to the State Procurement Subprogram for a Benefits Contract Manager who will be responsible for administration and oversight of the new statewide health and dental insurance contracts. This amount includes an increase of \$65,200 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. The state will be going out to bid in FY 2001 for new health and dental insurance contracts. With the complexity and volatility of the health insurance market, a Benefits Contract Manager is needed in the State Procurement program who understands the administration and enforcement of employee benefit contracts. This position will be directly involved in the establishment of the new health and dental contracts and will ensure that the health insurance providers are adhering to the conditions of the contracts.

Because the state will be going out to bid in FY 2001, the JLBC recommends that funding for the FTE Position begin in FY 2001 as a supplemental adjustment. *(See Other Issues for Legislative Consideration)* The Executive concurs.

ENSCO	GF	-0-	(600)
--------------	-----------	------------	--------------

The JLBC recommends a total biennial General Fund decrease of \$(600) to the ENSCO Special Line Item to reflect standard payment adjustments on the lease-purchase payment on the property. This amount includes a FY 2003 decrease of \$(600) below FY 2001. The Executive concurs.

JLBC RECOMMENDED FORMAT — Lump Sum by Fund with ENSCO and Arizona Financial Information System Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The department may collect an amount of not to exceed \$762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. All AFIS II operating costs below \$3,312,100 shall be proportionately distributed among all contributing funding sources, including the state General Fund.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental adjustment of \$65,200 and 1 FTE Position from the Health Insurance Trust Fund for a Benefits Contract Manager. The state will go out to bid in FY 2001 for new health and dental insurance contracts and the position is needed to help with the establishment of the contracts and ensure the health insurance providers adhere to the conditions of the contracts. *(See Benefits Contract Manager)* The Executive recommends a FY 2001 supplemental adjustment of \$40,800 and 1 FTE Position.

Executive Recommendation

The Executive recommends a biennial General Fund increase of \$230,800 to fully fund a Classification Maintenance Review (CMR) adjustment for FTE Positions that were vacant during the FY 1996 CMR process. For all state agencies, the ADOA Human Resources Division allocated 25% funding for vacant positions eligible for CMR adjustments. The JLBC does not recommend an increase because the amount appropriated by the Legislature was intended to fully fund the CMR adjustments, as allocated by the Executive Branch.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Arizona Department of Administration
Financial Services

JLBC: Rebecca Hecksel
 OSPB: Kristine Ward

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	108.2	108.2	109.2	109.2	109.2	109.2
Financial Services						
<i>State Procurement</i>	1,705,900	1,690,200	1,778,300	1,822,300	1,775,400	1,823,900
<i>General Accounting</i>	5,096,700	5,240,400	5,419,000	5,263,000	5,420,900	5,266,700
ENSCO SLI	4,586,700	4,586,700	4,585,500	4,586,700	4,584,900	4,586,100
Arizona Financial Information System SLI	2,506,300	2,549,500	2,001,400	2,549,500	2,097,500	2,549,500
Subprogram Subtotal	12,189,700	12,376,600	12,005,900	12,399,200	12,103,300	12,402,300
PROGRAM TOTAL	13,895,600	14,066,800	13,784,200	14,221,500	13,878,700	14,226,200

FUND SOURCES

General Fund	13,895,600	14,066,800	13,718,900	14,156,300	13,816,900	14,161,000
Special Employee Health Insurance Trust Fund	0	0	65,300	65,200	61,800	65,200
SUBTOTAL - Other Appropriated Funds	0	0	65,300	65,200	61,800	65,200
SUBTOTAL - Appropriated Funds	13,895,600	14,066,800	13,784,200	14,221,500	13,878,700	14,226,200
Other Non-Appropriated Funds	85,600	90,000	95,000	95,000	95,000	95,000
TOTAL - ALL SOURCES	13,981,200	14,156,800	13,879,200	14,316,500	13,973,700	14,321,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	89,500	0.6%	94,200	0.7%	183,700
Other Appropriated Funds	65,200	100.0%	65,200	100.0%	130,400
Total Appropriated Funds	154,700	1.1%	159,400	1.1%	314,100

PROGRAM DESCRIPTION — *Financial Services includes the General Accounting Office, which maintains the state's financial records, provides accounting services to agencies, and oversees state compliance with financial requirements and appropriation authority; and the State Procurement Office, which provides purchasing services and oversees procurement for agencies.*

PERFORMANCE MEASURES

	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• Average cycle time for requests for proposal (RFP) (in days)	80/87	80/93	80	80
• Customer satisfaction rating for the quality of contracts (Scale 1-8)	NA/5.6	NA/5.4	6.0	6.0
• Customer satisfaction rating for purchasing services (Scale 1-8)	6.0/7.4	6.2/7.4	7.4	7.5
• Customer satisfaction rating for the administration of the payroll process (Scale 1-8)	6.2/6.0	6.4/6.5	6.6	6.6
• Customer satisfaction rating for the operation of AFIS (Scale 1-8)	6.0/5.4	6.2/5.4	6.4/5.9	6.0

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$67,000	\$67,000
ERE Rates	GF	18,800	21,700
Rent	GF	3,700	6,100

Benefits Contract

Manager	OF	65,200	65,200
----------------	----	--------	--------

The JLBC recommends a total biennial Health Insurance Trust Fund increase of \$130,400 to the State Procurement Subprogram for a Benefits Contract Manager who will be responsible for administration and oversight of the new statewide health and dental insurance contracts. This amount includes an increase of \$65,200 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. The state will be going out to bid in FY 2001 for new health and dental insurance contracts. With the complexity and volatility of the health insurance market, a Benefits Contract Manager is needed in the State Procurement program who understands the administration and enforcement of employee benefit contracts. This position will be directly involved in the establishment of the new health and dental contracts and will ensure that the health insurance providers are adhering to the conditions of the contracts.

Because the state will be going out to bid in FY 2001, the JLBC recommends that funding for the FTE Position begin in FY 2001 as a supplemental adjustment. *(See Other Issues for Legislative Consideration)* The Executive concurs.

ENSCO	GF	-0-	(600)
--------------	----	-----	-------

The JLBC recommends a total biennial General Fund decrease of \$(600) to the ENSCO Special Line Item to reflect standard payment adjustments on the lease-purchase payment on the property. This amount includes a FY 2003 decrease of \$(600) below FY 2001. The Executive concurs.

JLBC RECOMMENDED FORMAT — Lump Sum by Fund with ENSCO and Arizona Financial Information System Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The department may collect an amount of not to exceed \$762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. All AFIS II operating costs below \$3,312,100 shall be proportionately distributed among all contributing funding sources, including the state General Fund.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental adjustment of \$65,200 and 1 FTE Position from the Health Insurance Trust Fund for a Benefits Contract Manager. The state will go out to bid in FY 2001 for new health and dental insurance contracts and the position is needed to help with the establishment of the contracts and ensure the health insurance providers adhere to the conditions of the contracts. *(See Benefits Contract Manager)* The Executive recommends a FY 2001 supplemental adjustment of \$40,800 and 1 FTE Position.

Executive Recommendation

The Executive recommends a biennial General Fund increase of \$230,800 to fully fund a Classification Maintenance Review (CMR) adjustment for FTE Positions that were vacant during the FY 1996 CMR process. For all state agencies, the ADOA Human Resources Division allocated 25% funding for vacant positions eligible for CMR adjustments. The JLBC does not recommend an increase because the amount appropriated by the Legislature was intended to fully fund the CMR adjustments, as allocated by the Executive Branch.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Arizona Department of Administration
Facilities Management

JLBC: Rebecca Hecksel
 OSPB: Kristine Ward

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	252.5	252.5	256.6	255.5	256.6	255.5
Facilities Management						
<i>Construction Services</i>	540,800	573,400	580,800	594,400	581,800	591,200
<i>Building, Planning and Tenant Services</i>	9,789,800	10,557,100	11,158,400	11,147,800	11,236,300	11,411,900
Utilities SLI	5,890,300	6,000,000	6,100,000	6,100,000	6,100,000	6,100,000
Relocation SLI	7,100	60,000	110,000	60,000	1,017,000	60,000
Subprogram Subtotal	15,687,200	16,617,100	17,368,400	17,307,800	18,353,300	17,571,900
PROGRAM TOTAL	16,228,000	17,190,500	17,949,200	17,902,200	18,935,100	18,163,100

FUND SOURCES

General Fund	6,311,500	6,980,700	7,397,400	7,526,000	7,408,400	7,528,300
Corrections Fund	411,600	460,600	469,300	481,200	470,200	478,000
Capital Outlay Stabilization Fund	8,236,300	8,405,500	8,730,100	8,543,200	11,056,500	10,156,800
Lease Purchase Building Operating and Maintenance Fund	1,268,600	1,343,700	1,352,400	1,351,800	0	0
SUBTOTAL - Other Appropriated Funds	9,916,500	10,209,800	10,551,800	10,376,200	11,526,700	10,634,800
SUBTOTAL - Appropriated Funds	16,228,000	17,190,500	17,949,200	17,902,200	18,935,100	18,163,100
TOTAL - ALL SOURCES	16,228,000	17,190,500	17,949,200	17,902,200	18,935,100	18,163,100

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	545,300	7.8%	547,600	7.8%	1,092,900
Other Appropriated Funds	166,400	1.6%	425,000	4.2%	591,400
Total Appropriated Funds	711,700	4.1%	972,600	5.7%	1,684,300

PROGRAM DESCRIPTION — *Facilities Management is comprised of Construction Services and Building, Planning and Tenant Services. Building and Planning Services and Construction Services plan and manage the design and construction of state prisons and office buildings, review all state construction projects, inspect the condition of non-university buildings at least once every 4 years, and develop a biennial Capital Improvement Plan. Tenant Services manages Arizona Department of Administration-owned buildings in the Capitol Mall and provides maintenance and janitorial services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Customer satisfaction with agency relocation process (Scale 1-8)	6.0/5.4	6.0/5.0	6.0	6.0
• Customer satisfaction with tenant improvement process (Scale 1-8)	6.0/5.4	6.0/5.0	6.0	6.0
• Customer satisfaction rating for building maintenance (Scale 1-8)	5.4/5.8	5.7	6.0	6.0
• Ratio of preventative maintenance work orders to total maintenance requests	NA/195:11,574	NA/310:15,285	485:15,285	485:15,285/ 550:15,285

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$75,300	\$75,300
	OF	33,600	33,600
ERE Rates	GF	13,300	14,100
	OF	(19,500)	(18,100)
Risk Management	GF	-0-	-0-
	OF	35,000	36,500
Rent	GF	107,000	108,500
	OF	(1,100)	(300)

Capitol Mall Security GF 344,700 344,700

The JLBC recommends a total biennial General Fund increase of \$689,400 to transfer the monies associated with installing the Capitol Mall electronic security system from the Capitol Police Program to the Building, Planning and Tenant Services subprogram. This amount includes an increase of \$344,700 and 3 FTE Positions in both FY 2002 and FY 2003 above FY 2001. A total of \$377,700 has been appropriated to the Capitol Police since FY 1996 to purchase and install a Capitol Mall-wide electronic security system. The installation will be completed in FY 2001. Capitol Police will retain the responsibility for creating and tracking the key card badges, which includes \$33,000 and 1 FTE Position, and Building, Planning and Tenant Services will acquire responsibility for maintenance of the security system. (See *Support Services Program*.)

The remaining appropriation of \$344,700 and 2 FTE Positions will be transferred to the Building, Planning and Tenant Services Subprogram for system maintenance, repairs, and upgrades. In addition, the JLBC recommends a biennial increase of 1 FTE Position. The transferred appropriation and new FTE Position result in no net funding change as equipment monies will be reallocated for Personal Services, ERE and Other Operating Expenditures. Although monies were originally appropriated for equipment and installation, the JLBC recommends that the Arizona Department of Administration (ADOA) retain these monies for maintenance purposes. These monies will be used for repairs, to add the security system to additional buildings, and for system upgrades. The additional FTE Position is recommended to reduce the backlog of repair requests and to allow for quick responses to any new repair requests. The Executive recommends a total biennial General Fund increase of \$488,000 and 3 FTE Positions. This amount includes an increase of \$244,000 in both FY 2002 and FY 2003 above FY 2001.

Utilities OF 100,000 100,000

The JLBC recommends a total biennial Capital Outlay Stabilization Fund (COSF) increase of \$200,000 to the Utilities Special Line Item for increased utilities charges (including electric, water, gas, and garbage disposal) in buildings located on the Capitol Mall and Tucson Office Complex. This amount includes an increase of \$100,000

in both FY 2002 and FY 2003 above FY 2001. The appropriation for this line item has not been increased since FY 1999. ADOA is currently appropriated \$6,000,000 for utilities. Expenditures in FY 2000 totaled \$5,890,300. This amount does not include utility charges for 4 new buildings that were added to the ADOA system at the end of FY 2000. These 4 new buildings will have estimated annual utility costs of \$25,000. The Executive concurs.

**Equipment GF 5,000 5,000
OF 17,000 13,000**

The JLBC recommends a total biennial General Fund increase of \$10,000 to the Building, Planning and Tenant Services subprogram for the routine replacement of 80 vacuum cleaners, 3 electric carts and 2 mowers. This amount includes an increase of \$5,000 in both FY 2002 and FY 2003 above FY 2001. After the elimination of \$(62,100) for one-time FY 2001 equipment, this will provide a total of \$67,100 General Fund for the equipment listed above. The Executive recommends a biennial General Fund increase of \$48,400 for the replacement equipment. This amount includes an increase of \$24,200 in both FY 2002 and FY 2003 above FY 2001.

The JLBC also recommends a total biennial Corrections Fund increase of \$30,000 to the Construction Services subprogram for the routine replacement of 13 computers and 2 printers. The recommended amount includes a FY 2002 increase of \$17,000 above FY 2001 and a FY 2003 increase of \$13,000 above FY 2001. This amount also includes the elimination of \$(7,000) for one-time FY 2001 equipment. The FY 2003 amount is lower due to the elimination of one-time FY 2002 equipment. The Executive does not address this issue.

Unoccupied Lease-

Purchase OF 1,400 260,300

The JLBC recommends a total biennial COSF increase of \$261,700 for the lease-purchase payment on vacant state lease-purchase space. This amount includes a FY 2002 increase of \$1,400 above FY 2001 and a FY 2003 increase of \$260,300 above FY 2001. The recommendation funds space in the Kingman State Office Building and the Centre Pointe Office Building that is currently vacant, as well as space in the Capital Center Building that will be vacant in FY 2003 for 6 months while it undergoes renovation. (See *Privatized Lease to Own policy issue in ADOA Summary*.) In FY 2003, the state lease-purchase for the Kingman and Centre Pointe Office buildings will be paid off and the JLBC recommends that all space within these buildings be assessed the normal rental rate for state-owned space provided by ADOA. The Executive recommends an increase of \$424,600 in FY 2003 above FY 2001 for 9 months of unoccupied space in the Capital Center Building while it undergoes renovation.

Operations and Maintenance OF -0- -0-

The JLBC recommends a total biennial Operations and Maintenance Fund decrease of \$(1,352,100) and a COSF increase of \$1,352,100 within the Building, Planning and Tenant Services subprogram for operations and maintenance for the lease-purchase properties. There are 7 properties located around the state that the state acquired as a part of a lease-purchase plan in 1992. At the end of FY 2002, the lease-purchase for these properties will be paid off. The JLBC recommends transferring \$1,352,100 and 15 FTE Positions from the Lease-Purchase Building Operating and Maintenance Fund to COSF in FY 2003. Agencies in these buildings currently make their rental payments into the Certificates of Participation Fund and their operations and maintenance payments into the Lease-Purchase Building Operating and Maintenance Fund. In FY 2003, JLBC recommends that space within these buildings be assessed the normal state rental rate of \$13.50 per sq. ft. and payments made by agencies be deposited into COSF. This will result in a COSF revenue increase of \$3,056,800.

ADOA receives a General Fund appropriation for operations and maintenance of existing state-owned buildings. When the lease-purchase buildings come under the state's possession in FY 2003, the JLBC recommends that rather than increasing the General Fund appropriation for the operations and maintenance of these buildings, that the costs be funded out of the rental payments into COSF. The Executive concurs and recommends an additional \$73,500 from COSF in FY 2003 to provide increased operations and maintenance services.

* * *

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

JLBC RECOMMENDED FORMAT — Lump Sum by Fund with Relocation and Utilities Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

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

Monies in the Relocation Special Line Item are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the one-time footnote concerning ADOA submitting its plan to the JLBC for expenditures of building renewal monies in FY 2000.

Arizona Department of Administration

Human Resources

JLBC: Rebecca Hecksel
OSP: Kristine Ward

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	151.5	151.5	162.5	154.5	162.5	157.5
Human Resources						
<i>Benefits and Insurance</i>	2,756,000	2,879,900	2,811,600	2,907,100	2,811,000	2,908,100
<i>Human Resources Operations</i>	6,515,700	7,262,600	7,519,900	7,346,300	7,525,800	7,362,600
Human Resource Management						
System SLI	1,565,100	1,279,700	5,702,900	4,539,500	5,961,500	6,939,500
Subprogram Subtotal	8,080,800	8,542,300	13,222,800	11,885,800	13,487,300	14,302,100
PROGRAM TOTAL	10,836,800	11,422,200	16,034,400	14,792,900	16,298,300	17,210,200
FUND SOURCES						
Personnel Division Fund	8,080,800	8,542,300	13,222,800	11,885,800	13,487,300	14,302,100
Special Employee Health Insurance Fund	2,756,000	2,879,900	2,811,600	2,907,100	2,811,000	2,908,100
SUBTOTAL - Other Appropriated Funds	10,836,800	11,422,200	16,034,400	14,792,900	16,298,300	17,210,200
SUBTOTAL - Appropriated Funds	10,836,800	11,422,200	16,034,400	14,792,900	16,298,300	17,210,200
Other Non-Appropriated Funds	272,115,300	296,129,400	386,458,800	386,458,800	423,893,200	423,893,200
TOTAL - ALL SOURCES	282,952,100	307,551,600	402,493,200	401,251,700	440,191,500	441,103,400

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
Other Appropriated Funds	3,370,700	29.5%	5,788,000	50.7%	9,158,700

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Customer satisfaction with benefit plans (Scale 1-8)	6.0/5.5	NA/5.9	6.5	6.8/7.0
• Customer satisfaction with the open enrollment process (Scale 1-8)	NA	NA	6.5	6.8/7.0
• % difference in average salaries between state employees and the labor market	NA	NA/(22.6)	(21.5)	NA
• Average number of days to issue list of job applicants from Resumix to inquiring agency	2.9/2.9	2.8/2.8	2.0	2.0
• Number of employees attending Arizona Healthways events	NA	NA/494	543	597/657

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	OF \$ 89,500	\$ 89,500
ERE Rates	OF (200)	13,400
Risk Management	OF 39,900	43,500
Rent	OF (18,300)	(18,200)

HRMS Replacement OF 2,900,000 5,300,000

The JLBC recommends a total biennial Personnel Division Fund increase of \$8,200,000 to the Human Resources Management System SLI to replace the Human Resources/Payroll (HRMS) system. This amount includes a FY 2002 increase of \$2,900,000 and 3 FTE Positions above FY 2001 and a FY 2003 increase of \$5,300,000 and 6 FTE Positions above FY 2001.

In FY 2000, \$300,000 was appropriated from the Personnel Division Fund to develop a plan for updating the Human Resources/Payroll, Finance and Procurement information systems. The Arizona Department of Administration (ADOA) researched replacing these systems with a statewide system called an Enterprise Wide System (ERP). Results from the study conclude that installing an ERP would cost up to \$70,000,000. In addition, research shows that ERP systems installed in other states have not been successful.

ADOA has therefore decided to focus on HRMS, which is in the most critical need of replacement. The current system is over 30 years old and poses a liability to the state. If the state fails to make payroll on time, penalties could amount to 3 times the gross payroll. The system runs on COBOL II, which is an outdated program that is no longer supported by the manufacturer. ADOA has only 2 employees who have COBOL programming knowledge and has been unable to hire new employees who are familiar with the program.

The JLBC recommends funding start in FY 2002 to replace the HRMS system. ADOA expects to have the new system fully implemented at the end of FY 2004. The JLBC, therefore, recommends that the amount be non-lapsing. (See *JLBC Recommended Footnotes*) ADOA would need to rely on the current system until the new one is implemented. The recommended FY 2002 and FY 2003 amounts will provide funding for software and software maintenance fees, outside consultants to design and build the system, data center charges, and 6 FTE Positions including a project manager and programmers.

The Government Information Technology Agency (GITA) gave provisional approval to the Project Investment Justification submitted by ADOA. GITA agreed with the need to replace the HRMS system; however, they require additional research into the possibility of outsourcing the state's payroll/human resources system. ADOA will issue a Request for Information to Application Service Providers and prepare a cost/benefit analysis of outsourcing the project compared to ADOA building the program "in-house." This analysis should be available in February. GITA suggests that outsourcing the payroll/human resources system will require a \$1,000,000 to \$4,000,000 initial investment with a \$4,000,000 maintenance requirement.

Due to the uncertainty about whether the system will be completed in-house or contracted out, the JLBC recommends a new footnote requiring ADOA to submit its plan for HRMS replacement to the JLBC for review prior to the expenditure of funds. (See *JLBC Recommended Footnotes*).

The Executive recommends an increase of \$4,000,000 in both FY 2002 and FY 2003 above FY 2001. The Executive also recommends that these amounts be non-lapsing.

Pro Rata Contribution	GF	-0-	1,904,500
	OF	-0-	292,500

The JLBC recommends a total biennial General Fund increase of \$1,904,500 and a total biennial Other Fund increase of \$292,500 to allow state agencies to pay higher rates to the Personnel Division Fund to cover the costs of replacing the HRMS system. (See *HRMS Replacement policy issue*.) Currently, agencies are assessed 0.9% of total Personal Services dollars to fund the operations of ADOA's Human Resources Division. For FY 2002 and FY 2003, the JLBC estimates that a rate of 0.7% would be sufficient to fund the ongoing costs of the division. The JLBC recommends retaining the rate at 0.9%, which will generate \$2,900,000 that will not be needed for regular division costs and can be used to fund the HRMS replacement in both years.

In FY 2003, the JLBC recommends increasing the rate by 0.17% for a total charge of 1.07%. This increased rate, when combined with the \$2,900,000 from FY 2002, will provide sufficient revenue for the \$5,300,000 appropriation in FY 2003 for the HRMS replacement. This would require amending A.R.S. § 41-764. (See *JLBC Recommended Statutory Changes*).

The JLBC recommends adding the funding increase to the General Appropriation Act as a lump sum, to be allocated to other state agencies. The lump sum would not be appropriated to ADOA, but would be distributed to various agencies statewide. Amounts would be determined by the JLBC based on applying an assessment of 0.17% of total Personal Services dollars in FY 2003 to those agencies that are currently contributing to the Personnel Division Fund. These amounts would then be allocated to individual agencies by the ADOA General Accounting Office. This is the same method used for statewide salary adjustments.

<u>Statewide Impact of Increasing Pro Rata Charge</u>		
	<u>Biennial Change</u>	
	<u>FY 2002</u>	<u>FY 2003</u>
Pro Rata Special Charge	0.0%	0.17%
General Fund Change	\$-0-	\$1,904,500
Other Fund Change	-0-	292,500
Non Appropriated Change	-0-	592,100
TOTAL	<u>\$-0-</u>	<u>\$2,789,100</u>

The Executive recommends funding the HRMS replacement by increasing the Personnel Division Fund rate to 1.04% in FY 2002 and 1.01% in FY 2003; reducing the Retiree Accumulated Sick Leave Fund rate from 0.4% to 0.29% in FY 2002 and 0.33% in FY 2003; and transferring \$600,000 from the Construction Insurance Fund and \$400,000 from the Surplus Property State Fund to the Personnel Division Fund.

HRMS Operation OF 359,800 359,800

The JLBC recommends a total biennial Personnel Division Fund increase of \$719,600 to the HRMS Special Line Item for programming services provided by the Information Services Division (ISD). This amount includes both a FY 2002 and FY 2003 increase of \$359,800 above FY 2001. The recommended increase reflects growth in the use of ISD services over the past 4 years. As new programs have been added, such as bus subsidies and additional reporting requirements, demands for programming services have greatly increased. The appropriation however has not been increased to keep pace with the increased workload. The Executive recommends a biennial increase of \$1,105,000. This amount includes a FY 2002 increase of \$423,200 above FY 2001, and a FY 2003 increase of \$681,800 above FY 2001. The Executive recommendation includes increased charges for FY 2002 and savings as a result of the ADOA data center consolidation. (See *Data Center Consolidation policy issue.*)

Data Center Consolidation GF -0- -0-

HRMS data services are currently provided through a state data center administered by ADOA. Costs of the data center are charged to each participating agency. The Executive is recommending expanding the current data center to include the Department of Revenue and the Department of Transportation data systems. It is anticipated that the consolidation of these 2 large systems will lead to reduced charges for other participating agencies. The level and fund source of these reductions, however, is unclear at this time. The JLBC Staff is continuing to analyze this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Fund with Human Resource Management System Special Line Item

JLBC RECOMMENDED FOOTNOTES

New Footnotes

The Human Resources Operations subprogram includes \$2,900,000 in FY 2002 and \$5,300,000 in FY 2003 to replace the Human Resources/Payroll system. These amounts are exempt from A.R.S. § 35-190 relating to lapsing of appropriations until June 30, 2004.

Prior to the expenditure of funds for replacement of the Human Resources/Payroll system, the Arizona Department of Administration shall submit a report for review to the Joint Legislative Budget Committee detailing the expenditure plan for the replacement of the Human Resources/Payroll system.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends increasing the pro rata share that state agencies contribute to the Personnel Division Fund from 0.9% of total Personal Services dollars to 1.07% of total personal services dollars in FY 2003. This would require amending A.R.S. § 41-764.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental increase of \$489,400 from the Health Insurance Trust Fund to the Benefits and Insurance Subprogram for costs associated with going out to bid for full 5-year contracts for state employee health and dental insurance. ADOA chose not to enter into the 5th year of the current contracts since it could not reach an agreement with the current carriers. ADOA plans on beginning the open enrollment process in the spring of FY 2001. Costs associated with a full open enrollment include \$170,000 for consultants to assist with the development of and negotiation for the new contracts, \$75,000 for ADOA ISD charges to reprogram the benefits system, \$60,000 for data entry, \$30,000 for temporary help, and \$154,400 for printing, postage, and handling.

The state will enter into new contracts in FY 2002 and requires funding in FY 2001 to begin the process. The JLBC recommends that the funding be added in an Open Enrollment Special Line Item and that the appropriation be non-lapsing to cover costs that continue into FY 2002. The Executive recommends a FY 2001 supplemental increase of \$517,300 for open enrollment costs. Of this amount, the Executive recommends that \$224,700 be continued into FY 2002 to allow ADOA to pay for additional consulting costs related to legislative requests.

Executive Recommendation

The Executive recommends a total biennial Health Insurance Trust Fund increase of \$440,600 and 7 FTE Positions for customer service provided to retirees enrolled in the state's health insurance program. This amount includes a FY 2002 increase of \$223,300 and 7 FTE Positions above FY 2001, and a FY 2003 increase of \$217,300 above FY 2001. ADOA is currently using savings from the Personnel Division Fund to fund temporary FTE Positions to fulfill this service. The number of retirees enrolled in the state's health insurance program has increased by 70% up to approximately 12,000 since the temporary employees were hired in FY 1997. ADOA would like to provide a full-time staff dedicated to assisting retirees with their inquiries. While most active employees can pursue information through their agency's Human Resources liaison, retirees' only option is to contact ADOA directly.

JLBC recommends that ADOA enter into an Interagency Service Agreement (ISA) with the Arizona State Retirement System (ASRS) to pay for the dedicated staff. As an increasing number of retirees are choosing ADOA's health insurance program over that of ASRS, the JLBC recommends that ASRS fund costs associated with providing support to retirees that choose the state's health insurance.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Arizona Department of Administration
Information Technology Services

JLBC: Paul Shannon
 OSPB: Kristine Ward

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	215.3	215.3	225.3	215.3	225.3	215.3
Information Technology Services						
<i>Arizona Telecommunication Services</i>	11,335,800	12,431,300	14,246,200	13,111,100	18,693,600	13,812,400
<i>All Other Information Technology Services</i>	12,349,000	17,276,100	18,869,500	12,729,100	20,590,200	14,109,100
PROGRAM TOTAL	23,684,800	29,707,400	33,115,700	25,840,200	39,283,800	27,921,500

FUND SOURCES						
Technology and Telecommunications Fund	23,684,800	29,707,400	33,115,700	25,840,200	39,283,800	27,921,500
SUBTOTAL - Appropriated Funds	23,684,800	29,707,400	33,115,700	25,840,200	39,283,800	27,921,500
TOTAL - ALL SOURCES	23,684,800	29,707,400	33,115,700	25,840,200	39,283,800	27,921,500
Other Non-Appropriated Funds	7,514,400	19,382,900	2,273,600	2,273,600	21,656,500	21,656,500
TOTAL - ALL SOURCES	31,199,200	49,090,300	35,389,300	28,113,800	60,940,300	49,578,000

CHANGE IN FUNDING SUMMARY	<u>FY 2001 to FY 2002 JLBC</u>		<u>FY 2001 to FY 2003 JLBC</u>		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	(3,867,200)	-13.0%	(1,785,900)	-6.0%	(5,653,100)

PROGRAM DESCRIPTION – *The Information Technology Services Division operates the Data Center, which provides centralized computer services for approximately 70 state agencies, statewide emergency telecommunications services, and state agency telecommunications services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Customer satisfaction rating for mainframe services based on annual survey (scale of 1-8)	6.0/5.8	6.0/5.7	6.0	6.0
• Customer satisfaction rating for information technology security services (scale of 1-8)	6.5/5.2	5.8/5.2	6.0	6.0
• Customer satisfaction rating for Finance and Planning services (scale of 1-8)	7.0/5.9	5.96/5.2	6.0	6.0
• Customer satisfaction rating for Arizona Telecommunications System (ATS) (scale of 1-8)	NA/5.5	5.8/5.4	6.0	6.0
• % of Enterprise Application work requests completed by estimated target date	94/95	90/89	95	95

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	OF \$141,800	\$141,800
ERE Rates	OF (26,100)	(24,400)
Risk Management	OF 26,100	31,200
Rent	OF 15,000	19,100

Equipment OF (4,652,200) (3,279,200)

The JLBC recommends a total biennial Technology and Telecommunications Fund decrease of \$(7,931,400) to the Information Technology Services Program due to reduced equipment needs for the biennium. This amount includes a FY 2002 decrease of \$(4,652,200) and a FY 2003 decrease of \$(3,279,200) below FY 2001. The \$1,373,000 increase in FY 2003 above FY 2002 is due to anticipated program growth in that year. The equipment to be purchased includes technology infrastructure items, other hardware items that improve the efficiency of current operations, and software. Funding for these items is contingent on the

approval of the Information Technology Authorization Committee (ITAC) for larger items or the Government Information Technology Agency (GITA) for smaller items. The Executive concurs.

PLTO Telephones and

Data Equipment OF 1,135,300 1,067,700

The JLBC recommends a total biennial Technology and Telecommunications Fund increase of \$2,203,000 for telecommunications cabling and equipment for agencies that are moving into the 2 new Privatized Lease to Own (PLTO) buildings and the space vacated by the Arizona Department of Administration (ADOA). (*See Privatized Lease to Own policy issue in ADOA Summary.*) This amount includes a FY 2002 increase of \$1,135,300 above FY 2001 and a FY 2003 increase of \$1,067,700 above FY 2001. Although the PLTO lease agreement includes some data cabling, agencies are responsible for installing their own connections to the state's telephone switch. In addition, new telephone handsets that are compatible with the cabling and connection will need to be purchased.

As the total cost for all of these technological improvements would be a large one-time investment of \$3,700,000, the JLBC recommends that the ADOA Information Technology Services Division (ISD) finance the purchase of all the non-capital equipment (cabling, switching peripherals, etc.) over a 5-year period and pay cash for the telephone handsets. All costs will be recovered to the Technology and Telecommunications Fund through monthly charges to the individual agencies. Of the recommended FY 2002 amount, \$417,600 is for the cash purchase of the telephone handsets for the 2 PLTO buildings and \$717,700 is for the yearly payment on the financed equipment. Of the recommended FY 2003 amount, \$717,700 is for the yearly loan payment.

In addition, the JLBC recommends \$350,000 for new data hubs and routers and telephone handsets for agencies moving into the backfill space in FY 2003. JLBC recommends that this equipment be purchased from the Technology and Telecommunications Fund and recovered through monthly charges to the agencies. The Executive concurs.

The JLBC does not recommend changes to the appropriation level for individual agencies for monthly telephone charges. The JLBC compared each agency's current phone charges to the expected charge by ADOA and found them for the most part to be the same or greater. The JLBC recommends that agencies retain their current appropriation for phone charges and also recommends that agencies address any necessary changes to their appropriation level in their request for the FY 2004 - FY 2005 biennial budget. The Executive concurs.

ATS Service Additions OF (531,100) 233,900

The JLBC recommends a total biennial Technology and Telecommunications Fund decrease of \$(297,200) for the Arizona Telecommunications Services (ATS) subprogram.

This amount includes a FY 2002 decrease of \$(531,100) below FY 2001 for telecommunications equipment. The amount also includes a FY 2003 increase of \$233,900 above FY 2001 for a scheduled program expansion that will result in more state agencies utilizing the service. Funding for these items is contingent on the approval of ITAC for larger items or GITA for smaller items. This provides a total of \$1,960,000 in FY 2002 and \$2,725,000 in FY 2003 for ATS. The Executive concurs, but recommends additional funding from the Technology and Telecommunications Fund of \$1,960,000 above FY 2001 in FY 2002 and \$2,725,000 above FY 2001 in FY 2003.

Business Continuity OF 24,000 24,000

The JLBC recommends a total biennial Technology and Telecommunications Fund increase of \$48,000 for business continuity services. This amount includes an increase of \$24,000 in both FY 2002 and FY 2003 above FY 2001. Business continuity refers to a comprehensive plan for restoring computer service in the event of a disaster. This amount is in addition to the base amount of \$408,000 budgeted for FY 2001 and will provide a total of \$432,000 in both FY 2002 and FY 2003.

The Disaster Recovery Plan is an integral part of the state's information technology system. This plan will provide the department with the ability to quickly resume normal operations in the event of a disaster. Some of the major affected systems include payroll, accounting, the State Department of Corrections' inmate management system, and all systems relating to the delivery of service by the Arizona Health Care Cost Containment System. As the Executive continues to move forward with Data Center consolidation, all major systems of the Department of Revenue and the Department Transportation will also be affected. Currently, an unpredictable event that causes the Data Center to cease functioning would require an ad hoc recovery effort that could cost many millions of dollars.

Funding for this project would be included in the rates charged to agencies utilizing Data Center services. Thus, the charges are allocated to the entities benefiting from the back-up capability.

The Executive concurs, but funds at \$68,000 greater than the JLBC recommendation in FY 2002 and \$(7,000) less than the JLBC recommendation in FY 2003.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Fund

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning the division's annual reporting requirement on the Arizona Telecommunication Service. Materials provided in the

previous 2 fiscal years are sufficient to form an understanding of the scope and purpose of the project.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a supplemental amount of \$1,360,300 in FY 2001 to pay for equipment and 10 FTE Positions to staff the increased workload associated with Data Center Consolidation. Data Center Consolidation refers to the Executive's recommendation that Department of Revenue and Department of Transportation data systems being consolidated into the ITS data center. Data services are currently provided through a state data center

administered by the Information Technology Services Division. Costs of the data center are charged to each participating agency. The Executive is recommending expanding the current data center to include the Department of Revenue and the Department of Transportation data systems. It is anticipated that the consolidation of these 2 large systems will lead to reduced charges for other participating agencies. The level and fund source of these reductions, however, are unclear at this time. The JLBC Staff is continuing to analyze this issue.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Arizona Department of Administration

Support Services

JLBC: Paul Shannon/Rebecca Hecksel

OSPB: Kristine Ward

House Subcommittee: Gray

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	150.5	150.5	153.5	150.5	156.5	154.5
Administration	2,874,200	3,358,600	3,487,500	3,437,900	3,938,400	3,467,900
AFV Cost Reimbursement SLI	0	962,200	0	0	0	0
<i>Program Subtotal - Administration</i>	2,874,200	4,320,800	3,487,500	3,437,900	3,938,400	3,467,900
Capitol Police	2,229,100	2,305,600	2,274,900	2,139,100	2,416,200	2,291,500
Support Services						
<i>Surplus Property</i>	1,886,900	2,900,000	1,244,400	4,222,200	1,234,200	4,222,900
<i>Motor Pool</i>	10,748,600	12,859,900	11,719,300	12,494,200	13,536,300	12,557,700
<i>All Other Support Services</i>	883,200	1,046,300	1,282,200	1,057,900	1,282,200	1,058,000
<i>Program Subtotal - Support Services</i>	13,518,700	16,806,200	14,245,900	17,774,300	16,052,700	17,838,600
PROGRAM TOTAL	18,622,000	23,432,600	20,008,300	23,351,300	22,407,300	23,598,000

FUND SOURCES

General Fund	5,453,200	6,988,000	6,210,200	5,946,500	6,373,800	6,128,800
Air Quality Fund	335,200	475,400	475,400	475,400	475,400	475,400
Corrections Fund	83,700	93,100	93,400	93,500	93,400	93,600
Capital Outlay Stabilization Fund	114,400	116,200	97,300	119,500	525,900	119,600
Motor Vehicle Pool Revolving Fund	10,748,600	12,859,900	11,719,300	12,494,200	13,536,300	12,557,700
Personnel Division Fund	0	0	168,300	0	168,300	0
Surplus Materials Revolving Fund - State	1,738,500	2,636,000	972,000	3,940,000	961,800	3,940,600
Surplus Materials Revolving Fund - Federal	148,400	264,000	272,400	282,200	272,400	282,300
SUBTOTAL - Other Appropriated Funds	13,168,800	16,444,600	13,798,100	17,404,800	16,033,500	17,469,200
SUBTOTAL - Appropriated Funds	18,622,000	23,432,600	20,008,300	23,351,300	22,407,300	23,598,000
Other Non-Appropriated Funds	4,811,300	8,776,800	8,585,600	8,585,600	8,453,000	8,453,000
Federal Funds	214,700	53,700	0	0	0	0
TOTAL - ALL SOURCES	23,648,000	32,263,100	28,593,900	31,936,900	30,860,300	32,051,000

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(1,041,500)	-14.9%	(859,200)	-12.3%	(1,900,700)
Other Appropriated Funds	960,200	5.8%	1,024,600	6.2%	1,984,800
Total Appropriated Funds	(81,300)	-0.3%	165,400	0.7%	84,100

PROGRAM DESCRIPTION — Support Services includes the Director's office; the Capitol Police Department, which provides police officers and security aides for the Phoenix Capitol Mall and Tucson Office Complex; and Support Services which includes the Governor's Regulatory Review Council (GRRC), the state Motor Pool, surplus property yard, print shop, and interagency mail services.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average Capitol Police response time to emergency calls (in minutes and seconds)	2:00/1:25	1:25/1:25	2:00	2:00/2:00
• Customer satisfaction with GRRC rulemaking assistance (Scale 1-8)	6.0/5.9	6.0/6.0	6.5	6.5
• Agency sites that achieved their travel reduction goals	20/20	20/19	20	21/22
• % of downtime of Fleet Management vehicles in total fleet	5.0/2.4	2.8/2.8	2.7	2.6

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 57,100	\$ 57,100
	OF	21,000	21,000
ERE Rates	GF	69,400	69,500
	OF	3,500	4,100
Risk Management	GF	25,800	35,500
	OF	265,300	329,100
Rent	GF	49,300	49,400
Other	GF	-0-	21,200

Motor Pool Equipment OF (1,340,700) (1,340,700)

The JLBC recommends a total biennial Motor Vehicle Pool Revolving Fund decrease of \$(2,681,400) for the purchase of replacement vehicles for the motor pool. This amount includes a decrease of \$(1,340,700) in both FY 2002 and FY 2003 below FY 2001. These amounts provide a total of \$6,095,000 for replacement of 289 vehicles in both years.

The Executive concurs, but recommends a FY 2002 decrease of \$(2,048,300) below FY 2001 and a FY 2003 decrease of \$(633,000) below FY 2001.

Motor Pool Fuel Costs OF 700,000 700,000

The JLBC recommends a total biennial Motor Vehicle Pool Revolving Fund increase of \$1,400,000 for increased fuel costs. This amount includes an increase of \$700,000 in both FY 2002 and FY 2003 above FY 2001. This allows for fuel price increases of approximately 14% in the first year of the biennium. The Executive concurs but funds this item at \$703,700 in FY 2002 and \$368,000 in FY 2003.

Motor Pool Rent OF 29,100 29,100

The JLBC recommends a total biennial Motor Vehicle Pool Revolving Fund increase of \$58,200 for increased rent charges resulting from the renovation of the motor pool into a larger facility, as authorized by Laws 1998, Chapter 7, 4th Special Session. This amount includes an increase of \$29,100 in both FY 2002 and FY 2003 above FY 2001. The Executive concurs.

AFV Cost Reimbursement GF (962,200) (962,200)

The JLBC recommends a total biennial General Fund decrease of \$(1,924,400) to eliminate the Alternative Fuel Vehicle (AFV) Cost Reimbursement Special Line Item. Laws 2000, Chapter 1, 7th Special Session appropriated these one-time monies to the Arizona Department of Administration (ADOA) Administration subprogram in FY 2001 to administer the AFV cost reimbursement program. The appropriation is projected to be sufficient funding for the program; however, the program will most likely not be completed until FY 2002. Thus, the JLBC recommends a FY 2001 supplemental adjustment to amend the FY 2001 appropriation of \$962,200 to make it non-lapsing until the end of FY 2002. The Executive concurs.

Capitol Mall Security GF (344,700) (344,700)

The JLBC recommends a total biennial General Fund decrease of \$(689,400) to transfer monies associated with installing the Capitol Mall electronic security system from the Capitol Police Program to the Building, Planning and Tenant Services Subprogram. This amount includes a decrease of \$(344,700) and (2) FTE Positions in both FY 2002 and FY 2003 below FY 2001. A total of \$377,700 has been appropriated to the Capitol Police since FY 1996 to purchase and install a Capitol Mall-wide electronic security system. The installation will be completed in FY 2001. Capitol Police will retain the responsibility for creating and tracking the key card badges, which includes \$33,000 and 1 FTE Position; and Building, Planning and Tenant Services will acquire responsibility for maintenance of the security system. (*See Facilities Management Program*) The Executive recommends a total biennial General Fund decrease of \$(488,000) and (2) FTE Positions. This amount includes a decrease of \$(244,000) in both FY 2002 and FY 2003 below FY 2001.

Surplus Property OF 1,282,000 1,282,000

The JLBC recommends a total biennial Surplus Materials Revolving Fund increase of \$2,564,000 to allow the department to continue its standard practice of transferring some proceeds from the sale of surplus equipment to any Other Fund agencies that donated the equipment. This amount includes an increase of \$1,282,000 in both FY 2002 and FY 2003 above FY 2001.

This change solves a technical problem and will not increase or decrease the amounts spent on the operations of Surplus Property. The Surplus Property subprogram has always transferred proceeds from the surplus property it sells for agencies (less a handling fee) back to the donor agencies. Surplus Property was first appropriated in the FY 2000 and FY 2001 biennial budget. In that biennium, the department was given insufficient appropriation authority to transfer the proceeds of surplus property sales to the agencies that generated the surplus property. This increase will allow the agency to more clearly reflect those transfers in their financial reporting.

The Executive does not concur and recommends that the proceeds from the sale of the surplus equipment be non-appropriated.

Capitol Police GF -0- 156,700

The JLBC recommends a total biennial General Fund increase of \$156,700 to the ADOA Capitol Police program for additional police officers. This amount includes a FY 2003 increase of \$156,700 and 4 FTE Positions above FY 2001. The addition of the 2 Privatized Lease to Own buildings will increase the Capitol Mall employee population by 700, or 11%. (*See Privatized Lease to Own Policy issue in ADOA Summary*) The JLBC, therefore, recommends a proportional increase in the number of police officers. Of the recommended amount, \$11,800 is

for one-time equipment. The Executive recommends a total biennial increase of \$341,400 and 4 FTE Positions. This amount includes a FY 2002 increase of \$114,000 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$227,400 and 4 FTE Positions above FY 2001.

Dispatchers GF 63,800 58,300

The JLBC recommends a total biennial General Fund increase of \$122,100 and 2 FTE Positions to the Capitol Police program for additional dispatchers. This amount includes a FY 2002 increase of \$63,800 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$58,300 and 2 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Currently, the Capitol Police have the resources to staff the Communications Center with only 1 employee for each shift. This person is responsible for multiple tasks, including answering 911 calls, answering radio calls from officers, running checks called in by officers, and monitoring 41 televisions. Because the police must maintain a twenty-four hour, seven day per week schedule, some dispatchers are working 7 days a week. The additional FTE Positions will allow for 2 people to staff the Communications Center each shift and will allow each dispatcher to work a normal 5-day workweek. The Executive recommends a total biennial increase of \$30,000 and 1 FTE Position. This amount includes a FY 2003 increase of \$30,000 and 1 FTE Position above FY 2001.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Fund with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The amounts appropriated for the State Employee Transportation Service Subsidy shall be used for up to 100% subsidy of charges payable for transportation service expenses as provided in A.R.S. § 41-786, as amended by this act, of non-university state employees in a vehicle emissions control area, as defined in A.R.S. § 49-541, of a county with a population of more than 400,000 persons according to the most recent United States decennial census.

It is the intent of the Legislature that the department not replace vehicles until an average of 5 years and 100,000 miles, or later.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental adjustment in the AFV Cost Reimbursement Special Line Item. The JLBC recommends that monies appropriated to ADOA in FY 2001 be non-lapsing, enabling ADOA to complete the AFV cost reimbursement program in FY 2002. (*See AFV Cost Reimbursement policy issue*)

Executive Recommendation

The Executive recommends a total biennial General Fund increase of \$115,400 and 1 FTE Position to the Governor's Regulatory Review Council (GRRC) for an additional Economist position to assist with workload increases. The JLBC recommends that GRRC shift some of the Economist responsibilities to other staff. Rules analysts could perform background research on economic impacts for the Economist, or do the economic impact analysis for simple rule changes with review by the Economist.

The Executive also recommends a total biennial increase from the Personnel Division Fund of \$336,600 and 4 FTE Positions to fund the Americans with Disabilities Act (ADA) office. Previously, the ADA office was funded primarily by the Social Services Block Grant through the Department of Economic Security (DES). DES discontinued the funding in October 2000. Funding for the remainder of FY 2001 is being provided on a temporary basis from the Department of Administration. The JLBC recommends the Executive continue to fund this item within its base budget or from the Social Services Block Grant.

The Executive also recommends a total biennial increase of \$161,700 to fund a Surplus Property Management Program. The JLBC recommends funding this item with its base budget for equipment of \$100,000, with implementation over 2 fiscal years.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Arizona Department of Administration

Risk Management

JLBC: Paul Shannon
OSP: Kristine Ward

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
<i>Full Time Equivalent Positions</i>	85.0	85.0	90.8	91.0	90.8	91.0
Risk Management	5,503,500	5,981,600	6,469,100	6,899,500	6,501,100	6,850,900
Risk Management Losses and Related Expenditures SLI	32,970,200	34,347,000	38,538,200	38,549,000	38,987,200	38,998,000
Workers' Compensation Losses and Related Expenditures SLI	17,996,600	22,071,000	21,251,400	21,254,200	23,398,200	23,401,000
Insurance Premiums SLI	4,520,800	6,205,400	6,910,400	6,910,400	6,910,400	6,910,400
Attorney General Defense SLI	6,281,100	6,663,300	6,742,900	6,806,700	6,742,900	6,807,500
PROGRAM TOTAL	67,272,200	75,268,300	79,912,000	80,419,800	82,539,800	82,967,800
FUND SOURCES						
Risk Management Fund	67,272,200	75,268,300	79,912,000	80,419,800	82,539,800	82,967,800
SUBTOTAL - Appropriated Funds	67,272,200	75,268,300	79,912,000	80,419,800	82,539,800	82,967,800
TOTAL - ALL SOURCES	67,272,200	75,268,300	79,912,000	80,419,800	82,539,800	82,967,800

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	5,151,500	6.8%	7,699,500	10.2%	12,851,000

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of settlements and judgements of ≥ \$150,000	29/29	32/14	25	25
• Number of liability claims opened	4,000/3,813	4,000/3,767	4,200	4,200
• Cost of risk per capita (\$ per Arizona resident)	11.0/14.5	13.8/13.6	14.0	14.3
• Workers' Compensation incidence rates/100 FTE Positions (national average = 8.3)	7.9/5.1	6.0/5.4	5.5	6.0
• % of Workers' Compensation claims reported within 48 hours	58/72	66/76	75	75

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	OF \$127,600	\$127,600
ERE Rates	OF 82,100	83,700
Risk Management	OF (22,500)	(20,500)

Risk Management Losses OF 4,202,000 4,651,000
The JLBC recommends a total biennial Risk Management Fund increase of \$8,853,000 to the Risk Management

Losses Special Line Item for Risk Management Losses. This amount includes a FY 2002 increase of \$4,202,000 above FY 2001 and a FY 2003 increase of \$4,651,000 above FY 2001. These amounts reflect the 50% confidence level in an annual actuarial study conducted for the state. Based on insurance industry trends and the state's loss history, the actuary predicts higher amounts for automobile, building property, and medical malpractice losses, which are partially offset by lower predictions for criminal justice, employment practices, and highway operations losses. The Executive concurs.

Workers' Compensation

Losses OF (576,900) 1,569,900

The JLBC recommends a total biennial Risk Management Fund increase of \$993,000 to the Worker's Compensation Special Line Item for Worker's Compensation Losses. This amount includes a FY 2002 decrease of \$(576,900) below FY 2001 and a FY 2003 increase of \$1,569,900 above FY 2001. These amounts reflect the 70% confidence level in an annual actuarial study conducted for the state. The Executive concurs.

Risk Management

Information System OF 690,300 664,300

The JLBC recommends a total biennial Risk Management Fund increase of \$1,354,600 for the replacement of the Risk Management Information System. This amount includes a FY 2002 increase of \$690,300 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$664,300 and 1 FTE Position above FY 2001. The FY 2003 costs are lower due to decreased equipment costs as the project is implemented.

This new equipment and software will replace an outdated system that was first installed in the early 1980's. Software packages currently available will allow better analysis of claims and potential cost savings from loss prevention. The department estimates that eventually the project will result in cost savings greater than the cost of the project. Any such savings will result in decreased Risk Management charges to state agencies.

The Executive concurs, but recommends an increase of a 0.8 FTE Position. Consequently, the Executive recommendation is \$(10,000) less than the JLBC recommendation in both FY 2002 and FY 2003.

Risk Management

Insurance Premiums OF 705,000 705,000

The JLBC recommends a total biennial Risk Management Fund increase of \$1,410,000 for increased insurance premium costs. This amount includes an increase of \$705,000 in both FY 2002 and FY 2003 above FY 2001. These increases represent an 11.4% increase in premiums from the estimated FY 2001 charges due to higher costs. Part of the reason for this increase is that demand for insurance is increasing greater than supply. The state purchases insurance as a hedge against claims for property, liability, workers compensation, aircraft, and other losses. The Executive concurs.

Risk Management

FTE Positions OF (71,100) (81,500)

The JLBC recommends a total biennial decrease of \$(152,600) as the net effect of Professional and Outside Services savings and an increase of 5 FTE Positions for the Workers' Compensation section. This amount includes a FY 2002 decrease of \$(71,100) below FY 2001 and a FY 2003 decrease of \$(81,500) below FY 2001.

The recommended amount includes a FY 2002 and FY 2003 savings in Professional and Outside Services of \$(239,900) below FY 2001. These savings are associated with the decreased use of outside adjusters, medical screeners, temporary personnel, and rehabilitation nurses.

The JLBC recommends that \$168,800 of the FY 2002 savings and \$158,400 of the FY 2003 savings be used to fund 5 Workers' Compensation positions. Incorporating these increases reduces the total Professional and Outside Services savings to \$(71,100) in FY 2002 below FY 2001 and to \$(81,500) in FY 2003 below FY 2001.

Of the 5 recommended FTE Positions, 2 will handle the increased volume of accounting and clerical responsibilities associated with those claims. The remaining 3 FTE Positions are for 1 additional claims adjuster and 2 additional claims specialists. Currently, much of the claims adjusting work is done by outside professionals. These new positions will allow the department to handle tasks such as obtaining second medical opinions, vocational management, case management, and investigations internally. The JLBC recommendation considers these internal savings to more than offset the increased costs of the FTE Positions.

The Workers' Compensation section has experienced steady growth in its workload. Since FY 1997, the section has seen a 75% increase in medical invoices to be processed. Workers' Compensation claims can remain open for the affected employee's lifetime, which results in a portion of claims becoming increasingly more complex and remaining open for long periods of time. The long-term cases continue to require staff attention and have resulted in the section taking longer to process all claims.

The Executive concurs, but recommends slightly greater savings of \$(4,900) in FY 2002 and \$(500) in FY 2003 above the JLBC recommendation.

Risk Management Vehicle OF 15,000 -0-

The JLBC recommends a total biennial Risk Management Fund increase of \$15,000 for a one-time purchase of a vehicle to be used by adjusters investigating claims. This amount includes a FY 2002 increase of \$15,000 above FY 2001. Risk Management is currently assigned 4 vehicles for adjusters to use when investigating claims. An additional vehicle is necessary for the department to complete investigations in a timely manner. The Executive does not address this issue.

Data Center Consolidation GF -0- -0-

Risk Management data services are currently provided through a state data center administered by the Arizona Department of Administration. Costs of the data center are charged to each participating agency. The Executive is recommending expanding the current data center to include the Department of Revenue and the Department of Transportation data systems. It is anticipated that the consolidation of these 2 large systems will lead to reduced

charges for other participating agencies. The level and fund source of these reductions, however, are unclear at this time. The JLBC Staff is continuing to analyze this issue. The Executive does not address this issue for the Risk Management Division.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Fund with Special Line Items

census.

It is the intent of the Legislature that the department not replace vehicles until an average of 5 years and 100,000 miles, or later.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental adjustment in the AFV Cost Reimbursement Special Line Item. The JLBC recommends that monies appropriated to ADOA in FY 2001 be non-lapsing, enabling ADOA to complete the AFV cost reimbursement program in FY 2002. *(See AFV Cost Reimbursement policy issue)*

Executive Recommendation

The Executive recommends a total biennial General Fund increase of \$115,400 and 1 FTE Position to the Governor's Regulatory Review Council (GRRC) for an additional Economist position to assist with workload increases. The JLBC recommends that GRRC shift some of the Economist responsibilities to other staff. Rules analysts could perform background research on economic impacts

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends \$56,000 from the Risk Management Fund in FY 2003 to replace 28 personal computers. The JLBC does not recommend this item. The JLBC believes that the department can continue to replace computers from its current equipment base.

for the Economist, or do the economic impact analysis for simple rule changes with review by the Economist.

The Executive also recommends a total biennial increase from the Personnel Division Fund of \$336,600 and 4 FTE Positions to fund the Americans with Disabilities Act (ADA) office. Previously, the ADA office was funded primarily by the Social Services Block Grant through the Department of Economic Security (DES). DES discontinued the funding in October 2000. Funding for the remainder of FY 2001 is being provided on a temporary basis from the Department of Administration. The JLBC recommends the Executive continue to fund this item within its base budget or from the Social Services Block Grant.

The Executive also recommends a total biennial increase of \$161,700 to fund a Surplus Property Management Program. The JLBC recommends funding this item with its base budget for equipment of \$100,000, with implementation over 2 fiscal years.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

[Click here to return to Table of Contents](#)

Office of Administrative Hearings

Cliff Vanell, Director

JLBC: Rebecca Hecksel
 OSPB: Randy Hiller

House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Office of Administrative Hearings	2,125,000	2,116,800	2,168,100	2,364,500	2,168,000	2,364,100
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	34.0	34.0	34.0	34.0	34.0	34.0
Personal Services	1,393,600	1,471,400	1,616,300	1,615,700	1,616,300	1,615,700
Employee Related Expenditures	288,100	290,900	316,600	314,900	316,700	315,300
All Other Operating Expenditures:						
Professional and Outside Services	64,800	37,100	40,300	37,100	40,300	37,100
Travel - In State	22,800	34,900	0	34,900	0	34,900
Travel - Out of State	800	0	0	0	0	0
Other Operating Expenditures	272,100	282,500	194,900	361,900	194,700	361,100
Equipment	82,800	0	0	0	0	0
AGENCY TOTAL	2,125,000	2,116,800	2,168,100	2,364,500	2,168,000	2,364,100

FUND SOURCES						
General Fund	1,274,800	1,251,000	1,231,700	1,232,100	1,231,700	1,231,900
Office of Administrative Hearings - ROC Fund	836,400	852,000	0	0	0	0
Office of Administrative Hearings Fund	0	0	922,600	1,118,600	922,500	1,118,400
AHCCCS Donations Fund	13,800	13,800	13,800	13,800	13,800	13,800
SUBTOTAL - Other Appropriated Funds	850,200	865,800	936,400	1,132,400	936,300	1,132,200
SUBTOTAL - Appropriated Funds	2,125,000	2,116,800	2,168,100	2,364,500	2,168,000	2,364,100
Other Non-Appropriated Funds	247,800	248,100	195,800	0	195,800	0
TOTAL - ALL SOURCES	2,372,800	2,364,900	2,363,900	2,364,500	2,363,800	2,364,100

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(18,900)	-1.5%	(19,100)	-1.5%	(38,000)
Other Appropriated Funds	266,600	30.8%	266,400	30.8%	533,000
Total Appropriated Funds	247,700	11.7%	247,300	11.7%	495,000

AGENCY DESCRIPTION — *The Office of Administrative Hearings (OAH) is an independent office whose services and personnel are to be used by all state agencies to conduct administrative hearings, unless exempted by law. All agencies supported by other appropriated or non-appropriated funding sources are to contract for administrative hearing services from the office. The Director shall assign Administrative Law Judges (ALJ) from the office to an agency, on either a temporary or permanent basis, to preside over contested cases in accordance with the special expertise of the ALJ in the subject matter of the agency.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2000-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of hearings held	1,590/1,844	1,590/3,466	3,466	3,466
• Average time from request for hearing to first date of hearing	65/66	66/53	46	46
• Average days from the first scheduled hearing to its conclusion	10/12	10/10	10	10
• Average time from the conclusion of the hearing to transmission of the decision to the agency	15/14	15/9	9	9
• Evaluations rating the ALJ excellent or good in impartiality	98/95	99/94	95	96/97
• Administration as a % of total cost	NA	5.2/NA	5.9	7.9/8.0

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$15,300	\$15,300
	OF	9,200	9,200
ERE Rates	GF	3,600	3,800
	OF	3,300	3,500
Risk Management	GF	1,900	1,800
	OF	1,700	1,600
Rent	GF	(5,700)	(6,000)
	OF	(5,200)	(5,500)
Other	GF	(1,600)	(1,600)
	OF	1,600	1,600
Cost Allocation Plan	GF	(32,400)	(32,400)
	OF	256,000	256,000

The JLBC recommends a total biennial General Fund decrease of \$(64,800), a total biennial OAH Fund increase of \$2,216,000, and a total biennial OAH - Registrar of Contractors (ROC) Fund decrease of \$(1,704,000) to reflect the implementation of a new cost allocation plan. This amount includes a General Fund decrease of \$(32,400) in both FY 2002 and FY 2003 below FY 2001, an OAH Fund increase of \$1,108,000 in both FY 2002 and FY 2003 above FY 2001, and an OAH - ROC Fund decrease of \$(852,000) in both FY 2001 and FY 2002 below FY 2001.

Laws 1999, Chapter 1, 1st Special Session included a footnote that stated the intent of the Legislature to develop a new cost allocation plan in which agencies would be billed for the actual number of Administrative Law Judge hours used. Under this plan, all agencies that utilize OAH services will be charged based on the agency's previous 2-years' caseload. In previous years, only General Fund agencies and the ROC received an appropriation for OAH services. All other agencies (primarily 90/10 boards) were billed on a per case basis. The per case rate did not reflect the actual cost of OAH services and resulted in the General Fund and the ROC subsidizing all other agencies that used OAH services. The new plan is intended to ensure each agency pays for actual usage.

The FY 2002 and FY 2003 budget reflects an appropriation for *all* agencies that utilize the services of OAH under the new cost allocation plan. *Table 1* details the FY 2002 and FY 2003 contributions from each agency.

In previous years, all monies collected from agencies that were billed on a per case basis were deposited into the OAH Fund, which is a non-appropriated fund. Monies appropriated from the ROC were kept in an administratively created account called the OAH - ROC Fund. The JLBC recommends that all Other Fund monies that are appropriated to agencies for payment to the OAH, including the ROC monies, be deposited in the OAH Fund and that the fund be appropriated. The FY 2002 and FY 2003 charges listed in *Table 1* for each individual agency, excluding AHCCCS, will be swept from each agency's fund and deposited in the OAH Fund on a quarterly basis.

Title XIX and XXI Federal Funds from AHCCCS will be excluded from the quarterly sweep. AHCCCS will be billed on a per case basis to accommodate federal matching requirements. The contribution amounts listed in *Table 1* for AHCCCS are estimates based on the actual FY 2000 AHCCCS hearings.

It was the intent of the Legislature that the new cost allocation plan be implemented in FY 2001. Therefore, the JLBC recommends FY 2001 adjustments to reflect the application of the new cost allocation plan to the FY 2001 appropriation. This recommendation includes increased charges to those agencies that were previously undercharged and a proportional decrease to the General Fund and the ROC Fund (*Please see the individual agency pages for further information*). There is no net change to the total paid to OAH in FY 2001.

The JLBC recommends funding the FY 2001 increases for the 90/10 boards from a General Appropriation Act footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10 boards with increased FY 2001 OAH charges would be reviewed at the

same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amounts and include the OAH technical adjustments. The JLBC further recommends a FY 2001 supplemental adjustment to reduce the OAH General Fund appropriation by \$(32,400) and the OAH - ROC Fund appropriation by \$(41,500). The JLBC recommends that the OAH cover its operating costs with the additional contributions from the 90/10 boards in the OAH Fund, which is still non-appropriated in FY 2001. (Please see *Other Issues for Legislative Consideration.*)

The Executive recommends a total biennial General Fund decrease of \$(57,800), a total biennial OAH - ROC Fund decrease of \$(1,731,200), and a total biennial OAH Fund increase of \$1,845,200. This amount includes a General Fund decrease of \$(28,900) in both FY 2002 and FY 2003 below FY 2001, an OAH - ROC Fund decrease of \$(865,600) in both FY 2002 and FY 2003 below FY 2001, and an OAH Fund increase of \$922,600 in both FY 2001 and FY 2002 above FY 2001. The Executive recommends placing all agency contributions in a newly created, appropriated fund called the Office of Administrative Hearings Fund.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote that requires the OAH to submit a report to the JLBC detailing the direct and indirect costs of hearings by agency. With the implementation of the new cost allocation plan, this report will be submitted to the JLBC each year along with the OAH operating budget request.

The JLBC recommends deleting the footnote that states that it is the intent of the Legislature that monies received by the OAH from the ROC be deposited in an Office of Administrative Hearings Fund. With the implementation of the new cost allocation plan, the ROC will no longer be the only agency receiving an appropriation for OAH costs, eliminating the need to specify where the funds are deposited.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental adjustment to reflect the application of the new cost allocation plan to FY 2001 appropriations. The recommended FY 2001 supplemental adjustment includes a General Fund decrease of \$(32,400) and an OAH - ROC Fund decrease of \$(41,500). The Other Fund increases of \$73,900 in the 90/10 Boards will be funded from the Contingency footnote in each 90/10 budget. *Table 1* details the recommended supplemental adjustments from each agency. (Please see *Cost Allocation Plan.*)

Agency	FY 2001 Contributions	FY 2001 Change^{2/}	FY 2002 Charge	FY 2003 Charge
General Fund	\$1,251,000	\$(32,400)	\$1,232,100	\$1,231,900
AHCCCS ^{3/}	193,500	0	195,800	195,800
AHCCCS Donations	13,800	0	13,800	13,800
Board of Appraisal	1,400	2,000	3,400	3,400
Board of Accountancy	3,100	10,700	13,900	13,900
Board of Behavioral Health Examiners	200	600	900	900
Board of Chiropractic Examiners	400	600	1,000	1,000
Board of Cosmetology	1,400	6,700	8,100	8,100
Board of Dental Examiners	1,700	3,600	5,400	5,400
Board of Medical Examiners	8,900	17,400	26,500	26,500
Board of Naturopathic Physicians Examiners	300	700	1,000	1,000
Board of Nursing	3,800	14,400	18,300	18,300
Board of Psychologist Examiners	0	800	800	800
Board of Technical Registration	900	1,300	2,200	2,200
Department of Gaming	200	1,300	1,400	1,400
Peace Officers Standards and Training ^{4/}	4,500	8,100	12,700	12,700
Registrar of Contractors	852,000	(41,500)	818,100	817,900
State Lottery	500	900	1,400	1,400
Structural Pest Control Commission	2,800	4,800	7,700	7,700
Total	\$2,340,400	\$ -0-	\$2,364,500	\$2,364,100

^{1/} Refer to individual agency pages for fund source information.
^{2/} The FY 2001 adjustments will be reviewed at a future JLBC meeting, excluding the Registrar of Contractors and the General Fund which will receive a supplemental adjustment in the General Appropriation Act.
^{3/} This is an estimated contribution from AHCCCS for Title XIX and Title XXI cases. The amount listed will *not* be swept at the beginning of the year. OAH will continue to bill AHCCCS on a per case basis.
^{4/} This contribution comes from a non-appropriated funding source.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
AHCCCS Donations (HCA3197/A.R.S. § 36-2913)				Appropriated
Source of Revenue: Monthly administrative charge of \$4 per Health Care Group member.				
Purpose of Fund: To pay administration costs of the AHCCCS Health Care Group. This includes hearings and associated personnel provided by the Office of Administrative Hearings for grievances related to Health Care Group, which is AHCCCS' health insurance plan for small businesses.				
Funds Expended	13,800	13,800	13,800	13,800
Year-End Fund Balance	0	0	0	0
Office of Administrative Hearings - Registrar of Contractors (HGA2406/Laws 1997, Ch. 1, 1 st Special Session)				Appropriated
Source of Revenue: Monies received from the Registrar of Contractors.				
Purpose of Fund: To pay for the administrative hearings and associated personnel provided by the Office of Administrative Hearings to the Registrar of Contractors. Starting in FY 2002, monies from the Registrar of Contractors for OAH services will be deposited into the OAH Fund.				
Funds Expended	836,400	852,000	0	0
Year-End Fund Balance	0	0	0	0
Office of Administrative Hearings (HGA2500/A.R.S. § 41-1092.01)				Non-Appropriated
Source of Revenue: Monies received by the Office of Administrative Hearings for contractual, administrative law judge services provided to state agencies. Starting in FY 2002, the JLBC recommends that this fund be subject to legislative appropriation (<i>See Cost Allocation Plan policy issue</i>). All state agencies that utilize OAH services will receive an appropriation and those monies will be deposited into the OAH Fund.				
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.				
Non-Appropriated Funds Expended	247,800	248,100	0	0
Appropriated Funds Expended	0	0	1,118,600	1,118,400
Year-End Fund Balance	22,000	0	0	0

[Click here to return to Table of Contents](#)

Arizona Department of Agriculture

Sheldon Jones, Director

JLBC: Paul Shannon
 OSPB: Bret Cloninger

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Administrative Services	1,837,200	1,869,400	2,055,200	1,881,000	2,008,200	1,874,600
Agricultural Employment Relations						
Board SLI	11,200	23,300	23,300	23,300	23,300	23,300
<i>Program Subtotal - Administrative Services</i>	1,848,400	1,892,700	2,078,500	1,904,300	2,031,500	1,897,900
Agricultural Consultation and Training	137,500	142,000	139,600	142,100	139,700	142,300
Animal Disease, Ownership and Welfare Protection	2,530,600	2,660,700	2,694,900	2,730,900	2,696,200	2,732,200
Animal Damage Control SLI	64,000	65,000	65,000	65,000	65,000	65,000
<i>Program Subtotal - Animal Disease, Ownership and Welfare Protection</i>	2,594,600	2,725,700	2,759,900	2,795,900	2,761,200	2,797,200
Commodity Development and Promotion	301,600	302,400	294,600	299,200	294,700	299,300
Food Safety and Quality Assurance	2,265,100	2,556,500	2,728,600	2,727,800	2,715,200	2,729,500
Native Plant and Cultural Resources Protection	360,000	229,600	232,100	235,000	232,100	235,100
Non-Food Product Quality Assurance	592,200	676,400	727,100	678,600	727,400	678,700
Pest Exclusion and Management	3,459,300	3,829,500	3,857,000	3,977,200	3,859,100	3,930,800
Red Imported Fire Ant SLI	318,200	344,000	333,700	355,500	334,000	355,800
Sweet Resin Bush Eradication SLI	0	0	0	378,000	0	220,600
<i>Program Subtotal - Pest Exclusion and Management</i>	3,777,500	4,173,500	4,190,700	4,710,700	4,193,100	4,507,200
Pesticide Compliance and Worker Safety	489,500	561,200	562,800	568,100	563,200	568,400
State Agricultural Laboratory	1,490,100	1,512,700	1,573,700	1,615,000	1,576,400	1,633,300
AGENCY TOTAL	13,856,500	14,772,700	15,287,600	15,676,700	15,234,500	15,488,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	303.6	303.6	312.6	312.6	312.6	312.6
Personal Services	8,228,800	8,866,000	9,273,300	9,077,200	9,273,300	9,077,200
Employee Related Expenditures	1,844,900	2,113,100	1,956,000	2,155,700	1,967,200	2,158,900
All Other Operating Expenditures:						
Professional and Outside Services	211,000	164,700	152,400	234,700	152,400	234,700
Travel - In State	762,000	1,081,000	1,114,700	1,089,900	1,114,700	1,089,900
Travel - Out of State	95,900	56,000	64,300	56,000	64,300	56,000
Aid to Others	0	0	70,000	0	70,000	0
Other Operating Expenditures	1,854,500	1,742,100	1,803,900	1,785,400	1,822,800	1,800,000
Equipment	466,000	317,500	431,000	456,000	347,500	407,500
OPERATING SUBTOTAL	13,463,100	14,340,400	14,865,600	14,854,900	14,812,200	14,824,200
Special Line Items	393,400	432,300	422,000	821,800	422,300	664,700
AGENCY TOTAL	13,856,500	14,772,700	15,287,600	15,676,700	15,234,500	15,488,900

FUND SOURCES

General Fund	11,843,200	12,470,300	12,789,100	13,188,100	12,735,000	12,999,200
Agricultural Consulting and Training Fund	60,400	61,800	60,400	61,300	60,400	61,400
Egg Inspection Fund	259,200	270,200	457,000	462,500	457,200	462,800
Livestock Custody Fund	70,200	79,400	79,400	79,400	79,400	79,400
Ratite Control Fund	1,000	40,400	8,900	8,900	9,000	9,000
Aquaculture Fund	900	9,200	9,200	9,200	9,200	9,200
Citrus, Fruit and Vegetable Revolving Fund	823,300	901,500	903,000	919,800	903,400	920,200
Commercial Feed Fund	155,400	182,300	195,000	183,100	195,100	183,100
Pesticide Fund	198,500	216,300	229,200	218,000	229,300	218,000
Seed Law Fund	29,600	49,900	50,000	50,300	50,000	50,400
Fertilizer Materials Fund	208,700	227,900	252,900	227,200	253,000	227,200

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSP	JLBC	OSP	JLBC
Dangerous Plants, Pests and Diseases Fund	5,900	21,400	21,400	21,400	21,400	21,400
Arizona Protected Native Plant Fund	200,200	229,600	232,100	235,000	232,100	235,100
Organic Food Certification Fund	0	12,500	0	12,500	0	12,500
SUBTOTAL - Other Appropriated Funds	2,013,300	2,302,400	2,498,500	2,488,600	2,499,500	2,489,700
SUBTOTAL - Appropriated Funds	13,856,500	14,772,700	15,287,600	15,676,700	15,234,500	15,488,900
Other Non-Appropriated Funds	6,045,000	5,677,700	5,675,000	5,675,000	5,675,000	5,675,000
Federal Funds	665,100	642,700	637,500	637,500	637,500	637,500
TOTAL - ALL SOURCES	20,566,600	21,093,100	21,600,100	21,989,200	21,547,000	21,801,400

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	717,800	5.8%	528,900	4.2%	1,246,700
Other Appropriated Funds	186,200	8.1%	187,300	8.1%	373,500
Total Appropriated Funds	904,000	6.1%	716,200	4.8%	1,620,200

AGENCY DESCRIPTION — *The Arizona Department of Agriculture administers and enforces agriculture-related statutes, which regulate, protect, and promote Arizona's agricultural industries. The department regulates certain phases of food production (such as milking, butchering, and harvesting) to protect public health and to ensure product quality. The department administers programs to protect livestock and crops from diseases and to protect farm-workers who handle agricultural chemicals. It also tests certain non-food agricultural products to ensure product quality and content, and provides administrative support to several product-promotion groups.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of industry stakeholders rating the department's quality of communication excellent or good	NA/60	75/87	90	92/95
• Meat and poultry product tests in compliance with bacteria, drug and chemical residue requirements	NA/98	98/100	100	100
• % of industry satisfied that the level of inspection ensures that only quality produce reaches the market	NA/78	80/92	95	95/98
• Number of retailers actively participating in the "Arizona Grown" program	NA/121	131/131	146	150
• Overall customer satisfaction rating for laboratory services	NA/94	95/92	95	95/98
• % of agency staff turnover	NA/17.7	NA/11.6	11.0	10.5
• Administration as a % of total cost	15.4/NA	13.3/NA	12.6	13.7

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$127,500	\$127,500
	OF	21,500	21,500
ERE Rates	GF	16,700	18,400
	OF	(3,100)	(1,300)
Risk Management	GF	57,100	54,700
	OF	11,200	10,500

Sweet Resin Bush Eradication

GF 378,000 220,600
 The JLBC recommends a total biennial General Fund increase of \$598,600 for sweet resin bush eradication. This amount includes a FY 2002 increase of \$378,000 and 5 FTE Positions above FY 2001 and a FY 2003 increase of \$220,600 and 5 FTE Positions above FY 2001. The FY 2003 increase is lower due to one-time equipment purchases in FY 2002 and a less intensive program in FY 2003. Sweet resin bush is an undesirable plant that promotes soil erosion, kills surrounding plant life and is inedible for range animals and wild browsers. The Executive does not address this issue.

Agriculture Laboratory

Equipment Replacement GF 90,000 90,000

The JLBC recommends a total biennial General Fund increase of \$90,000 for the replacement of laboratory equipment. This amount includes an increase of \$90,000 in both FY 2002 and FY 2003 above FY 2001. This increase allows for a total of \$290,000 in each fiscal year for equipment replacement. The Executive does not address this issue.

Port of Entry Digital

Imaging Equipment GF 48,500 -0-

The JLBC recommends a total biennial General Fund increase of \$48,500 for a one-time purchase of digital imaging equipment for the ports of entry. This amount includes a FY 2002 increase of \$48,500 above FY 2001. This equipment includes electronic microscopes that allow images of suspected pests intercepted at the ports to be transmitted to scientists at the Agricultural Laboratory for expert identification. Currently, inspectors at unequipped ports may require trucks to wait as long as 24 hours for samples to reach the laboratory and be identified. The Executive concurs.

State Agricultural

Laboratory Rent GF -0- 17,700

The JLBC recommends a total biennial General Fund increase of \$17,700 for rent of state-owned space. This amount includes a FY 2003 increase of \$17,700 above FY 2001. The laboratory space will have fulfilled the terms of a Certificate of Participation at the end of FY 2002. Consequently, this property will become part of the Arizona Department of Administration system. The increase reflects the standard rate charge for state-owned space. The Executive recommends \$23,300 over the biennium for this item.

Egg Inspectors OF 187,600 187,600

The JLBC recommends a total biennial Egg Inspection Fund increase of \$375,200 for food product standardization inspectors in the Food Safety and Quality Assurance Subprogram. This amount includes an increase of \$187,600 and 4 FTE Positions in both FY 2002 and FY 2003 above FY 2001. The additional inspector positions are recommended to address increased production levels. The number of hens in egg production is projected to grow from the current 1.1 million hens to 2.5 million hens in FY 2002. Currently, there are 5.6 FTE Positions authorized for egg inspections. The Executive concurs.

Ratite Control Expenditure

Adjustment OF (31,000) (31,000)

The JLBC recommends a total biennial General Fund decrease of \$(62,000) to the Food Safety and Quality Assurance Subprogram for anticipated reduced activity in the Ratite Slaughter Program. This amount includes a decrease of \$(31,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

Of the ~~Operating~~ Lump Sum appropriation in FY 2002 and FY 2003, the sum of \$50,000 is appropriated in both fiscal years for the Arizona Grown Promotion Program. Every dollar expended by the Department of Agriculture for the Arizona Grown Program shall be matched by AT LEAST 50¢ in contributions from the private sector. Any unmatched monies revert to the state General Fund. *(The Auditor General recommends and the JLBC concurs that the contribution reference should be changed to reflect a minimum industry contribution amount. The department's strict interpretation of the footnote in prior years leads them to turn away private donations in excess of what could be matched by the General Fund. The original footnote was not intended to limit private contributions but conversely to ensure a minimum contribution level. By explicitly stating that the 50¢ is a minimum contribution, the department will be authorized to accept funds in excess of the General Fund match amount. The JLBC recommends removing the word "Operating" from the footnote to conform with the standard wording for program budgeting.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommendation includes a General Fund increase of \$47,100 in FY 2002 and \$32,100 in FY 2003 for a Dairy Inspector position. The JLBC does not recommend the use of General Fund monies for expansion of this program.

The Executive also recommends 1 FTE Position to staff the Agriculture Laboratory and analyze non-food products such as feed, fertilizer, pesticide and seed sample. This is in response to the Auditor General Report, which recommended a revised sampling plan. The JLBC does not recommend this item because a new sampling plan can be implemented with resources available.

The Executive further recommends a General Fund increase of \$68,000 in FY 2002 and \$48,000 in FY 2003 for a technician position and equipment to identify samples found by the Pest Exclusion program at the Agriculture Laboratory. The JLBC does not recommend this item due to the rapidly growing staffing of the Pest Exclusion program.

Finally, the Executive recommends a General Fund increase of \$162,500 and 2 FTE Positions in both FY 2002 and FY 2003 for Information Technology staffing. The JLBC recommendation does not include this issue.

Auditor General Performance Audits

As part of the Sunset Review of the department, the Auditor General conducted 8 performance audits.

Animal Disease, Ownership and Welfare Protection

The Auditor General recommends statutory and procedural changes to improve the livestock inspection process, including eliminating the requirements for duplicative cattle inspections and allowing for a travel charge for inspections of cattle and horses. Additionally, the audit recommends increasing the inspection fee for horses. The department agrees with all of the audit recommendations and will work to implement the changes within the framework of the legislative process.

Food Safety and Quality Assurance Program and Non-Food Product Quality Assurance Program

The Auditor General recommends operational changes to both programs to improve their operational efficiency. The recommendation includes stronger cash handling procedures at the department's Nogales office to strengthen control over cash receipts. The department requested 5 FTE Positions from the Commercial Feed, Fertilizer and Pesticide Funds to increase the number of samples taken and analyzed. The JLBC is not recommending any staffing increases but instead recommends that operational changes be implemented with existing staff.

Pest Exclusion and Management Program

The Auditor General recommends utilizing personnel reductions in redundant licensing positions to fund additional port inspectors in the Pest Exclusion and Management Program. The department entered into an agreement for FY 2001 with the State of California to provide additional inspectors at additional ports. The JLBC is not recommending any additional staffing for this program until the effects of the California agreement are better understood.

The Auditor General also remarked on the cost-effectiveness of the Red Imported Fire Ant program. This program helps prevent costly infestations of a dangerous pest. The department received \$330,900 and \$344,000 from the General Fund in FY 2000 and FY 2001 for port inspections for the Red Imported Fire Ant. The Auditor General noted that the program helps prevent costly pest infestations that have plagued other states. The JLBC recommendation maintains level funding for this program.

State Agricultural Laboratory

The Auditor General recommends transferring much of the responsibility for brucellosis testing to the U.S. Department of Agriculture (USDA). Brucellosis is a disease that can affect both animals and humans and which frequently results in aborted births in animals. Humans can be infected through contact with infected animals and by consuming unpasteurized dairy products. Transferring this task could result in re-assignment of 1.5 FTE Positions in the laboratory to other testing duties and avoid potential

future staffing increases for this task. The department disagrees with the recommendation due to concern over the ability of the USDA laboratory to process the samples in a timely manner. Livestock industry representatives also expressed concern that USDA tests would result in costly delays. The state is currently considered to be free of brucellosis.

Additionally, the Auditor General recommends that the laboratory re-evaluate its testing services agreement with the Structural Pest Control Commission to better capture the actual costs of the agreement. The department concurs. The department requested \$174,300 in FY 2002 and \$239,500 in FY 2003 for increased staffing. The JLBC recommendation does not include an increase in staffing.

Commodity Development and Promotion

The Auditor General recommends that the Arizona Grown program refocus its activities to promoting and developing specialty products and process foods. The department disagrees and states that the wide range of state agricultural products is deserving of promotion. The Auditor General also recommends changing the General Appropriation Act footnote to specify that the 50¢ industry contribution for every \$1 spent on the Arizona Grown Program is a minimum contribution. The JLBC agrees with this recommendation and recommends altering the footnote. The department believes the current footnote requires an exact 2-1 match of funds, but agrees to abide by the funding criteria developed by the Legislature. (*See JLBC Recommended Footnotes.*)

Pesticide Compliance and Worker Safety Program

The Auditor General recommends increasing the maximum civil penalty for non-serious violations from \$500 to \$1,000 and that the department should revise its rules so that fines better reflect the violations committed. In FY 2000, the department collected \$19,700 in pesticide compliance fines. These fines were deposited in the General Fund. The department disagrees with several of these audits' findings. The department believes that fines are only one type of enforcement tool. The department has agreed to review its rules in accordance with appropriate risk assessment and peer review science.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Administrative Support (AHA2436/A.R.S. § 3-108)				Non-Appropriated
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.				
Purpose of Fund: For costs incurred by the department in providing administrative support.				
Funds Expended	42,400	32,900	32,900	32,900
Year-End Fund Balance	0	2,300	4,600	6,900
Agricultural Consulting and Training (AHA1239/A.R.S. § 5-113)				Appropriated
Source of Revenue: One percent of the funds resulting from permites, permits and licenses resulting from horse and dog racing and from the proceeds resulting from unclaimed property in the custody of the state, as defined by A.R.S. § 44-303.				
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01				
Funds Expended	60,400	61,800	61,300	61,400
Year-End Fund Balance	82,800	65,300	50,400	43,700
Aquaculture (AHA2297/A.R.S. § 3-2913)				Appropriated
Source of Revenue: Fees and fines resulting from the regulation of aquaculture.				
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.				
Funds Expended	900	9,200	9,200	9,200
Year-End Fund Balance	23,900	23,500	23,000	22,400
Beef Council (Livestock Board Collection and Administration) (AHA2083/A.R.S. § 3-1236)				Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.				
Purpose of Fund: For collection and administration costs.				
Funds Expended	641,300	640,000	640,000	640,000
Year-End Fund Balance	31,200	39,200	47,200	55,200
Citrus, Fruit and Vegetable Revolving (AHA2260/A.R.S. § 3-447)				Appropriated
Source of Revenue: Assessments, fees and civil penalties relating to the standardization of citrus, other fruits and vegetables.				
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit and vegetables and to allow field and shed inspections of commodities produced in Arizona.				
Funds Expended	823,300	901,500	919,800	920,200
Year-End Fund Balance	135,200	150,700	147,900	144,700
Citrus Research Council (AHA2299/A.R.S. § 3-468)				Non-Appropriated
Source of Revenue: An assessment on citrus produced in Arizona, as well as fines, other charges, and interest.				
Purpose of Fund: To support research development and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling and hauling from field to market.				
Funds Expended	45,900	110,000	110,000	110,000
Year-End Fund Balance	283,900	288,900	294,900	301,900
Commercial Feed (AHA2012/A.R.S. § 3-2607)				Appropriated
Source of Revenue: Licensing fees and fines associated with the regulation of animal and bird feeds.				
Purpose of Fund: To regulate animal and bird feeds.				
Funds Expended	155,400	182,300	183,100	183,100
Year-End Fund Balance	727,200	779,800	836,700	903,600

	FY 2000	FY 2001	FY 2002	FY 2003
Commodity Promotion (AHA2458/A.R.S. § 3-109.02)				Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any excess monies donated to the Arizona Grown program. A certificate of free sale is a document that authenticates that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter its borders and its markets.				
Purpose of Fund: To foster the promotion and consumption of Arizona agricultural products domestically and abroad.				
Funds Expended	5,200	5,100	5,100	5,100
Year-End Fund Balance	5,100	10,000	16,400	24,300
Cotton Research and Protection Council Abatement (AHA2013/A.R.S. § 3-1085)				Non-Appropriated
Source of Revenue: Assessments on cotton produced in the state, as well as fines and interest earnings.				
Purpose of Fund: To support research programs related to cotton production or protection, including programs and research for cotton pest eradication; and to provide an incentive program for voluntary boll weevil control.				
Funds Expended	1,448,900	1,500,000	1,500,000	1,500,000
Year-End Fund Balance	1,115,900	853,400	923,400	993,400
Dangerous Plants, Pests and Diseases (AHA2054/A.R.S. § 3-214.01)				Appropriated
Source of Revenue: License fees on and reimbursements for the destruction of dangerous plants, pests and diseases.				
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests and diseases.				
Funds Expended	5,900	21,400	21,400	21,400
Year-End Fund Balance	34,100	24,500	14,400	3,700
Designated (AHA3011/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Fees for laboratory services, phytosanitary certifications (certifying produce that is sent overseas), industry contributions for the Arizona Grown Program, 5% of Beef Council surcharges, Risk Management grant from the Arizona Department of Administration, and other grants and contributions.				
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.				
Funds Expended	537,400	537,000	537,000	537,000
Year-End Fund Balance	610,600	632,400	654,200	676,000
Egg Inspection (AHA2022/A.R.S. § 3-717)				Appropriated
Source of Revenue: Fees resulting from the regulation of eggs and egg products.				
Purpose of Fund: To administer the egg inspection program.				
Funds Expended	259,200	270,200	462,500	462,800
Year-End Fund Balance	235,800	315,600	228,100	183,300
Arizona Federal-State Inspection (AHA2113/A.R.S. § 3-499)				Non-Appropriated
Source of Revenue: Fees for inspection of produce imported from Mexico and interest.				
Purpose of Fund: As determined by a cooperative agreement with the U.S. Department of Agriculture. On July 1, 1996, the Arizona Department of Agriculture became the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry.				
Funds Expended	2,373,300	2,330,600	2,330,600	2,330,600
Year-End Fund Balance	1,840,800	1,609,200	1,403,600	1,223,000
Federal (AHA2000/A.R.S. § 3-103)				Non-Appropriated
Source of Revenue: Federal grants.				
Purpose of Fund: As determined by federal law with regard to exotic pest control (e.g., fire ant, gypsy moth, medfly), agriculture chemicals regulation, farm mediation, endangered species, and meat, poultry and egg inspection. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)				
Funds Expended	665,100	642,700	637,500	637,500
Year-End Fund Balance	480,600	531,900	555,100	578,300

	FY 2000	FY 2001	FY 2002	FY 2003
Fertilizer Materials (AHA2081/A.R.S. § 3-269)				Appropriated
Source of Revenue: A portion of the fertilizer manufacturer's license fee, fees collected for the inspection of materials and the proceeds from the sale of seized, non-complying materials.				
Purpose of Fund: To regulate fertilizers.				
Funds Expended	208,700	227,900	227,200	227,200
Year-End Fund Balance	470,100	475,200	483,000	492,800
Grain Research and Promotion Council (AHA2201/A.R.S. § 3-588)				Non-Appropriated
Source of Revenue: An assessment on commercial grain sales.				
Purpose of Fund: To support the council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, research and design of new or improved harvesting and handling equipment, and similar activities.				
Funds Expended	132,000	113,500	113,500	113,500
Year-End Fund Balance	156,100	192,600	239,100	293,600
Hay Law (AHA2143/A.R.S. § 3-2712)				Non-Appropriated
Source of Revenue: Annual licensing fees for hay brokers and dealers.				
Purpose of Fund: To support hay regulatory activities, including ensuring that all hay brokers are licensed and bonded.				
Funds Expended	700	600	600	600
Year-End Fund Balance	400	200	100	0
Iceberg Lettuce Research Council (AHA2259/A.R.S. § 3-526)				Non-Appropriated
Source of Revenue: An assessment on iceberg lettuce prepared for market.				
Purpose of Fund: To support research, development and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other programs deemed appropriate.				
Funds Expended	92,100	105,000	105,000	105,000
Year-End Fund Balance	124,900	129,900	130,500	133,100
Indirect Cost Recovery (AHA9000/A.R.S. § 3-107)				Non-Appropriated
Source of Revenue: Federal grants.				
Purpose of Fund: For indirect costs associated with administration of federal grants.				
Funds Expended	125,200	287,400	287,400	287,400
Year-End Fund Balance	396,600	271,000	140,200	9,400
Interagency Service Agreement (AHA2500/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: From the Government Information Technology Agency				
Purpose of Fund: For costs associated with making computers "Year 2000" compatible.				
Funds Expended	579,700	2,700	0	0
Year-End Fund Balance	2,700	0	0	0
Livestock Custody (AHA2065/A.R.S. § 3-1377)				Appropriated
Source of Revenue: Fines assessed for and proceeds resulting from mistreated livestock.				
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.				
Funds Expended	70,200	79,400	79,400	79,400
Year-End Fund Balance	64,700	54,700	44,200	33,100

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Organic Food Certification (AHA2342/A.R.S. § 3-306)

Appropriated

Source of Revenue: Fees from the licensing of producers and distributors of organic food products, reimbursement for the travel costs associated with licensing and testing, and from fees for testing of organic food products.

Purpose of Fund: To provide for the auditing of organic food techniques and the testing of organic food products. The department must wait for federal rules before implementing the program.

Funds Expended	0	12,500	12,500	12,500
Year-End Fund Balance	0	0	0	0

Pesticide (AHA2051/A.R.S. § 3-350)

Appropriated

Source of Revenue: A portion of pesticide registration fees and proceeds resulting from condemnation and sale of non-compliant equipment.

Purpose of Fund: To regulate pesticides.

Funds Expended	198,500	216,300	218,000	218,000
Year-End Fund Balance	378,800	425,600	470,700	515,800

Arizona Protected Native Plant (AHA2298/A.R.S. § 3-913)

Appropriated

Source of Revenue: Fees from permits issued for the removal or salvage of protected native plants.

Purpose of Fund: For the protection of native plants.

Funds Expended	200,200	229,600	235,000	235,100
Year-End Fund Balance	75,400	65,600	49,800	33,500

Ratite Control (AHA2098/A.R.S. § 3-1483)

Appropriated

Source of Revenue: Registration fees assessed for commercial ratite slaughter and other appropriations. Ratites are defined as ostriches, emus, and other related animals.

Purpose of Fund: To regulate ratite production and, as available, for 50% of the costs associated with ratite slaughter state inspection.

Funds Expended	1,000	9,400	8,900	9,000
Year-End Fund Balance	89,900	86,000	85,300	84,200

Seed Law (AHA2064/A.R.S. § 3-1483)

Appropriated

Source of Revenue: Seed dealers' and labelers' license fees and penalties and fees for the inspection and testing of seeds.

Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed transported or offered for sale in this state.

Funds Expended	29,600	49,900	50,300	50,400
Year-End Fund Balance	57,500	39,800	20,600	500

Arizona Wine Promotional (AHA2205/A.R.S. § 3-555 and § 42-3105)

Non-Appropriated

Source of Revenue: The first \$100,000 of proceeds from the tax on the sale of wine is deposited into the fund. In FY 1994, \$200,000 was appropriated from the Commerce and Economic Development (CEDC) Fund as "start-up" monies. Laws 1993, Chapter 40 requires that CEDC be repaid that amount. As of yet, only minimal repayment has occurred, leaving the Wine Promotional Fund with a liability not reflected in the Year-End Fund Balance shown below.

Purpose of Fund: To promote the Arizona wine industry through trade promotions, marketing or advertising, and to support Wine Commission staff and operating expenses. Also funds a research grant to the University of Arizona.

Funds Expended	20,900	12,900	12,900	12,900
Year-End Fund Balance	(161,000)	(149,900)	(137,800)	(124,700)

[Click here to return to Table of Contents](#)

State Board of Appraisal

Edward C. Logan, Executive Director

JLBC: Kim Hohman
OSP: Randy Hillier

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
State Board of Appraisal	424,200	403,000	409,200	443,600	409,300	445,400
Contingency SLI	0	2,000	0	0	0	0
AGENCY TOTAL	424,200	405,000	409,200	443,600	409,300	445,400

OPERATING BUDGET

Full Time Equivalent Positions	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	165,200	164,600	182,400	186,200	182,400	186,200
Employee Related Expenditures	30,300	31,400	34,100	36,700	34,200	36,800
All Other Operating Expenditures:						
Professional and Outside Services	149,800	128,300	131,200	141,900	131,200	143,600
Travel - In State	7,500	14,000	8,100	14,000	8,100	14,000
Travel - Out of State	400	3,000	3,000	3,000	3,000	3,000
Other Operating Expenditures	67,600	50,300	50,400	50,400	50,400	50,400
Equipment	3,400	11,400	0	11,400	0	11,400
OPERATING SUBTOTAL	424,200	403,000	409,200	443,600	409,300	445,400
Special Line Items	0	2,000	0	0	0	0
AGENCY TOTAL	424,200	405,000	409,200	443,600	409,300	445,400

FUND SOURCES

Board of Appraisal Fund	424,200	405,000	409,200	443,600	409,300	445,400
SUBTOTAL - Appropriated Funds	424,200	405,000	409,200	443,600	409,300	445,400
TOTAL - ALL SOURCES	424,200	405,000	409,200	443,600	409,300	445,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	38,600	9.5%	40,400	10.0%	79,000

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	1,950/1,951	2,060/2,063	2,060	2,070/2,090
• Number of complaints received about licensees	120/117	120/159	154	150
• Average calendar days to resolve a complaint	180/180	180/180	150	120/115
• Number of investigations of licensees	40/36	50/78	74	72
• Average calendar days to renew a license (from receipt of application to issuance)	1/1	1/1	1	1
• Administration as a % of total cost	NA	1.3/NA	1.5	1.4

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003	Staff Salary Increases	OF	21,800	21,800
Standard Changes			The JLBC recommends a total biennial increase of \$43,600 for staff salary increases for the Executive Director, Deputy Director, 1 Regulatory Compliance Administrator, and 1 Secretary position. This amount includes an increase of \$21,800 in both FY 2002 and FY 2003 above FY 2001. These salary increases will keep the			
Pay Annualization	OF \$ 3,100	\$ 3,100				
ERE Rates	OF 2,500	2,600				
Risk Management	OF 100	100				

agency competitive within the market, as well as retain experienced personnel. The Executive recommends a base modification of \$11,400 from the Equipment line to Personal Services to handle a portion of the agency's salary increases. The Executive does not recommend any additional funding for the salary increases.

Attorney General

Legal Services **OF** **11,100** **12,800**

The JLBC recommends a total biennial increase of \$23,900 for increased costs associated with Attorney General (AG) legal services. This amount includes a FY 2002 increase of \$11,100 above FY 2001 and a FY 2003 increase of \$12,800 above FY 2001. In FY 2001, the agency was appropriated \$40,500 for AG legal services but due to a 36% increase in the number of complaints received by the board, actual legal expenses for FY 2000 were \$47,600. In FY 1999, the number of complaints received by the board totaled 117 and increased to 159 complaints in FY 2000. The board expects this workload to remain stable in upcoming years. The recommended amount provides funding for this increase in legal service fees charged by the Office of the Attorney General. The Executive does not recommend funding for this issue.

OAH Cost

Allocation Plan **OF** **-0-** **-0-**

Previously, 90/10 Boards paid for Office of Administrative Hearings (OAH) services out of their base budgets. The OAH billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information.)

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$2,000 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges would be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount. The Executive recommends an increase of \$2,400 in both FY 2002 and FY 2003 for this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by case basis.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Board of Appraisal (APA2270/A.R.S. § 32-3608)

Appropriated

Source of Revenue: Monies collected by the board from the examination and licensing of real estate appraisers and tax agents. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate and regulate real estate appraisers and property tax agents, and for board administration.

Funds Expended	424,200	405,000	443,600	445,400
Year-End Fund Balance	600,800	570,300	350,600	279,800

[Click here to return to Table of Contents](#)

Arizona Commission on the Arts

Shelley M. Cohn, Executive Director

JLBC: Indya Kincannon
OSP: Christine Sato

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Arizona Commission on the Arts	590,900	601,100	613,600	612,900	598,800	597,200
Arts Endowment Fund SLI	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Community Service Projects SLI	1,775,000	1,775,000	1,775,000	1,775,000	1,775,000	1,775,000
AGENCY TOTAL	4,365,900	4,376,100	4,388,600	4,387,900	4,373,800	4,372,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	12.5	12.5	12.5	12.5	12.5	12.5
Personal Services	403,900	411,700	417,900	417,900	417,900	417,900
Employee Related Expenditures	79,900	84,700	87,100	86,400	88,100	86,500
All Other Operating Expenditures:						
Professional and Outside Services	100	0	0	0	0	0
Travel - In State	13,200	14,400	14,400	14,400	14,400	14,400
Travel - Out of State	800	800	800	800	800	800
Other Operating Expenditures	92,800	89,500	93,400	93,400	77,600	77,600
Equipment	200	0	0	0	0	0
OPERATING SUBTOTAL	590,900	601,100	613,600	612,900	598,800	597,200
Special Line Items	3,775,000	3,775,000	3,775,000	3,775,000	3,775,000	3,775,000
AGENCY TOTAL	4,365,900	4,376,100	4,388,600	4,387,900	4,373,800	4,372,200

FUND SOURCES

General Fund	4,365,900	4,376,100	4,388,600	4,387,900	4,373,800	4,372,200
SUBTOTAL - Appropriated Funds	4,365,900	4,376,100	4,388,600	4,387,900	4,373,800	4,372,200
Other Non-Appropriated Funds	1,492,900	1,664,000	1,557,200	1,557,200	1,567,200	1,567,200
Federal Funds	570,200	704,200	563,900	563,900	563,900	563,900
TOTAL - ALL SOURCES	6,429,000	6,744,300	4,388,600	6,509,000	4,373,800	6,503,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	11,800	0.3%	(3,900)	-0.1%	7,900

AGENCY DESCRIPTION — *The agency promotes arts in the state by offering matching grants to communities and arts organizations, developing programs in-house to showcase artists in all disciplines, and serving as a resource for local artists.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Audiences reached by programs sponsored by agency (in millions)	5.3/6.1	5.5/6.5	6.8	7.0/7.2
• Number of grants awarded	535/537	500/500	524	550/560
• Cumulative private funds raised to match state Arts Endowment Fund (\$ in millions)	NA/11.7	NA/14.0	15.1	17.0/19.0
• Customer satisfaction rating (Scale 1-8)	NA/7.3	NA/7.1	7.2	7.2
• Administration as a % of total cost	NA	2.2/NA	2.2	2.2

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 7,000	\$ 7,000
ERE Rates	GF	900	1,000
Risk Management	GF	1,300	1,200
Rent	GF	2,600	(13,100)

* * *

JLBC RECOMMENDED FORMAT — Lump Sum with Special Line Items by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Community Service Projects

The agency requests a General Fund increase of \$1,962,500 above FY 2001 in FY 2002 and \$3,957,000

above FY 2001 in FY 2003 to increase the amount of grants it awards to arts organizations and communities throughout the state. These grants enable arts organizations and communities to offer discount tickets, provide arts programs in schools, and fund projects in all disciplines of the arts throughout the state. In FY 2001, the Legislature appropriated \$1,775,000 for community service projects, which represents 35¢ of funding for every person in Arizona.

Grant Amounts by Funding Source

The table below presents the annual grant amounts the commission distributes to organizations and individuals by funding source.

GRANTS TO ORGANIZATIONS AND INDIVIDUALS BY FUNDING SOURCE				
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
General Fund	\$1,775,000	\$1,775,000	\$1,775,000	\$1,775,000
Federal Funds	319,600	338,200	188,000	188,000
Arts Trust	1,180,100	1,230,200	1,200,000	1,200,000
Arts Endowment Expendable Trust	48,000	187,000	250,000	275,000
Local Government/Private Grants	<u>69,700</u>	<u>81,500</u>	<u>35,000</u>	<u>35,000</u>
Total Amount of Grants Disbursed	\$3,392,400	\$3,611,900	\$3,448,000	\$3,473,000

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
-------------------------	----------------	----------------	----------------	----------------

Arts Endowment Expendable Trust (HUA3106/A.R.S. § 41-986) Non-Appropriated

Source of Revenue: Interest from the Arts Endowment Fund. From FY 1998 - FY 2007, subject to legislative appropriation, the Arts Endowment Fund will receive all revenue from the Amusements Classification of the transaction privilege tax above that classification's total FY 1994 revenues. These revenues shall not exceed \$2,000,000 in any fiscal year. The Arts Endowment Trust Fund received \$2,000,000 deposits in FY 1998, FY 1999 and FY 2000. The anticipated deposits for FY 2001 and FY 2002 are \$2,000,000 in each year (for a total of \$10,000,000). The Arizona Commission on the Arts is only permitted to spend revenue earned from the investment of these funds. This interest income is deposited into the Arts Endowment Expendable Trust.

Purpose of Fund: To award grants to mid-sized arts organizations for stabilization projects.

Funds Expended	48,000	187,000	250,000	275,000
Year-End Fund Balance	2,160,700	4,193,100	6,173,500	8,140,400

Arts Special Revenues (HUA2116/A.R.S. § 41-983) Non-Appropriated

Source of Revenue: Federal grants from the National Endowment on the Arts and other public and private grants, donations, exhibit rentals, admissions, and charges for services.

Purpose of Fund: To award grants to arts programs in all areas of the state. Each grant awarded by the Arts Commission must be matched by the applicant organizations.

Funds Expended	835,000	951,000	671,100	656,100
Year-End Fund Balance	118,800	50,000	35,000	35,000

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Arizona Arts Trust (HUA3014/A.R.S. § 41-983.01)

Non-Appropriated

Source of Revenue: An annual report filing fee from domestic and foreign for profit corporations.

Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. Portions of the fund are to be used as follows: 1) provide grants to organizations representing handicapped persons; 2) provide grants to racial or ethnic minorities; and 3) provide grants to organizations representing rural areas.

Funds Expended	1,180,100	1,230,200	1,200,000	1,200,000
Year-End Fund Balance	130,200	100,000	100,000	100,000

[Click here to return to Table of Contents](#)

Attorney General - Department of Law

The Honorable Janet Napolitano, Attorney General

JLBC: Gina Guarascio
OSP: Keith Fallstrom

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
BY PROGRAM/ORGANIZATION						
Administration	7,168,400	7,825,200	7,871,700	8,315,300	7,814,000	8,246,100
Agency Counsel	7,545,400	8,553,200	11,564,000	8,834,000	14,417,200	8,827,200
Children and Family	82,400	115,000	115,000	115,000	115,000	115,000
Civil	10,324,900	12,062,300	12,235,400	12,368,400	12,240,800	12,368,900
Civil Rights	1,854,300	2,084,400	2,086,600	2,114,900	2,086,800	2,114,900
Public Advocacy	6,561,600	7,870,600	8,200,900	7,919,100	8,161,700	7,620,900
Criminal	10,952,100	13,714,000	11,994,400	11,413,400	11,931,100	11,412,400
AGENCY TOTAL	44,489,100	52,224,700	54,068,000	51,080,100	56,766,600	50,705,400

OPERATING BUDGET

	691.2	693.2	702.5	698.5	702.5	698.5
Full Time Equivalent Positions						
Personal Services	27,445,600	31,009,600	34,019,100	32,240,400	36,325,700	32,240,400
Employee Related Expenditures	5,261,300	6,191,600	6,528,500	6,244,000	6,953,700	6,246,900
All Other Operating Expenditures:						
Professional and Outside Services	605,600	1,369,500	1,559,700	1,360,500	1,753,200	1,160,500
Travel - In State	282,600	351,100	414,400	354,000	414,400	305,000
Travel - Out of State	140,300	142,800	148,800	143,800	148,800	143,800
Other Operating Expenditures	6,145,600	6,820,400	7,017,600	6,721,600	6,966,700	6,715,600
Equipment	1,385,900	205,400	381,400	320,200	205,400	197,500
OPERATING SUBTOTAL	41,266,900	46,090,400	50,069,500	47,384,500	52,767,900	47,009,700

SPECIAL LINE ITEMS

State Grand Jury	156,100	156,800	158,800	157,700	158,700	157,700
Alternative Fuels	0	397,400	397,400	397,400	397,400	397,400
Victims Rights	3,066,100	5,580,100	3,442,300	3,140,500	3,442,600	3,140,600
AGENCY TOTAL	44,489,100	52,224,700	54,068,000	51,080,100	56,766,600	50,705,400

FUND SOURCES

General Fund	24,779,900	26,733,300	29,603,200	27,917,700	31,458,900	27,791,100
Interagency Service Agreements Fund	13,249,100	16,052,300	17,043,200	16,464,900	17,830,700	16,465,300
Collection Enforcement Revolving Fund	1,843,500	1,942,600	2,023,800	1,985,800	2,077,900	1,986,100
Consumer Fraud Revolving Fund	1,137,000	1,677,000	1,701,700	1,701,200	1,702,500	1,701,200
Anti-Trust Enforcement Revolving Fund	413,500	743,800	758,200	374,400	758,400	125,500
Victims' Rights Implementation Fund	3,066,100	5,075,700	2,937,900	2,636,100	2,938,200	2,636,200
SUBTOTAL - Other Appropriated Funds	19,709,200	25,491,400	54,068,000	23,162,400	56,766,600	22,914,300
SUBTOTAL - Appropriated Funds	44,489,100	52,224,700	54,068,000	51,080,100	56,766,600	50,705,400
Other Non-Appropriated Funds	8,689,700	17,523,500	8,001,700	8,001,700	8,108,700	8,108,700
Federal Funds	5,669,800	6,999,200	6,336,700	6,336,700	4,585,900	4,585,900
TOTAL - ALL SOURCES	58,848,600	76,747,400	74,757,800	71,769,900	75,705,600	69,644,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	1,184,400	4.4%	1,057,800	4.0%	2,242,200
Other Appropriated Funds	(2,329,000)	-9.1%	(2,577,100)	-10.1%	(4,906,100)
Total Appropriated Funds	(1,144,600)	-2.2%	(1,519,300)	-2.9%	(2,663,900)

AGENCY DESCRIPTION — *The Attorney General is an elected constitutional officer. The Administration Division provides internal executive policy direction, advises state officials, agencies and county attorneys, and certifies state rules. The Agency Counsel Division provides legal counsel to agencies, boards, commissions, and committees. The Children and Family Division represents the state in juvenile dependency matters. The Civil Division provides general legal services to state agencies, represents the state in lawsuits and other matters, and issues formal legal opinions. The Civil Rights Division enforces civil rights. The Public Advocacy Division enforces environmental, consumer protection and anti-trust laws. The Criminal Division investigates and prosecutes criminal cases, handles criminal appeals, and assists county attorneys.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Solicitor General – Number of days to respond to a request for a legal opinion	80/80	80/71	70	70
• Civil Rights – % of cases resolved using voluntary settlement agreements	NA/22	NA/16.3	21.2	25.6/30
• % of death penalty and/or sentences affirmed by the Arizona Supreme Court	NA/75	NA/67	NA/80	80
• % of agency staff turnover	NA/15.0	NA/17.6	16	16
• Administrative cost as % of total cost	NA	10.4/NA	10.5	7.6

Comments:

- % of death penalty cases affirmed by the Arizona Supreme Court is a JLBC suggested measure.

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$294,700	\$294,700
	OF 222,900	222,900
ERE Rates	GF (188,900)	(186,500)
	OF 79,900	80,500
Risk Management	GF 85,300	75,900
Rent	GF 27,300	30,400
	OF 500	800
Attorney Salary	GF 396,600	396,600
Adjustments	OF 187,400	187,400

The JLBC recommends a total biennial increase of \$1,168,000. This amount includes a General Fund increase of \$396,600 and an increase from the Interagency Service Agreements (ISA) Fund of \$175,300 and an increase from the Collection Enforcement Revolving Fund of \$12,100 in FY 2002 and FY 2003 above FY 2001. Attorneys' salaries currently lag behind the attorneys' salaries in most municipalities in Maricopa County, as well as attorneys' salaries for Maricopa County. This increase would bring the average assistant attorneys general salaries in line with the average salaries paid by Maricopa County. Approximately \$193,500 of the General Fund increase is for attorneys' salaries that are appropriated in the Department of Economic Security's (DES) budget. In addition, the recommended ISA Fund amount will need to be allocated to various other state agencies. The Executive is recommending a total biennial increase of \$8,200,000 for assistant attorney general salaries. The Executive's adjustment would increase the salaries paid to assistant attorneys' general to the average of attorneys' salaries in

both the U.S. Attorney's Office and the Maricopa County Attorney's Office.

Water Rights **GF 106,000** **98,500**
The JLBC recommends a total General Fund biennial increase of \$204,500 and 1 FTE Position for a senior water rights litigator. This amount includes a FY 2002 increase of \$106,000 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$98,500 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The Attorney Generals' Office represents the State Land Department, the Game and Fish Department, and State Parks Department, in 2 lawsuits designed to quantify and prioritize all water rights in the state. Of particular importance is upcoming litigation in these cases to determine whether the federal government intended to transfer water rights to state trust lands when the trust lands were given to the state. If the state does not prevail in this litigation, 60-90% of the value of state trust lands will be lost. The Executive does not address this issue.

Records Storage **GF 43,700** **43,700**
OF 13,300 **13,300**

The JLBC recommends a total biennial General Fund increase of \$87,400 and a Other Funds increase of \$26,600 for records storage. This amount includes a General Fund increase of \$43,700 and an increase of \$13,300 from Other Funds in both FY 2002 and FY 2003 above FY 2001. The Other Funds increase is detailed in *Table 1*. In FY 2000, the Arizona State Library, Archives and Public Records began charging client agencies for records storage. Although that rate is very competitive with the private sector, it does represent a cost that in the past was provided free of charge. The Attorney General's office has not been

able to absorb this cost. The Executive concurs; however, the Executive recommends the entire cost be absorbed by the General Fund.

Table 1
Other Funds Increases for Records Storage

Collection Enforcement Revolving Fund	\$ 100
ISA Fund	10,900
Consumer Fraud Fund	1,000
Anti-trust Fund	<u>1,300</u>
TOTAL	\$13,300

Tobacco Settlement Unit GF 300,000 250,000

The JLBC recommends a total biennial General Fund increase of \$550,000 and 4 FTE Positions for the creation of a Tobacco Settlement Unit within the Attorney General's office. This amount includes a FY 2002 increase of \$300,000 and 4 FTE Positions above FY 2001 and a FY 2003 increase of \$250,000 and 4 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Arizona joined most other states in entering the Master Settlement Agreement with the tobacco industry. For each of the next 25 years, Arizona is eligible to receive approximately \$125,000,000 in additional revenues as a result of this settlement. States that do not aggressively enforce the model statute enacted by the Legislature, Laws 2000, Chapter 83, risk the reduction of their payments from the Master Settlement. Enforcing the statute entails significant investigation, research and document preparation to ensure, for example, youth are not targeted in advertising and do not receive free samples of tobacco products. Proposition 200, passed by the voters in the 2000 General Election, provided \$300,000 annually for this unit. Because Proposition 204 received a greater number of votes, this provision will not go into effect and the unit will not receive funding from the Tobacco Settlement. The Executive is recommending a total biennial increase of \$368,200 and 3 FTE Positions for this unit.

Building Security GF 103,700 40,000

The JLBC recommends a total biennial General Fund increase of \$143,700 for improvements in building security at the Law Building and to provide security at the Capital Center building. This amount includes a FY 2002 increase of \$103,700 above FY 2001 and a FY 2003 increase of \$40,000 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Based on recommendations from 2 building safety and security audits performed by Capitol Police in 1999, the JLBC recommends additional surveillance cameras and monitors. These costs will be eliminated in FY 2003. In addition, JLBC recommends providing funding for a police aide for the Capital Center building, also occupied by Attorney General staff. The Executive concurs.

Medical Nurse

Investigator GF 16,000 14,500

The JLBC recommends a total biennial General Fund increase of \$30,500 for a medical investigative nurse. This amount includes a FY 2002 increase of \$16,000 and a 0.3 FTE Position above FY 2001 and a FY 2003 increase of \$14,500 and 0.3 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The Medicaid Fraud Unit investigates alleged provider fraud, fraud in the administration of the Medicaid program and abuse, neglect and exploitation that occur in Medicaid facilities. This unit currently has 1 medically trained and licensed staff member. In the last 5 years, the number of abuse and neglect referrals has increased by 25%, with no additional increase in licensed staff. Federal Funds are available to pay for 75% of the costs associated with this position. The Executive concurs.

Victims' Rights OF (2,450,000) (2,450,000)

Laws 2000, Chapter 238 appropriated \$2,450,000 from the Victims' Rights Fund to be expended for various programs related to victims' rights. This amount was intended as a one-time appropriation due to additional revenues available in the fund. The JLBC recommends a total biennial decrease of \$(4,900,000). This amount includes a decrease of \$(2,450,000) in both FY 2002 and FY 2003 from FY 2001. The Executive recommends reducing the appropriation by \$(2,150,000) in FY 2002 and FY 2003 over FY 2001. The Executive recommends the remaining \$300,000 be used for victims' rights training.

Anti-Trust Revolving

Fund OF (383,000) (632,000)

The JLBC Staff recommends a total biennial Anti-Trust Revolving Fund decrease of \$(1,015,000) to the Public Advocacy program. This amount includes a FY 2002 decrease of \$(383,000) below FY 2001 and a FY 2003 decrease of \$(632,000) below FY 2001. Monies from the Anti-Trust Revolving Fund are expended in the Public Advocacy program. The Public Advocacy program also receives appropriations from other funds, including the General Fund. In recent years, revenues into the Anti-Trust Revolving fund have been declining, and the fund balance has been reduced. The Attorney General is projecting limited resources into the fund, and without a reduction in appropriation authority, the fund could become insolvent during the biennium. For FY 2002, the appropriation level is very close to projected expenditure levels, so this decrease would not result in a decrease of staff. If the additional revenues are deposited in the fund, however, the JLBC recommends that these monies, up to \$750,000, be available to the program. The Executive does not address this issue.

Criminal Case

Processing GF -0- -0-

Laws 1999, Chapter 346 appropriated \$14,700 in FY 2001 from the General Fund to improve criminal case processing. The JLBC recommends continuing this appropriation. The Executive concurs.

School Safety **GF** **-0-** **-0-**
Laws 2000, Chapter 226 appropriated \$80,000 from the General Fund to provide a school conflict mediation program and to provide a free telephone number to report potential school violence. The JLBC recommends continuing this appropriation. The Executive concurs.

Internet Crimes **GF** **-0-** **-0-**
Laws 2000, Chapter 221 appropriated \$100,000 from the General Fund for the Attorney General to work in collaboration with the Department of Public Safety to combat Internet crimes. The JLBC recommends continuing this appropriation. The Executive concurs.

Assistant Attorney **GF** **-0-** **-0-**
General Salary Increases **OF** **-0-** **-0-**
Laws 2000, Chapter 238 appropriated \$300,000 from the General Fund and \$313,200 from other funds in FY 2001 to the Office of the Attorney General for assistant attorneys general salary increases for attorneys of the Attorney General's Office and the Department of Economic Security. The JLBC recommends continuing this appropriation. The Executive concurs.

Alternative Fuels Increase **GF** **-0-** **-0-**
Laws 2000, 7th Special Session, Chapter 1, appropriated \$397,400 from the General Fund to the Office of the Attorney General to provide legal and investigative services to the Department of Administration to administer the Alternative Fuel Cost Reimbursement Program and to the Department of Revenue to administer the requirements of the new law. The JLBC recommends continuing this appropriation. The JLBC assumes this appropriation will not be necessary beyond the current biennium. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

In addition to the \$16,464,900 appropriated for FY 2002 and the \$16,465,300 appropriated for FY 2003 from the Interagency Service Agreements Fund, an additional \$370,000 and 5 FTE Positions in FY 2002 and FY 2003 are appropriated from the Interagency Service Agreements Fund for new or expanded interagency service agreements. The Attorney General shall report to the Joint Legislative Budget Committee whenever an interagency service agreement is established that will require expenditures from these additional amounts. The report shall include the name of the agency or entity with which the agreement is made, the dollar amount of the contract by fiscal year and the number of associated FTE Positions.

The \$157,700 appropriated for State Grand Jury expenses is for costs incurred pursuant to A.R.S. § 21-428C. It is

the intent of the Legislature that State Grand Jury expenses be limited to the amount appropriated and that a supplemental appropriation will not be provided.

Modification of Prior Year Footnotes

The Attorney General shall notify the President of the Senate, the Speaker of the House of Representatives and the Joint Legislative Budget Committee before entering into a settlement of \$100,000 or more that will result in the receipt of monies by the Attorney General or any other person ~~on behalf of the State of Arizona~~. The Attorney General shall not allocate or expend these monies until the Joint Legislative Budget Committee reviews the allocations or expenditures. **SETTLEMENTS THAT, PURSUANT TO STATUTE, MUST BE DEPOSITED IN THE GENERAL FUND NEED NOT BE REVIEWED BY THE JOINT LEGISLATIVE BUDGET COMMITTEE.** This paragraph does not apply to actions under Title 13, Arizona Revised Statutes, or other criminal matters. *The JLBC recommends modifying this footnote because of some ambiguity in interpreting when settlements need to be presented to the Joint Legislative Budget Committee.*

New Footnotes

All revenues received by the Anti-Trust Revolving Fund in excess of \$374,400 in FY 2002 and \$125,500 in FY 2003 are appropriated. Expenditures from the fund may not exceed \$750,000 in either FY 2002 or FY 2003. Before the expenditure of any Anti-Trust Revolving Fund receipts in excess of \$374,400 in FY 2002 and \$125,500 in FY 2003, the Attorney General shall submit the intended uses of the monies for review by the Joint Legislative Budget Committee.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the one-time footnote relating to a report on increased collections from the CERF Fund. This report has been provided.

The JLBC recommends deleting the footnote relating to a report on ISA agreements. This report has been provided.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a total biennial increase of \$630,800 for expansion of the Technology Crimes unit. This includes \$349,800 for FY 2002 above FY 2001, and \$281,000 for FY 2003 above FY 2001. Laws 2000, Chapter 221 provided \$100,000 in funding to combat internet crimes, and the JLBC recommendation continues the funding level that was adopted by the Legislature at that time. Moreover, significant funding for technology crimes was included in the federal budget.

The Executive recommends transferring \$1,600,000 from the Collection Enforcement Revolving Fund to the Attorney General's Federal Funds account in FY 2002. The monies would be used to eliminate backlogged cases in the Model Court program. A funding transfer from the

Collection Enforcement Revolving Fund was provided in FY 2000/2001 to eliminate these backlogged cases, and the

JLBC does not recommend continuing this transfer.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Anti-Racketeering Revolving (AGA2131/A.R.S. § 13-2314.01)				Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgements pursuant to anti-racketeering statutes.				
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.				
Funds Expended	1,289,800	1,381,300	1,388,200	1,395,200
Year-End Fund Balance	13,502,600	13,274,700	13,039,900	12,798,100
Antitrust Enforcement Revolving (AGA2016/A.R.S. § 41-191.02)				Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.				
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.				
Funds Expended	413,500	743,800	374,400	125,500
Year-End Fund Balance	585,400	0	0	0
Attorney General Expendable Trust (AGA3102/A.R.S. § 35-149)				Non-Appropriated
Source of Revenue: Restricted donations and gifts from individuals and corporations.				
Purpose of Fund: For purposes specified by donors or grantors.				
Funds Expended	0	100,000	0	0
Year-End Fund Balance	105,600	5,600	5,600	5,600
CJEF Distribution to County Attorneys (AGA2068/A.R.S. § 41-2401)				Non-Appropriated
Source of Revenue: 9.35% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.				
Funds Expended	3,111,300	3,200,000	3,300,000	3,400,000
Year-End Fund Balance	0	0	0	0
Collection Enforcement Revolving (AGA2132/A.R.S. § 41-191.03)				Appropriated
Source of Revenue: The fund receives 35% of monies recovered by the Attorney General from debts owed to the state.				
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department.				
Funds Expended	1,843,500	1,942,600	1,985,800	1,986,100
Year-End Fund Balance	641,000	122,900	91,200	59,200
Colorado River Land Claims Revolving (AGA9500/A.R.S. § 41-191.05)				Non-Appropriated
Source of Revenue: Receives 25% of monies recovered by the state from the settlement of the state of Arizona's sovereign land claims.				
Purpose of Fund: Monies are to be used to pay ownership claims near the Colorado River.				
Funds Expended	0	25,100	0	0
Year-End Fund Balance	25,100	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
Consumer Fraud Revolving (AGA2014/A.R.S. § 44-1531.01)				
				Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.				
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation.				
Funds Expended	1,137,000	1,677,000	1,701,200	1,701,200
Year-End Fund Balance	1,109,200	782,200	431,000	79,800
Court-Ordered Trust (AGA3180/A.R.S. § 35-142)				
				Non-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits.				
Purpose of Fund: To assure funds are available to pay judgements. Future payments are dependent on case settlements.				
Funds Expended	3,409,300	11,443,600	1,919,000	1,919,000
Year-End Fund Balance	10,535,800	1,012,200	1,013,200	1,014,200
Criminal Case Processing (AGA9510/A.R.S. § 41-2421)				
				Non-Appropriated
Source of Revenue: Legislative appropriations, 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations, and a portion of redirected court collections				
Purpose of Fund: For the processing of criminal cases.				
Funds Expended from the General Fund	0	5,500	14,700	14,700
Other Funds Expended	0	0	21,000	21,000
Year-End Fund Balance	5,500	35,700	35,700	35,700
Federal (AGA2117/A.R.S. § 41-101.01)				
				Non-Appropriated
Source of Revenue: Federal grants for various purposes.				
Purpose of Fund: To be used in accordance with the terms of the individual grants, including drug enforcement, fraud and patient abuse (AHCCCS-related), civil rights enforcement, fair housing education and outreach, and hazardous waste.				
Funds Expended	5,669,800	6,999,200	6,336,700	4,585,900
Year-End Fund Balance	1,567,600	1,366,400	1,049,600	883,600
Interagency Service Agreements (AGA2157/A.R.S. § 41-192)				
				Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.				
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.				
Funds Expended	13,249,100	16,052,300	16,464,900	16,465,300
Year-End Fund Balance	0	0	0	0
Prosecuting Attorneys' Advisory Council Training (AGA2057/A.R.S. § 41-1830.03;41-2401)				
				Non-Appropriated
Source of Revenue: 3.03% of Criminal Justice Enhancement Fund monies.				
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.				
Funds Expended	825,800	1,320,000	1,320,000	1,320,000
Year-End Fund Balance	1,069,100	799,100	559,100	349,100
Victims' Rights (AGA3215/A.R.S. § 41-191.08)				
				Appropriated
Source of Revenue: 7.68% of monies collected by the Criminal Justice Enhancement Fund, legislative appropriations, and an assessment on parents of juvenile offenders.				
Purpose of Fund: For states and local entities that provide victims' rights services and assistance (88%), and administration from the General Fund (12%).				
Funds Expended from the General Fund	504,400	504,400	504,400	504,400
Other Funds Expended	2,561,700	5,075,700	2,636,100	2,636,200
Year-End Fund Balance	3,322,500	1,036,300	1,273,400	1,596,600

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Victim Witness (AGA2228/A.R.S. § 41-2408; 41-2407)

Non-Appropriated

Source of Revenue: Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.

Purpose of Fund: To assist crime victims and surviving family members who are involved in felony cases and appellate matters.

Funds Expended	53,500	53,500	53,500	53,500
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Legislature - Auditor General

Debra Davenport, Auditor General

JLBC: Bob Hull
OSPB: Monica Klaschka

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Auditor General	10,191,800	10,416,400	10,416,400	13,050,500	10,416,400	14,624,100
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	179.0	179.0	179.0	203.5	179.0	228.0
Personal Services	6,959,000	7,426,200	7,426,200	9,024,700	7,426,200	10,087,200
Employee Related Expenditures	1,143,300	1,320,300	1,320,300	1,618,300	1,320,300	1,812,300
All Other Operating Expenditures:						
Professional and Outside Services	400,800	328,100	328,100	353,100	328,100	353,100
Travel - In State	280,600	413,200	413,200	520,700	413,200	628,200
Travel - Out of State	16,700	20,000	20,000	20,000	20,000	20,000
Other Operating Expenditures	842,200	753,500	753,500	933,300	753,500	999,700
Equipment	549,200	155,100	155,100	580,400	155,100	723,600
AGENCY TOTAL	10,191,800	10,416,400	10,416,400	13,050,500	10,416,400	14,624,100
FUND SOURCES						
General Fund	10,191,800	10,416,400	10,416,400	13,050,500	10,416,400	14,624,100
SUBTOTAL - Appropriated Funds	10,191,800	10,416,400	10,416,400	13,050,500	10,416,400	14,624,100
Other Non-Appropriated Funds	1,240,500	1,176,100	1,194,400	1,194,400	1,198,400	1,198,400
TOTAL - ALL SOURCES	11,432,300	11,592,500	11,610,800	14,244,900	11,614,800	15,822,500

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	2,634,100	25.3%	4,207,700	40.4%	6,841,800

AGENCY DESCRIPTION — *The Auditor General, a staff agency of the Legislative Department, provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Federal Department of Health and Human Services acceptance of single financial audit reports	100/100	100/100	100	100
• % of administrative recommendations implemented or adopted within 1 year for financial audits	NA	NA/62	65	65
• % of administrative recommendations implemented or adopted within 2 years for performance audits	NA/86	NA/96	90	90
• Legislative recommendations implemented or adopted within 3 years for performance audits	60/72	60/53	60	60
• Average hours per performance audit	3,000/2,500	3,000/2,600	2,500	2,500
• % of agency staff turnover	NA/27.9	NA/27.1	27	27
• Administration as a % of total cost	NA	9.94/NA	9.55	7.8/7.4

Comments:

- The JLBC recommends the new performance measures, "Average calendar days to complete and release financial audits," and "Average calendar days to complete and release performance audits."

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$122,900	\$122,900
ERE Rates	GF	46,400	46,600
Risk Management	GF	20,600	18,800
Rent	GF	39,200	(12,600)

School District

Performance Audits	GF	1,773,600	3,257,400
---------------------------	----	-----------	-----------

The JLBC recommends a total biennial General Fund increase of \$5,031,000 for 46 annual school district performance audits and to monitor school districts to determine the percentage of dollars spent in the classroom. The recommendation is based on the estimate that each performance audit will take an average of 1,400 hours. The Auditor General is required to randomly audit each school district at least every 5 years beginning FY 2002, by ARS 41-1279.03 as amended by Laws 2000, 5th Special Session, Chapter 1. The recommendation adds a total of 49 FTE Positions and related costs over the 2 fiscal years, with half of the resources being added in each fiscal year to allow the agency to phase-in the program. This amount includes a FY 2002 increase of \$1,773,600 and 24.5 FTE Positions above FY 2001 and a FY 2003 increase of \$3,257,400 and 49 FTE Positions above FY 2001. The FY 2003 increase includes the elimination of \$(265,000) of one-time equipment in the first year of the program.

Salary Adjustments For

Auditors	GF	262,500	262,500
-----------------	----	---------	---------

The JLBC recommends a total biennial General Fund increase of \$525,000 for a 5% salary adjustment for Auditor I's, Auditor II's and Senior Auditors to address turnover. The agency reports turnover rates of 35% for Auditor I's, 40% for Auditor II's and 28% for Senior Auditors in FY 2000. This amount includes an increase of \$262,500 in both FY 2002 and FY 2003 above FY 2001.

Salary Adjustments For

Auditors	GF	208,600	208,600
-----------------	----	---------	---------

The JLBC recommends a total biennial General Fund increase of \$417,200 for 2 separate salary adjustments for auditors. The agency gave a 5% salary adjustment to its

Auditor I's and Auditor II's effective July 1, 1997 to address high turnover in these positions. The agency then gave a further 6.6% salary adjustment to its Auditor I's effective January 1, 2000 to again address high turnover. The agency has funded both issues from its non-lapsing carry-forward. The agency projects spending all of their FY 2001 carry-forward amount of \$1,029,900 for additional employee compensation and for certain computer equipment and software enhancements, which would leave them with a carry-forward of \$0 for FY 2002. This amount includes an increase of \$208,600 in both FY 2002 and FY 2003 above FY 2001.

Net Equipment Change GF 160,300 303,500

The JLBC recommends a total biennial General Fund increase of \$463,800 for the replacement of personal computers, related equipment and software, and 2 seven-year-old copiers. This amount includes a FY 2002 increase of \$160,300 above FY 2001 and a FY 2003 increase of \$303,500 above FY 2001.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning the auditing of policy issues, tuition and fees revenues, and student enrollment growth funding for the State Universities. [The Auditor General is completing this audit.]

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Audit Services Revolving (AUA2242/A.R.S. § 41-1279.06)

Non-Appropriated

Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.

Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.

Funds Expended	1,240,500	1,176,100	1,194,400	1,198,400
Year-End Fund Balance	466,600	290,500	196,100	197,700

[Click here to return to Table of Contents](#)

Automobile Theft Authority

Paul Mortensen, Executive Director

JLBC: Tony Vidale
OSP: Bret Cloninger

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Automobile Theft Authority	515,900	467,100	422,100	421,000	422,200	421,100
Automobile Theft Authority Grants SLI	1,906,300	2,008,000	3,454,500	3,464,600	3,461,100	3,475,500
AGENCY TOTAL	2,422,200	2,475,100	3,876,600	3,885,600	3,883,300	3,896,600

OPERATING BUDGET

Full Time Equivalent Positions	5.0	5.0	5.0	5.0	5.0	5.0
Personal Services	141,600	182,100	184,800	184,800	184,800	184,800
Employee Related Expenditures	26,000	27,200	34,800	34,600	34,900	34,700
All Other Operating Expenditures:						
Professional and Outside Services	91,700	75,000	25,000	25,000	25,000	25,000
Travel - In State	2,400	2,500	2,500	2,500	2,500	2,500
Travel - Out of State	12,700	12,000	7,500	7,500	7,500	7,500
Other Operating Expenditures	220,100	133,300	157,600	156,600	157,600	156,600
Equipment	21,400	35,000	9,900	10,000	9,900	10,000
OPERATING SUBTOTAL	515,900	467,100	422,100	421,000	422,200	421,100
Special Line Items	1,906,300	2,008,000	3,454,500	3,464,600	3,461,100	3,475,500
AGENCY TOTAL	2,422,200	2,475,100	3,876,600	3,885,600	3,883,300	3,896,600

FUND SOURCES

Auto Theft Authority Fund	2,422,200	2,475,100	3,876,600	3,885,600	3,883,300	3,896,600
SUBTOTAL - Appropriated Funds	2,422,200	2,475,100	3,876,600	3,885,600	3,883,300	3,896,600
Federal Funds	50,000	240,000	0	0	0	0
TOTAL - ALL SOURCES	2,472,200	2,715,100	3,876,600	3,885,600	3,883,300	3,896,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	1,410,500	57.0%	1,421,500	57.4%	2,832,000

AGENCY DESCRIPTION — *The Automobile Theft Authority (ATA) is responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona. The Authority is primarily funded from motor vehicle insurance premium fees.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Vehicles stolen statewide	37,600/34,900	31,410/31,250	29,000	26,000
• % reduction in auto thefts	10/17	10/11.7	7.7	10.3
• Felony auto theft arrests by Auto Theft Task Force	300/212	200/310	320	350/375
• % of stolen vehicles recovered	3/5.2	3.5/6.4	7.8	9.6/10.6
• Chop shops closed	20/24	24/30	30	35/40
• Administration as a % of total cost	NA	7.4/NA	9	9.2/9.1

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 3,000	\$ 3,000
ERE Rates	OF	7,100	7,200

Grants to the Task Force OF 931,600 982,500

The JLBC recommends a total biennial increase of \$1,914,100 for grants to the Auto Theft Authority Task Force. This amount includes a FY 2002 increase of \$931,600 above FY 2001 and a FY 2003 increase of \$982,500 above FY 2001. Grants cover Personal Services, equipment, and training for additional members of the Task Force and allow for expanded statewide operations.

The Task Force is a multi-agency, cross-jurisdictional unit consisting of 45 members of local, state, and federal law enforcement agencies working to reduce vehicle theft and insurance fraud in Arizona. The Task Force also participates in public awareness and community education programs and conducts training sessions for law enforcement personnel statewide. Since January 1997, the ATA has funded a portion of the Task Force through a grant. Currently, ATA grants fund 34 state and local law enforcement positions and related operating expenses in 7 Arizona counties. These funded positions are comprised of officers from the Department of Public Safety (16 officers), county law enforcement (3 officers), and local law enforcement agencies (15 officers).

The JLBC recommendation will fund 8 additional local law enforcement positions including 2 detectives in Mohave County, which has no officers assigned, and additional detectives in Yavapai and Pinal Counties. This increase will also cover training, equipment, and travel expenses for law enforcement personnel and replacement equipment of 2 Task Force vehicles with over 100,000 miles. This recommendation will have a significant impact on the Task Force’s ability to further reduce auto theft in Arizona. Prior to FY 1998, Arizona ranked 2nd in the nation for auto thefts per capita. Since the inception of the Task Force in FY 1998, auto thefts have decreased by 11.88% and the ATA has recovered \$10.50 in stolen property for every Task Force dollar spent. In this same period, the Task Force has also closed down 97 chop shop operations.

The recommended increase is the result of an increase in estimated ATA Fund revenues available for Task Force Grants. Since FY 1998, revenues have increased 68%. Revenues are generated primarily by a semiannual insurance assessment fee of \$0.50 per vehicle. Prior to FY 2000, the ATA accumulated large past due balances from insurers due to problems communicating a change in assessment methods. Since that time, enhanced collection and communication procedures have created a large fund balance and more accurate revenue projections. Based on projections that insurance assessment revenue will grow 2%, revenues are anticipated to be \$3,343,000 in FY 2002

and \$3,376,000 in FY 2003. The Legislature has traditionally appropriated the full level of receipts.

In addition, JLBC recommends a FY 2001 supplemental adjustment of \$556,200. Revenue collected in FY 2000 exceeded original projections leading to a fund balance of \$1,700,000. The supplemental adjustment will cover additional Task Force positions in FY 2001 and expanded operational costs of equipment, training, travel expenses, and replacement of 3 vehicles. The Executive concurs.

Grants for Prosecution OF 75,000 85,000

The JLBC recommends a total biennial increase of \$160,000 for grants to support prosecution of auto theft criminals. This amount includes a FY 2002 increase of \$75,000 above FY 2001 and a FY 2003 increase of \$85,000 above FY 2001. The recommended FY 2002 and FY 2003 amounts will fund additional 1.5 county positions for a legal secretary and attorney.

In addition to grants to the Task Force, ATA awards grants to counties to support dedicated prosecution efforts. This recommendation will allow increased grants to ATA’s “vertical” prosecution effort, which is an arrangement between the ATA and counties that requires the same attorney in each county to handle all cases submitted by the Task Force. Currently, prosecution grants are supported in Maricopa, Pima, and Pinal Counties where auto theft rates are highest. This ensures aggressive and cohesive prosecution efforts resulting from an exclusive relationship between the Task Force and county prosecutors. The Executive concurs.

Border Interdiction OF 344,700 315,500

The JLBC recommends a total biennial increase of \$660,200 for Operation Eagle Eye – Port of Entry. This amount includes a FY 2002 increase of \$344,700 above FY 2001 and a FY 2003 increase of \$315,500 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time start-up costs in FY 2002. This increase includes hardware, software, operational expenses and Professional and Outside Services for the Task Force to contract with 3 information technology specialists. License plate reader infrastructure is in place and maintained by U.S. Customs at no cost to the state.

This operation is part of the Border Interdiction program that gathers intelligence, intercepts stolen vehicles entering Mexico, and recovers vehicles abandoned in Mexico. Operation Eagle Eye will utilize digital imaging license plate readers, computers, and telecommunications equipment to capture license plate numbers of inbound and outbound vehicles at the Arizona border. This information will be compared to a database maintained by the Task Force and instantaneously alert law enforcement authorities when a stolen vehicle is identified. This technology is currently being utilized by U.S. Customs to compare vehicle license plate numbers to a federal databank used to combat drug smuggling. ATA will receive license plate information before it enters the

federal system and compare it to a state databank containing current information from the Department of Motor Vehicles and Arizona Criminal Justice Information System. The state databank will contain vehicle registration information and a listing of reported stolen vehicles. The Government Information Technology Agency (GITA) has approved the Project Investment Justification submitted by ATA for this new equipment. The Executive concurs.

Law Enforcement Grants OF 80,300 84,500

The JLBC recommends a total biennial increase of \$164,800 for grants to local law enforcement agencies. This amount includes a FY 2002 increase of \$80,300 above FY 2001 and a FY 2003 increase of \$84,500 above FY 2001. In addition to grants to the Task Force, ATA awards grants to local agencies to supplement law enforcement efforts with specific investigative objectives or geographical problem areas. Grants will be targeted to communities in the state experiencing high rates of vehicle theft that lack financial resources to combat the problem and cover costs for investigation, prosecution, and public awareness programs. The Executive concurs.

“Watch Your Car”

Program OF 23,300 23,300

The JLBC recommends a total biennial increase of \$46,600 for the “Watch Your Car” Program and other public awareness programs. This amount includes an increase of \$23,300 in both FY 2002 and FY 2003 above FY 2001. The “Watch Your Car” Program is a voluntary public awareness program where vehicle owners register their vehicles with the ATA. The vehicle is entered into a special database, developed and maintained by the ATA, which is directly linked to the Motor Vehicle Division. Decals are displayed on front and rear car windows to indicate that the vehicle is not usually in use between 1:00 a.m. and 5:00 a.m., when the majority of thefts occur. Increased funding will cover advertising and printing expenses. The Executive concurs.

Vehicle Recovery

Partnership OF 25,000 -0-

The JLBC recommends a one-time increase of \$25,000 for a vehicle recovery partnership program. This increase will cover web page design costs, modems, software, consulting fees, and start-up costs. Through the partnership with Sonora, Mexico, the ATA will distribute 55 surplus computers to law enforcement agencies in Mexico. The computers will be used to establish a communications link between Mexico and the Task Force to increase vehicle recovery. The Executive concurs.

Equipment OF (25,000) (25,000)

The JLBC recommends a total biennial decrease of \$(50,000) for office equipment. This amount includes

elimination of \$(35,000) for one-time FY 2001 equipment funding, a one-time increase of \$10,000 in FY 2002 for replacement of 1 copier and a one-time increase of \$10,000 in FY 2003 for replacement of 3 personal computers. The Executive concurs.

Public Relations OF (50,000) (50,000)

The JLBC recommends a total biennial decrease of \$(100,000) from the operating budget for Professional and Outside Services. This amount includes a decrease of \$(50,000) in both FY 2002 and FY 2003 from FY 2001. This reduction reflects the discontinued use of a public relations firm. The ATA will now use local police departments in public awareness programs and advertising. The Executive concurs.

Out-of-State Travel OF (4,500) (4,500)

The JLBC recommends a total biennial decrease of \$(9,000) from the operating budget for travel. This amount includes a decrease of \$(4,500) in both FY 2002 and FY 2003 from FY 2001. This reduction is the result of a decrease in conference participation and completion of a communication network between the ATA and state auto theft agencies throughout the country. The Executive concurs.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning excess revenue collections in FY 2000 and FY 2001 because of enhanced revenue projection and collection methods.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental adjustment of \$556,200 from the ATA Fund for the Auto Theft Authority Task Force. Increased funding to the Task Force will fund additional local law enforcement positions including 5 detectives, 1 intelligence research specialist, 1 criminal intelligence analyst, and 1 administrative support specialist assigned to areas throughout the state not currently covered. Expansion will include Mohave, Yavapai, and Pinal Counties and add support personnel to the Border Interdiction Program. Revenue collected in FY 2000 exceeded original projections leading to a fund balance of \$1,700,000. (See Grants to the Task Force for more information.)

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Auto Theft Authority (ATA2060/A.R.S. § 41-3451) Appropriated

Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds.

Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.

Funds Expended	2,422,200	2,475,100	3,885,600	3,896,600
Year-End Fund Balance	1,655,900	2,885,300	2,344,800	1,826,700

Federal Grants (ATA2000/A.R.S. § 35-142) Non-Appropriated

Source of Revenue: Federal grants.

Purpose of Fund: To support projects combating vehicle theft in Arizona.

Funds Expended	50,000	240,000	0	0
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

State Banking Department

Richard C. Houseworth, Superintendent of Banks

JLBC: Pat Mah
OSP: Randy Hillier

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Supervision	1,884,400	1,957,000	1,994,400	1,992,800	1,978,200	1,978,700
Regulatory Affairs	721,400	802,000	805,100	804,500	789,200	790,100
Receiverships	43,800	50,100	52,500	52,400	52,400	52,400
AGENCY TOTAL	2,649,600	2,809,100	2,852,000	2,849,700	2,819,800	2,821,200

OPERATING BUDGET

Full Time Equivalent Positions	52.0	52.0	52.0	52.0	52.0	52.0
Personal Services	1,883,100	1,999,100	2,028,900	2,028,900	2,028,900	2,028,900
Employee Related Expenditures	369,400	401,200	412,100	410,000	412,500	410,500
All Other Operating Expenditures:						
Professional and Outside Services	8,000	19,000	19,500	19,400	19,500	19,400
Travel - In State	55,100	50,000	50,000	50,000	50,000	50,000
Travel - Out of State	32,400	18,000	18,000	18,000	18,000	18,000
Other Operating Expenditures	291,800	296,800	298,500	298,400	265,900	269,400
Equipment	9,800	25,000	25,000	25,000	25,000	25,000
AGENCY TOTAL	2,649,600	2,809,100	2,852,000	2,849,700	2,819,800	2,821,200

FUND SOURCES

General Fund	2,649,600	2,809,100	2,852,000	2,849,700	2,819,800	2,821,200
SUBTOTAL - Appropriated Funds	2,649,600	2,809,100	2,852,000	2,849,700	2,819,800	2,821,200
Other Non-Appropriated Funds	145,500	200,000	200,000	200,000	200,000	200,000
TOTAL - ALL SOURCES	2,795,100	3,009,100	3,052,000	3,049,700	3,019,800	3,021,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	40,600	1.4%	12,100	0.4%	52,700

AGENCY DESCRIPTION — *The department regulates state-chartered financial entities in order to assure financial soundness. These entities include money transmitters, motor vehicle dealers, holding companies, trust companies, sales finance companies, collection agencies, escrow agents, debt management companies, consumer lenders, mortgage bankers, mortgage brokers, premium finance companies, savings and loan associations, credit unions, and banks.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of examinations reports mailed within 25 days of examiner's completion of exam procedures	90.0/86.3	90.0/88.2	90.0	90.0
• % of license applications approved within 45 days of receipt	95.0/91.0	95.0/87.9	95.0	95.0
• Open receiverships	1/2	1/1	1	1
• % of examinations receiving satisfactory rating	85.0/88.2	85.0/90.4	85.0	85.0
• Average days from receipt to resolution of regular complaints	22.0/29.4	31.0/30.2	23	23
• % of complainants indicating they received "good" or better service when filing a complaint	80.0/79.2	75.0/72.0	75.0	75.0
• Administration as a % of total cost	NA	15.4/NA	15.4	14.8

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$33,700	\$ 33,700
ERE Rates	GF	5,300	5,800
Risk Management	GF	1,100	600
Rent	GF	500	(28,000)

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The Banking Department shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed its expenditure from the state General Fund.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FTE Funding

The department requests a General Fund increase of \$35,300 in FY 2002 and \$28,700 in FY 2003 for funding of its 52 authorized FTE Positions. The department indicates that it is unable to compete with the private sector for hiring Senior Financial Institutions Examiners. Therefore, it has used vacancy savings the last 3 years to hire new employees at a salary rate higher than the Special Recruitment Rate that is authorized for these positions. As a result, the agency reports that it is unable to fully fund 2 of its 52 authorized FTE Positions should several banks fail and the filling of all authorized FTE Positions become necessary. The JLBC does not recommend the requested additional funding. Existing resources are already more than adequate for the department's operations. For example, the department under spent its FY 2000 appropriation by \$101,700. This amount includes under spending in the Personal Services line item by \$75,500. The Legislature could consider supplemental funding if bank failures occur during the FY 2002 - FY 2003 biennium. The Executive concurs.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Arizona Escrow Recovery (BDA2341/A.R.S. § 6-847.01)

Non-Appropriated

Source of Revenue: Within the fund, the Superintendent shall keep separate and distinct the following 2 accounts: 1) real property escrow agents account; and 2) all other escrow agents account. All real property escrow agents shall make a one-time contribution of \$5,000 plus 3% of gross escrow fees until the real property escrow subaccount balance reaches \$4,000,000. Real property escrow agents may be asked to resume payment if claims draw the subaccount balance below \$4,000,000 or if there is an open escrow receivership that may require additional monies. Escrow agents other than real property agents pay into the fund as prescribed by the Superintendent.

Purpose of Fund: To pay claims against escrow agents. Each year, the department may be reimbursed up to 2% of the fund balance for administration costs.

Funds Expended	0	0	0	0
Year-End Fund Balance	4,788,200	4,891,600	4,995,000	5,098,400

Receivership Revolving (BDA3023/A.R.S. § 6-135.01)

Non-Appropriated

Source of Revenue: Revenue generated from the sale of assets of firms under receivership, and transfers from the Banking Department Revolving Fund.

Purpose of Fund: To cover the department's costs of administering receiverships.

Funds Expended	25,700	25,000	25,000	25,000
Year-End Fund Balance	945,000	931,500	906,500	881,500

Revolving (BDA2126/A.R.S. § 6-135)

Non-Appropriated

Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.

Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$50,000 are transferred to the Banking Department Receivership Revolving Fund.

Funds Expended	119,800	175,000	175,000	175,000
Year-End Fund Balance	61,500	50,000	50,000	50,000

[Click here to return to Table of Contents](#)

Board of Barbers

JLBC: Kim Hohman
 OSPB: Theresa Garcia

Mario Herrera, Executive Director
 House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Board of Barbers	162,000	172,000	189,200	192,100	184,400	186,300
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0	3.0	3.0	3.0
Personal Services	105,000	107,200	111,300	111,300	111,300	111,300
Employee Related Expenditures	20,300	21,400	27,000	27,500	27,200	27,700
All Other Operating Expenditures:						
Professional and Outside Services	3,100	800	8,300	10,700	3,300	4,700
Travel - In State	11,400	16,400	16,400	16,400	16,400	16,400
Travel - Out of State	1,100	1,300	1,300	1,300	1,300	1,300
Other Operating Expenditures	21,000	24,900	24,900	24,900	24,900	24,900
Equipment	100	0	0	0	0	0
AGENCY TOTAL	162,000	172,000	189,200	192,100	184,400	186,300

FUND SOURCES						
Board of Barbers Fund	162,000	172,000	189,200	192,100	184,400	186,300
SUBTOTAL - Appropriated Funds	162,000	172,000	189,200	192,100	184,400	186,300
TOTAL - ALL SOURCES	162,000	172,000	189,200	192,100	184,400	186,300

CHANGE IN FUNDING SUMMARY	<u>FY 2001 to FY 2002 JLBC</u>		<u>FY 2001 to FY 2003 JLBC</u>		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	20,100	11.7%	14,300	8.3%	34,400

AGENCY DESCRIPTION — *The board licenses barbers, inspects barbering establishments, and investigates violations of sanitation requirements and barbering procedures. It conducts hearings and imposes enforcement actions where appropriate.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	4,300/4,553	4,600/4,562	4,650	4,770
• Number of complaints received about licensees	250/300	300/300	300	300
• Average calendar days to resolve a complaint	21/21	21/21	21	21
• Number of inspections of barbers/barber schools	2,000/1,161	2,000/1,430	2,000	2,000
• Average calendar days to renew a license (from receipt of application to issuance)	5/5	5/5	5	5
• Administration as a % of total cost	NA	10/NA	10	10

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$1,800	\$1,800
ERE Rates	OF	5,600	5,800

Rules Writer OF **5,000** **-0-**
 The JLBC recommends a total biennial increase of \$5,000 for one-time rule writing services. This amount includes a FY 2002 increase of \$5,000 above FY 2001. This funding

will provide for a contracted rule writer who will complete the board's 5-year rule review as well as revise existing rules as needed. The board has not updated its rules since 1994. The Executive concurs.

Executive Director Salary OF **2,800** **2,800**
 The JLBC recommends a total biennial increase of \$5,600 to increase the Director's salary, effective July 1, 2001. This amount includes an increase of \$2,800 in both FY 2002 and FY 2003 above FY 2001. The board voted to

increase the Director's salary at its July 2000 meeting. The Executive concurs.

General Accounting

Office OF 1,900 1,900

The JLBC recommends a total biennial increase of \$3,800 for General Accounting Office (GAO) services. This amount includes an increase of \$1,900 in both FY 2002 and FY 2003 above FY 2001. GAO provides varying levels of accounting support for agencies based on hours of service needed, as well as the agencies' in-house capabilities. When the new Arizona Financial Information System (AFIS) was implemented in 1992, GAO provided free accounting services to smaller agencies that were not connected on-line to AFIS. In FY 2002, GAO will begin charging for these services. The board utilizes GAO's full accounting service, which includes data entry, performing reconciliations, maintaining vendor files, and monthly-customized financial reports. The board will require \$1,900 in both FY 2002 and FY 2003 for this level of service. The Executive concurs.

Temporary Personnel OF 1,400 1,400

The JLBC recommends a total biennial increase of \$2,800 for funding temporary help as needed. This amount includes an increase of \$1,400 in both FY 2002 and FY 2003 above FY 2001. The board is required by statute to process licenses within 7 days. The recommended funding provides for 2 weeks of temporary help during staff vacations and sick leave to ensure the statutory requirement is fulfilled. Currently, the board does not receive funding for this issue. The Executive does not recommend funding for this issue.

Computer Customization OF 1,000 -0-

The JLBC recommends a total biennial increase of \$1,000 for one-time computer customization. This amount includes a FY 2002 increase of \$1,000 above FY 2001. This amount will provide for an information technology specialist to customize the board's database according to its needs. The Executive does not recommend funding for this issue.

Computer Training OF 600 600

The JLBC recommends a total biennial increase of \$1,200 to allow 3 staff members to take computer-training classes each year. This amount includes an increase of \$600 in both FY 2002 and FY 2003 above FY 2001. Two of the agency's 3 FTE Positions are in need of basic computer training and the third needs additional training to handle their new database. The recommended amount will allow 3 staff members to attend word processing and database management computer classes each year, a total of 6 classes. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Board of Barbers (BBA2007/A.R.S. § 32-305)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of barbers, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.				
Funds Expended	162,000	172,000	192,100	186,300
Year-End Fund Balance	208,500	208,700	206,600	218,400

[Click here to return to Table of Contents](#)

Board of Behavioral Health Examiners

Debra Rinaudo, Executive Director

JLBC: Gina Guarascio

House Subcommittee: Johnson

OSPB: Christine Sato

Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Board of Behavioral Health Examiners	497,700	587,300	678,500	684,600	697,700	708,600
Contingency SLI	0	600	0	0	0	0
AGENCY TOTAL	497,700	587,900	678,500	684,600	697,700	708,600

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	0.0	11.0	12.0	12.0	13.0	13.0
Personal Services	264,300	333,900	373,700	375,600	397,000	398,900
Employee Related Expenditures	51,800	64,000	88,300	87,000	94,900	93,700
All Other Operating Expenditures:						
Professional and Outside Services	20,500	44,700	42,600	45,300	42,600	45,300
Travel – In State	9,300	10,000	10,000	10,000	10,000	10,000
Travel - Out of State	1,300	8,300	8,300	8,300	8,300	8,300
Other Operating Expenditures	140,800	110,100	132,500	155,300	127,500	149,300
Equipment	9,700	16,300	23,100	3,100	17,400	3,100
OPERATING SUBTOTAL	497,700	587,300	678,500	684,600	697,700	708,600
Special Line Items	0	600	0	0	0	0
AGENCY TOTAL	497,700	587,900	678,500	684,600	697,700	708,600

FUND SOURCES

Board of Behavioral Health Examiners Fund	497,700	587,900	678,500	684,600	697,700	708,600
SUBTOTAL - Appropriated Funds	497,700	587,900	678,500	684,600	697,700	708,600
TOTAL – ALL SOURCES	497,700	587,900	678,500	684,600	697,700	708,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	96,700	16.4%	120,700	20.5%	217,400

AGENCY DESCRIPTION — *The board certifies and regulates behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licenses issued (new and existing)	NA	NA/4,798	5,348	5,724/6,100
• Number of complaints received about licensees	60/30	75/60	65	65
• Average days to resolve a complaint	NA	NA/400	300	180
• Number of inspections/investigations	NA	NA	48	48
• Average days to renew a license (from receipt of application to issuance)	NA/150	120/60	30	30
• Administration as a % of total cost	NA	NA	13	13/14

Comments:

- Numbers shown for administrative costs reflect dollar amounts reported by the agency. The board did not provide estimates for prior years.
- The board does not provide licenses; certification for behavioral health professionals is voluntary.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 5,000	\$ 5,000
ERE Rates	OF	14,500	14,800
Risk Management	OF	600	600
Rent	OF	1,200	1,200

Complaint

Investigations	OF	36,100	33,000
-----------------------	-----------	---------------	---------------

The JLBC recommends a total biennial increase of \$69,100 for an assistant investigator position. This amount includes a FY 2002 increase of \$36,100 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$33,000 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Currently, the board employs 1 investigator who also has responsibilities as deputy director. The board has a 9-month backlog of complaints awaiting investigation. The Auditor General's office has found that state regulatory boards should complete complaint investigations in 6 months or less. The Executive concurs.

Credentialing

Specialist	OF	-0-	34,000
-------------------	-----------	------------	---------------

The JLBC recommends a total biennial increase of \$34,000 for a credentialing specialist position. This amount includes a FY 2003 increase of \$34,000 and 1 FTE Position above FY 2001. Currently, the board has 1 FTE Position devoted to processing certification renewals and certification verification requests from employers and insurance companies regarding behavioral health professionals. The board projects a 27% increase in renewals and verifications by 2003. The Executive concurs.

Increase Office Space	OF	25,900	18,700
------------------------------	-----------	---------------	---------------

The JLBC recommends a total biennial increase of \$44,600 for increased office space. This amount includes a FY 2002 increase of \$25,900 above FY 2001 and a FY 2003 increase of \$18,700 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment, including additional file cabinets and bookcases for proper storage of certification and renewal applications. Currently, the board occupies 1,797 sq. ft. With the addition of 2 FTE Positions over the biennium to handle increased workload, the board requires additional space. The Board of Appraisal, which occupies space adjacent to the board, will be relocating, and the board proposes to acquire the space (1,300 sq. ft.) the Board of Appraisal currently occupies. The Executive concurs.

Salary Increase	OF	13,400	13,400
------------------------	-----------	---------------	---------------

The JLBC recommends a total biennial increase of \$26,800 to fund a salary increase and Employee Related

Expenses for the Executive Director. This amount includes a FY 2002 increase of \$13,400 in both FY 2002 and FY 2003 above FY 2001. Currently, the Director's salary is near the bottom end of the pay scale; this package would raise the salary level by \$12,000. The Executive concurs.

OAH Cost Allocation Plan	OF	-0-	-0-
---------------------------------	-----------	------------	------------

Previously, 90/10 Boards paid for Office of Administrative Hearings (OAH) services out of their base budgets. The OAH billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spend on each agency in FY 2000. (See the OAH section for further information.)

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$600 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures, or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges would be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount. The Executive recommends a total biennial decrease of \$(4,200). This includes a reduction of \$(2,100) in both FY 2002 and FY 2003 from FY 2001. The Executive recommendation reflects the difference between what the board had originally allocated for OAH charges and what will be charged.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
-------------------------	----------------	----------------	----------------	----------------

Board of Behavioral Health Examiners (BHA2256/A.R.S. § 32-3254)	Appropriated
--	---------------------

Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.

Funds Expended	497,700	587,900	684,600	708,600
Year-End Fund Balance	317,500	362,100	407,100	464,900

[Click here to return to Table of Contents](#)

Arizona State Boxing Commission

Johnny Montano, Executive Director

JLBC: Tony Vidale
OSP: Theresa Garcia

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Arizona State Boxing Commission	69,600	76,200	80,700	80,400	80,300	80,400

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5	1.5	1.5	1.5
Personal Services	43,000	45,900	49,800	49,800	49,800	49,800
Employee Related Expenditures	12,100	13,200	13,800	13,500	13,400	13,500
All Other Operating Expenditures:						
Professional and Outside Services	2,000	3,000	3,000	3,000	3,000	3,000
Travel - In State	700	2,000	2,000	2,000	2,000	2,000
Travel - Out of State	1,300	700	700	700	700	700
Other Operating Expenditures	10,500	11,400	11,400	11,400	11,400	11,400
AGENCY TOTAL	69,600	76,200	80,700	80,400	80,300	80,400

FUND SOURCES

General Fund	69,600	76,200	80,700	80,400	80,300	80,400
SUBTOTAL - Appropriated Funds	69,600	76,200	80,700	80,400	80,300	80,400
TOTAL - ALL SOURCES	69,600	76,200	80,700	80,400	80,300	80,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	4,200	5.5%	4,200	5.5%	8,400

AGENCY DESCRIPTION — *The Boxing Commission licenses, investigates and regulates the professional boxing and kickboxing industry in Arizona. The Department of Racing is responsible for collection and accounting of Boxing Commission revenues.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of new licenses issued	350/278	350/163	350	350
• Number of bouts	125/80	125/78	125	125
• Number of investigations	2/3	4/6	4	6
• Disciplinary actions	2/0	2/2	2	6
• % of bouts without serious injury	100/100	100/100	100	100
• Administration as a % of total cost	NA	0/NA	0	3.1

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$ 800	\$ 800
ERE Rates	GF	(200)	(200)

Salary Increase GF 3,600 3,600
The JLBC recommends a total biennial increase of \$7,200 for a salary increase for the Executive Director. This amount includes an increase of \$3,600 in both FY 2002 and FY 2003 above FY 2001. This recommendation

represents a 10% increase and will raise the salary comparable to existing Executive Directors in the same salary grade with similar workload. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The Boxing Commission shall report to the President of the Senate, the Speaker of the House of Representatives, the Chairman of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee on a semiannual basis. The report shall contain the number of boxing events, gross receipts, state revenues and license fee collections.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Performance Audits

The Auditor General's performance audit noted revenues collected from boxing-related license fees and taxes on event receipts were not sufficient to cover costs of regulating boxing. The report addressed promoters' noncompliance with revenue-related requirements, which made it difficult to determine taxes owed from event ticket receipts, and some fighting contests claiming amateur status to avoid regulation and tax payments. To increase revenues, the Auditor General recommended strict enforcement of existing statutes to enforce revenue-related requirements and expanding regulatory authority to amateur contests. The JLBC recommends addressing any budgetary needs associated with this when regulatory authority is expanded through legislation.

[Click here to return to Table of Contents](#)

Department of Building and Fire Safety

N. Eric Borg, Director

JLBC: Bruce Groll
OSPB: Theresa Garcia

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Administration	1,173,100	1,249,400	1,296,200	1,259,900	1,296,800	1,260,800
Manufactured Housing	1,315,900	1,317,600	1,278,800	1,280,800	1,280,200	1,282,000
State Fire Marshal	785,500	1,055,100	1,156,400	1,067,800	1,128,800	1,068,700
AGENCY TOTAL	3,274,500	3,622,100	3,731,400	3,608,500	3,705,800	3,611,500

OPERATING BUDGET

Full Time Equivalent Positions	71.5	74.5	76.5	74.5	76.5	74.5
Personal Services	1,918,200	2,263,800	2,339,700	2,297,600	2,339,700	2,297,600
Employee Related Expenditures	468,400	549,600	593,500	582,100	597,400	585,700
All Other Operating Expenditures:						
Professional and Outside Services	104,800	19,900	19,900	19,900	19,900	19,900
Travel - In State	207,200	308,600	314,600	308,600	314,600	308,600
Travel - Out of State	3,800	6,000	6,000	6,000	6,000	6,000
Other Operating Expenditures	449,800	390,600	428,800	394,300	428,200	393,700
Equipment	122,300	83,600	28,900	0	0	0
AGENCY TOTAL	3,274,500	3,622,100	3,731,400	3,608,500	3,705,800	3,611,500

FUND SOURCES

General Fund	3,274,500	3,622,100	3,731,400	3,608,500	3,705,800	3,611,500
SUBTOTAL - Appropriated Funds	3,274,500	3,622,100	3,731,400	3,608,500	3,705,800	3,611,500
Other Non-Appropriated Funds	876,500	1,039,000	1,113,000	1,113,000	1,148,000	1,148,000
TOTAL - ALL SOURCES	4,151,000	4,661,100	4,844,400	4,721,500	4,853,800	4,759,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(13,600)	-0.4%	(10,600)	-0.3%	(24,200)

AGENCY DESCRIPTION — *The agency enforces safety standards for manufactured homes, mobile homes, factory-built buildings and recreational vehicles. The agency also includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of manufactured homes complaints concerning quality and safety closed vs. complaints filed	89.4/93.2	89.5/85.6	84.8	89.6/92.5
• Manufactured homes inspected in the plant	9,070/10,066	9,576/10,210	10,852	11,235/11,880
• % of fire code enforcement inspections completed vs. required annual inspections	NA	66/NA	75	85
• Area fire training sessions held	143/137	157/157	135	135
• Cost per student at State Fire School (\$)	83/89	91/87	95	98/100
• Administration as a % of total cost	NA	14.6/NA	14.6	14.2/14.5

Comments:

- The JLBC recommends that the agency implement a new performance measure to determine the % of fire code enforcement inspections completed vs. required annual inspections.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 38,300	\$ 38,300
ERE Rates	GF	28,000	31,600
Risk Management	GF	3,700	3,100
Rent	GF	-0-	-0-
Equipment	GF	(83,600)	(83,600)

The JLBC recommends a total biennial decrease of \$(167,200) for one-time equipment funded in FY 2001. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency *(The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Additional Deputy Fire Marshal I Positions

The Department of Building and Fire Safety (DBFS) is requesting a total biennial increase of \$420,300 to fund 4 Deputy Fire Marshal FTE Positions to meet statutory annual fire safety inspection mandates for schools, state, and county buildings under A.R.S. § 41-2163A4. This amount includes a FY 2002 increase of \$260,900 and 4 FTE Positions above FY 2001 and a FY 2003 increase of \$159,400 and 4 FTE Positions above FY 2001. The FY 2003 requested increase is lower due to the elimination of one-time equipment of \$101,500.

The Executive recommends a total biennial increase of \$103,300 and 1 Deputy Fire Marshal FTE Position. This amount includes a FY 2002 increase of \$64,400 above FY 2001 and a FY 2003 increase of \$38,900 above FY 2001. The Executive's FY 2003 recommended increase is lower due to the elimination of one-time equipment of \$25,500. The JLBC does not recommend an increase.

According to DBFS, statewide new construction has resulted in a 68% increase in the number of required safety and occupancy inspections since 1995. Additionally, DBFS notes that the establishment of 438 charter schools requiring regular inspections and increases in other occupancies including state buildings (15%), county buildings (42%), and schools (17%) has prevented the department from providing timely annual inspections. However, DBFS has not been able to provide us with sufficient back-up data to support their request. We specifically asked DBFS for summary baseline and current year data used to calculate these percentage increases, the number of inspections not timely completed due to the inspector shortage, and to quantify how the additional inspectors would mitigate the problem.

In the September 1999 Performance Audit (Report No. 99-16), the Office of the Auditor General reported that the "State is at risk due to inadequate fire safety inspection coverage." Current law requires fire safety inspections for all public and private school buildings throughout the state, except for private schools in cities with populations greater than 100,000 persons. These inspections, whether for public or for-profit facilities, are paid for with state General Fund monies. There is no provision for charging a fee. The Auditor General's report did not recommend additional personnel.

Permanent Data Entry Position

As a critical issue, DBFS is asking for a total biennial increase of \$43,800 for a 1 Clerical Typist III FTE Position. This amount includes a FY 2002 increase of \$23,600 above FY 2001 and a FY 2003 increase of \$20,200 above FY 2001. The FY 2003 requested increase is lower due to the elimination of one-time equipment of \$3,400.

The Executive recommends a total biennial increase of \$47,600 and 1 Clerical Typist III FTE Position. The JLBC does not recommend an increase.

The Office of the Auditor General in the September 1999 Performance Audit (Report No. 99-16) recommended that DBFS "...better manage its record keeping system to accurately document...building inspections and reinspections...by assigning permanent staff to update and maintain its files and database...". The Auditor General's report did not recommend additional personnel.

The most recent DBFS Personnel Report shows that 5.5 FTE Positions of the department's 74.5 appropriated FTE Positions are vacant. These vacancies include 3 Clerical Typist FTE Positions. The JLBC recommends filling one of these existing positions or reassigning an existing filled position this responsibility, and no additional funding.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Arson Detection Reward (MMA2169/A.R.S. § 41-2167) Non-Appropriated

Source of Revenue: Donations, court imposed fines, and monies from forfeiture of bail posted for arson convictions.

Purpose of Fund: To provide rewards for information leading to convictions of arson cases.

Funds Expended	9,300	3,000	3,000	3,000
Year-End Fund Balance	18,800	16,500	14,200	12,000

Building and Fire Safety (MMA2211/A.R.S. § 41-2173) Non-Appropriated

Source of Revenue: Intergovernmental Agreement with the Department of Environmental Quality and the Department of Health Services. Registration fees charged to fire training school participants.

Purpose of Fund: The fund is used: a) to implement a fire and life safety inspection program for the removal or installation of storage tanks; to ensure that owners and operators are complying with and reporting environmental releases to the proper agencies; b) to implement a fire and life safety inspection program for all buildings licenses under Federal Medicaid and Medicare Programs and provide staff to perform inspections; and c) to provide training classes, at the local level, to address the needs of volunteer firefighters.

Funds Expended	270,100	350,000	385,000	385,000
Year-End Fund Balance	154,400	136,300	119,600	143,500

Consumer Recovery (MMA3090/A.R.S. § 41-2188) Non-Appropriated

Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.

Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.

Funds Expended	30,300	36,000	43,000	50,000
Year-End Fund Balance	314,400	295,200	271,000	241,800

Manufactured Housing Cash Bond (MMA3722/A.R.S. § 41-2179) Non-Appropriated

Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.

Purpose of Fund: To make payments to consumers who are damaged by the failure of a licensee to perform sales or installation agreements or to perform repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.

Funds Expended	0	0	0	0
Year-End Fund Balance	456,600	482,200	510,600	542,200

Mobile Home Relocation (MMA2237/A.R.S. § 33-1476.02) Non-Appropriated

Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest. Once the fund balance reached \$5,000,000, assessments will no longer be collected and the only revenue will be from interest.

Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.

Funds Expended	566,800	650,000	682,000	710,000
Year-End Fund Balance	5,418,500	5,671,400	5,991,500	6,393,900

[Click here to return to Table of Contents](#)

State Board for Charter Schools

Cassandra A. Larsen, Director

JLBC: Patrick Fearon
OSP: Dawn Nazary

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
State Board for Charter Schools	437,300	651,900	579,300	683,800	605,300	714,800
OPERATING BUDGET						
Full Time Equivalent Positions	8.0	8.0	8.0	8.0	8.0	8.0
Personal Services	192,200	254,300	257,500	257,500	257,500	257,500
Employee Related Expenditures	55,800	63,600	61,500	60,900	61,800	61,200
All Other Operating Expenditures:						
Professional and Outside Services	17,500	246,500	171,500	271,500	196,500	296,500
Travel - In State	1,200	10,000	10,000	15,000	10,000	20,000
Travel - Out of State	2,000	10,000	10,000	10,000	10,000	10,000
Food	100	0	0	0	0	0
Other Operating Expenditures	48,100	67,500	68,800	68,900	69,500	69,600
Equipment	7,900	0	0	0	0	0
OPERATING SUBTOTAL	324,800	651,900	579,300	683,800	605,300	714,800
Charter School Monitoring	112,500	0	0	0	0	0
AGENCY TOTAL	437,300	651,900	579,300	683,800	605,300	714,800

FUND SOURCES

General Fund	437,300	651,900	579,300	683,800	605,300	714,800
SUBTOTAL - Appropriated Funds	437,300	651,900	579,300	683,800	605,300	714,800
TOTAL - ALL SOURCES	437,300	651,900	579,300	683,800	605,300	714,800

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	31,900	4.9%	62,900	9.6%	94,800

AGENCY DESCRIPTION — The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community who are appointed by the Governor, and 3 members of the Legislature who serve as advisory members.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Applications received	75/55	50/55	55	45/40
• Applications approved	25/25	25/54	50	28/25
• On-site monitoring visits	115/125	150/100	150	175/200
• Complaints regarding schools that it sponsors	75/150	300/50	55	60/65
• Administration as a % of total cost	NA	3.0/NA	3.0	2.1/2.0

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 3,600	\$ 3,600
ERE Rates	GF	(3,100)	(2,800)
Risk Management	GF	500	400
Rent	GF	900	1,700

Contracted Audit Reviews GF 25,000 50,000

The JLBC recommends a total biennial General Fund increase of \$75,000 for Professional and Outside Services to accommodate an increased number of contracted audit reviews by the board. This amount includes a FY 2002 increase of \$25,000 above FY 2001 and a FY 2003 increase of \$50,000 above FY 2001. The increases are recommended due to continued rapid growth in the number of charter schools sponsored by the board, and

therefore in the number of charter schools requiring audit reviews.

Under A.R.S. § 15-914, charter schools must contract each year for either a financial and compliance audit or a financial statement audit, depending on the amount of federal money received. The board itself does not conduct the audits, but is responsible for approving charter schools' contracts with auditors and for notifying charter schools and the Arizona Department of Education of any failure to comply with statutory audit requirements. For this function, the board contracts with an outside accounting firm to review audit reports submitted by sponsored charter schools.

In FY 2001, the board expects to conduct 107 audit reviews at a projected cost of \$84,500. Due to projected growth in the number of schools under its sponsorship, the board estimates that it will conduct 183 audit reviews in FY 2002 at a cost of \$109,500 and 203 audit reviews in FY 2003 at a cost of \$134,500. These projected increases pertain partly to Laws 2000, Chapter 90, which permits district-sponsored charter schools to transfer their sponsorship either to this board or to the State Board of Education. Many charter schools are taking advantage of this opportunity in order to avoid paying sponsorship fees required by some school districts. Prior to FY 2001, those fees often were more than offset by higher transportation funding that was allowed for district-sponsored charter schools only. The recommended funding increases also take into account the board's expectation that its increased audit review volume will allow it to negotiate better prices with its contractor.

The board's audit reviews originally were funded by a separate Charter School Monitoring Special Line Item, but that line item has been eliminated in preparation for program budgeting. Of the \$200,000 appropriated for Charter School Monitoring for FY 2000, only a total of \$112,500 was spent because not all schools were audited that year. (The board plans to audit all of its sponsored schools every year starting in FY 2001.) The \$112,500 total consisted of \$107,300 for Professional and Outside Services, including \$61,000 for audit reviews and \$46,300 for mandated surveys of charter school parents and employees. The remaining \$5,200 was expended on Equipment. For FY 2001, the \$200,000 appropriation for Charter School Monitoring has been incorporated into the agency's operating budget. Of that total, \$143,500 is included in Professional and Outside Services, \$43,500 appears under Personal Services, and \$13,000 appears under Employee Related Expenditures.

The Executive concurs.

Increased Site Visits GF 5,000 10,000

The JLBC recommends a total biennial General Fund increase of \$15,000 for Travel - In State to allow increased monitoring visits to charter school sites. This amount includes a FY 2002 increase of \$5,000 above FY 2001 and a FY 2003 increase of \$10,000 above FY 2001. The change is recommended because of new legislation

mandating more extensive on-site reviews and increases in the number of trips.

Laws 2000, Chapter 90 mandated that the board conduct extensive reviews of each charter school every 5 years. The board projects that its 5-year-review trips will increase from 25 in FY 2001 to 35 in FY 2002 and 40 in FY 2003, at an average cost of \$100 per trip, based on experience in FY 2001. Moreover, the board's staff has begun asking for reimbursement of Travel - In State costs after a period of failing to do so.

The Executive does not recommend any increase for Travel - In State. However, the Executive believes that increased travel commitments could be financed, if necessary, by savings from the elimination of a footnote requiring the board to conduct annual surveys of charter school employees and parents (*see Other Issues for Legislative Consideration, below*).

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

The State Board for Charter Schools shall conduct a survey of parents of charter school students in order to establish parent quality ratings for every charter school in this state. THE BOARD ALSO SHALL CONDUCT A SURVEY OF EMPLOYEES IN EACH CHARTER SCHOOL IN THE STATE IN ORDER TO DETERMINE, FOR EACH EMPLOYEE, THE EMPLOYEE'S QUALITY RATING FOR THE CHARTER SCHOOL WHERE THE EMPLOYEE WORKS. Each charter school in this state shall provide the board with the information needed in order to conduct the SURVEYS. ~~survey. The appropriated amount includes \$25,000 in FY 2002 and \$25,000 in FY 2003 to conduct a survey of employees in each charter school in the state in order to determine, for each employee, the employee's quality rating for the charter school where the employee works.~~ *The modification consolidates 2 previously separate but related footnotes and eliminates an obsolete reference to the cost of 1 of the surveys.*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends eliminating the footnote requiring the board to conduct annual satisfaction surveys. The Executive recommends eliminating \$100,000 associated with the surveys from Other Operating Expenditures in FY 2002 and FY 2003. The Executive believes that the surveys do not provide useful information because many charter schools do not provide data. The JLBC believes, however, that surveys from those who do respond provide parents with important information that they otherwise would not have.

[Click here to return to Table of Contents](#)

State Board of Chiropractic Examiners

Patrice Pritzl, Executive Director

JLBC: Beth Kohler
OSP: Theresa Garcia

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Chiropractic Examiners	300,400	312,000	332,200	345,400	320,900	339,400
Contingency SLI	0	600	0	0	0	0
AGENCY TOTAL	300,400	312,600	332,200	345,400	320,900	339,400

OPERATING BUDGET

	4.5	4.5	4.5	5.0	4.5	5.0
<i>Full Time Equivalent Positions</i>						
Personal Services	170,700	165,400	175,100	195,000	175,100	195,000
Employee Related Expenditures	30,700	30,300	31,600	34,600	31,600	35,500
All Other Operating Expenditures:						
Professional and Outside Services	15,700	21,000	27,900	29,100	24,900	26,100
Travel - In State	2,500	4,300	4,300	4,300	4,300	4,300
Travel - Out of State	4,700	5,500	5,500	5,500	5,500	5,500
Other Operating Expenditures	63,300	85,500	66,000	67,000	67,700	68,700
Equipment	12,800	0	21,800	9,900	11,800	4,300
OPERATING SUBTOTAL	300,400	312,000	332,200	345,400	320,900	339,400
Special Line Items	0	600	0	0	0	0
AGENCY TOTAL	300,400	312,600	332,200	345,400	320,900	339,400

FUND SOURCES

Board of Chiropractic Examiners Fund	300,400	312,600	332,200	345,400	320,900	339,400
SUBTOTAL - Appropriated Funds	300,400	312,600	332,200	345,400	320,900	339,400
TOTAL - ALL SOURCES	300,400	312,600	332,200	345,400	320,900	339,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	32,800	10.5%	26,800	8.6%	59,600

AGENCY DESCRIPTION — *The board licenses, investigates, and conducts examinations of chiropractors who practice a system of therapy in which disease is considered the result of neural malfunction. Manipulation of the spinal column and other structures is the preferred method of treatment.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	2,700/2,476	2,800/2,488	2,587	2,690/2,797
• Number of complaints received about licensees	148/137	148/148	152	156
• Average calendar days to resolve a complaint	NA/90	NA/75	75	75/73
• Number of investigations of licensees	NA/133	142/148	148	152/156
• Average calendar days to renew a license (from receipt of application to issuance)	25/15	25/15	15	15
• Administration as a % of total cost	NA	8.7/NA	8.7	7.9/8.0

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 2,600	\$ 2,600
ERE Rates	OF	300	1,200
Risk Management	OF	100	100

Salary Increases **OF** **13,800** **13,800**

The JLBC recommends a total biennial increase of \$27,600 for salary increases for the Executive Director, Deputy Director, and Investigator. This amount includes an increase of \$13,800 in both FY 2002 and FY 2003 above FY 2001. The Executive Director's position was reclassified in FY 2000 and an increase of \$3,800 brings her salary to the minimum required for that class. The Deputy Director originally had no administrative duties, but is now responsible for both agency programs and office management. The Deputy Director's salary is lower than that of comparable personnel in other agencies. An increase of \$6,700 will allow the agency to attract and retain qualified individuals for that position. The Investigator has been responsible for an increased number of complaints and investigations, as well as monitoring an increased number of licensees. The number of investigations has increased by 11% from FY 1998 to FY 2000. The Investigator's salary is lower than that of comparable personnel in other agencies. An increase of \$3,300 will allow the agency to attract and retain qualified individuals for that position. The Executive recommends a FY 2002 and FY 2003 increase of \$3,800 above FY 2001 for the Executive Director's salary increase but does not recommend funding salary increases for the Deputy Director and the Investigator.

Clerk/Typist **OF** **11,200** **11,200**

The JLBC recommends a total biennial increase of \$22,400 to convert 1 existing part-time Clerk/Typist to full-time. This amount includes an increase of \$11,200 and 0.5 FTE Positions in both FY 2002 and FY 2003 above FY 2001. The agency has faced an increased workload due to new requirements regarding the training of chiropractic assistants, and a 25% increase in public record requests and licensing confirmation requests. The Clerk/Typist is responsible for handling mailings related to these issues. The Executive does not address this issue.

Board Expenses **OF** **6,000** **6,000**

The JLBC recommends a total biennial increase of \$12,000 to compensate for an increase in board member work hours. This amount includes an increase of \$6,000 in both FY 2002 and FY 2003 above FY 2001. The current budget compensates board members for the time they spend attending meetings, conferences, and training but does not include time spent preparing for meetings. This increase in compensation would cover the additional day per month board members spend preparing for meetings. The Executive recommends an increase of \$4,000 in both FY 2002 and FY 2003 above FY 2001.

Rules Writer **OF** **4,000** **4,000**

The JLBC recommends a total biennial increase of \$8,000 for the board to contract with a rules writer. This amount includes an increase of \$4,000 in FY 2002 and FY 2003 above FY 2001. The Executive Director currently performs these functions in addition to her administrative duties. The Executive concurs

Security **OF** **500** **500**

The JLBC recommends a total biennial increase of \$1,000 for additional security services. This amount includes an increase of \$500 in FY 2002 and FY 2003 above FY 2001. The board utilizes security services at board meetings. The current budget is based on a meeting length of 5 hours but the average meeting length has increased to 7 hours. The additional funds would cover security services for the entire meeting. The Executive does not address this issue.

Equipment **OF** **12,900** **4,300**

The JLBC recommends a total biennial increase of \$17,200 for one-time equipment. This amount includes a FY 2002 increase of \$12,900 above FY 2001 and a FY 2003 increase of \$4,300 above FY 2001. The FY 2002 amount is for the purchase of 3 new computers and for a boardroom speakerphone. The FY 2003 amount includes a modular workstation for the board's investigator and additional chairs for the boardroom. The Executive recommends \$10,800 in FY 2002 for the computers and \$2,800 in FY 2003 for the modular workstation.

Rent Technical Adjustment **(18,600)** **(16,900)**

The JLBC recommends a total biennial decrease of \$(35,500) for technical adjustments related to the board's rent. This amount includes a FY 2002 decrease of \$(18,600) below FY 2001 and a FY 2003 decrease of \$(16,900) below FY 2001. In FY 2000, the board received a \$12,400 increase in rent due to an expected move. The FY 2001 appropriation continued this additional rent and included an increase of \$12,200 for operations and maintenance charges associated with the new location. The board did not move and the recommended amount includes a decrease of \$(24,600) in both FY 2002 and FY 2003 below FY 2001 to eliminate the additional rent and operations and maintenance monies the board received for the move. The FY 2002 recommended amount includes an increase of \$6,000 due to an increase in the board's lease payments, for a net decrease of \$(18,600) below FY 2001. The FY 2003 amount also includes an increase of \$7,700 due to a further increase in the board's lease payments, for a net decrease of \$(16,900) below FY 2001.

The Executive recommends a FY 2002 decrease of \$(10,600) below FY 2001 and a FY 2003 decrease of \$(8,900) below FY 2001.

OAH Cost Allocation Plan **OF** **-0-** **-0-**

Previously, 90/10 Boards paid for Office of Administrative Hearings (OAH) services out of their base budgets. The OAH billing rates did not reflect actual costs. A General

Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information).

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$600 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures, or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges would be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount. The Executive recommends a decrease of \$(100) in both FY 2002 and FY 2003 below FY 2001.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency’s total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Filing System

The Executive recommends a total biennial increase of \$5,000 for a new filing system. This amount includes an increase of \$5,000 in FY 2002 above FY 2001. The JLBC does not recommend funding for this issue because the agency was already appropriated monies to replace the filing system in FY 2000. The board spent the monies appropriated for the filing system on a lobbyist.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Board of Chiropractic Examiners (CEA2010/A.R.S. § 32-906)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund				
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.				
Funds Expended	300,400	312,600	345,400	339,400
Year-End Fund Balance	296,700	281,700	236,800	201,000

[Click here to return to Table of Contents](#)

Citizens Clean Election Commission

Colleen Connor, Director

JLBC: Indya Kincannon
OSP: Randy Hillier

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
FUND SOURCES						
Other Non-Appropriated Funds	544,100	3,370,900	2,209,700	2,209,700	16,616,900	16,616,900
TOTAL - ALL SOURCES	544,100	3,370,900	2,209,700	2,209,700	16,616,900	16,616,900

AGENCY DESCRIPTION — *The Citizens Clean Elections Commission provides full public funding to qualified candidates who agree to abide by the Commission's guidelines. To qualify for funding, participating candidates must adhere to spending and contribution limits and gather \$5 qualifying contributions from district constituents who are registered voters. Participating candidates also agree to attend required debates. The Commission's budget is not subject to legislative appropriation.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of certified participating candidates	NA	NA/20	48	177/NA
• Number of certified participating candidates receiving primary election funding	NA	NA/7	50	177/NA
• Number of certified participating candidates receiving general election funding	NA	NA	44	NA/111
• Total funds distributed to participating candidates	\$0	NA/\$75,600	\$1,871,200	\$0/\$14,359,100
• Number of candidates submitting statements for the Voter Education Guide	NA	NA/181	NA	275/NA
• Administration as a % of total cost	NA	NA	9	9

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Citizens Clean Elections (ECA2425/A.R.S. § 16-949)

Non-Appropriated

Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; lobbyist registration fees; "qualifying contributions" on behalf of candidates who seek public campaign funding; revenues from a check-off box on state income tax forms; citizen donations and tax credits.

Purpose of Fund: To fund administrative costs of the new Citizens Clean Election Commission that was established as a result of passage of Proposition 200 in November of 1998; to fund campaigns of candidates who qualify for public campaign funding under A.R.S. § 15-950, and fund activities pertaining to voter education.

Funds Expended

Balance Forward	453,600	5,702,000	7,896,600	11,151,900
Revenue:				
Civil Penalties (election related)	0	0	0	0
Fine Surcharge	3,924,500	3,900,000	3,900,000	3,900,000
Lobbyist Fees	15,800	100,500	0	0
Qualifying Contributions	10,000	80,500	401,500	0
\$5 Check Off Box	1,615,300	1,431,500	1,123,300	1,300,700
Donations/Tax Credits	60,700	53,000	40,200	264,300
Other	166,200	0	0	0
Total Funds Available	6,246,100	11,267,500	13,361,600	16,616,900
Expenditures:				
Operating Funds Expended	468,500	1,499,700	2,209,700	2,257,800
Candidate Funding	75,600	1,871,200	0	14,359,100
Total Funds Expended	544,100	3,370,900	2,209,700	16,616,900
Transfer Out to General Fund	0	0	0	0
Year-End Fund Balance	5,702,000	7,896,600	11,151,900	0

[Click here to return to Table of Contents](#)

Department of Commerce

Jackie Norton, Director

JLBC: Jim Rounds
 OSPB: Marcel Benberou

House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	97.5	100.5	93.5	91.5	93.5	91.5
Personal Services	3,193,100	3,469,900	3,262,900	3,068,100	3,262,900	3,068,100
Employee Related Expenditures	610,700	701,100	650,800	580,300	642,400	581,800
All Other Operating Expenditures:						
Professional and Outside Services	177,600	191,800	463,000	156,800	463,000	156,800
Travel - In State	56,400	59,800	61,800	59,000	61,800	59,000
Travel - Out of State	24,300	27,400	22,400	23,000	22,400	23,000
Other Operating Expenditures	1,804,300	1,800,300	929,400	891,200	925,500	890,200
Equipment	51,400	40,900	50,500	38,000	41,500	38,000
OPERATING SUBTOTAL	5,917,800	6,291,200	5,440,800	4,816,400	5,419,500	4,816,900
SPECIAL LINE ITEMS						
International Trade Offices	770,100	1,194,800	976,000	976,000	976,000	976,000
Business Assistance Center						
Minority and Women Owned Business	108,600	110,300	111,100	111,000	111,100	111,100
Small Business Advocate	105,900	108,700	108,800	110,000	108,800	110,000
Rural Community Assistance						
Economic Development Matching Funds	90,100	104,000	104,000	104,000	104,000	104,000
Main Street	129,900	130,000	130,000	130,000	130,000	130,000
REDI Matching Grants	45,000	45,000	45,000	45,000	45,000	45,000
Rural Tourism	97,200	106,200	106,200	106,100	106,200	106,200
National Marketing						
Advertising and Promotion	620,300	659,200	659,200	659,200	659,200	659,200
Motion Picture Development	626,700	640,400	640,000	640,200	640,200	640,400
Senior Living Office	175,600	202,600	203,700	203,600	203,700	203,700
CEDC Office of Senior Living	174,200	198,300	197,200	197,200	197,200	197,200
Strategic Finance						
CEDC Commission	143,900	240,600	247,900	248,300	247,900	248,300
Greater Arizona Development Authority	9,000,000	0	0	0	0	0
Workforce Recruitment/Training	6,000,000	11,000,000	0	15,000,000	0	15,000,000
Mexico Projects						
National Law Center/Free Trade	250,000	250,000	250,000	250,000	250,000	250,000
Other						
High Technology Clusters	0	100,000	0	0	0	0
Apprenticeship Services	0	151,300	143,600	152,900	153,100	153,000
Clean Air Fund	0	1,000,000	0	0	0	0
Housing Development Fund	0	500,000	0	0	0	0
Oil Overcharge Administration	125,200	133,200	0	139,200	0	139,300
Special Needs Housing	74,000	77,400	77,800	77,800	77,800	77,800
Williams AFB Economic Development	350,000	350,000	350,000	350,000	350,000	350,000
Arizona Partnership for the New Economy	0	0	2,500,000	0	2,500,000	0
AGENCY TOTAL	24,804,500	23,593,200	12,291,300	24,316,900	12,279,700	24,318,100
FUND SOURCES						
General Fund	20,063,700	10,099,800	8,565,000	5,658,100	8,557,300	5,659,400
Commerce Development Bond Fund	62,000	116,800	116,800	115,100	116,800	115,100
CEDC Fund	2,438,000	3,019,700	2,812,900	2,812,700	2,812,700	2,812,400
Housing Development Fund	0	500,000	0	0	0	0
Housing Trust Fund	206,000	231,300	374,500	343,500	370,800	343,600
Lottery Fund	168,800	240,600	247,900	248,300	247,900	248,300
Oil Overcharge Fund	1,866,000	1,885,000	174,200	139,200	174,200	139,300
Job Training Fund	0	7,500,000	0	15,000,000	0	15,000,000
SUBTOTAL - Other Appropriated Funds	4,740,800	13,493,400	3,726,300	18,658,800	3,722,400	18,658,700
SUBTOTAL - Appropriated Funds	24,804,500	23,593,200	12,291,300	24,316,900	12,279,700	24,318,100

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
Other Non-Appropriated Funds	13,545,400	44,107,800	48,947,900	33,947,900	44,247,500	29,247,500
Federal Funds	29,317,900	32,648,100	29,446,500	29,446,500	25,081,800	25,081,800
TOTAL - ALL SOURCES	67,667,800	100,349,100	90,685,700	87,711,300	81,609,000	78,647,400

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(4,441,700)	-44.0%	(4,440,400)	-44.0%	(8,882,100)
Other Appropriated Funds	5,165,400	38.3%	5,165,300	38.3%	10,330,700
Total Appropriated Funds	723,700	3.1%	724,900	3.1%	1,448,600

AGENCY DESCRIPTION — *The department conducts programs to encourage the creation, expansion and retention of businesses in Arizona. The department has 11 major activities: Administration, the Governor's Strategic Partnership for Economic Development, the Arizona Business Assistance Center, National Marketing, Community Assistance, Energy, Financial Services, Housing and Infrastructure Development, International Trade and Investment, Motion Picture Development and the Senior Living Office.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of jobs created	13,200/11,600	13,800/16,100	15,500	15,500
• Number of workers trained	NA	7,100	8,000	12,000/13,000
• Number of new company relocations or expansions	60/67	60/62	60	60
• Export sales (\$ in billions)	NA/11.6	NA/12.4	13.0	13.0
• Average wage rate for new jobs created (in \$)	12.0/14.7	12.0/17.9	17.8	17.8
• Administration as a % of total cost	4.5/NA	4.5/NA	9.2	9.2

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 51,700	\$ 51,700
	OF 19,500	19,500
ERE Rates	GF (32,200)	(30,300)
	OF (15,500)	(15,200)
Risk Management	GF 5,700	5,100
	OF 4,200	3,800
Job Training Funding	GF (3,500,000)	(3,500,000)
	OF 7,500,000	7,500,000

The JLBC recommends a total biennial General Fund decrease of \$(7,000,000) in the Workforce Recruitment and Job Training Special Line Item for various job training programs. This amount includes a General Fund decrease of \$(3,500,000) in both FY 2002 and FY 2003 from FY 2001.

Laws 2000, Chapter 383 reduced the department's FY 2001 General Fund appropriation to this program from \$7,000,000 to the above \$3,500,000. An intent statement included in the legislation reads that beginning in FY 2002 all General Fund allocations to the department's job training programs are to be removed. This recommendation follows the direction included in the legislation.

In-lieu of the General Fund appropriations, the legislation provides the department a 0.1% increase in the employers' wage tax to be used on job training beginning January 1, 2001. Chapter 383 requires the deposit of these wage tax monies into the Job Training Fund for use by the Department of Commerce. These monies are continuously appropriated and are not subject to legislative appropriation.

This new funding mechanism is expected to generate \$7,500,000 in FY 2001 under partial year implementation of the program. When fully implemented in FY 2002 and FY 2003, the wage tax is expected to generate an additional \$7,500,000, for a total of \$15,000,000 in each year.

Under this recommendation, total job training funding will equal \$11,000,000 in FY 2001. This amount is comprised of \$3,500,000 from the state General Fund, and \$7,500,000 from the above wage tax increase. In FY 2002 and FY 2003, total job training funding will equal the \$15,000,000 generated by the wage tax, and no General Fund dollars will be used to support the program.

These new tax monies are displayed in the JLBC recommended appropriation amounts for information purposes only. Since Chapter 383 provides for the ongoing appropriation of these funds, they will not be

included in the General Appropriation Act. The Executive concurs, but does not display the additional wage tax monies in the recommended amounts.

Eliminate Transfers to

Clean Air Fund GF (1,000,000) (1,000,000)

The JLBC recommends a total biennial General Fund decrease of \$(2,000,000) in the Clean Air Fund Special Line Item. This amount includes a decrease of \$(1,000,000) in both FY 2002 and FY 2003 from FY 2001.

Laws 1996, Chapter 6, 7th Special Session provides for an annual appropriation of \$1,000,000 from the General Fund to the Clean Air Fund in each year the state receives monies related to the Farm and Home Settlement. The last of the settlement monies will be deposited with the state in FY 2001. Therefore, no additional appropriations will occur in FY 2002 and beyond. The Executive concurs.

Eliminate Cluster Development

Funding GF (100,000) (100,000)

The JLBC recommends a total biennial General Fund decrease of \$(200,000) in monies appropriated for high technology cluster development. This amount includes a decrease of \$(100,000) in both FY 2002 and FY 2003 from FY 2001.

Laws 2000, Chapter 367 appropriated \$100,000 from the General Fund in FY 2001 for use on cluster development. The department views this as a one-time appropriation and does not request continued funding. The Executive concurs.

Rent GF 133,600 133,600
OF 28,400 28,400

The JLBC recommends a total biennial increase of \$324,000 for rent costs. This biennial increase includes \$267,200 in additional General Fund costs, and \$56,800 in costs from 5 other funds. The annual change equates to half of this amount, or a total increase of \$162,000 in both FY 2002 and FY 2003 from FY 2001.

The department entered into a new lease agreement in May 2000 at a rate of \$19.77 per square foot. The previous lease required only \$13.66 per square foot. The change in recommended funding is entirely the result of the rate increase as no additional space was acquired. The Executive concurs.

Equipment GF (500) (500)
OF (4,400) (4,400)

The JLBC recommends a total biennial General Fund decrease of \$(1,000) for equipment. This amount includes the elimination of \$(36,500) in one-time FY 2001 equipment funding, and an increase of \$36,000 in FY 2002 and FY 2003 to be used on network maintenance and miscellaneous equipment purchases over the biennium.

The JLBC also recommends a total biennial decrease of \$(4,200) from the Commerce and Economic Development

Commission (CEDC) Fund, \$(2,800) from the Housing Trust Fund, and \$(1,800) from the Commerce Development Bond Fund, all related to the elimination of one-time FY 2001 equipment funding. The Executive does not address this issue.

Continue Apprenticeship Services

Funding GF -0- -0-

The JLBC recommends the \$151,300 in General Fund appropriations for 3 FTE Positions transferred from the Department of Economic Security to the Department of Commerce in FY 2001 be continued in FY 2002 and FY 2003. Laws 2000, Chapter 51 provided for this transfer of responsibility. The Executive concurs.

Continue Additional Law

Center Funding OF -0- -0-

The JLBC recommends the \$100,000 appropriated in FY 2001 from the CEDC Fund for use on the National Law Center for Inter-American Free Trade be continued in FY 2002 and FY 2003.

Laws 2000, Chapter 392 appropriated the additional CEDC monies in FY 2001 only. However, the intent of the legislation was to provide for a permanent increase in the Law Center's funding. The recommended continuation of the FY 2001 appropriation will maintain total annual Law Center CEDC funding at \$250,000. The Executive concurs.

Eliminate Housing Development

Funding OF (500,000) (500,000)

The JLBC recommends a total biennial Housing Development Fund decrease of \$(1,000,000) for use on housing development assistance around state prisons. This amount includes a decrease of \$(500,000) in both FY 2002 and FY 2003 from FY 2001. In FY 2001, \$500,000 was appropriated for this purpose. The department does not plan any loans or grants related to this program in either FY 2002 or FY 2003. The Executive concurs.

Housing Administration OF 56,200 56,200

The JLBC recommends a total biennial Housing Trust Fund increase of \$112,400 for expenses related to the administration of the fund. This amount includes an increase of \$56,200 in both FY 2002 and FY 2003 from FY 2001. The additional funding would be used for general office operations.

The department has been using Personal Services dollars from a vacated FTE Position to pay for general office expenses. This recommendation would allow for the full funding of the office expenses, and would result in the department being able to fill its vacant position to expedite the processing of low income housing paperwork. The Executive recommends \$74,800 in FY 2002 and \$71,000 in FY 2003.

Position Transfer OF 47,600 47,600

The JLBC recommends a total biennial Housing Trust Fund increase of \$95,200 for expenses related to the transfer of a Housing Commission coordinator from the Governor’s Office to the Department of Commerce. This amount includes an increase of \$47,600 and 1 FTE Position in both FY 2002 and FY 2003 from FY 2001. A like amount is recommended as a decrease in the budget of the Office of the Governor. The Executive concurs.

Savings at International

Trade Offices OF (218,800) (218,800)

The JLBC recommends a total biennial CEDC Fund decrease of \$(437,600) to the International Trade Offices Special Line Item. This amount includes a decrease of \$(218,800) in both FY 2002 and FY 2003 from FY 2001.

The trade offices’ function is to assist Arizona companies export products. The department relocated to less expensive overseas office space to achieve this self-initiated savings. The Executive concurs.

Oil Overcharge Status

Change OF (1,751,800) (1,751,800)

The JLBC recommends a total biennial Oil Overcharge Fund decrease of \$(3,503,600) to reflect the change in the fund’s status from appropriated to non-appropriated. This amount includes a decrease of \$(1,751,800) and (10) FTE Positions in both FY 2002 and FY 2003 from FY 2001.

Laws 1999, Chapter 185 repealed the provisions of Laws 1998, Chapter 241 that appropriated the Oil Overcharge Fund. A General Appropriation Act appropriation exists for the fund in FY 2001, however, due to the change in the fund’s status, the department is not bound by the total amount of the appropriation. The portion of the fund that is used for administration expenses remains appropriated in FY 2002 and FY 2003. The Executive concurs.

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Agency

* * *

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

Small Community Planning

The Executive recommends a total biennial General Fund increase of \$817,800 for small community assistance spending related to the Growing Smarter project. The amount includes a FY 2002 increase of \$413,000 and 2 FTE Positions above FY 2001, and a FY 2003 increase of \$404,800 and 2 FTE Positions above FY 2001.

Laws 2000, Chapter 301 transferred responsibility of community assistance programs related to Growing Smarter from the Land Department to the Department of Commerce. The transfer related to this program did not include personnel or funding since the Land Department fully utilized one-time funding in the amount of \$252,000 that was set aside for this purpose. The JLBC does not recommend funding for this issue since the Legislature did not transfer any personnel from the Land Department to the Department of Commerce, and only provided for one-time funding for this program over the current biennium.

Arizona Partnership for the New Economy

The Executive recommends a total biennial General Fund increase of \$5,000,000 for “New Economy” expenditures. The amount includes an increase of \$2,500,000 in both FY 2002 and FY 2003 above FY 2001. These monies would be added in a Special Line Item.

The JLBC does not recommend funding for this issue. The project was initiated by the Executive and was not formally requested by the department.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
-------------------------	----------------	----------------	----------------	----------------

Arizona Clean Air (EPA1238/A.R.S. § 41-1516) **Non-Appropriated**

Source of Revenue: The Arizona Clean Air Fund (ACAF) has 7 revenue sources. Their descriptions are as follows:

- 1) Legislative appropriations. Laws 1996, 7th Special Session, Chapter 6, Section 44 requires that the first \$1,000,000 of any monies deposited to the General Fund in any fiscal year from the settlement proceeds of the Farm and Home, and Northstar cases be appropriated to the ACAF. This appropriation will terminate beginning in FY 2002.
- 2) A \$250,000 annual transfer from the Arizona Department of Environmental Quality’s (ADEQ) Air Quality Fund.
- 3) State agency appropriations for purchasing or converting alternative fuel vehicles that have not been spent by the end of each fiscal year. To date, this source has not generated any revenue for the fund.
- 4) Monies from the ADEQ Vehicle Repair Grant program that have not been spent at the end of each fiscal year.
- 5) A fee that owners of vehicles 5 years old or newer may pay in lieu of the vehicle emission inspections (A.R.S. § 49-543).
- 6) A minimum of 29% of revenues from computerized bingo or Pick-3 games and a minimum of 21.5% of revenues from instant bingo games after obligations are met to the Heritage Fund.
- 7) Gifts, grants, donations and interest.

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Purpose of Fund: To provide grants for alternative fuel vehicles, fuel stations, emissions test subsidies, and grants to the Hydrogen Grant Program. Required and discretionary uses of the fund are displayed below. For this table we assume that all monies available for discretionary spending will be fully utilized in the fiscal year that the funds become available. Discretionary spending includes grants for various projects that include the utilization of alternative fuels.

Revenues:				
Balance Forward	4,609,900	13,300,000	0	0
In-lieu Fees	10,549,500	11,700,000	11,700,000	11,700,000
Air Quality Fund	250,000	250,000	250,000	250,000
Farm and Home Settlement	0	1,000,000	0	0
Interest	417,700	400,000	400,000	400,000
Total Revenues	15,827,100	26,650,000	12,350,000	12,350,000

Funds Expended:				
<u>Required Grants</u>				
Alternative Fuel Vehicles	0	6,675,000	0	0
Diesel Vehicles	0	5,344,900	1,155,100	0
NAU Alternative Fuel Station	0	300,000	0	0
Prior Year Obligations	0	7,230,000	0	0
<u>Required Transfers</u>				
Emissions Test Subsidy	1,454,300	3,600,000	3,600,000	0
Transfer to V2R2 Program	0	2,400,000	0	0
AFV Holding Account	0	750,100	0	0
DEQ: Alt Fuel Emissions Data	0	100,000	0	0
Hydrogen Demonstration	0	250,000	250,000	0
Other	15,500	0	0	0
<u>Discretionary Spending</u>	<u>1,057,300</u>	<u>0</u>	<u>7,344,900</u>	<u>12,350,000</u>
Funds Expended	2,527,100	26,650,000	12,350,000	12,350,000
Year-End Fund Balance	13,300,000	0	0	0

Commerce Development Bond (EPA2196/A.R.S. § 35-726) Appropriated

Source of Revenue: Filing fees and charges for services related to the provision of a registry of bond allocations.
Purpose of Fund: To pay for the review and approval of all corporate bond financing related to the construction of multi-family apartments, sanitariums, clinics, medical hotels, retirement homes, nursing homes, skilled nursing facilities, and life-care centers.

Funds Expended	62,000	116,800	115,100	115,100
Year-End Fund Balance	1,754,400	1,852,600	1,946,800	2,041,000

Commerce and Economic Development Commission (EPA2245/A.R.S. § 41-1505.10) Partially Appropriated

Source of Revenue: Profits from 2 designated instant ticket lottery games, service fees and interest income.
Purpose of Fund: To be used on small business, rural business, and other financial assistance programs approved by the commission. The appropriated portions of the fund are used for various programs, while the non-appropriated funds are loans and grants.

Appropriated Funds Expended	2,438,000	3,019,700	2,812,700	2,812,400
Non-Appropriated Funds Expended	366,000	2,000,000	1,000,000	500,000
Year-End Fund Balance	4,778,700	2,599,900	1,506,400	858,700

Community Workshops (EPA2149/A.R.S. § 41-1503) Non-Appropriated

Source of Revenue: Workshop registration fees, publication fees, and environmental certification fees.
Purpose of Fund: To pay expenses incurred for workshops, the production and distribution of publications, and the monitoring of recycling industry development.

Funds Expended	370,300	344,000	361,100	343,000
Year-End Fund Balance	595,300	643,200	681,700	746,000

Donations (EPA3189/A.R.S. § 41-1504) Non-Appropriated

Source of Revenue: Gifts, grants, and donations.
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.

Funds Expended	236,900	237,400	249,300	236,800
Year-End Fund Balance	324,500	319,700	307,500	312,500

	FY 2000	FY 2001	FY 2002	FY 2003
Export Promotion (EPA2454/A.R.S. § 41-1504.02)				
				Non-Appropriated
Source of Revenue: Designed to receive fees related to promoting businesses that export from the state of Arizona, however, the program was not implemented.				
Purpose of Fund: To pay for the cost of promoting Arizona exports. The fund is currently inactive and no expenditures are planned.				
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0
Federal Grants (EPA2000/A.R.S. § 35-142)				
				Non-Appropriated
Source of Revenue: Federal grants for community development, job training, and home programs.				
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.				
Funds Expended	29,317,900	32,648,100	29,446,500	25,081,800
Year-End Fund Balance	742,600	817,700	1,133,200	1,461,800
Greater Arizona Development Authority Revolving (EPA2311/A.R.S. § 41-1554.03)				
				Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.				
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The fund was capitalized with \$20 million from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for the Department of Commerce's GADA operating costs, as well as technical and financial assistance to communities.				
Funds Expended	755,800	986,400	1,100,000	1,300,000
Year-End Fund Balance	20,473,800	20,638,200	20,717,700	20,626,700
Housing Development (EPA2313/A.R.S. § 41-1518)				
				Appropriated
Source of Revenue: Monies transferred through legislation from the Housing Trust Fund. The Legislature transferred \$500,000 from the Housing Trust Fund in FY 1999, however, no monies were expended. No transfer was provided in FY 2000, and \$500,000 was transferred in FY 2001.				
Purpose of Fund: To provide incentives for the development of affordable housing around state prisons for state prison employees.				
Funds Expended	0	500,000	0	0
Year-End Fund Balance	0	0	0	0
Housing Finance Review (EPA2234/A.R.S. § 35-142)				
				Non-Appropriated
Source of Revenue: Fees received from developers who participate in the Federal Low-Income Housing Credit program.				
Purpose of Fund: For administration of the federal program.				
Funds Expended	712,900	716,500	731,600	750,700
Year-End Fund Balance	30,600	0	700	200
Housing Trust (EPA2235/A.R.S. § 41-1512)				
				Partially Appropriated
Source of Revenue: Receives 55% of the proceeds from the sales of unclaimed property and interest income.				
Purpose of Fund: For expenses related to the provision of affordable housing opportunities to low and moderate income families. The appropriated portion pays for administration expenses, and may not to exceed 10% of the Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. (See <i>Housing Development Fund detail for additional information</i>).				
Appropriated Funds Expended	206,000	231,300	343,500	343,600
Non-Appropriated Funds Expended	6,394,900	9,349,500	15,029,900	9,989,000
Year-End Fund Balance	18,535,200	17,233,600	10,503,500	8,575,400
Hydrogen Grant Program (EPA2462/A.R.S. § 41-1515)				
				Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Clean Air Fund, gifts, grants and donations.				
Purpose of Fund: To encourage through the use of grants the use of hydrogen in projects that benefit the public.				
Funds Expended	0	250,000	250,000	0
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

International Development Authority (No Fund Number/A.R.S. § 41-1553.04)

Non-Appropriated

Source of Revenue: Tolls, fees, and rents for use of any authority facility or for services rendered by the authority.

Purpose of Fund: The International Development Authority (IDA) facilitates international trade and commerce between the state and other countries. The authority, which has the ability to use bonds, is a corporate body and a political subdivision of the state, independent of the Department of Commerce. The state is not responsible for any costs incurred by the authority including compensation for board members or employees. The Department of Commerce currently reports no activity in this fund.

Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

Job Training (EPA1237/A.R.S. § 41-1544)

Partially Appropriated

Source of Revenue: Formerly the Workforce Recruitment and Job Training Fund. Legislative appropriations, gifts, grants, interest earned on investments, and other monies. Pursuant to Laws 2000, Chapter 383, beginning in FY 2001 the fund will also receive proceeds from a 0.1% increase in the employers' wage tax. It is estimated that this wage tax will generate \$7,500,000 in FY 2001, and \$15,000,000 in FY 2002 when fully implemented. Also, beginning in FY 2001, \$3,500,000 of the original \$7,000,000 General Fund appropriation to this fund will be eliminated. By FY 2002, all General Fund appropriations to this fund will be eliminated. The additional wage tax dollars are displayed below as appropriated monies to be consistent with the budget recommendation table on the previous page.

Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for small and rural businesses.

Appropriated Funds Expended	0	7,500,000	15,000,000	15,000,000
Funds Expended from the General Fund	2,116,300	3,500,000	0	0
Non-Appropriated Funds Expended	2,116,300	3,500,000	1,000,000	2,000,000
Year-End Fund Balance	15,756,000	17,857,300	18,105,700	17,371,500

Lottery (EPA2122/A.R.S. § 5-521)

Appropriated

Source of Revenue: Revenues from the sale of Lottery tickets. (*See Arizona State Lottery Commission for more detail.*)

Purpose of Fund: This portion of the fund is used to administer the Commerce and Economic Development Commission.

Funds Expended	168,800	240,600	248,300	248,300
Year-End Fund Balance	241,900	241,900	236,200	230,600

Neighborhood Preservation and Investment (EPA2424/A.R.S. § 41-889)

Non-Appropriated

Source of Revenue: Federal grants, gifts and donations.

Purpose of Fund: To reimburse cities through the use of grants for expenditures related to neighborhood preservation projects. The Department of Commerce currently reports no activity in this fund.

Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

Oil Overcharge (EPA3171/A.R.S. § 41-1509)

Partially Appropriated

Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.

Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state. Laws 1999, Chapter 185 repealed the provisions of Laws 1998, Chapter 241 that appropriated the Oil Overcharge Fund. The entire fund is displayed as appropriated in FY 2000 and FY 2001 only. In FY 2002 and FY 2003, the portion of the fund that is used for loans, grants, and energy conservation programs is displayed as non-appropriated. The monies used for administration are displayed as appropriated in all years.

Appropriated Funds Expended	1,866,000	1,885,000	139,200	139,300
Non-Appropriated Funds Expended	0	0	1,800,000	1,700,000
Year-End Fund Balance	13,506,500	12,484,700	11,284,300	10,072,900

Recycling (EPA2289/A.R.S. § 49-837)

Non-Appropriated

Source of Revenue: Gifts, grants, donations and landfill disposal fees. At least 4%, but not more than 5%, of the Recycling Fund receipts will be transferred from the Arizona Department of Environmental Quality (ADEQ) to the Department of Commerce. (*See ADEQ for the remainder of revenues and expenditures.*)

Purpose of Fund: To: 1) develop state market development strategies; 2) coordinate business recruitment and expansion programs, as well as provide technical assistance to companies using post-consumer materials; 3) advise ADEQ in evaluation of grants; and 4) coordinate the advisory committee on recycled materials markets.

Funds Expended	65,200	74,000	76,000	78,000
Year-End Fund Balance	57,700	133,700	137,700	139,700

[Click here to return to Table of Contents](#)

State Compensation Fund

Donald A. Smith, Jr., President

JLBC: Rebecca Hecksel

DESCRIPTION	CY 1999	CY 2000	CY 2001		CY 2002	
	ACTUAL	ESTIMATE	REQUEST	JLBC	REQUEST	JLBC
FUND SOURCES						
State Compensation Fund	40,993,000	40,857,300	46,455,600	46,359,900	47,929,100	47,833,400
SUBTOTAL - Non-Appropriated Funds	40,993,000	40,857,300	46,455,600	46,359,900	47,929,100	47,833,400
TOTAL - ALL SOURCES	40,993,000	40,857,300	46,455,600	46,359,900	47,929,100	47,833,400

AGENCY DESCRIPTION — *The State Compensation Fund insures employers against liability for workers' compensation, occupational disease compensation, and medical, surgical, and hospital benefits pursuant to the provisions of Arizona and federal statutes. The JLBC approves the State Compensation Fund's biennial operating and capital outlay budget each even-numbered year. At the November 28, 2000 meeting, the JLBC approved the board's Calendar Year 2001 and 2002 budgets.*

PERFORMANCE MEASURES	CY 1998	CY 1999	CY 2000	CY 2001-02
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of policyholders	48,000/47,848	48,500/47,936	48,000	50,000/53,000
• Number of claims processed	37,800/39,037	35,900/35,603	36,600	39,500/43,500
• Premium income (dollars in millions)	\$190.0/\$206.4	\$165.0/\$180.1	\$185.0	\$200.0/\$212.0
• Investment income (dollars in millions)	\$185.4/\$166.4	\$190.0/\$165.3	\$149.8	\$148.1/\$153.5

SUMMARY OF FUNDS	CY 1999	CY 2000	CY 2001	CY 2002
* Represents calendar years				

State Compensation (TRA9002/A.R.S. § 23-981)

Non-Appropriated

Source of Revenue: Workers' compensation insurance premiums; investment income, including capital gains; other income.

Purpose of Fund: To insure employers against liability for workers' compensation, occupational disease compensation and medical, surgical and hospital benefits pursuant to the provisions of Arizona and federal statutes.

Funds Expended-Operating	40,993,000	40,857,300	46,359,900	47,833,400
Funds Expended-Dividends and Claims	230,800,000	228,700,000	232,800,000	241,900,000
Year-End Fund Balance	390,607,000	455,849,700	524,789,800	600,556,400

[Click here to return to Table of Contents](#)

Registrar of Contractors

Michael P. Goldwater, Director

JLBC: Rebecca Hecksel
OSP: Randy Hillier

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Regulatory Affairs	6,533,100	6,814,700	8,071,600	8,547,500	7,389,500	7,745,900
Incentive Pay SLI	60,000	60,000	60,000	113,500	60,000	113,500
Office of Admin. Hearings Costs SLI	836,500	852,000	817,900	818,100	817,900	817,900
AGENCY TOTAL	7,429,600	7,726,700	8,949,500	9,479,100	8,267,400	8,677,300

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	134.8	134.8	136.8	138.8	136.8	138.8
Personal Services	3,744,800	4,089,800	4,206,500	4,358,200	4,206,500	4,358,200
Employee Related Expenditures	860,500	1,015,900	1,050,400	1,073,100	1,055,300	1,078,100
All Other Operating Expenditures:						
Professional and Outside Services	48,700	27,200	348,700	418,300	169,200	238,700
Travel - In State	218,600	325,000	325,000	505,100	325,000	505,100
Travel - Out of State	5,000	11,800	11,800	11,800	11,800	11,800
Other Operating Expenditures	1,073,000	1,176,900	1,446,900	1,339,700	1,453,600	1,347,400
Equipment	582,500	168,100	682,300	841,300	168,100	206,600
OPERATING SUBTOTAL	6,533,100	6,814,700	8,071,600	8,547,500	7,389,500	7,745,900
Special Line Items	896,500	912,000	877,900	931,600	877,900	931,400
AGENCY TOTAL	7,429,600	7,726,700	8,949,500	9,479,100	8,267,400	8,677,300

FUND SOURCES

Registrar of Contractors Fund	7,429,600	7,726,700	8,949,500	9,479,100	8,267,400	8,677,300
SUBTOTAL - Appropriated Funds	7,429,600	7,726,700	8,949,500	9,479,100	8,267,400	8,677,300
Other Non-Appropriated Funds	3,362,900	3,490,100	3,493,500	3,493,500	3,529,000	3,529,000
TOTAL - ALL SOURCES	10,792,500	11,216,800	12,443,000	12,972,600	11,796,400	12,206,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
Other Appropriated Funds	1,752,400	22.7%	950,600	12.3%	2,703,000

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

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (New and existing)	45,840/43,363	49,048/45,001	46,351	47,742/49,174
• Number of complaints received (licensed contractors)	7,725/7,781	7,957/8,614	8,872	9,139/9,413
• Average calendar days from receipt of complaint to jobsite inspection	NA/35	22/37	21	18/14
• Number of inspections	9,247/9,573	9,524/10,585	10,903	11,230/11,567
• % of agency staff turnover	NA/10.7	NA/15.7	12.0	12.0
• Administration as a % of total cost	NA	28/NA	29	30

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	OF \$ 68,900	\$ 68,900
ERE Rates	OF 7,700	12,700
Risk Management	OF (4,300)	(5,400)
Rent	OF 127,200	114,800

Database Conversion OF 748,400 192,100

The JLBC recommends a total biennial increase of \$940,500 to replace the Registrar of Contractors' (ROC) database with one that will be Web enabled and will allow easier access of data. This amount includes a FY 2002 increase of \$748,400 above FY 2001 and a FY 2003 increase of \$192,100 above FY 2001. The ROC stores all information related to licensing and complaints on its database and would like to make some of this information accessible to the public through the Internet. The FY 2002 amount includes \$418,800 for equipment, \$299,500 for outside consultants, and \$30,100 for software licensing. The FY 2003 amount reflects a reduction of \$(556,300) for one-time FY 2002 equipment and consultants. Starting in FY 2004, a continuing appropriation of \$55,300 is needed for software licensing and equipment maintenance. The Executive concurs.

The Government Information Technology Agency (GITA) approved the Project Investment Justification submitted by the ROC for the replacement upon the condition that the ROC also consider participating in the statewide e-licensing project.

Investigators OF 226,600 134,800

The JLBC recommends a total biennial increase of \$361,400 for 3 investigator positions. This amount includes a FY 2002 increase of \$226,600 and 3 FTE Positions above FY 2001 and a FY 2003 increase of \$134,800 and 3 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The Yuma, Sierra Vista and Show Low offices each have 1 inspector position who is also responsible for performing all investigations. As the inspectors do not have law enforcement experience, investigations have been neglected. In addition, construction growth in these cities has created the need for increased investigative activities, including conducting random investigations at construction sites in order to deter unlicensed contractors. The recommended amount will provide 1 investigator in each of these offices. The Executive recommends a biennial increase of \$227,200 and 2 FTE Positions above FY 2001. This amount includes a FY 2002 increase of \$152,600 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$74,600 and 2 FTE Positions above FY 2001.

Equipment OF 163,800 42,700

The JLBC recommends a total biennial increase of \$206,500 for replacement equipment. The FY 2002 amount includes elimination of \$(164,400) for one-time

FY 2001 equipment and an increase of \$328,200 for the routine replacement of the network back-up system, a computer room power conditioner and air conditioner, 3 servers, 48 computers, and associated equipment. The recommended FY 2003 amount includes a reduction of \$(121,100) for one-time FY 2002 equipment and a one-time increase of \$198,000 to replace 72 additional desktop computers. The Executive recommends a biennial increase of \$56,900 for the network back-up system. This amount includes a FY 2002 increase of \$52,600 above FY 2001 and a FY 2003 increase of \$4,300 above FY 2001.

GITA has approved the Project Investment Justifications submitted by the ROC for the network back-up system, the replacement computers, and the servers. GITA approval was not required for the other equipment.

Motor Pool OF 152,400 152,400

The JLBC recommends a total biennial increase of \$304,800 for motor pool charges. This amount includes an increase of \$152,400 in both FY 2002 and FY 2003 above FY 2001. In addition to increased motor pool charges per vehicle effective in FY 2001, the ROC added 16 vehicles to its fleet in FY 2001. The ROC has 64 vehicles in its fleet and the recommended amount will provide a total of \$430,800 for motor pool charges in each year. The Executive does not address this issue.

Salary Increases OF 89,100 89,100

The JLBC recommends a total biennial increase of \$178,200 for salary increases for 5 executive positions and 2 Information Technology (IT) positions. This amount includes an increase of \$89,100 in both FY 2002 and FY 2003 above FY 2001. The Arizona Department of Administration (ADOA) recently reclassified all executive and IT positions and assigned the positions new salary ranges. While these positions within the ROC are uncovered by the ADOA personnel system, the recommended salary adjustments will allow the ROC to keep their salaries in line with similar covered state positions. The Executive does not address this issue.

Compliance Officer OF 78,400 54,500

The JLBC recommends a total biennial increase of \$132,900 for a Legal Department Compliance Officer. This amount includes a FY 2002 increase of \$78,400 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$54,500 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. A.R.S. § 32-1154 requires the ROC to issue citations against any additional license held by a licensee that has been disciplined. Each time a license is revoked or suspended, the ROC must check if any individual listed on the license is listed on any other licenses and must then issue a citation against those licenses. The Legal Department Manager is currently unable to perform both this function and his other duties. A full-time position dedicated to this process would free up the manager's time and would also serve as an enforcement officer to ensure

that all revocation orders are adhered to. The Executive does not address this issue.

Incentive Program OF 53,500 53,500

The JLBC recommends a total biennial increase of \$107,000 to the Incentive Pay Special Line Item to increase funding for the Performance Based Incentive Program. This amount includes an increase of \$53,500 in both FY 2002 and FY 2003 above FY 2001. The program was established in FY 1995 to reward employees for outstanding performance. Since the inception of the program, the ROC has increased its staff by 23 FTE Positions. In addition, Laws 1999, Chapter 138 allows compensation to be increased by \$100 per quarter. The recommended funding level provides for 50% of the maximum level of payouts.

The ROC has maintained performance measures to determine how employees influenced by the incentive program have improved their customer service. For example, since FY 1997, the percentage of customers indicating they received excellent service increased from 64% to 71%, and the average number of days it takes from receipt of complaint to investigation completion has decreased from 32 to 18. The Executive does not address this issue.

Increase Public

Awareness OF 40,000 40,000

The JLBC recommends a total biennial increase of \$80,000 for increased costs associated with promoting public awareness of the ROC. This amount includes an increase of \$40,000 in both FY 2002 and FY 2003 above FY 2001. The ROC promotes its services through radio, television, billboards and newspapers, and also utilizes the services of a public relations firm. The ROC has maintained the same funding level for this program since 1980 and media charges have since doubled. The Executive does not address this issue.

Plumbing Commission OF 29,600 29,600

The JLBC recommends a total biennial increase of \$59,200 for costs associated with administrative support provided by the ROC to the Arizona Uniform Plumbing Commission. This amount includes an increase of \$29,600 in both FY 2002 and FY 2003 above FY 2001. The ROC is required to provide support to the Commission, which was established in FY 1997 to adopt a state plumbing code. No monies were appropriated for this purpose, forcing the ROC to use funding from other programs. The recommended amount provides for operating supplies, printing, mailing, and temporary help. The Executive does not address this issue.

Attorney General OF 5,000 5,000

The JLBC recommends a total biennial increase of \$10,000 for increased Attorney General costs. This amount includes an increase of \$5,000 in both FY 2002 and FY 2003 above FY 2001. The ROC contracts with the Attorney General to mediate cases in an attempt to avoid a

full hearing. As this is a less costly option, the ROC works toward increasing the number of mediated cases in each year. The Executive concurs.

OAH Cost Allocation Plan OF (33,900) (34,100)

The JLBC recommends a total biennial decrease of \$(68,000) for a new Office of Administrative Hearings (OAH) cost allocation plan. This amount includes a FY 2002 decrease of \$(33,900) below FY 2001 and a FY 2003 decrease of \$(34,100) below FY 2001. Previously, all 90/10 Boards except the ROC, which received a yearly appropriation, paid for OAH services out of their base budgets on a per case basis. OAH's billing rates for other 90/10 Boards did not reflect actual costs, which led to a situation in which the ROC was subsidizing the other 90/10 Boards. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information.)

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in a decrease of \$(41,500) in FY 2001 for OAH charges. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount and include an increase of \$7,600 in FY 2002 and \$200 in FY 2003 for a total OAH charge of \$818,100 in FY 2002 and \$817,900 in FY 2003. The Executive concurs but recommends that the decrease start in FY 2002 and continue in FY 2003.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

The JLBC recommends deleting the footnote that states that it is the intent of the Legislature that monies received by the OAH from the ROC be deposited in an Office of Administrative Hearings Fund, and that future budget requests from the ROC and the OAH each reflect the annual cost of the services provided by the OAH for the ROC. As OAH's new cost allocation plan is based on the actual services provided, and the ROC will no longer be

the only 90/10 Board receiving an appropriation for OAH costs, JLBC believes that this footnote is no longer necessary.

utilized the services of OAH. It was legislative intent that the new plan be implemented in FY 2001. The JLBC recommends that the FY 2001 ROC contribution be reduced by \$(41,500) to reflect the new cost allocation plan with increased contributions from other 90/10 Boards. *(Please see OAH Cost Allocation Plan).*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental decrease of \$(41,500) to reflect the application of the new OAH cost allocation plan in FY 2001. Before the implementation of the plan, the ROC was subsidizing other 90/10 Boards that

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Registrar of Contractors (RGA2406/A.R.S. § 32-1107)				Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.				
Funds Expended	7,429,600	7,726,700	9,479,100	8,677,300
Year-End Fund Balance	4,556,600	4,703,900	3,398,800	3,252,800
Residential Contractors' Recovery (RGA3155/A.R.S. § 32-1132)				Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.				
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages cannot exceed \$20,000.				
Funds Expended	3,362,900	3,490,100	3,493,500	3,529,000
Year-End Fund Balance	5,964,800	6,313,900	6,808,000	7,438,700

[Click here to return to Table of Contents](#)

Corporation Commission

Honorable Carl Kunasek, Commissioner/Chrmn.

JLBC: Paul Shannon
 OSPB: Matt Gottheiner

House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Agency Support Services						
Central Administrative Services	1,617,200	1,444,800	1,972,500	1,687,600	2,369,400	2,025,200
Hearings	612,200	737,200	980,800	914,600	908,200	829,100
Legal	1,188,200	1,244,700	1,344,500	1,764,500	1,387,300	1,687,200
<i>Program Subtotal – Agency Support Services</i>	3,417,600	3,426,700	4,297,800	4,366,700	4,664,900	4,541,500
Corporations	4,037,200	4,090,200	3,998,800	4,276,300	3,944,200	4,271,800
Securities	4,331,500	4,448,400	4,473,400	4,658,900	4,484,000	4,815,800
Internet Fraud SLI	0	200,000	0	0	106,400	0
<i>Program Subtotal - Securities</i>	4,331,500	4,648,400	4,473,400	4,658,900	4,590,400	4,815,800
Railroad and Pipeline Safety	1,314,200	1,400,700	1,426,400	1,652,600	1,353,800	1,535,000
Railroad Warning Systems SLI	0	192,000	192,000	192,000	192,000	192,000
<i>Program Subtotal - Railroad and Pipeline Safety</i>	1,314,200	1,592,700	1,618,400	1,844,600	1,545,800	1,727,000
Utilities	4,960,100	5,245,400	5,516,800	5,924,100	5,496,700	5,883,800
Utility Audits and Studies SLI	78,100	380,000	380,000	380,000	380,000	380,000
<i>Program Subtotal - Utilities</i>	5,038,200	5,625,400	5,896,800	6,304,100	5,876,700	6,263,800
AGENCY TOTAL	18,138,700	19,383,400	20,285,200	21,450,600	20,622,000	21,619,900
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	296.5	296.5	299.5	312.5	305.5	320.5
Personal Services	10,655,100	11,470,500	11,907,500	12,443,300	12,099,500	12,713,800
Employee Related Expenditures	2,112,800	2,371,200	2,458,500	2,765,900	2,505,500	2,789,000
All Other Operating Expenditures:						
Professional and Outside Services	1,243,200	1,048,800	1,246,700	1,119,000	1,246,700	1,122,600
Travel - In State	163,700	230,500	232,000	245,200	233,400	252,300
Travel - Out of State	85,800	91,400	92,900	93,700	96,500	94,700
Other Operating Expenditures	2,502,900	2,766,300	3,094,500	3,191,600	3,075,400	3,204,900
Equipment	1,297,100	632,700	681,100	1,019,900	686,600	870,600
OPERATING SUBTOTAL	18,060,600	18,611,400	19,713,200	20,878,600	19,943,600	21,047,900
Special Line Items	78,100	772,000	572,000	572,000	678,400	572,000
AGENCY TOTAL	18,138,700	19,383,400	20,285,200	21,450,600	20,622,000	21,619,900
FUND SOURCES						
General Fund	5,938,900	6,105,400	5,659,600	6,436,800	6,027,600	6,769,800
Utility Regulation Revolving Fund	7,298,200	7,978,400	9,357,300	9,526,300	9,337,500	9,278,700
Pipeline Safety Revolving Fund	0	0	73,000	73,000	0	0
Security Regulatory and Enforcement Fund	2,608,400	2,882,600	2,808,100	2,851,200	2,924,600	3,008,100
Public Access Fund	1,568,900	1,670,400	1,632,800	1,801,800	1,577,700	1,801,800
Securities Investment Management Regulatory and Enforcement Fund	692,600	711,700	718,900	725,700	719,100	725,700
Arizona Arts Trust Fund	31,700	34,900	35,500	35,800	35,500	35,800
SUBTOTAL - Other Appropriated Funds	12,199,800	13,278,000	14,625,600	15,013,800	14,594,400	14,850,100
SUBTOTAL - Appropriated Funds	18,138,700	19,383,400	20,285,200	21,450,600	20,622,000	21,619,900
Federal Funds	94,300	88,400	88,400	88,400	88,400	88,400
TOTAL - ALL SOURCES	18,233,000	19,471,800	20,373,600	21,539,000	20,710,400	21,970,300

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	331,400	5.4%	664,400	10.9%	995,800
Other Appropriated Funds	1,735,800	13.1%	1,572,100	11.8%	3,307,900
Total Appropriated Funds	2,067,200	10.7%	2,236,500	11.5%	4,303,700

AGENCY DESCRIPTION — *The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 3 statewide elected Commissioners, each serving 6-year terms. The commission's primary responsibilities are divided among divisions including Corporations, Securities, and Utilities. The Corporations Division administers the corporation's code and provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers, investigating possible violations of the Arizona Securities Act. The Utilities Division monitors approximately 500 public service corporations operating in Arizona. This division acts as an independent party in reviewing and establishing public utility rates, and monitoring compliance with commission regulatory decisions. Other functions of the commission include inspecting gas pipelines, operating the pipeline safety program, inspecting railroad track and hazardous cargo transport along railways, and also erecting warning devices at potentially dangerous railroad crossings throughout the state.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of corporations and LLC's in Arizona	206,948/ 223,080	228,724/ 253,724	287,553	325,848/ 369,268
• Average turnaround time in weeks for processing of regular corporate filings	13/5.5	4.5/6.5	6.5	6.5/6.5
• Average turnaround time in days for processing of expedited corporate filings	7/2	3/2	2	2/2
• Average length of time to complete a utility rate case	180	118	NA	NA
• Number of complaints received by the Securities Division	290/316	325/353	390	420/450
• Number of railroad grade crossing accidents	35/36	35/40	35	35/35
• % of agency staff turnover	15.8/NA	14.2/NA	13.5	13
• Administration as a % of total cost	NA	8.7/NA	8.8	8.1/8.2

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 61,500	\$ 61,500
	OF 127,700	127,700
ERE Rates	GF 71,300	58,000
	OF 135,000	108,000
Risk Management	GF 134,000	132,400
	OF 299,200	295,800

Proposition 103 Additional Commissioners

GF -0- 347,900
 The JLBC recommends a total biennial General Fund increase of \$347,900. This amount includes a FY 2003 increase of \$347,900 and 6 FTE Positions above FY 2001. Proposition 103 was approved by the voters in the November 2000 General Election. Two new commissioners will be added to the 3 existing commissioners in the 2002 General Election. Also provided are 4 new support staff to match the staffing level for the existing commissioners. These new commissioners will take office in January 2003. The Executive concurs, but provides \$27,400 from the General Fund and \$24,000

from the Utility Regulation Revolving Fund in funding above the JLBC recommendation.

Commissioner Salary Increase

GF 22,000 22,000
 The JLBC recommends a total biennial General Fund increase of \$44,000 for commissioner salary increases effective January 1, 2001. This amount includes an increase of \$22,000 in both FY 2002 and FY 2003 above FY 2001. The Executive concurs.

FY 2001 Additional Appropriations

OF (200,000) (100,500)
 Laws 2000, Chapter 197 provided supplemental appropriations in FY 2001 of \$200,000 from the Securities Regulatory and Enforcement Fund to investigate and prosecute Internet crimes, \$130,000 from the Utility Regulation Revolving Fund to the Audits and Studies Special Line Item, and \$42,200 from the Utility Regulation Revolving Fund for Hearing Officer Salaries.

The JLBC recommends a total biennial Securities Regulatory and Enforcement Fund decrease of \$(300,500) to the Securities Division to eliminate funding for the investigation and prosecution of Internet crimes. This amount includes a FY 2002 decrease of \$(200,000) below FY 2001 and a FY 2003 decrease of \$(100,500) below FY 2001. The Executive concurs.

The JLBC recommendation leaves FY 2003 funding of \$99,500 to the Securities Program for 2 FTE Positions to continue investigation and prosecutions of securities fraud on the Internet. In FY 2002, the Commission will fund the positions on a temporary basis using the FY 2001 non-lapsing appropriation from the Securities Regulatory and Enforcement Fund as provided by Laws 2000, Chapter 197. The recommendation makes those temporary positions permanent for FY 2003. The Executive concurs.

The JLBC recommends maintaining the \$130,000 Utility Regulation Revolving Fund increase to the Utility Audits and Studies Special Line Item appropriated in Laws 2000, Chapter 197. The Executive concurs. *(See the FY 2001 Supplemental section for additional recommendations about the Utility Audits and Studies Special Line Item.)*

The JLBC recommends maintaining the \$42,200 Hearing Officers salary adjustments appropriated in Laws 2000, Chapter 197. The Executive concurs.

Railroad Signal Inspector **GF** **54,300** **54,300**
 The JLBC recommends a total General Fund increase of \$108,600 for 1 FTE Position to inspect railroad signals. This amount includes an increase of \$54,300 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001.

While there are both federal and state laws concerning the operation of railroad warning signals, the California regional office of the Federal Railroad Administration (which has responsibility for inspecting signals in Arizona) does not schedule regular inspections here. The Corporation Commission has 5 railroad safety inspectors, but none are certified in signal inspection. Consequently, there are no railroad signal safety inspections being conducted in the state and none are scheduled.

The lack of inspections can potentially create a liability for the state. A recent U.S. Supreme Court decision determined that although railroads install, maintain, test, repair, and operate railroad crossing signals, if the signal was installed with Federal Funds, the railroad is not liable should there be an accident at the signal. (Federal Funds are frequently used to construct crossings.) Plaintiffs will then look to other parties for redress, including the state. The state has recently settled 2 crossing accident cases resulting in payments of nearly \$1,000,000. The Executive does not address this issue.

ACC Security **GF** **44,100** **44,100**
 OF **44,100** **44,100**

The JLBC recommends a total biennial General Fund increase of \$88,200 and a total Utility Regulating

Revolving Fund increase of \$88,200 for security officers at the Corporation Commission facilities. This amount includes a FY 2002 increase of \$88,200 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$88,200 and 2 FTE Positions above FY 2001. The recommendation is directed at the security needs of the 1200 W. Washington facility, which includes the commissioner's offices and hearing rooms. Also provided in the recommendation is \$20,000 in Other Operating Expenditures per year. The Executive does not address this issue.

Railroad Division Capital
Leases **GF** **(38,000)** **(38,000)**

The JLBC recommends a total biennial General Fund decrease of \$(76,000) to the Hearings Division for the expiration of leases for capital equipment. This amount includes a decrease of \$(38,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

Pipeline Safety
Equipment **OF** **73,000** **-0-**

The JLBC recommends a total biennial Pipeline Safety Revolving Fund increase of \$73,000 for one-time equipment. This amount includes a FY 2002 increase of \$73,000 above FY 2001. The equipment to be purchased is part of a program where the commission loans equipment to private entities, such as property management companies, so that they can ensure the safety of their natural gas distribution systems. The equipment is used to check for leaks and to install safety devices on pipelines. The Executive concurs.

Corporations Overtime **OF** **64,000** **64,000**

The JLBC recommends a total biennial Public Access Fund increase of \$128,000 for overtime for division staff. This amount includes an increase of \$64,000 in both FY 2002 and FY 2003 above FY 2001. The division has a steadily increasing workload. The number of corporate filings increased 8.9% from FY 1999 to FY 2000. The division expects similar increases in FY 2001. Overtime allows the division to adjust to changing workload demands without committing to additional FTE Positions and the resulting long-term salaries. The Executive concurs.

Management Analyst **OF** **50,600** **50,600**

The JLBC recommends a total biennial Public Access Fund increase of \$101,200 for a management analyst position to identify and correct document-processing errors. This amount includes an increase of \$50,600 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. This position is valuable in ensuring the integrity of documents processed by the division. The division has had success completing these duties with temporary positions, but wishes to formally create a permanent position. The Executive does not address this issue.

Securities Program IT

Network Upgrade OF 10,000 75,000

The JLBC recommends a total biennial Securities Regulatory and Enforcement Fund increase of \$85,000 for Internet security software and for the replacement of 25 personal computers in FY 2003. This amount includes a FY 2002 increase of \$10,000 above FY 2001 and a FY 2003 increase of \$75,000 above FY 2000. The Internet security software is a required component of a planned system of on-line based licensing, which prevents unauthorized access to the division's servers. The replacement computers are part of a normal replacement cycle. The Executive concurs, but provides an additional \$55,000 in FY 2002 for equipment.

Computer Programmer

FTE Position OF 74,100 70,600

The JLBC recommends a total biennial Securities Regulatory and Enforcement Fund increase of \$144,700 for 1 computer programmer FTE Position. This amount includes a FY 2002 increase of \$74,100 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$70,600 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. This position will increase the effectiveness of information technology resources available to the Securities Division by providing a technical resource for investigators, as well as programming expertise for the development of internal systems. The division is increasingly involved in electronic investigations and plans to provide an Internet enabled licensing system for securities dealers. The Executive does not address this issue.

Pipeline Safety

Investigators /Inspectors OF 151,000 106,600

The JLBC recommends a total biennial Utility Regulation Revolving Fund increase of \$257,600 for 2 additional FTE Positions and equipment for pipeline safety inspections and investigations. This amount includes a FY 2002 increase of \$151,000 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$106,600 and 2 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The number of gas service operators has increased by 50% in the last 5 years. The Executive does not address this issue.

Legal Workload OF 476,900 409,500

The JLBC recommends a total biennial Utility Regulation Revolving Fund increase of \$886,400 for staff, equipment, travel, and other operating expenditures related to the Legal Division workload. This amount includes a FY 2002 increase of \$476,900 and 4 FTE Positions above FY 2001 and a FY 2003 increase of \$409,500 and 4 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment.

The Legal Division is currently a party to many forms of litigation, including lawsuits resulting from utility deregulation. The number of new complaints and appeals

filed by utility companies in FY 2000 were at least twice as high as in any of the 4 previous fiscal years. Similarly, the number of complaints and appeals relating to retail electric competition were at least 3 times higher in FY 2000 than in any of the previous 4 fiscal years. The result is an increasing volume of lawsuits that require participation of the legal staff. This recommendation includes 2 additional attorneys; 1 additional paralegal; 1 additional legal secretary; equipment, and other operating expenditures.

The Executive funds 1 additional attorney and part of the equipment. Consequently, the Executive recommendation is \$(236,800) below the JLBC recommendation in FY 2002 and \$(127,000) below the JLBC recommendation in FY 2003.

Hearing Officer Workload OF 99,800 102,800

The JLBC recommends a total biennial Utility Regulation Revolving Fund increase of \$202,600 for 1 additional Administrative Law Judge, equipment, and office space reconfiguration. This amount includes a FY 2002 increase of \$99,800 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$102,800 and 1 FTE Position above FY 2001. The FY 2003 increase is due to one-time equipment purchases. While the number and complexity of matters before the division has increased greatly over the last 10 years, there have been no new Administrative Law Judge positions added. Legal issues relating to utility deregulation are expected to increase the workload of the Hearings Division. The Executive recommends \$12,000 in FY 2003 for the purchase of a new photocopy machine.

Hearings Division

Capital Leases GF (17,800) (17,800)

The JLBC recommends a total biennial General Fund decrease of \$(35,600) to the Hearings Division for the expiration of leases for capital equipment. This amount includes a decrease of \$(17,800) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

Docket Control

Equipment OF 88,500 -0-

The JLBC recommends a total biennial Utility Regulation Revolving Fund increase of \$88,500 for a one-time purchase of a document imaging system used to create microfilm images of hearing documents. This amount includes a FY 2002 increase of \$88,500 above FY 2001. The current imaging system is 20 years old and is unable to process the volume of documents the division receives. The Executive concurs, but would derive \$5,900 of the cost of the equipment from the Security Regulation Revolving Fund.

Utilities Deregulation

Workload OF 241,900 217,900

The JLBC recommends a total biennial Utility Regulation Revolving Fund increase of \$459,800 for additional deregulation workload staff and related expenditures. This amount includes a FY 2002 increase of \$241,900 and 4 FTE Positions above FY 2001 and a FY 2003 increase of \$217,900 and 4 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Continued Footnotes

Monies in the Utility Audits and Studies, Investigation and Rate Hearings Special Line Item are continuing appropriations and exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.

Monies in the Railroad Warning Systems Special Line Item are continuing appropriations and exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 General Fund supplemental appropriation of \$11,000 to provide half-year funding for a commissioner salary increase effective January 1, 2001. (*See Commissioner Salary Increase policy issue for additional information.*) The Executive concurs.

The JLBC also recommends a FY 2001 General Fund supplemental appropriation of \$390,200 from the Utility Regulation Revolving Fund to the Utility Audits and Studies Special Line Item to fund additional rate case studies. This amount is in addition to the 380,000 that is currently in the FY 2001 base, for a total of \$770,200 for the Special Line Item. The Executive concurs.

Executive Recommendation

The Executive recommendation includes a change in funding of some administrative positions from the General Fund to the Utility Regulation Revolving Fund, the Securities Regulatory and Enforcement Fund, and the Public Access Fund. These changes would result in a decrease to the General Fund of \$(692,800). The JLBC is recommending these changes be considered as part of separate legislation outside of the budget.

The Executive also recommends \$36,000 in other funds for training and professional development in the Utilities Division and the Securities Division. The JLBC is not recommending this item because sufficient funds are available for these purposes in those divisions' operating funds.

The Executive recommendation includes 1 FTE position for a Pipeline Safety Administrative Officer, with no additional funding. The Executive recommendation would rely on federal grants for this position.

The Executive also recommends \$77,100 from the Public Access Fund over the biennium for Arizona State Library, Archives and Public Records charges and duplication fees related to the storing of microfiche documents. The JLBC

Table 1

Summary of Utility Division's Workload Recommendations

	<u>FY 2002</u>	<u># of FTE Positions</u>	<u>FY 2003</u>	<u># of FTE Positions</u>
Accounting and Rates				
FTE Positions	\$128,000	2.0	\$128,000	2.0
Compliance and Enforcement				
FTE Positions	35,100	1.0	35,100	1.0
CCN FTE Positions	38,800	1.0	38,800	1.0
Travel - In State	2,000		2,000	
Other Operating Expenditures	14,000		14,000	
Equipment	24,000			
TOTAL	\$241,900	4.0	\$217,900	4.0

The current restructuring of the utility industry has resulted in a significant workload increase for the Utility Division. Telecommunications deregulation has resulted in an increase in the number of entities applying for Certificates of Convenience and Necessity, which allow the applicant to provide telecommunications service. This, in turn, increases the workload of the Compliance and Enforcement Section, which monitors the level of service provided. Further, the rates charged by these entities are still under some forms of regulation, resulting in an increased workload for the accounting and rates staff. The number of tariff cases increased from 37 in FY 1999 to 146 in FY 2000. Similarly, there were 4 rate cases in FY 1999 and 19 in FY 2000. There also remain unresolved legal issues about the constitutionality of deregulation, stranded cost recovery, and whether the commission must continue to conduct fair value rate determinations. All of these issues will be before the Commission Utility staff. This recommendation provides 4 FTE Positions to be allotted among the previously mentioned functions and includes one-time equipment, travel, and other operating expenditures for the new FTE Positions. The commission states that at some future date, when deregulation is fully implemented, there will be opportunities for restructuring the Utilities program to remove FTE Positions.

The Executive concurs, but recommends 2 FTE Positions. Additionally, the Executive recommends a total of \$156,000 in the biennium for equipment, while the JLBC recommends \$24,000. Consequently, the Executive recommendation is \$(38,500) below the JLBC recommendation in FY 2002 and \$(32,500) below the JLBC recommendation in FY 2003.

* * *

does not recommend this item. The documents in question will be at least 20 years old by the time funding is available. While these documents do have some historical

significance, the JLBC believes their conservation can begin over the course of several years utilizing resources currently available.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Arizona Arts Trust (CCA3014/A.R.S. § 41-983.01)				Appropriated
Source of Revenue: One-third of the filing fees for the annual report of domestic and foreign corporations				
Purpose of Fund: For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.				
Funds Expended	31,700	34,900	35,800	35,800
Year-End Fund Balance	0	0	0	0
Federal (CCA2000/A.R.S. § 40-441)				Non-Appropriated
Source of Revenue: U.S. Department of Transportation grants.				
Purpose of Fund: To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.				
Funds Expended	94,300	88,400	88,400	88,400
Year-End Fund Balance	245,100	280,200	315,300	350,400
Pipeline Safety Revolving (CCA2174/A.R.S. § 40-443)				Appropriated
Source of Revenue: Civil penalties and fines assessed for the violation of any law, rule, or order pertaining to the safety of the transportation of gas and hazardous liquids, and pipeline facilities.				
Purpose of Fund: For expenses associated with gas and hazardous liquids pipeline facilities safety, including public education, training, purchasing equipment, and inspections.				
Funds Expended	0	0	73,000	0
Year-End Fund Balance	263,200	263,200	190,200	190,200
Public Access (CCA2333/A.R.S. § 10-129.01)				Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.				
Purpose of Fund: For an improved data processing system that allows direct, on-line access by any person at a remote location to all public records concerning corporations and associations.				
Funds Expended	1,568,900	1,670,400	1,801,800	1,801,800
Year-End Fund Balance	600,900	581,100	614,500	991,700
Securities Investment Management Regulatory and Enforcement (CCA2404/A.R.S. § 44-3298)				Appropriated
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.				
Purpose of Fund: For education, regulatory, investigative and enforcement operations in the Securities Division.				
Funds Expended	692,600	711,700	725,700	725,700
Year-End Fund Balance	439,100	688,400	1,169,700	1,659,000
Securities Regulatory and Enforcement (CCA2264/A.R.S. § 44-2039)				Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.				
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.				
Funds Expended	2,608,400	2,882,600	2,851,200	3,008,100
Year-End Fund Balance	2,444,300	1,961,700	1,560,500	1,052,400
Utility Regulation Revolving (CCA2172/A.R.S. § 40-408)				Appropriated
Source of Revenue: Assessments against public utilities regulated by the Commission, as defined by A.R.S. § 40-401.				
Purpose of Fund: All expenses of the Utilities Division for attorneys employed pursuant to A.R.S. § 40-106.				
Funds Expended	7,298,200	7,978,400	9,376,300	9,129,700
Year-End Fund Balance	10,935,800	12,504,800	12,675,900	13,093,600

[Click here to return to Table of Contents](#)

Board of Cosmetology

Sue Sansom, Executive Director

JLBC: Kim Hohman
OSP: Theresa Garcia

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Cosmetology	1,000,000	1,094,900	1,288,800	1,309,600	1,254,100	1,292,800
Contingency SLI	0	6,700	0	0	0	0
AGENCY TOTAL	1,000,000	1,101,600	1,288,800	1,309,600	1,254,100	1,292,800

OPERATING BUDGET

Full Time Equivalent Positions	20.5	20.5	23.5	24.5	23.5	24.5
Personal Services	464,600	513,900	581,000	602,000	581,000	602,000
Employee Related Expenditures	119,600	147,800	155,800	167,900	158,800	167,900
All Other Operating Expenditures:						
Professional and Outside Services	123,500	188,200	203,200	271,200	207,600	269,000
Travel - In State	16,200	36,300	51,300	51,300	51,300	51,300
Travel - Out of State	8,600	7,700	7,700	7,700	7,700	7,700
Other Operating Expenditures	250,400	181,000	222,400	190,900	194,700	190,900
Equipment	17,100	20,000	67,400	18,600	53,000	4,000
OPERATING SUBTOTAL	1,000,000	1,094,900	1,288,800	1,309,600	1,254,100	1,292,800
Special Line Items	0	6,700	0	0	0	0
AGENCY TOTAL	1,000,000	1,101,600	1,288,800	1,309,600	1,254,100	1,292,800

FUND SOURCES

Board of Cosmetology Fund	1,000,000	1,101,600	1,288,800	1,309,600	1,254,100	1,292,800
SUBTOTAL - Appropriated Funds	1,000,000	1,101,600	1,288,800	1,309,600	1,254,100	1,292,800
TOTAL - ALL SOURCES	1,000,000	1,101,600	1,288,800	1,309,600	1,254,100	1,292,800

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	208,000	18.9%	191,200	17.4%	399,200

AGENCY DESCRIPTION — *The board administers licensing examinations and licenses; inspects salons and schools; investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	51,226/43,816	44,000/45,000	45,500	46,000
• Number of complaints received about licensees	941/702	725/972	1,000	1,000
• Average calendar days to resolve a complaint	120/120	120/120	120	120
• Number of inspections of licensees	250/1,201	250/1,882	3,900	5,600/12,000
• Average calendar days to renew a license (from receipt of application to issuance)	15/15	18/12	12	12
• Administration as a % of total cost	NA	8.6/NA	9.9	4.3/4.9

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 9,500	\$ 9,500
ERE Rates	OF	(6,000)	(6,000)
Risk Management	OF	1,200	1,000
Rent	OF	3,700	3,900

Inspections OF 142,600 129,600

The JLBC recommends a total biennial increase of \$272,200 for 3 inspectors and 1 administrative assistant to aid in completing inspections in a timely and consistent manner. This amount includes a FY 2002 increase of \$142,600 and 4 FTE Positions above FY 2001 and a FY 2003 increase of \$129,600 and 4 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. In order for the board to complete mandated inspections on a regular basis, additional inspection support is needed. The board's 1 inspector currently inspects only those salons with complaints lodged against them. Additional inspectors will enable the board to conduct 2 to 4 inspections per year for each salon (approximately 5,500) to more effectively regulate the activities of its licensees and to identify potential problems before they reach the complaint stage.

The Executive recommends an increase of \$110,400 in FY 2002 above FY 2001 to add 3 inspectors, but does not recommend adding the administrative support position. The Executive recommendation is reduced by \$(12,800) in FY 2003 for the elimination of one-time FY 2002 equipment funding.

Education and Printing OF 33,900 33,900

The JLBC recommends a total biennial increase of \$67,800 for the printing and distribution of materials to licensees and the public. This amount includes an increase of \$33,900 in both FY 2002 and FY 2003 above FY 2001. The materials are intended to provide licensees with updated information on rules and laws and to provide the public with information on safety and sanitation standards. The Executive recommends a one-time increase of \$31,400 in FY 2002 for this issue. The Executive recommendation is based on the assumption that the mass mailing to the public and to licensees is a one-time event. The JLBC recommendation is based on informational mailings occurring on a yearly basis.

Information Technology OF 33,000 33,000

The JLBC recommends a total biennial increase of \$66,000 to implement an electronic licensing system. This amount includes an increase of \$33,000 in both FY 2002 and FY 2003 above FY 2001. The Board of Cosmetology has been a participant in ongoing discussions regarding a statewide electronic licensing system. The statewide system will establish electronic licensing for regulatory boards, improve their ability to handle investigations and complaints, and provide licensees and the public with information. The recommended amount provides funding

for operational costs associated with the licensing system. The Government Information Technology Agency approved the agency's Project and Investment Justification in early December. The Executive concurs.

Increase in Examination

Costs OF 4,100 4,500

The JLBC recommends a total biennial increase of \$8,600 for increased costs associated with administering examinations. This amount includes a FY 2002 increase of \$4,100 above FY 2001 and a FY 2003 increase of \$4,500 above FY 2001. The number of examinations administered by the board has risen approximately 5% per year and requires additional Professional and Outside Services funding to accommodate the workload increase. The Executive concurs.

Assistant Attorney

General OF 1,400 1,800

The JLBC recommends a total biennial increase of \$3,200 for increased costs associated with Attorney General legal services. This amount includes a FY 2002 increase of \$1,400 above FY 2001 and a FY 2003 increase of \$1,800 above FY 2001. The Executive recommends a FY 2002 increase of \$2,500 above FY 2001 and a FY 2003 increase of \$5,400 above FY 2001.

OAH Cost Allocation Plan OF -0- -0-

Previously, 90/10 Boards paid for Office of Administrative Hearings (OAH) services out of their base budgets. The OAH billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information).

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$6,700 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges would be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount. The Executive recommends an increase of \$4,600 in both FY 2002 and FY 2003 for this issue.

Equipment OF (15,400) (20,000)

The JLBC recommends a total biennial decrease of \$(35,400) for computer and office equipment. This amount includes elimination of \$(20,000) for one-time FY 2001 equipment funding and a one-time increase of \$4,600 in FY 2002 for board room equipment. The FY 2002 amount will provide funding for the purchase of microphones for each board member, as well as a

microphone and podium for the public. The Executive recommends a FY 2002 increase of \$4,600 for board room equipment but does not recommend eliminating \$20,000 in one-time FY 2001 equipment funding.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Board of Cosmetology (CBA2017/A.R.S. § 32-505)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists, salons, and cosmetology schools. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.				
Funds Expended	1,000,000	1,101,600	1,309,600	1,292,800
Year-End Fund Balance	785,600	941,700	1,099,100	1,273,300

[Click here to return to Table of Contents](#)

Arizona Criminal Justice Commission

Michael D. Branham, Executive Director

JLBC: Tony Vidale
OSP: Bret Cloninger

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Agency Support Operations	188,000	198,600	198,200	247,800	198,100	247,800
Crime Victims	2,700,800	4,037,500	3,040,900	3,290,800	3,040,900	3,290,800
Crime Control						
State Aid to County Attorneys	864,400	1,989,400	1,989,400	1,989,400	1,989,400	1,989,400
State Aid to Indigent Defense	821,200	1,889,600	1,889,600	1,889,600	1,889,600	1,889,600
Grants	1,422,900	1,426,700	1,428,700	1,428,700	1,428,700	1,428,600
Program Subtotal - Crime Control	3,108,500	5,305,700	5,307,700	5,307,700	5,307,700	5,307,600
Records Improvement and Statistical Analysis	28,900	4,000	29,300	29,200	4,300	4,300
AGENCY TOTAL	6,026,200	9,545,800	8,576,100	8,875,500	8,551,000	8,850,500

OPERATING BUDGET						
Full Time Equivalent Positions	6.0	6.0	6.0	6.0	6.0	6.0
Personal Services	216,500	251,000	254,800	287,500	254,800	287,500
Employee Related Expenditures	38,500	50,000	51,000	54,200	51,000	54,300
All Other Operating Expenditures:						
Travel - In State	6,300	11,100	11,100	11,100	11,100	11,100
Travel - Out of State	1,400	2,300	2,300	2,300	2,300	2,300
Other Operating Expenditures	5,751,100	9,225,300	8,250,800	8,514,300	8,225,700	8,489,200
Equipment	12,400	6,100	6,100	6,100	6,100	6,100
AGENCY TOTAL	6,026,200	9,545,800	8,576,100	8,875,500	8,551,000	8,850,500

FUND SOURCES						
General Fund	2,233,800	2,655,200	2,655,200	2,905,200	2,655,300	2,905,200
Victim Compensation and Assistance Fund	2,594,700	3,900,000	2,900,000	2,900,000	2,900,000	2,900,000
ACJC Criminal Justice Enhancement Fund	354,900	375,800	406,100	455,500	381,000	430,500
State Aid to County Attorneys Fund	432,200	1,341,100	1,341,100	1,341,100	1,341,100	1,341,100
State Aid to Indigent Defense Fund	410,600	1,273,700	1,273,700	1,273,700	1,273,700	1,273,700
SUBTOTAL - Other Appropriated Funds	3,792,400	6,890,600	5,920,900	5,970,300	5,895,800	5,945,300
SUBTOTAL - Appropriated Funds	6,026,200	9,545,800	8,576,100	8,875,500	8,551,100	8,850,500
Other Non-Appropriated Funds	8,795,000	7,556,800	8,355,000	8,355,000	8,355,000	8,355,000
Federal Funds	5,937,700	9,216,800	9,365,300	9,365,300	9,365,300	9,365,300
TOTAL - ALL SOURCES	20,758,900	26,319,400	26,296,400	26,595,800	26,271,400	26,570,800

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	250,000	9.4%	250,000	9.4%	500,000
Other Appropriated Funds	(920,300)	-13.4%	(945,300)	-13.7%	(1,865,600)
Total Appropriated Funds	(670,300)	-7.0%	(695,300)	-7.3%	(1,365,600)

AGENCY DESCRIPTION — The commission was created to enhance the effectiveness and the coordination of the criminal justice system in Arizona; to monitor the criminal justice system and the progress and implementation of new and continuing criminal justice legislation; to identify needed revisions in the system or legislation; to make appropriate reports on the system and legislation; and to administer special funds for the enhancement of designated criminal justice system programs and activities in the state of Arizona. The Arizona Criminal Justice Commission (ACJC) receives 1.57% of Criminal Justice Enhancement Fund (CJEF) monies.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Crime Victim Program site visits completed	25/15	25/25	30	30
• % of Crime Victim Program audits reflecting no deficiencies	100/93	100/100	100	100
• Drug and violent crime arrests made by grant-funded task forces	4,220/4,220	4,726/4,726	5,293	5,611/5,891
• Studies/reports completed and published	9/9	10/10	11	15/20
• Number of juvenile jails assisted for improvement	NA/3	2/2	4	4
• Administration as a % of total cost	NA	8.8/NA	8.3	6.8

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	OF	\$ 3,800	\$ 3,800
ERE Rates	OF	400	500
Risk Management	OF	500	400

Operating Expenditures OF 50,000 50,000

The JLBC recommends a total biennial Criminal Justice Enhancement Fund increase of \$100,000 for operating expenditures. This amount includes an increase of \$50,000 in both FY 2002 and FY 2003 above FY 2001. This recommendation will cover a 19% increase in operating expenditures related to report reproduction, communication services, and general supplies associated with new grant management programs such as Aid to County Attorneys, Aid to Indigent Defense, Forensic Labs Fund and various Prosecution Grants (Gang, Obscenity, Aggravated Domestic Violence, and Child Pornography). This increase will also allow the agency to fill an Administrative Secretary position left vacant to fund additional expenses of new grant management programs. The Executive does not make a recommendation on this issue.

Substance Abuse Surveys OF 25,000 -0-

The JLBC recommends a total biennial Criminal Justice Enhancement Fund increase of \$25,000 for a statewide substance abuse survey of school children. This amount includes a FY 2002 increase of \$25,000 above FY 2001. No monies are needed in FY 2003 as the survey is conducted biennially. A.R.S. § 41-2416 requires ACJC to conduct this survey, first produced in FY 1989 and conducted biennially since FY 1992. The Executive concurs.

Victim Compensation and Assistance Fund GF 250,000 250,000 OF (1,000,000) (1,000,000)

The JLBC recommends a total biennial General Fund increase of \$500,000 and a total biennial Victim Compensation and Assistance Fund decrease of \$(2,000,000). This amount includes a General Fund increase of \$250,000 in both FY 2002 and FY 2003 above FY 2001 and a Victim Compensation and Assistance Fund decrease of \$(1,000,000) in both FY 2002 and FY 2003

from FY 2001. Victim Compensation and Assistance Fund monies are distributed by ACJC to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. Victims are eligible for lost wages, medical, funeral, and counseling expenses.

Laws 2000, Chapter 238 provided a one-time transfer of \$750,000 in FY 2001 from the Office of the Attorney General's Victims' Rights Fund to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. The JLBC recommendation to decrease the funding from the Victim Compensation Fund reflects the discontinuation of the one-time grant. The JLBC recommendation does not continue the appropriation in FY 2002.

This recommendation also provides a one-time General Fund appropriation of \$250,000 in both FY 2002 and FY 2003 to reduce the impact on the community as a result of the decrease in victim compensation monies and to offset a reduction in revenue received from the Criminal Justice Enhancement Fund (CJEF). The Victim Compensation and Assistance Fund receives a 4.6% distribution from CJEF and will experience a 21.3% reduction from FY 2001 as a result of lower CJEF projections and no additional transfer of monies. The Executive concurs with the \$(1,000,000) decrease of the Victim Compensation and Assistance Fund but does not recommend additional General Fund monies.

State Aid to County Attorneys GF -0- -0- OF -0- -0-

The State Aid to County Attorneys was established by Laws 1999, Chapter 346 to improve the processing of criminal cases in the Superior Court and Justice Courts. The State Aid to County Attorneys Fund receives: 1) General Fund appropriations, 2) 15.44% of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 3) a portion of the monies collected by the Supreme Court and the Court of Appeals. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population. The monies are to be used to improve the processing of criminal cases in the Superior and Justice

Courts. In FY 2001, the fund was appropriated \$648,300 from the General Fund and \$692,800 from court revenues. The JLBC recommends continuing both of these appropriations through FY 2002 and FY 2003. The Executive concurs.

State Aid to **GF** **-0-** **-0-**
Indigent Defense **OF** **-0-** **-0-**

The State Aid to County Attorneys was established by Laws 1999, Chapter 346 to improve the processing of criminal cases in the Superior Court and Justice Courts. The State Aid to Indigent Defense Fund receives: 1) General Fund appropriations, 2) 14.66% of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal, and civil motor vehicle violations, and 3) a portion of the monies collected by the Supreme Court and the Court of Appeals. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population. The monies are to be used to improve the processing of criminal cases in the Superior and Justice Courts. In FY 2001, the fund was appropriated \$615,900 from the General Fund and \$657,800 from court revenues. The JLBC recommends continuing both of these appropriations through FY 2002 and FY 2003. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency *(The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

All Victim Compensation AND VICTIM ASSISTANCE receipts received by Arizona Criminal Justice Commission in excess of \$2,901,600 in FY 2002 AND \$2,901,600 IN FY2003 are appropriated to the Crime Victims PROGRAM ~~Compensation Special Line Item~~. Before the expenditure of any Victim Compensation AND VICTIM ASSISTANCE, receipts in excess of \$2,901,600 in FY2002 AND \$2,901,600 IN FY 2003, the Arizona Criminal Justice Commission shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. *(This change adds Victim Assistance receipts as part of the total funds available to the Crime Victims Program and identifies Crime Victims as a program instead of a Special Line Item. FY 2003 figures are also added. The Legislature has traditionally appropriated the fund's full level of receipts.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Information and Technology Improvements

ACJC is applying for a federal grant of \$3,000,000 to cover a statewide information integration and multi-channel radio communications system planning process. Improvements relate to information and data sharing and public safety radio capabilities. The goal of improvements is to create efficient and effective critical information exchange and communications for front-line public safety and criminal justice practitioners. Receipt of this grant would require a \$350,000 match in General Fund monies.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
ACJC Criminal Justice Enhancement (JCA3702/A.R.S. § 41-2401)				Appropriated
Source of Revenue: A 1.57% allocation of the Criminal Justice Enhancement Fund (CJEF). <i>(See below for additional information on statewide CJEF maintained in The Treasurer's Office but shown under ACJC as Arizona Revised Statute requires the Commission to annually report on CJEF).</i> CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: To cover the operating costs of the Arizona Criminal Justice Commission (ACJC).				
Funds Expended	354,900	375,800	455,500	430,500
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Criminal Justice Enhancement (CJEF) (JCA3702/A.R.S. § 41-2401)

Partially Appropriate

Source of Revenue: A 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.

Purpose of Fund: CJEF monies are distributed on a percentage basis to various state entities. (See individual agency pages for detailed information on each recipient.)

	FY 2000	FY 2001	FY 2002	FY 2003	% of CJEF	Approp.
Funds Transferred ^{1/}						
Attorney General						
AZ Prosecuting Attorneys Advisory Council (4)	1,008,049	942,700	970,200	998,600	3.03	no
County Attorneys (7)	3,110,647	2,908,900	2,993,800	3,081,300	9.35	no
Victim's Rights Implementation (13)	2,555,055	2,389,300	2,459,100	2,531,000	7.68	yes ^{2/}
AZ Criminal Justice Commission						
Operation Costs (10)	522,322	488,400	502,700	517,400	1.57	yes
Victim Compensation (14)	1,530,372	1,431,100	1,472,900	1,516,000	4.60	yes ^{2/}
Department of Corrections						
County Sheriffs (9)	3,892,467	3,640,000	3,746,300	3,855,800	11.70	no
Department of Public Safety						
Crime Lab Assessment Fund (12)	3,759,391	3,515,600	3,618,300	3,724,000	2.30	yes ^{2/}
DNA Identification System (6)	432,496	404,400	416,300	428,400	1.30	yes ^{2/}
Fingerprinting Identification System (1)	2,149,174	2,009,800	2,068,500	2,128,900	6.46	yes
Peace Officer's Training Fund (3)	5,535,953	5,176,900	5,328,100	5,483,800	16.64	no
State/Local Grants (6)	2,415,326	2,258,700	2,324,600	2,392,600	7.26	^{3/}
Department of Juvenile Corrections (2)	535,630	500,900	515,500	530,600	1.61	yes
Supreme Court						
Case Processing (8)	2,002,791	1,872,900	1,927,600	1,983,900	6.02	yes
Juvenile Crime (5)	3,110,647	2,908,900	2,993,800	3,081,300	9.35	yes
Community Punishment Program (15)	708,629	662,700	682,000	702,000	2.13	yes
General Fund (11) ^{4/}	0	0	0	0	9.00	no
Total Funds Transferred	33,268,900^{5/}	31,111,200	32,019,700	32,955,600		

1/ The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401 subsection D.

2/ These monies represent a continuing appropriation from the CJEF, but are appropriated prior to expenditure by the recipient agency.

3/ Monies retained by the Department of Public Safety (DPS) for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

4/ As session law, revenues previously deposited to the General Fund were redirected to the DPS Crime Lab Assessment Fund for FY 2000 and FY 2001. The JLBC is recommending a continuation of this policy for FY 2002 and FY 2003.

5/ Total includes \$3,864,900 in one-time settlement monies paid into CJEF for past due municipal parking fines.

County Jail Juvenile Improvement (JCA2148/A.R.S. § 41-2420)

Non-Appropriated

Source of Revenue: Receives only legislative appropriated monies (\$750,000 from the General Fund in FY 2000 and \$850,000 from the General Fund in FY 2001).

Purpose of Fund: To fund the construction of new juvenile beds in county jail facilities.

Funds Expended from the General Fund	750,000	850,000	0	0
Other Funds Expended - Capital	1,762,300	189,300	0	0
Year-End Fund Balance	189,300	0	0	0

Drug and Gang Enforcement Account (JCA2134/A.R.S. § 41-2402)

Non-Appropriated

Source of Revenue: Edward Byrne Memorial federal grant monies, all drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.

Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to investigate (30%), prosecute (40%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs.

Funds Expended	11,309,900	13,929,000	15,073,400	15,073,400
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Federal Grants (JCA2229/A.R.S. § 41-2405)

Non-Appropriated

Source of Revenue: Federal grants, excluding Edward Byrne Memorial grant monies.

Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.

Funds Expended	1,660,500	2,655,300	2,646,900	2,646,900
Year-End Fund Balance	0	0	0	0

State Aid to County Attorneys (JCA9600/A.R.S. § 11-539)

Appropriated

Source of Revenue: Legislative appropriations, a 15.44% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 21.61% allocation of a 5% assessment on monies collected by the Supreme Court and Court of Appeals.

Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.

Funds Expended from the General Fund	432,200	648,300	648,300	648,300
Other Funds Expended	432,200	1,341,100	1,341,100	1,341,100
Year-End Fund Balance	243,400	0	6,200	58,400

State Aid to Indigent Defense (JCA9700/A.R.S. § 11-588)

Appropriated

Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% assessment on monies collected by the Supreme Court and Court of Appeals.

Purpose of Fund: To provide state aid to county public defenders, legal defenders and contract indigent counsel for the processing of criminal cases. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.

Funds Expended from the General Fund	410,600	615,900	615,900	615,900
Other Funds Expended	410,600	1,273,700	1,273,700	1,273,700
Year-End Fund Balance	231,100	0	3,900	31,100

Victim Compensation and Assistance (JCA2198/A.R.S. § 41-2407)

Appropriated

Source of Revenue: The fund consists of 2 sub-accounts. The Victim Compensation sub-account receives a 4.6% distribution from CJEF, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance sub-account receives revenue derived from community supervision fees and interstate compact fees. A one-time General Fund appropriation of \$250,000 in both FY 2002 and FY 2003.

Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.

Funds Expended	2,594,700	3,900,000	2,900,000	2,900,000
Year-End Fund Balance	1,368,900	705,200	364,900	79,200

[Click here to return to Table of Contents](#)

Arizona State Schools for the Deaf and the Blind

Ken Randall, Superintendent

JLBC: Patrick Fearon
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
BY PROGRAM/ORGANIZATION						
Phoenix Day School for the Deaf	6,881,400	6,503,700	7,016,500	7,767,200	7,005,900	8,271,600
Tucson Campus	13,021,900	13,517,700	13,814,800	14,692,400	13,797,400	15,155,500
Administration/Statewide Programs	5,943,200	6,008,600	6,521,600	7,334,200	6,568,100	7,406,200
AGENCY TOTAL	25,846,500	26,030,000	27,352,900	29,793,800	27,371,400	30,833,300

OPERATING BUDGET

Full Time Equivalent Positions	537.9	538.9	567.9	608.4	567.9	623.4
Personal Services	17,875,900	17,812,900	19,122,600	20,309,600	19,286,100	21,137,600
Employee Related Expenditures	1,776,300	3,418,300	4,022,300	4,107,500	3,987,900	4,255,500
All Other Operating Expenditures:						
Professional and Outside Services	641,400	462,600	462,600	425,600	462,600	425,600
Travel - In State	94,600	67,700	67,700	77,700	67,700	77,700
Travel - Out of State	19,800	7,000	7,000	7,000	7,000	7,000
Food	186,700	115,100	115,100	132,800	115,100	140,900
Other Operating Expenditures	4,212,000	3,505,900	3,161,000	3,899,900	3,154,000	4,073,000
Equipment	1,039,800	640,500	394,600	833,700	291,000	716,000
AGENCY TOTAL	25,846,500	26,030,000	27,352,900	29,793,800	27,371,400	30,833,300

FUND SOURCES

General Fund	17,517,800	18,446,600	17,297,300	18,849,900	16,836,400	18,820,700
AZ Schools for the Deaf and the Blind Fund	8,328,700	7,583,400	10,055,600	10,943,900	10,535,000	12,012,600
SUBTOTAL - Other Appropriated Funds	8,328,700	7,583,400	10,055,600	10,943,900	10,535,000	12,012,600
SUBTOTAL - Appropriated Funds	25,846,500	26,030,000	27,352,900	29,793,800	27,371,400	30,833,300
Other Non-Appropriated Funds	7,351,200	7,206,400	7,239,700	7,239,700	7,286,000	7,286,000
Federal Funds	2,260,600	2,271,000	2,271,000	2,271,000	2,271,000	2,271,000
TOTAL - ALL SOURCES	35,458,300	35,507,400	36,863,600	39,304,500	36,928,400	40,390,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	403,300	2.2%	374,100	2.0%	777,400
Other Appropriated Funds	3,360,500	44.3%	4,429,200	58.4%	7,789,700
Total Appropriated Funds	3,763,800	14.5%	4,803,300	18.5%	8,567,100

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for sensory impaired students from birth to age 22. ASDB has 2 main campuses, a day school in Phoenix and a residential campus in Tucson, as well as a diagnostic center in Tucson, satellite preschools in the Tucson and Phoenix Metropolitan areas, and 5 regional offices from which cooperative programs with school districts are operated. ASDB also serves children up to 2 years of age throughout the state. Systemwide, ASDB serves approximately 1,850 children: 589 students in the K-12 programs, 90 children in preschools, 403 infant/toddlers in regional areas, and 768 children through the 5 existing regional cooperatives.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Parents rating overall quality of services as “good” or “excellent” based on annual survey	NA	NA	89	90
• Certified positions filled (%)	94/84	85/90	90	95
• Turnover rate for all agency staff (%)	9/12	10/15	14	11/8
• Students successful in transition settings (e.g. local public schools, post graduate education, training, or work) 3 years after graduation (%)				
- Tucson	70/95	75/87	87	90/93
- Phoenix	80/83	85/86	90	92/94
• Administration as a % of total cost	NA	3.8/NA	4.0	4.2/4.0

Comment:

- The agency currently tracks the proportion of parents “satisfied” with its leadership (88% in FY 1999 and 89% in FY 2000), but does not use “good” or “excellent” as survey choices. It has agreed to add these choices to its survey starting in FY 2001. The estimates above for FY 2001 and future years assume the proportion of parents rating the agency’s services as good or excellent would be similar to those who are satisfied with its leadership.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$241,600	\$241,600
ERE Rates	GF	131,900	113,900
	OF	63,100	88,400
Risk Management	GF	154,800	160,300
Rent	GF	(5,600)	1,600
Salary Adjustments	GF	239,900	296,700
	OF	167,900	527,400

The JLBC recommends a total biennial General Fund increase of \$536,600 for ASDB salary adjustments. This amount includes a FY 2002 increase of \$239,900 above FY 2001 and a FY 2003 increase of \$296,700 above FY 2001.

The JLBC also recommends a total biennial Arizona Schools for the Deaf and the Blind Fund increase of \$695,300 for ASDB salary adjustments. This amount includes a FY 2002 increase of \$167,900 above FY 2001 and a FY 2003 increase of \$527,400 above FY 2001. These monies consist of new revenues arising from Proposition 301 (Education 2000), which was approved in the general election of November 2000.

Pursuant to Laws 1988, Chapter 237, the Arizona Department of Administration (ADOA) conducts an annual salary equity survey of classified, certified, and administrative staff among 5 Arizona school districts (Tucson Unified, Mesa Unified, Washington Elementary, Paradise Valley Union, and Scottsdale Union). This survey is used as a measure for comparing and adjusting ASDB’s salaries relative to those of districts that have large special education programs. The most recent survey of those districts found an average salary increase of 3.3% for classified staff, 4.4% for certified staff, and 3.4% for administrative staff.

Table 1 below summarizes ASDB teacher pay adjustments since FY 1994.

The recommended \$407,800 total increase for FY 2002 and \$824,100 total increase for FY 2003 would allow ASDB salaries to be increased by the percentages reported in the salary survey. The FY 2002 total consists of \$365,400 for Personal Services and \$42,400 for Employee Related Expenditures. It would provide for half-year agency salary adjustments in FY 2002, which would require annualization in FY 2003.

Table 1

ASDB Teacher Pay Adjustments

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>
Total ASDB Teacher Pay Increase (%)	0.0	1.4	5.3	4.5	4.6 ^{3/}	4.6 ^{3/}	1.8 ^{6/}	1.8 ^{6/}
Pay Increase for State Employees (%)	0.0	5.0 ^{1/}	2.0	2.9 ^{2/}	5.0 ^{4/}	2.5 ^{5/}	2.0 ^{7/}	2.0 ^{7/}
Difference ASDB vs. State Employees (%)	0.0	(3.6) ^{1/}	3.3	1.6 ^{2/}	(0.4) ^{4/}	2.1 ^{5/}	(0.2)	(0.2)

^{1/} State employees received a 3% increase on July 1, 1994 and a 2% increase on April 1, 1995.

^{2/} State employees received a 1% + \$500 increase on April 1, 1997.

^{3/} Midrange between teacher salary step increases of 2.9% and 6.3%.

^{4/} Includes a 2.5% increase on October 1, 1997 and a 2.5% increase on January 1, 1998.

^{5/} State employees received a 2.5% increase on January 1, 1999.

^{6/} Midrange between teacher salary step increases of 2.5% and 1.2%.

^{7/} State employees received a 2.0% increase on April 1, 2000 and will receive another 2.0% increase on April 1, 2001.

The total \$824,100 amount recommended for FY 2003 would allow ASDB salaries to be increased again that year by the percentages reported in the salary survey. It consists of \$372,700 for Personal Services and \$43,600 for Employee Related Expenditures for a half-year FY 2003 salary adjustment, which would require annualization in FY 2004. It also includes \$365,400 for Personal Services and \$42,400 for Employee Related Expenditures for annualization of the salary adjustment recommended for FY 2002.

The Executive recommends a FY2002 General Fund increase of \$438,400 above FY2001 and a FY2003 General Fund increase of \$838,800 above FY2001 for salary equity adjustments. The figures are higher than the JLBC recommendation because of higher assumed Employee Related Expenditures. The Executive recommends funding the salary adjustments with General Fund monies only.

Enrollment Growth **GF (51,300) (78,600)**
 OF 1,248,000 1,717,400

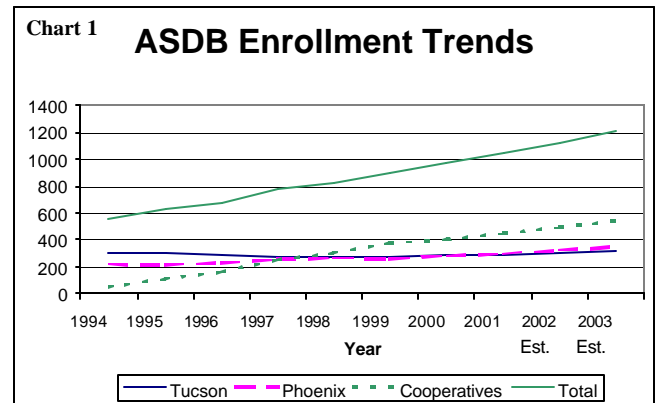
The JLBC recommends a total biennial Arizona Schools for the Deaf and the Blind Fund increase of \$2,965,400. This includes a FY 2002 increase of \$1,248,000 and 35.1 FTE Positions above FY 2001 and a FY 2003 increase of \$1,717,400 and 46.1 FTE Positions above FY 2001. These increases are driven by an expected rise in enrollments at ASDB's campuses over the biennium.

The JLBC also recommends a total biennial General Fund decrease of \$(129,900) for this issue. This amount includes a FY 2002 decrease of \$(51,300) below FY 2001 and a FY 2003 decrease of \$(78,600) below FY 2001 (see Table 2). The General Fund decreases are recommended because the amount of voucher ("Other Fund") funding generated by enrollment growth is expected to exceed new costs resulting from it and can be used to offset General Fund costs.

Estimated Cost of Enrollment Growth			
	FY 2002	FY 2003	Biennium Total
Special Education Voucher Funds			
Annualization of FY 2001 Excess Vouchers	\$802,700	\$802,700	\$1,605,400
Enrollment Growth in FY 2002 - FY 2003	\$445,300	\$914,700	\$1,360,000
Total Special Education Voucher Funds	\$1,248,000	1,717,400	\$2,965,400
General Fund (Offset)	(\$51,300)	\$(78,600)	\$(129,900)
Total Estimated Cost	\$1,196,700	\$1,638,800	\$2,835,500

Special education voucher monies in the Arizona Schools for the Deaf and the Blind Fund represent ASDB's reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. The JLBC currently estimates that ASDB's overall enrollment will grow by 7.5% in FY 2002 and by an additional 7.7%

in FY 2003. This would increase its total enrollment by 81 students in FY 2002 and by an additional 89 students in FY 2003 for a total increase of 170 students. These increases would result in a total FY 2002 enrollment of 1,159 students and a total FY 2003 enrollment of 1,248 students (see Chart 1).



More than half of the projected enrollment increase is for the ASDB Cooperatives Program, where enrollment is expected to grow by 49 pupils (10%) in FY 2002 and by an additional 54 pupils (10%) in FY 2003. Enrollment growth in the ASDB Cooperatives Program does not increase the agency's need for appropriated funds because it is paid for with non-appropriated fund monies. Those monies consist of fees from participating school districts. School districts, in turn, pay those fees with Basic State Aid monies that they receive for Cooperative-served students through the regular K-12 funding formula.

Enrollment growth at the Phoenix and Tucson campuses, however, does increase the agency's need for appropriated funds. This is because their enrollment growth is paid for with special education voucher funds that are appropriated from the Arizona Schools for the Deaf and the Blind Fund. Those funds pass directly from ADE into the Arizona Schools for the Deaf and the Blind Fund and therefore affect ASDB's "Other Appropriated" funding total. After a period of declining enrollments, ASDB's campus student population now appears to be returning to long-term average levels, as shown in Chart 1. Enrollment for both of the campuses combined is projected to grow by 32 students (5.5%) in FY 2002 and by an additional 35 students (5.7%) in FY 2003, for a total increase of 67 students (11.4%) over the biennium.

The recommended "Other Fund" increases for both years include a base adjustment of \$802,700 (all for Personal Services and Employee Related Expenditures) and 26.1 FTE Positions due to greater than budgeted enrollment growth at ASDB's campuses in FY 2001 (see Table 2). This growth is being paid for during FY 2001 from "excess voucher" monies that ASDB is receiving automatically as a result of the enrollment growth. The 26.1 FTE Positions included in the base adjustment include 9 teachers, 7 teacher assistants, and 10.1 other positions such as audiologists and counselors. ASDB's plan to hire

these additional personnel received a favorable review from the JLBC in November 1999. A General Appropriation Act footnote requires ASDB to receive JLBC review of their plans for using “excess voucher” monies.

The remaining “Other Fund” increases of 9 FTE Positions and \$445,300 for FY 2002 above FY2001 and 20 FTE Positions and \$914,700 for FY2003 above FY 2001 reflect estimated enrollment increases for the Tucson and Phoenix campuses after FY 2001. The recommended amounts are based on the amount of additional voucher funding that would be generated by the increased enrollment, the agency’s target student/teacher ratios, average hiring costs for new personnel, and other prorated per pupil costs. The recommended increase of \$445,300 for FY 2002 equals an average of \$13,915 per pupil and would provide \$8,550,600 in total voucher funding that year (see Table 3). The recommended increase of \$914,700 for FY 2003 equals an average of \$13,411 per pupil and would provide \$9,465,300 in total voucher funding in FY 2003. The estimated totals for each year differ from the amounts shown for the “Arizona Schools for the Deaf and the Blind Fund” on the summary page because that fund also includes state land trust and other miscellaneous monies.

Original FY 2001 Appropriation	\$7,302,600
Annualization of "Excess Vouchers"	<u>\$ 802,700</u>
FY 2001 Revised Budget	\$8,105,300
New Voucher Funds in FY 2002 (vs. FY 2001)	<u>\$ 445,300</u>
FY 2002 Estimated Budget	\$8,550,600
New Voucher Funds in FY 2003 (vs. FY 2001)	<u>\$ 914,700</u>
FY 2003 Estimated Budget	\$9,465,300

The recommended General Fund decreases of \$(51,300) in FY 2002 below FY 2001 and \$(78,600) in FY 2003 below FY 2001 (see Table 2) have been determined based on a comparison of projected per pupil costs for the school versus the amount of new voucher funding that would be generated through enrollment growth. The recommended amounts have been computed by multiplying the difference between average per pupil costs and average per pupil voucher funding for each year by the number of new pupils expected in ASDB’s enrollment count.

The Executive recommends an Arizona Schools for the Deaf and the Blind Fund increase of \$808,900 and 26 FTE Positions in FY 2002 for the base adjustment associated with growth at the ASDB campuses in FY 2001. The figure is slightly higher than the JLBC recommendation because of different assumptions for Employee Related Expenditures. The Executive does not address increased voucher revenues or expenditures arising from enrollment growth in FY 2002 and FY 2003.

Extra School Days	GF	43,200	84,900
	OF	49,900	107,000

The JLBC recommends a total biennial General Fund increase of \$128,100 for extra school days. This amount includes a FY 2002 increase of \$43,200 above FY 2001 and a FY 2003 increase of \$84,900 above FY 2001.

The JLBC also recommends a total Arizona Schools for the Deaf and the Blind Fund increase of \$156,900 for extra school days. This amount includes a FY2002 increase of \$49,900 above FY2001 and a FY 2003 increase of \$107,000 above FY 2001.

Pursuant to Proposition 301 (Education 2000), passed in the general election of November 2000, ASDB is required to increase its school year from its current 175 days to 176 days in FY 2002 and to 177 days in FY 2003. It is to continue increasing its school year by 1 day each year until the school year is 180 days. The requirement to increase the school year applies to all Arizona school districts. To pay for the extra school days, Proposition 301 provides a set amount of money that will flow to state educational agencies such as school districts and ASDB via an increase in the “base level” of the formula used to determine state aid to schools. This will increase the voucher revenues into the Arizona Schools for the Deaf and the Blind Fund by \$49,900 in FY 2002 and by \$107,000 in FY 2003.

The base level increases are calculated to cover the cost of the extra school days at typical school districts. Because ASDB has a higher cost structure than typical school districts (because of the provision of residential services, more intensive care, and other differences), the base level increases would not cover the cost of additional school days at ASDB. The cost of 1 additional school day at ASDB is expected to be approximately \$93,100 in FY 2002. The cost of 2 additional school days above the current level is expected to be approximately \$191,900 in FY 2003. The recommended increases in General Fund money for this policy issue is to cover the cost of the extra school days not provided by Arizona Schools for the Deaf and the Blind Fund monies.

The Executive does not address this issue.

Replacement Equipment	GF	4,500	75,500
------------------------------	-----------	--------------	---------------

The JLBC recommends a total biennial General Fund increase of \$80,000 for capitalized and non-capitalized equipment. This amount includes a FY 2002 increase of \$4,500 above FY 2001 and a FY 2003 increase of \$75,500 above FY 2001. The recommended increase for FY 2002 would provide a total of \$833,700 for Equipment that year, including \$58,200 in Equipment funding in the “Parent Advisors” policy issue below and \$130,500 in Equipment funding in the “Security Measures” policy issue below. Apart from the \$58,200 and \$130,500 amounts, the \$833,700 total includes \$150,000 for the Tucson campus to replace a 1975 coach-style bus with more than 300,000 miles (which is used for activity and home-going trips to

northern Arizona). It also includes \$160,000 to replace 2 transit-style buses at the Phoenix campus that each had more than 150,000 miles at the beginning of FY2001. Finally, the recommended amount includes \$107,000 for regular upgrades to ASDB's new LAN/WAN system; \$200,000 to replace Braille printers, microscopes, telescopes, maintenance equipment, residential furniture, and other educational and non-educational equipment; and \$28,000 to replace a substandard audio system in the Tucson campus auditorium.

The recommended FY2003 increase of \$75,500 above FY 2001 would provide a total of \$716,000 in Equipment funding that year. This includes \$240,000 to replace 3 buses for the Phoenix campus and \$169,000 to replace route buses and other vehicles for the Tucson campus. The buses to be replaced all had more than 150,000 miles on them at the beginning of FY 2001. The other vehicles (sedans and utility vehicles) each had more than 125,000 miles on them at the beginning of FY 2001. The recommended funding also includes \$107,000 for regular upgrades to the LAN/WAN system and \$200,000 for other educational and non-educational equipment.

The Executive recommends \$150,000 in FY2002 to replace the 1975 coach bus and \$101,000 in FY 2003 to replace 2 smaller buses. The Executive recommends replacing only those buses with more than 180,000 miles on them. The JLBC believes, however, that vehicles at lower mileage levels present significant safety problems and increased maintenance burdens that make replacing them cost effective.

Parent Advisors GF 226,300 168,100

The JLBC recommends a total biennial General Fund increase of \$394,400 for full-time Parent Advisors. This amount includes a FY 2002 increase of \$226,300 and 4 FTE Positions above FY 2001 and a FY 2003 increase of \$168,100 and 4 FTE Positions above FY 2001. The FY2003 increase is less than the FY2002 increase because of the elimination of one-time equipment such as vehicles, office furniture and other items needed by the new Parent Advisors in FY 2002. Currently, the Parent Advisors program is funded at \$117,400 per year and includes 2.8 FTE Positions. The recommended increases therefore would provide total funding of \$343,700 in FY 2002 and \$285,500 in FY 2003 for the program. All Parent Advisors currently work on a part-time basis.

ASDB's Parent Advisors assist the parents of infants and toddlers newly identified as having vision or hearing impairments. The advisors provide the parents with information on the child's disability, assistance with disability-specific parenting skills, information on educational options, and assistance with the child's transition into the educational system. The program is part of the Arizona Early Intervention Program (AzEIP), established pursuant to the federal Individuals with Disabilities Education Act.

Because AzEIP has implemented a new policy of screening all newborns for hearing loss, as opposed to only those at high risk, the number of infants identified with a disability has risen sharply and the number of families served by ASDB's parent advisors has tripled since FY 1998. This funding would allow hiring 4 full-time Parent Advisors to assist the 135 families currently served by the program, rather than relying on the current part-time Parent Advisors who often have limited training in sensory impairment issues.

The Executive recommends a FY2002 General Fund increase of \$149,900 and 3 FTE Positions above FY 2001 and a FY 2003 General Fund increase of \$95,300 and 3 FTE Positions above FY2001. The Executive recommendation for FY 2003 is lower because of the elimination of one-time equipment. The Executive believes that only 3 FTE Positions are necessary to cover the increased workload of the Parent Advisors. The JLBC estimates the expected number of participating families in FY 2002 and FY 2003 would require 4 full-time Parent Advisors to maintain the current schedule of one visit every 2 to 4 weeks.

Security Measures GF 378,200 247,700

The JLBC recommends a total biennial General Fund increase of \$625,900 for measures to enhance security at the Tucson and Phoenix campuses. This amount includes a FY 2002 increase of \$378,200 and 10.4 FTE Positions above FY 2001 and a FY 2003 increase of \$247,700 and 10.4 FTE Positions above FY 2001. The FY 2003 increase is less than the FY2002 increase because of the elimination of one-time equipment such as monitoring cameras and related equipment that would be installed in FY 2002.

Both the Tucson and the Phoenix campuses are located in lower-income areas with high levels of crime and gang activity. Despite the erection of a security fence in FY 1996 that reduced access points at the Tucson campus, that campus is experiencing approximately 50 cases of criminal vandalism and theft each year. Many of those incidents happen at night, when over 100 boarding students are present with reduced staff assistance. At the Phoenix campus, multiple access points allow not only the easy entrance of outsiders but also make it difficult to keep students on campus.

The recommended funding would provide 4.2 FTE Positions at the Tucson campus to allow the hiring of a guard to staff a central security office on a 24-hour/7-days per week basis, supplementing 24/7 "roving" coverage that already exists. The new guard would be responsible for monitoring a central fire alarm panel and video cameras covering strategic locations throughout the campus, as well as controlling access to the campus through the main gate. The recommended funding in FY 2002 would provide \$92,500 in one-time Equipment for the required monitoring cameras and related equipment.

The recommended funding would provide 6.2 FTE Positions at the Phoenix campus for a guard to staff a central security office during daylight working hours and a roving guard to cover campus-wide security on a 24/7 basis. The security office guard would be responsible for monitoring a central fire alarm panel and video cameras covering strategic locations throughout the campus. The recommended funding in FY 2002 would provide \$38,000 in one-time Equipment for required monitoring cameras and related equipment.

The Executive does not address this issue.

Group B Weight Increase OF 871,400 1,051,400

The JLBC recommends a total biennial Arizona Schools for the Deaf and the Blind Fund increase of \$1,922,800 associated with proposed increases in the "Group B" special education weights of the state's overall education funding formula. This amount includes a FY 2002 increase of \$871,400 and 20 FTE Positions above FY 2001 and a FY 2003 increase of \$1,051,400 and 24 FTE Positions above FY 2001.

The 1999 Special Education Cost Study recommended increases in several categories of Group B weights, based on observed cost differentials to provide services to students in those categories versus non-special education students. The increased weights would raise voucher revenues deposited in the Arizona Schools for the Deaf and the Blind Fund because those voucher revenues are calculated in part based on the special education weights applied to ASDB's students. The higher Group B weights are expected to increase ASDB's voucher revenues by a total of \$3,820,600 over the biennium. This amount includes a FY 2002 increase of \$1,831,600 above FY 2001 and a FY 2003 increase of \$1,989,000 above FY 2001. The JLBC recommends that the new voucher revenues not used for this policy issue be used to offset General Fund needs, as described in the policy issue below.

The JLBC recommends that the new Group B funding be used to enhance key agency programs as follows (*see Table 4 below*).

Student/Teacher Ratios

The JLBC recommends a total biennial Arizona Schools for the Deaf and the Blind Fund increase of \$392,500 for additional teachers and support personnel. This amount includes a FY2002 increase of \$155,200 and 6 FTE Positions above FY2001 and a FY 2003 increase of \$237,300 and 10 FTE Positions above FY 2001. Even with the increased funding and personnel provided in the Enrollment Growth policy issue above, the JLBC estimates that the number of students per teacher or other support personnel (such as counselors and speech therapists) would be higher than long-standing targeted levels. The recommended funding would bring these ratios closer to target. The recommended increase of \$155,200 in FY2002 includes \$123,400 for Personal Services and \$31,800 for Employee Related Expenditures. The

recommended increase of \$237,300 in FY 2003 includes \$186,500 for Personal Services and \$50,800 for Employee Related Expenditures.

The Executive does not address this issue.

Classification Salary Adjustment

The JLBC recommends a total biennial Arizona Schools for the Deaf and the Blind Fund increase of \$287,500 for Classification Salary Adjustments. This amount includes a FY2002 increase of \$94,800 above FY 2001 and a FY 2003 increase of \$192,700 above FY2001.

ASDB often has difficulty recruiting specialized personnel such as audiologists, low-vision specialists, and teachers with training in sensory-impairment education. Nationwide, the number of graduates with the required credentials is significantly lower than demand. The recommended funding would allow ASDB to raise salaries in some of these hard-to-fill job categories. The recommended increase of \$94,800 for FY 2002 includes \$84,900 for Personal Services and \$9,900 for Employee Related Expenditures. The recommended increase of \$192,700 for FY 2003 includes \$172,500 for Personal Services and \$20,200 for Employee Related Expenditures.

The JLBC recommends that the agency be required to report to the JLBC on its proposed use of Classification Salary Adjustment monies before the expenditure of these monies (*see New Footnotes section below*).

The Executive does not address this issue.

Early Childhood Programs

The JLBC recommends a total biennial Arizona Schools for the Deaf and the Blind Fund increase of \$505,400 for early childhood programs. This amount includes an increase of \$252,700 and 8 FTE Positions in both FY2002 and FY 2003 above FY2001.

The agency's early childhood programs include pre-school for sensory impaired children and "deaf mentors" that assist young children in the Tucson metropolitan area. The programs are based on research indicating that early intervention enhances achievement for sensory-impaired children. The recommended funding would allow ASDB to increase pre-school instruction by 10 hours per week and increase the number of deaf mentors. The recommended amount of \$252,700 in both FY 2002 and FY 2003 includes \$196,100 for Personal Services, \$46,600 for Employee Related Expenditures, and \$10,000 for Other Operating Expenditures.

The Executive does not address this issue.

Administrative Support for Coop Programs

The JLBC recommends a total biennial Arizona Schools for the Deaf and the Blind Fund increase of \$737,400 for additional administrative support to ASDB's Cooperatives Program. This amount includes an increase of \$368,700

and 6 FTE Positions in both FY 2002 and FY 2003 above FY 2001.

The Cooperative Programs provide special education services to school districts through regional offices. Because the coops provide an efficient and cost-effective way for districts to secure special education services, student enrollment in the coop programs is growing sharply. In FY 2001, ASDB has therefore opened 2 new regional offices. The recommended funding would allow hiring additional administrative staff for the regional offices. The recommended increase of \$368,700 in both FY 2002 and FY 2003 includes \$255,000 for Personal Services, \$47,700 for Employee Related Expenditures, and \$66,000 for Other Operating Expenditures to fund the rent on 5,000 square feet of newly leased office space.

The Executive does not address this issue.

	<u>FY 2002</u>	<u>FY 2003</u>
Increase in Arizona Schools for the Deaf and the Blind Fund	\$1,831,600	\$1,989,000
Policy Issues		
Student/Teacher Ratios	155,200	237,300
Classification Salary Adj.	94,800	192,700
Early Childhood Program	252,700	252,700
Coop Administration	<u>368,700</u>	<u>368,700</u>
Total Policy Issues	871,400	1,051,400
Remainder (Available for GF Offset)	\$ 960,200	\$ 937,600

Group B Weight			
General Fund Offset	GF	(960,200)	(937,600)
	OF	960,200	937,600

The JLBC recommends a total biennial Arizona Schools for the Deaf and the Blind Fund increase of \$1,897,800. This amount includes a FY 2002 increase of \$960,200 above FY 2001 and a FY 2003 increase of \$937,600 above FY 2001. The JLBC recommends a total biennial General Fund decrease of \$(1,897,800) as an offset to the recommended increase in the Arizona Schools for the Deaf and the Blind Fund. The recommended General Fund decrease includes a FY 2002 decrease of \$(960,200) from FY 2001 and a FY 2003 increase of \$(937,600) from FY 2001.

As noted in the policy issue above, recommended increases in the "Group B" special education weights of the state's education funding formula are expected to increase voucher revenues in the Arizona Schools for the Deaf and the Blind Fund by a total of \$3,820,600 over the biennium. This amount includes a FY 2002 increase of \$1,831,600 above FY 2001 and a FY 2003 increase of \$1,989,000 above FY 2001. The recommended increase of \$960,200 in the Arizona Schools for the Deaf and the Blind Fund represents the amount of this new funding not used for the initiatives in the previous policy issue. Because it is not used to finance new spending, the JLBC

recommends that it be used to offset a like amount of General Fund monies.

The Executive recommends a FY 2002 General Fund decrease of \$(1,367,100) from FY 2001 and a FY 2003 decrease of \$(1,848,400) from FY 2001 as an offset to the voucher funds arising from the new Group B weights. The Executive calculates these amounts taking into account only the weight for hearing-impaired students in FY 2002 and for hearing-impaired, multiply disabled, and multiply disabled with severe sensory impairments in FY 2003. The Executive does not recommend using any of the additional voucher monies for new spending items.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Program

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

All endowment earnings above \$343,900 in FY 2002 and \$369,200 in FY 2003 THAT ARE received by the Arizona State Schools for the Deaf and the Blind AND DEPOSITED INTO THE ARIZONA SCHOOLS FOR THE DEAF AND THE BLIND FUND are appropriated for operating expenditures. *(This change is recommended because endowment earnings now are deposited into the new "Arizona Schools for the Deaf and the Blind Fund" rather than into the formerly separate Endowment Fund.)*

Before the expenditure of any ~~Voucher Funds~~ ARIZONA SCHOOLS FOR THE DEAF AND THE BLIND FUND NON-ENDOWMENT MONIES in excess of \$10,600,000 in FY 2002 and \$11,643,400 in FY 2003, the Arizona State Schools for the Deaf and the Blind shall report the intended use of the funds to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Appropriations Committees, the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. *(This change is recommended because the Voucher Fund has now been incorporated into the new "Arizona Schools for the Deaf and the Blind Fund.")*

New Footnotes

Before the expenditure of any recommended monies for Classification Salary Adjustments in FY 2002 or FY 2003, the Arizona State Schools for the Deaf and the Blind shall report the intended use of the funds to the Joint Legislative Budget Committee. *(This footnote is recommended to allow oversight of the \$287,500 recommended for Classification Salary Adjustments over the biennium.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Proposition 301

Passage of Proposition 301 (Education 2000) in the 2000 general election will have 2 main effects on ASDB, as

reflected in the policy issues above. First, the Proposition will require an inflation increase in the “base level” of the state’s overall education funding formula to finance teacher pay raises and other programs. Because ASDB’s voucher revenues depend in part on that base level, this is expected to generate new funds of \$167,900 in FY 2002 and \$527,400 in FY 2003. These revenues have been applied to the Equity Salary Adjustments policy issue above. In addition, the Proposition will require a further increase in the base level to lengthen the school year. That increase will generate \$49,900 in FY 2002 and \$107,000 in FY 2003, and has been applied to the Extra School Days policy issue above. In total, Proposition 301 will increase ASDB’s voucher revenues by \$217,800 in FY 2002 over FY 2001, and by \$634,400 in FY 2003 over FY 2001. The Legislative Council has determined that ASDB is entitled to these funds, but not to the “Classroom Site Fund” monies funded by an increase in the Transactions Privilege Tax.

Executive Recommendation

The Executive recommends a General Fund decrease of \$(500,000) in both FY 2002 and FY 2003 because of expected reimbursements from the federal Medicaid program. The Executive has directed the agency to begin participating in the “Medicaid in the Public Schools” program, which reimburses educational institutions for speech therapy, occupational therapy, counseling, nursing, personal attendants, and other services for Medicaid-eligible children. The agency estimates that it incurs \$650,000 in reimbursable expenses each year. Because of intensive record-keeping and other requirements to participate in the program, however, the Executive

assumes that the net savings by participating in the program would be about \$500,000. The JLBC recommends no General Fund decrease because the lack of a history of participation in the program makes the net savings unclear.

The Executive also recommends a General Fund decrease of \$(33,200) in both FY 2002 and FY 2003 from FY 2001 because of growth in expendable Land Trust Endowment earnings in the Arizona Schools for the Deaf and the Blind.

The Land Trust earnings consist of income from state land leases and earnings from the investment of land sales proceeds earmarked for ASDB. The JLBC estimates that the agency’s expendable Land Trust Endowment earnings will grow from the appropriated FY 2001 amount of \$280,800 to \$343,900 in FY 2002 and \$369,200 in FY 2003. Because these funds are for the general benefit of ASDB, the JLBC has applied the increased revenues to the “standard changes” at the beginning of this narrative.

The Executive also recommends a General Fund increase of \$5,500 for both FY 2002 and FY 2003 above FY 2001 for increased swimming pool chemicals at the Tucson campus required by new City of Tucson regulations. The Executive also recommends a one-time General Fund increase of \$12,000 in FY 2002 to replace the rear suspension of 4 buses recently converted to alternative fuels. The existing suspensions are breaking down because they are not designed for the additional weight. The JLBC believes that shifting funds from other uses could cover the cost of these requirements.

	FY 2000	FY 2001	FY 2002	FY 2003
Enterprise (SDA4222/A.R.S. § 15-1323) Non-Appropriated				
Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.				
Purpose of Fund: To defray the costs of renting those facilities (i.e. auditorium).				
Funds Expended	127,200	128,700	130,200	131,700
Year-End Fund Balance	137,600	115,200	92,400	69,200
Federal Grants (SDA2000/A.R.S. § 15-1303) Non-Appropriated				
Source of Revenue: Federal grants – Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.				
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.				
Funds Expended	2,260,600	2,271,000	2,271,000	2,271,000
Year-End Fund Balance	284,200	328,500	172,800	42,100

	FY 2000	FY 2001	FY 2002	FY 2003
Intergovernmental Agreements & Interagency Service Agreements (SDA2500/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Monies received from the state Government Information Technology Agency.				
Purpose of Fund: For preparing computer systems for Year 2000.				
Funds Expended	319,100	50,600	0	0
Year-End Fund Balance	50,600	0	0	0
Non-Federal Grants (SDA2011/A.R.S. § 15-1303)				Non-Appropriated
Source of Revenue: Grants by private corporations and other state agencies.				
Purpose of Fund: To accomplish specific projects of interest to the donor and ASDB.				
Funds Expended	210,900	300,200	250,200	228,100
Year-End Fund Balance	425,500	375,500	353,400	353,400
Regional Cooperatives (SDA4221/Laws 1987, Chapter 363)				Non-Appropriated
Source of Revenue: Costs of educational and related services are paid by the school district in which the student resides through a tuition agreement. The costs of supplemental services are paid by all participating school districts through a basic membership agreement.				
Purpose of Fund: To fund 3 regional service cooperatives for sensory impaired pupils. The cooperative program provides educational programs, related services, and supplemental services through the pooling of school district resources.				
Funds Expended	6,281,200	6,621,900	6,759,300	6,826,200
Year-End Fund Balance	1,450,100	1,296,100	1,277,400	1,284,600
Arizona Schools for the Deaf and Blind (SDA2444/A.R.S. § 15-1304)				Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.				
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.				
Funds Expended	8,328,700	7,583,400	10,943,900	12,012,600
Year-End Fund Balance	931,200	656,900	576,100	502,200
Telecommunications for the Deaf (SDA2047/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Monies remaining from a 1998 grant from the Arizona Council for the Hearing Impaired.				
Purpose of Fund: To provide Telecommunications Devices for the Deaf (TDD) systems at the Phoenix Day School for the Deaf.				
Funds Expended	5,900	5,000	0	0
Year-End Fund Balance	5,000	0	0	0
Trust (SDA3148/A.R.S. § 15-1323)				Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.				
Purpose of Fund: Spent at the discretion of ASDB.				
Funds Expended	407,000	100,000	100,000	100,000
Year-End Fund Balance	36,800	0	0	0

[Click here to return to Table of Contents](#)

Commission for the Deaf and the Hard of Hearing

Sherri Collins, Director

JLBC: Beth Kohler
OSP: Theresa Garcia

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Commission Activities	937,600	330,900	457,600	380,100	457,600	375,200
Telecommunication Devices for the Deaf (TDD) Relay Program	4,459,200	5,731,900	5,370,900	5,320,200	5,521,000	5,474,700
AGENCY TOTAL	5,396,800	6,062,800	5,828,500	5,700,300	5,978,600	5,849,900

OPERATING BUDGET

Full Time Equivalent Positions	9.0	9.0	10.0	11.0	10.0	11.0
Personal Services	290,600	281,800	317,300	345,700	317,300	345,700
Employee Related Expenditures	52,200	57,800	60,000	65,900	57,300	66,000
All Other Operating Expenditures:						
Professional and Outside Services	4,527,500	5,299,000	4,851,700	4,849,000	5,009,500	5,007,000
Travel - In State	14,400	13,100	17,000	13,100	17,000	13,100
Travel - Out of State	9,700	0	13,000	0	13,000	0
Other Operating Expenditures	317,900	411,100	414,500	418,100	414,500	418,100
Equipment	184,500	0	155,000	8,500	150,000	0
AGENCY TOTAL	5,396,800	6,062,800	5,828,500	5,700,300	5,978,600	5,849,900

FUND SOURCES

Telecommunication Fund for the Deaf	5,396,800	6,062,800	5,828,500	5,700,300	5,978,600	5,849,900
SUBTOTAL - Appropriated Funds	5,396,800	6,062,800	5,828,500	5,700,300	5,978,600	5,849,900
Federal Funds	26,300	43,800	43,800	43,800	43,800	43,800
TOTAL - ALL SOURCES	5,423,100	6,106,600	5,872,300	5,744,100	6,022,400	5,893,700

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	(362,500)	-6.0%	(212,900)	-3.5%	(575,400)

AGENCY DESCRIPTION — *The agency acts as an information and referral resource for the deaf and the hard of hearing and provides educational materials to the general public. The agency also administers a statewide telephone access program, the Telecommunication Devices for the Deaf (TDD) Relay Program. The agency is supported by the TDD Fund, which derives monies from the telecommunication services excise tax. Laws 2000, Chapter 98 requires the agency to license interpreters of the deaf and the hard of hearing beginning in 2007.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of qualified interpreters	110/72	115/70	115	125
• Newsletters on new services and technology for the deaf and the hard of hearing	4,200/4,200	4,400/3,000	3,000	3,000
• Average number of call minutes per month (Telecommunications Relay Services program)	347,233/324,249	384,230/326,826	332,204	335,910/337,232
• Cost per minute (Telecommunications Relay Services program)	\$1.26/1.26	\$1.29/1.26	\$1.37	\$1.37
• Administration as a % of total cost	NA	4.4/NA	4.4	4.4

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 4,700	\$ 4,700
ERE Rates	OF	(4,000)	(3,900)
Risk Management	OF	1,500	1,500
Rent	OF	5,500	5,500

Interpreter Coordinator OF 44,300 39,300

The JLBC recommends a total biennial increase of \$83,600 for an interpreter coordinator in the Commission Activities program. This amount includes a FY 2002 increase of \$44,300 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$39,300 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Laws 2000, Chapter 98 requires the commission to help establish partnerships with colleges and universities to establish interpreter training and degree programs and to establish an interpreter licensure program by September 1, 2007. The Executive does not recommend funding for this issue.

Information Referral

Specialist OF 35,500 32,000

The JLBC recommends a total biennial increase of \$67,500 for an information referral specialist in the Telecommunication Devices for the Deaf (TDD) program. This amount includes a FY 2002 increase of \$35,500 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$32,000 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The commission experienced a 54% increase in information requests from FY 1999 to FY 2000. The number of complaints about the Telecommunication Relay Services (TRS) increased by 99% from FY 1998 to FY 2000. The Web site manager currently handles information requests but has been unable to keep up with the increased workload. The recommended information referral specialist would address customer information requests and handle complaints about TRS. The Executive recommends a FY 2002 increase of \$31,900 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$26,900 and 1 FTE Position above FY 2001.

Telecommunication

Relay Services OF (450,000) (292,000)

The JLBC recommends a total biennial decrease of \$(742,000) to the TDD program to reflect the actual costs of relay services. This amount includes a FY 2002 decrease of \$(450,000) below FY 2001 and a FY 2003 decrease of \$(292,000) below FY 2001. The budget for the TDD program includes the costs of TRS, which provides statewide telephone access for the deaf and the hard of hearing. The FY 2000 budget for TRS included an increase of 38% from FY 1999 due to an expected \$0.33 increase in the cost per minute and a projected increase in the number of calls made through the relay service due to outreach services provided by the commission. The FY 2001 budget continued these amounts and included an

increase for population growth. The actual usage of the relay service only increased by 0.8% from FY 1999 to FY 2000 and the cost per minute increased by \$0.30. As a result, the costs of TRS were \$(948,300) less than the amount budgeted for the services in FY 2000 and are expected to be \$(851,900) less than the amount budgeted in FY 2001.

Therefore, to bring the appropriation for TRS in line with the actual expenditures for the services, the JLBC recommends a reduction of \$(851,900) to reflect the actual costs of the TRS program in FY 2001 based on the average number of call minutes and the rate per minute. The JLBC then recommends a FY 2002 increase of \$401,900 to reflect projected population growth, for a net decrease of \$(450,000) below FY 2001. The recommended amount also includes costs related to a new FCC mandate that requires increased operator typing speed and faster answering services and establishes a minimum period of time that an operator must remain on a call. The relay contractor estimates that this mandate will result in a \$0.11 per minute contract increase beginning in FY 2002. The FY 2003 recommended amount includes an increase of \$158,000 above FY 2002 to reflect population growth for a net decrease of \$(292,000) below FY 2001.

The Executive recommends a FY 2002 decrease of \$(268,100) below FY 2001 and a FY 2003 decrease of \$(110,300) below FY 2001.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Before the execution of any contract for telecommunication relay services, the Commission for the Deaf and the Hard of Hearing shall present the proposed contract to the Joint Legislative Budget Committee for review.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends allocating a portion of the Telecommunications Services Excise Tax for funding of poison control centers. (*See the Department of Health Services section for more information*).

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Insufficient Fund Balance

The commission receives revenue from the Telecommunication Services Excise Tax. In FY 2000, revenue from the tax decreased by (3.7)% from \$5,207,700 in FY 1999 to \$5,014,200 in FY 2000. Assuming the tax revenue will be constant from FY 2001 to FY 2003, the commission will have a sufficient fund balance through FY 2003. If revenues continue to decline by (3)% each year, the commission may have a shortfall in the TDD Fund in FY 2003.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Federal Grants (DFA2048/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Federal Funds received by the State of Arizona under the provisions of the Job Training Partnership Act, Public Law 97-300.				
Purpose of Fund: To upgrade the skills of sign language interpreters and to conduct educational workshops.				
Funds Expended	26,300	43,800	43,800	43,800
Year-End Fund Balance	0	0	0	0
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)				Appropriated
Source of Revenue: Revenues from the Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills. The fund receives revenues from this tax equal to 0.8% of local telephone bills. The remainder of the surcharge, equal to 0.3% of local telephone bills, is allocated to the Poison Control Fund, administered by the Department of Health Services.				
Purpose of Fund: To purchase, repair, and distribute telecommunication devices for the deaf and the severely hearing and speech impaired through the Telecommunication Devices for the Deaf program, and to administer the program. Laws 1999, Chapter 176 allows the fund to be used for the operating costs of the commission until the end of FY 2001.				
Funds Expended	5,396,800	6,062,800	5,700,300	5,849,900
Year-End Fund Balance	3,200,000	2,151,400	1,465,300	629,600

[Click here to return to Table of Contents](#)

State Board of Dental Examiners

Julie N. Chapko, Executive Director

JLBC: Beth Kohler
OSP: Randy Hillier

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Dental Examiners	712,900	746,800	760,200	753,400	755,100	751,500
Contingency SLI	0	3,600	0	0	0	0
AGENCY TOTAL	712,900	750,400	760,200	753,400	755,100	751,500

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0	9.0	9.0	9.0
Personal Services	310,400	326,100	338,300	338,300	338,300	338,300
Employee Related Expenditures	52,400	59,800	54,500	54,300	54,500	54,400
All Other Operating Expenditures:						
Professional and Outside Services	207,800	174,900	175,600	206,600	175,600	209,700
Travel - In State	2,200	4,300	4,300	4,300	4,300	4,300
Travel - Out of State	14,300	6,300	6,300	6,300	6,300	6,300
Other Operating Expenditures	121,800	172,600	173,400	138,600	173,300	138,500
Equipment	4,000	2,800	7,800	5,000	2,800	0
OPERATING SUBTOTAL	712,900	746,800	760,200	753,400	755,100	751,500
Special Line Items	0	3,600	0	0	0	0
AGENCY TOTAL	712,900	750,400	760,200	753,400	755,100	751,500

FUND SOURCES

Dental Board Fund	712,900	750,400	760,200	753,400	755,100	751,500
SUBTOTAL - Appropriated Funds	712,900	750,400	760,200	753,400	755,100	751,500
TOTAL - ALL SOURCES	712,900	750,400	760,200	753,400	755,100	751,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	3,000	0.4%	1,100	0.1%	4,100

AGENCY DESCRIPTION — *The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	5,050/5,242	5,250/5,509	5,350	5,648/5,787
• Number of complaints received about licensees	500/466	525/503	550	575/600
• Average calendar days to resolve a complaint	90/155	150/163	150	150
• Number of investigations of licensees	400/274	350/480	400	400
• Average calendar days to renew a license (from receipt of application to issuance)	10/10	10/10	10	10
• Administration as a % of total cost	NA	1.9/NA	1.9	1.9/1.9

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 6,000	\$ 6,000
ERE Rates	OF	(7,000)	(6,900)
Risk Management	OF	800	700

Investigator Services OF 19,600 19,600

The JLBC recommends a total biennial increase of \$39,200 to contract for additional Investigator services. This amount includes an increase of \$19,600 in both FY 2002 and FY 2003 above FY 2001. The board has experienced a 12% increase in the number of complaints and an 87% increase in the number of inspections conducted from FY 1998 to FY 2000. The board's investigators are mandated by A.R.S. § 32-1263.02 to present written recommendations to the board within 90 days of receiving a case. With the increased investigative workload, the board requires additional investigative services to meet this mandate. The Executive does not address this issue

Attorney General OF 7,700 10,800

The JLBC recommends a total biennial increase of \$18,500 for Attorney General services. This amount includes a FY 2002 increase of \$7,700 above FY 2001 and a FY 2003 increase of \$10,800 above FY 2001. The board has experienced a 175% increase in complaints that go to formal hearings from FY 1998 to FY 2000 and therefore faces increased Attorney General costs. The Executive does not address this issue.

Executive Director

Salary Increase OF 8,400 8,400

The JLBC recommends a total biennial increase of \$16,800 for an Executive Director salary increase. This amount includes an increase of \$8,400 in both FY 2002 and FY 2003 above FY 2001. The board approved a 10% salary increase for the Executive Director. The Executive concurs.

Equipment OF 2,200 (2,800)

The JLBC recommends a total biennial decrease of \$(600) for boardroom equipment. This amount includes the elimination of \$(2,800) for one-time FY 2001 equipment funding, and a one-time increase of \$5,000 in FY 2002 for replacement boardroom recording equipment. The Executive does not recommend eliminating the FY 2001 equipment funding and recommends a FY 2002 increase of \$5,000 for recording equipment.

Rent Technical

Adjustment OF (34,800) (34,800)

The JLBC recommends a total biennial decrease of \$(69,600) for technical adjustments related to the board's rent. This amount includes a decrease of \$(34,800) in both FY 2002 and FY 2003 below FY 2001. The board expected to move in FY 2001 and was appropriated \$20,400 for increased rent and \$19,800 in FY 2001 for

additional operations and maintenance charges. The board did not move and the recommended amount includes a decrease of \$(40,200) in both FY 2002 and FY 2003 below FY 2001 to eliminate the monies appropriated for the move. The recommended amount also includes an increase of \$5,400 in both FY 2002 and FY 2003 above FY 2001 for an increase in the agency's lease payments. The Executive does not address this issue.

OAH Cost Allocation Plan OF 100 100

The JLBC recommends a total biennial increase of \$200 for a new Office of Administrative Hearings (OAH) cost allocation plan. This amount includes an increase of \$100 in both FY 2002 and FY 2003 above FY 2001. Previously, 90/10 Boards paid for OAH services out of their base budgets. OAH's billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information).

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$3,600 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges will be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount and include a further increase of \$100, for a total annual OAH increase of \$3,700.

The Executive recommends a decrease of \$(100) in both FY 2002 and FY 2003 below FY 2001 for the OAH cost allocation plan.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnotes allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend the Legislature address supplemental requests on a case-by-case basis.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

The board's fund balance will decrease from \$385,400 at the end of FY 2000 to \$175,200 at the end of FY 2003. The board should have sufficient revenue to cover the recommended FY 2002 and FY 2003 appropriation and plans to seek legislative approval of fee increases over the biennium if necessary.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Dental Board (DXA2020/A.R.S. § 32-1212)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.				
Funds Expended	712,900	750,400	753,400	751,500
Year-End Fund Balance	385,400	371,000	253,400	175,200

[Click here to return to Table of Contents](#)

Arizona Drug and Gang Prevention Resource Center

Gail Chadwick, Director

JLBC: Kim Hohman
OSP: Bret Cloninger

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Drug and Gang Prevention Resource Center	4,333,000	4,937,700	5,015,300	5,030,900	5,008,300	5,020,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	44.8	44.8	45.8	45.8	45.8	45.8
Personal Services	896,700	1,492,400	1,567,000	1,558,700	1,567,000	1,558,700
Employee Related Expenditures	180,200	323,700	334,100	359,500	334,100	359,500
All Other Operating Expenditures:						
Professional and Outside Services	1,754,700	1,634,100	1,634,100	1,634,100	1,634,100	1,634,100
Travel - In State	24,200	100,800	100,800	100,800	100,800	100,800
Travel - Out of State	39,900	75,400	75,400	75,400	75,400	75,400
Other Operating Expenditures	1,306,700	1,290,400	1,276,000	1,292,400	1,276,000	1,292,400
Equipment	130,600	20,900	27,900	10,000	20,900	0
AGENCY TOTAL	4,333,000	4,937,700	5,015,300	5,030,900	5,008,300	5,020,900

FUND SOURCES

Drug and Gang Prevention Resource Center Fund	174,200	204,900	230,300	261,900	225,400	251,900
Intergovernmental Agreements and Grants	4,158,800	4,732,800	4,785,000	4,769,000	4,782,900	4,769,000
SUBTOTAL - Other Appropriated Funds	4,333,000	4,937,700	5,015,300	5,030,900	5,008,300	5,020,900
SUBTOTAL - Appropriated Funds	4,333,000	4,937,700	5,015,300	5,030,900	5,008,300	5,020,900
Other Non-Appropriated Funds	58,900	100,000	120,000	120,000	120,000	120,000
Federal Funds	1,607,700	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
TOTAL - ALL SOURCES	5,999,600	7,037,700	7,135,300	7,150,900	7,128,300	7,140,900

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	93,200	1.9%	83,200	1.7%	176,400

AGENCY DESCRIPTION — *The Center is a statewide resource system providing information, training and an annual inventory and assessment of drug and gang prevention and treatment programs. Although statutorily an independent entity overseen by the Drug and Gang Policy Council, the Center is housed within Arizona State University (ASU) and uses ASU's financial accounting system.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of effective research-based prevention programs identified by the Center	35/35	40/35	37	38/39
• Prevention materials disseminated (per item)	185,000/115,000	120,000/512,200	515,000	517,000/525,000
• Agency and public service requests completed	1,550/2,200	2,300/10,600	10,700	11,000
• Customer satisfaction rating of agencies served by the Center (scale from 1 to 8)	NA	NA	NA	7
• Administration as a % of total cost	NA	10.5/NA	10.5	10.7

Comments:

- The increase in the number of prevention materials disseminated in FY 2000 reflects the implementation of a mobile clearinghouse traveling to communities to distribute material.
- The JLBC recommends that the Center implement a customer satisfaction survey of the agencies it serves, to better evaluate its performance. The Center has agreed to implement this survey beginning in FY 2002.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$25,300	\$25,300
ERE Rates	OF	23,600	23,600

Program Inventory OF 65,200 55,200

The JLBC recommends a total biennial Drug and Gang Prevention Center Fund increase of \$120,400 to fund 1 additional FTE Position to assist in the agency's mandated annual statewide program inventory. This amount includes a FY 2002 increase of \$65,200 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$55,200 and 1 FTE Position above FY 2001. The FY 2003 amount is lower due to the elimination of one-time computer software.

The Center is mandated to provide an annual Substance Abuse and Gang Prevention Program Inventory (A.R.S. § 12-284). The annual inventory identifies state-funded prevention programs, their source of revenue, expenditure of monies, and targeted population. In its April 1999 performance audit of the Drug and Gang Policy Council, the Auditor General recommended that the Council seek additional monies to improve the thoroughness and timeliness of its statewide program inventory.

Funding for prevention and treatment programs in Arizona increased by \$22,357,700 from FY 1998 to FY 1999 and maintained this increase through FY 2000. Reported program funding (includes local, state, and federal funding) in FY 1998 was \$84,283,200 and increased to \$106,640,900 in FY 1999. This funding represents an increase of 22% in FY 1999 and 12% in FY 2000 in the number of programs included in the agency's annual report. The increase in number of programs has coincided with a more detailed inventory structure as well. The added workload associated with the annual program

inventory requires an additional FTE Position to gather program information and produce the report in a precise and timely manner. The recommended amount will provide funding for the agency's 2 half-time FTE Positions to convert to 2 full-time positions.

The Executive concurs but recommends that the additional FTE Position split their time between the program inventory duties and assisting in the agency's financial reporting responsibilities. Additionally, the Executive recommends that funding for the added FTE Position is split between Intergovernmental Agreements and the Drug and Gang Prevention Resource Center Fund.

Equipment Elimination OF (20,900) (20,900)

The JLBC recommends a total biennial decrease of \$(41,800) for the elimination of one-time FY 2001 equipment funding. This amount includes a decrease of \$(20,900) in both FY 2002 and FY 2003 from FY 2001. Of this decrease, \$(16,000) is eliminated from the Intergovernmental Agreements and Grants Fund, and \$(4,900) is eliminated from the Drug and Gang Prevention Center Fund. The Executive does not recommend eliminating FY 2001 equipment funding.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Grant and Intergovernmental Agreement revenues in excess of \$4,769,000 in FY 2002 and FY 2003 are appropriated for expenditure. Before the expenditure of these monies, the center shall provide an expenditure plan to the Joint Legislative Budget Committee.

SUMMARY OF FUNDS ^{1/}	FY 2000	FY 2001	FY 2002	FY 2003
Federal Grants (No Fund Number/A.R.S. § 41-617)				Non-Appropriated
Source of Revenue: Federal grants and federally funded intergovernmental agreements.				
Purpose of Fund: To support prevention projects, provide a clearinghouse of prevention materials, and provide technical assistance and training to prevention providers.				
Funds Expended	1,607,700	2,000,000	2,000,000	2,000,000
Year-End Fund Balance	231,800	231,800	231,800	231,800
Intergovernmental Agreements and Grants (No Fund Number/A.R.S. § 41-617)				Appropriated
Source of Revenue: Intergovernmental Agreements with the Department of Health Services and the Governor's Community Policy Office for FY 2001.				
Purpose of Fund: To provide a clearinghouse of prevention materials, technical program development assistance, and research and evaluation services to communities developing and implementing programs to prevent substance abuse and other social problems.				
Funds Expended	4,158,800	4,732,800	4,769,000	4,769,000
Year-End Fund Balance	195,500	400,400	631,400	862,400

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Drug and Gang Prevention Resource Center (No Fund Number/A.R.S. § 41-2402)

Appropriated

Source of Revenue: The fund is distributed through the Arizona Criminal Justice Commission and consists of 1.31% of Superior Court fees.

Purpose of Fund: To provide a statewide resource system that assists agencies, organizations, and individuals in their community drug and gang prevention activities.

Funds Expended	174,200	204,900	261,900	251,900
Year-End Fund Balance	219,700	219,700	163,900	118,100

Private Grants (No Fund Number/A.R.S. § 41-617)

Non-Appropriated

Source of Revenue: The center has received grants from Samaritan Medical Center, Baptist Hospital and Health System, and Maricopa County for FY 2001.

Purpose of Fund: To provide support in tobacco prevention efforts of local governmental and private entities.

Funds Expended	58,900	100,000	120,000	120,000
Year-End Fund Balance	39,900	59,900	69,900	79,900

1/ Funds are not held in the state's accounting system, but are instead held within Arizona State University's financial accounting system.

[Click here to return to Table of Contents](#)

Department of Emergency and Military Affairs

David P. Rataczak, Adjutant General

JLBC: Beth Kohler
OSP: Bret Cloninger

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET*						
Administration	981,400	1,181,600	1,298,500	1,326,500	1,302,200	1,336,600
Emergency Management						
Mitigation and Preparedness	546,800	584,300	619,200	605,100	620,800	605,500
Response and Recovery	377,800	356,500	365,000	358,400	366,200	358,800
Civil Air Patrol SLI	61,500	61,500	61,500	61,500	61,500	61,500
Nuclear Emergency Management Fund						
SLI	472,200	505,800	510,300	0	510,300	0
Governor's Emergency Fund SLI	2,822,100	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Subprogram Subtotal	3,733,600	4,923,800	4,936,800	4,419,900	4,938,000	4,420,300
Program Subtotal - Emergency Management	4,280,400	5,508,100	5,556,000	5,025,000	5,558,800	5,025,800
Military Affairs						
Army National Guard	2,642,800	2,670,600	2,833,100	3,080,400	2,899,700	3,164,600
Air National Guard	502,400	669,900	661,400	767,100	661,500	779,000
Project Challenge	1,475,100	1,500,000	1,488,400	1,488,900	1,489,800	1,490,300
Program Subtotal - Military Affairs	4,620,300	4,840,500	4,982,900	5,336,400	5,051,000	5,433,900
AGENCY TOTAL	9,882,100	11,530,200	11,837,400	11,687,900	11,912,000	11,796,300

*The JLBC and Executive utilize different program budget structures for this agency. The Executive recommendation is shown within the JLBC structure.

OPERATING BUDGET

Full Time Equivalent Positions ^{1/}	127.3	127.3	68.0	122.8	68.0	122.8
Personal Services	2,705,500	3,111,500	2,810,100	3,140,800	2,810,100	3,140,800
Employee Related Expenditures	503,500	583,800	578,300	624,900	583,100	630,300
All Other Operating Expenditures:						
Professional and Outside Services	61,500	156,700	156,200	156,700	156,200	156,700
Travel - In State	70,800	87,100	86,600	87,100	86,600	87,100
Travel - Out of State	30,900	32,100	31,000	32,100	31,000	32,100
Other Operating Expenditures	2,806,000	2,948,100	3,559,800	3,478,200	3,629,600	3,581,200
Equipment	348,100	43,600	43,600	106,600	43,600	106,600
OPERATING SUBTOTAL	6,526,300	6,962,900	7,265,600	7,626,400	7,340,200	7,734,800
Special Line Items	3,355,800	4,567,300	4,571,800	4,061,500	4,571,800	4,061,500
AGENCY TOTAL	9,882,100	11,530,200	11,837,400	11,687,900	11,912,000	11,796,300

FUND SOURCES

General Fund	9,749,400	11,397,500	11,704,700	11,555,200	11,779,300	11,663,600
Emergency Response Fund	132,700	132,700	132,700	132,700	132,700	132,700
SUBTOTAL - Other Appropriated Funds	132,700	132,700	132,700	132,700	132,700	132,700
SUBTOTAL - Appropriated Funds	9,882,100	11,530,200	11,837,400	11,687,900	11,912,000	11,796,300
Other Non-Appropriated Funds	125,200	387,900	240,000	240,000	215,000	215,000
Federal Funds	42,570,100	40,092,300	29,478,100	29,478,100	27,854,400	27,854,400
TOTAL - ALL SOURCES	52,577,400	52,010,400	41,555,500	41,406,000	39,981,400	39,865,700

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund **	663,500	6.1%	771,900	7.1%	1,435,400

**Excludes changes in the Nuclear Emergency Management Fund appropriation. See Nuclear Emergency Management Fund policy issue for explanation.

^{1/} The number of FTE Positions has been adjusted in the JLBC columns to reflect the actual number of FTE Positions. This does not have a funding impact. The Executive recommendation does not include this adjustment.

AGENCY DESCRIPTION —The department consists of the Emergency Management Division and the Military Affairs Division. The Emergency Management Division prepares and coordinates emergency response plans for the state. The Military Affairs Division operates the Arizona National Guard.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of communities with sustained Disaster Resistant Community Programs	NA/4	7/7	9	11/13
• Number of months of community recover time from declaration of emergency to termination of emergency	NA/22.0	19.8/19.8	16.5	16.5
• % of Project Challenge graduates either employed or in school	80/80	82/87.5	92.5	94/95
• % of National Guard tuition demands met	NA/61	55/54	44	45
• Administration as a % of total cost	NA	16.3/NA	16.3	14.2/14.6

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 33,300	\$ 33,300
ERE Rates	GF	37,100	42,500
Risk Management	GF	100,400	109,200

Facilities Maintenance GF 121,000 182,000
 The JLBC recommends a total biennial General Fund increase of \$303,000. This amount includes a FY 2002 increase of \$121,000 and a FY 2003 increase of \$182,000 above FY 2001. The Arizona Army National Guard (ARNG) maintains 523,950 square feet of building space. The current facilities maintenance budget of \$1,800,000 funds building operations and maintenance at \$3.44 per square foot. The current Arizona Department of Administration (ADOA) rate for operations and maintenance in lease-purchase buildings is \$4.50 per square foot. The ARNG currently has a backlog of over 700 work requests that can not be met due to funding constraints. The requested amount would bring the total FY 2002 maintenance amount to \$1,921,000 per year or \$3.67 per square foot the total FY 2003 maintenance amount to \$1,983,000 or \$3.78 per square foot. The Executive concurs.

Vehicle Replacement GF 87,900 87,900
 The JLBC recommends a total biennial General Fund increase of \$175,800 to the Army National Guard subprogram for the replacement of 6 vehicles. This amount includes an increase of \$87,900 in both FY 2002 and FY 2003. The current vehicle fleet consists of 6 vehicles that have an average of 200,000 miles each. The ADOA standard for vehicle replacement is after 100,000 miles. The recommended amount will purchase 3 vehicles in both FY 2002 and FY 2003, and includes \$24,900 in each year for inclusion in the ADOA motor pool. The Executive does not address this issue.

Education Reimbursement GF 283,800 317,000

The JLBC recommends a total biennial General Fund increase of \$600,800 to the Military Affairs Program for National Guard Education Reimbursement. This amount includes a FY 2002 increase of \$283,800 above FY 2001 and a FY 2003 increase of \$317,000 above FY 2001. The Army National Guard and Air National Guard subprograms provide tuition reimbursement to guardsmen. Currently, 65.1% percent of total claims paid are paid to the Army National Guard subprogram and 34.9% are paid to the Air National Guard subprogram. The JLBC recommends allocating the FY 2002 and FY 2003 increases by a similar distribution, with \$184,700 of the FY 2002 increase to the Army National Guard subprogram and \$99,100 of the FY 2002 increase to the Air National Guard subprogram. Of the recommended FY 2003 increase, \$206,300 is allocated to the Army National Guard and \$110,700 is allocated to the Air National Guard.

From FY 1999 to FY 2000 applications for reimbursement from the Education Reimbursement program increased by 40%, from \$675,400 in FY 1999 to \$950,500 in FY 2000. The department expects total claims to remain stable at \$950,000 in FY 2002 and FY 2003. The current appropriation of \$443,000 has not been sufficient to fund all claims. Of the \$506,800 in FY 2000 unfunded claims, \$320,200, 33.7%, of the claims were not funded due to lack of receipt or grade information or due to late submittal of claims. This leaves \$186,600 in valid claims that were not funded. The recommended amounts for FY 2002 and FY 2003 were calculated based upon assumptions that a certain portion of the total claims filed will not be paid due to lack of receipt or grade information, but that this amount would decrease to 23.5% of total claims filed in FY 2002 and 20% of total claims filed in FY 2003. Thus, of the \$950,500 in estimated claim requests, only \$726,800 in FY 2002 and \$760,000 in FY 2003 will be properly filed and eligible for reimbursement. The JLBC recommended increases provide for these properly filed and eligible claims. The Executive does not address this issue.

Nuclear Emergency

Management Fund GF (505,800) (505,800)

The JLBC recommends a total biennial decrease of \$(1,011,600) to the Nuclear Emergency Management Special Line Item. This amount includes a decrease of \$(505,800) in both FY 2002 and FY 2003 from FY 2001. Laws 1999, Chapter 265 appropriated \$505,800 from the General Fund in FY 2001 to the department's Nuclear Emergency Management Fund (NEMF) for administering and enforcing the state plan for an off-site response to an emergency caused by an accident at a commercial nuclear generating station. Of this amount, \$226,500 is disbursed to Maricopa County for off-site nuclear emergency response. The department's Nuclear Emergency Management Special Line Item is staffed by 4.5 FTE Positions. This appropriation is typically made through a special appropriation bill in which an assessment will determine NEMF appropriations for FY 2002 and FY 2003. Therefore, the JLBC recommendation does not include funding or FTE Positions for this Special Line Item. The Executive recommends an increase of \$4,500 in both FY 2002 and FY 2003 above FY 2001, for total NEMF funding of \$510,300 and 4.5 FTE Positions in both FY 2002 and FY 2003.

General Emergency

Authority GF -0- -0-

The JLBC displays the Governor's Emergency Fund as a Special Line Item. Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to

\$4,000,000 from the General Fund for disaster prevention and mitigation without specific appropriation authority. These monies are shown in this recommendation for information purposes only, and will not be part of the General Appropriation Act. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Program with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

The DEMA APPROPRIATION INCLUDES \$852,300 ~~appropriated in FY 2000 and FY 2001~~ for service contracts. THIS AMOUNT is exempt from A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY ~~2000~~ 2002 monies remaining unexpended and unencumbered on October 31, ~~2000~~ 2002 revert to the state General Fund, and all FY ~~2001~~ 2003 monies remaining unexpended and unencumbered on October 31, ~~2001~~ 2003 revert to the state General Fund.

The DEMA APPROPRIATION INCLUDES ~~\$1,500,000~~ \$1,577,500 IN FY 2002 AND \$1,578,900 IN FY 2003 ~~appropriation~~ for Project Challenge. THESE MONIES shall only be used to fund operating expenditures for Project Challenge.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Camp Navajo (MAA2106/A.R.S. § 26-152)				Non-Appropriated
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.				
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility.				
Funds Expended	6,082,000	9,328,300	9,351,700	8,947,800
Year-End Fund Balance	7,664,900	5,813,300	3,990,600	2,981,200
Emergency Response (MAA3031/A.R.S. § 26-352)				Appropriated
Source of Revenue: The fund receives 10% of the Department of Environmental Quality's Hazardous Waste Management Fund.				
Purpose of Fund: For developing and administering a hazardous materials emergency management program, equipping local emergency planning committees for the development of hazardous materials emergency response teams, and assisting local agencies in providing adequate response to emergency situations.				
Funds Expended	132,700	132,700	132,700	132,700
Year-End Fund Balance	6,000	0	0	0
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Federal program grants.				
Purpose of Fund: To pay for federal share of emergency planning, response and management programs.				
Funds Expended	19,083,600	13,814,500	2,952,400	2,954,000
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Federal Funds - Military (MAA2000/A.R.S. § 35-142)

Non-Appropriated

Source of Revenue: Federal Service Contracts for security, maintenance and operations of the National Guard.

Purpose of Fund: To provide the federal share for costs of Army National Guard and Air National Guard for related positions, capital and operating expenses.

Funds Expended	17,404,500	16,949,500	17,174,000	15,952,600
Year-End Fund Balance	0	0	0	0

Freedom Academy (MAA2104/A.R.S. § 35-142)

Non-Appropriated

Source of Revenue: Governor's Office of Drug Policy and the Joint Counter Narcotics Task Force (Department of Justice, through the Department of Defense).

Purpose of Fund: For teaching middle and high school students to lead drug and gang-free lives. Student representatives throughout the state are invited to participate in weekend-long programs at Camp Navajo, where they also learn leadership, team building, communication, and crisis-management skills. The representatives return to their schools to educate fellow-students.

Funds Expended	0	21,100	15,000	15,000
Year-End Fund Balance	6,100	0	0	0

Morale, Welfare and Recreational (MAA2124/A.R.S. § 26-153)

Non-Appropriated

Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.

Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.

Funds Expended	0	150,000	50,000	50,000
Year-End Fund Balance	210,700	85,700	60,700	35,700

National Guard (MAA2140/A.R.S. § 26-152)

Non-Appropriated

Source of Revenue: Monies appropriated by the Legislature. A subaccount receives the proceeds from the rental or use of armories.

Purpose of Fund: For general operating expenses of the National Guard. A subaccount that receives proceeds from the rental or use of armories is used for armory maintenance.

Funds Expended	125,200	200,000	175,000	150,000
Year-End Fund Balance	115,300	50,300	15,300	7,300

Nuclear Emergency Management (AEA2138/A.R.S. § 26-306.02)

Non-Appropriated

Source of Revenue: General Fund monies appropriated by the Legislature. An assessment is levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station to reimburse the General Fund.

Purpose of Fund: For administering and enforcing the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station.

Funds Expended from the General Fund	472,200	505,800	0	0
Other Funds Expended	0	16,800	0	0
Year-End Fund Balance	16,800	0	0	0

State Armory Property (MAA2146/A.R.S. § 26-231)

Non-Appropriated

Source of Revenue: Sale of surplus armory property.

Purpose of Fund: For the construction and capital improvement of National Guard armories.

Funds Expended	0	0	0	0
Year-End Fund Balance	0	159,100	159,100	159,100

[Click here to return to Table of Contents](#)

Department of Environmental Quality

Jacqueline Schafer, Director

JLBC: Tom Mikesell
OSP: Marcel Benberou

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	552.4	560.8	576.8	547.8	578.8	547.8
Personal Services	10,759,200	11,829,200	13,041,600	12,005,500	13,115,600	12,005,500
Employee Related Expenditures	2,086,900	2,521,700	2,797,000	2,576,900	2,819,800	2,584,200
All Other Operating Expenditures:						
Professional and Outside Services	635,500	104,000	265,400	164,000	181,900	104,000
Travel - In State	154,800	225,400	238,400	228,200	238,400	228,200
Travel - Out of State	23,100	44,200	47,200	45,700	48,200	45,700
Other Operating Expenditures	5,168,500	6,854,300	7,266,900	6,843,400	7,412,400	7,042,400
Equipment	1,506,700	155,400	220,700	126,500	282,200	226,700
OPERATING SUBTOTAL	20,334,700	21,734,200	23,877,200	21,990,200	24,098,500	22,236,700
SPECIAL LINE ITEMS						
Waste Programs						
WQARF Priority Site Remediation	15,000,000	14,372,700	14,372,700	14,372,700	14,372,700	14,372,700
Underground Storage Tank Program	1,050,000	1,572,000	0	22,000	0	22,000
Hazardous Waste Program	428,200	469,900	542,400	476,700	520,600	476,700
Solid Waste Program	948,300	3,280,000	3,305,000	3,298,600	3,311,500	3,299,000
Waste Tire Program	117,400	192,800	183,500	195,700	183,500	195,800
Water Programs						
Aquifer Protection Permit Program	720,900	756,000	775,700	773,700	781,600	774,000
Water Quality Program	984,700	3,307,400	3,492,000	3,484,100	3,492,600	3,478,800
Water Infrastructure Finance Authority	2,995,100	2,995,100	2,995,100	3,408,500	2,995,100	3,408,500
Air Programs						
Air Permits Administration Program	4,200,400	4,891,900	5,010,700	4,943,400	5,026,600	4,944,700
Air Quality Program	3,239,200	4,258,300	4,288,600	4,281,300	4,294,100	4,280,400
Emissions Control Program-Administration	2,194,000	3,863,700	3,849,300	3,837,300	3,860,000	3,838,200
Emissions Control-General Fund Subsidy	1,114,500	0	0	0	0	0
Emissions Control-Clean Air Fund Subsidy	0	3,600,000	2,822,500	3,600,000	2,822,500	0
Emissions Control Contractor Payment	0	0	31,670,900	15,869,800	31,670,900	31,739,600
Voluntary Repair and Retrofit Grants	0	2,400,000	0	0	0	0
AGENCY TOTAL	53,327,400	67,694,000	97,185,600	80,554,000	97,430,200	93,067,100
FUND SOURCES						
General Fund	32,478,100	31,420,500	32,001,800	30,923,300	32,207,400	31,162,200
Indirect Cost Fund	8,737,100	10,114,300	10,145,700	9,748,600	10,167,300	9,756,500
Permit Administration Fund	4,200,400	4,891,900	5,010,700	4,943,400	5,026,600	4,944,700
Air Quality Fund	3,239,200	4,258,300	4,288,600	4,281,300	4,294,100	4,280,400
Clean Air Fund	0	2,500,000	100,000	0	100,000	0
Emissions Inspection Fund	2,194,000	7,363,700	38,242,700	23,307,100	38,253,400	35,577,800
Hazardous Waste Management Fund	428,200	469,900	542,400	476,700	520,600	476,700
Recycling Fund	0	2,033,600	2,042,400	2,040,100	2,044,600	2,040,200
Solid Waste Fee Fund	953,600	1,185,600	1,192,200	1,200,400	1,196,500	1,200,800
Underground Storage Tank Fund	0	22,000	0	22,000	0	22,000
Used Oil Fund	112,100	126,800	127,100	127,000	127,100	127,000
Water Quality Fee Fund	984,700	3,307,400	3,492,000	3,484,100	3,492,600	3,478,800
SUBTOTAL - Other Appropriated Funds	20,849,300	36,273,500	65,183,800	49,630,700	65,222,800	61,904,900
SUBTOTAL - Appropriated Funds	53,327,400	67,694,000	97,185,600	80,554,000	97,430,200	93,067,100
Other Non-Appropriated Funds	42,725,300	79,637,700	83,247,600	83,247,600	85,521,300	85,521,300
Federal Funds	9,716,400	18,036,700	13,118,400	13,118,400	13,118,400	13,118,400
TOTAL - ALL SOURCES	105,769,100	165,368,400	193,551,600	176,920,000	196,069,900	191,706,800

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(497,200)	-1.6%	(258,300)	-0.8%	(755,500)
Other Appropriated Funds	13,357,200	36.8%	25,631,400	70.7%	38,988,600
Total Appropriated Funds	12,860,000	19.0%	25,373,100	37.5%	38,233,100

AGENCY DESCRIPTION — *The Department of Environmental Quality's (ADEQ) purpose is to protect human health and the environment by enforcing standards of quality for Arizona's air, water, and land. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of contaminated sites WQARF closed requiring no further action (cumulative) versus known sites	NA/58.7	64.4/64	70.5	74.3
• Number of remaining Aquifer Protection Permit actions in the inventory	NA/493	400/340	260	208/126
• Vehicles that have failed inspection and later brought into compliance (in thousands)	NA/170.6	190.0/148.6	190.0	260.0
• % of statutorily set permit timelines met through Licensing Time Frames rule	NA	NA/99	99	99/99
• Number of days per year exceeding National Ambient Air Quality Standards for Ozone, Carbon Monoxide, or Particulates	NA/0	0/0	0	0
• % of agency staff turnover	NA/11.4	NA/16.1	14.0	13.0
• Administration as a % of total cost	NA	35.0/NA	36.6	12.6

Comments:

- The FY 2002 and FY 2003 estimates of administrative cost include approximately \$33,000,000 in Vehicle Emissions Inspection contractor fees as part of total agency costs in each year.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$150,400	\$150,400
	OF	169,800	169,800
ERE Rates	GF	34,500	40,000
	OF	108,400	114,400
Rent	GF	327,000	328,000
	OF	(373,400)	(370,500)

Water Infrastructure

Finance Authority GF 413,400 413,400
 The JLBC recommends a total biennial General Fund increase of \$826,800 to the Water Infrastructure Finance Authority (WIFA) to reflect a higher estimate of federal grants in FY 2002 and FY 2003. This amount includes an increase of \$413,400 in both FY 2002 and FY 2003 above FY 2001. WIFA administers the Clean Water Revolving and the Safe Drinking Water Revolving Funds, which are used to make loans to wastewater treatment and drinking

water facilities in need of infrastructure improvements. Under the federal Clean Water Act, Arizona receives a

federal allocation of funds to be used for loans each year. The act requires that states match the federal allocation with 20% from state funds. In FY 2002 and FY 2003, the anticipated federal allocation is \$17,043,000, which requires a state match of \$3,408,600. This match amount represents a \$413,400 increase above the FY 2001 level. A budget footnote requires that monies in excess of the 20% match shall revert to the General Fund in the year they are appropriated (*see JLBC Recommended Footnotes*). The Executive does not address this issue.

IT Security and Standards

GF 158,500 390,900
 The JLBC recommends a total biennial General Fund increase of \$549,400 to increase the internal and external security of the department's information systems and to upgrade the department's desktop office software as approved by the Government Information Technology Agency. This amount includes a FY 2002 increase of

\$158,500 above FY 2001 and a FY 2003 increase of \$390,900 above FY 2001. A review of the department's computer system conducted by a private security consultant revealed potential for internal and external misuse of the system, which could jeopardize private information of industries permitted by the department. The recommended amount for FY 2002 provides \$5,000 for one-time funding of design costs, \$55,000 for the one-time purchase of routing equipment for remote site connectivity, \$27,700 for one-time purchase of software to increase information-monitoring capabilities, \$66,500 for training existing staff in using new software, and \$4,300 in ongoing funding for information technology personnel to go to regional offices and national training conferences in FY 2002. In FY 2003, the recommended amount will allow for a continuation of the \$4,300 travel allotment, and in addition will allow one-time funding of \$125,000 for the purchase of a 2 terabyte storage unit, \$252,600 for ongoing licensing costs for an office software upgrade, and \$9,000 for training of new users on the department's office software. Of the FY 2002 recommended amount \$144,700 is for one-time costs. Of the FY 2003 recommended amount, \$125,000 is for one-time costs.

The Executive recommends \$221,800 and 2 FTE Positions from the General Fund in FY 2002 and \$372,900 and 2 FTE Positions from the General Fund in FY 2003 for this issue. The Executive recommends an additional \$113,900 from other appropriated funds in FY 2003 for the software upgrade. The JLBC believes that the agency has sufficient IT staff to implement this issue, and therefore does not recommend increasing staffing levels.

WQARF Priority

Site Remediation GF -0- -0-

The Water Quality Assurance Revolving Fund (WQARF) program is similar to the federal Superfund program in that it is designed to monitor, contain, and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

WQARF is funded in part from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT), as stipulated in A.R.S. § 49-282. In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee generated revenue, the program receives \$18,000,000 annually.

Although the CIT transfer is not included in the General Appropriation Act, the estimated amount of the adjusted transfer is shown as a General Fund expenditure. When combined with the estimated \$3,627,300 WQARF fee revenue, the adjusted CIT transfer in FY 2002 will be \$14,372,700, bringing the total revenue to \$18,000,000. In FY 2003, the WQARF fee revenue is not expected to change from the FY 2002 level, therefore a \$14,372,700

CIT transfer is expected for FY 2003 as well. (See *Other Issues for Legislative Consideration for a description of WQARF expenditures and program activities and see the Fund Summary section for WQARF revenue and fund balance information*).

Computer Leasing GF (31,000) (31,000)

The JLBC recommends a total biennial General Fund decrease of \$(62,000) for elimination of one-time equipment. This amount includes a decrease of \$(31,000) in both FY 2002 and FY 2003 from FY 2001. The Legislature appropriated a total of \$180,000 from the General Fund to purchase replacement computers in FY 2000 and FY 2001. In FY 2000, the department chose to enter into a leasing arrangement to fulfill its replacement computer needs until the lease expires at the end of FY 2003. The department indicates that only \$149,000 is needed from the General Fund in each year to meet the obligations of the lease. The Executive does not address this issue.

Equipment Replacement OF (56,600) (55,100)

The JLBC recommends a total biennial Other Fund decrease of \$(111,700) for elimination of one-time equipment. This amount includes a FY 2002 decrease of \$(56,600) below FY 2001 and a FY 2003 decrease of \$(55,100) below FY 2001. The Other Fund decrease consists of the following amounts from ADEQ funds:

	<u>FY 2002</u>	<u>FY 2003</u>
Indirect Fund	\$(56,600)	\$(53,700)
Air Quality Fund	<u>0</u>	<u>(1,400)</u>
Total	\$(56,600)	\$(55,100)

The funds remaining in the department's equipment base will be used to purchase laptop computers not covered by the department's computer lease, specialized testing equipment, office supplies, and office furniture in FY 2002 and FY 2003. The Executive concurs with the reducing the funding level from other appropriated funds however applies a lower reduction.

Underground Storage

Tank Program GF (1,550,000) (1,550,000)

The JLBC recommends a total biennial General Fund decrease of \$(3,100,000) for elimination of a one-time appropriation to the Underground Storage Tank Assurance (UST) Fund. This amount includes a decrease of \$(1,550,000) in both FY 2002 and FY 2003 below FY 2001. Laws 1999, Chapter 173 appropriated \$1,300,000 to the UST Fund to partially reimburse tank owners for cleaning up leaking underground storage tanks. Laws 2000, Chapter 354 appropriated an additional \$250,000 in FY 2001 for this purpose. In the past, appropriations to the UST Fund have been made through legislation separate from the biennial budget and the JLBC recommendation is in line with this past practice.

The JLBC recommends continuing a \$20,000 appropriation from the UST Fund to pay the operating costs of the Underground Storage Tank Technical Appeals

Panel and the Underground Storage Tank Policy Commission, as added by Laws 2000, Chapter 131. The JLBC recommends continuing the appropriation given the ongoing nature of the program. The Executive recommends eliminating the appropriations in FY 2002 and FY 2003.

Water Quality Fund OF 139,200 133,200

The JLBC recommends a total biennial Water Quality Fund increase of \$272,400 for in-state travel to permit sites, operating expenditures including office materials, field testing uniforms, computer training, technical manuals, computer leasing expenses, and outfitting one inspection vehicle to run on alternative fuels. This amount includes a FY 2002 increase of \$139,200 above FY 2001 and a FY 2003 increase of \$133,200 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. In past years, statutory restrictions on the fees charged for issuing Aquifer Protection permits have limited the amount of revenue generated for the program by imposing a \$16,000 cap on the total fees charged per permit. For some complex permits, the cost of issuing the permit exceeded this statutory cap, thereby generating an imbalance between program revenues and costs. The imbalance between program revenues and expenditures was also identified in a November 1999 Auditor General's Performance Audit which included recommendations that the department improve its internal practices and budgetary assumptions and that the program explore the impact of statutory fee caps on program revenue. The Executive concurs.

The program reviewed its budgetary assumptions used in setting fees and is seeking changes to the fee to more accurately capture the costs of permitting. Further, Laws 2000, Chapter 399 raised the maximum fee cap to \$75,000. The increase in the maximum fees charged per permit will allow the program to receive higher revenues for complex permitting assignments that would have exceeded the prior cap. The JLBC recommendation allows the program to expend the additional revenues on permitting activities.

Emissions Control Program

The Emissions Control Program is operated by an independent contractor in Maricopa and Pima Counties. Vehicle owners in Maricopa County are subject to either an Inspection and Maintenance (IM) -147 inspection if the vehicle was manufactured in 1981 or after, or a loaded idle inspection if the vehicle was manufactured prior to 1981. Pima County vehicle owners are subject only to the idle inspection. The program is funded through test fees that are charged to motorists at the time of inspection. The current contractual test fees are subsidized by the Arizona Clean Air Fund through December 31, 2001. (*See Emissions Control Clean Air Fund Subsidy discussion below.*)

The current emissions inspection contract is set to expire at the end of Calendar Year (CY) 2001. On December 15, 2000, ADEQ awarded a new contract to operate the Vehicle Emissions Inspection Program to Gordon-Darby

Arizona Testing, Incorporated. The contract will begin on January 2, 2002 and will extend for 7 years. The contract specifies the fees to be charged by type of test in each area over the entire 7-year period. These fees are not subject to change unless the program statute is changed. Any change to the contract fee resulting from a programmatic change would require a contract amendment subject to review by the JLBC, as required by A.R.S. § 49- 545.

The new contract also adds a new form of test to Maricopa County that is quicker to conduct. This new test procedure, called On Board Diagnostics (OBD) allows for a check of a vehicle's emissions through computerized plug-in test equipment that is faster than the current testing procedure. It is expected that the federal Environmental Protection Agency will allow this type of test in-lieu of the IM-147 test for certain vehicles through a rule change in February. Current statute allows the OBD test in-lieu of the IM-147 and the new contract provides for using this test in Maricopa County in anticipation of the change to federal air quality rules.

After the new contract was awarded in December 2000, ADEQ reported to the JLBC on elements of the test fee above the base cost. The greatest of these costs identified by ADEQ was a provision that the motorist test fees be deposited in the Vehicle Emissions Inspection (VEI) Fund and then appropriated back to the contractor. In the process of contract negotiations, the contractor indicated that the uncertainty associated with the appropriations process in addition to lost interest from fees held temporarily in the VEI Fund resulted in an increase in the fee. As shown in *Table 3*, in Maricopa County, this uncertainty adds \$0.82 to the IM-147 and OBD fees, and \$0.54 to the Standard test fee. In Pima County the fee was increased by \$0.35 due to the contractor's views of uncertainty.

Table 1

**VEHICLE EMISSIONS INSPECTION PROGRAM
CONTRACTOR TEST FEE
(1/02/02 - 12/31/09)**

	MARICOPA		PIMA
	Biennial OBD & IM-147 Fee	Annual Standard Fee	Annual Standard Fee
Base Test Fee:	\$26.00	\$17.00	\$11.04
Incremental Cost Items:			
4-Wheel Drive Vehicles	0.32	0.00	N/A
Performance Bonds	0.05	0.03	0.02
Wait Time Monitoring	0.12	0.12	0.12
Full-time Fraud Prevention	0.07	0.05	0.03
Network Changes	(0.71)	(0.42)	0.00
Appropriation of Test Fees	<u>0.82</u>	<u>0.54</u>	<u>0.35</u>
Best and Final Proposal Fee	\$26.67	\$17.32	\$11.56

As *Table 1* indicates, the contractor proposed a base test fee of \$26.00 for the Maricopa County IM-147/OBD tests, \$17.00 for the Maricopa County Standard test, and \$11.04 for the Pima County Standard test. The base fee includes the construction of 3 new testing stations in Maricopa County. Additional contract provisions added \$0.67 to the

Maricopa IM-147/OBD test fees, \$0.32 to the Maricopa Standard test fees, and \$0.52 to the Pima Standard test fee. Following is a brief description of each of the other incremental cost provisions leading to the increase from the base fees:

- 4-Wheel Drive Vehicles:** Statute requires that constant 4-wheel drive vehicles receive an IM-147 test. Testing these vehicles requires installation of special equipment at testing stations, which adds to the capital costs of the testing network. Because this type of vehicle represents a small portion of the motor vehicle population, only 4 stations will be equipped with this specialized equipment. However, the additional capital cost at these 4 stations adds \$0.32 to the Maricopa County IM-147/ OBD test fees.
- Performance Bonds:** The contract requires 2 security bonds of \$4,000,000 and \$2,000,000 as security to the state during the implementation and operation stages of the program, respectively. The incremental cost of this provision is \$0.05 for the Maricopa County IM-147/ OBD test, \$0.03 for the Maricopa County Standard test, and \$0.02 for the Pima County test.
- Wait Time Monitoring:** To ensure that standards specifying the maximum time motorists should be expected to wait for a test are met, the contractor will install wait-time monitoring devices at each station. Installing this equipment at each station adds \$0.12 to the cost of each type of test in both counties.
- Full-time Fraud Prevention Position:** In order to provide a more proactive stance against fraud at testing stations, the contractor will hire a full-time position to interact with law enforcement agencies and establish an internal affairs presence within the contractor's organization. This position adds \$0.07 to the Maricopa County IM-147/OBD test, \$0.05 to the Maricopa County Standard test, and \$0.03 to the Pima County test.
- Network Changes:** As mentioned, the base test fee includes construction costs for 3 new stations in Maricopa County. To cut test fee costs, the contractor agreed to postpone equipping 1 lane at each new station until vehicle volumes require opening them in the future. Temporarily reducing the operating network in this manner shaves \$(0.71) off the Maricopa County IM-147/OBD test fee and \$(0.42) off the Maricopa Standard test fee.

Of these added provisions, a large portion of the cost is attributable to statutory requirements that constant 4-wheel drive vehicles be tested and that payments to the contractor be subject to annual appropriation. In total, these two provisions add \$1.14 to the Maricopa County IM-147/OBD test. The appropriation of contractor payments adds \$0.35 to the test fee in Pima County. The contract

includes provisions that if either of these statutory requirements is eliminated then the fee would be reduced. If both provisions were removed from statute, the Maricopa County IM-147/OBD test fee would be reduced to \$25.53, the Maricopa County Standard test fee would fall to \$16.78, and the Pima County test fee would be reduced to \$11.21.

The fees charged in the contract do not include charges for ADEQ's administration of the Vehicle Emissions Inspection Program. Since projections of vehicle inspection volumes do not vary greatly from FY 2001, it is expected that ADEQ's administrative costs will not vary from the FY 2001 level. Therefore, JLBC does not anticipate any increase in the administrative fee charged by ADEQ. In addition to the test fee revenue, ADEQ collects other revenues to support the program administration. These revenues include fees for waivers, exemptions, and fleet inspection certificates.

The contractor's portion of the test fee, the ADEQ administrative fee and the total fee per test for Calendar Years 2001 through 2009 are displayed in *Table 2*.

	CY 2001		
	Maricopa		Pima
	<u>IM-147</u>	<u>Standard</u>	<u>Standard</u>
Contract Fee	\$28.50	\$14.25	\$ 9.25
Administrative Fee	3.00	1.50	0.75
Clean Air Fund			
Subsidy	<u>(6.50)</u>	<u>0.00</u>	<u>(1.00)</u>
Motorist Fee	\$25.00	\$15.75	\$(1.00)
	CY 2002 - 2009		
	Maricopa		Pima
	<u>IM-147</u>	<u>Standard</u>	<u>Standard</u>
Contract Fee	\$26.67	\$17.32	\$11.56
Administrative Fee	3.00	1.50	0.75
Clean Air Fund			
Subsidy	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Motorist Fee	\$29.67	\$18.82	\$12.31

Because fee revenues will be appropriated, the Legislature appears to implicitly approve fee amounts in setting the appropriation level. During the first year of each biennial budget, the Legislature will review the recommended fees and associated revenues to determine an appropriation level for the following 2 years. If a fee increase is necessary in the second year of a biennium, the Legislature may adjust the appropriation level as a supplemental adjustment to the biennial budget. If ADEQ decides to reduce the fees, however, the Legislature may not necessarily be involved, as it would not require an appropriation increase. At its discretion, however, the Legislature could reduce the appropriation to account for reduced revenue that may be associated with a fee or population reduction.

Table 3 displays the revenues and expenditures of the Emissions Control Program for FY 2001, FY 2002, and FY 2003, including amounts for administration, contractor payments, fee subsidies, and one-time funding for alternative fuel vehicle testing.

	FY 2001*	FY 2002	FY 2003
Revenues			
Contract Fee	\$ 0*	\$15,869,800	\$31,739,600
Admin. Fee	2,936,400	3,069,000	2,818,500
Other Prog. Revenue	900,300	768,300	1,019,700
In-Lieu Subsidy	3,600,000	3,600,000	0
Clean Air Fund	100,000	0	0
Total	\$7,536,700	\$23,307,100	\$35,577,800
Expenditures			
Contractor Payment	\$ 0*	\$15,869,800	31,739,600
Program Admin.	3,863,700	3,837,300	3,838,200
In-Lieu Subsidy	3,600,000	3,600,000	0
Alt-Fuels Test Study	100,000	0	0
Total	\$7,536,700	\$23,307,100	\$35,577,800

*In FY 2001, the contractor retained its portion of test fees and thus they are not counted as part of program revenues in that year.

Emissions Control Program

Administration OF -0- -0-

The JLBC recommends a decrease of (13) FTE Positions to the Emissions Control Program Administration in FY 2002 and FY 2003 from the FY 2001 level. Laws 1998, Chapter 1, 6th Special Session required a 33% decrease in program administrative costs. The department's administrative cost reduction plan included a reduction of (13) FTE Positions beginning April of 1999, however this reduction was never applied to the department's authorized staffing level. The JLBC recommendation formalizes the reduction made in the department's cost reduction plan. The Executive does not address this issue.

Emissions Control

Contractor Payment OF 15,869,800 31,739,600

The JLBC recommends a total biennial VEI Fund increase of \$47,609,400 to meet the requirements of the Emissions Control Program contract beginning January 1, 2002. This amount includes a FY 2002 increase of \$15,869,800 above FY 2001 and a FY 2003 increase of \$31,739,600 above FY 2001. The FY 2003 increase is higher because it represents a full year of contract charges. The FY 2002 increase only includes half-year funding as the new contract will begin January 2, 2002, halfway through FY 2002.

Under the current program, the contractor retains the portion of emission inspection fees necessary to cover its operational costs and remits the remainder to ADEQ for its administrative costs. Under the new contract, the contractor will remit the entire amount of the fee to ADEQ for deposit in the VEI Fund. ADEQ will then determine the amount due to the contractor based on the number of vehicles inspected and make payments to the contractor on

a regular basis. Increased expenditure authority from the VEI Fund will allow ADEQ to make these payments to the contractor. The estimated increases in FY 2002 and FY 2003 are based on estimated test volumes and the fees set in the new contract. To provide a conservative estimate of actual vehicle volumes, there is a 10% increase over contract volume estimates in each year. In FY 2002, the amount is estimated to be \$15,869,800. When this amount is fully annualized in FY 2003, it is estimated to be \$31,739,600. The Executive recommends full year revenues of \$31,670,900 be appropriated for payment of the contractor in both FY 2002 and FY 2003.

Emissions Control Clean

Air Fund Subsidy OF -0- (3,600,000)

The JLBC recommends a total biennial Other Fund decrease of \$(3,600,000) for elimination of one-time appropriations. This amount includes a FY 2003 decrease of \$(3,600,000) below FY 2001. Laws 2000, Chapter 405 allocates a portion of fees paid by owners of new vehicles in lieu of an emissions test, which are normally deposited in the Arizona Clean Air Fund, to the VEI Fund. These fees are appropriated from the VEI Fund to reduce the fee charged for vehicle emissions inspections in CY 2001. This appropriation was originally estimated to be \$2,722,500 in both FY 2001 and FY 2002. Based on actual FY 2000 in-lieu revenues however, it is now estimated that the VEI Fund will receive \$3,600,000. The subsidies are not continued in FY 2003, therefore the FY 2003 amount reflects a \$(3,600,000) reduction in expenditure authority from the VEI Fund.

The current contractual fee is \$31.50 for the Maricopa test and \$10.00 for the Pima test. The subsidy buys down the actual test fee in CY 2001 to \$25 in Maricopa County and \$9 in Pima County (See Table 2 above). Chapter 405 set in-lieu fees at \$25 in Maricopa County and \$9 in Pima County. It also transfers \$16.81 of the Maricopa fee and \$2.51 of the Pima fee to the VEI Fund in CY 2001 to accomplish the buydown.

As noted above, an estimated \$3,600,000 will be allocated to the VEI Fund from the in-lieu fee to reduce the test fee for the first 6 months of CY 2001. In FY 2002 an additional \$3,600,000 is estimated to be allocated to cover the last 6 months of CY 2001 (see Table 3). The subsidy is appropriated from the VEI Fund in the Emissions Control Clean Air Fund Subsidy Special Line Item.

For CY 2002 through CY 2009, the IM-147 and OBD test fees will be \$29.67, and the standard loaded idle test fee will be \$18.82 in Maricopa County. In Pima County, the loaded idle test fee will be set at \$12.31 (See Table 2). There is no fee subsidy currently provided for in statute. Therefore, it is expected that these fees together with additional program revenues will be sufficient to fund the program expenditures in future years. The Executive recommends a \$2,722,500 subsidy in both FY 2002 and FY 2003, though the JLBC believes this would require a statutory change.

Alternative Fuel Vehicles

Emissions Testing OF (100,000) (100,000)

The JLBC recommends a total biennial Clean Air Fund decrease of \$(200,000) for elimination of funding for software modifications to allow emissions testing of alternative fuel vehicles. This amount includes a FY 2002 and FY 2003 decrease of \$(100,000) below FY 2001. Laws 2000 7th Special Session, Chapter 1 appropriated \$100,000 to the department for the costs of compiling and maintaining emissions testing data for alternative fuels vehicles. The department views this as a one-time expense, therefore the JLBC recommends eliminating it in FY 2002 and FY 2003. The FY 2001 amount is displayed in the Emissions Control Program Administration Special Line Item. The Executive continues this funding in FY 2002 and FY 2003

Voluntary Vehicle

Repair and Retrofit OF (2,400,000) (2,400,000)

The JLBC recommends a total biennial Clean Air Fund decrease of \$(4,800,000) for elimination of one-time appropriations. This amount includes a FY 2002 and FY 2003 decrease of \$(2,400,000) below FY 2001. Laws 2000, Chapter 405 appropriated \$2,400,000 from the Clean Air Fund to the Voluntary Vehicle Repair and Retrofit (VRRR) Fund in FY 2001. The VRRR Fund is used to provide repair and retrofit matching grants to qualifying motorists whose vehicles fail emissions inspections. This was a one-time appropriation for grants, and it is not continued in FY2002 and FY 2003. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Modified Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Up to \$1,250,000 of the state General Fund appropriation may be used temporarily to maintain existing environmental programs for which an application for Federal Funds has been submitted.

When expenditures from the Hazardous Waste or Environmental Health Reserves are authorized, the Director of the Department of Environmental Quality shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee.

The Department of Environmental Quality shall report quarterly to the Legislature in writing on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the report to the

members of the Joint Legislative Budget Committee and to the Director of the Joint Legislative Budget Committee Staff.

Modification of Prior Year Footnotes

The amounts appropriated for the Water Infrastructure Finance Authority in FY 2002 and FY 2003 shall be used to provide a 20% match of the FY 2002 and FY 2003 federal Safe Drinking Water and Clean Water Revolving Fund allocations to Arizona. Of the amount appropriated, any amount in excess of the required 20% match reverts to the state General Fund. ~~Of the monies appropriated from the state General Fund to the Water Infrastructure Finance Authority in FY 2000, \$60,000 shall be used for the purpose of conducting agricultural water quality research and the development of an educational program. (The JLBC recommends modifying this footnote to eliminate the one-time set-aside of agriculture research and educational monies.)~~

New Footnotes

Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a budget for the Water Quality Assurance Revolving Fund prior to September 1, 2002, for review by the House and Senate Appropriations Committees. (This footnote is recommended to be included in the General Appropriation Act to ensure compliance with A.R.S. § 49-282).

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning FY 2000 automation expenses because it is no longer relevant.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendations

The Executive recommends 1 FTE Position and \$63,300 in FY 2002 and 1 FTE Position and \$43,300 in FY 2003 from the Hazardous Waste Fund to increase resources for the department's Southern Regional Office. The JLBC recommendation does not include this issue because it was not included in the department's budget request.

The Executive also recommends 9 FTE Positions and \$472,400 from the General Fund in FY 2002 and 9 FTE Positions and \$432,500 from the General Fund in FY 2003 in order to take over the National Pollution Discharge Elimination System surface water discharge permitting functions from the federal government. The JLBC recommendation does not include this issue. There is no guarantee from the federal government that there will be additional federal monies accompanying the shift in permitting responsibility. ADEQ would need to make a request for federal funding after taking over the added responsibility. Also, a change in Arizona statute would be required. The JLBC recommends that ADEQ pursue funding for this issue through legislation that would institute a state run surface water permitting program.

The Executive also recommends \$191,200 and 2 FTE Positions from the General Fund and \$52,000 from Other Appropriated Funds in FY 2002 and \$320,800 and 2 FTE Positions from the General Fund in FY 2003 to establish a structured agencywide training program. The JLBC recommendation does not include this issue. The JLBC recommends that individual programs continue with on-the-job training as is currently performed.

The Executive recommends 2 FTE Positions and \$129,100 from the General Fund in FY 2002 and 2 FTE Positions and \$87,800 from the General Fund in FY 2003 to increase state funding for the Arizona-Mexico Border Program. One of the recommended positions will inspect hazardous cargo as it crosses into Arizona from Mexico, however, the U.S. Customs Service already provides this service. The other is intended to address solid waste and emergency preparedness issues at the border. Currently, the program receives the majority of its funding from the Federal government. The JLBC recommendation does not include this issue.

The Executive recommends \$576,400 from the General Fund in both FY 2002 and FY 2003 to provide bonuses to employees that achieve specified performance objectives. The JLBC recommendation does not include this issue. There is currently a statewide incentive program in which ADEQ is eligible to participate. The JLBC recommends that ADEQ participate in the statewide program in order to demonstrate that this type of program can benefit their program performance prior to establishing an ADEQ-only program.

Auditor General Performance Audits

The Auditor General issued Performance Audits of the following programs in 1999:

- Underground Storage Tank Program
- Aquifer Protection Permit Program
- Air Pollution Control Hearing Board
- Water Quality Assurance Revolving Fund

These reports included several findings with potential budget implications.

Underground Storage Tank Program

A Performance Audit of the Underground Storage Tank Program found that there was insufficient storage tank fee revenue to meet claims against the Underground Storage Tank Program resources. This finding is not addressed in the JLBC recommendation as General Fund appropriations to help address this issue have traditionally been made in legislation separate from the budget (*See Underground Storage Tank Program discussion for additional information*).

Aquifer Protection Permit Program

A Performance Audit of the Aquifer Protection Permit Program had 2 findings with potential budget impacts. The

first was that the program may be unable to meet statutory permit processing deadlines due to problems in retaining and training staff. The department's budget request includes no additional monies for salaries, indicating that the department is affecting these changes within its base budget. The second finding is that the program inappropriately solicited additional monies from permit applicants above the total amount they are required to pay. The department did this to help remedy funding problems, and although this practice is not prohibited by statute, it decreases the department's appearance of independence from regulated entities. To help address its problems with funding the permitting program, the department pursued legislative changes that raised the maximum cap on permit fee revenues. Further, it is seeking an administrative change to the fee that is charged for permitting. The JLBC recommendation does provide for additional expenditure authority from the Water Quality Fee Fund as additional revenues are generated by program fee structure changes. (*See Water Quality Fund discussion*).

Air Pollution Control Hearing Board

An Auditor General's Performance Audit of the board recommended that its staff support be provided by an agency other than ADEQ to avoid a conflict of interest in instances where the board is hearing appeals of ADEQ decisions. The Auditor General determined that there would be no significant harm to the public if the board were terminated. The Legislature did not extend the sunset date for this board.

Water Quality Assurance Revolving Fund

The WQARF Program is similar to the federal Superfund program in that it is designed to monitor, contain, and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Although this fund is not appropriated by the Legislature, A.R.S. § 49-282 requires the Appropriations Committees to review the FY 2002 and FY 2003 budget for the Water Quality Assurance Revolving Fund (WQARF). To ensure that expenditures are consistent with legislative intent. *Table 4* shows the fund expenditures in FY 2000 through FY 2003. The following program activities are funded through WQARF:

- Payment for clean-up costs at contaminated sites on the WQARF registry of sites. There are currently 33 sites on the WQARF registry, with additional sites being added as they are identified.
- Monitoring and assessment of the state's water resources, including water flow mapping, well investigations, and water sampling.
- Preliminary investigations of sites with suspected contamination.

- Emergency response and remedial actions for release or threat of release of hazardous substances that threaten human health and environmental quality.
- Identification and notification of Potential Responsible Parties that may be liable for a portion of the cost of clean-up at contaminated sites.
- Agreements with the Attorney General's Office for litigation and appeals concerning agency site clean-up and liability allocation decisions.
- Costs of operating the WQARF Advisory Board and community involvement activities.
- An annual transfer of \$800,000 to the Department of Water Resources for remedial actions at contaminated wells (*see Department of Water Resources section*).
- An annual transfer of \$350,000 to the Voluntary Remediation Fund in FY 2001, FY 2002, and FY 2003.

WQARF is funded in part from an annual transfer from the Corporate Income Tax (CIT), as stipulated in A.R.S. § 49-282. In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 transfer so that, when combined with the other fee and license revenue, the WQARF program receives \$18,000,000 annually. The Summary of Funds section displays revenue and fund balance information for the WQARF program.

Recent expenditures from the fund have largely been directed towards activities needed to prepare contaminated sites for clean-up and for water quality monitoring and emergency response, with less funding being devoted to actual clean-up activities. This has resulted in the accumulation of a \$26,577,600 fund balance as of the end of FY 2000. Having completed the preliminary activities at sites, program expenditures planned for the future will be increasingly for clean-up at contaminated sites through contracts with private remediation specialists. This will result in a decrease in the fund balance to \$11,932,500 at the end of FY 2003.

An Auditor General Performance Audit in 1999 found that a statutory requirement giving a 25% discount to remediation cost payments by parties who agree to an allocation of clean-up responsibility could have long-term implications for the WQARF budget. This is because offering the discount (and thus paying for more of the cleanup cost from WQARF) will leave less money for sites where a responsible party cannot be identified or the responsible party has insufficient funds to pay for clean-up expenses. As noted by the Auditor General, this is not an immediate concern. While the JLBC makes no recommendation given the long-term nature of the issue, it is important that the Legislature be made aware of future funding issues.

Water Quality Assurance Revolving Fund				
	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FTE Positions	83.1	83.1	82.6	82.6
Personal Services	\$ 2,572,400	\$ 3,017,000	\$ 3,042,800	\$ 3,134,600
Employee Related Expenditures	474,700	639,000	699,800	721,000
Professional & Outside Services	8,352,600	19,529,500	18,051,000	17,515,100
Travel - In State	64,000	77,800	79,700	80,100
Travel - Out of State	26,300	33,700	62,400	67,500
Other Operating Expenditures	262,100	442,500	498,400	319,000
Equipment	141,300	88,000	92,400	70,100
Indirect Cost Allocation	<u>1,564,500</u>	<u>1,873,300</u>	<u>1,917,700</u>	<u>1,975,500</u>
Subtotal	13,457,900	25,700,800	24,444,200	24,063,000
Transfers	800,000	1,150,000	1,150,000	1,150,000
TOTAL EXPENDITURES	\$14,257,900	\$26,850,800	\$25,594,200	\$25,213,000

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Air Quality (EVA2226/A.R.S. § 49-551)				Appropriated
Source of Revenue: Monies received from a \$1.50 fee assessed on motor vehicle registrations and gifts, grants and donations, and legislative appropriations.				
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also to provide an annual \$250,000 transfer to the Arizona Clean Air Fund, a \$400,000 transfer to the Department of Administration for state employee travel reduction programs, and annual appropriations for the Department of Weights and Measures Oxygenated Fuels program. <i>(See individual agencies for further description.)</i>				
Funds Expended	3,239,200	4,258,300	4,281,300	4,280,400
Funds Appropriated				
Weights and Measures (Oxygenated Fuel)	767,900	768,600	775,800	775,900
Department of Transportation	45,200	46,400	47,400	47,500
Department of Administration (Bus Subsidy)	464,100	475,400	475,400	475,400
Funds Transferred				
Department of Administration (Travel Reduction)	400,000	400,000	400,000	400,000
Department of Commerce (Clean Air Fund)	250,000	250,000	250,000	250,000
Year-End Fund Balance	2,040,100	1,442,200	813,100	184,800
Brownfields Cleanup Revolving Loan (EVA2456/A.R.S. § 49-218)				Non-Appropriated
Source of Revenue: Legislative appropriations, federal grants, loan repayments, interest, penalties, gifts and donations.				
Purpose of Fund: To provide loans to eligible parties to perform non time-crucial removal of hazardous waste contamination on sites accepted into the State Voluntary Remediation Program.				
Funds Expended	0	0	0	0
Year-End Fund Balance	1,000,000	1,000,000	1,000,000	1,000,000
Arizona Clean Air (EPA1238/A.R.S. § 41-1516)				Non-Appropriated
Source of Revenue: Legislative appropriations, fees, grants, gifts, proceeds from certain Lottery games of chance. <i>(See Department of Commerce for more detail.)</i>				
Purpose of Fund: This portion of the fund is used to provide a one-time appropriation of \$100,000 in FY 2001 to the Emissions Control Program for a study of alternative fuel vehicle emissions. <i>(See Alternative Fuel Vehicles Emissions Testing discussion.)</i>				
Funds Expended	0	100,000	0	0
Year-End Fund Balance	13,300,000	0	0	0
Clean Water Revolving (EVA2254/A.R.S. § 49-1221)				Non-Appropriated
Source of Revenue: Federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.				
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.				
Funds Expended from the General Fund	1,551,900	1,551,900	1,817,500	1,817,500
Other Funds Expended	1,105,800	20,231,500	25,574,800	31,280,100
Year-End Fund Balance	33,028,000	29,768,700	21,911,800	9,015,100
Donations (EVA3006/A.R.S. § 49-104)				Non-Appropriated
Source of Revenue: Various donations, settlements, and consent decrees.				
Purpose of Fund: To administer the intent of the donation, settlement or decree.				
Funds Expended	51,300	0	0	0
Year-End Fund Balance	1,991,200	2,009,200	2,009,200	2,009,200

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Drinking Water Revolving (EVA4320/A.R.S. § 49-1241)

Non-Appropriated

Source of Revenue: Federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.

Purpose of Fund: To make loans to drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.

Funds Expended from the General Fund	1,443,200	1,443,200	1,591,000	1,591,000
Other Funds Expended	9,257,100	14,601,500	14,639,200	12,502,600
Year-End Fund Balance	9,259,800	5,963,100	2,802,000	2,006,300

Emissions Inspection (EVA2082/A.R.S. § 49-544)

Appropriated

Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants. Laws 2000, Chapter 405 stipulates that an estimated \$2,722,500 be appropriated to the fund from the Arizona Clean Air Fund in both FY 2001 and FY 2002 to reduce emissions inspection test fees paid by motorists in CY 2001.

Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for state portion of catalytic converter program costs, and to pay for research studies of the feasibility and effectiveness of new emission control technologies. (See *Emissions Control Program discussion for additional information*)

Funds Expended from the General Fund	1,114,500	0	0	0
Other Funds Expended	2,194,000	7,363,700	23,307,100	35,577,800
Year-End Fund Balance	1,079,900	593,400	278,900	2,899,300

Federal (EVA2000/A.R.S. § 49-104)

Non-Appropriated

Source of Revenue: Federal grants related to water quality management, underground storage tank enforcement provisions, air pollution control, a variety of research projects, and other programs.

Purpose of Fund: To be used as specified by federal law.

Funds Expended	9,716,400	18,036,700	13,118,400	13,118,400
Year-End Fund Balance	0	0	0	0

Greenfields Program (EVA2309/A.R.S. § 49-157)

Non-Appropriated

Source of Revenue: Legislative appropriations and program fees. Initial General Fund appropriations of \$100,000 in FY 1998 and \$70,000 in FY 1999 made at the beginning of the pilot program were intended as start-up monies and will be paid back as fees are collected.

Purpose of Fund: To remediate parcels of land that have soil contamination and return them to productive use. ADEQ will review and approve remediation plans submitted by certified remediation specialists.

Funds Expended	800	0	0	0
Year-End Fund Balance	165,700	165,700	165,700	165,700

Hazardous Waste Management (EVA2178/A.R.S. § 49-927)

Appropriated

Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.

Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program; to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies.

Funds Expended	428,200	469,900	476,700	476,700
Year-End Fund Balance	1,207,500	1,067,000	878,600	708,800

Indirect Cost (EVA7000/A.R.S. § 49-104)

Appropriated

Source of Revenue: This fund consists of monies transferred from the department's appropriated and non-appropriated funds, including federal grants.

Purpose of Fund: To pay departmentwide administrative and overhead costs. Administrative expenditures include supporting the Director's office, the Deputy Director's office, and other agencywide administrative functions. Overhead expenditures include rent, Risk Management, telephone contracts, copy service, data center charges, etc.

Funds Expended	8,737,100	10,114,300	9,748,600	9,756,500
Year-End Fund Balance	646,400	103,300	389,000	746,800

	FY 2000	FY 2001	FY 2002	FY 2003
Institutional and Engineering Control (EVA4240/A.R.S. § 49-159)				
				Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential, use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.				
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties. This fund was created by Laws 2000, Chapter 225.				
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0
Intergovernmental Agreements (EVA2180/A.R.S. § 49-104)				
				Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements from various public entities, including the Game and Fish Department and the Water Protection Commission.				
Purpose of Fund: To be used as specified in the grant or agreement.				
Funds Expended	461,600	551,100	590,000	488,000
Year-End Fund Balance	53,600	52,800	52,800	52,800
Monitoring Assistance (EVA2308/A.R.S. § 49-360)				
				Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.				
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.				
Funds Expended	360,500	1,450,700	983,600	0
Year-End Fund Balance	2,170,400	1,679,700	696,100	696,100
Permit Administration (EVA2328/A.R.S. § 49-455)				
				Appropriated
Source of Revenue: Permit fees and interest.				
Purpose of Fund: To pay the reasonable direct and indirect costs required to develop and administer federal permit program requirements to pay the costs of administering permits or permit revisions, and to pay inspection costs.				
Funds Expended	4,200,400	4,891,900	4,943,400	4,944,700
Year-End Fund Balance	4,795,900	4,186,400	3,525,400	2,863,100
Recycling (EVA2289/A.R.S. § 49-837)				
				Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.				
Purpose of Fund: For grants to local governments and others for developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration. Laws 1999, Chapter 286 converted the fund to appropriated status beginning in FY 2001.				
Appropriated Funds Expended	0	2,033,600	2,040,100	2,040,200
Non-Appropriated Funds Expended	1,754,100	0	0	0
Year-End Fund Balance	2,657,900	2,649,300	2,634,200	2,619,000
Small Water Systems (EVA2225/A.R.S. § 49-355)				
				Non-Appropriated
Source of Revenue: Penalties for violations related to potable water systems and interest.				
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards.				
Funds Expended	7,100	126,000	0	0
Year-End Fund Balance	100,900	0	0	0
Solid Waste Fee (EVA3110/A.R.S. § 49-881)				
				Appropriated
Source of Revenue: Fees, donations, and legislative appropriations.				
Purpose of Fund: To pay solid waste program costs, including tire fire cleanup expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement.				
Funds Expended	953,600	1,185,600	1,200,400	1,200,800
Year-End Fund Balance	362,100	2,000	6,600	10,800

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Technical Appeals Program (EVA3411/A.R.S. § 49-116)

Non-Appropriated

Source of Revenue: Legislative appropriations and dispute resolution fees.

Purpose of Fund: To pay the costs of implementing and administering a technical appeals process for specified WQARF site registry and work plan review decisions.

Funds Expended	0	10,000	10,000	10,000
Year -End Fund Balance	0	0	0	0

Used Oil (EVA3500/A.R.S. § 49-818)

Appropriated

Source of Revenue: Legislative appropriations and penalties for misuse of used oil.

Purpose of Fund: For costs associated with the collection and analysis of used oil fuel samples.

Funds Expended	112,100	126,800	127,000	127,000
Year-End Fund Balance	114,000	119,000	123,800	128,600

NOTE: The Underground Storage Tank (UST) Fund is displayed first as a fund summary, then by individual account.

Underground Storage Tank (UST Summary) (EVA2271/A.R.S. § 49-1015(A))

Non-Appropriated

Source of Revenue: See each account for specific revenue sources. In addition to the revenues described by account below, Laws 2000, Chapter 354 provides for a transfer in of \$5,000,000 of vehicle license tax revenues into the Assurance Account in FY 2001. These monies are to be used to partially reimburse school districts, counties, cities, towns, hospitals, and certain small businesses for costs of cleaning up leaking tanks. Laws 2000, Chapter 131 appropriated \$10,000 to the Underground Storage Tank Technical Appeals Panel in FY 2001. This bill also appropriated \$10,000 in FY 2001 to pay the administrative costs of the Underground Storage Tank Policy Commission.

Purpose of Fund: See each account for specific account purpose.

Balance Forward	34,450,200	34,103,900	31,192,400	28,994,200
Revenue	30,050,800	34,471,900	28,619,900	28,619,900
Funds Available	64,501,000	68,575,800	59,814,300	57,618,100
Funds Expended from the General Fund	1,050,000	1,550,000	0	0
Non-Appropriated Funds Expended	29,347,100	35,811,400	30,816,100	30,822,000
Appropriated Funds Expended	0	22,000	22,000	22,000
Year-End Fund Balance	34,103,900	31,192,400	28,994,200	26,790,100

UST - Area A Assurance Account (EVA2271/A.R.S. § 49-1051)

Non-Appropriated

Source of Revenue: Area A (Maricopa County) excise tax revenues, cost recovery, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline. Laws 1999, Chapter 173 included General Fund appropriations of \$500,000 in FY 2000 and \$1,300,000 in FY 2001. Laws 2000, Chapter 354 provides for a method of distributing these appropriations between Area A and non-Maricopa accounts. In addition, Laws 2000, Chapter 354 appropriates \$250,000 from the General Fund to this account in FY 2001.

Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse ADEQ if the state is required to take corrective action in Area A. Laws 1999, Chapter 193 provides an appropriation of \$500,000 from this fund for a technical study of UST releases into groundwater.

Balance Forward	10,651,400	9,555,200	8,890,700	7,370,500
Revenue	11,947,300	12,852,000	12,060,000	12,060,000
Funds Available	22,598,700	22,407,200	20,950,700	19,430,500
Funds Expended from the General Fund	237,000	852,000	0	0
Other Funds Expended	12,806,500	12,664,500	13,516,500	13,516,500
Year-End Fund Balance	9,555,200	8,890,700	7,370,500	5,850,300

UST - Grant Account (EVA2271/A.R.S. § 49-1071)

Non-Appropriated

Source of Revenue: Ten percent of a 1¢/gallon excise tax on regulated substances, one-time tank fees levied in 1990, and interest. Amounts received from the excise tax are statutorily capped at \$5,600,000; the account reached this cap in August 1994, and since then the only fund revenue has been interest.

Purpose of Fund: To provide grants, up to \$100,000, to UST owners/operators for the purposes of meeting tank performance standards, removing tanks for closure or replacement, or paying the portion of corrective action costs that are less than the deductible amount under the Assurance Fund. The Grant Account was divided into the Area A and Non-Maricopa County Accounts by Laws 1993, Chapter 1, 6th Special Session. The table below depicts the entire Grant Account.

Balance Forward	5,236,100	3,352,800	2,305,800	2,305,800
Revenue	221,400	102,500	0	0
Funds Available	5,457,500	3,455,300	2,305,800	2,305,800
Funds Expended	2,204,700	1,149,500	0	0
Year-End Fund Balance	3,352,800	2,305,800	2,305,800	2,305,800

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

UST - Non-Maricopa County Assurance Account (EVA2271/A.R.S. § 49-1051)

Non-Appropriated

Source of Revenue: Non-Maricopa County excise tax revenues, cost recovery, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline. Laws 1999, Chapter 173 included General Fund appropriations of \$500,000 in FY 2000 and \$1,300,000 in FY 2001. Laws 2000, Chapter 354 provides for a method of distributing these appropriations between the Area A and Non-Maricopa accounts.

Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse ADEQ if the state is required to take corrective action in areas other than Area A. Laws 1999, Chapter 193 provides an additional General Fund appropriation of \$500,000 for a technical study of UST releases into groundwater.

Balance Forward	18,383,000	20,559,100	19,795,000	19,073,400
Revenue	16,537,100	15,739,900	15,782,400	15,782,400
Funds Available	34,920,100	36,299,000	35,577,400	34,855,800
Funds Expended from the General Fund	263,000	698,000	0	0
Other Funds Expended	14,098,000	15,806,000	16,504,000	16,504,000
Year-End Fund Balance	20,559,100	19,795,000	19,073,400	18,351,800

UST - Regulatory Account (EVA2271/A.R.S. § 49-1015)

Non-Appropriated

Source of Revenue: Annual tank fees (\$100/tank) and interest. Laws 1999, Chapter 173 appropriated \$550,000 from the General Fund to this account in FY 2000.

Purpose of Fund: To carry out the state regulatory program, state-initiated corrective actions, and cost recovery activities.

Balance Forward	179,800	636,900	223,000	204,900
Revenue	1,345,000	777,500	777,500	777,500
Funds Available	1,524,800	1,414,400	1,000,500	982,400
Funds Expended from the General Fund	550,000	0	0	0
Other Funds Expended	337,500	1,191,400	795,600	801,500
Year-End Fund Balance	636,900	223,000	204,900	180,900

Voluntary Lawn and Garden Equipment Emissions Reduction (EVA2310/A.R.S. § 49-474)

Non-Appropriated

Source of Revenue: Legislative appropriations, gifts, grants and donations.

Purpose of Fund: To provide vouchers for the retirement of residential and commercial lawn mowers. Residential owners receive a \$100 voucher to be used toward the purchase of an electric mower. Commercial owners receive a \$200 voucher to be used toward the purchase of a mower that generates lower emissions.

Funds Expended	289,300	260,700	0	0
Year-End Fund Balance	267,700	0	0	0

Voluntary Remediation (EVA4230/A.R.S. § 49-187)

Non-Appropriated

Source of Revenue: Legislative appropriations, program fees, costs reimbursements, gifts, grants, and donations. In addition, in FY 2001-2004 the fund receives a transfer of \$350,000 from the Water Quality Assurance Revolving Fund.

Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.

Funds Expended	0	150,000	452,600	457,600
Year-End Fund Balance	0	289,800	526,700	830,900

Voluntary Vehicle Repair and Retrofit (EVA2365/A.R.S. § 49-474.03)

Non-Appropriated

Source of Revenue: Legislative appropriations, gifts, grants and donations. Laws 2000, Chapter 405 appropriates \$2,400,000 from the Clean Air Fund to the Voluntary Vehicle Repair and Retrofit Fund in FY 2001.

Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.

Funds Expended from the Arizona

Clean Air Fund	0	2,400,000	0	0
Other Funds Expended	0	116,000	109,100	0
Year-End Fund Balance	225,100	109,100	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Water Quality Assurance Revolving (WQARF) (EVA2221/A.R.S. § 49-282)

Non-Appropriated

Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by Laws 1997, Chapter 287 \$15,000,000 will be transferred to WQARF from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually.

Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is an \$800,000 transfer to the Department of Water Resources for well inspection and data management and a \$350,000 transfer to the Voluntary Remediation Fund. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the FY 2002 and FY 2003 budget for WQARF. (See *Other Issues for Legislative Consideration for a description of FY 2002 and FY 2003 expenditures and program activities.*)

Balance Forward	19,449,200	26,577,600	20,731,100	16,141,200
General Fund/Transfers In	14,333,900	14,372,000	14,372,000	14,372,000
Other Revenue	7,052,400	6,632,300	6,632,300	6,632,300
Total Funds Available	40,835,500	47,581,900	41,735,400	37,145,500
Funds Expended from the General Fund	13,457,900	14,372,000	14,372,000	14,372,000
Other Funds Expended	0	11,328,800	10,072,200	9,961,000
Funds Transferred				
Department of Water Resources	800,000	800,000	800,000	800,000
Voluntary Remediation Fund	0	350,000	350,000	350,000
Year-End Fund Balance	26,577,600	20,731,100	16,141,200	11,932,500

Water Quality Fee (EVA4100/A.R.S. § 49-210)

Appropriated

Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.

Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.

Funds Expended	984,700	3,307,400	3,484,100	3,478,800
Year-End Fund Balance	253,400	258,700	535,800	818,200

[Click here to return to Table of Contents](#)

Governor's Office of Equal Opportunity

Ruben Alvarez, Director

JLBC: Paul Shannon
 OSPB: Theresa Garcia

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Governor's Office of Equal Opportunity	210,200	238,200	235,100	234,900	235,100	234,900
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	136,100	150,600	152,900	152,900	152,900	152,900
Employee Related Expenditures	27,800	31,600	26,300	26,100	26,300	26,100
All Other Operating Expenditures:						
Professional and Outside Services	400	4,000	4,000	4,000	4,000	4,000
Travel - In State	300	800	800	800	800	800
Travel - Out of State	2,600	700	700	700	700	700
Other Operating Expenditures	39,200	50,500	50,400	50,400	50,400	50,400
Equipment	3,800	0	0	0	0	0
AGENCY TOTAL	210,200	238,200	235,100	234,900	235,100	234,900

FUND SOURCES						
General Fund	210,200	238,200	235,100	234,900	235,100	234,900
SUBTOTAL - Appropriated Funds	210,200	238,200	235,100	234,900	235,100	234,900
Federal Funds	65,000	67,000	65,000	65,000	65,000	65,000
TOTAL - ALL SOURCES	275,200	305,200	300,100	299,900	300,100	299,900

CHANGE IN FUNDING SUMMARY	<u>FY 2001 to FY 2002 JLBC</u>		<u>FY 2001 to FY 2003 JLBC</u>		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(3,300)	-1.4%	(3,300)	-1.4%	(6,600)

AGENCY DESCRIPTION — *The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Total training hours provided by the Office of Equal Opportunity to state employees	NA/330	NA/1,107	1,200	1,200
• Number of community organizations contacted to facilitate the dissemination of information	NA	NA/60	135	135
• Individuals provided with training and technical assistance	NA/614	300/53	300	300
• Grievances and Equal Employment Opportunity Commission complaints	NA/85	NA/69	125	125
• Administration as a % of total cost	NA	96/NA	96	96

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$2,600	\$2,600
ERE Rates	GF	(5,800)	(5,800)
Risk Management	GF	(100)	(100)

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Equal Employment and Economic Development (AFA2000/Executive Order: 93-20)				
			Non-Appropriated	
Source of Revenue: Federal funds received by the state of Arizona under the provisions of the Job Training Partnership Act, Public Law 97-300.				
Purpose of Fund: To increase employment opportunities of Native Americans by training of potential job applicants, information dissemination, intergovernmental agreements, and increased interaction with tribes.				
Funds Expended	65,000	67,000	65,000	65,000
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

State Board of Equalization

David Schweikert, Chairperson

JLBC: Bob Hull
 OSPB: Tracie Andreasson

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
State Board of Equalization	572,300	622,800	640,000	639,100	640,000	639,100

OPERATING BUDGET

Full Time Equivalent Positions	8.0	8.0	8.0	8.0	8.0	8.0
Personal Services	360,200	367,600	372,800	372,800	372,800	372,800
Employee Related Expenditures	65,400	67,300	78,500	77,600	78,600	77,700
All Other Operating Expenditures:						
Professional and Outside Services	0	12,600	12,600	12,600	12,600	12,600
Travel - In State	5,000	19,400	19,400	19,400	19,400	19,400
Other Operating Expenditures	134,600	155,900	156,700	156,700	156,600	156,600
Equipment	7,100	0	0	0	0	0
AGENCY TOTAL	572,300	622,800	640,000	639,100	640,000	639,100

FUND SOURCES

General Fund	572,300	622,800	640,000	639,100	640,000	639,100
SUBTOTAL - Appropriated Funds	572,300	622,800	640,000	639,100	640,000	639,100
TOTAL - ALL SOURCES	572,300	622,800	640,000	639,100	640,000	639,100

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	16,300	2.6%	16,300	2.6%	32,600

AGENCY DESCRIPTION — *The State Board of Equalization consists of 17 members. The board hears property tax appeals for properties in Maricopa and Pima Counties. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. Of the 17 members, the 7 gubernatorial appointments also hear appeals of centrally valued properties and equalization orders by the Department of Revenue.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Tax appeals received	NA/18,000	18,000/18,000	16,000	15,500/18,000
• % of tax appeals filed on-line	NA/11.1	28/28	44	45/50
• Cost per petition/hearing (in \$)	29/28	27/27	25	25/23
• Average calendar days to process a property tax appeal from receipt to issuance (includes statutory 14 days minimum to mail the hearing notice before the hearing).	NA	NA	28	28
• % of rulings upheld in tax courts	NA	NA	100	100
• Administration as a % of total cost	NA	17/NA	16.4	15.8

Comments:

- The JLBC recommends the new performance measures, "Average calendar days to process a tax appeal from receipt to issuance," and "% of rulings upheld in tax courts."

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$5,800	\$5,800
ERE Rates	GF	9,700	9,800
Risk Management	GF	800	700
Rent	GF	1,100	1,100

Information Technology

Services **GF** **(1,100)** **(1,100)**

The JLBC recommends a total biennial General Fund decrease of \$(2,200) to better reflect current expenditure levels. This amount includes a decrease of \$(1,100) in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

[Click here to return to Table of Contents](#)

Board of Executive Clemency

Kathryn Brown, Chairman

JLBC: Kim Hohman
OSP: Keith Fallstrom

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Executive Clemency	1,420,300	1,301,100	1,330,000	1,318,800	1,303,500	1,300,300

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	26.0	22.0	22.0	22.0	22.0	22.0
Personal Services	830,100	840,100	874,200	874,700	850,900	857,600
Employee Related Expenditures	184,400	179,800	182,500	170,800	179,800	169,900
All Other Operating Expenditures:						
Professional and Outside Services	6,400	4,000	4,000	4,000	4,000	4,000
Travel - In State	14,200	22,400	22,400	22,400	22,400	22,400
Travel - Out of State	500	2,000	2,000	2,000	2,000	2,000
Other Operating Expenditures	344,600	209,000	211,100	211,100	210,600	210,600
Equipment	40,100	43,800	33,800	33,800	33,800	33,800
AGENCY TOTAL	1,420,300	1,301,100	1,330,000	1,318,800	1,303,500	1,300,300

FUND SOURCES

General Fund	1,420,300	1,301,100	1,330,000	1,318,800	1,303,500	1,300,300
SUBTOTAL - Appropriated Funds	1,420,300	1,301,100	1,330,000	1,318,800	1,303,500	1,300,300
TOTAL - ALL SOURCES	1,420,300	1,301,100	1,330,000	1,318,800	1,303,500	1,300,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	17,700	1.4%	(800)	-0.1%	16,900

AGENCY DESCRIPTION — *The board consists of 5 full-time members. The board conducts home arrest, parole, or work furlough release hearings at all adult prison institutions for prisoners convicted prior to January 1, 1994. The board considers executive clemency actions such as pardons, commutations and absolute discharges for all prisoners convicted on or after January 1, 1994.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Scheduled hearings	1,629/6,641	3,669/3,864	3,366	3,018/2,774
• Number of revocations of parole	1,734/1,643	1,907/2,071	2,499	2,927/3,141
• Total victim and official notifications	13,000/13,008	25,000/25,119	25,119	25,119
• % of parole granted	NA	NA/29	27	25
• Administration as a % of total cost	NA	16.1/NA	16.4	11.4

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$ 9,400	\$ 9,400
ERE Rates	GF	(12,600)	(11,700)
Risk Management	GF	2,100	1,600

Retirement Payoffs GF 25,700 6,800

The JLBC recommends a total biennial General Fund increase of \$32,500 for the costs associated with the

retirement of 2 board members and 2 staff members. This amount includes a FY 2002 increase of \$25,700 above FY 2001 and a FY 2003 increase of \$6,800 above FY 2001. The FY 2003 increase is lower due to 3 members retiring in FY 2002 and 1 in FY 2003. The recommended amount will provide funding to pay annual leave balances for each retiring staff member. The Executive recommends a FY 2002 increase of \$26,000 above FY 2001, but does not recommend any additional funding in FY 2003.

Position Reclassification GF 3,100 3,100

The JLBC recommends a total biennial General Fund increase of \$6,200 for the reclassification of 3 Case Analysts. This amount includes an increase of \$3,100 in both FY 2002 and FY 2003 above FY 2001. Historically, the agency has assigned Case Analysts to parole hearings and Hearing Officers to revocation and clemency actions. Currently the board has 2 Hearing Officers II (grade 20) and 3 Case Analysts (grade 17). Between FY 1999 and FY 2000 the board experienced an increase of 56% in its commutation workload (281 in FY 1999 and 437 in FY 2000) and an increase of 26% in its revocation workload (1,643 in FY 1999 and 2,071 in FY 2000). The reclassification will enable the 5 positions to handle both parole and revocation cases. This increase represents a 2.5% salary increase for each of the 3 Case Analysts. The Executive concurs

One-Time Equipment GF (10,000) (10,000)

The JLBC recommends a total biennial General Fund decrease of \$(20,000) for the elimination of one-time FY 2001 computer equipment. This amount includes a decrease of \$(10,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

[Click here to return to Table of Contents](#)

Arizona Exposition and State Fair Board

JLBC: Tony Vidale
 OSPB: Bret Cloninger

Gary D. Montgomery, Executive Director
 House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
State Fair Operations	7,616,000	8,813,700	15,043,800	9,678,800	13,826,800	8,891,700
Interim Events	3,232,700	4,715,900	0	5,211,600	0	4,787,800
AGENCY TOTAL	10,848,700	13,529,600	15,043,800	14,890,400	13,826,800	13,679,500

OPERATING BUDGET						
Full Time Equivalent Positions	182.0	182.0	186.0	186.0	186.0	186.0
Personal Services	3,859,800	3,777,400	3,983,400	3,985,300	3,983,400	3,985,300
Employee Related Expenditures	574,700	608,400	818,200	664,700	820,800	673,400
All Other Operating Expenditures:						
Professional and Outside Services	3,448,700	3,239,100	3,491,900	3,489,100	3,491,900	3,489,100
Travel - In State	10,500	13,100	13,100	13,100	13,100	13,100
Travel - Out of State	14,200	20,000	20,000	20,000	20,000	20,000
Other Operating Expenditures	2,864,400	5,871,600	5,488,700	5,489,700	5,497,600	5,498,600
Equipment	76,400	0	1,228,500	1,228,500	0	0
AGENCY TOTAL	10,848,700	13,529,600	15,043,800	14,890,400	13,826,800	13,679,500

FUND SOURCES						
Arizona Exposition and State Fair Fund	10,848,700	13,529,600	15,043,800	14,890,400	13,826,800	13,679,500
SUBTOTAL - Appropriated Funds	10,848,700	13,529,600	15,043,800	14,890,400	13,826,800	13,679,500
TOTAL - ALL SOURCES	10,848,700	13,529,600	15,043,800	14,890,400	13,826,800	13,679,500

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	1,360,800	10.1%	149,900	1.1%	1,510,700

AGENCY DESCRIPTION — *The Arizona Exposition and State Fair Board is custodian of the State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and the annual Livestock Show, and leases the coliseum and fairgrounds facilities for special events.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Fair attendance	1,020,000/ 975,000	1,020,000/ 1,025,000	1,025,000	1,025,000
• % guests rating state fair “good” or “excellent” based on annual survey	N/A	N/A	75	85/88
• % increase in fair income	2/2	5/5	4	4
• Non-fair events held on grounds	69/69	72/74	79	84/89
• Facility rental days during the non-fair period	157/140	174/134	142	150/158
• % of agency staff turnover	NA/6.5	NA/6.5	5.5	4.5
• Administration as a % of total cost	NA	9.7/NA	9.7	9.6

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$29,300	\$29,300
ERE Rates	OF	16,400	25,100
Risk Management	OF	86,600	95,500

Equipment OF 1,228,500 -0-

The JLBC recommends a total biennial increase of \$1,228,500 for one-time equipment purchases in FY 2002. This amount is a one-time FY 2002 increase of \$1,228,500 above FY 2001. This increase will cover replacement costs for 500 tables and chairs, a portable concert stage, and maintenance equipment such as an air compressor, backhoe, and asphalt roller to maintain and operate the fairgrounds. This increase also will cover replacement costs for utility vehicles such as a water truck, riding lawnmower, and trash truck, to complete ongoing maintenance and landscaping projects. Equipment age ranges from 10 to 59 years old, has become difficult and costly to maintain, and has become a safety concern. In years past, replacement equipment purchases were put on hold by the State Fair Board pending approval of a relocation plan for the fairgrounds. The Board is no longer considering relocation. The Executive concurs.

Base Adjustment OF -0- -0-

The JLBC recommends a transfer of \$468,500 from Other Operating Expenditures into Personal Services, Employee Related Expenditures (ERE), and Professional and Outside Services. This amount includes an increase in Personal Services and ERE of \$218,500 and 4 FTE Positions in both FY 2002 and FY 2003 above FY 2001. This increase will allow the State Fair to fund vacant positions and increase

staffing to meet workload increases associated with state fair laborer needs and an increase of 5 interim events. This amount also includes an increase in Professional and Outside Services of \$250,000 in both FY 2002 and FY 2003 to cover an 8% increase in fair talent expenditures. The decrease in Other Operating Expenditures is to provide a more accurate representation of costs for insurance, utilities, maintenance and advertising expenses. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning development of plans for a new fairground. The Exposition and State Fair Board is no longer considering this option.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommendation is \$150,000 higher than the JLBC recommendation due to a technical error calculating the ERE Rate adjustment in FY 2002. The JLBC recommendation reflects the correct ERE Rate adjustment for FY 2002.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Arizona Exposition and State Fair (CLA4001/A.R.S. § 3-1005) **Appropriated**

Source of Revenue: Receipts and lease revenues of fairground facilities, most of which are associated with the State Fair.

Purpose of Fund: For operating costs of the State Fair.

Funds Expended	10,848,700	13,529,600	14,890,400	13,679,500
Year-End Fund Balance	6,190,900	4,290,300	2,241,800	2,949,000

Capital Outlay (CLA4006/A.R.S. § 3-1005) **Appropriated**

Source of Revenue: Eleven percent of revenue (minimum \$400,000) derived from pari-mutuel taxes on racing receipts, investment interest, and transfers from the Enterprise Fund.

Purpose of Fund: For capital outlay expenditures, bond interest, and for retirement of bond liability.

Funds Expended - Capital	8,000	2,075,000	1,070,000	1,070,000
Year-End Fund Balance	1,916,500	214,500	0	0

[Click here to return to Table of Contents](#)

State Board of Funeral Directors & Embalmers

Rudy Thomas, Executive Director

JLBC: Steve Grunig
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Funeral Directors and Embalmers	224,300	252,000	251,900	251,500	251,900	251,600
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	138,300	140,800	142,800	142,800	142,800	142,800
Employee Related Expenditures	26,200	26,000	23,700	23,200	23,700	23,300
All Other Operating Expenditures:						
Professional and Outside Services	34,600	53,400	53,600	53,700	53,600	53,700
Travel - In State	5,700	9,700	9,700	9,700	9,700	9,700
Travel - Out of State	1,100	0	0	0	0	0
Other Operating Expenditures	18,400	22,100	22,100	22,100	22,100	22,100
AGENCY TOTAL	224,300	252,000	251,900	251,500	251,900	251,600

FUND SOURCES

Board of Funeral Directors and Embalmers	224,300	252,000	251,900	251,500	251,900	251,600
SUBTOTAL - Appropriated Funds	224,300	252,000	251,900	251,500	251,900	251,600
TOTAL - ALL SOURCES	224,300	252,000	251,900	251,500	251,900	251,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	(500)	-0.2%	(400)	-0.2%	(900)

AGENCY DESCRIPTION — *The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	1,301/1,200	1,375/1,300	1,250	1,250
• Number of complaints received about licensees	50/27	40/17	15	15
• Average calendar days to resolve a complaint	90/90	90/90	90	90
• Number of inspections	40/40	100/145	145	145
• Average calendar days to renew a license (from receipt of application to issuance)	45/45	30/45	45	45
• Administration as a % of total cost	NA	5/NA	5	5

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	OF \$ 2,000	\$ 2,000
ERE Rates	OF (2,800)	(2,700)

increase of \$300 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

* * *

State Boards' Office OF 300 300
The JLBC recommends a total biennial increase of \$600 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

State Board of Funeral Directors and Embalmers (FDA2026/A.R.S. § 32-1308)

Appropriated

Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.

Funds Expended	224,300	252,000	251,500	251,600
Year-End Fund Balance	171,700	189,700	208,700	227,600

[Click here to return to Table of Contents](#)

Arizona Game and Fish Department

Duane L. Shroufe, Director

JLBC: Bruce Groll
OSP: Marcel Benberou

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Central Administrative Services	1,459,200	1,593,400	2,009,900	1,854,500	2,030,300	1,857,600
Off-Highway Vehicle/Watercraft	1,637,200	1,737,200	2,051,200	2,201,200	2,316,900	2,321,900
Non-Game and Endangered Wildlife	710,000	910,000	951,600	967,300	947,200	963,100
Game Management	7,842,300	8,876,800	8,876,300	9,341,100	8,746,100	9,284,800
Pittman-Robertson/Dingell-Johnson SLI	1,104,000	1,104,000	1,354,000	1,354,000	1,354,000	1,354,000
Program Subtotal - Game Management	8,946,300	9,980,800	10,230,300	10,695,100	10,100,100	10,638,800
Sportfish Management	4,747,200	5,361,300	5,575,500	5,797,700	5,519,800	5,771,800
Pittman-Robertson/Dingell-Johnson SLI	1,104,000	1,104,000	1,354,000	1,354,000	1,354,000	1,354,000
Program Subtotal - Sportfish Management	5,851,200	6,465,300	6,929,500	7,151,700	6,873,800	7,125,800
AGENCY TOTAL	18,603,900	20,686,700	22,172,500	22,869,800	22,268,300	22,907,200

OPERATING BUDGET

Full Time Equivalent Positions	271.5	271.5	273.5	274.5	273.5	274.5
Personal Services	8,383,100	9,461,600	9,642,700	9,681,500	9,651,900	9,681,500
Employee Related Expenditures	2,366,100	2,648,900	2,440,400	2,461,300	2,455,900	2,474,300
All Other Operating Expenditures:						
Professional and Outside Services	347,900	284,500	494,500	564,500	594,500	564,500
Travel - In State	247,900	280,300	284,300	292,000	284,300	292,000
Travel - Out of State	83,100	30,700	30,700	30,700	30,700	30,700
Other Operating Expenditures	3,964,800	4,811,500	5,388,700	5,637,100	5,402,100	5,656,000
Equipment	1,003,000	961,200	1,183,200	1,494,700	1,140,900	1,500,200
OPERATING SUBTOTAL	16,395,900	18,478,700	19,464,500	20,161,800	19,560,300	20,199,200
Special Line Items	2,208,000	2,208,000	2,708,000	2,708,000	2,708,000	2,708,000
AGENCY TOTAL	18,603,900	20,686,700	22,172,500	22,869,800	22,268,300	22,907,200

FUND SOURCES

Game and Fish Fund	16,776,900	18,612,600	19,782,800	20,331,400	19,612,800	20,248,100
Watercraft Licensing Fund	1,637,200	1,737,200	2,051,200	2,201,200	2,316,900	2,321,900
Game, Non-Game, Fish and Endangered						
Species Fund	125,400	277,400	279,000	277,700	279,100	277,700
Waterfowl Conservation Fund	40,400	43,500	43,500	43,500	43,500	43,500
Wildlife Endowment Fund	24,000	16,000	16,000	16,000	16,000	16,000
SUBTOTAL - Other Appropriated Funds	18,603,900	20,686,700	22,172,500	22,869,800	22,268,300	22,907,200
SUBTOTAL - Appropriated Funds	18,603,900	20,686,700	22,172,500	22,869,800	22,268,300	22,907,200
Other Non-Appropriated Funds	10,468,600	8,205,600	8,143,800	8,143,800	7,495,500	7,495,500
Federal Funds	16,928,100	15,301,000	14,433,900	14,433,900	14,181,600	14,181,600
TOTAL - ALL SOURCES	46,000,600	44,193,300	44,750,200	45,447,500	43,945,400	44,584,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	2,183,100	10.6%	2,220,500	10.7%	4,403,600

AGENCY DESCRIPTION — *The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations. The department has 5 major programs: 1) the **Central Administrative Services** program supports 6 regional Game and Fish offices and is responsible for supervision and control of the AGFD activities, functions and employees, and implementation and enforcement of statutory provisions and commission rules and orders; 2) the **Off-Highway Vehicle/Watercraft** program is responsible for development of information and education programs on off-highway vehicle recreation and boating and boating safety, related law enforcement activities, boat registration, and receives funding from motor vehicle fuel taxes, watercraft registration fees, license taxes and penalty assessments; 3) the **Non-Game and Endangered Wildlife** program is responsible for research on non-game wildlife, habitat development and protection, and receives funding from taxpayers who elect the “check-off” option for non-game wildlife on their Arizona state income tax form; 4) the **Game Management** program is responsible for inventory of game populations, regulation of harvest, law enforcement, and conducting the annual lottery draw for hunting tags; and 5) the **Sportfish Management** program is responsible for inventory of fish populations, regulation of harvest, law enforcement, operation of fish hatcheries, and the Urban Fishing program.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Public rating the department as good or excellent	60/67	68/70	68	74/75
• Public satisfaction with off-highway vehicle and watercraft information products and services	74/63	60/74	75	77/78
• Total number of reported watercraft accidents on Arizona waterways	NA/500	NA/339	419	428/435
• % of anglers rating their experience as excellent (≥ 9) on a scale of 1 to 10	19/19	20/NA	22	25/28
• % of agency staff turnover	NA	7.6/NA	10	10
• Administration as a % of total cost	NA	18.7/NA	18.9	17.2/17.1

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	OF \$ 147,600	\$ 147,600
ERE Rates	OF (229,100)	(216,100)
Risk Management	OF 364,900	383,800

Wildlife Series Special

Market Salary Increase **OF -0- -0-**
Laws 2000, Chapter 253 added as a base adjustment \$732,500 in FY 2001 for special market salary adjustments to all covered employees with Wildlife Series job classifications on July 1, 2000. The JLBC recommends continued funding. The Executive concurs.

Replacement Equipment **OF 359,600 340,100**

The JLBC recommends a one-time total biennial increase of \$699,700 for replacement equipment including trucks, personal computers, boats, and smaller miscellaneous equipment items. These amounts include elimination of \$(913,200) from the Game and Fish Fund and \$(48,000) from the Watercraft Licensing Fund for one-time FY 2001 equipment. The one-time FY 2002 recommended amounts total \$1,265,000 from the Game and Fish Fund and \$55,800 from the Watercraft Licensing Fund. The one-time FY 2003 recommended amounts total \$1,242,000 from the Game and Fish Fund and \$59,300 from the Watercraft Licensing Fund.

The JLBC recommended one-time amounts include:

- \$1,000,000 in FY 2002 and an additional \$1,000,000 in FY 2003 from the Game and Fish Fund for replacement of 40 ¾ ton pick-up trucks for \$25,000 per unit in each fiscal year. The department purchases extended 5-year/100,000 mile warranties for all new vehicles. Vehicles designated for replacement must have an excess of 100,000 miles. The Executive recommends \$750,000 in FY 2002 for 31 trucks and an additional \$625,000 in FY 2003 for 25 trucks.
- \$201,500 and \$19,300 in FY 2002 and an additional \$201,500 and \$19,300 in FY 2003 from the Game and Fish Fund and Watercraft Licensing Fund, respectively, for replacement of 138 personal computers for \$1,600 per unit in each fiscal year. The recommended amounts will enable AGFD to initiate a 3-year replacement cycle for computers. The Project and Investment Justification submitted to the Government Information Technology Agency (GITA) has been approved. The Executive concurs.
- \$36,500 in FY 2002 and an additional \$40,000 in FY 2003 from the Watercraft Licensing Fund for replacement of 2 boats and miscellaneous office equipment used for watercraft law enforcement, training, and education. The recommended amounts will enable AGFD to replace 1 boat each year and include a trailer, motor, radio and associated hardware. One boat is over 10 years old and another over 20 years old. Both boats are in a declining state of cost-effective repair. The FY 2002 amount

includes \$10,500 for replacement of a copier, cash register, printer, and fax machine. The Executive concurs with the JLBC recommended total biennial increase.

- \$63,500 in FY 2002 and an additional \$40,500 in FY 2003 from the Game and Fish Fund for miscellaneous equipment. The FY 2002 recommended amount includes \$20,000 for Region 5 phone system replacement and upgrades; \$23,500 for Field Services for an all terrain vehicle, fish hauling tank, gun safe, furniture, and evidence freezer; \$15,000 to replace a 7-year-old camera used in video production with one that is compatible with modern editing equipment; and \$5,000 for a regional office copy machine. The \$40,500 recommended in FY 2003 is for mandatory replacement of an airplane engine in accordance with Federal Aviation Regulations and manufacturers specifications at 1,600 hours of operation intervals. The Cessna 206 aircraft is used principally for game surveys, patrols, and radio telemetry. The Executive concurs.

Professional and Outside Services

OF 30,000 30,000

The JLBC recommends a total biennial increase of \$60,000 from the Game and Fish Fund for the Leadership Academy and aviation maintenance. This amount includes an increase of \$30,000 in both FY 2002 and FY 2003 above FY 2001. The recommended increases support employee education, development and retention; and cover increased expenses for contracted aircraft maintenance. The Executive concurs with the aviation maintenance recommendation but does not recommend the Leadership Academy amount.

Operating Expenditures

OF 160,600 160,600

The JLBC recommends total biennial increases of \$314,400 from the Game and Fish Fund and \$6,800 from the Watercraft Licensing Fund for increased operating costs for Field Services, the Urban Fishing program, ammunition, and the Registrar system. These amounts include increases of \$157,200 from the Game and Fish Fund and \$3,400 from the Watercraft Licensing Fund in both FY 2002 and FY 2003 above FY 2001. The Executive recommends a \$143,600 total biennial increase for the Urban Fisheries program and Registrar system software.

The JLBC recommended annual amounts include:

- \$78,800 for statewide Field Services operating increases due to expanded agency activities including processing licensing applications, hunting and fishing customer surveys and production of printed regulations, and other operating increases for contracted custodial maintenance, paper, postage, printing, utilities, and office supplies costs. The Executive does not recommend this increase.
- \$68,500 for the Urban Fisheries program for fish stocking and management at the proposed new lake

additions of Crystal Garden Lakes in Avondale and Sahuarita to offset annual price increases for production and delivery of privately-contracted trout, catfish and sunfish, and for increased fish stocking and management costs. The Executive concurs.

- \$10,000 to cover increased costs for ammunition used by department officers. The Executive does not recommend this increase.
- \$3,300 for upgrading and maintaining AGFD's Registrar system software for training records used by Human Resources. The Executive concurs.

Pittman-Robertson/Dingell-

Johnson Acts OF 500,000 500,000

The JLBC recommends a total biennial increase of \$1,000,000 from the Game and Fish Fund for federal aid matching funds. This amount includes an increase of \$500,000 in both FY 2002 and FY 2003 above FY 2001. The recommended amounts fully fund the estimated 25% state match required to receive federal aid allocated to Arizona for sport fishing and wildlife restoration projects. The amount of Arizona's federal aid apportionment is estimated to be \$10,800,000 in each year of the biennium. The Executive concurs.

Reimbursements to

Game and Fish Fund OF 40,500 40,500

The JLBC recommends a total biennial Watercraft Licensing Fund increase of \$81,000 to reimburse the Game and Fish Fund for watercraft law enforcement and registration services performed by the Administrative and Field Services program on behalf of the Watercraft program. This amount includes an increase of \$40,500 in both FY 2002 and FY 2003 above FY 2001. These cost transfers are intended to capture related costs, including salaries, Employee Related Expenditures, travel, and equipment. Arizona registered recreational watercraft have increased more than 18%, from 138,000 in 1991 to 163,591 in 1999, resulting in increased demands for watercraft law enforcement, education, accident mitigation, and conflict resolution. The additional cost transfer will enable AGFD to provide approximately 10,700 hours of watercraft enforcement activity, or a 15% service increase. The department has not received an increase in the cost transfer appropriation since FY 1992. The Executive does not recommend this increase.

Wildlife Manager

Trainees OF 235,100 160,100

The JLBC recommends a total biennial increase of \$395,200 from the Game and Fish Fund for 3 FTE Wildlife Manager trainee positions to fill anticipated certified Peace Officer retirement vacancies. This amount includes a FY 2002 increase of \$235,100 and 3 FTE Positions above FY 2001 and a FY 2003 increase of \$160,100 and 3 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment of \$75,000 for 3 vehicles. The

recommended amount funds each Wildlife Manager trainee position at an annual salary of \$29,900.

AGFD has 144 law enforcement positions that are currently filled. The 3-year average vacancy rate for Wildlife Managers is 6.9% for calendar years 1998 through 2000 year-to-date. However, the department faces potential significantly higher turnover rates in future years. As of October 27, 2000, there are 38 officers who have over 20 years of experience and are eligible for full retirement. The recommended funding will enable AGFD to transition trained officers into vacant positions as they occur, thus reducing the number and length of vacancies. Total time for Wildlife Manager training is 9 months, including 16 weeks at the Law Enforcement Academy, 13 weeks of AGFD program training, and 8 weeks with Field Training Officers.

The Executive recommends a total biennial increase of \$201,200 for 2 FTE Wildlife Manager trainee positions. This amount includes a FY 2002 increase of \$121,500 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$79,700 and 2 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment of \$41,800. The recommended amount funds each Wildlife Manager trainee position at an annual salary of \$25,000.

System and Software

License Renewals OF 225,000 225,000

The JLBC recommends total biennial increases of \$350,000 from the Game and Fish Fund and \$100,000 from the Watercraft Licensing Fund for increased costs associated with system and software license renewals, maintenance fees, and hardware and software support. These amounts include increases of \$175,000 from the Game and Fish Fund and \$50,000 from the Watercraft Licensing Fund in both FY 2002 and FY 2003 above FY 2001. The total annual increase is \$225,000. AGFD's current license agreement expires on June 30, 2002 and supports 500 users. The recommended amount for license renewal includes vendor service fees, system upgrades, and support for 650 users. The Executive concurs.

Network Upgrades, File Servers,

Phone Switches OF 98,900 198,900

The JLBC recommends one-time total biennial increases of \$42,600 from the Game and Fish Fund and \$255,200 from the Watercraft Licensing Fund for replacement equipment and the upgrade of network infrastructure to meet statewide network data delivery, storage and maintenance needs. These amounts include FY 2002 one-time increases of \$28,400 from the Game and Fish Fund and \$70,500 from the Watercraft Licensing Fund above FY 2001, and FY 2003 one-time increases of \$14,200 from the Game and Fish Fund and \$184,700 from the Watercraft Licensing Fund above FY 2001. The total biennial increase is \$297,800 above FY 2001. The recommended one-time increases will enable AGFD to replace obsolete file servers and a telecommunication server, upgrade

storage capacity with a Storage Area Network Systems (SANS), and upgrade the network telephone system with ATM switch and network infrastructure equipment. These system upgrades will enhance AGFD's Local Area Network and Wide Area Network connecting Phoenix Headquarters with the 6 Regional offices. The Project and Investment Justification submitted to GITA has been approved. The Executive concurs with the FY 2002 JLBC recommended amount, but recommends \$193,900 for FY 2003.

Watercraft Information Outreach

Safety Education OF 250,000 250,000

The JLBC recommends a total one-time biennial Watercraft Licensing Fund increase of \$500,000 to develop and implement a 2-year Watercraft Safety Education initiative. This amount includes one-time increases of \$250,000 in both FY 2002 and FY 2003 above FY 2001. The recommended amounts will fund a public/private partnership and multi-media based public safety campaign. The campaign will use radio, television and printed media to educate the general public on alcohol consumption and related reckless watercraft operation, general Arizona waterway safety, and boater and wildlife conflicts. The proposed 2-year funding for this initiative will come from the estimated \$3,600,000 balance carry forward from FY 2001. The Executive concurs with the JLBC recommended total biennial increase of \$500,000.

* * *

JLBC Recommended Format — Lump Sum with Special Line Items by Agency

JLBC Recommended Footnotes

Continued Footnotes

Any part of the appropriation of \$40,000 for Cooperative Fish and Wildlife Research and \$2,708,000 for Pittman-Robertson/Dingell-Johnson Act may be used for the purpose of matching federal and apportionment funds.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning Performance Incentive Pay Program lapsing of appropriations since the Performance Incentive Pay Program Special Line Item appropriation has been incorporated into the Game and Fish Fund base budget under the new program structure.

The JLBC recommends deleting the footnote concerning AGFD employee eligibility for any statewide general pay adjustments in addition to Performance Incentive Pay Program amounts since the Performance Incentive Pay Program Special Line Item appropriation has been incorporated into the Game and Fish Fund base budget under the new program structure.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Capital Improvement (GFA2203/A.R.S. § 17-292) Appropriated

Source of Revenue: Proceeds from surcharges on hunting and fishing licenses transferred from the non-appropriated Conservation Development Fund, and the sale and delivery of bonds.

Purpose of Fund: To provide funding for constructing game and fish facilities, acquiring, converting or improving existing facilities for game and fish facilities, and acquiring real property for game and fish facilities.

Funds Expended - Capital	197,200	817,700	1,300,000	1,300,000
Year-End Fund Balance	231,100	741,100	741,100	741,100

Conservation Development (GFA2062/A.R.S. § 17-282) Non-Appropriated

Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.

Purpose of Fund: To make debt service payments if the department issues bonds for capital improvements. Currently, monies in this fund are transferred to the appropriated Capital Improvement Fund for hatchery construction and the lease-purchase payment for 3 regional offices.

Funds Expended	0	0	0	0
Year-End Fund Balance	547,500	665,400	685,300	706,200

Federal (GFA2000/A.R.S. § 17-406) Non-Appropriated

Source of Revenue: Federal grants from the U.S. Fish and Wildlife Service provided on a matching basis, and state matching monies from the Heritage Fund.

Purpose of Fund: To fulfill the objectives of the federal Pittman-Robertson and Dingell-Johnson programs to restore, rehabilitate, and improve areas of land and water adaptable as feeding, resting or breeding places for wildlife or fish. To fund various wildlife and fish restoration projects including property acquisition and construction necessary for administration of wildlife resources. The fund does not include the appropriated Pittman-Robertson and Dingell-Johnson state matching dollars.

Funds Expended - Capital	2,359,400	323,300	10,200	8,700
Funds Expended - Operating	14,568,700	14,977,700	14,423,700	14,172,900
Year-End Fund Balance	0	0	0	0

Firearms Safety and Ranges (GFA2442/A.R.S. § 17-273) Non-Appropriated

Source of Revenue: Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029C4e, and interest earned. (No appropriations have been made to the fund to date.)

Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government owned shooting ranges. Monies in the fund are exempt from lapsing.

Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

Game and Fish (GFA2027/A.R.S. § 17-261) Appropriated

Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.

Purpose of Fund: To provide funding for general operation of the Game and Fish Department.

Funds Expended - Capital	564,200	1,167,100	577,600	601,000
Funds Expended - Operating	16,776,900	18,612,600	20,331,400	20,248,100
Year-End Fund Balance	2,682,100	2,659,300	2,712,300	2,825,200

Game, Non-Game, Fish and Endangered Species (GFA2127/A.R.S. § 17-268) Appropriated

Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.

Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.

Funds Expended	125,400	277,400	277,700	277,700
Year-End Fund Balance	313,200	225,800	138,100	50,400

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Heritage (GFA2295/A.R.S. § 17-297)

Non-Appropriated

Source of Revenue: Annual transfer from the Lottery Fund of \$10,000,000 and interest earnings.

Purpose of Fund: To manage, evaluate, conserve, and protect areas containing sensitive or endangered biological features and wildlife. Most of the Game and Fish Heritage Fund is required to be used for programs that assess, manage, and protect areas and wildlife requiring special protection or conservation. At least 29% of the fund, but no more than 60%, may be used for capital projects and acquisitions. Interest earnings are to be used for administration.

Funds Expended - Capital	2,069,500	1,800,000	1,620,000	1,458,000
Funds Expended - Operating	6,596,500	4,522,400	4,545,700	4,081,800
Year-End Fund Balance	21,281,500	21,122,100	21,712,700	22,244,200

Land and Water Conservation Recreation Development (GFA2036/A.R.S. § 17-267)

Appropriated

Source of Revenue: Fishing license fees.

Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; the purchase of engineering services, land, rights of way, water rights, and construction; and matching funds available from Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county, or municipal sources.

Funds Expended	0	0	0	0
Year-End Fund Balance	2,100	2,100	2,100	2,100

Off-Highway Vehicle Recreation (GFA2253/A.R.S. § 28-1176)

Non-Appropriated

Source of Revenue: Transfers from the Arizona State Parks Board. Revenue originally derived from motor vehicle fuel taxes collected by the Arizona Department of Transportation and transferred to the Arizona State Parks Board. The Arizona Game and Fish Department receives 30% of annual collections.

Purpose of Fund: Informational and educational programs on off-highway vehicle recreation and law enforcement activities.

Funds Expended	256,500	283,200	373,100	345,700
Year-End Fund Balance	911,400	962,200	889,100	844,400

Publications Revolving (GFA4007/A.R.S. § 17-269)

Non-Appropriated

Source of Revenue: Sales of agency publications, including Wildlife Views magazine and various field guides.

Purpose of Fund: To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.

Funds Expended	177,500	180,000	185,000	190,000
Year-End Fund Balance	36,200	51,200	66,200	76,200

Trust (GFA3111/A.R.S. § 17-231)

Non-Appropriated

Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.

Purpose of Fund: To serve as a repository for a variety of agency collections, including insurance settlements, proceeds from charitable activities, and transfers from local governments for participation in the Urban Fishing program. Combined with appropriated Game and Fish Fund monies, this fund also fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.

Funds Expended	1,208,900	1,250,000	1,250,000	1,250,000
Year-End Fund Balance	1,506,900	1,179,900	852,900	525,900

Watercraft Licensing (GFA2079/A.R.S. § 5-323)

Appropriated

Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.

Purpose of Fund: To provide monies for administering and enforcing registration of watercraft and boating safety laws, and for providing an information and education program relating to boating and boating safety.

Funds Expended	1,637,200	1,737,200	2,201,200	2,321,900
Year-End Fund Balance	3,446,500	3,649,300	3,388,100	3,006,200

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Waterfowl Conservation (GFA2209/A.R.S. § 17-270)

Appropriated

Source of Revenue: Monies received from sales of waterfowl stamps and artwork; gifts, grants, other contributions, and interest earned.

Purpose of Fund: To provide funding for developing migratory waterfowl habitat, and associated research and management to increase the number of migratory waterfowl in Arizona.

Funds Expended - Capital	19,800	532,700	100,000	100,000
Funds Expended - Operating	40,400	43,500	43,500	43,500
Year-End Fund Balance	336,800	434,000	531,200	628,400

Wildlife Endowment (GFA2279/A.R.S. § 17-271)

Appropriated

Source of Revenue: Sales of lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.

Purpose of Fund: To provide funding for wildlife conservation and management.

Funds Expended	24,000	16,000	16,000	16,000
Year-End Fund Balance	330,800	370,000	411,000	453,000

Wildlife Theft Prevention (GFA2080/A.R.S. § 17-315)

Non-Appropriated

Source of Revenue: Fines charged for the unlawful taking of wildlife.

Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the Arizona Game and Fish Department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program. The fund is exempt from lapsing, except that any balance in excess of \$50,000 reverts to the Game and Fish Fund.

Funds Expended	159,700	170,000	170,000	170,000
Year-End Fund Balance	33,300	33,300	33,300	33,300

[Click here to return to Table of Contents](#)

Department of Gaming

Stephen Hart, Director

JLBC: Brian Schmitz
 OSPB: Christine Sato

House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Enforcement	3,318,700	3,567,900	3,763,600	3,800,500	3,619,200	3,588,900
Certification	835,900	1,196,800	1,298,700	1,261,200	1,242,200	1,254,000
AGENCY TOTAL	4,154,600	4,764,700	5,062,300	5,061,700	4,861,400	4,842,900

OPERATING BUDGET

Full Time Equivalent Positions	71.0	71.0	75.0	75.0	75.0	75.0
Personal Services	2,277,800	2,402,600	2,628,400	2,630,600	2,628,400	2,630,600
Employee Related Expenditures	439,700	514,700	601,700	576,300	600,300	579,600
All Other Operating Expenditures:						
Professional and Outside Services	526,000	813,100	614,700	613,100	614,700	613,100
Travel - In State	102,500	193,900	197,000	197,000	197,000	197,000
Travel - Out of State	105,400	136,000	142,800	142,900	142,800	142,900
Other Operating Expenditures	547,700	669,000	678,800	680,300	678,200	679,700
Equipment	155,500	35,400	198,900	221,500	0	0
AGENCY TOTAL	4,154,600	4,764,700	5,062,300	5,061,700	4,861,400	4,842,900

FUND SOURCES

Tribal State Compact Fund	4,154,600	4,764,700	5,062,300	5,061,700	4,861,400	4,842,900
SUBTOTAL - Appropriated Funds	4,154,600	4,764,700	5,062,300	5,061,700	4,861,400	4,842,900
TOTAL - ALL SOURCES	4,154,600	4,764,700	5,062,300	5,061,700	4,861,400	4,842,900

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	297,000	6.2%	78,200	1.6%	375,200

AGENCY DESCRIPTION — *The Department of Gaming regulates Indian gaming activities authorized by the state-tribal gaming compacts. The program is funded from the Tribal State Compact Fund, which receives monies from Indian tribes that have compacts with the state to reimburse the state for administrative and regulatory expenses. The fund also receives monies from gaming vendors and gaming employees to pay for their certification. A portion of the monies remaining in the fund at the end of the fiscal year is returned to the Indian tribes.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of gaming facilities reviewed for compact compliance	NA	NA/95	80	80
• Number of machines certified	NA	NA/8,267	8,291	8,350
• Number of individual applications received	10,400/10,400	10,800/9,823	10,900	11,500/12,000
• % of vendor customers satisfied with process	NA	75/96	98	98/99
• Administration as a % of cost	NA	10/NA	10	9

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 42,400	\$ 42,400
ERE Rates	OF	20,700	24,000
Risk Management	OF	(8,700)	(9,300)
Rent	OF	8,800	8,800

4 Additional FTE

Positions	OF	279,700	247,700
------------------	----	---------	---------

The JLBC recommends a total biennial increase of \$527,400 for 4 additional FTE Positions to enable the department to keep up with the growing and changing Indian gaming industry. This amount includes a FY 2002 increase of \$279,700 and 4 FTE Positions above FY 2001 and a FY 2003 increase of \$247,700 and 4 FTE Positions above FY 2001. Over the past biennium, the number of gaming devices in the state has increased 15%, and the number of gaming employee applications has risen by 13%. In addition, the gaming industry has become more technology-based. To respond to these workload changes, the JLBC recommends the addition of 3 employees for the Enforcement program and 1 for the Certification program. The difference between the FY 2002 and FY 2003 recommendation is one-time equipment costs that are only incurred in FY 2002. The Executive recommends a FY 2002 increase of \$271,200 and 4 FTE Positions above FY 2001 and a FY 2003 increase of \$249,600 and 4 FTE Positions above FY 2001.

Equipment	OF	154,100	(35,400)
------------------	----	---------	----------

The JLBC recommends a total biennial increase of \$118,700 for one-time equipment. This amount includes elimination of \$(35,400) for one-time FY 2001 equipment, a one-time increase of \$189,500 for FY 2002, and no FY 2003 funding.

The increased equipment monies would allow the department to replace outdated computers, upgrade its computer operating system, purchase laptop computers for field workers, improve its filing system, upgrade its software, and purchase a new copy machine. The agency has obtained the required project approval from the Government Information Technology Agency. The Executive recommends a one-time increase of \$177,300 for equipment in FY 2002 and no FY 2003 funding.

Arbitration Expense

Reduction	OF	(100,000)	(100,000)
------------------	----	-----------	-----------

The JLBC recommends a total biennial decrease of \$(200,000) for the Arbitration Expense component of the Professional and Outside Services Line Item. This amount includes a decrease of \$(100,000) in both FY 2002 and FY 2003 below FY 2001. This reduction is the result of reduced litigation between the department and the Indian tribes. The Executive concurs.

Reduce Consulting

Services	OF	(100,000)	(100,000)
-----------------	----	-----------	-----------

The JLBC recommends a total biennial decrease of \$(200,000) for reduced consulting services, a component of the Professional and Outside Services Line Item. This amount includes a decrease of \$(100,000) in both FY 2002 and FY 2003 from FY 2001. The reduction is made possible by the addition of a gaming systems engineer (1 of the 4 FTE Positions recommended in an earlier policy issue) that will lessen the need for outside consulting services. The Executive concurs.

Eliminate Arbitration Expense

Special Line Item	OF	-0-	-0-
--------------------------	----	-----	-----

The JLBC recommends that funding for the Arbitration Expense Special Line Item be moved into the Professional and Outside Services Line Item of the operating budget. The Executive concurs.

OAH Cost Allocation Plan	OF	-0-	-0-
---------------------------------	----	-----	-----

Previously, agencies paid for Office of Administrative Hearings (OAH) services out of their base budgets. The OAH billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. *(See the OAH section for further information.)*

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$1,300 in FY 2001 for OAH charges. The JLBC recommends funding this FY 2001 increase from the Tribal State Compact Fund. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount. The Executive recommends an increase of \$400 in both FY 2002 and FY 2003.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency. *(The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning the Arbitration Expense Special Line Item, given the recommendation to move funding into the operating budget.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends an increase of \$7,300 in both FY 2002 and FY 2003 above FY 2001 for increased office space. The JLBC recommends that the agency absorb these costs in its base budget.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Tribal State Compact (GMA2340/A.R.S. § 5-601)				Appropriated
Source of Revenue: Indian tribes which have gaming compacts with the state must pay their share of the department's regulatory costs based roughly on the number of gaming devices they operate. The fund also receives monies from gaming vendors and gaming employees to pay for their certification.				
Purpose of Fund: For reimbursement of the department's administrative and regulatory costs.				
Funds Expended	4,154,600	4,764,700	5,061,700	4,842,900
Year-End Fund Balance	2,072,700	2,041,100	2,066,100	2,309,900

[Click here to return to Table of Contents](#)

Arizona Geological Survey

Larry D. Fellows, State Geologist

JLBC: Tom Mikesell

House Subcommittee: Gray

OSPB: Randy Hillier

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Arizona Geological Survey	859,600	885,200	897,600	899,600	899,000	893,400

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	13.3	13.3	13.3	13.3	13.3	13.3
Personal Services	518,800	530,600	538,500	538,500	538,500	538,500
Employee Related Expenditures	93,700	99,800	97,000	95,900	97,500	96,300
All Other Operating Expenditures:						
Professional and Outside Services	300	0	6,500	6,500	7,500	0
Travel - In State	28,600	46,400	46,400	46,400	46,400	46,400
Travel - Out of State	2,200	2,000	2,000	2,000	2,000	2,000
Other Operating Expenditures	192,200	194,000	194,800	194,800	194,700	194,700
Equipment	23,800	12,400	12,400	15,500	12,400	15,500
AGENCY TOTAL	859,600	885,200	897,600	899,600	899,000	893,400

FUND SOURCES

General Fund	859,600	885,200	897,600	899,600	899,000	893,400
SUBTOTAL - Appropriated Funds	859,600	885,200	897,600	899,600	899,000	893,400
Other Non-Appropriated Funds	165,800	99,000	82,000	82,000	82,000	82,000
Federal Funds	171,500	95,900	109,100	109,100	109,100	109,100
TOTAL - ALL SOURCES	1,196,900	1,080,100	1,088,700	1,090,700	1,090,100	1,084,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	14,400	1.6%	8,200	0.9%	22,600

AGENCY DESCRIPTION— *The Geological Survey investigates Arizona's geology and regulates the drilling and production of oil, gas, and other energy resources. The Survey also provides technical advice and assistance to state and local government agencies, industry, and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Maps and reports produced	30/43	30/30	30	30
• Maps and reports sold	10,000/11,067	10,300/9,988	10,500	11,500/12,500
• Average days turnaround time on mail orders	1.4/0.6	0.5/0.6	0.6	0.5
• Compliance and safety inspections made	40/28	60/28	33	33/43
• Applied geology investigations completed and distributed	NA/9	NA/4	4	4
• Administration as a % of total cost	NA	18.8/NA	18.9	8.1/7.8

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 8,900	\$ 8,900
ERE Rates	GF	(4,900)	(4,500)
Risk Management	GF	800	700

Equipment **GF** **3,100** **3,100**
 The JLBC recommends a total biennial increase of \$6,200 for elimination of one-time equipment. This amount includes elimination of \$(12,400) for one-time FY 2001 equipment, a one-time increase of \$15,500 in FY 2002 for replacement of 5 computers and a one-time increase of \$15,500 in FY 2003 to replace an additional 5 computers. The Executive recommends continuing the FY 2001 level of equipment funding.

**Microfilm Oil
 And Gas Records** **GF** **6,500** **-0-**
 The JLBC recommends a total biennial increase of \$6,500 to microfilm one of a kind oil and gas records. This amount includes a FY 2002 increase of \$6,500 above FY 2001. Microfilming the records will allow added protection in the event that the current paper records are damaged or stolen. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a one-time General Fund increase of \$7,500 for a contract to address a potential increase in oil and gas well inspections in FY 2003. The JLBC recommendation does not include this item. The agency requested an FTE Position to address the projected increase in mandated inspections and did not indicate that contracting would be a viable option. Further, there is some uncertainty as to what the actual increase in inspections will be in FY 2003. The JLBC recommends that supplemental funding for this issue be considered in the 2002 Legislative Session if the actual increase in workload becomes too great for existing staff to meet. The JLBC also recommends that the agency further explore whether contracting is a viable option for this issue, and that this information be included in the event that a FY 2003 supplemental appropriation is requested.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Federal Grants (GSA2000/A.R.S. § 27-152)				Non-Appropriated
Source of Revenue: Matching and non-matching grants from various federal agencies, including the U.S. Geological Survey, Bureau of Reclamation, and the Environmental Protection Agency.				
Purpose of Fund: To perform various studies of Arizona's geologic framework and setting.				
Funds Expended	171,500	95,900	109,100	109,100
Year-End Fund Balance	32,500	14,500	14,500	14,500
Geological Survey (GSA3030/A.R.S. § 27-152)				Non-Appropriated
Source of Revenue: Donations, local and state contracts, forfeited bonds, and sales of maps and publications.				
Purpose of Fund: To investigate and describe Arizona's geologic setting, to plug abandoned oil and gas wells, and to finance map publication production expenses.				
Funds Expended	165,800	99,000	82,000	82,000
Year-End Fund Balance	182,100	167,200	170,000	172,800

[Click here to return to Table of Contents](#)

Government Information Technology Agency

Art Ranney, Acting Director

JLBC: Lorenzo Martinez
 OSPB: Kristine Ward

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Government Information						
Technology Agency	1,866,500	2,167,600	2,460,500	2,312,800	2,351,200	2,311,500
Information Technology Innovation SLI	0	1,000,000	0	0	0	0
No Wrong Door SLI	0	0	3,367,400	3,367,400	1,020,500	1,020,500
AGENCY TOTAL	1,866,500	3,167,600	5,827,900	5,680,200	3,371,700	3,332,000

OPERATING BUDGET

Full Time Equivalent Positions	20.0	20.0	21.0	21.0	21.0	21.0
Personal Services	1,159,800	1,430,000	1,515,800	1,511,300	1,515,800	1,511,300
Employee Related Expenditures	183,500	253,500	269,300	267,500	262,300	268,000
All Other Operating Expenditures:						
Professional and Outside Services	273,200	160,000	200,000	160,000	200,000	160,000
Travel - In State	300	10,100	10,100	10,100	10,100	10,100
Travel - Out of State	16,000	15,600	15,600	15,600	15,600	15,600
Other Operating Expenditures	197,600	273,400	394,700	316,300	319,900	319,500
Equipment	36,100	25,000	55,000	32,000	27,500	27,000
OPERATING SUBTOTAL	1,866,500	2,167,600	2,460,500	2,312,800	2,351,200	2,311,500
Special Line Items	0	1,000,000	3,367,400	3,367,400	1,020,500	1,020,500
AGENCY TOTAL	1,866,500	3,167,600	5,827,900	5,680,200	3,371,700	3,332,000

FUND SOURCES

General Fund	0	71,600	3,134,700	872,800	731,500	35,700
Information Technology Fund	1,866,500	2,096,000	2,382,500	2,312,800	2,351,200	2,311,500
Technology and Telecommunications Fund	0	1,000,000	78,000	0	0	0
Federal Temporary Assistance for Needy Families Block Grant	0	0	232,700	2,494,600	289,000	984,800
SUBTOTAL - Other Appropriated Funds	1,866,500	3,096,000	2,693,200	4,807,400	2,640,200	3,296,300
SUBTOTAL - Appropriated Funds	1,866,500	3,167,600	5,827,900	5,680,200	3,371,700	3,332,000
TOTAL - ALL SOURCES	1,866,500	3,167,600	5,827,900	5,680,200	3,371,700	3,332,000

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	801,200	1119.0%	(35,900)	-50.1%	765,300
Other Appropriated Funds	1,711,400	55.3%	200,300	6.5%	1,911,700
Total Appropriated Funds	2,512,600	79.3%	164,400	5.2%	2,677,000

AGENCY DESCRIPTION — The Government Information Technology Agency (GITA) is responsible for statewide Executive Branch information technology planning, coordinating, and consulting. GITA also provides staff support to the Information Technology Authorization Committee (ITAC), which oversees information technology for all 3 branches of government. The Information Technology Fund is funded by a 0.15% charge on state agency payrolls.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average calendar days to review information technology (IT) projects	NA	NA/18	18	18
• % of IT projects completed on schedule and within budget	NA	NA	40	50/60
• % of agencies maximizing bandwidth resulting in the leasing of fewer telecommunications lines	NA	NA	10	30/50
• Number of transactions accessible on the Internet	NA	NA/2	7	21/33
• Savings resulting from enterprise licensing agreements	NA	NA	\$1M	\$2M/\$5M
• Administration as a % of total cost	21.6/NA	20.8/6.5	20.7	16.4

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	OF	23,800	23,800
ERE Rates	OF	200	700
Risk Management	OF	500	500
Telecommunications	GF	(71,600)	(71,600)
Policy Office/Oversight	OF	71,600	71,600

The JLBC recommends a total biennial General Fund decrease of \$(143,200) and a total biennial Information Technology Fund increase of \$143,200 to shift funding for the Telecommunications Policy Office (TPO). Originally, the office was part of the Governor's Office and received a General Fund appropriation. The office and its General Fund appropriation were transferred to GITA in FY 1999. Pursuant to A.R.S. § 41-3000.27, the office's statutory authority was repealed at the end of FY 2000; however, both JLBC and the Executive recommend funding to continue oversight of the initiatives started by the TPO. The Executive also recommends the fund shift and \$73,200 from the Information Technology Fund in both FY 2002 and FY 2003.

E-Government Portal

Analyst	OF	80,800	75,800
----------------	----	--------	--------

The JLBC recommends a total biennial Information Technology Fund increase of 1 FTE Position and \$156,600 to provide project management and oversight of "e-government web portals." This amount includes a FY 2002 increase of \$80,800 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$75,800 and 1 FTE Position above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment. GITA plans to oversee and coordinate all state agencies' implementation of standardized citizen Internet access, in order to make it efficient and user-friendly. The Executive recommends \$80,000 in both FY 2002 and FY 2003 above FY 2001.

Rent	OF	39,900	43,100
-------------	----	--------	--------

The JLBC recommends a total biennial Information Technology Fund increase of \$83,000 for private lease payments. This amount includes a FY 2002 increase of

\$39,900 above FY 2001 and a FY 2003 increase of \$43,100 above FY 2001. The agency relocated when its lease was terminated due to a change in the private ownership of the building it occupied. The Arizona Department of Administration (ADOA) paid for the physical relocation costs, but GITA must pay for the new lease. The Executive concurs. (For additional information, refer to the description under "FY 2001 Supplemental.")

Information Technology

Innovation	OF	(1,000,000)	(1,000,000)
-------------------	----	-------------	-------------

The JLBC recommends a total biennial Technology and Telecommunication Fund decrease of \$(2,000,000) to eliminate funding for Information Technology Innovation. This amount includes a decrease of \$(1,000,000) in both FY 2002 and FY 2003 from FY 2001. In FY 2000 and FY 2001, \$1,000,000 was appropriated in each year to fund innovative cross-agency projects. To date, no monies have been allocated for projects. The Executive concurs.

No Wrong Door	GF	872,800	35,700
	OF	2,494,600	984,800

The JLBC recommends a total biennial General Fund increase of \$908,500 and a total biennial Federal Temporary Assistance for Needy Families (TANF) Block Grant increase of \$3,479,400 to implement the screening and referral phase of the No Wrong Door initiative. The initiative is intended to address citizen access to approximately 50 independently-operated state government programs that serve children and families. These amounts include FY 2002 increases of \$872,800 from the General Fund and \$2,494,600 from the TANF Block Grant above FY 2001, and FY 2003 increases of \$35,700 from the General Fund and \$984,800 from the TANF Block Grant above FY 2001. The amounts reflect agency specific and shared agency costs to develop and implement a Screening and Referral (Phase 1) tool to be used by the Department of Economic Security, the Arizona Health Care Cost Containment System, the Department of Health Services, the Department of Juvenile Corrections and the Judiciary. The intent is to provide workers at each agency with a tool that will provide a list of any statewide programs an individual may be eligible for based on the information gathered from the individual. This will allow

workers to refer individuals to other programs they may not have been aware of. The other proposed phases of the No Wrong Door initiative include Information Sharing (Phase 2) and Plan Development (Phase 3). Total costs for the last 2 phases are estimated to be \$17,325,800.

The Executive is recommending a total biennial General Fund increase of \$3,866,200 and a total TANF Block Grant increase of \$521,700 to implement the Screening and Referral phase. These amounts include FY 2002 increases of \$3,134,700 from the General Fund and \$232,700 from the TANF Block Grant above FY 2001, and FY 2003 increases of \$731,500 from the General Fund and \$289,000 from the TANF Block Grant above FY 2001.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning reporting on Information Technology Innovation expenditures. The JLBC and the Executive recommend eliminating funding in FY 2002 and FY 2003.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

The JLBC recommends a FY 2001 supplemental of \$33,700 from the Information Technology Fund for private lease payments. The new lease started in September 2000. (For additional information, refer to the description under "Rent.")

Executive Recommendation

Professional and Outside Services/Equipment

The Executive is recommending a total biennial Information Technology Fund increase of \$112,500 for GITA to contract for specialized expertise, to meet projected oversight workload increases, and to purchase equipment for the implementation and enhancement of various tracking systems. This amount includes a FY 2002 increase of \$70,000 above FY 2001 and a FY 2003 increase of \$42,500 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment.

Enterprise Licensing Analyst

The agency requests a total biennial Information Technology Fund increase of 1 FTE Position and \$154,600 for oversight and performance tracking of statewide licensing agreements. The JLBC recommends that this expenditure instead be made from the non-appropriated Statewide Technology License Agreement (STLA) account within the ADOA Technology and Telecommunications Fund. The STLA account was established by Laws 2000, Chapter 110 to facilitate the centralized purchase of services through statewide technology agreements. The fund has not generated any revenue to date, however, the agency anticipates revenues will be generated in the coming biennium. The Executive recommends a \$78,000 transfer in FY 2002 from the Technology and Telecommunications Fund to the STLA to fund the FTE Position. The Executive recommends that FY 2003 funding come from revenues generated by the STLA.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Federal Temporary Assistance for Needy Families Grant (No Fund Number/A.R.S. § U.S.PL. 104-193)				Appropriated
Source of Revenue: Federal grant monies.				
Purpose of Fund: To partially fund the Screening and Referral phase of the No Wrong Door Initiative.				
Funds Expended	0	0	2,494,600	984,800
Year-End Fund Balance	0	0	0	0
Information Technology (GTA2152/A.R.S. § 41-3505)				Appropriated
Source of Revenue: All agencies that are subject to Government Information Technology Agency (GITA) or Information Technology Authorization Committee (ITAC) oversight contribute a pro rata share of the cost of information technology oversight, payable as 0.15% of total payroll.				
Purpose of Fund: For GITA and ITAC to perform information technology planning, coordinating, and consulting.				
Funds Expended	1,866,500	2,096,000	2,312,800	2,311,500
Year-End Fund Balance	1,143,900	1,055,100	849,800	751,200

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Statewide Technology License Agreement Account (No Fund Number/Laws 2000, Ch. 110) **Non-Appropriated**

Source of Revenue: Payments from agencies purchasing products or services through statewide technology license agreements. The Directors of GITA and the Arizona Department of Administration determine the rates for agency payments.

Purpose of Fund: As an account of the Technology and Telecommunications Fund, to fund statewide technology license agreements for equipment and services, and to further state information technology policies, standards, innovation and strategic direction.

Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

Technology and Telecommunications (ADA4201/A.R.S. § 41-713) **Partially Appropriated**

Source of Revenue: Charges to agencies and other political entities for information technology products and services provided by the Arizona Department of Administration (ADOA) . The fund also has separate non-appropriated accounts for statewide licensing agreements designated by the GITA and for Hawaii AHCCCS. The GITA appropriation from the fund is shown here. *(See the ADOA fund summary for additional information.)*

Purpose of Fund: For paying the costs of delivering information technology products and services.

Funds Expended	0	1,000,000	0	0
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Office of the Governor

Honorable Jane D. Hull, Governor

JLBC: Bob Hull
OSPB: Monica Klaschka

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Office of the Governor	5,680,600	5,921,200	6,278,900	6,278,900	6,372,800	6,372,800
OPERATING BUDGET						
Lump Sum Appropriation	5,680,600	5,921,200	6,278,900	6,278,900	6,372,800	6,372,800
AGENCY TOTAL	5,680,600	5,921,200	6,278,900	6,278,900	6,372,800	6,372,800
FUND SOURCES						
General Fund	5,652,700	5,873,600	6,278,900	6,278,900	6,372,800	6,372,800
Housing Trust Fund	27,900	47,600	0	0	0	0
SUBTOTAL - Appropriated Funds	5,680,600	5,921,200	6,278,900	6,278,900	6,372,800	6,372,800
Other Non-Appropriated Funds	1,172,600	1,432,700	1,328,500	1,328,500	1,327,000	1,327,000
Federal Funds	9,817,100	13,088,000	12,961,000	12,961,000	12,961,000	12,961,000
TOTAL - ALL SOURCES	16,670,300	20,441,900	20,568,400	20,568,400	20,660,800	20,660,800

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	405,300	6.9%	499,200	8.5%	904,500
Other Appropriated Funds	(47,600)	-100.0%	(47,600)	-100.0%	(95,200)
Total Appropriated Funds	357,700	6.0%	451,600	7.6%	809,300

AGENCY DESCRIPTION — The Governor is the state's Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office for Women's Services, the Office for Children, and the Office for Drug Policy. Each of these offices has been created by Executive Order. The Office of Sonora was established and placed in the Office of the Governor by a statute enacted in 1993.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
No Changes	GF	\$ -0-	\$ -0-

Executive

Recommendation OF 405,300 499,200
The JLBC recommends a total biennial General Fund increase of \$904,500 for standard adjustments, the establishment of a northern Arizona office, annual leave payoffs, federal matching funds and dues. This amount includes a FY 2002 increase of \$405,300 above FY 2001 and a FY 2003 increase of \$499,200 above FY 2001. The Executive concurs.

Housing Commission

Programs Coordinator OF (47,600) (47,600)
The JLBC recommends a total biennial Housing Trust Fund decrease of \$(95,200) and (1) FTE Position for the transfer-out of the Housing Commission Programs

Coordinator to the Department of Commerce. Laws 1999, Chapter 330 appropriated \$47,600 and 1 FTE Position from the Housing Trust Fund to the Office of the Governor in both FY 2000 and FY 2001 for a housing commission programs coordinator. This amount includes a decrease of \$(47,600) and (1) FTE Position in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency (The department's FY 2001 budget was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the ~~Operating~~ Lump Sum appropriation of \$6,278,900 for FY 2002 and the \$6,372,800 appropriation for FY 2003 is \$10,000 each year for the purchase of mementos and items for visiting officials.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
The Arizona Fund (GVA3021/A.R.S. § 41-1105)				Non-Appropriated
Source of Revenue: A judicial award by the Superior Court of Maricopa County and interest earnings.				
Purpose of Fund: For the purpose of promoting the interest of the state or to promote and encourage citizen public service to the state.				
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0
County Fairs Livestock and Agricultural Promotion (GVA2037/A.R.S. § 5-113)				Non-Appropriated
Source of Revenue: Thirty-three percent of all revenues derived from pari-mutual receipts and license fees, or \$1.2 million, whichever is less.				
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor.				
Funds Expended	1,222,600	1,200,000	1,200,000	1,200,000
Year-End Fund Balance	695,800	695,800	695,800	695,800
Federal Grant (GVA2000/A.R.S. § 4-101.01)				Non-Appropriated
Source of Revenue: Federal grants for various purposes, including services for women, children's services, the Office for Excellence in Government and the Office for Drug Policy.				
Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.				
Funds Expended	9,817,100	13,088,000	12,961,000	12,961,000
Year-End Fund Balance	4,930,300	4,272,500	2,311,500	0
Governor's Arizona Promotional and Public Service (GVA3207/A.R.S. § 41-1105)				Non-Appropriated
Source of Revenue: Private gifts, grants, donations or monies, and interest earnings.				
Purpose of Fund: To promote the interests of the state or to encourage citizen public service to the state.				
Funds Expended	2,400	2,000	1,500	0
Year-End Fund Balance	3,500	1,500	0	0
Governor's Domestic Violence Prevention (GVA2025/A.R.S. § 41-1105)				Non-Appropriated
Source of Revenue: Private gifts, grants, donations or monies, and interest earnings.				
Purpose of Fund: To promote the prevention of domestic violence in the state.				
Funds Expended	0	500	0	0
Year-End Fund Balance	500	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Governor's Endowment Partnership (GVA3206/A.R.S. § 41-1105)

Non-Appropriated

Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.

Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.

Funds Expended	16,200	4,400	0	0
Year-End Fund Balance	4,400	0	0	0

Governor's Office for Children (GVA3192/A.R.S. § 41-1105)

Non-Appropriated

Source of Revenue: Donations.

Purpose of Fund: To provide for the needs of Arizona's children as directed by individual donors.

Funds Expended	30,800	29,700	27,000	27,000
Year-End Fund Balance	2,700	0	0	0

Governor's Spirit of Excellence (GVA3208/A.R.S. § 41-1105)

Non-Appropriated

Source of Revenue: Private gifts, grants, donations or monies, and interest earnings.

Purpose of Fund: To promote the annual Spirit of Excellence Campaign conducted by the Governor's Office for Excellence in Government.

Funds Expended	600	700	0	0
Year-End Fund Balance	700	0	0	0

Housing Trust (GVA2235/A.R.S. § 41-1512)

Appropriated

Source of Revenue: Monies from unclaimed property deposited in the fund pursuant to A.R.S. § 44-323 and investment earnings.

Purpose of Fund: To fund a housing commission programs coordinator in the Office of the Governor. Monies are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Funds Expended	27,900	47,600	0	0
Year-End Fund Balance	0	0	0	0

Prevention of Child Abuse (GVA2439/A.R.S. § 41-109)

Non-Appropriated

Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.

Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 10% of annual fund revenues shall be used to administer the fund.

Funds Expended	0	195,400	100,000	100,000
Year-End Fund Balance	95,400	0	0	0

[Click here to return to Table of Contents](#)

Governor's Office for Excellence in Government

Sandra Ferniza, Director

JLBC: Bob Hull
OSPB: Monica Klaschka

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Governor's Office for Excellence in Government	1,459,500	2,064,300	1,609,200	1,553,200	1,609,300	1,553,200

OPERATING BUDGET

Full Time Equivalent Positions	19.0	19.0	19.0	18.0	19.0	18.0
Personal Services	917,900	1,047,200	1,062,800	1,017,800	1,062,800	1,017,800
Employee Related Expenditures	149,800	181,700	186,000	176,500	186,100	176,500
All Other Operating Expenditures:						
Professional and Outside Services	80,200	570,000	95,000	95,000	95,000	95,000
Travel - In State	1,600	4,000	4,000	4,000	4,000	4,000
Travel - Out of State	6,100	15,000	15,000	15,000	15,000	15,000
Other Operating Expenditures	217,400	221,400	221,400	219,900	221,400	219,900
Equipment	86,500	25,000	25,000	25,000	25,000	25,000
AGENCY TOTAL	1,459,500	2,064,300	1,609,200	1,553,200	1,609,300	1,553,200

FUND SOURCES

General Fund	1,450,500	1,564,300	1,584,200	1,528,200	1,584,300	1,528,200
Office for Excellence in Government Fund	9,000	500,000	25,000	25,000	25,000	25,000
SUBTOTAL - Other Appropriated Funds	9,000	500,000	25,000	25,000	25,000	25,000
SUBTOTAL - Appropriated Funds	1,459,500	2,064,300	1,609,200	1,553,200	1,609,300	1,553,200
TOTAL - ALL SOURCES	1,459,500	2,064,300	1,609,200	1,553,200	1,609,300	1,553,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(36,100)	-2.3%	(36,100)	-2.3%	(72,200)
Other Appropriated Funds	(475,000)	-95.0%	(475,000)	-95.0%	(950,000)
Total Appropriated Funds	(511,100)	-24.8%	(511,100)	-24.8%	(1,022,200)

AGENCY DESCRIPTION — *The Governor's Office for Excellence in Government was created by Executive Order and provides management consulting services for the Executive Branch.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of customers who "agree" or "strongly agree" that they are satisfied with services based on surveys	85/85	90/94	100	100
• Number of agency process improvement reports issued	NA/3	NA/5	5	5
• Average calendar days to complete and release agency process improvement reports	NA/192	NA/246	246	246
• % of administrative process improvement report recommendations implemented or adopted within 6 months	Data Unavailable	Data Unavailable	Data Unavailable	Data Unavailable
• Number of state employees trained	NA/523	NA/519	250	250
• Administration as a % of total cost	NA	9.80/NA	9.80	9.80

Comments:

- The JLBC recommends the new performance measures, "Number of agency process improvement reports issued," "Average calendar days to complete and release agency process improvement reports," "% of administrative process improvement report recommendations implemented or adopted within 6 months," and "Number of state employees trained."

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 17,400	\$ 17,400
ERE Rates	GF	1,500	1,500

Private Enterprise Review

Board Support GF (55,000) (55,000)

The JLBC recommends a total biennial General Fund decrease of \$(110,000) and (1) FTE Position to the Office for Excellence in Government program for the repeal of the statutory requirement in A.R.S. § 41-2754 effective January 1, 2000 that the office provide staff support to the Private Enterprise Review Board. Laws 1996, Chapter 321 appropriated \$55,000 from the General Fund in FY 1997 to the office to provide staff support to the board. Beginning in FY 1998 the \$55,000 appropriation was continued and 1 FTE Position was added to allow the office to continue providing staff support for the board. Both the \$55,000 and the 1 FTE Position have been continued in the office's operating budget appropriations since then. The Private Enterprise Review Board was terminated on July 1, 1999, and A.R.S. § 41-2754 was repealed on January 1, 2000. The office no longer provides staff support to the Private Enterprise Review Board. This amount includes decreases of \$(55,000) and (1) FTE Position in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue.

Training Expenditure

Adjustment OF (475,000) (475,000)

The JLBC recommends a total biennial Office for Excellence in Government Fund decrease of \$(950,000) to the Office for Excellence in Government program to more closely align the appropriation with expenditures. The office has historically been appropriated \$500,000 annually from this fund to train agency personnel. Revenue to the fund, which comes from charging agencies for this training, and associated expenditures have been much lower. Expenditures from the fund in FY 2000 were \$9,000. This recommendation will lower the appropriation from the fund to \$25,000 annually. This amount includes a decrease of \$(475,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Future Direction

The JLBC recommends that consideration be given to the appropriate placement of this office in the Executive Branch. To the extent that the office oversees training activities, this function may be better placed within the Department of Administration. In addition, the office's process improvement reports need more visibility so as to permit a better assessment of OEG's activities.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Office for Excellence in Government (GVA2403/A.R.S. § 35-193.01)

Appropriated

Source of Revenue: Monies collected from state agencies for training and development of state employees.

Purpose of Fund: To provide training programs, institutional materials and other administrative or management services. Any fiscal year-end balance over \$50,000 reverts to the state General Fund.

Funds Expended	9,000	500,000	25,000	25,000
Year-End Fund Balance	50,000	0	0	0

[Click here to return to Table of Contents](#)

Governor's Office of Strategic Planning & Budgeting

Tom Betlach, Director

JLBC: Bob Hull
 OSPB: Monica Klaschka

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Governor's Office of Strategic Planning & Budgeting	1,740,700	1,914,400	1,942,500	1,941,100	1,939,900	1,940,900
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	24.0	24.0	24.0	24.0	24.0	24.0
Personal Services	1,234,900	1,344,900	1,365,000	1,365,000	1,365,000	1,365,000
Employee Related Expenditures	195,500	229,400	235,800	234,400	233,500	234,500
All Other Operating Expenditures:						
Professional and Outside Services	39,600	76,300	76,300	76,300	76,300	76,300
Travel - In State	500	3,500	3,500	3,500	3,500	3,500
Travel - Out of State	9,100	17,000	17,000	17,000	17,000	17,000
Other Operating Expenditures	192,800	202,700	204,300	204,300	204,000	204,000
Equipment	68,300	40,600	40,600	40,600	40,600	40,600
AGENCY TOTAL	1,740,700	1,914,400	1,942,500	1,941,100	1,939,900	1,940,900

FUND SOURCES						
General Fund	1,740,700	1,914,400	1,942,500	1,941,100	1,939,900	1,940,900
SUBTOTAL - Appropriated Funds	1,740,700	1,914,400	1,942,500	1,941,100	1,939,900	1,940,900
TOTAL - ALL SOURCES	1,740,700	1,914,400	1,942,500	1,941,100	1,939,900	1,940,900

CHANGE IN FUNDING SUMMARY	<u>FY 2001 to FY 2002 JLBC</u>		<u>FY 2001 to FY 2003 JLBC</u>		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	26,700	1.4%	26,500	1.4%	53,200

AGENCY DESCRIPTION — *The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of state agencies loading budgets into AFIS	90/89.3	95/81	90	95
• Non-technical supplemental appropriations dollars as a % of original appropriations dollars (excludes any separate appropriations)	0.5/0.6	0.5/0.8	0.5	0.5
• % of agencies submitting biennial budgets electronically	55/55	NA	92	NA/92
• % of agencies submitting biennial Master List information electronically	NA	100/100	NA	100/NA
• Administration as a % of total cost	NA	NA	11.6	11.6

RECOMMENDED CHANGES FROM FY 2001				Risk Management	GF	1,600	1,300
		<u>FY 2002</u>	<u>FY 2003</u>		***		
Standard Changes							
Pay Annualization	GF	\$22,400	\$22,400				
ERE Rates	GF	2,700	2,800				

JLBC RECOMMENDED FORMAT — Lump Sum by Agency [Click here to return to Table of Contents](#)

Arizona Historical Society

Joel Hiller, Interim Executive Director

JLBC: Indya Kincannon
OSP: Theresa Garcia

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET*						
Administration	496,700	574,400	576,900	550,300	577,600	552,100
Museum and Library	1,585,700	1,600,500	1,722,200	1,740,500	1,722,400	1,741,200
Papago Park SLI	2,278,900	2,295,200	2,284,500	2,316,600	2,288,600	2,319,200
Field Services and Grants SLI	80,000	80,000	160,000	80,000	160,000	80,000
<i>Program Subtotal - Museum and Library</i>	<u>3,944,600</u>	<u>3,975,700</u>	<u>4,166,700</u>	<u>4,137,100</u>	<u>4,171,000</u>	<u>4,140,400</u>
AGENCY TOTAL	4,441,300	4,550,100	4,743,600	4,687,400	4,748,600	4,692,500

* The JLBC and Executive utilize different program budget structures for this agency. The Executive recommendation is shown within the program structure utilized by the JLBC.

OPERATING BUDGET

	66.5	66.5	66.5	68.5	66.5	68.5
<i>Full Time Equivalent Positions</i>						
Personal Services	1,363,500	1,468,300	1,490,200	1,510,700	1,490,200	1,510,700
Employee Related Expenditures	261,900	284,300	306,600	314,300	307,500	315,300
All Other Operating Expenditures:						
Professional and Outside Services	65,500	6,800	6,800	6,800	6,800	6,800
Travel - In State	12,300	18,000	18,000	18,000	18,000	18,000
Travel - Out of State	1,800	1,200	1,200	1,200	1,200	1,200
Other Operating Expenditures	368,500	396,300	476,300	424,700	476,300	426,200
Equipment	8,900	0	0	15,100	0	15,100
OPERATING SUBTOTAL	<u>2,082,400</u>	<u>2,174,900</u>	<u>2,299,100</u>	<u>2,290,800</u>	<u>2,300,000</u>	<u>2,293,300</u>
Special Line Items	2,358,900	2,375,200	2,444,500	2,396,600	2,448,600	2,399,200
AGENCY TOTAL	4,441,300	4,550,100	4,743,600	4,687,400	4,748,600	4,692,500

FUND SOURCES

General Fund	4,441,300	4,550,100	4,743,600	4,687,400	4,748,600	4,692,500
SUBTOTAL - Appropriated Funds	4,441,300	4,550,100	4,743,600	4,687,400	4,748,600	4,692,500
Other Non-Appropriated Funds	1,348,600	1,705,300	97,800	2,177,100	122,700	1,461,000
Federal Funds	14,700	76,200	0	18,000	0	0
TOTAL - ALL SOURCES	<u>5,804,600</u>	<u>6,331,600</u>	<u>4,841,400</u>	<u>6,882,500</u>	<u>4,871,300</u>	<u>6,153,500</u>

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	137,300	3.0%	142,400	3.1%	279,700

AGENCY DESCRIPTION — *The Arizona Historical Society acquires, preserves, maintains, and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West, and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix and Tempe (Papago Park).*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Museum visitors and researchers	NA/180,273	NA/190,581	200,110	210,116/ 220,621
• Number of volunteer hours	NA/27,871	NA/28,755	32,287	35,516/39,068
• Private funds raised (\$ in millions) grants and donations	2.2/NA	1.9/1.5	1.0	2.0/1.2
• Customer satisfaction rating (Scale 1-8)	NA	NA	6.5	6.8/7.0
• Administration as a % of total cost	NA	11.5/NA	11.5	11.8/11.6

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$35,400	\$35,400
ERE Rates	GF	29,700	31,000
Risk Management	GF	(26,600)	(25,100)
Rent	GF	200	2,500

Utilities **GF** **80,000** **80,000**
 The JLBC recommends a total biennial General Fund increase of \$160,000 for utilities in the Museum and Library program. This amount includes an increase of \$80,000 in both FY 2002 and FY 2003 above FY 2001.

The agency’s utility costs have increased due to longer hours of operation. The Society opens its facilities after hours for exhibits, meetings and special events throughout the year. In FY 2000, the Society estimates that its facilities have been open to the public for 1,800 non-traditional hours, i.e. evenings and weekends. In order to preserve the historical collections of artifacts, maps, manuscripts, photographs and other archival materials, the facilities must maintain constant climate controls of 70 degrees and 50% humidity. It takes more energy to maintain appropriate climate controls when the building is open to the public.

The agency has come before the Joint Legislative Budget Committee once a year for the past 3 years in order to transfer funds from vacancy savings to pay for higher than budgeted utility costs. Vacancy savings cannot be permanently transferred to cover utility costs since the vacancies are scattered throughout the agency and represent positions that are vacant for 1 or 2 months at a time, rather than a single position that is never filled. The recommended amounts will fully fund the agency’s utility costs. The Executive concurs.

Information Technology **GF** **18,600** **18,600**
 The JLBC recommends a total biennial General Fund increase of \$37,200 to enhance the agency’s information technology resources. This amount includes an increase of \$18,600 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001.

Currently, the agency has no position dedicated to computer services. Instead, it relies on the computer knowledge of existing staff to handle administrative and programmatic computing. As the agency’s computer needs become more complex, the existing staff has proven unequal to the task, and the agency has had to rely more heavily on outside computer experts to address its information technology needs. In FY 2000, the agency spent \$35,200 on outside computer specialists. The JLBC recommends that the agency apply those funds towards hiring a permanent staff person dedicated to computer services. The recommended amount includes \$3,500 and 1 FTE Position, to be used in conjunction with the \$35,200

in existing expenditures, to hire a full-time computer specialist.

The recommended amount also includes \$15,100 in funding to replace 10 computers and the associated software in the Museum and Library program. The recommended funding will allow the agency to replace 5 computers in FY 2002 and another 5 in FY 2003. These computers will be used for learning centers in the museum classrooms, interactive displays in the galleries, and for staff use. The existing computers are more than 5 years old. The Executive does not recommend this issue.

Security Chief II **GF** **-0-** **-0-**
 The JLBC recommends the addition of 1 FTE Position in FY 2002 above FY 2001 to hire a full-time security staff person. No funding is recommended since the agency can offset the costs by reducing its use of outside security providers. The JLBC recommends that this FTE Position be continued in FY 2003. The agency currently has a contract with an outside vendor for security services, but turnover among the vendor’s staff has been unacceptably high. During the last 6 months there have been 15 different security guards serving the agency through the outside provider. In order to reduce turnover, the JLBC recommends adding an FTE Position for a Security Chief II. The Executive does not recommend this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items. *(The department’s FY 2001 budget format was Modified Lump Sum by Agency. The JLBC recommends changing the agency’s budget format since the agency has corrected financial problems that were the impetus behind the more restrictive format.)*

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes
 Of the \$80,000 appropriation for ~~Historical Society Grants~~, FIELD SERVICES AND GRANTS, \$50,000 reverts if the City of Phoenix does not make its agreed upon cash contribution pursuant to the memorandum of understanding executed between the City of Phoenix and the Arizona Historical Society. *(The change is recommended to conform to the change to program budgeting.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a total biennial General Fund increase of \$160,000 to help support local historical societies across the state. This amount includes an increase of \$80,000 in both FY 2002 and FY 2003 above FY 2001.

A.R.S. § 41-821 requires the agency to certify non-profit organizations that have a functioning program of historical value. The statute also allows the agency to contract with certified organizations to provide services for the benefit of the state. Such services may include restoration and maintenance of historical buildings, curation and

registration of historical artifacts, and personnel costs incurred by the local historical society in presenting or preserving historic materials. The JLBC does not recommend additional monies for this issue.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Enterprise (HIA2900 A.R.S. § 41-821)				Non-Appropriated
Source of Revenue: Receipts from gift shops and restaurants.				
Purpose of Fund: To operate gift shops and restaurants.				
Funds Expended	21,100	27,400	64,300	69,100
Year-End Fund Balance	49,800	53,000	62,800	68,400
Grants (No Fund Number/A.R.S. § 41-821)				Non-Appropriated
Source of Revenue: Derived from the following sources: AHS Foundation; National Endowment for the Humanities; DeGrazia Foundation. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.				
Purpose of Fund: To be used in accordance with the requirements of each grant.				
Funds Expended	67,800	609,100	504,800	172,100
Year-End Fund Balance	506,600	20,100	26,000	31,800
Journal of Arizona History Magazine (HIA2033/A.R.S. § 41-824)				Non-Appropriated
Source of Revenue: Membership fees.				
Purpose of Fund: To publish the <u>Journal of Arizona History</u> .				
Other Funds Expended	31,700	61,200	54,000	55,500
Year-End Fund Balance	81,100	83,000	83,000	83,000
Preservation and Restoration (HIA2125/A.R.S. § 41-825)				Non-Appropriated
Source of Revenue: Reproduction charges.				
Purpose of Fund: To preserve and restore historic photographs.				
Funds Expended	48,500	48,800	48,200	48,200
Year-End Fund Balance	89,700	88,200	90,000	96,800
Private (No Fund Number/A.R.S. § 41-821)				Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.				
Purpose of Fund: For operating expenses.				
Funds Expended	328,300	392,000	405,000	433,500
Year-End Fund Balance	410,300	439,400	412,900	443,700
Restricted (No Fund Number/A.R.S. § 41-821)				Non-Appropriated
Source of Revenue: Private restricted donations. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.				
Purpose of Fund: To be used for specific projects as designated by donor.				
Funds Expended	860,100	640,300	1,109,500	675,500
Year-End Fund Balance	917,000	635,500	614,000	420,500
Trust (No Fund Number/A.R.S. § 41-821)				Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.				
Purpose of Fund: For operating expenses.				
Funds Expended	5,800	2,700	9,300	7,100
Year-End Fund Balance	260,100	269,600	271,200	274,600

[Click here to return to Table of Contents](#)

Prescott Historical Society of Arizona

Richard S. Sims, Director

JLBC: Indya Kincannon
OSP: Theresa Garcia

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Prescott Historical Society of Arizona	727,400	753,800	782,000	779,400	768,800	786,800

OPERATING BUDGET

Full Time Equivalent Positions	18.0	18.0	18.0	18.0	18.0	18.5
Personal Services	507,800	516,900	524,600	524,600	524,600	542,600
Employee Related Expenditures	125,400	133,300	136,200	135,400	136,800	140,300
All Other Operating Expenditures:						
Professional and Outside Services	100	3,300	3,300	10,300	5,300	10,300
Travel - In State	400	400	400	7,600	400	7,900
Other Operating Expenditures	89,600	89,400	79,400	79,400	85,700	79,700
Equipment	4,100	10,500	38,100	22,100	16,000	6,000
AGENCY TOTAL	727,400	753,800	782,000	779,400	768,800	786,800

FUND SOURCES

General Fund	727,400	753,800	782,000	779,400	768,800	786,800
SUBTOTAL - Appropriated Funds	727,400	753,800	782,000	779,400	768,800	786,800
Other Non-Appropriated Funds	653,700	565,100	595,700	595,700	610,700	610,700
TOTAL - ALL SOURCES	1,381,100	1,318,900	1,377,700	1,375,100	1,379,500	1,397,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	25,600	3.4%	33,000	4.4%	58,600

AGENCY DESCRIPTION — *The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving and publicly exhibiting archival and museum objects pertaining to the history, geological and anthropological life of Arizona and the West.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Museum visitors and researchers	85,000/91,413	94,000/94,923	105,000	110,000
• Number of volunteer hours	30,000/30,275	30,000/30,578	32,000	33,000
• Private funds raised (grants and donations)	\$600,000/ \$485,000	\$600,000/ \$560,500	\$565,100	\$570,000/ \$575,000
• Customer satisfaction rating (Scale 1-8)	8/8	8/8	8	8
• Administration as a % of total cost	NA	16.9/NA	16.6	17.3

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$ 8,700	\$ 8,700
ERE Rates	GF	1,100	1,800
Risk Management	GF	(10,000)	(9,700)

Pick-Up Truck GF 27,600 5,500

The JLBC recommends a total biennial General Fund increase of \$33,100 for a pick-up truck. This amount includes a FY 2002 increase of \$27,600 above FY 2001 and a FY 2003 increase of \$5,500 above FY 2001. The recommended amounts will cover the initial purchase price of a 1-ton pick-up truck in FY 2002, as well as the annual maintenance fees in FY 2002 and thereafter. The maintenance fees are estimated according to fees charged

by the Department of Administration's Fleet Management Services. The Society's current fleet consists of 1 truck that is 13 years old. The new truck will provide greater capacity and improved reliability when performing the various tasks that require a truck, such as hauling construction materials and visiting isolated archaeological sites. The Executive concurs.

Information Technology

Position GF -0- 22,200

The JLBC recommends a total biennial General Fund increase of \$22,200 for a half-time Information Technology (IT) Position. This amount includes an increase of \$22,200 and a 0.5 FTE Position in FY 2003 above FY 2001. Computers play an increasing role in the public's use of the agency's services, both as research tools and as part of interactive exhibits. The agency, which has 30 internally networked computers for data processing and collections management, has no IT specialist on its staff. Currently IT work is performed on an *ad hoc* basis by the education curator, with some help from the archivist and budget officer as their time and skills permit. A half-time IT specialist will enable the agency to better manage its technical resources and allow existing staff to focus on their primary duties. The Executive does not recommend this issue.

Utilities GF -0- 6,000

The JLBC recommends a total biennial General Fund increase of \$6,000 for utilities. This amount includes an increase of \$6,000 in FY 2003 above FY 2001. The recommended amount will cover increased electricity, telephone and natural gas costs associated with the museum's expansion. The Executive concurs.

Fire Alarm Monitoring and

Special Event Security GF 5,000 5,000

The JLBC recommends a total biennial General Fund increase of \$10,000 to address fire and life safety issues. This amount includes a \$5,000 increase in both FY 2002 and FY 2003 above FY 2001. The recommended amount will enable the agency to hire a monitoring company to monitor its fire and alarm systems. The recommended

amount will also allow the agency to increase security at special events. The Executive does not recommend this issue.

GAO Financial Services GF 2,000 2,000

The JLBC recommends a total biennial General Fund increase of \$4,000 for the purchase of financial services from the General Accounting Office (GAO). This amount includes an increase of \$2,000 in both FY 2002 and FY 2003 above FY 2001. GAO notified agencies that it would begin to charge for its financial services starting in July 2001. The recommended amounts will pay for the agency's existing level of services. The Executive recommends an increase of \$2,000 starting in FY 2003.

Travel-In State GF 1,700 2,000

The JLBC recommends a total biennial General Fund increase of \$3,700 for Travel-In State. This amount includes a FY 2002 increase of \$1,700 above FY 2001 and a FY 2003 increase of \$2,000 above FY 2001. The agency's current appropriation for Travel-In State is \$400, which at current mileage reimbursement rates, is enough for 6 round trips between Prescott and Phoenix each year. Agency staff travels to Phoenix about 24 times per year, and also make trips to other parts of the state for regional museum development and various meetings. The recommended funds will cover the existing level of in-state travel. The Executive does not recommend this issue.

Eliminate One-Time

Equipment GF (10,500) (10,500)

The JLBC recommends a total biennial General Fund decrease of \$(21,000) for the elimination of one-time FY 2001 equipment funding. This amount includes a decrease of \$(10,500) in both FY 2002 and FY 2003 below FY 2001. The Executive does not recommend this issue.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Sharlot Hall Historical Society (No Fund Number/A.R.S. § 41-831)

Non-Appropriated

Source of Revenue: Monies received from donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.

Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.

Funds Expended	653,700	565,100	595,700	610,700
Year-End Fund Balance	150,500	148,500	141,100	111,600

[Click here to return to Table of Contents](#)

Board of Homeopathic Medical Examiners

Christine Springer, Executive Director

JLBC: Steve Grunig
 OSPB: Randy Hillier

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Board of Homeopathic Medical Examiners	51,900	71,000	74,500	71,600	74,400	71,600

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0	1.0	1.0	1.0
Personal Services	26,200	42,400	42,900	42,900	42,900	42,900
Employee Related Expenditures	7,400	7,500	10,400	7,700	10,300	7,700
All Other Operating Expenditures:						
Professional and Outside Services	13,800	16,200	16,300	16,400	16,300	16,400
Travel - In State	1,700	2,100	2,100	2,100	2,100	2,100
Other Operating Expenditures	2,700	2,500	2,500	2,500	2,500	2,500
Equipment	100	300	300	0	300	0
AGENCY TOTAL	51,900	71,000	74,500	71,600	74,400	71,600

FUND SOURCES

Homeopathic Medical Examiners Fund	51,900	71,000	74,500	71,600	74,400	71,600
SUBTOTAL - Appropriated Funds	51,900	71,000	74,500	71,600	74,400	71,600
TOTAL - ALL SOURCES	51,900	71,000	74,500	71,600	74,400	71,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	600	0.8%	600	0.8%	1,200

AGENCY DESCRIPTION — *The board licenses and regulates medical physicians who practice homeopathic medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	216/216	303/303	256	261/263
• Number of complaints received about licensees	17/17	20/20	22	25/23
• Average calendar days to resolve a complaint	78/78	78/78	78	120
• Number of investigations	15/15	15/15	19	22/21
• Average calendar days to renew a license (from receipt of application to issuance)	90/90	90/90	127	120
• Administration as a % of total cost	NA	8/NA	8	8

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$500	\$500
ERE Rates	OF	200	200

State Boards' Office OF 200 200

The JLBC recommends a total biennial increase of \$400 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an increase of \$200 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

Eliminate One-Time

Equipment OF (300) (300)

The JLBC recommends a total biennial decrease of \$(600) for the elimination of one-time equipment. This amount includes a decrease of \$(300) in both FY 2002 and FY 2003 below FY 2001. The FY 2001 appropriation included \$300 for software upgrades and training classes. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency’s total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Fund Balance Increase

It will be difficult for the board to continue its activities unless licensing revenue increases, or the operating budget is adjusted so as not to exceed anticipated revenues in the future. The fee for renewing a license for a homeopathic physician is \$90 in FY 2001. Revenue to the fund in FY 2003 is estimated to be \$66,400 compared to a recommended budget of \$71,500.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Board of Homeopathic Medical Examiners (HEA2041/A.R.S. § 32-2906)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopaths. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate homeopaths, and for board administration.				
Funds Expended	51,900	71,000	71,600	71,600
Year-End Fund Balance	30,500	19,400	7,200	2,000

[Click here to return to Table of Contents](#)

Legislature - House of Representatives

Honorable Jim Weiers, Speaker

JLBC: Bob Hull
OSP: Monica Klaschka

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
House of Representatives	10,341,300	10,879,900	10,379,900	12,052,400	10,379,900	12,991,500
OPERATING BUDGET						
Lump Sum Appropriation	10,341,300	10,879,900	10,379,900	12,052,400	10,379,900	12,991,500
AGENCY TOTAL	10,341,300	10,879,900	10,379,900	12,052,400	10,379,900	12,991,500
FUND SOURCES						
General Fund	10,341,300	10,879,900	10,379,900	12,052,400	10,379,900	12,991,500
TOTAL - ALL SOURCES	10,341,300	10,879,900	10,379,900	12,052,400	10,379,900	12,991,500

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	1,172,500	10.8%	2,111,600	19.4%	3,284,100

AGENCY DESCRIPTION — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 94,800	\$ 94,800
ERE Rates	GF	187,000	188,900
Risk Management	GF	20,300	17,500

Base Budget Adjustment GF 870,400 1,810,400
The JLBC recommends a total biennial General Fund increase of \$2,680,800 for a base budget adjustment. This amount includes a FY 2002 increase of \$870,400 above FY 2001 and a FY 2003 increase of \$1,810,400 above FY 2001. The Executive does not address this issue.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriations of \$12,052,400 for FY 2002 and \$12,991,500 for FY 2003 is \$1,000 each year for the purchase of mementos and items for visiting officials.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a General Fund decrease of \$(500,000) annually to the House of Representatives for redistricting expenses. The JLBC recommends continuing this amount.

[Click here to return to Table of Contents](#)

Independent Redistricting Commission

Director: To Be Named

JLBC: Chris Earnest
OSP: Monica Klaschka

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
FUND SOURCES						
General Fund		0	6,000,000	0	0	0
SUBTOTAL - Appropriated Funds		0	6,000,000	0	0	0
TOTAL - ALL SOURCES		0	6,000,000	0	0	0

AGENCY DESCRIPTION – *Proposition 106, approved by Arizona voters in November 2000, established the Independent Redistricting Commission. The commission consists of 5 members, 4 of which are selected by the House and Senate majority and minority leadership. These 4 members then select the final member, who can not be affiliated with either of the 2 major political parties. The commission is charged with redrawing the boundaries for Arizona’s legislative and congressional districts based on the 10-year census. The proposition makes \$6,000,000 available from the General Fund in FY 2001 for the commission to accomplish its work.*

[Click here to return to Table of Contents](#)

Arizona Commission of Indian Affairs

Ronald Lee, Director

JLBC: Beth Kohler
OSP: Keith Fallstrom

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET *						
Arizona Commission of Indian Affairs	232,700	237,400	231,200	231,200	231,200	231,300

*The JLBC and Executive utilize different program budget structures for this agency. The Executive recommendation is shown within the JLBC structure.

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	124,400	133,700	135,700	135,700	135,700	135,700
Employee Related Expenditures	26,700	34,600	26,300	26,300	26,300	26,400
All Other Operating Expenditures:						
Professional and Outside Services	7,100	1,200	1,200	1,200	1,200	1,200
Travel - In State	9,100	7,600	7,600	7,600	7,600	7,600
Travel - Out of State	1,300	2,500	2,500	2,500	2,500	2,500
Other Operating Expenditures	50,400	57,800	57,900	57,900	57,900	57,900
Equipment	13,700	0	0	0	0	0
AGENCY TOTAL	232,700	237,400	231,200	231,200	231,200	231,300

FUND SOURCES

General Fund	232,700	237,400	231,200	231,200	231,200	231,300
SUBTOTAL - Appropriated Funds	232,700	237,400	231,200	231,200	231,200	231,300
Other Non-Appropriated Funds	0	8,000	0	0	4,000	4,000
TOTAL - ALL SOURCES	232,700	245,400	231,200	231,200	231,200	235,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(6,200)	-2.6%	(6,100)	-2.6%	(12,300)

AGENCY DESCRIPTION — *The agency studies policy issues affecting the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.*

PERFORMANCE MEASURES

	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of Native Americans serving on state boards/commissions	NA	NA/2	2	4
• % of tribes, legislators, and state agencies rating commission information and referral services as good or better	NA	NA	30	40/45
• % of Indian Economic Development workshop participants rating workshop good or better	NA	NA	50	55/60
• Administration as a % of total cost	NA	7.1/NA	6.9	5.2

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 2,200	\$ 2,200
ERE Rates	GF	(8,500)	(8,400)
Risk Management	GF	100	100

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Publications (IAA4013/A.R.S. § 41-543)				Non-Appropriated
Source of Revenue: Sale of commission publications.				
Purpose of Fund: To produce and distribute commission publications. At fiscal year end, amounts in excess of \$15,000 revert to the General Fund.				
Funds Expended	0	8,000	0	4,000
Year-End Fund Balance	4,000	0	4,000	0

[Click here to return to Table of Contents](#)

Industrial Commission of Arizona

Larry J. Etchechury, Director

JLBC: Rebecca Hecksel
OSP: Keith Fallstrom

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Dispute Adjudication	4,236,700	4,458,800	4,500,100	4,497,000	4,501,700	4,498,700
Agency Support	3,957,400	4,365,900	4,434,000	4,443,500	4,435,500	4,444,900
Workers' Compensation Claims Assurance	2,505,100	2,707,800	2,758,600	2,755,600	2,759,900	2,756,900
Labor Law Administration	494,500	538,500	554,200	553,600	554,400	553,900
OSHA Administration	2,089,000	2,155,300	2,380,500	2,378,300	2,381,400	2,379,400
Special Funds Claims Processing	697,000	717,200	732,100	731,400	732,500	731,800
OSHA Review Board ^{1/}	8,700	1,000	7,000	7,000	7,000	7,000
AGENCY TOTAL	13,988,400	14,944,500	15,366,500	15,366,400	15,372,400	15,372,600

OPERATING BUDGET

Full Time Equivalent Positions	279.0	282.0	282.0	282.0	282.0	282.0
Personal Services	7,289,400	8,659,800	8,974,600	8,974,500	8,974,500	8,974,500
Employee Related Expenditures	1,577,300	1,923,300	2,021,100	2,011,700	2,027,500	2,018,300
All Other Operating Expenditures:						
Professional and Outside Services	1,093,800	1,238,100	1,244,000	1,244,100	1,244,000	1,244,100
Travel - In State	122,000	250,700	250,700	250,700	250,700	250,700
Travel - Out of State	11,100	32,800	32,800	32,800	32,800	32,800
Other Operating Expenditures	3,564,700	2,590,300	2,593,800	2,593,800	2,593,400	2,593,400
Equipment	330,100	249,500	249,500	258,800	249,500	258,800
AGENCY TOTAL	13,988,400	14,944,500	15,366,500	15,366,400	15,372,400	15,372,600

FUND SOURCES

General Fund	8,700	1,000	7,000	7,000	7,000	7,000
Administrative Fund	13,979,700	14,943,500	15,359,500	15,359,400	15,365,400	15,365,600
SUBTOTAL - Other Appropriated Funds	13,979,700	14,943,500	15,359,500	15,359,400	15,365,400	15,365,600
SUBTOTAL - Appropriated Funds	13,988,400	14,944,500	15,366,500	15,366,400	15,372,400	15,372,600
Other Non-Appropriated Funds	16,158,400	18,504,200	19,716,500	19,716,500	19,275,600	19,275,600
Federal Funds	3,529,800	3,465,200	3,562,700	3,562,700	3,643,000	3,643,000
TOTAL - ALL SOURCES	33,676,600	36,913,900	38,645,700	38,645,600	38,291,000	38,291,200

1/ FY 2000 Actual reflects Board's actual FY 2000 operating expenditures. FY 2001 Estimate reflects appropriation level.

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	6,000	600.0%	6,000	600.0%	12,000
Other Appropriated Funds	415,900	2.8%	422,100	2.8%	838,000
Total Appropriated Funds	421,900	2.8%	428,100	2.9%	850,000

AGENCY DESCRIPTION — *The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers or insolvent carriers.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Claims for workers' compensation processed	162,000/ 151,492	135,000/ 145,386	152,817	156,637/ 160,553
• Hearings conducted by the Administrative Law Judge Division	3,851/2,972	3,624/2,941	3,144	3,223/3,304
• Average number of days to resolve a case by the Administrative Law Judge Division	140/118	130/119	123	126/129
• Safety violations found	3,005/1,431	2,964/1,133	1,787	1,832/1,878
• Child labor law violations investigated	395/279	400/393	350	359/368
• % of agency staff turnover	NA/13.3	NA/11.1	10.0	9.0
• Administration as a % of total cost	NA	11/NA	11	10

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$145,800	\$145,800
ERE Rates	OF	49,500	56,100
Risk Management	OF	3,500	3,100

Special Recruitment Rate OF 207,800 207,800

The JLBC recommends a total biennial Administrative Fund increase of \$415,600 to the OSHA Administration program to implement special recruitment rates for the Occupational Safety Consultant and Industrial Hygienist positions. This amount includes an increase of \$207,800 in both FY 2002 and FY 2003 above FY 2001. The current salaries for these positions are an average of \$12,000 below market, and are experiencing a 42% vacancy factor. The recommended increase affects 19 positions at an average of \$9,700. The Executive concurs.

Computers OF 9,300 9,300

The JLBC recommends a total biennial Administrative Fund increase of \$18,600 to the Agency Support program to allow the agency to continue to lease its desktop computers. This amount includes an increase of \$9,300 in both FY 2002 and FY 2003 above FY 2001. The agency was appropriated \$240,000 in both FY 2000 and FY 2001 to replace its desktop computers. After the appropriation was made, the agency was given the option to lease the computers, which provides the advantage of free maintenance and repairs, technological updates and a consistent schedule for replacing computers agencywide.

The yearly cost for the lease-purchase is \$249,300. An additional \$9,300 is needed in addition to the \$240,000 FY 2001 appropriation to maintain the contract. The Executive recommends continuing the FY 2001 level of funding, and does not recommend the funding increase.

OSHA Review Board GF 6,000 6,000

The JLBC recommends a total biennial General Fund increase of \$12,000 to the OSHA Review Board program for contracted legal representation. This amount includes an increase of \$6,000 in both FY 2002 and FY 2003 above FY 2001. Pursuant to A.R.S. § 23-422, funds appropriated to the board are exempt from A.R.S. § 35-190 relating to lapsing of appropriations. The board has required a minimal appropriation level over the past 6 years as balances from prior years have been sufficient to cover its expenditures. As the board has depleted these balances, additional General Fund appropriations are required for operating costs. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency. The OSHA Review Board would appear as a separate budget unit in the General Appropriation Act.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Administrative (ICA2177/A.R.S. § 23-1081)				Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that can not exceed 3%.				
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.				
Funds Expended	13,979,700	14,943,500	15,359,400	15,365,600
Year-End Fund Balance	6,966,800	5,541,900	2,993,000	1,517,900

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Federal Grants (ICA2000/A.R.S. § 35-142)

Non-Appropriated

Source of Revenue: Federal grants.

Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.

Funds Expended	3,529,800	3,465,200	3,562,700	3,643,000
Year-End Fund Balance	648,100	486,700	487,900	489,700

Revolving (ICA2002/A.R.S. § 35-142)

Non-Appropriated

Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.

Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.

Funds Expended	152,300	166,700	160,500	150,600
Year-End Fund Balance	227,800	189,400	172,200	149,900

Special (ICA9003/A.R.S. § 23-1065)

Non-Appropriated

Source of Revenue: Earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.

Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.

Funds Expended	16,006,100	18,337,500	19,556,000	19,125,000
Year-End Fund Balance	382,000	500,000	500,000	500,000

[Click here to return to Table of Contents](#)

Department of Insurance

Charles Cohen, Director

JLBC: Pat Mah
OSP: Tracie Andreasson

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Policy and Administration	1,361,800	1,383,600	1,806,100	1,177,500	1,809,100	1,175,000
Consumer Support	1,811,200	1,867,300	2,046,300	2,115,900	2,036,000	2,108,200
Managed Care and Dental Plan						
Oversight SLI	0	500,000	0 ^{1/}	633,000	0 ^{1/}	631,300
<i>Program Subtotal - Consumer Support</i>	1,811,200	2,367,300	2,046,300	2,748,900	2,036,000	2,739,500
Premium Tax Collections and Analysis	131,000	130,500	140,800	141,600	140,400	141,100
Solvency Regulation	380,300	390,700	416,300	420,200	415,500	408,300
Licensing	517,400	541,400	611,600	627,100	636,600	656,800
Fraud Investigation and Deterrence	1,077,500	1,139,800	1,152,400	1,110,400	1,227,500	1,218,800
AGENCY TOTAL	5,279,200	5,953,300	6,173,500	6,225,700	6,265,100	6,339,500

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	107.0	111.0	118.0	118.0	121.0	122.0
Personal Services	3,331,600	3,462,400	4,039,200	3,560,000	4,121,900	3,683,700
Employee Related Expenditures	701,400	750,700	870,400	789,400	901,500	818,400
All Other Operating Expenditures:						
Professional and Outside Services	247,900	274,300	274,300	274,300	274,300	274,300
Travel - In State	25,100	24,100	24,600	24,100	24,600	24,100
Travel - Out of State	15,500	14,100	19,100	14,100	19,100	14,100
Other Operating Expenditures	829,500	917,200	923,200	909,500	911,900	862,700
Equipment	128,200	10,500	22,700	21,300	11,800	30,900
OPERATING SUBTOTAL	5,279,200	5,453,300	6,173,500	5,592,700	6,265,100	5,708,200
Special Line Items	0	500,000	0 ^{1/}	633,000	0 ^{1/}	631,300
AGENCY TOTAL	5,279,200	5,953,300	6,173,500	6,225,700	6,265,100	6,339,500

FUND SOURCES

General Fund	5,279,200	5,953,300	6,173,500	6,225,700	6,265,100	6,339,500
SUBTOTAL - Appropriated Funds	5,279,200	5,953,300	6,173,500	6,225,700	6,265,100	6,339,500
Other Non-Appropriated Funds	15,148,000	26,661,200	29,249,100	29,249,100	27,590,700	27,590,700
TOTAL - ALL SOURCES	20,427,200	32,614,500	35,422,600	35,474,800	33,855,800	33,930,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	272,400	4.6%	386,200	6.5%	658,600

^{1/} OSPB reflects these monies in the Policy and Administration program and reports they would be placed in a Managed Care Oversight Special Line Item and a Prepaid Dental Plan Special Line Item.

AGENCY DESCRIPTION — *The department regulates the insurance industry. The department's major duties include solvency regulation, collection and audit of insurance premium taxes, agent licensing, company certification, consumer assistance, complaint resolution, rate and policy form regulation, and administration of companies in receivership. The department collects various filing and licensing fees, which are deposited to the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• Average calendar days to complete a consumer complaint investigation	50/45	35/93.5	90	90
• Number of new domestic company receiverships	NA	NA/1	0	0
• Average days required to complete fraud investigations	70/66	55/108	100	100/70
• % of survey licensees respondents indicating "satisfied" or better	NA	75.0/81.2	82.5	85.0
• Average days to issue license after receiving all required information from applicant	35/33.8	28/33.1	31.4	31.4
• % of agency staff turnover	NA/11.3	NA/17.1	15.1	15.1
• Administration as a % of total cost	NA	23.8/NA	24.0	22.3/22.1

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$59,700	\$ 59,700
ERE Rates	GF	20,300	21,000
Risk Management	GF	(12,600)	(13,500)
Rent	GF	1,000	(48,800)

Consumer Services **GF 34,700 77,200**

The JLBC recommends a total biennial General Fund increase of \$111,900 to address the growth in requests from consumers for assistance. The amount includes a FY 2002 increase of \$34,700 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$77,200 and 2 FTE Positions above FY 2001. The FY 2003 amount also includes \$5,700 in one-time equipment costs. The number of consumer requests for assistance has increased from 89,578 in 1995 to 108,183 in 1999. The average annual rate of growth has been about 4%. The department expects the number of requests for assistance to increase by another 1% due to recent changes in law that require the department to handle disputes over whether companies are making timely payments for any claims that require no additional information to process. There have been a growing number of consumers requesting assistance for dealing with complaints about their insurance companies, obtaining insurance coverage, and providing information about the status of insurers. The recommendation will provide a new Administrative Assistant I in FY 2002 and a new Consumer Services Specialist II in FY 2003. These additional 2 FTE Positions will allow the department to keep pace with the growth in requests for assistance. The Executive concurs in FY 2002 but does not recommend the new Consumer Services Specialist II FTE Position for FY 2003. The Executive reflects a total biennial increase of \$58,900, which is a reduction of \$(53,000) from the JLBC recommendation.

Licensing Growth **GF 36,300 67,500**

The JLBC recommends a total biennial General Fund increase of \$103,800 to address the number of licensing applications that need to be processed. The amount includes a FY 2002 increase of \$36,300 and 1 FTE

Position above FY 2001 and a FY 2003 increase of \$67,500 and 2 FTE Positions above FY 2001. The FY 2003 amount includes \$5,100 in one-time equipment costs. The number of people requesting licenses has continued to grow significantly in recent years. Applications for licenses have increased by over 11% annually since 1996. The processing time for an applicant to be issued a license currently takes approximately 31.4 calendar days. In FY 1997, processing time was 21 days and grew to 33.1 days in FY 2000 when the number of applications increased by 20.1%. The recommendation will provide 2 new Administrative Assistant II FTE Positions over the biennium. These 2 additional FTE Positions will help prevent further growth in the time it takes to process applications. The Executive concurs but recommends a total biennial increase of \$79,800. The difference is a reduction of \$(24,000) from the JLBC biennial recommendation. The Executive recommendation does not reflect the Special Recruitment Rates that have been authorized by the Arizona Department of Administration (ADOA) to address a high turnover rate for this group of FTE Positions. In addition, the Executive's recommendation does not include one-time equipment costs of \$5,100 per FTE Position or \$10,200 over the biennium for the 2 new FTE Positions.

Fraud Unit **GF -0- 91,800**

The JLBC recommends a total biennial General Fund increase of \$91,800 beginning in FY 2003 to address the growth in investigations for the Fraud Unit. The amount includes \$9,600 in one-time equipment costs. The \$91,800 in FY 2003 will fund 2 new Special Investigator FTE Positions for completing investigations to determine whether fraud has occurred. Currently, the investigation process exceeds an average of 100 days. The reported time for FY 2000 was 108 days. The additional 2 new FTE Positions in FY 2003 would reduce the processing time to an estimated average of 70 days in FY 2003.

Historically, monies for this unit have been displayed in the Fraud Unit Special Line Item. The JLBC recommends that the Special Line Item be abolished since monies are now displayed as a program in the new program structure adopted as part of the Phase II move toward program

budgeting. The Executive concurs but recommends a total biennial increase of \$76,200. The difference is a reduction of \$(15,600) from the JLBC recommendation. The Executive recommendation does not reflect the Special Recruitment Rates that have been authorized by ADOA to address a high turnover rate for this group of FTE Positions. In addition, the Executive does not fund the \$9,600 in one-time equipment costs for the recommended 2 new FTE Positions.

Transfer Dental Plan GF 133,000 131,300

The JLBC recommendation includes a total biennial General Fund increase of \$264,300 to reflect a transfer authorized by Laws 2000, Chapter 339 beginning in FY 2002. The legislation transferred to the Insurance Department the regulatory responsibilities for dental care service delivery previously conducted by the Department of Health Services (DHS) and \$133,000 and 2 FTE Positions for FY 2002. The JLBC recommendation includes this increase of \$133,000 and 2 FTE Positions in FY 2002 above FY 2001. It also includes \$131,300 and 2 FTE Positions in FY 2003 above FY 2001 to continue this appropriation. The FY 2003 amount is reduced because of lower cost of Employee Related Expenditures. Further, the budget for DHS is reduced by \$133,000 in FY 2002 to reflect the transfer. The JLBC recommends a new footnote that clarifies that the General Appropriation Act incorporates the transfer required by Chapter 339. (*See the New Footnotes section in this analysis for further information.*)

The JLBC also recommends that a new Managed Care and Dental Plan Oversight Special Line Item be established in the Consumer Support program for these monies and also for the monies in the policy issue directly below. The Special Line Item is recommended since the monies are for a new health care service delivery component that is different from the department's normal Consumer Support program activities. The Executive concurs with the transferred expenditures, but places the monies in a Prepaid Dental Plan Special Line Item in the Policy and Administration program. The JLBC recommended that these monies be placed in the Consumer Support program because the department reported the monies are for its consumer services function.

Managed Care Oversight GF -0- -0-

In addition to the transfer of regulatory responsibilities for dental care service delivery discussed in the policy issue above, legislation transferred regulatory responsibilities for overseeing health care service delivery by Health Care Service Organizations (HCSO's). These HCSO's function as insurance companies and health care providers in that they both finance the cost of health care and provide and arrange health care delivery. Currently, there are 11 HCSO's in Arizona serving an estimated 1,600,000 members.

Laws 2000, Chapter 355 appropriated 4 FTE Positions and \$500,000 from the General Fund for FY 2001 for the

purpose of performing these health care delivery oversight duties. The JLBC recommendation continues this appropriation in both FY 2002 and FY 2003 for no net change from FY 2001. The monies are displayed in the new Managed Care and Dental Plan Oversight Special Line Item discussed above.

The JLBC also recommends an increase of 3 FTE Positions beginning in FY 2002. The recommendation will increase staff from 4 FTE Positions to 7 FTE Positions. Funding for the new positions would come from the already existing \$500,000 appropriation by reallocating one-time expenses that were needed in FY 2001 for start-up cost. The recommended 3 new FTE Positions were in the department's estimated impact of the legislation, but were not needed until the department had time to begin implementation of the new program.

Prior to passage of the legislation, the Insurance Department was responsible for regulatory responsibilities of the financial and licensing functions for HCSO's. Now, it also is responsible for overseeing health care service delivery by HCSO's that had been assigned to DHS. Monies for these delivery service duties were never appropriated to DHS. Therefore, there is no corresponding reduction in the DHS budget. The Executive concurs, but places the monies in a Managed Care Oversight Special Line Item in the Policy and Administration program. As noted above in the Transfer Dental Plan policy issue, the JLBC recommended that these monies be placed in the Consumer Support program because the department reported the monies are for its consumer services function.

Equipment GF -0- -0-

The JLBC recommends continuing the appropriation of \$10,500 for equipment purchases in both FY 2002 and FY 2003. The recommendation provides for a laser printer and office furniture in FY 2002. For FY 2003, the recommendation provides for the same type of equipment. The Executive recommends the \$10,500 appropriation be reduced by \$(5,300) for FY 2002 and eliminated entirely for FY 2003.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

New Footnotes

In accordance with Laws 2000, Chapter 339, the appropriation includes \$133,000 in Personal Services and Employee Related Expenditures transferred from the Department of Health Services. (*The JLBC recommends a new footnote to clarify that the General Appropriation Act incorporates the FY 2002 transfer required by Laws 2000, Chapter 339.*)

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Assessments (IDA2316/A.R.S. § 20-2351)				Non-Appropriated
Source of Revenue: Assessments paid by insurance companies authorized to sell liability insurance or as reinsuring carriers.				
Purpose of Fund: To contract to ensure that liability insurance coverage is readily available and, if necessary, form insurance plans to provide liability insurance to classes of risk that are entitled to but unable to obtain liability coverage. Monies also are used to cover the department's related administrative costs. In addition, monies are used to employ and contract with persons to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.				
Funds Expended	196,500	200,000	203,000	206,000
Year-End Fund Balance	245,000	245,000	242,000	236,000
Health Care Appeals (IDA2467/A.R.S. § 20-2540)				Non-Appropriated
Source of Revenue: One-time fee of \$200 per health insurance company and an annual fee of up to \$200 per health care insurance company.				
Purpose of Fund: To pay for start up and on-going costs related to selecting an independent review organization to conduct external independent reviews that involve issues of medical necessity.				
Funds Expended	0	111,100	205,500	205,500
Year-End Fund Balance	0	198,900	218,400	237,900
Insurance Examiners' Revolving (IDA2034/A.R.S. § 20-159)				Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.				
Purpose of Fund: To pay contract examiners' per diem compensation and to reimburse contract examiners for travel and living expenses, as approved by the Director of Insurance. Monies also are used to cover the department's related administrative costs.				
Funds Expended	9,012,000	9,012,000	9,012,000	9,012,000
Year-End Fund Balance	746,200	746,200	746,200	746,200
Life and Disability Insurance Guaranty (IDA2154/A.R.S. § 20-683)				Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies, and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.				
Purpose of Fund: To pay the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance				
Funds Expended	3,290,100	8,913,500	10,028,000	8,929,500
Year-End Fund Balance	11,921,300	12,071,300	10,183,300	9,030,400
Arizona Property and Casualty Insurance Guaranty (IDA2114/A.R.S. § 20-662)				Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance, and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.				
Purpose of Fund: To pay the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance.				
Funds Expended	2,485,100	8,271,800	9,644,800	9,078,700
Year-End Fund Balance	13,384,300	10,192,500	10,395,400	10,948,800
Receivership Liquidation (IDA3104/A.R.S. § 20-648)				Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.				
Purpose of Fund: This fund supports the department's Receivership Division, which administers the liquidation of insurance companies to insure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.				
Funds Expended	164,300	152,800	155,800	159,000
Year-End Fund Balance	351,800	366,000	380,200	394,400

[Click here to return to Table of Contents](#)

Legislature - Joint Legislative Budget Committee

Richard Stavneak, Director

JLBC: Bob Hull
OSP: Monica Klaschka

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Joint Legislative Budget Committee	2,024,500	2,297,200	2,297,200	2,452,500	2,297,200	2,452,600
OPERATING BUDGET						
Full Time Equivalent Positions	34.0	34.0	34.0	35.0	34.0	35.0
Personal Services	1,481,300	1,806,600	1,806,600	1,928,600	1,806,600	1,928,600
Employee Related Expenditures	264,200	299,400	321,900	330,800	344,400	331,300
All Other Operating Expenditures:						
Professional and Outside Services	62,900	62,900	62,900	62,900	62,900	62,900
Travel - In State	1,300	5,000	5,000	5,000	5,000	5,000
Travel - Out of State	9,000	9,000	9,000	9,000	9,000	9,000
Other Operating Expenditures	89,700	106,200	83,700	108,100	61,200	107,700
Equipment	116,100	8,100	8,100	8,100	8,100	8,100
AGENCY TOTAL	2,024,500	2,297,200	2,297,200	2,452,500	2,297,200	2,452,600
FUND SOURCES						
General Fund	2,024,500	2,297,200	2,297,200	2,452,500	2,297,200	2,452,600
SUBTOTAL - Appropriated Funds	2,024,500	2,297,200	2,297,200	2,452,500	2,297,200	2,452,600
TOTAL - ALL SOURCES	2,024,500	2,297,200	2,297,200	2,452,500	2,297,200	2,452,600

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	155,300	6.8%	155,400	6.8%	310,700

AGENCY DESCRIPTION — *The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Survey of legislator satisfaction (4=high):				
Appropriations and JLBC members	3.55/3.62	3.63/3.63	3.63	3.73
• Survey of legislator satisfaction: other members	3.2/3.37	3.38/3.38	3.38	3.48
• Errors in budget bills	0/0	0/0	0	0
• % actual revenues exceed forecasted revenues	3/4.7	3/3	3	3
• Days to transmit fiscal notes	14/14.9	14/14	14	14
• Administration as a % of total cost	NA	NA/6.7	6.7	6.7

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$28,300	\$28,300
ERE Rates	GF	14,700	15,200
Risk Management	GF	1,900	1,500

Salary Adjustment GF 55,400 55,400

The JLBC recommends a total biennial General Fund increase of \$110,800 for competitive salary adjustments for JLBC Staff. This amount includes an increase of \$55,400 in both FY 2002 and FY 2003 above FY 2001. The recommended amount is a 3% increase above the FY2001 Personal Services level and will assist in retaining the legislature's fiscal staff. The Executive does not address this issue.

Additional Staff GF 55,000 55,000

The JLBC recommends a total biennial General Fund increase of \$110,000 and 1 FTE Position for an additional staff member. This amount includes an increase of \$55,000 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. The new position will assist in fiscal matters related to constructing and implementing the biennial legislative budget. The Executive does not address this issue.

* * *

[Click here to return to Table of Contents](#)

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Department of Juvenile Corrections

David Gaspar, Director

JLBC: Indya Kincannon
OSP: Keith Fallstrom

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Administration	6,676,900	6,318,700	6,374,900	6,850,300	6,379,100	6,913,500
Housing						
Security	19,616,700	20,923,700	19,862,100	20,245,900	19,892,300	20,279,900
Health Care	5,584,000	5,134,900	5,059,900	4,929,100	5,062,900	4,934,700
Facilities Support	5,640,300	6,397,800	5,753,100	5,717,300	5,788,200	5,752,200
<i>Program Subtotal - Housing</i>	30,841,000	32,456,400	30,675,100	30,892,300	30,743,400	30,966,800
Rehabilitation						
Education	6,897,300	5,936,000	6,026,000	5,890,300	6,028,500	5,899,100
Secure Care Treatment	9,867,700	14,220,600	14,021,100	13,397,200	14,037,500	13,421,000
Community Care Treatment	14,360,300	15,710,500	15,780,400	15,664,300	15,855,500	15,670,200
<i>Program Subtotal - Rehabilitation</i>	31,125,300	35,867,100	35,827,500	34,951,800	35,921,500	34,990,300
AGENCY TOTAL	68,643,200	74,642,200	72,877,500	72,694,400	73,044,000	72,870,600

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	1,327.2	1,402.2	1,300.7	1,300.7	1,302.7	1,300.7
Personal Services	36,228,000	41,182,000	40,315,900	40,198,600	40,370,800	40,198,000
Employee Related Expenditures	9,686,500	10,961,400	9,840,100	9,772,500	9,863,400	9,862,500
All Other Operating Expenditures:						
Professional and Outside Services	12,114,900	13,013,500	12,948,500	12,948,500	12,948,500	12,948,500
Travel - In State	496,300	794,600	779,600	779,600	781,100	779,600
Travel - Out of State	53,100	16,300	16,300	16,300	16,300	16,300
Food	913,900	1,022,400	862,000	862,000	862,000	862,000
Other Operating Expenditures	7,144,400	7,549,100	7,195,100	7,196,900	7,281,900	7,283,700
Equipment	2,006,100	102,900	920,000	920,000	920,000	920,000
AGENCY TOTAL	68,643,200	74,642,200	72,877,500	72,694,400	73,044,000	72,870,600

FUND SOURCES

General Fund	64,776,700	69,617,000	68,143,900	67,998,800	68,444,100	68,297,200
State Education Fund for Committed Youth	3,266,500	4,040,200	3,748,600	3,681,000	3,749,900	3,688,300
Criminal Justice Enhancement Fund	300,000	685,000	685,000	714,600	550,000	585,100
Land Endowment Fund	300,000	300,000	300,000	300,000	300,000	300,000
SUBTOTAL - Other Appropriated Funds	3,866,500	5,025,200	4,733,600	4,695,600	4,599,900	4,573,400
SUBTOTAL - Appropriated Funds	68,643,200	74,642,200	72,877,500	72,694,400	73,044,000	72,870,600
Other Non-Appropriated Funds	447,500	272,000	122,000	122,000	122,000	122,000
Federal Funds	3,619,800	4,692,100	3,232,900	3,232,900	3,379,600	3,379,600
TOTAL - ALL SOURCES	72,710,500	79,606,300	76,232,400	76,049,300	76,545,600	76,372,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(1,618,200)	-2.3%	(1,319,800)	-1.9%	(2,938,000)
Other Appropriated Funds	(329,600)	-6.6%	(451,800)	-9.0%	(781,400)
Total Appropriated Funds	(1,947,800)	-2.6%	(1,771,600)	-2.4%	(3,719,400)

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated by the Courts to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youths until they are released from custody or reach age 18.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average yearly cost per juvenile in secure care ^{1/}	NA/\$54,800	\$50,400/\$54,600	\$54,500	\$54,400
• Average daily population in secure care	1,049/955	1,066/946	978	977/975
• Fiscal year-end bed surplus/(shortage)	NA	2/96	183	44/3
• Escapes from DJC secure care facilities	0/0	0/0	0	0
• Juveniles passing the GED language test	NA/79	80/56	82	85
• % of juveniles who show progress in their primary treatment problem area	NA/68	72/74	75	77/80
• % of juveniles returned to custody within 12 months of release	NA/20	NA/23	26	22
• % of agency staff turnover	NA/28	NA/29	27	25
• Administration as a % of total cost	NA	6.9/NA	7/NA	8.5/8.5

Comments:

^{1/} The average juvenile's length of stay is between 7 and 8 months; these averages assume a 12-month stay.

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$680,000	\$680,000
ERE Rates	GF	(901,500)	(820,100)
	OF	180,100	188,100
Risk Management	GF	551,700	607,200
Rent	GF	15,900	27,400

Population Decrease	GF	(3,279,700)	(3,279,700)
	OF	(509,700)	(509,700)

The JLBC recommends a total biennial General Fund decrease of \$(6,559,400) and a total biennial State Education Fund for Committed Youth decrease of \$(1,019,400) to reflect a decrease in the department's secure care population. This amount includes a General Fund decrease of \$(3,279,700) and (84) FTE Positions in both FY 2002 and FY 2003 from FY 2001. This amount also includes a State Education Fund for Committed Youth decrease of \$(509,700) and (20) FTE Positions in both FY 2002 and FY 2003 from FY 2001. The State Education Fund for Committed Youth is the state's statutory K-12 Basic State Aid money that provides funding for the education of committed youth. The funding level is based on the DJC student count.

In FY 2001, the department was funded to operate 1,168 beds. The year-to-date average daily population, however, is 978 juveniles, and is projected to remain about the same for FY 2002 and FY 2003. Due to the unanticipated population decline, the department is expected to have a surplus of 190 funded beds in FY 2001. In order to avoid excessive surpluses in the future, the JLBC recommends eliminating funding for 150 beds and 104 FTE Positions. The recommended decrease retains a small surplus of 41 beds in FY 2002 and 43 beds in FY 2003 in case the average population is higher than currently projected. The following table summarizes the department's bed capacity

compared to its average secure care population. The Executive concurs.

DJC Secure Beds and Population				
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Juveniles	946	978	977	975
Operational Beds	1,068	1,168	1,018	1,018
Constructed Beds	1,068	1,168	1,168	1,168
Funded Surplus	122	190	41	43
Unfunded Surplus	0	0	150	150

Equipment GF 817,100 817,100

The JLBC recommends a total biennial General Fund increase of \$1,634,200 for ongoing equipment replacement. This amount includes an increase of \$817,100 in both FY 2002 and FY 2003 above FY 2001.

In FY 2001, the department was appropriated \$51,000 for ongoing equipment expenses. Excluding buildings and other permanent structures, the department's fixed asset inventory totals \$9,200,200. This includes computers, cars, air conditioners, washing machines, refrigerators, medical equipment, copiers, and housing unit furniture. The recommended amount represents a 10-year replacement schedule for these fixed assets. The Executive concurs.

Stipends for YCOs at the Buckeye Complex GF 616,900 616,900

The JLBC recommends a total biennial General Fund increase of \$1,233,800 for stipends for Youth Correction Officers (YCOs) who work at the Buckeye juvenile facility. This amount includes an increase of \$616,900 in both FY 2002 and FY 2003 above FY 2001.

The recommended amount provides a \$2,500 salary stipend for 216 YCO positions at the Buckeye facility. Hiring and retaining YCO staff is more difficult at Buckeye than at other juvenile facilities due to its remote

location. The department's other 3 facilities are all within 5-10 miles of major population centers, whereas, the closest population centers to Buckeye, e.g. Goodyear, Avondale and Tolleson, are over 30 miles away.

The department began to pay a \$2,500 travel stipend to all Buckeye staff in April 2000. To date, the department has used vacancy savings to absorb the cost of the stipend. The department anticipates a substantial decrease in vacancy savings in FY 2002, due in part to increased retention resulting from the stipend, and will no longer be able to pay for the stipend within its base budget. Although the department is currently providing \$2,500 stipends to all Buckeye staff, JLBC recommends offering such stipends only to YCO positions since those positions have the most severe hiring and retention problems.

The Executive recommends a total biennial General Fund increase of \$1,471,600 for this issue. This amount includes a General Fund increase of \$735,800 in FY 2002 and FY 2003 above FY 2001. The Executive's recommendation provides \$2,500 stipends to all employees at the Buckeye facility, rather than just YCO's. The Executive's recommendation also assumes a 14% average vacancy rate for all staff, whereas, the JLBC recommendation provides funding for all YCO positions.

YCO Pay Plan

Annualization	GF	343,800	343,800
----------------------	-----------	----------------	----------------

The JLBC recommends a total biennial General Fund increase of \$687,600 to annualize the pay plan for YCOs. This amount includes an increase of \$343,800 in both FY 2002 and FY 2003 above FY 2001. The YCO pay plan, which was funded for half of FY 2001, allows the department to provide graduated increases for YCO I's and YCO II's based on experience. After 1 year of service, for example, a YCO I's salary will go up by 3%, from \$23,046 to \$23,737. The plan is intended to reduce turnover among YCOs. In FY 2000, YCOs had a turnover rate of 57%, the second highest rate in the state. The Executive concurs.

Mental Health Unit

For Female Juveniles	GF	118,000	118,000
-----------------------------	-----------	----------------	----------------

The JLBC recommends a total biennial General Fund increase of \$236,000 for costs associated with establishing a mental health unit for female juveniles. This amount includes an increase of \$118,000 and 2.5 FTE Positions in both FY 2002 and FY 2003 above FY 2001.

In 1996, the department established a special treatment unit for male juveniles with serious mental health needs. This unit currently serves 34 juveniles. Until April 2000, the department had no specialized mental health treatment for female juveniles. This was due in part to the relatively small female population and in part to bed constraints. By FY 2000, the relative size of the female population had grown and there was a bed surplus, so the department opened a mental health unit for female juveniles at the Black Canyon School. This unit requires additional staff with specialized training.

Although the department was able to absorb the cost of providing a mental health unit for females in FY 2000 from vacancy savings, it no longer anticipates having sufficient vacancy savings to absorb the cost in FY 2002 or FY 2003. The recommended amounts represent funding increases to the Security, Secure Care Treatment and Health Care subprograms. The Executive concurs.

CJEF Adjustment	GF	-0-	130,200
	OF	-0-	(130,200)

The JLBC recommends a total biennial General Fund increase of \$130,200 and a corresponding Criminal Justice Enhancement Fund (CJEF) decrease of \$(130,200) to more accurately reflect expected CJEF revenues and fund balances. This amount includes a General Fund increase of \$130,200 in FY 2003 above FY 2001, and a CJEF decrease of \$(130,200) in FY 2003 below FY 2001, all in the Secure Care Treatment subprogram.

In order to take advantage of unused fund balances in CJEF, the Legislature approved a \$385,000 increase to the CJEF appropriation in FY 2001 for a total appropriation of \$685,000. The additional \$385,000 was spent on increasing supervision for juveniles at high-risk to re-offend. At the same time, the Legislature approved a corresponding General Fund decrease of \$(385,000). In FY 2002, we estimate that CJEF will no longer have a sufficient fund balance to sustain the FY 2001 appropriation level. The recommended fund adjustment alters the funding mix, while retaining the same overall funding level that the Legislature approved in FY 2001. The Executive concurs.

Rent Decrease	GF	(580,400)	(560,600)
----------------------	-----------	------------------	------------------

The JLBC recommends a total biennial General Fund decrease of \$(1,141,000) to reflect reduced lease costs for land the department leases from the State Land Department. This amount includes a FY 2002 decrease of \$(580,400) below FY 2001 and a FY 2003 decrease of \$(560,600) below FY 2001. The lease is for land at the department's Adobe Mountain facility. The lease amount was amended after a reappraisal indicated that the land's value had decreased. Additionally, 10.6 acres were no longer being used by the department and were therefore removed from the cost of the lease. The Executive concurs.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency. *(The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Land Fund shall

be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and with the Constitution, to be used for the support of state juvenile institutions and reformatories.

Inter-State Compact juveniles. This amount includes an increase of \$70,700 and 2 FTE Positions in FY 2003 above FY 2001. Since 1990, the department has been responsible for supervising delinquent juveniles who move to Arizona from other states. The JLBC recommends that the department continue such supervision with existing resources.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Inter-State Compact

The Executive recommends a total biennial General Fund increase of \$70,700 and 2 FTE Positions to supervise

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Criminal Justice Enhancement (DJA2281/A.R.S. § 41-2401)				Appropriated
Source of Revenue: Receives 1.61% of state Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses and civil penalties imposed for traffic violations and motor vehicle violations.				
Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.				
Funds Expended	300,000	685,000	714,600	585,100
Year-End Fund Balance	405,100	228,200	44,000	12,700
Federal (DJA2000/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Federal Funds received through the Arizona Department of Education.				
Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Job Training Partnership Act, substance abuse, and other federal programs.				
Other Funds Expended - Capital	0	555,000	0	0
Other Funds Expended - Operating	3,619,800	4,137,100	3,232,900	3,379,600
Year-End Fund Balance	887,900	440,800	248,400	262,400
Interagency Service Agreement (DJA2500/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: Grant from the Government Information Technology Agency.				
Purpose of Fund: To ensure that the agency's computers were Y2K compliant. The Government Information Technology Agency performed the work.				
Funds Expended	299,500	0	0	0
Year-End Fund Balance	0	0	0	0
Juvenile Corrections (DJA3024/A.R.S. § 41-2810)				Non-Appropriated
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.				
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency director, or for special student activities.				
Funds Expended	148,000	272,000	122,000	122,000
Year-End Fund Balance	38,900	38,900	38,900	38,900
Land Endowment (DJA3029/A.R.S. § 37-525)				Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund.				
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.				
Funds Expended	300,000	300,000	300,000	300,000
Year-End Fund Balance	216,900	252,900	288,900	324,900
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)				Appropriated
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.				
Purpose of Fund: To help provide for the education of committed youth.				
Funds Expended	3,266,500	4,040,200	3,681,000	3,688,300
Year-End Fund Balance	821,100	0	36,300	223,400

[Click here to return to Table of Contents](#)

State Land Department

Michael Anable, Land Commissioner

JLBC: Tom Mikesell
OSP: Keith Fallstrom

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET*						
Agency Support						
Administration	4,294,000	4,464,300	4,798,000	4,697,000	4,835,700	4,759,700
Geographical Resource Analysis	331,200	350,700	349,600	347,600	348,600	347,800
<i>Program Subtotal - Agency Support</i>	4,625,200	4,815,000	5,147,600	5,044,600	5,184,300	5,107,500
Real Estate						
Arizona Preserve Initiative	135,700	157,200	161,000	164,500	163,100	164,600
Natural Resources and Trust Management	4,399,400	3,761,200	5,180,400	4,342,200	5,126,300	4,486,800
Natural Resources Conservation	488,500	490,000	490,000	490,000	490,000	490,000
Districts SLI						
Environmental License Plate Program SLI	714,800	906,200	666,900	674,000	667,000	674,000
<i>Program Subtotal - Natural Resources and Trust Management</i>	5,602,700	5,157,400	5,670,400	5,506,200	5,616,300	5,650,800
Fire Management	4,096,400	4,468,200	5,170,500	5,192,600	5,148,300	5,177,200
AGENCY TOTAL	18,292,100	17,790,400	20,766,000	19,340,600	20,151,600	19,559,100

*The JLBC and Executive utilize different program structures for this agency. The Executive recommendation is shown within the program structure utilized by the JLBC.

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	183.0	183.0	195.0	192.0	195.0	192.0
Personal Services	5,860,400	6,692,800	7,065,300	6,974,300	7,065,300	6,974,300
Employee Related Expenditures	1,232,200	1,410,400	1,463,500	1,414,900	1,462,700	1,435,800
All Other Operating Expenditures:						
Professional and Outside Services	1,980,700	1,138,200	3,239,400	2,032,200	2,664,400	2,057,200
Travel - In State	221,600	313,000	380,300	358,800	380,300	358,800
Travel - Out of State	14,300	5,300	21,500	21,500	21,500	21,500
Other Operating Expenditures	7,083,500	6,533,300	6,993,000	6,976,000	7,035,300	7,173,500
Equipment	696,100	301,200	446,100	398,900	365,100	374,000
OPERATING SUBTOTAL	17,088,800	16,394,200	19,609,100	18,176,600	18,994,600	18,395,100
Special Line Items	1,203,300	1,396,200	1,156,900	1,164,000	1,157,000	1,164,000
AGENCY TOTAL	18,292,100	17,790,400	20,766,000	19,340,600	20,151,600	19,559,100

FUND SOURCES

General Fund	17,577,300	16,437,200	19,095,700	17,663,500	18,495,600	17,896,200
Fire Suppression Fund	0	447,000	0	0	0	0
Environmental Special Plate Fund	714,800	906,200	666,900	674,000	667,000	674,000
Cooperative Forestry Fund	0	0	1,003,400	1,003,100	989,000	988,900
SUBTOTAL - Other Appropriated Funds	714,800	1,353,200	1,670,300	1,677,100	1,656,000	1,662,900
SUBTOTAL - Appropriated Funds	18,292,100	17,790,400	20,766,000	19,340,600	20,151,600	19,559,100
Other Non-Appropriated Funds	6,049,600	6,521,100	4,721,600	4,721,600	4,049,600	4,049,600
Federal Funds	33,100	22,100	15,000	15,000	15,000	15,000
TOTAL - ALL SOURCES	24,374,800	24,333,600	25,502,600	24,077,200	24,216,200	23,623,700

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	1,226,300	7.5%	1,459,000	8.9%	2,685,300
Other Appropriated Funds	323,900	23.9%	309,700	22.9%	633,600
Total Appropriated Funds	1,550,200	8.7%	1,768,700	9.9%	3,318,900

AGENCY DESCRIPTION — *The agency manages the state's 9.3 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average land sales processing time (application to auction, in months)	18/19.8	18/20.3	18.3	16.5/14.9
• Average score on customer service survey (survey ratings 5 to 1 (5=very satisfied, 1=unsatisfied))	NA	NA/3.2	3.5	3.6/3.7
• Total expendable fund earnings, excluding interest on permanent fund (millions)	NA/19.8	NA/21	20	25.2/27.6
• Total annual revenue to permanent fund (millions)	NA/36.9	NA/77.1	64.9	74.9/59.9
• % of fires controlled at 100 acres or less	NA/97	95/97	95	95
• % agency staff turnover	NA/11.9	NA/13.0	12.5	12.0
• Administration as a % of total cost	14.0/NA	14.3/NA	16.4	16.4

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$112,100	\$112,100
	OF	900	900
ERE Rates	GF	(42,600)	(21,700)
	OF	(3,100)	(3,100)
Risk Management	GF	208,300	239,500
Rent	GF	21,300	32,400

Water Rights

Adjudication **GF** **800,000** **800,000**

The JLBC recommends a total biennial General Fund increase of \$1,600,000 for litigation and expert witness costs associated with protecting state trust land water rights through water rights adjudications. This amount includes an increase of \$800,000 in both FY 2002 and FY 2003 above FY 2001. Water rights adjudications are court proceedings designed to resolve ownership to water rights of potential claimants. Without expert testimony in these cases, the department will be at a disadvantage to other parties competing for the water rights. It is important that the state defend its water rights as trust land sold without a claim to water reduces the land price and the revenue from its sale. The Executive concurs and further recommends that the appropriations in each year be non-lapsing through the end of FY 2005.

Increase Revenue Generating

Capabilities **GF** **366,100** **378,700**

The JLBC recommends a total biennial General Fund increase of \$744,800 and 3 FTE Positions for additional staff and contract funds to enhance the revenue generating capabilities of the Real Estate Program's Sales and Commercial Leasing sections. This amount includes a FY 2002 increase of \$366,100 and 3 FTE Positions above FY 2001 and a FY 2003 increase of \$378,700 and 3 FTE Positions above FY 2001. Of the recommended positions, 2 will work as Land Disposal Project Leaders in the Commercial Leasing section and will provide the

department greater capacity to issue and monitor long and short term leases on state trust land. The other recommended FTE Position will work as a Land Disposal Project Leader in the Sales section, and will work primarily on participation contracts, wherein the department can receive additional revenues from land sales as individual lots are sold. The recommended amount also provides \$111,000 in each year for appraisal contracts that provide independent valuation of trust land up for sale or lease, and \$37,000 in each year for independent review of departmental appraisals to ensure quality control over land and resource valuation decisions. With the recommended funding, the department anticipates an acceleration of its revenue generating capabilities through land sales and leases in the future. The Executive concurs but recommends \$(22,000) less for contractual services in each year.

CAP Water Fees **GF** **-0-** **155,200**

The JLBC recommends a total biennial General Fund increase of \$155,200 for payment of Central Arizona Project (CAP) water fees. This amount includes a FY 2003 increase of \$155,200 above FY 2001. The CAP canal, operated by the Central Arizona Water Conservation District (CAWCD), supplies water to urban areas in Arizona. Urban state trust land receives an allocation of this water, provided that the department pays a fee per acre-foot to the CAWCD for the costs of building and operating the canal. The department has 2 sources from which to pay these fees. The primary source is the state General Fund appropriation to the Natural Resources and Trust Management program. The other source is the CAP Municipal & Industrial (M&I) Reimbursement Fund, a non-appropriated fund that receives monies from cities that take over their allocations of CAP water and repay the department for its past fee payments.

When combined with monies in the CAP M&I Fund the state General Fund appropriation will be sufficient to pay CAP water fees in FY 2002. The department projects that the City of Peoria will assume its allocation of CAP water

in either FY 2001 or FY 2002. The JLBC recommends modifying a budget footnote to allow for a reduction in the amount needed from the state General Fund in the year that repayments are received from Peoria (*see JLBC Recommended Footnotes*).

In FY 2003, the combined resources from the state General Fund and the CAP M&I Fund will be insufficient to pay the CAP fees. The recommended FY 2003 state General Fund appropriation to the Natural Resources and Trust Management Program reflects an increase of \$155,200 above the FY 2001 level to meet the projected shortfall. The Executive does not address this issue.

Equipment Replacement GF 11,100 12,800

The JLBC recommends a total General Fund increase of \$23,900 for purchase of replacement equipment. This amount includes a FY 2002 increase of \$11,100 above FY2001 and a FY 2003 increase of \$12,800 above FY 2001. When combined with the \$52,000 already in the department's budget for replacement equipment, the FY 2002 recommended amount will allow the purchase of an air conditioning unit, 2 copiers, 3 computer printers, and a water pump for fire suppression use. When combined with the \$52,000 already in the department's budget for replacement equipment, the FY 2003 recommended amount will allow for the purchase of a copier, a power surge suppression unit, 3 more computer printers, and a water pump for fire suppression use. The Executive concurs with the purchase of the equipment however recommends purchasing a greater amount of the biennial equipment in FY 2002.

Wildland Fire

Management OF (447,000) (447,000)

The JLBC recommends a total biennial Fire Suppression Fund decrease of \$(894,000) for the elimination of a one-time appropriation in FY 2001. This amount includes a decrease of \$(447,000) in both FY 2002 and FY 2003 below FY 2001. Laws 2000, Chapter 185 appropriated \$447,000 from the Fire Suppression Fund to provide one-time resources to the Wildland Fire program. This fund is intended to provide monies for repositioning of resources and suppression of fires under emergency circumstances, and is not intended to fund the ongoing costs of the Wildland Fire Program.

To meet these ongoing program costs in the future, the JLBC recommends that \$147,500 of General Fund monies appropriated to the Natural Resources and Trust Management Program for streambed studies be shifted to the Fire Management Program in FY 2002. These monies will be used to fund 3 FTE Positions and communication costs in the Fire Management Program. The FTE Positions will be an Aviation and Communication Specialist, a Fire Management Specialist, and an Account Technician. The department indicates that beginning in FY 2002, the monies appropriated for streambed studies will no longer be necessary since all the required studies will be completed. The department contracts for these

studies in order to provide information to the Navigable Streams Adjudication Commission (NSAC). NSAC concurs that these contract studies will not be needed after the end of FY 2001. Since this is only a shift in funding, there is no net state General Fund change from the FY 2001 level. The Executive concurs.

Environmental Grants GF (250,000) (250,000)

The JLBC recommends a total biennial General Fund decrease of \$(500,000) for elimination of a one-time appropriation made by Laws 1999, Chapter 312 for grants to Greenlee, Graham, Gila, Navajo, and Apache Counties for various environmental projects. This amount includes a decrease of \$(250,000) in both FY 2002 and FY 2003 below FY 2001. The Executive concurs.

Environmental License

Plate Program OF (230,000) (230,000)

The JLBC recommends a total biennial decrease of \$(460,000) to adjust program expenditures downward due to lowered revenue expectations. This amount includes a decrease of \$(230,000) in both FY 2002 and FY 2003 below FY 2001. The fund revenue consists of \$17 of the \$25 fee for environmental license plates. Interest in the plates has decreased, and this trend is expected to continue in the future, leading to lowered revenue expectations. Since the majority of program expenditures are for grants for environmental education projects, fewer revenues will lead to reduced grant awards in the future. The Executive concurs.

Cooperative Forestry

Fund OF 1,003,100 988,900

The JLBC recommends a total biennial Cooperative Forestry Fund increase of \$1,992,000 to reflect the initial appropriation from the fund. This amount includes a FY 2002 increase of \$1,003,100 and 3 FTE Positions above FY 2001 and a FY 2003 increase of \$988,900 and 3 FTE Positions above FY 2001. The FY 2003 increase is lower due to elimination of one-time equipment. Laws 2000, Chapter 185 converted the Cooperative Forestry Fund to appropriated status beginning in FY 2002. The purpose of the fund is to support the activities of the State Forester, including furnishing technical assistance on forestry matters and carrying out the provisions of the federal Cooperative Forestry Assistance Act. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

THE APPROPRIATION INCLUDES \$1,084,100 FOR CENTRAL ARIZONA PROJECT USER FEES IN FY 2002 AND \$1,282,400 FOR CENTRAL ARIZONA PROJECT USER FEES IN FY 2003. For every dollar received as reimbursement to the state in ~~FY 2000 and FY 2001~~ FY

2002 AND FY 2003 from cities that assume their allocation of Central Arizona Project Water for past Central Arizona Water Conservation District Payments, one dollar reverts to the State General Fund in the year that the reimbursement is collected. ~~In addition, for every dollar above \$248,400 received as reimbursement to the state in FY 1999 from cities that assume their water allocation, one dollar reverts to the state General Fund in FY 2000 from the CAP User Fees Special Line Item. (The recommended change deletes an unnecessary reference to a past fiscal year and continues the footnote provisions in FY 2002 and FY 2003).~~

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a one-time FY 2002 increase of \$600,000 from the General Fund for the costs of conducting mineral assessments on urban state trust land as required by the Growing Smarter Act of 1998. The JLBC recommendation does not include this issue. The department has \$600,000 in its base for Growing Smarter purposes, including mineral assessments at the discretion of the department. Also, in FY 2000, the department received an appropriation of \$1,000,000 for Growing Smarter through legislation outside the budget bill.

The Executive also recommends \$164,700 and 2 FTE Positions in FY 2002 and \$125,400 and 2 FTE Positions in FY 2003 to engage in issues involving federal condemnations of state trust land. The JLBC recommendation does not include this issue. In the past, federal condemnations have been handled by department staff and staff from the Office of the Attorney General. While the workload may have recently increased due to actions by the current administration of the federal

government, the JLBC is uncertain if this trend will continue in the future due to upcoming changes in the administration of the federal government.

The Executive also recommends \$450,600 in FY 2002 and FY 2003 to perform contractual studies, including master planning and engineering work. These studies are intended to increase the value of trust lands prior to sale by applying a heightened level of infrastructure planning and engineering design. The JLBC recommendation does not include this issue. The department already has funds available in its base for these purposes and the JLBC recommends that the department use these monies for those studies that would produce the most value to the trust.

The Executive is also recommending \$53,400 in FY 2002 and FY 2003 for a Communication Specialist to conduct regular meetings with the media and to help produce informational materials. The JLBC recommendation does not include this issue. The JLBC feels that the department receives an ample amount of press coverage through the normal conduct of its duties, and further, division heads could be made available as needed to convey information to the public.

The Executive also recommends \$150,000 in both FY 2002 and FY 2003 to conduct aerial photographic surveys of disputed areas of the Colorado River. These studies will be used to dispute technical studies performed by California. The JLBC recommendation does not include this issue. The JLBC recommends that the agency wait to see the results of the California studies, and prioritize legal disputes of the results at that time.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
CAP Municipal and Industrial Repayment (LDA2129/A.R.S. § 37-526)				Non-Appropriated
Source of Revenue: Reimbursements to the state for back water payments when cities assume their allocation of CAP water.				
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund after the CAP subcontract obligations are met revert to the General Fund.				
Funds Expended	0	863,500	295,200	139,900
Year-End Fund Balance	730,300	435,100	139,900	0
Cooperative Forestry (LDA2232/A.R.S. § 37-624)				Appropriated
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.				
Purpose of Fund: To fund the State Forester’s activities, including forestry assistance and wild land fire prevention and suppression on state lands.				
Appropriated Funds Expended	0	0	1,003,100	988,900
Non-Appropriated Funds Expended	848,400	864,500	0	0
Year-End Fund Balance	354,900	550,800	529,900	5,020

	FY 2000	FY 2001	FY 2002	FY 2003
Environmental Special Plate (LDA2274/A.R.S. § 37-1015)				Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.				
Purpose of Fund: To provide grants for environmental education projects.				
Funds Expended	714,800	906,200	674,000	674,000
Year-End Fund Balance	1,100,500	599,300	320,300	31,300
Federal (LDA2000/A.R.S. § 37-106)				Non-Appropriated
Source of Revenue: Federal grants for urban and rural forestry, resource conservation, development of forest lands, insect and disease control, fire training and protection of forests, and other forestry projects.				
Purpose of Fund: For resource conservation and development, in accordance with the requirements of each grant.				
Funds Expended	33,100	22,100	15,000	15,000
Year-End Fund Balance	35,800	30,000	15,000	0
Federal Reclamation Trust (LDA2024/A.R.S. § 37-106)				Non-Appropriated
Source of Revenue: Reimbursements from lessees and interest.				
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.				
Funds Expended	0	250,000	25,000	0
Year-End Fund Balance	1,073,700	845,700	842,700	864,700
Fire Suppression (LDA2360/A.R.S. § 37-623)				Non-Appropriated
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, and other monies.				
Purpose of Fund: To cover the costs of fighting fires on public and private lands. Laws 2000, Chapter 185 appropriated \$447,000 from the Fire Suppression Fund in FY 2001 to the State Land Department for wildland fire program purposes.				
Appropriated Funds Expended	0	447,000	0	0
Non-Appropriated Funds Expended	4,722,600	3,556,000	3,957,000	3,445,000
Year-End Fund Balance	863,900	31,900	37,900	55,900
Interagency Agreements (LDA2212/A.R.S. § 35-148)				Non-Appropriated
Source of Revenue: Collections from other state agencies for services and products provided by the State Land Department.				
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.				
Funds Expended	223,200	665,300	155,400	162,200
Year-End Fund Balance	1,037,600	387,300	231,900	69,700
State Land Department (LDA2451/A.R.S. § 37-108)				Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred to advertise land sales and for zoning application fees.				
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.				
Funds Expended	145,000	150,000	150,000	150,000
Year-End Fund Balance	141,700	141,700	141,700	141,700
Quitclaim Deed Application Revolving (LDA2230 /A.R.S. § 37-1103)				Non-Appropriated
Source of Revenue: Application fees for quitclaims on streambeds.				
Purpose of Fund: To defray the cost of processing quitclaim applications and recording deeds. Laws 1987, Chapter 127, surrendered the state's claim to certain watercourses and recognized titleholders on those properties. Quitclaim deed applications permit titleholders to secure ownership of those properties. This act is currently in litigation, rendering this fund inactive.				
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0
Resource Analysis Division Revolving (LDA4009/A.R.S. § 37-176)				Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.				
Purpose of Fund: To offset the costs of GIS supplies and support.				
Funds Expended	41,300	71,000	84,000	97,000
Year-End Fund Balance	74,900	78,900	79,900	77,900

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Riparian Acquisition Trust (LDA3201/A.R.S. § 31-1108)

Non-Appropriated

Source of Revenue: Per acre assessments for land quitclaimed under the Streambed Program (Laws 1987, Chapter 7).

Purpose of Fund: To fund the acquisition of wetland areas in the state. See Quitclaim Deed Revolving Fund for more information.

Funds Expended	0	0	0	0
Year-End Fund Balance	2,400	2,400	2,400	2,400

Universities Timber Land Account (LDA3158/A.R.S. § 37-482)

Non-Appropriated

Source of Revenue: Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.

Purpose of Fund: To fund expenses incurred by the State Land Department for the conservation, sale, and administration of timber and timber products located on state lands where the University Land Fund is the beneficiary.

Funds Expended	69,100	100,800	55,000	55,500
Year-End Fund Balance	269,000	168,200	113,200	57,700

[Click here to return to Table of Contents](#)

Department of Public Safety

Col. Dennis Garrett, Director

JLBC: Tony Vidale
OSP: Bret Cloninger

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Agency Support	20,583,800	21,085,900	21,330,900	21,113,700	21,356,200	21,171,000
Highway Patrol						
<i>Patrol</i>	41,956,500	42,565,800	52,017,500	50,190,100	56,552,800	52,079,000
<i>Commercial Vehicle Enforcement</i>	4,373,200	4,520,800	4,513,400	4,591,500	4,526,700	4,606,000
<i>Aviation</i>	4,553,100	4,670,700	4,633,600	4,600,800	4,768,700	4,731,700
<i>Program Subtotal - Highway Patrol</i>	50,882,800	51,757,300	61,164,500	59,382,400	65,848,200	61,416,700
Criminal Investigations	14,953,100	15,585,900	15,468,800	15,368,800	15,468,700	15,350,300
GITEM SLI	6,142,400	6,349,400	6,902,100	6,134,600	7,112,600	6,139,500
<i>Program Subtotal - Criminal Investigations</i>	21,095,500	21,935,300	22,370,900	21,503,400	22,581,300	21,489,800
Criminal Justice Support						
Fingerprint Board SLI	48,000	163,400	101,600	158,900	101,700	159,600
<i>Scientific Analysis</i>	7,369,200	8,883,100	9,507,100	8,901,200	10,211,400	9,335,100
<i>Communications</i>	9,772,000	10,539,900	10,618,700	10,444,300	12,855,400	11,827,300
<i>Information Systems</i>	4,253,600	4,442,900	4,442,300	4,367,700	4,450,700	4,371,700
<i>Criminal Information and Licensing</i>	7,212,900	7,199,100	6,603,900	5,680,900	6,528,100	5,703,700
<i>Program Subtotal - Criminal Justice Support</i>	28,655,700	31,228,400	31,273,600	29,553,000	34,147,300	31,397,400
Governor's Office of Highway Safety	213,200	228,100	233,900	232,500	234,800	233,300
Law Enforcement Merit System Council	52,800	53,800	57,000	56,600	57,000	56,600
AGENCY TOTAL	121,483,800	126,288,800	136,430,800	131,841,600	144,224,800	135,764,800
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	1,756.8	1,756.8	1,835.8	1,822.8	1,895.8	1,880.8
Personal Services	74,479,000	78,610,600	82,862,000	81,564,400	85,852,800	83,619,900
Employee Related Expenditures	17,431,800	19,499,700	17,612,700	17,574,500	18,191,400	18,347,200
All Other Operating Expenditures:						
Professional and Outside Services	1,005,400	763,000	1,358,600	779,000	1,761,100	779,000
Travel - In State	559,100	718,600	832,300	788,600	807,200	806,200
Travel - Out of State	288,400	138,800	141,800	138,800	139,800	138,800
Other Operating Expenditures	19,555,900	19,046,800	23,273,700	21,758,600	24,340,600	23,391,100
Equipment	8,164,200	7,511,300	10,349,700	9,237,700	13,131,900	8,682,600
OPERATING SUBTOTAL	121,483,800	126,288,800	136,430,800	131,841,600	144,224,800	135,764,800
Special Line Items	6,190,400	6,512,800	7,003,700	6,293,500	7,214,300	6,299,100
AGENCY TOTAL	121,483,800	126,288,800	136,430,800	131,841,600	144,224,800	135,764,800
FUND SOURCES						
General Fund	74,697,500	76,315,600	79,588,700	77,075,700	82,871,100	79,081,600
Arizona Highway Patrol Fund	12,792,200	13,824,600	11,574,600	11,494,200	11,643,100	11,581,200
Criminal Justice Enhancement Fund	1,674,400	2,060,500	2,071,800	2,120,900	2,077,100	2,129,000
Safety Enforcement and Transportation Infrastructure Fund	740,100	750,000	741,200	750,000	743,500	750,000
Crime Laboratory Assessment Fund	3,950,500	4,579,400	3,753,400	3,618,300	3,761,000	3,724,000
Arizona DNA Identification Fund	411,900	544,000	394,600	416,300	395,100	417,500
Highway User Revenue Fund	12,335,100	12,500,000	20,429,400	17,423,900	24,044,700	18,280,600
State Highway Fund	12,335,100	12,500,000	15,621,800	17,422,300	16,484,800	18,279,000
Auto Fingerprint ID Fund	2,499,000	3,113,000	2,154,700	1,422,800	2,103,700	1,424,000
Fingerprint Clearance Card Fund	0	40,000	36,300	35,500	36,300	35,500
Board of Fingerprinting Fund	48,000	61,700	64,300	61,700	64,400	62,400
SUBTOTAL - Other Appropriated Funds	46,786,300	49,973,200	56,842,100	54,765,900	61,353,700	56,683,200
SUBTOTAL - Appropriated Funds	121,483,800	126,288,800	136,430,800	131,841,600	144,224,800	135,764,800
Other Non-Appropriated Funds	13,505,500	15,290,400	14,682,900	14,682,900	14,179,800	14,179,800
Federal Funds	16,538,200	20,181,800	17,674,500	17,674,500	17,674,500	17,674,500
TOTAL - ALL SOURCES	151,527,500	161,761,000	168,788,200	164,199,000	176,079,100	167,619,100

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial Change
	Change	% Change	Change	% Change	
General Fund	760,100	1.0%	2,766,000	3.6%	3,526,100
Other Appropriated Funds	4,792,700	9.6%	6,710,000	13.4%	11,502,700
Total Appropriated Funds	5,552,800	4.4%	9,476,000	7.5%	15,028,800

AGENCY DESCRIPTION — *The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Fatal highway crashes	302/365	350/326	352	352
• % of total highway crashes related to alcohol	18/22	18/16	18	15
• % of scientific analysis cases over 30 calendar days old	NA	NA/13.9	5	3/1
• % of system reliability of the Arizona Automated Fingerprint Identification Network (AZAFIN)	100/98	100/98	98	98
• Clandestine labs dismantled	NA	350/400	420	440/460
• % of agency staff turnover	NA/7	NA/7	6	5
• Administration as a % of total cost	NA	14.8/NA	13.9	13.9

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$752,400	\$752,400
	OF 558,900	558,900
ERE Rates	GF (172,300)	(4,400)
	OF (2,325,900)	(2,350,600)
Risk Management	GF 11,300	25,800
	OF 2,023,300	2,193,300
Rent	GF 107,800	107,800
	OF 1,300	1,300

Patrol Officers

The JLBC recommends a total biennial Other Appropriated Fund increase of \$9,086,000 for additional Highway Patrol Officers. This amount includes a FY 2002 increase of \$3,458,400 and 44 FTE Positions above FY 2001 and a FY 2003 increase of \$5,627,600 and 88 FTE Positions above FY 2001. In FY 2003, one-time equipment costs of \$(1,764,400) are eliminated. Funding is split evenly between the State Highway Fund and the Highway User Revenue Fund (HURF).

This recommendation will increase DPS staffing by adding 88 officers over 2 years. In the last 10 years, 123 miles have been added to Arizona's highway system and registered vehicles have increased 32% (2,796,000 to 3,703,000). In this same period, the department has added 85 new officers with 81 of them placed in rural areas, an increase of 18%. The areas of greatest growth in highway miles and vehicle traffic have been the Phoenix and Tucson Metro areas. Since 1995, metro areas have experienced an increase in traffic collisions of 53% (9,519

to 14,585) and an increase in DPS motorist assists of 17% (54,369 to 63,342). Additional officer staffing has not kept pace with patrolled highway growth. This recommendation represents a 16% increase in patrol officer staffing over the biennium (550 officers to 638 officers), and will allow the Highway Patrol Bureau to increase visibility on the highways and keep pace with increased workloads due to traffic accidents and motorist assists. The Executive concurs with additional officer staffing but at a higher amount. The Executive recommends an additional 28 officers and \$2,654,200 over the biennium.

Officer Pay Plan

The JLBC recommends a total biennial General Fund increase of \$49,400 and a total biennial Other Appropriated Fund increase of \$278,200 for the DPS officer pay plan. This amount includes an increase of \$163,800 in both FY 2002 and FY 2003 above FY 2001. The DPS Officer Pay Plan, approved in FY 1993, has built-in step promotions for sworn officers, based on longevity and testing. Officers move from Cadet through Officer I, II, and III classifications. There is a 3-year progression from Officer I to Officer II and a second 3-year progression from Officer II to Officer III. In FY 1999, DPS was appropriated 23 officers. In FY 2002, these officers will have proceeded through the 3-year cycle for promotion to Officer II. The JLBC's recommendation funds these promotions. The Executive concurs with the Officer Pay Plan but applies the entire increase to the General Fund.

Highway Patrol

Support Personnel GF 207,000 551,000

The JLBC recommends a total biennial General Fund increase of \$758,000 for Highway Patrol support personnel. This amount includes a FY 2002 increase of \$207,000 and 10 FTE Positions above FY 2001 and a FY 2003 increase of \$551,000 and 17 FTE Positions above FY 2001. This recommendation will allow the Highway Patrol Bureau to adequately staff support positions related to the increase in Highway Patrol Officer positions. In FY 2002, 1 supply specialist, 1 automotive technician, 1 aircraft pilot, 5 dispatchers, 1 criminalist, and 1 criminal information specialist are added to Highway Patrol support personnel. In FY 2003, 5 dispatchers, 1 pilot, and 1 criminalist are added to Highway support personnel. The Executive concurs.

Public Safety Retirement OF 104,600 237,800

The JLBC recommends a total biennial Highway Patrol Fund increase of \$342,400 for the Public Safety Personnel Retirement System (PSPRS). This amount includes a FY 2002 increase of \$104,600 above FY 2001 and a FY 2003 increase of 237,800 above FY 2001.

Sworn DPS employees are eligible to participate in the PSPRS. The PSPRS requires all members to contribute 7.65% of their salary in each year. The state, in-turn, contributes an actuarially determined amount that varies from year-to-year. In FY 2002 and FY 2003 this amount is 2%. Beginning in the mid-1980s, however, the department opted to pay 5% of the employee's contribution in lieu of a pay raise. As a result, the employee's share has remained at 2.65%.

The state's FY 2002 and FY 2003 actuarial requirement is 2%. With the 5% subsidy policy, the state's contribution will be 7%. This represents a 0.96% increase from the FY 2001 state contribution of 6.04% and is reflected in the amount recommended for FY 2002 and FY 2003. The Executive concurs with an increase in Personnel Retirement, however, assigns the entire 0.96 % increase to the Highway Patrol Fund instead of allocating to all DPS funds as part of standard ERE changes.

Patrol Vehicles GF (1,735,100) (1,735,100)
OF 4,461,000 3,836,000

The JLBC recommends a total biennial General Fund decrease of \$(3,470,200) and a total biennial Other Appropriated Fund increase of \$8,297,000 for replacement of 330 Highway Patrol vehicles over the biennium. This amount includes elimination of \$(1,735,100) in General Fund monies and \$(1,000,000) in Highway Patrol Fund monies for FY 2001 vehicle funding.

The FY 2002 Recommendation includes:

- An increase of \$5,461,000 for one-time replacement of 175 vehicles. This includes an increase of \$2,730,500 from both HURF and the State Highway Fund.

- A General Fund reduction of \$(1,735,100) for one-time FY 2001 vehicle funding.
- A Highway Patrol Fund reduction of \$(1,000,000) for one-time FY 2001 vehicle funding.

The FY 2003 Recommendation includes:

- An increase of \$4,836,000 for one-time replacement of 155 vehicles. This includes an increase of \$2,418,000 from both HURF and the State Highway Fund.
- A General Fund reduction of \$(1,735,100) for one-time FY 2001 vehicle funding.
- A Highway Patrol Fund reduction of \$(1,000,000) for one-time FY 2001 vehicle funding.

The additional funding is split evenly between the State Highway Fund and HURF. Using these funding sources, the need for General Fund monies is decreased \$(1,735,100) in both FY 2002 and FY 2003. Also included in this recommendation is a shift of \$1,000,000 from the Highway Patrol Fund to the State Highway Fund and HURF. In FY 2001, \$1,000,000 was appropriated from the Highway Patrol Fund for replacement vehicles. In FY 2002, Highway Patrol Fund revenues are projected to decrease 9% necessitating a shift of funding sources. The shift is allocated evenly between HURF and the State Highway Fund. (*See GF Offset to Highway Patrol Fund discussion for additional information.*)

This recommendation would provide a vehicle with less than 100,000 miles to every sworn officer in the Highway Patrol Bureau. The JLBC has traditionally recommended replacement of highway patrol vehicles with over 100,000 miles. The Executive concurs with replacing Highway Patrol Vehicles but recommends an additional \$1,419,400 for 45 vehicles in FY 2003. The Executive is recommending replacement of all vehicles with over 100,000 miles assigned to the Highway Patrol motor pool and not just vehicles assigned to patrol officers.

Mobile Data Computers GF -0- 1,193,900

The JLBC recommends a total biennial General Fund increase of \$1,193,900 for mobile data computer replacements in highway patrol vehicles. This amount includes a FY 2003 increase of \$1,193,900 and 2 FTE Positions above FY 2001. The mobile data computer equipment will be lease-purchased over a 4-year period and fund 220 mobile data computers, base and mobile radio equipment, software packages, and system integration. Also included are 2 FTE Positions to implement and maintain the new system.

DPS utilizes mobile data terminals (MDT) in highway patrol field units to access criminal and motor vehicle information when making a stop. The MDT system is technically obsolete, having no memory capability and unable to provide graphics or fingerprint transmission. Replacement terminals are no longer available from the manufacturer. The current system also cannot expand capacity to accommodate additional units of DPS or other

law enforcement agencies that would like to access the system.

This recommendation will provide replacement of the MDT system with a mobile data computer network, providing coverage of the state's major cities, traveled highways, and interstates. The new system will allow law enforcement agencies to receive transmission of photographs and fingerprints directly to field units, perform wanted/warrant and stolen property checks, and communicate between units from different agencies. The Government Information Technology Agency (GITA) has approved the Project Investment Justification submitted by DPS for this new equipment. The Executive concurs.

GF Offset to Highway Patrol Fund	GF	800,000	800,000
	OF	(800,000)	(800,000)

The JLBC recommends a total biennial General Fund increase of \$1,600,000 and a corresponding total biennial Highway Patrol Fund decrease of \$(1,600,000) to offset a Highway Patrol Fund shortfall. This amount includes an \$800,000 General Fund increase in both FY 2002 and FY 2003 above FY 2001. Laws 1999, Chapter 6, 1st Special Session transferred \$500,000 from the Arizona Highways Magazine Fund and \$500,000 from the Transportation Department Equipment Fund into the Highway Patrol Fund to offset DPS' need for General Fund monies. This transfer was continued in FY 2001. As a result, a corresponding reduction was made in DPS' General Fund appropriation in the FY 2000 and 2001 General Appropriation Act. The transfers from the Arizona Highways Magazine Fund and the Transportation Department Equipment Fund are not continued in FY 2002 and FY 2003.

As a result, FY 2002 Highway Patrol Fund total revenues are projected to be 9% lower than FY 2001. Revenues are primarily supplied by a 0.43% insurance premium tax on vehicles. The Highway Patrol Fund provides funding for the state's Public Safety Personnel Retirement System obligation, Highway Patrol Program costs, and the Carry Concealed Weapon permit subprogram. The JLBC recommends a General Fund offset to maintain DPS' current total funding level. The Executive concurs with the Highway Patrol Fund Offset but also transfers 16 FTE Positions from the Highway Patrol Fund to the General Fund.

HURF/State Highway Funds	GF	-0-	-0-
---------------------------------	-----------	------------	------------

The JLBC recommends the suspension for 2 years of provisions decreasing the level of HURF and State Highway Funds available to DPS by \$5,000,000. HURF revenues are collected from various highway-related taxes and fees, including the motor vehicle license tax. These revenues are then distributed to cities, counties, and the state. The state's portion of this funding is deposited in the State Highway Fund and ultimately used for highway construction and maintenance.

Historically, highway patrol has been considered a form of highway maintenance. As a result, HURF and Highway Fund monies have been used to fund a portion of the highway patrol's budget. Beginning in FY 1995, however, Laws 1993, Chapter 249 capped the amount of HURF and Highway Fund monies available to DPS and established a schedule reducing this amount by \$2,500,000 per fund per year until FY 2000, when the department's use of these monies would stabilize at \$10,000,000 per fund. In FY 1995, HURF and State Highway Fund monies provided \$40,000,000 to the Highway Patrol Bureau. As part of the FY 2000, and FY 2001 biennial budget, the Legislature suspended this schedule for FY 2000 and FY 2001. Without this change, DPS' General Fund need increases by \$5,000,000 and HURF/State Highway Funds decreases by \$5,000,000.

To reduce the need for state General Fund monies in DPS' budget, the JLBC recommends suspending the schedule established by A.R.S. § 28-6537 and A.R.S. § 28-6993 and remove the spending cap in FY 2002 and FY 2003. In FY 2002, \$17,423,900 will be required from HURF and \$17,422,300 from the State Highway Fund. In FY 2003, \$18,280,600 will be required from HURF and \$18,279,000 from the State Highway Fund. The Executive concurs but recommends an additional \$5,174,900 over the biennium above the JLBC recommendation. (See *JLBC Recommended Statutory Changes for more information*)

Helicopter Lease/Purchase	GF	(54,000)	-0-
----------------------------------	-----------	-----------------	------------

The JLBC recommends a total biennial General Fund decrease of \$(54,000) for a helicopter lease-purchase. This amount includes a FY 2002 reduction of \$(54,000) due to the completion of a 3-year lease-purchase agreement for 1 helicopter. This recommendation also includes a new 3-year lease-purchase of 1 helicopter at the FY 2001 funding level of \$600,000 per year beginning in FY 2003. Replacement of DPS' aging helicopter fleet was recommended in a recent Auditor General Performance Audit. DPS operates and maintains a fleet of 5 helicopters that provide air ambulance service, search-and-rescue support missions, and assist law enforcement in aerial pursuit and surveillance. Industry standards suggest replacement after 10,000 flight hours or 10 years. Three DPS helicopters have over 10,000 flight hours or are greater than 10 years old. The Executive concurs. (See *Auditor General's Performance Audit – Aviation Program for more information.*)

Crime Lab Equipment	GF	438,600	438,600
----------------------------	-----------	----------------	----------------

The JLBC recommends a total biennial General Fund increase of \$877,200 for crime laboratory equipment. This amount includes elimination of \$(19,000) for one-time FY 2001 equipment funding, a one-time increase of \$457,600 in both FY 2002 and FY 2003. Over 2 years, equipment to be replaced includes: 6 gas chromatographs, 1 turbo vap, 3 specialized cameras, 9 microscopes, 3 FT/IR analysis systems, 2 specialized light sources, 1 UV

spectrophotometer, 1 centrifuge, 1 black/white processor, and 1 video imaging/firearms.

DPS' Scientific Analysis Bureau operates 3 crime labs across the state in Phoenix, Tucson, and Flagstaff and provides highly sophisticated scientific analysis of physical evidence to courts, prosecutors, and law enforcement agencies statewide. The crime lab has over \$3,000,000 in equipment used to perform toxicology, DNA, and materials analysis. To keep pace with changing technology and produce reliable test results, the department maintains a 5-year replacement schedule. The JLBC recommendation allows DPS to maintain a 5-year replacement schedule for crime lab equipment. The Executive concurs.

Crime Lab Personnel GF 457,700 821,400

The JLBC recommends a total biennial General Fund increase of \$1,279,100 for additional crime lab personnel. This amount includes a FY 2002 increase of \$457,700 and 6 FTE Positions above FY 2001 and a FY 2003 increase of \$821,400 and 11 FTE Positions above FY 2001. Over the biennium, this recommendation will add 11 criminalists to the Scientific Analysis Bureau and will address backlog issues in controlled substances and toxicology.

DPS has experienced large backlogs of unprocessed cases as a result of an increase in clandestine drug lab sites and DUI apprehension programs. In December 1999, the crime lab had a total backlog of 2,800 cases in controlled substances and toxicology. This backlog has increased 46% to 4,100 cases. As of December 2000, controlled substances had a backlog of 2,000 cases. The oldest case is 8 months old and the majority of controlled substance cases take 2 to 6 months to complete. Toxicology had a backlog of 2,100 cases with cases completed in 2 to 7 months. The oldest toxicology case is 9 months old. DPS also provides analysis for local law enforcement. Of all controlled substance and toxicology cases requiring analysis, 37.9% are from Maricopa County and 12.9% are from Pima County.

This recommendation will allow the crime lab to dedicate 5 criminalists to clandestine lab processing, control the backlog, and begin a reduction in backlogs targeted for elimination in December 2003. This recommendation also will allow the department to expand toxicology testing to its northern and southern regional crime labs, reducing the cost of transporting samples and the time criminalists spend traveling to testify in outlying areas. The toxicology backlog would be targeted for elimination by the end of FY 2004. The Executive concurs. *(See Auditor General Performance Audit – Crime Lab for more information.)*

Continue CJEF

Reallocation GF -0- -0-

The JLBC recommends the continued reallocation of 9% of CJEF revenues to fund DPS crime lab operations. Prior to 1998, the General Fund received 9% of CJEF revenues. In FY 1998 and FY 1999, in recognition that the DPS

crime lab system benefits law enforcement at all levels in Arizona, the Legislature reallocated these monies to fund additional staffing and operational needs of the new DPS crime lab. This reallocation was continued in FY 2000 and FY 2001 by an Omnibus Reconciliation Bill that will expire at the end of FY 2001. Without a continuation of this reallocation, additional General Fund monies will be needed to support crime lab operations. The JLBC recommendation continues the reallocation for FY 2002 and FY 2003. The Executive does not make a recommendation on this issue. *(See JLBC Recommended Statutory Changes for more information.)*

GF Offset to Crime Lab GF 194,200 99,600
Assessment Fund OF (194,200) (99,600)

The JLBC recommends a total biennial General Fund increase of \$293,800 and a total biennial Crime Lab Assessment Fund decrease of \$(293,800) to offset a Crime Lab Assessment Fund shortfall. This amount includes a FY 2002 General Fund increase of \$194,200 above FY 2001 and a FY 2003 General Fund increase of \$99,600 above FY 2001. Past appropriations of the Crime Lab Assessment Fund have been greater than revenues to draw down the fund balance. In FY 2001, projected revenues will not be realized resulting in a revenue shortfall. The Crime Lab Assessment Fund receives revenues from a 2.3% allocation from the Criminal Justice Enhancement Fund (CJEF) and 9% reallocation of CJEF monies from the General Fund. As a result of the lower revenue, the JLBC recommends a General Fund offset to maintain DPS' current total funding level. The Executive does not make a recommendation on this issue.

DNA Testing GF -0- -0-

Laws 2000, Chapter 373, appropriated \$187,000 from the General Fund and \$40,000 from the DNA Identification Fund in FY 2001 to conduct DNA tests on felons convicted after January 1, 2001 of homicide or burglary, and convicted after January 1, 2002 of offenses involving the use of a deadly weapon or the infliction of serious physical injury. The department is required to keep the test samples for 35 years. Also it allows that, upon court approval, a convicted person can request DNA tests be conducted if biological evidence is available for testing and no DNA tests were previously conducted. The JLBC recommends continuing this appropriation in FY 2002 and FY 2003. The Executive concurs.

GF Offset to DNA GF 74,800 74,800
Identification Fund OF (74,800) (74,800)

The JLBC recommends a total biennial General Fund increase of \$149,600 and a total biennial DNA Identification Fund decrease of \$(149,600) to offset a DNA Identification Fund shortfall. This amount includes a General Fund increase of \$74,800 in both FY 2002 and FY 2003 above FY 2001. Past appropriations of the DNA Identification Fund have been greater than revenues to draw down the fund balance. In FY 2001, projected revenues will not be realized resulting in a revenue shortfall. The DNA Identification Fund receives a 15%

allocation from an 8.56% distribution of CJEF. As a result of the lower revenue, the JLBC recommends a General Fund offset to maintain DPS' current total funding level. The Executive concurs with a General Fund Offset to the DNA Identification Fund but at \$89,900 which is more than the JLBC recommendation of \$74,800. This is attributable to different CJEF projection methods.

Precursor Chemical

Enforcement **GF** **121,000** **83,500**

The JLBC recommends a total biennial General Fund increase of \$204,500 for Precursor Chemical Enforcement. This amount includes a FY 2002 increase of \$121,000 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$83,500 and 2 FTE Positions above FY 2001. The FY 2003 increase is lower due to elimination of one-time equipment. This recommendation will fund 1 officer and 1 administrative position for precursor chemical enforcement. Laws 1999, Chapter 15 requires DPS to track, report, audit, and investigate sales of chemicals deemed to be precursors of methamphetamine. There are currently more than 4,500 retailers, manufacturers, and wholesalers of items that are methamphetamine precursors that will generate over 20,000 reports annually on sales and inventory discrepancies involving precursor chemicals. The Executive concurs.

Telecommunication

Equipment **GF** **(203,600)** **(203,600)**

The JLBC recommends a total biennial General Fund decrease of \$(407,200) for telecommunication equipment. This amount includes elimination of \$(1,106,700) for one-time FY 2001 equipment funding, a one-time increase of \$903,100 in both FY 2002 and FY 2003 for replacement communication equipment. This funding will allow the department to replace: 128 mobile radios, 105 portable radios, 15 base stations in FY 2002 and 140 mobile radios, 135 portable radios, 15 base stations in FY 2003. Also, telephone infrastructure support equipment will be replaced. This funding will allow the department to continue its equipment replacement program designed to maintain an average age for public safety communications equipment of 15 years for base stations, 10 years for mobile radios, and 7 years for portable radios. The Executive concurs.

Residential Care

Fingerprinting **OF** **-0-** **-0-**

Laws 2000, Chapter 81, appropriated \$40,000 from the Fingerprint Clearance Card Fund in FY 2001 to the Board of Fingerprinting to conduct good cause exception hearings for persons with disqualifying factors found in criminal history records checks. A good cause exception is granted if the applicant shows to the board's satisfaction that the applicant is not awaiting trial on or has not been convicted of committing any of the offenses listed in statute, or if the applicant is successfully rehabilitated and is not a recidivist. The JLBC recommends continuing this appropriation in FY 2002 and FY 2003. The Executive concurs.

Internet Crimes **GF** **-0-** **-0-**

Laws 2000, Chapter 221 appropriated \$100,000 in FY2001 from the General Fund to DPS to work in collaboration with the Office of the Attorney General to combat internet crimes, with a priority on sexual crimes and abuse involving minors. The JLBC recommends continuing this appropriation in FY 2002 and FY 2003. The Executive concurs.

Elimination of

One-time Equipment **OF** **(2,559,000)** **(2,559,000)**

The JLBC recommends a total biennial Other Appropriated Fund decrease of \$(5,118,000) for one-time FY 2001 equipment. This amount includes elimination of \$(1,694,000) from the Auto Fingerprint Identification Fund, \$(49,000) from the DNA Identification Fund, and \$(816,000) from the Crime Lab Assessment Fund in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

Department of Public **GF** **(154,400)** **(154,400)**

Safety; Appropriation **OF** **-0-** **-0-**

Laws 2000, Chapter 178 appropriated \$97,700 from the CJEF in FY 2001 for additional personnel and operating expenditures to process school bus driver licenses. The bill also appropriated from CJEF additional personnel and operating expenditures to process firearm clearance applications. In addition, for FY 2001 \$300,000 was appropriated from the General Fund to fund 4 FTE Positions for officers, including equipment, travel, and training expenditures.

The JLBC recommends continuing the appropriations from DPS' 8.56% distribution of CJEF to process school bus driver licenses and firearm clearance card applications. The Executive concurs. The JLBC also recommends a General Fund decrease of \$(154,400) in both FY 2002 and FY 2003 from FY 2001 for elimination of one-time FY 2001 equipment costs. The Executive does not recommend a General Fund decrease. The JLBC recommends continuing the remaining General Fund appropriation to fund the 4 FTE Positions and adds the positions to DPS' FTE base. The Executive concurs.

Deferred Retirement

Option Plan **GF** **(110,000)** **(110,000)**

The JLBC recommends a total biennial General Fund decrease of \$(220,000) for the Deferred Retirement Option Plan. Laws 2000, Chapter 340 established that members of the Public Safety Personnel Retirement System (PSPRS) who have 25 years or more of credited service have the option of setting up a Deferred Retirement Option Plan (DROP) account for the purpose of depositing the member's retirement pension for a 5-year period. During this 5-year period, contributions into the system are discontinued; however, the DROP account will continue to accumulate interest. At the end of the 5-year period, the member would terminate employment and receive 1) the monthly pension amount calculated at the time of DROP election and 2) the interest accumulated on the DROP

account as a lump sum or a monthly payment. Actuaries contracted by PSPRS estimated that this provision could potentially increase the FY 2002 employer contributions by 0.26%.

During the 2000 Legislative Session, the JLBC estimated this would result in a cost of approximately \$110,000 to the General Fund. However, the DROP is also anticipated to aid in DPS' retention efforts, which would reduce training costs. Therefore, the agency committed to a budget reduction of \$(110,000) in General Fund monies in FY 2002 to offset the estimated General Fund cost associated with the DROP option. The JLBC recommendation reduces DPS' General Fund appropriation by the agreed to amount of \$(110,000) in both FY 2002 and FY 2003. The Executive does not make a recommendation on this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Program with Special Line Items. *(The agency's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The Law Enforcement Merit System Council was a Special Line Item but now is shown as a separate program. The JLBC recommends changing this due to budget structure changes associated with program budgeting. The Law Enforcement Merit System Council would appear as a separate budget unit in the General Appropriation Act)*

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Any monies remaining in the Department of Public Safety joint account on June 30, 2002 and June 30, 2003 shall revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated.

Modification of Prior Year Footnotes

The \$61,700 for fingerprinting in FY 2002 AND FY 2003 is appropriated from the state General Fund to the Board of Fingerprinting Fund and is further appropriated from the fund TO THE SCIENTIFIC ANALYSIS SUBPROGRAM for purposes as set forth by A.R.S. § 41-619.56. *(This change adds FY 2003 to the appropriation requirement and identifies funding is contained in the Scientific Analysis subprogram and no longer displayed as a Special Line Item.)*

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends a session law provision to continue to redirect 9% of CJEF revenues formerly deposited to the General Fund to DPS to fund the department's crime lab system. *(See Continue CJEF Reallocation policy issue for more information.)*

The JLBC recommends suspending the schedule established by A.R.S. § 28-1598 and A.R.S. § 28-1822 reducing the level of HURF and State Highway Fund revenues available to fund DPS Highway Patrol costs by \$(2,500,000) per fund. Suspending this schedule would reduce DPS' General Fund requirement by removing the spending cap in FY 2002 and FY 2003. *(See HURF/State Highway Funds policy issue for more information.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

Highway Patrol Overtime

The Executive recommends an Other Appropriated Fund increase of \$2,551,200 to expand the overtime budget for Highway Patrol Officers. The JLBC does not recommend additional monies for overtime due to an increase in officer staffing of 88. The JLBC recommends addressing any overtime issue after all 88 officers have been placed in the field.

GITEM Funding

The Executive recommends a General Fund increase of \$1,122,800 for additional GITEM funding. The Gang Intelligence and Team Enforcement Mission (GITEM) is a gang task force comprised of officers from DPS and local law enforcement agencies. The JLBC does not recommend additional funding for GITEM.

DNA Database – New Populations

The Executive recommends a General Fund increase of \$1,331,800 for expansion of the DNA database. This expansion would include all convicted felons committed to the Department of Corrections prisons beyond those specified in statute, which would require addition legislation. The JLBC recommends this issue and any funding be addressed in separate legislation.

AZAFIS Equipment and Operation

The Executive recommends an Auto Fingerprint Identification Fund increase of \$1,420,200 to fund equipment purchases and maintenance contract increases for the Arizona Automated Fingerprint Information System. The JLBC does not make a recommendation on this issue pending approval from the Government Information Technology Agency.

Radio Infrastructure

The Executive recommends a General Fund increase of \$840,000 to replace radio microwave towers and associated equipment. The JLBC does not make a recommendation on this issue.

Board of Fingerprinting Operations

The Executive recommends a General Fund increase of \$320,000 to fund 2 FTE Positions for the Board of Fingerprinting. The JLBC does not recommend this issue and instead recommends examining an increase in fees

associated with fingerprint clearance cards to fund additional positions.

Auditor General Performance Audit – Aviation Program

The Auditor General conducted a performance audit of the Highway Patrol Bureau’s Aviation subprogram. The Auditor General recommended replacement of 3 helicopters with high flight hours with more powerful aircraft to perform air ambulance and search-and-rescue missions safely. The report suggested that DPS reduce its role in the air ambulance industry to a backup provider due to expansion of private air ambulance companies. The Auditor General also recommended that DPS adopt a better cost model to charge sufficient rates for providing air transport services to other governmental entities. The JLBC does not make a recommendation on the costing model as DPS is reevaluating its existing cost recovery model and will expand it as necessary to include all appropriate elements. The JLBC recommendation does include monies for DPS to replace an additional helicopter. *(See Helicopter Lease/Purchase policy issue for more information.)*

Auditor General Performance Audit – Crime Lab

The Auditor General conducted a performance audit of the Scientific Analysis Bureau’s Crime Lab. The Auditor General recommended expanding the Crime Lab’s DNA database crime-solving potential by analyzing and uploading the backlog of collected samples and adding unsolved crime-scene evidence available for comparison. The report also recommended the crime lab seek opportunities to increase outsourcing offender samples to reduce DNA backlogs. The Auditor General recommended expansion of blood alcohol testing to the northern and southern regional crime labs and expanding current lab technician responsibilities to increase Criminalists’ efficiency. The JLBC recommendation adds 11 FTE Positions to DPS’ crime lab to reduce backlogs in DNA, controlled substances, and toxicology and allow for expansion of testing in the northern and southern regional crime labs. *(See Crime Lab Personnel policy issue for more information.)*

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Anti-Racketeering Revolving (PSA3123/A.R.S. § 13-2314.01)				Non-Appropriated
Source of Revenue: Any monies obtained as a result of a DPS seizure and a forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.				
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.				
Funds Expended	1,338,400	1,600,000	1,470,000	1,350,000
Year-End Fund Balance	907,000	607,000	373,000	189,100
Auto Fingerprint Identification (PSA2286/A.R.S. § 41-2414)				Appropriated
Source of Revenue: A 6.46% allocation from the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: For operation and maintenance of the Arizona Automated Fingerprint Identification System.				
Funds Expended	2,499,000	3,113,000	1,422,800	1,424,000
Year-End Fund Balance	1,247,000	134,300	765,900	1,446,800
Crime Laboratory Assessment (PSA2282/A.R.S. § 41-2415)				Appropriated
Source of Revenue: A 2.3% allocation of CJEF. DPS retains 55% of this fund and distributes the remaining funds to political subdivisions that operate crime laboratories. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: To provide enhanced crime lab services, purchase and maintain scientific equipment, and train crime lab forensic scientists.				
Funds Expended	3,950,500	4,579,400	3,618,300	3,724,000
Year-End Fund Balance	585,600	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
Criminal Justice Enhancement (PSA3702/A.R.S. § 41-2401)				
				Partially Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: For direct operating expenses for the DPS.				
Appropriated Funds Expended	1,674,400	2,060,500	2,120,900	2,129,000
Non-Appropriated Funds Expended	953,100	600,000	600,000	600,000
Year-End Fund Balance	628,700	207,800	91,500	31,500
Arizona DNA Identification (PSA2337/A.R.S. § 41-2419)				
				Appropriated
Source of Revenue: A 15% allocation of an 8.56% distribution from CJEF, monies collected from individuals subjected to DNA testing who have the financial ability to pay for tests, and contributions from any other sources. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.				
Purpose of Fund: To implement, operate and maintain DNA testing and administrative costs.				
Funds Expended	411,900	544,000	416,300	417,500
Year-End Fund Balance	78,500	0	0	0
DPS Administration (PSA2322/A.R.S. § 41-1713)				
				Non-Appropriated
Source of Revenue: State and local grants and donations.				
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and DPS Criminal Justice Enhancement Fund project, as well as for operational costs for the Criminal Justice Information System.				
Funds Expended	871,300	755,200	827,000	688,700
Year-End Fund Balance	121,300	166,700	26,400	24,400
Driving Under the Influence Abatement (PSA2422/A.R.S. § 28-1304)				
				Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.18 or greater.				
Purpose of Fund: To fund pilot programs that use emerging technologies to educate, prevent or deter occurrences of driving under the influence with 50% of the revenues. The remaining 50% shall fund enforcement and prosecutorial activities related to preventing driving under the influence. DPS and Motor Vehicle Division of the Arizona Department of Transportation personnel staff the administering entity, the DUI Abatement Council.				
Funds Expended	0	350,000	350,000	350,000
Year-End Fund Balance	286,100	194,000	108,300	29,200
Federal Grants and Reimbursements (PSA2000/A.R.S. § 41-1833)				
				Non-Appropriated
Source of Revenue: Federal grants.				
Purpose of Fund: To administer Federal Highway Administration grants, the High Intensity Drug Trafficking Area program, organized crime financial investigations, the Rocky Mountain Information Network, project DARE, and the Department of Justice Victims of Crime Act monies.				
Funds Expended	16,538,200	20,181,800	17,674,500	17,674,500
Year-End Fund Balance	1,461,500	1,006,600	772,800	502,000
Fingerprint Clearance Card (PSA2433/A.R.S. § 41-1758.06)				
				Non-Appropriated
Source of Revenue: Consists of fees charged to applicants or contract providers for a fingerprint clearance card.				
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.				
Funds Expended from the General Fund	0	40,000	35,500	35,500
Other Funds Expended	829,100	1,200,800	1,127,100	840,000
Year-End Fund Balance	647,900	287,100	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Board of Fingerprinting (PSA2435/A.R.S. § 41-619.56)

Appropriated

Source of Revenue: Receives only legislative appropriated monies.

Purpose of Fund: To fund the Board of Fingerprinting which conducts good cause exception hearings for personnel who require a fingerprint clearance card.

Funds Expended from the General Fund	48,000	61,700	61,700	62,400
Year-End Fund Balance	12,300	12,300	13,300	13,600

Arizona Highway Patrol (PSA2032/A.R.S. § 41-1752)

Appropriated

Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale/disposal of property held by the highway patrol.

Purpose of Fund: To administer the provisions of law relating to the highway patrol and highway patrol reserve and all matters pertaining to those laws.

Funds Expended	12,792,200	13,824,600	11,494,200	11,581,200
Year-End Fund Balance	317,800	0	0	0

Arizona Highway User Revenue (PSA3113/A.R.S. § 28-6533)

Appropriated

Source of Revenue: Revenues collected from various highway-related taxes and fees, including the motor vehicle license tax. (*See "HURF/Highway Funds" in policy issues for more information.*) A.R.S. § 28-6537 requires \$10,000,000 of this be distributed to DPS beginning in FY 2002. The JLBC is recommending a statutory change suspending the distribution schedule and removing the spending cap.

Purpose of Fund: To fund a portion of highway patrol costs.

Funds Expended	12,335,100	12,500,000	17,423,900	18,280,600
Year-End Fund Balance	0	0	0	0

Law Enforcement Alternative Fuel Vehicle (PSA2452/A.R.S. § 28-735)

Appropriated

Source of Revenue: A \$350 civil penalty imposed on violations of the high occupancy vehicle lane restriction of which \$250 is deposited in the fund. This fund does not appear in the Fund Sources section as no appropriation or expenditures are anticipated through FY 2003.

Purpose of Fund: To pay incremental costs associated with the purchase of law enforcement alternative fuel vehicles.

Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

Motor Carrier Safety Revolving (PSA2380/A.R.S. § 28-5203)

Non-Appropriated

Source of Revenue: Monies appropriated by the Legislature, designated private grants and donations, and funds remaining in the Cargo Tank Administration Revolving Fund.

Purpose of Fund: To enforce the Motor Carrier Safety provisions of the federal Motor Carrier Safety Act.

Funds Expended	6,400	4,000	4,000	5,000
Year-End Fund Balance	6,200	3,700	3,700	2,700

Peace Officers' Training (PSA2049/A.R.S. § 41-1825)

Non-Appropriated

Source of Revenue: Receives 16.64% of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.

Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Arizona Law Enforcement Officers' Advisory Council.

Funds Expended	4,977,900	5,967,200	5,519,200	5,555,500
Year-End Fund Balance	1,129,000	468,100	226,700	77,500

Records Processing (PSA2278/A.R.S. § 41-1750)

Non-Appropriated

Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.

Purpose of Fund: For fingerprint processing and department administrative costs.

Funds Expended	4,529,300	4,813,200	4,785,600	4,790,600
Year-End Fund Balance	597,600	448,400	331,800	215,200

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Safety Enforcement and Transportation Infrastructure (PSA2108/A.R.S. § 28-6547)

Appropriated

Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings. Monies in the fund are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations.

Purpose of Fund: For enforcement of vehicle safety requirements by DPS and the Department of Transportation, and for the maintenance and upgrade of transportation facilities, within 25 miles of the border with Mexico. Also provides for the maintenance and construction of transportation facilities along the route of the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico.

Funds Expended	740,100	750,000	750,000	750,000
Year-End Fund Balance	25,600	15,700	12,900	24,500

State Highway (PSA2030/A.R.S. § 28-6991)

Appropriated

Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation. (See "HURF/Highway Funds" in policy issues for more information A.R.S. § 28-6993 requires \$10,000,000 of this be distributed to DPS beginning in FY 2002. The JLBC is recommending a statutory change suspending the distribution schedule and removing the spending cap.

Purpose of Fund: To fund a portion of highway patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.

Funds Expended	12,335,100	12,500,000	17,422,300	18,279,000
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Legislature - Legislative Council

Mike E. Braun, Executive Director

JLBC: Bob Hull
OSP: Monica Klaschka

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Legislative Council	4,710,500	4,193,100	3,693,100	4,997,700	3,693,100	4,820,300
Ombudsman Citizens Aide Office SLI	332,500	341,000	341,000	355,600	341,000	356,000
Advocate for Private Property Rights SLI	91,300	92,500	92,500	97,500	92,500	97,600
<i>Program Subtotal - Legislative Council</i>	<u>5,134,300</u>	<u>4,626,600</u>	<u>4,126,600</u>	<u>5,450,800</u>	<u>4,126,600</u>	<u>5,273,900</u>
AGENCY TOTAL	5,134,300	4,626,600	4,126,600	5,450,800	4,126,600	5,273,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	55.0	55.0	55.0	55.0	55.0	55.0
Personal Services	2,238,500	2,330,000	2,330,000	2,397,000	2,330,000	2,417,000
Employee Related Expenditures	393,200	403,000	403,000	438,100	403,000	441,200
All Other Operating Expenditures:						
Professional and Outside Services	230,000	542,100	42,100	58,100	42,100	63,100
Travel - In State	300	5,000	5,000	5,000	5,000	5,000
Travel - Out of State	0	18,000	18,000	18,000	18,000	18,000
Other Operating Expenditures	738,400	820,000	820,000	824,600	820,000	824,000
Equipment	1,110,100	75,000	75,000	1,256,900	75,000	1,052,000
OPERATING SUBTOTAL	<u>4,710,500</u>	<u>4,193,100</u>	<u>3,693,100</u>	<u>4,997,700</u>	<u>3,693,100</u>	<u>4,820,300</u>
Special Line Items	423,800	433,500	433,500	453,100	433,500	453,600
AGENCY TOTAL	5,134,300	4,626,600	4,126,600	5,450,800	4,126,600	5,273,900

FUND SOURCES

General Fund	5,134,300	4,626,600	4,126,600	5,450,800	4,126,600	5,273,900
SUBTOTAL - Appropriated Funds	<u>5,134,300</u>	<u>4,626,600</u>	<u>4,126,600</u>	<u>5,450,800</u>	<u>4,126,600</u>	<u>5,273,900</u>
TOTAL - ALL SOURCES	<u>5,134,300</u>	<u>4,626,600</u>	<u>4,126,600</u>	<u>5,450,800</u>	<u>4,126,600</u>	<u>5,273,900</u>

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	824,200	17.8%	647,300	14.0%	1,471,500

AGENCY DESCRIPTION — *The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Customers rating accuracy of bill drafting “good” or “excellent” based on annual survey	NA/90	94	95	96/97
• Customers rating timeliness of bill drafting “good” or “excellent” based on annual survey	NA/94	96/91	92	93/94
• Customers rating accuracy of computer help desk “good” or “excellent” based on annual survey	NA/83	86/85	87	90/92
• Individuals assisted by Office of the Ombudsman-Citizens Aide	2,000/2,570	2,700/2,423	2,700	2,800/3,000
• Investigations completed within 3 months by Office of the Ombudsman-Citizens Aide	75%/67	70/79	75	75
• Administration as a % of total cost	NA	NA/5.9	5.9	5.9

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$42,900	\$42,900
ERE Rates	GF	41,600	42,500
Risk Management	GF	4,600	4,000
Rent	GF	400	800

Redistricting GF (500,000) (500,000)

The JLBC recommends a total biennial General Fund decrease of \$(1,000,000) to the agency due to the elimination of monies for redrawing district boundaries. This task will now be accomplished by an independent redistricting commission, which was passed by the voters as Proposition 106 in the November 2000 election. This amount includes a decrease of \$(500,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

Computer Equipment GF 1,181,900 977,000

The JLBC recommends a total biennial General Fund increase of \$2,158,900 for upgrades to the legislative computer system, including upgrades to the network infrastructure, monitors, and House of Representatives and Senate voting display systems in FY 2002. Upgrades for FY 2003 include server operating system and office products upgrades to Windows 2000, and House of Representatives and Senate enhancements to Internet and video broadcast capacities. This amount includes a FY 2002 increase of \$1,181,900 above FY 2001 and a FY 2003 increase of \$977,000 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The Executive does not address this issue.

Salary Adjustment for

Computer Personnel GF 36,800 59,100

The JLBC recommends a total biennial General Fund increase of \$95,900 for the Legislative Council for salary adjustments to address turnover of network and programming computer personnel. This amount includes a FY 2002 increase of \$36,800 above FY 2001 and a FY 2003 increase of \$59,100 above FY 2001. The Executive does not address this issue.

Computer Consulting

Services GF 16,000 21,000

The JLBC recommends a total biennial General Fund increase of \$37,000 for the Legislative Council for computer consulting services used to fill-in for computer personnel turnover in the agency. This amount includes a FY 2002 increase of \$16,000 above FY 2001 and a FY 2003 increase of \$21,000 above FY 2001. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum with Special Line Items by Agency and with the Advocate for Private Property Rights as a separate agency. *(The department's FY 2001 budget was Lump Sum by Agency.*

The JLBC recommends changing this, since Laws 2000, Chapter 272 requires that the budget for the Advocate for Private Property Rights be separate from the budget for the Legislative Council.)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Dues for the Council of State Governments shall only be expended on an affirmative vote of the Legislative Council. Monies not expended for these dues shall be used by the council for ongoing operating expenses or automation requirements.

Modification of Prior Year Footnotes

The operating budget includes a total of ~~\$1,408,400 in FY 2000~~ \$1,181,900 IN FY 2002 for new computer equipment. The Senate share of this amount is ~~\$475,500~~ \$246,500 and will be spent solely at the exclusive discretion of the President of the Senate. The House of Representatives share of this amount is ~~\$680,200~~ \$272,000 and will be spent solely at the exclusive discretion of the Speaker of the House of Representatives. The Joint Legislative Budget Committee share of this amount is ~~\$93,500~~ \$10,000 and the Legislative Council share is ~~\$159,200~~ \$653,400, and both will only be spent with the joint approval of both the President of the Senate and the Speaker of the House of Representatives. The ~~\$159,200~~ \$654,300 for the Legislative Council includes ~~\$27,600~~ \$643,400 for systemwide costs for ~~remote-dial-in~~ NETWORK INFRASTRUCTURE UPGRADE.

THE OPERATING BUDGET INCLUDES A TOTAL OF \$977,000 IN FY 2003 FOR NEW COMPUTER EQUIPMENT. THE SENATE SHARE OF THIS AMOUNT IS \$34,600 AND WILL BE SPENT SOLELY AT THE EXCLUSIVE DISCRETION OF THE PRESIDENT OF THE SENATE. THE HOUSE OF REPRESENTATIVES SHARE OF THIS AMOUNT IS \$53,000 AND WILL BE SPENT SOLELY AT THE EXCLUSIVE DISCRETION OF THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. THE LEGISLATIVE COUNCIL SHARE IS \$889,400, AND WILL ONLY BE SPENT WITH THE JOINT APPROVAL OF BOTH THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. THE \$889,400 FOR THE LEGISLATIVE COUNCIL IS FOR SYSTEMWIDE COSTS FOR SERVER OPERATING SYSTEM AND OFFICE PRODUCTS UPGRADES TO WINDOWS 2000, AND ENHANCEMENTS TO INTERNET AND VIDEO BROADCAST CAPACITIES. *(Provides for legislative oversight of these projects.)*

[Click here to return to Table of Contents](#)

Legislature – Arizona State Library, Archives and Public Records

GladysAnn Wells, Director

JLBC: Indya Kincannon
OSP: Monica Klaschka

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
History and Archives	637,700	767,000	767,000	831,800	767,000	832,600
Library	4,307,400	4,446,600	4,446,600	4,675,500	4,446,600	4,896,000
State Grants in Aid SLI	351,400	651,400	651,400	651,400	651,400	651,400
Program Subtotal - Library	4,658,800	5,098,000	5,098,000	5,326,900	5,098,000	5,547,400
Public Records	970,700	1,233,800	1,233,800	1,175,900	1,233,800	1,210,300
Museum	695,000	777,200	777,200	842,900	777,200	880,500
AGENCY TOTAL	6,962,200	7,876,000	7,876,000	8,177,500	7,876,000	8,470,800
OPERATING BUDGET						
Full Time Equivalent Positions	128.1	129.1	129.1	129.1	129.1	129.1
Personal Services	3,319,700	3,776,400	3,776,400	4,099,200	3,776,400	4,269,300
Employee Related Expenditures	698,400	908,300	908,300	871,200	908,300	892,900
All Other Operating Expenditures:						
Professional and Outside Services	309,000	299,000	299,000	329,000	299,000	299,000
Travel - In State	14,800	17,500	17,500	17,500	17,500	17,500
Travel - Out of State	31,200	33,000	33,000	33,000	33,000	33,000
Other Operating Expenditures	1,945,300	1,977,000	1,977,000	2,081,700	1,977,000	2,082,700
Equipment	292,400	213,400	213,400	94,500	213,400	225,000
OPERATING SUBTOTAL	6,610,800	7,224,600	7,224,600	7,526,100	7,224,600	7,819,400
Special Line Items	351,400	651,400	651,400	651,400	651,400	651,400
AGENCY TOTAL	6,962,200	7,876,000	7,876,000	8,177,500	7,876,000	8,470,800
FUND SOURCES						
General Fund	6,946,900	7,424,000	7,424,000	7,868,800	7,424,000	8,162,100
Records Services Fund	15,300	452,000	452,000	308,700	452,000	308,700
SUBTOTAL - Other Appropriated Funds	15,300	452,000	452,000	308,700	452,000	308,700
SUBTOTAL - Appropriated Funds	6,962,200	7,876,000	7,876,000	8,177,500	7,876,000	8,470,800
Other Non-Appropriated Funds	317,200	410,500	325,500	376,000	325,500	200,700
Federal Funds	2,570,500	3,115,700	2,800,000	2,800,000	2,800,000	2,800,000
TOTAL - ALL SOURCES	9,849,900	11,402,200	11,001,500	11,353,500	11,001,500	11,471,500

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	444,800	6.0%	738,100	9.9%	1,182,900
Other Appropriated Funds	(143,300)	-31.7%	(143,300)	-31.7%	(286,600)
Total Appropriated Funds	301,500	3.8%	594,800	7.6%	896,300

AGENCY DESCRIPTION — The department is the archival authority and the designated repository for historical records of state and local government, as well as a designated federal document repository. Other responsibilities include: the Library for the Blind and Physically Handicapped; coordination of statewide planning and development of library services; 2 museums (State Capitol Museum and Hall of Fame Museum) on state government history and the people of Arizona; records management standards and storage; and 2 libraries, one for general research and the other the State Law Library. These facilities are available for use by state agencies, the Legislature, the Courts, the legal community and the general public.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Tour participants and program attendees	NA/195,794	NA/168,043	180,096	186,539/ 193,176
• Number of volunteer hours	NA/32,148	NA/28,129	28,523	34,191/34,928
• Outside funds raised (grants and donations)	\$1,541,731	\$3,195,409	\$4,592,933	\$4,600,000
• Customer satisfaction rating (Scale 1-8)	NA/6.7	NA/7.0	7.3	7.3/7.4
• % of agency staff turnover	NA/23.4	NA/12.5	10.0	10.0
• Administration as a % of total cost	NA	3.7/NA	3.5	3.5

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 61,400	\$ 61,400
	OF	1,800	1,800
ERE Rates	GF	(93,400)	(92,200)
	OF	17,300	17,300
Risk Management	GF	31,100	29,800
Rent	GF	7,100	9,400

Salary Increases GF 298,600 489,200

The JLBC recommends a total biennial General Fund increase of \$787,800 for salary increases for various positions throughout the agency whose current budgeted salaries are below market rates. This amount includes a FY 2002 increase of \$298,600 above FY 2001 and a FY 2003 increase of \$489,200 above FY 2001.

In order to reduce turnover, attract more qualified applicants, and bring staff salaries closer to market rates, the agency implemented salary increases during FY 2000 and FY 2001. On average, salaries were increased by 11%. Prior to those increases, many staff were paid less than comparable state agency positions and less than other Arizona public library positions. Since the salary increase, staff turnover has dropped from 25% to 13%. To date, the agency has paid for these increases from vacancy savings. Vacancy savings will no longer be available to cover the salary increases in FY 2002 and FY 2003, because the agency expects to fill vacant positions now that the salaries are more competitive.

The recommended amount in FY 2003 includes an additional \$190,600 for senior and technical staff whose salaries remain below market rates. The recommended amounts for FY 2003 constitute an average salary increase of 23%.

Equipment and Research Services GF 110,000 240,500 OF (162,400) (162,400)

The JLBC recommends a total biennial General Fund increase of \$350,500 for equipment and research service contracts. This amount includes an elimination of \$(51,000) for one-time FY 2001 equipment funding, a one-time increase of \$94,500 in FY 2002 for Equipment, and a one-time increase of \$225,000 in FY 2003 for Equipment.

The FY 2003 amount of \$225,000 includes a one-time increase of \$20,000 to replace analog recording equipment with digital equipment at the Blind and Talking Book Library. The agency plans to upgrade hardware and software, as well as purchase a new copier and replace several fax machines. The recommended amounts also include an ongoing increase of \$66,500 for maintenance contracts for electronic research services. These services provide access to the library's collections and to all federal documents published by the Government Printing Office.

The JLBC recommends a total biennial Records Services Fund decrease of \$(324,800) to eliminate one-time FY 2001 equipment funding in the Public Records program. The amount includes a decrease of \$(162,400) in both FY 2002 and FY 2003 from FY 2001.

Digitization of

Archives Catalog GF 30,000 -0-

The JLBC recommends a total biennial General Fund increase of \$30,000 for digitization of the archive catalog. This amount includes a one-time FY 2002 increase of \$30,000 above FY 2001. Currently, archive patrons rely on a manual system to identify the records they seek and they must be on-site in order to search the collections. The agency had approximately 3,500 on-site archival patrons in FY 2000. The recommended funding would pay for a professional contract cataloger to convert the manual system to an electronic one. This will facilitate on-site use and allow members of the public to browse the collections from a home computer or other libraries.

State Grants In Aid GF -0- -0-

The JLBC recommends continuing the \$300,000 appropriated in FY 2001 by Laws 2000, Chapter 298, to fund the state match required for receipt of \$2,300,000 in federal dollars under the Library Services and Technology Act. The money will be used to make grants for general services, renovations and new construction in urban, rural and tribal libraries. State grants must be matched dollar for dollar with local funds.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

recommendation column. Pursuant to A.R.S. § 35-116B, the Judiciary and the Legislature are not subject to the control of the Governor in the preparation and submission of their budgets.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive does not provide a recommendation, but displays the agency’s FY 2001 appropriation in the

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Federal Grants (LAA2000/A.R.S. § 41-1336)				Non-Appropriated
Source of Revenue: Federal grants awarded to the state for library purposes.				
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.				
Funds Expended	2,570,500	3,115,700	2,800,000	2,800,000
Year-End Fund Balance	285,600	30,000	90,100	150,200
Gift Shop Revolving (LAA4008/Laws 1984, Ch. 396)				Non-Appropriated
Source of Revenue: Sale of merchandise at the Capitol Museum Gift Shop.				
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.				
Funds Expended	77,100	85,000	90,000	105,000
Year-End Fund Balance	96,000	105,000	111,000	121,000
Records Services (LAA2431/A.R.S. § 41-1345)				Appropriated
Source of Revenue: Fees collected from state agencies for records storage services.				
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona’s public records.				
Funds Expended	15,300	452,000	308,700	308,700
Year-End Fund Balance	310,900	243,900	435,200	651,500
State Library (LAA2115/A.R.S. § 41-1336)				Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.				
Purpose of Fund: To improve statewide library service.				
Funds Expended	240,100	325,500	286,000	95,700
Year-End Fund Balance	1,006,900	1,238,400	1,471,100	1,705,000

[Click here to return to Table of Contents](#)

Department of Liquor Licenses and Control

Howard Adams, Director

JLBC: Bruce Groll
OSP: Bret Cloninger

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Administration	1,084,300	979,600	1,011,200	1,029,400	1,012,800	1,030,900
Investigations	890,900	1,062,900	1,162,300	1,113,300	1,158,800	1,109,200
Licensing	405,400	405,900	411,600	414,400	412,000	415,000
AGENCY TOTAL	2,380,600	2,448,400	2,585,100	2,557,100	2,583,600	2,555,100

OPERATING BUDGET

Full Time Equivalent Positions	42.0	44.0	44.0	45.0	44.0	45.0
Personal Services	1,374,300	1,533,500	1,600,000	1,616,000	1,600,000	1,616,000
Employee Related Expenditures	349,300	387,000	439,000	441,100	441,800	443,300
All Other Operating Expenditures:						
Professional and Outside Services	18,000	80,800	80,800	45,600	80,800	45,600
Travel - In State	83,800	124,700	124,700	124,700	124,700	124,700
Travel - Out of State	800	1,000	1,000	1,000	1,000	1,000
Other Operating Expenditures	479,400	321,400	333,000	322,100	333,500	322,700
Equipment	75,000	0	6,600	6,600	1,800	1,800
AGENCY TOTAL	2,380,600	2,448,400	2,585,100	2,557,100	2,583,600	2,555,100

FUND SOURCES

General Fund	2,380,600	2,448,400	2,585,100	2,557,100	2,583,600	2,555,100
SUBTOTAL - Appropriated Funds	2,380,600	2,448,400	2,585,100	2,557,100	2,583,600	2,555,100
Other Non-Appropriated Funds	585,600	620,600	651,400	651,400	672,400	672,400
TOTAL - ALL SOURCES	2,966,200	3,069,000	3,236,500	3,208,500	3,256,000	3,227,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	108,700	4.4%	106,700	4.4%	215,400

AGENCY DESCRIPTION — *The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Investigations and routine liquor inspections completed	4,337/4,057	4,426/4,098	4,139	5,100/5,200
• Cost per investigation and routine liquor inspection (\$)	262/336	258/300	275	270
• Average calendar days to complete an investigation	NA	41/NA	40	39/37
• New licenses, transferred licenses, and renewals issued	10,435/10,121	10,748/10,222	10,256	10,300
• Customers who responded to the survey reporting very good or excellent service	98.8/99.1	99.9/99.3	99.5	99.3
• Administration as a % of total cost	43	43.5	43.8	40

Comments:

- The JLBC recommends that the agency implement a new performance measure to determine the average number of days required to complete an inspection in order to better evaluate its performance.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$26,200	\$26,200
ERE Rates	GF	38,500	40,700
Risk Management	GF	11,600	12,200
Rent	GF	-0-	-0-

Information Technology

Specialist Position	GF	25,800	25,800
----------------------------	-----------	---------------	---------------

The JLBC recommends a total biennial increase of \$51,600 for a programmer to maintain, update and improve the Department of Liquor Licenses and Control's (DLLC) automated file and retrieval system. This amount includes an increase of \$25,800 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001 and supplements prior legislative appropriations totaling \$102,100 in DLLC's base budget for system hardware and software maintenance (\$49,200 in FY 1997 plus \$52,900 in FY 1998). The Executive does not recommend this increase.

The recommended amount funds the requested additional 1 FTE Information Technology Specialist Position (Grade C3) at an annual cost of \$71,900 and leaves \$56,000 for periodic outside consulting and system hardware and software maintenance as needed. DLLC has been paying outside programmer consulting fees of nearly \$90,000 annually for more than 2 years in an effort to convert and update their basic operating system to current, supportable technology standards. Those efforts had been unsuccessful until recently when, with project assistance and oversight by the Government Information Technology Agency (GITA), a programmer was retained who has successfully completed the conversion. GITA acknowledges that additional programming changes are needed on an ongoing basis and supports DLLC's request for this permanent position. *(This issue is also discussed in Other Issues for Legislative Consideration.)*

Bullet-Proof Vests	GF	6,600	1,800
---------------------------	-----------	--------------	--------------

The JLBC recommends a total biennial increase of \$8,400 for one-time life safety equipment for Special Investigators. This amount includes a FY 2002 increase of \$6,600 above FY 2001 and a FY 2003 increase of \$1,800 above FY 2001. The recommended amount enables DLLC to replace 14 bulletproof vests for protection of officers working in cooperation with other law enforcement agencies in potentially life-threatening situations. The Executive concurs.

* * *

JLBC Recommended Format — Lump Sum by Agency *(The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

Other Issues for Legislative Consideration

FY 2001 Supplemental

DLLC is requesting a \$58,000 supplemental increase to pay for the Personal Services and Employee Related Expenditures of a computer programmer beginning October 1, 2000 and continuing through June 30, 2001. The programmer is currently under contract to DLLC at \$70 per hour and was retained to convert and update the automated file and retrieval system. *(See discussion in Information Technology Specialist Position recommendation.)* DLLC intends to hire the programmer as a full-time employee thus saving approximately \$17,000 per year. GITA concurs with the need for this permanent position. After consulting with GITA, JLBC is in agreement with the need to establish a permanent position but does not agree with DLLC that they need additional funding to implement their request. As noted in the *Information Technology Specialist Position recommendation and discussion*, DLLC has appropriations totaling \$102,100 in their base budget for system hardware and software maintenance. DLLC has an Operating Lump Sum budget format and, as such, can reallocate monies internally to effect their request.

Overtime Pay for Special Investigators

The Executive recommends a total biennial increase of \$105,800 from the General Fund for overtime pay for Special Investigators. The monies are intended to provide additional compensation to investigators whose travel outside the metropolitan area extends beyond the regular 8-hour workday and without curtailing investigations.

DLLC does not provide overtime pay for Special Investigators. Current department practice allows Special Investigators to earn compensatory time and carry a balance of up to 40 hours. Arizona State Personnel Rules R2-5-305 (F) allow Public Safety employees to accrue up to 480 hours of compensatory time annually. The JLBC recommends that DLLC consider revising the department's policy that provides investigators the ability to accrue "comp-time" that may be taken at opportune times during the year.

Additional Special Investigators

The department is requesting a total biennial increase of \$865,200 from the General Fund to add 5 FTE Special Investigators to the Community Interaction Unit. This amount includes a FY 2002 increase of \$517,600 and 5 FTE Positions above FY 2001 and a FY 2003 increase of \$347,600 and 5 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time vehicle, equipment, and training expenses of \$170,000.

Laws 1998, Chapter 259 (A.R.S. § 4-209K and L) established 2 surcharges on liquor licensees to be used for neighborhood association interaction, liquor enforcement management, and complaint investigations. These are non-appropriated funds. The department currently has

8 FTE Positions in the Community Interaction Unit and can add additional non-appropriated positions as combined fee revenues estimated at greater than \$550,000 annually in FY 2002 and FY 2003 are fully realized. Fee increases may be necessary to fully implement this request.

**Special Investigators Salary Increase/
Special Recruitment Rates**

The department is requesting a total biennial increase of \$208,000 from the General Fund to provide an average increase of \$6,100 per Special Investigator to achieve an average annual salary of \$43,740 consistent with the peer average. A comparative analysis of local, county, and Department of Public Safety police agencies shows that on average Liquor Special Investigators are paid \$10,000 less than investigators with similar qualifications and experience. The department currently has 17 FTE Special Investigator Positions at Grade 20 with an average salary of \$37,640. The 1999 average annual salary for Special Investigators with similar qualifications and experience at other agencies is approximately \$43,780. DLLC has submitted this request to the Arizona Department of Administration (ADOA) for review.

Additionally, the published ADOA Recruitment Rates effective January 2000 lists the entry level annual salary for a Special Investigator, Grade 20 at \$33,684. DLLC must compete with other police agencies for recruitment of Special Investigator officers. DLLC requires that Special Investigators have a minimum of 4 years experience conducting criminal investigations and certification by the Arizona Peace Officer and Standards Board. The 1999 average annual salary for a police officer with 4 years of experience in Maricopa County is \$36,761. However, these officers would not necessarily qualify as Special Investigators. The requested amount will also enable DLLC to mitigate rising costs of recruiting and turnover by implementing a Special Recruitment Rate and hiring new Special Investigators at competitive salaries that are above the entry level.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Audit Surcharge (LLA3010/A.R.S. § 4-209)				Non-Appropriated
Source of Revenue: A \$20 surcharge on liquor licenses for bars, retail stores, and restaurants.				
Purpose of Fund: To fund an auditor and support staff position to review revenue requirements for restaurant liquor licenses.				
Funds Expended	76,900	106,000	120,000	124,000
Year-End Fund Balance	49,800	41,800	24,800	8,800
Enforcement Surcharge - Enforcement Unit (LLA3012/A.R.S. § 4-209)				Non-Appropriated
Source of Revenue: A \$10 surcharge on hotel and restaurant liquor licenses and \$25 on all other licenses.				
Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.				
Funds Expended	255,900	255,000	262,500	270,100
Year-End Fund Balance	34,600	19,100	8,000	1,900
Enforcement Surcharge - Multiple Complaints (LLA3011/A.R.S. § 4-209)				Non-Appropriated
Source of Revenue: A \$25 surcharge on liquor licenses renewals.				
Purpose of Fund: To investigate licensees that have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.				
Funds Expended	252,800	259,600	268,900	278,300
Year-End Fund Balance	77,500	57,900	39,000	24,700

[Click here to return to Table of Contents](#)

Arizona State Lottery Commission

Geoffrey E. Gonsler, Executive Director

JLBC: Tom Mikesell
 OSPB: Tracie Andreasson

House Subcommittee: Pearce
 Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Sales and Support	6,146,900	6,497,500	6,769,200	6,879,400	6,574,700	6,684,600
Instant Tickets SLI	2,142,600	4,129,600	3,699,300	4,244,300	3,699,300	4,343,500
Advertising SLI	8,063,300	6,806,800	7,467,000	6,744,700	7,467,000	6,599,100
On-Line Vendors Fees SLI	6,264,800	5,932,700	5,991,700	5,633,300	5,991,700	5,254,100
Retailer Commissions SLI	16,610,800	16,701,800	16,287,100	16,549,400	16,287,100	16,257,900
Sales Incentive Program SLI	21,100	50,000	48,700	50,000	48,700	50,000
Telecommunications SLI	2,210,200	2,090,500	3,364,100	2,090,500	3,432,600	2,090,500
Compulsive Gambling Treatment and Information SLI	317,800	500,000	496,900	500,000	496,900	500,000
AGENCY TOTAL	41,777,500	42,708,900	44,124,000	42,691,600	43,998,000	41,779,700

OPERATING BUDGET						
Full Time Equivalent Positions	123.0	123.0	123.0	123.0	123.0	123.0
Personal Services	3,686,300	4,043,900	4,010,000	4,104,800	4,010,000	4,104,800
Employee Related Expenditures	748,900	873,000	855,600	880,400	857,500	882,500
All Other Operating Expenditures:						
Professional and Outside Services	224,900	210,800	214,300	255,700	218,800	259,700
Travel - In State	172,500	246,400	246,400	246,400	246,400	246,400
Travel - Out of State	42,400	16,700	16,700	16,700	16,700	16,700
Other Operating Expenditures	1,134,500	1,106,700	1,226,200	1,110,900	1,225,300	1,110,000
Equipment	137,400	0	200,000	264,500	0	64,500
OPERATING SUBTOTAL	6,146,900	6,497,500	6,769,200	6,879,400	6,574,700	6,684,600
Special Line Items	35,630,600	36,211,400	37,354,800	35,812,200	37,423,300	35,095,100
AGENCY TOTAL	41,777,500	42,708,900	44,124,000	42,691,600	43,998,000	41,779,700

FUND SOURCES						
General Fund	1,500,000	0	0	0	0	0
State Lottery Fund	40,277,500	42,708,900	44,124,000	42,691,600	43,998,000	41,779,700
SUBTOTAL - Other Appropriated Funds	40,277,500	42,708,900	44,124,000	42,691,600	43,998,000	41,779,700
SUBTOTAL - Appropriated Funds	41,777,500	42,708,900	44,124,000	42,691,600	43,998,000	41,779,700
Other Non-Appropriated Funds	139,831,000	137,200,300	134,876,000	138,232,700	135,002,000	136,474,900
TOTAL - ALL SOURCES	181,608,500	179,909,200	179,000,000	180,924,300	179,000,000	178,254,600

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	(17,300)	0.0%	(929,200)	-2.2%	(946,500)

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance to generate monies for the state subject to sufficient revenue. The current games include Arizona only games, including instant ticket Scratchers games, and the Pick, Pick 3 and Fantasy 5 on-line games. Arizona also participates in the multi-state Powerball on-line game. The beneficiary funds are the Local Transportation Assistance Fund (LTAF), the County Assistance Fund (CAF), the Heritage Funds, the Commerce and Economic Development Commission (CEDC), the Arizona Clean Air Fund (ACAF), the LTAF specifically for mass transit uses, various health and welfare programs, and the General Fund. A portion of unclaimed prizes benefits the Court Appointed Special Advocate (CASA) program.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Amount of on-line sales (millions)	\$131.2/\$158.8	134.0/126.1	118.9	112.9/105.4
• Amount of instant ticket sales (millions)	\$108.8/\$109.4	111.0/129.5	113.2	136.9/140.1
• Average amount of sales per Instant Ticket Vending Machine (ITVM)	\$83,700/ \$77,828	79,185/ 91,855	79,128	98,754/ 107,477
• % of active retailer accounts in good standing	NA/NA	NA/99.7	99.8	99.8
• % of agency staff turnover	NA/18.5	NA/14.6	14.0	13.5
• Administration as a % of total cost	NA	6.5/NA	6.4	8.1

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	OF \$ 69,300	\$ 69,300
ERE Rates	OF -0-	2,100
Risk Management	OF 4,200	3,300

Lottery Telecommunications

Contract **OF** **-0-** **-0-**

The Lottery provides game terminal lines for retailers through a contract with a private vendor. Also included in this contract are the Lottery's telecommunication service needs. The old contract expired in December 2000, and negotiations are underway for the new contract. The JLBC recommends that the Lottery present information on the new contract charges for providing telecommunication service to on-line game retailers when the information becomes available. This data can be considered in making any adjustment to the appropriation for telecommunication contract charges. The Government Information Technology Agency (GITA) is responsible for reviewing and approving the telecommunications contract.

Originally, the new contract would have necessitated switching the telecommunications infrastructure from an analog to a digital standard, leading to higher fixed costs which will be amortized over the life of the contract. However, recently GITA determined that the Lottery could remain with the analog technology. Cost information in the agency's budget submission originally reflected estimates for switching to the digital standard. The Lottery's recent estimates, assuming use of the existing technology, project a \$1,008,800 increase in FY 2002 above FY 2001 and a \$1,112,600 increase in FY 2003 above FY 2001. These estimates are based largely on the rate that the current contractor would charge to continue the existing contract on a month-to-month basis, which represents a 30% increase over the cost of the former longer-term contract.

The Executive recommends a FY 2002 increase of \$1,273,600 above FY 2001 and a FY 2003 increase of \$1,342,100 above FY 2001. This recommendation is based on an estimated increase in costs and is not based on the actual new contract charges. The JLBC believes that an estimate based on the charges for month-to-month

service would be higher than those charged for an extended contract. Therefore, the JLBC recommends that any increase to the telecommunications contract funding be based on actual contract charges and that this information be presented to the Legislature as it becomes available. Further, since the actual contract is subject to GITA approval, the JLBC recommends that GITA approval of the new contract be secured before increased funding is considered.

Computer Upgrades **OF** **264,500** **64,500**

The JLBC recommends a total biennial increase of \$329,000 for purchase of an AS/400 mid-level computer and replacement of two-thirds of the Lottery's desktop computer inventory, as approved by the Government Information Technology Agency. This amount includes a FY 2002 increase of \$264,500 above FY 2001 and a FY 2003 increase of \$64,500 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The Lottery currently uses 3 AS/400 mid-level computers in its operations. One is used to develop and test applications to be used for operations. A second, is used to provide the applications for use by Lottery employees and to interface with data from on-line game vendors. A third serves as a backup for this 'production' computer. The development computer was purchased in 1993 and the software it uses is not compatible with that of the newer production computer, leading to slowdowns in testing and implementation of new computer applications. Replacing the development AS/400 will allow for more efficient testing and implementation of new applications. The Executive concurs with purchasing the AS/400 but does not address the replacement of desktop computers.

Auditing Services **OF** **4,500** **7,000**

The JLBC recommends a total biennial increase of \$11,500 for increases to the financial services audit contract. This amount includes a FY 2002 increase of \$4,500 above FY 2001 and a FY 2003 increase of \$7,000 above FY 2001. The Lottery recently awarded a new financial services audit contract for its annual financial audit. The contract fee will increase by \$4,500 in FY 2002 and by \$7,000 in FY 2003 above the FY 2001 level. The Executive recommends an increase of \$2,500 in FY 2002 above FY 2001 and an increase of \$7,000 in FY 2003 above FY 2001.

Attorney General Legal**Services OF 34,500 34,500**

The JLBC recommends a total biennial increase of \$69,000 for increases in the charges for Attorney General legal services. This amount includes a FY 2002 increase of \$34,500 in both FY 2002 and FY 2003 above FY 2001. Of the increase in each year, \$14,900 is for an increase in the contract charges for the services of a full-time Assistant Attorney General who works on Lottery legal issues. The remaining \$19,600 of the increase is for a part-time Legal Assistant who will support the Assistant Attorney General with research about legal matters. The Lottery currently has a backlog of legal issues that can be reduced with a part-time Legal Assistant aiding the full-time Assistant Attorney General. The Executive does not address this issue.

OAH Cost Allocation**Plan OF 1,400 1,400**

The JLBC recommends a total biennial increase of \$2,800 for a new Office of Administrative Hearings (OAH) cost allocation plan. This amount includes an increase of \$1,400 in both FY 2002 and FY 2003 above FY 2001. Previously, the Lottery paid for OAH services out of its base budget. OAH's billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (*See the OAH section for further information*).

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$900 in FY 2001 for OAH charges. All of the agencies with increased FY 2001 OAH charges will be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount for a total annual OAH increase of \$1,400. The Executive recommends a \$900 increase in both FY 2002 and FY 2003 above FY 2001 for this issue.

Sales Related Adjustments

The recommended funding for the following Special Line Items is based on a percentage of ticket sales. Therefore, the funding amounts listed are only estimates and are based on the JLBC Staff forecast of ticket sales (*see table in Other Issues for Legislative Consideration*). The JLBC Staff forecasts Lottery ticket sales of \$249,800,000 in FY 2002 and \$245,500,000 in FY 2003. The Executive forecasts total ticket sales of \$239,500,000 in both FY 2002 and FY 2003. The JLBC Staff forecast of Lottery profits for FY 2002 and FY 2003 applies the FY 2000 percent return to the state for each individual game. In FY 2000, the Lottery returned a total of 28.6% of all tickets sold.

Instant Tickets OF 114,700 213,900

The JLBC recommends for FY 2002 and FY 2003 that the FY 2001 rate of 3.1% of instant ticket sales be appropriated for instant ticket printing. The JLBC forecasts FY 2002 instant ticket sales growth of \$3,700,000 above FY 2001 and FY 2003 growth of \$6,900,000 over FY 2001. Applying the FY 2001 rate of 3.1% to the JLBC instant ticket sales forecast results in a total biennial increase of \$328,600 for instant ticket printing. This amount includes a FY 2002 increase of \$114,700 above FY 2001 and a FY 2003 increase of \$213,900 above FY 2001 (*see table in Other Issues for Legislative Consideration*). The Executive concurs with the 3.1% funding rate, however the Executive estimate reflects a FY 2002 and FY 2003 decrease of \$(430,300) below FY 2001. The difference between the Executive and the JLBC estimated funding level in FY 2002 and FY 2003 is due to a different instant ticket sales forecast.

Advertising OF (62,100) (207,700)

Statute requires advertising expenditures to be less than 4% of total ticket sales. The JLBC recommends for FY 2002 and FY 2003 that the FY 2001 rate of 2.7% of total ticket sales be appropriated for Advertising. The recommended rate is consistent with the FY 2001 approved 2.7% rate for Advertising. The JLBC forecasts a FY 2002 decrease of \$(2,300,000) from FY 2001 and a FY 2003 decrease of \$(6,900,000) from FY 2001. Applying the FY 2001 rate of 2.7% to the JLBC total ticket sales forecast results in a FY 2002 decrease of \$(62,100) from FY 2001 and a FY 2003 decrease of \$(207,700) from FY 2001 (*see table in Other Issues for Legislative Consideration*). The Executive recommends a FY 2002 increase of \$660,200 above FY 2001 and a FY 2003 increase of \$1,660,200 above FY 2001. The difference between the Executive and the JLBC estimated funding level in FY 2002 and FY 2003 is partially due to a different total sales forecast. The remainder of the difference is due to an Executive recommended increase of \$1,000,000 in both FY 2002 and FY 2003 for special advertising projects in addition to amounts appropriated pursuant to the statutory rate.

On-Line Vendor Fees OF (299,400) (678,600)

The JLBC recommends for FY 2002 and FY 2003 that an amount equal to a percent of on-line game sales as determined by contract be appropriated for On-Line Vendor Fees. The current contract percentage is 4.99%. The prior contractual percentage was 3.54%. The JLBC forecasts a FY 2002 on-line sales decrease of \$(6,000,000) from FY 2001 and a FY 2003 decrease of \$(13,600,000) from FY 2001. Applying the 4.99% contracted rate to the JLBC on-line sales forecast results in a FY 2002 decrease of \$(299,400) from FY 2001 and a FY 2003 decrease of \$(678,600) from FY 2001 (*see table in Other Issues for Legislative Consideration*). The Executive concurs with the recommended funding percentage, however, the Executive estimate reflects a FY 2002 and FY 2003 increase of \$59,000 above the FY 2001 estimate. The difference between the Executive and the JLBC estimated

funding level in FY 2002 and FY 2003 is due to a different sales forecast.

Retailer Commissions OF (152,400) (443,900)

The JLBC estimates that the retailer compensation rate will be 6.625% of total ticket sales in both FY 2002 and FY 2003. Statute allocates 6.5% of total ticket sales to retailers as compensation for selling tickets. In addition, statute allows for up to 0.5% more to be allocated in FY 2002 and FY 2003 if retailers meet certain sales and marketing goals as specified by the Lottery and approved by the Joint Legislative Budget Committee. The JLBC estimates that 25% of Lottery retailers will meet the Lottery's specified 5% sales goal. Therefore, the displayed compensation percentage is derived by adding 0.125% to the base compensation of 6.5%. This added amount represents the marginal increase to only the retailers that meet the Lottery's sales goal. The JLBC forecasts a FY 2002 ticket sales decline of \$(2,300,000) from FY 2001 and a FY 2003 decrease of \$(6,900,000) from FY 2001. Applying the 6.625% compensation rate to the JLBC total ticket sales forecast results in a FY 2002 decrease of \$(152,400) from FY 2001 and a FY 2003 decrease of \$(443,900) from FY 2001 (see table in *Other Issues for Legislative Consideration*). The Executive estimates a FY 2002 and FY 2003 decrease of \$(414,700) below FY 2001. In addition, the Executive applies a 4.8% compensation rate to the FY 2002 and FY 2003 forecasts to derive its estimates. The difference between the Executive and the JLBC estimated funding level in FY 2002 and FY 2003 is due to a different sales forecast and a different estimated funding rate.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Of the amount appropriated for Compulsive Gambling Treatment and Information, 50% shall be used to contract for a statewide toll free crisis hotline to promote public education and awareness about compulsive gambling problems and to provide public information on gambling addiction. The remaining 50% of the appropriated amount shall be used to contract for the treatment of individuals who are compulsive gamblers.

Modification of Prior Year Footnotes

An amount equal to 3.1% of instant ticket sales is appropriated for the printing of instant tickets or for contractual obligations concerning instant ticket distribution. This amount is currently estimated to be ~~\$3,536,100~~ \$4,244,300 in FY 2002 and ~~\$3,637,600~~ \$4,343,500 in FY 2003. (The recommended change applies the recommended percentage to the JLBC Lottery sales forecast.)

An amount equal to 2.7% of gross lottery game sales, but no more than \$11,000,000, is appropriated for Advertising in accordance with A.R.S. § 5-505, that states that not more than 4% of the annual gross revenues shall be expended for advertising. This amount is currently estimated to be ~~\$6,462,800~~ \$6,744,700 in FY 2002 and ~~\$6,165,100~~ \$6,599,100 in FY 2003. (The recommended change applies the recommended percentage to the JLBC Lottery sales forecast.)

An amount equal to a percentage of on-line game sales as determined by contract is appropriated for payment of on-line vendor fees. This amount is currently estimated to be ~~\$4,435,400~~ \$5,633,300 in FY 2002 and ~~\$3,929,300~~ \$5,254,100 in FY 2003 or ~~3.54%~~ 4.99% of on-line ticket sales. (The recommended change applies the new contract charge of 4.99% to on-line games sales forecast in the calculation of contractual on-line vendor payments. The new contract was awarded in February of 1999).

An amount equal to 6.5% of gross lottery game sales is appropriated for payment of sales commissions to ticket retailers. In accordance with Laws 1997, Chapter 214, an additional amount of not to exceed 0.5% of gross lottery game sales is appropriated for payment of sales commissions to ticket retailers. The combined amount is currently estimated to be ~~6.65%~~ 6.625% of total ticket sales, or ~~\$15,917,600~~ \$16,549,400 in FY 2002 and ~~\$15,184,500~~ \$16,257,900 in FY 2003. (The recommended change applies the recommended percentage to the JLBC Lottery sales forecast.)

Deletion of Prior Year Footnotes

The JLBC recommends deleting the 2 footnotes relating to leasing Instant Ticket Vending Machines since these new machines were not leased.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends requiring the Arizona Lottery to return 31.6% of Powerball sales in FY 2002 and FY 2003 to the General Fund. Statute currently only requires the Lottery to return 29%. The FY 2000 and FY 2001 rate is 31.6%, as provided in Laws 1999, Chapter 3, 1st Special Session. The recommended rate maintains the return at this amount and ensures that the General Fund receives an additional \$1,635,600 in FY 2002 and an additional \$1,532,600 in FY 2003. The displayed Lottery revenue distribution table includes this return from Powerball in both FY 2002 and FY 2003.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental

Lottery Telecommunications Contract

The JLBC recommends consideration of a FY 2001 supplemental for the Lottery's telecommunications contract charges when information becomes available

about the charges for the new contract. The Lottery provides game terminal lines for retailers through a contract with a private vendor. Also included in this contract are the Lottery's telecommunication's service needs. The old contract expired in December 2000, and negotiations are underway for the new contract. GITA is responsible for reviewing and approving the telecommunications contract, however, this review has not yet occurred. The Executive recommends a FY 2001 supplemental appropriation of \$493,500 for this issue, however recent estimates from the Lottery indicate that only \$73,400 would be necessary for any potential cost increases above the FY 2001 appropriated amount. Due to the large difference between these estimates, and the fact that GITA approval has not been received, the JLBC recommends postponing the decision on supplemental funding until actual contract cost data is known. (See *Lottery Telecommunications Contract discussion for additional information*)

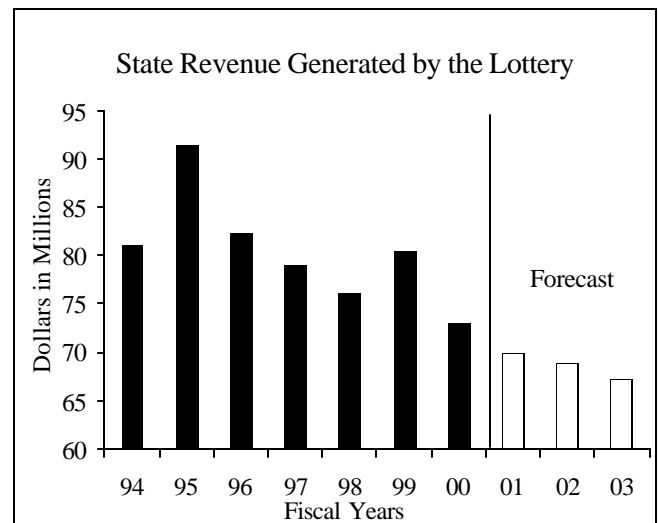
Lottery Profit Distribution

The JLBC Staff forecasts a continued decline in overall Lottery sales. For FY 2001, total Lottery sales are forecast to be \$252,100,000. For FY 2002 and FY 2003, the JLBC Staff forecasts Lottery sales of \$249,800,000 and \$245,500,000, respectively.

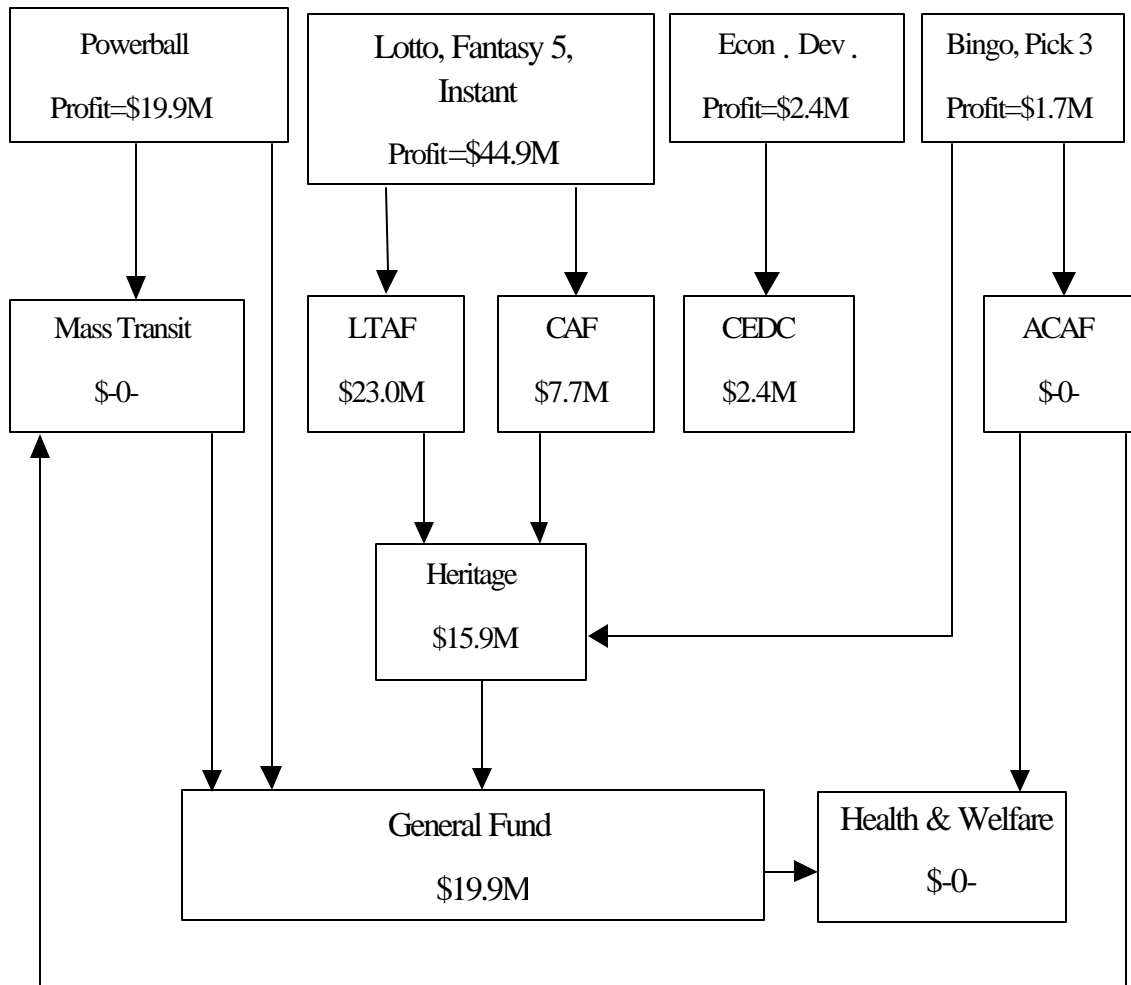
Since 1995, overall Lottery sales have been declining. Of the mix of games that the Lottery implements, the Scratchers instant tickets have been the most successful. However, the growth in instant ticket sales has been tempered by decreases in the on-line game sales. Additions of new games, such as the Pick 3 introduced in FY 1998, have had minimal impact on state profit, and may merely be siphoning sales from existing games. Recent changes to current games, such as the addition of 2 days to the weekly drawing schedule for Fantasy 5, may have a short-lived positive impact on state profit. However, as consumers adjust their behavior to the increased number of drawings, the sales trend will likely revert to the overall-declining pattern.

Forecast of Lottery Revenue Distribution ^{1/}		
	FY 2002	FY 2003
Sales:		
Instant Sales	\$136,900,000	\$140,100,000
On-Line Sales	112,900,000	105,300,000
Total Sales	\$249,800,000	\$245,500,000
Less:		
Operating Budget	\$42,691,600	\$41,779,700
Prizes ^{2/}	138,232,700	136,474,900
Net Profit ^{3/}	\$68,875,700	\$67,245,400
Profit Transfers:		
LTAf	\$23,000,000	\$23,000,000
CAF	7,650,000	7,650,000
Heritage	15,949,500	15,583,200
Clean Air	0	0
Econ. Development	2,399,800	2,399,800
Mass Transit	0	0
Health & Welfare Programs	0	0
General Fund	19,876,400	18,612,400
Total Transfer	\$68,875,700	\$67,245,400

^{1/} See flow chart at the end of this recommendation.
^{2/} Prizes are estimated by subtracting net profit and operating budget expenditures from total Lottery sales.
^{3/} To derive the profit transfer amounts, we applied the actual FY 2000 rate of return for each game to the current forecast.



FY 2002 Lottery Profit Distribution



SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
-------------------------	----------------	----------------	----------------	----------------

State Lottery (LOA2122/A.R.S. § 5-521)

Partially Appropriated

Source of Revenue: Sales of lottery tickets, retailer license fees and interest earnings.

Purpose of Fund: A portion of the fund is appropriated to pay for all costs of the Arizona State Lottery Commission. In addition, Laws 1999, Chapter 6, 1st Special Session transfers \$2,393,600 in FY 2000 and \$2,283,400 in FY 2001 from the State Lottery Fund to the General Fund. After all expenses are paid including the prize monies displayed below in the Non-Appropriated Funds Expended line, Lottery profits are distributed to the Local Transportation Assistance Fund, the County Assistance Fund, the Heritage Fund, the Arizona Clean Air Fund, the Economic Development Commission, various health and welfare programs, the General Fund, and the Local Transportation Assistance Fund-Mass Transit, revenues permitting.

Appropriated Funds Expended - Capital	13,100	30,800	34,700	38,300
Appropriated Funds Expended - Operating	40,277,500	42,708,900	42,691,600	41,779,700
Appropriated Funds Expended - Profit Distributions	73,049,000	69,879,900	68,875,700	67,245,400
Non-Appropriated Funds Expended	139,831,000	137,200,300	138,232,700	136,474,900
Funds Transferred to General Fund	2,393,600	2,283,400	0	0
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Board of Medical Examiners

Claudia Foutz, Executive Director

JLBC: Beth Kohler
OSP: Theresa Garcia

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Medical Examiners	3,989,900	4,682,500	4,478,800	4,504,800	4,497,800	4,421,200
Contingency SLI	0	17,400	0	0	0	0
AGENCY TOTAL	3,989,900	4,699,900	4,478,800	4,504,800	4,497,800	4,421,200

OPERATING BUDGET

	49.5	55.5	58.5	58.5	58.5	58.5
<i>Full Time Equivalent Positions</i>						
Personal Services	1,718,600	1,925,200	2,216,100	2,219,500	2,216,100	2,219,500
Employee Related Expenditures	338,200	380,100	444,900	441,100	449,000	443,600
All Other Operating Expenditures:						
Professional and Outside Services	734,900	1,133,600	1,111,500	1,084,900	1,125,100	1,098,500
Travel - In State	32,600	65,900	65,900	65,900	65,900	65,900
Travel - Out of State	19,700	20,800	20,800	20,800	20,800	20,800
Other Operating Expenditures	1,058,800	477,900	466,200	475,600	478,900	478,900
Equipment	87,100	679,000	153,400	197,000	142,000	94,000
OPERATING SUBTOTAL	3,989,900	4,682,500	4,478,800	4,504,800	4,497,800	4,421,200
Special Line Items	0	17,400	0	0	0	0
AGENCY TOTAL	3,989,900	4,699,900	4,478,800	4,504,800	4,497,800	4,421,200

FUND SOURCES

Board of Medical Examiners Fund	3,989,900	4,699,900	4,478,800	4,504,800	4,497,800	4,421,200
SUBTOTAL - Appropriated Funds	3,989,900	4,699,900	4,478,800	4,504,800	4,497,800	4,421,200
TOTAL - ALL SOURCES	3,989,900	4,699,900	4,478,800	4,504,800	4,497,800	4,421,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	(195,100)	-4.2%	(278,700)	-5.9%	(473,800)

AGENCY DESCRIPTION — *The agency licenses, regulates and conducts examinations of medical doctors and physician's assistants.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)				
M.D.	NA/15,043	NA/15,401	16,054	16,359/16,645
P.A.	NA/715	NA/987	1,035	1,075/1,118
• Number of complaints received about licensees	1,125/858	1,275/831	925	1,025/1,230
• Average calendar days to resolve a complaint				
M.D.	250/NA	175/200	180	180
P.A.	NA	NA/140	140	140
• Number of investigations of licensees	1,264/858	1,264/831	925	850/1020
• Average calendar days to renew a license (from receipt of application to issuance)	NA	NA	Baseline	15
• Administration as a % of total cost	NA	6.9/NA	7.4	6.5/6.9

Comments:

- The FY 1999-FY 2000 number of investigations measures were tracked using the number of complaints filed. In FY 2001, the board changed the tracking of investigations. The FY 2001-FY 2003 measures are the actual number of investigations opened each year.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
ERE Rates	OF	\$17,100	\$19,600
Risk Management	OF	6,000	4,900
Rent	OF	8,200	12,600

Temporary Investigative

Aides	OF	127,800	109,800
--------------	-----------	----------------	----------------

The JLBC recommends a total biennial increase of \$237,600 for 3 Temporary Investigative Aide FTE Positions. This amount includes a FY 2002 increase of \$127,800 and 3 FTE Positions above FY 2001 and a FY 2003 increase of \$109,800 and 3 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Despite recent increases in staff, the board still has over 1,150 open cases. As part of the board's strategic plan, the board will attempt to become more proactive in prioritizing cases and investigations. The Temporary Investigative Aides will help to prioritize cases and prepare preliminary investigations. This will help investigators to address the current backlog of cases more efficiently and to allow future cases to be processed in a timely manner. The Executive recommends a FY 2002 increase of \$100,900 above FY 2001 and a FY 2003 increase of \$89,500 for this issue.

Attorney General	OF	77,700	91,300
-------------------------	-----------	---------------	---------------

The JLBC recommends a total biennial increase of \$169,000 for Attorney General Services. This amount includes a FY 2002 increase of \$77,700 above FY 2001 and a FY 2003 increase of \$91,300 above FY 2001. The board has experienced a 20% increase in the number of cases forwarded to the board for adjudication from FY 1999 to FY 2000 and the number of cases is expected to increase further in FY 2002 and FY 2003. Additional Attorney General services will help to address both the existing and predicted case increases. The Executive recommends a FY 2002 increase of \$78,900 above FY 2001 and a FY 2003 increase of \$92,500 above FY 2001 for this issue.

Conversion of Positions	OF	84,300	84,300
--------------------------------	-----------	---------------	---------------

The JLBC recommends a total biennial increase of \$168,600 for the conversion of existing positions. This amount includes an increase of \$84,300 in both FY 2002 and FY 2003 above FY 2001. The board has converted a clerical position to an Information Technology Specialist, and an Account Technician to a Human Resources Coordinator. The recommended amount adjusts the salaries of these positions to match the new positions. The Executive recommends an increase of \$76,200 in both FY 2002 and FY 2003 for this issue.

Discontinue Examinations	OF	(16,500)	(16,500)
---------------------------------	-----------	-----------------	-----------------

The JLBC recommends a total biennial decrease of \$(33,000) to eliminate the appropriation for examinations. This amount includes a decrease of \$(16,500) in both

FY 2002 and FY 2003 from FY 2001. All applicants now take national exams, and the board no longer administers exams. The recommended decrease eliminates the appropriation for examinations. The Executive concurs.

Laws 2000, Chapter 403	OF	(590,500)	(590,500)
-------------------------------	-----------	------------------	------------------

The JLBC recommends a total biennial decrease of \$(1,181,000) for the elimination of one-time equipment. This amount includes a decrease of \$(590,500) in both FY 2002 and FY 2003 below FY 2001. Laws 2000, Chapter 403 appropriated \$727,500 to the board for Web site development, computer equipment, furniture, salary increases, and additional staff. Of this amount, \$590,500 was for one-time expenditures. The recommended amount eliminates \$(590,500) in one-time funding and continues \$137,000 of the funding for additional staff and staff reclassification from Laws 2000, Chapter 403. The Executive concurs.

Equipment	OF	90,500	5,500
------------------	-----------	---------------	--------------

The JLBC recommends a total biennial increase of \$96,000 for equipment. This amount includes elimination of \$(88,500) for one-time FY 2001 funding of equipment, a one-time increase of \$142,000 in FY 2002 to replace 32 computers, 10 printers, and 3 servers, and a one-time increase of \$57,000 in FY 2003 to replace 10 printers and 2 servers. This amount also includes an increase of \$37,000 in both FY 2002 and FY 2003 above FY 2001 for computer hardware and software maintenance.

In FY 2000 and FY 2001, the board received funding to replace 15 computers and purchase 18 new computers, for a total of 33 new computers. The FY 2002 recommended amount includes \$85,000 to replace the board's remaining 32 computers, as well as \$57,000 to replace 10 printers and 3 servers. The FY 2003 recommended amount includes \$57,000 to replace the board's remaining 11 printers and 2 servers. From FY 2000 to FY 2003, the board will have replaced all its computers, printers, and servers.

The Executive recommends an increase of \$90,500 in both FY 2002 and FY 2003 above FY 2001 to eliminate one-time equipment funding, for hardware and software maintenance, and to purchase 32 computers, 10 printers, and 3 servers in each year.

OAH Cost Allocation Plan	OF	300	300
---------------------------------	-----------	------------	------------

The JLBC recommends a total biennial increase of \$600 for a new Office of Administrative Hearings (OAH) cost allocation plan. This amount includes an increase of \$300 in both FY 2002 and FY 2003 above FY 2001. Previously, 90/10 Boards paid for OAH services out of their base budgets. OAH's billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information.)

The JLBC recommends implementing the new plan in FY 2001, as intended by the footnote. This results in an increase of \$17,400 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote, which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditures of the contingency amounts. All of the 90/10s with the increased FY 2001 OAH charges will be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount and include a further increase of \$300, for a total OAH increase of \$17,700. The Executive does not address this issue.

Restatement of

Expenditures **OF** **-0-** **-0-**
 The JLBC recommends a shift of \$143,000 from Professional and Outside Services to Personal Services and ERE to more accurately reflect board expenditures. The board has been paying board member compensation and other salaries out of monies appropriated for Professional and Outside Services and they should be paid from Personal Services and Employee Related Expenditures. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency. *(The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning the Attorney General – Legal Fees Special Line Item. The monies for Attorney General Legal Fees are no longer designated in a Special Line Item and are included in the board’s operating budget.

The JLBC recommends deleting the footnote concerning the Reconfiguration Special Line Item. The board relocated in FY 2000 and should no longer need relocation appropriations.

The JLBC recommends deleting the footnote allocating 20% of the agency’s total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Board of Medical Examiners (MEA2038/A.R.S. § 32-1406)

Appropriated

Source of Revenue: Monies collected by the board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate physicians, and for board administration.

Funds Expended	3,989,900	4,699,900	4,504,800	4,421,200
Year-End Fund Balance	2,330,300	3,364,900	3,150,800	3,257,100

[Click here to return to Table of Contents](#)

Board of Medical Student Loans

JLBC: Bruce Groll
 OSPB: Christine Sato

Christopher A. Leadem, Ph.D., Chairman
 House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Board of Medical Student Loans	284,300	342,400	353,700	350,400	365,400	361,500
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0	0.0	0.0	0.0
Medical Student Loans	284,300	342,400	353,700	350,400	365,400	361,500
AGENCY TOTAL	284,300	342,400	353,700	350,400	365,400	361,500
FUND SOURCES						
General Fund	276,400	322,100	288,800	285,500	357,500	353,600
Medical Student Loan Fund	7,900	20,300	64,900	64,900	7,900	7,900
SUBTOTAL - Other Appropriated Funds	7,900	20,300	64,900	64,900	7,900	7,900
SUBTOTAL - Appropriated Funds	284,300	342,400	353,700	350,400	365,400	361,500
TOTAL - ALL SOURCES	284,300	342,400	353,700	350,400	365,400	361,500

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(36,600)	-11.4%	31,500	9.8%	(5,100)
Other Appropriated Funds	44,600	219.7%	(12,400)	-61.1%	32,200
Total Appropriated Funds	8,000	2.3%	19,100	5.6%	27,100

AGENCY DESCRIPTION — *The board is authorized to grant loans to students of the University of Arizona College of Medicine and to qualified students enrolled in Arizona private medical schools, make a full investigation of the ability, character and qualification of each loan applicant, and administer the loan program. Medical students who participate in the Medical Student Loans program agree to serve the State of Arizona in medically underserved areas for at least 2 years, or 1 year of service for each year of loan support, whichever is longer, upon graduation. As an incentive for service, the board is authorized to impose upon participants who have signed contracts, liquidated damages equal to the full amount borrowed, in addition to repaying the loan at a 7% interest rate.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of physicians who have finished school and are currently fulfilling service obligation	8/10	12/10	12	13
• Cumulative % of physicians providing service with contracts under new law	100/100	100/100	100	100
• Number of physicians continuing service after service requirement is met	18/18	19/15	15	16/18
• Administration as a % of total cost	NA	0/NA	0	0.4/0.4

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Medical Student Loans	GF	\$(36,600)	\$31,500
	OF	44,600	(12,400)

The JLBC recommends a total biennial General Fund decrease of \$(5,100) and an increase of \$32,200 from the Medical Student Loans (MSL) Fund due to higher than estimated loan repayments in FY 2001 and one unfilled student loan slot. The recommended amounts continue funding of the MSL Program at the legal maximum loan levels for 16 medical students for the biennium.

For FY 2002, the \$285,500 from the General Fund and an estimated \$64,900 from the Medical Student Loan Fund will provide a total sum available for medical student loans of \$350,400. This sum will provide an average loan amount of \$21,903, the legal maximum, for each of 16 medical students receiving loans who, upon graduation, have agreed to serve the State of Arizona in medically underserved areas.

The Arizona Medical Student Loan funded at \$21,903 for FY 2002 meets approximately 84% of the average standard cost of education for a medical student (\$26,000 per year). The maximum loan amount is determined by adding the sums of the current year actual tuition adjusted for any anticipated tuition increase and the current year stipend adjusted for inflation based on the percentage change in the GDP Price Deflator. For FY 2002, based on a 1.6% change in the GDP Price Deflator, this amount is \$12,233. Tuition of \$9,670 plus the \$12,233 stipend equals \$21,903, as shown in *Table 1*.

	<u>Stipend</u>	<u>Tuition</u>	<u>Total</u>
FY 2001	\$12,040	\$9,210	\$21,250
GDP Deflator @ 1.6%	193	--	193
Tuition Change	--	460	460
FY 2002	\$12,233	\$9,670	\$21,903
GDP Deflator @ 1.7%	208	--	208
Tuition Change	--	485	485
FY 2003	\$12,441	\$10,155	\$22,596

For FY 2003, the JLBC recommendation funds the legal maximum loan level for 16 medical students and is based on a combined General Fund appropriation of \$353,600 and estimated Medical Student Loan Fund repayments of \$7,900, for a total amount available for medical student loans of \$361,500 or \$22,596 per student. For FY 2003, as shown in *Table 1*, this total includes a tuition amount of \$10,155 per student (a \$485 increase over FY 2002) plus "other education costs" (books, instruments, transportation, room and board) of \$12,441, which is a \$208, or 1.7%, increase over FY 2002 adjusted per A.R.S. § 15-1723 using the estimated percentage change in the GDP Price Deflator.

The FY 2003 recommended amounts include an additional \$31,500 General Fund support and a \$(12,400) reduction to the Medical Student Loan Fund from the FY 2001 appropriated amounts to continue funding for 16 students at the legal maximum loan amount of \$22,596. The \$(12,400) reduction to the Medical Student Loan Fund is anticipated as more graduating medical students continue to choose service in medically underserved areas in Arizona rather than repayment of their student loans at a 7% interest rate plus liquidated damages equal to the full amount borrowed (Laws 1992, Chapter 338).

The Executive recommends a FY 2002 \$(33,300) reduction to the General Fund appropriation for Medical Student Loans and a \$43,600 increase to the Medical Student Loan Fund.

For FY 2003, the Executive recommends a \$35,400 increase in the General Fund appropriation for Medical Student Loans and a \$(13,400) reduction to the Medical Student Loan Fund.

The Executive also recommends an additional biennial increase of \$2,000 from the Medical Student Loan Fund for administrative costs. (*See Other Issues for Legislative Consideration for a detailed discussion of this issue.*)

Table 2 below shows the Arizona Medical Student Loan Program participant status. As of August 2000, more than 52% of the 87 MSL program graduates have fulfilled their service requirement or are currently serving in Arizona in medically underserved areas.

<u>Status</u>	<u>No. of Participants</u>	<u>% of MSL Graduates</u>
Service Completed	36	41.5%
Serving	10	11.5
Paid in Full	29	33.4
Repaying	3	3.4
Served/Repaid	3	3.4
Defaulted/Repay	2	2.3
Pending	3	3.4
Medical Disability	1	1.1
MSL Graduates	<u>87</u>	<u>100.0%</u>
In Residency	16	--
Students	18	--
Other	2	--
Total	123	--

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Performance Audits

The Office of the Auditor General conducted a performance audit and presented its findings and recommendations in a report issued May 2000 (Report No. 00-6). The report discussed potential General Fund budget implications that may result as more graduating medical students continue to choose service in medically underserved areas in Arizona rather than repayment of their student loans at a 7% interest rate plus liquidated damages equal to the full amount borrowed. The JLBC concurs with this assessment and has addressed the issue in the biennial recommendations.

Administrative Cost

The Arizona Department of Administration General Accounting Office (GAO) has notified the Board of Medical Student Loans that it will begin charging them for accounting services on July 1, 2001. The board estimates the administrative expenses charged by GAO for accounting services will be \$1,500 in FY 2002 and FY 2003 for a total biennial increase of \$3,000. The board has requested that this amount be included in their biennial budget appropriation. The Executive recommends a biennial increase of \$2,000 for administrative costs.

The JLBC does not support these GAO charges because of the small amount and, therefore, does not recommend the additional funding. Prior to this time, no administrative or operating expenses have been charged to the program. The University of Arizona Medical School has and will continue to provide support staff at no cost to the program. The JLBC recommends that GAO absorb the \$1,500 accounting services cost.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Medical Student Loan (MSA3306/A.R.S. § 15-1725)				Appropriated
Source of Revenue: Includes legislative appropriations from loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing.				
Purpose of Fund: To provide loans to defray the medical education expenses of Arizona resident students attending medical school.				
Funds Expended	7,900	20,300	64,900	7,900
Year-End Fund Balance	85,200	72,800	13,800	11,800

[Click here to return to Table of Contents](#)

State Mine Inspector

Honorable Douglas K. Martin, State Mine Inspector

JLBC: Tom Mikesell

House Subcommittee: Gray

OSPB: Randy Hillier

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET*						
Mining Safety Enforcement	832,300	843,400	877,400	865,400	876,400	866,000
Abandoned Mines Inventory	141,400	144,500	151,400	150,500	145,600	150,300
Abandoned Mines Safety Fund Match						
SLI	30,000	30,000	30,000	30,000	30,000	30,000
<i>Program Subtotal - Abandoned Mines Inventory</i>	171,400	174,500	181,400	180,500	175,600	180,300
Mined Land Reclamation	97,900	99,900	100,900	104,200	100,900	104,000
AGENCY TOTAL	1,101,600	1,117,800	1,159,700	1,150,100	1,152,900	1,150,300

* The JLBC and Executive utilize different program budget structures for this agency. The Executive recommendation is shown within the program structure utilized by the JLBC.

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	19.0	19.0	19.0	19.0	19.0	19.0
Personal Services	654,500	662,100	670,200	670,200	670,200	670,200
Employee Related Expenditures	133,600	140,300	137,300	138,300	137,700	139,900
All Other Operating Expenditures:						
Professional and Outside Services	14,200	2,200	10,900	2,200	10,600	2,200
Travel - In State	77,000	121,300	101,600	121,300	96,100	121,300
Travel - Out of State	12,600	6,600	14,400	6,600	14,400	6,600
Other Operating Expenditures	136,800	148,300	183,800	175,000	182,400	173,600
Equipment	42,900	7,000	11,500	6,500	11,500	6,500
OPERATING SUBTOTAL	1,071,600	1,087,800	1,129,700	1,120,100	1,122,900	1,120,300
Special Line Items	30,000	30,000	30,000	30,000	30,000	30,000
AGENCY TOTAL	1,101,600	1,117,800	1,159,700	1,150,100	1,152,900	1,150,300

FUND SOURCES

General Fund	1,101,600	1,117,800	1,159,700	1,150,100	1,152,900	1,150,300
SUBTOTAL - Appropriated Funds	1,101,600	1,117,800	1,159,700	1,150,100	1,152,900	1,150,300
Other Non-Appropriated Funds	6,000	95,000	71,200	71,200	50,000	50,000
Federal Funds	119,800	394,800	212,200	212,200	212,200	212,200
TOTAL - ALL SOURCES	1,227,400	1,607,600	1,443,100	1,433,500	1,415,100	1,412,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	32,300	2.9%	32,500	2.9%	64,800

AGENCY DESCRIPTION — *The State Mine Inspector is an elected constitutional officer. The Mine Inspector inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of mandated inspections completed	NA/61	NA/72	86	84/83
• Reportable accidents	NA/76	NA/70	70	75/80
• Number of miners and contractors trained	3,400/3,200	3,400/3,800	4,000	4,500
• Number of inspections	NA/416	NA/450	450	450
• Administration as a % of total cost	NA	19.2/NA	23.7	23.7

Comments:

- The State Mine Inspector tracks information on a calendar year basis. The Performance Measures provided above display data collected by the State Mine Inspector, and therefore represent calendar year information.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 9,100	\$ 9,100
ERE Rates	GF	(3,000)	(1,400)
Risk Management	GF	26,700	25,300

Computer Replacement GF (500) (500)

The JLBC recommends a total biennial decrease of \$(1,000) in computer equipment funding. This amount includes an elimination of \$(6,500) for FY 2001 one-time equipment, a one-time increase of \$6,000 in FY 2002 for replacement of 2 computers, and a one-time increase of \$6,000 in FY 2003 to replace an additional 2 computers. The Executive continues the funding at the existing level.

Mined Land Reclamation

Program GF -0- -0-

The JLBC recommends continuing an appropriation of \$49,200 and 1 FTE Position to the Mined Land Reclamation program in FY 2001 made by Laws 1999, Chapter 330. The Mined Land Reclamation program provides review of land surface reclamation plans submitted by mining and exploration companies. The JLBC recommendation continues the appropriation given the ongoing nature of the program. The Executive concurs.

Mined Land Reclamation

SLI GF -0- -0-

The JLBC recommends that the Mined Land Reclamation Special Line Item be displayed as the Mined Land Reclamation program. The resources and amounts formerly budgeted in the Special Line Item are identical to those that will be budgeted in the new program created in Phase I of program budgeting. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommendation includes \$30,000 within the Abandoned Mines Inventory program to provide a state match for outside donations to the Abandoned Mines Safety Fund. The JLBC recommendation displays these monies as a Special Line Item of the program given the specific purpose for which they are designated.

Deputy Mine Inspector Positions

The Mine Inspector requests a total biennial increase of \$366,900 for 2 deputy mine inspector positions. The Mine Inspector Staff has not completed the mandated number of mine safety inspections each year since 1997, and they attribute this trend to inadequate staffing. In 1998, the Mine Inspector reassigned 3 experienced field inspectors to administrative positions, which reduced the experience level of Inspection Division resources in the field. This move may have negatively impacted the number of inspections that could be performed by the division.

Abandoned Mines Surveyor Positions

The Mine Inspector requests a total biennial increase of \$204,800 for 2 abandoned mine surveyor positions. The increase in staff is requested to survey and secure a greater number of mines than is capable of being addressed with current funding. The Mine Inspector estimates that there may be a total of 100,000 mine openings in the state, 9,500 of which have been identified. Of those identified, the Mine Inspector staff has fenced about 200 and other responsible parties have secured about 900. The Mine Inspector states that surveying and securing a greater number of mines is needed to limit the state's liability for abandoned mine accidents. The JLBC recommends that the department focus its attention on closing already identified mines rather than increasing its surveying activities.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)				Non-Appropriated
Source of Revenue: Gifts, grants and contributions. The Legislature may appropriate matching monies.				
Purpose of Fund: To locate, inventory, classify and eliminate public safety hazards at abandoned mines.				
Funds Expended	6,000	95,000	71,200	50,000
Year-End Fund Balance	66,200	31,200	20,000	30,000
Federal Grants (MIA2000/A.R.S. § 27-105)				Non-Appropriated
Source of Revenue: Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).				
Purpose of Fund: For mine safety purposes. The Department of Labor grant provides mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.				
Funds Expended	119,800	394,800	212,200	212,200
Year-End Fund Balance	129,700	0	0	0

[Click here to return to Table of Contents](#)

Department of Mines and Mineral Resources

W. D. Sawyer, Director

JLBC: Tom Mikesell
OSPB: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Department of Mines and Mineral Resources	707,300	718,000	721,900	725,600	722,600	718,300

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	8.0	8.0	8.0	8.0	8.0	8.0
Personal Services	262,900	305,300	309,900	309,900	309,900	309,900
Employee Related Expenditures	58,200	65,500	63,800	60,000	64,600	60,300
All Other Operating Expenditures:						
Professional and Outside Services	0	0	800	800	800	800
Travel - In State	2,800	5,400	5,400	5,400	5,400	5,400
Other Operating Expenditures	349,700	341,800	342,000	342,000	341,900	341,900
Equipment	33,700	0	0	7,500	0	0
AGENCY TOTAL	707,300	718,000	721,900	725,600	722,600	718,300

FUND SOURCES

General Fund	707,300	718,000	721,900	725,600	722,600	718,300
SUBTOTAL - Appropriated Funds	707,300	718,000	721,900	725,600	722,600	718,300
Other Non-Appropriated Funds	94,100	94,000	94,000	94,000	94,000	94,000
TOTAL - ALL SOURCES	801,400	812,000	815,900	819,600	816,600	812,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	7,600	1.1%	300	0.0%	7,900

AGENCY DESCRIPTION — *The department promotes the development of the state's mineral resources by providing technical and educational assistance and information to the mining and mineral industry and the general public. The department also operates the Mining and Mineral Museum, which is the official repository for mineral specimens, ores, gemstones and lapidary material found in the state. These minerals are identified, cataloged and displayed at the museum.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Files, books, and specimens collected or donated	300/300	300/290	300	300
• General museum visitors	35,000/46,923	50,000/35,700	35,000	35,000
• Total number of volunteer hours	NA	NA/8,757	8,757	8,757
• % of customers and stakeholders satisfied with information received	98/98	98/99	98	98
• Administration as a % of total cost	NA	5.6/NA	5.7	7.9

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003	
Standard Changes			Public Address System GF 7,500 -0-
Pay Annualization	GF \$ 5,200	\$ 5,200	The JLBC recommends a total biennial General Fund increase of \$7,500 for a public address system. This amount includes a one-time FY 2002 increase of \$7,500 above FY 2001. A public address system will allow coordination of the museum's visitors, 20,000 of which are children each year, in the event of an emergency. The Executive does not address this issue.
ERE Rates	GF (6,100)	(5,800)	
Risk Management	GF 200	100	

ADOA Accounting

Services GF 800 800

The JLBC recommends a total biennial General Fund increase of \$1,600 for the continuation of Arizona Department of Administration (ADOA) data entry services. This amount includes an increase of \$800 in both FY 2002 and FY 2003 above FY 2001. In the past, ADOA entered departmental data into the accounting system at no charge, however, they now will charge for this service. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
<hr/>				
Mines and Minerals Resources (MNA3156/A.R.S. § 27-102)				Non-Appropriated
Source of Revenue: This fund is made up of 2 accounts. In the first, monies are received through donations and the sale of gifts or bequests given to the department, and from federal agencies. In the second, monies are collected through fees for department publications.				
Purpose of Fund: To promote the development of mineral resources in Arizona.				
Funds Expended	94,100	94,000	94,000	94,000
Year-End Fund Balance	96,600	93,600	90,600	87,600

[Click here to return to Table of Contents](#)

Naturopathic Physicians Board of Medical Examiners

John L. Brewer, Executive Director

JLBC: Steve Grunig
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Naturopathic Physicians Board of Medical Examiners						
Examiners	136,000	151,600	189,700	149,400	189,800	149,500
Contingency SLI	0	700	0	0	0	0
Inspection and Evaluation SLI	0	0	0	50,000	0	50,000
AGENCY TOTAL	136,000	152,300	189,700	199,400	189,800	199,500

OPERATING BUDGET						
Full Time Equivalent Positions	3.0	3.0	3.0	3.0	3.0	3.0
Personal Services	79,200	85,400	112,300	86,500	112,300	86,500
Employee Related Expenditures	13,600	16,000	16,500	11,800	16,600	11,900
All Other Operating Expenditures:						
Professional and Outside Services	22,100	31,700	33,000	32,600	33,000	32,600
Travel - In State	1,900	2,000	6,800	2,000	6,800	2,000
Other Operating Expenditures	19,100	16,500	21,100	16,500	21,100	16,500
Equipment	100	0	0	0	0	0
OPERATING SUBTOTAL	136,000	151,600	189,700	149,400	189,800	149,500
Special Line Items	0	700	0	50,000	0	50,000
AGENCY TOTAL	136,000	152,300	189,700	199,400	189,800	199,500

FUND SOURCES						
Naturopathic Physicians Board of Medical Examiners	136,000	152,300	189,700	199,400	189,800	199,500
SUBTOTAL - Appropriated Funds	136,000	152,300	189,700	199,400	189,800	199,500
TOTAL - ALL SOURCES	136,000	152,300	189,700	199,400	189,800	199,500

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	47,100	30.9%	47,200	31.0%	94,300

AGENCY DESCRIPTION — *The board licenses and regulates physicians and medical assistants who practice naturopathic medicine; certifies physicians to dispense natural remedies; and accredits and approves naturopathic medical schools, internships, and programs. Naturopathic medicine is a system of medical diagnosis and treatment based on the use of natural remedies and non-invasive methods. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	629/629	337/495	340	540/734
• Number of complaints received about licensees	13/13	25/9	15	18/22
• Average calendar days to resolve a complaint	120/120	120/120	120	120
• Number of inspections	0/0	20/2	80	120/160
• Average calendar days to renew a license (from receipt of application to issuance)	60/60	60/120	180	180
• Administration as a % of total cost	NA	13/NA	13	13

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$1,100	\$1,100
ERE Rates	OF	(4,200)	(4,100)

State Boards' Office **OF** **200** **200**
 The JLBC recommends a total biennial increase of \$400 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an increase of \$200 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

Inspection and Evaluation **OF** **50,000** **50,000**

The JLBC recommends a total biennial increase of \$100,000 for inspection and evaluation. This amount includes an increase of \$50,000 in both FY 2002 and FY 2003 above FY 2001. A.R.S. § 32-1504 requires the board to periodically inspect and evaluate schools of naturopathic medicine, clinical, internship, preceptorship and postdoctoral training programs, naturopathic graduate medical education programs and randomly evaluate naturopathic continuing medical education programs. In order to fulfill this requirement Laws 1999, Chapter 308 permitted the board to employ 1 FTE position and made a one-time appropriation of \$50,000 from the Naturopathic Physicians Board of Medical Examiners Fund. The board was directed by Laws 1999, Chapter 308 to report its expenditures for this purpose to the Joint Legislative Budget Committee at the end of each fiscal year. Unexpended monies from the appropriation revert to the Naturopathic Physicians Board of Medical Examiners Fund on July 1, 2001. The recommended amount continues the appropriation as a Special Line Item beginning in FY 2002. The Executive recommends an increase of \$38,400 in FY 2002 and \$38,400 in FY 2003 above FY 2001 for this issue. The executive recommends appropriating funds for inspection and evaluation through an increase to the board's operating budget rather than through a Special Line Item.

An Auditor General Performance Audit found that naturopathic physicians in Arizona have the widest scope of practice in the United States. Arizona naturopaths may prescribe drugs and perform certain kinds of minor surgery. The wide scope of practice makes it essential that naturopathic training programs be regularly inspected and evaluated. The Auditor General's findings related to the board's previous fiscal management problems lead to the recommendation that the appropriation be in the form of a Special Line Item and that the previous reporting requirement for inspection and evaluation expenditures be continued.

OAH Cost Allocation Plan **-0-** **-0-**
 Previously, 90/10 Boards paid for Office of Administrative Hearings (OAH) services out of their base budgets. The OAH billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information.)

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$700 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges would be reviewed at the same JLBC meeting in May or June 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Modified Lump Sum with Special Line Items by Agency. (See Auditor General Performance Audit discussion in Other Issues for Legislative Consideration.)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Of the appropriated amount, \$5,900 reverts to the Naturopathic Physicians Board of Medical Examiners Fund in each year if the Department of Administration does not reclassify the secretary position.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

New Footnotes

The Naturopathic Physicians Board of Medical Examiners shall report all expenditures in the prior fiscal year from the Inspection and Evaluation Special Line Item to the Joint Legislative Budget Committee by August 1 of 2002 and 2003.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Performance Audit

The performance audit of the board contained 4 findings, 3 of which have potential budget implications.

The first audit finding was that the board’s use of its own licensing examination might require additional funding in order to develop and maintain the exam. The board was appropriated \$7,900 in FY 2000 for this purpose. Only \$100 of these funds were spent in FY 2000. The JLBC does not recommend an increase for this purpose. Instead, it is recommended that the board use the report’s alternative examination procedure, which employs a national examination. This alternative will not require additional monies. Since the release of the Auditor

General’s findings, the board has indicated it will begin to use a national examination.

The second audit finding was that the board’s complaint processing was inadequate. The report stated that the implications of this finding should be minimal since the board already has monies in its budget for a contract investigator. The JLBC does not recommend additional funds for this purpose.

The third audit finding was that the board has had a history of fiscal management problems and the report recommended that the board be placed on a Modified Lump Sum budget to allow for added oversight. The JLBC recommends that the board be placed on a Modified Lump Sum budget for FY 2002 and FY 2003.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Naturopathic Physicians Board of Medical Examiners (NBA2042/A.R.S. § 32-1505)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians, and for board administration.				
Funds Expended	136,000	152,300	199,400	199,500
Year-End Fund Balance	165,400	126,200	139,500	205,600

[Click here to return to Table of Contents](#)

Arizona Navigable Stream Adjudication Commission

George Mehnert, Executive Director

JLBC: Tom Mikesell
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Arizona Navigable Stream Adjudication Commission	150,100	184,800	185,800	185,800	185,800	0
OPERATING BUDGET						
Full Time Equivalent Positions	2.0	2.0	2.0	2.0	2.0	0.0
Personal Services	77,400	72,300	73,400	73,400	73,400	0
Employee Related Expenditures	13,400	13,700	13,600	13,600	13,600	0
All Other Operating Expenditures:						
Professional and Outside Services	34,100	50,000	50,000	50,000	50,000	0
Travel - In State	1,900	11,100	11,100	11,100	11,100	0
Other Operating Expenditures	22,100	37,700	37,700	37,700	37,700	0
Equipment	1,200	0	0	0	0	0
AGENCY TOTAL	150,100	184,800	185,800	185,800	185,800	0
FUND SOURCES						
General Fund	150,100	184,800	185,800	185,800	185,800	0
SUBTOTAL - Appropriated Funds	150,100	184,800	185,800	185,800	185,800	0
TOTAL - ALL SOURCES	150,100	184,800	185,800	185,800	185,800	0

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	1,000	0.5%	(184,800)	-100.0%	(183,800)

AGENCY DESCRIPTION — The Arizona Navigable Stream Adjudication Commission is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether or not the watercourses were navigable at the time of statehood.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Major watercourse reports and recommendations to the Legislature	NA/7	NA/4	2	0/NA
• Small and minor watercourse reports and recommendations to the Legislature	NA/0	NA/8,216	15,677	15,760/NA
• Cost per county to study watercourses (dollars)	NA/23,500	NA/50,033	30,800	31,400/NA
• Administration as a % of total cost	NA	12.3/NA	12.3	12.3/NA

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$1,200	\$ -0-
ERE Rates	GF	(200)	-0-

Agency Sunset GF -0- (184,800)

The JLBC recommends a total biennial decrease of \$(184,800) for elimination of the agency in FY 2003. The commission is scheduled to sunset on June 30, 2002. While commission staff estimates that all the adjudications required under current law will be completed by that date, pending

legal actions may require that the commission reconsider previously adjudicated matters. This would likely require an extension of the commission sunset. Any resources required if the commission is extended beyond FY 2002 should be considered as a supplemental adjustment to the biennial budget. The Executive recommends \$185,800 for commission operations in FY 2003.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

[Click here to return to Table of Contents](#)

State Board of Nursing

Joey Ridenour, Executive Director

JLBC: Beth Kohler
OSP: Theresa Garcia

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
State Board of Nursing	2,240,600	2,156,600	2,973,400	2,985,300	2,523,000	2,559,200
Contingency SLI	0	286,100	0	0	0	0
AGENCY TOTAL	2,240,600	2,442,700	2,973,400	2,985,300	2,523,000	2,559,200

OPERATING BUDGET

	36.7	46.2	46.2	46.2	39.2	39.2
<i>Full Time Equivalent Positions</i>						
Personal Services	1,298,300	1,276,800	1,718,600	1,738,700	1,383,600	1,403,700
Employee Related Expenditures	247,800	259,700	347,800	342,400	286,800	280,500
All Other Operating Expenditures:						
Professional and Outside Services	345,800	283,700	504,200	493,200	431,800	496,100
Travel - In State	12,300	22,100	22,100	22,100	22,100	22,100
Travel - Out of State	12,500	10,400	10,400	10,400	10,400	10,400
Other Operating Expenditures	264,500	272,400	276,900	313,100	309,400	313,600
Equipment	59,400	31,500	93,400	65,400	78,900	32,800
OPERATING SUBTOTAL	2,240,600	2,156,600	2,973,400	2,985,300	2,523,000	2,559,200
Special Line Items	0	286,100	0	0	0	0
AGENCY TOTAL	2,240,600	2,442,700	2,973,400	2,985,300	2,523,000	2,559,200

FUND SOURCES

General Fund	146,900	0	0	132,000	0	132,000
Board of Nursing Fund	2,093,700	2,442,700	2,973,400	2,853,300	2,523,000	2,427,200
SUBTOTAL - Other Appropriated Funds	2,093,700	2,442,700	2,973,400	2,853,300	2,523,000	2,427,200
SUBTOTAL - Appropriated Funds	2,240,600	2,442,700	2,973,400	2,985,300	2,523,000	2,559,200
Federal Funds	620,500	713,900	713,900	713,900	713,900	713,900
TOTAL - ALL SOURCES	2,861,100	3,156,600	3,687,300	3,699,200	3,236,900	3,273,100

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	132,000	--	132,000	--	264,000
Other Appropriated Funds	410,600	16.8%	(15,500)	-0.6%	395,100
Total Appropriated Funds	542,600	22.2%	116,500	4.8%	659,100

AGENCY DESCRIPTION — *The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	NA/55,968	56,000/43,246	41,600	41,600
• Number of complaints received about licensees	2,000/1,840	2,080/2,160	2,160	2,160
• Average calendar days to resolve a complaint	NA/301	275/300	250	200/180
• Number of investigations of licensees	1,428	1,300/2,544	3,100	3,500
• Average calendar days to renew a license (from receipt of application to issuance)	20/17	15/14	14	10
• Administration as a % of total cost	NA	6.7/NA	7.1	8.9/9.3

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 22,600	\$ 22,600
ERE Rates	OF	(3,000)	(2,900)
Risk Management	OF	3,000	2,700

Fingerprinting GF 132,000 132,000

The JLBC recommends a total biennial General Fund increase of \$264,000 for fingerprinting certified nursing assistants (CNAs). This amount includes an increase of \$132,000 in both FY 2002 and FY 2003 above FY 2001. A.R.S. § 32-1606 requires each CNA applicant for initial licensure or certification to submit fingerprints for a criminal background check, subject to appropriations from the General Fund. The board receives federal monies to certify nursing assistants because, pursuant to federal regulation, the board may not charge CNAs for certification or services related to certification, including fingerprinting. However, because fingerprinting is not required by federal law, the board does not receive Federal Funds for fingerprinting. Laws 1999, Chapter 276 appropriated \$320,000 from the General Fund in FY 2000 to provide for the fingerprinting of CNAs in FY 2000 and FY 2001. Funding was appropriated from the General Fund so that nurses' fees would not be subsidizing a nurses assistant program. The JLBC recommended amounts reflect the average annual expenditures for fingerprinting certified nursing assistants. The Executive recommends funding the fingerprinting charges from the Board of Nursing Fund.

Staff Increases OF 229,300 (167,700)

The JLBC recommends a total biennial Board of Nursing Fund increase of \$61,600 for staff increases. This amount includes a FY 2002 increase of \$229,300 above FY 2001 and a FY 2003 decrease of \$(167,700) and (7) FTE Positions below FY 2001. In FY 2001, after JLBC review, the board was authorized to spend \$271,700 for half-year funding of 9 new FTE Positions. This amount was funded from the General Appropriation Act footnote which allowed the agency to spend 20% of its FY 2001 appropriation, or \$50,000, whichever is greater, for unanticipated costs upon JLBC review. The board had a backlog of 2,100 open cases and projected an additional 1,900 cases during FY 2001. Funding for this issue is transferred to the Board of Nursing operating budget in FY 2002.

The recommended FY 2002 amount annualizes the additional 6 Nursing Consultant positions and 3 Paralegal positions that received half-year funding in FY 2001. These additional positions will eliminate the backlog by the end of FY 2002. The JLBC recommends reducing this amount in FY 2003 by \$(167,700) and (7) FTE Positions below FY 2001 when the backlog is eliminated. This amount will leave the board with 10 Nursing Consultants and 4 Paralegals. The board's staffing level after the recommended reduction is sufficient to allow all new cases

to be completed in a timely manner and to prevent future backlogs from forming.

The Executive recommends a FY 2002 increase of \$231,800 above FY 2001 and FY 2003 decrease of \$(165,100) below FY 2001 for this issue.

Attorney General

Services OF 72,400 75,300

The JLBC recommends a total biennial Board of Nursing Fund increase of \$147,700 for Attorney General services. This amount includes a FY 2002 increase of \$72,400 above FY 2001 and a FY 2003 increase of \$75,300 above FY 2001. The board was appropriated 9 additional investigators in FY 2001, which will likely increase the number of cases that go to hearing. There is also a backlog of 110 cases waiting for a hearing. The board will contract for additional Attorney General services to reduce the backlog as well as handle any increase in hearings. The Executive recommends a one-time FY 2002 increase of \$72,400 above FY 2001 and no increase in FY 2003 above FY 2001.

Information Technology OF 52,900 47,400

The JLBC recommends a total biennial Board of Nursing Fund increase of \$100,300 for system upgrades and to implement Web-based license renewals. This amount includes a FY 2002 increase of \$52,900 above FY 2001 and a FY 2003 increase of \$47,400 above FY 2001. The FY 2003 increase is lower due to the completion of the on-line renewal project that does not require FY 2003 funding.

The board's computer system requires 11 hours of programming per month for maintenance, including adapting the current software to reflect policy changes and upgrades. The recommended amount includes \$14,600 in both FY 2002 and FY 2003 for system maintenance.

In addition, the board plans to implement an on-line license renewal system, which requires additional computer hardware and software. The recommended amount includes \$27,400 in FY 2002 and \$32,800 in FY 2003 for computer hardware and software, as well as \$10,900 in FY 2002 to implement on-line license renewals.

Federal monies received for the CNA program will pay for 27% of the total project cost. The total recommended amount includes \$52,900 in FY 2002 and \$47,400 in FY 2003 to provide for the Board of Nursing's share of the costs for upgrading, on-line licensing, and system maintenance. The Executive concurs.

Staff Development OF 10,000 2,800

The JLBC recommends a total biennial Board of Nursing Fund increase of \$12,800 for staff development. This amount includes a FY 2002 increase of \$10,000 above FY 2001 and a FY 2003 increase of \$2,800 above FY 2001. The recommended amount includes \$8,600 to

allow the 9 new investigators hired in FY 2001 to attend licensing and regulation training conferences and \$1,400 for computer training videos for secretarial staff. This amount is reduced in FY 2003 due the elimination of one-time funding for the training videos and because the board will not have as many new staff to send to training conferences in FY 2003. The board expects to hire 2 to 3 new investigators each year and the FY 2003 recommended amount of \$2,800 would provide for training for the expected new staff. The Executive recommends an increase of \$10,000 in both FY 2002 and FY 2003 above FY 2001.

Equipment OF 6,100 (31,500)

The JLBC recommends a total biennial Board of Nursing Fund decrease of \$(25,400) for one-time equipment and services. This amount includes elimination of \$(31,500) for one-time FY 2001 equipment funding, and a FY 2002 increase of \$37,600 above FY 2001 and no equipment funding in FY 2003. The board was appropriated \$91,000 in FY 2000 for one-time agency relocation expenses but has incurred additional expenses related to the relocation. The recommended amount includes \$5,000 for audio equipment, \$21,500 for agency furniture and furniture refurbishing, \$8,100 for a copy machine, and \$3,000 for agency signs. The Executive recommends a FY 2002 increase of \$9,000 for audio equipment and furniture, and does not recommend the elimination of one-time FY 2001 equipment funding.

Rent Technical

Adjustment OF 17,200 35,700

The JLBC recommends a total biennial Board of Nursing Fund increase of \$52,900 for technical adjustments related to the board's rent. This amount includes a FY 2002 increase of \$17,200 above FY 2001 and a FY 2003 increase of \$35,700 above FY 2001. The FY 2002 increase is due to an increase in the agency's lease costs as well as an increase in office space. The board's Certificate of Participation will be paid off at the end of FY 2002. The board will be charged the normal state rental rate in FY 2003, resulting in a \$35,700 increase above FY 2001. The Executive recommends a FY 2002 decrease of \$(10,500) below FY 2001 and a FY 2003 increase of \$22,300 above FY 2001.

OAH Cost Allocation Plan OF 100 100

The JLBC recommends a total biennial Board of Nursing Fund increase of \$200 for a new Office of Administrative Hearings (OAH) cost allocation plan. This amount includes an increase of \$100 in both FY 2002 and FY 2003 above FY 2001. Previously, 90/10 Boards paid for OAH services out of their base budgets. OAH's billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information.)

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$14,400 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges will be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount and include a further increase of \$100, for a total annual OAH increase of \$14,500.

The Executive recommends an increase of \$14,400 in both FY 2002 and FY 2003.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating the lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Lobbyist

The board is requesting a total biennial Board of Nursing Fund increase of \$20,000 for one-time services. This amount includes a FY 2002 increase of \$20,000 above FY 2001. The board will contract with a lobbyist to educate members of the Legislature on the benefits of enacting mutual recognition legislation, which would allow nurses with licenses from certain other states to practice in Arizona without receiving an Arizona license. Neither the JLBC, nor the Executive recommends funding this issue.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Board of Nursing (BNA2044/A.R.S. § 32-1611) Appropriated

Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.

Funds Expended	2,093,700	2,442,700	2,853,300	2,427,200
Year-End Fund Balance	2,130,600	2,121,000	1,681,600	1,668,300

Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142) Non-Appropriated

Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.

Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.

Funds Expended	620,500	713,900	713,900	713,900
Year-End Fund Balance	337,200	257,000	565,500	620,300

[Click here to return to Table of Contents](#)

**Board of Examiners of Nursing Care Institution Administrators
and Assisted Living Facility Managers**

Fran Goetzinger, Executive Director

JLBC: Steve Grunig
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers						
	180,200	222,200	302,500	359,200	274,300	338,200
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	2.7	4.0	5.0	5.0	5.0	5.0
Personal Services	88,700	109,100	150,200	195,600	150,200	195,600
Employee Related Expenditures	19,900	32,200	37,700	38,600	37,800	42,700
All Other Operating Expenditures:						
Professional and Outside Services	54,500	58,000	58,300	58,400	58,300	58,400
Travel - In State	1,800	5,800	8,300	8,800	8,300	8,800
Travel - Out of State	0	1,100	5,900	5,900	1,100	5,900
Other Operating Expenditures	15,000	10,000	31,100	36,900	12,600	20,800
Equipment	300	6,000	11,000	15,000	6,000	6,000
AGENCY TOTAL	180,200	222,200	302,500	359,200	274,300	338,200

FUND SOURCES

Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification	180,200	222,200	302,500	359,200	274,300	338,200
SUBTOTAL - Appropriated Funds	180,200	222,200	302,500	359,200	274,300	338,200
TOTAL - ALL SOURCES	180,200	222,200	302,500	359,200	274,300	338,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	137,000	61.7%	116,000	52.2%	253,000

AGENCY DESCRIPTION — *The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	625/625	735/480	525	550
• Number of complaints received about licensees	20/20	22/66	156	176/196
• Average calendar days to resolve a complaint	90/90	90/120	180	90
• Number of investigations	25/25	22/22	35	96/105
• Average calendar days to renew a license (from receipt of application to issuance)	90/90	75/75	60	60
• Administration as a % of total cost	NA	5/NA	5	5

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 1,200	\$ 1,200
ERE Rates	OF	(3,600)	500

State Boards' Office **OF** **400** **400**

The JLBC recommends a total biennial increase of \$800 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an increase of \$400 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

Salary Increases **OF** **57,300** **57,300**

The JLBC recommends a total biennial increase of \$114,600 for salary increases. This amount includes an increase of \$57,300 in both FY 2002 and FY 2003 above FY 2001. This amount allows the board to increase salaries for the reclassified positions of Executive Director and Deputy Director. The amount also allows board member per diem to be increased. The Executive recommends a total biennial increase of \$27,000 for salary increases. This amount includes an increase of \$13,500 in both FY 2002 and FY 2003 above FY 2001.

Complaint Investigator **OF** **52,600** **43,600**

The JLBC recommends a total biennial increase of \$96,200 for an Investigator II position. This amount includes a FY 2002 increase of \$52,600 and 1 FTE Position above 2001 and a FY 2003 increase of \$43,600 above FY 2001. The board experienced an increase from 20 complaints in FY 1999 to 66 complaints in FY 2000 and expects an increase in complaints in the future. The new position is required because of this increased workload. The FY 2003 increase is lower due to the elimination of one-time costs. The Executive recommends a total biennial increase of \$85,600 and 1 new FTE Position for a complaint investigator. This amount includes a FY 2002 increase of \$45,300 above 2001 and a FY 2003 increase of \$40,300 above FY 2001.

Professional Development **OF** **4,800** **4,800**

The JLBC recommends a total biennial increase of \$9,600 for Travel - Out-of-State. This amount includes an increase of \$4,800 in both FY 2002 and FY 2003 above FY 2001. This amount enables board staff to attend national conferences related to the board's profession. The Executive recommends a total biennial increase of \$4,800 for Travel - Out-of-State. This amount includes a one-time increase of \$4,800 in FY 2002 above FY 2001.

Printing and Postage **OF** **20,600** **5,000**

The JLBC recommends a total biennial increase of \$25,600 for printing and postage. This amount includes a FY 2002 increase of \$20,600 above 2001 and a FY 2003 increase of \$5,000 above FY 2001. The recommended amount provides for one-time costs of printing and mailing revised rules to assisted living facility managers in FY 2002. The FY 2003 increase is lower due to the elimination of one-time costs. The Executive recommends a one-time increase of \$13,500 in FY 2002 above FY 2001 for this issue.

Telephone Automation **OF** **3,700** **3,200**

The JLBC recommends a total biennial increase of \$6,900 for costs associated with starting and maintaining an automated telephone system for the board. This amount includes a FY 2002 increase of \$3,700 above 2001 and a FY 2003 increase of \$3,200 above FY 2001. The FY 2003 increase is lower due to the elimination of one-time costs. The Executive does not recommend funding for this issue.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Decreasing Fund Balance

It appears doubtful that the board's revenues will be enough to cover its FY 2002 and FY 2003 budget requests without significantly decreasing the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund balance. It will be difficult for the board to continue its activities unless licensing revenue increases, or the operating budget is adjusted so as not to exceed anticipated revenues in the future.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification (NCA2043/A.R.S. § 36-446.08)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.				
Funds Expended	180,200	222,200	359,200	338,200
Year-End Fund Balance	541,300	529,400	410,600	283,700

[Click here to return to Table of Contents](#)

Board of Occupational Therapy Examiners

Cedes Bruno, Executive Director

JLBC: Kim Hohman
OSP: Theresa Garcia

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Occupational Therapy Examiners	101,100	133,200	196,600	125,100	191,500	125,100
Board of Athletic Training	0	60,000	0	84,300	0	78,200
AGENCY TOTAL	101,100	193,200	196,600	209,400	191,500	203,300

OPERATING BUDGET

	2.0	2.0	2.5	3.0	2.5	3.0
<i>Full Time Equivalent Positions</i>						
Personal Services	61,200	91,000	99,000	106,000	99,000	106,000
Employee Related Expenditures	13,500	22,200	22,200	22,100	22,200	26,300
All Other Operating Expenditures:						
Professional and Outside Services	400	8,400	12,200	13,600	10,700	11,600
Travel - In State	2,800	9,000	9,000	9,000	9,000	9,000
Travel - Out of State	0	2,600	3,000	5,000	3,000	5,000
Other Operating Expenditures	20,900	47,700	45,500	45,400	46,100	45,400
Equipment	2,300	12,300	5,700	8,300	1,500	0
AGENCY TOTAL	101,100	193,200	196,600	209,400	191,500	203,300

FUND SOURCES

General Fund	0	60,000	0	0	0	0
Occupational Therapy Fund	101,100	133,200	196,600	209,400	191,500	203,300
SUBTOTAL - Other Appropriated Funds	101,100	133,200	196,600	209,400	191,500	203,300
SUBTOTAL - Appropriated Funds	101,100	193,200	196,600	209,400	191,500	203,300
TOTAL - ALL SOURCES	101,100	193,200	196,600	209,400	191,500	203,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(60,000)	-100.0%	(60,000)	-100.0%	(120,000)
Other Appropriated Funds	76,200	57.2%	70,100	52.6%	146,300
Total Appropriated Funds	16,200	8.4%	10,100	5.2%	26,300

AGENCY DESCRIPTION — *The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice. Laws 2000, Chapter 111 established the Board of Athletic Training and requires the Board of Occupational Therapy Examiners to provide administrative support.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	1,445/1,565	1,365/1,038	1,522	1,682/1,837
• Number of complaints received about licensees	7/3	7/5	7	14/17
• Average calendar days to resolve a complaint	120/120	120/120	120	120
• Number of investigations of licensees	3/4	4/5	7	14/17
• Average calendar days to renew a license (from receipt of application to issuance)	60/30	60/30	30	30
• Administration as a % of total cost	NA	8.1/NA	4.9	9.2/7.8

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$1,100	\$1,100
ERE Rates	OF	(2,000)	2,200

Base Modification OF -0- -0-

The recommended FY 2002 and FY 2003 amounts reflect a \$3,200 base realignment from the Other Operating Expenditures and Equipment lines to Professional and Outside Services. This transferred amount will cover the Board of Athletic Training's costs associated with investigations, court reporters' fees, and General Accounting Office services. The Executive recommends a reduction of \$(2,700) in Other Operating Expenditures but does not recommend shifting the monies to Professional and Outside Services.

Board of Athletic Training GF (60,000) (60,000)
Budget Reallocation OF 60,000 60,000

The JLBC recommends a total biennial General Fund decrease of \$(120,000) to eliminate one-time funding for start-up costs for the Board of Athletic Training. The JLBC recommends a corresponding total biennial increase of \$120,000 from the Board of Occupational Therapy Fund. Laws 2000, Chapter 111 created the Board of Athletic Training and provided a one-time General Fund appropriation for start-up and operating costs. The JLBC recommendation continues the level of funding appropriated by Chapter 111, but changes the funding source for FY 2002 and FY 2003 operating costs from the General Fund to the Occupational Therapy Fund. The Executive concurs.

Executive Director

Salary Increase OF 15,800 15,800

The JLBC recommends a total biennial Occupational Therapy Fund increase of \$31,600 to increase the Executive Director's salary. This amount includes an increase of \$15,800 in both FY 2002 and FY 2003 above FY 2001. The Board of Athletic Training was established in FY 2001 (Laws 2000, Chapter 111) to license and regulate athletic trainers in Arizona. The Executive Director did not receive a salary increase at the time the Board of Athletic Training was established and now has the responsibility of overseeing 2 regulatory boards. Given the additional responsibilities, the JLBC recommends increasing the Director's salary to that of similar sized regulatory boards (\$55,800). The Executive concurs.

Administrative Assistant OF 8,300 -0-

The JLBC recommends a total biennial Occupational Therapy Fund increase of \$8,300 for increased costs associated with regulating athletic trainers. This amount includes a one-time FY 2002 increase of \$8,300 and 1 FTE Position above FY 2001. Laws 2000, Chapter 111 increased the Board of Occupational Therapy Examiners responsibilities to include the regulation of athletic trainers. In FY 2001, \$60,000 was appropriated from the

General Fund for start-up and operating costs associated with this added responsibility. At that time the board received monies for operating costs but no associated FTE Position. The JLBC recommends adding 1 FTE Position and one-time equipment funding for an administrative assistant. The salary and ERE rates associated with the added FTE Position are accounted for in the board's base budget. The Executive recommends a FY 2002 increase of \$6,300 above FY 2001 and a FY 2003 increase of \$2,100 above FY 2001. The Executive recommendation adds a 0.5 FTE Position instead of the full FTE Position recommended by JLBC.

Travel - Out of State OF 1,400 1,400

The JLBC recommends a total biennial Occupational Therapy Fund increase of \$2,800 for Out-of-State Travel expenses. This amount includes an increase of \$1,400 in both FY 2002 and FY 2003 above FY 2001. The agency was appropriated \$1,100 for Out-of-State Travel in FY 2001. The cost for 1 member of the Occupational Therapy Board to attend the national conference exceeds this appropriation by \$1,400. With this recommended increase, both boards' Out-of-State Travel expenses will be \$2,500 for FY 2002 and FY 2003. The Executive recommends an increase of \$400 in both FY 2002 and FY 2003 above FY 2001.

Rules Writer OF 2,000 -0-

The JLBC recommends a total biennial Occupational Therapy Fund increase of \$2,000 for one-time rule writing services for the Board of Athletic Training. This amount includes a FY 2002 increase of \$2,000 above FY 2001. This funding will provide for a contracted rule writer who will complete the Board of Athletic Training's rules. The Executive does not recommend additional funding for this issue.

General Accounting

Office Fees OF 400 400

The JLBC recommends a total biennial Occupational Therapy Fund increase of \$800 for fees charged by the General Accounting Office (GAO). This amount includes an increase of \$400 in both FY 2002 and FY 2003 above FY 2001. GAO accounting services were previously provided to the agency free of charge, but in FY 2002 and FY 2003 the amount of these fees will be \$800. This amount includes \$400 for the Board of Athletic Training and \$400 for the Board of Occupational Therapy each year. The Board of Athletic Training is able to absorb the cost of these services within its base budget. The recommended amount includes the full \$400 amount for the Board of Occupational Therapy. The Executive concurs.

Equipment OF (10,800) (10,800)

The JLBC recommends a total biennial Occupational Therapy Fund decrease of \$(31,600) for the elimination of one-time FY 2001 equipment funding. This amount includes a decrease of \$(10,800) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Occupational Therapy (OTA2263/A.R.S. § 32-3405)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund. The fund also contains a separate subaccount for examination and licensing fees collected from athletic trainers.				
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists, occupational therapy assistants, and athletic trainers, and for board administration.				
Funds Expended from the General Fund	0	60,000	0	0
Other Funds Expended	101,100	133,200	209,400	203,300
Year-End Fund Balance	234,600	193,200	245,200	201,000

[Click here to return to Table of Contents](#)

State Board of Dispensing Opticians

Careen J. Heinze, Executive Director

JLBC: Steve Grunig
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
State Board of Dispensing Opticians	78,400	91,300	92,800	94,200	92,800	94,400
OPERATING BUDGET						
Full Time Equivalent Positions	0.8	1.0	1.0	1.0	1.0	1.0
Personal Services	38,900	47,200	48,400	47,900	48,400	47,900
Employee Related Expenditures	6,600	7,700	7,900	7,800	7,900	8,000
All Other Operating Expenditures:						
Professional and Outside Services	21,100	21,900	22,000	22,100	22,000	22,100
Travel - In State	3,500	5,400	5,400	10,700	5,400	10,700
Other Operating Expenditures	6,800	5,700	5,700	5,700	5,700	5,700
Equipment	1,500	3,400	3,400	0	3,400	0
AGENCY TOTAL	78,400	91,300	92,800	94,200	92,800	94,400
FUND SOURCES						
Board of Dispensing Opticians Fund	78,400	91,300	92,800	94,200	92,800	94,400
SUBTOTAL - Appropriated Funds	78,400	91,300	92,800	94,200	92,800	94,400
TOTAL - ALL SOURCES	78,400	91,300	92,800	94,200	92,800	94,400

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	2,900	3.2%	3,100	3.4%	6,000

AGENCY DESCRIPTION — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	947/916	946/959	1,021	1,076/1,131
• Number of complaints received about licensees	19/19	26/26	25	25
• Average calendar days to resolve a complaint	60/60	60/60	60	90
• Number of investigations	19/19	26/26	25	25
• Average calendar days to renew a license (from receipt of application to issuance)	75/75	75/75	75	75
• Administration as a % of total cost	NA	11/NA	11	6

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	OF	\$ 700	\$ 700
ERE Rates	OF	100	300

State Boards' Office OF 200 200

The JLBC recommends a total biennial increase of \$400 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an increase of \$200 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

Board Member Travel OF 5,300 5,300

The JLBC recommends a total biennial increase of \$10,600 for board member in-state travel. This amount includes an increase of \$5,300 in both FY 2002 and FY 2003 above FY 2001. The recommended amount allows board members residing outside of the Phoenix area to be fully reimbursed for travel and lodging expenses related to their board duties. The Executive does not recommend funding for this issue.

Eliminate One-Time

Equipment OF (3,400) (3,400)

The JLBC recommends a total biennial decrease of \$(6,800) for the elimination of one-time equipment. This amount includes a decrease of \$(3,400) in both FY 2002 and FY 2003 below FY 2001. The FY 2001 appropriation included \$3,400 for a computer and printer. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency’s total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Board of Dispensing Opticians (DOA2046/A.R.S. § 32-1686)

Appropriated

Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.

Funds Expended	78,400	91,300	94,200	94,400
Year-End Fund Balance	28,500	33,400	40,500	52,200

[Click here to return to Table of Contents](#)

State Board of Optometry

Jack Confer, Executive Director

JLBC: Steve Grunig
 OSPB: Randy Hillier

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
State Board of Optometry	71,500	130,300	145,900	165,300	141,400	166,100
OPERATING BUDGET						
Full Time Equivalent Positions	2.0	2.0	2.0	2.0	2.0	2.0
Personal Services	24,200	69,700	76,700	86,200	76,700	86,700
Employee Related Expenditures	5,400	13,000	16,900	17,800	16,900	17,600
All Other Operating Expenditures:						
Professional and Outside Services	34,200	30,400	30,600	34,700	30,600	34,700
Travel - In State	3,100	7,500	7,500	7,500	7,500	7,500
Travel - Out of State	0	1,000	3,000	5,000	1,000	5,000
Other Operating Expenditures	4,600	8,500	11,000	12,900	8,500	13,400
Equipment	0	200	200	1,200	200	1,200
AGENCY TOTAL	71,500	130,300	145,900	165,300	141,400	166,100
FUND SOURCES						
Board of Optometry Fund	71,500	130,300	145,900	165,300	141,400	166,100
SUBTOTAL - Appropriated Funds	71,500	130,300	145,900	165,300	141,400	166,100
TOTAL - ALL SOURCES	71,500	130,300	145,900	165,300	141,400	166,100

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	35,000	26.9%	35,800	27.5%	70,800

AGENCY DESCRIPTION — *The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	603/603	603/676	700	720/750
• Number of complaints received about licensees	72/72	72/56	72	80/100
• Average calendar days to resolve a complaint	125/100	125/NA	100	90
• Number of investigations	72/72	72/56	72	80/100
• Average calendar days to renew a license (from receipt of application to issuance)	36/36	36/45	45	40/35
• Administration as a % of total cost	NA	5/NA	5	5

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	OF	\$1,000	\$1,000
ERE Rates	OF	2,600	2,300

State Boards' Office OF 300 300

The JLBC recommends a total biennial increase of \$600 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an increase of \$300 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

Oral Pharmaceutical

Program	OF	10,700	10,700
----------------	-----------	---------------	---------------

The JLBC recommends a total biennial increase of \$21,400 for development of the Oral Pharmaceutical Program. This amount includes an increase of \$10,700 in both FY 2002 and FY 2003 above FY 2001. Optometrists' expanded scope of practice allows them to use and prescribe oral pharmaceutical agents to treat the eye and related structures. The recommended amount covers the costs of developing the program including staff time, postage, office supplies, printing, long distance phone calls, and computer programming. Development of the program will require an increase of \$1,500 in Professional and Outside Services in both FY 2002 and FY 2003. The remainder of the program will be developed by the board's current staff. The Executive recommends one-time funding of \$2,500 in FY 2002 for this issue. The amount would pay for printing and postage costs associated with oral pharmaceutical rules distribution.

National Practitioner

Data Bank	OF	6,700	6,800
------------------	-----------	--------------	--------------

The JLBC recommends a total biennial increase of \$13,500 for compliance with federal regulations concerning the National Practitioner Data Bank. This amount includes a FY 2002 increase of \$6,700 above FY 2001 and a FY 2003 increase of \$6,800 above FY 2001. Section 1128-E of the Social Security Act, enacted by Congress as part of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), established the Healthcare Integrity and Protection Data Bank. States are required to report to the databank any final actions taken against health care practitioners, providers, and suppliers since August 1996. The recommended amount will enable the board to comply with federal regulations requiring the submission of data on previous adverse licensure action. Development of the program will require an increase of \$500 in Professional and Outside Services in both FY 2002 and FY 2003. The remainder of the program will be developed by the board's current staff. The Executive does not recommend funding for this issue.

Registration of Out-of-State

Contact Dispensers	OF	6,400	6,400
---------------------------	-----------	--------------	--------------

The JLBC recommends a total biennial increase of \$12,800 for the registration of non-resident contact lens dispensers. This amount includes an increase of \$6,400 in both FY 2002 and FY 2003 above FY 2001. The recommended amount will allow for consistent compliance monitoring of the program. Development of the program will require an increase of \$2,000 in Professional and Outside Services in both FY 2002 and FY 2003. The remainder of the program will be developed by the board's current staff. The Executive does not recommend funding for this issue.

Board Member Professional

Development	OF	4,000	4,000
--------------------	-----------	--------------	--------------

The JLBC recommends a total biennial increase of \$8,000 for board member professional development. This amount includes an increase of \$4,000 for out-of-state travel in both FY 2002 and FY 2003 above FY 2001. The recommended amount will enable board members to attend national conferences and obtain training related to board activities. The Executive recommends one-time funding of \$2,000 in FY 2002 for this issue.

License Verification/

Credentialing	OF	3,300	4,300
----------------------	-----------	--------------	--------------

The JLBC recommends a total biennial increase of \$7,600 for development of a license verification and credentialing Web site. This amount includes a FY 2002 increase of \$3,300 above FY 2001 and a FY 2003 increase of \$4,300 above FY 2001. The recommended amount will allow the board to develop an internet Web site to answer public information requests for credentialing and verifications of licenses. The program will be developed by the board's current staff. The Executive does not recommend funding for this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency**JLBC RECOMMENDED FOOTNOTES***Standard Footnotes*

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**Executive Recommendation**

The Executive recommends a total biennial increase of \$13,400 for salary increases. This amount includes an increase of \$6,700 in both FY 2002 and FY 2003 above FY 2001.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Board of Optometry (OBA2023/A.R.S. § 32-1705)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.				
Funds Expended	71,500	130,300	165,300	166,100
Year-End Fund Balance	197,800	108,500	193,700	74,100

[Click here to return to Table of Contents](#)

Arizona Board of Osteopathic Examiners

Ann Marie Berger, Executive Director

JLBC: Beth Kohler
 OSPB: Theresa Garcia

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE ^{1/}	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Board of Osteopathic Examiners	491,700	450,300	380,300	379,800	381,900	380,300
Health Crisis Fund Repayment	0	40,000		85,000		0
AGENCY TOTAL	491,700	490,300	380,300	464,800	381,900	380,300

OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	9.0	8.0	8.0	8.0	8.0	8.0
Personal Services	326,100	267,200	235,100	235,100	235,100	235,100
Employee Related Expenditures	60,900	55,500	52,400	52,300	53,800	52,200
All Other Operating Expenditures:						
Professional and Outside Services	16,700	71,000	37,000	37,000	37,000	37,000
Travel - In State	2,100	5,000	0	0	0	0
Travel - Out of State	4,900	9,000	0	0	0	0
Other Operating Expenditures	70,200	40,500	55,800	55,400	56,000	56,000
Equipment	10,800	2,100	0	0	0	0
OPERATING SUBTOTAL	491,700	450,300	380,300	379,800	381,900	380,300
Special Line Items	0	40,000	0	85,000	0	0
AGENCY TOTAL	491,700	490,300	380,300	464,800	381,900	380,300

FUND SOURCES						
Board of Osteopathic Examiners Fund	491,700	490,300	380,300	464,800	381,900	380,300
SUBTOTAL - Appropriated Funds	491,700	490,300	380,300	464,800	381,900	380,300
TOTAL - ALL SOURCES	491,700	490,300	380,300	464,800	381,900	380,300

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	(25,500)	-5.2%	(110,000)	-22.4%	(135,500)

AGENCY DESCRIPTION — *The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	1,615/1,545	1,675/1,710	1,765	1,790/1,815
• Number of complaints received about licensees	350/197	250/160	250	250
• Average calendar days to resolve a complaint	120/175	120/205	180	180
• Number of investigations of licensees	225/251	250/177	200	200
• Average calendar days to renew a license (from receipt of application to issuance)	10/28	15/15	15	15
• Administration as a % of total cost	NA	0.26/NA	0.26	0.34

^{1/} The board received a \$125,000 loan from the Health Crisis Fund in FY 2001. As a condition of the loan, the board was required to reduce actual FY 2001 expenditures from \$490,300 to \$383,100.

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	OF \$ 4,400	\$ 4,400
ERE Rates	OF 500	400
Risk Management	OF 1,200	1,100
Rent	OF (1,100)	(400)
Revenue Deficit	OF (115,500)	(115,500)

The JLBC recommends a total biennial decrease of \$(231,000) due to a revenue deficit. This amount includes a decrease of \$(115,500) in both FY 2002 and FY 2003 from FY 2001. In FY 2001, the board expended its entire fund balance and available revenues due to lack of oversight of fund revenues and expenditures. The board's FY 2000 revenues were lower than anticipated, leaving the board a fund balance of only \$34,600 at the end of FY 2000. Since the board receives most of its revenue in November and December, and due to the low fund balance at the beginning of FY 2001, the board experienced a 4 month gap in which it did not have monies to pay its operating expenditures. The board did not have funds available to pay payroll and other operating expenditures from August 2001 to November 2001. In addition, the revenues that would be received in November and December were not projected to cover the board's appropriation of \$490,300

Pursuant to A.R.S. § 36-797.C, the Governor declared a Health Crisis by executive order to allow Health Crisis Fund monies to be transferred to the board. The Health Crisis Fund receives up to \$1,000,000 per year from the Tobacco Tax and Health Care Fund. Executive Order 2000-15 transferred \$125,000 to the board as a loan. This loan will be repaid to the Health Crisis Fund by June 30, 2002 (see below). As a condition of the loan, the board was required to reduce FY 2001 expenditures from \$490,300 to \$383,100 and to submit an action plan outlining how the board plans to address the revenue deficit and prevent future shortfalls. The board will reduce FY 2001, FY 2002 and FY 2003 expenditures by reducing staff by 3.5 FTE positions (and holding these positions vacant), decreasing the Executive Director's salary, and eliminating nonessential other operating expenditures and travel. The recommended FY 2002 and FY 2003 amounts include these reductions. The board is not expecting a backlog of license applications or complaint investigations because the staff is focusing on these essential agency functions.

In addition to reducing expenditures, the board will raise license renewal fees to increase revenue to \$503,600 in FY 2002 and \$517,000 in FY 2003. The board will also seek legislative approval to raise fees further, if necessary. The Executive concurs.

Health Crisis Fund

Repayment	OF 85,000	-0-
------------------	------------------	------------

The JLBC recommends a total biennial increase of \$85,000 for repayment of the Health Crisis Fund. This amount includes a FY 2002 increase of \$85,000 above FY 2001. As a condition of the board's loan from the Health Crisis Fund (see Revenue Deficit), the board is required to repay the fund by June 30, 2002. The board has developed a repayment schedule and will pay \$40,000 in FY 2001 and \$85,000 in FY 2002. The recommended amount reflects the required FY 2002 repayment.

The JLBC recommends adding a Special Line Item to reflect the repayment of the Health Crisis Fund. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Modification of Prior Year Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Board of Osteopathic Examiners (OSA2048/A.R.S. § 32-1805)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund. In FY 2001, \$125,000 was transferred from the Health Crisis Fund.				
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.				
Revenue	329,800	350,600	503,600	517,000
Transfer from Health Crisis Fund	0	125,000	0	0
Funds Expended	491,700	423,100 ^{1/}	464,800 ^{1/}	380,300
Year-End Fund Balance	34,600	87,100	125,900	262,600

^{1/} The FY 2001 amount includes the required reduction of expenditures to \$383,100 and includes a Health Crisis Fund repayment of \$40,000. The FY 2002 amount includes a Health Crisis Fund repayment of \$85,000.

[Click here to return to Table of Contents](#)

Arizona Parents Commission on Drug Education and Prevention

Brenda Henderson, Director

JLBC: Kim Hohman
OSP: Keith Fallstrom

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
FUND SOURCES						
Other Non-Appropriated Funds	2,297,400	6,733,300	6,332,200	6,332,200	4,669,200	4,669,200
TOTAL - ALL SOURCES	2,297,400	6,733,300	6,332,200	6,332,200	4,669,200	4,669,200

AGENCY DESCRIPTION— *The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The Commission does not receive a biennial appropriation from the Legislature.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of programs funded	NA	NA	NA	245/234
• Number of parents recruited	NA	NA	NA	9,452
• % of parents completing a program funded by the Commission	NA	NA	70	70
• Administration as a % of total cost	NA	3.7/NA	4.0	5.1

Comments:

- The JLBC recommends that the Commission track the number of programs funded as well as the number of parents recruited. These measures will give a more accurate portrayal of the Commission's workload.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Drug Treatment and Education (PCA2277/A.R.S. § 13-901.02)				Non-Appropriated
Source of Revenue: Fifty percent of the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spiritous liquors and 18% of tax revenue collected on vinous and malt liquor.				
Purpose of Fund: To fund programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances.				
Funds Expended	2,297,400	6,733,300	6,332,200	4,669,200
Year-End Fund Balance	8,164,800	4,631,500	1,499,300	0

[Click here to return to Table of Contents](#)

Arizona State Parks Board

Ken Travous, Executive Director

JLBC: Chris Earnest
OSP: Marcel Benberou

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET*						
Administration	1,775,200	1,942,200	1,700,800	1,656,100	1,709,700	1,658,500
Parks Development and Operations	6,737,700	7,276,900	8,295,600	8,307,500	8,447,600	8,366,100
Kartchner Caverns State Park SLI	1,062,900	1,120,600	1,298,400	1,285,900	1,298,300	1,287,400
<i>Program Subtotal - Parks Development and Operations</i>	7,800,600	8,397,500	9,594,000	9,593,400	9,745,900	9,653,500
Partnerships and Grants						
<i>Growing Smarter</i>	0	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
<i>State Historic Preservation</i>	185,200	165,100	176,200	176,100	176,600	176,400
<i>Water-Based Grants</i>	988,900	840,100	1,060,900	1,060,900	1,092,700	1,092,700
<i>Program Subtotal - Partnerships and Grants</i>	1,174,100	21,005,200	21,237,100	21,237,000	21,269,300	21,269,100
AGENCY TOTAL	10,749,900	31,344,900	32,531,900	32,486,500	32,724,900	32,581,100

* The JLBC and Executive utilize different program budget structures for this agency. The Executive recommendation is shown within the JLBC structure.

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	213.5	217.0	230.0	235.0	234.0	235.0
Personal Services	5,010,800	5,441,600	5,708,200	5,869,300	5,818,600	5,869,300
Employee Related Expenditures	1,155,300	1,290,200	1,331,000	1,362,100	1,366,600	1,410,300
All Other Operating Expenditures:						
Professional and Outside Services	28,700	93,500	93,500	101,400	93,500	107,400
Travel - In State	111,200	103,500	107,000	113,500	107,000	113,500
Travel - Out of State	4,100	4,100	4,100	4,100	4,100	4,100
Other Operating Expenditures	2,959,900	23,141,600	23,739,900	23,600,400	23,787,000	23,639,300
Equipment	417,000	149,800	249,800	149,800	249,800	149,800
OPERATING SUBTOTAL	9,687,000	30,224,300	31,233,500	31,200,600	31,426,600	31,293,700
Special Line Items	1,062,900	1,120,600	1,298,400	1,285,900	1,298,300	1,287,400
AGENCY TOTAL	10,749,900	31,344,900	32,531,900	32,486,500	32,724,900	32,581,100

FUND SOURCES

General Fund	7,226,500	27,390,200	27,337,400	27,510,600	26,947,700	27,525,600
State Parks Enhancement Fund	2,423,500	2,864,600	3,900,700	3,665,000	4,451,400	3,712,800
Reservation Surcharge Revolving Fund	111,000	250,000	232,900	250,000	233,100	250,000
Law Enforcement Boating Safety Fund	988,900	840,100	1,060,900	1,060,900	1,092,700	1,092,700
SUBTOTAL - Other Appropriated Funds	3,523,400	3,954,700	5,194,500	4,975,900	5,777,200	5,055,500
SUBTOTAL - Appropriated Funds	10,749,900	31,344,900	32,531,900	32,486,500	32,724,900	32,581,100
Other Non-Appropriated Funds	20,187,300	25,445,600	25,716,500	25,716,500	26,087,300	26,087,300
Federal Funds	601,700	2,583,700	2,583,700	2,426,100	2,426,100	2,433,400
TOTAL - ALL SOURCES	31,538,900	59,374,200	60,832,100	60,629,100	61,238,300	61,101,800

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	120,400	0.4%	135,400	0.5%	255,800
Other Appropriated Funds	1,021,200	25.8%	1,100,800	27.8%	2,122,000
Total Appropriated Funds	1,141,600	3.6%	1,236,200	3.9%	2,377,800

AGENCY DESCRIPTION — *The Arizona State Parks Board (Parks Board) is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, historic preservation, the administration of the Heritage Fund grant programs, and the administration of Growing Smarter Grants.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Annual park attendance (in millions)	2.26/2.18	2.28/2.37	2.40	2.45/2.50
• % of park visitors rating their experience “good” or “excellent”	96/NA	96/NA	96	96
• Average cost per state park visitor (in dollars)	0.47/0.84	0.65/0.12	0.03	0.22/0.17
• New acres of open space and parkland dedicated in Arizona	NA/35,769	NA/5,000	7,000	7,000
• % of agency staff turnover	NA/12.6	NA/10.2	9.7	9.2
• Administration as a % of total cost	NA	15.5/NA	15.0	5.9

Comments:

- Park visitor ratings surveys are conducted every 5 years. FY 1999 and FY 2000 estimates are based on actual FY 1996 data. The survey is again being conducted in FY 2001.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 69,400	\$ 69,400
	OF	22,000	22,000
ERE Rates	GF	10,300	19,800
	OF	(24,300)	15,900
Risk Management	GF	40,700	46,200
	OF	21,500	23,100

Kartchner Caverns

Revenue **OF** **781,200** **787,200**

The JLBC recommends a total biennial increase of \$1,568,400 from the State Parks Enhancement Fund (SPEF) for additional park staff. This amount includes a FY 2002 increase of \$781,200 and 18 FTE Positions above FY 2001 and a FY 2003 increase of \$787,200 and 18 FTE Positions above FY 2001. Revenues to the SPEF are from park entrance and user fees, which have increased over 65% since the November 1999 opening of Kartchner Caverns State Park. In its first full year of operation, revenues from the new park were approximately \$2,700,000. Statute requires that one-half of SPEF revenues be used for state park acquisition and development projects and that the other half be used for park operating costs. Only the operating costs are subject to legislative appropriation. The JLBC recommendation allocates a portion of the operating increase for staff and other costs at both Kartchner Caverns and 10 other state parks.

Of the \$1,350,000 in new revenues available for park operating costs, JLBC recommends that \$781,200 in FY 2002 and \$787,200 in FY 2003 be appropriated for increased park staffing and other operating costs. These

amounts include funding for both Kartchner Caverns and several other parks. The recommended amounts leave approximately \$500,000 of the new revenue unallocated. As is explained below, the Subcommittee has at least 3 options for the unallocated revenue.

The recommended increase includes \$150,000 and 6 FTE Positions in FY 2002 and FY 2003 above FY 2001 for staffing needs at Kartchner Caverns State Park. The park has continually operated at full capacity as over 200,000 people visited the park in its first year. The original staff plan did not anticipate such a strong long-term demand. Consequently, the current staff is strained to meet the daily visitorship needs. The additional positions will ensure that the 25 daily cavern tours are conducted without having to shift staff from other positions.

In addition, the JLBC recommends a supplemental adjustment of \$37,500 and 6 FTE Positions from the SPEF in FY 2001. This amount will provide the park the additional staff described above for the final 3 months of FY 2001.

The recommended amount also includes a FY 2002 increase of \$631,200 and 12 FTE Positions above FY 2001 and a FY 2003 increase of \$637,200 and 12 FTE Positions above FY 2001 for additional parks staff and increased utility and land lease costs. These positions will help address the 30% increase in attendance at parks other than Kartchner Caverns since FY 1992. During this time, field staff has only increased 4%. The recommended staff includes 10 positions that will be placed in parks with the highest number of visitors, including Lake Havasu, Catalina, Cattail Cove, and Patagonia State Parks. In addition, 2 positions will staff the opening of Oracle State Park, located north of Tucson, in FY 2002.

The Executive also recommends that surplus SPEF revenue be used for additional positions and costs at several parks including Kartchner Caverns. Like JLBC, the Executive recommends 6 additional FTE Positions for Kartchner Caverns in FY 2002 and FY 2003 above FY 2001. For other parks, the Executive is recommending a biennial total of 11 additional FTE Positions; 1 less than the number of positions recommended by JLBC. The positions added by the Executive, however, are phased in over the 2 years, with 7 being added in FY 2002 and the remaining 4 added in FY 2003.

The Executive also recommends that the remaining increase in SPEF revenue be used to offset General Fund support of Kartchner Caverns State Park. In FY 2001, the General Fund provided \$578,700 of the total \$1,120,600 operating costs at the park. The Executive shifts \$192,300 and 8 FTE Positions from the General Fund to the SPEF in FY 2002. In FY 2003, an additional \$386,400 and 9 FTE Positions are shifted to the SPEF for a total biennial shift of \$578,700 and 17 FTE Positions. The JLBC recommendation does not include these fund shifts. The Appropriations Committee has 3 options for these monies: 1) the Executive's fund shift proposal; 2) retain these monies in the fund balance; and/or 3) additional spending items requested by the Parks Board. (*See Other Issues for Legislative Consideration.*)

Growing Smarter GF -0- -0-
 A.R.S. § 41-511.23 appropriates \$20,000,000 annually from the General Fund to the Land Conservation Fund for the Growing Smarter Program through FY 2011. As a result, this amount will not need to be included in the FY 2002 General Appropriation Act. The monies are included in the JLBC recommendation and are used to provide grants to purchase state trust land for conservation purposes. All grants must be matched by the public or private entity that is applying. The Conservation Acquisition Board reviews applicants and recommends grants to the State Parks Board.

The first \$20,000,000 deposit was made in FY 2001. Through September 2000, a total of \$7,700,000 was obligated for 4 grants. Grants were made to the City of Phoenix, Pima County, and the Desert Foothills Land Trust, which received 2 grants. Also, in accordance with statute 10%, or \$2,000,000, has been set aside for grants to agriculture landowners or leasees for conservation based land use management or to reduce livestock and crop production. Although this money has been reserved, no grants have been made for this purpose to date.

Water Based Grants OF 220,800 252,600
 The JLBC recommends a total biennial Law Enforcement Boating Safety Fund (LEBSF) increase of \$473,400 to reflect estimated fund revenues. This amount includes a FY 2002 increase of \$220,800 above FY 2001 and a FY 2003 increase of \$252,600 above FY 2001. The Water Based Grants Program consists of grants issued from 2 fund sources—the LEBSF and the State Lake

Improvement Fund. Only the LEBSF is appropriated. Its revenues are from 47% of watercraft licensing fees collected by the Arizona Game and Fish Department. Monies are granted to counties for boating law enforcement and training. A recommended footnote allows the LEBSF appropriation to be adjusted based on actual receipts to the fund. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT – Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriation for Law Enforcement and Boating Safety Fund projects is an estimate representing all monies distributed to this fund, including balance forward, revenue and transfers during FY 2002 and FY 2003. These monies are appropriated to the Arizona State Parks Board for the purposes established in A.R.S. § 5-383. The appropriation shall be adjusted as necessary to reflect actual final receipts credited to the Law Enforcement and Boating Safety Fund.

All Other Operating Expenditures includes \$26,000 from the State Parks Enhancement Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$260,000 in FY 2002 or FY 2003, an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Enhancement Fund to meet the revenue sharing agreement with the City of Show Low and the United States Forest Service.

All Reservation Surcharge Revolving Fund receipts received by the Arizona State Parks Board in excess of \$250,000 in FY 2002 and \$250,000 in FY 2003 are appropriated to the Reservation Surcharge Revolving Fund Special Line Item. Before the expenditure of any Reservation Surcharge Revolving Fund monies in excess of \$250,000 in FY 2002 and \$250,000 in FY 2003, the Arizona State Parks Board shall submit the intended use of the monies for review by the Joint Legislative Budget Committee.

Deletion of Prior Year Footnotes

The JLBC recommends eliminating 2 footnotes regarding the opening of Kartchner Caverns State Park. The park opened in November 1999 and the footnotes are no longer relevant.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2001 Supplemental Funding

The JLBC recommends a FY 2001 supplemental of \$37,500 and 6 FTE Positions from the SPEF for the Kartchner Caverns Special Line Item. The increase will help parks staff address the needs of visitorship, which has

been at full capacity since opening in November 1999. (See the Kartchner Caverns policy issue for more information on the recommended supplemental.)

Additional SPEF Revenue

Total SPEF operating cost revenues are estimated to be \$4,200,000 in both FY 2002 and FY 2003. This amount includes the increase associated with the opening of Kartchner Caverns State Park. The JLBC recommendation appropriates \$3,700,000 of the revenues in each year, leaving approximately \$500,000 un-appropriated each year. The subcommittee may wish to utilize this additional revenue in one of several ways.

The Executive is recommending that the additional revenue be used to offset General Fund monies for Kartchner Caverns operating costs. The FY 2001 General Fund amount for the park was \$578,700. The JLBC recommendation continues this amount. The subcommittee may, however, elect to replace this funding with SPEF revenues, thus realizing a General Fund saving.

The subcommittee may also elect to appropriate the additional revenues for expenditure items requested by the Parks Board but not included in the JLBC recommendation. These items include:

Increased Marketing: The Parks Board requested an additional \$200,000 for marketing and advertising of the state parks. The request includes monies for brochure photography and printing fees, legal fees associated with Kartchner Caverns trademark issues, and additional

advertising expenses. In addition, monies are included to increase the Public Information Officer’s budget to handle increased requests associated with Kartchner Caverns. The Executive is recommending \$150,000 for this issue.

Law Enforcement Stipend: State Parks currently has 30 Park Rangers that are certified law enforcement officers. The board requested that these staff receive an annual \$3,000 stipend at a total cost of \$100,000 (includes ERE). Although the annual turnover rate for these positions has been steady at 12%, the board is concerned that recent pay increases and other efforts by municipal law enforcement agencies will lure their staff away.

Equipment: A biennial total of \$1,100,000 was requested for new park equipment. The request includes new vehicles, tractors, trailers and other operating equipment. The FY 2001 budget included \$150,000 for equipment funding. The JLBC recommendation continues this level of funding in FY 2002 and FY 2003.

Grant Coordinator Position: The request included \$35,000 for a Grant Coordinator and Oversight position. The position would assist in administering the numerous grant programs managed by the State Parks Staff. The JLBC recommendation did not include funding for this position from the SPEF, as it is currently being funded through the Heritage Fund. The SPEF is limited to park operating costs. Grant coordination is typically not considered an operating cost.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Development Rights Retirement (No Fund Number/A.R.S. § 41-511.15)				Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and transfers.				
Purpose of Fund: To make grants to public and private entities for the purchase, lease or transfer of development rights on private land in the state. This fund was created by Laws 2000, 4 th Special Session, Chapter 1. There are currently no revenue or expenditure estimates.				
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0
Donations (PRA3117/A.R.S. § 41-511.11)				Non-Appropriated
Source of Revenue: Private gifts, grants, and donations. The City of Yuma allocates \$150,000 annually for the operation of the Yuma Crossing State Historic Park.				
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state’s natural features.				
Funds Expended	187,200	179,500	181,600	183,700
Year-End Fund Balance	254,400	279,900	303,300	324,600

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Federal (PRA2000/A.R.S. § 41-511.04)

Non-Appropriated

Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.

Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.

Funds Expended	601,700	2,583,700	2,426,100	2,433,400
Year-End Fund Balance	905,200	734,200	715,300	689,100

Heritage (PRA2296/A.R.S. § 41-502)

Non-Appropriated

Source of Revenue: Annual transfer from the Lottery Fund of up to \$10,000,000, and interest earnings. In FY 2000, the fund received a \$8,470,000 transfer from Lottery. The FY 2001 through FY 2003 expenditures below assume the fund will receive \$8,500,000 from the Lottery each year.

Purpose of Fund: To fund programs and capital projects to preserve, protect, and enhance Arizona's natural environment, historical heritage, biological diversity, state, regional, and local parks, wildlife and wildlife habitat, and other similar purposes. Most of the State Parks Heritage Fund is limited to acquisition and development of local, regional, and state parks; development of trails, acquisition of natural areas, and historic preservation projects. Interest earnings are to be used for program administration.

Funds Expended - Capital	1,370,000	3,038,800	3,038,800	3,038,800
Funds Expended - Operating	6,494,900	7,681,800	7,685,400	7,749,400
Year-End Fund Balance	30,846,300	30,175,700	29,501,500	28,763,300

Land Conservation - Administration Account (PRA9502/A.R.S. § 41-511.23)

Non-Appropriated

Source of Revenue: Interest earnings up to \$500,000 from the Public Conservation account. Unobligated amounts at the end of each fiscal year revert to the Public Conservation account.

Purpose of Fund: To support the Conservation Acquisition Board and administer the Land Conservation Fund.

Funds Expended	0	156,800	159,000	161,300
Year-End Fund Balance	0	0	0	0

Land Conservation - Donation Account (PRA9502/A.R.S. § 41-511.23)

Non-Appropriated

Source of Revenue: Donations from public and private entities.

Purpose of Fund: To match grants made to purchase state trust lands for conservation purposes. There are currently no estimates of donations that will be deposited to the account.

Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

Land Conservation - Public Conservation Account (PRA9502/A.R.S. § 41-511.23)

Non-Appropriated

Source of Revenue: As approved by Arizona voters in November 1998, the fund receives \$20,000,000 annually from the General Fund in FY 2001 through FY 2011.

Purpose of Fund: For grants to the state or any of its political subdivisions, non-profit organizations, individual landowners, and agricultural lessees of state or federal land. Grants are made to purchase or lease state trust lands that are classified as suitable for conservation purposes. The Conservation Acquisition Board will recommend appropriate grants to the Arizona State Parks Board.

Funds Expended from the General Fund	0	20,000,000	20,000,000	20,000,000
Year-End Fund Balance	0	443,200	884,200	1,322,900

Law Enforcement and Boating Safety (PRA2111/A.R.S. § 5-383)

Appropriated

Source of Revenue: A portion of watercraft licensing taxes.

Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Arizona Outdoor Recreation Coordinating Commission distributes the grants.

Funds Expended	988,900	840,100	1,060,900	1,092,700
Year-End Fund Balance	0	189,900	189,900	189,900

	FY 2000	FY 2001	FY 2002	FY 2003
Off-Highway Vehicle Recreation (PRA2253/A.R.S. § 28-1176)				Non-Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.				
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Seventy percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement.				
Funds Expended	1,952,100	2,038,100	2,010,000	2,100,400
Year-End Fund Balance	5,344,600	5,269,800	5,277,000	5,249,400
Partnership (PRA2123/A.R.S. § 41-511.04)				Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.				
Purpose of Fund: To provide trails stewardship with funds received from the USDA Forest Service and the Bureau of Land Management; for operating costs of the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.				
Funds Expended	18,400	70,000	70,000	70,000
Year-End Fund Balance	293,000	293,000	293,000	293,000
Publications and Souvenir Revolving (PRA4010/A.R.S. § 41-511.21)				Non-Appropriated
Source of Revenue: Sales of books, postcards, posters, and souvenir items at state parks and proceeds from the operation of the lodge and restaurant at Tonto Natural Bridge State Park.				
Purpose of Fund: Production and distribution of agency publications, as well as the purchase of souvenir items for sale at state parks, and the operation of concessions.				
Funds Expended	257,000	428,700	429,800	431,100
Year-End Fund Balance	228,900	238,200	246,400	253,300
Reservation Surcharge Revolving (PRA1304/A.R.S. § 5-382)				Appropriated
Source of Revenue: Surcharges on reservations made using an automated reservation system. Currently only Kartchner Caverns State Park utilizes the system. The surcharge is \$2.00 per reserved ticket. Any amount in excess of \$12,500 at the end of each fiscal year is transferred to the General Fund.				
Purpose of Fund: To staff and manage the reservation system.				
Funds Expended	111,000	250,000	250,000	250,000
Year-End Fund Balance	12,500	12,500	12,500	12,500
State Lake Improvement (PRA2106/A.R.S. § 5-382)				Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway Users Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.				
Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation and Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review.				
Funds Expended - Capital	3,830,200	2,117,600	2,130,100	2,142,700
Funds Expended - Operating	3,522,000	6,040,100	5,994,200	6,120,400
Year-End Fund Balance	24,988,800	24,834,000	24,760,100	24,594,900
State Parks Enhancement (PRA2202/A.R.S. § 41-511.11)				Partially Appropriated
Source of Revenue: State parks user fees and concession sales.				
Purpose of Fund: One-half of this fund is appropriated for parks operations. The other half is used for parks acquisition and development. The acquisition and development portion is earmarked to complete Kartchner Caverns State Park and for lease-purchase payments of Tonto Natural Bridge State Park. Upon completion of the acquisition payments and development of these parks, this portion of the fund will be subject to legislative appropriation. The completion of Kartchner Caverns is currently targeted for November 2003, while Tonto lease-purchase payments will not be finished until FY 2012.				
Funds Expended - Capital (Non-Appropriated)	2,555,500	3,694,200	4,017,600	4,089,500
Funds Expended - Operating (Appropriated)	2,423,500	2,864,600	3,665,000	3,712,800
Year-End Fund Balance	6,649,800	7,479,000	7,500,000	7,400,000

[Click here to return to Table of Contents](#)

Personnel Board

JLBC: Paul Shannon
 OSPB: Keith Fallstrom

Judith Henkel, Executive Director
 House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Personnel Board	314,900	402,800	389,800	396,600	387,200	392,700

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	3.5	3.5	3.0	3.0	3.0	3.0
Personal Services	98,300	107,700	101,300	102,500	101,300	102,500
Employee Related Expenditures	21,700	23,900	21,600	21,600	21,600	21,700
All Other Operating Expenditures:						
Professional and Outside Services	147,600	229,800	224,800	229,800	224,800	229,800
Travel - In State	400	700	700	700	700	700
Other Operating Expenditures	35,500	38,000	38,000	38,000	38,000	38,000
Equipment	11,400	2,700	3,400	4,000	800	0
AGENCY TOTAL	314,900	402,800	389,800	396,600	387,200	392,700

FUND SOURCES

General Fund	314,900	402,800	389,800	396,600	387,200	392,700
SUBTOTAL - Appropriated Funds	314,900	402,800	389,800	396,600	387,200	392,700
TOTAL - ALL SOURCES	314,900	402,800	389,800	396,600	387,200	392,700

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(6,200)	-1.5%	(10,100)	-2.5%	(16,300)

AGENCY DESCRIPTION — *The Personnel Board hears grievances for state employees in the Arizona Department of Administration Personnel System who have been dismissed, demoted, or suspended for more than 40 hours. The board also hears "whistle blower" complaints, concerning reprisals against employees who disclose information to a public body.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Appeals/complaints filed	125/92	101/74	89	89
• % of cases where state agency disciplinary action is upheld by the board	NA/80	NA/80	85	85
• Average number of calendar days from receipt of appeal/complaint to final	160/207	100/119	110	105
• Average cost of an appeal/complaint (dollars)	1,087/1,097	1,165/1,022	1,559	1,642/1,726
• % of customers rating service as good or excellent	NA	NA/95	97	98
• Administration as a % of total cost	NA	20.5/NA	19.7	19.4/19.1

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$1,800	\$1,800
ERE Rates	GF	(100)	-0-

Personal Services

Adjustments

GF (9,200) (9,200)
 The JLBC recommends a total biennial General Fund decrease of \$(18,400) for Personal Services. This amount includes a decrease of \$(11,500) to eliminate a (0.5) FTE Position in both FY 2002 and FY 2003 from FY 2001. The amount also includes an increase of \$2,300 in both FY 2002 and FY 2003 above FY 2001 to fund an increase in the salary of the Executive Director. The position being eliminated was originally appropriated to transcribe

hearing testimony. The Auditor General recommended in a 1999 performance audit that the board discontinue its in-house transcription service. The board no longer transcribes its hearings and instead provides an audio tape of the proceedings. The salary increase for the Executive Director is contingent upon approval of the board. The Executive concurs, but does not fund the salary increase for the Executive Director.

Equipment GF 1,300 (2,700)

The JLBC recommends a total biennial GF decrease of \$(1,400) for computer and office equipment. This amount includes elimination of \$(2,700) for one-time FY 2001 equipment funding and a one-time increase of \$4,000 in FY 2002 to replace a computer and office furniture. There would be no equipment funding in FY 2003. The Executive concurs, but recommends replacing the computer in FY 2002 and the furniture in FY 2003.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

[Click here to return to Table of Contents](#)

Arizona State Board of Pharmacy

Llyn Lloyd, Executive Director

JLBC: Beth Kohler
 OSPB: Theresa Garcia

House Subcommittee: Johnson.
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Arizona State Board of Pharmacy	800,000	903,800	940,700	1,152,000	927,100	1,078,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0	17.0	14.0	17.0
Personal Services	505,300	588,200	609,000	709,900	609,000	709,900
Employee Related Expenditures	93,500	122,200	131,400	155,700	131,900	158,200
All Other Operating Expenditures:						
Professional and Outside Services	5,800	5,000	5,000	5,000	5,000	5,000
Travel - In State	28,700	32,800	32,800	50,200	32,800	50,200
Travel - Out of State	7,400	4,000	4,000	4,000	4,000	4,000
Other Operating Expenditures	124,900	137,200	143,000	151,100	144,400	150,900
Equipment	34,400	14,400	15,500	76,100	0	0
AGENCY TOTAL	800,000	903,800	940,700	1,152,000	927,100	1,078,200

FUND SOURCES

Arizona State Board of Pharmacy Fund	800,000	903,800	940,700	1,152,000	927,100	1,078,200
SUBTOTAL - Appropriated Funds	800,000	903,800	940,700	1,152,000	927,100	1,078,200
TOTAL - ALL SOURCES	800,000	903,800	940,700	1,152,000	927,100	1,078,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	248,200	27.5%	174,400	19.3%	422,600

AGENCY DESCRIPTION — *The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	NA/11,072	12,000/11,348	12,000	12,000
• Number of complaints received about licensees	120/80	120/76	120	120
• Average calendar days to resolve a complaint	120/100	120/100	120	120
• Number of inspections of licensees	NA/1,860	1,800/2,183	3,047	3,047
• Average calendar days to renew a license (from receipt of application to issuance)	7/5	7/5	5	5
• Administration as a % of total cost	NA	0.4/NA	0.4	0.3

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 8,300	\$ 8,300
ERE Rates	OF	7,800	10,300
Risk Management	OF	900	700

Non-Prescription Drugs

Regulation OF 61,600 41,400

The JLBC recommends a total biennial increase of \$103,000 for the regulation of non-prescription drugs sold in vending machines. This amount includes a FY 2002 increase of \$61,600 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$41,400 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Laws 2000, Chapter 200 allows the board to issue permits for non-prescription

drugs to be sold in vending machines. However, how many vending machines will be regulated or by how much this new area of regulation will increase the board's workload is unknown. Therefore, the JLBC recommends 1 FTE Position so that the board can start the program and will then be able to determine the number of FTE Positions needed over the next biennium. The Executive does not address this issue.

Methamphetamine

Precursor Regulation OF 53,600 33,400

The JLBC recommends a total biennial increase of \$87,000 for the regulation of methamphetamine precursor chemicals. This amount includes a FY 2002 increase of \$53,600 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$33,400 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Laws 1999, Chapter 15 requires the board to license non-resident businesses that ship methamphetamine precursor chemicals into Arizona. These chemicals are used to produce non-prescription medications and are also used to manufacture the illegal drug methamphetamine. The board estimates that 200 to 300 businesses currently ship methamphetamine precursor chemicals into the state. The recommended FTE Position will be responsible for ensuring compliance with this new area of regulation. The Executive does not address this issue.

Compliance Officer OF 88,500 68,300

The JLBC recommends a total biennial increase of \$156,800 for a compliance officer. This amount includes a FY 2002 increase of \$88,500 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$68,300 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. The board has experienced a 42% increase in the number of inspections and a 27% increase in the number of complaints received from FY 1998 to FY 2000 without an increase in compliance officers. The JLBC recommends an additional compliance officer to address the increase in workload. The Executive does not address this issue.

Board Expenses OF 13,400 13,400

The JLBC recommends a total biennial increase of \$26,800 to compensate board members for increased hours spent in service of the board. This amount includes an increase of \$13,400 in both FY 2002 and FY 2003 above FY 2001. Pursuant to Laws 2000, Chapter 30, board member per diem has increase from \$100 per day to \$200 per day. The recommended amount provides for the increased board member compensation. The Executive concurs.

Printing and Postage OF 5,800 5,800

The JLBC recommends a total biennial increase of \$11,600 for increased printing and postage expenses. This amount includes an increase of \$13,400 in both FY 2002 and FY 2003 above FY 2001. The board is mandated by

A.R.S. § 35-1904 to provide a quarterly update to pharmacists on the prescription writing privileges of health and dental providers and has faced increased costs relating to the publication and distribution of this newsletter. The Executive does not address this issue.

Equipment OF 1,100 (14,400)

The JLBC recommends a total biennial decrease of \$(13,300) for a new telephone system. This amount includes elimination of (14,400) in both FY 2002 and FY 2003 for one-time FY 2001 equipment funding, and a one-time increase of \$15,500 in FY 2002 for a new telephone system. The board's telephone system was installed in 1992 and cannot be upgraded. The provider of the current system has gone out of business and thus can no longer support the system. The recommended amount will allow for the purchase of a new telephone system. The Executive recommends a FY 2002 increase of \$1,800 above FY 2001 and a net FY 2003 decrease of \$(13,700) below FY 2003.

Rent Technical Adjustment 7,200 7,200

The JLBC recommends a total biennial decrease of \$14,400 for technical adjustments related to the board's rent. This amount includes an increase of \$7,200 in both FY 2002 and FY 2003 above FY 2001. The board expected to move to the Centre Pointe Building in FY 2001. Beginning in FY 2001, the board received an increase of \$13,600 for operations and maintenance associated with the Centre Pointe Building. The board instead moved to a private office building and does not need a specific appropriation for operations and maintenance, which is included in the new lease. The recommended amounts include a decrease of \$(13,600) in FY 2002 and FY 2003 below FY 2001 to eliminate the operations and maintenance monies the board received in FY 2001, and an increase of \$20,800 in each year for increased lease costs associated with the board's move, for a net increase of \$7,200 in each year. The Executive recommends a FY 2002 increase of \$4,200 above FY 2001 and a FY 2003 increase of \$5,800 above FY 2001.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriation or \$50,000, whichever is greater, for unanticipated costs. We

recommend that the Legislature address supplemental requests on a case-by-base basis.

not recommend funding this issue because the board already has been paying stipends to the drug inspectors to bring their salaries into the new range. The JLBC recommends the board spend the money currently used for stipends to increase the salaries of the drug inspectors.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Salary Increase

The board is requesting a total biennial increase of \$10,600 for salary increases for pharmacists. This amount includes an increase of \$5,300 in both FY 2002 and FY 2003 above FY 2001. The Arizona Department of Administration has established a special salary range for pharmacists. The board requests additional funds to bring the salaries of their drug inspectors into this new range. The JLBC does

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Arizona State Board of Pharmacy (PMA2052/A.R.S. § 32-1907)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To provide for the examination, licensing, investigation, and regulation of pharmacies and pharmacists, and for board administration.				
Funds Expended	800,000	903,800	1,152,000	1,078,200
Year-End Fund Balance	1,571,300	1,532,000	1,244,500	1,030,800

[Click here to return to Table of Contents](#)

Board of Physical Therapy Examiners

Dolores DeBaca, Executive Director

JLBC: Steve Grunig
 OSPB: Randy Hillier

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Board of Physical Therapy Examiners	204,400	203,800	208,300	223,000	208,300	222,800

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0	3.0	3.0	3.0
Personal Services	102,900	97,000	131,000	135,900	131,000	135,900
Employee Related Expenditures	18,100	21,800	25,700	26,200	25,700	26,000
All Other Operating Expenditures:						
Professional and Outside Services	58,900	62,900	29,600	32,400	29,600	32,400
Travel - In State	3,300	7,000	4,000	7,000	4,000	7,000
Travel - Out of State	1,300	700	2,300	2,900	2,300	2,900
Other Operating Expenditures	10,900	13,700	13,700	16,600	13,700	16,600
Equipment	9,000	700	2,000	2,000	2,000	2,000
AGENCY TOTAL	204,400	203,800	208,300	223,000	208,300	222,800

FUND SOURCES

Board of Physical Therapy Fund	204,400	203,800	208,300	223,000	208,300	222,800
SUBTOTAL - Appropriated Funds	204,400	203,800	208,300	223,000	208,300	222,800
TOTAL - ALL SOURCES	204,400	203,800	208,300	223,000	208,300	222,800

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	19,200	9.4%	19,000	9.3%	38,200

AGENCY DESCRIPTION — *The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	547/547	400/294	350	300
• Number of complaints received about licensees	15/15	15/10	15	15
• Average calendar days to resolve a complaint	60/60	60/60	60	60
• Number of investigations	15/15	15/10	15	15
• Average calendar days to renew a license (from receipt of application to issuance)	1/1	1/1	1	1
• Administration as a % of total cost	NA	8/NA	8	8

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>	State Boards' Office	OF	300	300
Standard Changes				The JLBC recommends a total biennial increase of \$600 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an increase of \$300 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.			
Pay Annualization	OF	\$1,400	\$1,400				
ERE Rates	OF	(200)	(400)				

Position Reclassification OF 11,300 11,300

The JLBC recommends a total biennial increase of \$22,600 to reclassify a position. This amount includes an increase of \$11,300 for salary increases in both FY 2002 and FY 2003 above FY 2001. The recommended amount allows the board to reclassify a clerk typist position as a program compliance specialist. The change is needed in order to more effectively perform the required activities of the board. The program compliance specialist will be responsible for performing work in enforcement activities, performing audits and conducting investigations. The Executive does not recommend funding for this issue.

Printing and Postage OF 2,900 2,900

The JLBC recommends a total biennial increase of \$5,800 to allow the board to cover increased expenditures for printing and postage. This amount includes an increase of \$2,900 in both FY 2002 and FY 2003 above FY 2001. The Executive does not recommend funding for this issue.

Equipment OF 1,300 1,300

The JLBC recommends a total biennial increase of \$2,600 for the purchase of 2 new laser printers. This amount includes a one-time increase of \$1,300 for equipment in both FY 2002 and FY 2003 above FY 2001. The Executive concurs.

Professional

Development OF 2,200 2,200

The JLBC recommends a total biennial increase of \$4,400 for out of state travel. This amount includes an increase of \$2,200 in both FY 2002 and FY 2003 above FY 2001. The recommended amount enables board staff to attend 2 national conferences held by the Federation of State Boards of Physical Therapy. The Executive recommends an increase of \$1,600 in both FY 2002 and FY 2003 above FY 2001 for this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS **FY 2000** **FY 2001** **FY 2002** **FY 2003**

Board of Physical Therapy (PTA2053/A.R.S. § 32-2004) **Appropriated**

Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.

Funds Expended	204,400	203,800	223,000	222,800
Year-End Fund Balance	393,100	516,400	353,500	453,000

[Click here to return to Table of Contents](#)

Arizona Pioneers' Home

Jeanine Dike, Superintendent

JLBC: Indya Kincannon
OSP: Theresa Garcia

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Arizona Pioneers' Home	4,711,100	4,934,100	5,041,400	5,314,700	5,060,000	5,117,200
OPERATING BUDGET						
Full Time Equivalent Positions	117.4	117.4	117.4	117.4	117.4	117.4
Personal Services	2,677,900	2,885,200	2,928,300	2,967,500	2,928,300	2,967,500
Employee Related Expenditures	706,500	770,000	814,700	817,800	821,300	824,600
All Other Operating Expenditures:						
Professional and Outside Services	145,700	162,700	162,700	162,700	162,700	162,700
Travel - In State	12,200	12,400	19,300	20,800	19,300	20,800
Food	219,400	231,800	231,800	231,800	231,800	231,800
Other Operating Expenditures	912,700	842,800	880,200	879,800	888,400	909,800
Equipment	36,700	29,200	4,400	234,300	8,200	0
AGENCY TOTAL	4,711,100	4,934,100	5,041,400	5,314,700	5,060,000	5,117,200
FUND SOURCES						
General Fund	2,502,600	2,719,200	2,826,500	2,665,500	2,845,100	2,702,300
Miners' Hospital Fund	1,493,800	1,500,000	1,500,000	1,934,300	1,500,000	1,700,000
State Charitable Fund	714,700	714,900	714,900	714,900	714,900	714,900
SUBTOTAL - Other Appropriated Funds	2,208,500	2,214,900	2,214,900	2,649,200	2,214,900	2,414,900
SUBTOTAL - Appropriated Funds	4,711,100	4,934,100	5,041,400	5,314,700	5,060,000	5,117,200
Other Non-Appropriated Funds	36,400	30,000	30,000	30,000	30,000	30,000
TOTAL - ALL SOURCES	4,747,500	4,964,100	5,041,400	5,344,700	5,060,000	5,147,200

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(53,700)	-2.0%	(16,900)	-0.6%	(70,600)
Other Appropriated Funds	434,300	19.6%	200,000	9.0%	634,300
Total Appropriated Funds	380,600	7.7%	183,100	3.7%	563,700

AGENCY DESCRIPTION — *The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-time residents and disabled miners. The Home, on average, cares for 140 residents.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• DHS quality rating (excellent, standard or substandard)	NA/Excellent	NA/Excellent	Excellent	Excellent
• % of residents rating services as good or excellent	98/98	98/98	98/98	98/98
• Monthly cost per resident	\$2,404/\$2,400	\$2,249/\$2,974	\$3,110	\$3,110
• Average monthly payment per resident	\$600/\$600	\$650/\$544	\$650	\$650
• % of agency staff turnover	NA/12.8	NA/20.1	18	16
• Administration as a % of total cost	NA	8.7/NA	9.1	8.4

Comments:

- Most of the staff turnover is attributable to nursing staff.

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes		
Pay Annualization	GF \$ 49,100	\$ 49,100
ERE Rates	GF 36,300	43,100
Risk Management	GF 16,200	24,400

Nurse Call System OF 100,000 -0-

The JLBC recommends a total biennial Miners' Hospital Fund increase of \$100,000 for a new nurse call system. This amount includes a one-time increase of \$100,000 in FY 2002 above FY 2001. Federal and state regulations require that residents be able to communicate with nurses from their rooms and bathrooms. The current system is over 30 years old, has no central monitoring system, and does not serve all rooms. The Executive recommends the same amount as part of the agency's capital budget (*see Capital Outlay section write-up.*)

Nurse Stipends GF 44,700 44,700

The JLBC recommends a total biennial General Fund increase of \$89,400 for nurse stipends. This amount includes an increase of \$44,700 in both FY 2002 and FY 2003 above FY 2001. The Home experienced 59% turnover among its nursing assistants in FY 2000, and has been short staffed on a number of occasions. The recommended amount is intended to reduce turnover and help the agency avoid having to use nursing assistants from a temporary registry, who cost \$15 per hour, compared to the \$7.50 per hour starting hourly wage for a nursing assistant on staff. The recommended amount will allow the agency to implement salary steps for nursing assistants based on years of experience. A nursing assistant on the day shift with 3 years of experience, for instance, will earn a \$16,700 annual salary with the stipend, as opposed to \$15,600 without the stipend.

The JLBC recommends adding a footnote that requires the agency to obtain approval from the Arizona Department of Administration (ADOA) prior to implementing the alternative salary structure and prior to spending the funds. (*See New Footnotes.*) The Executive does not address this issue.

Increased Drug Costs GF 20,800 42,600

The JLBC recommends a total biennial General Fund increase of \$63,400 for increased drug costs. This amount includes a FY 2002 increase of \$20,800 above FY 2001 and a FY 2003 increase of \$42,600 above FY 2001. In FY 2000, the Home spent \$424,000 on prescription drugs, a 1% increase over FY 1999 expenditures despite a 6% drop in the number of residents, from 142 to 133. The Home expects its resident population to rise to 140 in FY 2002 and FY 2003, and anticipates a corresponding increase in drug costs. Based on the Consumer Price Index for prescription drugs and medical supplies, the recommended amount allows for a 5% increase in the agency's drug expenditures. National research indicates that drug costs have risen due to price inflation and higher

utilization of drugs in medical treatments. The Executive recommends a total biennial General Fund increase of \$42,400 for this issue. The Executive's recommended amount includes an increase of \$21,200 in both FY 2002 and FY 2003 above FY 2001. The Executive's recommendation includes a 5% increase from FY 2001 to FY 2002, and no increase from FY 2002 to FY 2003.

Equipment GF (29,200) (29,200)
OF 134,300 -0-

The JLBC recommends a total biennial General Fund decrease of \$(58,400) to eliminate one-time FY 2001 equipment funding. This amount includes a decrease of \$(29,200) in both FY 2002 and FY 2003 from FY 2001. The JLBC also recommends a total Miners' Hospital Fund increase of \$134,300 for replacement equipment. This amount includes a one-time increase of \$134,300 in FY 2002 above FY 2001. The funds would be used to replace dining room chairs, lobby furniture, and bedside tables that are over 30 years old. In some cases the furniture has started to fall apart, posing a danger to residents. The funds would also go towards purchasing a new computer server, 10 patient movement indicators, a new tractor, a floor scrubber, and a new copier.

The Executive recommends a total biennial General Fund increase of \$12,600 for the purchase of a computer server in FY 2002 and to purchase a new copier and floor scrubber in FY 2003.

Vehicle Maintenance GF 8,400 8,400

The JLBC recommends a total biennial General Fund increase of \$16,800 for increased vehicle maintenance costs. In FY 2001, the agency was budgeted \$900 per month for maintenance, mileage and fuel costs for its 3 vehicles that are part of the ADOA vehicle fleet. The average monthly cost in FY 2001 year-to-date is almost \$1,600 and is not expected to decline. The recommended amounts will allow the agency to cover these higher than expected costs. The Executive recommends a total biennial General Fund increase of \$13,800 for this issue.

Personal Services GF (200,000) (200,000)
OF 200,000 200,000

The JLBC recommends a total biennial General Fund decrease of \$(400,000) and an equivalent total biennial Miners' Hospital Fund increase of \$400,000 to better reflect annual revenues available in the Miners' Hospital Fund. The amount includes a General Fund decrease of \$(200,000) in both FY 2002 and FY 2003 from FY 2001. The amount also includes a Miners' Hospital Fund increase of \$200,000 in both FY 2002 and FY 2003 above FY 2001. The fund shift would be allocated to the Personal Services Special Line Item. The FY 2001 appropriation from the Miners' Hospital Fund is \$1,500,000. The JLBC estimates that the annual revenue to the Miners' Hospital Fund will exceed \$1,700,000 in FY 2001, FY 2002 and FY 2003. The recommended fund shift will allow the agency to spend its annual revenue from the Miners' Hospital Fund, while simultaneously

decreasing its General Fund appropriation, with no net effect to the agency's overall budget or the Miners' Hospital Fund's balance forward. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Detailed Line item by Agency.

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

In addition to the amounts appropriated, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Pioneers' Home and the Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution.

The Pioneers' Home shall not exceed its expenditure authority for monies appropriated from the Miners' Hospital for the Disabled Miners' Land Fund.

New Footnotes

The Governor's Office for Excellence in Government shall prepare a report exploring the viability of privatizing the Arizona Pioneers' Home. This report will, at a minimum, discuss the potential costs and benefits of privatization and the legal issues pertaining to a private entity's use of the Miners' Hospital Fund. The report shall be submitted to the Joint Legislative Budget Committee no later than June 30, 2002. *(The JLBC recommends the new report to explore the potential benefits of privatizing the Home.)*

Before the expenditure of the \$44,700 appropriated for nursing assistant stipends, the Arizona Pioneers' Home

shall obtain approval from the Arizona Department of Administration for the alternative salary structure for nursing assistants.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the one-time footnote concerning the Home's use of the Miners' Hospital Fund. During the fall 1999 session Congress amended Arizona's Enabling Act to allow Pioneers' Home to use the Miners' Hospital Fund.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Performance Audits

In its January 2000 Procedural Review, the Auditor General cited numerous internal control deficiencies at the Home. The review indicates that the Home did not adequately safeguard some residents' resources, failed to minimize the use of state monies, disregarded state regulations regarding conflict of interest, and failed to support a strong internal control environment. The Auditor General's review also indicates that the Home is not obtaining complete financial information from its residents to calculate the amount the residents are required to pay for their ongoing care. Consequently, the Home may be using state appropriations to inappropriately subsidize a portion of residents' care.

The Home has responded to the recommendations of the review and is attempting to correct the deficiencies. The Auditor General is in the process of preparing a follow-up report.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Donations (PIA3143/A.R.S. § 35-149)				Non-Appropriated
Source of Revenue: Donations or contributions from private sources.				
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.				
Funds Expended	36,400	30,000	30,000	30,000
Year-End Fund Balance	26,200	40,200	54,200	68,200
Miners' Hospital (PIA3130/A.R.S. § 37-525)				Appropriated
Source of Revenue: Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25 and monies derived from the rental of these lands and property.				
Purpose of Fund: To provide a continuous source of funds to benefit the Arizona Pioneers' Home.				
Funds Expended - Capital	0	1,213,500	0	0
Funds Expended - Operating	1,493,800	1,500,000	1,934,300	1,700,000
Year-End Fund Balance	7,765,900	6,809,300	6,628,400	6,681,700

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

State Charitable (PIA3129/A.R.S. § 37-525)

Appropriated

Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund.

Purpose of Fund: For the operation of state charitable institutions.

Funds Expended	714,700	714,900	714,900	714,900
Year-End Fund Balance	545,400	508,900	472,400	435,900

[Click here to return to Table of Contents](#)

State Board of Podiatry Examiners

Linda A. Wells, Executive Director

JLBC: Steve Grunig
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
State Board of Podiatry Examiners	78,200	85,200	94,800	94,700	94,800	94,600
OPERATING BUDGET						
Full Time Equivalent Positions	1.0	1.0	1.0	1.0	1.0	1.0
Personal Services	42,800	42,800	50,600	50,600	50,600	50,600
Employee Related Expenditures	7,000	6,800	8,500	8,300	8,500	8,200
All Other Operating Expenditures:						
Professional and Outside Services	24,800	29,900	30,000	30,100	30,000	30,100
Travel - In State	400	1,800	1,800	1,800	1,800	1,800
Other Operating Expenditures	3,200	3,900	3,900	3,900	3,900	3,900
AGENCY TOTAL	78,200	85,200	94,800	94,700	94,800	94,600
FUND SOURCES						
Podiatry Fund	78,200	85,200	94,800	94,700	94,800	94,600
SUBTOTAL - Appropriated Funds	78,200	85,200	94,800	94,700	94,800	94,600
TOTAL - ALL SOURCES	78,200	85,200	94,800	94,700	94,800	94,600

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	9,500	11.2%	9,400	11.0%	18,900

AGENCY DESCRIPTION — *The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	168/168	180/180	172	172
• Number of complaints received about licensees	22/22	29/22	29	30
• Average calendar days to resolve a complaint	120/120	90/90	90	90
• Number of investigations	21/21	29/22	29	30
• Average calendar days to renew a license (from receipt of application to issuance)	120/120	130/130	130	130
• Administration as a % of total cost	NA	6/NA	6	6

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	OF \$ 600	\$ 600
ERE Rates	OF 600	500

amount enables the salary of the Executive Director position to be raised to the mid-point of its pay grade in accordance with prior board approval. The Executive concurs.

Salary Increases OF **8,100** **8,100**
The JLBC recommends a total biennial increase of \$16,200 for salary increases. This amount includes an increase of \$8,100 for Personal Services and ERE in both FY 2002 and FY 2003 above FY 2001. The recommended

State Boards' Office OF **200** **200**
The JLBC recommends a total biennial increase of \$400 to fund an increase in the agency's share of joint office costs of the State Boards' Office. This amount includes an increase of \$200 in both FY 2002 and FY 2003 above

FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Podiatry (POA2055/A.R.S. § 32-806)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.				
Funds Expended	78,200	85,200	94,700	94,600
Year-End Fund Balance	84,500	87,600	109,700	131,900

[Click here to return to Table of Contents](#)

Commission for Postsecondary Education

Verna L. Allen, Executive Director

JLBC: Steve Grunig

House Subcommittee: Gray

OSPB: Jeff Young

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Commission for Postsecondary Education	226,800	311,200	314,400	318,500	314,500	318,600
Course Equivalency Guide SLI	13,200	13,200	0	0	0	0
Leveraging Educational Assistance Partnership (LEAP) SLI	2,761,700	3,364,500	3,364,500	3,364,500	3,364,500	3,364,500
Private Postsecondary Education Student Financial Assistance Program SLI	270,000	400,000	400,000	400,000	400,000	400,000
Family College Savings Program SLI	32,400	85,100	85,100	85,100	85,100	85,100
Arizona College and Career Guide SLI	20,000	25,000	25,000	25,000	25,000	25,000
Arizona Minority Educational Policy Analysis Center (AMEPAC) SLI	13,300	74,500	74,500	74,500	74,500	74,500
Twelve Plus Partnership SLI	131,700	397,200	231,200	231,200	231,200	231,200
AGENCY TOTAL	3,469,100	4,670,700	4,494,700	4,498,800	4,494,800	4,498,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0	6.0	6.0	6.0
Personal Services	119,600	177,300	180,300	180,000	180,300	180,000
Employee Related Expenditures	22,900	33,600	33,300	34,300	33,400	34,400
All Other Operating Expenditures:						
Professional and Outside Services	14,100	31,000	31,000	31,000	31,000	31,000
Travel - In State	3,000	2,000	2,000	2,000	2,000	2,000
Travel - Out of State	3,000	4,400	4,400	4,400	4,400	4,400
Other Operating Expenditures	64,200	62,900	63,400	66,800	63,400	66,800
OPERATING SUBTOTAL	226,800	311,200	314,400	318,500	314,500	318,600
Special Line Items	3,242,300	4,359,500	4,180,300	4,180,300	4,180,300	4,180,300
AGENCY TOTAL	3,469,100	4,670,700	4,494,700	4,498,800	4,494,800	4,498,900

FUND SOURCES

General Fund	1,603,000	1,736,300	1,726,100	1,723,800	1,726,100	1,723,800
Postsecondary Education Fund	1,866,100	2,934,400	2,768,600	2,775,000	2,768,700	2,775,100
SUBTOTAL - Other Appropriated Funds	1,866,100	2,934,400	2,768,600	2,775,000	2,768,700	2,775,100
SUBTOTAL - Appropriated Funds	3,469,100	4,670,700	4,494,700	4,498,800	4,494,800	4,498,900
Other Non-Appropriated Funds	1,200	75,200	57,000	57,000	10,600	10,600
TOTAL - ALL SOURCES	3,470,300	4,745,900	4,551,700	4,555,800	4,505,400	4,509,500

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(12,500)	-0.7%	(12,500)	-0.7%	(25,000)
Other Appropriated Funds	(159,400)	-5.4%	(159,300)	-5.4%	(318,700)
Total Appropriated Funds	(171,900)	-3.7%	(171,800)	-3.7%	(343,700)

AGENCY DESCRIPTION — *The Commission, established as the State Postsecondary Review Entity in FY 1995, is authorized to conduct, supervise and coordinate the review of public and private postsecondary education institutions in the state to determine their eligibility for student financial aid monies, and to administer specifically identified federal and state financial aid programs. The Commission provides a forum to public and private postsecondary education institutions for discussion of issues of mutual interest. It coordinates and promotes studies of interest to postsecondary institutions and provides information to the public on postsecondary education opportunities in the state.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Student grants awarded	4,189/4,189	4,100/3,784	3,900	3,900
• AZ Educ. Loan Program number of student borrowers	149,105/129,202	149,105/129,000	129,000	130,000/130,500
• Family College Savings Program account holders	0/0	12,000/323	4,042	5,838/6,838
• College and Career Guides distributed	8,000/8,000	46,000/18,180	10,000	10,000
• % of customers rating Commission services as good or excellent	NA	NA	85	85
• Administration as a % of total cost	NA	4/NA	4	4

Comments:

- The JLBC recommends that the agency implement a customer satisfaction survey in order to better evaluate its performance.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 900	\$ 900
	OF	1,800	1,800
ERE Rates	GF	(200)	(200)
	OF	900	1,000
Risk Management	OF	500	500
Rent	OF	3,400	3,400

Transfer of Course

Equivalency Guide GF (13,200) (13,200)

The JLBC recommends a total biennial General Fund decrease of \$(26,400) for transfer of the Course Equivalency Guide. This amount includes a decrease of \$(13,200) in both FY 2002 and FY 2003 below FY 2001. The recommended decrease eliminates the funding for the Course Equivalency Guide from the Commission's budget. The State Board of Directors for Community Colleges currently has the responsibility for publishing and distributing the Course Equivalency Guide. The Executive concurs.

Twelve Plus Partnership OF (166,000) (166,000)

The JLBC recommends a total biennial Postsecondary Education Fund decrease of \$(332,000) for the Twelve Plus Partnership. This amount includes a decrease of \$(166,000) in both FY 2002 and FY 2003 below FY 2001. The recommended amount reflects decreased funding requirements for Twelve Plus Partnership programs. The Twelve Plus Partnership is an early education awareness initiative that consists of 5 different components; Connections to Career and College Centers, The Best Education Practices Conference and Awards Recognition, Think College, Round Table Discussions, and Public Policy Forums. It is funded through private donations and company sponsorships. It will now use in-kind donations such as printing and publication design services which will allow a reduction in appropriated funding. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The appropriation for Leveraging Educational Assistance Partnership is to be used to make grants under the Arizona State Student Incentive Grant Program administered by the Arizona Commission for Postsecondary Education. Grants may be made according to the provisions of applicable federal and state laws and regulations relating to this program to Arizona residents who demonstrate financial need and who are attending, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution.

Each participating institution, public or private, in order to be eligible to receive state matching funds under the State Student Incentive Grant Program for grants to students, shall provide an amount of institutional matching funds that equals the amount of funds provided by the state to the institution for the State Student Incentive Grant Program. Administrative expenses incurred by the Commission for Postsecondary Education shall be paid from institutional matching funds and shall not exceed 12% of the funds in FY 2002 and FY 2003.

Explanatory Note: Under federal rules, states have the flexibility to use LEAP funds for existing State Student Incentive Grant programs, or to use them for a variety of other purposes, such as early college awareness/transition to college, merit-based aid, and community service. Arizona limits LEAP funding to need-based grants to students attending postsecondary institutions. Federal LEAP rules require state matching funds in order to obtain federal money, but do not require institutional matching funds. Arizona has requirements for institutional matching funds.

For FY 2002 and FY 2003, any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2001 and June 30, 2002, respectively, and all grant monies and other revenues received by the Commission

for Postsecondary Education during this fiscal year, when paid into the State Treasury, are appropriated for the explicit purposes designated by Special Line Items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852.

Of the total amount appropriated for the Private Postsecondary Education Student Financial Assistance Program, no more than 10% may be used for program administrative costs.

The appropriations for Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to this fund, including balance forward, revenue and transfers, during FY 2002 and FY 2003. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

The Commission also requested funding for the Post High School Career Education program (PHSCE). The primary goal of PHSCE is to “research and recommend” training and education programs in the state to high school students. The program would attempt to be more

responsive to current labor market conditions than traditional colleges and universities have been. The program would require a FY 2002 increase of \$457,400 from the General Fund above FY 2001 and a FY 2003 increase of \$285,900 from the General Fund above FY 2001. The program was not recommended for funding because it does not appear to present services that are meaningfully different from those provided by existing college and high school career counselors.

The Commission requested funding for the ASPIRE program. ASPIRE would provide tuition scholarships for low-income students to attend Arizona postsecondary institutions. In order to be eligible, the students would need to maintain a 3.0 grade point average and adhere to certain behavioral standards. The program would require a one-time FY 2002 increase of \$150,000 from the General Fund above FY 2001. It would also require a one-time FY 2002 increase of \$15,000 from the Postsecondary Education Fund above FY 2001. There is no funding requested for FY 2003. The program was not recommended for funding because it appears to be essentially similar to other federal and state need-based student financial aid programs.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Postsecondary Education (PEA2405/A.R.S. § 15-1853)				Appropriated
Source of Revenue: Monies appropriated by the Legislature, monies received from state agencies and political subdivisions of the state, monies received from the federal government, and private gifts, grants and donations. The commission must separately account for monies received from each source.				
Purpose of Fund: To be used for purposes designated by special line items for which the monies are received. Donations are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission. No more than 13% of amounts received by the commission from the United States Department of Education may be utilized for administrative purposes.				
Funds Expended	1,866,100	2,934,400	2,775,000	2,775,100
Year-End Fund Balance	140,000	144,700	212,300	279,900
Private Postsecondary Education Student Financial Assistance (PEA2128/A.R.S. § 15-1854)				Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.				
Purpose of Fund: For tuition vouchers awarded to eligible graduates of Arizona community colleges enabling them to obtain a bachelor’s degree at a private college or university in the state.				
Funds Expended from the General Fund	270,000	400,000	400,000	400,000
Other Funds Expended	0	75,200	57,000	10,600
Year-End Fund Balance	343,000	267,800	210,800	200,200

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Arizona Student Program Investing Resources in Education (PEA2407/A.R.S. § 15-1851) Non-Appropriated

Source of Revenue: Legislative appropriations, grants, gifts, devises and donations from any public or private source.

Purpose of Fund: To provide guaranteed tuition scholarships to Arizona residents who meet the eligibility criteria for participating in the Arizona Student Program Investing Resources in Education (ASPIRE), and who intend to pursue an undergraduate degree at an eligible university, community college or private postsecondary institution.

Funds Expended	0	0	0	0
Year-End Fund Balance	14,300	14,300	14,300	14,300

Arizona Teachers Incentive Program (PEA2249/A.R.S. § 15-1851) Non-Appropriated

Source of Revenue: Monies collected by the Arizona Board of Regents from students who do not meet the conditions for discharge of their loans.

Purpose of Fund: To provide loans to encourage students in the 3 state universities to prepare for teaching positions and seek employment in school districts in this state. The students' teacher loan indebtedness to the State of Arizona is forgiven if the recipient of the monies completes a specified period of time teaching in designated school districts which are identified as having high proportions of economically disadvantaged and at risk pupils.

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

[Click here to return to Table of Contents](#)

Arizona Power Authority

Joseph W. Mulholland, Executive Director

JLBC: Tom Mikesell
OSP: Tracie Andreasson

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
FUND SOURCES						
Other Non-Appropriated Funds	23,236,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000
TOTAL - ALL SOURCES	23,236,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000

AGENCY DESCRIPTION — *The Arizona Power Authority manages Arizona's allocation of hydroelectric power from the Hoover Dam for the benefit of the state. The Power Authority does not receive a biennial appropriation from the Legislature.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Hoover Dam annual revenue requirements (\$ in thousands)	49,729/45,605	46,145/44,333	47,714	49,585/50,983
• Cost of Intertie Transmission (\$/kW-year) ^{1/}	13/12	12/12	12	12
• Cost of Parker-Davis Transmission (\$/kW-year) ^{1/}	12/13	13/13	13	13

^{1/} These are both power transmission systems, each distributes electrical power to distinct geographical regions in the state.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Hoover Upgrading (No Fund Number/A.R.S. § 30-202) Non-Appropriated

Source of Revenue: Initially funded from bond proceeds. Currently, funded from the sale of hydro-power from the Hoover Dam and interest income.

Purpose of Fund: Initially to increase the capacity of the generator at Hoover Dam pursuant to the Hoover Power Plant Act of 1984. Currently to purchase energy (hydro-power) for APA customers. Also used to pay debt service on the bond issue.

Funds Expended	22,789,000	22,050,000	22,050,000	22,050,000
Year-End Fund Balance	(236,000)	29,000	100,000	100,000

Arizona Power Authority (No Fund Number/A.R.S. § 30-202) Non-Appropriated

Source of Revenue: Energy sales to any of Arizona Power Authority's (APA) 39 customers.

Purpose of Fund: To purchase energy (other than hydro-power from the Hoover Dam) for APA customers and to fund various projects.

Funds Expended	447,000	450,000	450,000	450,000
Year-End Fund Balance	107,000	100,000	125,000	125,000

[Click here to return to Table of Contents](#)

State Board for Private Postsecondary Education

Teri Candelaria, Executive Director

JLBC: Steve Grunig

House Subcommittee: Gray

OSPB: Jeff Young

Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
State Board for Private Postsecondary Education	172,000	178,800	230,600	255,700	236,300	251,200

OPERATING BUDGET

Full Time Equivalent Positions	3.0	3.0	4.0	4.0	4.0	4.0
Personal Services	114,000	114,000	146,400	163,600	151,400	169,100
Employee Related Expenditures	24,600	25,500	34,100	35,800	34,800	36,600
All Other Operating Expenditures:						
Professional and Outside Services	500	1,800	1,800	5,000	1,800	5,000
Travel - In State	700	2,000	2,000	1,000	2,000	1,000
Travel - Out of State	700	0	0	1,200	0	1,200
Other Operating Expenditures	30,200	35,500	35,500	38,300	35,500	38,300
Equipment	1,300	0	10,800	10,800	10,800	0
AGENCY TOTAL	172,000	178,800	230,600	255,700	236,300	251,200

FUND SOURCES

Board for Private Postsecondary Education	172,000	178,800	230,600	255,700	236,300	251,200
SUBTOTAL - Appropriated Funds	172,000	178,800	230,600	255,700	236,300	251,200
Other Non-Appropriated Funds	44,100	76,000	0	76,000	0	76,000
TOTAL - ALL SOURCES	216,100	254,800	230,600	331,700	236,300	327,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	76,900	43.0%	72,400	40.5%	149,300

AGENCY DESCRIPTION — The board licenses and regulates approximately 120 private postsecondary educational institutions offering vocational and degree programs. The board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. The board administers the Student Tuition Recovery Fund, which provides financial restitution to students injured by private postsecondary institutional closures.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Institutional licenses approved	227/227	250/335	350	350
• Number of student and consumer complaints received	26/25	31/29	35	40
• Average number of days to pay fund claims	180/180	180/180	180	180
• Number of institutional inspections	22/22	30/30	45	100
• Average days to process student record requests	21/21	21/21	21	21
• Administration as a % of total cost	NA	22/NA	22	16

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 1,600	\$ 1,600
ERE Rates	OF	500	600

Accounting Services **OF** **3,200** **3,200**
 The JLBC recommends a total biennial increase of \$6,400 for accounting services. This amount includes an increase of \$3,200 in both FY 2002 and FY 2003 above FY 2001. The recommended amount provides monies for full service accounting by the General Accounting Office. The Executive does not address this issue.

Program and Projects

Specialist **OF** **38,300** **38,300**
 The JLBC recommends a total biennial increase of \$76,600 for a Program and Projects Specialist position. This amount includes an increase \$38,300 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. The recommended amount provides monies to fill a Program and Projects Specialist position created in response to increased workload at the board. The number of licenses issued by the board increased by 68% from FY 1999 to FY 2000. The number of student complaints investigated also increased from 7 complaints in FY 1999 to 21 complaints in FY 2000. Further increases in the board's workload are expected in the future. The Executive recommends a total biennial increase of \$66,000 for this issue. This amount includes an increase \$33,000 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001.

Salary Increases **OF** **22,500** **28,700**
 The JLBC recommends a total biennial increase of \$51,200 for salary increases. This amount includes a FY 2002 increase of \$22,500 above FY 2001 and a FY 2003 increase of \$28,700 above FY 2001. The

recommended amount will enable the board to give salary increases to staff members. Staff salaries are slightly below salaries for comparable positions at other small boards. The Executive recommends a total biennial increase of \$16,800 for this issue. This amount includes a FY 2002 increase of \$5,600 above FY 2001 and a FY 2003 increase of \$11,200 above FY 2001.

Computer Equipment **OF** **10,800** **-0-**
 The JLBC recommends a total biennial increase of \$10,800 for the one-time purchase of equipment. This amount includes a FY 2002 one-time increase of \$10,800 above FY 2001. The recommended amount provides funds to purchase new computers and software. The amount also provides monies for training. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
-------------------------	----------------	----------------	----------------	----------------

Board for Private Postsecondary Education (PVA2056/A.R.S. § 32-3004) **Appropriated**

Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions, and for board administration.

Funds Expended	172,000	178,800	255,700	251,200
Year-End Fund Balance	195,200	289,300	306,500	328,200

Student Tuition Recovery (PVA3027/A.R.S. § 32-3071) **Non-Appropriated**

Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Per statute, if the fiscal year-end fund balance exceeds \$300,000, only newly or provisionally licensed institutions pay this assessment.

Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.

Funds Expended	44,100	76,000	76,000	76,000
Year-End Fund Balance	298,600	441,100	583,600	536,100

[Click here to return to Table of Contents](#)

State Board of Psychologist Examiners

Maxine McCarthy, Executive Director

JLBC: Steve Grunig
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
State Board of Psychologist Examiners	226,900	284,000	294,600	300,600	310,200	316,200
Contingency SLI	0	800	0	0	0	0
AGENCY TOTAL	226,900	284,800	294,600	300,600	310,200	316,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	140,700	151,300	162,200	162,200	162,200	162,200
Employee Related Expenditures	27,800	20,400	34,200	33,700	34,200	33,700
All Other Operating Expenditures:						
Professional and Outside Services	22,700	43,300	37,600	44,100	46,600	53,100
Travel - In State	3,400	6,800	6,100	6,100	6,100	6,100
Travel - Out of State	2,200	2,500	4,400	4,400	4,400	4,400
Other Operating Expenditures	30,000	54,800	50,100	50,100	50,100	50,100
Equipment	100	4,900	0	0	6,600	6,600
OPERATING SUBTOTAL	226,900	284,000	294,600	300,600	310,200	316,200
Special Line Items	0	800	0	0	0	0
AGENCY TOTAL	226,900	284,800	294,600	300,600	310,200	316,200

FUND SOURCES

Board of Psychologist Examiners Fund	226,900	284,800	294,600	300,600	310,200	316,200
SUBTOTAL - Appropriated Funds	226,900	284,800	294,600	300,600	310,200	316,200
TOTAL - ALL SOURCES	226,900	284,800	294,600	300,600	310,200	316,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	15,800	5.5%	31,400	11.0%	47,200

AGENCY DESCRIPTION — *The board licenses and regulates psychologists.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	1,534/1,522	1,563/1,595	1,665	1,735/1,819
• Number of complaints received about licensees	42/42	45/28	30	30
• Average calendar days to resolve a complaint	113/113	110/92	90	90
• Number of investigations	42/42	45/28	30	30
• Average calendar days to renew a license (from receipt of application to issuance)	57/57	45/45	45	45
• Administration as a % of total cost	NA	7/NA	7	7

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 2,000	\$ 2,000
ERE Rates	OF	12,200	12,200
Risk Management	OF	100	100

Eliminate One-Time

Equipment	OF	(4,900)	(4,900)
------------------	----	---------	---------

The JLBC recommends a total biennial decrease of \$(9,800) for elimination of one-time equipment. This amount includes a decrease of \$(4,900) in both FY 2002 and FY 2003 below FY 2001. The FY 2001 appropriation included \$4,900 for a copy machine. The Executive concurs.

Salary Increases	OF	6,400	6,400
-------------------------	----	-------	-------

The JLBC recommends a total biennial increase of \$12,800 for salary increases. This amount includes an increase of \$6,400 for Personal Services and ERE in both FY 2002 and FY 2003 above FY 2001. The recommended amount increases the salaries of 4 members of the board staff. The increased workload of the board has continued to place additional demands on the staff. Staff salaries are slightly below salaries for comparable positions at other small boards. The Executive does not recommend funding for this issue.

Written Exams	OF	-0-	9,000
----------------------	----	-----	-------

The JLBC recommends a total biennial increase of \$9,000 for written examinations. This amount includes an increase of \$9,000 in FY 2003 above FY 2001. The establishment of the new Arizona School for Professional Psychology is anticipated to produce 20 graduates applying for licensure in its first graduating class in 2003. The board is required to administer the national written examination to these individuals. The board must purchase these exams from a professional testing company that charges \$450 for each exam. The Executive concurs.

Computer Equipment	OF	-0-	6,600
---------------------------	----	-----	-------

The JLBC recommends a total biennial increase of \$6,600 for computer equipment. This amount includes a one-time increase of \$9,000 in FY 2003 above FY 2001. The recommended amount allows the board to purchase a new computer and 2 new laser printers. The Executive concurs.

OAH Cost Allocation Plan -0- -0-

Previously, 90/10 Boards paid for Office of Administrative Hearings (OAH) services out of their base budgets. The OAH billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information).

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$800 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote, which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges would be reviewed at the same JLBC meeting in May or June 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount. The Executive concurs.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Board of Psychologist Examiners (SYA2058/A.R.S. § 32-2065)

Appropriated

Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate psychologists, and for board administration.

Funds Expended	226,900	284,800	300,600	316,200
Year-End Fund Balance	307,500	590,800	364,400	651,500

[Click here to return to Table of Contents](#)

Public Safety Personnel Retirement System

Jack Cross, Director

JLBC: Gretchen Logan
OSP: Kristine Ward

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
FUND SOURCES						
Non-Appropriated Funds	1,438,300	1,510,200	1,585,800	1,585,800	1,665,000	1,665,000
TOTAL - ALL SOURCES	1,438,300	1,510,200	1,585,800	1,585,800	1,665,000	1,665,000

AGENCY DESCRIPTION — *The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and fire fighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials Retirement Plan (EORP), which provide the same benefits to specified populations. CORP members are public employees working in a state or county correctional facility. EORP members are state, county, and locally elected officials. PSPRS does not receive a biennial appropriation from the state Legislature.*

Public Safety Personnel Retirement System (PSPRS)

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Investment returns	9/17.7	9/12.3	9	9
• % of liability funded	100/120.3	100/124	100	100

Correctional Officers Retirement Plan (CORP)

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Investment returns	9/17.6	9/13.2	9	9
• % of liability funded	100/133.5	100/140.6	100	100

Elected Officials Retirement Plan (EORP)

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Investment returns	9/17.5	9/13.2	9	9
• % of liability funded	100/124.8	100/130.1	100	100

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Fire Fighter Cancer Insurance Policy Program Administrative Expenses (No Fund Number/A.R.S. § 38-643)

Non-Appropriated

Source of Revenue: Consists of employer contributions of \$180 per fire fighter participating in PSPRS as of June 30 of each year.

Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses.

Funds Expended	36,200	38,000	40,000	41,900
Year-End Fund Balance	0	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882) **Non-Appropriated**

Source of Revenue: Public Safety Personnel Retirement Fund; Elected Officials' Retirement Fund; Correctional Officer Retirement Fund.
Purpose of Fund: A 5-member governing board called the Fund Manager administers the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute for the Fund Manager to spend monies from each fund to pay for necessary administration and investment expenses.

Funds Expended	1,402,100	1,472,200	1,545,800	1,623,100
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Arizona Department of Racing

Rita Fresquez, Acting Director

JLBC: Brian Schmitz
OSP: Christine Sato

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Commercial Racing	2,537,000	2,700,200	2,747,600	2,789,800	2,753,300	2,790,100
County Fair Racing	286,800	375,600	388,900	383,200	383,400	383,200
AGENCY TOTAL	2,823,800	3,075,800	3,136,500	3,173,000	3,136,700	3,173,300

OPERATING BUDGET

Full Time Equivalent Positions	54.8	54.8	54.8	54.8	54.8	54.8
Personal Services	1,587,300	1,823,900	1,851,100	1,851,100	1,851,100	1,851,100
Employee Related Expenditures	337,800	394,800	404,300	402,400	405,100	403,300
All Other Operating Expenditures:						
Professional and Outside Services	435,900	456,900	456,900	456,900	456,900	456,900
Travel - In State	136,100	187,700	187,700	187,700	187,700	187,700
Travel - Out of State	6,000	4,800	4,800	4,800	4,800	4,800
Other Operating Expenditures	239,400	207,700	211,100	229,100	210,500	228,500
Equipment	81,300	0	20,600	41,000	20,600	41,000
AGENCY TOTAL	2,823,800	3,075,800	3,136,500	3,173,000	3,136,700	3,173,300

FUND SOURCES

General Fund	2,537,000	2,700,200	2,747,600	2,789,800	2,753,300	2,790,100
County Fair Racing Fund	244,700	319,100	328,000	322,400	322,500	322,400
Racing Administration Fund	42,100	56,500	60,900	60,800	60,900	60,800
SUBTOTAL - Other Appropriated Funds	286,800	375,600	388,900	383,200	383,400	383,200
SUBTOTAL - Appropriated Funds	2,823,800	3,075,800	3,136,500	3,173,000	3,136,700	3,173,300
Other Non-Appropriated Funds	1,548,200	1,910,600	1,620,900	1,620,900	1,615,700	1,615,700
TOTAL - ALL SOURCES	4,372,000	4,986,400	4,757,400	4,793,900	4,752,400	4,789,000

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	89,600	3.3%	89,900	3.3%	179,500
Other Appropriated Funds	7,600	2.0%	7,600	2.0%	15,200
Total Appropriated Funds	97,200	3.2%	97,500	3.2%	194,700

AGENCY DESCRIPTION — The department regulates the Arizona pari-mutuel horse and greyhound racing industry through supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The department also collects revenues for the Boxing Commission.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of horse racing customers reporting very good or excellent service	80/95	95/91	93	94/95
• % of greyhound racing customers reporting very good or excellent service	80/95	95/93	93	94/95
• % of positive horse drug tests	0.8/0.7	0.5/0.9	0.8	0.9
• % of positive greyhound drug tests	0.07/0.04	0.04/0.2	0.08	0.1
• Administration as a % of total cost	NA	29/NA	29	31

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$27,300	\$27,300
	OF	3,300	3,300
ERE Rates	GF	400	1,200
	OF	3,800	3,900
Risk Management	GF	2,900	2,400
	OF	500	400
Rent	GF	18,000	18,000

New Computers GF 41,000 41,000

The JLBC recommends a total biennial General Fund increase of \$82,000 for one-time computer equipment spread evenly over the 2 years. This amount includes an increase of \$41,000 in both FY 2002 and FY 2003 above FY 2001. The additional money would enable the department to replace outdated computers and printers. The agency has received the required project approval

from the Government Information Technology Agency. The Executive recommends an increase of \$20,600 in both FY 2002 and FY 2003 above FY 2001.

Eliminate Drug Testing and Quality Assurance

Special Line Item	GF	-0-	-0-
--------------------------	----	-----	-----

The JLBC recommends that the Drug Testing and Quality Assurance Special Line Item be moved into the Professional and Outside Services Line Item of the operating budget. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency. *(The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Arizona Breeders Award (RCA2206/A.R.S. § 5-113) Non-Appropriated

Source of Revenue: Receives 22% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (or a maximum of \$800,000).

Purpose of Fund: To award the breeder of every winning horse or greyhound foaled or whelped in this state.

Funds Expended	688,100	1,077,500	800,000	800,000
Year-End Fund Balance	277,500	0	0	0

County Fair Racing (RCA2170/A.R.S. § 5-113) Appropriated

Source of Revenue: Receives 9% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (or a maximum of \$300,000).

Purpose of Fund: For the administration of county fair racing.

Funds Expended	244,700	319,100	322,400	322,400
Year-End Fund Balance	129,500	55,800	33,400	11,000

County Fairs Racing Betterment (RCA2207/A.R.S. § 5-113) Non-Appropriated

Source of Revenue: Receives 22% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (or a maximum of \$800,000).

Purpose of Fund: To provide a grant to each eligible county fair association conducting a county fair racing meeting.

Funds Expended	775,700	775,700	775,700	775,700
Year-End Fund Balance	317,800	342,100	366,400	390,700

Greyhound Adoption (RCA2015/A.R.S. § 5-113) Non-Appropriated

Source of Revenue: License fees collected from dog breeders, racing kennels, and other operations where greyhounds are raised for dog racing.

Purpose of Fund: To provide grants to non-profit organizations to promote the adoption of retired racing greyhounds as domestic pets.

Funds Expended	800	0	5,200	0
Year-End Fund Balance	100	400	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Racing Administration (RCA2018/A.R.S. § 5-113)

Appropriated

Source of Revenue: Receives 1% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (or a maximum of \$45,000).

Purpose of Fund: For administration of the Arizona County Fairs Racing Betterment Fund, the Arizona Breeders' Award Fund, the Arizona Stallion Award Fund, and the Greyhound Adoption Fund.

Funds Expended	42,100	56,500	60,800	60,800
Year-End Fund Balance	42,100	33,700	21,000	8,300

Stallion Award (RCA2315/A.R.S. § 5-113)

Non-Appropriated

Source of Revenue: Receives 1% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (or a maximum of \$40,000).

Purpose of Fund: To award owners or lessees of stallions that bred winning horses in this state.

Funds Expended	83,600	57,400	40,000	40,000
Year-End Fund Balance	57,400	40,000	40,000	40,000

[Click here to return to Table of Contents](#)

Radiation Regulatory Agency

Aubrey V. Godwin, Director

JLBC: Brian Schmitz
OSP: Randy Hillier

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Radiation Evaluation and Compliance	1,192,800	1,228,600	1,267,800	1,273,800	1,267,600	1,274,200
Medical Radiologic Technology						
Board of Examiners SLI	146,900	157,100	183,700	192,000	183,700	192,000
<i>Program Subtotal - Radiation Evaluation and Compliance</i>	1,339,700	1,385,700	1,451,500	1,465,800	1,451,300	1,466,200
Emergency Response	13,200	13,200	0	13,200	0	13,200
Nuclear Emergency Management						
Fund SLI	439,800	440,100	426,900	0	426,900	0
<i>Program Subtotal - Emergency Response</i>	453,000	453,300	426,900	13,200	426,900	13,200
AGENCY TOTAL	1,792,700	1,839,000	1,878,400	1,479,000	1,878,200	1,479,400

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	30.0	30.0	31.0	27.0	31.0	27.0
Personal Services	775,400	840,100	855,000	852,600	855,000	852,600
Employee Related Expenditures	167,600	185,300	194,100	192,900	194,100	193,500
All Other Operating Expenditures:						
Professional and Outside Services	(23,300)	7,100	4,000	7,100	4,000	7,100
Travel - In State	36,200	39,600	43,700	39,600	43,700	39,600
Travel - Out of State	3,600	4,500	4,500	4,500	4,500	4,500
Other Operating Expenditures	198,200	165,200	166,500	190,300	166,300	190,100
Equipment	48,300	0	0	0	0	0
OPERATING SUBTOTAL	1,206,000	1,241,800	1,267,800	1,287,000	1,267,600	1,287,400
Special Line Items	586,700	597,200	610,600	192,000	610,600	192,000
AGENCY TOTAL	1,792,700	1,839,000	1,878,400	1,479,000	1,878,200	1,479,400

FUND SOURCES

General Fund	1,645,800	1,681,900	1,694,700	1,287,000	1,694,500	1,287,400
State Radiologic Technologist Certification Fund	146,900	157,100	183,700	192,000	183,700	192,000
SUBTOTAL - Other Appropriated Funds	146,900	157,100	183,700	192,000	183,700	192,000
SUBTOTAL - Appropriated Funds	1,792,700	1,839,000	1,878,400	1,479,000	1,878,200	1,479,400
Federal Funds	194,500	350,000	335,000	335,000	335,000	335,000
TOTAL - ALL SOURCES	1,987,200	2,189,000	2,213,400	1,814,000	2,213,200	1,814,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	(394,900)	-23.5%	(394,500)	-23.5%	(789,400)
Other Appropriated Funds	34,900	22.2%	34,900	22.2%	69,800
Total Appropriated Funds	(360,000)	-19.6%	(359,600)	-19.6%	(719,600)

AGENCY DESCRIPTION — *The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of x-ray tubes inspected	31/27	29/22	22	22/26
• % of x-ray tubes inspected on time	82/98	98/96	96	97/98
• Radiological incidents (non-Palo Verde related)	16/17	16/14	16	16
• Radiological incidents (Palo Verde)	3/1	2/1	2	2
• Administration as a % of total cost	NA	17/NA	17	18/17

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
Pay Annualization	GF	\$14,000	\$14,000
	OF	1,700	1,700
ERE Rates	GF	6,100	6,700
	OF	800	900
Risk Management	GF	1,400	1,200
	OF	200	100
Rent	GF	23,700	23,700
	OF	6,300	6,300

MRTBE Administrative

Support OF 25,900 25,900
 The JLBC recommends a total biennial State Radiologic Technologist Certification Fund increase of \$51,800 to the Medical Radiologic Technology Board of Examiners (MRTBE) Special Line Item for an additional administrative support position. This amount includes an increase of \$25,900 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001. This Administrative Secretary is needed for the prompt processing of x-ray technologist applications and certification renewals. The MRTBE workload has increased by 29% over the past 5 years, and clerical help is needed to keep up with filing and processing requirements. The State Radiologic Technologist Certification Fund has sufficient monies to pay for this FTE Position. The Executive essentially concurs, recommending an increase of \$23,400 and 1 FTE Position in both FY 2002 and FY 2003 above FY 2001.

Nuclear Emergency

Management Fund GF (440,100) (440,100)
 Laws 1999, Chapter 265 appropriated \$440,100 from the General Fund in FY 2001 to the Radiation Regulatory Agency for administering and enforcing the state plan for an off-site response to an emergency caused by an accident at a commercial nuclear generating station. The department's Nuclear Emergency Management Fund (NEMF) program is staffed by 4 FTE Positions. This appropriation is typically made through a special appropriation bill in which an assessment will determine NEMF appropriations for FY 2002 and FY 2003. Therefore, the JLBC recommendation does not include NEMF funding or FTE Positions. The Executive recommends funding of \$426,900 and 4 FTE Positions in both FY 2002 and FY 2003.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends an increase of \$3,500 from the General Fund and \$500 from the State Radiologic Technologist Certification Fund in both FY 2002 and FY 2003 above FY 2001 for rent increases. In the *Standard Changes* section, the JLBC recommends an increase of \$23,700 from the General Fund and \$6,300 from the State Radiologic Technologist Certification Fund in both FY 2002 and FY 2003 above FY 2001 for rent increases. The JLBC recommendation for rent matches the agency's actual rent costs, as provided by the Department of Administration.

SUMMARY OF FUNDS

	FY 2000	FY 2001	FY 2002	FY 2003
Federal Grants (AEA2000/A.R.S. § 30-654)				Non-Appropriated
Source of Revenue: Federal grants and miscellaneous revenue.				
Purpose of Fund: To track radiation levels, assess and reduce radon levels, and monitor x-ray facilities in the state.				
Funds Expended	194,500	350,000	335,000	335,000
Year-End Fund Balance	63,500	0	0	0

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Nuclear Emergency Management (AEA2138/A.R.S. § 26-306.02)

Non-Appropriated

Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.
Purpose of Fund: For administering and enforcing the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. The JLBC makes no recommendation on fund expenditures in FY 2002 and FY 2003. *See Nuclear Emergency Management Fund policy issue.*

Funds Expended from General Fund	439,800	440,100	0	0
Year-End Fund Balance	107,500	242,400	242,400	242,400

State Radiologic Technologist Certification (AEA2061/A.R.S. § 32-2823)

Appropriated

Source of Revenue: License fees paid by x-ray technologists.
Purpose of Fund: To provide for the licensing of x-ray technologists and the investigation of complaints.

Funds Expended	146,900	157,100	192,000	192,000
Year-End Fund Balance	320,500	364,400	373,400	382,400

[Click here to return to Table of Contents](#)

Arizona Rangers' Pensions

Governor Jane Dee Hull

JLBC: Beth Kohler
 OSPB: Keith Fallstrom

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Arizona Rangers' Pensions	11,300	11,600	11,800	11,800	12,000	12,000
OPERATING BUDGET						
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	0.0
All Other Operating Expenditures:						
Other Operating Expenditures	11,300	11,600	11,800	11,800	12,000	12,000
AGENCY TOTAL	11,300	11,600	11,800	11,800	12,000	12,000
FUND SOURCES						
General Fund	11,300	11,600	11,800	11,800	12,000	12,000
SUBTOTAL - Appropriated Funds	11,300	11,600	11,800	11,800	12,000	12,000
TOTAL - ALL SOURCES	11,300	11,600	11,800	11,800	12,000	12,000

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	200	1.7%	400	3.4%	600

AGENCY DESCRIPTION — Provides a monthly benefit for retired rangers and their surviving spouses.

RECOMMENDED CHANGES FROM FY 2001

	<u>FY 2002</u>	<u>FY 2003</u>
Inflation Adjustment	GF \$200	\$400

The JLBC recommends a total biennial General Fund increase of \$600 for inflation adjustments to the annual benefit received by the one remaining surviving spouse of an Arizona Ranger. This amount includes a FY 2002 increase of \$200 above FY 2001 and a FY 2003 increase of \$400 above FY 2001. The pension is adjusted annually using the Gross Domestic Product price deflator, as provided by A.R.S. § 41-951.B. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

[Click here to return to Table of Contents](#)

State Real Estate Department

Jerry Holt, Commissioner

JLBC: Pat Mah
OSP: Theresa Garcia

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET *						
Administration	1,092,300	1,119,800	1,116,100	1,100,300	1,082,400	1,066,300
Education and Licensing	842,900	857,500	941,100	928,900	939,500	929,700
Regulation	802,000	831,100	846,600	834,700	880,500	835,400
Land Development	384,600	396,500	397,500	391,900	396,800	392,300
AGENCY TOTAL	3,121,800	3,204,900	3,301,300	3,255,800	3,299,200	3,223,700

OPERATING BUDGET *

<i>Full Time Equivalent Positions</i>	67.0	67.0	67.0	67.0	68.0	67.0
Personal Services	2,005,500	2,106,800	2,138,200	2,138,200	2,162,100	2,138,200
Employee Related Expenditures	436,800	467,800	483,300	481,100	490,700	482,400
All Other Operating Expenditures:						
Professional and Outside Services	6,800	7,700	9,000	8,900	16,500	12,900
Travel - In State	46,000	58,500	58,500	58,500	61,500	58,500
Travel - Out of State	2,300	5,000	5,000	5,000	5,000	5,000
Other Operating Expenditures	478,800	482,100	533,200	533,200	492,400	494,000
Equipment	145,600	77,000	74,100	30,900	71,000	32,700
AGENCY TOTAL	3,121,800	3,204,900	3,301,300	3,255,800	3,299,200	3,223,700

* The amounts in each program and the operating budget are displayed for legislative review using estimates by JLBC for its program format structure. (See the Program Budgeting policy issue in the analysis for further information.)

FUND SOURCES

General Fund	3,121,800	3,204,900	3,301,300	3,255,800	3,299,200	3,223,700
SUBTOTAL - Appropriated Funds	3,121,800	3,204,900	3,301,300	3,255,800	3,299,200	3,223,700
Other Non-Appropriated Funds	210,600	220,200	228,500	228,500	234,600	234,600
TOTAL - ALL SOURCES	3,332,400	3,425,100	3,529,800	3,484,300	3,533,800	3,458,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	50,900	1.6%	18,800	0.6%	69,700

AGENCY DESCRIPTION — The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools. The department collects various filing and licensing fees, which are deposited to the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average days from receipt to approval of continuing education course	4/4	3/12.2	5	3
• Average days from receipt to issuance of license reports	3/3.9	3/4.9	3	3
• % of surveys from licensees indicating good to excellent service	NA/89	90/98.7	95	95
• Average days from receipt of complaint to resolution	NA/143	120/112	120	120
• Number of working days to issue public reports for improved lot subdivision	35/34	30/34	32	30
• % of licensees with disciplinary action	NA/0.1	0.1/0.3	0.3	0.3
• Administration as a % of total cost	NA	19.9/NA	19.9	19.4/19.7

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 36,400	\$ 36,400
ERE Rates	GF	9,500	10,800
Risk Management	GF	3,300	2,800
Rent	GF	800	(37,600)

Real Estate Bulletin GF 50,100 50,100

The JLBC recommends a total biennial General Fund increase of \$100,200 for the purpose of printing and distributing the "Real Estate Bulletin" an additional 3 times per year. The amount includes an increase of \$50,100 in both FY 2002 and FY 2003 above FY 2001. Currently, the Bulletin is printed and distributed just once a year from monies that were first approved in FY 2000. Access to the 3 other copies produced annually is solely through the agency's Web site. The recommendation will allow licensees to receive a printed copy of the Bulletin quarterly instead of just once a year. Licensees have complained considerably about their lack of access to the Bulletin since the agency stopped printing it in 1995 so that monies could be used to purchase computer equipment on a lease-purchase plan. The agency reports that complaints have continued even though licensees began receiving a printed copy of the Bulletin once a year in FY 2000. The Executive concurs.

Payoff - Lease-Purchase GF (46,900) (70,400)

The JLBC recommends a total biennial General Fund decrease of \$(117,300) due to reduced interest and principal cost on a lease-purchase contract for computer equipment. This amount includes a FY 2002 decrease of \$(46,900) and a FY 2003 decrease of \$(70,400) below FY 2001. The cost of the lease agreement is reduced by \$(46,900), from \$70,400 in FY 2001 to \$23,500 in FY 2002. This \$23,500 in FY 2002 is for the final payment of the contract entered into in FY 1997. Therefore, the FY 2003 recommendation reflects a further reduction of \$(23,500) from FY 2002 to eliminate funding. The Executive concurs.

Replacement Plan —

Computer Equipment GF -0- 25,000

The JLBC recommends a total biennial General Fund increase of \$25,000 for an ongoing replacement plan for upgrading and replacing computers and software purchased in the lease-purchase agreement mentioned previously. The agency developed its replacement plan that was approved by the Government Information Technology Agency in January 1999. As discussed in the previous policy issue, the lease-purchase agreement for the equipment will be paid off in FY 2002. The recommendation allows the agency to shift resources to begin in FY 2003 a scheduled replacement of the equipment. The Executive recommends a biennial General Fund increase of \$102,500 for a computer replacement plan. The amount includes \$43,200 in FY 2002 and \$59,300 in FY 2003 above FY 2001. The funding is for a 5-year replacement plan cycle. The JLBC believes it is not necessary to begin funding a replacement plan in FY 2002. The department can continue to use its existing resources should there be equipment needs that are not part of the approved budget. Historically, the department has more to spend for equipment than the amount reflected in the approved budget. For example, expenditures for equipment were \$71,700 in FY 1999 and \$72,300 in FY 2000 above amounts reflected in the approved budgets. These monies were mostly from unanticipated savings from employee turnover. In addition, the JLBC notes that computer hardware technology is now keeping pace with computer software, making it unnecessary to replace hardware equipment as rapidly as has occurred in the past.

Rules Writer GF -0- 4,000

The JLBC recommends a total biennial General Fund increase of \$4,000 to provide one-time funding for a Rules Writer who is needed for a FY 2004 rules review. The amount is entirely for FY 2003 and is the same amount as the reported cost from the last review. The Executive recommends \$7,500 in FY 2003 for a Rules Writer. This amount is an increase of \$3,500 from the JLBC recommendation because the Executive has a different estimate on past cost.

Equipment GF (2,300) (2,300)

The JLBC recommends a total biennial General Fund decrease of \$(4,600) to eliminate one-time equipment costs. This amount includes a decrease of \$(2,300) in both FY 2002 and FY 2003 below FY 2001. The recommendation allows the agency to retain \$7,700 from the General Fund in both FY 2002 and FY 2003 for office equipment replacement cost. The Executive concurs in FY 2002, but recommends \$8,900 for office equipment replacement cost in FY 2003. This amount is an increase of \$1,200 from the FY 2003 JLBC recommendation and is to be used for upgrading computer software.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor II FTE Position

The Executive recommends \$35,900 from the General Fund in FY 2003 for a new Auditor FTE Position. The recommendation is based on data provided by the agency to reduce the length of time between auditing the offices of each real estate broker from 7.1 years to 4.6 years. The agency's request is the same as during the last biennium except then 2 new Auditor FTE Positions were requested. For the FY 2000-FY 2001 biennium, the Legislature approved an additional Auditor FTE Position to begin in FY 2000 by increasing funding by \$9,000 to upgrade an existing vacant position that the agency intended to abolish. The agency has not yet filled this Auditor FTE Position. The agency reported that it lacked the funding resources to fill the position in FY 2000. The reported reason for the lack of resources was because the monies were needed for salary upgrades that the agency had already initiated for some of its employees. However, as noted earlier in this analysis, the agency had the resources to exceed its budget for equipment expenditures by \$72,300 in FY 2000. These additional monies for equipment came from underspending in the agency's approved salary budget by \$48,300 due to vacancy savings. In addition, the JLBC notes that the agency's estimate for the requested new Auditor FTE Position in

FY 2003 is based on a working hour schedule of 1,120 hours out of 2,080 hours available from a 40-hour work week for 52 weeks. Using the agency's projections for the average time required for audits, the JLBC estimate shows that no additional staff is needed to meet a 3-year audit cycle for all broker offices if a 1,500 hour per year per existing Auditor work schedule is used.

Program Budgeting

This agency is one of several agencies scheduled to begin submitting its FY 2002-FY 2003 budget in a program structure format. Therefore, the agency's FY 2002-FY 2003 budget is displayed in the program structure shown in the *Master List of State Government 1998-1999*, which is the program structure that is being used by JLBC Staff. It consists of the 4 programs shown in the table at the beginning of this analysis and a 5th unbudgeted program structure called the Recovery Assistance program. The Office of Strategic Planning (OSPB) adopted a different program structure. Their structure consists of a single program called Licensing and Regulation. The agency submitted its FY 2002-FY 2003 budget request in this single program format, indicating that it was unable to provide the information in the *Master List* program structure. As a result, the numbers displayed are JLBC Staff estimates for FY 2000 Actual, FY 2001 Estimated, and FY 2002-FY 2003 budgeted expenditures based on the department's existing organization chart. The JLBC Staff is using the program structure as it has appeared in the *Master List* because it better reflects the different facets of the agency. The JLBC believes this was the Legislature's intended purpose for moving to program budgeting in that the *Master List* structure allows those outside the agency to know what programs are provided by the agency.

Since JLBC is recommending that the agency's appropriation remain in a Lump Sum format, the agency will retain the flexibility needed to move money between the programs. Also, according to the Arizona Department of Administration, the agency will continue to use its existing format for reporting of expenditures, which is its single program structure.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Education Revolving (REA4011/A.R.S. § 32-2107)				Non-Appropriated
Source of Revenue: Sale of the department's educational publications.				
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.				
Funds Expended	44,800	26,500	31,500	31,500
Year-End Fund Balance	18,900	25,000	25,000	25,000

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Recovery (REA3119/A.R.S. § 32-2186)

Non-Appropriated

Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgement awarded out of the Recovery Fund.

Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also support the department's cost of administering the fund.

Funds Expended	165,800	193,700	197,000	203,100
Year-End Fund Balance	1,237,800	1,188,800	1,136,400	1,076,400

[Click here to return to Table of Contents](#)

Residential Utility Consumer Office

Lindy Funkhouser, Director

JLBC: Paul Shannon
OSP: Matt Gottheiner

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Residential Utility Consumer Office	714,900	870,600	876,800	923,700	877,200	923,400
Professional Witnesses SLI	298,600	145,000	145,000	145,000	145,000	145,000
AGENCY TOTAL	1,013,500	1,015,600	1,021,800	1,068,700	1,022,200	1,068,400

OPERATING BUDGET

Full Time Equivalent Positions	11.0	11.0	11.0	12.0	11.0	12.0
Personal Services	463,100	581,400	590,100	643,300	590,100	643,300
Employee Related Expenditures	80,500	106,200	103,100	121,900	103,600	121,700
All Other Operating Expenditures:						
Travel - In State	9,100	11,000	11,000	11,000	11,000	11,000
Travel - Out of State	7,900	4,600	4,600	4,600	4,600	4,600
Other Operating Expenditures	116,100	167,400	168,000	142,900	167,900	142,800
Equipment	38,200	0	0	0	0	0
OPERATING SUBTOTAL	714,900	870,600	876,800	923,700	877,200	923,400
Special Line Items	298,600	145,000	145,000	145,000	145,000	145,000
AGENCY TOTAL	1,013,500	1,015,600	1,021,800	1,068,700	1,022,200	1,068,400

FUND SOURCES

Residential Utility Consumer Office						
Revolving Fund	1,013,500	1,015,600	1,021,800	1,068,700	1,022,200	1,068,400
SUBTOTAL - Appropriated Funds	1,013,500	1,015,600	1,021,800	1,068,700	1,022,200	1,068,400
TOTAL - ALL SOURCES	1,013,500	1,015,600	1,021,800	1,068,700	1,022,200	1,068,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	53,100	5.2%	52,800	5.2%	105,900

AGENCY DESCRIPTION — *The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of cases analyzed	135/102	120/ 90	100	105/115
• Number of interventions in rate making	20/34	28/13	12	12/14
• Average rate increase requested by utilities (millions)	\$10/\$0.3	\$80/\$5.1	\$210	\$6
• Average rate increase recommended by RUCO (millions)	\$3/\$0.1	\$30/\$0.8	\$30	\$1.8
• Average rate increase approved by Corporation Commission (millions)	\$5/\$0.2	\$45/\$3.1	\$60	\$3.4/\$3
• Administration as a % of total cost	NA	NA/4.1	4.1	4.4/4.4

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$ 9,900	\$ 9,900
ERE Rates	OF	4,400	4,200
Risk Management	OF	600	500
Rent	OF	11,800	11,800

Salary Adjustments OF 26,400 26,400

The JLBC recommends a total biennial increase of \$52,800 for salary adjustments resulting from the reclassification of Chief and Senior Rate Analyst positions and related positions. This amount includes an increase of \$26,400 in both FY 2002 and FY 2003 above FY 2001. The Executive does not recommend additional funding for this item.

Constituent Liaison OF -0- -0-

The JLBC recommends authorizing 1 FTE Position with no additional funding to staff a constituent liaison position. Funding is provided by continuing \$50,000 that was

originally appropriated in FY 2000 and FY 2001 for a public education campaign on retail electric competition. The initial appropriation, however, did not authorize an FTE Position responsible for constituent inquiries. This position will coordinate a speaker's bureau, assist with constituent inquiries, and provide other educational functions. The Executive does not recommend an additional FTE Position for this item.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Monies in the Professional Witness Special Line Item are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Residential Utility Consumer Office Revolving (UOA2175/A.R.S. § 40-409) **Appropriated**

Source of Revenue: An assessment against public service corporations, as defined by A.R.S. § 40-401.01.

Purpose of Fund: To operate the Residential Utility Consumer Office.

Funds Expended	1,013,500	1,015,600	1,068,700	1,068,400
Year-End Fund Balance	226,400	227,300	117,300	7,300

[Click here to return to Table of Contents](#)

Board of Respiratory Care Examiners

Mary Hauf Martin, Executive Director

JLBC: Kim Hohman
OSP: Randy Hillier

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Respiratory Care Examiners	145,300	167,700	167,700	169,300	167,700	169,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	104,400	127,600	129,500	129,500	129,500	129,500
Employee Related Expenditures	13,500	18,900	17,000	18,600	17,000	18,500
All Other Operating Expenditures:						
Professional and Outside Services	100	1,500	1,500	1,500	1,500	1,500
Travel - In State	2,500	2,000	2,000	2,000	2,000	2,000
Travel - Out of State	100	200	200	200	200	200
Other Operating Expenditures	24,600	15,500	15,500	15,500	15,500	15,500
Equipment	100	2,000	2,000	2,000	2,000	2,000
AGENCY TOTAL	145,300	167,700	167,700	169,300	167,700	169,200

FUND SOURCES

Board of Respiratory Care Examiners Fund	145,300	167,700	167,700	169,300	167,700	169,200
SUBTOTAL - Appropriated Funds	145,300	167,700	167,700	169,300	167,700	169,200
TOTAL - ALL SOURCES	145,300	167,700	167,700	169,300	167,700	169,200

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	1,600	1.0%	1,500	0.9%	3,100

AGENCY DESCRIPTION — *The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which include administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	4,000/4,100	4,150/3,650	3,650	3,650
• Number of complaints received about licensees	120/108	112/114	116	118/120
• Average calendar days to resolve a complaint	67/52	60/58	60	60
• Number of investigations of licensees	94/101	96/109	110	110
• Average calendar days to renew a license (from receipt of application to issuance)	1/1	1/1	1	1
• Administration as a % of total cost	NA	1.7/NA	1.7	1.3

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$2,200	\$2,200
ERE Rates	OF	(600)	(700)

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Board of Respiratory Care Examiners (RBA2269/A.R.S. § 32-3505)				Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.				
Funds Expended	145,300	167,700	169,300	169,200
Year-End Fund Balance	24,400	22,600	23,500	29,300

[Click here to return to Table of Contents](#)

Arizona State Retirement System

LeRoy Gilbertson, Director

JLBC: Gretchen Logan
OSP: Kristine Ward

House Subcommittee: Johnson
Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Administration and Support	8,939,700	7,713,000	16,807,700	9,203,200	4,468,300	8,806,600
Burke Litigation Settlement SLI	12,000	4,200,000	7,279,000	6,300,000	0	0
Information Technology Plan SLI	0	0	0	9,000,000	0	9,000,000
<i>Program Subtotal - Administration and Support</i>	8,951,700	11,913,000	24,086,700	24,503,200	4,468,300	17,806,600
Member Services	3,843,800	4,169,300	4,369,000	4,715,500	16,717,700	4,680,200
Investment Management	411,300	417,500	531,000	617,700	518,300	621,500
AGENCY TOTAL	13,206,800	16,499,800	28,986,700	29,836,400	21,704,300	23,108,300

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	142.0	145.0	160.0	168.0	152.0	168.0
Personal Services	5,157,400	5,382,300	6,303,700	6,479,400	5,824,500	6,489,200
Employee Related Expenditures	995,800	1,147,200	1,312,000	1,304,300	1,217,900	1,310,900
All Other Operating Expenditures:						
Professional and Outside Services	2,816,200	3,431,700	7,738,800	3,623,800	11,063,100	3,623,800
Travel - In State	27,600	36,300	36,300	36,300	36,300	36,300
Travel - Out of State	25,100	13,600	13,600	13,600	13,600	13,600
Other Operating Expenditures	3,274,000	1,944,300	2,377,600	2,529,600	2,732,200	2,530,000
Equipment	898,700	344,400	3,925,700	549,400	816,700	104,500
OPERATING SUBTOTAL	13,194,800	12,299,800	21,707,700	14,536,400	21,704,300	14,108,300
Special Line Items	12,000	4,200,000	7,279,000	15,300,000	0	9,000,000
AGENCY TOTAL	13,206,800	16,499,800	28,986,700	29,836,400	21,704,300	23,108,300

FUND SOURCES

General Fund	12,000	4,200,000	7,279,000	6,300,000	0	0
Retirement System Administration Account	11,439,500	10,142,500	19,550,400	21,249,700	19,547,000	20,684,400
Long-Term Disability Administration Account	1,755,300	2,157,300	2,157,300	2,286,700	2,157,300	2,423,900
SUBTOTAL - Other Appropriated Funds	13,194,800	12,299,800	21,707,700	23,536,400	21,704,300	23,108,300
SUBTOTAL - Appropriated Funds	13,206,800	16,499,800	28,986,700	29,836,400	21,704,300	23,108,300
Other Non-Appropriated Funds	16,280,100	16,524,300	16,772,100	16,962,100	16,772,100	16,975,300
TOTAL - ALL SOURCES	29,486,900	33,024,100	45,758,800	46,798,500	38,476,400	40,083,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	2,100,000	50.0%	(4,200,000)	-100.0%	(2,100,000)
Other Appropriated Funds	11,236,600	91.4%	10,808,500	87.9%	22,045,100
Total Appropriated Funds	13,336,600	80.8%	6,608,500	40.1%	19,945,100

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. As of June 30, 2000, ASRS membership included approximately 183,900 active (working and contributing) members, 58,000 retired members, 3,700 disabled retirees, and approximately \$23,188,000,000 in assets (market value).

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of members satisfied with ASRS telephone services	85/80	85/82	85	85
• % of members satisfied with the service purchase process	85/81	85/75	85	85
• % of investment returns	8/16.8	8/10	8	8
• % of liability funded	100/116.4	100/120.4	100	100
• % of benefit payment calculations that are accurate as measured by quality control sample	NA	NA/96	96	96

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	OF \$ 91,600	\$ 91,600
ERE Rates	OF (3,000)	3,000
Risk Management	OF 11,400	11,800
Rent	OF 159,400	159,400
Other	OF 2,100	2,100

Investment Management OF 119,900 113,500

The JLBC recommends a total biennial Retirement System Administration Account increase of \$233,400 to provide funding for an Investment Research Manager and an Investment Division Intern. This amount includes a FY 2002 increase of \$119,900 and 2 FTE Positions above FY 2001 and a FY 2003 increase of \$113,500 and 2 FTE Positions above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment.

The Investment Research Manager would provide additional oversight for the externally managed assets, which total \$15,000,000,000 and account for 70% of the Retirement Fund. In addition, this position would be responsible for researching the most effective allocation of assets and exploring new investment areas, such as emerging market equities, private equities, and venture capital. The intern will provide assistance with projects, such as asset allocation, portfolio analysis, and investment analysis. The Executive recommends a total biennial increase of \$194,600 and 1 FTE Position to provide funding for an Investment Research Manager.

Member Services OF 360,500 324,900

The JLBC recommends a total biennial Retirement System Administration Account increase of \$685,400 for additional Member Services staff. This amount includes a FY 2002 increase of \$360,500 and 7 FTE Positions above FY 2001 and a FY 2003 increase of \$324,900 and 7 FTE Positions above FY 2001. The FY 2003 amount is lower due to the elimination of one-time equipment.

The recommended amount provides 5 FTE Positions in Member Services to address the increasing workload associated with growth in the number of member inquiries made by telephone, in-person, and via the agency's Web site. This additional Member Services staffing represents a 10% biennial increase and addresses the anticipated

growth in ASRS members. According to the actuaries contracted by ASRS, membership is projected to increase by approximately 10% over the biennium. In addition, the recommended amount provides 1 FTE Position in Benefits Payable to address the growth in new retirees, survivor benefit transactions, and forfeiture transactions. Finally, the recommended amount provides 1 FTE Position in Membership Accounting to address the anticipated growth in the number of employers participating in ASRS. The Executive recommends a total biennial increase of \$308,300 to provide funding for 2 FTE Positions in FY 2002 and 4 FTE Positions in FY 2003.

Salary Adjustments OF 727,200 737,600

The JLBC recommends a total biennial Retirement System Administration Account increase of \$1,464,800 for salary adjustments for Investment Division personnel, Compliance Auditors, and agencywide adjustments to accommodate the implementation of the agency's Salary Administration Plan. This amount includes a FY 2002 increase of \$727,200 above FY 2001 and a FY 2003 increase of \$737,600 above FY 2001.

The recommendation includes an increase of \$38,900 in FY 2002 and \$44,500 in FY 2003 for Investment Division personnel. This division oversees the investment of \$23,188,000,000 in Retirement Systems assets, which can be adversely impacted by turnover in this area. The recommended salary adjustment will minimize the possibility of turnover due to inadequate compensation. In addition, \$22,300 of the recommended amount for salary adjustments in FY 2002 and FY 2003 provides a \$5,600 salary increase to each of the agency's 4 Compliance Auditors. The staff is responsible for performing quality reviews of services and assessing the agency's financial, operational and computer systems. It has been difficult for the agency to fill these positions. Former employees indicated their departure is due to inadequate compensation.

In FY 1998, ASRS initiated a Salary Administration Plan that involved allowing employees the option of converting to uncovered status (meaning that they opt out of the state personnel system), and instead, participate in the agency's pay-for-performance plan. This plan provides a maximum increase of 10% upon completion of the first year, and then in subsequent years, an average annual increase of 3%.

The recommendation provides \$402,700 in FY 2002 and FY 2003 to fund the differential between the salary paid while the position was covered by the state personnel system versus the uncovered salary that is currently paid under ASRS's pay-for-performance plan. Finally, the recommended amount includes \$263,300 in FY 2002 and \$268,100 in FY 2003 to provide funding for the anticipated salary increases that will be granted under the pay-for-performance plan in the upcoming biennium. The Executive does not address this issue.

Other Operating

Expenditures OF 414,500 414,500

The JLBC recommends a total biennial Retirement System Administration Account increase of \$829,000 for Other Operating Expenditures (OOE). This amount includes an increase of \$414,500 in both FY 2002 and FY 2003 above FY 2001. The recommended amount will provide additional funding for postage, printing, miscellaneous supplies, training, and advertising costs. The recommended increase brings the OOE appropriation for FY 2002 and FY 2003 up to the actual expenditure level. The agency was able to fund these additional OOE costs in the FY 2000 and FY 2001 biennium with savings associated with one-time appropriations. The Executive does not address this issue.

Equipment OF 163,000 (239,900)

The JLBC recommends a total biennial Retirement System Administration Account decrease of \$(76,900) for replacement equipment. This amount includes a FY 2002 increase of \$163,000 above the appropriated FY 2001 level of \$344,400 and a FY 2003 decrease of \$(239,900) below FY 2001. The recommended amount will provide funding for a microfilm and microfiche reader, office and board member chairs, 4 copiers, 3 projectors, 2 time clocks, 2 file carts, software upgrades and other miscellaneous equipment. The Executive does not address this issue.

Actuarial Expenses OF 190,000 190,000

The JLBC recommends a total biennial Retirement System Administration Account increase of \$380,000 for actuarial expenses. This amount includes an increase of \$190,000 in both FY 2002 and FY 2003 above FY 2001. Legislative interest in the retirement system has resulted in an increasing number of issues that require actuarial analysis. The Executive does not address this issue.

Burke Litigation

Settlement GF 2,100,000 (4,200,000)

Laws 1999, Chapter 266 appropriated \$4,200,000 in FY 2001 and \$9,000,000 in FY 2002 to fund the settlement costs associated with the Burke Litigation. However, the state's liability associated with the settlement has been lower than originally anticipated; therefore, the JLBC recommends reducing the FY 2002 increase to \$2,100,000, which results in a total FY 2002 appropriation of \$6,300,000. As a result of Chapter 266, these monies will not need to be included in the General Appropriation Act for FY 2002; however, the modification to the FY 2002 appropriation will be executed in the FY 2001

supplemental bill (*see Other Issues for Legislative Consideration for further information*). In FY 2003, the recommended decrease of \$(4,200,000) below FY 2001 eliminates funding for this issue. The settlement requires the state to reimburse employees who were affected by the ending of the defined contribution system in 1981. The reimbursement to affected employees is intended to make up for the contribution rate and earnings that were not paid from 1984 to the present. The Executive recommends a total FY 2002 appropriation of \$7,279,000.

Information Technology

Plan OF 9,000,000 9,000,000

The JLBC recommends a total biennial Retirement System Administration Account increase of \$18,000,000 to provide funding for the agency's planned information technology improvements. This amount includes an increase of \$9,000,000 and 14 FTE Positions in both FY 2002 and FY 2003 above FY 2001. ASRS has developed a long-term and comprehensive plan for information technology improvements. The agency plans to: 1) finish the Public Employee Retirement Information System (PERIS), which is an integrated database project started in FY 1997; 2) upgrade the agency's networks and phone system; 3) move the agency's Web site from an informational to an interactive site; 4) begin assessment of an imaging project to reduce the amount of paper files; and, 5) establish a high level project management team to ensure the overall success of the project. The agency anticipates completing all of the elements of the plan by FY 2007 for a total cost of approximately \$33,400,000.

The use of ASRS funds for this purpose does have an indirect impact on the General Fund, because the use of the system assets in this way will have an impact on the contribution rate paid by all state employers and employees. The actuaries contracted by the Retirement System estimate that funding the agency's information technology plan would increase the contribution rate in the FY 2004 and FY 2005 biennium by approximately .01%, which translates into an estimated FY 2004 and FY 2005 biennial General Fund impact of \$220,000. Since contribution rates are set on a biennial basis, there will not be a General Fund impact until the FY 2004 and FY 2005 biennium, because the contribution rate for the FY 2002 and FY 2003 biennium has already been established.

The biennial funding provided accommodates the entire biennial request submitted by the agency, however, the agency is continuing to work with the Government Information Technology Agency (GITA) and the Information Technology Authorization Committee (ITAC) to organize and prioritize their approach to these improvements in order to achieve recognizable benefits in each biennium. Therefore, the final biennial cost and number of FTE Positions required may be less than the total amount allocated. The JLBC recommends that expenditure of these monies and FTE Position authorization be contingent upon ASRS receiving approval from ITAC and the review of JLBC. Once ITAC approval

is received, it is recommended that ASRS be required to appear before JLBC for review of the approved project. It is recommended that this appropriation be non-lapsing through FY 2005. The Executive recommends a total biennial increase of \$18,105,800 and 12 FTE Positions to provide funding for the agency's Information Technology Plan. However, the Executive has integrated this funding into the agency's operating budget, instead of displaying it separately in a special line item as is done in the JLBC recommendation. The Executive recommendation is also contingent upon the agency receiving ITAC approval on the project's technical merits.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

New Footnotes

Prior to the expenditure of the \$18,000,000 biennial appropriation and the hiring of FTE Positions appropriated for the agency's Information Technology Plan, the Retirement System shall present an expenditure plan to the Joint Legislative Budget Committee (JLBC) for review. The Retirement System shall include the approval of the Project Investment Justification document by the Information Technology Authorization Committee as part of its submission to JLBC. Upon review, the agency shall

provide semi-annual reports to the JLBC regarding the expenditures and project tasks completed to date. Funding appropriated for this purpose is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations through June 30, 2005. Actual divestiture of monies from the Retirement Fund for expenditure shall occur following JLBC review of the agency's information technology plan.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Supplemental Bill

The JLBC recommends the FY 2001 supplemental bill include a \$(2,700,000) reduction to the FY 2002 Burke Settlement appropriation provided pursuant to Laws 1999, Chapter 266. (*See Burke Litigation Settlement policy issue for further information.*)

Benefits Customer Service

The JLBC recommends that ASRS and the Arizona Department of Administration (ADOA) enter into an Interagency Service Agreement to establish a mechanism for ASRS to fund ADOA's costs associated with providing health insurance benefit information to retirees. Since 1997, the number of retirees enrolled in the ADOA health insurance program has increased by 70%. (*Please see the "Benefits Customer Service" discussion in the ADOA Human Resources program.*)

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Administration Account (RSA1401/A.R.S. § 38-721)				Appropriated
Source of Revenue: Transfer from the State Retirement Fund.				
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.				
Funds Expended	11,439,500	10,142,500	21,249,700	20,684,400
Year-End Fund Balance	0	0	0	0
Administration Account - Investment Expenses (RSA1407/A.R.S. § 38-721)				Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.				
Purpose of Fund: The Retirement Fund's Administration Account designated for investment expenses provides funding for the agency's actuarial costs, investment management fees, and related consulting fees deemed necessary by the Investment Advisory Council. Funding is subject to Retirement Board approval.				
Funds Expended	16,280,100	16,524,300	16,962,100	16,975,300
Year-End Fund Balance	0	0	0	0
Long-Term Disability Administration Account (RSA1408/A.R.S. § 38-797.02)				Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.				
Purpose of Fund: To pay for the cost of administering the LTD program.				
Funds Expended	1,755,300	2,157,300	2,286,700	2,423,900
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Department of Revenue

Mark Killian, Director

JLBC: Bob Hull
 OSPB: Tracie Andreasson

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
External Services	7,581,900	8,495,800	8,832,100	8,787,600	8,852,200	8,791,000
Processing	7,890,300	7,281,900	7,500,400	8,050,400	7,516,700	7,839,200
Education and Compliance						
<i>Education/Outreach</i>	405,000	397,900	402,000	393,400	402,100	393,500
<i>Audit/Assessing</i>	13,032,100	13,535,800	13,815,700	13,611,400	13,814,700	13,618,600
Alternative Fuel Tax Credit SLI	0	494,800	503,500	545,300	503,500	545,300
<i>Collections</i>	7,108,000	7,591,600	7,880,700	7,755,800	7,880,700	7,768,000
<i>Enforcement</i>	533,600	726,400	737,700	738,800	737,700	738,800
<i>Program Subtotal - Education and Compliance</i>	21,078,700	22,746,500	23,339,600	23,044,700	23,338,700	23,064,200
Agency Support						
<i>Information Services</i>	9,039,000	8,656,300	16,074,300	8,945,800	10,821,200	8,679,500
<i>All Other Agency Support</i>	13,888,400	13,547,200	13,612,600	13,730,900	13,600,000	13,719,600
<i>Program Subtotal - Agency Support</i>	22,927,400	22,203,500	29,686,900	22,676,700	24,421,200	22,399,100
AGENCY TOTAL	59,478,300	60,727,700	69,359,000	62,559,400	64,128,800	62,093,500

OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	1,247.0	1,258.0	1,258.0	1,108.0	1,258.0	1,108.0
Personal Services	32,566,700	33,593,700	34,444,700	34,117,100	34,444,700	34,117,100
Employee Related Expenditures	7,418,500	7,791,000	8,143,700	7,612,400	8,123,100	7,654,800
All Other Operating Expenditures:						
Professional and Outside Services	2,808,200	2,953,200	6,162,600	3,183,200	3,377,800	3,183,200
Travel - In State	380,000	486,600	490,100	486,600	490,100	486,600
Travel - Out of State	514,900	675,500	675,500	675,500	675,500	675,500
Other Operating Expenditures	13,285,200	14,163,800	15,569,600	15,370,200	15,547,100	14,861,900
Equipment	2,504,800	569,100	3,369,300	569,100	967,000	569,100
OPERATING SUBTOTAL	59,478,300	60,232,900	68,855,500	62,014,100	63,625,300	61,548,200
Special Line Items	0	494,800	503,500	545,300	503,500	545,300
AGENCY TOTAL	59,478,300	60,727,700	69,359,000	62,559,400	64,128,800	62,093,500

FUND SOURCES						
General Fund	57,743,800	58,825,400	67,152,300	60,416,800	61,889,600	59,950,700
DOR Estate and Unclaimed Property Fund	1,110,500	1,150,200	1,458,600	1,388,400	1,476,000	1,388,500
Tobacco Tax and Health Care Fund	311,000	387,200	388,600	393,800	388,600	393,800
Liability Setoff Fund	313,000	364,900	359,500	360,400	374,600	360,500
SUBTOTAL - Other Appropriated Funds	1,734,500	1,902,300	2,206,700	2,142,600	2,239,200	2,142,800
SUBTOTAL - Appropriated Funds	59,478,300	60,727,700	69,359,000	62,559,400	64,128,800	62,093,500
Other Non-Appropriated Funds	5,801,800	6,280,500	6,249,500	6,249,500	6,249,500	6,249,500
TOTAL - ALL SOURCES	65,280,100	67,008,200	75,608,500	68,808,900	70,378,300	68,343,000

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	1,591,400	2.7%	1,125,300	1.9%	2,716,700
Other Appropriated Funds	240,300	12.6%	240,500	12.6%	480,800
Total Appropriated Funds	1,831,700	3.0%	1,365,800	2.2%	3,197,500

AGENCY DESCRIPTION — *The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax. The department is organized along functional lines.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average calendar days to refund income tax	13/13.5	13/19.2	19.3	19.4
• Total tax documents processed (millions)	6.3/5.5	5.6/5.7	5.8	5.8
• % of non-audit revenue to total revenue	96.6/98.6	96.8/97.0	97.1	97.2/97.3
• % of private taxpayer rulings completed within 45 calendar days of receipt	95/86	95/85	90	90
• % that collector contacts taxpayer within 30 calendar days of being assigned a delinquent account	90/72	90/49	65	75/95
• % of delinquent accounts collected	NA	NA	10	20
• % of agency staff turnover	NA/13.2	NA/12	16	16
• Administration as a % of total cost	5.77/NA	5.77/NA	5.77	5.77

Comments:

- The JLBC Staff recommends the new performance measure “% of delinquent accounts collected.”

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$574,000	\$574,000
	OF	11,600	11,600
ERE Rates	GF	257,100	299,300
	OF	(2,200)	(2,000)
Risk Management	GF	75,000	61,300
Rent	GF	15,800	10,200
	OF	900	900

Income Tax Credit

Processing Fee **GF 400,000 400,000**
 The JLBC recommends a total biennial General Fund increase of \$800,000 for payment of an estimated \$2 vendor transaction fee for 200,000 taxpayers using telefile to file for the \$25 transaction privilege tax credit beginning with FY 2002. This tax credit was included in the recently passed Proposition 301 for low-income taxpayers to offset the 0.6% transaction privilege tax increase for education, which takes effect June 1, 2001. This amount includes an increase of \$400,000 in both FY 2002 and FY 2003 above FY 2001.

The Executive does not directly address this issue. The Executive recommends a total biennial General Fund increase of \$1,407,400 for a package of 8 computerization projects, which the Executive states would also cover the cost of processing the \$25 transaction privilege tax credit returns and disbursement of refunds. This amount includes a FY 2002 increase of \$787,200 above FY 2001 and a FY 2003 increase of \$620,200 above FY 2001.

Other Computer Projects **GF 339,100 339,100**

The JLBC recommends a total biennial General Fund increase of \$678,200 for other computer projects which

have not yet been approved by the Government Information Technology Agency (GITA). This amount includes an increase of \$339,100 in both FY 2002 and FY 2003 above FY 2001. The JLBC further recommends a new footnote that requires JLBC review of DOR’s expenditures plans for these monies prior to their expenditure, to provide greater legislative oversight of DOR’s computerization projects. The GITA has approved a project investment justification for 2 out of 8 projects (telefile and 2-D bar coding) submitted by DOR. These 2 projects are funded in separate policy issues. The \$678,200 would provide funding for some portion of the remaining 6 projects.

DOR is resubmitting a project investment justification to the GITA for 4 of the 6 remaining projects which were originally disapproved by GITA. The other 2 computer projects do not need a project investment justification.

The Executive recommends a total biennial General Fund increase of \$1,407,400 for a package of 8 computerization. Two of these 8 computer projects have been approved by GITA. This amount includes a FY 2002 increase of \$787,200 above FY 2001 and a FY 2003 increase of \$620,200 above FY 2001.

Unclaimed Property

Workload **OF 230,000 230,000**

The JLBC recommends a total biennial DOR Estate and Unclaimed Property Fund increase of \$460,000 for a projected 20% increase in workload due to caseload growth and reduced holding periods for 6 unclaimed property types, which was enacted by Laws 2000, Chapter 184, effective January 1, 2001. This amount includes an increase of \$230,000 in both FY 2002 and FY 2003 above FY 2001. The Executive recommends a total biennial General Fund increase of \$553,600. This amount includes a FY 2002 increase of \$301,000 above FY 2001 and a FY 2003 increase of \$252,600 above FY 2001.

Phone System Charges GF 156,600 156,600

The JLBC recommends a total biennial General Fund increase of \$313,200 for an increase in ADOA phone system charges. This amount includes an increase of \$156,600 in both FY 2002 and FY 2003 above FY 2001. The Executive concurs.

2-D Bar Coding GF 113,000 5,000

The JLBC recommends a total biennial General Fund increase of \$118,000 for programming and equipment to implement 2-D bar coding for e-filing of certain tax returns by tax practitioners, so that the department can scan the data instead of doing manual data entry for these returns. This amount includes a FY 2002 increase of \$113,000 above FY 2001 and a FY 2003 increase of \$5,000 above FY 2001. The Government Information Technology Agency (GITA) has approved this project. The FY 2003 increase is lower due to the elimination of one-time equipment and development costs.

The Executive recommends a total biennial General Fund increase of \$1,407,400 for a package of 8 computerization projects including the 2-D bar coding project. The GITA has approved a project investment justification for 2 of these 8 projects (tefile and 2-D bar coding). DOR is resubmitting a project investment justification to the GITA for 4 of the projects which were originally disapproved by GITA, and 2 do not need a project investment justification. This amount includes a FY 2002 increase of \$787,200 above FY 2001 and a FY 2003 increase of \$620,200 above FY 2001.

Telefile GF 106,000 -0-

The JLBC recommends a total biennial General Fund increase of \$106,000 for development and programming to implement a telefile system for filing income tax 140EZ forms. The department expects to also use this same telefile system to process the \$25 income tax credit resulting from the 0.6% transaction privilege tax increase for education. The GITA has approved this project. This amount includes a FY 2002 increase of \$106,000 above FY 2001.

The Executive recommends a total biennial General Fund increase of \$1,407,400 for a package of 8 computerization projects including the telefile project. The GITA has approved a project investment justification for 2 of these 8 projects (tefile and 2-D bar coding). DOR is resubmitting a project investment justification to the GITA for 4 of the projects which were originally disapproved by GITA, and 2 do not need a project investment justification. This amount includes a FY 2002 increase of \$787,200 above FY 2001 and a FY 2003 increase of \$620,200 above FY 2001.

Alternative Fuel

Tax Credit Review GF 50,500 50,500

The JLBC recommends a total biennial General Fund increase of \$101,000 for continuation of the \$494,800

from the General Fund and 11 FTE Positions appropriated for FY 2001 to the department by Laws 2000, 7th Special Session, Chapter 1. This will allow the department to review all income tax returns that claim an alternative fuel tax credit in each year the credits are authorized by law. This special line item is expected to be greatly reduced or eliminated in FY 2004. This amount includes an increase of \$50,500 in both FY 2002 and FY 2003 above FY 2001, to annualize Personal Services for the 11 FTE Positions and to remove one-time equipment. The Executive recommends a total biennial General Fund decrease of \$(14,600). This amount includes a decrease of \$(7,300) in both FY 2002 and FY 2003 from FY 2001.

Data Center

Consolidation GF -0- -0-

The Executive recommendation includes consolidating DOR's mainframe computer system into the state's central data center. The Arizona Department of Administration (ADOA) will administer the consolidated data center and will allocate their costs to DOR and all other participating agencies. It is anticipated that the charges allocated by ADOA will be a savings from the amount the agency currently expends to maintain their individual system. The level and fund source of savings, however, is unclear at this time. The JLBC Staff is continuing to analyze this issue. The Executive recommends a total biennial General Fund increase of \$2,158,000. This amount includes a FY 2002 increase of \$1,083,400 above FY 2001 and a FY 2003 increase of \$1,074,600 above FY 2001.

Repayment of Computer

Network Upgrade Loan GF -0- (275,000)

The JLBC recommends a total biennial General Fund decrease of \$(275,000) to the Agency Support program for the department's paying off of their 5-year loan in mid-FY 2003, which was to upgrade their local area computer network and to replace their personal and laptop computers. The department financed a principal amount of \$2,444,200 for 5 years with debt service payments totaling \$2,749,000, and quarterly debt service payments of \$137,400. The department made \$412,000 of debt service payments from their base budget in FY 1999, before being appropriated \$550,000 for these debt service payments in FY 2000 and in FY 2001. The recommendation continues the \$550,000 appropriation for debt service payments in FY 2002, and then decreases it to \$275,000 in FY 2003. The loan originally would have been paid off after the first quarter of FY 2004. However, the department has used excess vacancy savings to make 3 extra payments ahead of schedule, which leaves only 2 payments totaling \$275,000 to be made in FY 2003. This amount includes a FY 2003 decrease of \$(275,000) below FY 2001. The Executive essentially concurs, recommending a total biennial General Fund decrease of \$(274,200). This amount includes a FY 2003 decrease of \$(274,200) below FY 2001.

FTE Position Adjustment GF (495,700) (495,700)

The JLBC recommends a total biennial General Fund decrease of \$(991,400) and (150) excess FTE Positions to

the department to better align the department's approved number of FTE Positions and Employee Related Expenditures (ERE) dollars with their actual usage. As shown in the following table, the department has had from 163 to 250 excess total FTE Positions, and has had from 165 to 244 excess General Fund FTE Positions, for the past 3 years. During this time, the department has used its budgetary discretion to provide a certain level of customer service, while reallocating their excess Personal Services monies to other budgetary areas, including information technology projects and making early loan payments. The savings comes from eliminating the ERE for these FTE Positions. The department has reallocated the Personal Services for these FTE Positions and is using that money for other items. The recommendation reflects the department's reallocation of Personal Services monies to other line items. This amount includes decreases of \$(495,700) and (150) FTE Positions in both FY 2002 and FY 2003 from FY 2001. The Executive does not address this issue.

<u>Fiscal Year</u>	<u>Total FTE Positions</u>		
	<u>Approved</u>	<u>Actual</u>	<u>Excess</u>
2000	1,247	997	250
1999	1,255	1,085	170
1998	1,255	1,092	163
	<u>General Fund FTE Positions</u>		
2000	1,222	978	244
1999	1,237	1,063	174
1998	1,237	1,072	165

* * *

JLBC RECOMMENDED FORMAT — Lump Sum with Special Line Items by Agency *(The department's FY 2001 budget was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

JLBC RECOMMENDED FOOTNOTES

New Footnotes

No monies from the FY 2002 appropriation of \$62,063,700, or from the FY 2003 appropriation of \$61,597,800, to the department shall be spent to accept credit card payments for taxes or accounts receivable. *(This would prevent subjecting the state to an undetermined, but potentially large cost for paying credit card transaction fees. See Other Issues for Legislative Consideration.)*

Before the expenditure of any of the \$339,100 appropriated for other computer projects in FY 2002, the JLBC shall review the department's plans for the expenditure of these monies. Before the expenditure of any of the \$339,100 appropriated for the expenditure of other computer projects in FY 2003, the JLBC shall review the department's plans for these monies. *(This will provide greater legislative oversight of DOR's computerization projects.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

Credit Cards

The Executive recommends a total biennial General Fund increase of \$1,407,400 for a package of 8 computerization projects including a project for DOR to accept credit cards for payment of taxpayers' accounts receivable, individual income tax and withholding tax payments. GITA has determined that their approval is not required for this project, since software maintenance is considered part of ongoing operations. This amount includes a FY 2002 increase of \$787,200 above FY 2001 and a FY 2003 increase of \$620,200 above FY 2001.

The JLBC recommends that DOR not accept credit cards for payments, until the total cost to the state of paying credit card transaction fees has not been determined. Laws 2000, Chapter 311 requires state agencies that accept credit card payments to deduct fees associated with the transaction before depositing the net amount in the appropriate state fund. Chapter 311 also states that the net amount deposited shall be considered as full payment. The JLBC also recommends a new footnote requiring that DOR spend no monies from their FY 2002 or FY 2003 appropriations to accept credit card payments for taxes or accounts receivable. This would prevent subjecting the state to an undetermined, but potentially large cost for paying credit card transaction fees.

Computer Network and Personal Computer Replacement

The Executive recommends a total biennial increase of \$302,500, including \$203,000 from the General Fund, \$84,500 from the DOR Estate and Unclaimed Property Fund, and \$15,000 from the Liability Setoff Fund to begin replacement of DOR's computer network and personal computers. This amount includes an increase of \$302,500 in FY 2003 above FY 2001. The Executive reports a total 5-year cost of \$9,887,000 for this project, including staffing and maintenance amounts which are currently in the department's base budget. DOR estimates an annual increased cost of \$1,337,000 for 4 years beginning in FY 2004. Given that the Executive is only funding a small portion of a much bigger project this should wait to FY 2004. The Information Technology Authorization Agency has not approved the project. The JLBC recommends that this issue be considered in the next biennial budget cycle for FY 2004.

FY 2001 Supplemental for Transaction Privilege Tax Computer Reprogramming

The Executive recommends a one-time General Fund supplemental increase of \$370,000 for FY 2001 for programming modifications to extend the life of the transaction privilege tax computer system. The computer files for certain large transaction privilege taxpayers have reached capacity. The department originally projected that

its programming modifications would extend the life of the transaction privilege tax system by an additional 3 years through the end of FY 2004. GITA has recommended that the department adopt this short-term solution to system defects. However, DOR now projects that their transaction privilege tax computer system will be in critical condition by the end of FY 2001, even with these programming modifications. DOR has been reallocating excess vacancy savings from 150 excess FTE Positions and using that money for other items, such as paying for various computer projects and making early loan payments. The JLBC recommendation includes eliminating the (150) excess FTE Positions starting in FY 2002. The JLBC recommends that the department use their discretionary resources to absorb the costs of programming modifications to the transaction privilege tax computer system in FY 2001.

New Computer System

The department has proposed a multi-year project to construct a new computerized tax system, which would replace their current system. As of December 27, 2000, DOR's consultant provided an estimated cost for the project ranging from \$89,000,000 to \$100,500,000. The JLBC recommends that no funding be approved for this project, until the department has an approved plan from the GITA and from the Information Technology Authorization Committee. The proposed new system would change the department from having separate systems based on tax type to an integrated customer based system which would cut across tax types. The department cites the current systems as old, complex to maintain, incompatible with each other, and lacking in customer service. The department proposes to pay for this new computer system either from appropriations or out of gainsharing, as allowed by A.R.S. § 41-2559. Gainsharing is a method of paying for an information technology project where the vendor is paid based on some definition of increased revenues or savings to the state, which result from the technology project.

The department received a one-time appropriation of \$500,000 from the General Fund in FY 2000 for an initial in-depth assessment of current operations, and a thorough evaluation of all the technology options of the proposed project. The department hired a consultant for this evaluation, and subsequently submitted a Project Investment Justification to the GITA to adopt gainsharing to enable upgrades and rewrites of various systems and adopt distributed technology.

As of November 30, 2000, GITA found that the department's request did not meet the state standard for Project Investment Justification because it did not provide estimated costs, did not contain a project plan, scope, or schedule, with only a broad reference to a mix of technologies. GITA also found that the main thrust of the project is to convert or rewrite existing mainframe

applications to function in a distributed environment, which could offer greater flexibility but at the cost of reduced security and privacy. The Project Investment Justification did not address security and privacy issues. GITA determined that they could not ask an Information Technology Authorization Committee member to vote to either approve or disapprove the project concept, and requested that the department withdraw its document.

The department also submitted 2 other Project Investment Justifications to GITA to rewrite 2 of the specific tax systems on a distributed platform, the transaction privilege tax system and the property tax system. Both of these computer system rewrite projects are subsets of the department's overall project to build a new computerized tax system. GITA disapproved both projects as of November 27 and 28, 2000, finding that the department had not fully evaluated and defined the true cost, scope, risks, deliverables and benefits of these rewrite projects. We expect that GITA will work with DOR to address these deficiencies and to produce more acceptable project investment justifications.

DOR indicates that they will soon have a severe problem with the capacity of their transaction privilege tax (TPT) computer system. The Executive recommends a total biennial General Fund increase of \$5,000,000 to convert the database for the transaction privilege tax system, which would serve as an interim step toward rewriting the system. Before DOR implements the project, the department would need to develop a project plan acceptable to GITA and to the Information Technology Authorization Committee. The total cost and scope of the proposed interim transaction privilege tax system database project is not yet defined. DOR has indicated that some portion of the monies spent on a new database for the transaction privilege tax computer system would be an offset to the total cost of their proposed new \$100,500,000 computer system. This amount includes a FY 2002 increase of \$5,000,000 above FY 2001.

Having received a \$500,000 appropriation in FY 2000 for planning a new computer system, DOR has yet to provide a proposal the GITA approves. We would agree that the TPT computer system appears to need replacement. The current \$5,000,000 request, however, does not have many specifics and appears to require much more work. As a result, the JLBC has not recommended the Executive's request.

In addition, the Executive also recommends a total biennial General Fund increase of \$765,400 for DOR to contract with a consultant to oversee the further development of the department's proposed new computer system project. The total cost and scope of the proposed new computer system project is not yet defined. This amount includes an increase of \$382,700 in both FY 2002 and FY 2003 above FY 2001.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Client County Equipment Capitalization (RVA2457/A.R.S. § 42-11057) Non-Appropriated

Source of Revenue: Monies received over \$0.60 per parcel pursuant to an intergovernmental agreement between the department and the county assessor for data processing services. The first \$0.60 per parcel is deposited to the General Fund.

Purpose of Fund: To upgrade data processing equipment in the counties, which contract with the department to provide data processing services to their county assessors. Any unencumbered fiscal year-end balance over \$300,000 shall be transferred to the General Fund. The department shall file an annual report by October 1 to the Information Technology Authorization Committee accounting for all receipts and disbursements from the fund.

Funds Expended	79,600	517,000	517,000	517,000
Year-End Fund Balance	11,700	11,700	11,700	11,700

DOR Estate and Unclaimed Property (RVA1520/A.R.S. § 44-301) Partially-Appropriated

Source of Revenue: The fund consists of monies from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits and life insurance policies. Property is typically considered "abandoned" after 5 years. Notwithstanding the title of this fund, it no longer includes the proceeds of escheated estates. Those funds are deposited to the department's Escheated Estates Fund.

Purpose of Fund: The appropriated portion of the fund covers the department's administrative costs including the handling, publicizing and selling of abandoned property. To retain abandoned property proceeds while the state attempts to locate its owners, the department retains not less than \$100,000 to pay allowed claims, in the non-appropriated portion of the fund. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations are transferred to the Permanent State School Fund. The remaining monies are transferred to the following funds in the following percentages: Housing Trust Fund (55%), State General Fund (25%), and Racing Fund (20%). Laws 2000, Chapter 168 adds the requirement to deposit unclaimed victim restitution monies into the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. DOR could not estimate how much this might be. FY 2000 Actual Expenditures are used for display purposes in FY 2001-FY 2003, since the department declined to estimate receipts due to wide fluctuations.

Appropriated Funds Expended	1,110,500	1,150,200	1,388,400	1,388,500
Non-Appropriated Funds Expended	0	0	0	0
TRANSFERS TO:				
General Fund	4,081,200	4,081,200	4,081,200	4,081,200
Housing Trust Fund	11,421,700	11,421,700	11,421,700	11,421,700
Utility Assistance Fund	639,100	639,100	639,100	639,100
Racing Fund	4,153,300	4,153,300	4,153,300	4,153,300
Permanent State School Fund	0	0	0	0
Victim Compensation and Assistance Fund	0	0	0	0
Year-End Fund Balance	2,104,500	2,104,500	2,104,500	2,104,500

Escheated Estates (RVA3745/A.R.S. § 12-885) Non-Appropriated

Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.

Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund. In FY 2000, \$13,000 was transferred to the Permanent State School Fund. FY 2000 Actual Expenditures are used for display purposes in FY 2001-FY 2003, since the department declined to estimate receipts due to wide fluctuations.

Funds Expended	0	0	0	0
Transfer To Permanent State School Fund	13,000	13,000	13,000	13,000
Year-End Fund Balance	0	0	0	0

Liability Setoff (RVA2179/A.R.S. § 42-1122) Appropriated

Source of Revenue: Fees collected from agencies or taxpayers utilizing the setoff procedure. The Department of Revenue withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state agencies, such as delinquent child support payments owed to the Department of Economic Security.

Purpose of Fund: To cover the Department of Revenue's costs of administering the Liability Setoff program.

Funds Expended	313,000	364,900	360,400	360,500
Year-End Fund Balance	328,700	283,800	253,400	232,900

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Revenue Publications Revolving (RVA2166/A.R.S. § 42-1004)

Non-Appropriated

Source of Revenue: Receipts from the sale of department tax-related publications.

Purpose of Fund: To offset costs of publishing and distributing tax-related publications.

Funds Expended	185,600	226,900	195,900	195,900
Year-End Fund Balance	86,300	6,700	10,100	17,600

Special Collections (RVA2168/A.R.S. § 42-1004)

Non-Appropriated

Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 8, Article 1 (transaction privilege taxes).

Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A.R.S. § 42-104.B.3. The remainder of the collected amounts are distributed to the state or political subdivisions according to the distribution proportions for the tax collected. Contracted collections totaled \$407,400 in FY 2000, including \$60,700 in collection fees and \$346,700 in net collections. FY 2000 Actual Expenditures are used for display purposes in FY 2001-FY 2003, since the department declined to estimate receipts due to wide fluctuations.

Funds Expended	60,700	60,700	60,700	60,700
Year-End Fund Balance	0	0	0	0

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

Appropriated

Source of Revenue: The fund consists of tobacco taxes retained by the department to administer the tobacco tax program.

Purpose of Fund: To monitor and enforce tobacco tax laws.

Funds Expended	311,000	387,200	393,800	393,800
Year-End Fund Balance	34,500	0	0	0

Waste Tire (RVA2356/A.R.S. § 44-1305)

Non-Appropriated

Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.

Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190. FY 2000 Actual Expenditures are used for display purposes in FY 2001-FY 2003, since the department declined to estimate receipts.

Funds Expended	5,475,900	5,475,900	5,475,900	5,475,900
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Department of State - Secretary of State

The Honorable Betsey Bayless, Secretary of State

JLBC: Indya Kincannon

OSPB: Randy Hillier

House Subcommittee: Johnson

Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Administration	896,100	735,100	782,900	726,300	778,900	725,900
Census Coordination SLI	150,000	0	0	0	0	0
<i>Program Subtotal - Administration</i>	1,046,100	735,100	782,900	726,300	778,900	725,900
Business Services	532,500	598,700	729,300	725,900	729,200	721,600
Public Services	672,100	793,800	832,100	797,000	807,100	797,100
Election Services	2,003,700	3,889,100	901,600	956,300	3,888,100	3,890,200
AGENCY TOTAL	4,254,400	6,016,700	3,245,900	3,205,500	6,203,300	6,134,800

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	39.0	39.0	45.0	43.0	45.0	43.0
Personal Services	1,321,400	1,470,500	1,620,100	1,568,800	1,620,100	1,568,800
Employee Related Expenditures	264,600	313,700	342,700	330,400	339,200	330,800
All Other Operating Expenditures:						
Professional and Outside Services	1,502,600	2,606,100	301,800	197,400	2,606,100	197,400
Travel - In State	16,000	28,000	28,000	28,000	28,000	28,000
Travel - Out of State	19,500	22,500	22,500	22,500	22,500	22,500
Other Operating Expenditures	901,400	1,475,900	926,400	1,054,000	1,483,000	3,887,300
Equipment	78,900	100,000	4,400	4,400	104,400	100,000
OPERATING SUBTOTAL	4,104,400	6,016,700	3,245,900	3,205,500	6,203,300	6,134,800
Special Line Items	150,000	0	0	0	0	0
AGENCY TOTAL	4,254,400	6,016,700	3,245,900	3,205,500	6,203,300	6,134,800

FUND SOURCES

General Fund	4,254,400	6,016,700	3,245,900	3,205,500	6,203,300	6,134,800
SUBTOTAL - Appropriated Funds	4,254,400	6,016,700	3,245,900	3,205,500	6,203,300	6,134,800
Other Non-Appropriated Funds	104,800	216,100	189,000	189,000	134,000	134,000
TOTAL - ALL SOURCES	4,359,200	6,232,800	3,434,900	3,394,500	6,337,300	6,268,800

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(2,811,200)	-46.7%	118,100	2.0%	(2,693,100)

AGENCY DESCRIPTION — *The Secretary of State is an elected Constitutional Officer. The Department of State is responsible for recordings and filings under the Uniform Commercial Code (U.C.C.); coordinating statewide elections; receiving required filings from legislators, state officials, judges, candidates for office, campaign committees, and lobbyists; training county elections officials; receiving filings of administrative rules, intergovernmental agency agreements, and official executive orders/proclamations; registering trade names, trademarks and limited partnerships; appointing notaries public; and certifying certain telemarketing and charitable solicitation organizations.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• % of documents returned to public filer in 48 hours (Business Services Division)	100/85	100/87	90	95
• % of all business documents filed electronically (Business Services Division)	0/0	10/7	20	40
• % of election law complaints reviewed and acted upon within 7 days	75/75	100/90	100	100
• % of candidates utilizing diskette filing of campaign finance reports	80/80	100/87	100	100
• % of agencies filing rules electronically	0/80	20/87	90	95
• Administration as a % of total cost	NA	0/NA	0	0

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$22,800	\$22,800
ERE Rates	GF	(8,600)	(8,200)
Risk Management	GF	6,000	5,500
Rent	GF	(2,800)	(2,800)

State Elections GF (2,833,800) -0-
The JLBC recommends a FY 2002 decrease of \$(2,833,800) below FY 2001 to eliminate one-time FY 2001 funding for the 2000 primary and general election costs. The JLBC further recommends restoration of \$2,833,800 in FY 2003 for the 2002 primary and general election costs.

The department requested an additional \$850,100 General Fund increase in FY 2003 to cover increased costs associated with printing, labeling, and postage. The JLBC does not recommend additional monies for these costs as the Legislature already appropriated an additional \$754,500 to the Election Services program in FY 2001 to accommodate 9.5% growth in the number of registered voters. However, the number of registered voters as of September 2000 is 1.9% lower than November 1999, and 1.6% lower than November 1994. The JLBC therefore recommends that the department use the \$754,500 that is restored as part of the \$2,833,800 in the FY 2003 budget to absorb any additional operating costs associated with state elections. The following table details the recommended funding for the Elections Services program.

The Executive recommends reducing the Elections Services program by an additional \$(52,600) in FY 2002 and then restoring the FY 2001 amount in FY 2003. The additional \$(52,600) reduction represents reductions in the regular operating budget of the Elections Services program, whereas the JLBC recommendation only reduces that portion of the program's budget that fluctuates with the election cycle.

High Volume Copier GF (100,000) -0-
The JLBC recommends a total biennial General Fund decrease of \$(100,000) to the Election Services program to

eliminate one-time FY 2001 funding for a high volume copier in FY 2002, but a restoration of the funding in FY 2003. This amount includes a decrease of \$(100,000) in FY 2002. The department has not actually purchased a high volume copier and instead plans to use the funds to cover higher than expected election costs. The unanticipated election costs are mainly attributable to the number and length of ballot measures and the correspondingly large size of the election publicity pamphlet. The JLBC further recommends that the \$100,000 be restored in FY 2003 (or \$0 change from FY 2001) so the department can purchase a high volume copier in preparation for the 2004 election cycle. The Executive concurs.

<u>Election Services Program</u>			
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Operating Budget	\$ 955,300	\$956,300	\$ 956,400
High Volume Copier	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Subtotal Elections			
Operating Budget	\$1,055,300	\$956,300	\$1,056,400
State Elections	\$1,457,700	\$ 0	\$1,457,700
Mailing Pamphlets	220,300	0	220,300
Demographic Increase	754,500	0	0
Open Primary Cost Increase	401,300	0	401,300
Publicity Pamphlet Cost Increase	<u>0</u>	<u>0</u>	<u>754,500</u>
Subtotal Statewide			
Primary and General Election	\$2,833,800	\$ 0	\$2,833,800
Total - Elections Services Program	\$3,889,100	\$956,300	\$3,890,200

UCC Filings GF 105,200 100,800
The JLBC recommends a total biennial General Fund increase of \$206,000 for costs of new statutory Uniform Commercial Code (UCC) requirements. This amount includes a FY 2002 increase of \$105,200 and 4 FTE Positions above FY 2001 and a FY 2003 increase of

\$100,800 and 4 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment.

Laws 1999, Chapter 203, modifies the regulations for filing UCC secured transactions. Among other changes, the law shifts approximately 40,000 filings from the County Recorder to the department and reduces the renewal period from 6 to 5 years, which will result in an estimated increase of 20,000 filings per year. The department estimates that filing fee revenues will increase by \$180,000. The law also allows electronic filing and expands the type of secured transactions that may be filed in Arizona. The increased workload requires new staff. The Executive concurs.

Ballot Pamphlets; Judicial

Performance Reviews GF -0- -0-

Laws 1999, Chapter 268 appropriated \$220,300 from the General Fund in FY 2001 for including judicial performance reviews in the election publicity pamphlets mailed to each household with a registered voter. The JLBC recommendation makes this funding part of the \$2,833,800 funding for cyclical elections that is eliminated in FY 2002 and restored in FY 2003. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Program (Elections and All Other). *(This format will*

result in 2 lines in the General Appropriation Act, one for Election expenses and another for all other expenses.)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Southern Arizona Office

The Executive recommends a total biennial General Fund increase of \$120,600 and 2 FTE Positions to fund a satellite office in Southern Arizona. The satellite office is currently operating with assistance from the Tucson Governor’s Office staff. The JLBC recommends continuing to operate this satellite office within existing resources.

Arizona Blue Book

The Executive recommends a total biennial General Fund increase of \$25,000 for one-time costs associated with printing the *Arizona Blue Book*. This amount includes an increase of \$25,000 in FY 2002 above FY 2001. The JLBC recommends that the department make the Arizona Blue Book Revolving Fund self-sufficient by increasing the charge for the book to a cost-recovery amount. For the 1997-1998 edition, the department charged \$10 for a paperback copy and \$20 for a hardcover book. The department is considering raising prices by \$5-\$10 for the next edition, which should be available to the public in the spring of 2001. The department is also in the process of making the full contents of the *Arizona Blue Book* available on its Web site, which may reduce the number of books it needs to print.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Arizona Blue Book Revolving (STA2006/A.R.S. § 41-131)				Non-Appropriated
Source of Revenue: Proceeds from the sales of Arizona Blue Books and legislative appropriations.				
Purpose of Fund: To publish the Arizona Blue Book, which contains information about the state’s Executive, Legislative, and Judicial Branches.				
Funds Expended	0	36,100	40,000	0
Year-End Fund Balance	12,800	11,700	1,700	2,700
Data Processing Acquisition (STA2265/A.R.S. § 41-127)				Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code filings.				
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.				
Funds Expended	104,800	180,000	149,000	134,000
Year-End Fund Balance	106,700	22,700	0	0
Standing Political Committee Administrative (No Fund Number/A.R.S. § 41-128)				Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees. The law authorizing this fund, (Laws 2000, Chapter 235), is awaiting clearance by the U.S. Department of Justice. While clearance is pending, the Secretary of State’s Office will not collect revenues or make expenditures.				
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.				
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0
Click here to return to Table of Contents				

Legislature - Senate

JLBC: Bob Hull
 OSPB: Monica Klaschka

Honorable Randall Gnant, President of the Senate
 House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ESTIMATE	FY 2002		FY 2003	
			OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Senate	6,763,300	7,461,200	6,961,200	7,035,400	6,961,200	7,037,000
OPERATING BUDGET						
Lump Sum Appropriation	6,763,300	7,461,200	6,961,200	7,035,400	6,961,200	7,037,000
AGENCY TOTAL	6,763,300	7,461,200	6,961,200	7,035,400	6,961,200	7,037,000
FUND SOURCES						
General Fund	6,763,300	7,461,200	6,961,200	7,035,400	6,961,200	7,037,000
SUBTOTAL - Appropriated Funds	6,763,300	7,461,200	6,961,200	7,035,400	6,961,200	7,037,000
TOTAL - ALL SOURCES	6,763,300	7,461,200	6,961,200	7,035,400	6,961,200	7,037,000

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(425,800)	-5.7%	(424,200)	-5.7%	(850,000)

AGENCY DESCRIPTION — *The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.*

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$71,900	\$71,900
ERE Rates	GF	(4,500)	(1,600)
Risk Management	GF	6,800	5,500

Redistricting

GF (500,000) (500,000)
 The JLBC recommends a total biennial General Fund decrease of \$(1,000,000) to the Senate due to the elimination of monies for redrawing district boundaries. This task will now be accomplished by an independent redistricting commission, which was passed by the voters as Proposition 106 in the November, 2000 election. This amount includes a decrease of \$(500,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

[Click here to return to Table of Contents](#)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the lump sum appropriations of \$7,035,400 for FY 2002 and \$7,037,000 for FY 2003 is \$1,000 each year for the purchase of mementos and items for visiting officials.

State Boards' Office

Lori Meeks, Office Manager

JLBC: Steve Grunig
OSP: Randy Hillier

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
State Boards' Office	229,000	243,200	249,100	249,300	249,100	249,400
OPERATING BUDGET						
Full Time Equivalent Positions	4.0	4.0	4.0	4.0	4.0	4.0
Personal Services	81,800	100,200	102,400	103,900	102,400	103,900
Employee Related Expenditures	18,500	25,800	26,400	26,500	26,300	26,500
All Other Operating Expenditures:						
Professional and Outside Services	6,500	0	0	0	0	0
Other Operating Expenditures	106,900	113,300	116,400	118,900	116,500	119,000
Equipment	15,300	3,900	3,900	0	3,900	0
AGENCY TOTAL	229,000	243,200	249,100	249,300	249,100	249,400
FUND SOURCES						
Special Services Revolving Fund	229,000	243,200	249,100	249,300	249,100	249,400
SUBTOTAL - Appropriated Funds	229,000	243,200	249,100	249,300	249,100	249,400
TOTAL - ALL SOURCES	229,000	243,200	249,100	249,300	249,100	249,400

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	6,100	2.5%	6,200	2.5%	12,300

AGENCY DESCRIPTION — The office serves to centralize services and pool resources of 10 small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services. The office is under the Management Services Division of the Arizona Department of Administration, but is supported by transfers of appropriated funds from the participating boards. The office's budget was appropriated for the first time in FY2000.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Customer satisfaction rating for timeliness (Scale 1-8)	7.2/7.2	6.9/6.9	7	7.1
• Customer satisfaction rating for responsiveness (Scale 1-8)	7/7	7.2/7	7.1	7.2
• Customer satisfaction rating for customer-oriented (Scale 1-8)	7.2/7.2	7.4/7	7.1	7.2
• Customer satisfaction rating for quality (Scale 1-8)	7.2/7.2	7/7	7.1	7.2
• Customer satisfaction rating for accessibility (Scale 1-8)	7.2/7.2	7.1/7.1	7.2	7.3
• Overall customer satisfaction rating (Scale 1-8)	7.1/7.1	7.2/7	7.1	7.2
• Administration as a % of total cost	NA	5/NA	5	5

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$1,500	\$1,500
ERE Rates	OF	400	400
Risk Management	OF	1,300	1,400

Salary Increases OF 2,500 2,500

The JLBC recommends a total biennial increase of \$5,000 for salary increases. This amount includes an increase of \$2,500 for Personal Services and Employee Related Expenditures in both FY 2002 and FY 2003 above FY 2001. The recommended amount allows the office to reclassify a Fiscal Services Technician to a Fiscal Services Specialist position. This position is responsible for the accounting activities of 10 small boards. The position is being reclassified in order to employ a person with a higher level of accounting expertise. The Executive concurs.

Office Space Increase OF 2,500 2,500

The JLBC recommends a total biennial increase of \$5,000 for rent due to increased office space use by the 10 boards that reside in the suite. This amount includes an increase of \$2,500 in both FY 2002 and FY 2003 above FY 2001. The increase in space usage occurred because of increased workload and an increase in the number of FTE personnel at several of the 10 boards. The State Boards' Office space usage increased from 5,787 sq.ft. in FY 1999 to 5,977 sq.ft. in FY 2000. The office's rent was budgeted using the lower FY 1999 amount for FY 2000 and FY 2001. The Executive concurs.

Telephone Rate Increase OF 1,800 1,800

The JLBC recommends a total biennial increase of \$3,600 for increased telephone costs for the 10 boards that reside in the suite. This amount includes an increase of \$1,800 in both FY 2002 and FY 2003 above FY 2001. The increase reflects additional charges for 3 telephone/FAX lines, 2 e-mail/internet accounts, and 1 multipurpose telephone line that were not previously funded. The Executive does not recommend funding for this issue.

Eliminate One-Time

Equipment OF (3,900) (3,900)

The JLBC recommends a total biennial decrease of \$(7,800) for the elimination of one-time equipment. This amount includes a decrease of \$(3,900) in both FY 2002 and FY 2003 below FY 2001. The FY 2001 appropriation included \$3,900 for a computer and fax machine. The Executive does not address this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency.

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS

FY 2000

FY 2001

FY 2002

FY 2003

Special Services Revolving (ADA4208/A.R.S. § 35-193.02)

Appropriated

Source of Revenue: Monies are collected from 10 small regulatory boards residing in the State Boards' Office. This is the appropriated portion of a larger fund within the Department of Administration. (*See the Arizona Department of Administration section for additional fund information.*)

Purpose of Fund: To provide centralized office services, printing, and other administrative or management services.

Funds Expended	229,000	243,200	249,300	249,400
Year-End Fund Balance	41,400	20,000	16,600	13,100

[Click here to return to Table of Contents](#)

Structural Pest Control Commission

JLBC: Kim Hohman
OSP: Keith Fallstrom

Jerome Davis, Acting Executive Director
House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Structural Pest Control Commission	1,478,700	1,679,800	1,712,800	1,726,400	1,767,800	1,738,900
Contingency SLI	0	4,800	0	0	0	0
AGENCY TOTAL	1,478,700	1,684,600	1,712,800	1,726,400	1,767,800	1,738,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	34.0	34.0	33.0	33.0	33.0	33.0
Personal Services	786,700	1,008,700	1,000,200	1,023,700	1,000,200	1,023,700
Employee Related Expenditures	165,800	241,800	238,200	248,200	238,700	251,100
All Other Operating Expenditures:						
Professional and Outside Services	86,500	14,100	75,900	122,000	75,900	122,000
Travel - In State	90,700	112,400	112,400	112,400	112,400	112,400
Travel - Out of State	29,900	6,400	6,400	6,400	6,400	6,400
Other Operating Expenditures	248,200	238,600	254,400	206,500	308,900	216,100
Equipment	70,900	57,800	25,300	7,200	25,300	7,200
OPERATING SUBTOTAL	1,478,700	1,679,800	1,712,800	1,726,400	1,767,800	1,738,900
Special Line Items	0	4,800	0	0	0	0
AGENCY TOTAL	1,478,700	1,684,600	1,712,800	1,726,400	1,767,800	1,738,900

FUND SOURCES

Structural Pest Control Commission Fund	1,478,700	1,684,600	1,712,800	1,726,400	1,767,800	1,738,900
SUBTOTAL - Appropriated Funds	1,478,700	1,684,600	1,712,800	1,726,400	1,767,800	1,738,900
Federal Funds	109,100	109,500	109,500	109,500	109,500	109,500
TOTAL - ALL SOURCES	1,587,800	1,794,100	1,822,300	1,835,900	1,877,300	1,848,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	41,800	2.5%	54,300	3.2%	96,100

AGENCY DESCRIPTION — *The commission licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	6,100/6,135	6,350/6,357	6,500	6,500
• Number of complaints received about licensees	175/120	130/157	160	160
• Average calendar days to resolve a complaint	60/60	50/64	45	45
• Number of inspections of licensees	950/1,194	1,400/1,405	1,600	1,600
• Average calendar days to renew a license (from receipt of application to issuance)	160/90	160/43	30	30
• Administration as a % of total cost	NA	14.2/NA	14.4	14.2

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$17,100	\$17,100
ERE Rates	OF	10,800	13,700
Risk Management	OF	2,300	2,000
Rent	OF	8,400	18,300

Laboratory Services

Contract **OF** **55,000** **55,000**
 The JLBC recommends a total biennial increase of \$110,000 for Department of Agriculture laboratory services. This amount includes an increase of \$55,000 in both FY 2002 and FY 2003 above FY 2001. Historically, the commission has contracted with the Department of Agriculture to analyze pesticide samples. The interagency service agreement has remained constant in previous years at \$55,000. In a review of the agreement and the associated costs, the Auditor General determined that total costs of the laboratory services exceeds the current rate by nearly 100% (see *Department of Agriculture JLBC budget recommendation for additional information on this audit*). The new cost of funding the contract to fully reimburse the Department of Agriculture costs is \$110,000 per year. The commission is currently generating adequate vacancy savings to comply with this agreement during FY 2001 but will require additional monies to fund this service in FY 2002 and FY 2003. The Executive concurs.

Tucson Office Lease **OF** **5,100** **5,100**

The JLBC recommends a total biennial increase of \$10,200 for the agency's Tucson office lease. This amount includes an increase of \$5,100 in both FY 2002 and FY 2003 above FY 2001. In March 2000, the commission established its second office in Tucson. The agency determines how many inspectors to deploy for an area based on the number of companies in the area, the associated square miles, the level of building activity, and the population. The Tucson office contains 2 inspectors and serves an area of 21,400 square miles, 191 companies, and 900,000 residents. The Executive concurs.

Elimination of FTE

Position **OF** **(6,400)** **(6,400)**

The JLBC recommends a total biennial decrease of \$(12,800) for the elimination of (1) FTE Position and Employee Related Expenditures. This amount includes a decrease of \$(6,400) in both FY 2002 and FY 2003 from FY 2001. The commission has eliminated an administrative support supervisor position and shifted duties associated with this position to other staff. Due to the increase in workload, the Personal Services accompanying the eliminated position were reallocated to other staff members. The recommended reduction reflects the health and dental costs associated with the eliminated position. The Executive recommends a decrease of \$(29,900) and (1) FTE Position in both FY 2002 and FY 2003 from FY 2001. The Executive recommendation includes the elimination of health and dental costs

associated with the abolished position, as well as Personal Services funding of \$23,500.

Equipment **OF** **(50,600)** **(50,600)**

The JLBC recommends a total biennial decrease of \$(101,200) for computer equipment. This amount includes elimination of \$(57,800) for one-time FY 2001 equipment funding, and an increase of \$7,200 in both FY 2002 and FY 2003 for one-time computer equipment. The recommended increase will fund the replacement of 3 laser printers, 2 letter quality printers, and 2 projectors. The age of the equipment for replacement exceeds 5 years. The Executive recommends an increase of \$18,100 in both FY 2002 and FY 2003 for equipment replacement.

OAH Cost Allocation Plan **OF** **100** **100**

The JLBC recommends a total biennial increase of \$200 for a new Office of Administrative Hearings (OAH) cost allocation plan. This amount includes an increase of \$100 in both FY 2002 and FY 2003 above FY 2001. Previously, 90/10 Boards paid for OAH services out of their base budgets. OAH's billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the *OAH section for further information*).

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$4,800 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges will be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount and include a further increase of \$100, for a total annual OAH charge of \$4,900. The Executive recommends an increase of \$6,700 in both FY 2002 and FY 2003 for this issue.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Federal Certification and Enforcement Grant (SBA2000/A.R.S. § 32-2332)			Non-Appropriated	
Source of Revenue: Federal Environmental Protection Agency grants.				
Purpose of Fund: To support Structural Pest Control's licensing and regulation activities.				
Funds Expended	109,100	109,500	109,500	109,500
Year-End Fund Balance	42,200	42,200	42,200	42,200
Structural Pest Control Commission (SBA2050/A.R.S. § 32-2305)			Appropriated	
Source of Revenue: Monies collected by the board from the examination and licensing of professional pest control companies and applicators of structural pesticides. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, inspect and regulate professional pest control companies and applicators of structural pesticides.				
Funds Expended	1,478,700	1,684,600	1,726,400	1,738,900
Year-End Fund Balance	1,088,200	1,182,600	1,235,200	1,275,300

[Click here to return to Table of Contents](#)

State Board of Tax Appeals

Stephen P. Linzer, Chairperson

JLBC: Bob Hull
 OSPB: Tracie Andreasson

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
State Board of Tax Appeals	267,100	309,200	311,400	314,000	309,900	311,800

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0	5.0	5.0	5.0
Personal Services	182,000	224,700	227,600	227,600	227,600	227,600
Employee Related Expenditures	34,100	39,800	36,500	38,400	36,600	38,500
All Other Operating Expenditures:						
Professional and Outside Services	0	0	200	200	200	200
Travel - In State	900	1,000	1,000	1,000	1,000	1,000
Travel - Out of State	1,000	0	0	0	0	0
Other Operating Expenditures	45,400	43,700	43,700	44,400	44,500	44,500
Equipment	3,700	0	2,400	2,400	0	0
AGENCY TOTAL	267,100	309,200	311,400	314,000	309,900	311,800

FUND SOURCES

General Fund	267,100	309,200	311,400	314,000	309,900	311,800
SUBTOTAL - Appropriated Funds	267,100	309,200	311,400	314,000	309,900	311,800
TOTAL - ALL SOURCES	267,100	309,200	311,400	314,000	309,900	311,800

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	4,800	1.6%	2,600	0.8%	7,400

AGENCY DESCRIPTION — *The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Tax appeals caseload	565/259	350/172	206	176/206
• Tax appeals unresolved at fiscal year end	NA/136	NA/126	86	106/126
• Months to process appeal	13.5/8.5	7.5/6.5	6.5	6.5
• % of rulings upheld in tax courts	NA	NA	90	90
• Administration as a % of total cost	NA	17.3/NA	17.4	16.4

Comments:

- JLBC recommends the new performance measures, "Tax appeals unresolved at fiscal year end," and "% of rulings upheld in tax courts."

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$3,200	\$3,200
ERE Rates	GF	(1,700)	(1,600)
Risk Management	GF	-0-	(100)
Rent	GF	700	900

Accounting Services **GF** **200** **200**
 The JLBC recommends a total biennial General Fund increase of \$400 for charges by the General Accounting Office for accounting services. This amount includes an increase of \$200 in both FY 2002 and FY 2003 above FY 2001. The Executive concurs.

Equipment **GF** **2,400** **-0-**
 The JLBC recommends a total biennial General Fund increase of \$2,400 for one-time replacement personal computer equipment. This amount includes a FY 2002 increase of \$2,400 above FY 2001. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

[Click here to return to Table of Contents](#)

State Board of Technical Registration

Ronald W. Dalrymple, Executive Director

JLBC: Kim Hohman
OSP: Keith Fallstrom

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Board of Technical Registration	917,600	1,044,600	1,048,900	1,124,500	1,093,200	1,163,400
Contingency SLI	0	1,300	0	0	0	0
AGENCY TOTAL	917,600	1,045,900	1,048,900	1,124,500	1,093,200	1,163,400

OPERATING BUDGET

	16.5	16.5	17.5	18.0	18.5	19.0
<i>Full Time Equivalent Positions</i>						
Personal Services	463,200	530,700	533,000	590,100	558,800	615,900
Employee Related Expenditures	95,800	109,800	126,400	147,000	133,200	153,700
All Other Operating Expenditures:						
Professional and Outside Services	94,000	66,100	56,600	49,000	58,300	50,700
Travel - In State	5,900	10,000	11,000	11,000	12,000	12,000
Travel - Out of State	15,900	15,600	17,600	17,600	17,600	17,600
Other Operating Expenditures	235,400	303,600	313,100	304,500	316,800	308,200
Equipment	7,400	8,800	(8,800)	5,300	(3,500)	5,300
OPERATING SUBTOTAL	917,600	1,044,600	1,048,900	1,124,500	1,093,200	1,163,400
Special Line Items	0	1,300	0	0	0	0
AGENCY TOTAL	917,600	1,045,900	1,048,900	1,124,500	1,093,200	1,163,400

FUND SOURCES

Board of Technical Registration Fund	917,600	1,045,900	1,048,900	1,124,500	1,093,200	1,163,400
SUBTOTAL - Appropriated Funds	917,600	1,045,900	1,048,900	1,124,500	1,093,200	1,163,400
TOTAL - ALL SOURCES	917,600	1,045,900	1,048,900	1,124,500	1,093,200	1,163,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	78,600	7.5%	117,500	11.2%	196,100

AGENCY DESCRIPTION — *The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, and landscape architects. Laws 2000, Chapter 86 increased the board's responsibilities to include the certification of home inspectors.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	23,000/23,143	23,800/23,028	24,000	25,400/26,700
• Number of complaints received about licensees	185/149	170/184	184	224
• Average calendar days to resolve a complaint	350/285	350/370	250	200/180
• Number of investigations of licensees	150/177	200/219	220	260
• Average calendar days to renew a license (from receipt of application to issuance)	1/1	1/1	1	1
• Administration as a % of total cost	NA	19.2/NA	15.7	15.3

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$8,000	\$8,000
ERE Rates	OF	23,500	23,000
Risk Management	OF	1,000	800

Consumer Information and

Resource Officer	OF	57,800	52,500
-------------------------	-----------	---------------	---------------

The JLBC recommends a total biennial increase of \$110,300 to establish a Consumer Information and Resource Officer FTE Position. This amount includes a FY 2002 increase of \$57,800 and 1 FTE Position above FY 2001 and a FY 2003 increase of \$52,500 and 1 FTE Position above FY 2001. The FY 2003 amount is lower due to the elimination of one-time office equipment. The board experiences approximately 100 information requests per day relating to registration qualifications, practice requirements, and registrant performance. The Executive Director, Deputy Director, and the Investigation Manager currently handle these inquiries. This workload occupies 50 to 75% of their time, taking time away from other statutory duties such as employee supervision, training, budget control, board meeting preparation, and representing the board before other governmental and private entities. The Executive does not recommend funding for this issue.

Regulating Home

Inspectors	OF	(10,600)	30,700
-------------------	-----------	-----------------	---------------

The JLBC recommends a total biennial increase of \$20,100 for costs associated with regulating home inspectors. This amount includes a FY 2002 decrease of \$(10,600) from FY 2001 and a FY 2003 increase of \$30,700 above FY 2001. The FY 2002 amount includes funding for 1 FTE Position above FY 2001 and the FY 2003 amount includes funding for 2 FTE Positions above FY 2001.

Laws 2000, Chapter 86 increased the Board of Technical Registration's responsibilities to include the regulation of home inspectors. In FY 2001, \$75,000 was appropriated from the Board of Technical Registration Fund for start-up and operating costs associated with this added responsibility. The recommended FY 2002 amount includes a reduction of \$(40,800) to eliminate funding for one-time FY 2001 start-up costs and an increase of \$30,200 to add funding for 1 administrative assistant and committee member travel expenses. The FY 2003 recommended amount includes a reduction of \$(40,800), as well as an increase of \$71,500 for 1 administrative assistant position, 1 investigator position, travel expenses related to this position, and one-time office equipment. The Executive concurs.

Attorney General

Legal Services	OF	5,800	7,500
-----------------------	-----------	--------------	--------------

The JLBC recommends a total biennial increase of \$13,300 for increased costs associated with Attorney

General legal services. This amount includes a FY 2002 increase of \$5,800 above FY 2001 and a FY 2003 increase of \$7,500 above FY 2001. The agency contracts with the Office of the Attorney General for full-time services of an Assistant Attorney General. The cost of the interagency service agreement has increased for FY 2002 and FY 2003. The recommended amount reflects this contractual increase. The Executive concurs.

Office Space Increase	OF	3,900	5,800
------------------------------	-----------	--------------	--------------

The JLBC recommends a total biennial increase of \$9,700 for an increase in the agency's office space. This amount includes a FY 2002 increase of \$3,900 above FY 2001 and a FY 2003 increase of \$5,800 above FY 2001. The increase in office space reflects the additional space needed for regulating home inspectors (Laws 2000, Chapter 86). Included in this increase is 150 square feet for 2 additional offices, and 300 square feet for a conference room. The Executive concurs.

Personnel Reduction	OF	(10,800)	(10,800)
----------------------------	-----------	-----------------	-----------------

The JLBC recommends a total biennial decrease of \$(21,600) for the elimination of a 0.5 FTE Position and related expenses. This amount includes a decrease of \$(10,800) and a (0.5) FTE Position in both FY 2002 and FY 2003 from FY 2001. The abolished position was for an Information Process Specialist II. The board received an insufficient amount of applications to warrant adding this position. This position has remained vacant since it was established in FY 1999. The Executive does not recommend eliminating the 0.5 FTE Position and associated funding.

OAH Cost Allocation Plan	OF	-0-	-0-
---------------------------------	-----------	------------	------------

Previously, 90/10 Boards paid for Office of Administrative Hearings (OAH) services out of their base budgets. The OAH billing rates did not reflect actual costs. A General Appropriation Act footnote required OAH to develop a new cost allocation plan. The new plan allocates OAH costs for FY 2001, FY 2002, and FY 2003 based on the actual amount of time spent on each agency in FY 2000. (See the OAH section for further information).

The JLBC recommends implementing the new plan in FY 2001 as intended by the footnote. This results in an increase of \$1,300 in FY 2001 for OAH charges. The JLBC recommends funding these FY 2001 increases from the footnote which allows the agency to spend 20% of annual expenditures or \$50,000, whichever is greater, for unanticipated costs. The footnote requires a review by the Joint Legislative Budget Committee prior to expenditure of the contingency amounts. All of the 90/10s with increased FY 2001 OAH charges would be reviewed at the same JLBC meeting in May or June of 2001. The recommended amounts for FY 2002 and FY 2003 continue the FY 2001 amount. The Executive recommends an increase of \$900 in both FY 2002 and FY 2003 for this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

recommend that the Legislature address supplemental requests on a case-by-case basis.

JLBC RECOMMENDED FOOTNOTES

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Executive Recommendation

The Executive recommends a total biennial increase of \$16,000 to create and maintain a Web site database of registered firms. The agency currently operates its Web site with approximately 90,000 visits annually. The agency adequately maintains this database but is in need of updating a portion of its licensee information. The JLBC does not recommend funding for this issue with the assumption that the data entry required for this task can be accomplished by other staff positions. Additionally, if the agency expands its Web site capabilities in the future, it may consider utilizing the statewide licensing system recommended through the Government Information Technology Agency.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the one-time FY 2000 footnote relating to the board's outstanding debts associated with examination fees. The agency has paid this debt and the footnote is no longer needed.

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Technical Registration (TEA2070/A.R.S. § 32-109)				Appropriated
Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.				
Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.				
Funds Expended	917,600	1,045,900	1,124,500	1,163,400
Year-End Fund Balance	847,100	988,900	1,352,300	1,711,900

[Click here to return to Table of Contents](#)

Office of Tourism

Mark McDermott, Director

JLBC: Jim Rounds
OSP: Marcel Benberou

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET *						
Tourism Promotion						
Welcome Center Operations	331,500	338,300	342,000	352,300	342,000	352,400
Tourism Development and Fund Sharing	690,700	795,200	1,060,600	1,060,600	1,140,800	1,140,800
Destination Marketing	0	0	9,091,400	0	9,844,000	0
Media Advertising SLI	4,157,100	4,044,700	0	6,044,900	0	6,788,100
Travel Counseling and Direct Marketing SLI	1,330,000	1,363,700	0	1,363,700	0	1,363,700
Travel Industry Marketing SLI	995,000	1,002,700	0	1,002,700	0	1,002,700
Media Communication SLI	390,000	442,000	0	442,000	0	442,000
Research and Data Repository SLI	194,000	241,500	0	241,500	0	241,500
Maricopa County Tourism Promotion SLI	0	0	4,000,000	4,000,000	4,200,000	4,200,000
Subprogram Subtotal	7,066,100	7,094,600	13,091,400	13,094,800	14,044,000	14,038,000
Program Subtotal - Tourism Promotion	8,088,300	8,228,100	14,494,000	14,507,700	15,526,800	15,531,200
Business Administration	600,300	652,200	926,800	913,100	895,800	891,400
AGENCY TOTAL	8,688,600	8,880,300	15,420,800	15,420,800	16,422,600	16,422,600

* The JLBC and Executive utilize different program budget structures for this agency. A portion of the Executive recommendation is shown within the JLBC structure.

OPERATING BUDGET

Full Time Equivalent Positions	23.0	23.0	28.0	28.0	28.0	28.0
Personal Services	366,000	374,700	1,079,600	554,200	1,079,600	554,200
Employee Related Expenditures	69,000	73,400	211,300	112,500	164,100	114,100
All Other Operating Expenditures:						
Professional and Outside Services	45,100	44,700	625,400	44,700	625,400	44,700
Travel - In State	15,600	22,300	40,400	28,300	40,400	28,300
Travel - Out of State	18,200	16,700	22,400	20,700	22,400	20,700
Other Operating Expenditures	1,088,900	1,233,700	9,390,500	1,522,400	10,270,500	1,602,400
Equipment	19,700	20,200	51,200	43,200	20,200	20,200
OPERATING SUBTOTAL	1,622,500	1,785,700	11,420,800	2,326,000	12,222,600	2,384,600
Special Line Items	7,066,100	7,094,600	4,000,000	13,094,800	4,200,000	14,038,000
AGENCY TOTAL	8,688,600	8,880,300	15,420,800	15,420,800	16,422,600	16,422,600

FUND SOURCES

General Fund	8,688,600	8,880,300	11,420,800	11,420,800	12,222,600	12,222,600
Tourism Fund	0	0	4,000,000	4,000,000	4,200,000	4,200,000
SUBTOTAL - Other Appropriated Funds	0	0	4,000,000	4,000,000	4,200,000	4,200,000
SUBTOTAL - Appropriated Funds	8,688,600	8,880,300	15,420,800	15,420,800	16,422,600	16,422,600
TOTAL - ALL SOURCES	8,688,600	8,880,300	15,420,800	15,420,800	16,422,600	16,422,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial \$ Change
	\$ Change	% Change	\$ Change	% Change	
General Fund	2,540,500	28.6%	3,342,300	37.6%	5,882,800
Other Appropriated Funds	4,000,000	-	4,200,000	-	8,200,000
Total Appropriated Funds	6,540,500	73.7%	7,542,300	84.9%	14,082,800

AGENCY DESCRIPTION — The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center.

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• Number of domestic tourists (millions)	NA/24.1	NA/24.8	25.6	26.3/27.1
• Number of requests for travel materials	500,000/ 571,600	500,000/ 539,800	500,000	500,000
• Advertising cost per inquiry for travel materials	\$6.0/\$5.8	\$6.0/\$4.7	\$8.0	\$8.0
• Visitors at the welcome center	110,000/ 103,200	117,700/ 110,700	112,000	115,000/ 118,000
• Administration as a % of total cost	NA	5.0/NA	4.4	4.4

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$14,000	\$14,000
ERE Rates	GF	2,500	4,100
Risk Management	GF	1,900	1,700

Tourism and Sports Authority Funding

Laws 2000, Chapter 372 allowed voters in Maricopa County to approve a 1% increase in the bed tax rate, and a 3.25% increase in the car rental tax for use on the construction of a multi-purpose stadium, additional tourism promotion, Cactus League facilities, and amateur and recreational facilities. The voters approved this proposal in the November 2000 general election. Pursuant to Chapter 372, the Office of Tourism is to receive \$4,000,000 of these tax revenues in FY2002, and \$4,200,000 in FY2003. Chapter 372 requires these monies be deposited into the Tourism Fund. The Tourism Fund is subject to legislative appropriation.

In addition, this voter-approved legislation provides for a revision in the method of funding statewide tourism promotion. Beginning in FY2002, 3.5% of bed tax revenues, 3% of amusement tax revenues, and 2% of restaurant tax revenues will be dedicated for use on Office of Tourism operations. The allocation will be based on tax collections in the prior year. The JLBC Staff estimates that these General Fund allocations will amount to \$11,420,800 in FY 2002, and \$12,222,600 in FY2003. This will result in a General Fund increase of \$2,540,500 in FY 2002 and \$3,342,300 in FY 2003, as compared to FY 2001. Chapter 372 requires the appropriation of these General Fund monies to the Tourism Fund.

The JLBC recommends that all monies designated for use by the Office of Tourism under current law be appropriated to the agency in FY 2002 and FY 2003 for statewide tourism promotion, Maricopa County tourism promotion, and for administration of the agency. In addition, the JLBC recommends an increase of 5 FTE Positions beginning in FY 2002 to coincide with the above funding increases.

The Executive concurs with the total recommended funding amounts and personnel increases for both FY 2002 and FY 2003, but displays the Tourism Fund as the sole

funding source for the entire Office of Tourism budget. The statutory language, however, requires that the bed/amusement/restaurant tax revenues be appropriated from the General Fund. The Executive recommendation is displayed with this funding split for comparability.

The dedicated tourism monies outlined in Chapter 372 amount to a total biennial General Fund increase of \$5,882,800, and a total biennial Tourism Fund increase of \$8,200,000. The General Fund amount consists of a FY 2002 increase of \$2,540,500, and a FY 2003 increase of \$3,342,300, as compared to FY2001. The Tourism Fund amount consists of an increase of \$4,000,000 in FY 2002 and an increase of \$4,200,000 in FY 2003, as compared to FY 2001.

This additional recommended funding is separated into the following items (excludes monies displayed under Standard Changes):

Statewide Tourism

Promotion **GF 2,264,900 3,088,300**

The JLBC recommends a total biennial General Fund increase of \$5,353,200 for use on statewide tourism promotion. This amount includes a FY 2002 increase of \$2,264,900 above FY 2001, and a FY 2003 increase of \$3,088,300 above FY 2001. Funding for this item will come from the redirected sales tax dollars that Chapter 372 sets aside for use by the Office of Tourism. The additional resources will be specifically spent in the Media Advertising Special Line Item and in the Tourism Development and Fund Sharing subprogram. The Executive concurs, but recommends an increase of \$2,265,900 in FY 2002 and \$3,098,700 in FY 2003.

Maricopa County Tourism

Promotion **OF 4,000,000 4,200,000**

The JLBC recommends a total biennial Tourism Fund increase of \$8,200,000 for use on Maricopa County tourism promotion. This amount includes a FY 2002 increase of \$4,000,000 above FY 2001, and a FY 2003 increase of \$4,200,000 above FY2001. Chapter 372 provides for the transfer of \$4,000,000 from the Tourism and Sports Authority to the Office of Tourism beginning in FY 2002 to be used specifically on tourism promotion in Maricopa County. The legislation also provides for this dedicated amount to increase annually by 5%. The

revenues are derived from an increase in the bed and car rental taxes. The Executive concurs.

Strategic Planning GF 58,600 54,600

The JLBC recommends a total biennial General Fund increase of \$113,200 for use on a strategic planning position. This amount includes a FY 2002 increase of \$58,600 and 1 FTE Position above FY2001, and a FY 2003 increase of \$54,600 and 1 FTE Position above FY2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Funding for this item will come from the redirected sales tax dollars that Chapter 372 sets aside for use by the Office of Tourism. A recent audit of the agency's operations identifies weaknesses in its long-term strategic plans. The Auditor General recommends that the Office of Tourism focus on long-range goals and more closely work with the tourism industry to better deal with issues such as efficiently using agency dollars, and how to best compete with other states for tourists. The recommended employee would focus on these issues. The Executive concurs with the additional FTE Position.

Procurement Code

Compliance GF 63,000 59,000

The JLBC recommends a total biennial General Fund increase of \$122,000 for use on an administration position to work on contracting issues. This amount includes a FY 2002 increase of \$63,000 and 1 FTE Position above FY 2001, and a FY 2003 increase of \$59,000 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Funding for this item will come from the redirected sales tax dollars that Chapter 372 sets aside for use by the Office of Tourism. The above mentioned audit of the agency's operations identifies multiple violations of the state procurement code, and that the agency would benefit from a more thorough understanding of the state law. Since the majority of the Office of Tourism's operations are conducted through contracting, a dedicated procurement employee would address the Auditor General's concerns. The agency currently does not have an employee dedicated to contract review. The Executive concurs with the additional FTE Position.

Research Position GF 46,300 41,300

The JLBC recommends a total biennial General Fund increase of \$87,600 for use on an additional research position. This amount includes a FY 2002 increase of \$46,300 and 1 FTE Position above FY2001, and a FY 2003 increase of \$41,300 and 1 FTE Position above FY2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Funding for this item will come from the redirected sales tax dollars that Chapter 372 sets aside for use by the Office of Tourism. The recommended research employee would assist in the development of internal tourism related research projects, as well as assist with the development of research projects that would still be conducted through contract. The recommended position would also work in conjunction

with the recommended strategic planner to develop measurable long-range goals for the organization, and would assist with Tourism and Sports Authority issues. The Executive concurs with the additional FTE Position.

Administration Support GF 47,400 42,400

The JLBC recommends a total biennial General Fund increase of \$89,800 for use on an administration support position. This amount includes a FY 2002 increase of \$47,400 and 1 FTE Position above FY2001, and a FY 2003 increase of \$42,400 and 1 FTE Position above FY2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Funding for this item will come from the redirected sales tax dollars that Chapter 372 sets aside for use by the Office of Tourism. This recommended employee would serve as accounting support for all areas of the agency's operations, and would absorb some of the clerical work related to the additional statewide tourism promotion, Maricopa County tourism promotion, strategic planning, and research. The Executive concurs with the additional FTE Position.

Travel Counselor GF 41,900 36,900

The JLBC recommends a total biennial General Fund increase of \$78,800 for use on a travel counselor. This amount includes a FY 2002 increase of \$41,900 and 1 FTE Position above FY 2001, and a FY 2003 increase of \$36,900 and 1 FTE Position above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. Funding for this item will come from the redirected sales tax dollars that Chapter 372 sets aside for use by the Office of Tourism. The recommended position would primarily be responsible for responding to telephone calls related to travel destinations in this state. Currently, the agency's receptionist is responsible for this duty. The Executive concurs with the additional FTE Position.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

New Footnotes

An amount equal to the revenues collected under the authority of A.R.S. § 42-5029 is appropriated from the state General Fund to the Tourism Fund in FY 2002 and FY 2003. This amount is currently estimated to be \$11,420,800 in FY 2002 and \$12,222,600 in FY 2003. *(This language is necessary as the amount appropriated to the Tourism Fund from the General Fund is based on tax collections, and at the time of the adoption of this budget recommendation the exact amount will not be known.)*

All monies deposited into the Tourism Fund by legislative appropriation, or by transfer from the Tourism and Sports Authority under the provisions of A.R.S. § 5-835 are appropriated for use by the Office of Tourism in FY 2002 and FY 2003. These amounts are currently estimated to be

\$15,420,800 in FY 2002 and \$16,422,600 in FY 2003. This appropriation is not in addition to the amounts shown as Operating Lump Sum and Special Line Items. The amounts shown as Operating Lump Sum and Special Line Items are estimates of the appropriation that will be provided under current law. *(This language allows the Office of Tourism to spend the monies appropriated or transferred to the Tourism Fund.)*

The Office of Tourism shall report to the Joint Legislative Budget Committee by November 1, 2001, and by November 1, 2002 as to how any additional funds that become available to the agency through the statutory funding formula, in excess of the estimates included in the General Appropriation Act, will be utilized. If available funds are less than what are displayed in the General Appropriation Act, the Office of Tourism will instead report where the expenditure reductions will occur. *(This footnote would result in the development of a report that details the actual expenditure plans of the Office of Tourism. At the time of its enactment, the total agency budget will only be an estimate.)*

Deletion of Prior Year Footnotes

The JLBC recommends deleting the 2 footnotes related to the previous funding formula. The footnotes are no longer applicable as the funding formula has been revised pursuant to Laws 2000, Chapter 372. *(See New Footnotes for replacement language)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Performance Audits

The Auditor General has identified weaknesses in the agency's contracting practices and strategic planning procedures. Specifically, the audit identified problems with the agency following State Procurement Code in its purchasing and contracting. This is especially important since most of the agency's work is accomplished through contracting. The Auditor General recommends that the agency's employees spend additional time learning procurement rules.

In addition, the audit identified weaknesses in the agency's long-term strategic planning. The Auditor General recommends the agency develop a long-range plan to more effectively analyze issues like competition from other states, recent declines in the tourism market share, and how to most effectively utilize the additional financial resources that became available through Laws 2000, Chapter 372.

The JLBC recommends additional staffing to address these issues. *(See Recommended Changes from FY 2001 for a more complete description of the recommendation.)*

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Tourism (TOA2236/A.R.S. § 41-2306)				Appropriated
Source of Revenue: Pursuant to Laws 2000, Chapter 372, beginning in FY 2002 the sum of \$4,000,000 shall be transferred from the Tourism and Sports Authority to the Tourism Fund to be used on tourism promotion in Maricopa County. This amount is to increase each year by 5%. These revenues are derived from a 1% increase in the bed tax, and a 3.25% increase in the car rental tax. In addition, the Legislature shall annually appropriate from the General Fund to the Tourism Fund an amount equal to 3.5% of bed taxes, 3.0% of amusement taxes, and 2.0% of restaurant taxes.				
Purpose of Fund: To pay for all costs associated with Office of Tourism activities.				
Funds Expended from the General Fund	2,702,900	2,702,900	11,420,800	12,222,600
Funds Expended	0	0	4,000,000	4,200,000
Year-End Fund Balance	220,400	220,400	220,400	220,400
Tourism Workshop (TOA3163/A.R.S. § 35-142)				Appropriated
Source of Revenue: Workshop registration fees, trade marketing recoveries, advertising recoveries, and other operating revenue.				
Purpose of Fund: To pay expenses incurred for the annual Governor's Tourism Conference and other projects. There is currently no activity in this fund.				
Funds Expended	0	0	0	0
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

State Treasurer

JLBC: Indya Kincannon
 OSPB: Tracie Andreasson

The Honorable Carol Springer, Treasurer
 House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
State Treasurer	2,303,800	2,452,700	2,461,500	2,468,600	2,467,300	2,489,400
Justice of the Peace Salaries SLI	2,334,900	2,921,000	2,921,000	2,971,100	3,020,100	3,114,000
Special Urban Revenue Sharing						
Distribution SLI	0	2,000,000	0	0	0	0
Property Tax Refunds SLI	0	0	250,000	69,600	250,000	0
AGENCY TOTAL	4,638,700	7,373,700	5,632,500	5,509,300	5,737,400	5,603,400

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	36.0	36.0	36.0	36.0	36.0	36.0
Personal Services	1,495,200	1,650,200	1,670,700	1,670,700	1,670,700	1,670,700
Employee Related Expenditures	298,100	329,900	360,700	333,500	366,800	335,600
All Other Operating Expenditures:						
Professional and Outside Services	219,500	202,200	202,200	229,500	202,200	229,500
Travel - In State	900	2,000	2,000	2,000	2,000	2,000
Travel - Out of State	10,100	13,800	13,800	13,800	13,800	13,800
Other Operating Expenditures	203,400	210,000	212,100	212,100	211,800	211,800
Equipment	76,600	44,600	0	7,000	0	26,000
OPERATING SUBTOTAL	2,303,800	2,452,700	2,461,500	2,468,600	2,467,300	2,489,400
Special Line Items	2,334,900	4,921,000	3,171,000	3,040,700	3,270,100	3,114,000
AGENCY TOTAL	4,638,700	7,373,700	5,632,500	5,509,300	5,737,400	5,603,400

FUND SOURCES

General Fund	4,638,700	7,373,700	5,632,500	5,509,300	5,737,400	5,603,400
SUBTOTAL - Appropriated Funds	4,638,700	7,373,700	5,632,500	5,509,300	5,737,400	5,603,400
TOTAL - ALL SOURCES	4,638,700	7,373,700	5,632,500	5,509,300	5,737,400	5,603,400

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	(1,864,400)	-25.3%	(1,770,300)	-24.0%	(3,634,700)

AGENCY DESCRIPTION — *The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by some other entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of deposits with State Treasurer	50,000/ 51,202	54,000/ 54,798	58,700	62,000/ 66,000
• Number of wire transfers in and out of servicing bank	27,000/22,651	24,000/24,428	26,000	27,000/28,000
• Combined balances of all investment portfolios (\$ in billions)	6.2/7.1	6.5/7.5	8.0	8.5/9.0
• Ratio of yield of LGIP to Standard and Poor's LGIP Index	0.8/1.1	1.1/1.1	1.1	1.1
• Administration as a % of total cost	NA	0/NA	0	0

Comments:

- The Office of the State Treasurer should re-examine its administrative cost methodology to more accurately reflect actual administrative costs.

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Standard Changes		
Pay Annualization	GF \$ 22,800	\$ 22,800
ERE Rates	GF 1,300	3,400
Risk Management	GF 2,100	1,800

Special Urban Revenue

Sharing Distribution GF (2,000,000) (2,000,000)

The JLBC recommends a total biennial General Fund decrease of \$(4,000,000) to reflect the discontinuance of an appropriation for the Special Urban Revenue Sharing Distribution. This amount includes a decrease of \$(2,000,000) in both FY 2002 and FY 2003 from FY 2001. Laws 1999, Chapter 325 appropriated \$2,000,000 from the General Fund in FY 2001 for distribution to cities and towns having populations not exceeding 60,000 persons according to the most recent census. The law does not provide for future year appropriations. The Executive concurs.

Property Tax Refunds GF 69,600 -0-

The JLBC recommends a total biennial General Fund appropriation of \$69,600 for property tax refunds. This amount includes a new FY 2002 appropriation of \$69,600 and no funding in FY 2003. We further recommend that these funds be appropriated to a Special Line Item called Property Tax Refunds.

Laws 1996, 7th Special Session, Chapter 2, repealed A.R.S. § 42-208 and eliminated most state property taxes. Prior to the passage of this law, counties were responsible for collecting and remitting state property taxes to the State Treasurer. Counties are also responsible for assessing property values. If a property owner believes the assessed value of his property is excessive, he can appeal. However, the property tax has to be paid prior to appeal, and the appeal process can take years to resolve. If a property owner's taxes are reduced after a judicial proceeding, the county is responsible for refunding the payment. The county must then collect a pro-rated portion

from any jurisdiction it has previously remitted monies to, including the state.

As long as counties were collecting state property taxes, they could net any state property tax refunds against current collections. Since the repeal, payment of delinquent state property taxes for periods prior to 1996 have diminished, and now many counties have no revenue stream to offset refunds. Consequently, the counties are now seeking refunds from the state for periods prior to 1996.

The state currently owes \$69,600 to taxpayers who recently won appeals of property tax assessments from 1996 or before. Although similar cases are pending, the outcome of those appeals and the amount of the state's potential liability are unknown at this time. The JLBC recommends that the Treasurer's Office request additional appropriations when and if additional refunds are owed. The Executive recommends a total biennial General Fund appropriation of \$500,000 for this issue, \$250,000 in FY 2002 and \$250,000 in FY 2003, based on the agency's estimated property tax liabilities.

Justice of the Peace

Salaries GF 50,100 193,000

The JLBC recommends a total biennial General Fund increase of \$243,100 for the Justice of the Peace Salaries Special Line Item. This amount includes a FY 2002 increase of \$50,100 above FY 2001 and a FY 2003 increase of \$193,000 above FY 2001. The state's share of total salaries is expected to increase due to a historical growth rate of 5% and due to an increase in Superior Court Judges' salary effective January 1, 2001.

The Justice of the Peace Salaries Special Line Item is for pass-through funds used to pay the state portion of Justice of the Peace salaries. In accordance with A.R.S. § 22-117, the state must pay 40% of each Justice of the Peace's salary. These salaries can range from 25% to 70% of a Superior Court Judge's salary, depending on the calculation of judicial productivity credits as defined in A.R.S. § 22-125. Each county board of supervisors reports

Justice of the Peace judicial productivity credits to the Arizona Supreme Court, and the Treasurer distributes Justice of the Peace pay according to the statutory formula.

Superior Court Judges' salaries are determined by the recommendation of the Governor and the Commission on Salaries for Elective State Officers. As part of the Executive FY 2000 and FY 2001 supplemental budget recommendations (2000 Legislative Session), the Governor recommended that the salary of Superior Court judges be increased from \$115,500 to \$120,750 on January 1, 2001. During the 2000 Legislative Session, the JLBC projected that the judicial salary increases would require a General Fund supplemental appropriation to the Justice of the Peace Salaries Special Line Item of \$56,000 in FY 2001. However, expenditures from the Special Line Item have been less than originally projected, and no FY 2001 supplemental funding is needed.

The Executive recommends a total biennial General Fund increase of \$99,100 for this issue. That amount includes an increase of \$99,100 in FY 2003. The Executive's estimates do not take into account the expected impact of the increase in Superior Court Judges' salaries.

Legal Services GF 27,300 27,300

The JLBC recommends a total biennial General Fund increase of \$54,600 for Attorney General Legal Services. This amount includes an increase of \$27,300 in both FY 2002 and FY 2003 above FY 2001. The recommended amounts will pay for one-third of an Assistant Attorney General's time, plus funding for a Legal Secretary and administrative costs.

The JLBC recommends that the Treasurer's Office form an Interagency Service Agreement (ISA) with the Attorney General's Office. This ISA will provide the Treasurer's Office with a dedicated Assistant Attorney General. Previously, the Treasurer's Office received legal services from the Attorney General's Office on an ad hoc basis.

The Treasurer's Office currently has a backlog of 6 items submitted to the Attorney General's Office for legal review. The items range from approving contracts and agreements to providing a legal opinion. Two of the items were submitted for review over a year ago and, in several cases, delaying approval of the contracts has resulted in lost revenue to the General Fund. In one case, a securities lending contract submitted for review in December 1999 has still not been approved, resulting in \$1,400,000 in foregone interest earnings to the General Fund. The Executive does not address this issue.

Equipment GF (37,600) (18,600)

The JLBC recommends a total biennial General Fund decrease of \$(56,200) for computer equipment. This amount includes elimination of \$(44,600) for one-time FY 2001 equipment funding, a one-time increase of \$7,000 in FY 2002 for replacement of 1 computer server and a

one-time increase of \$26,000 in FY 2003 to replace 2 additional servers and to upgrade software.

The Government Information Technology Agency approved the Project Investment Justification submitted by the Treasurer's Office for these replacements and upgrades. The Executive eliminates the one-time FY 2001 equipment funding, but does not recommend any additional equipment funding.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that the investment management fee on monies managed by the State Treasurer be set at 8 basis points.

[Click here to return to Table of Contents](#)

Commission on Uniform State Laws

James M. Bush, Commissioner

JLBC: Tony Vidale
OSP: Keith Fallstrom

House Subcommittee: Pearce
Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Commission on Uniform State Laws	32,900	35,900	44,900	44,900	44,900	45,200
OPERATING BUDGET						
Full Time Equivalent Positions	0.0	0.0	0.0	0.0	0.0	0.0
Personal Services	1,000	2,000	2,000	2,000	2,000	2,000
All Other Operating Expenditures:						
Travel - In State	0	900	900	900	900	8,400
Travel - Out of State	7,400	8,100	8,900	8,900	8,900	0
Other Operating Expenditures	24,500	24,900	33,100	33,100	33,100	34,800
AGENCY TOTAL	32,900	35,900	44,900	44,900	44,900	45,200
FUND SOURCES						
General Fund	32,900	35,900	44,900	44,900	44,900	45,200
SUBTOTAL - Appropriated Funds	32,900	35,900	44,900	44,900	44,900	45,200
TOTAL - ALL SOURCES	32,900	35,900	44,900	44,900	44,900	45,200

CHANGE IN FUNDING SUMMARY	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	9,000	25.1%	9,300	25.9%	18,300

AGENCY DESCRIPTION — *The commissioners are members of the National Conference of Commissioners on Uniform State Laws, which meets annually to discuss where uniformity among the 50 states is desirable. The commission then recommends to the Legislature proposed uniform laws promulgated by the National Conference which are deemed appropriate for Arizona.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• National Conference committees staffed	8/7	7/9	6	8
• Uniform acts approved and adopted by National Conference	3/6	5/5	4	4/5
• Uniform laws introduced in Arizona	4/4	4/3	4	3/4
• Uniform laws enacted in Arizona	2/1	3/0	3	2/3
• Administration as a % of total cost	NA	0/NA	0	0

RECOMMENDED CHANGES FROM FY 2001

	FY 2002	FY 2003
Conference Dues and Registration Fees	GF 8,200	9,900

The JLBC recommends a total biennial General Fund increase of \$18,100 for increased dues and registration fees to the National Conference of Commissioners on Uniform State Laws. This amount includes a FY 2002 increase of \$8,200 above FY 2001 and a FY 2003 increase of \$9,900 above FY 2001. This increase represents a change in dues

assessment by the National Conference. Previously, states were assessed a basic charge with increases charged only to the most populous states. In order to equally distribute costs among all participating states, dues are now assessed at a base rate with a population component. This has resulted in an increase in Arizona's dues contribution. In addition, dues are projected to increase 5% in FY 2003 above 2002. Also included in this recommendation is an increase in National Conference registration fees for 5 commissioners of \$800 in FY 2002 above FY 2001 and \$1,000 in FY 2003 above FY 2001. The Executive concurs.

Travel to Conferences GF 800 (600)

The JLBC recommends a total biennial General Fund increase of \$200 for travel to the National Conference. This amount includes a FY 2002 increase of \$800 above FY 2001 and a FY 2003 decrease of \$(600) below FY 2001. The FY 2003 decrease is a result of Tucson hosting the National Conference that year. The National Conference lasts 8 days and travel expenses cover *participation of all 5 commissioners for the entire conference. Also, because the conference is in Tucson in FY 2003, monies in the Travel - Out of State Line Item have been shifted to the Travel - In State Line Item. The Executive concurs with the funding amount but does not move the monies to Travel-In State Line Item.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

[Click here to return to Table of Contents](#)

Department of Veterans' Services

Patrick Chorpenning, Director

JLBC: Indya Kincannon

House Subcommittee: Pearce

OSPB: Bob Chapko

Senate Subcommittee: Martin

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Administration	429,600	461,600	934,800	925,500	940,000	928,900
Southern Arizona Cemetery SLI	0	0	193,800	211,100	303,500	342,000
Veterans' Organizations Contracts SLI	40,000	29,200	29,200	29,200	29,200	29,200
World War II Memorial SLI	0	69,000	0	0	0	0
<i>Program Subtotal - Administration</i>	469,600	490,800	1,157,800	1,165,800	1,272,700	1,300,100
Veterans' Conservatorship/Guardianship	806,900	829,500	878,200	878,500	920,900	927,700
Veterans' Services	828,600	844,400	914,100	831,400	912,300	832,200
State Veterans' Home	9,714,300	9,824,600	9,802,900	9,620,300	9,869,500	9,641,100
Veterans' Home Contingency SLI	0	0 ^{1/}	0	0	0	0
<i>Program Subtotal - State Veterans' Home</i>	9,714,300	9,824,600	9,802,900	9,620,300	9,869,500	9,641,100
AGENCY TOTAL	11,819,400	11,989,300	12,753,000	12,496,000	12,975,400	12,701,100

^{1/} \$592,800 of non-lapsing monies from FY 2000 are still available for expenditure.

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	293.0	293.0	303.0	299.0	305.0	300.0
Personal Services	6,457,600	7,208,300	7,458,800	7,315,300	7,556,000	7,347,800
Employee Related Expenditures	1,470,800	1,726,800	1,902,000	1,845,200	1,921,400	1,868,000
All Other Operating Expenditures:						
Professional and Outside Services	1,764,100	1,038,700	1,040,200	1,039,300	1,041,800	1,039,300
Travel - In State	49,700	57,100	61,100	57,100	62,700	57,100
Travel - Out of State	8,000	9,200	8,200	9,200	8,200	9,200
Food	343,200	350,000	355,800	350,000	368,200	350,000
Other Operating Expenditures	1,470,100	1,468,800	1,580,400	1,558,700	1,602,400	1,569,200
Equipment	215,900	32,200	123,500	80,900	82,000	89,300
OPERATING SUBTOTAL	11,779,400	11,891,100	12,530,000	12,255,700	12,642,700	12,329,900
Special Line Items	40,000	98,200	223,000	240,300	332,700	371,200
AGENCY TOTAL	11,819,400	11,989,300	12,753,000	12,496,000	12,975,400	12,701,100

FUND SOURCES

General Fund	1,700,200	1,722,800	2,491,400	2,415,800	2,584,000	2,533,500
State Veterans' Conservatorship Fund	404,900	441,900	458,700	459,900	521,900	526,500
State Home for Veterans' Trust Fund	9,714,300	9,824,600	9,802,900	9,620,300	9,869,500	9,641,100
SUBTOTAL - Other Appropriated Funds	10,119,200	10,266,500	10,261,600	10,080,200	10,391,400	10,167,600
SUBTOTAL - Appropriated Funds	11,819,400	11,989,300	12,753,000	12,496,000	12,975,400	12,701,100
Other Non-Appropriated Funds	30,200	100,000	123,500	123,500	145,000	145,000
Federal Funds	166,000	198,200	205,000	205,000	207,500	207,500
TOTAL - ALL SOURCES	12,015,600	12,287,500	13,081,500	12,824,500	13,327,900	13,053,600

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	693,000	40.2%	810,700	47.1%	1,503,700
Other Appropriated Funds	(186,300)	-1.8%	(98,900)	-1.0%	(285,200)
Total Appropriated Funds	506,700	4.2%	711,800	5.9%	1,218,500

AGENCY DESCRIPTION — *The agency assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families and supervises state educational and training programs for veterans. In addition, the agency began operating and maintaining a skilled nursing home for Arizona veterans in FY 1996. The 200-bed State Veterans' Nursing Home is located in Phoenix on the former Indian School Land.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• DHS quality rating of the Veterans' Home (excellent, standard or substandard)	Excellent/Standard	Excellent/Standard	Excellent	Excellent
• % of customers rating department's services as good or excellent	NA	Baseline/90	92	95
• % of annual fiduciary accountings approved on first submission	NA	80/97	95	95
• Social worker to client ratio	NA/1:65	NA/1:53	1:45	1:40
• % of agency staff turnover	63/56	50/64	50	45
• Administration as a % of total cost	NA	NA/6.1	6.3	13

Comments:

- Most of the staff turnover is attributable to nursing staff.

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 18,500	\$ 18,500
	OF	101,200	101,200
ERE Rates	GF	6,200	10,600
	OF	100,100	111,100
Risk Management	GF	900	1,200
	OF	33,200	43,400
Rent	GF	18,800	18,800
	OF	(900)	(900)
Administrative Cost	GF	517,800	517,800
Re-Allocation Plan	OF	(517,800)	(517,800)

The JLBC recommends a total biennial General Fund increase of \$1,035,600 for an administrative cost re-allocation plan. This amount includes an increase of \$517,800 and 25.8 FTE Positions in both FY 2002 and FY 2003 above FY 2001. The JLBC also recommends a total biennial State Home for Veterans' Trust Fund decrease of \$(1,035,600) for an administrative cost re-allocation plan. This amount includes a decrease of \$(517,800) and (25.8) FTE Positions in both FY 2002 and FY 2003 from FY 2001.

A.R.S. § 41-608.01 states that the sole purpose of the State Home for Veterans' Trust Fund (Home Trust Fund) is for "operating and maintaining state operated nursing and domiciliary homes for Arizona veterans." The department believes that it is currently making expenditures from the Home Trust Fund that exceed this purpose. For instance, all of the agency's human resources, information technology, and purchasing staff are employed by the Home and paid from the Home Trust Fund even though these staff members also provide services to other programs of the department. The recommended amounts

will more accurately fund the department's central administrative functions according to which division of the agency is receiving the services. The Executive concurs.

Southern Arizona

Veterans' Cemetery GF 211,100 342,000

The JLBC recommends a total biennial General Fund increase of \$553,100 for the operation of the Southern Arizona Veterans' Cemetery. This amount includes a FY 2002 increase of \$211,100 and 6 FTE Positions above FY 2001 and a FY 2003 increase of \$342,000 and 6 FTE Positions above FY 2001. The department expects to open the cemetery in April 2002. The recommended amount includes operating funds for 3 months in FY 2002 and for a full year in FY 2003. Although the federal government is paying 100% of the cemetery's development and construction costs, operating costs are the state's responsibility.

The Executive recommends a total biennial General Fund increase of \$497,300 for the cemetery's operating costs. The Executive also recommends establishing the Southern Arizona State Veterans' Cemetery Fund and appropriating a biennial total of \$65,400 from this new fund to help pay for the cemetery's operating costs. The JLBC recommends that the department seek separate legislation to establish a new fund.

Equipment GF (29,200) (29,200)
OF 77,900 86,300

The JLBC recommends a total biennial General Fund decrease of \$(58,400) to eliminate one-time FY 2001 equipment funding. This amount includes a decrease of \$(29,200) in both FY 2002 and FY 2003 from FY 2001. The JLBC also recommends a total biennial Home Trust Fund increase of \$150,000 for ongoing equipment needs at the Home. This amount includes an increase of \$75,000 in

both FY 2002 and FY 2003 above FY 2001. The JLBC also recommends a total biennial State Veterans' Conservatorship Fund increase of \$14,200 for equipment. This amount includes a FY 2002 increase of \$2,900 above FY 2001 and a FY 2003 increase of \$11,300 above FY 2001. The recommended amounts will enable the Fiduciary Division to purchase a modular workstation in FY 2002, and a new copier and laser printer in FY 2003.

The Executive recommends an additional \$15,000 from the Home Trust Fund in FY 2002 for one-time funding of a computer network in the Home. The Executive does not recommend funding for a new copier and printer in the Fiduciary Division in FY 2003.

Fiduciary Rent	GF	17,900	-0-
	OF	20,000	37,900

The JLBC recommends a total biennial General Fund increase of \$17,900 for rent in the Fiduciary Division. This amount includes a one-time FY 2002 increase of \$17,900 above FY 2001. The JLBC also recommends a total biennial State Veterans' Conservatorship Fund increase of \$57,900 for rent in the Fiduciary Division. This amount includes a FY 2002 increase of \$20,000 above FY 2001 and a FY 2003 increase of \$37,900 above FY 2001. The Fiduciary Division currently occupies 2,804 square feet within the Veterans' Home yet does not pay any rent. The recommended amount provides funding for the occupied space at \$13.50 per square foot. The rent is split between the General Fund and the State Veterans' Conservatorship Fund in FY 2002 because it is not certain that the State Veterans' Conservatorship Fund will have sufficient revenues in FY 2002 to cover all of the Fiduciary Division's rent. By FY 2003 it is estimated that the State Veterans' Conservatorship Fund will have sufficient revenues to cover all of the Fiduciary Division's rent costs. The Executive concurs.

Human Service

Worker III	OF	-0-	39,900
-------------------	-----------	------------	---------------

The JLBC recommends a total biennial State Veterans' Conservatorship Fund increase of \$39,900 to the Veterans' Conservatorship/Guardianship program for the addition of a Human Services Worker III. This amount includes a FY 2003 increase of \$39,900 and 1 FTE Position above FY 2001. The addition of another Human Services Worker III will ensure that the Fiduciary Division maintains a staff to client ratio that is acceptable to the courts as its number of clients increase. The Executive concurs and adds an additional \$7,300 in FY 2003 for equipment and other operating expenses.

Eliminate World War II

Memorial Funding	GF	(69,000)	(69,000)
-------------------------	-----------	-----------------	-----------------

Laws 2000, Chapter 195 appropriated \$69,000 from the General Fund in FY 2001 for a World War II memorial in Washington, D.C. The appropriated amount represents \$1 for each Arizona serviceman and servicewoman who served in uniform during World War II. The JLBC recommends a total biennial General Fund decrease of

\$(138,000) to the Administration program to eliminate one-time FY 2001 funding for the memorial. This amount includes a decrease of \$(69,000) in both FY 2002 and FY 2003 from FY 2001. The Executive concurs.

Veterans' Home Contingency

Special Line Item	OF	-0-	-0-
--------------------------	-----------	------------	------------

The JLBC does not recommend any additional appropriation to the Veterans' Home Contingency Special Line Item. The Legislature initially appropriated \$592,800 to the Special Line Item in FY 2000, and no new monies were added in FY 2001. To date no monies have been spent from this contingency special line item. However, the original appropriation is non-lapsing, and the department therefore still has \$592,800 available for expenditure. Pursuant to a footnote linked to the original appropriation, these monies shall not be expended without the prior review of the Joint Legislative Budget Committee. The JLBC recommends elimination of the footnotes relating to the Veterans' Home Contingency Special Line Item as the Special Line Item has been eliminated and the JLBC does not recommend additional contingency monies (*see Deletion of Prior Year Footnotes section below.*) The Executive concurs.

JLBC RECOMMENDED FORMAT — Lump Sum by Program with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Deletion of Prior Year Footnotes

The JLBC recommends deleting a footnote relating to the use of monies in the Veterans' Home Contingency Special Line Item for preconstruction costs associated with the Southern Arizona Veterans' Cemetery. This line item has been eliminated and the footnote is no longer needed. (*Monies from the Special Line Item still exist, and pursuant to existing law, may be spent following JLBC review.*)

The JLBC recommends deleting a footnote relating to expenditures from the Veterans' Home Contingency Special Line Item. This line item has been eliminated and the footnote is no longer needed. (*See comment above.*)

The JLBC recommends deleting a footnote relating to the continuous appropriation to the Veterans' Home Contingency Special Line Item. This line item has been eliminated and the footnote is no longer needed. (*See comment above.*)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

Adult Day Care Center

The Executive recommends a total biennial Home Trust Fund increase of \$371,800 and 4 FTE Positions to operate

an adult day care center at the Home. The JLBC does not recommend funding for this issue since the Home's financial condition is not yet fully stable. The JLBC recommends that the department resubmit a budget request for an adult day care center when there is further evidence that the Home can operate an adult day care center without posing financial difficulties for the Home.

Veterans' Services – Additional Staff

The Executive recommends a total biennial General Fund increase of \$153,800 to fund 2 new FTE Positions in the Veterans' Services Division. The JLBC does not recommend funding for this issue and suggests that the department use its existing resources to provide services to veterans.

Veterans Stand Down

The Executive recommends a total biennial General Fund increase of \$25,000 to fund the department's coordination

of a 1-3 day "Stand Down" organized by veterans' service organizations, the Veterans' Administration's hospitals and the Arizona National Guard to help homeless veterans. The JLBC recommends that the department provide its coordinating services within existing resources.

Human Service Worker II

The Executive recommends eliminating 1 FTE Position from the Fiduciary Division. Funds for the position, a Human Service Worker II, have been reallocated to other purposes. The Executive does not recommend any change in funding.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Federal (VSA2000/A.R.S. § 35-142)				Non-Appropriated
Source of Revenue: U.S. Department of Veterans' Affairs grant.				
Purpose of Fund: For supervision and qualification of educational and training programs.				
Funds Expended	166,000	198,200	205,000	207,500
Year-End Fund Balance	700	2,500	2,500	5,000
State Home for Veterans' Trust (VSA2355/A.R.S. § 41-608.01)				Appropriated
Source of Revenue: Fees from residents of the Home and from special license plates fees for veterans, former prisoners of war, Purple Heart Medal recipients and Pearl Harbor survivors.				
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.				
Funds Expended	9,714,300	9,824,600	9,620,300	9,641,100
Year-End Fund Balance	189,900	348,300	665,900	1,503,100
State Veterans' Conservatorship (VSA2077/A.R.S. § 14-5414.01)				Appropriated
Source of Revenue: Fees collected from veterans, or a veteran's surviving spouse, or minor child, or the incapacitated spouse of a protected veteran, for whom the agency serves as a conservator.				
Purpose of Fund: To operate the Fiduciary Division of the Department of Veterans' Services.				
Funds Expended	404,900	441,900	459,900	526,500
Year-End Fund Balance	27,000	2,100	13,300	25,200
Veterans' Donations (VSA2441/A.R.S. § 41-608)				Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations.				
Purpose of Fund: To benefit veterans within the state of Arizona.				
Funds Expended	30,200	100,000	123,500	145,000
Year-End Fund Balance	28,500	28,500	35,000	50,000

[Click here to return to Table of Contents](#)

Arizona State Veterinary Medical Examining Board

Louise Battaglia, Executive Director

JLBC: Steve Grunig
 OSPB: Randy Hillier

House Subcommittee: Gray
 Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
Veterinary Medical Examining Board	267,900	279,600	301,800	342,500	277,200	328,100

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	4.5	4.5	4.5	4.5	4.5	4.5
Personal Services	158,600	158,100	160,100	180,100	160,100	180,100
Employee Related Expenditures	30,700	33,000	28,000	28,600	28,100	28,700
All Other Operating Expenditures:						
Professional and Outside Services	56,800	60,100	73,600	83,000	60,100	83,000
Travel - In State	3,800	11,100	11,100	9,100	11,100	9,100
Travel - Out of State	2,400	2,600	2,600	4,600	2,600	4,600
Other Operating Expenditures	14,200	14,700	19,100	22,600	15,200	22,600
Equipment	1,400	0	7,300	14,500	0	0
AGENCY TOTAL	267,900	279,600	301,800	342,500	277,200	328,100

FUND SOURCES

Veterinary Medical Examining Board Fund	267,900	279,600	301,800	342,500	277,200	328,100
SUBTOTAL - Appropriated Funds	267,900	279,600	301,800	342,500	277,200	328,100
TOTAL - ALL SOURCES	267,900	279,600	301,800	342,500	277,200	328,100

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
Other Appropriated Funds	62,900	22.5%	48,500	17.3%	111,400

AGENCY DESCRIPTION — *The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Number of licensees (new and existing)	1,360/1,360	1,500/1,500	1,675	1,775/1,850
• Number of complaints received about licensees	132/132	105/60	75	75
• Average calendar days to resolve a complaint	90/90	90/90	90	90
• Number of investigations	17/17	50/70	80	80
• Average calendar days to renew a license (from receipt of application to issuance)	65/65	60/60	60	60
• Administration as a % of total cost	NA	3/NA	3	3

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	OF	\$2,000	\$2,000
ERE Rates	OF	(6,800)	(6,700)
State Boards' Office	OF	200	200

The JLBC recommends a total biennial increase of \$400 to fund an increase in the agency's share of joint office costs

of the State Boards' Office. This amount includes an increase of \$200 in both FY 2002 and FY 2003 above FY 2001. The State Boards' Office provides office space and equipment as well as accounting, clerical and phone answering services to the board. The Executive concurs.

Chief Medical Officer OF 22,400 22,400
 The JLBC recommends a total biennial increase of \$44,800 for full-time funding of the chief medical officer position. This amount includes an increase of \$22,400 in

both FY 2002 and FY 2003 above FY 2001. Laws 1998 Chapter 170 requires the board to employ a chief medical officer to investigate complaints regarding veterinarians. The board was appropriated 1 FTE position for this purpose, but was not appropriated a full-time salary in FY 2001. The recommended amount provides full-time funding for the position. The Executive does not recommend funding for this issue.

External Services OF 22,700 22,700

The JLBC recommends a total biennial increase of \$45,400 for Professional and Outside Services. This amount includes an increase of \$22,700 in both FY 2002 and FY 2003 above FY 2001. The recommended amount allows the board to hire rule writing consultants as required by Laws 1998, Chapter 170. Computer consultants and temporary services for data input are needed to develop a new database. The new database will require staff education and training. The board also requests funds for anticipated increases in office services and legal services. The Executive recommends a one-time FY 2002 increase of \$13,500 above FY 2001 for this issue.

Telecommunications,

Printing and Postage OF 7,900 7,900

The JLBC recommends a total biennial increase of \$15,800 for telecommunications and other services. This amount includes an increase of \$7,900 for Other Operating Expenditures in both FY 2002 and FY 2003 above FY 2001. The recommended amount allows all members of the board staff to have e-mail and internet access. The board will have increased printing, postage and office supply costs to print and mail its new statutes and rules. The Executive recommends a total biennial increase of \$4,900 for this issue. This amount includes a FY 2002

increase of \$4,400 above FY 2001 and a FY 2003 increase of \$500 above FY 2001.

Equipment OF 14,500 -0-

The JLBC recommends a total biennial increase of \$14,500 for one-time equipment. This amount includes a FY 2002 one-time increase of \$14,500 above FY 2001. The recommended amount provides funds to purchase a Pentium computer and a laser printer. The amount also provides monies to purchase database software and Website software to improve the effectiveness of board operations. The Executive recommends a one-time FY 2002 increase of \$7,300 for this issue.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

This appropriation is available for use pursuant to the provisions of A.R.S. § 35-143.01C and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote allocating 20% of the agency's total appropriations or \$50,000, whichever is greater, for unanticipated costs. We recommend that the Legislature address supplemental requests on a case-by-case basis.

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
------------------	---------	---------	---------	---------

Veterinary Medical Examining Board (VTA2078/A.R.S. § 32-2205) **Appropriated**

Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.

Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.

Funds Expended	267,900	279,600	342,500	328,100
Year-End Fund Balance	226,000	617,200	329,900	699,200

[Click here to return to Table of Contents](#)

Department of Water Resources

Rita P. Pearson, Director

JLBC: Chris Earnest
OSP: Keith Fallstrom

House Subcommittee: Gray
Senate Subcommittee: Hamilton

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Administration	5,054,700	5,256,800	5,423,100	5,190,400	5,566,400	5,327,500
Water Resources and Statewide Planning						
<i>Water Protection Commission</i>	0	0	0	2,500,000	0	2,500,000
<i>Water Banking Authority</i>	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<i>All Other Water Resources and Statewide Planning</i>	7,810,100	8,306,300	8,411,200	8,431,400	8,412,800	8,434,700
Rural Water Studies SLI	299,200	500,000	1,000,000	500,000	1,000,000	500,000
Subprogram Subtotal	8,109,300	8,806,300	9,411,200	8,931,400	9,412,800	8,934,700
Program Subtotal - Water Resources and Statewide Planning	10,109,300	10,806,300	11,411,200	13,431,400	11,412,800	13,434,700
Dam Safety and Flood Warning	764,700	745,100	743,200	743,800	743,400	744,000
AGENCY TOTAL	15,928,700	16,808,200	17,577,500	19,365,600	17,722,600	19,506,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	214.7	214.7	214.7	214.7	214.7	214.7
Personal Services	7,943,300	8,299,500	8,423,500	8,423,500	8,423,500	8,423,500
Employee Related Expenditures	1,625,700	1,751,200	1,760,100	1,751,200	1,764,400	1,755,500
All Other Operating Expenditures:						
Professional and Outside Services	215,000	538,500	538,500	3,038,500	538,500	3,038,500
Travel - In State	227,700	297,700	297,700	297,700	297,700	297,700
Travel - Out of State	54,800	39,100	39,100	39,100	39,100	39,100
Other Operating Expenditures	4,827,700	4,833,000	4,969,400	4,766,400	5,110,200	4,902,700
Equipment	735,300	549,200	549,200	549,200	549,200	549,200
OPERATING SUBTOTAL	15,629,500	16,308,200	16,577,500	18,865,600	16,722,600	19,006,200
Special Line Items	299,200	500,000	1,000,000	500,000	1,000,000	500,000
AGENCY TOTAL	15,928,700	16,808,200	17,577,500	19,365,600	17,722,600	19,506,200

FUND SOURCES

General Fund	15,928,700	16,808,200	17,577,500	19,365,600	17,722,600	19,506,200
SUBTOTAL - Appropriated Funds	15,928,700	16,808,200	17,577,500	19,365,600	17,722,600	19,506,200
Other Non-Appropriated Funds	17,572,000	34,303,600	26,733,100	26,733,100	26,733,100	26,733,100
Federal Funds	223,500	130,500	0	0	0	0
TOTAL - ALL SOURCES	33,724,200	51,242,300	44,310,600	46,098,700	44,455,700	46,239,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	2,557,400	15.2%	2,698,000	16.1%	5,255,400

AGENCY DESCRIPTION — The department administers and enforces Arizona's groundwater code, administers surface water rights laws, and represents Arizona's water rights with the federal government. These activities are to assure a long-term dependable water supply in the state. The department also inspects dams and participates in flood control planning to prevent property damage, personal injury, and loss of life. In support of these activities, it collects and analyzes data on water levels and on water-quality characteristics.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Per capita water use in Active Management Areas (Acre Feet)	NA/2.8	2.78/2.78	2.76	2.76/2.74
• % of Colorado River entitlement utilized	84/87	94/94	94	94
• % of Arizona's unused Colorado River entitlement that is recharged via the Water Banking Authority	84/85	86/86	88	88
• Number of dams in a non-emergency unsafe condition	NA/25	21/22	19	17/15
• Administration as a % of total cost	NA	8.1/NA	11.9	11.8
• % of agency staff turnover	NA/7	NA/13	12.5	12

RECOMMENDED CHANGES FROM FY 2001

		FY 2002	FY 2003
Standard Changes			
ERE Rates	GF	\$(15,100)	\$(10,800)
Salary Annualization	GF	139,100	139,100
Risk Management	GF	(33,300)	(35,300)
Rent	GF	(33,300)	105,000

Water Protection Fund GF 2,500,000 2,500,000

The JLBC recommends a total biennial increase of \$5,000,000 for the Arizona Water Protection Fund. This amount includes an increase of \$2,500,000 in both FY 2002 and FY 2003 over FY 2001. The fund is administered by the Water Protection Fund Commission, which grants monies to entities for the protection, enhancement, and restoration of rivers, streams, and associated riparian habitats. A.R.S. § 45-2112 requires an annual \$5,000,000 General Fund appropriation to the fund. In FY 2000 and FY 2001, however, a session law statutory change eliminated the General Fund appropriations in these years due to the available balance in the fund. The commission granted approximately \$7,000,000 from the balance in FY 2000 and an additional \$2,500,000 in FY 2001. After the FY 2001 grants are awarded, there will be less than \$500,000 available for grants in FY 2002 and FY 2003. The recommended appropriation funds half of the statutorily required amount and is comparable to the level of grants that have been obligated in the past 4 fiscal years.

The JLBC recommendation requires a session law statutory change to eliminate the \$5,000,000 annual appropriation required by A.R.S. § 45-2112. It is recommended that the session law change also stipulate that the FY 2002 and FY 2003 appropriations to the fund be specified in the General Appropriation Act.

The Executive is recommending that notwithstanding A.R.S. § 45-2112, no monies be appropriated to the Water Protection Fund in FY 2002 or FY 2003. They are recommending this as the fund will have an estimated \$10,800,000 balance at the end of FY 2001, allowing them to grant at least \$5,000,000 in both FY 2002 and FY 2003. Although the fund balance is significant, almost all of it is

committed to grant recipients from prior years. Once a grant is awarded the monies are generally paid out over 3 to 5 years as steps in the projects are completed. The Water Protection Fund Commission has indicated that they will not commit to new grants without the assurance that legislative appropriations are available to fund these grants in future years. The JLBC recommendation allows the commission to obligate up to \$2,500,000 in both FY 2002 and FY 2003 and ensures that funds will be available to meet those obligations in following years.

Rural Water Studies GF -0- -0-

Laws 2000, Chapter 244 appropriated \$500,000 from the General Fund in FY 2001 to conduct rural water studies. The JLBC recommendation maintains this level of funding in FY 2002 and FY 2003. The studies assess local water use needs and develop plans for sustainable future water supplies in rural areas outside the state's Active Management Areas. The studies are administered through partnerships with local resource agency officials and stakeholders. The partnerships generally require the local entity to provide some matching resources to the General Fund amounts received. The studies are primarily conducted by the local entity with the Department of Water Resources (DWR) providing technical advice and financial assistance.

The Executive also maintains the FY 2001 funding but adds an additional \$500,000 in both FY 2002 and FY 2003 for total biennial funding of \$2,000,000.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnote

As authorized by A.R.S. § 45-2112B, any monies received from the lease or sale of Central Arizona Project water in FY 2001 or FY 2002 shall be deposited in the Arizona Water Protection Fund and an equal amount of the subsequent fiscal year appropriation to the Water Protection Fund reverts to the state General Fund.

Deletion of Prior Year Footnote

The JLBC recommends deleting the footnote that stipulated the non-lapsing status of the FY 2000 appropriation for Rural Water Studies, as it is no longer needed.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends a session law change to A.R.S. § 45-2112 that eliminates the statutory \$5,000,000 General Fund appropriation to the Water Protection Fund in FY 2002 and FY 2003 and reduces it to \$2,500,000 in both years. Under the change, appropriated amounts will be set forth in the FY 2002 and FY 2003 General Appropriation Act. (See the Water Protection Fund section for more information.)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

The Executive recommends a total biennial increase of \$192,300 for property tax increases at the agency’s central Phoenix office location. This amount includes a FY 2002 increase of \$92,900 above FY 2001 and a FY 2003 increase of \$99,400 above FY 2001. As part of the private lease agreement for this location, the agency is required to pay all property tax increases. The biennial amount recommended by the Executive is the cumulative increase between the FY 1995 and the FY 2003 tax rates. The increases have averaged 21% each year during this period and are primarily a result of changes to the assessed value of the property.

The JLBC does not recommend the cumulative increase recommended by the Executive. The department has funded increases from its base budget in FY 1996 through FY 2001. The JLBC does, however, recommend funding for the FY 2002 and FY 2003 increases above FY 2001. These amounts are estimated to be \$14,100 and \$30,200 respectively. This represents a 14% increase each year, which has been the average increase over the last 3 years. These amounts are included as part of the Rent adjustment in the Standard Changes section.

Water Quality Fund

The Water Quality Assurance Fund (WQARF) program is aimed at identifying and remediating contaminated groundwater. Although the program is primarily administered by the Department of Environmental Quality (ADEQ), DWR is charged with inspecting wells for vertical cross-contamination of groundwater by hazardous substances. The department is also given authority to take appropriate remedial action on contaminated wells. To fund these activities, \$800,000 of WQARF funding is transferred to the Arizona Water Quality Fund administered by DWR. Although this fund is not appropriated by the Legislature, A.R.S. § 49-282 requires the Appropriation Committees to review the fund budget to ensure that expenditures are in accordance with legislative intent. (See Table 1 for fund expenditures in FY 2000 through FY 2003.)

Fund expenditures primarily support 14.7 FTE Positions. These staff are involved in the following activities:

- Conducting well inspection in areas near contaminated groundwater sites. The data gathered provide information on rates and direction of groundwater movement. This information is useful in identifying potentially responsible parties and in assessing remediation needs.
- Reviewing Notices of Intention to drill, modify, or abandon wells that are located within or in the proximity to contaminated groundwater sites. The reviews evaluate the potential for vertical cross-contamination through the wells.
- In conjunction with ADEQ, developing rules for well notification and inspection procedures.
- Converting WQARF data from paper reports to electronic formats. Assisting ADEQ with data input, extraction, and distribution of water quality records.
- Assisting in the review of remediation measures.
- Assisting in identifying additional sites that are potentially contaminated.

(For additional information on the larger WQARF program, see the ADEQ section.)

Table 1				
Arizona Water Quality Fund				
	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FTE Positions	10.0	14.7	14.7	14.7
Personal Services	\$339,100	\$539,800	\$539,800	\$539,800
Employee Related Expenditures	67,200	113,900	113,900	113,900
Professional & Outside Services	200	0	0	0
Travel - In-State	10,500	12,000	12,000	12,000
Travel - Out of State	4,400	800	800	800
Other Operating Expenditures	10,600	8,500	8,500	8,500
Equipment	16,900	0	0	0
Indirect Cost Allocation	<u>106,600</u>	<u>177,100</u>	<u>177,100</u>	<u>177,100</u>
TOTAL	\$555,500	\$852,100	\$852,100	\$852,100

SUMMARY OF FUNDS	FY 2000	FY 2001	FY 2002	FY 2003
Administrative (WCA3025/A.R.S. § 45-113)				Non-Appropriated
Source of Revenue: A portion of various fees paid to the department is deposited in this fund.				
Purpose of Fund: To refund excess fees paid to the department in error.				
Funds Expended	0	0	0	0
Year-End Fund Balance	9,500	9,500	9,500	9,500
Augmentation and Conservation Assistance (WCA2213/A.R.S. § 46-615)				Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawn in active water management areas. A portion of these groundwater withdrawal fees is deposited to the Augmentation and Conservation Assistance Fund.				
Purpose of Fund: For developing water supply augmentation projects, such as groundwater recharge projects, and for conservation programs in active water management areas. Various statutes require the director to distribute the funds to the Active Management Areas, to the Tucson Augmentation Authority, and to any groundwater replenishment districts that may be established. The Year-End Fund Balance represents a cash balance only and does not reflect monies already obligated for grants.				
Funds Expended	1,561,200	1,624,600	2,124,600	2,124,600
Year-End Fund Balance	7,919,100	7,360,000	6,266,700	5,115,600
Dam Repair (WCA2218/A.R.S. § 45-1212.01)				Non-Appropriated
Source of Revenue: Repayments for emergency remedial measures undertaken by the department, dam safety inspection fees, repair fees, and legislative appropriations.				
Purpose of Fund: For emergency remedial measures on privately owned dams as necessary to protect life and property. Also used to make loans and grants to private dam owners for costs of non-emergency repairs. There are currently no estimates for FY 2002 and FY 2003 expenditures.				
Funds Expended	585,100	1,500,000	0	0
Year-End Fund Balance	2,142,100	763,000	852,400	944,500
Federal Grants (WCA2000/A.R.S. § 45-105)				Non-Appropriated
Source of Revenue: Grants from the federal government.				
Purpose of Fund: For border water issues and to assist communities with federal flood insurance requirements.				
Funds Expended	223,500	130,500	0	0
Year-End Fund Balance	3,300	13,100	13,100	13,100
Flood Warning System (WCA1021/A.R.S. § 45-1503)				Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies. The FY 2002 and FY 2003 recommendation includes a \$336,600 General Fund appropriation to the fund in each year.				
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation and maintenance of flood warning systems.				
Funds Expended from the General Fund	335,800	336,600	336,600	336,600
Other Funds Expended	43,400	175,500	3,000	3,000
Year-End Fund Balance	193,000	27,200	28,000	25,800
General Adjudications (WCA2191/A.R.S. § 45-260)				Non-Appropriated
Source of Revenue: Fees for publications and reproductions.				
Purpose of Fund: For postage and other costs of serving legal notices to water rights claimants.				
Funds Expended	74,500	50,000	50,000	50,000
Year-End Fund Balance	164,300	114,300	64,300	14,300

	FY 2000	FY 2001	FY 2002	FY 2003
Indirect Cost Recovery (WCA9000/A.R.S. § 45-104)				Non-Appropriated
Source of Revenue: Transfers from federal and other non-appropriated funds.				
Purpose of Fund: To provide for various indirect administrative costs.				
Funds Expended	211,400	675,000	575,000	575,000
Year-End Fund Balance	353,600	174,800	96,000	17,200
Production and Copying (WCA2411/A.R.S. § 45-115)				Non-Appropriated
Source of Revenue: Payment for the production of publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the General Fund.				
Purpose of Fund: For the costs of producing and copying department publications and records.				
Funds Expended	52,600	50,000	50,000	50,000
Year-End Fund Balance	12,000	12,000	12,000	12,000
Publications and Mailings (WCA2410/A.R.S. § 45-116)				Non-Appropriated
Source of Revenue: Payment for the publication and mailing of legal notices required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the General Fund				
Purpose of Fund: To provide for the department's expenditures in publishing and mailing legal notices.				
Funds Expended	13,300	12,000	12,000	12,000
Year-End Fund Balance	7,300	7,300	7,300	7,300
State Water Storage (WCA2287/A.R.S. § 45-897.01)				Non-Appropriated
Source of Revenue: As of January 1, 1997, the only revenue source to this fund has been interest on investments. Prior to then, the fund received property taxes levied by the multi-county water conservation districts. These taxes are now directed to the State Water Banking Fund.				
Purpose of Fund: For the costs of approved underground water storage demonstration projects. The fund may be used for purchasing excess Central Arizona Project water. The Department of Water Resources provides administrative support for this fund, but control of expenditures is vested in the Central Arizona Water Conservation District.				
Funds Expended	1,974,700	3,000,000	3,250,000	3,250,000
Year-End Fund Balance	18,395,600	16,240,400	13,721,200	11,048,600
Arizona Water Banking (WCA2110/A.R.S. § 45-2425)				Non-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. The Legislature appropriated \$2,000,000 to the fund in each of FY 1997 through FY 2001. The FY 2002 and FY 2003 recommendation continues the \$2,000,000 General Fund appropriation each year. The fund also receives a portion of the 4% property tax collected by the Central Arizona Project to pay for water storage. This fund operates on a calendar year. Because the fees and taxes are collected at the end of the fiscal year, the fiscal year-end balance is not reflective of the calendar year-end balance.				
Purpose of Fund: For the purchase and storage of the unused portion of Arizona's Colorado River water allotment.				
Funds Expended from the General Fund	2,000,000	2,000,000	2,000,000	2,000,000
Other Funds Expended	6,083,500	19,816,400	19,816,400	19,816,400
Year-End Fund Balance	28,023,800	22,057,400	16,091,000	10,124,600
Arizona Water Protection (WCA1302/A.R.S. § 45-2111)				Non-Appropriated
Source of Revenue: General Fund appropriations, revenues from water purchased or leased to out-of-state customers, and interest on investments. The FY 2002 and FY 2003 recommendation includes a \$2,500,000 General Fund appropriation each year. In FY 2000 and FY 2001, no General Fund appropriation was made due to sufficient fund balances.				
Purpose of Fund: To provide grants for projects which protect water quality and quantity, and to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines the annual recipients. The Department of Water Resources provides administrative support to the commission. The Year-End Fund Balances are cash balances and do not reflect amounts obligated on outstanding grants.				
Funds Expended from the General Fund	0	0	2,500,000	2,500,000
Other Funds Expended	6,416,800	6,548,000	0	0
Year-End Fund Balance	16,444,800	10,777,400	12,346,500	13,896,400

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Arizona Water Quality (WCA2304/A.R.S. § 45-618)

Non-Appropriated

Source of Revenue: An annual \$800,000 transfer from the Water Quality Assurance Revolving Fund (WQARF) administered by the Arizona Department of Environmental Quality (ADEQ) and interest.

Purpose of Fund: To inspect wells for vertical cross-contamination of groundwater by hazardous substances and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with ADEQ's WQARF program.

Funds Expended	555,500	852,100	852,100	852,100
Year-End Fund Balance	1,233,300	1,241,600	1,250,300	1,257,900

[Click here to return to Table of Contents](#)

Department of Weights and Measures

Sandy Williams, Director

JLBC: Brian Schmitz
 OSPB: Bret Cloninger

House Subcommittee: Johnson
 Senate Subcommittee: Guenther

DESCRIPTION	FY 2000	FY 2001	FY 2002		FY 2003	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
PROGRAM BUDGET						
General Services	1,723,600	1,509,100	1,533,400	1,548,800	1,534,200	1,549,600
Vapor Recovery	339,000	348,700	363,800	364,600	364,000	364,800
Oxygenated Fuel	622,700	768,600	778,500	775,800	778,600	775,900
AGENCY TOTAL	2,685,300	2,626,400	2,675,700	2,689,200	2,676,800	2,690,300

OPERATING BUDGET

Full Time Equivalent Positions	40.5	40.5	40.5	40.5	40.5	40.5
Personal Services	1,212,700	1,323,400	1,343,100	1,343,100	1,343,100	1,343,100
Employee Related Expenditures	274,300	307,500	315,800	318,600	317,200	320,000
All Other Operating Expenditures:						
Professional and Outside Services	497,800	381,700	381,700	381,700	381,700	381,700
Travel - In State	160,200	182,100	201,200	214,600	201,200	214,600
Travel - Out of State	22,600	41,000	41,000	41,000	41,000	41,000
Other Operating Expenditures	419,200	390,700	392,900	390,200	392,600	389,900
Equipment	98,500	0	0	0	0	0
AGENCY TOTAL	2,685,300	2,626,400	2,675,700	2,689,200	2,676,800	2,690,300

FUND SOURCES

General Fund	1,721,200	1,786,300	1,825,700	1,913,400	1,826,700	1,914,400
Air Quality Fund	648,100	768,600	778,500	775,800	778,600	775,900
Certificates of Participation Fund	316,000	71,500	71,500	0	71,500	0
SUBTOTAL - Other Appropriated Funds	964,100	840,100	850,000	775,800	850,100	775,900
SUBTOTAL - Appropriated Funds	2,685,300	2,626,400	2,675,700	2,689,200	2,676,800	2,690,300
TOTAL - ALL SOURCES	2,685,300	2,626,400	2,675,700	2,689,200	2,676,800	2,690,300

CHANGE IN FUNDING SUMMARY

	FY 2001 to FY 2002 JLBC		FY 2001 to FY 2003 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	127,100	7.1%	128,100	7.2%	255,200
Other Appropriated Funds	(64,300)	-7.7%	(64,200)	-7.6%	(128,500)
Total Appropriated Funds	62,800	2.4%	63,900	2.4%	126,700

AGENCY DESCRIPTION — *The department regulates the determination and representation of quantity in the marketplace and also maintains 2 environmentally-related gasoline inspection programs. The General Services program maintains state standards for weights and measures, inspects weighing and measuring devices to ensure their accuracy, and inspects commercial establishments to ensure that products are sold at their correct weight, measure, and listed price. The Vapor Recovery program inspects gasoline dispensing devices to ensure that vapor recovery systems are installed and meet state and federal requirements. The Oxygenated Fuel program tests the fuel quality of gasoline to ensure that it meets established standards. All programs investigate consumer complaints.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Estimate	Estimate
• Average customer satisfaction rating (scale 1-5)	NA	4/4	4	5
• % of retail stores' price scanning devices in compliance (i.e., cash register shows correct price)	NA/40	50/47	60	65/70
• % of cleaner burning gas (required in the Phoenix area) samples in compliance with oxygenated fuel standards	95/99	99/97	99	99
• % of gasoline dispensing facilities inspected annually that are in compliance with vapor recovery standards	NA/85	90/86	91	93/95
• Administration as a % of total cost	NA	16/NA	14	14

RECOMMENDED CHANGES FROM FY 2001

		<u>FY 2002</u>	<u>FY 2003</u>
Standard Changes			
Pay Annualization	GF	\$ 19,000	\$ 19,000
	OF	3,300	3,300
ERE Rates	GF	7,200	8,400
	OF	1,300	1,500
Risk Management	GF	2,400	2,200
	OF	(200)	(300)
Rent	GF	(2,200)	(2,200)
	OF	(500)	(500)
Motor Pool Increase	GF	29,200	29,200
	OF	3,300	3,300

The JLBC recommends a total biennial General Fund increase of \$58,400 and an Air Quality Fund increase of \$6,600 for increased motor pool funding. This amount includes an increase of \$29,200 from the General Fund and \$3,300 from the Air Quality Fund in both FY 2002 and FY 2003 above FY 2001. The recommended amount represents a 21% increase in motor pool funding. Travel costs for the department have risen due to high gas prices, increased motor pool rates, and a higher number of inspections as the result of demographic growth. The increased funding will allow the department to carry out its inspection responsibilities. The Executive concurs with the JLBC recommendation for the Air Quality Fund, but recommends a General Fund increase of \$15,800 in both FY 2002 and FY 2003 above FY 2001.

Move Certificates of

Participation Funding to General Fund GF **71,500** **71,500**
 OF **(71,500)** **(71,500)**

The JLBC recommends a total biennial General Fund increase of \$143,000 and a Certificates of Participation (COP) Fund decrease of \$(143,000) to shift COP funding to the General Fund. This amount includes an increase of \$71,500 from the General Fund and a corresponding decrease of \$(71,500) from the COP Fund in both FY 2002 and FY 2003 from FY 2001. The COP Fund was utilized in FY 2000 and FY 2001 to help pay the General Fund's share of the department's relocation and ongoing rent costs. However, this fund was not intended to be a long-term funding source for the agency's rent costs. The JLBC recommends replacing COP funding with General Fund monies. The Executive recommends continued use of COP Fund monies.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency. *(The department's FY 2001 budget format was Operating Lump Sum with Special Line Items by Agency. The JLBC recommends changing this due to budget structure changes associated with program budgeting.)*

SUMMARY OF FUNDS

	FY 2000	FY 2001	FY 2002	FY 2003
Air Quality (EVA2226/A.R.S. § 49-551)				Appropriated
Source of Revenue: Owners of motor vehicles pay an annual air quality fee of \$1.50 at the time of vehicle registration.				
Purpose of Fund: For research and improvement of air quality in the state. The department uses this fund to pay for its Oxygenated Fuel program. <i>For more information on this fund, see summary in the Department of Environmental Quality section.</i>				
Funds Expended	648,100	768,600	775,800	775,900
Year-End Fund Balance	119,800	119,800	112,600	105,300

	FY 2000	FY 2001	FY 2002	FY 2003
--	---------	---------	---------	---------

Certificates of Participation (AAA5005/A.R.S. § 35-142)

Appropriated

Source of Revenue: Grant from the Arizona Department of Administration.

Purpose of Fund: To pay for the costs associated with relocating the department's offices.

Funds Expended	316,000	71,500	0	0
Year-End Fund Balance	0	0	0	0

[Click here to return to Table of Contents](#)

Capital Outlay

Summary

JLBC: Lorenzo Martinez

OSPB: Kristine Ward

JCCR Chairman: Solomon

JCCR Vice-Chairman: Knaperek

DESCRIPTION	FY 2002		FY 2003	
	OSPB	JLBC	OSPB	JLBC
BUILDING RENEWAL				
Arizona Department of Administration Building System	13,603,300	20,122,700	14,725,200	21,711,600
Arizona Board of Regents Building System	20,322,200	42,296,800	21,925,000	45,642,800
Arizona Department of Transportation Building System	2,740,900	2,740,900	2,832,500	2,832,500
SUBTOTAL	36,666,400	65,160,400	39,482,700	70,186,900
ADVANCE APPROPRIATIONS				
Arizona Department of Administration Building System	21,900,000	21,900,000	41,245,900	20,000,000
Arizona Board of Regents Building System	1,500,000	1,500,000	1,500,000	1,500,000
Arizona Department of Transportation Building System	0	20,000,000	0	20,000,000
SUBTOTAL	23,400,000	43,400,000	42,745,900	41,500,000
NEW PROJECTS				
Arizona Department of Administration Building System	2,289,700	11,828,700	17,763,100	10,220,900
Arizona Board of Regents Building System	0	4,000,000	0	0
Arizona Department of Transportation Building System	305,323,100	297,621,000	321,338,000	320,558,000
SUBTOTAL	307,612,800	313,449,700	339,101,100	330,778,900
TOTAL - ALL PROJECTS	367,679,200	422,010,100	421,329,700	442,465,800
FUND SOURCES				
General Fund	30,406,700	82,651,000	30,992,900	79,378,300
Capital Outlay Stabilization Fund	213,700	3,517,700	6,553,000	6,502,100
Certificates of Participation Fund	0	212,400	0	1,450,500
Miners' Hospital Fund	100,000	0	0	0
Arizona Exposition and State Fair Fund	1,147,100	1,147,100	1,209,700	1,209,700
State Lottery Fund	34,700	34,700	38,300	38,300
Southern Arizona Mental Health Center Building Fund	75,800	75,800	78,900	78,900
Game and Fish Fund	577,600	577,600	601,000	601,000
Game and Fish Capital Improvement Fund	0	1,300,000	0	1,300,000
Waterfowl Conservation Fund	100,000	100,000	100,000	100,000
Corrections Fund	6,959,600	12,031,900	37,585,400	8,416,500
Arizona State Hospital Capital Construction Fund	20,000,000	20,000,000	20,000,000	20,000,000
State Highway Fund	308,064,000	289,694,900	324,170,500	312,730,500
State Aviation Fund	0	10,667,000	0	10,660,000
SUBTOTAL - Other Appropriated Funds	337,272,500	339,359,100	390,336,800	363,087,500
SUBTOTAL - Appropriated Funds	367,679,200	422,010,100	421,329,700	442,465,800
TOTAL - ALL SOURCES	367,679,200	422,010,100	421,329,700	442,465,800

DESCRIPTION — *The Capital Outlay Budget consists of one-time appropriations to maintain, expand, or enhance the state's capital stock which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other facilities which support the missions of the various state agencies. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.*

JLBC Recommendations – The following amounts are one-time appropriations in each year.

	<u>FY 2002</u>	<u>FY 2003</u>
Capital Outlay	GF 82,651,000	79,378,300
	OF 401,757,100	416,079,500

The Capital Outlay recommendation consists of 3 main categories: 1) Building Renewal 2) Advance Appropriations and 3) New Projects.

The JLBC recommends total biennial funding of \$106,970,200 from the General Fund and \$28,377,100 from Other Funds for Building Renewal. These amounts include \$51,590,700 from the General Fund and \$13,569,700 from Other Funds in FY 2002 and \$55,379,500 from the General Fund and \$14,807,400 from Other Funds in FY 2003. The recommended amounts fund 100% of the Building Renewal Formula in each year. The Executive recommends funding 50% of the General Fund component of the Building Renewal Formula. *(See the Building Renewal write-up for more information.)*

Total biennial funding of \$118,000,500 from the General Fund and \$85,900,000 from Other Funds was advance appropriated in prior legislative sessions for various projects. These amounts include \$88,380,800 from the General Fund and \$43,950,000 from Other Funds in FY 2002 and \$29,619,700 from the General Fund and \$41,950,000 from Other Funds in FY 2003. The JLBC recommends ex-appropriating funding for the new Tucson Prison Complex. This would leave Advance Appropriations totaling \$23,400,000 from the General Fund and \$20,000,000 from Other Funds in FY 2002 and \$21,500,000 from the General Fund and \$20,000,000 from Other Funds in FY 2003. The Executive also recommends ex-appropriating General Fund funding to the Highway Expansion and Extension Loan Program Fund. *(See the individual building systems write-ups for more information.)*

The JLBC recommends total biennial funding of \$10,159,100 from the General Fund and \$634,069,500 from Other Funds for new projects. These amounts include \$7,660,300 from the General Fund and \$305,789,400 from Other Funds in FY 2002 and \$2,498,800 from the General Fund and \$328,280,100 from Other Funds in FY 2003. *(See the individual building systems write-ups for more information.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Bonding Summary

ABOR, on behalf of the universities, and ADOT have issued revenue bonds to acquire and construct facilities and to purchase equipment. Bonding levels and issuances for the universities are authorized by the Legislature. The table below summarizes the state's outstanding bonds as of June 30, 2000.

	Bonding Summary		
	Original Issue	FY 2002 Payment	FY 2003 Payment
ABOR Building System			
Arizona State University	\$262,831,000	\$22,351,000	\$22,333,000
Northern Arizona State University	114,780,000	11,362,000	11,451,000
University of Arizona	<u>394,590,000</u>	<u>28,068,000</u>	<u>28,077,000</u>
Subtotal - ABOR	\$772,201,000	\$61,781,000	\$61,861,000
Department of Transportation	608,680,000	44,569,000	41,334,000
TOTAL	\$1,380,881,000	\$106,350,000	\$103,195,000

Lease-Purchase Facilities

ADOA, the Industrial Commission, Arizona State University, and the University of Arizona have entered into lease-purchase agreements for the acquisition and construction of state facilities. The table below provides information related to state lease-purchase agreements as of June 30, 2000.

	Lease-Purchase Summary		
	Original Issue	FY 2002 Payment	FY 2003 Payment
ADOA Building System			
Prisons/ENSCO - 1991	\$55,080,000	\$4,585,700	\$4,585,100
Revenue Building - 1992	19,617,800	2,153,600	2,148,000
DES Group Homes - 1992	2,507,200	275,200	274,500
16th Avenue Parking - 1992	4,675,000	390,400	392,200
Supreme Court Building - 1992	41,745,000	3,486,700	3,490,700
Historical Museum - 1992	15,350,000	1,281,500	1,283,800
ASDB Food Service - 1992	4,605,000	383,000	380,700
DES West - 1992	36,800,000	3,076,400	3,074,500
Tucson Office Building - 1992	26,465,000	2,213,200	2,214,600
Capital Center - 1992	16,780,000	1,750,700	1,759,200
Welcome Center - 1992	470,000	68,800	--
Distressed Properties - 1992	15,645,000	2,216,200	--
Records Management - 1993	2,180,000	186,100	186,300
Library for the Blind - 1993	1,150,000	112,300	113,800
ASDB Projects - 1993	14,370,000	1,208,200	1,217,700
1616 West Adams - 1993	6,595,000	618,500	630,300
Tonto Natural Bridge - 1993	4,285,000	364,500	365,100
AHCCCS Buildings - 1995	12,641,800	1,656,100	1,656,100
Subtotal - ADOA	\$280,961,800	\$26,027,100	\$23,772,600
Industrial Commission	17,500,000	1,300,000	1,400,000
ABOR Building System			
Arizona State University	62,190,000	6,605,000	6,606,000
Northern Arizona State University	4,744,000	436,000	413,000
University of Arizona	<u>151,998,000</u>	<u>12,800,000</u>	<u>12,261,000</u>
Subtotal - ABOR	\$218,932,000	\$19,841,000	\$19,280,000
TOTAL	\$517,393,800	\$47,168,100	\$44,452,600

[Click here to return to Table of Contents](#)

Capital Outlay

Building Renewal

JLBC: Lorenzo Martinez
OSP: Kristine Ward

JCCR Chairman: Solomon
JCCR Vice-Chairman: Knaperek

DESCRIPTION	FY 2002		FY 2003	
	OSP	JLBC	OSP	JLBC
BUILDING SYSTEM				
Arizona Department of Administration				
Arizona Department of Administration	6,078,500	12,597,900	6,499,400	13,485,800
Arizona Department of Administration for Department of Corrections	5,518,800	5,518,800	6,080,800	6,080,800
Arizona Department of Administration for Department of Juvenile Corrections	440,800	440,800	487,100	487,100
Arizona Exposition and State Fair Board	1,147,100	1,147,100	1,209,700	1,209,700
Game and Fish Department	307,600	307,600	331,000	331,000
Arizona Lottery Commission	34,700	34,700	38,300	38,300
Department of Health Services	75,800	75,800	78,900	78,900
Arizona Board of Regents	20,322,200	42,296,800	21,925,000	45,642,800
Arizona Department of Transportation	2,740,900	2,740,900	2,832,500	2,832,500
TOTAL	36,666,400	65,160,400	39,482,700	70,186,900

FUND SOURCES

General Fund	26,400,700	51,590,700	24,924,400	55,379,500
Capital Outlay Stabilization Fund	0	3,304,000	3,500,000	3,749,100
Corrections Fund	5,959,600	5,959,600	6,567,900	6,567,900
Arizona Exposition and State Fair Fund	1,147,100	1,147,100	1,209,700	1,209,700
Game and Fish Fund	307,600	307,600	331,000	331,000
State Lottery Fund	34,700	34,700	38,300	38,300
Southern Arizona Mental Health Center Building Fund	75,800	75,800	78,900	78,900
State Highway Fund	2,740,900	2,740,900	2,832,500	2,832,500
SUBTOTAL - Other Appropriated Funds	10,265,700	13,569,700	14,558,300	14,807,400
SUBTOTAL - Appropriated Funds	36,666,400	65,160,400	39,482,700	70,186,900
TOTAL - ALL SOURCES	36,666,400	65,160,400	39,482,700	70,186,900

DESCRIPTION — *Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. Pursuant to Laws 1986, Chapter 85, the appropriations are based on support of a formula determined by the Joint Committee on Capital Review (JCCR). The formula takes into account the replacement value, age, and life-cycle of a building. Building Renewal involves the repair and reworking of a building, including the upgrading of systems which will result in maintaining a building's expected useful life. Building Renewal funds may not be used for building additions, infrastructure additions, landscaping, area beautification, routine maintenance, or demolition and removal of buildings. Available appropriations are administered by the Arizona Department of Administration (ADOA), the Arizona Board of Regents (ABOR), and the Arizona Department of Transportation (ADOT) for their respective building systems. Appropriations for Building Renewal are from a variety of fund sources including the General Fund.*

JLBC Recommendations – The following amounts are one-time appropriations in each year.

FY 2002 **FY 2003**

Building Renewal **GF \$51,590,700** **\$55,379,500**
 OF 13,569,700 **14,807,400**

The JLBC recommends total biennial funding of \$106,970,200 from the General Fund and \$28,377,100 from Other Funds for Building Renewal. These amounts include \$51,590,700 from the General Fund and \$13,569,700 from Other Funds in FY 2002 and \$55,379,500 from the General Fund and \$14,807,400 from Other Funds in FY 2003. The recommended amounts fund

100% of the Building Renewal Formula in each year. The JLBC also recommends that up to \$275,000 and up to 5 FTE Positions be appropriated each year from Building Renewal monies to ADOA for supervision and management of Building Renewal projects.

The Executive recommends \$26,400,700 from the General Fund and \$10,265,700 from Other Funds in FY 2002 and \$24,924,400 from the General Fund and \$14,558,300 from Other Funds in FY 2003. The General Fund amounts fund approximately 50% of the Building Renewal Formula in each year. Other Fund amounts for individual agencies fund 100% of the formula.

JLBC Recommended Capital Outlay Appropriations

Language

The following is recommended language for the Capital Outlay Bill with significant changes from prior language shown in CAPITAL LETTERS (for additions) and ~~strike through~~ (for deletions).

Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2002 and FY 2003 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Twenty-five per cent or less of the monies may be spent for state building modifications to comply with the federal Americans with Disabilities Act (42 United States Code sections 12101 through 12213 and 47 United States Code sections 225 and 611) or for major maintenance and repair activities for state infrastructure. The monies may only be used for facilities on the state building inventory or for infrastructure that directly supports those facilities. Of the amounts appropriated to the Arizona Department of Administration (ADOA), up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the Building Renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review.

The Arizona Board of Regents shall require each university to establish a major maintenance and repair account for deposit of amounts allocated to the university in this subsection. Amounts deposited in this account shall only be used for the purpose provided in subsection A of this section and shall be audited annually by the board.

[Click here to return to Table of Contents](#)

The ADOA shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund (COSF) are insufficient to fund the appropriation to the ADOA for Building Renewal, the appropriation to the ADOA shall be reduced by the difference between the amount appropriated to the Department of Administration from the COSF and the balance in the COSF. ~~All collections for occupancy in state owned buildings deposited in the COSF during FY 2001-2002 and FY 2002-2003 pursuant to A.R.S. § 41-792.01, in excess of amounts appropriated in this section and in the FY 2001-2002 and FY 2002-2003 General Appropriation Act from the COSF are appropriated to the ADOA for building.~~

ANY MONIES APPROPRIATED FOR BUILDING RENEWAL IN FY 2002 THAT ARE UNEXPENDED OR UNENCUMBERED ON SEPTEMBER 30, 2003 SHALL REVERT TO THE FUND FROM WHICH THEY WERE APPROPRIATED.

ANY MONIES APPROPRIATED FOR BUILDING RENEWAL IN FY 2003 THAT ARE UNEXPENDED OR UNENCUMBERED ON SEPTEMBER 30, 2004 SHALL REVERT TO THE FUND FROM WHICH THEY WERE APPROPRIATED.

Given that Building Renewal projects should be completed within a 2-year timeframe, the recommended new language will ensure Building Renewal appropriations are used in a timely fashion or reverted for reappropriation for similar or other purposes.

* * *

JLBC Recommended Format — Lump Sum by Fund

Capital Outlay

Arizona Department of Administration Building System

JLBC: Lorenzo Martinez

OSPB: Kristine Ward

JCCR Chairman: Solomon

JCCR Vice-Chairman: Knaperek

DESCRIPTION	FY 2002		FY 2003	
	OSPB	JLBC	OSPB	JLBC
ADVANCE APPROPRIATIONS				
Arizona Department of Administration -				
New Tucson Prison Complex	88,930,800	88,930,800	30,069,700	30,069,700
Ex-Appropriate New Tucson Prison Complex Funding	(88,930,800)	(88,930,800)	(8,823,800)	(30,069,700)
Arizona State Hospital	20,000,000	20,000,000	20,000,000	20,000,000
Arizona State Parks Board - Spur Cross Ranch	1,250,000	1,250,000	0	0
Department of Emergency and Military Affairs - Clifton Flood Control	650,000	650,000	0	0
SUBTOTAL	21,900,000	21,900,000	41,245,900	20,000,000
NEW PROJECTS				
Arizona Department of Administration				
Department of Health Services State Laboratory Lease-Purchase Payment	0	2,342,900	4,076,000	2,342,900
Arizona Schools for the Deaf and Blind Transportation Building - Phoenix	0	427,700	0	0
Department of Corrections Safety Improvements	0	3,250,000	0	1,848,600
Department of Corrections Fort Grant Landfill Closure	0	555,300	0	0
Department of Corrections Siting of New Reception and Diagnostic Center	1,000,000	0	0	0
Department of Juvenile Corrections Medical Unit	0	785,000	0	0
Department of Juvenile Corrections HVAC Replacement/Renovations	0	1,482,000	0	0
Privatized Lease to Own Project Management	0	162,400	0	143,500
Privatized Lease to Own Capital Improvements	0	889,700	0	0
Privatized Lease to Own Backfill Space Renovations	213,700	213,700	3,053,000	3,053,000
Privatized Lease to Own Backfill Agency Relocations	0	50,000	0	1,007,000
Department of Corrections WAN/LAN Project Trigger	0	0	9,771,600	0
Department of Economic Security Title XIX Renovations ATP-Coolidge	0	0	0	155,900
Department of Public Safety Remote Officer Housing	606,000	0	492,500	0
Arizona Pioneers' Home Nurse Call System	100,000	0	0	0
Game and Fish Department				
Facilities Improvements	170,000	170,000	170,000	170,000
Shooting Range Development	100,000	100,000	100,000	100,000
Flagstaff Shooting Range Development	0	500,000	0	500,000
Headquarters Expansion and Renovation	0	500,000	0	800,000
Pinetop Regional Office Expansion	0	300,000	0	0
Migratory Waterfowl Habitat	100,000	100,000	100,000	100,000
SUBTOTAL	2,289,700	11,828,700	17,763,100	10,220,900
TOTAL - ALL PROJECTS	24,189,700	33,728,700	59,009,000	30,220,900
FUND SOURCES				
General Fund	2,506,000	5,560,300	4,568,500	2,498,800
Corrections Fund	1,000,000	6,072,300	31,017,500	1,848,600
Arizona State Hospital Capital Construction Fund	20,000,000	20,000,000	20,000,000	20,000,000
Capital Outlay Stabilization Fund	213,700	213,700	3,053,000	2,753,000
Certificates of Participation Fund	0	212,400	0	1,450,500
Miners' Hospital Fund	100,000	0	0	0
Game and Fish Fund	270,000	270,000	270,000	270,000
Game and Fish Capital Improvement Fund	0	1,300,000	0	1,300,000
Waterfowl Conservation Fund	100,000	100,000	100,000	100,000
SUBTOTAL - Other Appropriated Funds	21,683,700	28,168,400	54,440,500	27,722,100
SUBTOTAL - Appropriated Funds	24,189,700	33,728,700	59,009,000	30,220,900
TOTAL - ALL SOURCES	24,189,700	33,728,700	59,009,000	30,220,900

DESCRIPTION — *The Arizona Department of Administration (ADOA) Building System is comprised of buildings controlled by all state agencies except the Arizona Board of Regents and Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following recommendations for FY 2002 and FY 2003 are for specific projects within the building system but do not include building renewal projects. Appropriations for ADOA Building System projects may be from the General Fund or Other Funds.*

JLBC Recommendations – The following amounts are one-time appropriations in each year.

		<u>FY 2002</u>	<u>FY 2003</u>
Advance	GF	\$1,900,000	\$ -0-
Appropriations	OF	20,000,000	20,000,000

Total biennial funding of \$75,000,500 from the General Fund and \$85,900,000 from Other Funds was advance appropriated in prior legislative sessions for various projects. The JLBC recommends ex-appropriating advance funding for the New Tucson Prison Complex. As a result, the JLBC recommends total biennial funding of \$1,900,000 from the General Fund and \$40,000,000 from Other Funds. These amounts include \$1,900,000 from the General Fund and \$20,000,000 from Other Funds in FY 2002 and \$20,000,000 from Other Funds in FY 2003. Since these appropriations have already been enacted into law, they do not need to be included in the FY 2002-FY 2003 Capital Outlay Bill, except for ex-appropriating funding for the prison complex. The Executive recommends ex-appropriating the entire FY 2002 advance prison complex funding and ex-appropriating a portion of the FY 2003 advance prison complex funding (*see New Tucson Prison Complex write-up below*).

New Tucson Prison Complex

Total biennial funding of \$73,100,500 from the General Fund and \$45,900,000 from the Corrections Fund was appropriated to ADOA by Laws 1999, Chapter 2, 1st Special Session for the design and construction of a new prison complex (sited in Tucson by Laws 1999, Chapter 300). These amounts included \$64,980,800 from the General Fund and \$23,950,000 from the Corrections Fund in FY 2002 and \$8,119,700 from the General Fund and \$21,950,000 from the Corrections Fund in FY 2003. The total amount allocated to the project (including Federal Funds) is \$192,938,700 as shown in the table below.

Southern Regional Prison Complex at Tucson					
(Thousands)					
Fund Source	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Total</u>
General Fund			64,980.8	8,119.7	73,100.5
Corrections Fund	21,980.8	21,957.4	21,950.0	21,950.0	87,838.2
Federal Funds	1,100.0	28,900.0			30,000.0
Special Services Fund			1,000.0		1,000.0
ACI Fund			1,000.0		1,000.0
TOTAL	23,080.8	50,857.4	88,930.8	30,069.7	192,938.7

Given the decrease in inmate population growth, there is no immediate need to construct additional prison beds (*see Department of Corrections write-up*). The JLBC recommends ex-appropriating the \$64,980,800 General Fund and \$23,950,000 Other Funds appropriations in

FY 2002 and the \$8,119,700 General Fund and \$21,950,000 Other Funds appropriations in FY 2003. The Executive also recommends ex-appropriating the FY 2002 appropriations and the General Fund appropriation in FY 2003. However, the Executive only reduces the FY 2003 Other Funds appropriation of \$21,950,000 by \$(704,100), leaving a FY 2003 Other Funds appropriation of \$21,245,900.

Arizona State Hospital

Total biennial funding of \$40,000,000 from the Arizona State Hospital (ASH) Capital Construction Fund was appropriated to ADOA by Laws 2000, Chapter 1 (as amended by Laws 2000, Chapter 1, 7th Special Session) for the demolition, renovation and construction of the Arizona State Hospital. This amount includes \$20,000,000 from the ASH Capital Construction Fund in both FY 2002 and FY 2003. Chapter 1 (as amended) also appropriated a total of \$40,000,000 from the ASH Capital Construction Fund in the FY 2000-FY 2001 biennium for total project funding of \$80,000,000. The ASH Capital Construction Fund was appropriated \$20,000,000 in each of FY 2000, FY 2001, FY 2002, and FY 2003 from the Budget Stabilization Fund (BSF). Chapter 1 requires the BSF to be repaid \$20,000,000 in each of FY 2000, FY 2001, FY 2002, and FY 2003 from any upfront tobacco settlement monies received by the state. The Executive concurs.

Spur Cross Ranch

A total of \$1,250,000 was appropriated from the General Fund in FY 2002 to the State Parks Board by Laws 1999, Chapter 135 for the purchase and establishment of Spur Cross Ranch State Park. Chapter 135 also appropriated a total of \$2,500,000 from the General Fund in the FY 2000-FY 2001 biennium for total project funding of \$3,750,000. The original estimated cost of the purchase was \$15,000,000. Chapter 135 stipulated that an additional \$3,750,000 would be contributed by the State Parks Heritage Fund and that Maricopa County would pay one-half of the purchase price. The revised purchase price is approximately \$21,000,000. The \$6,000,000 difference will be paid by the Town of Cave Creek. The Executive concurs.

Clifton Flood Control

A total of \$650,000 was appropriated from the General Fund in FY 2002 to the Department of Emergency and Military Affairs by Laws 1999, Chapter 181 for the completion of the Clifton Flood Control project. Chapter 181 also appropriated \$650,000 from the General Fund in FY 2000 for total project funding of \$1,300,000. Funding will complete a levee, a flood warning system, and a recreational park. The Executive concurs.

NEW PROJECTS

Arizona Department of Administration

DHS State Laboratory Lease-

Purchase Payment GF \$2,342,900 \$2,342,900

The JLBC recommends total biennial funding of \$4,685,800 from the General Fund to ADOA for lease-purchase payments associated with financing a new state health laboratory with Certificates of Participation (COP). This amount includes \$2,342,900 in both FY 2002 and FY 2003 for the annual payment on a COP issuance of \$29,827,000 to be paid over 20 years. The Executive recommends \$4,076,000 from the General Fund in FY 2003 to repay the issuance over 10 years. Both recommendations include 3 FTE Positions to supervise and manage the project.

ASDB Transportation

Building GF 427,700 -0-

The JLBC recommends a \$427,700 General Fund appropriation in FY 2002 to ADOA for a new Transportation Building on the Arizona Schools for the Deaf and Blind Phoenix campus. The current building is a 2,668 square foot house that was on the property when originally purchased in 1967. The building has structural problems with the roof and the dilapidated conditions along with the existence of asbestos make renovation unfeasible. The building would be demolished and replaced with a 4,000 square foot modular building. The additional space is required to accommodate the growth in the Transportation Program (9 daily routes to 27 daily routes) over the last 15 years. The Executive does not address this issue.

DOC Safety

Improvements OF 3,250,000 1,848,600

The JLBC recommends total biennial funding of \$5,098,600 from the Corrections Fund to ADOA for safety improvements within the prison system. This amount includes \$3,250,000 in FY 2002 and \$1,848,600 in FY 2003. The recommended funding is to replace and upgrade locks and control rooms at ASPC-Tucson and to modify fencing around administration buildings to correct a design flaw and eliminate a security weakness. The Executive does not address this issue.

DOC Fort Grant

Landfill Closure OF 555,300 -0-

The JLBC recommends a \$555,300 Corrections Fund appropriation in FY 2002 to ADOA for the closure of an unused landfill at the ASPC-Safford Fort Grant prison. A landscaping storm water management system is required to properly close the landfill in compliance with Arizona Department of Environmental Quality and federal requirements. The Executive does not address this issue.

DJC Medical Unit OF 785,000 -0-

The JLBC recommends a \$785,000 Corrections Fund appropriation in FY 2002 to ADOA for the construction of

a DJC medical building at Adobe Mountain. The current 17-year-old modular building cannot support the requirements of the medical and dental program. The new building would be designed as a medical unit. Some of the existing modular space would be converted to storage and warehouse space. The Executive does not address this issue.

DJC HVAC Replacement/

Renovation OF 1,482,000 -0-

The JLBC recommends a \$1,482,000 Corrections Fund appropriation in FY 2002 to ADOA for replacement of HVAC systems throughout the DJC system. The recommended funding is to replace various HVAC systems that were primarily installed in 1967 and have outlived their useful life, or have been abandoned as unfunctional or irreparable. The Executive does not address this issue.

Privatized Lease to Own (PLTO)

ADOA has entered into a lease agreement with a private developer for the construction and long-term leasing of 2 new office buildings on the Capitol Mall. At the end of the leasing term (25 years), the state would acquire ownership of the buildings. The intent of the project is to relocate state agencies currently in private space to state space on the Capitol Mall.

The first building would contain approximately 303,000 square feet with a 1,000 space parking garage, and be anchored by the Department of Environmental Quality. Any excess space would be used to house agencies currently in private space. The second building would contain approximately 183,000 square feet with an 800 car garage, and be anchored by ADOA. Any excess space would also be used to house agencies currently in private space. By consolidating ADOA in one of the new buildings, state space vacated by ADOA would also be used to house agencies currently in private space. The new buildings are estimated to be completed in the summer of 2002.

The JLBC recommends \$889,700 from the General Fund and \$426,100 from Other Funds in FY 2002 and \$4,203,500 from Other Funds in FY 2003 for various PLTO related capital components as described below (*see also Arizona Department of Administration for additional operating components of PLTO*).

PLTO Project

Management OF 162,400 143,500

The JLBC recommends total biennial funding of \$305,900 from the COP Fund to ADOA for PLTO project management. This amount includes \$162,400 and 3 FTE Positions in FY 2002 and \$143,500 and 3 FTE Positions in FY 2003. The FY 2003 amount is lower due to the elimination of one-time equipment. The recommended FTE Positions will oversee the planning and construction of the PLTO buildings, the renovation of the backfill space, and the relocation of 23 agencies into the PLTO

buildings and backfill space. When the project is completed at the end of FY 2003, the positions will no longer be necessary. The Executive recommends \$173,200 from the Capital Outlay Stabilization Fund (COSF) and 3 FTE Positions in FY 2002 and \$165,400 and 3 FTE Positions in FY 2003 (in the ADOA operating budget).

PLTO Capital

Improvements GF 889,700 -0-

The JLBC recommends an \$889,700 General Fund appropriation in FY 2002 to ADOA for sidewalk, parking lot, landscaping and security improvements. The PLTO buildings will be constructed on the eastern end of the Capitol Mall and house an additional 2,061 employees. The increased pedestrian and vehicular traffic necessitates the capital improvements. The Executive does not address this issue.

PLTO Backfill Space

Renovations OF 213,700 3,053,000

The JLBC recommends total biennial funding of \$3,266,700 from COSF and COP Fund to ADOA for renovation to state-owned space that will be vacated by ADOA when it moves into the new PLTO building. This amount includes \$213,700 from COSF in FY 2002 and \$2,753,000 from COSF and \$300,000 from the COP Fund in FY 2003. The space that will be vacated includes 135,700 square feet in 6 separate buildings. While vacant, space renovations including carpet replacement, painting, and upgrading lighting and heating, ventilation and air conditioning systems will be conducted so as to minimize disruption to existing tenants and agencies that will occupy the backfill space. The FY 2002 amount funds architectural and engineering planning for the renovations. The majority of the renovations will occur in FY 2003. The Executive concurs, but recommends funding entirely from COSF.

PLTO Backfill Agency

Relocations OF 50,000 1,007,000

The JLBC recommends total biennial funding of \$1,057,000 from the COP Fund for moving expenses to relocate agencies from private space to the state-owned space vacated by ADOA. This amount includes \$50,000 in FY 2002 and \$1,007,000 in FY 2003. The agencies will relocate in FY 2003. The Executive recommends \$50,000 from COSF in FY 2002 and \$907,000 in FY 2003 (in the ADOA operating budget).

DES Title XIX Renovations

ATP – Coolidge GF -0- 155,900

The JLBC recommends a \$155,900 General Fund appropriation in FY 2003 to the Department of Economic Security for renovations to meet Title XIX requirements at a facility that houses a day program at the Arizona Training Program at Coolidge campus. The facility serves developmentally disabled clients. The Executive does not address this issue.

Game and Fish Department

Facilities Improvements OF 170,000 170,000

The JLBC recommends total biennial funding of \$340,000 from the Game and Fish Fund to the Game and Fish Department for facilities improvements. This amount includes \$170,000 in both FY 2002 and FY 2003. The FY 2002 recommendation would provide \$80,000 for completion of a Tucson warehouse, and \$90,000 for Americans with Disabilities Act renovations at the Deer Valley Headquarters, regional offices and the Ben Avery Shooting Facility (BASF). The FY 2003 recommendation would provide \$60,000 for safety improvements at the BASF, \$36,000 for a maintenance building at House Rock Wildlife Area, and \$74,000 for road improvements to a wildlife area in Springerville. The Executive concurs.

Shooting Range

Development OF 100,000 100,000

The JLBC recommends total biennial funding of \$200,000 from the Game and Fish Fund to the Game and Fish Department for shooting range development. This amount includes \$100,000 in both FY 2002 and FY 2003. Monies are available as matched grants to private shooting organizations to provide safety training and to develop, upgrade, and repair shooting ranges throughout the state. The Executive concurs.

Flagstaff Shooting Range

Development OF 500,000 500,000

The JLBC recommends total biennial funding of \$1,000,000 from the Game and Fish Capital Improvement Fund to the Game and Fish Department for Phase I of the Flagstaff shooting range. This amount includes \$500,000 in both FY 2002 and FY 2003. Phase I of the construction will provide basic facilities for a fully functional interim range. Continued development of a multi-purpose shooting range is planned over the next 10 years. The development would occur under a term special use permit issued by the Coconino National Forest while terms of a land exchange are arranged. The Executive does not address this issue.

Headquarters Expansion

and Renovation OF 500,000 800,000

The JLBC recommends total biennial funding of \$1,300,000 from the Game and Fish Capital Improvement Fund to the Game and Fish Department for continued expansion and renovation of the Deer Valley Headquarters. This amount includes \$500,000 in FY 2002 and \$800,000 in FY 2003. The department received a \$300,000 appropriation in FY 2001 to develop a master plan and design for the expansion of the compound. The compound was originally constructed in 1969 and designed for one-third of the current staff. The biennial funding will begin construction of permanent facilities to replace modular buildings used to accommodate the growth in staff and to bring existing facilities into compliance with building codes. The department estimates total project costs of \$2,773,000. The project is

to be done in phases with completion to occur in FY 2005. The Executive does not address this issue.

Pinetop Regional Office

Expansion OF 300,000 -0-

The JLBC recommends a \$300,000 Game and Fish Capital Improvement Fund appropriation in FY 2002 to the Game and Fish Department to complete the Pinetop Regional Office Expansion. The department received a \$500,000 appropriation in FY 2000 for the project, however costs for the project were higher than originally estimated due to market conditions. The project will add office and warehouse space, and provide parking improvements. The Executive does not address this issue. The Executive did not address this issue.

Migratory Waterfowl

Habitat OF 100,000 100,000

The JLBC recommends total biennial funding of \$200,000 from the Waterfowl Conservation Fund to the Game and Fish Department for the purchase of waterfowl habitat. This amount includes \$100,000 in both FY 2002 and FY 2003. The Waterfowl Conservation Fund receives revenues from the sales of annual duck stamps. Monies are used to match public and private funds to acquire wetlands. The Executive concurs.

* * *

JLBC RECOMMENDED FORMAT — Lump Sum by Project by Agency

JLBC RECOMMENDED FOOTNOTES

Continuation of Prior Footnotes

The Arizona Department of Administration shall report on the status of project-specific full-time employee positions for capital projects in its annual capital budget request.

Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.

Modification of Prior Year Footnotes

UNLESS OTHERWISE SPECIFIED, The appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, ~~unless~~ OR the appropriation stands for a full fiscal year without an expenditure or an encumbrance.

New Footnotes

Before the expenditure of any monies from the Department of Corrections Safety Improvements appropriations, the Arizona Department of Administration shall submit an expenditure plan for review by the Joint Committee on

Capital Review. The plan shall include an assessment of lock replacement needs throughout the prison system.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

DOC Siting of New Reception and Diagnostic Center

The Executive recommends 1 FTE Position and a \$1,000,000 Corrections Fund appropriation in FY 2002 to ADOA to site a new reception and diagnostic center for the Department of Corrections. Given the decrease in inmate population growth and both the JLBC and Executive recommendations to reduce funding for prison construction (Tucson complex), the JLBC does not recommend this funding.

DOC WAN/LAN Project Trigger

The Executive recommends a \$9,771,600 triggered appropriation from the Corrections Fund in FY 2003 to the Department of Corrections for a system-wide wide-area/local-area network. If the inmate population is less than 27,274 on December 31, 2001, the Executive recommends funding from the Corrections Fund to upgrade the Information Technology networking capabilities of the department. Pursuant to A.R.S. § 41-1641, the Corrections Fund is intended for the maintenance, construction, lease, purchase, renovation or conversion of adult and juvenile corrections facilities. The Corrections Fund monies have been insufficient in the past to support required prison construction and have been supplemented with General Fund monies. Any use of Corrections Fund monies for non-capital purposes will have an impact on the amounts necessary from the General Fund for DOC capital items. (See the Department of Corrections write-up for more information on the Corrections Fund.)

DPS Remote Officer Housing

The Executive recommends General Fund appropriations of \$606,000 in FY 2002 and \$492,500 in FY 2003 to the Department of Public Safety for remote officer housing. The FY 2002 funding would purchase land in Ajo and replace a total of 6 doublewide manufactured homes (3 in Ajo and 3 in Wikieup). The FY 2003 funding would purchase land and provide 1 unit at Jacobs Lake, and purchase 4 additional units for locations subleased from ADOT on the Navajo/Hopi reservations.

Arizona Pioneers' Home Nurse Call System

The Executive recommends a \$100,000 Miners' Hospital Fund appropriation in FY 2002 to the Arizona Pioneers' Home for a new Nurse Call System. The current system is 30 years old. The JLBC recommends the same amount in the agency's operating budget (see Arizona Pioneers' Home write-up).

[Click here to return to Table of Contents](#)

Capital Outlay

Arizona Department of Transportation Building System

JLBC: Lorenzo Martinez

OSPB: Kristine Ward

JCCR Chairman: Solomon

JCCR Vice-Chairman: Knaperek

DESCRIPTION	FY 2002		FY 2003	
	OSPB	JLBC	OSPB	JLBC
ADVANCE APPROPRIATIONS				
Highway Expansion and Extension Loan Program (HELP)	20,000,000	20,000,000	20,000,000	20,000,000
Ex-Appropriate Highway Expansion and Extension Loan Program (HELP)	(20,000,000)	0	(20,000,000)	0
SUBTOTAL	0	20,000,000	0	20,000,000
NEW PROJECTS				
Payson MVD Service Center	856,000	856,000	0	0
West Phoenix MVD Service Center	1,331,000	1,331,000	0	0
Surprise MVD Service Center	2,253,000	2,253,000	0	0
Marana MVD Service Center	1,092,000	1,092,000	2,188,000	2,188,000
New River MVD Service Center	1,092,000	0	2,188,000	0
Asbestos/Lead Inspections	700,000	700,000	0	600,000
Equipment Racks	350,000	280,000	0	0
Holbrook Maintenance Yard Sewer System	257,000	257,000	0	0
Vehicle Wash Buildings	554,000	554,000	554,000	554,000
De-Icer Buildings	886,000	800,000	886,000	800,000
East Valley Maintenance Yard	0	0	0	1,184,000
Tucson Lab Expansion	160,000	160,000	0	0
Sign and Supply Warehouses	0	708,000	0	708,000
Statewide Highway Construction	168,967,100	151,726,000	188,377,000	177,356,000
Controlled Access Highways	82,256,000	81,668,000	85,811,000	85,174,000
Debt Service	44,569,000	44,569,000	41,334,000	41,334,000
Airport Planning and Development	0	10,667,000	0	10,660,000
SUBTOTAL	305,323,100	297,621,000	321,338,000	320,558,000
TOTAL - ALL PROJECTS	305,323,100	317,621,000	321,338,000	340,558,000
FUND SOURCES				
General Fund	0	20,000,000	0	20,000,000
State Highway Fund	305,323,100	286,954,000	321,338,000	309,898,000
State Aviation Fund	0	10,667,000	0	10,660,000
SUBTOTAL - Other Appropriated Funds	305,323,100	297,621,000	321,338,000	320,558,000
SUBTOTAL - Appropriated Funds	305,323,100	317,621,000	321,338,000	340,558,000
TOTAL - ALL SOURCES	305,323,100	317,621,000	321,338,000	340,558,000

DESCRIPTION — The Arizona Department of Transportation Building System (ADOT) includes all buildings and highways controlled by ADOT. The following recommendations include appropriations for state highway construction and other projects related to ADOT's mission but do not include building renewal projects. Most appropriations for ADOT projects are from the State Highway Fund, the State Aviation Fund, and the Safety Enforcement and Transportation Infrastructure Fund.

JLBC Recommendations – The following amounts are one-time appropriations in each year.

	FY 2002	FY 2003
Advance Appropriations	GF \$20,000,000	\$20,000,000
Total biennial funding of \$40,000,000 from the General Fund was appropriated to the Highway Expansion and Extension Loan Program (HELP) Fund by Laws 1999, Chapter 2, 1 st Special Session to speed completion of the Maricopa freeway system and state route 85 from I-10 to the Gila River. This amount includes \$20,000,000 from		

the General Fund in each of FY 2002 and FY 2003. Chapter 2 also appropriated \$20,000,000 from the General Fund in FY 2001 for a total appropriation to the HELP Fund of \$60,000,000. The HELP Fund is used by ADOT to make loans to political subdivisions, state agencies, or Indian tribes to accelerate the completion of eligible highway projects. Since these appropriations have already been enacted into law, they do not need to be included in the FY 2002-FY 2003 Capital Outlay Bill. The Executive recommends ex-appropriating the FY 2002 and FY 2003 amounts.

NEW PROJECTS

Payson MVD Service

Center **OF** **856,000** **-0-**

The JLBC recommends a \$856,000 State Highway Fund appropriation in FY 2002 to ADOT for construction and furnishing of a new 4,500 square foot Payson MVD Service Center with 5 customer service windows. The recommended amount equates to \$160 per square foot for building, parking and landscaping. Furnishings include furniture, telecommunications, a Q-Matic customer scheduling system, and a security system. The building will replace the current leased facility and accommodate area growth. ADOT already owns the land. The Executive concurs.

West Phoenix MVD

Service Center **OF** **1,331,000** **-0-**

The JLBC recommends a \$1,331,000 State Highway Fund appropriation in FY 2002 to ADOT for remodeling, renovating and furnishing of 12,000 square feet at \$80 per square foot. The West Phoenix MVD Service Center is located at 51st Avenue and Indian School, and was purchased from Maricopa County when ADOT acquired the County's title and registration operations in FY 1996. The building has a total of 40,000 square feet, with 30 customer service windows. The renovation will provide additional working area for staff, Americans with Disabilities Act compliance including restrooms, and a larger lobby to improve customer service and accommodate Phoenix area growth. Furnishings include furniture, telecommunications, a Q-Matic customer scheduling system upgrade, and a security system. The Executive concurs.

Surprise MVD

Service Center **OF** **2,253,000** **-0-**

The JLBC recommends a \$2,253,000 State Highway Fund appropriation in FY 2002 to ADOT for remodeling, furnishing, and expansion of the current 6,200 square feet to 14,000 square feet for 20 customer service windows at the Surprise MVD Service Center. The 6,200 square feet will be remodeled at \$80 per square foot, and 7,800 square feet will be added at \$160 per square foot. Also a new 885 square foot vehicle inspection bay will be built for \$60,000, or \$68 per square foot. The remodeling and expansion will increase the customer service capacity of the office to accommodate population growth in the area. Furnishings include furniture, telecommunications, a Q-Matic customer scheduling system, a security system, and a vehicle lift and related equipment. The JLBC recommendation for ADOT's operating budget includes an increase of 11 FTE Positions and associated funding starting in FY 2003 to staff the expanded facility. The Executive concurs.

Marana MVD

Service Center **OF** **1,092,000** **2,188,000**

The JLBC recommends total biennial funding of \$3,280,000 from the State Highway Fund to ADOT for the

purchase of 5 acres of land at \$900,000, and for construction and furnishing of a new 12,000 square foot Marana MVD Service Center with 20 customer service windows at \$160 per square foot for building, parking and landscaping. This amount includes \$1,092,000 in FY 2002 for land costs and design fees, and \$2,188,000 in FY 2003 to build and furnish the facility. Furnishings include furniture, telecommunications, a Q-Matic customer scheduling system, and a security system. The building will accommodate population growth in the Marana and North Tucson area. The Executive concurs.

Asbestos/Lead

Inspections **OF** **700,000** **600,000**

The JLBC recommends total biennial funding of \$1,300,000 from the State Highway Fund for ADOT to contract for the testing of ADOT's 1,260 buildings and structures for asbestos and lead-based paint to comply with OSHA regulations. This amount includes \$700,000 in FY 2002 and \$600,000 in FY 2003. The Executive does not provide funding in FY 2003.

Equipment Racks **OF** **280,000** **-0-**

The JLBC recommends a \$280,000 State Highway Fund appropriation in FY 2002 to ADOT for construction of 14 heavy equipment racks at 6 locations. Since FY 1997 ADOT has been appropriated \$4,184,000 to build 224 heavy equipment racks at 41 locations, specifically to hold sand and salt spreaders when they are not being used in truck beds to de-ice roads. Previously, the spreaders had been stored on inadequate structures, which were considered to be unsafe. ADOT had previously reported that the FY 2001 appropriation for spreader racks would complete this project. However, ADOT now reports that it needs 14 more heavy equipment racks, including 11 at sites already addressed by previous appropriations. The other 3 racks are for the new North Phoenix Maintenance Yard. Of these 14 equipment racks, 8 are for spreaders, 5 are for water tanks, and 1 is for a rock liner that is used to protect the truck bed. ADOT reports that this will complete its current need for heavy equipment racks. The Executive recommends \$350,000 in FY 2002.

Holbrook Maintenance

Yard Sewer System **OF** **257,000** **-0-**

The JLBC recommends a \$257,000 State Highway Fund appropriation in FY 2002 to ADOT for the design and construction of an 850 foot sewer line to connect the Holbrook Maintenance Yard to city sewer facilities, and for construction of a separation and holding tank for oil and hazardous materials. The current 20-year-old septic system is inadequate. The Executive concurs.

Vehicle Wash Buildings **OF** **554,000** **554,000**

The JLBC recommends total biennial funding of \$1,108,000 from the State Highway Fund to ADOT for construction of 4 vehicle wash buildings. This amount includes \$554,000 in both FY 2002 and FY 2003. ADOT projects constructing wash buildings at Williams and Seligman in FY 2002, and at Payson and Holbrook in

FY 2003. This project is part of a multi-year plan to build vehicle wash facilities statewide that meet environmental regulations. Currently ADOT has 5 vehicle wash facilities located at Phoenix, Tucson, Prescott Valley, Flagstaff and Kingman. The Executive concurs.

De-Icer Buildings OF 800,000 800,000

The JLBC recommends total biennial funding of \$1,600,000 from the State Highway Fund to ADOT for construction of eight 2,400 square feet de-icer buildings. This amount includes \$800,000 in both FY 2002 and FY 2003. De-icer buildings are used to store sand, cinders, and pre-mix de-icer materials used on snow and ice. Currently, these materials are stored outdoors or in sheds that do not provide sufficient protection from the weather. This project is part of a multi-year plan to construct de-icer buildings at cold-weather sites. ADOT projects constructing the de-icer buildings at Sunrise, Fly V, Kingman, and Little Antelope in FY 2002, and at Winslow, Top of the World, Timberline, and Springerville in FY 2003. The Executive recommends \$886,000 in both FY 2002 and FY 2003

East Valley Maintenance

Yard OF -0- 1,184,000

The JLBC recommends a \$1,184,000 State Highway Fund appropriation in FY 2003 to ADOT for development and construction of an East Valley Maintenance Yard located at 2450 West Broadway in Tempe. The construction will include replacement of older buildings, utilities upgrade, paving, a materials warehouse, and a 3,775 square foot office. ADOT currently has a total of 4 valley maintenance yards, including 3 in the south valley and 1 in the north valley. The Executive does not address this issue.

Tucson Lab Expansion OF 160,000 -0-

The JLBC recommends a \$160,000 State Highway Fund appropriation in FY 2002 to ADOT for construction of a 1,225 square foot addition at \$125 per square foot to the Tucson regional lab to accommodate additional testing equipment needed to handle an increased number of tests. The lab has not been expanded since 1965 when it was moved to the current location. The Executive concurs.

Sign and Supply

Warehouses OF 708,000 708,000

The JLBC recommends total biennial funding of \$1,416,000 from the State Highway Fund to ADOT for construction of 4 sign and supply warehouses. This amount includes \$708,000 in both FY 2002 and FY 2003. Each project will include a 3,200 square foot warehouse to store road signs and operating supplies with a 480 square foot loading dock, lighting, coolers, heaters, roll up doors and security fencing. ADOT projects constructing the warehouses at Tempe and Williams in FY 2002, and at Little Antelope and Gray Mountain in FY 2003. Currently, the signs and supplies are stored outdoors or in sheds that do not provide sufficient protection from the weather. This project is part of a multi-year plan to build

sign and supply warehouses statewide. The Executive does not address this issue.

Statewide Highway

Construction OF 151,726,000 177,356,000

The JLBC recommends total biennial funding of \$329,082,000 from the State Highway Fund to ADOT for highway construction. This amount includes \$151,726,000 in FY 2002 and \$177,356,000 in FY 2003. The expenditure of these monies is determined by the Transportation Board, which develops a 5-year plan. The recommended amount includes 619 FTE Positions and \$30,025,100 in FY 2002 and 619 FTE Positions and \$31,003,800 in FY 2003 for employees directly related to highway construction projects. The Executive recommends \$168,967,100 in FY 2002 and \$188,377,000 in FY 2003.

Controlled Access

Highways OF 81,688,000 85,174,000

The JLBC recommends total biennial funding of \$166,862,000 from the State Highway Fund to ADOT for the Highway User Fund formula dedicated to the construction of urban freeways. This amount includes \$81,688,000 in FY 2002 and \$85,174,000 in FY 2003. The Maricopa Association of Governments (MAG) receives 75% and the Pima County Association of Governments (PAG) receives 25%. The Executive recommends \$82,256,000 in FY 2002 and \$85,811,000 in FY 2003.

Debt Service OF 44,569,000 41,334,000

The JLBC recommends total biennial funding of \$85,903,000 from the State Highway Fund to ADOT for the appropriated portion of the debt service on bonds. This amount includes \$44,569,000 in FY 2002 and \$41,334,000 in FY 2003. ADOT has approximately \$608,680,000 in outstanding bonds. The Executive concurs.

Airport Planning and

Development OF 10,667,000 10,660,000

The JLBC recommend total biennial funding of \$21,327,000 from the State Aviation Fund to ADOT for the department's airport construction program. This amount includes \$10,667,000 in FY 2002 and \$10,660,000 in FY 2003. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport. Fifty percent of the revenue from the flight property tax is deposited in the General Fund. The Executive does not address this issue.

JLBC Recommended Format — Lump Sum by Project by Fund

JLBC Recommended Footnotes

Standard Footnotes

This amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph.

Of the amounts appropriated from the State Highway Fund for the planning and construction of state highways, the department may allocate up to \$30,025,100 for Personal Services and Employee Related Expenditures for up to 619 FTE Positions in FY 2001-2002, and up to \$31,003,800 for Personal Services and Employee Related Expenditures for up to 619 FTE Positions in FY 2002-2003. Before the expenditure of any operating budget monies from the capital budget, the Department of Transportation shall submit information on any operating budget expenses funded from the capital budget to the Joint Committee on Capital Review by July 1, 2001 and July 1, 2002 for review. The submittal shall contain at least as much detail as the department's annual operating budget request. Operating budget expenditures include any expenditure for Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel In State, Travel Out of State and Other Operating Expenditures.

This amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the state Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph.

Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.

The appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, unless the appropriation stands for a full fiscal year without an expenditure or an encumbrance.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the one-time footnote concerning the acquisition of federal monies and completion of the MVD Nogales Port Facility project with

Safety Enforcement and Transportation Infrastructure Fund monies.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Executive Recommendation

New River MVD Service Center

The Executive recommends \$1,092,000 in FY 2002 and \$2,188,000 in FY 2003 from the State Highway Fund to ADOT for the purchase of land and to construct a 12,000 square foot MVD Service Center in New River.

Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the Board on June 9, 2000 includes monies from the State Highway Fund, Federal Funds, Maricopa Regional Area Road Fund, Highway User Revenue Fund for controlled access roads, and bond revenues. The highway construction program totals \$1,151,232,000 for FY 2002, including \$840,158,000 for construction and maintenance projects scheduled to begin in FY 2002, and \$311,074,000 for debt service.

The highway construction program totals \$1,037,070,000 for FY 2003, including \$708,290,000 for construction and maintenance projects scheduled to begin in FY 2003, and \$328,780,000 for debt service. For details please see *Table 1*:

Table 1	
Highway Construction Program Adopted by State Transportation Board	
<u>FY 2002</u>	
Construction	\$ 286,652,000
Urban Controlled Access ^{1/}	354,553,000
Pavement Preservation	99,601,000
Other ^{2/}	99,352,000
Debt Service ^{3/}	<u>311,074,000</u>
TOTAL	\$1,151,232,000
<u>FY 2003</u>	
Construction	\$ 381,346,000
Urban Controlled Access ^{1/}	159,598,000
Pavement Preservation	77,000,000
Other ^{2/}	90,346,000
Debt Service ^{3/}	<u>328,780,000</u>
TOTAL	\$1,037,070,000
^{1/} Includes expenditures from the Highway User Revenue Fund for controlled access and from the Maricopa Regional Area Road Fund. ^{2/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items. ^{3/} Provided by the department. Includes \$44,569,000 in FY 2002 and \$41,334,000 in FY 2003 for State Highway Fund statewide construction bonds; \$39,707,000 in FY 2002 and \$46,346,000 in FY 2003 for Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, and \$210,998,000 in FY 2002 and \$211,000,000 in FY 2003 for Maricopa Regional Area Road Fund bonds; \$9,300,000 in FY 2002 and \$23,600,000 in FY 2003 for Grant Anticipation Notes; and \$6,500,000 in FY 2002 and \$6,500,000 in FY 2003 for payments on Board Funding Obligations.	

Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. *Table 2* summarizes the estimated revenues and expenditures for FY 2002 and FY 2003, on a cash flow basis as provided by the department. The previous table, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2002 and FY 2003.

Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of Debt Service is appropriated.

Highway User Revenue Fund Analysis

The Highway User Revenue Fund (HURF) consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, and others. HURF is the primary source of monies for the department's operating budget. The last line of *Table 3*, which shows Net State Highway Fund Monies Available for Statewide Highway Construction, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, Carryover Funds, and Miscellaneous Funds available for construction. Rather, the last line represents the amount that is available from the State Highway Fund to fund the State Transportation Board's 5-Year Plan.

	<u>FY 2002</u>	<u>FY 2003</u>
Balance Forward ^{1/}	\$278,043	\$257,541
Revenues		
Appropriated Statewide Highway Construction	151,726	177,356
Approp Controlled Access Hwys (MAG & PAG)	81,688	85,174
½ Cent Sales Tax	271,240	284,620
Federal Aid	418,001	380,424
Miscellaneous Income/Expense ²	22,870	(16,296)
HURF Bond Proceeds ³	34,650	64,550
Grant Anticipation Notes Bond Proceeds ³	<u>47,361</u>	<u>200,000</u>
Subtotal - Revenues	\$1,027,536	\$1,175,828
Total Funds Available for Construction	\$1,305,579	\$1,370,991
Debt Service Expenditures		
Appropriated Debt Service	45,569	41,334
Other Debt Service (HURF and RARF)	<u>266,505</u>	<u>287,446</u>
Subtotal - Debt Service	\$311,074	\$328,780
Planned Construction Expenditures		
Statewide Highway Construction (Including PAG)	589,000	591,000
Controlled Access Highways (MAG)	<u>210,342</u>	<u>321,336</u>
Subtotal - Construction Expenditures	\$799,342	\$912,336
Total Planned Expenditures	\$1,110,416	\$1,241,116
Balance Forward	\$195,163	\$129,875

^{1/} Includes unexpended bond proceeds for bonds issued in prior years.
^{2/} Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees reatainmentage.
^{3/} Bond Proceeds reflect a cash expenditure basis.

Table 3

HIGHWAY USER REVENUE FUND ANALYSIS
\$ in Thousands

	FY 2000	FY 2001	FY 2002	FY 2002	FY 2003	FY 2003
	Actual	Estimate	Exec Rec	JLBC Rec	Exec Rec	JLBC Rec
Total HURF Collections	1,019,599	1,042,700	1,082,602	1,082,602	1,128,912	1,128,912
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000	1,000	1,000	1,000
Dept of Public Safety Transfer from HURF	12,500 ^{2/}	12,500 ^{2/}	20,400	17,400	24,000	18,300
Department of Public Safety - Pioneer Park ^{3/}	130	1,123	0	0	0	0
Department of Transportation - Pioneer Park ^{3/}	300	4,648	0	0	0	0
Net HURF Collections	1,005,669	1,023,429	1,061,202	1,064,202	1,103,912	1,109,612
Less: Cities ^{4/}	306,729	312,146	323,667	324,582	336,693	338,432
Counties ^{4/}	191,077	194,452	201,628	202,198	209,743	210,826
Controlled Access ^{5/}	77,195	78,558	82,256	81,688	85,811	85,174
Net State Highway Fund (Discretionary)	430,668	438,273	453,651	455,734	471,665	475,180
Plus: Other Income ^{6/}	34,071	15,876 ^{7/}	13,746	13,746	14,021	14,021
Other Income - General Fund (for Vehicle License Tax Reductions)	0	16,748 ^{8/}	28,900	25,048	31,300	25,048
Less: Operating Budget	239,835	258,280	275,500	269,096	275,834	268,387
Operating Carryovers, Adjustments and Transfer ^{9/}	1,817	2,857	5	5	5	5
Capital Outlay and Building Renewal	10,956	9,936	12,272	11,732	8,649	8,867
Capital Non-Lapsing Carryovers	0	3,484	0	0	0	0
Dept of Public Safety Transfer from Highway Fund	12,500	12,500	15,600	17,400	16,500	18,300
Highway Expansion and Extension Loan Program Fund ^{10/}	20,000	0	0	0	0	0
Debt Service ^{11/}	30,784	33,647	44,569	44,569	41,334	41,334
Net Highway Fund Available for Statewide Highway Construction ^{12/} (5-Year Plan) ^{13/}	148,847	150,193	148,351	151,726	174,664	177,356

^{1/} Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.

^{2/} Kept at \$12,500,000 by Laws 1999, Chapter 3, 1st Special Session.

^{3/} Laws 1999, Chapter 319, capital appropriation for Pioneer Park Regional Transportation Service Center at Prescott. These appropriations are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (Laws 1999, Chapter 319 footnote)

^{4/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{5/} A statutorily defined distribution of State Highway Fund monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County.

^{6/} Includes interest and rental income, transfers from the Public Roads Fund, ADOT's share of the vehicle license tax, revenue from 5 formerly non-appropriated funds, and miscellaneous sales and other income.

^{7/} Includes a \$5,000,000 decrease for vehicle license tax revenues deposited in the Underground Storage Tank Revolving Fund Assurance Account instead of to the State Highway Fund in FY 2001, by Laws 2000, Chapter 354.

^{8/} Appropriated from the state General Fund to the State Highway Fund to reimburse "triggered" vehicle license tax reductions, by Laws 2000, Chapter 48.

^{9/} Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

^{10/} Laws 1999, Chapter 189, provides monies for loans and other financial assistance for eligible highway projects with 50% of the fund's total assets through December 31, 2004 for Maricopa County, 25% for Pima County, and 25% for the rest of the state. The \$20,000,000 is to be repaid to the State Highway Fund by December 31, 2008. The appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{11/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{12/} Executive amounts do not match Executive recommendation.

^{13/} Excludes Maricopa and Pima County controlled access funds, and bond, federal carryover, and miscellaneous funds available for construction.

[Click here to return to Table of Contents](#)

Capital Outlay

Arizona Board of Regents Building System

JLBC: Lorenzo Martinez
 OSPB: Kristine Ward

JCCR Chairman: Solomon
 JCCR Vice-Chairman: Knaperek

DESCRIPTION	FY 2002		FY 2003	
	OSPB	JLBC	OSPB	JLBC
ADVANCE APPROPRIATIONS				
University of Arizona - Sierra Vista Academic and Technology Building	1,500,000	1,500,000	1,500,000	1,500,000
NEW PROJECTS				
Arizona State University - Digital Television Conversion	0	1,500,000	0	0
University of Arizona - Digital Television Conversion	0	2,500,000	0	0
SUBTOTAL	0	4,000,000	0	0
TOTAL - ALL PROJECTS	1,500,000	5,500,000	1,500,000	1,500,000
FUND SOURCES				
General Fund	1,500,000	5,500,000	1,500,000	1,500,000
SUBTOTAL - Appropriated Funds	1,500,000	5,500,000	1,500,000	1,500,000
TOTAL - ALL SOURCES	1,500,000	5,500,000	1,500,000	1,500,000

DESCRIPTION — *The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities. The following recommendations for FY 2002 and FY 2003 are for specific projects within the building system but do not include building renewal projects. Appropriations for the ABOR Building System are made from the General Fund.*

JLBC Recommendations – The following amounts are one-time appropriations in each year.

FY 2002 **FY 2003**

Advance Appropriations GF \$1,500,000 \$1,500,000
 Total biennial funding of \$3,000,000 from the General Fund was appropriated by Laws 1999, Chapter 324 to the University of Arizona for construction of an academic and technology building on the Sierra Vista campus. This amount included a General Fund appropriation of \$1,500,000 in both FY 2002 and FY 2003. Chapter 324 also appropriated a total of \$1,250,000 from the General Fund in the FY 2000-FY 2001 biennium. The total amount appropriated from the General Fund for the project is \$4,250,000. Since these appropriations have already been enacted into law, they do not need to be included in the FY 2002-FY 2003 Capital Outlay Bill. The Executive concurs.

NEW PROJECTS

ASU Digital Television

Conversion GF 1,500,000 -0-

The JLBC recommends a \$1,500,000 General Fund appropriation in FY 2002 for Arizona State University to purchase and install equipment necessary to allow their public broadcasting station, KAET, to produce and

broadcast digital television programs. The federal Telecommunications Act of 1996 mandates public television stations to be converted to digital broadcasting by May 2003. The total cost of the project is estimated to be \$4,400,000. The university plans to use gifts and grants for the remainder of the costs. The Executive does not address this issue.

U of A Digital Television

Conversion GF 2,500,000 -0-

The JLBC recommends a \$2,500,000 General Fund appropriation in FY 2002 for the University of Arizona to purchase and install equipment necessary to allow their public broadcasting station, KUAT/KUAS, to produce and broadcast digital television programs. The federal Telecommunications Act of 1996 mandates public television stations to be converted to digital broadcasting by May 2003. The total cost of the project is estimated to be \$6,000,000. The university plans to use gifts and grants for the remainder of the costs. The Executive does not address this issue.

JLBC Recommended Format — Lump Sum by Project by Agency

[Click here to return to Table of Contents](#)