

STATE OF ARIZONA

FY 2011

Appropriations Report

May 2010

JLBC

FY 2011 APPROPRIATIONS REPORT

INTRODUCTION

This annual *Appropriations Report* provides detailed information on FY 2011 appropriations, as provided in the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and other legislative acts. The Report also includes the economic and state revenue forecast upon which the budget was based. This Report provides information relative to the legislative intent of appropriations.

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JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966, pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members serve on the Committee during the 49th Legislature:

Representative John Kavanagh Chairman 2009	Senator Russell K. Pearce Chairman 2010
Representative Andy Biggs	Senator Paula Aboud
Representative Olivia Cajero Bedford	Senator Amanda Aquirre
Representative Cloves C. Campbell, Jr.	Senator Chuck Gray
Representative Matt Heinz	Senator Jack Harper
Representative John McComish	Senator Steve Pierce
Representative Rick Murphy	Senator Rebecca Rios
Representative Vic Williams	Vacant

The objectives and major products of the staff of the JLBC are:

- Analysis and recommendations for the state budget, which is presented in January of each year;
- Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature;
- Periodic economic and state revenue forecasts;
- Preparation of fiscal notes on legislation and ballot propositions that have a fiscal impact on the state or any of its political subdivisions;
- An annual *Appropriations Report*, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent;
- Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173;
- Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects;
- Analyze the state tax structure, tax burdens on individuals and businesses and tax incentives for businesses pursuant to A.R.S. § 41-1272A4.

Joint Legislative Budget Committee
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Phoenix, Arizona 85007
Phone: (602) 926-5491
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JLBC Website: <http://www.azleg.gov/jlbc.htm>

JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986, pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as "capital outlay". The following members serve on the Committee during the 49th Legislature:

Senator Russell K. Pearce
Chairman 2009
Senator Paula Aboud
Senator Amanda Aguirre
Senator Sylvia Allen
Senator Jorge Luis Garcia
Senator Chuck Gray
Senator Al Melvin

Representative John Kavanagh
Chairman 2010
Representative Rich Crandall
Representative David Lujan
Representative John McComish
Representative Nancy McLain
Representative David Schapira
Representative Kyrsten Sinema

The JCCR is staffed by the JLBC Staff. The objectives and major products of the JCCR are:

- Recommend capital appropriations to the Legislature.
- Approve capital transfers within a budget unit.
- Review the scope, purpose and cost of projects before releasing appropriations.
- Develop "Building Renewal Formula."
- Approve the use of Renewal funds for infrastructure repair.
- Approve lease-purchase agreements.
- Approve corrections facilities expenditures from the Corrections Fund.
- Review the issuance of revenue bonds by the Board of Regents.
- Approve DOA land and building purchases and condemnations.
- Review "Capital Improvement Plans."
- Determine rental rates for buildings owned by or leased to the state.
- Review Community College District bond projects.
- Review School Facilities Board assumptions for new school construction.
- Review School Facilities Board lease-to-own agreements.
- Review School Facilities Board building renewal calculations.

APPROPRIATIONS COMMITTEE MEMBERS

Forty-ninth Legislature

Second Regular Session

SENATE

Russell K. Pearce, Chairman
Al Melvin, Vice-Chairman
Paula Aboud
Amanda Aguirre
Sylvia Allen
David Braswell
Ron Gould
Jack Harper
Rebecca Rios

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Andy Biggs, Vice-Chairman
Olivia Cajero Bedford
Cloves C. Campbell, Jr.
Steve Court
Rich Crandall
Matt Heinz
Russell L. Jones
Nancy McLain
Richard A. Murphy
David Schapira
Kyrsten Sinema
Vic Williams

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- Office Manager..... Linda Monsanto
- Deputy Directors Steve Schimpp
..... Stefan Shepherd
- Assistant Directors Tim Everill
..... Eric Jorgensen
- Chief Economist..... Hans Olofsson
- Principal Fiscal Analysts Jay Chilton
..... Bob Hull
..... Martin Lorenzo
..... Leatta McLaughlin
..... Amy Upston
- Senior Fiscal Analysts Juan Beltran
..... Eric Billings
..... Art Smith
- Fiscal Analysts Jack Brown
..... Aaron Galeener
..... Steve Grunig
..... Jon McAvoy
..... Marge Zylla
- Assistant Fiscal Analyst Ted Nelson
- Senior Administrative Assistant Sharon Savage
- Administrative Assistant/JLBC Clerk/JCCR Clerk..... Sandy Schumacher

BUDGET HIGHLIGHTS

HIGHLIGHTS OF THE FY 2011 BUDGET

The FY 2011 budget is based primarily upon the actions of the 48th Legislature's 7th Special Session (convened in March 2010). On March 18, 2010, the Governor signed into law the FY 2011 budget for the year beginning July 1, 2010.

The state's FY 2011 General Fund budget is \$8.50 billion. After accounting for non-General Fund monies, the state's "all funds" budget is \$29.3 billion. (*See the Summary of Appropriated Funds and Summary of Total Spending Authority for more details.*)

Revised FY 2010 Budget – At the time of publication of the *FY 2010 Appropriations Report* in September 2009 after the 3rd Special Session, the FY 2010 ending balance was assumed to be \$(451) million short for FY 2010 alone and \$(951) million short when combined with the FY 2009 shortfall. Prior to the publication of the FY 2011 Baseline, however, that shortfall estimate was adjusted as follows:

- The 4th Special Session in November reduced the shortfall by \$423 million.
- The 5th Special Session in December further reduced the shortfall by \$193 million.
- Technical adjustments and a revised revenue forecast increased the shortfall by \$(1.12) billion.

The January revisions along with the 4th and 5th Special Session adjustments generated the new \$(1.45) billion shortfall. This shortfall was resolved through actions in the 6th and 7th Special Sessions:

- The 6th Special Session in February reduced the shortfall by \$750 million.
- The 7th Special Session in March further reduced the shortfall by \$749 million.

The 6th and 7th Special Sessions combined generated a projected FY 2010 ending balance of \$48 million. (*See FY 2010 General Fund Adjustments at the end of this Appropriations Report for more details.*)

Comparison to the JLBC Baseline – At the beginning of session, the JLBC Staff calculated the growth in the state's anticipated FY 2011 spending based on existing statutory funding formulas and other technical requirements. The projected spending level was \$9.47 billion. Based on a (10.5)% General Fund base revenue decrease in FY 2010 and a 5.1% increase in FY 2011, General Fund revenues were anticipated to be \$6.88 billion in FY 2011. Under this JLBC Baseline, the FY 2011 budget was projected to have a \$(2.59) billion deficit. As a result of technical adjustments, that estimate was revised to \$(2.58) billion.

In the 7th Special Session and 2nd Regular Session, the Legislature approved FY 2011 solutions totaling \$2.65 billion as follows:

- \$1.00 billion from various revenue proposals, primarily from the 3-year 1-cent sales tax increase (\$918 million) approved by the voters at the May 18 Special Election. A total of two-thirds of the increased monies from the tax are required to be spent on public primary and secondary education; one-third is to be spent on health and human services and public safety.
- \$697 million in new reductions.
- \$488 million in new fund transfers, 2 of which require voter approval in the November General Election: \$325 million from the Early Childhood Development and Health Board and \$124 million from the Land Conservation Fund.
- \$394 million from an extension of the enhanced federal Medicaid match rate.
- \$73 million from other budget solutions.

As part of the last solution, the Legislature adopted the Governor's revenue growth rates of (9.2)% in FY 2010 and 4.3% in FY 2011.

These solution estimates represent the numbers used at the time of the budget's enactment in March, adjusted for the retention of AHCCCS' Proposition 204 program. While the original budget eliminated the program's General Fund support in January 2011, federal health care legislation resulted in its being retained. The \$385 million cost was financed from the savings related to extending the enhanced federal Medicaid match rate for 6 months.

(*See FY 2011 State General Fund Budget - A Narrative Summary and the General Provision section for further details on FY 2011 changes.*)

Comparison to the FY 2010 Budget – General Fund revenues, including one-time monies, are projected to increase from \$7.87 billion in FY 2010 to \$8.56 billion in FY 2011. Base ongoing revenues are projected to increase by \$297 million, from \$6.97 billion in FY 2010 to \$7.26 billion in FY 2011. This 4.3% increase, however, will be further modified by the following revenue adjustments (*see the General Fund Revenue section*):

- \$66 million gain due to enacted tax law and other revenue changes, including the proration of nonresident filers' standard deduction, and a redirection of Lottery revenues to the General Fund.
- \$918 million gain from the temporary 1-cent sales tax and \$60 million from redirecting tobacco tax monies from the Early Childhood Development and Health Board (First Things First) to the General Fund. The latter

would need to be approved by the voters in the November General Election.

- \$155 million gain due to decreased contributions to Urban Revenue Sharing based on state income tax collections from 2 years prior.
- A \$(780) million loss in other one-time revenues from \$1.51 billion in FY 2010 to \$725 million in FY 2011. Of the \$725 million, \$644 million is the result of fund transfers.

General Fund spending is projected to increase from \$7.82 billion in FY 2010 to \$8.50 billion in FY 2011, which is an increase of \$678.5 million, or 8.7%. Excluding one-time rollover adjustments and federal funds backfill, permanent spending is expected to decrease by \$(173) million, or (2.2)%, in FY 2011. The largest changes include:

- \$450 million to replace one-time K-12 and university deferrals;
- \$379 million to replace one-time federal funds for K-12;
- \$109 million in AHCCCS caseload increases;
- \$74 million in net costs from replacing one-time deferrals offset by increased one-time federal funds in AHCCCS;
- \$50 million to replace one-time federal funds for the Department of Corrections;
- \$(45) million for a performance pay and furlough reduction totaling 5% for most agencies;
- \$(56) million in reductions to the Department of Health Services and AHCCCS budgets; and
- \$(273) million in ADE reductions, including \$(218) million to reduce state support for kindergarten from full to half day.

(See FY 2011 State General Fund Budget - A Narrative Summary for a more detailed list of changes.)

General Fund Balance – The FY 2011 General Fund cash balance is projected to be \$63 million. Beyond its cash balance, a budget is also evaluated by the difference between ongoing revenues and expenditures. The state can have a cash balance but a shortfall in ongoing funds through the use of one-time revenue and/or expenditure savings. Ongoing revenues are projected to fall short of ongoing spending by \$(1.69) billion in FY 2011. *(See page BH-4 for more details.)*

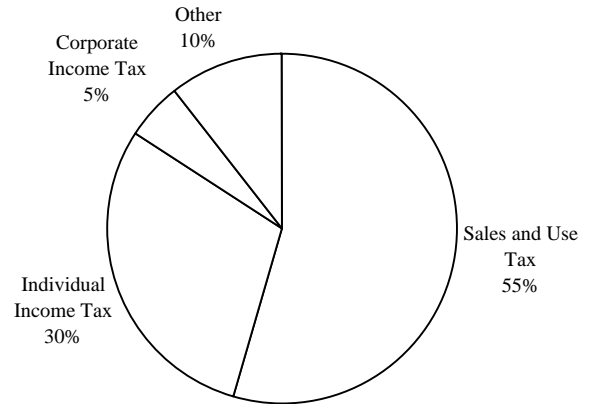
**STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 1/
WITH ONE-TIME FINANCING SOURCES**

	FY 2010 Enacted	FY 2011 Enacted
REVENUES		
Ongoing Revenues	\$6,967,387,500	\$7,263,909,700
Budget Legislation Changes <u>2/</u>	21,458,100	66,091,200
Sales Tax Increase -May Ballot		918,000,000
First Things First Redirect - Nov. Ballot		60,000,000
Urban Revenue Sharing	(628,649,100)	(473,986,800)
Net On-going Revenues	\$6,360,196,500	\$7,834,014,100
One-time Financing Sources		
Balance Forward	(\$480,713,000)	\$48,317,600
Budget Legislation Changes <u>3/</u>	113,420,000	32,644,000
State Asset Leaseback/Lottery	1,485,419,300	
Fund Transfers - November Ballot <u>4/</u>		448,538,600
Fund Transfers <u>4/</u>	387,085,500	195,342,900
Subtotal One-time Revenues	\$1,505,211,800	\$724,843,100
Total Revenues	\$7,865,408,300	\$8,558,857,200
EXPENDITURES		
Operating Budget Appropriations	\$9,645,879,500	\$9,524,317,500
FY 2010 Supplementals <u>5/</u>	132,583,200	
First Things First/DES Redirect - Nov. Ballot		40,000,000
Administrative Adjustments	72,731,600	73,607,000
Revertments	(113,241,600)	(112,905,100)
Subtotal Ongoing Expenditures	\$9,737,952,700	\$9,525,019,400
One-time Expenditures		
Capital Outlay	\$10,400,000	\$4,000,000
Capital Outlay Prior Year Reversions	(450,000)	
Statutory Revertments	(6,733,400)	
Temporary Federal Assistance <u>6/</u>	(1,339,189,500)	(973,385,200)
SFB Debt Refinance		(60,000,000)
New Payment Deferrals <u>7/</u>	(584,889,100)	
Subtotal One-time Expenditures	(\$1,920,862,000)	(\$1,029,385,200)
Total Expenditures	\$7,817,090,700	\$8,495,634,200
Ending Balance <u>8/</u>	\$48,317,600	\$63,223,000
Structural Shortfall <u>9/</u>	(\$3,377,756,200)	(\$1,691,005,300)

- 1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.
- 2/ See page 386 for details.
- 3/ See page 389 for details.
- 4/ See page 442 for details. These amounts include \$488 million in new fund transfers, \$15 million in pay reduction transfers, and \$141 million in on-going transfers from FY 2010.
- 5/ See page 467 for details.
- 6/ An additional \$38.9 million of state spending was offset by federal stimulus funding, but is reflected as an agency reduction. See page BH-16 for details.
- 7/ Reflects increases in deferrals from the prior year, including ADE, \$350 million; Universities, \$100 million; AHCCCS, \$117 million; and DES, \$17 million.
- 8/ This calculation reflects the difference between total revenues and total expenditures.
- 9/ This calculation reflects the difference between ongoing revenues and expenditures.

FY 2011 General Fund Revenue - Where it Comes From

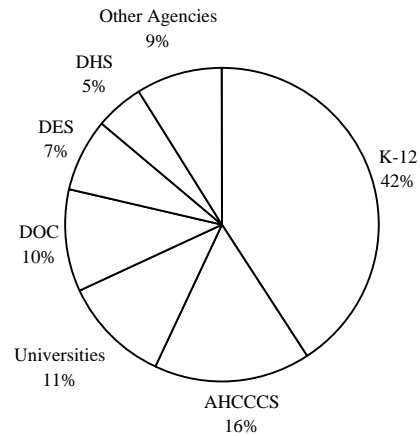
Source	Revenue (Millions)
Sales and Use Tax	\$ 4,519.7
Individual Income Tax	2,470.9
Corporate Income Tax	446.3
Other	871.1
TOTAL REVENUE	\$ 8,308.0 ^{1/}



^{1/} Includes all legislative revenue changes, but does not include beginning balance, urban revenue sharing, or other one-time revenue adjustments.

FY 2011 General Fund Appropriations - Where it Goes

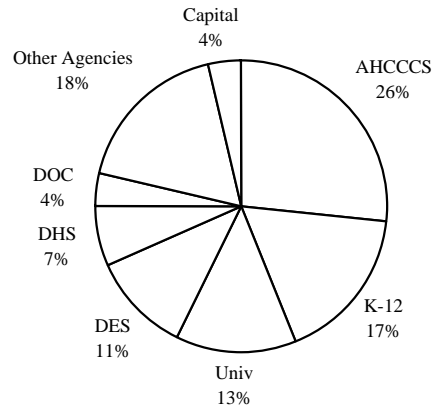
Budget Unit	Appropriation (Millions)
Education (K-12)	\$ 3,491.2
AHCCCS	1,376.9
Corrections	948.7
Universities	890.2
Economic Security	634.1
Health Services	438.9
Other Agencies	754.9
TOTAL OPERATING BUDGET	\$ 8,534.9 ^{1/}



^{1/} Does not include administrative adjustments and revertments

FY 2011 Total Spending - All Sources ^{1/}

<u>Budget Unit</u>	Spending (Millions)
AHCCCS	\$ 7,855.6
Education (K-12)	5,059.1
Universities	3,916.1
Economic Security	3,237.2
Health Services	1,999.1
Corrections	1,052.4
Other Agencies	5,184.7
Capital	1,082.8
TOTAL	<u>\$ 29,387.0</u> ^{2/}

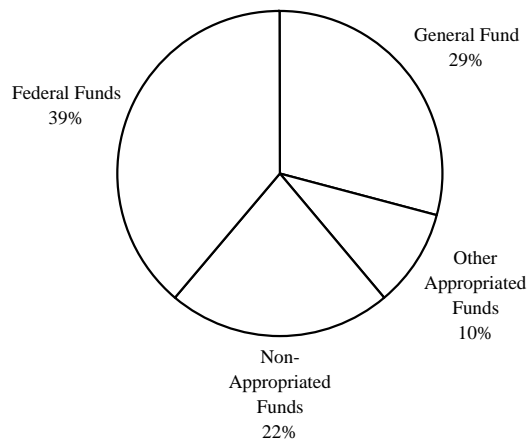


^{1/} Does not include administrative adjustments and revertsments.

^{2/} Prior to FY 2008, the same chart in Appropriations Reports excluded capital.

FY 2011 Total Spending by Fund Source ^{1/}

<u>Fund Source</u>	Spending (Millions)
General Fund	\$ 8,534.9
Other Appropriated Funds	2,928.4
Non-Appropriated Funds	6,479.6
Federal Funds	11,444.1
TOTAL	<u>\$ 29,387.0</u> ^{2/}

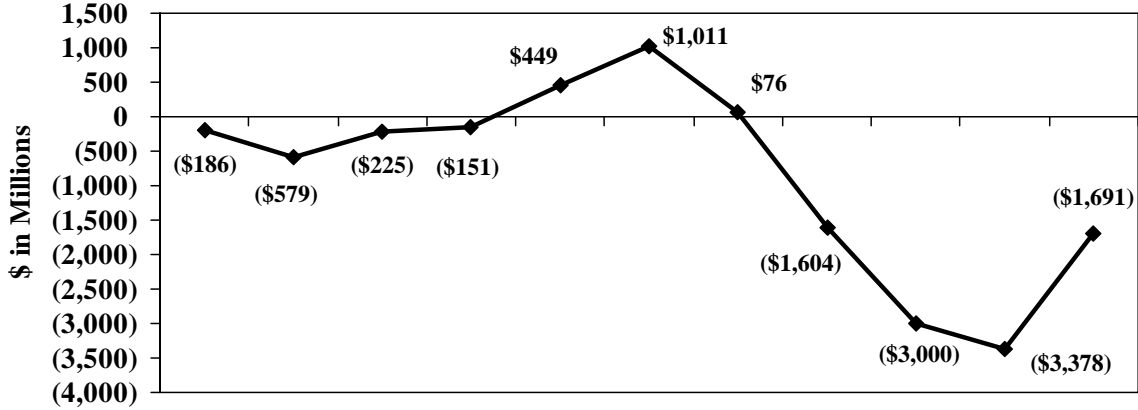


^{1/} Does not include administrative adjustments and revertsments.

^{2/} Prior to FY 2008, the same chart in Appropriations Reports excluded capital.

The Structural General Fund Balance

Difference Between Ongoing Revenues and Ongoing Expenditures



FY 01 FY 02 FY 03 FY 04 FY 05 FY 06 FY 07 FY 08 FY 09 FY 10 FY 11

Ongoing Fund Surplus (+) / Shortfall (-)

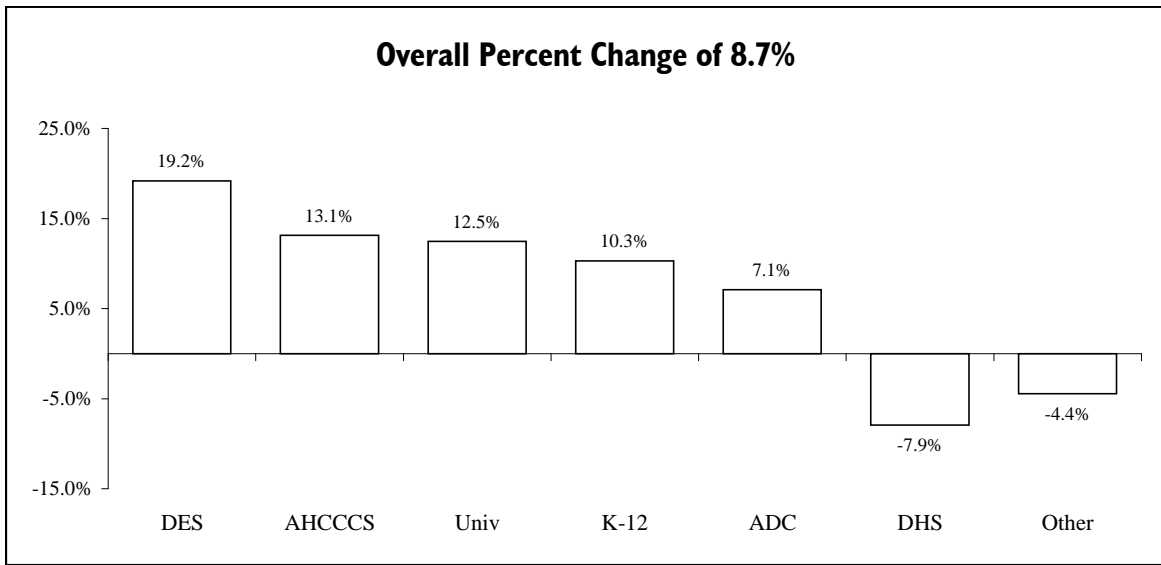
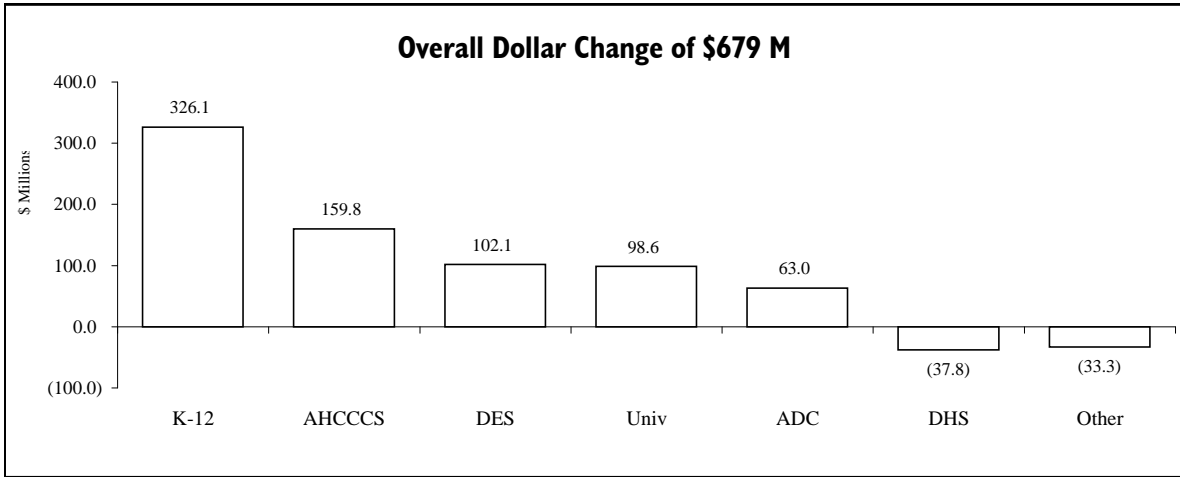
Recent History of Ongoing General Fund Balance ^{1/} (\$ in Millions)

Fiscal Year	Ongoing Revenues	Ongoing Expenditures	Surplus/ (Shortfall)
2001	6,182	6,368	(186)
2002	5,760	6,339	(579)
2003	5,801	6,026	(225)
2004	6,462	6,613	(151)
2005	7,719	7,270	449
2006	9,266	8,255	1,011
2007	9,624	9,548	76
2008	8,765	10,369	(1,604)
2009	6,967	9,967	(3,000)
2010	6,360	9,738	(3,378)
2011	7,834 ^{2/}	9,525	(1,691)

^{1/} Excludes one-time revenues and expenditures.

^{2/} Includes the 1-cent sales tax increase from Proposition 100 as ongoing revenue

CHANGES TO MAJOR AGENCIES' GENERAL FUND BUDGET ^{1/2/}
FY 2010 to FY 2011

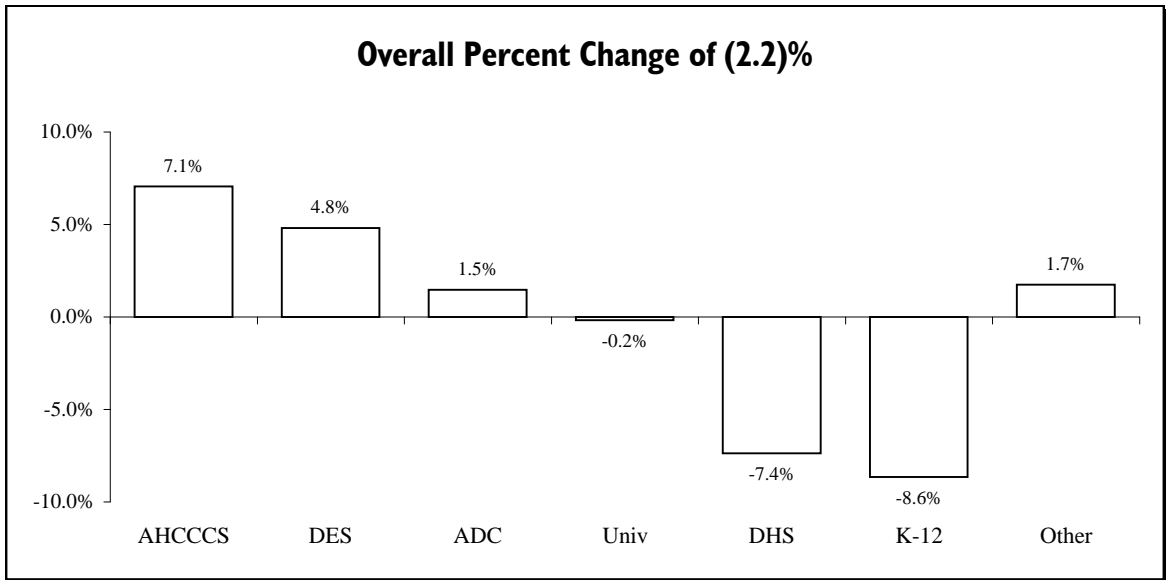
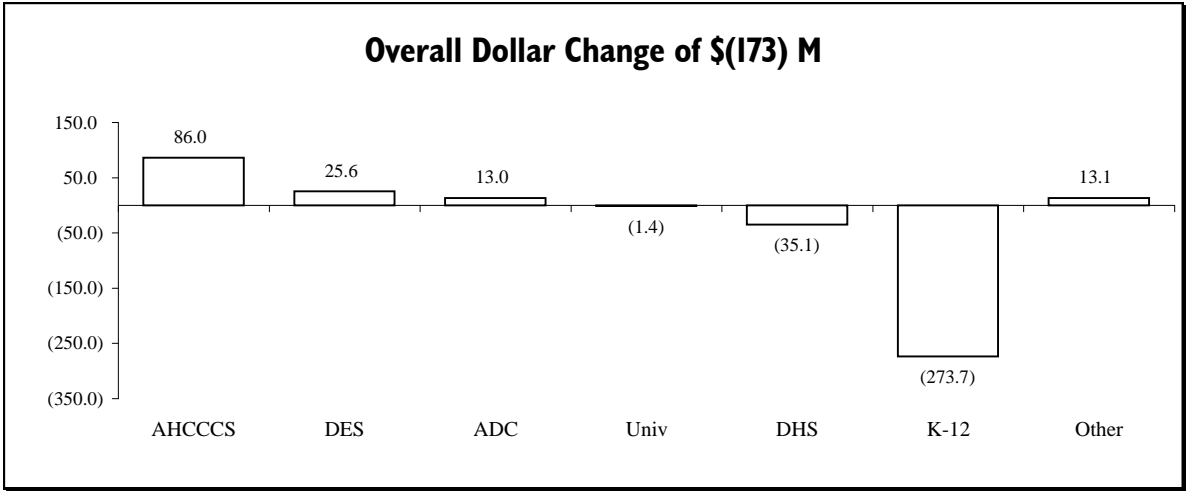


^{1/} Represents change in total General Fund spending from FY 2010 (including supplementals) to FY 2011. See pg. BD-5

^{2/} See BH - 9 for major changes with adjustments for federal funds and payment deferrals.

**CHANGES TO MAJOR AGENCIES' GENERAL FUND BUDGET
FY 2010 to FY 2011**

Excludes Federal Offsets and Payment Deferrals ^{1/}



^{1/} Represents change in total General Fund spending from FY 2010 (including supplementals) to FY 2011, but excludes one-time changes associated with federal funds and payment deferrals.

FY 2011 STATE GENERAL FUND BUDGET – A NARRATIVE SUMMARY

- The narrative below outlines significant changes made by the FY 2011 budget as compared to the final enacted FY 2010 budget. This summary presumes the passage of federal legislation to extend the enhanced federal Medicaid match rate through the end of FY 2011, which will create savings to maintain the Proposition 204 program.

General Fund Balances

- Given FY 2011 revenues of \$8.56 billion, spending of \$8.50 billion, the state has a projected FY 2011 ending balance of \$63 million.
- When comparing on-going revenues and spending, the budget has a structural shortfall of \$(1.69) billion.

Budget Solutions

- The budget included \$2.65 billion of solutions to solve the projected FY 2011 shortfall of \$(2.58) billion. The enacted budget solutions included the following:
 - ⇒ \$1.0 billion due to various revenue proposals, most of which is the result of the 3-year 1¢ sales tax increase (\$918 million).
 - ⇒ \$697 million in new spending reductions.
 - ⇒ \$487 million in new fund transfers.
 - ⇒ \$394 million due to the extension of the enhanced federal Medicaid match rate.
 - ⇒ \$73 million from other budget solutions.

General Fund Revenues

- FY 2011 General Fund revenues are projected to be \$8.56 billion. FY 2011 base revenues are projected to increase by 4.3%, excluding tax law changes.
- The \$8.56 billion revenue estimate includes \$724.8 million in one-time revenue and \$1.04 billion in enacted tax and revenue changes. The latter includes \$918 million from the 1-cent sales tax increase approved by the voters in the May special election. Of this amount, two-thirds is dedicated to public primary and secondary education while the remaining one-third is for health and human services and public safety.
- Urban Revenue Sharing (URS) distributions for FY 2011 will total \$474.0 million. By statute, URS is based on 15% of income tax collections 2 years prior. This amount is a reduction of \$(154.7) million compared to FY 2010, due to the substantial decline in income tax revenues.
- \$508.5 million of FY 2011 revenues require voter approval in November:
 - ⇒ \$385 million from the repeal of the Early Childhood Development and Health Board (First Things First).
 - ⇒ \$123.5 million from the transfer of unexpended monies from the Land Conservation Fund.

General Fund Spending

- FY 2011 General Fund spending is projected to be \$8.50 billion.
- Spending would increase by \$678.5 million, or 8.7%, above the FY 2010 budget. Excluding one-time rollover adjustments and federal funds backfill, however, spending would decline by approximately \$(173) million, or (2.2)%.
- The entire state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$29.3 billion.

Education

Department of Education

- ADE spending would increase by \$326.1 million, or 10.3%. Excluding one-time rollover adjustments and federal funds backfill, the net decrease in ADE spending would be \$(273.7) million, or (8.6)%. The \$326.1 million adjustment includes:
 - \$350 million to offset one-time FY 2010 rollover savings. The budget continues to defer \$952.6 million in school district payments from FY 2011 to FY 2012.
 - No net increase for formula changes:
 - ⇒ \$52.0 million for an increase of 9,300 students, or 0.9%, for a total of 1,059,800.
 - ⇒ \$5.4 million for a 1.2% inflation adjustment for transportation and charter additional assistance. The state has traditionally inflated the per pupil “base level” as well. That adjustment would have cost another \$61.4 million.
 - ⇒ \$(64.8) million net decrease for (4.6)% property value decline, Truth in Taxation, and Homeowner’s Rebate.
 - ⇒ \$(218.3) million to return to state funding a half-day of kindergarten.
 - ⇒ \$(21.1) million for an additional soft capital reduction.
 - ⇒ \$(10.0) million for an additional reduction to charter school additional assistance.
 - ⇒ \$(6.2) million for the 2nd year impact of the prohibition against state funding of early kindergarten repeaters.

- ⇒ \$(116.1) million decrease to remove one-time funding pertaining to the FY 2009 cash balances reduction.
- ⇒ \$472.1 million to replace one-time federal Education Stabilization monies to support the K-12 formula.
- ⇒ \$(92.8) million for a new one-time federal Education Stabilization Fund reduction and backfill.
- \$(21.9) million to eliminate non-formula programs and \$(2.4) million to fund achievement testing with monies from Proposition 301.

School Facilities Board

- SFB spending would decrease by \$(37.2) million, or (35.5)%. Excluding the one-time savings associated with the debt refinancing, the SFB would increase by \$22.8 million, or 21.8%. The \$37.2 million adjustment includes:
 - ⇒ \$14.8 million to pay for increased debt service associated with past lease-purchase agreements.
 - ⇒ \$8 million to backfill one-time FY 2010 debt service savings.
 - ⇒ \$(60) million reduction associated with refinancing SFB's outstanding debt.
- The budget continues the new construction moratorium enacted for FY 2010, excluding projects financed through federal bonding programs.

Universities

- The Universities' General Fund spending would increase by \$98.6 million, or 12.5%. Excluding one-time rollover adjustments, the Universities' budget would essentially not change from FY 2010.
- University enrollment is projected to be 118,632 full-time equivalent students in FY 2011, representing a comparable increase of 4,255 in-state students, or 5.3% above FY 2010. University enrollment growth is not part of a statutorily-required formula and is not included in the budget. Enrollment growth for in-state students would have cost \$32.2 million.
- The budget includes a \$(1.4) million reduction for the Nursing Pilot Program since the multi-year appropriation has expired.

Community Colleges

- The Community College's General Fund spending would remain unchanged for FY 2011.
- Enrollment is projected to increase by 5,363 full-time equivalent students, or 4.5%, for a total enrollment of 123,797.

Health and Welfare

AHCCCS

- AHCCCS' General Fund spending would increase by \$159.8 million, or 13.1%. Excluding one-time rollover adjustments and federal funds backfill, the AHCCCS budget would increase by \$86 million, or 7.1%.
- Caseload funding would increase by \$109 million.
 - ⇒ Healthcare provider payments would not increase for inflation and utilization. A 5% adjustment would have otherwise cost \$62.5 million.
- The budget would increase by \$117.9 million to replace one-time payment deferral savings.
- The budget includes \$(24.5) million in spending reductions:
 - ⇒ \$(9.0) million for the KidsCare enrollment freeze that went into effect in January 2010
 - ⇒ \$(4.4) million to reduce payments for Graduate Medical Education and Disproportionate Share Hospital payments.
 - ⇒ \$(6.3) million to eliminate certain optional services.
 - ⇒ \$(4.8) million in other agency reductions.
- Under current eligibility levels, total caseloads would be projected to increase 3.1% from June 2010 to June 2011. Total population would reach 1.5 million by June 2011.
- The original FY 2011 budget eliminated Proposition 204 General Fund support on January 2011, thereby resulting in the loss of coverage for 310,000 persons. The new federal health care legislation, however, appears to require the state to retain this coverage. As a result, the budget was revised to retain Proposition 204 General Fund support contingent upon federal extension of the enhanced match rate until the end of FY 2011.

Department of Health Services

- DHS' General Fund spending would decrease by \$(37.8) million, or (7.9)%.
- Caseload funding would increase by \$1.8 million.
 - ⇒ Healthcare provider payments would not increase for inflation and utilization. A 5% adjustment would have otherwise cost \$19.8 million.
- The budget includes a \$(31.0) million spending reduction to Non-Title 19 behavioral health services.
- Under current eligibility levels, the total number of individuals receiving Title 19 behavioral health services would be projected to increase 9.7% through June 2010 and 5.2% from June 2010 to June 2011. The total served population would reach 126,000 by June 2011. Actual change in caseloads will be less, however, due to a change in utilization rates.

Department of Economic Security

- DES General Fund spending would increase by \$102.1 million, or 19.2%. Excluding one-time rollover adjustments and federal funds backfill, the DES budget would increase by \$25.6 million, or 4.8%. The \$102.1 million includes:
 - ⇒ \$19.5 million for an increase of 1,382 new clients, or 6.5%, in the Title 19 Developmental Disabilities Long Term Care program. Total caseload would equal 23,830.
 - ⇒ \$(24.8) million for reducing the lifetime limit for receiving TANF cash benefits from 60 months to 36 months.
 - ⇒ \$(6.1) million for means testing and fee increases for certain TANF cash benefits recipients.
 - ⇒ \$(6.6) million for reductions to Developmental Disabilities programs, adult services, and other programs.
 - ⇒ \$40 million increase in funding conditional on voter approval in November to redirect Early Childhood Development and Health Board monies to the General Fund.
 - ⇒ \$60 million to backfill other Federal Funds, including Fiscal Stabilization Fund monies and the TANF block grant shortfall.
 - ⇒ \$17 million for a technical adjustment related to the payment deferral.
- Besides the conditional enactment, the budget includes no baseline increase for provider payments due to inflation. A 3% adjustment for provider rate inflation and 5% adjustment for medical inflation would have otherwise cost \$8.8 million. .

Early Childhood Development and Health Board

- With approval from the voters at the November 2010 General Election, the budget would repeal the Early Childhood Development and Health Board (also known as First Things First) and its related Regional Councils. Agency operations would terminate on or before June 1, 2011 pursuant to existing sunset procedures.
- Approximately \$325 million of unexpended monies accumulated by First Things First would be transferred to the General Fund.
- The 80¢ tobacco tax would be deposited in the General Fund, and would be separately accounted for and appropriated for health and human services for children. The tobacco tax is expected to generate approximately \$60 million for the General Fund in FY 2011, of which \$40.0 million is set aside for DES.

Criminal Justice

Department of Corrections

- ADC General Fund spending would increase by \$63.0 million, or 7.1%. Excluding federal funds backfill, the ADC budget would increase by \$13 million, or 1.5%. The budget includes:
 - ⇒ \$56.5 million for the start-up of 4,000 new state beds.
 - ⇒ \$41.1 million to annualize the cost of utilizing all 2,000 private beds also authorized by Chapter 261.
 - ⇒ Continuation of a \$20.0 million supplemental to restore a portion of the savings previously taken for adopting the AHCCCS rate structure.
 - ⇒ \$10.8 million for the employer share of health insurance costs.
 - ⇒ \$(17.3) million to implement the statewide salary reduction.
 - ⇒ \$(77.6) million from eliminating all provisional beds in accordance with contract expiration dates.
 - ⇒ \$(1.2) million for other adjustments.
 - ⇒ \$50 million to restore one-time federal funds for correctional officer Personal Services.
- The budget does not include funds for population growth or health care inflation. The budget assumed population growth of 126 inmates/month for a total of 31,248 prisoners in state beds.
- ADC is expected to have a 5,329-bed shortfall by June 2010 and 4,641 by June 2011.

Department of Juvenile Corrections

- DJC General Fund spending would decrease by \$(6.3) million, or (10.0)%.
- The FY 2011 budget establishes the Commission on Juvenile Corrections to review DJC's role in the juvenile justice system and to develop a plan for the possible closure of DJC.
- The budget extends the sunset date for DJC to July 1, 2011.

Judiciary

- The budget decreases Judiciary General Fund spending by \$(5.6) million or (4.7)%. This amount includes:
 - ⇒ \$105,300 for the state share of 2 new Superior Court judgeships.
 - ⇒ \$3.5 million adjustment related to past lease-purchase financing.
 - ⇒ \$(9.1) million to shift the full cost of Maricopa Superior Court judges to Maricopa County.

Environment

Land Conservation Fund

- With approval from the voters at the November 2010 General Election, the budget would transfer the remaining \$123.5 million balance of the Land Conservation Fund to the state General Fund. These funds were set aside for the Growing Smarter program, which provides matching monies to purchase or lease land for open space preservation.

Department of Environmental Quality

- DEQ General Fund spending would decrease by \$(5.7) million, or (44.8)%.
- The budget allows DEQ to increase fees in order to offset its FY 2011 budget reduction.

Parks Department

- Excluding Growing Smarter funds, Parks General Fund spending would remain at \$0.
- Of 23 state parks, 4 are expected to remain closed.
- The budget permanently repeals the State Parks Heritage Fund, diverting \$10 million in Lottery revenues to the General Fund in FY 2011.

Department of Water Resources

- DWR General Fund spending would decrease by \$(9.8) million, or (58.2)%.
- The budget allows DWR to increase fees in order to offset \$5.7 million of its FY 2011 budget reduction.

General Government

Lottery

- Lottery distributions to the General Fund would decrease by \$(49.7) million.
- The budget redirects the following Lottery distributions to the General Fund: County Assistance Fund, Local Transportation Assistance Fund (LTAF), LTAF II, and the State Parks Heritage Fund.

Tourism

- The FY 2011 budget eliminates all General Fund support for the Department of Tourism
- 50% of Tourism Sports Authority monies may be used for administrative expenses. These are funds that would have otherwise gone to Maricopa County tourism promotion.

Financing and Payment Deferral

- The budget includes \$54.8 million for the annual debt service payment for the \$1.04 billion state building sale/lease-back issuances.
- The budget includes the issuance of \$1.59 billion of debt and lease-purchase financing in fiscal years 2010 and 2011:
 - ⇒ \$1.04 billion from the sale/lease-back of state buildings.
 - ⇒ \$450 million of lottery revenue bonds.
 - ⇒ \$100 million to finance new school construction through a newly-authorized federal bonding program.
- The budget includes \$1.31 billion in payment deferrals from FY 2011 to FY 2012, including:
 - ⇒ \$953 million of school district payments
 - ⇒ \$200 million of payments to the University system
 - ⇒ \$118 million to AHCCCS
 - ⇒ \$42 million to DES

State Employee Issues

FTE Positions

- The budget would fund (583.9) fewer Full-Time Equivalent (FTE) Positions than in FY 2010, including:
 - ⇒ 746.3 additional positions to open 4,000 new state prison beds.
 - ⇒ A decline of (1,389) FTE Positions associated with the 5% reductions mandated by last year's budget legislation. In combination with the FTE Position reduction implemented midway through FY 2010, the total 5% reduction is (2,142) FTE Positions.
 - ⇒ An increase of 58.8 FTE Positions due to technical changes.
- These adjustments would bring total appropriated FTE Positions to 48,698.0

Employee Pay and Salary Issues

- The budget includes a \$(45) million reduction to implement a 5% statewide salary reduction, as follows:
 - ⇒ For all state agencies, excluding non-gubernatorial elected officials, a 2.75% pay reduction, along with 6 furlough days (which equate to approximately a 2.3% pay reduction).
 - ⇒ For the offices of non-gubernatorial elected officials, a 5% personnel expenses reduction to be achieved through the use of pay reductions, furloughs, and/or vacancy savings.
- The budget includes \$15 million for the non-university employer share of health insurance costs.

SUMMARY OF BUDGET-RELATED BALLOT MEASURES

Bill Number	Reference Title	Description of Ballot Measures
<u>Forty-Ninth Legislature - Sixth Special Session</u>		
SCR 1001	Temporary Sales Tax; Repeal	<p>Approved by the voters at the May 2010 Special Election, institutes a temporary 1-cent increase in the Transaction Privilege Tax. The increase becomes effective June 1, 2010 and expires May 31, 2013, and will be appropriated as follows: two-thirds for public primary and secondary education; one-third for health and human services and public safety purposes.</p> <p>The tax is estimated to generate \$918,000,000 to the General Fund in FY 2011. In later fiscal years, the tax is forecast to generate \$968,000,000 in FY 2012 and \$1,060,000,000 in FY 2013.</p>
<u>Forty-Ninth Legislature - Seventh Special Session</u>		
HCR 2001	Early Childhood Development; Health; Repeal	<p>If approved by the voters at the November 2010 General Election, would repeal the Early Childhood Development and Health Board (also known as First Things First) and its related Regional Councils. Agency operations would terminate on or before June 1, 2011 pursuant to existing sunset procedures. Any unexpended monies accumulated by First Things First would be transferred to the General Fund. The 80-cent tobacco tax would be deposited in the General Fund, and would be separately accounted for and appropriated for health and human services for children.</p> <p>The FY 2011 budget assumes that if approved, a total of \$325,000,000 of unexpended funds would be transferred to the General Fund, along with \$60,000,000 of ongoing tobacco tax revenues. However, a conditional enactment provided that if HCR 2001 is approved by voters, the FY 2011 General Fund appropriation to the Department of Economic Security would be increased by \$40,000,000.</p> <p>The Early Childhood Development and Health Board was created as a result of Proposition 203 in 2006. Since ballot propositions can only be amended to further the purpose of the initiative, the board's elimination is being referred to the ballot.</p>
HCR 2002	Land Conservation Fund; Reversion	<p>If approved by the voters at the November 2010 General Election, would transfer the remaining balance of the Land Conservation Fund to the General Fund. The FY 2011 budget assumes that if approved, a total of \$123,538,600 would be transferred to the General Fund.</p> <p>The Land Conservation Fund was created as a result of Proposition 303 in 1998. The initiative, otherwise known as "Growing Smarter", transferred \$20,000,000 from the General Fund annually to the Land Conservation Fund. Since ballot propositions can only be amended to further the purpose of the initiative, the transfer back to the General Fund is being referred to the ballot.</p>

OVERVIEW OF THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

In February 2009, the federal government enacted the American Recovery and Reinvestment Act (ARRA) to address the nationwide recession. As of the end of calendar year 2009, Arizona has been awarded \$2,075,065,100 from the legislation. ARRA funding and its General Fund impacts are outlined in detail below.

General Provisions – Arizona’s allocation of increased funding through ARRA is accomplished via several mechanisms:

- Increased funding for existing federal programs, managed by existing federal agencies.
- Creation of new federal programs, managed by existing federal agencies.
- Expansion of programs, along with new funding, for programs operated by state agencies.
- Direct and indirect state budget relief. (*See Enhanced FMAP and State Fiscal Stabilization Fund narratives below.*)

The stated goal of ARRA was to implement increased federal funding in an accelerated manner, coupled with increased accountability and reporting requirements for how these new Federal Funds are spent.

Enhanced FMAP – In order to prevent substantial budget reductions at the state level, ARRA implemented several programs designed to provide direct relief to state budgets. One of these was the enhanced federal medical assistance percentage (FMAP), which ARRA temporarily increased through December 2010. FMAP is the proportion of Title XIX costs that are paid for by the federal government.

Although the enhanced FMAP is set to expire in December 2010, Congress may pass legislation to extend the enhanced FMAP through June 30, 2011. If the extension is approved, Laws 2010, Chapter 232 allocates these savings to the continuation of the Proposition 204 program. The FY 2011 budget display in the Appropriations Report assumes the extension of the enhanced FMAP. (*Please see the Federal Health Care Legislation section for more information.*)

Effective October 1, 2008 the enhanced FMAP allows Arizona to reduce General Fund support for Title XIX programs in the Arizona Health Care Cost Containment System (AHCCCS), the Department of Health Services (DHS), and the Department of Economic Security (DES) as the federal government pays a greater share of existing program costs.

In addition to these savings, the federal government announced in February 2010 that it would apply the enhanced FMAP to Medicare Clawback Payments. This results in additional savings in FY 2010 and FY 2011 across AHCCCS, DES, and DHS.

Table 1 below compares historical levels of the FMAP with the recent enhanced FMAP.

<u>Fiscal Year</u>	<u>FMAP</u>
2006	67.1%
2007	66.6%
2008	66.3%
2009 (Jul – Sept)	65.8%
2009 (Oct – Mar)	75.0%
2009 (Apr – June)	75.9%
2009 (Total)	72.9%
2010	75.9%
2011	75.9%

Table 2 outlines the expected General Fund savings associated with the enhanced FMAP and the Medicare Clawback through FY 2011.

<u>Agency</u>	<u>FY 2009 FMAP Savings</u>	<u>FY 2010 FMAP Savings</u>	<u>FY 2011 FMAP Savings ^{1/}</u>
AHCCCS	\$320,238,700	\$586,724,100	\$652,651,700
DES	57,812,900	84,648,700	85,122,900
DHS	<u>83,168,300</u>	<u>145,702,700</u>	<u>142,810,600</u>
Total	\$461,219,900	\$817,075,500	\$880,585,200

^{1/} Represents savings from the full-year extension of the enhanced FMAP.

While ARRA permitted Arizona to realize savings by reducing General Fund support for Title XIX agencies, the legislation imposed several requirements in order for states to qualify for the enhanced FMAP. These provisions are as follows:

- Political subdivisions (e.g. county governments) may not pay a greater share of program costs than they did as of September 30, 2008.
- Eligibility standards, methodologies, or procedures may not be more restrictive than those that were in effect as of July 1, 2008.
- A state must comply with prompt pay requirements.
- Enhanced FMAP savings may not be credited towards a state’s Rainy Day Fund.

States are allowed to reduce per person benefit levels, however, as long as they comply with other federal regulations. These limitations are applicable only during the time in which a state receives the enhanced FMAP and do not apply to Title XXI populations (KidsCare), administrative services (typically funded at 50%), disproportionate share hospital payments, nor any program which already receives an enhanced FMAP.

State Fiscal Stabilization Fund – ARRA also implemented the State Fiscal Stabilization Fund (SFSF), a program which distributed monies to states through a population-based formula. In total, Arizona will receive \$1,016,955,200, which must be obligated within 2 years of receipt. The state was eligible to receive approximately the first two-thirds of SFSF funds in mid-2009, while the remaining one-third is

scheduled to be disbursed before September 2010. ARRA requires that Arizona's allocation be distributed as follows:

- Education Stabilization Fund - 81.8% for the support of elementary, secondary, and postsecondary education, as well as early childhood education programs/services.
- Government Services Fund - 18.2% for public safety and "other government services".

Education Stabilization Fund - Arizona is expected to receive \$831,869,300 for the Education Stabilization Fund. ARRA requirements focus on 2 major areas:

- Maintenance of Effort (MOE) - Arizona must certify that it will maintain "state support" at least at the level found in FY 2006 for both the K-12 system and the higher education system as a whole. For the purposes of complying with MOE requirements, ARRA treats K-12 and the higher education system as 2 distinct entities; both must be at or above their FY 2006 funding levels.

ARRA includes a process whereby a state can apply for a "waiver" from the maintenance of effort provisions, which would allow the state to spend below its FY 2006 spending level and still receive stabilization funds. However, ARRA requires states seeking a waiver to meet a separate criteria — a state's total education spending as a percentage of "total revenues available to the state" must not have declined from the prior fiscal year for the fiscal year in which the waiver is sought.

- Restoration Amounts - Arizona must use these funds to restore "state support" for K-12 and higher education to the levels of spending in FY 2008 or FY 2009, whichever is greater. For restoration purposes, K-12 and higher education are treated as 2 distinct entities as well. If insufficient funds exist, ARRA outlines a formula whereby the remaining funds are distributed between K-12 and higher education proportionally.

Fiscal Stabilization Fund Implementation

K-12 (FY 2009) – For primary and secondary education, ARRA requires that states only consider the amount of state funds provided through "primary and secondary education funding formulae." For Arizona, the Governor has chosen to define this as Basic State Aid (BSA) and Additional State Aid (ASA) General Fund payments to school districts and charter schools. It does not, however, include funds distributed from the Classroom Site Fund. (*Please see the Arizona Department of Education Formula Programs section for more information.*)

While the state originally planned to use \$250,000,000 in stabilization funds to offset FY 2009 State General Fund spending, for technical reasons, however, Arizona did not receive any education stabilization funds in FY 2009. (*Please see the FY 2010 JLBC Appropriations Report -*

Overview of the American Recovery and Reinvestment Act (ARRA) section for more information.)

K-12 (FY 2010) – The FY 2010 budget (SB 1188, as amended by HB 2643) originally presumed \$(222,114,000) of savings by reducing ADE's FY 2010 appropriation and backfilling this reduction with ARRA funds. This provision was line-item vetoed by the Governor.

In order to compensate for the lost FY 2009 savings, Laws 2009, 3rd Special Session, Chapter 11 included a \$472,114,000 "cut and backfill" for ADE (\$250,000,000 + \$222,114,000). While this reduction was signed into law, the Governor line-item vetoed a reference to using the funds for FY 2010 expenses, presumably to keep flexibility in using the funds to pay for expenses from multiple years.

K-12 (FY 2011) – The FY 2011 budget assumed a "cut and backfill" of \$92,800,000. The amount of this reduction that is actually backfilled may be lower, due to the limited availability of SFSF funds and the possible additional use of these funds in FY 2010.

Higher Education (FY 2009) – When calculating the restoration amounts for the higher education system, ARRA requires states to only consider "state support," which is defined as:

- Direct appropriations to Institutions of Higher Education (IHEs).
- May not include support for capital projects or research and development; or tuition and fees paid by students.
- Financial assistance may be considered "state support" when the assistance is appropriated directly to IHEs.

The higher education system was entitled to approximately \$182,809,400 in stabilization funds to restore past reductions. This amount was disbursed for FY 2009. The \$182,809,400 in FY 2009 restoration monies were distributed as follows: \$28,671,000 to the Community College system and \$154,138,400 to the Universities. (*Please see the FY 2010 JLBC Appropriations Report - Overview of the American Recovery and Reinvestment Act (ARRA) section for more information.*)

Higher Education (FY 2010) – In addition, the FY 2010 budget assumed \$10,000,000 of savings associated with reducing the University system's appropriation and backfilling this reduction with stabilization funds. Laws 2009, 3rd Special Session, Chapter 11, Section 15 enacts this reduction and states that the Arizona Board of Regents is to reduce funding to the various institutions in proportion to their state General Fund appropriations.

This legislation also states that it is the intent of the Legislature that the University system will receive stabilization funds above and beyond the \$10,000,000 backfill, should the Governor choose to allocate the funds in this manner.

The Universities and Community Colleges incurred another \$(40,596,800) in net reductions. These amounts may also be backfilled with stabilization funds, depending on their availability.

Current estimates indicate that Arizona’s higher education system will receive \$83,147,900 at the end of FY 2010, with these funds being distributed as follows: \$11,398,300 to the Community College system and \$71,749,600 to the Universities. (Please see the “ARRA” narrative of the Community Colleges and Arizona Board of Regents sections for more information.)

Higher Education (FY 2011) – The budget does not include funding to the University system to restore the \$(10,000,000) reduction made in FY 2010. Current estimates indicate that Arizona’s higher education system will not receive SFSF funds in FY 2011.

Government Services Fund (2010) – Arizona is expected to receive \$185,085,800 for the Government Services Fund. The uses of these funds are largely unrestricted, except that Arizona’s use of the funds is contingent upon meeting the MOE requirements discussed previously.

The FY 2010 budget assumed \$78,900,000 of savings related to the Government Services Fund by making the following reductions:

<u>Agency</u>	<u>FY 2010 Reduction</u>	<u>Reduction Area/Program</u>
ADC	\$50,000,000	Correctional Officer Personal Services
DES	17,300,000	Autism and State-only Developmental Disabilities
DHS	<u>11,600,000</u>	Community Health Centers
Total	\$78,900,000	

In its original form, Laws 2009, 1st Regular Session, Chapter 12 and Laws 2009, 3rd Special Session, Chapter 11 included language that stated it was the intent of the Legislature that monies from the Government Services Fund be used to backfill the above reductions. These intent statements were signed into law, with the exception of the ones pertaining to the DES backfill. In Arizona, the Legislature does not have the authority to appropriate Federal Funds.

During budget discussions in 2009, the Governor’s Office stated their intent to use \$26,000,000 for DES caseload growth in Child Protective Services, Adoption and Children Services.

In addition the Governor has also made the following awards:

- \$1,700,000 – To repair the Arizona State Fair Veterans’ Memorial Coliseum roof.

- \$2,000,000 – To Teach for America for teaching training programs
- \$20,000,000 – Local public safety grants, half of which will be distributed as border law enforcement grants.
- \$10,000,000 – Job training program

Given the above distributions, approximately \$46,485,800 of the \$185,085,800 in Government Services funds would be remaining for use in FY 2011.

Government Services Fund (2011) – The budget includes no savings related to the Government Services Fund. The remaining balance may be used at the Governor’s discretion.

FY 2010 Federal Assistance Savings

Combining the impact of the enhanced FMAP and the Stabilization Funds, the budget includes \$1,339,189,500 worth of one-time savings in FY 2010 associated with ARRA. These savings are displayed in Table 4 and are distributed as follows:

<u>Agency</u>	<u>FY 2010 General Fund Savings</u>
AHCCCS	\$586,724,100
ADC	50,000,000
DES	84,648,700
ADE	472,114,000
DHS	<u>145,702,700</u>
Total	\$1,339,189,500

FY 2011 Federal Assistance Savings

The budget includes \$973,385,200 worth of one-time savings in FY 2011 associated with ARRA, which consists of reductions related to the enhanced FMAP and the ADE “cut and backfill”. These savings are outlined in Table 5 below, and are as follows:

<u>Agency</u>	<u>FY 2011 General Fund Savings</u>
AHCCCS	\$652,651,700
DES	85,122,900
ADE	92,800,000
DHS	<u>142,810,600</u>
Total	\$973,385,200

Table 6 includes information on both FY 2010 and FY 2011.

Table 6

**FY 2010 AND FY 2011
ALLOCATION OF ARRA FUNDS AND IMPACT ON STATE AGENCY BUDGETS**

<u>State Fiscal Stabilization Fund</u>	<u>FY 2010 Estimated</u>	<u>FY 2011 Budgeted</u>
<u>K-12</u>		
ARRA General Fund Reduction <u>1/</u> Stabilization Fund Backfill	(472,114,000) 472,114,000	(92,800,000) 92,800,000
<u>Community Colleges</u>		
Restoration	11,398,300	0
<u>Universities</u>		
Restoration	71,749,600	0
<u>Government Services Fund</u>		
Dept. of Corrections ARRA General Fund Reduction <u>1/</u> Dept. of Corrections Stabilization Fund/Backfill	(50,000,000) 50,000,000	0 0
Total GF Reduction - Stabilization Fund	<u>(522,114,000)</u>	<u>(92,800,000)</u>
<u>FMAP General Fund Reduction</u>		
AHCCCS DES DHS	(586,724,100) (84,648,700) (145,702,700)	(652,651,700) (85,122,900) (142,810,600)
Total GF Reduction - FMAP	<u>(817,075,500)</u>	<u>(880,585,200)</u>
Total General Fund Reduction	(\$1,339,189,500) <u>2/</u>	(\$973,385,200)

1/ General Fund Reduction due to availability of American Recovery and Reinvestment Act funds. These reductions are taken in addition to other reductions and are backfilled with Stabilization Fund monies.

2/ The original FY 2010 budget assumed an additional \$38.9 M of one-time federal assistance savings. However, these reductions were not specifically backfilled. They include:

DES ARRA General Fund Reduction (Autism and State-only DD)	(\$17,300,000)
DHS ARRA General Fund Reduction (Community Health Centers)	(\$11,600,000)
Universities ARRA General Fund Reduction	(\$10,000,000)

FEDERAL HEALTH CARE LEGISLATION

The Patient Protection and Affordable Care Act was enacted into law on March 23, 2010. This bill, along with the accompanying Reconciliation Bill, made significant changes to health insurance requirements. Beginning in 2014, almost all individuals will be required to have health insurance or face a penalty. In that same year, Medicaid benefits will be expanded to all individuals up to 133% of the Federal Poverty Level (FPL) (approximately \$29,300 for a family of 4). Families with incomes above 133% FPL but below 400% FPL will be able to obtain subsidies for health insurance through newly-created health care exchanges.

In addition to individual requirements, employers with 50 or more employees must provide health insurance or face a penalty. Businesses with less than 50 employees who offer health benefits will be offered tax credits. In 2010, the credits are up to 35% of the premiums and will increase to 50% of the premiums by 2014.

More details on health care legislation are below.

Maintenance of Effort - The legislation requires states to retain the eligibility standards that were in place at the time the bill was signed for both Title XIX and Title XXI programs. Failure to do so appears to jeopardize receipt of all federal Medicaid matching funds.

To comply with the maintenance of effort requirements, Laws 2010, Chapter 232 (SB 1043):

- Reinstated statutory language for KidsCare;
- Appropriated \$9,000,000 in General Fund monies for KidsCare; and
- Appropriated \$385,000,000 from the General Fund for Proposition 204 contingent on the 6-month extension of the federal enhanced matching rate.

(See AHCCCS Summary for additional information on Chapter 232.)

Federal Match - From 2014 through 2020, a number of changes will be made to the federal match including:

- Increasing the federal match to 90%-100% for newly-expanded populations (typically those with incomes from 100%-133% FPL);
- Increasing the federal match to 86%-93% for childless adults;
- Transferring children on KidsCare from 100%-133% FPL to the Traditional Program on January 1, 2014. The approximate 3:1 match would decrease to 2:1;
- Beginning in 2016, KidsCare recipients above 133% FPL will receive a 99% match; and
- KidsCare sunsets on September 30, 2019 and will not receive a federal match after this date.

Fiscal Impact – There are 2 methods for measuring the impact of the legislation. The first method compares the impact relative to existing programs. The second method measures the cost relative to the enacted March budget.

- The legislation changes existing programs by expanding the eligibility from 100% to 133% of FPL, increasing participation among those currently eligible but not enrolled, and providing additional Federal Funds for Proposition 204. The additional Federal Funds are expected to be greater than new costs, and generate an estimated savings of \$(58) million in FY 2014 and \$(305) million in FY 2016.
- The legislation increases costs compared to the enacted March budget since the state must retain the Proposition 204 General Fund subsidy and KidsCare program, both of which were eliminated in that budget. When adjusted for the Proposition 204 and KidsCare restoration, the net state cost is estimated at \$895 million in FY 2012, \$896 million in FY 2014, and \$713 million in FY 2016.

State Employee Health Plan - To conform to federal legislation, a number of changes will be made to the state employee health plan. Beginning on September 23, 2010, the state plan:

- Will provide dependent coverage for children up to their 26th birthday;
- Cannot have lifetime limits in the PPO plan;
- Cannot charge co-pays on preventative services.

Laws 2010, Chapter 232 made statutory changes to include children through their 26th birthday. The other 2 changes can be made without statutory changes.

Beginning on January 1, 2013, employees will be automatically enrolled into a health plan but can choose to opt out. Currently, 84% of eligible employees are enrolled.

Health Care Exchanges - Exchanges will serve as a one-stop shop where individuals can learn about different private health insurance options, learn about eligibility requirements for AHCCCS programs, become exempt from the requirement to obtain health insurance, and determine the cost of coverage options upon receipt of their subsidies. While the exchange does not literally run a health plan, they will provide oversight of the plans and determine which plans are qualified to be offered in the exchange. In addition to overseeing individual coverage, exchanges will oversee health insurance for small businesses (up to 100 employees).

By January 1, 2014, all states need to establish a health care exchange or coordinate with other states to form a regional exchange. If a state does not act, the federal government will set up the exchange. States may operate

the exchange or contract with non-profits for operation. States may opt to have 1 exchange which oversees both individual and small business insurance or may operate separate entities.

High-Risk Pools - From July 1, 2010 through December 31, 2013, individuals with a pre-existing condition who have gone without insurance for at least 6 months will be eligible to obtain coverage through a high-risk pool program. States had the option of implementing their own program or allowing individuals to become eligible for a high-risk program run by the federal government. In Arizona, the Executive opted to let the program be run by the federal government.

Other State Impacts - Additional state impacts are as follows:

- Nationwide, community health centers will receive an additional \$11 billion from FFY 2010 through FFY 2015. Based on population, Arizona's share would be approximately \$38 million.
- In 2013 and 2014, AHCCCS must reimburse primary care providers at 100% of the Medicare payment rates. The federal government will pay 100% of the increased provider rate cost during this period.
- Reduces disproportionate share hospital (DSH) payments to states by \$14.1 billion in FFY 2014 through FFY 2020. At this time, it is unknown how this will impact Arizona DSH allotments.

FY 2011 CONDITIONAL ENACTMENTS I/

Section 149 of the General Appropriation Act required that if Proposition 100's 1-cent sales tax increase is not approved by voters at the Special Election held on May 18, 2010, state agency General Fund budgets would be reduced by the amounts specified below.

Because Proposition 100 was approved by the voters, these reductions did not go into effect, and are displayed for informational purposes only.

Agency	Proposed Reduction	Comments
Administration, Department of	(342,500)	
Administrative Hearings, Office of	(44,800)	
Agriculture, Arizona Department of	(414,400)	
AHCCCS	(114,000,000)	10% Rate Cut
Arts, Arizona Commission on the	(32,700)	
Attorney General	(867,500)	
Capital Postconviction Defender Office, State	(31,200)	
Charter Schools, State Board for	(79,600)	
Commerce, Department of	(71,700)	
Community Colleges	(15,260,600)	Reduces tribal allocation by \$(1,900,000)
Corporation Commission	(28,400)	
Corrections, Department of	(63,167,200)	Shifts incarceration under 1 year to counties on October 1, other reductions
Criminal Justice Commission, AZ	0	
Deaf & the Blind, AZ State Schools for the	(2,070,700)	
Economic Security, Department of	(50,500,000)	
Education, Department of	(428,568,000)	Reduces Soft Capital (\$47,000,000), CORL (\$248,000,000), Charter Additional Assistance (\$31,000,000), Base Support Level (\$103,000,000)
Emergency and Military Affairs, Department of	(1,594,000)	
Environmental Quality, Department of	(337,500)	
Equal Opportunity, Governor's Office of	(9,500)	
Financial Institutions, State Department of	(142,600)	
Fire, Building and Life Safety, Department of	(1,936,300)	Eliminate General Fund support
Forester, State	(156,700)	
Geological Survey, Arizona	(38,800)	
Government Information Technology Agency	(36,500)	
Governor, Office of the	(334,200)	
Governor's Office of Strategic Planning & Budgeting	(95,300)	
Health Services, Department of	(40,000,000)	10% Rate Cut
Historical Society, Arizona	(93,500)	
Historical Society of AZ, Prescott	(33,300)	
Independent Redistricting Commission	(25,000)	
Indian Affairs, AZ Commission of	(3,100)	
Insurance, Department of	(270,600)	
Judiciary		
Supreme Court	(1,557,300)	
Court of Appeals	(950,100)	
Superior Court	(7,922,100)	Shifts Judges Salaries to counties
Judiciary - Subtotal	(10,429,500)	
Juvenile Corrections, Department of	(5,833,100)	
Land Department, State	(66,800)	
Law Enforcement Merit System Council	(3,400)	
Legislature		
Auditor General	(792,400)	
House of Representatives	(538,100)	
Joint Legislative Budget Committee	(121,600)	
Legislative Council	(234,000)	
Senate	(351,800)	
Legislature - Subtotal	(2,037,900)	
Medical Student Loans, Board of	(20,200)	
Mine Inspector, State	(52,900)	
Mines & Mineral Resources, Department of	(16,100)	
Navigable Stream Adjudication Commission, AZ	(6,700)	

Agency	Proposed Reduction	Comments
Pioneers' Home, AZ	(78,100)	
Postsecondary Education, Commission of	(121,000)	
Public Safety, Department of	(10,940,400)	5% reduction to all appropriated funds
Racing, Arizona Department of	(189,800)	
Radiation Regulatory Agency	(37,400)	
Real Estate Department, State	(145,700)	
Revenue, Department of	(2,173,300)	
School Facilities Board	(1,000,000)	
Secretary of State, Department of State	(651,900)	
Tax Appeals, State Board of	(12,400)	
Transportation, Department of	(2,600)	
Treasurer, State	(176,000)	5% reduction to state share of Justice of the Peace Salaries
Universities		
Arizona Board of Regents	(2,074,000)	
ASU - Main Campus	(39,275,000)	
ASU - East Campus	(3,021,000)	
ASU - West Campus	(5,288,000)	
NAU	(16,020,000)	
UofA - Main Campus	(32,652,000)	
UofA - Health Sciences Center	(8,814,000)	
Universities - Subtotal	(107,144,000)	
Veterans' Services, Department of	(259,900)	
Water Resources, Department of	(322,300)	
Weights and Measures, Department of	(58,400)	
Total	(862,366,000)	
<p><u>1/</u> The sales tax increase was estimated to generate \$918,000,000 in FY 2011. The above reductions plus \$56,000,000 in surplus funds would have replaced the sales tax revenue.</p>		

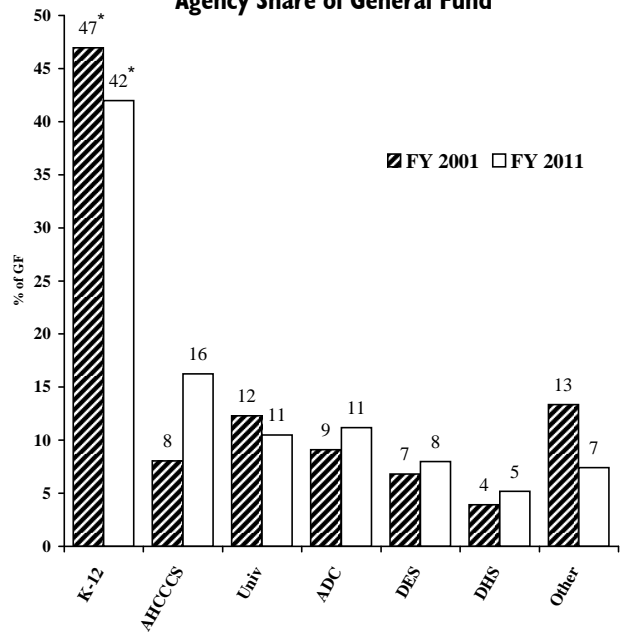
"THEN AND NOW" - FY 2001 vs. FY 2011 General Fund Spending

**Comparison of 9 Largest General Fund Operating Budgets I/
(\$ in Millions)**

	FY 01 Actuals	FY 11 Approp.	\$ Change FY 01-11	% Change FY 01-11
Education (K-12)	\$ 2,443.1	\$ 3,491.2	\$ 1,048.1	42.9
AHCCCS	506.0	1,376.9	870.9	172.1
Corrections	571.6	948.7	377.1	66.0
Universities	772.8	890.2	117.4	15.2
Economic Security	427.3	634.1	206.8	48.4
Health Services	246.7	438.9	192.2	77.9
Community Colleges	137.4	135.3	(2.1)	(1.5)
School Facilities Board	474.0	67.6	(406.4)	NA
Public Safety	76.2	43.1	(33.1)	(43.4)
Other	624.4	449.9	(174.5)	(27.9)
TOTAL	\$ 6,279.5	\$ 8,475.9	\$ 2,196.4	35.0%

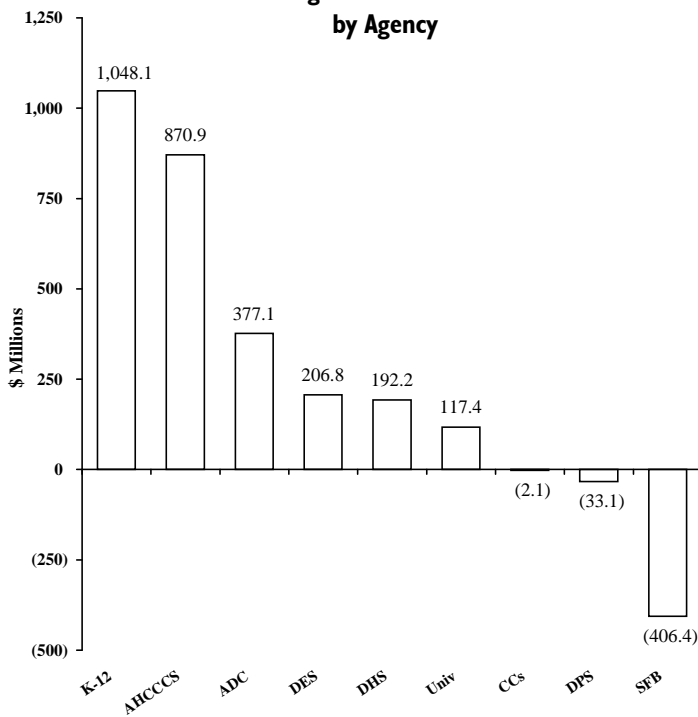
1/ Represents individual agency General Fund spending only

Agency Share of General Fund

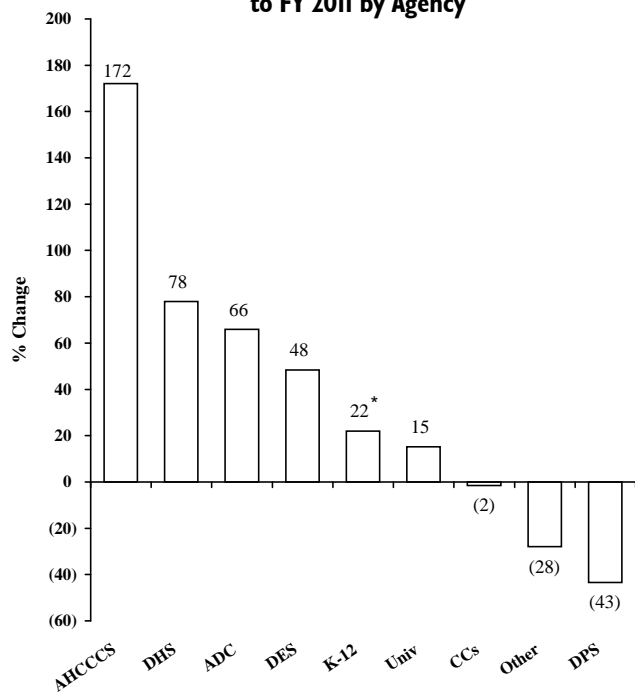


* K-12 includes School Facilities Board spending.

**Dollar Change from FY 2001 to FY 2011
by Agency**



**Percent Change from FY 2001
to FY 2011 by Agency**



* K-12 includes School Facilities Board spending.

"THEN AND NOW" - FY 2001 vs. FY 2011 General Fund Revenue and Ending Balances

General Fund Revenue, Expenditures and Ending Balances (\$ in Millions)

Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2000	6,215.7	6,012.3	203.4	3.3%
2001	6,381.0	6,367.7	13.3	0.2%
2002	6,339.6	6,338.6	1.0	0.0%
2003	6,232.8	6,040.6	192.2	3.1%
2004	6,876.2	6,515.8	360.4	5.2%
2005	8,184.1	7,545.1	639.0	7.8%
2006	9,814.9	8,768.4	1,046.5	10.7%
2007	10,672.2	10,200.5	471.7	4.4%
2008	10,038.2	10,037.2	1.0	0.0%
2009	8,273.7	8,754.4	(480.7)	-5.8%
2010	7,865.4	7,817.1	48.3	0.6%
2011	8,558.9	8,495.6	63.2	0.7%

General Fund Major Tax Sources as a Percent of Total Revenue ^{1/}

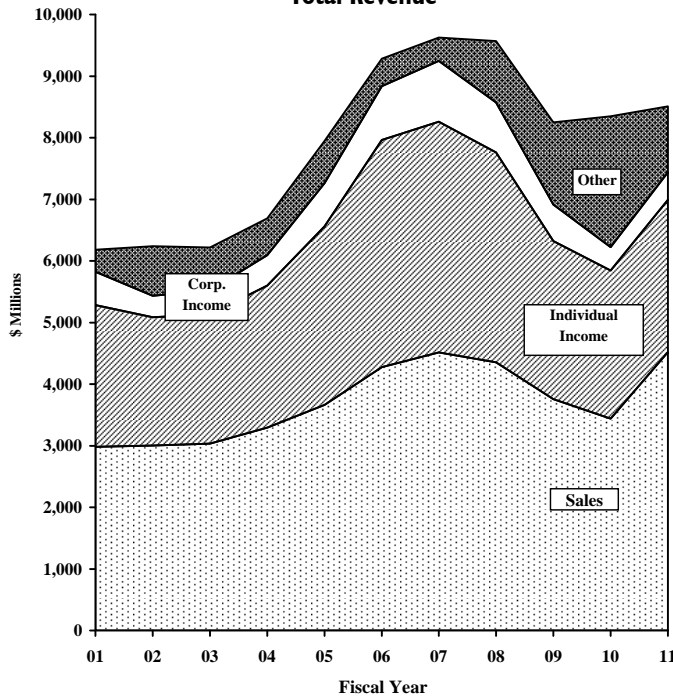
Fiscal Year	Sales	Individual Income	Corporate Income	Other
2000	47.5%	38.4%	8.8%	5.3%
2001	48.3%	37.2%	8.8%	5.8%
2002	48.1%	33.4%	5.5%	12.9%
2003	48.8%	33.7%	6.3%	11.2%
2004	49.2%	34.5%	7.4%	8.9%
2005	46.1%	36.4%	8.8%	8.7%
2006	46.0%	39.7%	9.4%	4.8%
2007	46.9%	38.9%	10.2%	3.9%
2008	45.5%	35.6%	8.5%	10.4%
2009	45.5%	31.1%	7.2%	16.1%
2010	41.2%	28.8%	4.6%	25.4%
2011	53.1%	29.0%	5.2%	12.6% ^{2/}

^{1/} Excludes balance forward from prior year.

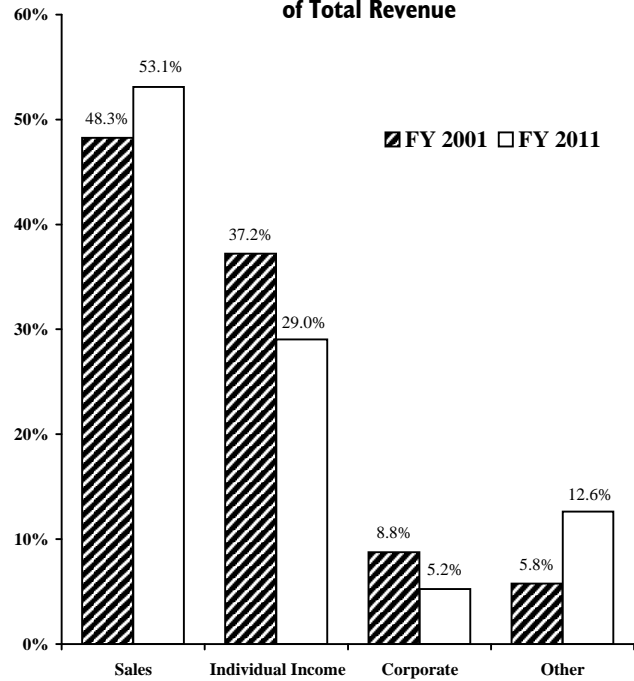
^{2/} Includes \$676.5 million in FY 2011 one-time revenue adjustments.

See prior Appropriations Reports for earlier years.

General Fund Major Tax Sources as a Share of Total Revenue



FY 2001 vs. FY 2011 Major Tax Sources as a Percent of Total Revenue



BUDGET DETAIL

SUMMARY OF GENERAL FUND APPROPRIATIONS
By Individual Chapter
For Fiscal Years 2010 - 2012 ^{1/2/3/}

Chap. Bill No. Number Reference Title	FY 2010 General Fund	FY 2011 General Fund	FY 2012 General Fund
<u>Forty-Ninth Legislature - Second Regular Session</u>			
232 SB 1043 Health Care; Coverage; Programs		0 ^{4/}	
246 SB 1212 Appropriations; Named Claimants	101,600	1,700	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION	101,600	1,700	0
<u>Forty-Ninth Legislature - Seventh Special Session</u>			
1 HB 2001 General Appropriations; 2009-2010; 2010-2011	(399,986,800)	7,593,634,900	1,312,315,900 ^{5/}
2 HB 2002 Capital Outlay Appropriations; 2010-2011		4,000,000 C	
5 HB 2005 General Government; Budget Reconciliation; 2010-2011		(33,892,400)	
7 HB 2007 Environment; Budget Reconciliation; 2010-2011		(13,000,000)	
10 HB 2010 Health; Budget Reconciliation; 2010-2011		3,000,000	
12 HB 2012 Revenues; Budget Reconciliation; 2010-2011		(14,613,300)	
SUBTOTAL APPROPRIATIONS - 7th SPECIAL SESSION	(399,986,800)	7,539,129,200	1,312,315,900
<u>Forty-Ninth Legislature - Fifth Special Session</u>			
1 SB 1001 2009-2010; General Appropriation Reductions; Transfers	(83,203,200)		
SUBTOTAL APPROPRIATIONS - 5th SPECIAL SESSION	(83,203,200)	0	0
<u>Forty-Ninth Legislature - Fourth Special Session</u>			
1 SB 1001 General Appropriations; 2009-2010	(542,616,400)		
SUBTOTAL APPROPRIATIONS - 4th SPECIAL SESSION	(542,616,400)	0	0
<u>Forty-Ninth Legislature - Third Special Session</u>			
1 HB 2001 Education; Appropriations; 2009-2010	3,677,068,200		
2/12 HB 2002 K-12 Education; Budget Reconciliation		603,513,900	
5 HB 2014 Environment; Budget Reconciliation	(15,077,500)		
7 HB 2008 General Government; Budget Reconciliation	(32,988,100)		
9 HB 2012 Higher Education; Budget Reconciliation	(100,000,000)	100,000,000	
10 HB 2013 Health and Welfare; Budget Reconciliation	(1,000,000)	(1,000,000)	(1,000,000)
11 HB 2006 General Appropriations; Fiscal Year 2009-2010	(683,854,400)		
SUBTOTAL APPROPRIATIONS - 3rd SPECIAL SESSION	2,844,148,200	702,513,900	(1,000,000)
<u>Forty-Ninth Legislature - First Special Session</u>			
2 SB 1002 Capital Outlay; Reductions; Transfers; 2008-2009	10,000,000 C		
SUBTOTAL APPROPRIATIONS - 1st SPECIAL SESSION	10,000,000	0	0
<u>Forty-Ninth Legislature - First Regular Session</u>			
1 HB 2051 2008-2009; Appropriations; Budget Revisions			9,864,200 ^{6/} *
5 HB 2028 Supplemental Reductions; Appropriations; FY 2008-2009	100,000,000		
10 SB 1027 Capital Outlay; FY 2009-2010	400,000 C		
11 SB 1188 General Appropriations; FY 2009-2010	-- ^{7/}		
12 HB 2643 General Appropriations; 2009-2010; Trailer	5,197,587,400 ^{7/}	160,032,200	
73 SB 1316 Nuclear Emergency Management; Appropriations; Assessments	1,523,100	1,569,000	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION	5,299,510,500	161,601,200	9,864,200
<u>Forty-Eighth Legislature - Second Regular Session</u>			
287 HB 2211 Budget Reconciliation; Education	603,513,900		
291 HB 2462 Budget Reconciliation; Budget Procedures		2,500,000 ^{8/}	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION	603,513,900	2,500,000	0
<u>Forty-Eighth Legislature - First Regular Session</u>			
260 HB 2786 Budget Reconciliation; General Revenues	25,000,000 ^{8/}	25,000,000 ^{8/}	
263 HB 2789 Budget Reconciliation; Health and Welfare	1,000,000 ^{9/}	1,000,000 ^{9/}	1,000,000 ^{9/}
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION	26,000,000	26,000,000	1,000,000
<u>Forty-Seventh Legislature - Second Regular Session</u>			
378 HB 2177 Health Insurance Premium Tax Credit	30,000 ^{10/}	30,000 ^{10/}	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION	30,000	30,000	0
<u>Forty-Seventh Legislature - First Regular Session</u>			
330 SB 1517 Higher Education; Budget	4,000,000 ^{11/}		
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION	4,000,000	0	0

<u>Permanent General Fund Appropriations and Allocations 12/ *</u>					
15-1670	University Research Infrastructure Financing 13/	34,625,000		34,625,000	34,625,000 *
35-192	General Emergency Authority 14/	4,000,000 15/		4,000,000 15/	4,000,000 *
37-623	Wild Land Fire Emergency 14/	3,000,000 16/		3,000,000	3,000,000 *
41-511.23	Growing Smarter 17/	20,000,000		20,000,000	0
42-5029	Tax Distribution to Tourism Fund 18/	14,743,300 18/		14,613,300 18/	0 18/
42-5031.01	Indian Tribal Postsecondary Educational Institutions	1,918,000		1,918,000	1,918,000 *
45-2112	Water Protection Fund Deposit	5,000,000		5,000,000 19/	5,000,000 *
49-282	WQARF Priority Site Remediation 20/	15,000,000		15,000,000 20/	15,000,000 *
L '04, Ch. 235	Military Airport Planning; Appropriation 21/	5,000,000		5,000,000 21/	5,000,000 *
SUBTOTAL APPROPRIATIONS - PERMANENT		<u>103,286,300</u>		<u>103,156,300</u>	<u>68,543,000</u>
TOTAL APPROPRIATIONS		<u>7,864,784,100</u>		<u>8,534,932,300</u>	<u>1,390,723,100</u>

- * Appropriation beyond FY 2012.
- C Designates a capital appropriation. All other appropriations are operating appropriations.
- 1/ For FY 2010 - FY 2012, this table summarizes all General Fund appropriations enacted in any session.
- 2/ All appropriations have been rounded to the nearest \$100.
- 3/ Excludes administrative adjustments, revertsments, and statutory revertsments.
- 4/ Laws 2010, Chapter 232 appropriates \$9,000,000 from the General Fund to restore KidsCare funding and \$385,000,000 from the General Fund for Proposition 204 programs in AHCCCS and DHS contingent upon the 6-month extension of the enhanced FMAP. The General Fund appropriation is offset by a \$(394,000,000) General Fund reduction which will be backfilled with enhanced FMAP monies. Laws 2010, Chapter 232 is expected to be cost neutral, and is displayed as a zero appropriation..
- 5/ Laws 2010, 7th Special Session, Chapter 1 appropriates \$1,312,315,900 for the payment of FY 2011 payment deferrals into FY 2012 as follows: AHCCCS - \$117,688,200; DES - \$42,000,000; ADE - \$952,627,700; Universities - \$200,000,000.
- 6/ Laws 2009, 1st Regular Session, Chapter 1 appropriates \$4,659,700 and \$5,204,500 from the General Fund to the Arizona Property and Casualty Insurance Guaranty Fund and the Life and Disability Insurance Guaranty Fund, respectively, in each of FY 2012, FY 2013 and FY 2014.
- 7/ Monies appropriated in Laws 2009, Chapter 11 are combined with those appropriated in the Trailer bill, Laws 2009, Chapter 12.
- 8/ Laws 2007, Chapter 260 appropriates \$25,000,000 annually from the General Fund, through FY 2011, to the Arizona 21st Century Fund. Laws 2008, Chapter 291 reduced the appropriation for FY 2009 by \$2,500,000 and increases the FY 2011 appropriation by \$2,500,000 to \$27,500,000. Laws 2009, 3rd Special Session, Chapter 7 and Laws 2010, 7th Special Session, Chapter 5 eliminate the appropriations for FY 2010 and FY 2011, respectively.
- 9/ Laws 2007, Chapter 263 appropriates \$1,000,000 annually, through FY 2012, to the Arizona Biomedical Research Commission for a repository to store human stem cells of non-embryonic origin. Laws 2009, 3rd Special Session, Chapter 10 eliminates the appropriation in FY 2010 through FY 2012.
- 10/ Laws 2006, Chapter 378 appropriates \$75,000 in FY 2007 and \$30,000 in Fiscal Years 2008 through 2011.
- 11/ The Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) appropriates a total of \$4,000,000 annually, through FY 2010, for the Arizona Partnership for Nursing Education Demonstration Project.
- 12/ Permanent law authorizes these appropriations and allocations.
- 13/ Starting in FY 2008 and continuing through FY 2031, A.R.S. § 15-1670 annually appropriates the collective total of \$34,625,000 to Arizona State University, Northern Arizona University, and the University of Arizona for debt service on research infrastructure projects.
- 14/ In an emergency, the Governor can order the withdrawal of these monies from the General Fund without specific appropriation authority.
- 15/ Laws 2009, 3rd Special Session, Chapter 7 and Laws 2010, 7th Special Session, Chapter 5 reduce the appropriation by \$1,100,000 for FY 2010 and FY 2011, respectively.
- 16/ Laws 2009, 3rd Special Session, Chapter 5 shifted the \$3,000,000 appropriation from the General Fund to the State Parks Heritage Fund for FY 2010.
- 17/ In November 1998, Arizona voters approved Proposition 300, which annually appropriates, from FY 2001 through FY 2011, \$20,000,000 from the General Fund. The monies provide grants to purchase state trust lands for conservation purposes. All grants must be matched by the public or private recipient.
- 18/ A.R.S. § 42-5029D(4b) establishes a formula for this amount, based on prior year tourism receipts. The FY 2010 and FY 2011 amounts represent estimates from the formula. Laws 2009, 3rd Special Session, Chapter 7 reduces this amount by \$4,088,100 FY 2010. Laws 2010, 7th Special Session, Chapter 12 eliminated the Tourism funding formula which reduced the FY 2011 appropriation to zero. Subsequent legislation restored the formula in a manner that requires specific legislative action to fund the distribution, so the FY 2012 amount is assumed to be zero.
- 19/ Laws 2009, 3rd Special Session, Chapter 5 and Laws 2010, 7th Special Session, Chapter 7 suspended the appropriation for FY 2010 and FY 2011, respectively.
- 20/ A.R.S. § 49-282 directs \$18,000,000 annually to the Water Quality Assurance Revolving Fund (WQARF). The statute instructs the State Treasurer to transfer \$15,000,000 from corporate income tax receipts into WQARF at the start of each fiscal year. The statute also instructs the State Treasurer to adjust the corporate income tax deposit at the end of each fiscal year to supplement other deposits, so that WQARF receives \$18,000,000 total from all sources. Laws 2009, Chapter 12, and Laws 2010, 7th Special Session, Chapter 7 reduce the appropriations by \$8,000,000 for FY 2010 and FY 2011, respectively.
- 21/ Laws 2004, Chapter 235 appropriates, in perpetuity, \$4,900,000 annually to the Department of Commerce and \$100,000 annually to the Office of the Attorney General for the support of military installations in the state. Laws 2009, 3rd Special Session, Chapter 7, and Laws 2010, 7th Special Session, Chapter 5 reduce the appropriation \$2,800,000 in FY 2010 and FY 2011, respectively. Laws 2010, Chapter 208 shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency and Military Affairs (DEMA) beginning on January 1, 2011 and reduces the Attorney General appropriation to \$85,000 and increases the DEMAs appropriation to \$4,915,000.

SUMMARY OF BUDGET-RELATED VEToes

There were no budget-related vetoes in the sessions following publication of the *FY 2010 Appropriations Report* in September 2009.

SUMMARY OF OTHER FUND APPROPRIATIONS
By Individual Chapter
For Fiscal Years 2010 and 2011 ^{1/2/3/}

Chap. Bill No. Number Reference Title	FY 2010 Other Fund	FY 2011 Other Fund
<u>Forty-Ninth Legislature - Second Regular Session</u>		
50 HB 2389 ASRS; Plan Design; Refunds		1,341,700
232 SB 1043 Health Care; Programs; Coverage		40,900,000
274 SB 1238 Appropriation; Asian Citrus Psyllid Eradication		60,000
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION	0	42,301,700
<u>Forty-Ninth Legislature - Seventh Special Session</u>		
1 HB 2001 General Appropriations; 2009-2010; 2010-2011	(125,206,400)	2,673,992,700
2 HB 2002 Capital Outlay Appropriations; 2010-2011		208,144,100 C
5 HB 2005 General Government; Budget Reconciliation; 2010-2011		2,492,400
6 HB 2006 Criminal Justice; Budget Reconciliation; 2010-2011		(2,460,000)
SUBTOTAL APPROPRIATIONS - 7th SPECIAL SESSION	(125,206,400)	2,882,169,200
<u>Forty-Ninth Legislature - Fifth Special Session</u>		
1 SB 1001 2009-2010; General Appropriation Reductions; Transfers	(24,712,400)	
SUBTOTAL APPROPRIATIONS - 5th SPECIAL SESSION	(24,712,400)	0
<u>Forty-Ninth Legislature - Fourth Special Session</u>		
1 SB 1001 General Appropriations; 2009-2010	7,841,700	
SUBTOTAL APPROPRIATIONS - 4th SPECIAL SESSION	7,841,700	0
<u>Forty-Ninth Legislature - Third Special Session</u>		
5 HB 2014 Environment; Budget Reconciliation	12,773,500	
6 HB 2010 Criminal Justice; Budget Reconciliation	(2,504,000)	
7 HB 2008 General Government; Budget Reconciliation	2,141,000	
10 HB 2013 Health and Welfare; Budget Reconciliation	4,493,400	
11 HB 2006 General Appropriations; Fiscal Year 2009-2010	(8,341,700)	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION	8,562,200	0
<u>Forty-Ninth Legislature - First Regular Session</u>		
10 SB 1027 Capital Outlay; FY 2009-2010	223,608,600 C	
11 SB 1188 General Appropriations; FY 2009-2010	-- 4/	
12 HB 2643 General Appropriations; 2009-2010; Trailer	2,940,230,600 4/5/	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION	3,163,839,200	0
<u>Forty-Eighth Legislature - First Regular Session</u>		
261 HB 2787 Budget Reconciliation; Criminal Justice	3,484,000 6/ *	3,440,000 6/ *
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION	3,484,000	3,440,000
<u>Forty-Fifth Legislature - Second Regular Session</u>		
186 SB 1270 Biotechnology Research	500,000 *	500,000 7/ *
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION	500,000	500,000
TOTAL APPROPRIATIONS	3,034,308,300	2,928,410,900

* Appropriation beyond FY 2011.

C Designates a capital appropriation. All other appropriations are operating appropriations.

1/ For FY 2010 and FY 2011, this table summarizes all Other Fund appropriations enacted in any session.

2/ All appropriations have been rounded to the nearest \$100.

3/ Excludes administrative adjustments, revertsments, and statutory revertsments.

4/ Monies appropriated in Laws 2009, Chapter 11 are combined with those appropriated in the Trailer bill, Laws 2009, Chapter 12.

5/ Includes an increase of \$56,430,000 for university tuition, and an increase of \$4,627,900 to State Lottery Commission.

6/ Appropriates \$3,484,000 in FY 2010, \$3,440,000 in FY 2011, and \$3,520,000 in FY 2012 from the Arizona Deoxyribonucleic Acid Identification Fund for operating and capital expenses to conduct and implement DNA testing. Laws 2009, 3rd Special Session, Chapter 6 and Laws 2010, 7th Special Session, Chapter 6 reduces appropriation by \$(2,504,000) in FY 2010 and \$(2,460,000), respectively.

7/ Laws 2002, Chapter 186 appropriates \$500,000 from the Tobacco Tax Health Research Account each year through FY 2012.

**SUMMARY OF APPROPRIATED FUNDS
By Agency For Fiscal Years 2010 and 2011 I/**

	Fiscal Year 2010			Fiscal Year 2011		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
BUDGET UNITS						
Accountancy, State Board of	\$0	\$1,901,200	\$1,901,200	\$0	\$1,884,000	\$1,884,000
Acupuncture Examiners, Board of	0	129,500	129,500	0	126,400	126,400
Administration, AZ Department of	19,617,000	171,570,300	191,187,300	17,734,300	164,329,200	182,063,500
Administrative Hearings, Office of	933,300	14,500	947,800	908,200	14,500	922,700
Agriculture, AZ Department of	8,577,800	3,310,200	11,888,000	8,434,300	3,381,400	11,815,700
AHCCCS	1,217,129,600	181,666,900	1,398,796,500	1,376,901,300	106,787,300	1,483,688,600
Appraisal, State Board of	0	623,800	623,800	0	616,600	616,600
Arts, Arizona Commission on the	822,500	0	822,500	665,600	0	665,600
Attorney General - Department of Law	17,968,800	38,409,600	56,378,400	17,548,000	37,721,900	55,269,900
Automobile Theft Authority	0	5,139,800	5,139,800	0	5,134,800	5,134,800
Barbers, Board of	0	329,500	329,500	0	345,100	345,100
Behavioral Health Examiners, Board of	0	1,377,700	1,377,700	0	1,437,700	1,437,700
Biomedical Research Commission, Arizona	0	500,000	500,000	0	500,000	500,000
Capital Postconviction Public Defender Ofc, State	646,300	0	646,300	635,800	0	635,800
Charter Schools, State Board for	823,100	0	823,100	802,600	0	802,600
Chiropractic Examiners, State Board of	0	476,100	476,100	0	442,400	442,400
Commerce, Department of	6,220,100	4,367,400	10,587,500	3,566,500	4,357,400	7,923,900
Community Colleges, Arizona	135,344,300	0	135,344,300	135,344,300	0	135,344,300
Constable Ethics Standards & Training Board	0	0	0	0	0	0
Contractors, Registrar of	0	12,224,200	12,224,200	0	12,181,000	12,181,000
Corporation Commission	589,100	24,868,900	25,458,000	622,200	24,146,700	24,768,900
Corrections, State Department of	890,390,700	43,652,900	934,043,600	948,692,900	43,654,600	992,346,900
Cosmetology, Board of	0	1,758,200	1,758,200	0	1,739,800	1,739,800
Criminal Justice Commission, Arizona	0	6,001,600	6,001,600	0	6,323,200	6,323,200
Deaf and the Blind, Schools for the	21,261,000	14,798,100	36,059,100	22,045,400	14,729,500	36,774,900
Deaf and the Hard of Hearing, Comm. for the	0	4,077,900	4,077,900	0	3,972,400	3,972,400
Dental Examiners, State Board of	0	1,105,700	1,105,700	0	1,150,100	1,150,100
Drug & Gang Prevention Resource Center	0	579,600	579,600	0	344,400	344,400
Economic Security, Department of	531,962,500	493,933,200	1,025,895,700	634,103,900	470,996,000	1,105,099,900
Education, Department of	3,165,102,400	55,759,100	3,220,861,500	3,491,223,400	55,776,200	3,546,999,600
Emergency & Military Affairs, Dept of	10,488,200	132,700	10,620,900	10,430,600	132,700	10,563,300
Environmental Quality, Department of	12,772,100	65,769,200	78,541,300	7,000,000	65,492,000	72,492,000
Equal Opportunity, Governor's Office of	196,400	0	196,400	194,400	0	194,400
Equalization, State Board of	672,000	0	672,000	661,000	0	661,000
Executive Clemency, Board of	879,600	0	879,600	865,400	0	865,400
Exposition and State Fair Board, AZ	0	13,748,900	13,748,900	0	11,085,300	11,085,300
Financial Institutions, Department of	2,970,300	0	2,970,300	2,903,100	792,700	3,695,800
Fire, Building and Life Safety, Department of	2,183,200	0	2,183,200	2,014,400	0	2,014,400
Forester, State 2/	3,194,300	3,075,000	6,269,300	5,971,100	0	5,971,100
Funeral Directors and Embalmers, Board of	0	350,800	350,800	0	344,100	344,100
Game and Fish Department, AZ	0	39,922,100	39,922,100	0	39,756,600	39,756,600
Gaming, Department of	0	13,181,900	13,181,900	0	12,239,100	12,239,100
Geological Survey, Arizona	800,900	0	800,900	794,100	0	794,100
Government Information Tech. Agency	756,700	7,133,700	7,890,400	742,000	7,072,300	7,814,300
Governor, Office of the	7,036,300	0	7,036,300	6,960,900	0	6,960,900
Gov's Ofc of Strategic Planning & Budgeting	1,990,600	0	1,990,600	1,936,400	0	1,936,400
Health Services, Department of	476,696,600	80,386,100	557,082,700	438,939,000	83,002,700	521,941,700
Historical Society, Arizona	3,868,300	194,200	4,062,500	5,861,400	430,800	6,292,200
Historical Society, Prescott	691,300	0	691,300	673,700	0	673,700
Homeopathic & Integrated Medicine Examiners, Board of	0	104,800	104,800	0	116,900	116,900
Housing, AZ Department of	0	948,500	948,500	0	927,200	927,200
Independent Redistricting Commission	0	0	0	500,000	0	500,000
Indian Affairs, AZ Commission of	117,100	0	117,100	63,100	0	63,100
Industrial Commission of AZ	0	19,966,700	19,966,700	0	19,715,700	19,715,700
Insurance, Department of	5,619,400	0	5,619,400	5,468,800	0	5,468,800
Judiciary						
Supreme Court	17,248,600	35,929,200	53,177,800	20,017,900	34,221,500	54,239,400
Court of Appeals	14,058,600	0	14,058,600	14,712,700	0	14,712,700
Superior Court	88,189,600	12,506,300	100,695,900	79,155,900	12,469,400	91,625,300
SUBTOTAL - Judiciary	119,496,800	48,435,500	167,932,300	113,886,500	46,690,900	160,577,400
Juvenile Corrections, Department of	63,284,100	3,933,300	67,217,400	57,008,100	3,900,100	60,908,200
Land Department, State 2/	3,421,000	10,970,400	14,391,400	3,212,300	10,648,400	13,860,700
Law Enforcement Merit System Council	71,800	0	71,800	69,500	0	69,500
Legislature						
Auditor General	16,533,100	0	16,533,100	16,447,200	0	16,447,200
House of Representatives	12,987,700	0	12,987,700	12,864,900	0	12,864,900
Joint Legislative Budget Committee	2,545,200	0	2,545,200	2,496,700	0	2,496,700
Legislative Council	4,850,500	0	4,850,500	4,738,800	0	4,738,800
Library, Archives & Public Records, AZ State 2/	0	0	0	0	0	0
Senate	8,234,800	0	8,234,800	8,097,600	0	8,097,600
SUBTOTAL - Legislature	45,151,300	0	45,151,300	44,645,200	0	44,645,200
Liquor Licenses & Control, Department of	702,700	1,942,300	2,645,000	0	2,667,200	2,667,200
Lottery Commission, AZ State	0	78,465,000	78,465,000	0	81,041,200	81,041,200
Medical Board, Arizona	0	5,848,700	5,848,700	0	5,771,100	5,771,100
Medical Student Loans, Board of	801,900	47,000	848,900	402,900	29,000	431,900
Mine Inspector, State	1,160,300	155,700	1,316,000	1,127,600	111,500	1,239,100
Mines & Mineral Resources, Department of	858,200	0	858,200	226,100	0	226,100
Naturopathic Physicians Medical Board	0	604,400	604,400	0	595,100	595,100
Navigable Stream Adjudication Commission	136,200	0	136,200	133,500	0	133,500

	Fiscal Year 2010			Fiscal Year 2011		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Nursing, State Board of	0	4,149,900	4,149,900	0	4,074,400	4,074,400
Nursing Care Institution Administrators Board 4/	0	379,200	379,200	0	373,200	373,200
Occupational Therapy Examiners, Board of	0	246,200	246,200	0	261,700	261,700
Opticians, State Board of Dispensing	0	125,100	125,100	0	128,000	128,000
Optometry, State Board of	0	203,100	203,100	0	199,200	199,200
Osteopathic Examiners, AZ Board of	0	701,300	701,300	0	702,700	702,700
Parks Board, Arizona State	20,000,000	9,373,400	29,373,400	20,000,000	9,106,100	29,106,100
Personnel Board	0	328,900	328,900	0	373,200	373,200
Pest Management, Office of	0	2,660,800	2,660,800	0	2,268,900	2,268,900
Pharmacy, AZ State Board of	0	1,929,600	1,929,600	0	1,949,000	1,949,000
Physical Therapy Examiners, Board of	0	361,600	361,600	0	355,900	355,900
Pioneers' Home, AZ	0	6,723,300	6,723,300	1,570,900	4,606,500	6,177,400
Podiatry Examiners, State Board of	0	144,400	144,400	0	142,400	142,400
Postsecondary Education, Commission for	4,042,000	3,854,000	7,896,000	1,220,800	3,837,500	5,058,300
Private Postsecondary Education, Board for	0	336,700	336,700	0	330,500	330,500
Psychologist Examiners, State Board of	0	401,400	401,400	0	359,500	359,500
Public Safety, Department of	43,569,200	190,639,100	234,208,300	43,070,300	176,210,400	219,280,700
Racing, Arizona Department of	5,676,000	0	5,676,000	3,863,600	0	3,863,600
Radiation Regulatory Agency	1,416,800	269,000	1,685,800	1,396,500	265,200	1,661,700
Rangers' Pensions, Arizona	14,000	0	14,000	14,200	0	14,200
Real Estate Department, State	3,018,600	0	3,018,600	2,987,300	0	2,987,300
Residential Utility Consumer Office	0	1,307,600	1,307,600	0	1,287,100	1,287,100
Respiratory Care Examiners, Board of	0	262,700	262,700	0	263,000	263,000
Retirement System, Arizona State	0	23,230,100	23,230,100	0	24,711,800	24,711,800
Revenue, Department of	37,543,400	23,730,500	61,273,900	43,709,000	23,726,300	67,435,300
School Facilities Board	104,778,300	0	104,778,300	67,580,500	0	67,580,500
Secretary of State 3/	18,393,000	8,500,000	26,893,000	13,301,800	9,602,900	22,904,700
State Boards' Office	0	284,900	284,900	0	220,900	220,900
Tax Appeals, State Board of	258,500	0	258,500	252,700	0	252,700
Technical Registration, State Board of	0	1,754,800	1,754,800	0	1,729,200	1,729,200
Tourism, Office of	10,655,200	0	10,655,200	0	0	0
Transportation, Department of	58,400	358,378,500	358,436,900	54,600	360,207,200	360,261,800
Treasurer, State	3,606,800	88,300	3,695,100	1,115,100	2,583,300	3,698,400
Universities						
Arizona State University - Tempe/DPC	288,211,000	316,565,200	604,776,200	326,349,100	334,243,300	660,592,400
Arizona State University - East Campus	23,001,200	31,612,300	54,613,500	25,101,300	32,792,200	57,893,500
Arizona State University - West Campus	38,896,900	29,907,400	68,804,300	43,935,700	28,506,800	72,442,500
Northern Arizona University	117,864,100	73,068,900	190,933,000	133,118,100	78,308,200	211,426,300
Board of Regents	18,594,600	0	18,594,600	17,135,400	0	17,135,400
University of Arizona - Main Campus	237,210,700	215,379,200	452,589,900	271,315,400	219,265,500	490,580,900
University of Arizona - Health Sciences Center	67,870,600	21,380,000	89,250,600	73,234,900	22,259,200	95,494,100
SUBTOTAL - Universities	791,649,100	687,913,000	1,479,562,100	890,189,900	715,375,200	1,605,565,100
Veterans' Services, Department of	6,996,600	15,182,600	22,179,200	5,392,700	17,717,100	23,109,800
Veterinary Medical Examining Board	0	470,000	470,000	0	461,700	461,700
Water Resources, Department of	16,874,000	951,200	17,825,200	7,052,900	268,300	7,321,200
Weights and Measures, Department of	1,216,200	1,746,400	2,962,600	1,197,800	1,727,000	2,924,800
OPERATING BUDGET SUBTOTAL	\$7,853,172,200	\$2,810,520,400	\$10,663,692,600	\$8,475,890,400	\$2,720,079,900	\$11,195,970,300
Unallocated Health Insurance - FY 11	0	0	0	0	186,900	186,900
Unallocated Health Insurance - FY 10	0	179,300	179,300	0	0	0
OPERATING TOTAL	\$7,853,172,200	\$2,810,699,700	\$10,663,871,900	\$8,475,890,400	\$2,720,266,800	\$11,196,157,200
OPERATING BUDGET APPROPRIATIONS	\$7,853,172,200	\$2,810,699,700	\$10,663,871,900	\$8,475,890,400	\$2,720,266,800	\$11,196,157,200
One-time Revertments	(6,733,400)	0	(6,733,400)	0	0	0
Veterinary Med Bd Backfil	250,000	0	250,000	0	0	0
Psychologist Examiners Backfil	300,000	0	300,000	25,000	0	25,000
Chiropractors Backfil	148,000	0	148,000	0	0	0
Funeral Directors Backfil	100,000	0	100,000	0	0	0
State Parks Board Backfill	213,900	0	213,900	0	0	0
Tourism Fund Restoration	200,000	0	200,000	0	0	0
Asset Sale and Lease-Back Debt Service	0	0	0	54,826,600	0	54,826,600
Unallocated Lease-Purchase Adjustments	0	0	0	190,300	0	190,300
Capital	10,400,000	223,608,600	234,008,600	4,000,000	208,144,100	212,144,100
Capital Revertments	(450,000)	0	(450,000)	0	0	0
Administrative Adjustments	72,731,600	0	72,731,600	73,607,000	0	73,607,000
Revertments	(113,241,600)	0	(113,241,600)	(112,905,100)	0	(112,905,100)
GRAND TOTAL	\$7,817,090,700	\$3,034,308,300	\$10,851,399,000	\$8,495,634,200	\$2,928,410,900	\$11,424,045,100

1/ This table summarizes FY 2010 and FY 2011 appropriations from the 2nd Regular Session, 4th, 5th, 6th and 7th Special Sessions of the 49th Legislature and all prior sessions.

2/ State Forester is separately appropriated from the State Land Department starting in FY 2011. FY 2010 has been adjusted for comparability.

3/ Monies for the Library and Archives are now shown in as a division within the Secretary of State.

4/ The full agency name is the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Manager

SUMMARY OF CAPITAL OUTLAY APPROPRIATIONS
(Capital Outlay Bill and Other Bills with Capital Appropriations) ^{1/2/3/}

	FY 2010		FY 2011	
	General Fund	Other Funds	General Fund	Other Funds
<u>ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM</u>				
Administration, Arizona Department of				
Building Renewal for ADOA System <u>4/ 5/ 6/</u>		1,000,000	4,000,000	1,000,000
Exposition and State Fair Board, Arizona				
Building Renewal <u>7/</u>		1,832,900		0
Pari-Mutuel Offset <u>8/</u>	400,000			
Subtotal - Arizona Exposition and State Fair Board	\$400,000	\$1,832,900	\$0	\$0
Game and Fish Department, Arizona				
Building Renewal <u>9/</u>		473,200		506,800
Statewide Preventative Maintenance		30,000		30,000
Shooting Range Access Improvements		150,000		200,000
Regional (Pinetop) Office Canopies		30,000		
Regional (Pinetop) Office Paving Project		75,000		
Radio Tower		250,000		250,000
Ben Avery Shooting Range Improvements		950,000		800,000
Regional (Kingman) Office Remodel/Expansion		889,500		
Silver Creek Hatchery Remodel/Expansion		1,900,000		1,000,000
Migratory Waterfowl Habitat				100,000
Regional (Yuma) Office Paving Project				60,000
Subtotal - Arizona Game and Fish Department	\$0	\$4,747,700	\$0	\$2,946,800
Lottery Commission, Arizona State				
Building Renewal		0		75,600
Department of Veterans' Services				
Southern Arizona Veterans' Home <u>10/</u>	10,000,000			
SUBTOTAL - ADOA BUILDING SYSTEM	\$10,400,000	\$7,580,600	\$4,000,000	\$4,022,400
<u>ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM</u>				
Arizona Department of Transportation				
Building Renewal <u>4/</u>		1,050,000 ^{11/}		1,050,000
Airport Planning and Development <u>12/</u>		27,128,000		22,477,700
Highway Construction <u>13/</u>		187,850,000		180,594,000
SUBTOTAL - ADOT BUILDING SYSTEM	\$0	\$216,028,000	\$0	\$204,121,700
GRAND TOTAL - ALL APPROPRIATIONS	\$10,400,000	\$223,608,600	\$4,000,000	\$208,144,100

SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION

Laws 2010, 7th Special Session			4,000,000	208,144,100
Laws 2009, 1st Regular Session	400,000	223,608,600		
Laws 2009, 1st Special Session	10,000,000			

^{1/} This table summarizes all Capital appropriations for FY 2010 and FY 2011 from the 1st Regular, 1st Special, and 7th Special Sessions of the 49th Legislature. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances. More detail on these projects can be found starting on page 360 of this report.

^{2/} Unless otherwise noted, FY 2011 amounts represent appropriations from the FY 2011 Capital Outlay Bill (Laws 2010, 7th Special Session, Chapter 2).

^{3/} A.R.S. § 41-1252 requires review of any capital projects over \$250,000 by the Joint Committee on Capital Review (JCCR).

^{4/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2011 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. Of the amounts appropriated to the Arizona Department of Administration (ADOA), up to \$275,000 in Personal Services and Employee Related Expenditures (ERE) 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 ERE or for maintenance contracts on building components and equipment without review by the JCCR. Any monies appropriated for building renewal in FY 2011 that are unexpended or unencumbered on June 30, 2012 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)

- 5/ 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 ADOA from the COSF and the balance in COSF. (Capital Outlay Appropriation Act footnote)
- 6/ The FY 2010 appropriation represents 3% of the building renewal formula, while the FY 2011 appropriation represents 15%.
- 7/ The FY 2010 appropriation represents 100% of the building renewal formula, while the FY 2011 appropriation represents 0%.
- 8/ An amount of \$400,000 is appropriated from the General Fund for the Exposition and State Fair Board Capital Outlay in FY 2010 to offset losses in pari-mutuel revenues.
- 9/ Both the FY 2010 and FY 2011 appropriations represent 100% funding of the building renewal formula.
- 10/ Laws 2006, Chapter 356 originally appropriated \$10,000,000 in FY 2007, however, Laws 2008, Chapter 53 reverted the entire appropriation back to the General Fund in FY 2008 and reappropriated the \$10,000,000 back to the department in FY 2009. Then Laws 2009, 1st Special Session, Chapter 2 reverted the entire appropriation back to the General Fund in FY 2009 and appropriated the \$10,000,000 back to the department again in FY 2010.
- 11/ Includes \$1,000,000 from the State Highway Fund (SHF) to fund 12% of the portion of the revised building renewal formula in FY 2010 and 11% in FY 2011. Also includes \$50,000 from the State Aviation Fund to fund 31% of the formula in FY 2010 and 37% in FY 2011.
- 12/ The 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. (Capital Outlay Appropriation Act footnote)
- 13/ The amount appropriated for highway construction is from the SHF 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 contracted field administration and field engineering on construction projects, and debt service payments on bonds issued for highway construction. Any balances and collections in the SHF 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. (Capital Outlay Appropriation Act footnote)

SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS ^{1/2/}
(Other Than FY 2011 General Appropriation Act and All Capital Outlay Appropriations)

GENERAL FUND

	FY 2010	FY 2011
Administration, Arizona Department of		
Laws 2010, 2nd Regular Session, Ch. 246 (SB 1212) Appropriations for Named Claimants	101,600	
AHCCCS ^{3/}		
Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage		79,000,000 ^{4/}
Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage		9,000,000
Laws 2010, 7th Special Session, Ch. 10 (HB 2010) Health Budget Reconciliation Bill (BRB)		3,000,000
Laws 2009, 1st Regular Session, Ch. 12 (HB 2643) - FY 2010 General Appropriation Act		118,032,200
	0	209,032,200
Attorney General - Department of Law		
41-1512.02 - Military Airport Planning; Appropriation	100,000	100,000 ^{5/}
Commerce, Department of		
41-1512.02 - Military Airport Planning; Appropriation	4,900,000	4,900,000
Laws 2010, 7th Special Session, Ch. 5 (HB 2005) - General Government BRB		(2,800,000)
Laws 2009, 3rd Special Session, Ch. 7 (HB 2008) - General Government BRB	(2,800,000)	(2,800,000)
	2,100,000	2,100,000 ^{5/}
Community Colleges		
42-5031.01 - Indian Tribal Postsecondary Educational Institutions	1,918,000	1,918,000
Economic Security, Department of ^{3/}		
Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage		(43,000,000) ^{4/}
Laws 2009, 1st Regular Session, Ch. 12 (HB 2643) - FY 2010 General Appropriation Act		42,000,000
	0	(1,000,000)
Education, Department of ^{3/}		
Laws 2010, Ch. 306 (SB 1284) School Finance Revisions		429,700
Laws 2009, 3rd Special Session, Ch. 12 (HB 2001) K-12 BRB		603,513,900
	0	603,943,600
Emergency and Military Affairs, Department of		
Laws 2009, 1st Regular Session, Ch. 73 (SB 1316) Nuclear Emergency Management; Appropriations; Assessments	895,100	929,500
35-192 - Governor's Emergency Authority	4,000,000	4,000,000
Laws 2010, 7th Special Session, Ch. 5 (HB 2005) General Government BRB	0	(1,100,000)
Laws 2009, 3rd Special Session, Ch. 7 (HB 2008) General Government BRB	(1,100,000)	0
	3,795,100	3,829,500
Environmental Quality, Department of		
49-282 - WQARF Priority Site Remediation	15,000,000	15,000,000
Laws 2010, 7th Special Session, Ch. 7 (HB 2007) Environment BRB	0	(8,000,000)
	15,000,000	7,000,000
Forester, State		
37-623 - Wild Land Fire Emergency		3,000,000 ^{6/}
Health Services, Department of		
Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage		(45,000,000) ^{4/}
Historical Society, Arizona		
Laws 2010, 2nd Regular Session, Ch. 227 (HB 2251) Historical Society; Transfer; Centennial Museum		589,700
Land Department, State		
37-623 - Wild Land Fire Emergency	3,000,000	
Laws 2009, 3rd Special Session, Ch 5 (HB 2014) Environment BRB	(3,000,000)	
	0	0 ^{6/}
Mine Inspector, State		
Laws 2010, 2nd Regular Session, Ch. 246 (SB 1212) Appropriations for Named Claimants		1,700
Mines and Mineral Resources, Department of		
Laws 2010, 2nd Regular Session, Ch. 227 (HB 2251) Historical Society; Transfer; Centennial Museum		(589,700)
Parks Board, State		
41-511.23 - Growing Smarter	20,000,000	20,000,000
Radiation Regulatory Agency		
Laws 2009, 1st Regular Session, Ch. 73 (SB 1316) Nuclear Emergency Management; Appropriations; Assessments	628,000	639,500
Revenue, Department of		
Laws 2006, Ch. 378 (HB 2177) Health Insurance Premium Tax Credits	30,000	30,000

Tourism, Office of

42-5029 - Tax Distribution to Tourism Fund

Laws 2010, 7th Special Session, Ch. 12 (HB 2012) Revenues BRB

Laws 2009, 3rd Special Session, Ch. 7 (HB 2008) General Government BRB

	0	0
	10,655,200	0
	<u>10,655,200</u>	<u>0</u>

Treasurer, State

Laws 2010, 2nd Regular Session, Ch. 5 (HB 2005) General Government BRB

(2,492,400) 7/**Regents, Arizona Board of**

Laws 2009, 3rd Special Session, Ch. 9 (HB 2012) Higher Education BRB

(100,000,000) 100,000,000 3/**Arizona State University - Tempe/DPC**

15-1670 - University Research Infrastructure Financing

13,555,000 13,555,000

Arizona State University - West Campus

15-1670 - University Research Infrastructure Financing

917,000 917,000

Northern Arizona University

15-1670 - University Research Infrastructure Financing

5,900,000 5,900,000

University of Arizona - Main Campus

15-1670 - University Research Infrastructure Financing

14,253,000 14,253,000

Water Resources, Department of

45-2112 - Arizona Water Protection Fund Deposit

Laws 2010, 7th Special Session, Ch. 7 (HB 2007) Environment BRB

Laws 2009, 3rd Special Session, Ch. 5 (HB 2014) Environment BRB

	5,000,000	5,000,000
	(5,000,000)	(5,000,000)
	<u>0</u>	<u>0</u>

GENERAL FUND TOTAL

	<u>(11,047,100)</u>	<u>937,727,100</u>
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OTHER FUNDS**Agriculture, Arizona Department of**

Laws 2010, 2nd Regular Session, Ch. 274 (SB 1238) Appropriation; Asian Citrus Psyllid Eradication

	<u>FY 2010</u>	<u>FY 2011</u>
		60,000

AHCCCS

Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage

40,900,000

Biomedical Research Commission, Arizona

Laws 2002, Ch. 186 (SB 1270) Biotechnology Research

500,000 500,000

Land Department, State37-623 - Wild Land Fire Emergency^{6/}

Laws 2009, 3rd Special Session, Ch. 5 (HB 2014) Environment BRB

3,000,000

Public Safety, Department of

Laws 2007, Ch. 261 (HB 2787) - Criminal Justice BRB

Laws 2010, 7th Special Session, Ch. 6 (HB 2006) Criminal Justice BRB

Laws 2009, 3rd Special Session, Ch. 6 (HB 2010) Criminal Justice BRB

	3,484,000	3,440,000
	0	(2,460,000)
	<u>(2,504,000)</u>	<u>0</u>
	980,000	980,000

Retirement System, Arizona State

Laws 2010, 2nd Regular Session, Ch. 50 (HB 2389) ASRS; plan designs; refunds

1,341,700

Treasurer, State

Laws 2010, 2nd Regular Session, Ch. 5 (HB 2005) General Government BRB

2,492,400 7/**OTHER FUNDS TOTAL**

	<u>4,480,000</u>	<u>46,274,100</u>
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^{1/} All appropriations have been rounded to the nearest \$100.^{2/} Excludes the FY 2011 General Appropriation Act and All Capital Outlay Appropriations.^{3/} All payment deferrals except for the Universities' \$100,000,000 rollover are included in the General Appropriation Act.^{4/} If the federal government extends the enhanced federal match rate through June 30, 2011, these appropriations and reductions are made in FY 2011. If the condition is met, it is the intent of the Legislature that AHCCCS spend an additional \$361,000,000 in General Fund monies in FY 2011 on Proposition 204 costs and that the Department of Health Services spend an additional \$24,000,000 in General Fund monies in FY 2011 on Proposition 204 costs. The *FY 2011 Appropriations Report* is displayed as if the enhanced federal match has been enacted.^{5/} Laws 2010, 2nd Regular Session, Chapter 208 shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency & Military Affairs beginning on January 1, 2011. Upon the general effective date of Chapter 208, the legislation increases the amount appropriated for administration of the fund from \$75,000 to \$90,000 and decreases the Attorney General's appropriation from \$100,000 to \$85,000. In addition, A.R.S. § 41-1512.02 is transferred and renumbered as A.R.S. § 26-263.^{6/} The Wild Land Fire Emergency appropriation was shifted from the State Land Department to the State Forester in FY 2011^{7/} This legislation includes a decrease of \$(2,492,400) from the General Fund and a corresponding increase from the State Treasurer's Operating Fund in FY 2011 to shift the Treasurer's operating budget to management fees.

**SUMMARY OF TOTAL SPENDING AUTHORITY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
For Fiscal Years 2010 and 2011**

	Fiscal Year 2010			Fiscal Year 2011		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds 1/		General and Other Funds	Federal and Other Funds 1/	
BUDGET UNITS						
Accountancy, State Board of	\$1,901,200	\$0	\$1,901,200	\$1,884,000	\$0	\$1,884,000
Acupuncture Examiners, Board of	129,500	0	129,500	126,400	0	126,400
Administration, AZ Department of	191,187,300	934,929,700	1,126,117,000	182,063,500	967,615,500	1,149,679,000
Administrative Hearings, Office of	947,800	1,400,500	2,348,300	922,700	1,400,500	2,323,200
Agriculture, AZ Department of	11,888,000	13,353,100	25,241,100	11,815,700	13,353,100	25,168,800
AHCCCS	1,398,796,500	5,832,641,600	7,231,438,100	1,483,688,600	6,371,886,500	7,855,575,100
Appraisal, State Board of	623,800	0	623,800	616,600	0	616,600
Arts, Arizona Commission on the	822,500	2,790,000	3,612,500	665,600	2,467,100	3,132,700
Attorney General - Department of Law	56,378,400	38,033,500	94,411,900	55,269,900	34,390,200	89,660,100
Automobile Theft Authority	5,139,800	0	5,139,800	5,134,800	0	5,134,800
Barbers, Board of	329,500	0	329,500	345,100	0	345,100
Behavioral Health Examiners, Board of	1,377,700	0	1,377,700	1,437,700	0	1,437,700
Biomedical Research Commission, Arizona	500,000	12,119,500	12,619,500	500,000	12,119,500	12,619,500
Capital Postconviction Public Defender Ofc, State	646,300	136,800	783,100	635,800	136,800	772,600
Charter Schools, State Board for	823,100	0	823,100	802,600	0	802,600
Chiropractic Examiners, State Board of	476,100	0	476,100	442,400	0	442,400
Citizens Clean Elections Commission	0	8,671,700	8,671,700	0	21,375,500	21,375,500
Commerce, Department of	10,587,500	56,643,300	67,230,800	7,923,900	56,643,300	64,567,200
Community Colleges, Arizona	135,344,300	14,336,400	149,680,700	135,344,300	15,108,300	150,452,600
Compensation Fund, State	0	419,100,000	419,100,000	0	358,400,000	358,400,000
Constable Ethics Standards & Training Board	0	308,500	308,500	0	308,500	308,500
Contractors, Registrar of	12,224,200	6,248,600	18,472,800	12,181,000	6,250,100	18,431,100
Corporation Commission	25,458,000	835,800	26,293,800	24,768,900	846,000	25,614,900
Corrections, State Department of	934,043,600	110,092,500	1,044,136,100	992,346,900	60,092,500	1,052,439,400
Cosmetology, Board of	1,758,200	0	1,758,200	1,739,800	0	1,739,800
Criminal Justice Commission, Arizona	6,001,600	28,245,900	34,247,500	6,323,200	28,187,200	34,510,400
Deaf and the Blind, Schools for the	36,059,100	23,450,100	59,509,200	36,774,900	23,450,100	60,225,000
Deaf and the Hard of Hearing, Comm. for the	4,077,900	0	4,077,900	3,972,400	0	3,972,400
Dental Examiners, State Board of	1,105,700	0	1,105,700	1,150,100	0	1,150,100
Drug & Gang Prevention Resource Center	579,600	227,600	807,200	344,400	227,600	572,000
Early Childhood Development & Health Board, AZ	0	159,099,600	159,099,600	0	78,260,800	78,260,800
Economic Security, Department of	1,025,895,700	2,898,140,900	3,924,036,600	1,105,099,900	2,132,052,000	3,237,151,900
Education, Department of	3,220,861,500	1,884,338,500	5,105,200,000	3,546,999,600	1,512,128,300	5,059,127,900
Emergency & Military Affairs, Dept of	10,620,900	77,406,700	88,027,600	10,563,300	77,406,700	87,970,000
Environmental Quality, Department of	78,541,300	247,440,400	325,981,700	72,492,000	247,440,400	319,932,400
Equal Opportunity, Governor's Office of	196,400	68,000	264,400	194,400	68,000	262,400
Equalization, State Board of	672,000	0	672,000	661,000	0	661,000
Executive Clemency, Board of	879,600	0	879,600	865,400	0	865,400
Exposition and State Fair Board, AZ	13,748,900	814,400	14,563,300	11,085,300	814,400	11,899,700
Financial Institutions, Department of	2,970,300	1,618,600	4,588,900	3,695,800	1,618,600	5,314,400
Fire, Building and Life Safety, Department of	2,183,200	1,701,000	3,884,200	2,014,400	1,701,000	3,715,400
Forester, State 2/	6,269,300	25,688,300	31,957,600	5,971,100	25,688,300	31,659,400
Funeral Directors and Embalmers, Board of	350,800	0	350,800	344,100	0	344,100
Game and Fish Department, AZ	39,922,100	63,353,800	103,275,900	39,756,600	64,816,000	104,572,600
Gaming, Department of	13,181,900	0	13,181,900	12,239,100	0	12,239,100
Geological Survey, Arizona	800,900	1,311,800	2,112,700	794,100	1,356,800	2,150,900
Government Information Tech. Agency	7,890,400	1,286,400	9,176,800	7,814,300	1,264,400	9,078,700
Governor, Office of the	7,036,300	16,024,100	23,060,400	6,960,900	12,455,300	19,416,200
Gov's Ofc of Strategic Planning & Budgeting	1,990,600	0	1,990,600	1,936,400	0	1,936,400
Health Services, Department of	557,082,700	1,464,946,200	2,022,028,900	521,941,700	1,477,191,700	1,999,133,400
Historical Society, Arizona	4,062,500	1,027,500	5,090,000	6,292,200	1,048,500	7,340,700
Historical Society, Prescott	691,300	869,900	1,561,200	673,700	869,900	1,543,600
Homeland Security, AZ Department of	0	47,607,000	47,607,000	0	47,607,000	47,607,000
Homeopathic & Integrated Medicine Examiners, Board of	104,800	0	104,800	116,900	0	116,900
Housing, AZ Department of	948,500	144,946,100	145,894,600	927,200	148,958,100	149,885,300
Independent Redistricting Commission	0	0	0	500,000	0	500,000
Indian Affairs, AZ Commission of	117,100	0	117,100	63,100	0	63,100
Industrial Commission of AZ	19,966,700	61,411,200	81,377,900	19,715,700	60,811,800	80,527,500
Insurance, Department of	5,619,400	7,225,800	12,845,200	5,468,800	7,265,700	12,734,500
Judiciary						
Supreme Court	53,177,800	19,701,300	72,879,100	54,239,400	19,701,300	73,940,700
Court of Appeals	14,058,600	0	14,058,600	14,712,700	0	14,712,700
Superior Court	100,695,900	8,227,700	108,923,600	91,625,300	8,227,700	99,853,000
SUBTOTAL - Judiciary	167,932,300	27,929,000	195,861,300	160,577,400	27,929,000	188,506,400
Juvenile Corrections, Department of	67,217,400	3,022,900	70,240,300	60,908,200	3,022,900	63,931,100
Land Department, State 2/	14,391,400	1,064,300	15,455,700	13,860,700	1,061,000	14,921,700
Law Enforcement Merit System Council	71,800	0	71,800	69,500	0	69,500
Legislature						
Auditor General	16,533,100	2,613,900	19,147,000	16,447,200	2,613,900	19,061,100
House of Representatives	12,987,700	0	12,987,700	12,864,900	0	12,864,900
Joint Legislative Budget Committee	2,545,200	0	2,545,200	2,496,700	0	2,496,700
Legislative Council	4,850,500	0	4,850,500	4,738,800	0	4,738,800
Library, Archives & Public Records, AZ State 3/	0	0	0	0	0	0
Senate	8,234,800	0	8,234,800	8,097,600	0	8,097,600
SUBTOTAL - Legislature	45,151,300	2,613,900	47,765,200	44,645,200	2,613,900	47,259,100
Liquor Licenses & Control, Department of	2,645,000	895,000	3,540,000	2,667,200	937,100	3,604,300
Lottery Commission, AZ State	78,465,000	335,121,700	413,586,700	81,041,200	338,400,900	419,442,100

	Fiscal Year 2010			Fiscal Year 2011		
	Appropriated	Non-	Total	Appropriated	Non-	Total
	General and Other Funds	Federal and Other Funds 1/		General and Other Funds	Federal and Other Funds 1/	
Medical Board, Arizona	5,848,700	0	5,848,700	5,771,100	0	5,771,100
Medical Student Loans, Board of	848,900	0	848,900	431,900	0	431,900
Mine Inspector, State	1,316,000	397,800	1,713,800	1,239,100	397,800	1,636,900
Mines & Mineral Resources, Department of	858,200	411,700	1,269,900	226,100	411,700	637,800
Naturopathic Physicians Medical Board	604,400	0	604,400	595,100	0	595,100
Navigable Stream Adjudication Commission	136,200	0	136,200	133,500	0	133,500
Nursing, State Board of	4,149,900	414,600	4,564,500	4,074,400	414,600	4,489,000
Nursing Care Institution Administrators Board 4/	379,200	0	379,200	373,200	0	373,200
Occupational Therapy Examiners, Board of	246,200	0	246,200	261,700	0	261,700
Opticians, State Board of Dispensing	125,100	0	125,100	128,000	0	128,000
Optometry, State Board of	203,100	0	203,100	199,200	0	199,200
Osteopathic Examiners, AZ Board of	701,300	0	701,300	702,700	0	702,700
Parents Commission on Drug Educ. & Prev., AZ	0	2,576,200	2,576,200	0	2,576,200	2,576,200
Parks Board, Arizona State	29,373,400	50,691,300	80,064,700	29,106,100	26,933,500	56,039,600
Personnel Board	328,900	0	328,900	373,200	0	373,200
Pest Management, Office of	2,660,800	125,700	2,786,500	2,268,900	125,700	2,394,600
Pharmacy, AZ State Board of	1,929,600	1,500	1,931,100	1,949,000	1,500	1,950,500
Physical Therapy Examiners, Board of	361,600	0	361,600	355,900	0	355,900
Pioneers' Home, AZ	6,723,300	41,500	6,764,800	6,177,400	41,500	6,218,900
Podiatry Examiners, State Board of	144,400	0	144,400	142,400	0	142,400
Postsecondary Education, Commission for	7,896,000	0	7,896,000	5,058,300	0	5,058,300
Power Authority, Arizona	0	35,432,700	35,432,700	0	35,432,700	35,432,700
Private Postsecondary Education, Board for	336,700	262,600	599,300	330,500	262,600	593,100
Psychologist Examiners, State Board of	401,400	0	401,400	359,500	0	359,500
Public Safety, Department of	234,208,300	77,028,700	311,237,000	219,280,700	67,635,900	286,916,600
Public Safety Personnel Retirement System	0	28,870,000	28,870,000	0	28,870,000	28,870,000
Racing, Arizona Department of	5,676,000	50,500	5,726,500	3,863,600	16,900	3,880,500
Radiation Regulatory Agency	1,685,800	959,700	2,645,500	1,661,700	959,700	2,621,400
Rangers' Pensions, Arizona	14,000	0	14,000	14,200	0	14,200
Real Estate Department, State	3,018,600	55,000	3,073,600	2,987,300	55,000	3,042,300
Residential Utility Consumer Office	1,307,600	0	1,307,600	1,287,100	0	1,287,100
Respiratory Care Examiners, Board of	262,700	0	262,700	263,000	0	263,000
Retirement System, Arizona State	23,230,100	51,752,100	74,982,200	24,711,800	51,752,100	76,463,900
Revenue, Department of	61,273,900	29,937,700	91,211,600	67,435,300	27,437,700	94,873,000
School Facilities Board	104,778,300	121,434,000	226,212,300	67,580,500	169,688,900	237,269,400
Secretary of State 3/	26,893,000	3,981,000	30,874,000	22,904,700	3,981,000	26,885,700
State Boards' Office	284,900	0	284,900	220,900	0	220,900
Tax Appeals, State Board of	258,500	0	258,500	252,700	0	252,700
Technical Registration, State Board of	1,754,800	0	1,754,800	1,729,200	0	1,729,200
Tourism, Office of	10,655,200	11,334,400	21,989,600	0	11,334,400	11,334,400
Transportation, Department of	358,436,900	40,120,900	398,557,800	360,261,800	39,695,200	399,957,000
Treasurer, State	3,695,100	5,617,000	9,312,100	3,698,400	5,617,000	9,315,400
Universities						
Arizona State University - Tempe/DPC	604,776,200	872,672,700	1,477,448,900	660,592,400	873,086,900	1,533,679,300
Arizona State University - East Campus	54,613,500	24,022,700	78,636,200	57,893,500	25,382,600	83,276,100
Arizona State University - West Campus	68,804,300	33,377,400	102,181,700	72,442,500	34,913,600	107,356,100
Northern Arizona University	190,933,000	241,237,000	432,170,000	211,426,300	233,296,200	444,722,500
Board of Regents	18,594,600	8,418,600	27,013,200	17,135,400	8,560,700	25,696,100
Universitywide Reductions	0	0	0	0	0	0
University of Arizona - Main Campus	452,589,900	880,586,800	1,333,176,700	490,580,900	911,339,300	1,401,920,200
University of Arizona - Health Sciences Center	89,250,600	217,278,600	306,529,200	95,494,100	223,951,600	319,445,700
SUBTOTAL - Universities	1,479,562,100	2,277,593,800	3,757,155,900	1,605,565,100	2,310,530,900	3,916,096,000
Veterans' Services, Department of	22,179,200	7,797,800	29,977,000	23,109,800	11,797,800	34,907,600
Veterinary Medical Examining Board	470,000	0	470,000	461,700	0	461,700
Water Resources, Department of	17,825,200	8,062,200	25,887,400	7,321,200	7,970,200	15,291,400
Weights and Measures, Department of	2,962,600	0	2,962,600	2,924,800	0	2,924,800
OPERATING BUDGET SUBTOTAL	\$10,663,692,600	\$17,735,488,500	\$28,399,181,100	\$11,195,970,300	\$17,052,987,300	\$28,248,957,600
Unallocated Health Insurance - FY 11	0	0	0	186,900	0	186,900
Unallocated Health Insurance - FY 10	179,300	0	179,300	0	0	0
OPERATING TOTAL	\$10,663,871,900	\$17,735,488,500	\$28,399,360,400	\$11,196,157,200	\$17,052,987,300	\$28,249,144,500
OPERATING BUDGET APPROPRIATIONS	\$10,663,871,900	\$17,735,488,500	\$28,399,360,400	\$11,196,157,200	\$17,052,987,300	\$28,249,144,500
One-time Revertments	(6,733,400)	0	(6,733,400)	0	0	0
Veterinary Med Bd Backfill	250,000	0	250,000	0	0	0
Psychologist Examiners Backfill	300,000	0	300,000	25,000	0	25,000
Chiropractors Backfill	148,000	0	148,000	0	0	0
Funeral Directors Backfill	100,000	0	100,000	0	0	0
State Parks Board Backfill	213,900	0	213,900	0	0	0
Tourism Fund Restoration	200,000	0	200,000	0	0	0
Asset Sale and Lease-Back Debt Service	0	0	0	54,826,600	0	54,826,600
Unallocated Lease-Purchase Adjustments	0	0	0	190,300	0	190,300
Capital	234,008,600	869,351,100	1,103,359,700	212,144,100	870,688,000	1,082,832,100
Capital Revertments	(450,000)	0	(450,000)	0	0	0
Administrative Adjustments	72,731,600	0	72,731,600	73,607,000	0	73,607,000
Revertments	(113,241,600)	0	(113,241,600)	(112,905,100)	0	(112,905,100)
GRAND TOTAL	\$10,851,399,000	\$18,604,839,600	\$29,456,238,600	\$11,424,045,100	\$17,923,675,300	\$29,347,720,400

1/ The amounts shown are generally based on estimates published in the JLBC Staff's Non-Appropriated Fund Report (January 2010), but may have been updated for later information.

2/ State Forester is separately appropriated from the State Land Department starting in FY 2011. FY 2010 has been adjusted for comparability.

3/ Monies for the Library and Archives are now shown in as a division within the Secretary of State.

4/ The full agency name is the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers.

STATE PERSONNEL SUMMARY
By Full-Time Equivalent Positions for Fiscal Years 2010 and 2011 1/ 2/

BUDGET UNITS	Fiscal Year 2010			Fiscal Year 2011		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Accountancy, State Board of	0.0	13.0	13.0	0.0	13.0	13.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	223.8	506.9	730.7	217.8	506.9	724.7
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
Administrative Hearings, Office of	13.0	0.0	13.0	12.0	0.0	12.0
Agriculture, Arizona Department of	171.7	50.5	222.2	166.7	50.5	217.2
AHCCCS 3/	1,285.0	172.0	1,457.0	1,251.0	172.0	1,423.0
Appraisal, State Board of	0.0	4.5	4.5	0.0	4.5	4.5
Arts, Arizona Commission on the	10.5	0.0	10.5	9.5	0.0	9.5
Attorney General - Department of Law	186.2	411.7	597.9	181.2	411.7	592.9
Automobile Theft Authority	0.0	6.0	6.0	0.0	6.0	6.0
Barbers, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Behavioral Health Examiners, Board of	0.0	17.0	17.0	0.0	17.0	17.0
Biomedical Research Commission, AZ	0.0	0.0	0.0	0.0	0.0	0.0
Capital Postconviction Public Defender Office, State	7.0	0.0	7.0	7.0	0.0	7.0
Charter Schools, State Board for	10.0	0.0	10.0	9.0	0.0	9.0
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Commerce, Department of	48.9	18.0	66.9	47.9	18.0	65.9
Community Colleges, Arizona	0.0	0.0	0.0	0.0	0.0	0.0
Contractors, Registrar of	0.0	144.8	144.8	0.0	144.8	144.8
Corporation Commission	6.0	302.3	308.3	6.0	302.3	308.3
Corrections, State Department of	9,546.9	6.0	9,552.9	10,009.2	6.0	10,015.2
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, AZ	0.0	8.0	8.0	0.0	8.0	8.0
Deaf & the Blind, AZ State Schools for the	288.3	292.9	581.2	279.3	292.9	572.2
Deaf and the Hard of Hearing, Commission for the	0.0	15.0	15.0	0.0	15.0	15.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Drug & Gang Prevention Resource Center, AZ	0.0	6.3	6.3	0.0	6.3	6.3
Economic Security, Department of 4/	2,768.6	1,373.4	4,142.0	2,352.6	1,373.4	3,726.0
Education, Department of	171.9	66.0	237.9	157.5	35.0	192.5
Emergency and Military Affairs, Department of 5/	84.6	0.0	84.6	82.6	0.0	82.6
Environmental Quality, Department of	116.0	355.4	471.4	0.0	467.4	467.4
Equal Opportunity, Governor's Office of	4.0	0.0	4.0	4.0	0.0	4.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	15.0	0.0	15.0	14.0	0.0	14.0
Exposition & State Fair Board, AZ	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, State Department of	47.1	0.0	47.1	46.1	9.0	55.1
Fire, Building and Life Safety, Department of	48.0	0.0	48.0	47.0	0.0	47.0
Forester, State	54.0	0.0	54.0	52.0	0.0	52.0
Funeral Directors & Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	123.0	123.0	0.0	123.0	123.0
Geological Survey, Arizona	11.3	0.0	11.3	10.3	0.0	10.3
Government Information Technology Agency	4.0	19.0	23.0	4.0	19.0	23.0
Governor's Office of Strategic Planning & Budgeting	23.0	0.0	23.0	22.0	0.0	22.0
Health Services, Department of 6/	1,332.4	177.2	1,509.6	1,146.8	366.5	1,513.3
Historical Society, Arizona	52.9	0.0	52.9	51.9	0.0	51.9
Historical Society of AZ, Prescott	14.0	0.0	14.0	13.0	0.0	13.0
Homeopathic & Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	11.0	11.0	0.0	11.0	11.0
Indian Affairs, AZ Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	279.0	279.0	0.0	279.0	279.0
Insurance, Department of	93.5	0.0	93.5	90.5	0.0	90.5
Judiciary						
Supreme Court	136.5	36.5	173.0	130.5	38.5	169.0
Court of Appeals	137.8	0.0	137.8	134.8	0.0	134.8
Superior Court	222.1	8.4	230.5	222.8	8.7	231.5
SUBTOTAL - Judiciary	496.4	44.9	541.3	488.1	47.2	535.3
Juvenile Corrections, Department of	964.7	65.0	1,029.7	936.7	65.0	1,001.7
Land Department, State	50.0	103.9	153.9	49.0	103.9	152.9
Law Enforcement Merit System Council	1.0	0.0	1.0	1.0	0.0	1.0
Legislature						
Auditor General	205.4	0.0	205.4	199.4	0.0	199.4
Joint Legislative Budget Committee	30.0	0.0	30.0	29.0	0.0	29.0
Legislative Council	43.8	0.0	43.8	42.8	0.0	42.8
SUBTOTAL - Legislature	279.2	0.0	279.2	271.2	0.0	271.2
Liquor Licenses & Control, Department of	0.0	42.2	42.2	0.0	42.2	42.2
Lottery Commission, Arizona State	0.0	104.0	104.0	0.0	104.0	104.0
Medical Board, AZ	0.0	58.5	58.5	0.0	58.5	58.5

BUDGET UNITS	Fiscal Year 2010			Fiscal Year 2011		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Medical Student Loans, Board of	0.0	0.0	0.0	0.0	0.0	0.0
Mine Inspector, State	15.0	0.0	15.0	14.0	0.0	14.0
Mines & Mineral Resources, Department of	7.0	0.0	7.0	7.0	0.0	7.0
Naturopathic Physicians Medical Board	0.0	7.0	7.0	0.0	7.0	7.0
Navigable Stream Adjudication Commission, AZ	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	40.2	40.2	0.0	40.2	40.2
Nursing Care Institution of Administrators, Bd	0.0	5.0	5.0	0.0	5.0	5.0
Occupational Safety & Health Review Board	0.0	0.0	0.0	0.0	0.0	0.0
Occupational Therapy Examiners, Board of	0.0	3.0	3.0	0.0	3.0	3.0
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, AZ Board of	0.0	6.7	6.7	0.0	6.7	6.7
Parks Board, Arizona State	0.0	232.3	232.3	0.0	232.3	232.3
Personnel Board	0.0	3.0	3.0	0.0	3.0	3.0
Pest Management, Office of	0.0	40.0	40.0	0.0	40.0	40.0
Pharmacy, AZ State Board of	0.0	18.0	18.0	0.0	18.0	18.0
Physical Therapy Examiners, Board of	0.0	3.8	3.8	0.0	3.8	3.8
Pioneers' Home, AZ	0.0	115.8	115.8	33.0	82.8	115.8
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	5.0	5.0	10.0	0.0	5.0	5.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of	357.8	1,734.0	2,091.8	347.8	1,734.0	2,081.8
Racing, Arizona Department of	41.5	0.0	41.5	40.5	0.0	40.5
Radiation Regulatory Agency <u>5/</u>	27.0	5.0	32.0	27.0	5.0	32.0
Rangers' Pensions, Arizona	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Department, State	57.0	0.0	57.0	55.0	0.0	55.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	11.0	11.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	236.0	236.0	0.0	236.0	236.0
Revenue, Department of	579.0	294.0	873.0	641.0	294.0	935.0
School Facilities Board	18.0	0.0	18.0	17.0	0.0	17.0
Secretary of State, Department of State	135.1	10.0	145.1	131.1	8.0	139.1
State Boards' Office	0.0	3.0	3.0	0.0	3.0	3.0
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	23.0	23.0	0.0	23.0	23.0
Tourism, Office of <u>7/</u>	38.0	0.0	38.0	0.0	0.0	0.0
Transportation, Department of	2.0	4,546.0	4,548.0	2.0	4,546.0	4,548.0
Treasurer, State	30.4	0.0	30.4	0.0	29.4	29.4
Uniform State Laws, Commission on	0.0	0.0	0.0	0.0	0.0	0.0
Universities <u>8/</u>						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University - Tempe/DPC Campus	6,562.0	0.0	6,562.0	6,377.0	0.0	6,377.0
Arizona State University - East Campus	541.1	0.0	541.1	526.1	0.0	526.1
Arizona State University - West Campus	818.7	0.0	818.7	795.7	0.0	795.7
Northern Arizona University	1,972.9	0.0	1,972.9	1,913.9	0.0	1,913.9
University of Arizona - Main Campus	5,368.4	0.0	5,368.4	5,218.4	0.0	5,218.4
University of Arizona - Health Sciences Center	948.1	0.0	948.1	923.1	0.0	923.1
SUBTOTAL - Universities	16,237.1	0.0	16,237.1	15,780.1	0.0	15,780.1
Veterans' Services, Department of	113.3	246.0	359.3	88.3	268.0	356.3
Veterinary Medical Examining Board, AZ, State	0.0	5.5	5.5	0.0	5.5	5.5
Water Resources, Department of	210.2	6.5	216.7	84.9	122.3	207.2
Weights and Measures, Department of	18.9	18.5	37.4	17.9	18.5	36.4
TOTAL APPROPRIATED FUNDS	36,337.2	12,944.7	49,281.9	35,339.5	13,358.5	48,698.0

1/ FY 2010 FTE counts incorporate the 5% FTE reduction requirements stipulated in Laws 2009, 3rd Special Session, Chapter 11 for 5 months. These reductions were annualized in the General Appropriation Act for FY 2011.

2/ FTE Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2010 and FY 2011 can be found in the individual agency pages.

3/ Excludes 1,560.4 FTE Positions in FY 2010 and FY 2011 that are Federally funded (Title XIX funds).

4/ Excludes 1,747.4 FTE Positions in FY 2010 and FY 2011 funded by the Long Term Care System Fund and Federal Funds for Child Support Enforcement.

5/ Includes 4.5 General Fund FTE Positions in the Department of Emergency and Military Affairs and 4 General Fund FTE Positions in the Radiation Regulatory Agency for FY 2010 and FY 2011 appropriated by Laws 2009, 1st Regular Session, Chapter 73.

6/ Excludes 118.8 FTE Positions in FY 2010 and FY 2011 that are Federally funded (Title XIX funds).

7/ The agency does not appear in the General Appropriation Act, therefore, the FTE Positions displayed are for informational purposes only.

8/ All university FTE Positions are attributed to the General Fund, although the universities fund these positions from Other Appropriated Funds, as well.

BUDGET UNITS

Executive Director: Monica Petersen

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	572,500	601,700	576,400
Employee Related Expenditures	226,300	255,300	260,200
Professional and Outside Services	406,300	414,200	417,400
Travel - In State	2,700	5,800	5,800
Travel - Out of State	3,600	9,300	9,300
Other Operating Expenditures	212,900	606,900	606,900
Equipment	5,500	8,000	8,000
AGENCY TOTAL	1,429,800	1,901,200	1,884,000^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Accountancy Fund	1,429,800	1,901,200	1,884,000
SUBTOTAL - Other Appropriated Funds	1,429,800	1,901,200	1,884,000
SUBTOTAL - Appropriated Funds	1,429,800	1,901,200	1,884,000
TOTAL - ALL SOURCES	1,429,800	1,901,200	1,884,000

AGENCY DESCRIPTION — The board licenses, investigates, and conducts examinations of certified public accountants and public accountants. The board is also responsible for registering and investigating accounting firms owned by certified public accountants.

Operating Budget

The budget includes \$1,884,000 and 13 FTE Positions from the Board of Accountancy Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(17,200) from the Board of Accountancy Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Acupuncture Board of Examiners

A.R.S. § 32-3901

Director: Pete Gonzales

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	71,900	71,800	68,700
Employee Related Expenditures	15,500	15,400	15,300
Professional and Outside Services	30,400	30,900	31,000
Travel - In State	1,000	1,000	1,000
Travel - Out of State	700	700	700
Other Operating Expenditures	6,700	6,700	6,700
Equipment	3,000	3,000	3,000
AGENCY TOTAL	129,200	129,500	126,400^{1/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	129,200	129,500	126,400
SUBTOTAL - Other Appropriated Funds	129,200	129,500	126,400
SUBTOTAL - Appropriated Funds	129,200	129,500	126,400
TOTAL - ALL SOURCES	129,200	129,500	126,400

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.

Operating Budget

The budget includes \$126,400 and 1 FTE Position from the Acupuncture Board of Examiners Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,100) from the Acupuncture Board of Examiners Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Interim Director: David Raber

JLBC Analyst: Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	863.7	730.7	724.7
Personal Services	30,664,900	29,407,000	28,834,100
Employee Related Expenditures	11,868,300	11,919,200	12,352,600
Professional and Outside Services	4,225,600	4,072,300	4,382,300
Travel - In State	309,900	307,600	307,600
Travel - Out of State	17,700	27,700	28,700
Other Operating Expenditures	29,617,800	35,087,100	35,074,300
Equipment	2,651,500	4,180,400	4,180,400
OPERATING SUBTOTAL	79,355,700	85,001,300	85,160,000^{1/}
SPECIAL LINE ITEMS			
Facilities Management			
Relocation	0	60,000	0
Utilities	7,653,400	7,975,600	7,975,600
Financial Services			
Arizona Financial Information System	1,059,400	1,120,500	0
Ch. 246 Appropriations for Named Claimants	254,000	101,600	0
County Attorney Immigration Enforcement	2,430,000	1,213,200	1,213,200 ^{2/}
ENSCO	2,867,300	2,867,300	2,862,800
Federal Legal Services Payback	0	1,700,000	0
Human Resources			
Employee Wellness Program	296,700	300,000	0
Human Resources Information Solution COP	4,354,000	4,354,000	4,749,700
Information Technology Services			
Statewide Telecommunications Management Contract Lease Payment	809,500	851,800	425,900
Telecommunications Fund - Infrastructure Improvements Account	2,362,900	4,713,700	0
Risk Management			
Burke Settlement	523,500	0	0
External Legal Services	3,172,800	5,592,200	0
Non-Legal Related Expenditures	2,833,200	3,153,900	0
Risk Management Administrative Expenses	0	0	8,746,100
Risk Management Losses and Premiums	36,444,800	45,371,300	45,371,300
Workers' Compensation Losses and Premiums	23,201,700	30,112,300	30,112,300
Support Services			
State Surplus Property Sales Proceeds	1,152,300	2,512,000	1,260,000 ^{3/}
Other			
5th Special Session Reduction	0	(5,813,400)	(5,813,400)
AGENCY TOTAL	168,771,200	191,187,300	182,063,500^{4/}
FUND SOURCES			
General Fund	20,416,500	19,617,000	17,734,300
<u>Other Appropriated Funds</u>			
Air Quality Fund	597,800	714,100	714,100 ^{5/}
Automation Operations Fund	19,870,600	19,182,900	18,944,200 ^{6/}
Capital Outlay Stabilization Fund	14,953,500	17,408,000	17,348,200
Corrections Fund	536,100	568,500	564,000
Federal Surplus Materials Revolving Fund	112,100	453,400	458,700
Motor Vehicle Pool Revolving Fund	7,795,400	10,529,400	10,515,200 ^{7/}

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
Personnel Division Fund	16,358,100	14,876,100	13,975,100
Risk Management Revolving Fund	77,163,100	92,463,700	92,389,100
Special Employee Health Insurance Trust Fund	4,224,900	5,246,600	5,182,700
State Surplus Materials Revolving Fund	2,203,600	3,617,700	2,397,600
Telecommunications Fund	2,176,600	1,796,200	1,840,300
Telecommunications Fund - Infrastructure Improvements Account	2,362,900	4,713,700	0
SUBTOTAL - Other Appropriated Funds	148,354,700	171,570,300	164,329,200
SUBTOTAL - Appropriated Funds	168,771,200	191,187,300	182,063,500
Other Non-Appropriated Funds	1,016,832,100	934,902,200	967,588,000
Federal Funds	236,200	27,500	27,500
TOTAL - ALL SOURCES	1,185,839,500	1,126,117,000	1,149,679,000

AGENCY DESCRIPTION — The department provides centralized general support services to state agencies, including accounting, financial, purchasing, building and grounds maintenance, personnel, information technology, Capitol Police, motor pool, travel reduction, and risk management services.

Operating Budget

The budget includes \$85,160,000 and 724.7 FTE Positions from the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$13,819,900
Air Quality Fund	765,100
Automation Operations Fund	20,500,600
Capital Outlay Stabilization Fund	10,814,100
Corrections Fund	609,800
Federal Surplus Materials Revolving Fund	458,700
Motor Vehicle Pool Revolving Fund	11,369,000
Personnel Division Fund	10,197,600
Risk Management Revolving Fund	8,159,400
Special Employee Health Insurance Trust Fund	5,182,700

State Surplus Materials Revolving Fund	1,297,200
Telecommunications Fund	1,985,900

These amounts fund the following adjustments:

Relocation SLI Funding Shift

The budget includes an increase of \$60,000 from the Capital Outlay Stabilization Fund in FY 2011 for a funding shift. Funding for Relocation is included in the operating budget instead of the Facilities Management's Relocation Special Line Item (SLI) beginning in FY 2011.

Arizona Financial Information System SLI Funding Shift

The budget includes an increase of \$1,120,500 and 11.1 FTE Positions from the General Fund in FY 2011 for a funding shift. Funding for the Arizona Financial Information System (AFIS) is included in the operating budget instead of the Financial Services' AFIS SLI beginning in FY 2011.

- 1/ The department may collect an amount not to exceed \$1,762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. (General Appropriation Act footnote)
- 2/ The \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item shall be distributed to the county attorney of a county in this state having a population of 1,500,000 or more persons. The county attorney may enter into agreements with county sheriffs or other law enforcement agencies or jurisdictions for the purposes of implementing A.R.S. § 23-212. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 3/ All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of the \$1,260,000 appropriated to the State Surplus Property Sales Proceeds line item in FY 2011 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$1,260,000 in FY 2011, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ The amounts appropriated for the State Employee Transportation Service Subsidy shall be used for up to a 50% subsidy of charges payable for transportation service expenses as provided in A.R.S. § 41-786, of nonuniversity 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. (General Appropriation Act footnote)
- 6/ The appropriation for the Automation Operations Fund is an estimate representing all monies, including balance forward, revenue and transfers during FY 2011. These monies are appropriated to the Department of Administration for the purposes established in A.R.S. § 41-711. The appropriation shall be adjusted as necessary to reflect receipts credited to the Automation Operations Fund for Automation Operation Center projects. Expenditures for all additional Automation Operation Center projects above the \$18,944,200 appropriation shall be subject to review by the Joint Legislative Budget Committee, following approval of the Government Information Technology Agency. Expenditures for each additional project shall not exceed the specific revenues of that project. (General Appropriation Act footnote, as adjusted for statewide allocations.)
- 7/ It is the intent of the Legislature that the department not replace vehicles until an average of 120,000 miles or more. (General Appropriation Act footnote)

Employee Wellness Program SLI Funding Shift

The budget includes an increase of \$300,000 from the Special Employee Health Insurance Trust Fund (HITF) in FY 2011 for a funding shift. Funding for the Employee Wellness Program is included in the operating budget instead of the Human Resources Employee Wellness Program SLI beginning in FY 2011.

Personnel Division Fund Revenue Realignment

The budget includes a decrease of \$(1,200,000) from the Personnel Division Fund in FY 2011 to realign revenues with expenditures.

State Surplus Property Sales Proceeds SLI Funding Shift

The budget includes an increase of \$39,600 from the State Surplus Revolving Fund in FY 2011 for a funding shift from the State Surplus Property Sales Proceeds SLI to the operating budget.

Statewide Adjustments

The budget includes a decrease of \$(161,400) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	349,300
Automation Operations Fund	(238,700)
Capital Outlay Stabilization Fund	(59,800)
Corrections Fund	(4,500)
Federal Surplus Materials Revolving Fund	5,300
Motor Vehicle Pool Revolving Fund	(14,200)
Personnel Division Fund	(96,700)
Risk Management Revolving Fund	(74,600)
Special Employee Health Insurance Trust Fund	(63,900)
State Surplus Materials Revolving Fund	(7,700)
Telecommunications Fund	44,100

(Please see the General Provisions section.)

Facilities Management

Relocation

The budget includes no funding from the Capital Outlay Stabilization Fund for the Relocation SLI in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(60,000) from the Capital Outlay Stabilization Fund in FY 2011 for a funding shift. Funding for Relocation is included in the operating budget instead of this SLI beginning in FY 2011.

This SLI funded unanticipated agency relocations.

Utilities

The budget includes \$7,975,600 for Utilities in FY 2011. This amount consists of:

General Fund	625,700
Capital Outlay Stabilization Fund	7,349,900

These amounts are unchanged from FY 2010.

This SLI funds utility charges, including electric, water, gas, and garbage disposal, for buildings located on the Capitol Mall and the Tucson Office Complex.

Financial Services

Arizona Financial Information System

The budget includes no funding and no FTE Positions from the General Fund for the AFIS SLI in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(1,120,500) and (11.1) FTE Positions from the General Fund in FY 2011 for a funding shift. Funding for AFIS is included in the operating budget instead of this SLI beginning in FY 2011.

Monies in this SLI paid the General Fund cost of operating the statewide accounting system. A footnote allows the department to collect up to \$1,762,600 in FY 2011 from other funding sources, excluding the General Fund and Federal Funds, to supplement the cost of operating AFIS.

Ch. 246 Appropriations for Named Claimants

Laws 2010, Chapter 246 appropriates \$101,633.47 from the General Fund for Named Claimants in FY 2010. The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. Monies in this SLI are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2009, Chapter 79 included \$255,778 in FY 2009 for prior year unpaid claims, however, the FY 2009 amount that was expended was \$254,000.

The General Fund is used to pay the Named Claimants bills but is reimbursed if the claim would have otherwise been paid by another fund source. Of the \$101,633.47, the General Fund will receive \$9,778.38 from the Risk Management Fund, \$68,517.50 from the Newborn Screening Program Fund, and \$422.94 from the Board of Respiratory Care Examiners Fund. The total of \$78,718.82 will be deposited in the General Fund as revenue.

Vendors providing goods and services to the state can make claims against the receiving agencies if invoices are not paid in full. Up to 1 year following receipt, state agencies have the financial authority to pay such claims through administrative adjustments. However, the Legislature must grant special appropriation authority to pay claims older than 1 year.

County Attorney Immigration Enforcement

The budget includes \$1,213,200 from the General Fund for County Attorney Immigration Enforcement in FY 2011. This amount is unchanged from FY 2010.

The FY 2011 appropriation is for distribution to the Maricopa County Attorney for the purpose of enforcement of the provisions in A.R.S. § 23-212 that prohibit an employer from knowingly employing unauthorized immigrants and general enforcement of immigration related matters.

ENSCO

The budget includes \$2,862,800 from the General Fund for ENSCO in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(4,500) from the General Fund in FY 2011 for statewide adjustments.

Monies in this SLI are used to pay the lease-purchase requirements for acquisition of the ENSCO site. Laws 1991, Chapter 282 authorized the simultaneous sale and lease-purchase of state properties to fund this appropriation. In October 1991, the Arizona Department of Administration (ADOA) issued a 20-year, \$54,514,200 Certification of Participation (COP) in which portions of the adult prison complex at Florence were used as collateral. The COP will be paid off in August of 2011 at which time the state will regain ownership of the properties at the Florence prison complex.

A total of \$45,634,500 was appropriated to the ADOA, the Department of Environmental Quality, and the Governor's Office to settle the ENSCO issue. Of this amount, \$37,000,000 went to purchase the ENSCO facility and its contract to process hazardous waste. Of the remaining \$8,634,500 appropriation, \$7,000,000 was allocated to settle claims between ENSCO and the state, \$1,000,000 was used to purchase the land, \$350,000 was for property tax, \$214,500 was for per diem interest costs to ENSCO, and \$70,000 was for legal fees.

Federal Legal Services Payback

The budget includes no funding for Federal Legal Services Payback in FY 2011. This funds the following adjustments:

FY 2010 Supplemental Appropriation

The budget includes a decrease of \$(1,700,000) from the General Fund in FY 2011 to back out a one-time supplemental appropriation. The FY 2011 General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1, Section 117) appropriated \$1,700,000 from the General Fund as a FY 2010 supplemental for repayment to the federal government for Attorney General Legal Services Cost Allocation Fund pro rata charges. The federal government requires a reimbursement of all federal monies used to pay for this charge in FY 2007 – FY 2009. This is because the federal government does not allow this kind of charge to be paid for with federal monies.

Human Resources

Employee Wellness Program

The budget includes no funding from HITF for the Employee Wellness Program SLI in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(300,000) from HITF in FY 2011 for a funding shift. Funding for the Employee Wellness Program is included in the operating budget instead of this SLI beginning in FY 2011.

This SLI funded a vendor contract to conduct employee wellness screenings and provide wellness feedback to participants. As the program is intended to reduce overall health insurance costs, HITF, which consists of health insurance contributions, provides for the program's funding.

Human Resources Information Solution COP

The budget includes \$4,749,700 from the Personnel Division Fund for the Human Resources Information Solution (HRIS) COP in FY 2011. This amount funds the following adjustments:

Lease Payment Increase

The budget includes an increase of \$395,700 from the Personnel Division Fund in FY 2011 for an increased HRIS lease-purchase payment.

This SLI funds semi-annual payments made on the COP issued to fund the HRIS. HRIS replaced the Human Resources Management System in FY 2004. The HRIS portion of the COP involved a principal amount of

approximately \$35,000,000. The first payment was made in FY 2002. Total interest costs for the COP are projected to be \$15,600,000 over its 12-year term.

Information Technology Services

**Statewide Telecommunications Management
Contract Lease Payment**

The budget includes \$425,900 from the General Fund for the Statewide Telecommunications Management Contract Lease Payment in FY 2011. This amount funds the following adjustments:

Lease Payment Decrease

The budget includes a decrease of \$(425,900) from the General Fund in FY 2011 for a decreased lease payment.

The 5-year payment schedule began with a payment of \$894,000 in FY 2007, decreased to \$851,800 for payments scheduled in FY 2008 – FY 2010, and concludes with a payment of \$425,900 in FY 2011.

This lease financed the \$3,500,000 transition from the Arizona Telecommunications System to the state's new telecommunication system, the Arizona Network (AZNet). The Telecommunications Program Office chose this option in order to reduce the fiscal impact of the contract on agencies in FY 2006.

**Telecommunications Fund - Infrastructure
Improvements Account**

The budget includes no funding from the Telecommunications Fund Infrastructure Improvements Account for the Infrastructure Improvements SLI in FY 2011. This funds the following adjustments:

Spending Authority Elimination

The budget includes a decrease of \$(4,713,700) from the Telecommunications Fund Infrastructure Improvements Account in FY 2011 to eliminate this SLI's spending authority. ADOA will charge agencies a total of \$4,700,000 for this service in FY 2011 and will deposit that amount into the General Fund.

Monies in this line item funded network upgrades, new features, and services for the state's telecommunication system. This account was supported from a portion of the AZNet charges to state agencies.

Risk Management

Burke Settlement

The budget includes no funding for plaintiff attorney fees associated with the Burke Settlement in FY 2011. This is unchanged from FY 2010.

This SLI funded one-time settlement costs associated with the Burke lawsuit. This lawsuit required the state to reimburse employees who were affected by the ending of the defined contribution retirement system in 1981.

External Legal Services

The budget includes no funding from the Risk Management Revolving Fund for External Legal Services SLI in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(5,592,200) from the Risk Management Revolving Fund for a funding shift in FY 2011. Funding for External Legal Services is included in the newly-created Risk Management Administrative Expenses SLI (*see below*) instead of this SLI beginning in FY 2011.

This SLI funded legal representation from outside the Office of the Attorney General in Risk Management or workers' compensation related lawsuits against the state. The division hires private counsel in circumstances where a legal conflict of interest exists. In the past few years, the division has also sought outside counsel when staffing from the Office of the Attorney General was not available.

Non-Legal Related Expenditures

The budget includes no funding from the Risk Management Revolving Fund for Non-Legal Related Expenditures in FY 2011. This funds the following adjustments:

Funding Shift

The budget includes a decrease of \$(3,153,900) from the Risk Management Revolving Fund in FY 2011 for a funding shift. Funding for Non-Legal Related Expenditures is included in the newly-created Risk Management Administrative Expenses SLI (*see below*) instead of this SLI beginning in FY 2011.

This SLI funded financial and actuarial analyses, relevant investigations, and related travel.

Risk Management Administrative Expenses

The budget includes \$8,746,100 from the Risk Management Fund for Risk Management Administrative Expenses in FY 2011. This amount funds the following adjustments:

Funding Shift

The budget includes an increase of \$8,746,100 from the Risk Management Revolving Fund in FY 2011 for a funding shift. Funding for the External Legal Services and Non-Legal Related Expenditures SLIs are included in this newly-created SLI beginning in FY 2011.

This SLI funds financial and actuarial analyses, relevant investigations, and related travel. This SLI also funds legal representation from outside the Office of the Attorney General in Risk Management or workers' compensation related lawsuits against the state. The division hires private counsel in circumstances where a legal conflict of interest exists. In the past few years, the division has also sought outside counsel when staffing from the Office of the Attorney General was not available.

Risk Management Losses and Premiums

The budget includes \$45,371,300 from the Risk Management Revolving Fund for Risk Management Losses and Premiums in FY 2011. This amount is unchanged from FY 2010.

This SLI represents estimated payments for liability and property settlements, medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Workers' Compensation Losses and Premiums

The budget includes \$30,112,300 from the Risk Management Revolving Fund for Workers' Compensation Losses and Premiums in FY 2011. This amount is unchanged from FY 2010.

This SLI accounts for the state's liability in workplace injuries. The funding represents payments for workers' compensation beneficiaries, hospital and medical expenses, and supplemental insurance premiums. An actuarial study annually updates the projected loss exposures.

Support Services

State Surplus Property Sales Proceeds

The budget includes \$1,260,000 from the State Surplus Materials Revolving Fund for State Surplus Property Sales

Proceeds in FY 2011. This amount funds the following adjustments:

Revenue Realignment

The budget includes a decrease of \$(1,212,400) from the State Surplus Materials Revolving Fund in FY 2011 to realign revenues with expenditures.

Funding Shift

The budget includes a decrease of \$(39,600) from the State Surplus Materials Revolving Fund in FY 2011 for a funding shift from this SLI to the operating budget.

This SLI separates surplus sales proceeds returned to agencies from the division's operating budget. The surplus property yard returns 90% of sales proceeds to the agency from which the property originated. The yard retains 10% of the proceeds to fund its operations.

Other

5th Special Session Reduction

The budget includes \$(5,813,400) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(1,213,200)
Air Quality Fund	(51,000)
Automation Operations Fund	(1,556,400)
Capital Outlay Stabilization Fund	(815,800)
Corrections Fund	(45,800)
Motor Vehicle Pool Revolving Fund	(853,800)
Personnel Division Fund	(972,200)
State Surplus Materials Revolving Fund	(159,600)
Telecommunications Fund	(145,600)

The \$(815,800) reduction from the Capital Outlay Stabilization Fund, \$(972,200) reduction from the Personnel Division Fund, \$(159,600) reduction from the State Surplus Materials Revolving Fund, and \$(1,056,400) of the Automation Operations Fund reduction will not be transferred to the General Fund in FY 2011, however, they are shown here as reductions since the funds' appropriation levels will remain at the FY 2010 levels.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Additional Legislation

Differentiated Health Insurance Premium

The FY 2011 Health Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 10) continues to prohibit the department from implementing a differentiated health insurance premium in FY 2011 based on integrated or non-integrated status of the provider beginning October 1, 2010.

State Employee Health Plan

The Patient Protection and Affordable Care Act was enacted into law on March 23, 2010. This bill, along with the accompanying Reconciliation Bill, made significant changes to health insurance requirements. To conform to federal legislation, a number of changes will be made to the state employee health plan, which are dependent coverage for children up to their 26th birthday, no lifetime limits in the PPO plan, and no co-pays on preventative services. Laws 2010, Chapter 232 made statutory changes to include children through their 26th birthday, while the other 2 changes can be made without statutory changes.

Beginning on January 1, 2013, employees will be automatically enrolled into a health plan but can choose to opt out. Currently, 84% of eligible employees are enrolled.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Arizona Department of Administration to reduce 5 General Fund FTE Positions in FY 2010 and an additional 6 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Director: Cliff J. Vanell

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	15.0	13.0	12.0
Personal Services	726,800	645,000	626,200
Employee Related Expenditures	271,900	259,700	253,400
Other Operating Expenditures	133,200	118,900	118,900
OPERATING SUBTOTAL	1,131,900	1,023,600	998,500
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(75,800)	(75,800)
AGENCY TOTAL	1,131,900	947,800	922,700^{1/}
FUND SOURCES			
General Fund	1,117,400	933,300	908,200
<u>Other Appropriated Funds</u>			
Healthcare Group Fund	14,500	14,500	14,500
SUBTOTAL - Other Appropriated Funds	14,500	14,500	14,500
SUBTOTAL - Appropriated Funds	1,131,900	947,800	922,700
Other Non-Appropriated Funds	1,490,400	1,400,500	1,400,500
TOTAL - ALL SOURCES	2,622,300	2,348,300	2,323,200

AGENCY DESCRIPTION — The Office of Administrative Hearings 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.

Operating Budget

The budget includes \$998,500 and 12 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	FY 2011 \$984,000
Healthcare Group Fund	14,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(25,100) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(75,800) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Additional Legislation

Prompt Hearings

The Regulation Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 4) suspends the requirement that the office hear appealed actions and contested cases within 60 days of the filing in FY 2011. The office would hold the hearings as soon as reasonably possible.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Office of Administrative Hearings to reduce no General Fund FTE Positions in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Director: Donald Butler

JLBC Analyst: Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	249.2	222.2	217.2
Personal Services	6,766,700	6,449,900	6,269,000
Employee Related Expenditures	3,260,700	3,227,300	3,228,700
Professional and Outside Services	244,700	415,300	415,300
Travel - In State	554,800	620,000	620,000
Travel - Out of State	6,700	20,900	20,900
Other Operating Expenditures	1,891,600	1,657,900	1,765,100
Equipment	129,300	24,800	24,800
OPERATING SUBTOTAL	12,854,500	12,416,100	12,343,800
SPECIAL LINE ITEMS			
Agricultural Consulting and Training Pari-Mutuel	0	128,500	128,500
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Red Imported Fire Ant	23,200	23,200	23,200
5th Special Session Reduction	0	(768,100)	(768,100)
AGENCY TOTAL	12,966,000	11,888,000	11,815,700^{1/}
FUND SOURCES			
General Fund	10,161,400	8,577,800	8,434,300
<u>Other Appropriated Funds</u>			
Agricultural Consulting and Training Fund	106,700	0	0
Aquaculture Fund	7,300	9,200	9,200
Citrus, Fruit, and Vegetable Revolving Fund	932,900	1,028,100	1,030,600
Commercial Feed Fund	263,600	301,700	300,300
Dangerous Plants, Pests and Diseases Fund	40,000	40,000	100,000
Egg Inspection Fund	696,800	904,400	919,000
Fertilizer Materials Fund	270,600	307,300	303,800
Livestock Custody Fund	54,300	79,400	79,400
Pesticide Fund	310,000	388,000	385,500
Protected Native Plant Fund	71,200	197,600	199,700
Seed Law Fund	51,200	54,500	53,900
SUBTOTAL - Other Appropriated Funds	2,804,600	3,310,200	3,381,400
SUBTOTAL - Appropriated Funds	12,966,000	11,888,000	11,815,700
Other Non-Appropriated Funds	7,815,600	8,661,000	8,661,000
Federal Funds	4,457,600	4,692,100	4,692,100
TOTAL - ALL SOURCES	25,239,200	25,241,100	25,168,800

AGENCY DESCRIPTION — The Arizona Department of Agriculture administers and enforces agriculture-related statutes. The department regulates certain phases of food production (such as milking, butchering, and harvesting) to guard public health and to ensure product quality. The department administers programs to protect livestock and crops from pests and diseases and to protect farm workers who handle agricultural chemicals. It also tests certain non-food agricultural products to ensure product quality and content, as well as providing administrative support to several agricultural product promotion groups.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency. The operating budget includes \$60,000 separately appropriated in Laws 2010, Chapter 274 from the Dangerous Plants, Pests and Diseases Fund for citrus pest eradication.

Operating Budget

The budget includes \$12,343,800 and 217.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$8,890,400
Aquaculture Fund	9,200
Citrus, Fruit, and Vegetable Revolving Fund	1,102,600
Commercial Feed Fund	300,300
Dangerous Plants, Pests, and Diseases Fund	100,000
Egg Inspection Fund	919,000
Fertilizer Materials Fund	303,800
Livestock Custody Fund	79,400
Pesticide Fund	385,500
Protected Native Plant Fund	199,700
Seed Law Fund	53,900

These amounts fund the following adjustments:

Citrus Pest Eradication

The budget includes an increase of \$60,000 from the Dangerous Plants, Pests and Diseases Fund for eradication of the Asian citrus psyllid in FY 2011. This was appropriated by Laws 2010, Chapter 274. This insect infects citrus trees by spreading the citrus greening disease, which will kill the trees in 2 - 3 years. The insect was first found at 2 residential sites in San Luis, Arizona in October 2009. No trees have been infected yet with the citrus greening disease, but there are 8 sites (6 residential and 2 commercial) that are infested with the insect as of the beginning of May 2010.

Statewide Adjustments

The budget includes a decrease of \$(132,300) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(143,500)
Citrus, Fruit, and Vegetable Revolving Fund	2,500
Commercial Feed Fund	(1,400)
Egg Inspection Fund	14,600
Fertilizer Materials Fund	(3,500)
Pesticide Fund	(2,500)
Protected Native Plant Fund	2,100
Seed Law Fund	(600)

(Please see the General Provisions section.)

Agricultural Consulting and Training Pari-Mutuel

The budget includes \$128,500 from the General Fund for the Agricultural Consulting and Training (ACT) Pari-Mutuel Special Line Item (SLI) in FY 2011. This amount is unchanged from FY 2010.

Prior to FY 2010, 1% of the funds resulting from horse and dog racing permittees, permits, and licenses, as well as from the proceeds of unclaimed property in the custody of the state, as defined by A.R.S. § 44-303, were deposited into the ACT Fund, an appropriated fund. Beginning in FY 2010, \$128,500 is deposited from the General Fund to this new SLI. (The statutory distribution in FY 2008 was \$128,500.) The FY 2010 General Revenues Budget Reconciliation Bill (BRB) (Laws 2009, 4th Special Session, Chapter 3) permanently repealed the pari-mutuel formula, required pari-mutuel revenues to be deposited into the General Fund instead of the appropriated ACT Fund, and made the ACT Fund non-appropriated beginning in FY 2010. General Fund monies are now deposited into this SLI, which are then deposited into the non-appropriated ACT Fund.

This SLI funds on-site visits to establishments and for consultation, interpreting, and applying alternative methods of complying with statutes, rules, regulations, and standards relating to compliance.

Agricultural Employment Relations Board

The budget includes \$23,300 from the General Fund for the Agricultural Employment Relations Board line item in FY 2011. This amount is unchanged from FY 2010.

This SLI funds accounting and budgeting support for the Agricultural Employment Relations Board. The board receives and investigates complaints and conducts farm labor union elections.

Animal Damage Control

The budget includes \$65,000 from the General Fund for the Animal Damage Control SLI in FY 2011. This amount is unchanged from FY 2010.

This SLI funds agreements with the U.S. Department of Agriculture to control, dispatch, or relocate predatory animals and noxious rodents, which are injurious to livestock, poultry, agriculture, other industries, or the public health.

Red Imported Fire Ant

The budget includes \$23,200 from the General Fund for the Red Imported Fire Ant line item in FY 2011. This amount is unchanged from FY 2010.

This SLI funds ongoing pest exclusion efforts aimed at preventing the introduction of the red imported fire ant. The state has successfully suppressed isolated infestations of red imported fire ants and continues to be federally certified as free from this pest.

5th Special Session Reduction

The budget includes \$(768,100) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(696,100)
Citrus, Fruit, and Vegetable Revolving Fund	(72,000)

The \$(72,000) reduction from the Citrus, Fruit and Vegetable Revolving Fund will not be transferred to the General Fund in FY 2011, however, it is shown here as a reduction since the fund's appropriation level will remain at the FY 2010 level.

Additional Legislation

Fee Use Authority

The FY 2011 Environment BRB (Laws 2010, 7th Special Session, Chapter 7) permits the director, upon recommendation from the Agricultural Advisory Council, to continue to increase fees in FY 2011 with the intent that the additional fee revenues would not exceed \$561,000.

The bill also states that it was the intent for the department to submit a specific fee plan for legislative consideration by April 1, 2010. The department responded by April 1 that they will raise fees by \$389,000 in FY 2011, which includes \$172,000 in FY 2009 continued fee authority. The \$172,000 in continued fee authority will be raised from meat, poultry, and dairy inspection fees, livestock farm service calls, and pesticide registration fees. The remaining \$217,000 will be raised from meat, dairy, and poultry inspections, certified veterinarian inspection and health certificates, state and federal phytosanitary certificates, and certified nursery fees. (The increased fee revenue has not been recorded in the summary table above.)

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Arizona Department of Agriculture to reduce 4 General Fund FTE Positions in FY 2010 and an additional 5 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

**Arizona Health Care Cost Containment System
Summary**

A.R.S. 36-2901

Director: Tom Betlach

JLBC Analyst: Amy Upston/Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
PROGRAM BUDGET			
Administration	183,389,700	190,526,300	180,571,200
Acute Care	4,931,617,600	5,616,101,100	6,218,904,200 ^{1/}
Long-Term Care	1,201,174,100	1,261,510,700	1,293,913,000
AGENCY TOTAL	6,316,181,400	7,068,138,100	7,693,388,400
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,201.4	3,017.4	2,983.4 ^{2/}
Personal Services	34,870,000	38,657,600	38,449,100
Employee Related Expenditures	14,340,700	15,784,800	15,798,300
Professional and Outside Services	2,672,100	3,667,100	3,681,800
Travel - In State	56,800	91,700	94,700
Travel - Out of State	14,400	37,500	40,000
Other Operating Expenditures	8,554,200	9,531,500	9,761,100
Equipment	102,000	319,200	319,200
OPERATING SUBTOTAL	60,610,200	68,089,400	68,144,200
Special Line Items (SLI)	6,255,571,200	7,000,048,700	7,625,244,200
AGENCY TOTAL	6,316,181,400	7,068,138,100	7,693,388,400 ^{3/4/5/6/}
FUND SOURCES			
General Fund	1,190,326,700 ^{2/}	1,217,129,600 ^{2/}	1,376,901,300 ^{2/}
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	2,130,800	2,993,500	3,117,300
Children's Health Insurance Program Fund	121,935,900	114,978,200	40,967,600
Healthcare Group Fund	3,724,400	6,176,500	5,183,700
Temporary Medical Coverage Fund	3,138,000	0	0
TPTF Emergency Health Services Account	22,131,800	19,222,900	19,222,900
TTHCF Medically Needy Account	50,803,300	38,295,800	38,295,800
SUBTOTAL - Other Appropriated Funds	203,864,200	181,666,900	106,787,300
SUBTOTAL - Appropriated Funds	1,394,190,900	1,398,796,500	1,483,688,600
<u>Expenditure Authority Funds</u>			
County Funds	9,399,300	238,528,300	238,945,400
Federal Title XIX Funds	4,740,173,800 ^{2/}	5,282,039,400 ^{2/}	5,821,980,500 ^{2/}
Third Party Collections Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	125,588,500	108,211,300	108,211,300
TPTF Proposition 204 Protection Account	46,828,900	40,367,900	40,367,900
SUBTOTAL - Expenditure Authority Funds	4,921,990,500	5,669,341,600	6,209,699,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,316,181,400	7,068,138,100	7,693,388,400
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	76,232,700	109,194,300	112,297,500
Federal Funds	34,099,000	54,300,400	50,083,900
TOTAL - ALL SOURCES	6,426,513,100	7,231,632,800	7,855,769,800

^{1/} Laws 2010, Chapter 12 appropriated \$344,344,800 in FY 2011 to reflect deferred payments from FY 2010, including \$118,032,000 from the General Fund. The FY 2011 General Appropriation Act appropriated the same amount in FY 2012 to reflect deferred payments from FY 2011.

^{2/} Includes 880.4 GF, 172 OF, and 958.8 EA FTE Positions funded from Special Line Items in FY 2011.

^{3/} Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

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 remain eligible for AHCCCS. Low-income pregnant women and children can qualify under a federal “medical assistance only” category. Individuals not qualifying under one of these programs, but with incomes below 100% of the Federal Poverty Level (FPL), can qualify for health coverage under Proposition 204. 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.

Impact of Federal Health Care Legislation on Proposition 204 & KidsCare

The General Appropriation Act

As part of the Legislature’s FY 2011 budget balancing plan, the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) eliminated Proposition 204 General Fund spending after December 31, 2010 but did not make any accompanying statutory changes. This reduction relied on the Proposition 204 language in A.R.S. § 36-2901.01, which states that “funding shall come from the Arizona Tobacco Litigation Settlement Fund established by section 36-2901.02 and shall be supplemented, as necessary, by any other available sources including legislative appropriations and federal monies.”

Reducing funding to the available sources of tobacco settlement and the Proposition 204 Protection Account was estimated to save the General Fund \$(361,000,000) in AHCCCS and \$(24,000,000) in the Department of Health Services (DHS). On an annual basis, the program would have continued to spend approximately \$108,211,300 from the Tobacco Litigation Settlement Fund, \$40,367,900 from the Proposition 204 Protection Account, and the accompanying Federal Title XIX Expenditure Authority monies. This would allow approximately 55,000 people to be served on an annual basis. The eligibility levels for the remaining Proposition 204 populations would also be reduced.

In addition to reducing Proposition 204 spending, the General Appropriation Act and the Health Budget Reconciliation Bill (BRB) eliminated statutory authority and funding for the KidsCare population beginning on June 15, 2010. Elimination of the program was estimated to save \$(18,112,200) from the General Fund and eliminate participation for approximately 28,000 children.

Federal Health Care Legislation

Subsequent to the passage of the General Appropriation Act but prior to the effective date, the federal government enacted the Patient Protection and Affordable Care Act. Enacted on March 23, 2010, the legislation requires the state to increase its Medicaid eligibility levels to 133% FPL by January 1, 2014. It further requires states to retain their eligibility standards at the level that was in effect as of March 23, 2010 in order to continue receiving federal Medicaid matching funds for the entire Medicaid program. *(Please see the Federal Health Care Legislation in the front of the book for additional detail.)*

Arizona Response

In response to the federal legislation, the state enacted Laws 2010, Chapter 232 (S.B. 1043), which appropriated \$385,000,000 from the General Fund for the Proposition 204 population contingent on the 6-month extension of the enhanced Federal Medical Assistance Percentage (FMAP). The American Recovery and Reinvestment Act of 2009 (ARRA) increased the federal matching rate from October 1, 2009 until December 31, 2010. Typically, the federal government pays an approximate 2:1 federal match for

^{4/} The Arizona Health Care Cost Containment System Administration shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 2%. Before implementation of any changes in capitation rates, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the Administration implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the Administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year’s capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the Administration shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{5/} The General Appropriation Act specified that the amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility, Proposition 204 - Capitation, Proposition 204 - Reinsurance, Proposition 204 - Fee-for-Service, and Proposition 204 - Medicare Premiums Special Line Items includes all available sources of funding consistent with A.R.S. § 36-2901.01B. Laws 2010, Chapter 232 specifies that it is the intent of the Legislature that the AHCCCS Administration expend an additional \$361,000,000 in state General Fund monies in FY 2011 on Proposition 204 costs.

^{6/} General Appropriation Act appropriation format varies by program.

^{7/} Reflects the enhanced FMAP rate for the entire year.

most Medicaid services; however, during this timeframe, the match is increased to approximately 3:1.

At the time of Chapter 232’s discussion, Congress was considering legislation that would extend the enhanced FMAP through June 30, 2011. As of this writing in May 2010, this issue has not yet been resolved. The higher federal match rate would save the state General Fund \$394,000,000 across AHCCCS, DHS, and the Department of Economic Security (DES). This would offset the \$385,000,000 General Fund cost to restore the Proposition 204 population in AHCCCS and DHS through June 30, 2011.

Chapter 232 also restored statutory authority for the KidsCare program and appropriated \$9,000,000 from the General Fund for KidsCare. Typically, the KidsCare program would cost more than \$9,000,000 from the General Fund for a full year, but an enrollment freeze began on January 1, 2010 and resulted in declining enrollment in the program. This enrollment freeze allows individuals who are currently on the program to remain on the program as long as they continue to pay their premiums, but all new applicants are added to a waiting list. Unlike the Proposition 204 appropriation, the KidsCare appropriation is not contingent upon the extension of the enhanced FMAP.

The *FY 2011 Appropriations Report* is displayed as if the enhanced FMAP has been extended. As of this writing, Congress has not yet acted on an extension of the enhanced FMAP.

Crosswalk

Table 2 contains a crosswalk outlining the change from the General Appropriation Act appropriation of the total \$1.826 billion General Fund (\$8.549 billion in Total Funds) to \$1.817 billion General Fund (\$9.675 billion in Total Funds) after the changes in Laws 2010, Chapter 232.

General Appropriation Act

The first portion of Table 2 shows the General Appropriation Act budget broken down by agency and fund.

Extension of Enhanced FMAP

If the enhanced FMAP is extended for 6 months, there will be \$(394,000,000) in General Fund savings, which will be replaced by a corresponding \$394,000,000 in Federal Funds.

Reallocating Tobacco Settlement Back to AHCCCS

There is also a shift of \$10,000,000 in Tobacco Settlement Funds from DHS to AHCCCS. Typically, all tobacco settlement monies are appropriated to AHCCCS. Since the General Appropriation Act eliminated all General Fund monies for Proposition 204, the enacted budget shifted \$10,000,000 in tobacco settlement monies from AHCCCS

to DHS so a portion of Proposition 204 Behavioral Health costs would be funded in the last 6 months of FY 2011. This shift is undone under Chapter 232.

Reallocation within DHS

A technical funding shift was made in accordance with the Governor’s recommendation to move most of the Seriously Mentally Ill population from the Proposition 204 to Traditional classification to reflect their recategorization to the Supplemental Security Income population. See Table 1 detailing where DHS would reallocate its funds (prior to enhanced FMAP adjustments).

Reallocation within DHS			
(\$ Millions)			
Program	FY 2011 Enacted	FY 2011 Revised	Difference
Prop. 204 Admin	\$ 2.3	\$ 2.3	\$ 0.0
Prop. 204 CBH	3.7	3.7	0.0
Prop. 204 SMI	71.5	16.1	(55.4)
Prop. 204GMH/SA	50.9	60.6	9.7
Special Exemption	3.1	1.7	(1.4)
Prop. 204 Total	\$131.5	\$ 84.4	\$(47.1)
TXIX SMI	\$ 62.1	\$131.8	\$ 69.7
Special Exemption	1.3	2.7	1.4
Total	\$194.9	\$218.9	\$24.0

Extension of Proposition 204

The next change reflected in the chart is the extension of Proposition 204 funding for last 6 months of FY 2011. The restoration is expected to cost \$385,000,000 from the General Fund and \$741,000,000 in Federal Funds.

Total Changes

This portion of Table 2 combines the 4 aforementioned changes. The total General Fund amount has decreased by \$9,000,000, but that amount will be used to fund the KidsCare Program. The Federal Title XIX Expenditure Authority is \$996,000,000, \$96,000,000, and \$43,000,000 for AHCCCS, DHS, and DES, respectively. This is slightly different from the \$1,006,000,000, \$86,000,000, and \$43,000,000 Expenditure Authority amounts in Chapter 232, as the Expenditure Authority amounts in the bill include both Federal Title XIX Expenditure Authority and Tobacco Settlement.

Revised

The last portion of the table shows the revised Title XIX appropriations including all changes from the bill.

Table 2				
FY 2011 Crosswalk - Agency Total Title XIX Appropriations				
(\$ in Millions)				
	<u>AHCCCS</u>	<u>DHS</u>	<u>DES</u>	<u>Total</u>
General Appropriation Act				
General Fund	\$1,169	\$ 380	\$277	\$1,826
Tobacco Settlement	98	10	--	108
Tobacco Taxes	57	4	--	61
Other Appropriated Funds	8	--	31	39
Federal Funds	<u>4,912</u>	<u>951</u>	<u>652</u>	<u>6,515</u>
Total	\$6,244	\$1,345	960	\$8,549
Extension of Enhanced FMAP				
(including Proposition 204 Extension)				
General Fund	\$(282)	\$(69)	\$(43)	\$(394)
Federal Funds	<u>282</u>	<u>69</u>	<u>43</u>	<u>394</u>
Total	\$ 0	\$ 0	\$ 0	\$ 0
Reallocating Tobacco Settlement				
Back to AHCCCS				
Tobacco Settlement	\$10	\$(10)	--	\$0
Federal Funds	<u>19</u>	<u>(19)</u>	--	<u>0</u>
Total	\$29	\$(29)	--	\$0
Reallocating within DHS ^{1/}				
General Fund	--	\$ 0	--	\$0
Federal Funds	--	<u>0</u>	--	<u>0</u>
Total	--	\$ 0	--	\$0
Extension of Proposition 204				
General Fund	\$ 361	\$ 24 ^{1/}	--	\$385
Federal Funds	<u>695</u>	<u>46</u>	--	<u>741</u>
Total	\$1,056	\$70	--	\$1,126
Total Changes in Chapter 232				
General Fund ^{2/}	\$ 79	\$(45)	\$(43)	\$(9)
Tobacco Settlement	10	(10)	--	--
Federal Funds	<u>996</u>	<u>96</u>	<u>\$ 43</u>	<u>1,135</u>
Total	\$1,085	\$ 41	\$ 0	\$1,126
General Appropriation Act as Revised				
by Chapter 232				
General Fund	\$1,248	\$335	\$234	\$1,817
Tobacco Settlement	108	--	--	108
Tobacco Taxes	57	4	--	61
Other Appropriated Funds	8	--	31	39
Federal Funds	<u>5,908</u>	<u>1,047</u>	<u>695</u>	<u>7,650</u>
Total	\$7,329	\$1,386	\$960	\$9,675

^{1/} See Table 1.
^{2/} Savings allocated for KidsCare.

FY 2010 Supplemental

The budget includes an increase of \$87,598,000 for supplemental caseload growth in FY 2010. These amounts consist of:

	FY 2010
General Fund	\$ 82,571,500
Tobacco Settlement Fund	(10,068,900)
TTHCF – Medically Needy Account	(15,442,300)
TPTF Proposition 204 Protection Account	(8,628,800)

Emergency Health Services Account	(4,108,900)
Federal Title XIX Expenditure Authority	43,275,400

The General Fund shortfall has 4 components:

- Caseload Growth: \$22,467,700
- Tobacco Tax Revenue Shortfall: \$28,180,000
- Tobacco Settlement Shortfall: \$10,068,900
- ARRA Shortfall: \$21,854,900

5th Special Session Reduction

The budget includes \$(7,662,100) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This lump sum reduction has already been incorporated into individual line items for both FY 2010 and FY 2011. The allocation is as follows:

	<u>General Fund</u>
Administration Operating Lump Sum	\$ (100,000)
KidsCare – Administration	(511,400)
Proposition 204 - AHCCCS Administration	(261,400)
Proposition 204 - DES Eligibility	(1,381,200)
KidsCare – Children	(3,165,600)
Graduate Medical Education	(1,302,300)
Disproportionate Share Payments	(940,200)
Total	\$(7,662,100)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

County Funding

In order to comply with the ARRA and receive the higher FMAP, Laws 2010, 7th Special Session, Chapter 10, the FY 2011 Health BRB made the following changes to ensure that counties do not pay a higher percentage of the share than they would have otherwise.

- Amends Laws 2009, 3rd Special Session, Chapter 3 to change the 50%/50% counties/state split for reversion of excess ALTCS lump sum appropriations to 62.2%/37.8% in FY 2009 and 60%/40% in FY 2010.
- Changes the 50%/50% counties/state split for reversion of excess ALTCS lump sum appropriations to 59.3%/40.7% in FY 2011.
- Changes the 50%/50% county/state split for excess appropriations in ALTCS Medicare Clawback payments to 45.5%/54.5% in FY 2009 and FY 2010, and changes the split to 45.3%/54.7% for FY 2011.
- Requires AHCCCS to transfer any excess Acute Care county savings due to the enhanced FMAP back to the counties for FY 2010 and FY 2011.
- Requires AHCCCS to transfer any excess administration savings in FY 2011 back to the counties

Legislation to Minimize Capitation Rate Growth

Overall, the AHCCCS budget includes 0% growth for capitation adjustments. Capitation adjustments reflect both medical inflation and utilization changes. To offset this

lower than average capitation adjustment increase, the FY 2011 Health BRB addresses the following areas:

Reimbursement Rates

AHCCCS is permitted to reduce provider reimbursement rates up to (5)% in the contract year beginning October 1, 2010.

Reinsurance Thresholds

Continues to permit AHCCCS to reduce by 1 level the thresholds beyond which patient costs are paid by reinsurance for the contract year 2011. Previously, health plans were able to choose 1 of 3 levels for reinsurance: \$20,000, \$35,000, or \$50,000. The FY 2010 Health & Welfare BRB permitted AHCCCS to shift the plans which chose the \$50,000 level to \$35,000 and \$35,000 to \$20,000. The FY 2011 Health BRB continued this policy. When the reinsurance threshold is lowered, capitation rates are also lowered since reinsurance kicks in earlier.

Administrative Costs

The FY 2011 Health BRB continues the administrative policies permitted to AHCCCS in the FY 2010 Health & Welfare BRB. The BRB allowed AHCCCS to reduce the risk contingency rate setting for all managed care organizations by 50% and impose a 5.88% reduction on funding for all managed care organizations administrative funding levels.

A risk contingency is added to capitation rates to cover unforeseen circumstances and/or pricing mismatches (e.g. actual trends differ from assumptions). If this risk contingency is not necessary, or is insufficient, it is retained as profit (or loss) and there is no limit. Previously, risk contingency was set at 2%.

In the Acute Care Program, an 8.5% administrative expense had been built in the capitation rates when they are developed. For the ALTCS Program, the administrative expense built into the majority of the capitation rates was 8%; some contractors have a lower percentage.

Optional Services

The Health BRB eliminated a number of optional services beginning on October 1, 2010. These include:

- Emergency dental services
- Most well exams for adults (mammograms, pap smears, and colonoscopies would remain covered)
- Physical therapy services (excluding the first 6 visits)
- Certain transplants
- Orthotics
- Services by a Podiatrist
- Prosthetics excluding prosthetic implants – limited to \$12,500 per year
- Insulin pumps
- Cochlear implants

- Durable medical equipment - limited to Medicare covered items only
- Bone-anchored hearing aids
- Gastric Bypass surgery
- Percussive vests

Laws 2010, Chapter 232 clarified the transplant provisions originally modified by the Health BRB.

Ambulance Rates

Laws 2010, Chapter 86 modifies the Health BRB by setting the AHCCCS ambulance reimbursement rate at 80% of the Department of Health Services set approved rates except that from October 1, 2009 until September 30, 2011, the rates will not exceed 76%. This provision is expected to be cost neutral.

Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund	FY 2009	FY 2010 ^{1/}	FY 2011 ^{1/}
Medically Needy Account			
<u>Funds Available</u>			
Balance Forward	\$ 2,939,000	\$ 3,278,800	\$ 2,978,800
Transfer In - Tobacco Tax and Health Care Fund	53,479,100	47,869,700	47,869,700
Transfer In - Tobacco Products Tax Fund	30,104,300	25,950,900	25,950,900
Interest	3,000	0	0
Total Funds Available	\$86,525,400	\$77,099,400	\$76,799,400
<u>AHCCCS Allocations</u>			
<u>GF Offsets</u>			
Traditional Medicaid State Match Appropriation	\$50,803,300	\$38,295,800	\$38,295,800
Total AHCCCS Allocations	\$50,803,300	\$38,295,800	\$38,295,800
<u>DHS Allocations</u>			
Behavioral Health GF Offset	\$25,785,500	\$34,524,800	\$34,524,800
Folic Acid	333,600	400,000	400,000
Community Health Centers	3,415,600	900,000	0
Total DHS Allocations	\$29,534,700	\$35,824,800	\$34,924,800
<u>Other Allocations</u>			
Total AHCCCS/DHS Allocations	\$ 80,338,000	\$74,120,600	\$73,220,600
Administrative Adjustments	2,908,600	0	0
Balance Forward	\$ 3,278,800	\$ 2,978,800	\$ 3,578,800
AHCCCS Proposition 204 Protection Account			
<u>Funds Available</u>			
Balance Forward	\$ 0	\$ 0	\$ 6,200
Transfer In – Emergency Health Services Account ^{2/}	0	6,200	0
Transfer In - Tobacco Products Tax Fund	46,828,900	40,367,900	40,367,900
Total Funds Available	\$46,828,900	\$40,374,100	\$40,374,100
<u>Allocations</u>			
AHCCCS State Match	\$46,828,900	\$40,367,900	\$40,367,900
Balance Forward	\$ 0	\$ 6,200	\$ 6,200
AHCCCS Emergency Health Services Account			
<u>Funds Available</u>			
Balance Forward	\$ 6,200	\$ 6,200	\$ 0
Transfer to Proposition 204 Protection Account ^{2/}	0	(6,200)	0
Transfer In - Tobacco Products Tax Fund	22,131,800	19,222,900	19,222,900
Total Funds Available	\$22,138,000	\$19,222,900	\$19,222,900
<u>Allocations</u>			
AHCCCS State Match Appropriation	\$22,131,800	\$19,222,900	\$19,222,900
Balance Forward ^{2/}	\$ 6,200	\$ 0	\$ 0

Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund ^{1/}	FY 2009	FY 2010 ^{1/}	FY 2011 ^{1/}
DHS Health Education Account			
<u>Funds Available</u>			
Balance Forward	\$ 8,305,800	\$ 3,805,700	\$ 0
Transfer In - Tobacco Tax and Health Care Fund	18,979,900	15,728,600	15,728,600
Transfer In - Tobacco Products Tax Fund	2,333,200	1,922,300	1,922,300
Total Funds Available	\$29,618,900	\$21,456,600	\$ 17,650,900
<u>Allocations</u>			
Tobacco Education and Prevention Program	\$21,751,900	\$21,751,900	\$ 21,751,900
Leading Causes of Death - Prevention and Detection	4,061,300	4,061,300	4,061,300
Balance Forward	\$ 3,805,700	\$ (4,356,600) ^{3/}	\$ (8,162,300) ^{3/}
Health Research Account			
<u>Funds Available</u>			
Balance Forward	\$ 7,245,800	\$ 4,646,300	\$ 1,721,000
Transfer In - Tobacco Tax and Health Care Fund	3,819,900	3,419,200	3,419,200
Transfer In - Tobacco Products Tax Fund	5,541,700	4,805,700	4,805,700
Interest Revenue	82,800	0	0
Total Funds Available	\$16,690,200	\$12,871,200	\$ 9,945,900
<u>Allocations</u>			
Arizona Biomedical Research Commission	\$ 5,543,900	\$ 5,543,900	\$ 5,543,900
Alzheimer's	1,000,000	0	1,000,000
Public Health	0	1,000,000	0
Autism Training - Department of Economic Security	0	200,000	0
Biotechnology (Laws 2002, Ch. 186)	500,000	500,000	500,000
Bioresearch Non-Appropriated Allocation ^{4/}	5,000,000	3,906,300	2,997,800
Balance Forward	\$ 4,646,300	\$ 1,721,000	\$ (95,800) ^{3/}
^{1/} Reflects revenue estimates as of November 2009. The FY 2010 and FY 2011 revenue estimates (transfer-in) equals the FY 2009 estimate.			
^{2/} Any unencumbered funds in the Emergency Health Services Account are transferred to the Proposition 204 Protection Account at the end of each year.			
^{3/} Actual balances will not be negative.			
^{4/} Laws 2002, Chapter 320 appropriated \$5,000,000 annually from FY 2003 to FY 2007 to the Translational Genomics Research Institute (TGen). The Arizona Biomedical Research Commission (ABRC) signed a contract with TGen to continue this appropriation through FY 2012 through the commission's non-appropriated grant program, but further reduced the amount to reflect declining revenue for ABRC.			

**Arizona Health Care Cost Containment System
Administration**

A.R.S. § 36-2901

JLBC Analyst: Amy Upston

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,201.4	3,017.4	2,983.4 ^{1/}
Personal Services	34,870,000	38,657,600	38,449,100
Employee Related Expenditures	14,340,700	15,784,800	15,798,300
Professional and Outside Services	2,672,100	3,667,100	3,681,800
Travel - In State	56,800	91,700	94,700
Travel - Out of State	14,400	37,500	40,000
Other Operating Expenditures	8,554,200	9,531,500	9,761,100
Equipment	102,000	319,200	319,200
OPERATING SUBTOTAL	60,610,200	68,089,400	68,144,200
SPECIAL LINE ITEMS			
ADOA Data Center Charges	7,825,100	5,717,500	5,717,500
Indian Advisory Council	215,600	222,000	0
DES Eligibility	50,989,600	55,842,400	54,187,800 ^{2/}
DES Title XIX Pass-Through	259,500	352,500	349,700
Healthcare Group Administration and Reinsurance	6,524,400	6,176,500	5,183,700
Office of Administrative Hearings	217,700	272,700	0
KidsCare - Administration	10,031,500	6,899,800	2,141,600
Proposition 204 - AHCCCS Administration	9,615,900	7,035,300	6,689,500
Proposition 204 - DES Eligibility	37,100,200	39,918,200	38,157,200
PROGRAM TOTAL	183,389,700	190,526,300	180,571,200^{3/4/}
FUND SOURCES			
General Fund	82,805,200	76,316,700	74,283,600
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	2,130,800	2,993,500	3,117,300
Children's Health Insurance Program Fund	7,731,100	5,648,000	1,646,500
Healthcare Group Fund	3,724,400	6,176,500	5,183,700
SUBTOTAL - Other Appropriated Funds	13,586,300	14,818,000	9,947,500
SUBTOTAL - Appropriated Funds	96,391,500	91,134,700	84,231,100
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	86,998,200	99,391,600	96,340,100
SUBTOTAL - Expenditure Authority Funds	86,998,200	99,391,600	96,340,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	183,389,700	190,526,300	180,571,200
Other Non-Appropriated Funds	76,232,700	70,647,000	73,750,200
Federal Funds	34,099,000	30,630,400	26,413,900
TOTAL - ALL SOURCES	293,721,400	291,803,700	280,735,300

^{1/} Includes 880.4 GF, 172 OF, and 958.8 EA FTE Positions funded from Special Line Items in FY 2011.

^{2/} The amounts appropriated for the Department of Economic Security Eligibility 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. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds as modified by Laws 2010, Chapter 232 are appropriated as an Operating Lump Sum with Special Line Items by Program. General Appropriation Act funds are also adjusted for statewide allocations.

^{4/} See agency summary for agencywide lump sum reductions.

COST CENTER 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 program provides funding for eligibility determinations.

Amounts in the Administration Cost Center are displayed at the regular Federal Medical Assistance Percentages (FMAP) and are not subject to the enhanced FMAP under the American Recovery and Reinvestment Act.

Operating Budget

The budget includes \$68,144,200 and 972.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$26,315,200
Federal Expenditure Authority	41,829,000

These amounts fund the following adjustments:

Fraud Investigators

The budget includes an increase of \$156,300 and 5 FTE Positions from the General Fund in FY 2011 to increase the number of fraud investigators and eliminate the backlog that has occurred. It is estimated that these additional 5 FTE Positions in the Office of Program Integrity will save \$(607,300). Although the savings were reflected in the Administration Cost Center in the General Appropriation Act, they have been shifted to the Acute Care Center to reflect where the actual savings will occur.

Shift Indian Advisory Council to Operating Budget

The budget includes an increase of \$104,900 and 1.8 FTE Positions from the General Fund and an increase of \$117,100 and 1.8 FTE Positions from Federal Title XIX Expenditure Authority in FY 2011 to move the Indian Advisory Council line item to the operating budget.

Shift Office of Administrative Hearings to Operating Budget

The budget includes an increase of \$272,700 and 3 FTE Positions from Federal Title XIX Expenditure Authority in FY 2011 to move the Office of Administrative Hearings to the operating budget.

Statewide Adjustments

The budget includes a decrease of \$(496,200) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(248,100)
Federal Expenditure Authority	(248,100)

(Please see the General Provisions section.)

Continue Reduction

The budget continues a \$(100,000) decrease from the General Fund approved in the 5th Special Session FY 2010 revisions. The budget also includes an accompanying \$(100,000) decrease in FY 2011 only from the CHIP Fund, the federal matching monies that are associated with the General Fund reduction. The General Fund reductions were part of the agency's FY 2010 lump sum reduction which was continued in FY 2011.

ADOA Data Center Charges

The budget includes \$5,717,500 for the Arizona Department of Administration (ADOA) Data Center Charges in FY 2011. This amount consists of:

General Fund	1,724,700
Federal Expenditure Authority	3,992,800

These amounts are unchanged from FY 2010.

This Special Line Item reflects costs associated with the agency's usage of mainframe computing services provided by ADOA.

Indian Advisory Council

The budget includes no funding for the Indian Advisory Council in FY 2011 due to the shift to the operating budget. This amount funds the following adjustments:

Shift to Operating Budget

The budget includes a decrease of \$(222,000) and (3.6) FTE Positions in FY 2011 for a shift to the operating budget.

The Advisory Council on Indian Healthcare assists in developing a comprehensive healthcare delivery system for Arizona's Native American population.

DES Eligibility

The budget includes \$54,187,800 and 991.6 FTE Positions for the Department of Economic Security (DES) Eligibility services in FY 2011. These amounts consist of:

General Fund	25,608,400
Federal Expenditure Authority	28,579,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,654,600) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(827,300)
Federal Expenditure Authority	(827,300)

Through an Intergovernmental Agreement, DES performs eligibility determinations for the Acute Care program.

DES Title XIX Pass-Through

The budget includes \$349,700 and 4.3 FTE Positions for DES Title XIX Pass-Through funding in FY 2011. These amounts consist of:

General Fund	146,300
Federal Expenditure Authority	203,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,800) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(1,400)
Federal Expenditure Authority	(1,400)

This Special Line Item contains funding for both the DES Disability Determination Services Administration (DDSA) and the DES Preadmission Screening and Annual Resident Review (PASARR) programs, which are administered by DES through an Intergovernmental Agreement. DES-DDSA determines disability entitlement for the Arizona Long-Term Care System and the Federal Emergency Services program. DES-PASARR screens all individuals with developmental disabilities before they enter the Long Term Care program to determine the appropriate level and types of specialized services needed.

Healthcare Group Administration and Reinsurance

The budget includes \$5,183,700 and 30 FTE Positions from the Healthcare Group Fund for Healthcare Group Administration and Reinsurance in FY 2011. These amounts fund the following adjustments:

Administration Reduction

The budget includes a decrease of \$(933,600) from the Healthcare Group Fund in FY 2011 for administrative expenses due to recent declines in membership.

Statewide Adjustments

The budget includes a decrease of \$(59,200) from the General Fund in FY 2011 for statewide adjustments.

Background – Healthcare Group (HCG) offers health insurance to small businesses with between 2 and 50 employees. Coverage is offered through community rated plans and an applicant cannot be denied coverage due to a medical condition. Employers may pay part of the premium or offer the program directly to their employees with no additional cost to the business. Dental and vision coverage is available in addition to medical coverage. As of December 2009, there were 12,171 individuals enrolled in HCG medical plans.

Office of Administrative Hearings

The budget includes no funding for Office of Administrative Hearing (OAH) costs in FY 2011 due to the shift to the operating budget. These amounts fund the following adjustments:

Shift to Operating Budget

The budget includes a decrease of \$(272,700) and (3) FTE Positions from Title XIX Expenditure Authority in FY 2011 for a shift to the operating budget.

This Special Line Item contains the Federal Expenditure Authority associated with hearing and grievance activities performed by OAH. AHCCCS transfers the federal funding to OAH, in addition to monies received from the Children's Health Insurance Program (CHIP) Fund, based on the cases reviewed.

KidsCare - Administration

The budget includes \$2,141,600 and 177.5 FTE Positions for KidsCare Administration costs in FY 2011. These amounts consist of:

General Fund	495,100
CHIP Fund	1,646,500

These amounts fund the following adjustments:

Enrollment Freeze

The budget includes a decrease of \$(528,100) from the General Fund and a decrease of \$(1,904,700) from the CHIP Fund in FY 2011 to reflect lower administrative costs associated with KidsCare due to the enrollment freeze. As part of their FY 2010 lump sum reduction, AHCCCS implemented a KidsCare enrollment freeze beginning on January 1, 2010. The FY 2011 budget continues the enrollment freeze. With fewer individuals enrolled, administrative costs are expected to decline.

KidsCare Parents Elimination

The budget includes a decrease of \$(160,300) from the General Fund and a decrease of \$(508,400) from the CHIP Fund in FY 2011 as a funding reduction to KidsCare Administration due to the elimination of KidsCare Parents.

The FY 2010 budget eliminated KidsCare Parents as of October 1, 2009 and eliminated 75% of KidsCare Parents Administration funding. The budget eliminates the remainder of the KidsCare Parents Administrative funding.

Statewide Adjustments

The budget includes an increase of \$43,800 in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	(23,800)
CHIP Fund	67,600

Continue Reduction

The budget continues a \$(511,400) decrease from the General Fund approved in the 5th Special Session FY 2010 revisions. The budget also includes an accompanying \$(1,700,500) decrease in FY 2011 only from the CHIP Fund, the federal matching monies that are associated with the General Fund reduction. The General Fund reductions were part of the agency’s FY 2010 lump sum reduction which was continued in FY 2011.

Background – KidsCare, also known as the Children’s Health Insurance Program (CHIP), provides health insurance coverage to uninsured children whose families have an income less than 200% of the Federal Poverty Level (FPL). This Special Line Item includes funding for the administration component of this program, while funding for KidsCare program services are included in the Acute Care Cost Center.

The administrative component of the CHIP program includes both direct and indirect costs and is capped by federal law at 10% of program costs. The FY 2009 KidsCare Administration funding level from the CHIP Fund was approximately 7% of the FY 2009 CHIP Fund program costs.

Proposition 204 - AHCCCS Administration

The budget includes \$6,689,500 and 164.4 FTE Positions for Proposition 204 AHCCCS Administration costs in FY 2011. These amounts consist of:

General Fund	2,270,800
Federal Expenditure Authority	4,418,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(84,400) in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	(42,200)
Federal Expenditure Authority	(42,200)

Continue Reduction

The budget continues a \$(261,400) decrease from the General Fund approved in the 5th Special Session FY 2010

revisions. The budget also includes an accompanying \$(261,400) decrease in FY 2011 only from the Title XIX Federal Expenditure Authority Funds. The General Fund reductions were part of the agency’s FY 2010 lump sum reduction which was continued in FY 2011.

Proposition 204 expanded AHCCCS coverage up to 100% of the FPL. This line item contains funding for AHCCCS administration costs of the Proposition 204 program, while funding for the services to this population are included in the Acute Care Cost Center.

Proposition 204 - DES Eligibility

The budget includes \$38,157,200 and 643.4 FTE Positions for Proposition 204 DES Eligibility costs in FY 2011. These amounts consist of:

General Fund	17,723,100
Budget Neutrality Compliance Fund	3,117,300
Federal Expenditure Authority	17,316,800

These amounts fund the following adjustments:

Statutory Adjustment

The budget includes a decrease of \$(123,800) from the General Fund and a corresponding increase from the Budget Neutrality Compliance Fund (BNCF) in FY 2011 to reflect a statutorily-required increase of county contributions.

Pursuant to A.R.S. § 11-292O, the JLBC Staff is required to adjust the prior year county contribution to the BNCF based on inflationary and population growth. In accordance with this requirement, JLBC Staff used inflationary growth of 1.3%, as measured by the November 2009 estimate of the calendar year 2009 Gross Domestic Product (GDP) price deflator, and population growth of 2.8%, as estimated by the Department of Commerce. Using these rates, JLBC Staff calculated a FY 2011 increase of \$123,800 above the FY 2010 contribution amount of \$2,993,500. *(Please see Table 2 in the Acute Care Cost Center for contributions by county.)*

Statewide Adjustments

The budget includes a decrease of \$(379,800) from the General Fund in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	(189,900)
Federal Expenditure Authority	(189,900)

Continue Reduction

The budget continues a \$(1,381,200) decrease from the General Fund approved in the 5th Special Session FY 2010 revisions. The budget also includes an accompanying \$(1,381,200) decrease in FY 2011 only from Title XIX Expenditure Authority, the federal matching monies that

are associated with the General Fund reduction. The General Fund reductions were part of the agency's FY 2010 lump sum reduction which was continued in FY 2011.

This Special Line Item contains funding for DES Eligibility costs, in DES, of the Proposition 204 program. This funding primarily represents eligibility services provided by DES.

The BNCF is comprised of contributions from Arizona counties for administrative costs of the implementation of Proposition 204. Prior to the proposition, the counties funded and administered the health care program for some of the Proposition 204 population.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required AHCCCS to reduce 27 General Fund FTE Positions in FY 2010 and an additional 39 General Fund FTE Positions in FY 2011. These changes have been incorporated into the agency's budget.

Arizona Health Care Cost Containment System
Acute Care

A.R.S. § 36-2901

JLBC Analyst: Amy Upston

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
SPECIAL LINE ITEMS			
Traditional Medicaid Populations			
Capitation	2,148,624,600	2,186,857,500	2,599,150,600 ^{1/}
Reinsurance	103,033,300	148,630,300	163,429,700
Fee-For-Service	531,755,000	514,963,200	590,693,600
Medicare Premiums	96,170,100	109,550,000	122,535,900
Breast and Cervical Cancer	913,500	1,699,600	1,802,700
Ticket to Work	6,449,800	6,944,300	7,149,200
Dual Eligible Part D Copay Subsidy	2,150,900	0	0
Medicare Clawback Payments	28,794,400	20,922,400	23,083,700
Temporary Medical Coverage	3,138,000	0	0
Proposition 204 Services			
Proposition 204 - Capitation	1,540,180,400	2,119,598,700	2,240,528,500 ^{1/}
Proposition 204 - Reinsurance	73,596,200	87,601,900	95,373,500
Proposition 204 - Fee-For-Service	222,136,900	229,802,300	265,776,600
Proposition 204 - Medicare Premiums	22,734,900	33,051,400	34,233,700
Proposition 204 - County Hold Harmless	0	4,825,600	0
KidsCare Services			
KidsCare - Children	115,412,200	124,313,100	47,801,300 ^{2/}
KidsCare - Parents	30,625,100	6,967,500	0
Payments to Hospitals			
Disproportionate Share Payments	4,202,300	6,515,200	13,487,100 ^{3/4/}
Graduate Medical Education	0	0	0
Critical Access Hospitals	1,700,000	1,700,000	1,700,000
Rural Hospital Reimbursement	0	12,158,100	12,158,100
PROGRAM TOTAL	4,931,617,600	5,616,101,100	6,218,904,200 ^{5/6/}
FUND SOURCES			
General Fund	974,369,700 ^{2/}	1,012,561,500 ^{2/}	1,170,607,600 ^{2/}
<u>Other Appropriated Funds</u>			
Children's Health Insurance Program Fund	114,204,800	109,330,200	39,321,100
Temporary Medical Coverage Fund	3,138,000	0	0
TPTF Emergency Health Services Account	22,131,800	19,222,900	19,222,900
TTHCF Medically Needy Account	50,803,300	38,295,800	38,295,800
SUBTOTAL - Other Appropriated Funds	190,277,900	166,848,900	96,839,800
SUBTOTAL - Appropriated Funds	1,164,647,600	1,179,410,400	1,267,447,400
<u>Expenditure Authority Funds</u>			
County Funds	0	51,711,900	51,438,400
Federal Title XIX Funds	3,594,552,600 ^{2/}	4,236,204,900 ^{2/}	4,751,244,500 ^{2/}
Third Party Collections Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	125,588,500	108,211,300	108,211,300
TPTF Proposition 204 Protection Account	46,828,900	40,367,900	40,367,900
SUBTOTAL - Expenditure Authority Funds	3,766,970,000	4,436,690,700	4,951,456,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	4,931,617,600	5,616,101,100	6,218,904,200
Other Non-Appropriated Funds	0	39,809,000	39,809,000
Federal Funds	0	23,670,000	23,670,000
TOTAL - ALL SOURCES	4,931,617,600	5,679,580,100	6,282,383,200

COST CENTER 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. 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. This program also includes funding for the Proposition 204 AHCCCS expansion, approved by voters in November 2000 and serving adults up to 100% of the Federal Poverty Level (FPL), as well as the KidsCare program, which serves children up to 200% of FPL.

Overview

The Acute Care cost center contains funding for services provided to AHCCCS members eligible for either the Title XIX or Title XXI programs. The Title XIX program includes the Traditional Medicaid population and the Proposition 204 expansion population. The Title XXI program represents the KidsCare program. *Chart 1* shows the income levels defining eligibility in these 3 distinct populations and *Table 1* shows the forecasted populations for these groups.

The largest of the 3 populations is the Traditional Medicaid population. This population represents the AHCCCS Title XIX population prior to the passage of Proposition 204, which expanded Title XIX eligibility up to 100% of the FPL. The Proposition 204 program also includes the “spend-down” population, which was previously included in the state-only Medically Needy/Medically Indigent (MN/MI) program. Finally, the KidsCare program, which receives Federal Title XXI funding, provides coverage for children up to 200% FPL who are not covered by the regular Title XIX program.

As of May 1, 2010, AHCCCS programs served 1,359,534 clients.

The following issues are reflected in several different line items:

Title XIX Caseload and Capitation Rate Growth

The budget includes caseload growth for the Traditional Medicaid and Proposition 204 populations in the Acute Care cost center. AHCCCS Title XIX enrollment growth

for these 2 populations is assumed to grow by 4.3% from June 2010 to June 2011.

Population	June 2010	June 2011	% Change
<i>Title XIX</i>			
Traditional Medicaid	818,216	867,309	6.0%
Proposition 204	<u>362,456</u>	<u>366,080</u>	<u>1.0%</u>
Subtotal	1,180,672	1,233,389	4.5%
Fee-For-Service/Other	<u>168,355</u>	<u>176,773</u>	<u>5.0%</u>
Subtotal – Title XIX	1,349,027	1,410,162	4.3%
<i>Title XXI</i>			
KidsCare-Children	<u>30,190</u>	<u>11,095</u>	<u>(63.3)%</u>
Total Acute Care	1,379,217	1,421,257	3.0%
Long-Term Care	<u>27,740</u>	<u>28,905</u>	<u>4.2%</u>
Total AHCCCS	1,406,957^{2/}	1,450,162	3.0%

^{1/} The figures represent point-in-time estimates, while figures in *Tables 3 and 4* display estimated averages for FY 2011. The Fee-For-Service/Other population includes the Dual Eligible (Medicare Premiums), Ticket to Work, and Breast and Cervical Cancer populations. Further discussion of the Long-Term Care population can be found in the ALTCS section.

^{2/} Represents revised forecast.

In comparison to caseload growth rates, which vary by population, capitation rate adjustments are assumed to be 0% above FY 2011 across all capitated programs. Yearly capitation rate changes have averaged 4.9% over the last 5 years, with the lowest being a (2.9)% decrease in FY 2010 and a high of 8.7% coming in FY 2009. If capitation rates were grown at 5% in FY 2011, this would have cost an additional \$62,500,000 from the General Fund in FY 2011.

^{1/} Laws 2009, Chapter 12 appropriated \$344,344,800 in FY 2011 to reflect deferred payments from FY 2010, including \$118,032,000 from the General Fund. The FY 2011 General Appropriation Act appropriated the same amount in FY 2012 to reflect deferred payments from FY 2011. These deferrals were allocated among the 2 Capitation line items.

^{2/} Laws 2010, Chapter 232 appropriated \$9,000,000 from the General Fund and \$40,900,000 from the Children’s Health Insurance Program Fund. Of these amounts, \$8,480,200 from the General Fund and \$39,321,100 from the Children’s Health Insurance Program Fund are allocated to this line item.

^{3/} The \$4,702,300 appropriation for Disproportionate Share Payments for FY 2011 made pursuant to A.R.S. § 36-2903.01P includes \$4,202,300 for the Maricopa County Healthcare District and \$500,000 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)

^{4/} This amount includes \$3,000,000 from the General Fund and \$5,784,800 in Expenditure Authority appropriated in Laws 2010, 7th Special Session, Chapter 10.

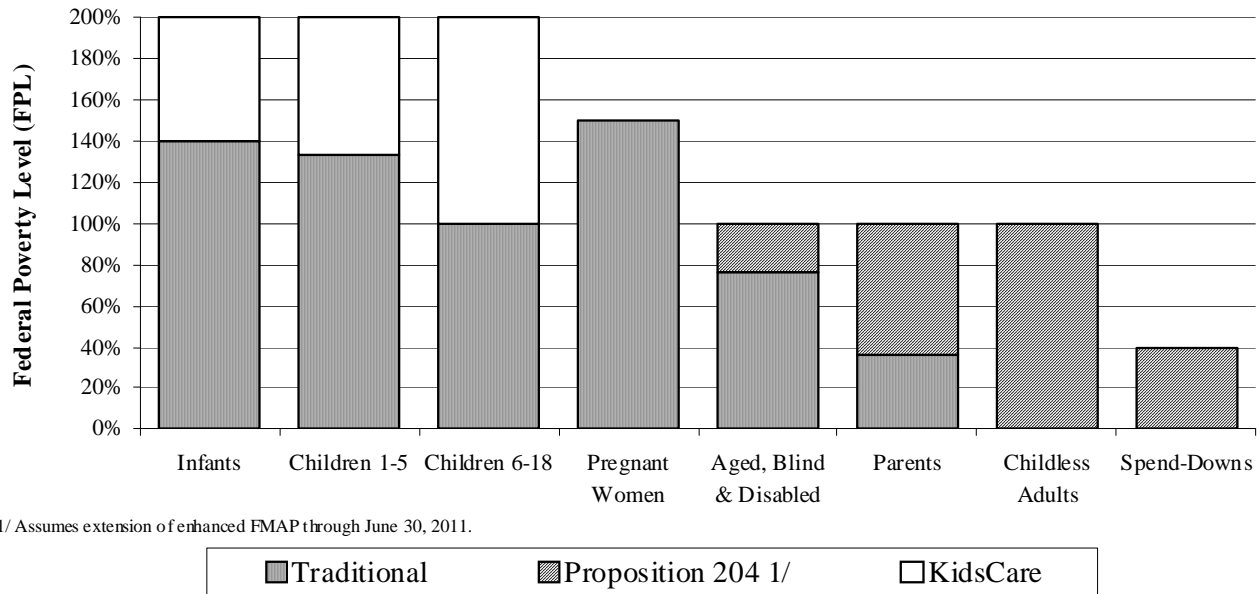
^{5/} The General Appropriation Act specified that the amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility, Proposition 204 - Capitation, Proposition 204 - Reinsurance, Proposition 204 - Fee-For-Service, and Proposition 204 - Medicare Premiums Special Line Items includes all available sources of funding consistent with A.R.S. § 36-2901.01B. Laws 2010, Chapter 232 specifies that it is the intent of the Legislature that the AHCCCS Administration expend an additional \$361,000,000 in state General Fund monies in FY 2011 on Proposition 204 costs.

^{6/} General Appropriation Act funds are appropriated by Special Line Items by Program.

^{7/} Reflects enhanced Federal Medical Assistance Percentage (FMAP) rate.

Chart 1

AHCCCS Eligibility



In total, the budget includes \$594,861,000 in new Title XIX and Title XXI funding for caseload growth. Of this amount, \$148,849,500 is from the General Fund and \$446,011,500 is in Federal and County Expenditure Authority. These numbers also incorporate growth in fee-for-service and reinsurance as discussed later. These amounts include the continuation of the FY 2010 supplemental of \$87,598,000. (Please see Summary section for more on the FY 2010 supplemental.)

In the narrative descriptions below, FY 2011 funding increases are compared to that program’s FY 2010 appropriated levels, including the FY 2010 supplemental.

Payment Deferral

The FY 2011 Health Budget Reconciliation Bill (BRB) requires AHCCCS to defer \$344,201,700 in FY 2011 acute care payments for up to 2 months, including \$117,688,200 from the General Fund. The deferral is to be paid back with 0.5% interest. This continues the deferral that began in June 2010.

Tobacco Taxes and Settlement Monies

As a result of declining tobacco tax revenues, the budget continues an increase of \$28,180,000 from the General Fund and corresponding decreases in the various tobacco tax accounts both in FY 2010 and FY 2011.

The budget also continues an increase of \$10,068,900 from the General Fund and a corresponding decrease from the Tobacco Settlement Fund in FY 2010 and FY 2011 based on updated estimates from the Attorney General’s office. (Please see the AHCCCS Summary section and the

Summary document for additional information on tobacco tax revenues and tobacco settlement monies.)

Fee-For-Service and Reinsurance

Fee-For-Service categories were grown at 14.5% and 12% for Traditional and Proposition 204 populations, respectively, in FY 2011. Reinsurance for both categories is expected to significantly increase in FY 2011. Traditional Reinsurance is grown at 16.5% and Proposition 204 Reinsurance is grown at 23% in FY 2011. (Please see Reinsurance line items for more information.)

Federal Match Rate Change

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Title XIX and Title XXI (KidsCare) program. These rates are set on a state-by-state basis and are revised each year. Typically the federal government provides an approximate 2:1 match for Title XIX services and 3:1 match for Title XXI services. The American Recovery and Reinvestment Act of 2009 (ARRA) increased the Title XIX match rate to approximately 3:1 from October 1, 2008 until December 31, 2010. The FY 2011 Appropriations Report assumes the extension of the enhanced FMAP through June 2011. For both SFY 2010 and SFY 2011, the expected Title XIX FMAP is 75.93%. All costs shown in the Acute Care Cost Center reflect the enhanced FMAP.

In FY 2011, the Title XXI FMAP (0.07% increase) is increasing to 76.10%, effective October 1, 2010. The FY 2011 FMAPs are 65.83% for Title XIX and 76.08% for Title XXI.

Traditional Medicaid Population

The following Traditional Medicaid line items fund these populations (*see Chart 1*):

- Children less than 1, up to 140% of the FPL
- Children aged 1-5, up to 133% FPL
- Children aged 6-18, up to 100% FPL
- Pregnant women, up to 150% FPL
- Aged, blind, and disabled adults, up to 75% FPL
- Parents, up to 23% FPL
- Women diagnosed through the Breast and Cervical Cancer Screening Program, up to 250% FPL
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL (“Ticket to Work”)

These line items exclude the Proposition 204 and KidsCare populations.

Capitation

The budget includes \$2,599,150,600 for Capitation expenditures for the Traditional population in FY 2011. This amount consists of:

	FY 2011
General Fund	\$534,630,100
County Funds	51,438,400
TTHCF Medically Needy Account	38,295,800
Third Party Collections	194,700
Federal Title XIX Expenditure Authority	1,974,591,600

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$250,919,900 in FY 2011 for Traditional Title XIX population funding for caseload growth. This amount consists of:

General Fund	60,502,100
Federal Title XIX Expenditure Authority	190,417,800

The FY 2011 increase represents capitation enrollment growth of 6% from June 2010 to June 2011. This results in approximately 844,572 member years being served in FY 2011. The amount includes no capitation rate increase.

Payment Deferral Interest

The budget includes an increase of \$143,100 in FY 2011 to fund the interest from the deferred payment from FY 2010. This amount consists of:

General Fund	(200,900)
Federal Title XIX Expenditure Authority	344,000

This pays the interest on the \$344,201,700 deferment that began in June 2010.

Payment Deferral Shift

The budget includes an increase of \$161,837,400 in FY 2011 to shift payments from the Proposition 204 - Capitation line item to the Traditional Capitation line item. This amount consists of:

General Fund	55,438,700
Federal Title XIX Expenditure Authority	106,398,700

The FY 2010 budget divided the payment deferrals between the Traditional Capitation and Proposition 204 - Capitation line items. The FY 2011 General Appropriation Act shifted the deferral to this line item since no General Fund monies were allocated to Proposition 204 in the latter half of FY 2011. A corresponding decrease is displayed in the Proposition 204 - Capitation line item.

Fraud Investigator Savings

The budget includes a decrease of \$(607,300) from the General Fund in FY 2011 for savings related to Fraud Investigators. The FY 2011 General Appropriation Act added 5 FTE Positions in the Office of Program Integrity to investigate fraud. Although the savings were reflected in the Administration Cost Center in the General Appropriation Act, they have been shifted to the Acute Care Center to reflect where the actual savings will occur. (*Please see the Administration Cost Center for additional details.*)

Maricopa Deflator

The budget includes an increase of \$273,500 from the General Fund and a corresponding decrease of \$(273,500) in County Funds in FY 2011 for a decrease in County Acute Care contributions from Maricopa County (*see Table 2*).

A.R.S. § 11-292 includes a Gross Domestic Product (GDP) price deflator adjustment for Maricopa County’s contribution to Acute Care costs. In accordance with this requirement, JLBC Staff used inflationary growth of 1.3%, as measured by the November estimate of the calendar year 2009 GDP price deflator. This decreases the county contribution for Maricopa County by \$(273,500). This adjustment was part of the state’s contribution to Maricopa County costs in exchange for the county taking responsibility for the adult probation program. The reduction in county contribution is offset by an increase in the General Fund equal to the amount of the contribution reduction.

Continue Tobacco Tax Backfill

The budget continues an increase of \$15,442,300 from the General Fund and a corresponding decrease of \$(15,442,300) from the TTHCF Medically Needy Account to offset a decline in tobacco tax revenues. These adjustments began as part of the FY 2010 midyear revisions.

Background – The Capitation line includes monthly payments made to AHCCCS health plans for the cost of

Table 2

County Contributions for Acute Care and Administration

County	FY 2010			FY 2011		
	Acute	DUC	BNCF	Acute	DUC	BNCF
Apache	\$ 268,800	\$ 87,300	\$ 98,600	\$ 268,800	\$ 87,300	\$ 102,700
Cochise	2,214,800	162,700	184,100	2,214,800	162,700	191,700
Coconino	742,900	160,500	181,500	742,900	160,500	189,100
Gila	1,413,200	65,900	74,600	1,413,200	65,900	77,600
Graham	536,200	46,800	53,000	536,200	46,800	55,200
Greenlee	190,700	12,000	13,600	190,700	12,000	14,200
La Paz	212,100	24,900	28,200	212,100	24,900	29,400
Maricopa	21,035,400	0	0	20,761,900	0	0
Mohave	1,237,700	187,400	211,900	1,237,700	187,400	220,700
Navajo	310,800	122,800	138,900	310,800	122,800	144,600
Pima	14,951,800	1,115,900	1,262,400	14,951,800	1,115,900	1,314,500
Pinal	2,715,600	218,300	247,000	2,715,600	218,300	257,200
Santa Cruz	482,800	51,600	58,400	482,800	51,600	60,800
Yavapai	1,427,800	206,200	233,300	1,427,800	206,200	243,000
Yuma	1,325,100	183,900	208,000	1,325,100	183,900	216,600
Subtotal	\$49,065,700	\$2,646,200	\$ 2,993,500	\$48,792,200	\$2,646,200	\$ 3,117,300
Acute Care Total			\$51,711,900			\$51,438,400
Administration Total			2,993,500			3,117,300
Total			\$54,705,400			\$54,555,700

care provided to enrolled members. Contracts are awarded to health plans for a 5-year period upon the completion of a competitive bidding process in which the health plans respond to a Request for Proposal from AHCCCS. Health plans bid by AHCCCS rate code, meaning that different rates are paid for different groups. Table 3 details the projected capitation rates and enrollment by AHCCCS rate code for FY 2011. The 5-year contracts were effective October 2008.

medical services utilization and costs incurred per AHCCCS member per month.

Reinsurance

The budget includes \$163,429,700 for Reinsurance expenditures for the Traditional population in FY 2011. This amount consists of:

General Fund	39,337,500
Federal Title XIX Expenditure Authority	124,092,200

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$14,799,400 in FY 2011 for Traditional Title XIX Reinsurance funding for caseload growth. This amount consists of:

General Fund	3,566,100
Federal Title XIX Expenditure Authority	11,233,300

The FY 2011 adjustment is an increase of 16.5% above current projected FY 2010 caseloads.

Background – The Reinsurance line item is a stop-loss program which represents payments made to health plans for patients with unusually high costs. AHCCCS provides both regular and catastrophic reinsurance coverage. For regular reinsurance coverage, the health plan is responsible for paying all costs until an annual deductible has been met. After the deductible has been met, AHCCCS will pay 75% of the cost of service until it reaches \$650,000. After this level, AHCCCS will pay 100% of the cost. Catastrophic reinsurance coverage is available for patients

Table 3

Traditional Medicaid

Federally-Eligible Rate Codes	FY 2011 Member Years ^{1/}	FY 2011 Capitation Rates ^{2/}
TANF < 1	54,352	\$491.52
TANF 1-13	435,686	12.86
TANF 14-44 Female	156,342	245.72
TANF 14-44 Male	75,372	148.11
TANF 45+	14,725	407.32
SSI w/ Medicare	45,979	157.25
SSI w/o Medicare	58,234	753.39
Family Planning	3,882	17.38
Total	844,572	
Deliveries ^{3/}	35,278	\$6,629.40

^{1/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual number of clients enrolled.

^{2/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2011, the rates reflect 1 quarter at the CY 2010 level and 3 quarters at the CY 2011 level.

^{3/} This is the projection of actual birth deliveries to be made by enrollees in AHCCCS health plans.

In general, capitation rates are based on an actuarial assessment, by each of the AHCCCS rate codes, of the

that have certain, very costly medical conditions. For patients with these specific health conditions, AHCCCS will pay 85% of the cost of service. After the \$650,000 deductible has been met, AHCCCS will pay 100% of the cost.

Health plans may typically choose 1 of 3 reinsurance deductibles: \$20,000, \$35,000, or \$50,000. However, in FY 2010 and FY 2011, the choice was limited to \$20,000 or \$35,000. The choice of deductibles should be cost neutral, but it impacts the timing of when health plans receive payments. A lower deductible results in lower capitation payments and higher reinsurance payments. Reinsurance claims have 15 months from the end date of service to be submitted. Claims made from 1 fiscal year are disbursed over 3 fiscal years. AHCCCS estimates that approximately 20% of claims are paid in the same fiscal year in which they occur, 74% in the following fiscal year, and 6% the year after that.

Fee-For-Service

The budget includes \$590,693,600 for Fee-For-Service expenditures for the Traditional population in FY 2011. This amount consists of:

General Fund	89,459,900
Federal Title XIX Expenditure Authority	501,233,700

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$75,730,400 in FY 2011 for Traditional Title XIX Fee-For-Service caseload growth. This amount consists of:

General Fund	19,745,500
Federal Title XIX Expenditure Authority	55,984,900

This adjustment is a 16.1% increase above current projected FY 2010 caseloads.

Background – The Fee-For-Service line item is for payments made by AHCCCS directly to health care providers on behalf of members not covered under the capitated portion of the AHCCCS program. There are 4 primary components of the Fee-For-Service program: 1) federally-mandated services for Native Americans living on-reservations; 2) reimbursements to Federally Qualified Health Centers (FQHC) in rural areas for payments above negotiated rates, as required by the Medicaid Benefits Improvements and Protection Act of 2000; 3) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan; and, 4) federally-mandated emergency services for unauthorized and qualified immigrants. The federal government shares in the cost of care for categorically linked unauthorized immigrants. “Categorically Linked” individuals are those

who would be eligible for the Traditional Medicaid program (as opposed to Proposition 204 or KidsCare) if not for their citizenship status.

Medicare Premiums

The budget includes \$122,535,900 for Medicare Premium expenditures for the Traditional Medicaid population in FY 2011. This amount consists of:

General Fund	29,494,400
Federal Title XIX Expenditure Authority	93,041,500

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$12,985,900 in FY 2011 for Medicare premiums caseload growth and inflation. This amount consists of:

General Fund	4,486,000
Federal Title XIX Expenditure Authority	8,499,900

This adjustment is a 12% increase above current projected FY 2010 caseloads. The 12% represents both caseload and premium increases.

This line item provides funding for the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and Part A (hospital insurance) coverage. Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, the line item includes the cost of payment of Part A premium costs for certain disabled workers. The line item also includes funding for low-income Qualified Medicare Beneficiaries. Finally, the line item includes funding for the 100% federally funded Medicare Part B buy-in program.

Breast and Cervical Cancer

The budget includes \$1,802,700 for Breast and Cervical Cancer in FY 2011. This amount consists of:

General Fund	420,200
Federal Title XIX Expenditure Authority	1,382,500

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$103,100 in FY 2011 for Breast and Cervical Cancer caseload growth. This amount consists of:

General Fund	12,800
Federal Title XIX Expenditure Authority	90,300

The FY 2011 adjustment is an increase of 8.5% above current projected FY 2010 caseloads.

The Breast and Cervical Cancer program provides treatment to women who have been diagnosed with breast and/or cervical cancer through the Well-Woman Healthcheck Program administered by the Department of Health Services. This program serves women with incomes between 100-250% FPL. Enrollment as of May 1, 2010 was 137 individuals.

Ticket to Work

The budget includes \$7,149,200 for Ticket to Work in FY 2011. This amount consists of:

General Fund	1,720,800
Federal Title XIX Expenditure Authority	5,428,400

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$204,900 in FY 2011 for Ticket to Work program. This amount consists of:

General Fund	49,000
Federal Title XIX Expenditure Authority	155,900

This adjustment represents a 7.9% increase above current projected FY 2010 caseloads.

The Ticket to Work program is designed to improve access to employment training and placement for individuals with disabilities who want to work. This program allows individuals receiving Supplemental Security Income (SSI) to work without losing their AHCCCS health coverage. This program serves individuals who meet SSI eligibility criteria, who are aged 16-64, and who have earned income below 250% FPL. As of May 1, 2010, approximately 1,065 members were enrolled in this program.

The FY 2011 budget estimates collections of \$48,600 in premiums, which are used to offset the costs of services. Clients may be assessed premiums of \$0 to \$35 monthly, based on income.

Dual Eligible Part D Copay Subsidy

The budget includes no funding for Dual Eligible Part D Copay Subsidy in FY 2011. This amount is unchanged from FY 2010.

The line item was used to pay the prescription drug copayments of low income individuals qualifying for both Medicare and Medicaid, known as "dual eligibles." Prior to the federal government taking over prescription drug costs from the state for dual eligibles on January 1, 2006, these individuals did not pay for their prescriptions. As

part of the benefit, the copayment ranged from \$1.05 to \$6.01, depending on the class of the drug as well as the recipient's income.

Medicare Clawback Payments

The budget includes \$23,083,700 from the General Fund for Medicare Clawback Payments in FY 2011. These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$1,056,200 from the General Fund in FY 2011 for formula growth associated with Medicare Clawback Payments.

Savings Reduction

The budget includes an increase of \$1,105,100 from the General Fund in FY 2011 for reduced savings in FY 2011. In February 2010, the federal government announced that it would apply the ARRA enhanced matching rate against the Medicare Clawback payments, thereby reducing the amounts made for Clawback payments. It is estimated that this will reduce Acute Care Clawback payments by \$(11,003,200) in FY 2010 and \$(9,898,100) in FY 2011. The savings in FY 2010 are greater than in FY 2011 due to the timing of these savings.

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, AHCCCS is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on 83% of the estimated prescription drug cost of this population in FY 2009. The state's share of 83% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

Temporary Medical Coverage

The budget includes no funding for Temporary Medical Coverage in FY 2011. This amount is unchanged from FY 2010.

The purpose of the program was to provide temporary medical coverage for persons who have previously been enrolled in AHCCCS who are now receiving federal disability insurance (SSDI) benefits and are not yet eligible for Medicare benefits. SSDI benefits would normally raise an individual's income above eligibility limits for AHCCCS. This program allowed a person to continue to receive health benefits until those benefits are provided through Medicare. Persons receiving SSDI benefits are eligible for Medicare benefits after a period of 24 months. This program went into effect October 1, 2006 and was suspended beginning on July 1, 2008. The FY 2010 Health and Welfare BRB permanently eliminated the program.

Proposition 204 Services

Proposition 204 expanded the regular AHCCCS program to 100% FPL. The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population, but are below 100% FPL. Services provided to this population mirror the services provided in the regular AHCCCS program.

The General Appropriation Act limited spending for Proposition 204 programs to the amounts funded by the Tobacco Settlement and the Proposition 204 Protection Account in the last 6 months of FY 2011. Laws 2010, Chapter 232 appropriated an additional \$361,000,000 to the Proposition 204 line items contingent upon the federal government extending the enhanced federal match rate until the end of FY 2011. This display assumes the extension of the enhanced matching rate through June 2011. (Please see the Summary section for additional detail.) A portion of Proposition 204 monies are allocated to the Administrative Cost Center.

General Fund	371,493,100
Tobacco Settlement Fund	108,211,300
TPTF Proposition 204 Protection Account	40,367,900
Emergency Health Services Account	19,222,900
Federal Title XIX Expenditure Authority	1,701,233,300

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$282,767,200 in FY 2011 for Proposition 204 funding for caseload growth. This amount consists of:

General Fund	78,879,000
Federal Title XIX Expenditure Authority	203,888,200

The FY 2011 adjustment represents Proposition 204 capitation enrollment growth of 1% above current projected FY 2010 caseloads.

Payment Deferral Shift

The budget includes a decrease of \$(161,837,400) in FY 2011 to shift payments from the Proposition 204 - Capitation line item to the Traditional Capitation line item. This amount consists of:

General Fund	(55,438,700)
Federal Title XIX Expenditure Authority	(106,398,700)

(See the Capitation line item for more details.)

Continue Tobacco Tax Backfill

The budget continues an increase of \$12,737,700 from the General Fund and a corresponding decrease of \$(12,737,700) in FY 2011 to offset declining tobacco tax revenues. These adjustments began as part of the FY 2010 midyear revisions. These amounts consist of:

General Fund	12,737,700
TPTF Proposition 204 Protection Account	(8,628,800)
Emergency Health Services Account	(4,108,900)

Continue Tobacco Settlement Backfill

The budget continues an increase of \$10,068,900 from the General Fund and a corresponding Tobacco Litigation Settlement Fund decrease of \$(10,068,900) in FY 2011 to offset a decline in tobacco settlement revenues. These adjustments began as part of the FY 2010 midyear revisions.

Table 4

Proposition 204		
Federally-Eligible Rate Codes	FY 2011 Member Years ^{1/}	FY 2011 Capitation Rates ^{2/}
TANF	130,788	\$ 242.69
SSI	26,147	195.75
Prop 204 Conversions ^{3/}	61,563	523.39
Prop 204 Medically Eligible ^{4/}	6,243	1,291.47
Prop 204 Newly Eligible ^{5/}	<u>139,675</u>	523.39
Total	364,416 ^{6/}	
Deliveries ^{7/}	2,796	\$6,629.40

- ^{1/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual clients enrolled.
- ^{2/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2011, the rates reflect 1 quarter at the CY 2010 level and 3 quarters at the CY 2011 level. These rates represent the average rates for the population listed.
- ^{3/} Represents the population formerly known as the Medically Indigent who received services under the former 100% state funded MN/MI program. These enrollees are from 0 - 40% FPL.
- ^{4/} Represents the population formerly known as the Medically Needy portion of the old MN/MI program, also referred to as the "spend-down" population. These enrollees are from 0 - 40% FPL.
- ^{5/} Represents enrollees that mirror the former Medically Indigent population, except their income ranges from 40 - 100% FPL.
- ^{6/} Numbers due not add due to rounding.
- ^{7/} This is the projection of actual birth deliveries to be made by Proposition 204 enrollees in AHCCCS health plans.

Proposition 204 - Capitation

The budget includes \$2,240,528,500 for Capitation expenditures for the Proposition 204 population in FY 2011. This amount consists of:

Proposition 204 - Reinsurance

The budget includes \$95,373,500 for the Proposition 204 - Reinsurance line item in FY 2011. This amount consists of:

General Fund	22,956,400
Federal Title XIX Expenditure Authority	72,417,100

These amounts fund the following adjustments:

General Fund	283,300
Federal Title XIX Expenditure Authority	899,000

Formula Growth

The budget includes an increase of \$7,771,600 in FY 2011 for Proposition 204 Reinsurance funding. This amount consists of:

General Fund	1,803,400
Federal Title XIX Expenditure Authority	5,968,200

The FY 2011 adjustment represents an increase of 23% above current projected FY 2010 caseloads. This adjustment includes monies for enrollment growth. Monies for these reinsurance payments are paid to health plans for catastrophic cases in the Proposition 204 population. (See *Traditional Reinsurance for more information.*)

Proposition 204 - Fee for Service

The budget includes \$265,776,600 for Fee-For-Service expenditures for the Proposition 204 population in FY 2011. This amount consists of:

General Fund	34,784,800
Federal Title XIX Expenditure Authority	230,991,800

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$35,974,300 in FY 2011 for caseload growth. This amount consists of:

General Fund	2,388,600
Federal Title XIX Expenditure Authority	33,585,700

The FY 2011 adjustment represents an increase of 12% above current projected FY 2010 caseloads. These increases include monies for enrollment growth. The groups covered are the same as the groups covered in the Traditional Fee-For-Service Special Line Item at higher income levels. (Please see the *Fee-For-Service narrative above for more information.*)

Proposition 204 - Medicare Premiums

The budget includes \$34,233,700 for Medicare Premiums expenditures for the Proposition 204 population in FY 2011. This amount consists of:

General Fund	8,240,000
Federal Title XIX Expenditure Authority	25,993,700

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$1,182,300 in FY 2011 for caseload growth. This amount consists of:

The FY 2011 adjustment represents an increase of 6.2% above FY 2010 current projected caseloads.

Proposition 204 - County Hold Harmless

The budget includes no funding for Proposition 204 County Hold Harmless payments in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(4,825,600) from the General Fund in FY 2011 for the elimination of Proposition 204 - County Hold Harmless Funding.

As a result of the implementation of Proposition 204, some counties experienced revenue losses. In past years, an amount had been appropriated to hold counties harmless. The primary recipient of prior year appropriations was Pima County, which received \$3,817,800. The remaining \$1,007,800 was allocated among Graham, Greenlee, La Paz, Santa Cruz, and Yavapai Counties.

KidsCare Services

The KidsCare program, also referred to as the Children’s Health Insurance Program (CHIP), provides health coverage to children in families with incomes below 200% FPL, but above the levels required for the regular AHCCCS program. The KidsCare program receives Federal Title XXI monies at approximately a 3 to 1 match rate, which is higher than the regular 2 to 1 match in the Title XIX portion of AHCCCS. The Federal Title XXI monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund the KidsCare program.

Effective January 1, 2010, AHCCCS froze enrollment in the KidsCare program. AHCCCS was notified of retroactive federal approval of the freeze on March 15, 2010. This freeze allows individuals who are currently on the program to remain on the program as long as they continue to pay their premiums, but all new applicants are added to a waiting list.

The General Appropriation Act eliminated the KidsCare program effective June 15, 2010. The passage of federal health care legislation on March 23, 2010 required states to maintain eligibility levels that were in effect as of the March 23, 2010 or risk losing all federal funding for Title XIX and Title XXI programs. (Please see the *AHCCCS Summary section for additional information.*) To comply with federal requirements, Laws 2010, Chapter 232 restored the KidsCare program and appropriated \$9,000,000 to operate the program in FY 2011. The

funding level assumes that the program will continue to operate under a freeze. (Additional funding is also provided for the administration of the KidsCare program in the AHCCCS Administration cost center.)

KidsCare - Children

The budget includes \$47,801,300 for KidsCare children’s services in FY 2011. This amount consists of:

General Fund	8,480,200
CHIP Fund	39,321,100

These amounts fund the following adjustments:

Caseload Declines

The budget includes a decrease of \$(76,511,800) in FY 2011 for caseload growth funding in the KidsCare Children population. This amount consists of:

General Fund	(11,800,100)
CHIP Fund	(64,711,700)

These amounts represent enrollment decline of approximately (19,095) members, or (63.3)%, from June 2010 to June 2011. Total enrollment in June 2011 is expected to be 11,095. This amount assumes that individuals will continue to drop off of the program due to the enrollment freeze. The amount includes no capitation rate increase.

The above amounts include an estimated \$1,311,400 in premiums, which are used to offset the costs of services. Monthly premiums range from \$10 to \$70 depending on household income and the number of children enrolled. The maximum premium is \$70 per month to cover all children in the household.

KidsCare - Parents

The budget includes no funding for KidsCare Parents in FY 2011. This amount funds the following adjustments:

Program Elimination

The budget includes a decrease of \$(6,967,500) in FY 2011 due to the elimination of this program. This amount consists of:

General Fund	(1,670,100)
Federal Title XIX Expenditure Authority	(5,297,400)

The FY 2010 budget eliminated KidsCare Parents as of October 1, 2009, and monies were appropriated in FY 2010 to pay for 3 months of services.

The KidsCare Parents program began in 2003 and provided coverage to parents of children in the KidsCare program, whose incomes are between 100%-200% FPL.

Payments to Hospitals

These line items represent payments made directly to hospitals separate from the traditional capitated or fee-for-service system.

Disproportionate Share Payments

The budget includes \$13,487,100 for Disproportionate Share Hospital (DSH) Payments in FY 2011. This amount consists of:

General Fund	3,170,800
Federal Title XIX Expenditure Authority	10,316,300

These amounts fund the following adjustments:

Adjustment Increases

The budget includes an increase of \$6,971,900 in FY 2011 for DSH payments. This amount consists of:

General Fund	2,999,500
Federal Title XIX Expenditure Authority	3,972,400

The 5th Special Session reductions, along with the General Appropriation Act, reduced DSH payments to private hospitals from \$26,147,700 to \$500,000 in FY 2010. Most of the FY 2011 adjustment increase reflects the restoration of some of this reduction in Laws 2010, 7th Special Session, Chapter 10. This partially restores funding to private hospitals.

Laws 2010, Chapter 86, amended session law to allow local governments and public universities in FY 2010 to provide additional state match dollars for disproportionate share payments; contributors may designate specific hospitals to receive state and accompanying matching federal monies. As of May 2010, it is unclear how much this provision may increase DSH payments in FY 2010.

Background – This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low-income patients. The federal basis for payments is either a reflection of a hospital's number of Title XIX inpatient days, or a “low income” utilization rate. States may also establish optional payment categories. Arizona has established optional groups, or “pools,” that include county, state, and private hospitals. Table 5 displays the allocation of Disproportionate Share Funding. The changes in FY 2011 reflect the adjustment to the FMAP, which requires that increased certified public expenditure (CPE) be shown in order to draw down the same amount of federal funding as last year.

Table 5
Disproportionate Share Hospital Program

	FY 2010	FY 2011
Allocations:		
County-Operated Hospitals (COH)	\$ 76,627,700	\$ 76,627,700 ^{1/}
Supplemental COH payment	4,202,300	4,202,300
Arizona State Hospital (ASH)	28,474,900	28,474,900 ^{2/}
Private Hospitals	<u>500,000^{3/}</u>	<u>9,248,800</u>
Total Allocations	\$109,804,900	\$118,553,700
Revenue:		
County Withholding	\$ -	\$ -
ASH reversion	-	-
Federal DSH to GF (Maricopa)	50,382,700	50,459,300
Federal DSH to GF (ASH)	<u>18,722,200</u>	<u>18,750,700</u>
Total Revenue	\$ 69,104,900	\$ 69,210,000
Less GF Appropriation	(171,300)	(3,170,800)
Net GF Impact	\$ 40,528,700	\$ 46,172,900

^{1/} Includes \$30,668,500 in CPE which draw down federal DSH payments.
^{2/} Includes \$9,291,400 in CPE which draw down federal DSH payments.
^{3/} Due to a General Fund reduction (as part of the 5th Special Session lump sum reduction) without a corresponding Federal Title XIX Expenditure Authority Fund reduction, the appropriated private hospital allocation is \$2,312,900, of which \$171,300 is from the General Fund. The General Fund monies will allow for a \$328,700 federal match, or \$500,000 in total funds.

The state only appropriates General Fund dollars for DSH payments to private hospitals (\$9,284,800 in FY 2011). The monies retained by Maricopa Integrated Health System (\$4,202,300) would otherwise go to the General Fund. Publicly operated hospitals are required to document uncompensated care costs to the federal government through a CPE process. Those CPEs result in the drawdown of Federal Funds, which are then deposited to the state General Fund.

The total Private Hospital allocation consists of 2 pools. The first allocates based on private hospitals' level of care provided to Medicaid clients and/or the level of low-income clients served. The second pool allocates among private hospitals as compensation for uncompensated care. At the time of this writing, AHCCCS was unclear as to how the monies would be divided between the 2 pools in FY 2011.

Graduate Medical Education

The budget includes no funding for Graduate Medical Education (GME) expenditures in FY 2011. This amount is unchanged from FY 2010.

The 5th Special Session lump sum revisions decreased the FY 2010 appropriation for GME by \$(1,302,300) from the General Fund and \$(2,511,200) from Federal Title XIX Expenditure Authority. The remainder of the FY 2010 funding was eliminated through 7th Special Session revisions.

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. Top priority is given to hospitals with GME programs established before July 1, 2006 and do not currently receive GME funding for those programs. The second priority for these monies is for expansion of GME programs established before October 1, 1999. The third priority is for GME programs established after July 1, 2006.

Although no monies are appropriated for GME in FY 2010 or FY 2011, hospitals may receive GME funding through other sources. Laws 2010, Chapter 86 allows local, county, and tribal governments, along with public universities, to provide state monies which will be matched by the federal funding. When other state match dollars are provided, contributing entities may designate the recipients of such funds.

Critical Access Hospitals

The budget includes \$1,700,000 for Critical Access Hospitals in FY 2011. This amount consists of:

General Fund	409,200
Federal Title XIX Expenditure Authority	1,290,800

These amounts are unchanged from FY 2010.

The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals. In FY 2009, 11 hospitals qualified for funding under this program.

Rural Hospital Reimbursement

The budget includes \$12,158,100 for Rural Hospital Reimbursement payments in FY 2011. This amount consists of:

General Fund	2,926,500
Federal Title XIX Expenditure Authority	9,231,600

These amounts are unchanged from FY 2010.

The Rural Hospital Reimbursement program, established in FY 2006, increases inpatient reimbursement rates for qualifying rural hospitals.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Arizona Health Care Cost Containment System
Long-Term Care

A.R.S. § 36-2901

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
SPECIAL LINE ITEMS			
ALTCS Lump Sum Appropriation	1,179,669,500	1,246,329,500	1,279,628,800
Medicare Clawback Payments	20,706,500	14,971,500	14,074,500
Dual Eligible Part D Copay Subsidy	588,500	0	0
Board of Nursing	209,600	209,700	209,700
PROGRAM TOTAL	1,201,174,100	1,261,510,700	1,293,913,000 ^{1/2/3/}
FUND SOURCES			
General Fund	133,151,800 ^{4/}	128,251,400 ^{4/}	132,010,100 ^{4/}
SUBTOTAL - Appropriated Funds	133,151,800	128,251,400	132,010,100
<u>Expenditure Authority Funds</u>			
County Funds	9,399,300	186,816,400	187,507,000 ^{5/}
Federal Title XIX Funds	1,058,623,000 ^{4/}	946,442,900 ^{4/}	974,395,900 ^{4/5/}
SUBTOTAL - Expenditure Authority Funds	1,068,022,300	1,133,259,300	1,161,902,900
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,201,174,100	1,261,510,700	1,293,913,000
TOTAL - ALL SOURCES	1,201,174,100	1,261,510,700	1,293,913,000

COST CENTER DESCRIPTION — The Arizona Long Term Care System (ALTCS) provides federal Medicaid long term care services to persons meeting federally-prescribed income and resource standards and at risk of being institutionalized. The income limit is about 222% of the Federal Poverty Limit. 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, per-capita costs, and reservation populations. The state funds 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.

ALTCS Lump Sum Appropriation

The budget includes \$1,279,628,800 for Arizona Long Term Care System (ALTCS) expenditures in FY 2011. This amount consists of:

	FY 2011
General Fund	\$124,174,200
County Contributions	181,163,600
Federal Title XIX Expenditure Authority	974,291,000

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$33,299,300 in FY 2011 for caseload and capitation rate growth. This amount consists of:

General Fund	4,177,600
County Contributions	1,168,700
Federal Title XIX Expenditure Authority	27,953,000

AHCCCS ALTCS enrollment growth is estimated at 4.2%, or approximately 1,166 member years from June 2010 to June 2011. This growth would result in approximately 28,354 member years being served in FY 2011.

1/ See agency summary for agencywide lump sum reductions.

2/ 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. (General Appropriation Act footnote)

3/ General Appropriation Act funds are appropriated by Special Line Items by Program.

4/ Reflects enhanced Federal Medical Assistance Percentage (FMAP) rate. (See Summary for additional details.)

5/ The county portion of the FY 2011 nonfederal portion of the costs of providing long-term care system services is included in the Expenditure Authority fund source. (General Appropriation Act footnote)

Table 1

County Assessed vs. Paid ALTCS Contributions ^{1/}

	<u>FY 2010 Base</u> ^{2/}	<u>50% Growth</u>	<u>FY 2011 Base</u>	<u>Relief Provided</u>	<u>Revised FY 2011 Contribution</u>	<u>Appropriated FY 2010 Contribution</u>	<u>Change From FY 2010</u>
Apache	\$ 6,736,600	\$ 132,600	\$6,869,300	\$ (6,399,900)	\$ 469,400	\$ 466,000	\$ 3,400
Cochise	5,268,700	129,900	5,398,600	(1,375,200)	4,023,400	4,131,500	(108,100)
Coconino	4,424,200	91,600	4,515,800	(3,107,000)	1,408,800	1,398,300	10,500
Gila	2,483,900	62,400	2,546,300	(922,700)	1,623,600	1,712,900	(89,300)
Graham	1,052,000	20,900	1,072,900	--	1,072,900	1,120,900	(48,000)
Greenlee	119,600	2,600	122,200	--	122,200	104,600	17,600
La Paz	608,900	10,800	619,700	--	619,700	564,000	55,700
Maricopa	113,334,600	1,960,800	115,295,400	--	115,295,400	116,996,800	(1,701,400)
Mohave	5,383,200	96,400	5,479,700	--	5,479,700	5,302,000	177,700
Navajo	6,725,800	142,800	6,868,600	(4,926,200)	1,942,400	1,927,900	14,500
Pima	34,265,400	785,400	35,050,800	(5,211,100)	29,839,700	30,209,800	(370,100)
Pinal	11,490,100	244,100	11,734,200	(601,400)	11,132,800	9,866,900	1,265,900
Santa Cruz	2,065,100	45,700	2,110,800	(676,200)	1,434,600	1,412,500	22,100
Yavapai	7,326,400	180,900	7,507,200	(482,800)	7,024,400	6,132,600	891,800
Yuma	<u>6,270,500</u>	<u>138,200</u>	<u>6,408,600</u>	<u>(390,600)</u>	<u>6,018,000</u>	<u>5,469,900</u>	<u>548,100</u>
Total	\$207,555,000	\$4,045,100	\$211,600,100	\$(24,093,100)	\$187,507,000	\$186,816,600	\$690,400

^{1/} Reflects enhanced Federal Medical Assistance Percentage (FMAP) rate.

^{2/} The FY 2010 Base represents FY 2010 AHCCCS utilization minus 50% of the growth over the prior year. The Appropriated FY 2010 Contribution represents the FY 2010 Base minus further relief provided to the counties by the state.

Other components of the ALTCS program, such as Fee-For-Service, Reinsurance, and Medicare Premiums programs, are expected to increase by 4.2%, which includes population growth. As in the Acute Care program, the ALTCS program presumes no inflation growth funding.

Background – Capitation, Fee-For-Service, Reinsurance, and Medicare premiums make up the estimated cost for the ALTCS Lump Sum Appropriation.

The Capitation category includes monthly payments made to AHCCCS health plans for the cost of care provided to enrolled members. Contracts are awarded to health plans for a 5-year period upon the completion of a competitive bidding process in which the health plans respond to a Request for Proposal from AHCCCS. The next 5-year contracts will take effect October 2011.

Clients also contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 2009, AHCCCS estimates that client contributions paid for 7.4% of care.

ALTCS provides coverage for individuals up to 222% of the Federal Poverty Level (FPL), or \$24,056 per person. The federal government requires coverage of individuals up to 100% of Supplemental Security Income limit (SSI), which is equivalent to 72% of FPL, or \$7,802 per person.

Pursuant to A.R.S. § 11-292, the state and the counties share in the growth of the ALTCS program, as defined by the following formula:

1. The growth is split 50% to the state, 50% to the counties.
2. The counties' portion is allocated among the counties based on their FY 2009 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2011, this provision provides 1 county with a total of \$3,837,500 in relief.
4. In counties with an "on-reservation" population of at least 20%, the contribution is limited by an alternative formula specified in statute. In FY 2011, this provision provides 3 counties with a total of \$10,821,500 in relief.
5. If any county would still pay more under the above provisions than under the previous statutory percentages, that county's contribution is limited by a further alternative formula specified in statute. In FY 2011 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$39.56 in FY 2011). In FY 2011, this provision provides 7 counties with a total of \$9,434,100 in relief.

In FY 2011, provisions 2 through 6 of the ALTCS formula result in the state providing a total of \$24,093,100 in relief to 10 counties. *(Please see Table 1 for more information.)*

These estimates also include reduced General Fund monies and County Contributions (and increased Federal Expenditure Authority) to reflect the increasing of the Federal Medical Assistance Percentage (FMAP), effective October 1, 2010. For a breakdown of contributions by county using the regular and enhanced FMAP rate, please see *Table 2. (Please see the Summary Section for more detail on the enhanced FMAP.)*

Table 2**FY 2011 County Contributions**

	<u>Regular FMAP</u>	<u>Enhanced FMAP</u>
Apache	\$ 670,700	\$ 469,400
Cochise	5,748,700	4,023,400
Coconino	2,012,900	1,408,800
Gila	2,319,800	1,623,600
Graham	1,532,900	1,072,900
Greenlee	174,600	122,200
La Paz	885,400	619,700
Maricopa	164,735,500	115,295,400
Mohave	7,829,400	5,479,700
Navajo	2,775,300	1,942,400
Pima	42,635,300	29,839,700
Pinal	15,906,600	11,132,800
Santa Cruz	2,049,800	1,434,600
Yavapai	10,036,600	7,024,400
Yuma	8,598,600	6,018,000
Total	\$267,912,100	\$187,507,000

Medicare Clawback Payments

The budget includes \$14,074,500 for Medicare Clawback Payments in FY 2011. This amount consists of:

General Fund	7,731,100
County Contributions	6,343,400

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$759,500 in FY 2011 for caseload capitation rate growth. This amount consists of:

General Fund	480,000
County Contributions	279,500

These amounts are based upon the estimated 4.3% caseload growth for FY 2011. These amounts are included in *Table 1* above.

Savings Increase

The budget includes a decrease of \$(1,656,500) in FY 2011 for increased savings. This amount consists of:

General Fund	(898,900)
County Contributions	(757,600)

In February 2010, the federal government announced that it would apply the ARRA enhanced matching rate against the Medicare Clawback payments, thereby reducing the amounts made for Clawback payments. It is estimated that this will reduce ALTCS Clawback payments by \$(7,984,800) in FY 2010 and \$(9,641,300) in FY 2011. The savings in FY 2011 are greater than in FY 2010 due to the timing of these savings.

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, AHCCCS is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on 83% of the estimated prescription drug cost of this population in FY 2009. The state's share of 83% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

Dual Eligible Part D Copay Subsidy

The budget includes no funding for the Dual Eligible Part D Copay Subsidy in FY 2011. This amount is unchanged from FY 2010.

The line item was used to pay the prescription drug copayments of low income individuals qualifying for both Medicare and Medicaid, known as "dual eligibles." As part of the benefit, the copayment ranged from \$1.05 to \$6.01, depending on the class of drug, as well as the recipient's income.

Board of Nursing

The budget includes \$209,700 in FY 2011 for the Board of Nursing. These amounts consist of:

General Fund	104,800
Federal Title XIX Expenditure Authority	104,900

These amounts are unchanged from FY 2010.

This Special Line Item reflects amounts to be passed through to the Board of Nursing for the cost of administering the Nurse Aid Training program.

5th Special Session Reduction

Please see agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more detail.)*

Interim Executive Director: J. Randy Frost

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.5	4.5	4.5
Personal Services	234,100	283,800	275,200
Employee Related Expenditures	92,400	86,700	87,700
Professional and Outside Services	181,000	142,000	142,400
Travel - In State	7,200	7,600	7,600
Travel - Out of State	4,500	4,000	4,000
Other Operating Expenditures	96,900	99,700	99,700
AGENCY TOTAL	616,100	623,800	616,600^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	616,100	623,800	616,600
SUBTOTAL - Other Appropriated Funds	616,100	623,800	616,600
SUBTOTAL - Appropriated Funds	616,100	623,800	616,600
TOTAL - ALL SOURCES	616,100	623,800	616,600

AGENCY DESCRIPTION — The board licenses, certifies, and regulates real estate appraisers. The board also registers property tax agents.

Operating Budget

The budget includes \$616,600 and 4.5 FTE Positions from the Board of Appraisal Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(7,200) from the Board of Appraisal Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Robert Booker

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.5	10.5	9.5
Personal Services	484,400	447,000	431,500
Employee Related Expenditures	97,000	90,000	91,700
Professional and Outside Services	23,100	32,100	32,100
Travel - In State	4,800	10,000	10,000
Travel - Out of State	9,800	2,500	2,500
Other Operating Expenditures	39,900	69,700	69,700
Equipment	1,400	28,100	28,100
OPERATING SUBTOTAL	660,400	679,400	665,600
SPECIAL LINE ITEMS			
Community Service Projects	862,200	288,400	72,600
5th Special Session Reduction	0	(72,600)	(72,600)
7th Special Session Reduction	0	(72,700)	0
AGENCY TOTAL	1,522,600	822,500	665,600^{1/}

FUND SOURCES

General Fund	1,522,600	822,500	665,600
SUBTOTAL - Appropriated Funds	1,522,600	822,500	665,600
Other Non-Appropriated Funds	3,449,100	1,660,600	1,660,600
Federal Funds	572,600	1,129,400	806,500
TOTAL - ALL SOURCES	5,544,300	3,612,500	3,132,700

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.

Operating Budget

The budget includes \$665,600 and 9.5 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(13,800) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Community Service Projects

The budget includes \$72,600 from the General Fund for Community Service Projects in FY 2011. This amount funds the following adjustments:

Community Service Projects Reduction

The budget includes a decrease of \$(215,800) from the General Fund in FY 2011 for a reduction in community service projects.

Monies in this line item provide grants to arts organizations and Arizona communities on a matching basis. These grants enable arts organizations and communities to offer discount tickets, allow arts organizations to undertake organizational development efforts, and fund programs in all disciplines of the arts.

5th Special Session Reduction

The budget includes \$(72,600) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

7th Special Session Reduction

The budget includes a decrease of \$(72,700) from the General Fund in FY 2010 for the 7th Special Session Lump Sum Reduction. This reduction was not continued in FY 2011.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Arizona Commission on the Arts to reduce no General Fund FTE Position in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Attorney General: The Honorable Terry Goddard

JLBC Analyst: Marge Zylla

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	644.9	597.9	592.9 ^{1/}
Personal Services	27,553,000	27,465,200	26,506,300
Employee Related Expenditures	9,307,400	9,381,300	9,377,100
Professional and Outside Services	1,231,500	2,137,200	2,137,200
Travel - In State	167,800	146,800	146,800
Travel - Out of State	95,900	81,300	81,300
Other Operating Expenditures	6,675,800	6,998,000	7,041,300
Equipment	223,100	75,600	75,600
OPERATING SUBTOTAL	45,254,500	46,285,400	45,365,600
SPECIAL LINE ITEMS			
Military Airport Planning	74,600	99,900	96,900 ^{2/}
Risk Management ISA	8,392,300	9,027,500	8,850,400
State Grand Jury	179,000	178,900	176,400 ^{3/}
Victims' Rights	3,204,100	3,247,800	3,241,700
5th Special Session Reduction	0	(2,461,100)	(2,461,100)
AGENCY TOTAL	57,104,500	56,378,400	55,269,900^{4/5/}
FUND SOURCES			
General Fund	21,483,000	17,968,800	17,548,000
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	189,100	242,600	242,600
Attorney General Legal Services Cost Allocation Fund	6,346,600	5,643,100	5,474,200
Collection Enforcement Revolving Fund	2,625,100	3,311,800	3,313,400
Consumer Fraud Revolving Fund	2,499,900	3,511,100	3,463,800
Interagency Service Agreements Fund	12,364,400	13,425,700	13,135,800
Risk Management Revolving Fund	8,392,300	9,027,500	8,850,400
Victims' Rights Fund	3,204,100	3,247,800	3,241,700
SUBTOTAL - Other Appropriated Funds	35,621,500	38,409,600	37,721,900
SUBTOTAL - Appropriated Funds	57,104,500	56,378,400	55,269,900
Other Non-Appropriated Funds	26,744,400	28,434,700	28,399,900
Federal Funds	4,481,700	9,598,800	5,990,300
TOTAL - ALL SOURCES	88,330,600	94,411,900	89,660,100

1/ Includes 115.8 OF FTE Positions and 2.6 GF FTE Positions funded from Special Line Items in FY 2011.

2/ Includes \$96,900 from the General Fund appropriated by Laws 2004, Chapter 235 for Military Airport Planning.

3/ 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. 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 state 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. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

5/ In addition to the \$13,135,800 appropriated from the Interagency Service Agreements Fund in FY 2011, \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2011 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 the additional amount. 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. (General Appropriation Act footnote, as adjusted for statewide allocations)

AGENCY DESCRIPTION — The Attorney General is an elected constitutional officer. The office provides legal counsel to state agencies, represents the state in juvenile dependency matters, enforces civil rights, environmental, consumer protection and anti-trust laws, and investigates and prosecutes criminal cases, handles criminal appeals, and assists county attorneys.

Operating Budget

The budget includes \$45,365,600 and 474.5 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$18,724,000
Antitrust Enforcement Revolving Fund	242,600
Attorney General Legal	5,932,400
Services Cost Allocation Fund	
Collection Enforcement Revolving Fund	3,582,100
Consumer Fraud Revolving Fund	3,748,700
Interagency Service Agreements Fund	13,135,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(919,800) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(415,300)
Attorney General Legal	(168,900)
Services Cost Allocation Fund	
Collection Enforcement Revolving Fund	1,600
Consumer Fraud Revolving Fund	(47,300)
Interagency Service Agreements Fund	(289,900)

(Please see the General Provisions section.)

Military Airport Planning

The budget includes \$96,900 and 1 FTE Position from the General Fund for Military Airport Planning in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,000) from the General Fund in FY 2011 for statewide adjustments.

Laws 2004, Chapter 235 appropriated \$100,000 from the General Fund to the Attorney General's Office in FY 2005 and each year thereafter. Therefore, this funding does not appear in the General Appropriation Act. The legislation sought to preserve the state's military bases by appropriating monies to several state agencies and charging them with certain responsibilities. Monies in this line item pay for the department's duties under the 2004 legislation, including review of, and determination of compliance with land use plans. *(Please see the Additional Legislation section for more details.)*

Risk Management ISA

The budget includes \$8,850,400 and 107 FTE Positions from the Risk Management Revolving Fund for the Risk Management ISA in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(177,100) from the Risk Management Revolving Fund in FY 2011 for statewide adjustments.

This line item provides funding for the Attorney General's contract with the Risk Management Division within the Arizona Department of Administration.

State Grand Jury

The budget includes \$176,400 and 1.6 FTE Positions from the General Fund for the State Grand Jury in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,500) from the General Fund in FY 2011 for statewide adjustments.

This line item funds expenses incurred by the Attorney General to investigate and try matters that are under the jurisdiction of the State Grand Jury.

Victims' Rights

The budget includes \$3,241,700 and 8.8 FTE Positions from the Victims' Rights Fund for Victims' Rights in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,100) from the Victims' Rights Fund in FY 2011 for statewide adjustments.

This line item provides monies to state and local agencies that are required to notify victims during various steps in the criminal justice process. The program includes 7.68% of Criminal Justice Enhancement Fund (CJEF) monies and an assessment on parents of juvenile offenders.

5th Special Session Reduction

The budget includes \$(2,461,100) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the

General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(1,449,300)
Attorney General Legal	(458,200)
Services Cost Allocation Fund	
Collection Enforcement Revolving Fund	(268,700)
Consumer Fraud Revolving Fund	(284,900)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Attorney General - Department of Law to reduce 4 General Fund FTE Positions in FY 2010 and an additional 5 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Additional Legislation

Continuation of Operating Spending

The Criminal Justice Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 6) permanently allows the Attorney General to use monies available in the Consumer Fraud Revolving Fund for any operating costs, including costs associated with the Tobacco Master Settlement Agreement arbitration. This provision was previously in session law.

Chapter 6 also permanently allows the Attorney General to use monies available in the Collection Enforcement Revolving Fund for any operating expenses. This provision was previously in session law.

Military Installation Fund Shift

Laws 2010, Chapter 208 shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency and Military Affairs beginning on January 1, 2011. Upon the general effective date of Chapter 208, the legislation increases the amount appropriated for administration of the fund from \$75,000 to \$90,000 and decreases the Attorney General's appropriation from \$100,000 to \$85,000. The law also redirects the pass-through of 80% of the Military Installation Fund appropriation for the Department of Veterans' Services to the Department of Emergency and Military Affairs.

Executive Director: Brian R. Salata

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	295,400	313,600	304,000
Employee Related Expenditures	101,600	111,500	116,100
Professional and Outside Services	18,300	25,800	25,800
Travel - In State	900	2,000	2,000
Travel - Out of State	4,100	3,700	3,700
Other Operating Expenditures	159,600	168,200	168,200
Equipment	5,900	7,500	7,500
OPERATING SUBTOTAL	585,800	632,300	627,300
SPECIAL LINE ITEMS			
Automobile Theft Authority Grants	4,189,300	4,798,600	4,798,600 ^{1/2/}
Reimbursable Programs	0	50,000	50,000 ^{3/}
5th Special Session Reduction	0	(341,100)	(341,100)
AGENCY TOTAL	4,775,100	5,139,800	5,134,800^{4/}

FUND SOURCES

Other Appropriated Funds

Automobile Theft Authority Fund	4,775,100	5,139,800	5,134,800
SUBTOTAL - Other Appropriated Funds	4,775,100	5,139,800	5,134,800
SUBTOTAL - Appropriated Funds	4,775,100	5,139,800	5,134,800
TOTAL - ALL SOURCES	4,775,100	5,139,800	5,134,800

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 ATA is primarily funded from motor vehicle insurance premium fees.

Operating Budget

The budget includes \$627,300 and 6 FTE Positions from the Automobile Theft Authority (ATA) Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,000) from the ATA Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Automobile Theft Authority Grants

The budget includes \$4,798,600 from the ATA Fund for ATA Grants in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item fund grants awarded to state, county, and local law enforcement agencies to support law enforcement, prosecution, and public awareness programs designed to increase the effectiveness of auto theft investigation, prosecution, and deterrence. This Special Line Item receives funding from a semi-annual insurance assessment fee per vehicle.

- 1/ The Automobile Theft Authority shall pay 75% of the Personal Services and Employee Related Expenses for city and county sworn officers who participate in the Arizona Vehicle Theft Task Force. (General Appropriation Act footnote)
- 2/ Automobile Theft Authority grants shall be awarded with consideration given to areas with greater automobile theft problems and shall be used to combat economic automobile theft operations. (General Appropriation Act footnote)
- 3/ The Automobile Theft Authority shall submit a report to the Joint Legislative Budget Committee for review before expending any monies for the Reimbursable Programs line item. The agency shall also show sufficient funds collected to cover the expenses indicated in the report. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Reimbursable Programs

The budget includes \$50,000 from the ATA Fund for Reimbursable Programs in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item fund sponsor training seminars, such as the ATA Auto Theft Summit; cover the cost of sending various personnel to professional training seminars; and contribute to ATA sponsored bait car system projects throughout the state. This Special Line Item is funded from gifts, donations, grants, and fee collections given to the agency from the private sector, which includes insurance companies, car dealerships, and car rental companies, as well as other agencies like the National Insurance Crime Bureau. A General Appropriation Act footnote requires the agency to report on collections and expenditures.

5th Special Session Reduction

The budget includes \$(341,100) from the ATA Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the Automobile Theft Authority Grants Special Line Item in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Executive Director: Sam LaBarbera

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	153,400	163,500	157,000
Employee Related Expenditures	57,600	57,600	58,600
Professional and Outside Services	4,300	20,400	20,400
Travel - In State	21,600	44,000	44,000
Travel - Out of State	2,500	3,000	3,000
Other Operating Expenditures	37,300	39,900	61,000
Equipment	1,100	1,100	1,100
AGENCY TOTAL	277,800	329,500	345,100^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Barbers Fund	277,800	329,500	345,100
SUBTOTAL - Other Appropriated Funds	277,800	329,500	345,100
SUBTOTAL - Appropriated Funds	277,800	329,500	345,100
TOTAL - ALL SOURCES	277,800	329,500	345,100

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.

Operating Budget

The budget includes \$345,100 and 4 FTE Positions from the Board of Barbers Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,500) from the Board of Barbers Fund in FY 2011 for statewide adjustments. (Please see the *General Provisions* section.)

Annual Leave Payout

The budget includes an increase of \$21,100 from the Board of Barbers Fund in FY 2011 for a one-time annual leave payout for 3 employees eligible for retirement in FY 2011.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Debra Rinaudo

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	618,000	686,700	662,300
Employee Related Expenditures	255,800	346,400	355,700
Professional and Outside Services	156,600	158,700	159,400
Travel - In State	3,700	10,000	10,000
Travel - Out of State	0	8,300	8,300
Other Operating Expenditures	174,600	164,500	238,900
Equipment	32,900	3,100	3,100
AGENCY TOTAL	1,241,600	1,377,700	1,437,700^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Behavioral Health Examiners Fund	1,241,600	1,377,700	1,437,700
SUBTOTAL - Other Appropriated Funds	1,241,600	1,377,700	1,437,700
SUBTOTAL - Appropriated Funds	1,241,600	1,377,700	1,437,700
TOTAL - ALL SOURCES	1,241,600	1,377,700	1,437,700

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. The board also licenses and regulates professionals engaged in the practice of psychotherapy.

Operating Budget

The budget includes \$1,437,700 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(14,400) from the Board of Behavioral Health Examiners Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Legal Services

The budget includes an increase of \$38,300 from the Board of Behavioral Health Examiners Fund in FY 2011 for legal support from the Office of the Attorney General.

Formal Hearing Expense

The budget includes an increase of \$36,100 from the Board of Behavioral Health Examiners Fund in FY 2011 for facilitation of the formal hearing process.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Dr. Dawn C. Schroeder

JLBC Analyst: Amy Upston

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
SPECIAL LINE ITEMS			
Biotechnology	500,000	500,000	500,000 ^{1/}
AGENCY TOTAL	500,000	500,000	500,000
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Tobacco Tax and Health Care Fund - Health Research Account	500,000	500,000	500,000
SUBTOTAL - Other Appropriated Funds	500,000	500,000	500,000
SUBTOTAL - Appropriated Funds	500,000	500,000	500,000
Other Non-Appropriated Funds	14,592,000	12,119,500	12,119,500
TOTAL - ALL SOURCES	15,092,000	12,619,500	12,619,500

AGENCY DESCRIPTION — The commission advances medical research by contracting with individuals, organizations, corporations, and institutions in Arizona for projects that may advance research into the causes, the epidemiology and diagnosis, the formulation of cures, the medically-accepted treatment or the prevention of diseases including new drug discovery and development. Approximately 75% of the monies the commission receives are directed towards the prevention and treatment of tobacco-related disease and prevention.

The Arizona Biomedical Research Commission receives funding through 2 non-appropriated sources: the Health Research Account of the Tobacco Tax and lottery revenues. Of the taxes levied on cigarettes, \$1 per pack is utilized for various health care programs, as approved by voter initiatives. From these monies, 5% (approximately \$8,224,900 in FY 2010) is deposited into the Health Research Account, which is used for research on preventing and treating tobacco-related disease and addiction. The Arizona Biomedical Research Commission administers the Health Research Account.

The remainder of the commission’s non-appropriated funding comes from state lottery revenues. A 1996 voter-approved initiative allocated up to \$2,006,000, adjusted for inflation, from the state lottery to the Arizona Biomedical Research Commission. Monies are awarded to this fund after certain other lottery beneficiaries receive their maximum allocation. The Arizona Biomedical Research Commission first received lottery revenues in FY 2004. From FY 2005 through FY 2008, the commission received its full allocation. In FY 2009, the commission received \$2,465,900 of its \$2,573,700 allocation. The JLBC Staff estimates that the commission will receive \$2,623,700 in FY 2010.

Additionally, the commission receives appropriated funding for the item discussed below.

Biotechnology

The budget includes \$500,000 from the Health Research Account of the Tobacco Tax and Health Care Fund for Biotechnology in FY 2011. This amount is unchanged from FY 2010.

Laws 2002, Chapter 186 appropriated \$500,000 from the Health Research Fund annually from FY 2003 to FY 2012 for biotechnology. Funding is to be allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, and other public and private biotechnology businesses and research centers. These monies are being distributed to the Translational Genomics Research Institute (TGen). As a result of the appropriation in Laws 2002, Chapter 186, this funding does not appear in the General Appropriation Act.

^{1/} Laws 2002, Chapter 186 appropriation of \$500,000.

Director: Marty Lieberman

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	7.0	7.0
Personal Services	451,300	395,100	381,400
Employee Related Expenditures	141,700	149,700	152,900
Professional and Outside Services	61,700	69,000	69,000
Travel - In State	3,200	3,600	3,600
Travel - Out of State	18,400	23,000	23,000
Other Operating Expenditures	78,200	600	600
Equipment	800	57,800	57,800
OPERATING SUBTOTAL	755,300	698,800	688,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(52,500)	(52,500)
AGENCY TOTAL	755,300	646,300	635,800^{1/}
FUND SOURCES			
General Fund	755,300	646,300	635,800
SUBTOTAL - Appropriated Funds	755,300	646,300	635,800
Federal Funds	0	136,800	136,800
TOTAL - ALL SOURCES	755,300	783,100	772,600

AGENCY DESCRIPTION — The State Capital Postconviction Public Defender Office is responsible for providing representation to any person who is not financially able to employ counsel in postconviction relief proceedings in state court after a judgment of death has been rendered. The Governor appoints the State Capital Postconviction Public Defender to serve one 4-year term. The first term of the State Capital Postconviction Defender began February 1, 2007.

Operating Budget

The budget includes \$688,300 and 7 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$(10,500) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(52,500) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Additional Legislation

County Reimbursement Funds

Laws 2010, 7th Special Session, Chapter 6 establishes the Capital Postconviction Office Fund. The provision removes the \$30,000 per case cap on reimbursements for costs incurred by the Capital Postconviction Public Defender Office and deposits the reimbursements into the Capital Postconviction Office Fund. The agency previously deposited county reimbursements into the General Fund.

Other Issues

Other Funding

For each person represented, statute permits the State Capital Postconviction Public Defender Office to request reimbursement from the county in which the person was convicted for 50% of the costs incurred from providing

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

representation. In FY 2009, total reimbursements received from counties totaled \$30,000. The agency deposited the FY 2009 reimbursements into the General Fund. In FY 2010 and FY 2011, total reimbursements are estimated to be \$60,000 to \$90,000. As noted above, Chapter 6 requires the agency to deposit reimbursements into the Capital Postconviction Public Defender Office Fund. The agency is also eligible to receive monies for training from the Public Defender Training Fund, which is administered by the Supreme Court. In FY 2010, no Training Fund monies were received.

In FY 2010, the agency received a 1-year federal grant from the Edward Byrne Memorial State and Local Law Enforcement Assistance Grant Program. The agency used this funding to retain 1 attorney and 1 part-time Administrative Assistant assisting in ongoing capital post-conviction cases. FY 2011 funding from this federal grant is currently unknown.

Executive Director: DeAnna Rowe

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.0	10.0	9.0
Personal Services	398,300	458,000	441,000
Employee Related Expenditures	175,100	185,700	182,200
Professional and Outside Services	11,400	38,100	38,100
Travel - In State	3,000	13,300	13,300
Travel - Out of State	1,900	3,000	3,000
Other Operating Expenditures	104,600	123,400	123,400
Equipment	1,500	1,600	1,600
AGENCY TOTAL	695,800	823,100	802,600^{1/}
FUND SOURCES			
General Fund	695,800	823,100	802,600
SUBTOTAL - Appropriated Funds	695,800	823,100	802,600
TOTAL - ALL SOURCES	695,800	823,100	802,600

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, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees 457 charter schools.

Operating Budget

The budget includes \$802,600 and 9 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(20,500) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the State Board for Charter Schools to reduce no FTE Positions in FY 2010 and 1 additional General Fund FTE Position in FY 2011. These changes have been incorporated in the agency’s budget.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Patrice Pritzl

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	241,300	259,100	248,600
Employee Related Expenditures	80,300	84,200	84,100
Professional and Outside Services	36,800	52,100	29,000
Travel - In State	6,900	5,000	5,000
Other Operating Expenditures	75,200	75,700	75,700
Equipment	11,000	0	0
AGENCY TOTAL	451,500	476,100	442,400^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Chiropractic Examiners Fund	451,500	476,100	442,400
SUBTOTAL - Other Appropriated Funds	451,500	476,100	442,400
SUBTOTAL - Appropriated Funds	451,500	476,100	442,400
TOTAL - ALL SOURCES	451,500	476,100	442,400

AGENCY DESCRIPTION — The board licenses, investigates, and regulates 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.

Operating Budget

The budget includes \$442,400 and 5 FTE Positions from the Board of Chiropractic Examiners Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(10,300) from the Board of Chiropractic Examiners Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Budget Realignment

The budget includes a decrease of \$(23,400) from the Board of Chiropractic Examiners Fund in FY 2011 for a budget realignment requested by the agency. This adjustment realigns estimated revenues and expenditures in the Board of Chiropractic Examiners Fund.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Todd F. Lang

JLBC Analyst: Jack Brown

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
FUND SOURCES			
Other Non-Appropriated Funds	12,671,100	8,671,700	21,375,500
TOTAL - ALL SOURCES	12,671,100	8,671,700	21,375,500

AGENCY DESCRIPTION — As authorized by a 1998 ballot initiative, 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 is not subject to legislative appropriation.

	FY 2009 <u>Actual</u>	FY 2010 <u>Estimate</u>	
Funds Available			anticipated revenues exceed anticipated expenses. Given the legal requirement for the return of excess monies, these transfers were not specified in any bill.
Balance Forward	\$29,047,300	\$28,115,700	
<u>Revenue:</u>			
Fine Surcharge	\$10,580,100	\$11,000,000	
Civil Penalties (election related)	9,300	2,500	
Qualifying Contributions	0	50,000	
\$5 Check Off Box	7,930,600	8,148,700	
Donations/Tax Credits	219,000	225,000	
Other	500	1,000	
Total Revenue	\$18,739,500	\$19,427,200	
Total Funds Available	\$47,786,800	\$47,542,900	
<u>Expenditures:</u>			
Personal Services	460,600	460,600	
Employee Related Expenditures	152,500	155,000	
Professional & Outside Services	2,721,100	2,000,000	
Travel - In State	5,600	0	
Travel - Out of State	2,700	2,700	
Candidate Funding	6,853,700	6,000,000	
Other Operating Expenses	2,454,400	34,800	
Capital Equipment	0	0	
Non-Capital Equipment	20,500	18,600	
Total Funds Expended	\$12,671,100	\$8,671,700	
Transfer to General Fund	\$7,000,000	\$10,000,000	
Year-End Fund Balance	\$28,115,700	\$28,871,200	

Fund Transfers

The budget assumes a transfer of \$(10,000,000) from the Citizens Clean Election Fund to the General Fund in FY 2010 and \$(10,000,000) in FY 2011. Pursuant to a 1998 ballot proposition (A.R.S. § 16-945D), the Citizens Clean Elections Commission is instructed to return excess monies to the General Fund if it determines that

Director: Donald E. Cardon

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	73.9	65.9	65.9 ^{1/}
Personal Services	2,308,200	1,051,600	1,030,600
Employee Related Expenditures	812,700	403,600	404,600
Professional and Outside Services	44,600	45,800	45,800
Travel - In State	12,800	36,800	36,800
Travel - Out of State	8,400	57,900	57,900
Other Operating Expenditures	401,600	764,500	764,500
Equipment	31,400	88,600	88,600
OPERATING SUBTOTAL	3,619,700	2,448,800	2,428,800
SPECIAL LINE ITEMS			
International Development			
Arizona Trade Office in Sonora	25,000	25,000	25,000
International Trade Offices	1,120,900	1,670,500	1,667,200
National Law Center/Free Trade	200,000	200,000	200,000
Business Assistance Center			
Minority and Women Owned Business	121,100	129,500	127,800
Small Business Advocate	118,400	126,900	125,200
Rural Community Assistance			
Economic Development Matching Funds	67,900	104,000	104,000
Main Street	114,600	130,000	130,000
REDI Matching Grants	28,600	45,000	45,000
Rural Economic Development	200,000	340,000	338,200
National Marketing			
Advertising and Promotion	266,900	659,200	659,200
Strategic Finance			
CEDC Commission	195,200	197,700	194,900
Other			
Apprenticeship Services	155,900	189,800	188,500
Oil Overcharge Administration	0	185,700	186,700
Military Airport Planning	80,400	2,100,000	2,100,000 ^{2/}
Nursing Education	0	2,632,000	0
5 th Special Session Reduction	0	(596,600)	(596,600)
AGENCY TOTAL	6,314,600	10,587,500	7,923,900^{3/4/}
FUND SOURCES			
General Fund	3,708,300	6,220,100	3,566,500
<u>Other Appropriated Funds</u>			
CEDC Fund	2,229,700	3,768,400	3,759,300
Commerce Development Bond Fund	124,600	145,400	146,300
Oil Overcharge Fund	0	185,700	186,700
State Lottery Fund	252,000	267,900	265,100
SUBTOTAL - Other Appropriated Funds	2,606,300	4,367,400	4,357,400
SUBTOTAL - Appropriated Funds	6,314,600	10,587,500	7,923,900
Other Non-Appropriated Funds	9,063,500	8,323,500	8,323,500
Federal Funds	8,295,400	48,319,800	48,319,800
TOTAL - ALL SOURCES	23,673,500	67,230,800	64,567,200

AGENCY DESCRIPTION — The department promotes economic, community, and workforce development. The department's duties include: economic research and information; support statewide for business expansion and attraction; international trade offices; workforce development and job training; online assistance for new business start-ups; community planning and rural assistance for infrastructure development; film and television production promotion.

Operating Budget

The budget includes \$2,428,800 and 41.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$530,400
Commerce and Economic Development Commission (CEDC) Fund	1,681,900
Bond Fund	146,300
State Lottery Fund	70,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(20,000) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(15,200)
CEDC Fund	(5,700)
Bond Fund	900

(Please see the General Provisions section.)

International Development

Arizona Trade Office in Sonora

The budget includes \$25,000 from the CEDC Fund for the Arizona Trade Office in Sonora in FY 2011. This amount is unchanged from FY 2010.

Managed by the Arizona-Mexico Commission, the Arizona Trade Office in Sonora assists Arizona companies in search of trade opportunities in Mexico, as well as ensures that such business ventures into Mexico are effective. The office provides information and support activities that promotes the interest of both states. An emphasis is placed on positioning both states to derive the maximum advantage from any free trade or other agreement between the 2 countries. The office also promotes the tourism destinations of Arizona and its state universities.

International Trade Offices

The budget includes \$1,667,200 and 7 FTE Positions for the International Trade Offices in FY 2011. These amounts consist of:

General Fund	700,400
CEDC Fund	966,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,300) from the General Fund in FY 2011 for statewide adjustments.

The line item funds business incentives and assistance procedures to retain, expand, or locate businesses and other qualified projects in the state. The program supports international trade offices in Mexico, the United Kingdom, Canada, Northern Ireland (European Office) and Japan, which assist Arizona businesses in exporting their products.

National Law Center/Free Trade

The budget includes \$200,000 from the CEDC Fund for National Law Center/Free Trade in FY 2011. This amount is unchanged from FY 2010.

The National Law Center for Inter-American Free Trade is a research and educational center, which seeks to identify and eliminate mechanical and structural obstacles to the free movement of goods and services among Mexico, Canada, and the United States. Funding is used to match private monies for additional research projects, in addition to defraying overhead and administrative costs.

Business Assistance Center

Minority and Women Owned Business

The budget includes \$127,800 and 2 FTE Positions from the CEDC Fund for Minority and Women Owned Business in FY 2011. These amounts fund the following adjustments:

^{1/} Includes 15 GF and 9.5 OF FTE Positions funded from Special Line Items in FY 2011.

^{2/} Includes \$2,100,000 appropriated by Laws 2010, 7th Special Session, Chapter 5 for deposit into the Military Installation Fund.

^{3/} This amount does not reflect the \$337,700 and 6 FTE Positions appropriated from motion picture tax credits in the A.R.S. § 41-1517U.

^{4/} General Appropriation Act Funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Statewide Adjustments

The budget includes a decrease of \$(1,700) from the CEDC Fund in FY 2011 for statewide adjustments.

The line item funds programs to promote the economic development of minority and women-owned business enterprises.

Small Business Advocate

The budget includes \$125,200 and 2 FTE Positions from the CEDC Fund for Small Business Advocate in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,700) from the CEDC Fund in FY 2011 for statewide adjustments.

The line item funds programs to promote the creation and growth of small Arizona businesses. The office also acts as an advocate for small business interests.

Rural Community Assistance

Economic Development Matching Funds

The budget includes \$104,000 from the CEDC Fund for Economic Development Matching Funds in FY 2011. This amount is unchanged from FY 2010.

The line item funds programs to support community growth management efforts, including the development of general and comprehensive land use plans.

Main Street

The budget includes \$130,000 from the CEDC Fund for the Main Street program in FY 2011. This amount is unchanged from FY 2010.

This line item provides funding for the historical preservation or refurbishment of downtown areas, or "main streets," in selected rural Arizona communities. The goal of the Main Street program is to attract new businesses, jobs, and private investment to rural towns by improving the physical appearance of their downtown areas. There were 7 grant recipients in FY 2010: Lake Havasu, Sedona, Pinetop-Lakeside, Prescott, Williams, Globe, and Safford.

REDI Matching Grants

The budget includes \$45,000 from the CEDC Fund for Rural Economic Development Initiative (REDI) Matching Grants in FY 2011. This amount is unchanged from FY 2010.

The REDI program offers special community project grants for technical assistance in implementing economic development programs for rural communities. There were 6 grant recipients in FY 2010: Show Low, Moenkopi, Maricopa, Eager, Florence, and the Copper Corridor.

Rural Economic Development

The budget includes \$338,200 and 4 FTE Positions from the General Fund for Rural Economic Development in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,800) from the General Fund in FY 2011 for statewide adjustments.

The line item funds programs to assist rural Arizona communities in accessing financing mechanisms and technical assistance to better address community infrastructure needs.

National Marketing

Advertising and Promotion

The budget includes \$659,200 from the CEDC Fund for Advertising and Promotion in FY 2011. This amount is unchanged from FY 2010.

The line item funds programs advertising and promoting the department's various services through magazine ads, direct mail, and special events.

Strategic Finance

CEDC Commission

The budget includes \$194,900 and 3.5 FTE Positions from the State Lottery Fund for the CEDC Commission in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,800) from the State Lottery Fund in FY 2011 for statewide adjustments.

These administration expenses are related to the Commerce and Economic Development Commission, which consists of 35 public and private sector members serving at the request of the Governor. The purpose of the commission is to provide oversight for the short-term and long-term economic development initiatives in the statewide economic development strategic plan.

Other

Apprenticeship Services

The budget includes \$188,500 and 3 FTE Positions from the General Fund for Apprenticeship Services in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,300) from the General Fund in FY 2011 for statewide adjustments.

The line item funds programs to promote the implementation of apprenticeship programs.

Oil Overcharge Administration

The budget includes \$186,700 and 2 FTE Positions from the Oil Overcharge Fund for Oil Overcharge Administration in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,000 from the Oil Overcharge Fund in FY 2011 for statewide adjustments.

The line item funds administration of the oil overcharge grant and loan restitution programs.

Military Airport Planning

The budget includes \$2,100,000 and 1 FTE Position from the General Fund for Military Airport Planning in FY 2011. These amounts are unchanged from FY 2010.

The FY 2011 General Government Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 5) continued to reduce the \$4,900,000 statutory deposit to the Military Installation Fund to \$2,100,000.

Laws 2004, Chapter 235 established the non-appropriated Military Installation Fund, to be administered by the Department of Commerce. Chapter 235 appropriated \$5,000,000 annually from the General Fund in FY 2005 and every year thereafter for the purpose of military installation preservation and enhancement projects. Therefore, this funding does not appear in the General Appropriation Act. Of the \$4,900,000 retained by the Department of Commerce:

- \$4,800,000 is allocated to the Military Installation Fund. Laws 2006, Chapter 119 requires the Department of Commerce to award 80% of the monies to the Department of Veterans' Services to acquire private property, real estate, property rights, and related infrastructure to preserve, support, or enhance a military installation. Of the 80%, 20% of this amount may be awarded to cities, towns, and counties for land

acquisition purposes. The remaining 20% of the fund allocation is awarded to cities, towns, and counties for military installation preservation and enhancement projects. The Military Installation Fund is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. Laws 2008, Chapter 285, Section 23 eliminated the FY 2009 deposit. Laws 2009, 3rd Special Session, Chapter 7 reduced the \$4,900,000 statutory appropriation to \$2,100,000 in FY 2010.

- \$100,000 and 1 FTE Position is appropriated to the Department of Commerce in order to implement the provisions of the legislation, including administering the Military Installation Fund.

The remaining \$100,000 for Military Airport Planning is appropriated to the Office of the Attorney General to pay for the department's duties under this act, including review of plans and determination of compliance with land use plans.

Laws 2010, Chapter 208 shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency and Military Affairs beginning on January 1, 2011. The law also redirects the pass-through of 80% of the Military Installation Fund appropriation for the Department of Veterans' Services to the Department of Emergency and Military Affairs.

Nursing Education

The budget includes no funding for Nursing Education in FY 2011. The FY 2011 adjustment is as follows:

Elimination of Advance Appropriation

The budget includes a decrease of \$(2,632,000) from the General Fund in FY 2011 due to the expiration of the Nursing Education SLI advance appropriation. No further new funding is provided for this program.

Laws 2005, Chapter 330 established the Arizona Partnership for Nursing Education Demonstration Project. The purpose of the project is to enhance nursing education programs in Arizona, with the goal of doubling the number of nursing graduates in the state by FY 2010.

Chapter 330 also established the Nursing Education Demonstration Project Fund. Monies in the fund are allocated to Arizona public universities and community colleges based on a comparison of the number of nursing students graduating in FY 2005 from those institutions. Monies allocated to the universities are administered by the Arizona Board of Regents, while monies allocated to the community colleges are passed through the Department of Commerce.

Chapter 330 annually appropriated \$4,000,000 from the General Fund to the Nursing Education Demonstration Project Fund from FY 2006 through FY 2010. These amounts do not appear in the General Appropriation Act.

Of the total \$4,000,000 annual appropriation, \$1,368,000 was allocated to the universities and \$2,632,000 was allocated to the community colleges. These amounts were based on FY 2005 graduation rates. Total grant amounts are higher than the \$2,632,000 appropriation in FY 2007 through FY 2009 given the carry-forward amounts from previous years. The project was set to expire at the end of FY 2010; however, Laws 2009, Chapter 92, extended the expiration date until the end of FY 2015, allowing the department to expend any remaining monies. Laws 2009, Chapter 92, did not provide additional funding for the program.

The community college funds are distributed using a competitive grant process. Three criteria were used to determine funding: the quality of the nursing program, how the program meets the geographic and diverse needs of its community, and the program budget.

In FY 2010, the Department of Commerce plans to distribute a total of \$931,800 in grants to community colleges. Grant awards declined from FY 2009 due to non-renewals for several colleges and legislative fund sweeps. The Department of Commerce reports a FY 2010 year-end fund balance of \$2,100,000 for the Nursing Education Demonstration Project Fund. (Table 1 shows grant distribution amounts.)

<u>Community College</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Chandler/Gilbert	\$ 174,200	\$ 0	\$ 0
Estrella Mountain	79,600	119,200	124,900
Gateway	383,200	257,700	242,700
Glendale	292,800	393,500	253,400
Phoenix	332,500	484,300	134,300
Rio Salado	351,800	121,100	0
Scottsdale	171,500	0	0
Eastern Arizona	127,600	0	0
Central Arizona	257,800	437,000	176,500
Coconino	94,600	107,500	0
Mohave	157,900	157,900	0
Northland Pioneer	183,100	120,100	0
Pima	215,800	0	0
Yavapai	401,400	395,800	0
Arizona Western	261,300	445,300	0
Total	\$3,485,100	\$3,039,400	\$931,800

5th Special Session Reduction

The budget includes \$(596,600) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(291,000)
CEDC Fund	(305,600)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Additional Legislation

Operating Funds

The FY 2011 General Government Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 5) continues the FY 2010 provision to allow the department to use funds from the Bond, CEDC, and State Lottery Funds to help fund operating costs.

Arizona 21st Century Competitive Initiative Fund Deposit

The FY 2011 General Government Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 5) eliminates the \$27,500,000 deposit from the General Fund into the Arizona 21st Century Competitive Initiative Fund in FY 2011.

Laws 2006, Chapter 334 deposited \$35,000,000 from the General Fund into the Arizona 21st Century Competitive Initiative Fund in FY 2006 to build and strengthen medical, scientific, and engineering research programs and infrastructure for the purpose of promoting statewide economic development. The CEDC entered into a memorandum of understanding (MOU) with a nonprofit corporation, Science Foundation Arizona (SFAz), in FY 2007 to use monies from the fund.

The FY 2008 General Revenues Budget Reconciliation Bill (Laws 2007, Chapter 260) deposited \$25,000,000 from the General Fund into the Arizona 21st Century Competitive Initiative Fund for each fiscal year from FY 2008 to FY 2011. The monies are further appropriated from the Arizona 21st Century Competitive Initiative Fund to the CEDC, which oversees expenditures from the fund. The appropriations are non-lapsing.

Laws 2008, Chapter 291 amended Laws 2007, Chapter 260 by reducing the FY 2009 General Fund deposit into the Arizona 21st Century Fund to \$22,500,000 and increasing the deposit in FY 2011 to \$27,500,000. The legislation also amended Laws 2007, Chapter 260 by modifying the matching requirement for state monies expended from the Arizona 21st Century Competitive Initiative Fund. Prior to this change, the non-profit entity receiving these monies was required to expend an equal amount of private monies. The change allows the non-profit to have a maximum of 50% of its matching funds in the form of governmental investments and other auditable cash equivalents.

Laws 2009, 1st Special Session, Chapter 1 amended Laws 2008, Chapter 291 by eliminating the \$(22,500,000) FY 2009 General Fund deposit into the Arizona 21st Century

Competitive Initiative Fund. Subsequent to the legislation, the Science Foundation Arizona filed an invoice with the CEDC, in the amount of \$18,474,923, for obligations prior to the enactment of Laws 2009, 1st Special Session, Chapter 1. An analysis by the Arizona Department of Administration found that the Science Foundation Arizona was in compliance with their contract with the CEDC when it made grants and expenditures in that amount. Laws 2009, 4th Special Session, Chapter 3 appropriated \$18,474,923 from the Risk Management Fund to the Arizona 21st Century Fund to fulfill this obligation.

Laws 2009, 3rd Special Session, Chapter 7 eliminated the \$25,000,000 deposit from the General Fund into the Arizona 21st Century Competitive Initiative Fund in FY 2010.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Department of Commerce to reduce 1 General Fund FTE Position in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

JLBC Analyst: Marge Zylla

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	7,660,600	7,488,700	7,488,700
Coconino	2,994,300	2,679,400	2,679,400
Gila	657,800	658,400	658,400
Graham	4,772,900	4,243,900	4,243,900
Maricopa	51,128,000	45,327,400	45,327,400
Mohave	3,748,900	3,682,900	3,682,900
Navajo	3,921,400	3,590,000	3,590,000
Pima	17,413,600	15,942,100	15,942,100
Pinal	5,401,300	4,935,100	4,935,100
Yavapai	4,524,000	4,196,000	4,196,000
Yuma/La Paz	5,086,000	4,812,900	4,812,900
<i>Subtotal - Operating State Aid</i>	107,308,800	97,556,800	97,556,800
Capital Outlay State Aid			
Navajo	500,000	0	0
<i>Subtotal - Capital Outlay State Aid</i>	500,000	0	0
Equalization Aid			
Cochise	5,833,400	7,841,800	7,841,800
Graham	14,775,700	17,465,400	17,465,400
Navajo	5,386,500	6,624,000	6,624,000
Yuma/La Paz	1,931,400	2,938,300	2,938,300
<i>Subtotal - Equalization Aid</i>	27,927,000	34,869,500	34,869,500
Rural County Reimbursement	3,645,200	0	0
Rural County Reimbursement Subsidy	1,000,000	1,000,000	1,000,000 ^{1/}
Tribal Community Colleges	1,723,700	1,918,000	1,918,000 ^{2/}
AGENCY TOTAL	142,104,700	135,344,300	135,344,300^{3/}
FUND SOURCES			
General Fund	142,104,700	135,344,300	135,344,300
SUBTOTAL - Appropriated Funds	142,104,700	135,344,300	135,344,300
Other Non-Appropriated Funds	15,540,800	14,336,400	15,108,300
TOTAL - ALL SOURCES	157,645,500	149,680,700	150,452,600

AGENCY DESCRIPTION — The Arizona community college system is comprised of 10 college districts and 1 provisional district. 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.

Operating State Aid

The budget includes \$97,556,800 from the General Fund for Operating State Aid in FY 2011. This amount is unchanged from FY 2010.

Suspension of Enrollment Growth

The budget suspends Operating State Aid formula increases in FY 2011. This forgoes an increase of \$2,336,500 from the General Fund for Enrollment Growth. This amount would have included \$4,223,200 to fund statutory formula costs for a 5,363 (4.5%) increase in Full Time Student Equivalent students (FTSE) in community

^{1/} Of the \$1,000,000 appropriated to the Rural County Reimbursement Subsidy line item, Apache County will receive \$466,000, Greenlee County \$382,800 and Santa Cruz County \$151,200. (General Appropriation Act footnote)
^{2/} A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax revenues collected from sources located on the reservation, or \$1,750,000, whichever is less.
^{3/} General Appropriation Act funds are appropriated as District-by-District Special Line Items.

colleges statewide (see Table 1). It also would have included a first-time adjustment of \$(1,886,700) for funding dual enrollment students at 50%, as required by the Higher Education Budget Reconciliation Bill (BRB) for FY 2010 (Laws 2009, 3rd Special Session, Chapter 9). Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit. The suspension of enrollment growth funding for FY 2011 is pursuant to the Higher Education BRB for FY 2011 (Laws 2010, 7th Special Session, Chapter 9), which suspends the Operating State Aid funding formula for FY 2011. Chapter 9 instead stipulates that the appropriation for Operating State Aid shall be the amount in the General Appropriation Act.

District	FY 2008 FTSE	FY 2009 FTSE	Percentage Change
Cochise	7,369	7,671	4.1%
Coconino	1,989	2,127	6.9%
Gila	815	1,028	26.1%
Graham	2,273	2,686	18.2%
Maricopa	68,054	70,099	3.0%
Mohave	3,143	3,518	11.9%
Navajo	2,501	2,682	7.2%
Pima	20,222	20,889	3.3%
Pinal	3,813	4,407	15.6%
Yavapai	3,678	3,921	6.6%
Yuma/La Paz	4,577	4,769	4.2%
Total	118,434	123,797	4.5%

Background – The Operating State Aid Special Line Items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466.

If the formula had not been suspended, Operating State Aid funding for FY 2011 would have been based on audited FY 2009 enrollment of 123,797 FTSE, which has increased by 5,363 FTSE, or 4.5%, from FY 2008. (See Table 1 for additional FTSE information.) This growth would have resulted in an increase of \$4,223,200 for enrollment growth under the statutory formula in FY 2011. The Operating State Aid formula adjusts state aid in an amount that reflects change in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the change in the most recent year’s actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. (For FY 2011, the last actual FTSE data was from FY 2009.)

In the past, the formula “held harmless” districts with declining FTSE enrollment, as the formula did not adjust state aid downward for these districts. The FY 2010 Higher Education BRB (Laws 2009, 3rd Special Session, Chapter 9), however, permanently eliminated the hold harmless provision starting in FY 2010. The hold harmless provision would not have affected state aid funding for any district in FY 2011 because all districts

experienced increased FTSE enrollment from FY 2008 to FY 2009.

Capital Outlay State Aid

The budget includes no funding from the General Fund for Capital Outlay State Aid in FY 2011. This amount is unchanged from FY 2010.

Continue Suspension of Capital Outlay Formula

The budget continues to suspend Capital Outlay State Aid for FY 2011. This forgoes \$20,652,500 in formula costs for that program for FY 2011, which includes \$20,088,800 already suspended for FY 2010 plus \$563,700 in foregone formula growth for the formula in FY 2011. The suspension of Capital Outlay State Aid for FY 2011 is pursuant to the Higher Education BRB for FY 2011, which suspends the Capital Outlay State Aid funding formula for FY 2011.

Background – The Capital Outlay Special Line Items provide the community college districts with funds for capital land, building, and equipment needs pursuant to A.R.S. § 15-1464.

The Capital Outlay State Aid formula provides per capita funding to districts based on the district’s size and the most recent years actual audited FTSE. The statutory formula provides \$210 per FTSE for districts with 5,000 or less FTSE or \$160 per FTSE for districts with greater than 5,000 FTSE.

Equalization Aid

The budget includes \$34,869,500 from the General Fund for Equalization Aid in FY 2011. This amount is unchanged from FY 2010.

Suspension of Formula Increase

The budget suspends Equalization Aid formula increases in FY 2011. This forgoes an increase of \$5,148,000 from the General Fund in FY 2011 to fund growth in statutory formula costs for the program. The suspension of formula funding for FY 2011 is pursuant to the Higher Education BRB for FY 2011, which suspends the Equalization Aid funding formula for FY 2011. It instead stipulates that the appropriation for Equalization Aid shall be the amount in the General Appropriation Act.

Background – The Equalization Special Line Items provide additional state aid to qualifying community college districts whose tax base is insufficient to provide adequate funding for continuing operations and maintenance pursuant to A.R.S. § 15-1468.

Equalization Aid is paid to community college districts with property tax bases that are less than the minimum assessed value specified in A.R.S. § 15-1402. Under the

Equalization Aid formula, the minimum assessed valuation is increased by the average growth in actual assessed valuation for the most recent year for all rural districts with populations of less than 500,000 persons. For the FY 2011 Equalization Aid formula calculation, the minimum assessed valuation increased 11.9% to \$1.7 billion. (See Table 2 for the calculation of the growth rate.)

Table 2

**Equalization Growth Factor
for Tax Years (TY) 2008-2009**

<u>District</u>	<u>TY 2008 Primary AV</u>	<u>TY 2009 Primary AV</u>	<u>TY 2008- 2009 % Growth</u>
Cochise*	\$ 902,389,900	\$ 986,677,800	9.3%
Graham*	175,053,000	221,874,600	26.7%
Navajo*	908,254,800	998,764,600	10.0%
Yuma/LaPaz*	1,271,166,000	1,432,962,500	12.7%
Coconino	1,686,709,700	1,840,775,000	9.1%
Mohave	2,286,744,000	2,533,640,800	10.8%
Pinal	2,471,639,600	2,880,552,100	16.5%
Yavapai	<u>2,956,557,400</u>	<u>3,274,078,300</u>	<u>10.7%</u>
Total	\$12,658,514,400	\$14,169,325,700	11.9%

* These districts qualify to receive Equalization Aid under the state funding formula.

Equalization Aid is paid out based on the difference between the minimum assessed valuation and the most recent actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate. (See Table 3 for a breakdown of the unfunded Equalization Aid formula growth by district.)

Table 3

Unfunded FY 2011 Equalization Growth

<u>District</u>	<u>FY 2011</u>	<u>FY 2010-2011 % Growth</u>
Cochise	\$1,506,500	19.2%
Graham	2,360,700	13.5%
Navajo	984,900	14.9%
Yuma/LaPaz	<u>295,900</u>	<u>10.1%</u>
Total	\$5,148,000	14.8%

Rural County Reimbursement

The Rural County Reimbursement Special Line Item reimburses community college districts for students enrolled from counties that are not a part of an established community college district. The appropriation is funded from the General Fund. Pursuant to A.R.S. § 15-1469.01, the FY 2009 expenditure of \$3,645,200 was offset by a corresponding reduction in the counties' sales tax apportionment. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The FY 2010 and FY 2011 dollar amounts are not yet known. Given the language of A.R.S. § 15-1469.01, these monies do not appear in the General Appropriation Act.

Rural County Reimbursement Subsidy

The budget includes \$1,000,000 from the General Fund for Rural County Reimbursement Subsidy in FY 2011. This amount is unchanged from FY 2010.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache, Greenlee, and Santa Cruz Counties. The FY 2011 budget allocates \$466,000 to Apache, \$382,800 to Greenlee, and \$151,200 to Santa Cruz.

Tribal Community Colleges

The budget includes \$1,918,000 from the General Fund for Tribal Community Colleges in FY 2011. This amount is unchanged from FY 2010.

Background – A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the Transaction Privilege Tax revenues collected from sources located on Indian reservations, whichever is less. Laws 2007, Chapter 265 repealed the statute that previously limited distribution of these monies to Diné College. As a result, Tohono O'odham College became eligible to receive General Fund monies starting in FY 2008.

The Tribal Community Colleges Special Line Item provides tribal community colleges with funding for maintenance, renewal, and capital expenses. Actual amounts will depend on FY 2011 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

The budget assumes that \$1,724,000 will be distributed to Diné College in FY 2011 and that \$194,000 will be distributed to Tohono O'odham Community College. These amounts represent 10% of the estimated Transaction Privilege Tax revenues collected in each reservation. Actual Tohono O'odham program funding will be contingent upon a compact with the Executive that has not been finalized as of this writing.

Other Issues

Nursing Education

Laws 2005, Chapter 330 established the Arizona Partnership for Nursing Education Demonstration Project. The purpose of the project was to enhance nursing education programs in Arizona, with the goal of doubling the current number of nursing graduates in the state by FY 2010.

Chapter 330 also established the Nursing Education Demonstration Project Fund. Monies in the fund are allocated to Arizona public universities and community colleges based on a comparison of the number of nursing students graduating in FY 2005 from those institutions. Monies that were allocated to the universities are administered by the Arizona Board of Regents, while monies that were allocated to the community colleges are passed through the Department of Commerce.

There is no new funding for the project in FY 2011 due to the expiration of the Nursing Education Demonstration Project Fund disbursements, although the Department of Commerce estimates carry-forward monies of \$2,100,000 due to delay in issuing grants due to potential fund reductions, some districts not spending all their grant money, and some districts returning funds.

Chapter 330 annually appropriated \$4,000,000 from the General Fund to the Nursing Education Demonstration Project Fund from FY 2006 through FY 2010. Of the total \$4,000,000 annual appropriation, \$1,368,000 was allocated to the universities and \$2,632,000 was allocated to the community colleges. These amounts were based on FY 2005 nursing graduation rates. Total grant amounts were higher than the \$2,632,000 appropriation in FY 2008 through FY 2010 given the carry-forward amounts from previous years. (Table 4 shows grant distribution amounts.) The project was set to expire at the end of FY 2010; however, Laws 2009, 1st Regular Session, Chapter 92 extended the expiration date through FY 2015.

The community college funds were distributed using a competitive grant process. Three criteria were used to determine funding: the quality of the nursing program, how the program meets the geographic and diverse needs of its community, and the program budget.

<u>Community College</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011*</u>
Chandler/Gilbert	\$ -	\$ -	\$ -
Estrella Mountain	119,200	244,100	-
Gateway	257,700	500,400	-
Glendale College	393,500	334,800	-
Phoenix College	484,300	267,000	-
Rio Salado College	121,100	-	-
Scottsdale	-	-	-
Arizona Western	445,300	1,181,000	-
Eastern Arizona	-	-	-
Central Arizona	437,000	346,200	-
Coconino	107,500	-	-
Mohave	158,000	-	-
Northland Pioneer	120,100	120,100	-
Pima	-	-	-
Yavapai	395,800	-	-
Total	\$3,039,500	\$2,993,600	-

* FY 2011 does not reflect potential distributions from carry-forward amounts.

Community College Revenue Sources

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. Of the total, the community colleges receive 9% of their revenues from state aid.

For FY 2010, base operating revenues from all sources are estimated to be \$1,678,004,700, an increase of 17.4% from FY 2009. (See Table 5 for a summary of FY 2010 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for over 43% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other^{1/}</u>	<u>FY 2010 Total^{2/}</u>	<u>FY 2009 Total^{3/}</u>	<u>% Change from FY 2009</u>
Cochise	\$ 15,330,500	\$ 7,628,800	\$15,824,800	\$ 18,412,900	\$ 1,424,200	\$ 58,621,200	\$ 55,336,900	5.9%
Coconino	2,679,400	5,976,000	8,136,700	5,216,600	958,200	22,966,900	22,590,400	1.7%
Gila ^{4/}	658,400	3,177,100	3,177,100	35,000	475,000	4,345,500	3,646,500	19.2%
Graham	21,709,300	5,904,100	3,987,100	6,000,000	8,901,300	46,501,800	41,830,400	11.2%
Maricopa	45,327,400	232,292,700	452,628,000	178,995,600	154,975,300	1,064,219,000	838,191,800	27.0%
Mohave	3,682,900	10,476,300	17,206,300	11,262,700	477,100	43,105,300	40,615,800	6.1%
Navajo	10,214,000	4,335,000	11,344,700	5,050,000	2,420,000	33,363,700	33,907,300	(1.6)%
Pima	15,942,100	41,541,000	98,020,000	43,809,000	5,619,000	204,931,100	199,895,100	2.5%
Pinal	4,935,100	9,009,000	40,130,300	14,800,000	7,843,600	76,718,000	63,424,300	21.0%
Yavapai	4,196,000	9,173,000	42,061,700	6,899,400	3,305,400	65,635,500	63,186,300	3.9%
Yuma/La Paz	7,751,200	9,684,800	27,162,300	10,900,000	2,098,400	57,596,700	66,553,300	(13.5)%
Total	\$132,426,300	\$336,020,700	\$719,679,000	\$301,381,200	\$188,497,500	\$1,678,004,700	\$1,429,178,100	17.4%

1/ Includes auxiliary programs, interest incomes, workforce development funds, and transfers.
2/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,221,396,000 for FY 2010.
3/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,830,100 for FY 2009.
4/ Gila Provisional Community College contracts with Graham County's Eastern Arizona College (EAC) in order to provide degree programs. Therefore, Gila's tuition and fee revenues are collected by Graham according to their contract agreement.

property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Each community college district determines its primary and secondary property tax rates.

Combined rates declined for all but one district from FY 2009, largely as the result of local property assessed valuation increases. (See Table 6 for a summary of FY 2010 property tax rates.)

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change in Combined Rate from FY 2009</u>
Cochise	\$1.61	\$0.00	\$1.61	(3.0%)
Coconino	0.34	0.09	0.43	(7.4%)
Gila	0.53	0.00	0.53	(5.3%)
Graham	1.80	0.00	1.80	(4.4%)
Maricopa	0.72	0.16	0.88	(6.2%)
Mohave	0.68	0.00	0.68	(4.9%)
Navajo	1.14	0.00	1.14	(14.8%)
Pima	0.94	0.14	1.08	(4.9%)
Pinal	1.38	0.08	1.46	3.5%
Yavapai	1.13	0.14	1.27	(5.2%)
Yuma/La Paz	1.51	0.32	1.83	(8.2%)

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 20% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2010 average tuition was \$1,957, an increase of 7.4% from FY 2009. Full-time annual tuition costs range from \$1,520 at Graham, to \$2,130 at Maricopa. (See Table 7 for FY 2010 resident tuition and fee rates.)

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost^{1/}</u>	<u>% Change from FY 2009</u>
Cochise	\$54	\$1,630	5.8%
Coconino	75	2,250	14.2%
Gila ^{2/}	-	-	-
Graham	51	1,520	10.1%
Maricopa	71	2,130	0.0%
Mohave	67	2,020	8.0%
Navajo	54	1,630	13.2%
Pima	56	1,675	3.1%
Pinal	58	1,736	3.3%
Yavapai	58	1,740	11.5%
Yuma/La Paz	60	1,800	7.1%
Weighted Average	\$65	\$1,957	7.4%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.
^{2/} Gila Provisional Community College contracts with Graham County's Eastern Arizona College (EAC) in order to provide degree programs. Therefore, Gila's tuition and fee amounts are the same as Graham's.

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 29% of community college revenues. Grants traditionally come from the federal government, including: the U.S. Department of Education, Small Business Administration, National Science Foundation, and Health and Human Services. Revenue

listed in the "other" category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Total Community College Expenditures

Table 8 shows total budgeted FY 2010 community college expenditures. In FY 2010, total budgeted expenditures are approximately \$2,064,556,500. As mentioned previously, base operating revenues for FY 2010 are \$1,678,004,700; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,221,396,000. Of the total \$1,678,004,700 in expenditures, \$1,216,603,200, or 59%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$483,065,700, or 23%, for instruction and \$170,236,100, or 8%, for administrative support.

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 483,065,700	23%
Public Service	30,284,500	1%
Academic Support	119,727,900	6%
Student Services	227,994,400	11%
Administrative Support	170,236,100	8%
Operation & Maintenance	91,853,900	4%
Scholarships/Grants	81,135,500	4%
Miscellaneous	900	
Contingency	12,304,300	1%
Subtotal	\$1,216,603,200	59%
Auxiliary Enterprises Fund	\$ 153,234,900	7%
Plant Fund	\$ 560,699,400	27%
Debt Service	\$ 134,019,000	6%
Total	\$2,064,556,500	

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$153,234,900, or 7% of the total. Plant Fund expenditures, which generally include capital costs, are \$560,699,400, or 27% of the total. The remaining \$134,019,000 is for debt service.

American Reinvestment and Recovery Act

The American Recovery and Reinvestment Act (ARRA) requires the U.S. Department of Education to distribute \$831,869,300 to Arizona as part of the State Fiscal Stabilization Fund (SFSF) for education programs. (Please see the ARRA summary pages for more information.)

A total of \$182,809,400 was distributed in FY 2010 from the SFSF for higher education programs. Of this amount, \$28,671,000 was allocated to the community colleges and \$154,138,400 to the universities. The community college amount was allocated among the districts according to a distribution plan established by the Governor (see Table 9 for the allocation). The community colleges are expected to receive an additional \$11,398,300 in FY 2010 and no SFSF monies in FY 2011.

Table 9**ARRA Funding to Community Colleges***

<u>District</u>	<u>Allocation</u>
Cochise	\$ 1,628,600
Coconino	649,300
Gila	175,400
Graham	873,200
Maricopa	15,093,500
Mohave	875,000
Navajo	1,304,000
Pima	4,523,700
Pinal	1,206,800
Yavapai	1,029,800
Yuma/La Paz	1,311,700
Total	\$28,671,000

* Distribution reflects the first allocation of monies in FY 2010. It does not include the additional \$11,398,300 the districts are expected to receive in FY 2010.

Additional Legislation***Tuition Waiver for Purple Heart Recipients***

See the Additional Legislation section in the Arizona Board of Regents agency narrative for detail on Laws 2010, Chapter 135.

State Compensation Fund

A.R.S. § 23-981

President: Donald A. Smith, Jr.

JLBC Analyst: Bob Hull

	CY 2008* ACTUAL	CY 2009 ACTUAL	CY 2010 ESTIMATE
BUDGET			
Operating Budget	131,000,000	120,600,000	118,000,000
Dividends and Claims	481,400,000	298,500,000	240,400,000
TOTAL	612,400,000	419,100,000	358,400,000
FUND SOURCES			
Other Non-Appropriated Funds	612,400,000	419,100,000	358,400,000

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.

*Represents Calendar Years

Additional Legislation

State Compensation Fund; Termination; Successor

The State Compensation Fund (SCF) Termination Successor Bill (Laws 2010, Chapter 268) terminates the SCF effective January 1, 2013 and requires the SCF Board of Directors to perform all acts necessary to establish a successor mutual insurer corporation by January 1, 2013. The successor mutual insurer corporation is to become the successor in interest to all SCF assets and liabilities, including title to all SCF property and responsibility for SCF obligations, effective January 1, 2013. The act specifies that the successor mutual insurer corporation is not an agency or a public entity of Arizona. The successor mutual insurer corporation is prohibited from using the term “State Compensation Fund” or “SCF” in its new name or logo, effective July 1, 2014. The SCF Board of Directors must provide a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives that calculates the value, if any, of state equity or other state financial interests in the SCF and provide a copy to the Secretary of State by January 1, 2011.

Constable Ethics Standards and Training Board

A.R.S. § 22-138

Chairman: Vince Roberts

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
FUND SOURCES			
Other Non-Appropriated Funds	125,200	308,500	308,500
TOTAL - ALL SOURCES	125,200	308,500	308,500

AGENCY DESCRIPTION — The board establishes and enforces the code of conduct for constables throughout the state. The board also administers funding for constable training and equipment. The Arizona Association of Counties currently manages the board’s administrative responsibilities. The board receives fees from every writ collected on behalf of a Justice of the Peace.

Director: Bill Mundell

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	144.8	144.8	144.8
Personal Services	4,809,800	5,632,700	5,455,500
Employee Related Expenditures	1,845,700	2,251,200	2,317,300
Professional and Outside Services	322,000	255,000	255,300
Travel - In State	308,200	505,100	505,100
Travel - Out of State	4,400	11,800	11,800
Other Operating Expenditures	1,537,200	1,878,900	1,937,900
Equipment	77,500	60,300	60,300
OPERATING SUBTOTAL	8,904,800	10,595,000	10,543,200
SPECIAL LINE ITEMS			
Incentive Pay	113,700	113,700	113,700
Information Management System	209,200	506,500	506,500
Office of Administrative Hearings Costs	1,002,300	1,009,000	1,017,600 ^{1/}
AGENCY TOTAL	10,230,000	12,224,200	12,181,000^{2/}

FUND SOURCES

<u>Other Appropriated Funds</u>			
Registrar of Contractors Fund	10,230,000	12,224,200	12,181,000
SUBTOTAL - Other Appropriated Funds	10,230,000	12,224,200	12,181,000
SUBTOTAL - Appropriated Funds	10,230,000	12,224,200	12,181,000
Other Non-Appropriated Funds	7,306,700	6,248,600	6,250,100
TOTAL - ALL SOURCES	17,536,700	18,472,800	18,431,100

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

Operating Budget

The budget includes \$10,543,200 and 144.8 FTE Positions from the Registrar of Contractors Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(51,800) from the Registrar of Contractors Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Incentive Pay

The budget includes \$113,700 from the Registrar of Contractors Fund for Incentive Pay in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item provide funding for an agencywide Incentive Pay Program. The program was established in 1995 to reward employees for outstanding performance. The Registrar of Contractors maintains performance measures to determine how employees influenced by the incentive program have improved their customer service.

^{1/} Any transfer to or from the amount appropriated for the Office of Administrative Hearings Costs line item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Information Management System

The budget includes \$506,500 from the Registrar of Contractors Fund for the Information Management System in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item fund replacement projects including computer hardware and software applications, telecommunications switches and routers, and telephone systems.

Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund for Office of Administrative Hearings (OAH) Costs in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$8,600 from the Registrar of Contractors Fund in FY 2011 for statewide adjustments.

Monies in this line item are transferred from the Registrar of Contractors to the OAH for services provided by the OAH.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

Recovery Fund Administration Expenses

The Regulation Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 4), as session law, allows the Registrar of Contractors to use up to 14% of prior fiscal year revenues from the Residential Contractors' Recovery Fund for employee and contracted services, equipment, and operational costs in FY 2011, rather than 10% of the fund balance.

Chairman: The Honorable Kristin K. Mayes

JLBC Analyst: Juan Beltran

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	330.3	308.3	308.3 ^{1/}
Personal Services	15,332,700	16,664,900	16,065,400
Employee Related Expenditures	5,514,700	5,813,100	5,840,000
Professional and Outside Services	234,100	246,600	246,600
Travel - In State	294,000	158,000	158,000
Travel - Out of State	38,600	46,100	46,100
Other Operating Expenditures	3,680,000	3,707,500	3,591,000
Equipment	342,800	103,700	103,700
OPERATING SUBTOTAL	25,436,900	26,739,900	26,050,800
SPECIAL LINE ITEMS			
Corporation Filings, Same Day Service	0	400,400	400,400 ^{2/}
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 ^{3/}
5th Special Session Reduction	0	(2,062,300)	(2,062,300)
AGENCY TOTAL	25,436,900	25,458,000	24,768,900^{4/}
FUND SOURCES			
General Fund	4,212,900	589,100	622,200
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	51,100	51,700	51,200
Investment Management Regulatory and Enforcement Fund	881,700	710,800	697,200
Public Access Fund	3,473,400	6,270,100	5,964,400
Securities Regulatory and Enforcement Fund	3,152,200	4,403,200	4,298,400
Utility Regulation Revolving Fund	13,665,600	13,433,100	13,135,500
SUBTOTAL - Other Appropriated Funds	21,224,000	24,868,900	24,146,700
SUBTOTAL - Appropriated Funds	25,436,900	25,458,000	24,768,900
Other Non-Appropriated Funds	184,700	150,000	150,000
Federal Funds	472,700	685,800	696,000
TOTAL - ALL SOURCES	26,094,300	26,293,800	25,614,900

AGENCY DESCRIPTION — The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 5 statewide elected Commissioners, each serving 4-year terms. The commission has 3 primary responsibilities. The Corporations Division provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers. The Utilities Division monitors approximately 500 public service corporations operating in Arizona and establishes public utility rates. Other functions of the commission include inspecting gas pipelines and railroad track.

1/ Includes 2 FTE Positions funded from Special Line Items in FY 2011.
 2/ The \$400,400 appropriated from the Public Access Fund for the Corporation Filings, Same Day Service line item shall revert to the Public Access Fund at the end of FY 2011 if the commission cannot process all expedited services within 5 business days and all regular services within 30 business days in accordance with A.R.S. § 10-122, 10-3122, and 29-851. (General Appropriation Act footnote)
 3/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$26,050,800 and 306.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$ 670,000
Arizona Arts Trust Fund	51,200
Investment Management Regulatory and Enforcement Fund	754,900
Public Access Fund	6,072,900
Securities Regulatory and Enforcement Fund	4,655,800
Utility Regulation Revolving Fund	13,846,000

These amounts fund the following adjustments:

Automation Update

The budget includes a decrease of \$(206,000) from the Public Access Fund in FY 2011 for an automation update. This adjustment reflects the agency's revised cost estimate for updating the Corporations Division's main database, the State of Arizona Public Access System (STARPAS).

Statewide Adjustments

The budget includes a decrease of \$(483,100) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	33,100
Arizona Arts Trust Fund	(500)
Investment Management Regulatory and Enforcement Fund	(13,600)
Public Access Fund	(99,700)
Securities Regulatory and Enforcement Fund	(104,800)
Utility Regulation Revolving Fund	(297,600)

(Please see the General Provisions section.)

Corporation Filings, Same Day Service

The budget includes \$400,400 and 2 FTE Positions from the Public Access Fund for Corporation Filings, Same Day Service in FY 2011. These amounts are unchanged from FY 2010.

A footnote in the General Appropriation Act specifies that same day and next day services shall not be offered unless all expedited services listed in A.R.S. § 10-122, 10-3122, and 29-851 are processed within a maximum of 5 business days and all other documents and services are processed within a maximum of 30 business days. As of May 2010, both regular and expedited filings have not been processed within these maximum allowed timeframes. As a result, the fee for same day and next day services, which is to be determined by a supermajority vote of the Commissioners, has not been set and same day and next day services have not been implemented.

Utilities Audits, Studies, Investigations, & Hearings

The budget includes \$380,000 from the Utility Regulation Revolving Fund for Utilities Audits, Studies, Investigations & Hearings in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

5th Special Session Reduction

The budget includes \$(2,062,300) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(47,800)
Investment Management Regulatory and Enforcement Fund	(57,700)
Public Access Fund	(508,900)
Securities Regulatory and Enforcement Fund	(357,400)
Utility Regulation Revolving Fund	(1,090,500)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

Mutual Fund Notice Filing Fees

The FY 2011 Regulation Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 4) permanently allows mutual fund notice filing fees to be initially deposited in the Securities Regulatory and Enforcement Fund and then redirected to the General Fund in February and June of each fiscal year. This provision was previously in session law.

State Department of Corrections

A.R.S. § 41-1602

Director: Charles L. Ryan

JLBC Analyst: Martin Lorenzo

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,932.5	9,552.9	10,015.2
Correctional Officer Personal Services	299,206,500	248,212,500 ^{1/}	291,380,800
Health Care Personal Services	39,265,200	39,117,800	36,821,000
All Other Personal Services	65,793,700	64,158,400	60,387,800
Personal Services Subtotal	404,265,400	351,488,700	388,589,600
Employee Related Expenditures	175,314,000	174,690,100	182,162,600
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	9,739,100	12,139,700	12,139,700
Health Care All Other Operating Expenditures			
Professional and Outside Services	21,151,700	14,279,600	14,279,600
Travel - In State	17,800	12,000	12,000
Travel - Out of State	3,700	2,500	2,500
Other Operating Expenditures	63,481,300	66,245,900	66,245,900
Equipment	89,900	60,700	60,700
Health Care Operating Subtotal	84,744,400	80,600,700	80,600,700
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	7,373,900	7,589,800	7,589,800
Travel - In State	109,800	101,700	101,700
Travel - Out of State	67,600	66,700	66,700
Other Operating Expenditures	38,447,200	37,922,300	38,790,800
Food	73,117,400	74,156,300	74,156,300
Equipment	3,892,800	1,093,500	1,093,500
Non-Health Care Operating Subtotal	123,008,700	120,930,300	121,798,800
OPERATING SUBTOTAL	797,071,600	739,849,500	785,291,400
SPECIAL LINE ITEMS			
County Jail Beds	775,200	866,200	0
New State Prison Beds	0	16,064,100	67,456,700
Private Prison Per Diem	80,319,100	92,324,900	132,302,600
Provisional Beds	81,297,500	86,002,300	8,359,600
5 th Special Session Reduction	0	(1,063,400)	(1,063,400)
AGENCY TOTAL	959,463,400	934,043,600	992,346,900 ^{2/-10/}
FUND SOURCES			
General Fund	916,330,900	890,390,700	948,692,900
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	392,600	554,400	554,400
Corrections Fund	25,504,400	29,017,600	29,017,600
Penitentiary Land Fund	1,418,800	979,200	979,200 ^{8/}
Prison Construction and Operations Fund	13,929,200	11,499,400	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	1,208,700	360,000	360,000 ^{2/}
State Education Fund for Correctional Education	231,000	507,300	508,400 ^{10/}
Transition Program Fund	177,600	180,000	180,000
Transition Program Drug Treatment Fund	270,200	555,000	555,000
SUBTOTAL - Other Appropriated Funds	43,132,500	43,652,900	43,654,000
SUBTOTAL - Appropriated Funds	959,463,400	934,043,600	992,346,900
Other Non-Appropriated Funds	42,854,000	44,738,400	44,738,400
Federal Funds	15,387,100	65,354,100	15,354,100
TOTAL - ALL SOURCES	1,017,704,500	1,044,136,100	1,052,439,400

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

Operating Budget

The budget includes \$785,291,400 and 9,268.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$771,409,300
Alcohol Abuse Treatment Fund	599,300
Corrections Fund	343,300
Prison Construction and Operations Fund	11,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	549,500
Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

These amounts fund the following adjustments:

AHCCCS Rate Structure

The budget continues a FY 2010 supplemental increase of \$20,000,000 from the General Fund in FY 2011 to restore a portion of the FY 2010 reduction associated with the Arizona Health Care Cost Containment System (AHCCCS) rate structure. The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6), specified that ADC’s reimbursements for: 1) health and medical services shall not exceed the capped fee-for-service schedule that is adopted by AHCCCS, and 2) inpatient and outpatient hospital services shall not

exceed the reimbursement methodology adopted by AHCCCS.

As a result of this provision, 2 of the largest private health care providers to ADC opted out of their contracts. While the department has entered into additional contracts at the AHCCCS rates, their projections suggest the need to restore \$20,000,000 of the \$26,000,000 reduction. The budget continues the \$20,000,000 FY 2010 supplemental funding provided by Laws 2010, 7th Special Session, Chapter 1, in FY 2011.

State Fiscal Stabilization Fund

The budget includes an increase of \$50,000,000 from the General Fund in FY 2011 to backfill the use of one-time monies allocated to ADC from the State Fiscal Stabilization Fund. The American Recovery and Reinvestment Act (ARRA) provided Arizona with more than \$1,000,000,000, including \$185,000,000 that can be expended for any state expenses. Of the \$185,000,000, \$50,000,000 was expended in FY 2010 for Correctional Officer Personal Services.

County Jail Bed Fund Reallocation

The budget includes an increase of \$866,200 from the General Fund in FY 2011 for costs associated with inmates who were previously housed in county jail beds that are now housed in state-owned beds. In recent years, ADC had an agreement with Navajo County to house 48 inmates in the Navajo County Jail at a per diem rate of \$48.44. During FY 2010, however, ADC, at the request of the

- 1/ Does not include \$50,000,000 of Federal Funds from the American Recovery and Reinvestment Act of 2009.
- 2/ The Personal Services and Employee Related Expenditures for Overtime/Compensatory Time line item includes monies for Personal Services and Employee Related Expenditure costs from overtime and compensatory time payouts accrued by department employees in FY 2011. (General Appropriation Act footnote)
- 3/ It is the intent of the Legislature that the department contract with county jails for the purposes of housing inmates committed to the department if the county agrees to contract at a per diem rate that shall not exceed \$50.00. (General Appropriation Act footnote)
- 4/ Before altering its bed capacity by closing state-operated prison beds or canceling or not renewing contracts for privately-operated prison beds, the State Department of Corrections shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ Before placing any additional inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 6/ A monthly report comparing State Department of Corrections expenditures for the month and year-to-date as compared to prior year expenditures shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall be in the same format as the prior fiscal year and shall include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 8/ 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 the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 9/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 10/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$508,400, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations.)

county, is no longer utilizing these beds. These funds have been reallocated from the County Jail Special Line Item (SLI). (Please see the “County Jail Beds” or “Other Issues” sections for additional information.)

Statewide Adjustments

The budget includes a decrease of \$(5,424,300) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(5,425,400)
State Education Fund for Correctional Education	1,100

(Please see the General Provisions section.)

County Jail Beds

The budget includes no funding for County Jail Beds in FY 2011. These amounts fund the following adjustments:

County Jail Bed Fund Reallocation

The budget includes a decrease of \$(866,200) from the General Fund in FY 2011 for costs previously incurred as a result of the use of county jail beds. These funds have been reallocated to the department’s operating budget. (Please see the “Operating Budget” section for additional information.)

Background – In recent years, monies in this line item provided funding for beds used by ADC at County Jails. These beds were county-operated, non-permanent beds used as overflow for state-operated beds. (Please see “Other Issues” for additional information.)

New State Prison Beds

The budget includes \$67,456,700 and 746.3 FTE Positions from the General Fund for New State Prison Beds in FY 2011. These amounts fund the following adjustments:

Lease-Purchase Payment

The budget includes a decrease of \$(6,304,100) from the General Fund in FY 2011 for the lease-purchase payment associated with the 4,000 state prison beds. The FY 2010 General Appropriation Act appropriated \$16,064,100 from the General Fund for the lease-purchase payment associated with 4,000 public beds. Subsequently, Laws 2009, 5th Special Session, Chapter 1, specified \$11,000,000 of this amount was to revert to the General Fund and an equivalent amount was to be used from the excess lease-purchase proceeds that remained after all construction costs associated with the beds are paid. Due to the timing of the payments, however, the General Fund appropriation to ADC had already funded all but \$4,695,900 of the FY 2010 lease-purchase payment by the general effective date of Chapter 1. As a result, the revised FY 2010 and FY 2011 budgets were adjusted accordingly. In FY 2010, rather than an \$11,000,000 reversion, the

budget assumed \$4,695,900 would revert. In FY 2011, the remaining \$6,304,100 in excess lease-purchase proceeds is anticipated to be available, reducing the need for General Fund monies in an equivalent amount.

4,000 State Beds

The budget includes an increase of \$58,101,700 and 746.3 FTE Positions from the General Fund in FY 2011 for costs associated with phasing-in 4,000 state prison beds. Laws 2007, Chapter 261 (FY 2008 Criminal Justice Budget Reconciliation Bill) authorized ADOA to contract for the construction of no more than 4,000 public prison beds and 2,000 private prison beds. Further, Chapter 261 authorized 20-year, \$200,000,000, lease-purchase financing for the construction of the 4,000 state beds. The 4,000 state beds have been constructed as follows: 1,000 female beds in Perryville, 1,000 male beds in Tucson, and 2,000 male beds in Yuma.

The \$58,101,700 is comprised of the following:

- \$7,051,900 for one-time start-up costs (equipment and other operating expenditures) associated with all 4,000 state prison beds; and
- \$51,049,800 in ongoing operating costs associated with the phase-in of a budgeted 400 new beds per week starting July 1, 2010.

In total, the estimated annual cost to operate all 4,000 state beds (excluding the annual lease-purchase payment) is anticipated to be \$56,039,600. These estimates, however, do not include indirect costs. Assuming a portion of the one-time monies reflected above are continued to offset the full-year operating costs of the beds, a savings of \$(2,062,100) would be available in FY 2012.

Background – Monies in this line item are intended to be transferred into the department’s operating budget once the 4,000 state beds become fully operational. (Please see “Other Issues” for additional information.)

Statewide Adjustments

The budget includes a decrease of \$(405,000) from the General Fund in FY 2011 for statewide adjustments.

Private Prison Per Diem

The budget includes \$132,302,600 for Private Prison Per Diem in FY 2011. This amount consists of:

General Fund	103,628,300
Corrections Fund	28,674,300

These amounts fund the following adjustments:

2,000 Private Beds

The budget includes an increase of \$39,977,700 from the General Fund in FY 2011 for costs associated with the new private beds located in Kingman. In addition to the 4,000

public beds, Chapter 261 authorized ADOA to contract for 2,000 new private prison beds to be located in the state. The contract for these beds was awarded to Management and Training Corporation (MTC) as an expansion to the existing 1,400 private bed facility located in Kingman. Construction of the 2,000 additional beds is complete and all 2,000 beds will be phased-in at a rate of 140 beds per week starting April 6, 2010.

These monies, in addition to the \$37,162,800 in the department's base, provide sufficient funding for the occupancy of all 3,400 beds at this facility for an entire fiscal year, at a per diem rate of \$62.16. ADC, however, has renegotiated the contract with MTC that resulted in a per diem rate of \$60.10 for the first 3,298 inmates and \$22.00 for the remaining 102 inmates. As a result, the weighted average per diem for all 3,400 inmates is \$58.96. Further, any additional inmates (beyond the 3,400) housed in temporary beds would be at a per diem rate of \$15.00.

Background – Monies in this line item are paid out to private prison contractors for daily expenses associated with housing Arizona inmates in 6,458 beds under contract for FY 2011. Private prison beds are permanent beds that the department will usually own after a period of 20 years, on average. ADC will own these facilities after a specified amount of time because the per diem rate includes a portion of the cost of purchasing the facility. Department administrative expenses related to private prison contracts are not included in this line item and are included in the department's operating budget subtotal. (Please see "Other Issues" for additional information.)

Provisional Beds

The budget includes \$8,359,600 for Provisional Beds in FY 2011. This amount consists of:

General Fund	6,198,600
Penitentiary Land Fund	979,200
Prison Construction and Operations Fund	1,181,800

These amounts fund the following adjustments:

Phase-Out Provisional Beds

The budget includes a decrease of \$(77,642,700) from the General Fund in FY 2011 as a result of phasing-out provisional beds. In FY 2010, ADC was appropriated monies to fund contracts for 4,892 provisional beds located at 3 separate out-of-state facilities. ADC has opted not to renew any of these contracts beyond the current expiration dates, resulting in a FY 2011 savings.

While 2 of the contracts expired in March and May 2010 (FY 2010), 1 contract remains in effect through September 2010 (FY 2011). As a result, the budget provides ADC sufficient funds for occupying the provisional beds located

in Hinton, Oklahoma through the expiration of the existing contract.

Lower Provisional Bed Occupancy

The budget continues a FY 2010 supplemental decrease of \$(8,877,600) from the General Fund in FY 2011 related to lower occupancy of provisional beds. The supplemental reduction in FY 2010 is continued in FY 2011 as the beds are no longer under contract.

Background – Monies in this line item provide funding for provisional beds. Typically, provisional beds are temporarily "rented" on an annual basis with renewals for up to 4 or 5 years. The contracts, however, can usually be canceled at any time with proper notice. Unlike private beds, the per diem rate associated with provisional beds does not include the cost of purchasing the facility after a specified time period. (Please see "Other Issues" for additional information.)

5th Special Session Reduction

The budget includes \$(1,063,400) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the FY 2011 General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

Alcohol Abuse Treatment Fund	(44,900)
Prison Construction and Operations Fund	(932,400)
State Education Fund for Correctional Education	(41,100)
Transition Program Drug Treatment Fund	(45,000)

While the budget continues the \$(1,063,400) 5th Special Session FY 2010 Lump Sum Reduction in FY 2011, these monies will not be swept into the General Fund in FY 2011.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the *Fund Transfers* section at the back of this report for more details.)

Additional Legislation

Budget Structure

The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 6) requires the department to report FY 2010 actual expenditures, FY 2011 estimated expenditures, and FY 2012 requested expenditure amounts for each line item as delineated in the prior year when the department submits its FY 2012 budget request pursuant to A.R.S. § 35-113.

Concession Agreement

The Criminal Justice BRB repeals Laws 2009, 3rd Special Session, Chapter 6, Section 33, requiring the ADC to enter into a concession agreement with one or more private vendors to operate state prisons.

Transition Program Fund

The Criminal Justice BRB, as permanent law, continues to permit the use of monies appropriated to the Transition Office Fund for any operating expenses related to the Transition Program. This provision was previously in session law. Laws 2010, Chapter 54 permanently changes the name of the Transition Office Fund to the Transition Program Fund.

Corrections Fund

Laws 2010, Chapter 240 extends the revenue source deposited to the Corrections Fund from June 30, 2010 to June 30, 2015. Revenues into the fund are primarily from luxury taxes on alcohol and tobacco products. Monies in the Corrections Fund are for the operation, construction, major maintenance, and purchase or lease of correctional facilities or state-operated juvenile facilities.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required ADC to reduce 203 FTE Positions in FY 2010 and an additional 284 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Bed Counts

Table 1 reflects the FY 2008 and FY 2009 actual beds counts by bed type and facility, as well as FY 2010 and FY 2011 estimated bed counts. Between FY 2010 and FY 2011, the department beds count is anticipated to increase from 35,506 to 37,706. The 37,706 beds are comprised of the following 4 types of prison beds:

- State Beds (31,248): Beds owned and operated by the department. These beds are located in 10 complexes throughout the state. In FY 2011, the number of state operated beds will increase by 4,000 beds as construction on the beds, which were authorized in the FY 2008 Criminal Justice BRB, is complete and will be occupied.
- Provisional Beds (0): Temporary "rented" beds from a public or private vendor historically located out of state. At the start of FY 2010, ADC utilized 4,892 provisional beds. In March and May 2010, however, 2,912 beds were vacated. The remaining 1,980 beds will be vacated in September 2010 (FY 2011). As a result, no provisional beds are anticipated to be occupied as of June 30, 2011.

- Private Beds (6,458): In-state, "lease-to-own" beds operated by private entities with whom the department has contracted. Typically, the department will own private beds after a contract period of 20 years, as the per diem rate includes a portion of the cost to purchase the facility. In FY 2010, 1,820 of 2,000 beds authorized in the FY 2008 Criminal Justice BRB are anticipated to be filled. In FY 2011, the remaining 180 beds will be filled.
- County Beds (0): Jail beds previously "rented" from Navajo County. In December 2010 (FY 2010) ADC vacated all County Jail beds and no beds are anticipated to be contracted for in FY 2011.

Population Growth

The population data reflected in Table 1 indicates the department's actual prison population in FY 2008 and FY 2009, as well as the estimated population in FY 2010 and FY 2011. ADC estimated FY 2010 population is 40,835 and would increase to 42,347 in FY 2011. The FY 2011 projected population reflects population growth of an additional 126 inmates per month, or 1,512 inmates per year based on actual population growth in FY 2009. In FY 2010, however, the actual average monthly growth in population through April 2010 was 11 inmates per month, significantly less than the 126 inmates per month estimated in FY 2011. Population growth is volatile, where between July 2, 2009 and April 30, 2010 population counts have ranged from a decrease of (146) inmates in December 2009, to an increase of 165 inmates in October 2009. Should actual population growth remain below the estimated increase of 126 inmates per month used for forecasting purposes, the projected FY 2010 and FY 2011 bed shortfall and bed shortfall as a percentage of state beds figures reflected in Table 1 would decrease.

Bed Shortfall

After incorporating population growth and estimated beds adjustments, the FY 2011 year-end bed shortfall is anticipated to be (4,641) or (14.9)% of state operated beds. This shortfall is a decrease from the estimated FY 2010 year-end shortfall of (5,329) beds.

Table 1 identifies the number of beds by bed type, the inmate population, the resulting bed shortfall, as well as the bed shortfall as a percent of state beds.

Table 1

**Fiscal Year End Bed Count by Bed Type and Facility
as of June 30 of FY 2008 through FY 2011**

	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Actual</u>	<u>FY 2010</u> <u>Estimated</u>	<u>FY 2011</u> <u>Estimated</u>	<u>FY 2011</u> <u>Per Diem</u>
<u>State:</u>					
Douglas	2,270	2,270	2,270	2,270	
Eyman	4,210	4,210	4,210	4,210	
Florence	3,372	3,372	3,372	3,372	
Perryville	3,260	3,260	3,260	4,260	
Phoenix	822	822	822	822	
Lewis	4,270	4,270	4,270	4,270	
Safford	1,548	1,548	1,548	1,548	
Tucson	3,640	3,640	3,640	4,640	
Winslow	1,666	1,666	1,666	1,666	
Yuma	<u>2,190</u>	<u>2,190</u>	<u>2,190</u>	<u>4,190</u>	
Sub-Total	27,248	27,248	27,248	31,248	
<u>Provisional:</u>					
New Castle, Indiana	1,260	0	0	0	
Watonga, Oklahoma	2,160	2,160	0	0	
Hinton, Oklahoma ^{1/}	1,340	1,980	1,980	0	\$54.50
Huerfano, Colorado	<u>0</u>	<u>752</u>	<u>0</u>	<u>0</u>	
Sub-Total	4,760	4,892	1,980	0	
<u>Private:</u>					
Kingman	1,400	1,400	3,220	3,400	58.96
Phoenix West	400	400	400	400	49.28
Marana	450	450	450	450	49.03
Florence West	600	600	600	600	52.19
Florence II	1,000	1,000	1,000	1,000	67.34
Emergency Beds	<u>414</u>	<u>414</u>	<u>608</u>	<u>608</u>	4.86-33.76
Sub-Total	4,264	4,264	6,278	6,458	
<u>County Jails:</u>					
Navajo	<u>48</u>	<u>48</u>	<u>0</u>	<u>0</u>	
Total	36,320	36,452	35,506	37,706	
Projected Population	38,897	41,412	40,835 ^{2/}	42,347 ^{2/}	
Projected Bed Shortfall (Year End)	(2,577)	(4,960)	(5,329)	(4,641)	
Projected Bed Shortfall (as % of State Beds)	(9.5)%	(18.2)%	(19.6)%	(14.9)%	

^{1/} Up to 1,980 beds at this facility will be utilized through the contract expiration date in September 2010 at which times the beds will be vacated and the contract will not be renewed.

^{2/} Reflects actual FY 2010 population as of April 30 and growth of 126 inmates per month through FY 2011. ADC, however, did not receive funding for population growth in FY 2011.

Executive Director: Donna Aune

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	526,100	756,100	728,300
Employee Related Expenditures	241,800	313,800	322,700
Professional and Outside Services	62,400	186,600	187,100
Travel - In State	46,400	46,400	46,400
Travel - Out of State	8,000	8,000	8,000
Other Operating Expenditures	430,300	437,500	437,500
Equipment	78,400	9,800	9,800
AGENCY TOTAL	1,393,400	1,758,200	1,739,800^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Cosmetology Fund	1,393,400	1,758,200	1,739,800
SUBTOTAL - Other Appropriated Funds	1,393,400	1,758,200	1,739,800
SUBTOTAL - Appropriated Funds	1,393,400	1,758,200	1,739,800
TOTAL - ALL SOURCES	1,393,400	1,758,200	1,739,800

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.

Operating Budget

The budget includes \$1,739,800 and 24.5 FTE Positions from the Board of Cosmetology Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(18,400) from the Board of Cosmetology Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: John A. Blackburn, Jr.

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8.0	8.0	8.0
Personal Services	412,300	457,300	448,600
Employee Related Expenditures	140,600	159,100	161,200
Professional and Outside Services	117,800	15,600	15,600
Travel - In State	9,300	10,800	10,800
Travel - Out of State	6,900	6,500	6,500
Other Operating Expenditures	820,900	83,500	318,700
Equipment	3,100	6,400	6,400
OPERATING SUBTOTAL	1,510,900	739,200	967,800
SPECIAL LINE ITEMS			
Rural State Aid to County Attorneys	157,700	0	0
Rural State Aid to Indigent Defense	150,100	0	0
State Aid to County Attorneys	886,700	1,052,500	1,052,500
State Aid to Indigent Defense	841,700	626,700	775,200
Victim Compensation and Assistance	4,026,300	4,100,000	4,100,000
5th Special Session Reduction	0	(516,800)	(516,800)
7th Special Session Reduction	0	0	(55,500)
AGENCY TOTAL	7,573,400	6,001,600	6,323,200^{1/}
FUND SOURCES			
General Fund	1,054,800	0	0
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	763,900	683,700	621,600
Drug and Gang Prevention Resource Center Fund	0	0	235,200
State Aid to County Attorneys Fund	886,700	973,600	973,600 ^{2/}
State Aid to Indigent Defense Fund	841,700	551,800	700,300 ^{3/}
Victim Compensation and Assistance Fund	4,026,300	3,792,500	3,792,500 ^{4/}
SUBTOTAL - Other Appropriated Funds	6,518,600	6,001,600	6,323,200
SUBTOTAL - Appropriated Funds	7,573,400	6,001,600	6,323,200
Other Non-Appropriated Funds	11,775,100	6,424,600	6,189,400
Federal Funds	14,770,700	21,821,300	21,997,800
TOTAL - ALL SOURCES	34,119,200	34,247,500	34,510,400

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{2/} All State Aid to the County Attorneys Fund receipts received by the Arizona Criminal Justice Commission in excess of \$973,600 in FY 2011 are appropriated to the State Aid to the County Attorney Program. Before the expenditure of any State Aid to the County Attorney Fund receipts in excess of \$973,600, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{3/} All State Aid to Indigent Defense Fund receipts received by the Arizona Criminal Justice Commission in excess of \$700,300 in FY 2011 are appropriated to the State Aid to Indigent Defense Program. Before the expenditure of any State Aid to Indigent Defense receipts in excess of \$700,300 in FY 2011, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{4/} All Victim Compensation and Assistance receipts received by the Arizona Criminal Justice Commission in excess of \$3,792,500 in FY 2011 are appropriated to the Crime Victims Program. Before the expenditure of any Victim Compensation and Assistance receipts in excess of \$3,792,500 in FY 2011, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote.)

AGENCY DESCRIPTION — The commission was created to enhance the effectiveness and 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.

Operating Budget

The budget includes \$967,800 and 8 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
CJEF	\$732,600
Drug and Gang Prevention Resource Center Fund	235,200

These amounts fund the following adjustments:

Arizona Youth Survey

The budget includes an increase of \$235,200 from the Drug and Gang Prevention Resource Center Fund in FY 2011 for ongoing funding for costs associated with the Arizona Youth Survey. The budget also includes a corresponding decrease to the Drug and Gang Prevention Resource Center from the Drug and Gang Prevention Resource Center Fund.

The Criminal Justice Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 6) permanently shifts the Drug and Gang Prevention Resource Center Fund from the Drug and Gang Prevention Resource Center to ACJC for the purpose of conducting the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. This shift was done on a transitional basis in FY 2010 through an IGA between ACJC and the Drug and Gang Prevention Resource Center. *(Please see the Drug and Gang Prevention Resource Center narrative for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(6,600) from the Criminal Justice Enhancement Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Rural State Aid to County Attorneys

The budget includes no funding for Rural State Aid to County Attorneys in FY 2011. This amount is unchanged from FY 2010.

This line item received General Fund appropriations deposited into the State Aid to County Attorneys Fund. These monies provided funding for the various offices of county attorneys throughout Arizona with populations of

less than 500,000 persons to improve the processing of criminal cases. Non-General Fund monies in the State Aid to County Attorneys Fund are still distributed to both urban and rural counties. *(Please see State Aid to County Attorneys Special Line Item for more information.)*

Rural State Aid to Indigent Defense

The budget includes no funding for Rural State Aid to Indigent Defense in FY 2011. This amount is unchanged from FY 2010.

This line item received General Fund appropriations deposited into the State Aid to Indigent Defense Fund. The monies provided funding to the various counties in Arizona with populations of less than 500,000 persons for processing of criminal cases by the offices of the public defender, legal defender, and/or contract indigent defense counsel in each county. Non-General Fund monies in the State Aid to Indigent Defense Fund are still distributed to both urban and rural counties. *(Please see State Aid to Indigent Defense Special Line Item for more information.)*

State Aid to County Attorneys

The budget includes \$1,052,500 from the State Aid to County Attorneys Fund for State Aid to County Attorneys Fund line item in FY 2011. This amount is unchanged from FY 2010.

This line item provides funding for the various offices of county attorneys throughout Arizona to improve the processing of criminal cases. The line item receives funds from 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 portion of the monies collected by the Supreme Court and 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.

State Aid to Indigent Defense

The budget includes \$775,200 from the State Aid to Indigent Defense Fund for the State Aid to Indigent Defense Fund line item in FY 2011. This amount funds the following adjustments:

Restore Appropriation Reduction

The budget includes an increase of \$148,500 from the State Aid to Indigent Defense Fund in FY 2011 to restore a portion of a FY 2010 \$(372,500) reduction.

Laws 2010, 7th Special Session, Chapter 1 (FY 2011 General Appropriation Act) includes an appropriation reduction of \$(372,500) in FY 2010 and \$(224,000) in FY 2011 from the State Aid to Indigent Defense Fund to facilitate a \$300,000 FY 2011 Excess Balance Transfer. The \$148,500 increase represents the difference between the FY 2010 and FY 2011 reductions. These reductions are necessary to provide ACJC with a sufficient FY 2011 ending fund balance to perform the required FY 2011 fund transfer.

This line item provides funding to the various counties in Arizona for processing of criminal cases by the offices of the public defender, legal defender, and/or contract indigent defense counsel in each county. The line item receives funding from 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 portion of the monies collected by the Supreme Court and 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.

Victim Compensation and Assistance

The budget includes \$4,100,000 from the Victim Compensation and Assistance Fund for Victim Compensation and Assistance in FY 2011. This amount is unchanged from FY 2010.

This line item provides funding for 2 crime victim grant programs: the Victim Compensation Program and the Victim Assistance Program. Victim compensation 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. Revenues for victim compensation grant monies come from 3 sources: 4.6% CJEF distribution, inmate work fees, and unclaimed victim restitution. Victim assistance monies are granted by ACJC to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim assistance programs, such as crisis intervention, information and referral services, emergency services, and other victim support services. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

Laws 2010, Chapter 57 increases the monthly supervision fee for prisoners on supervised parole or under community supervision from \$30 to \$65. Chapter 57 requires 70% of

revenues from fees to be deposited into the Victims Compensation and Assistance Fund and 30% to be deposited into the newly-established Community Corrections Enhancement Fund. *(Please see the Department of Corrections narrative for more information.)*

5th Special Session Reduction

The budget includes \$(516,800) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. These amounts consist of:

CJEF	(55,500)
State Aid to County Attorneys Fund	(78,900)
State Aid to Indigent Defense Fund	(74,900)
Victims Compensation and Assistance Fund	(307,500)

7th Special Session Reduction

The budget includes a further decrease of \$(55,500) in FY 2011 from CJEF for the 7th Special Session Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Superintendent: Robert Hill

JLBC Analyst: Jack Brown

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
PROGRAM BUDGET			
Administration/Statewide Programs	3,595,600	4,138,100	4,705,000
Phoenix Day School for the Deaf	8,366,700	9,452,600	9,484,000
Preschool/Outreach Programs	5,046,600	4,261,900	4,267,100
Regional Cooperatives	2,033,500	1,072,500	1,076,300
Tucson Campus	16,863,100	17,134,000	17,242,500
AGENCY TOTAL	35,905,500	36,059,100	36,774,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	587.2	581.2	572.2
Personal Services	21,612,500	19,024,200	18,697,400
Employee Related Expenditures	7,944,500	9,610,700	10,130,800
Professional and Outside Services	1,365,700	1,433,400	1,433,400
Travel - In State	48,600	40,500	40,500
Travel - Out of State	17,700	12,000	12,000
Food	124,500	136,700	136,700
Other Operating Expenditures	4,308,500	4,720,600	5,243,100
Equipment	483,500	343,000	343,000
OPERATING SUBTOTAL	35,905,500	35,321,100	36,036,900

SPECIAL LINE ITEMS

School Bus Replacement	0	738,000	738,000
AGENCY TOTAL	35,905,500	36,059,100	36,774,900 ^{1/}

FUND SOURCES

General Fund	21,273,700	21,261,000	22,045,400
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	14,631,800	14,798,100	14,729,500 ^{2/}
SUBTOTAL - Other Appropriated Funds	14,631,800	14,798,100	14,729,500
SUBTOTAL - Appropriated Funds	35,905,500	36,059,100	36,774,900
Other Non-Appropriated Funds	17,169,200	18,810,000	18,810,000
Federal Funds	2,183,300	4,640,100	4,640,100
TOTAL - ALL SOURCES	55,258,000	59,509,200	60,225,000

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 infants and toddlers throughout the state. ASDB serves approximately 2,203 children: 509 students in the K-12 programs (222 in Tucson and 287 in Phoenix), 155 children in preschools, 325 infant/toddlers in regional areas, and 1,214 children through the 5 existing regional cooperatives.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

^{2/} Before the expenditure of any Arizona State Schools for the Deaf and the Blind Fund monies in excess of \$14,729,500 in FY 2011, the Arizona State Schools for the Deaf and the Blind shall report to the Joint Legislative Budget Committee the intended use of the funds. (General Appropriation Act footnote, as adjusted for statewide allocations)

Operating Budget

The budget includes \$36,036,900 and 572.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$21,307,400
Schools for the Deaf and the Blind Fund	14,729,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$715,800 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	784,400
ASDB Fund	(68,600)

(Please see the General Provisions section.)

The budget includes no change for the following 2 items:

Assistive Technology Devices

The budget includes no change in funding for assistive technology devices from the General Fund in FY 2011. The budget includes a total of \$253,100 from the General Fund in FY 2011 for assistive technology devices. Assistive technology devices include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

Foundation for the Blind

The budget maintains funding in FY 2011 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

School Bus Replacement

The budget includes \$738,000 from the General Fund for School Bus Replacement in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used for the purchase of new school buses. ASDB plans to replace 6 gasoline powered buses in FY 2011. According to the School Facilities Board rules for ASDB, a gasoline powered bus should be replaced after 10 years or 150,000 miles.

Voucher Fund Adjustment

The budget includes no funding from the Schools for the Deaf and the Blind Fund for a Voucher Fund Adjustment in FY 2011. This amount is unchanged from FY 2010.

This Special Line Item typically is used in order to adjust the appropriated portion of ASDB's special education voucher funding for inflation and caseload changes. There is no FY 2011 adjustment, however, because the budget funds inflation only for traditional school district transportation costs, which excludes ASDB. In addition, ASDB's caseload is expected to remain unchanged in FY 2011.

Background – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula. The amounts are reflected within a special line item to give ASDB flexibility in allocating the increased funding among its 4 programs.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required ASDB to reduce 6 General Fund FTE Positions in FY 2010 and an additional 9 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Director: Sherri L. Collins

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	16.0	15.0	15.0
Personal Services	717,800	741,100	712,900
Employee Related Expenditures	265,800	273,800	278,500
Professional and Outside Services	554,900	954,900	954,900
Travel - In State	28,100	25,900	25,900
Travel - Out of State	7,800	4,500	4,500
Other Operating Expenditures	1,885,100	1,793,200	1,711,200
Equipment	336,900	615,200	615,200
OPERATING SUBTOTAL	3,796,400	4,408,600	4,303,100
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(330,700)	(330,700)
AGENCY TOTAL	3,796,400	4,077,900	3,972,400^{1/}

FUND SOURCES

Other Appropriated Funds

Telecommunication Fund for the Deaf	3,796,400	4,077,900	3,972,400
SUBTOTAL - Other Appropriated Funds	3,796,400	4,077,900	3,972,400
SUBTOTAL - Appropriated Funds	3,796,400	4,077,900	3,972,400
Other Non-Appropriated Funds	7,700	0	0
TOTAL - ALL SOURCES	3,804,100	4,077,900	3,972,400

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 Telecommunication Fund for the Deaf, which derives monies from the Telecommunication Services Excise Tax. Starting in 2007, the agency began licensing interpreters for the deaf and the hard of hearing.

Operating Budget

The budget includes \$4,303,100 and 15 FTE Positions from the Telecommunication Fund for the Deaf for the operating budget in FY 2011. These amounts fund the following adjustments:

Operating Budget Reduction

The budget includes a decrease of \$(82,000) from the Telecommunication Fund for the Deaf in FY 2011 for an operating budget reduction.

Statewide Adjustments

The budget includes a decrease of \$(23,500) from the Telecommunication Fund for the Deaf in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(330,700) from the Telecommunication Fund for the Deaf in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Elaine Hugunin

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	434,500	535,800	519,100
Employee Related Expenditures	153,400	147,500	148,700
Professional and Outside Services	252,600	259,700	259,700
Travel – In State	5,100	3,200	3,200
Travel – Out of State	5,700	5,500	5,500
Other Operating Expenditures	211,900	130,300	183,200
Equipment	19,200	23,700	30,700
AGENCY TOTAL	1,082,400	1,105,700	1,150,100^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Dental Board Fund	1,082,400	1,105,700	1,150,100
SUBTOTAL - Other Appropriated Funds	1,082,400	1,105,700	1,150,100
SUBTOTAL - Appropriated Funds	1,082,400	1,105,700	1,150,100
TOTAL - ALL SOURCES	1,082,400	1,105,700	1,150,100

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

Operating Budget

The budget includes \$1,150,100 and 11 FTE Positions from the Dental Board Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Operating Adjustments

The budget includes an increase of \$59,900 from the Dental Board Fund in FY 2011 for information technology and other operating expenditures. The State Board of Dental Examiners would use \$23,700 to upgrade its current database system. Of this amount, \$7,000 would be for one-time equipment costs. Additionally, \$36,200 would be used to offset increased operating costs including higher postage rates, maintenance, and information technology support.

Statewide Adjustments

The budget includes a decrease of \$(15,500) from the Dental Board Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.3	6.3	6.3
Personal Services	160,600	385,600	220,400
Employee Related Expenditures	50,800	114,500	68,200
Professional and Outside Services	3,400	32,800	14,500
Travel - In State	500	1,000	500
Other Operating Expenditures	11,300	45,700	40,800
AGENCY TOTAL	226,600	579,600	344,400^{1/}

FUND SOURCES

Other Appropriated Funds

Drug and Gang Prevention Resource Center Fund	203,400	235,200	0
Intergovernmental Agreements and Grants Fund	23,200	344,400	344,400
SUBTOTAL - Other Appropriated Funds	226,600	579,600	344,400
SUBTOTAL - Appropriated Funds	226,600	579,600	344,400
Other Non-Appropriated Funds	28,800	104,600	104,600
Federal Funds	622,200	123,000	123,000
TOTAL - ALL SOURCES	877,600	807,200	572,000

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.

Operating Budget

The budget includes \$344,400 and 6.3 FTE Positions from the Intergovernmental Agreements and Grants Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Arizona Youth Survey

The budget includes a decrease of \$(235,200) from the Drug and Gang Prevention Resource Center Fund in FY 2011 to shift funding for the Drug and Gang Prevention Resource Center to the Arizona Criminal Justice Commission (ACJC) to fund the Arizona Youth Survey. Responsibility

The Criminal Justice Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 6) shifts the Drug and Gang Prevention Resource Center Fund from the Drug and Gang Prevention Resource Center to ACJC for the purpose of conducting the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. This shift was done on a

transitional basis in FY 2010 through an IGA between ACJC and the Drug and Gang Prevention Resource Center. (Please see the ACJC narrative for more information.)

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Rhian Allvin

JLBC Analyst: Jack Brown

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
FUND SOURCES			
Other Non-Appropriated Funds	30,919,400	159,099,600	78,260,800
TOTAL - ALL SOURCES	30,919,400	159,099,600	78,260,800

AGENCY DESCRIPTION — As authorized by a 2006 ballot initiative, the Arizona Early Childhood Development and Health Board provides funding from a 4-cents per cigarette tax, or 80 cents a pack, (plus taxes on other tobacco products) to fund early childhood development programs and services for children prior to kindergarten and their families. Early childhood development programs include, but are not limited to, parent and family education and support programs, child care, preschool, health screenings, and access to preventative health programs.

Additional Legislation

Termination and Repeal of the Early Childhood Development and Health Board

If approved by voters at the November 2010 General Election, House Concurrent Resolution (HCR) 2001 from the 7th Special Session would terminate the Early Childhood Development and Health Board (ECDHB) on or before June 1, 2011 pursuant to existing sunset procedures. The budget includes \$325,000,000 of revenue from the transfer of any unexpended and unencumbered monies accumulated by ECDHB to the General Fund.

In addition, HCR 2001 requires the various tobacco taxes which are currently distributed to the Early Childhood Development and Health (ECDH) Fund to be deposited into the General Fund on an ongoing basis, and be separately accounted for and appropriated for health and human services for children. The diversion of tobacco taxes begins upon the effective date of the referendum, which is estimated to be halfway through FY 2011. Because of this, the budget assumes that \$60,000,000 of these tobacco taxes will be deposited into the General Fund in FY 2011, of which \$40,000,000 will be appropriated to the Department of Economic Security for the Developmentally Disabled program, resulting in net General Fund savings of \$20,000,000 in FY 2011.

In total, voter approval of HCR 2001 would create \$345,000,000 worth of General Fund savings in FY 2011.

The ECDHB is projected to expend \$78,260,800 from the ECDH Fund for the operating budget in FY 2011. This includes a decrease of \$(80,838,800) from the ECDH Fund due to the termination and repeal of ECDHB. The budget assumes that the board will terminate its activities beginning in early December 2010, with the agency fully ending its operations by June 1, 2011.

On that date, the agency’s statutory authority would be repealed. Accordingly, FY 2011 spending by the board is assumed to be half of what was originally projected for FY 2011.

Fund Transfers

The budget includes transfers from this agency’s fund to the General Fund. (Please see the Fund Transfers section at the back of this report and the Additional Legislation section above for more details.)

Background

Early Childhood Development and Health Fund

In 2006, Arizona voters passed Proposition 203, which added an 80-cent tax to each pack of cigarettes (plus taxes on other tobacco products). The tax became effective on December 1, 2006. Revenues from the tax are deposited into the ECDH Fund and go into 1 of 2 accounts: the Administrative Costs Account or the Program Account.

During FY 2007, 100% of revenues were deposited into the Administrative Costs Account in order to pay for “start up” costs. Beginning in FY 2008, 90% of funds were allocated to the Program Account and 10% of funds to the Administrative Costs Account. Monies may be transferred from the Administrative Account to the Program Account, but not from the Program Account to the Administrative Account.

Of the funding in the Program Account, approximately 10% (or 9% of the statewide total) may be spent on statewide programs with the remaining funds allocated to the Regional Councils (81% of the statewide total). Of this amount, 60.8% is allocated to the various regions based on the population aged 5 and under and the population under 5 living below the poverty line. Another 20.2% is set aside as discretionary regional monies.

Monies in the fund are to be used on services provided to children prior to kindergarten and to their families for the purpose of assisting childhood development. Monies are to be used for 1 or more of the following 6 purposes:

- Improve the quality of ECDH programs;
- Increase access to quality ECDH programs;
- Increase access to preventive health care and health screenings for children through age 5;
- Offer parent and family support and education concerning early childhood development and literacy;
- Provide professional development and training for ECDH providers;
- Increase coordination of ECDH programs and public information about the importance of ECDH.

The ECDH Fund is not subject to legislative appropriation.

Early Childhood Development Program

The Early Childhood Development Program is administered through ECDHB, which is responsible for allocating funding to Regional Partnership Councils, who, in turn, provide grants to local grant recipients. While the Regional Councils were being established, the board was allowed to allocate resources without Regional Partnership Council input for FY 2008 and FY 2009.

During FY 2009, the board's revenues were \$156,865,800 and expenditures were \$30,919,400. In FY 2010, the board expects to collect \$134,681,800 in revenues and expend \$159,099,600. Of this FY 2010 spending amount, \$142,816,300 and \$16,283,300 will be from the Program Account and the Administrative Account, respectively.

The above expenditures leave the fund with a projected balance of \$337,655,300 at the end of FY 2010. The board's large balance is a result of the initiative's language, which called for the approval of grants to Regional Partnership Councils to begin in May 2009. The delay between the beginning of revenue collections in FY 2007 and the implementation of regional grants has allowed the board to accrue a significant balance. The board intends to use the balance in future years to offset ongoing revenue losses that may occur if tobacco use (and the corresponding tax collections) continue to decline.

Department of Economic Security
Summary

A.R.S. § 41-1954

Director: Neal Young

JLBC Analyst: Jay Chilton

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
PROGRAM BUDGET			
Administration	30,052,100	31,554,500	32,014,000
Aging and Community Services	40,785,800	43,115,000	41,679,500
Benefits and Medical Eligibility	162,325,100	154,531,500	128,726,800
Child Support Enforcement	62,537,400	66,133,900	66,783,100
Children, Youth and Families	287,009,500	295,189,700	296,770,400
Developmental Disabilities	862,739,100	924,585,000	981,136,100
Employment and Rehabilitation Services	269,536,300	285,987,500	286,088,700
Payment Deferral	0	(17,000,000)	0
5th Special Session Reduction	0	(26,472,300)	(26,472,300)
7th Special Session Adjustments	0	(31,325,000)	37,539,700
AGENCY TOTAL	1,714,985,300	1,726,299,800	1,844,266,000
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,948.4	5,889.4	5,473.4 ^{1/}
Personal Services	133,367,700	149,625,600	149,119,600
Employee Related Expenditures	57,975,900	54,646,500	56,861,800
Professional and Outside Services	12,925,000	9,366,800	9,676,800
Travel - In State	2,373,500	3,396,600	3,396,600
Travel - Out of State	21,700	29,100	29,100
Other Operating Expenditures	62,490,000	72,538,000	75,196,100
Equipment	3,782,900	1,835,400	1,835,400
OPERATING SUBTOTAL	272,936,700	291,438,000	296,115,400
Special Line Items (SLI)	1,442,048,600	1,434,861,800	1,548,150,600
AGENCY TOTAL	1,714,985,300	1,726,299,800	1,844,266,000^{2/3/4/}
FUND SOURCES			
General Fund	613,543,000	531,962,500	634,103,900 ^{5/}
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	793,100	1,459,100	1,459,800
Child Support Enforcement Administration Fund	14,384,700	15,513,400	16,785,200
Children and Family Services Training Program Fund	209,600	209,500	207,100
Domestic Violence Shelter Fund	2,153,800	2,220,000	2,220,000
Federal CCDF Block Grant	126,325,600	130,448,600	130,688,200
Federal TANF Block Grant	275,814,600	252,650,700	225,060,600
Long Term Care System Fund (Non-Federal Matched)	24,141,500	27,043,400	30,520,500
Public Assistance Collections Fund	216,800	427,600	431,700
Reed Act Grant	3,443,700	3,524,200	3,561,000
Risk Management Fund	181,000	271,500	0
Special Administration Fund	1,046,300	1,135,300	1,135,300
Spinal and Head Injuries Trust Fund	2,196,300	1,875,100	1,874,500
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	1,000,000
TTHCF Health Research Account	0	200,000	0
Workforce Investment Act Grant	38,941,300	55,954,800	56,052,100
SUBTOTAL - Other Appropriated Funds	490,848,300	493,933,200	470,996,000
SUBTOTAL - Appropriated Funds	1,104,391,300	1,025,895,700	1,105,099,900

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
Expenditure Authority Funds			
Federal Funds	40,596,000	43,544,600	43,668,500
Long Term Care System Fund (Federal Match)	569,998,000	656,859,500	695,497,600
SUBTOTAL - Expenditure Authority Funds	610,594,000	700,404,100	739,166,100
SUBTOTAL – Appropriated/Expenditure Authority Funds	1,714,985,300	1,726,299,800	1,844,266,000
Other Non-Appropriated Funds	770,043,100	1,001,004,100	720,278,800
Federal Funds	881,120,900	1,196,732,700	672,607,100
TOTAL - ALL SOURCES	3,366,149,300	3,924,036,600	3,237,151,900

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

Enhanced Federal Match Rate

The 2009 American Recovery and Reinvestment Act (ARRA) increased the Federal Medical Assistance Percentage (FMAP) for Title XIX populations from October 1, 2008 until December 31, 2010. This results in General Fund savings of \$41,366,100 during the first 6 months of FY 2011. Laws 2010, Chapter 232 would adjust these savings for all of FY 2011 if Congress approves a 6-month extension of the enhanced FMAP to June 30, 2011. Chapter 232 would result in an additional \$43,000,000 of General Fund savings for the second half of FY 2011 for a total full year savings of \$84,366,100. The *Appropriations Report* display is consistent with the enhanced FMAP being available through June 30, 2011. (See the *ARRA Overview and Federal Health Care Reform* section at the front of the *Appropriations Report* for additional details.)

Payment Deferral

The budget continues the \$42,000,000 payment deferral from FY 2011 to FY 2012. The budget includes \$17,000,000 from the General Fund in FY 2011 as a technical adjustment to the Payment Deferral.

Laws 2009, 4th Special Session, Chapter 1 deferred \$(42,000,000) in payments to DES providers from FY 2010 to FY 2011. This \$(42,000,000) payment deferral in FY 2010 was larger than the \$(25,000,000) deferral in FY 2009, so the state realized \$17,000,000 in one-time General Fund savings in FY 2010.

The \$17,000,000 increase in the FY 2011 budget adjusts for those one-time savings. DES plans to defer a total of \$42,000,000 in payments from the Special Line Items specified below:

	<u>FY 2011</u>
Children Support Services	\$ 6,200,000
Emergency Placement	400,000
Residential Placement	1,400,000
Foster Care Placement	1,900,000
Home and Community Based Services – Title XIX	16,900,000
Child Care	15,200,000

The \$42,000,000 in FY 2011 to pay the amount deferred from FY 2010 to FY 2011 was appropriated in Laws 2009, 1st Regular Session, Chapter 12, so this adjustment does not appear in the General Appropriation Act; however, the amount is included in the General Fund amount for DES in this section.

- 1/ Includes 757.2 GF, 139.2 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2011.
- 2/ The above appropriations are 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. (General Appropriation Act footnote)
- 3/ 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 Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of (1) potential shortfalls in entitlement programs, and (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. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.
- 5/ Laws 2009, 4th Special Session, Chapter 1 appropriated \$42,000,000 from the General Fund in FY 2011 to account for the deferral of FY 2010 payments into FY 2011, so that \$42,000,000 does not appear in the FY 2011 General Appropriations Act. Laws 2010, 7th Special Session, Chapter 1 appropriates \$42,000,000 in FY 2012 to reflect the deferral of FY 2011 payments to FY 2012.

The *Appropriations Report* reflects a full 12 months of payments in FY 2011, which consists of \$42,000,000 deferred from FY 2010 and \$42,000,000 deferred to FY 2011. The FY 2011 General Appropriation Act appropriates \$42,000,000 in FY 2012 for the deferral of these payments.

5th Special Session Reduction

The budget includes \$(26,472,300) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(25,944,500)
Child Abuse Prevention Fund	(118,300)
Domestic Violence Shelter Fund	(180,000)
Special Administration Fund	(92,100)
Spinal and Head Injuries Trust Fund	(137,400)

Some of this lump sum reduction was allocated to the agencywide operating budget and some was allocated to specific line items for FY 2011 in the General Appropriation Act. *Table 1* outlines how the agency previously reported it would allocate its lump sum reduction. While some of these reductions were allocated to specific line items in the General Appropriation Act for FY 2011, they are not shown in specific line items in this *Appropriations Report* either for FY 2010 or FY 2011.

Table 1

Allocation of 5th Special Session Lump Sum Reduction

<u>Special Line Item</u>	<u>Amount</u>
Administration Operating	\$ (934,700)
Developmental Disabilities Operating	(140,000)
Home and Community Based Services - Title XIX	(951,400) ^{1/}
Home and Community Based Services - State-Only	(1,600,000) ^{1/}
Arizona Early Intervention Program	(500,000) ^{1/}
Aging and Community Services Operating	(425,000)
Adult Services	(1,573,300) ^{1/}
Benefits and Medical Eligibility Operating	(1,025,000)
Child Support Enforcement Operating	(975,000)
Children Youth and Families Operating	(2,475,000)
Children Support Services	(1,650,000) ^{1/}
Foster Care Placement	(450,000)
Employment and Rehabilitation Services Operating	(450,000)
Independent Living Rehabilitation Services	(120,000) ^{1/}
Day Care Subsidy	(12,675,100) ^{1/}
Total	\$(25,944,500)

^{1/} These amounts were allocated to the relevant Special Line Items in the General Appropriation Act.

7th Special Session Adjustments

The budget includes \$37,539,700 in FY 2011 for 7th Special Session FY 2011 adjustments. This amount consists of:

General Fund	96,425,300
Federal TANF Block Grant	(58,885,600)

The budget includes an increase of \$68,864,700 in FY 2011 for 7th Special Session adjustments. This amount consists of:

General Fund	97,250,300
Federal TANF Block Grant	(58,885,600)

The components of this change are as follows:

Additional General Fund Reductions

The budget includes a decrease of \$(2,749,700) from the General Fund in FY 2011. This amount is expected to comprise the following reductions:

Developmental Disabilities Enhanced Rates	(1,000,000)
Developmental Disabilities Group	(1,000,000)
Home Consolidation	
Eliminate Grandparent Kinship Care	(450,000)
Privatization Opportunities	(50,000)
Reduction in Force	(249,700)

While some reductions were intended for specific line items, the General Appropriation Act allocated these reductions to the agencywide operating budget. The budget also continues a FY 2010 supplemental reduction of \$(825,000) in FY 2011.

Backfill Federal Funds

The budget includes an increase of \$100,000,000 from the General Fund in FY 2011 to backfill lost Federal Funds. As a result of the depletion of the TANF Contingency Fund, as well as the one-time nature of the Fiscal Stabilization Fund monies from ARRA, DES' total Federal Funds available in FY 2011 is less in FY 2011 than FY 2010. In the General Appropriation Act, this appropriation was allocated to the agencywide operating budget. DES will allocate the money to the areas where Federal Funds had previously been spent.

The Governor allocated a total of \$43,300,000 of the state's Fiscal Stabilization Fund to DES programs in FY 2010, as follows:

State-Only Home and Community-Based Services	15,000,000
Children's Autism Services	2,300,000
Child Protective Services	5,500,000
Children Services	18,000,000
Adoption Services	2,500,000

This \$100,000,000 increase can be used to backfill the loss of some of those Federal Funds. Of the \$100,000,000, \$40,000,000 is contingent upon the passage by the voters at the November General Election of HCR 2001, which would repeal the Early Childhood Development and Health Board (also known as First Things First) and deposit any unexpended monies, as well as the continuing 80¢ tobacco tax, in the General Fund. (*See the individual sections for the above line items for more details.*)

Federal TANF Block Grant Reduction

The budget includes a decrease of \$(28,385,600) from the Federal TANF Block Grant in FY 2011 to reduce the appropriation from the grant. The budget also continues an FY 2010 reduction of \$(30,500,000) from the Federal TANF Block Grant in FY 2011 for a total reduction of \$(58,885,600). As a result of the loss of the TANF Contingency Fund, less funding is available than in prior years. This reduction will better align the grant's appropriation with the funding DES actually will receive in FY 2011. (Please see the Federal Block Grants section below for additional information.)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision requires DES to reduce 59 General Fund FTE Positions in FY 2010 and an additional 141 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

In addition to this reduction, Laws 2009, 1st Regular Session, Chapter 12 included a lump sum reduction which was line-item vetoed by the Governor. Laws 2009, 4th Special Session, Chapter 1 reinstated the line-item vetoed funding reductions, but did not include the FTE Position reduction. In addition to the 5% mandated reduction outlined above, this FTE Position reduction also includes a reduction of (334) FTE Positions to incorporate the line-item vetoed FTE reduction in FY 2011.

Federal Block Grants

The budget includes \$224,265,100 of the state's federal Temporary Assistance for Needy Families (TANF) Block Grant allocation. Table 2 summarizes expected yearly revenues, expenditures, and fund balances.

The table compares ongoing revenues and expenditures from the TANF Block Grant. Beginning in FY 2008, DES received additional funding from the federal TANF Contingency Fund, which was a reserve fund set aside for states with rising costs in TANF-related programs. Because of rising Food Stamps cases, DES received \$30,000,000 in FY 2008 and \$40,000,000 in FY 2009. In FY 2010, DES continued to be eligible to receive the TANF Contingency Fund money, but as the economy has worsened, additional states became eligible and the fund was depleted. In FY 2010, DES received a portion of its allotment for 1 quarter, or approximately \$7,500,000 and

will receive no funding in FY 2011. As a result, the appropriation from the Federal TANF Block Grant is reduced by \$(58,885,600). (See the 7th Special Session Reductions SLI for more information.)

In addition to the TANF Contingency Fund, ARRA made additional TANF funding available for increased assistance caseloads. DES estimates that it will qualify for between \$3,000,000 and \$4,500,000 in FY 2010 and FY 2011, which will help mitigate the loss of the Contingency Fund money.

Although the table shows a negative ending balance for FY 2010, the actual ending balance cannot be negative. The agency has the option to roll forward 10% of the total TANF Block Grant from FY 2011 into FY 2010. Contingency Fund and Emergency Contingency Fund revenues are not included in the permanent revenue calculation.

Table 3 provides detailed information on TANF expenditures and appropriations.

TANF Block Grant Summary		
	Revised FY 2010	Baseline FY 2011
<i>Available TANF Block Grant</i>		
Beginning Balance	\$ 50,600	\$ 0
Base Revenues	224,434,400	224,434,400
Contingency Fund Revenues	7,500,000	0
Emergency Contingency Fund	<u>3,000,000</u>	<u>3,000,000</u>
Total – Available TANF	\$234,985,000	\$227,434,400
Total TANF Expenditures	<u>252,650,700</u>	<u>224,265,100</u>
Ending Balance ^{1/}	\$(17,665,700)	\$ 3,169,300
Permanent Revenues vs. Expenditures ^{2/}	\$(28,216,300)	\$ 169,300

^{1/} Actual ending balance cannot be negative; the agency will employ funding options to balance the appropriation for FY 2010.
^{2/} Difference between Base Revenues and Total Expenditures. Contingency Fund Revenues are not included in Permanent Revenues.

Table 3

TANF Block Grant Spending

<u>Cost Center/Special Line Item</u>	<u>Revised FY 2010</u>	<u>Change from FY 2010</u>	<u>Baseline FY 2011</u>
Administration			
Operating	\$4,272,800	\$0	\$4,272,800
Finger Imaging	127,800	0	127,800
Attorney General Legal Services	<u>168,900</u>	<u>0</u>	<u>168,900</u>
Total – Administration	\$4,569,500	\$0	\$4,569,500
Benefits and Medical Eligibility			
Operating	\$15,021,000	\$0	\$15,021,000
TANF Cash Benefits	<u>88,236,800</u>	<u>0</u>	<u>88,236,800</u>
Total – Benefits and Medical Eligibility	\$103,257,800	\$0	\$103,257,800
Aging and Community Services			
Operating	\$248,800	\$0	\$248,800
Community and Emergency Services	4,549,000	0	4,549,000
Coordinated Hunger Program	500,000	0	500,000
Coordinated Homeless Programs	1,649,500	0	1,649,500
Domestic Violence Prevention	<u>6,620,700</u>	<u>0</u>	<u>6,620,700</u>
Total – Aging and Community Services	\$13,568,000	0	\$13,568,000
Children, Youth and Families			
Operating	\$38,301,300	0	\$38,301,300
Adoption Services	19,302,400	0	19,302,400
Adoption - Family Preservation Projects	500,000	0	500,000
Children Support Services	29,929,100	0	29,929,100
CPS Emergency Placement	3,006,400	0	3,006,400
CPS Residential Placement	11,166,600	0	11,166,600
Foster Care Placement	6,223,100	0	6,223,100
Healthy Families	0	0	0
Family Builders Program	0	0	0
Attorney General Legal Services	52,300	0	52,300
Joint Substance Abuse Treatment (Families FIRST)	2,000,000	0	2,000,000
Homeless Youth Intervention	0	0	0
Permanent Guardianship Subsidy	<u>1,743,000</u>	<u>0</u>	<u>1,743,000</u>
Total – Children, Youth and Families	\$112,224,200	0	\$112,224,200
Employment and Rehabilitation Services			
Operating	\$6,656,600	\$0	\$6,656,600
JOBS	9,894,700	0	9,894,700
Day Care Subsidy	<u>32,979,900</u>	<u>0</u>	<u>32,979,900</u>
Total – Employment and Rehabilitation Services	\$ 49,531,200	\$0	\$ 49,531,200
7th Special Session Reduction	\$(30,500,000)		\$(58,885,600)
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$252,650,700	\$0	\$224,265,100
Beginning Balance	\$ 50,600		\$ 0
TANF Base Revenues	224,434,400		224,434,400
TANF Contingency Fund Revenues	7,500,000		0
TANF Stimulus Revenues	3,000,000		3,000,000
Total TANF Available	<u>234,485,000</u>		<u>227,434,400</u>
Ending Balance	\$(17,665,700) ^{1/}		\$ 3,169,300

^{1/} Actual ending balance cannot be negative.

**Department of Economic Security
Administration**

A.R.S. § 41-1954

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	302.5	297.5	289.5 ^{1/}
Personal Services	12,818,700	13,047,000	12,991,800
Employee Related Expenditures	4,921,600	4,941,200	5,075,000
Professional and Outside Services	361,500	325,800	325,800
Travel - In State	87,900	86,300	86,300
Travel - Out of State	21,700	28,800	28,800
Other Operating Expenditures	9,882,000	10,761,000	11,397,800
Equipment	976,200	600,700	600,700
OPERATING SUBTOTAL	29,069,600	29,790,800	30,506,200
SPECIAL LINE ITEMS			
Finger Imaging	171,600	589,400	591,700
Attorney General Legal Services	750,500	902,800	916,100
Triagency Disaster Recovery	0	271,500	0
Document Management	60,400	0	0
PROGRAM TOTAL	30,052,100	31,554,500	32,014,000 ^{2/3/4/5/}
FUND SOURCES			
General Fund	24,390,300	24,132,400	24,591,500
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	676,300	854,800	859,500
Federal TANF Block Grant	3,307,100	4,569,500	4,607,600
Public Assistance Collections Fund	216,800	427,600	431,700
Reed Act Grant	225,800	259,200	259,200
Risk Management Fund	0	271,500	0
Spinal and Head Injuries Trust Fund	31,000	39,500	39,500
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	1,000,000
Workforce Investment Act Grant	204,800	0	225,000
SUBTOTAL - Other Appropriated Funds	5,661,800	7,422,100	7,422,500
SUBTOTAL - Appropriated Funds	30,052,100	31,554,500	32,014,000
Other Non-Appropriated Funds	9,458,300	9,624,400	9,624,400
Federal Funds	42,835,100	43,487,300	44,338,000
TOTAL - ALL SOURCES	82,345,500	84,666,200	85,976,400

COST CENTER DESCRIPTION — This cost center includes the Office of the Director, the Division of Employee Services and Support, the Division of Business and Finance, the Division of Technology Services, and the Division of Policy and Program Development. The cost center provides department-wide administrative, research and evaluation, financial and computer automation support.

^{1/} Includes 9.0 GF and 5.2 OF FTE Positions funded from Special Line Items in FY 2011.

^{2/} In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund. (General Appropriation Act footnote)

^{3/} In accordance with A.R.S. § 38-654, the Department of Economic Security shall transfer to the Department of Administration for deposit in 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. (General Appropriation Act footnote)

^{4/} See agency summary for agencywide lump sum reductions.

^{5/} General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

Operating Budget

The budget includes \$30,506,200 and 275.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$23,493,000
Federal Temporary Assistance for Needy Families (TANF) Block Grant	4,307,500
Federal Child Care and Development Fund (CCDF) Block Grant	842,000
Public Assistance Collections Fund	340,000
Spinal and Head Injuries Trust Fund	39,500
Statewide Cost Allocation Plan Fund	1,000,000
Reed Act Grant	259,200
Workforce Investment Act Grant	225,000

These amounts fund the following adjustments:

Research Administration Transfer

The budget includes an increase of \$161,000 from the General Fund in FY 2011 and a corresponding decrease in the JOBS Special Line Item in the Division of Employment and Rehabilitation Services (DERS). This shift is related to the transfer of the Research Administration from the Department of Economic Security (DES) to the Department of Commerce in FY 2009.

WIA Administration Transfer

The budget includes an increase of \$225,000 from the Workforce Investment Act (WIA) Grant in FY 2011 and a corresponding decrease from the DERS Operating Budget to fund the WIA programs' share of centralized agency costs including accounting and human resources, which are funded out of the Administration cost center.

Statewide Adjustments

The budget includes an increase of \$329,400 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	287,400
Federal TANF Block Grant	34,700
Federal CCDF Block Grant	4,500
Public Assistance Collections Fund	2,800

(Please see the General Provisions section.)

Finger Imaging

The budget includes \$591,700 and 2.1 FTE Positions for Finger Imaging in FY 2011. These amounts consist of:

General Fund	463,100
Federal TANF Block Grant	128,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,300 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	1,500
Federal TANF Block Grant	800

Monies in this line item are used for training users on and modifying the Finger Imaging program. Every adult applicant, adult recipient, or eligible minor parent of General Assistance, Food Stamps, and TANF Cash Benefits must have their finger imaged as a condition of eligibility.

Attorney General Legal Services

The budget includes \$916,100 and 12.1 FTE Positions for Attorney General Legal Services in FY 2011. These amounts consist of:

General Fund	635,400
Federal TANF Block Grant	171,500
Federal CCDF Block Grant	17,500
Public Assistance Collections Fund	91,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$13,300 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	9,200
Federal TANF Block Grant	2,600
Federal CCDF Block Grant	200
Public Assistance Collections Fund	1,300

Monies in this line item fund Attorney General Legal Services for the department in areas besides child welfare and child support.

Triagency Disaster Recovery

The budget includes no funding from the Risk Management Fund for Triagency Disaster Recovery in FY 2011. This amount funds the following adjustment:

Eliminate Triagency Disaster Recovery Program

The budget includes a decrease of \$(271,500) from the Risk Management Fund in FY 2011 to eliminate funding for the Triagency Disaster Recovery program as requested by the agency.

This Special Line Item provided funding to implement a disaster recovery plan for the DES mainframe data center. In the past, the department has contracted with a disaster recovery service to provide back-up capability in the event of a mainframe disruption caused by an emergency or disaster. In FY 2006, the appropriation was reduced with

the intent that DES would be able to supplement the remaining amount with other funds. As a result of FY 2009 reductions, DES no longer has funding available to supplement the disaster recovery program and the program was terminated.

Document Management

The budget includes no funding for Document Management in FY 2011. This amount is unchanged from FY 2010.

This Special Line Item was part of a \$5,000,000 total fund multi-year project to implement an agencywide electronic document management system. The total General Fund cost was expected to be \$2,194,800 over the project lifetime, with the remaining monies being provided by non-appropriated Federal Funds. Expenditures from this line included equipment, internal IT support, and contracted programming and system development. Funding was eliminated in the FY 2009 midyear budget revisions.

5th Special Session Reduction

Please see agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Department of Economic Security
Aging and Community Services

A.R.S. § 41-1954

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	109.6	107.6	103.6
Personal Services	2,164,400	3,442,300	3,424,900
Employee Related Expenditures	968,900	1,603,200	1,655,000
Professional and Outside Services	104,000	40,300	40,300
Travel - In State	30,900	54,500	54,500
Other Operating Expenditures	467,300	752,000	855,400
Equipment	24,400	22,100	22,100
OPERATING SUBTOTAL	3,759,900	5,914,400	6,052,200
SPECIAL LINE ITEMS			
Adult Services	15,600,000	16,070,700	14,497,400
Community and Emergency Services	3,806,400	4,549,000	4,549,000
Coordinated Hunger	1,717,600	1,754,600	1,754,600
Coordinated Homeless	2,327,600	2,522,600	2,522,600
Domestic Violence Prevention	13,574,000	12,303,700	12,303,700 ^{1/2/}
Lifespan Respite Care	300	0	0
PROGRAM TOTAL	40,785,800	43,115,000	41,679,500^{3/4/}
FUND SOURCES			
General Fund	26,453,300	27,147,000	25,708,200
<u>Other Appropriated Funds</u>			
Domestic Violence Shelter Fund	2,153,800	2,400,000	2,400,000
Federal TANF Block Grant	11,997,700	13,568,000	13,571,300
Risk Management Fund	181,000	0	0
SUBTOTAL - Other Appropriated Funds	14,332,500	15,968,000	15,971,300
SUBTOTAL - Appropriated Funds	40,785,800	43,115,000	41,679,500
Other Non-Appropriated Funds	725,400	179,700	179,700
Federal Funds	74,442,600	85,130,400	85,130,400
TOTAL - ALL SOURCES	115,953,800	128,425,100	126,989,600

COST CENTER DESCRIPTION — The program provides alternatives to institutional care for the elderly and physically disabled through a range of non-medical home and community-based services. It includes statewide programs of advocacy, social services, nutrition services, program development services, adult protective services, nursing home ombudsman services, volunteer services, and employment opportunities. The program also serves victims of domestic violence and individuals in need of food and shelter.

- ^{1/} All Domestic Violence Shelter Fund monies above \$2,400,000 received by the Department of Economic Security are appropriated for the Domestic Violence Prevention Line Item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$2,400,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted to reflect the allocation of the 5th Special Session fund reduction and transfer)
- ^{2/} The Department of Economic Security shall report to the Joint Legislative Budget Committee on the amount of state and federal monies available statewide for domestic violence funding by December 15, 2010. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)
- ^{3/} See agency summary for agencywide lump sum reductions.
- ^{4/} General Appropriation Act funds are appropriated as Agencywide Operating Lump Sum with Special Line Items by Program.

Operating Budget

The budget includes \$6,052,200 and 103.6 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$5,800,100
Federal Temporary Assistance for Needy Families (TANF) Block Grant	252,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$137,800 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	134,500
Federal TANF Block Grant	3,300

(Please see the General Provisions section.)

Adult Services

The budget includes \$14,497,400 from the General Fund for Adult Services in FY 2011. This amount funds the following adjustments:

Adult Services Reduction

The budget includes a decrease of \$(1,573,300) from the General Fund in FY 2011 for a reduction to the Adult Services program.

This line item provides an array of independent living support to elderly persons, distributed as follows:

Adult Protective Contracted Services - Provides \$311,600 for services to elderly people who are abused or neglected.

Supplemental Payments - Provides \$911,800 for a continuation of care and services, such as housekeeper, home health aide, and visiting nurse services, for Supplemental Security Income (SSI) eligible households. Any funds not expended on SSI recipients may be reallocated to pay for housekeeper, home health aide, and visiting nurse services provided to non-SSI recipients who are eligible for the Home Care services component of the Adult Services line item. In FY 2009, 242 individuals were served.

Home Care - Provides \$9,335,200 for supplemental services, plus personal care to non-SSI recipients who are disabled or elderly and do not qualify for the Arizona Long Term Care System. In FY 2009, 17,574 individuals were served.

Supportive Services - Includes \$451,100 to provide other supportive home and community based services, and/or

supplies to maintain an individual in the home. Examples are home delivered meals and personal care supplies such as dietary supplements. In FY 2009 this amount served 228 clients at an average cost of \$2,193 each.

Older Americans Act - Includes \$1,479,600 in General Fund monies that will draw down \$22,005,000 in federal Older Americans Act funds. The state and Federal Funds are for congregate and home-delivered meals, as well as other social services. In FY 2009, 74,730 individuals were served through these programs.

Assessments and Case Management - Provides \$1,591,300 through contracted agencies to assess the service needs of the person by measuring ability to perform activities of daily living, family support, and financial status. In FY 2009, 13,822 individuals were served.

Respite Care - Includes \$416,800 for providing services to prevent premature institutionalization by giving relief to care givers of the elderly. In FY 2009, 583 individuals were served.

In FY 2011, the monies in this line item are expected to be distributed as shown in *Table 1*.

Table 1

FY 2011 DES Adult Services Funding Distribution

<u>Organization</u>	<u>Location</u>	<u>Funding</u>
Area Agency on Aging, Region One, Inc.	Phoenix	\$ 6,325,900
Pima Council on Aging	Tucson	2,893,800
Northern Arizona Council of Governments	Flagstaff	1,227,400
Western Arizona Council of Governments	Yuma	1,182,100
Pinal-Gila County for Senior Citizens	Casa Grande	991,000
Southeastern Arizona Governments Organization	Bisbee	925,300
Inter-Tribal Council of Arizona	Phoenix	241,900
Navajo Nation	Window Rock	224,400
Other		485,600
Total - Adult Services		\$14,497,400

Community and Emergency Services

The budget includes \$4,549,000 from the Federal TANF Block Grant for Community and Emergency Services in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item provide funding to 20 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. The line item also provides financial and technical assistance for local communities to identify priority problems and needs of individuals in poverty. In FY 2009, this line item

provided short-term crisis services to 2,505 households, energy assistance to 41,775 households, and 101,274 households participated in utility or telephone discount programs. DES no longer tracks the number to whom case management services were provided. The monies in this line item were distributed to 14 organizations with funding ranging from \$10,000 to \$2,000,000.

Coordinated Hunger

The budget includes \$1,754,600 for Coordinated Hunger programs in FY 2011. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2010.

Monies in this line item are used to fund programs that address hunger issues throughout Arizona. State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2009, the USDA commodities food program served 285,000 households quarterly.

Coordinated Homeless

The budget includes \$2,522,600 for Coordinated Homeless programs in FY 2011. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2010.

In FY 2009, this line item provided emergency shelter services to 15,175 individuals and transitional shelter services to 2,192 individuals. The monies were distributed to 35 organizations with funding ranging from \$10,000 to \$800,000.

Domestic Violence Prevention

The budget includes \$12,303,700 for Domestic Violence Prevention in FY 2011. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Shelter Fund	2,400,000

These amounts are unchanged from FY 2010.

The budget continues an FY 2010 supplemental reduction of \$(1,525,000) from the General Fund in FY 2011 for a decrease in funding for Domestic Violence programs. This decrease would eliminate shelter services for about 1,600 victims of domestic violence.

In FY 2009, this line item, along with non-appropriated funds, provided funding to 33 organizations that served approximately 11,209 women and children in emergency shelters, 498 women and children in transitional housing, and 13,409 victims with legal and lay legal advocacy.

Lifespan Respite Care

The budget includes no funding and 1 FTE Position for the Lifespan Respite Care Special Line Item in FY 2011. This amount is unchanged from FY 2010. The program provided relief services to caregivers of special needs individuals.

5th Special Session Reduction

Please see agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Department of Economic Security
Benefits and Medical Eligibility

A.R.S. § 41-1954

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	574.0	565.0	553.0
Personal Services	19,582,100	25,246,100	25,175,200
Employee Related Expenditures	9,175,600	6,058,200	6,345,200
Professional and Outside Services	2,195,700	1,307,600	1,307,600
Travel - In State	85,200	43,900	43,900
Travel - Out of State	0	300	300
Other Operating Expenditures	8,398,600	4,426,300	4,890,200
Equipment	499,900	286,900	286,900
OPERATING SUBTOTAL	39,937,100	37,369,300	38,049,300^{1/}
SPECIAL LINE ITEMS			
TANF Cash Benefits	115,887,700	112,469,700	85,985,000 ^{2/}
Tribal Pass-Through Funding	4,875,900	4,680,300	4,680,300
General Assistance	1,514,200	0	0
Tuberculosis Control Payments	7,000	12,200	12,200
Eligibility System Upgrade	103,200	0	0
PROGRAM TOTAL	162,325,100	154,531,500	128,726,800^{3/4/}
FUND SOURCES			
General Fund	83,203,400	51,273,700	25,248,400
<u>Other Appropriated Funds</u>			
Federal TANF Block Grant	79,121,700	103,257,800	103,478,400
SUBTOTAL - Other Appropriated Funds	79,121,700	103,257,800	103,478,400
SUBTOTAL - Appropriated Funds	162,325,100	154,531,500	128,726,800
Other Non-Appropriated Funds	175,400	180,000	180,000
Federal Funds	153,218,900	136,201,700	136,201,700
TOTAL - ALL SOURCES	315,719,400	290,913,200	265,108,500

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

- ^{1/} 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. (General Appropriation Act footnote)
- ^{2/} Of the amount appropriated for Temporary Assistance for Needy Families Cash Benefits, \$500,000 reflects appropriation authority only to ensure sufficient cashflow to administer cash benefits for tribes operating their own welfare programs. The department shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting Staff before the use of any of the \$500,000 appropriation authority. (General Appropriation Act footnote)
- ^{3/} See agency summary for agencywide lump sum reductions.
- ^{4/} General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

Operating Budget

The budget includes \$38,049,300 and 553 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$22,807,700
Federal TANF Block Grant	15,241,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$680,000 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	459,400
Federal TANF Block Grant	220,600

(Please see the General Provisions section.)

TANF Cash Benefits

The budget includes \$85,985,000 for TANF Cash Benefits in FY 2011. This amount consists of:

General Fund	(2,251,800)
Federal TANF Block Grant	88,236,800

The negative General Fund appropriation will be adjusted by DES during FY 2011 by the transfer of monies between line items.

These amounts fund the following adjustments:

Reduce TANF Cash Benefits Time Limit

The budget includes a decrease of \$(24,750,000) from the General Fund in FY 2011 to reduce the lifetime time limit that a recipient can receive TANF Cash Benefits from 60 months to 36 months. The budget also continues an FY 2010 supplemental reduction of \$(2,250,000) from the General Fund in FY 2011 for a total decrease of \$(27,000,000). The Welfare Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 11) included amendments to permanent statute to implement this change. It is estimated that approximately 21,000 TANF Cash Benefits recipients will lose their benefits as a result of this change.

Means Testing

The budget includes a decrease of \$(1,734,700) from the General Fund in FY 2011 to implement additional means testing for child-only cases in the TANF Cash Benefits program. The budget also continues an FY 2010 supplemental reduction of \$(765,300) from the General Fund in FY 2011 for a total reduction of \$(2,500,000). The Welfare BRB included amendments to permanent statute to implement this change.

As part of its implementation of lump sum reductions, DES reduced the amount of the monthly TANF Cash Benefit payment by 20%, to approximately \$99 per recipient. This reduction began in February 2009 and has been continued into FY 2010 and is expected to continue into FY 2011. The reduction of the time limit and the additional means testing provisions will also reduce the overall TANF Cash Benefits caseload. Accounting for the caseload decreases due to those new provisions, in FY 2011 the total number of Cash Benefits recipients is expected to be approximately 70,000, with an average monthly benefit of approximately \$102.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes or in the homes of responsible caretaker relatives. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL).

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund for Tribal Pass-Through Funding in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are passed through to Native American tribes operating their own welfare programs, allocated as shown in *Table 1*. A.R.S. § 46-134 authorizes DES to provide monies to a tribal government electing to operate their own cash assistance program. The amount is roughly equivalent to what the state would be spending on the population if the state still had responsibility for the case assistance program for any particular tribe.

In addition to monies in this line item, the 6 tribes independently receive \$22,129,900 of TANF Block Grant monies from the federal government.

Table 1
Tribal Pass-Through Funding Components

<u>Tribes</u>	<u>Total</u>
Navajo	\$2,098,000
Salt River Pima-Maricopa	286,400
Pascua Yaqui	664,000
San Carlos Apache	802,600
White Mountain Apache	761,900
Hopi	67,400
Total	\$4,680,300

General Assistance

The budget includes no funding for General Assistance in FY 2011. This amount is unchanged from FY 2010.

This program was repealed by the Health and Welfare BRB from the midyear FY 2009 budget revisions (Laws 2009, 1st Special Session, Chapter 4). The program

provided financial assistance to persons who were unemployable because of a physical or mental disability.

Tuberculosis Control Payments

The budget includes \$12,200 from the General Fund for Tuberculosis Control Payments in FY 2011. This amount is unchanged from FY 2010.

The program provides financial assistance to persons certified unemployable by the state Tuberculosis Control Office because of communicable tuberculosis, as outlined in A.R.S. § 36-716, and will permit average monthly payments of \$51 for 20 clients.

Eligibility System Upgrade

The budget includes no funding for the Eligibility System Upgrade in FY 2011. This amount is unchanged from FY 2010.

This line item was part of a \$45,000,000 total fund multi-year information technology (IT) upgrade project to replace the current case management/eligibility determination system used by DES for Medicaid, TANF, General Assistance, and other welfare programs.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

Drug Testing

The Welfare BRB includes a provision continuing as session law the requirement that recipients of TANF Cash Benefits pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs. Because the provision was already in place, there are no additional savings in FY 2011.

Department of Economic Security
Child Support Enforcement

A.R.S. § 41-1954

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	863.8	861.8	858.8 ^{1/}
Personal Services	22,326,500	23,128,900	23,076,600
Employee Related Expenditures	9,967,300	10,327,000	10,655,700
Professional and Outside Services	5,106,200	5,236,500	5,546,500
Travel - In State	19,900	20,800	20,800
Other Operating Expenditures	8,367,900	8,689,900	8,980,300
Equipment	208,100	213,100	213,100
OPERATING SUBTOTAL	45,995,900	47,616,200	48,493,000^{2/}
SPECIAL LINE ITEMS			
Genetic Testing	151,700	310,000	0
County Participation	7,263,000	8,600,200	8,600,200
Attorney General Legal Services	9,126,800	9,607,500	9,689,900
PROGRAM TOTAL	62,537,400	66,133,900	66,783,100^{3/4/}
FUND SOURCES			
General Fund	7,556,700	7,075,900	6,329,400
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	14,384,700	15,513,400	16,785,200
SUBTOTAL - Other Appropriated Funds	14,384,700	15,513,400	16,785,200
SUBTOTAL - Appropriated Funds	21,941,400	22,589,300	23,114,600
<u>Expenditure Authority Funds</u>			
Federal Funds	40,596,000	43,544,600	43,668,500
SUBTOTAL - Expenditure Authority Funds	40,596,000	43,544,600	43,668,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	62,537,400	66,133,900	66,783,100
TOTAL - ALL SOURCES	62,537,400	66,133,900	66,783,100

COST CENTER DESCRIPTION — The Division of Child Support Enforcement (DCSE) program provides intake services; locates absent parent; 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.

^{1/} Includes 9.9 GF, 37.7 OF and 100.4 EA FTE Positions funded from Special Line Items in FY 2011.

^{2/} All state share of retained earnings, fees and federal incentives above \$16,785,200 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. Before the expenditure of these increased monies, the Division of Child Support Enforcement shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{3/} See agency summary for agencywide lump sum reductions.

^{4/} General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

Overview

The DCSE budget includes direct appropriations from the following 4 fund sources:

- General Fund;
- 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 in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the amount also includes Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state.

The American Recovery and Reinvestment Act of 2009 temporarily reversed a change made by the Deficit Reduction Act of 2006, which disallowed states from using Federal Incentive Payments as a source of state matching funds to draw down Federal Funds. Since DES is again allowed to draw down Federal Funds with the Federal Incentive Payments, DES will receive additional Federal Funds in FY 2010 and FY 2011. This additional funding is not included in the budgeted amounts.

Table 1 details the sources and uses of the CSEA Fund.

<u>Sources</u>	
State Share of Retained Earnings	\$11,165,000
Federal Incentive Payments	6,000,000
Fees	<u>897,400</u>
Total	\$18,062,400
<u>Uses</u>	
DCSE Administration	\$16,785,200
Administration (Non-Appropriated)	<u>1,277,200</u>
Total	\$18,062,400

Operating Budget

The budget includes \$48,493,000 and 710.8 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$ 5,639,000
CSEA Fund	13,067,300
Federal Expenditure Authority	29,786,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$566,800 in FY 2011 for statewide adjustments. This amount consists of the following:

General Fund	130,700
CSEA Fund	321,400
Federal Expenditure Authority	114,700

(Please see the General Provisions section.)

Shift Genetic Testing to Operating Budget

The budget includes an increase of \$310,000 in FY 2011 to shift the Genetic Testing line item to the DCSE operating budget. Of this amount, \$72,400 is from the General Fund and \$237,600 is from Federal Expenditure Authority.

Increase Clearinghouse Fee

The budget includes an increase of \$1,050,000 from the CSEA Fund and a corresponding decrease of \$(1,050,000) from the General Fund in FY 2011 to increase the fee DCSE charges to child support payments made through the clearinghouse. Amendments to permanent statute to implement this change are included in the Welfare Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 11)

Genetic Testing

The budget includes no funding for the Genetic Testing Special Line Item (SLI) in FY 2011. This amount funds the following adjustments:

Shift Genetic Testing to Operating Budget

The budget includes a decrease of \$(310,000) in FY 2011 to shift the SLI to the DCSE operating budget. Of this amount, \$(72,400) is from the General Fund and \$(237,600) is from Federal Expenditure Authority.

This line item funded DNA testing and blood testing for the estimated 50% of child support cases subject to the establishment of paternity through testing. These functions will continue to be funded through the operating budget.

County Participation

The budget includes \$8,600,200 for County Participation in FY 2011. This amount consists of:

CSEA Fund	1,339,100
Federal Expenditure Authority	7,261,100

These amounts are unchanged from FY 2010.

The division contracts with several Arizona counties to operate child support programs in those counties. As a result, a portion of SSRE and federal incentives are passed through to those counties, along with the 66% federal match, which matches SSRE and incentive pass-through monies, as well as county appropriations.

This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

Attorney General Legal Services

The budget includes \$9,689,900 and 148 FTE Positions for Attorney General Legal Services in FY 2011. These amounts consist of:

General Fund	690,400
CSEA Fund	2,378,800
Federal Expenditure Authority	6,620,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$82,400 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	12,100
CSEA Fund	61,100
Federal Expenditure Authority	9,200

Monies in this line item are used to contract for Attorney General representation.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Department of Economic Security
Children, Youth and Families

A.R.S. § 41-1954

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,616.7	1,591.7	1,557.7 ^{1/}
Personal Services	51,915,100	58,444,100	58,261,300
Employee Related Expenditures	22,634,000	20,878,400	21,851,500
Professional and Outside Services	1,513,600	767,900	767,900
Travel - In State	1,722,900	2,725,700	2,725,700
Other Operating Expenditures	10,719,700	14,527,500	15,466,100
Equipment	1,221,200	0	0
OPERATING SUBTOTAL	89,726,500	97,343,600	99,072,500 ^{2/3/}
SPECIAL LINE ITEMS			
Children Services			
Children Support Services	66,733,200	65,262,600	65,940,700 ^{4/5/}
CPS Emergency Placement	4,859,300	4,927,200	4,927,200 ^{4/5/}
CPS Residential Placement	15,991,100	16,824,500	16,824,500 ^{4/5/}
Foster Care Placement	22,038,300	23,262,600	23,262,600 ^{4/5/}
Family Support			
Family Builders Program	3,192,400	0	0
Intensive Family Services	1,489,200	0	0
Child Abuse Prevention	43,100	827,400	0
Joint Substance Abuse Treatment	5,839,200	6,138,900	6,138,900
Other Services			
Independent Living Maintenance	3,215,300	2,979,200	2,979,200
Education and Training Vouchers	200,000	200,000	0
Homeless Youth Intervention	266,700	0	0
Comprehensive Medical & Dental Program	1,292,600	1,757,000	1,757,000
Permanent Guardianship Subsidy	7,746,800	8,815,300	8,815,300
Adoption Services	52,594,300	55,244,600	55,244,600
Adoption Services - Family Preservation Projects	480,800	0	0
CPS Appeals	711,600	698,100	711,300
Attorney General Legal Services	10,589,100	10,908,700	11,096,600
PROGRAM TOTAL	287,009,500	295,189,700	296,770,400 ^{6/7/}
FUND SOURCES			
General Fund	172,041,500	181,178,600	182,244,900
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	793,100	1,577,400	1,578,100
Children and Family Services Training Program Fund	209,600	209,500	207,100
Federal TANF Block Grant	113,965,300	112,224,200	112,740,300
SUBTOTAL - Other Appropriated Funds	114,968,000	114,011,100	114,525,500
SUBTOTAL - Appropriated Funds	287,009,500	295,189,700	296,770,400
Other Non-Appropriated Funds	548,200	890,000	890,000
Federal Funds	208,239,600	226,548,900	226,548,900
TOTAL - ALL SOURCES	495,797,300	522,628,600	524,209,300

^{1/} Includes 161.3 GF and 1.3 OF FTE Positions funded from Special Line Items in FY 2011.

^{2/} The Department of Economic Security shall provide training to any new Child Protective Services FTE Positions before assigning to any of these employees any client caseload duties. (General Appropriation Act footnote)

^{3/} It is the intent of the Legislature that the Department of Economic Security use the funding in the Division of Children, Youth and Families to achieve a 100% investigation rate. (General Appropriation Act footnote)

COST CENTER 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.

Operating Budget

The budget includes \$99,072,500 and 1,395.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$60,048,400
Federal Temporary Assistance for Needy Families (TANF) Block Grant	38,817,000
Children and Family Services Training Program Fund	207,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,728,900 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	\$1,215,600
Federal Temporary Assistance for Needy Families (TANF) Block Grant	515,700
Children and Family Services Training Program Fund	(2,400)

(Please see the General Provisions section.)

Children Services Overview

The budget provides funding for Children Services in 4 separate line items. This funding provides for out-of-home placements and in-home and out-of-home services for children and families in the CPS system.

Table 1 summarizes funding from all sources for Children Services in the current line item structure.

Of the \$51,902,600 in Other Appropriated Funds, \$50,325,200 is from the Temporary Assistance for Needy Families (TANF) Block Grant. The federal government caps the amount of TANF Block Grant monies that can be transferred to the federal Social Services Block Grant (SSBG) at 10%. A total of \$22,613,100 in the line items are deposited into the federal SSBG; once deposited, the monies are spent on the Children Services program.

^{4/} Of the amounts appropriated for Children Support Services, CPS Emergency Placement, CPS Residential Placement and Foster Care Placement, \$22,613,100 is appropriated from the Federal Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant for deposit in the following line items in the following amounts: Children Support Services \$5,371,700, CPS Emergency Placement \$2,333,700, CPS Residential Placement \$9,833,300, Foster Care Placement \$5,074,400. (General Appropriation Act footnote)

^{5/} These amounts include monies originally appropriated in Laws 2009, Chapter 12 to make FY 2010 payments in FY 2011. Laws 2010, 7th Special Session, Chapter 1 also appropriates \$9,600,000 in FY 2012 to reflect the deferral of FY 2011 payments.

^{6/} See agency summary for agencywide lump sum reductions.

^{7/} General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

Children Support Services

The budget includes \$65,940,700 and 1 FTE Position for Children Support Services in FY 2011. These amounts consist of:

General Fund	34,433,500
Federal TANF Block Grant	29,929,100
Child Abuse Prevention Fund	1,578,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$700 from the Child Abuse Prevention Fund in FY 2011 for statewide adjustments.

Funding Shifts

The budget includes an increase of \$1,027,400 and 1 FTE Position in FY 2011 to shift funding to the Children Support Services program from the Child Abuse Prevention and Education and Training Vouchers programs. This amount consists of:

General Fund	200,000
Child Abuse Prevention Fund	827,400

DCYF Reductions

The budget continues an FY 2010 supplemental reduction of \$(4,800,000) from the General Fund in FY 2011 for decreases to the Children Support Services program.

Eliminate SSBG Planning Funds

The budget includes a decrease of \$(350,000) from the General Fund in FY 2011 to annualize cuts to the SSBG planning funds that DES implemented as a result of the 5th Special Session lump sum reduction.

The Children Support Services line item provides support services for both in-home and out-of-home clients to ensure the well being of children who are abused and neglected. This does not include the cost of residential placement for children in out-of-home care. For November 2009, the department reported 11,469 out-of-home clients and 4,339 in-home cases. Monthly reports of

abuse averaged 2,792 for FY 2010 though November 2009. About 73 per month were substantiated. There is no report of how many of these children received children support services.

The FY 2011 budget continues a total of \$42,000,000 in payment deferrals enacted in previous years. There are no savings associated with the deferrals in FY 2011. Of the total \$42,000,000 in deferred payments, \$6,200,000 is deferred from the Children Support Services Special Line Item (SLI). *(Please see the Payment Deferral section in the DES Summary for additional information.)*

CPS Emergency Placement

The budget includes \$4,927,200 for CPS Emergency Placement in FY 2011. This amount consists of:

General Fund	1,920,800
Federal TANF Block Grant	3,006,400

These amounts are unchanged from FY 2010.

The CPS Emergency Placement line item provides funding for immediate, short-term placement until a more permanent foster care or residential placement can be arranged. The department is working to decrease the number of out-of-home emergency placements. When out-of-home placements are necessary for the safety of the child, DES is working to place them in the most family-like setting possible. These efforts are expected to create a declining caseload in short-term congregate placements.

In October 2009, 183 children were reported in emergency placements at an average monthly cost of \$1,913 per child.

Of the \$42,000,000 in deferred payments discussed in the Children Support Services SLI, \$400,000 is deferred from the CPS Emergency Placement SLI. *(Please see the Payment Deferral section in the DES Summary for additional information.)*

CPS Residential Placement

The budget includes \$16,824,500 for CPS Residential Placement in FY 2011. This amount consists of:

General Fund	5,657,900
Federal TANF Block Grant	11,166,600

These amounts are unchanged from FY 2010.

The Residential Placement SLI provides funding for the placement of children in the CPS system into group homes and treatment centers. These residential placement services are used for children who need behavioral or other therapeutic treatment. In October 2009, 1,079 children were reported in residential placements at an average monthly cost of \$2,910 per child.

Of the \$42,000,000 in deferred payments discussed in the Children Support Services SLI, \$1,400,000 is deferred from the CPS Residential Placement SLI. *(Please see the Payment Deferral section in the DES Summary for additional information.)*

	Children Services Funding							
	Children Support Services		CPS Emergency Placement		CPS Residential Placement		Foster Care Placement	
	FY 2009	FY 2011	FY 2009	FY 2011	FY 2009	FY 2011	FY 2009	FY 2011
Clients ^{1/}	11,286	11,469	167	189	1,124	1,079	8,215	8,333
General Fund	\$38,758,500	\$34,433,500	\$1,955,000	\$1,920,800	\$ 5,197,000	\$ 5,657,900	\$15,992,000	\$17,039,500
Other Appropriated	<u>27,974,700</u>	<u>31,507,200</u>	<u>2,904,300</u>	<u>3,006,400</u>	<u>10,794,100</u>	<u>11,166,600</u>	<u>6,046,300</u>	<u>6,223,100</u>
Appropriated Total	66,733,200	65,940,700	4,859,300	4,927,200	15,991,100	16,824,500	22,038,300	23,262,600
Federal Funds	11,136,300	35,445,900	3,399,800	3,104,400	18,432,000	20,053,200	19,720,300	18,753,200
Other Non-Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>890,000</u>	<u>548,200</u>	<u>0</u>
Total – All Funds	\$77,869,500	\$101,386,600	\$8,259,100	\$8,031,600	\$34,423,100	\$37,767,700	\$42,306,800	\$42,015,800
							<u>FY 2009</u>	<u>FY 2011</u>
General Fund Total							\$61,902,500	\$59,051,700
Other Appropriated Total							47,719,400	51,903,300
Federal Funds Total							52,688,400	77,356,700
Other Non-Appropriated Total							<u>548,200</u>	<u>890,000</u>
Total							\$162,858,500	\$189,201,700

^{1/} FY 2009 Client counts are as of June 2009. FY 2011 Client counts assume caseloads as of October 2009. The Children Support Services count includes only in-home services to avoid double counting.

Foster Care Placement

The budget includes \$23,262,600 for Foster Care Placement in FY 2011. This amount consists of:

General Fund	17,039,500
Federal TANF Block Grant	6,223,100

These amounts are unchanged from FY 2010.

The Foster Care Placement SLI provides funding for the placement of children in the CPS system into foster homes. This line item only includes the cost of placement, not additional support services. In October 2009, 8,333 children were reported in foster care. Of that number, 3,516 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 4,817 children were in licensed foster care at an average monthly cost of \$644 per child.

Of the \$42,000,000 in deferred payments discussed in the Children Support Services SLI, \$1,600,000 is deferred from the Foster Care Placement SLI. (*Please see the Payment Deferral section in the DES Summary for additional information.*)

Family Support

Family Builders Program

The budget includes no funding for the Family Builders Program in FY 2011. This amount is unchanged from FY 2010.

The Family Builders Program offered assessment, preservation, and support services to families of children in the CPS system.

Intensive Family Services

The budget includes no funding for Intensive Family Services in FY 2011. This amount is unchanged from FY 2010.

The program provided contracted intensive, time-limited services to families whose children are at imminent risk of out-of-home placement due to abuse, neglect, or dependency.

Child Abuse Prevention

The budget includes no funding for the Child Abuse Prevention SLI in FY 2011. This amount funds the following adjustment:

Shift Funding to Children Support Services

The budget includes a decrease of \$(827,400) and (1) FTE Position from the Child Abuse Prevention Fund in FY 2011 to shift funding for this program to the Children Support Services SLI.

The program provides financial assistance to community treatment programs benefiting abused children and their parents or guardians.

Joint Substance Abuse - AZ Families F.I.R.S.T.

The budget includes \$6,138,900 for the Joint Substance Abuse - AZ Families F.I.R.S.T program in FY 2011. This amount consists of:

General Fund	4,138,900
TANF Block Grant	2,000,000

These amounts are unchanged from FY 2010.

These appropriations are deposited into the non-appropriated Joint Substance Abuse Treatment Fund and CPS Expedited Substance Abuse Treatment Fund. The monies are jointly administered by DES and the Department of Health Services for substance abuse services.

The funds pay for services for parents, guardians, or custodians whose substance abuse is a significant barrier to preserving the family. The monies also pay for services to recipients of the Federal TANF Block Grant whose substance abuse is a significant barrier to maintaining or obtaining employment. In FY 2011, these funds will provide substance abuse services to approximately 5,500 individuals.

Other Services

Independent Living Maintenance

The budget includes \$2,979,200 from the General Fund for Independent Living Maintenance in FY 2011. This amount is unchanged from FY 2010.

The Independent Living Maintenance program provides stipends to about 340 former foster youth between 18 and 21, who are now living on their own and are either enrolled in a postsecondary program or employed.

Education and Training Vouchers

The budget includes no funding for the Education and Training Vouchers program in FY 2011. This amount funds the following adjustment:

Shift Funding to Children Support Services

The budget includes a decrease of \$(200,000) from the General Fund in FY 2011 to shift the funding for this SLI to the Children Support Services SLI.

Under this program, children in the foster care system with a financial need may apply for assistance in obtaining post-secondary education and training. Funding for the program also includes an \$800,000 match from the federal government. The match rate is 80% up to \$800,000. The program serves approximately 350 clients.

Homeless Youth Intervention

The budget includes no funding for Homeless Youth Intervention in FY 2011. This amount is unchanged from FY 2010.

The purpose of the program was to help homeless youth achieve self-sufficiency from services provided through collaborative partnerships with community and faith-based organizations.

Comprehensive Medical & Dental Program (CMDP)

The budget includes \$1,757,000 from the General Fund for CMDP in FY 2011. This amount is unchanged from FY 2010.

The program provides full coverage of the medical and dental expenses of foster children under the jurisdiction of DES, Juvenile Probation Offices, and the State Department of Corrections. The General Fund monies in this program provide medical services to children who are not eligible for coverage through the Arizona Health Care Cost Containment System (AHCCCS). AHCCCS reimburses DES for the costs associated with AHCCCS-eligible children.

Table 2 summarizes FY 2011 CMDP funding.

Table 2	
FY 2011 CMDP Funding	
Source	Amount
General Fund	\$ 1,757,000
Reimbursement from AHCCCS	24,699,100
Total	\$26,456,100

Permanent Guardianship Subsidy

The budget includes \$8,815,300 for Permanent Guardianship Subsidy in FY 2011. This amount consists of:

General Fund	7,072,300
Federal TANF Block Grant	1,743,000

These amounts are unchanged from FY 2010.

The program provides a subsidy to encourage placement of foster care children in private homes under permanent guardianship status. The amount of the subsidy is not to exceed the amount of a maintenance payment that is used in the Adoption Subsidy program. In October 2009, 2,243 clients received permanent guardianship subsidies.

Adoption Services

The budget includes \$55,244,600 for Adoption Services in FY 2011. This amount consists of:

General Fund	35,442,200
Federal TANF Block Grant	19,802,400

These amounts fund the following adjustments:

Fund Shift

The budget continues a FY 2010 supplemental decrease of \$(500,000) from the General Fund and a corresponding \$500,000 supplemental increase from the Federal TANF Block Grant in FY 2011 for a fund shift.

The monies in this line item are used to subsidize the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental, or emotional disorders or who would be otherwise difficult to place in adoption because of age, sibling relationship, or racial or ethnic background. The funding provides for ongoing maintenance and/or payment for special services depending on each eligible child's needs. In October 2009, 13,130 clients received adoption subsidies.

Adoption Services - Family Preservation Projects

The budget includes no funding for Adoption Services - Family Preservation Projects in FY 2011. This amount funds the following adjustments:

Eliminate Funding for Adoption Services - Family Preservation Projects

The budget continues a FY 2010 supplemental decrease of \$(500,000) from the Federal TANF Block Grant in FY 2011 to eliminate funding from the Adoption Services - Family Preservation Projects SLI.

These monies were part of a project to evaluate ways to enhance family preservation and promote adoption and permanency for children in the foster care system. These monies provided additional funding to the agency to recruit adoptive parents, as well as to provide adoption subsidy increases and/or one-time payments.

CPS Appeals

The budget includes \$711,300 and 10.5 FTE Positions from the General Fund for CPS Appeals in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$13,200 from the General Fund in FY 2011 for statewide adjustments.

This line item funds a process for individuals accused of alleged child abuse or neglect to challenge the department's findings.

Attorney General Legal Services

The budget includes \$11,096,600 and 151.1 FTE Positions for Attorney General Legal Services in FY 2011. These amounts consist of:

General Fund	11,043,900
Federal TANF Block Grant	52,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$187,900 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	187,500
Federal TANF Block Grant	400

Monies in this line item are used to contract for Attorney General representation.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Department of Economic Security
Developmental Disabilities

A.R.S. § 41-1954

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,921.9	1,907.9	1,889.9 ^{1/}
Personal Services	11,235,200	9,480,100	9,378,600
Employee Related Expenditures	4,565,600	3,420,200	3,595,600
Professional and Outside Services	450,900	468,000	468,000
Travel - In State	294,000	300,000	300,000
Other Operating Expenditures	20,716,400	28,413,100	28,495,500
Equipment	398,600	396,000	396,000
OPERATING SUBTOTAL	37,660,700	42,477,400	42,633,700
SPECIAL LINE ITEMS			
Title XIX Long Term Care			
Case Management - Title XIX	35,652,800	40,094,300	40,811,700
Home and Community Based Services - Title XIX	584,432,200	624,010,200	670,294,400 ^{2/3/}
Institutional Services - Title XIX	17,085,600	15,747,100	16,604,700
Medical Services	109,294,400	137,509,000	147,328,500
Arizona Training Program at Coolidge - Title XIX	17,133,100	16,473,900	16,964,900
Medicare Clawback Payments	2,206,600	1,612,000	1,766,300
State-Funded Services			
Case Management - State Only	3,290,300	3,855,000	3,973,500
Home and Community Based Services - State Only	27,111,900	14,164,000	12,384,500
Institutional Services - State Only	139,400	144,900	0
Arizona Training Program at Coolidge - State Only	61,700	69,300	0
State-Funded Long Term Care Services	24,976,600	26,384,200	26,530,200
Autism Training and Oversight	0	200,000	0
Children's Autism Intensive Behavioral Treatment Services	1,350,100	0	0
Children's Autism Intensive Early Intervention Services for Toddlers	500,000	0	0
Arizona Early Intervention Program	1,843,700	1,843,700	1,843,700
Means Testing and Fee Increases	0	0	0
PROGRAM TOTAL	862,739,100	924,585,000	981,136,100^{4/5/6/7/8/}
FUND SOURCES			
General Fund	268,599,600	240,482,100	255,118,000
<u>Other Appropriated Funds</u>			
Long Term Care System Fund (Non-Federal Matched)	24,141,500	27,043,400	30,520,500
TTHCF Health Research Account	0	200,000	0
SUBTOTAL - Other Appropriated Funds	24,141,500	27,243,400	30,520,500
SUBTOTAL - Appropriated Funds	292,741,100	267,725,500	285,638,500
<u>Expenditure Authority Funds</u>			
Long Term Care System Fund (Federal Match)	569,998,000	656,859,500	695,497,600 ^{9/}
SUBTOTAL - Expenditure Authority Funds	569,998,000	656,859,500	695,497,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	862,739,100	924,585,000	981,136,100
Other Non-Appropriated Funds	959,200	1,192,200	1,192,200
Federal Funds	19,283,700	39,402,100	37,745,800
TOTAL - ALL SOURCES	882,982,000	965,179,300	1,020,074,100

COST CENTER DESCRIPTION — The Division of Developmental Disabilities (DD) program provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Title XIX program services are funded through the Long Term Care (LTC) 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, which is approximately 222% of the Federal Poverty Limit, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for Title XIX Program services. 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.

Overview

As of May 2010, the Division of Developmental Disabilities serves 30,657 clients, which includes 22,522 clients in the LTC program and 8,135 clients in the state-only portion. The primary disabilities of these clients are shown in *Table 1* and they fall into the age groups seen in *Table 2*.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	13,547	44%
At Risk	8,757	29%
Autism	4,169	14%
Cerebral Palsy	2,874	9%
Epilepsy	1,205	4%
Not Indicated	105	0%

<u>Age</u>	<u>Number</u>	<u>Percentage</u>
Under 21	18,247	59%
21 to 55	11,012	36%
Over 55	1,398	5%

The LTC program 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 LTC appropriation includes the appropriation of GF monies and federal expenditure authority. The state is normally required to contribute about one-third of the cost of the LTC program.

As the AHCCCS-authorized provider of DD services, the Department of Economic Security (DES) receives federal monies through prepaid monthly capitation payments based on rates for types of clients. The included amount makes the following assumptions:

- Caseload growth: Growth is estimated at 6.5% from June 2010 to June 2011. This caseload growth will result in an average monthly FY 2011 caseload of 23,830 clients.
- Capitation rate: The budget includes no increases for provider rate or medical inflation. In FY 2009 and FY 2010, the overall capitation rate declined because, in addition to a freeze on provider rates included in the budget, DES implemented a 10% reduction in provider rates as part of its implementation of its FY 2009 midyear agencywide lump sum reduction. The reduction has been continued into FY 2010 and is

1/ Includes 577 GF and 2 OF and 1,020.2 EA FTE Positions funded from Special Line Items in FY 2011.
 2/ For FY 2011, the Department of Economic Security shall not increase reimbursement rates for community service providers and independent service agreement providers contracting with the Division of Developmental Disabilities. (General Appropriation Act footnote)
 3/ These amounts include monies originally appropriated in Laws 2009, Chapter 12 to make FY 2010 payments in FY 2011. Laws 2010, 7th Special Session, Chapter 1 also appropriates \$16,900,000 in FY 2012 to reflect the deferral of FY 2011 payments.
 4/ 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 2011 to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons 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 shall also report if no new placements were made. This report shall be made available by July 15, 2011. (General Appropriation Act footnote)
 5/ The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than 2%. Before implementation of any changes in capitation rates for the Long-Term Care program, the Department of Economic Security shall report for review the expenditure plan to the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
 6/ Prior to the implementation of any developmentally disabled or long-term care statewide provider rate adjustments not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
 7/ See agency summary for agencywide lump sum reductions.
 8/ General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.
 9/ All monies in the Long-Term Care System Fund unexpended and unencumbered at the end of FY 2011 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System administration. (General Appropriation Act footnote)

assumed to continue into FY 2011. The budget assumes that the administrative component remains flat at the FY 2006 rate.

- Federal Medical Assistance Percentage (FMAP): This rate is 75.93% in Federal Fiscal Year (FFY) 2010 and FFY 2011. This amount includes adjustments to the Medicaid matching rate under the American Recovery and Reinvestment Act (ARRA) of 2009. (Please see agency summary for more information.)

Table 3 summarizes the average monthly caseload estimates for the Special Line Items (SLI). Please note that all clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	20,146
Institutional Services	205
Arizona Training Program at Coolidge	124 ^{1/}
Subtotal	20,475
Case Management/Medical Services only	3,355
Total	23,830

^{1/} Represents the budgeted client caseload. See Table 6 for actual client caseload.

Table 4 summarizes member years, capitation rates, and the state and federal share of funding for the LTC program.

Operating Budget

The budget includes \$42,633,700 and 290.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

<u>Capitation Category</u>	<u>Member Years</u>	<u>Monthly Capitation Rate</u>	<u>Title XIX Share</u>	<u>State GF Match</u>	<u>Total</u>
Enrolled and Ventilator Dependent	23,830	\$3,284.07	\$702,162,000	\$236,951,100	\$939,113,100
Administration			(6,648,100)	(2,107,500)	(8,755,600) ^{1/}
FFS/Reinsurance			3,259,800	1,033,400	4,293,200 ^{2/}
Cost Sharing			(3,276,100)	(1,038,500)	(4,314,600) ^{3/}
Clawback Payments			0	1,766,300	1,766,300 ^{2/}
Dual Eligible Part D Copay Subsidy			0	55,600	55,600 ^{2/4/}
FY 2011 LTC Total			\$695,497,600	\$236,660,400	\$932,158,000 ^{5/}

^{1/} Monies transferred to the Administration cost center for indirect costs associated with the Long Term Care cost program.
^{2/} Separate costs not included in the capitation rate.
^{3/} Reflects legislation passed in 2003 to impose cost sharing on families earning at or above 400% of the Federal Poverty Level (\$88,200 for a family of 4 in 2010).
^{4/} Monies included in the Home and Community Based Services Special Line Item.
^{5/} Monies are distributed amongst the program's operating budget and 7 Special Line Items.

	<u>FY 2011</u>
General Fund	\$13,921,400
Long Term Care System Fund	28,712,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$156,300 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	100,100
Long Term Care System Fund	56,200

(Please see the General Provisions section.)

Background – Of the total \$13,921,400 General Fund for the Division of Developmental Disabilities operating budget, \$9,675,200 is for the Title XIX Long Term Care program and the remaining \$4,246,200 is for state-funded services.

Title XIX Long Term Care

Case Management – Title XIX

The budget includes \$40,811,700 and 821.5 FTE Positions for Case Management in FY 2011. These amounts consist of:

General Fund	10,532,200
Long Term Care System Fund	30,279,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$717,400 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	375,100
Long Term Care System Fund	342,300

Background – In addition to providing case management services to an estimated 20,146 clients receiving direct services, this line item also provides case management services only to another 3,355 clients.

Home and Community Based Services - Title XIX

The budget includes \$670,294,400 and 99.2 FTE Positions for Home and Community Based Services (HCBS) in FY 2011. These amounts consist of:

General Fund	168,928,000
Long Term Care System Fund	501,366,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$21,100 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	19,500
Long Term Care System Fund	1,600

Caseload Growth

The budget includes an increase of \$46,263,100 in FY 2011 for Caseload Growth. This amount consists of:

General Fund	15,352,700
Long Term Care System Fund	30,910,400

This adjustment reflects 6.5% growth in the client population from June 2010 to June 2011 and no increase for the capitation rate or provider rates.

Background – Monies in this line item fund residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. Monies also fund staff in state-operated group homes, excluding the Arizona Training Program at Coolidge (ATP-C).

The FY 2011 budget continues a total of \$42,000,000 in payment deferrals enacted in previous years. There are no savings associated with the deferrals in FY 2011. Of the total \$42,000,000 in deferred payments, \$16,900,000 is deferred from the Home and Community Based Services - Title XIX SLI. (Please see the Payment Deferral section in the DES Summary for additional information.)

Of the \$670,294,400 in this line item, \$658,571,900 funds HCBS services to clients enrolled in the LTC program; the other \$11,722,500 funds program staff.

Table 5 indicates how estimated caseloads are expected to be allocated among HCBS settings.

Table 5

FY 2011 Caseloads

<u>HCBS Setting</u>	<u>Clients</u>
At Home With Family	16,640
Adult Developmental Foster Home	679
Group Home	2,154
Child Developmental Foster Home	240
Independent Living	373
State-Operated Group Home	60
Total	20,146

Institutional Services - Title XIX

The budget includes \$16,604,700 and 77.7 FTE Positions for Institutional Services in FY 2011. These amounts consist of:

General Fund	4,189,000
Long Term Care System Fund	12,415,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$29,800 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	18,500
Long Term Care System Fund	11,300

Caseload Growth

The budget includes an increase of \$827,800 in FY 2011 for Caseload Growth. This amount consists of:

General Fund	272,500
Long Term Care System Fund	555,300

This adjustment reflects 6.5% growth in the client population from June 2010 to June 2011 and no increase for medical inflation.

Background – Monies in this line item fund residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C. The amount is estimated to serve 249 clients.

Of the \$16,604,700 in this line item, \$11,229,300 funds Institutional Services to clients enrolled in the LTC program; the other \$5,375,400 funds program staff.

Medical Services

The budget includes \$147,328,500 and 36.7 FTE Positions for Medical Services in FY 2011. These amounts consist of:

General Fund	36,935,300
Long Term Care System Fund	110,393,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,700 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	5,000
Long Term Care System Fund	(300)

Caseload Growth

The budget includes an increase of \$9,814,800 in FY 2011 for Caseload Growth. This amount consists of:

General Fund	3,260,800
Long Term Care System Fund	6,554,000

This adjustment reflects 6.5% growth in the client population from June 2010 to June 2011 and no increase for medical inflation.

Background – Of the \$147,328,500 in this line item, \$143,022,700 funds Acute Care services to clients enrolled in the LTC program; the other \$4,305,800 funds the staff of the division's Managed Care unit.

Arizona Training Program at Coolidge - Title XIX

The budget includes \$16,964,900 and 429.4 FTE Positions for ATP-C in FY 2011. These amounts consist of:

General Fund	4,634,400
Long Term Care System Fund	12,330,500

Statewide Adjustments

The budget includes an increase of \$421,700 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	214,400
Long Term Care System Fund	207,300

Shift Funding from ATP-C State-Only

The budget includes an increase of \$69,300 and 12 FTE Positions from the General Fund in FY 2011 to shift the funding from the Arizona Training Program at Coolidge - State-Only SLI to the Arizona Training Program at Coolidge - Title XIX SLI to consolidate the line items in the division's budget to give the agency more flexibility in allocating available funding.

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF/MRs or state-operated group homes (SOGHs). The amount does not include costs associated with case management, certain occupancy-related costs, other indirect administration, and Stipends and Allowances.

The \$16,964,900 for the ATP-C is budgeted to provide a total of 145 member years of service in FY 2011, 116 in ICF/MRs and 29 in SOGHs. The approximate blended cost per DD budgeted client at ATP-C (excluding these other costs) will be \$117,000 in FY 2011. The actual ATP-C population has been below budgeted levels, as shown in *Table 6*. At an estimated FY 2011 caseload of 120, spending per client would be \$141,400.

Table 6

ATP-C Client Population

FY 2007	134
FY 2008	129
FY 2009	126
FY 2010 (est.)*	122
FY 2011 (est.)*	120

* For the last 6 years, average annual population decline has been 4.

Medicare Clawback Payments

The budget includes \$1,766,300 from the General Fund for Medicare Clawback Payments in FY 2011. These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$67,000 from the General Fund in FY 2011 for formula growth associated with Medicare Clawback Payments.

Savings Reduction

The budget includes an increase of \$87,300 from the General Fund in FY 2011 for reduced savings in FY 2011. In February 2010, the federal government announced that it would apply the ARRA enhanced matching rate against the Medicare Clawback payments, thereby reducing the amounts made for Clawback payments. It is estimated that this will reduce developmental disabilities payments by \$(844,100) in FY 2010 and \$(756,800) in FY 2011. The savings in FY 2010 are greater than in FY 2011 due to the timing of these savings.

Background – As part of the Medicare Modernization Act (MMA) effective January 1, 2006, DES is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DES is required to make "Clawback" payments to Medicare based on 83% of the estimated prescription drug cost of this population in FY 2011. The state's share of 83% declines annually by

1.7% and the Clawback cost per member is annually increased based on national health trend information.

State-Funded Services

Case Management – State-Only

The budget includes \$3,973,500 and 84.3 FTE Positions from the General Fund for Case Management in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$118,500 from the General Fund in FY 2011 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program. As of May 2010, there are approximately 8,135 clients in the state-only program.

Home and Community Based Services – State-Only

The budget includes \$12,384,500 and 48.4 FTE Positions for Home and Community Based Services in FY 2011. These amounts consist of:

General Fund	11,536,400
Long Term Care System Fund	848,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$70,500 from the General Fund in FY 2011 for statewide adjustments.

State-Only DD Services Reduction

The budget includes a decrease of \$(1,850,000) from the General Fund in FY 2011 for a decrease to state-only DD services. The budget also continues an FY 2010 supplemental decrease of \$(1,850,000) from the General Fund in FY 2011 for a total General Fund decrease of \$(3,700,000).

Fiscal Stabilization Fund

The budget continues a decrease of \$(15,000,000) from the General Fund in FY 2011. In FY 2010, an equivalent amount of federal state fiscal stabilization funds was used to offset this decrease; however, in FY 2011, it is unknown if this offset will continue. The American Recovery and Reinvestment Act (ARRA) provided Arizona with more than \$1,000,000,000, including \$185,000,000 that can be expended for any state expenses. Of the \$185,000,000, approximately \$105,000,000 was expended in FY 2010, including \$15,000,000 for State-Only Home and Community Based Services.

Background – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. It also includes funding for state-operated facilities, excluding ATP-C.

Of the \$12,384,500 in this line item, \$10,693,000 funds Home and Community Based Services to clients enrolled in the DD program; the other \$1,691,500 funds program staff. The total amount is expected to provide a total of 8,449 member years of service, allocated as shown in *Table 7*.

Table 7

FY 2011 Caseloads

<u>HCBS Setting</u>	<u>Clients</u>
At Home with Family	7,940
Adult Developmental Foster Home	27
Group Home	51
Children Developmental Foster Home	73
Independent Living	42
State-Operated Group Home	<u>2</u>
Total	8,135

Institutional Services – State-Only

The budget includes no funding for the Institutional Services - State-Only program in FY 2011. These amounts fund the following adjustments:

Shift Funding to State-Funded Long Term Care Services

The budget includes a decrease of \$(144,900) from the General Fund in FY 2011 to shift funding for this program to the State-Funded Long Term Care Services SLI to consolidate the line items in the division’s budget to give the agency more flexibility in allocating available funding.

This line item funded residential and day programs to clients with more severe developmental disabilities. These clients are in Large Group Living Facilities (LGLFs) or other nursing facilities.

Arizona Training Program at Coolidge - State-Only

The budget includes no funding for the Arizona Training Program at Coolidge - State-Only SLI in FY 2011. These amounts fund the following adjustments:

Shift Funding to ATP-C Title XIX

The budget includes a decrease of \$(69,300) and (12) FTE Positions from the General Fund in FY 2011 to shift this funding to the Arizona Training Program at Coolidge - Title XIX SLI to consolidate the line items in the division’s budget to give the agency more flexibility in allocating available funding. (*See Arizona Training Program at Coolidge – Title XIX for more details.*)

State-Funded Long Term Care Services

The budget includes \$26,530,200 and 2 FTE Positions for State-Funded Long Term Care Services in FY 2011. These amounts consist of:

General Fund	907,800
Long Term Care System Fund	25,622,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,100 from the Long Term Care System Fund in FY 2011 for statewide adjustments.

Shift Funding from Institutional Services – State-Only

The budget includes an increase of \$144,900 from the General Fund in FY 2011 to shift funding for the Institutional Services - State-Only program to the State-Funded Long Term Care Services SLI to consolidate the line items in the division’s budget to give the agency more flexibility in allocating available funding.

Background – This line item funds a variety of services ineligible for Federal Fund reimbursement from AHCCCS. The most common service provided in this line item is room and board. The program also funds residential and day programs to clients with more severe developmental disabilities. These clients reside in LGLFs or other nursing facilities.

Of the \$26,530,200 in this line item, \$25,652,100 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$878,100 funds program staff.

	<u>FY 2010</u>	<u>FY 2011</u>
Sources		
<i>Long Term Care System Fund</i>		
Client Billing Revenue	\$18,000,000	\$18,000,000
Foster Care Client Trust	1,500,000	1,500,000
Estates, Trust and Annuities	600,000	600,000
Mesa Land	100	100
LTCSF Interest	1,000,000	1,000,000
Preadmission Screening and Annual Resident Review (PASARR)	62,000	62,000
Total – LTCSF	21,162,100	21,162,100
<i>General Fund</i>	762,900	762,900
Total - Sources	\$21,925,000	\$21,925,000
Uses		
Non-reimbursable LTC Services	\$25,968,400	\$25,968,400
Food	226,200	226,200
PASARR	62,000	62,000
Stipends and Allowances	212,800	212,800
Total - Uses	\$26,469,400	\$26,469,400

Table 8 details the amounts of funding and uses for the State-Funded Long Term Care Services line item in FY 2010 and FY 2011.

Autism Training and Oversight

The budget includes no funding for the Autism Training and Oversight program in FY 2011. These amounts fund the following adjustments:

Eliminate Program Funding

The budget includes a decrease of \$(200,000) from the Tobacco Tax and Health Care Fund - Health Research Fund in FY 2011 to eliminate the funding for the program. The Biomedical Research Commission has not distributed the funding from the Health Research Account in the 3 years that this appropriation has been included in DES’ budget, arguing that this appropriation would violate the statutory purpose of the account.

DES was to have used these monies to train approximately 725 workers at \$275 per trainee for intensive behavioral treatment of children age 0 to 5 with autism.

Children’s Autism Intensive Behavioral Treatment Services

The budget includes no funding from the General Fund for the Children’s Autism Intensive Behavioral Treatment Services Special Line Item in FY 2011. These amounts fund the following adjustments:

Fiscal Stabilization Fund

The budget continues a decrease of \$(1,800,000) from the General Fund that began in FY 2010. ARRA provided Arizona with more than \$1,000,000,000 in fiscal stabilization funds, including \$185,000,000 that can be expended for any state expenses. Of the \$185,000,000, approximately \$105,000,000 will be expended in FY 2010, including \$1,800,000 for Children’s Autism Intensive Behavioral Treatment Services. When General Fund money was originally appropriated for this program in FY 2008, it was intended to be a 3-year program. FY 2010 was the third year of the program.

This line item provides funding for autism services that utilize techniques of discrete trial and natural environment intensive behavioral treatment through applied behavioral analysis. This program provided services for 16 children in FY 2009.

Children’s Autism Intensive Early Intervention Services for Toddlers

The budget includes no funding from the General Fund for the Children’s Autism Intensive Early Intervention Services for Toddlers Special Line Item in FY 2011. These amounts fund the following adjustments:

Fiscal Stabilization Fund

The budget continues a decrease of \$(500,000) from the General Fund that began in FY 2010. ARRA provided Arizona with more than \$1,000,000,000 in fiscal stabilization funds, including \$185,000,000 that can be expended for any state expenses. Of the \$185,000,000, approximately \$105,000,000 will be expended in FY 2010, including \$500,000 for Children's Autism Intensive Early Intervention Services for Toddlers. When General Fund money was originally appropriated for this program in FY 2008, it was intended to be a 3-year program. FY 2010 was the third year of the program.

This line item provides funding for intensive early intervention efforts for autistic toddlers and preschoolers in a school-based setting. This program provided services for 200 children in FY 2009.

Arizona Early Intervention Program

The budget includes \$1,843,700 from the General Fund for the Arizona Early Intervention Program SLI in FY 2011. This amount is unchanged from FY 2010.

Funding in this line item is used for children from birth to age 3 who have disabilities or developmental delays. This program is implemented through a partnership with the Arizona State Schools for the Deaf and the Blind, Arizona Department of Education, Arizona Department of Health Services, and AHCCCS.

Means Testing and Fee Increases

The budget includes a decrease of \$(4,050,000) from the General Fund and \$4,050,000 from the Long Term Care System Fund in FY 2011 for Means Testing and Fee Increases.

Means testing and fee increases are statutory changes made in the FY 2011 Welfare Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 11). The changes allow DES to increase the percentage of a client's Supplemental Security Income monthly benefit the department collects to pay for a portion of the cost of support and care from 70% to 88%. The department will allocate the General Fund savings and the additional Long Term Care System Fund spending to the appropriate SLIs.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Department of Economic Security
Employment and Rehabilitation Services

A.R.S. § 41-1954

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	559.9	557.9	554.9 ^{1/}
Personal Services	13,325,700	16,837,100	16,811,200
Employee Related Expenditures	5,742,900	7,418,300	7,683,800
Professional and Outside Services	3,193,100	1,220,700	1,220,700
Travel - In State	132,700	165,400	165,400
Other Operating Expenditures	3,938,100	4,968,200	5,110,800
Equipment	454,500	316,600	316,600
OPERATING SUBTOTAL	26,787,000	30,926,300	31,308,500
SPECIAL LINE ITEMS			
JOBS Administration			
JOBS	17,020,000	13,258,700	13,097,700
Child Care Administration			
Day Care Subsidy	156,765,800	148,489,000	148,489,000 ^{2/3/}
Transitional Child Care	27,047,500	36,193,000	36,193,000
Rehabilitation Services Administration			
Vocational Rehabilitation Services	3,572,000	3,299,100	3,299,100
Assistive Technology	0	200,000	200,000
Independent Living Rehabilitation Services	2,212,400	1,966,800	1,846,800
Workforce Development Administration			
Summer Youth Employment and Training	750,000	0	0
Workforce Investment Act - Discretionary	2,553,100	3,614,000	3,614,000 ^{4/}
Workforce Investment Act - Local Governments	32,828,500	48,040,600	48,040,600 ^{5/}
PROGRAM TOTAL	269,536,300	285,987,500	286,088,700^{6/7/}
FUND SOURCES			
General Fund	31,298,200	44,442,300	44,382,700
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	125,649,300	129,593,800	129,828,700
Federal TANF Block Grant	67,422,800	49,531,200	49,548,600
Reed Act Grant	3,217,900	3,265,000	3,301,800
Special Administration Fund	1,046,300	1,227,400	1,227,400
Spinal and Head Injuries Trust Fund	2,165,300	1,973,000	1,972,400
Workforce Investment Act Grant	38,736,500	55,954,800	55,827,100
SUBTOTAL - Other Appropriated Funds	238,238,100	241,545,200	241,706,000
SUBTOTAL - Appropriated Funds	269,536,300	285,987,500	286,088,700
Other Non-Appropriated Funds	758,176,600	988,937,800	708,212,500
Federal Funds	383,101,000	665,962,300	142,642,300
TOTAL - ALL SOURCES	1,410,813,900	1,940,887,600	1,136,943,500

1/ Includes 93 OF FTE Positions funded from Special Line Items in FY 2011.

2/ Of the \$148,489,000 appropriated for Day Care Subsidy, \$115,489,000 is for a program in which the upper income limit is no more than 165% of the federal poverty level. (General Appropriation Act footnote, as adjusted to reflect the allocation of lump sum reductions)

3/ These amounts include monies originally appropriated in Laws 2009, Chapter 12 to make FY 2010 payments in FY 2011. Laws 2010, 7th Special Session, Chapter 1 also appropriates \$15,200,000 in FY 2012 to reflect the deferral of FY 2011 payments.

4/ All Federal Workforce Investment Act discretionary monies that are received by this state in excess of \$3,614,000 are appropriated to the Workforce Investment Act-Discretionary line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$3,614,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

COST CENTER DESCRIPTION — The program provides: 1) employability services to Temporary Assistance for Needy Families (TANF) recipients through the Job Opportunity and Basic Skills (JOBS) training program; 2) child care subsidy programs; 3) rehabilitative services to individuals with disabilities; and 4) job training opportunities to economically disadvantaged adults and youth. Several 100% federally funded programs are located in this division, such as the Unemployment Insurance benefit program and the Workforce Investment Act programs.

Operating Budget

The budget includes \$31,308,500 and 461.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$ 7,479,000
Federal Child Care and Development Fund (CCDF) Block Grant	11,149,900
Federal Temporary Assistance for Needy Families (TANF) Block Grant	6,674,000
Federal Reed Act Grant	3,301,800
Workforce Investment Act (WIA) Grant	2,172,500
Special Administration Fund	24,400
Spinal and Head Injuries Trust Fund	506,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$607,200 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	221,400
Federal CCDF Block Grant	234,900
Federal TANF Block Grant	17,400
Federal Reed Act Grant	36,800
WIA Grant	97,300
Spinal and Head Injuries Trust Fund	(600)

(Please see the General Provisions section.)

WIA Administration Shift

The budget includes a decrease of \$(225,000) from the WIA Grant in FY 2011 and a corresponding increase in the operating budget of the Administration cost center. This shift funds the WIA programs' share of centralized agency costs including accounting and human resources, which are funded out of the Administration cost center.

JOBS Administration

JOBS

The budget includes \$13,097,700 and 93 FTE Positions for JOBS in FY 2011. These amounts consist of:

Federal TANF Block Grant	9,894,700
WIA Grant	2,000,000
Special Administration Fund	1,203,000

These amounts fund the following adjustments:

Research Administration Transfer

The budget includes a decrease of \$(161,000) from the General Fund in FY 2011 and a corresponding increase in the operating budget of the Administration cost center. This shift is related to the transfer of the Research Administration from DES to the Department of Commerce in FY 2009.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. These services are contracted out to third-party vendors. *Table 1* highlights total estimated expenditures for the JOBS line item.

Expenditures	Amount
Case Management	\$10,004,100
Job Training	2,516,800
FLSA Supplement	340,100
Work-Related Transportation	207,100
Job Search Stipends	29,600
Total	\$13,097,700

Child Care Administration

The DES Child Care Administration (CCA) helps eligible families pay a portion of child care costs when parents or caretakers participate in DES eligible activities. Requirements vary for each program.

^{5/} All Federal Workforce Investment Act monies for local governments that are received by this state in excess of \$48,040,600 are appropriated to the Workforce Investment Act-Local Governments line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$48,040,600 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{6/} See agency summary for agencywide lump sum reductions.

^{7/} General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

CCA administers subsidies to TANF clients engaged in job activities, low-income working individuals under 165% of the Federal Poverty Level (FPL), and children in the Child Protective Services (CPS) program. Clients in the state's TANF, Transitional, and CPS programs are entitled to services. The state, therefore, is required to provide subsidies to families in these categories. Families in the low-income working category are not entitled to services and receive subsidies only to the extent that funding is available. Statute requires that DES review each case at least once a year to evaluate a recipient's eligibility for assistance. If there is not enough funding to provide subsidies to low-income working families, then those individuals are placed on a waiting list.

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months, and eligible families receiving TANF Cash Benefits are eligible as long as they are receiving TANF Cash Benefits, which also has a 60-month cumulative lifetime time limit. The only population for which there is no specified time limit is families referred by CPS and children in Foster Care.

Subsidy Rates

The average subsidy paid to providers per child is projected to be approximately \$337 per month in FY 2011. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$27.93 per day, using the 2000 Market Rate Survey plus 5%.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% of the Federal Poverty Level (FPL), the required daily co-payment for their first child in care is \$2.00. Using the \$27.93 Maricopa rate, this \$2.00 co-payment would account for 7.2% of the total cost of care (with the state paying the other 92.8%).

By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 35.8% of the child's day care costs. In practice, families

may pay a higher percentage of care, as some providers charge more than the maximum reimbursement rate paid for by the state. For example, a provider may charge \$30.00 per day (while the maximum daily reimbursement paid by the state is \$27.93). In that case, a family at 165% FPL would pay the \$10.00 co-payment as well as an additional \$2.07, which represents the difference between what the provider charges (\$30.00) and what the state reimburses (\$27.93). Under this scenario, the family is paying for 40.2% of the child's day care.

Caseloads

Table 2 displays the average number of children receiving child care services per month from FY 2008 through estimated caseload levels in FY 2011. In FY 2009, an average of 46,208 children received subsidies each month, an increase of 1.9% above FY 2008 levels. Through February 2010, an average of 34,181 children received subsidies each month in FY 2010, a (26)% decrease from FY 2009.

The largest decline in FY 2010 was for the Low Income Working category, which declined by (33.5%). TANF-related cases declined by (2.6)% and CPS-referred cases fell by (20)%. Transitional Child Care cases continued their decline at a rate of (18.1)%. Transitional Child Care is available to clients who have moved off of TANF Cash Benefits due to finding employment. The subsidy is available for 24 months.

DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. According to DES, as of February 2010, approximately 11,000 children had been found eligible for child care services and placed on the waiting list. No new children have been added to the Low-Income Working category in that time.

As a result, in FY 2010, the Low-Income Working category has declined significantly, and the program as a whole is expected to fund subsidies for about 34,200 children. For FY 2011, the appropriation for the program is expected to provide subsidies to about 32,700 children, as the less expensive Low-Income Working population continues to decline due to the waiting list. These reductions in caseloads will result in savings for the agency, and it is anticipated these savings will be allocated

Category	Children Served			Estimated
	FY 2008	FY 2009	FY 2010 ^{1/}	FY 2011 ^{2/}
TANF	3,893	4,727	4,605	4,900
CPS	6,299	6,872	5,498	5,900
Low-Income Working	<u>27,394</u>	<u>27,664</u>	<u>18,388</u>	<u>16,000</u>
Day Care Subsidy SLI Subtotal	37,586	39,263	28,491	26,800
Transitional Child Care SLI	<u>7,781</u>	<u>6,945</u>	<u>5,690</u>	<u>5,900</u>
Total Served	45,367	46,208	34,181	32,700

^{1/} Represents actual FY 2010 caseloads through February 2010.
^{2/} Represents projected average caseload. Actual caseloads may differ.

to DES's 5th Special Session lump sum reduction and the reduction in available Federal TANF Block Grant funds.

The FY 2011 budget continues a total of \$42,000,000 in payment deferrals enacted in previous years. There are no savings associated with the deferrals in FY 2011. Of the total \$42,000,000 in deferred payments, \$15,200,000 is deferred from the Child Care line items. *(Please see the Payment Deferral section in the DES Summary for additional information.)*

Day Care Subsidy

The budget includes \$148,489,000 for Day Care Subsidy in FY 2011. This amount consists of:

General Fund	33,023,300
Federal CCDF Block Grant	82,485,800
Federal TANF Block Grant	32,979,900

These amounts are unchanged from FY 2010.

These amounts include the continuation of additional funding from the Federal CCDF Block Grant made available by the American Recovery and Reinvestment Act (ARRA) of 2009. The total amount of funding made available to the state was \$50,900,000. Beginning in FY 2009, the Legislature appropriated \$18,200,000 from this funding to backfill reductions to the Child Care program that were implemented as a result of the midyear FY 2009 revisions. This amount was continued in FY 2010, leaving \$14,300,000 of the ARRA money available in FY 2011. The amounts above include continuation of this funding, leaving a \$3,900,000 gap. DES has indicated that an increase in the underlying CCDF Block Grant will offset the \$3,900,000 gap and that there will not be a shortfall in CCDF funding for the program in FY 2011.

Transitional Child Care

The budget includes \$36,193,000 from the Federal CCDF Block Grant for Transitional Child Care in FY 2011. This amount is unchanged from FY 2010.

This line item funds child care subsidies to clients who no longer receive TANF Cash Benefits due to finding employment. The program provides subsidies for up to 24 months after the client stops receiving TANF Cash Benefits. These subsidies require a co-pay from the recipient. *(Please see the Child Care Administration Summary for more information.)*

Rehabilitation Services Administration

Vocational Rehabilitation Services

The budget includes \$3,299,100 for Vocational Rehabilitation Services in FY 2011. This amount consists of:

General Fund	3,094,400
Spinal and Head Injuries Trust Fund	204,700

These amounts are unchanged from FY 2010.

The program is expected to serve up to 3,320 clients at an average annual Total Funds cost of \$4,665 per client. The program is estimated to serve about 4,750 clients. The department has implemented a waiting list for these services as a result of applying agencywide reductions including the FY 2009 midyear reductions and the 5th Special Session reduction to this program.

In addition to these clients, the division is also expected to serve 200 clients who are not developmentally disabled at an average annual cost of \$3,622 per client, using federal Social Services Block Grant and Arizona Industries for the Blind monies.

This line item funds individually planned services for the disabled designed to return them to the workforce. Services provided include personal and social adjustment, rehabilitation technology, physical or mental restoration (e.g., prosthetics), and vocational training and placement. The federal government provides 78.7% of funding for every 21.3% of state match. In addition to the state-appropriated monies, DES has secured other sources of state match through agreements with agencies such as the Department of Health Services, the Arizona State Schools for the Deaf and the Blind, and also the City of Phoenix.

Assistive Technology

The budget includes \$200,000 from the General Fund for Assistive Technology in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used to contract with a third party to create a statewide clearinghouse for assistive technology for Arizona school districts.

Independent Living Rehabilitation Services

The budget includes \$1,846,800 for Independent Living Rehabilitation Services in FY 2011. This amount consists of:

General Fund	586,000
Spinal and Head Injuries Trust Fund	1,260,800

These amounts fund the following adjustments:

Eliminate Sight Conservation

The budget includes a decrease of \$(120,000) from the General Fund in FY 2011 to eliminate the sight conservation program which provided eye exams and glasses to financially needy persons.

This line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

Workforce Development Administration

Summer Youth Employment and Training

The budget includes no funding for Summer Youth Employment and Training in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item were distributed directly to local governments pursuant to the formula described in A.R.S. § 11-1042 for summer youth employment and training programs for at-risk youth.

Workforce Investment Act - Discretionary

The budget includes \$3,614,000 from the Workforce Investment Act (WIA) Grant for the Workforce Investment Act - Discretionary line item in FY 2011. This amount is unchanged from FY 2010.

This line item funds various programs as recommended by the Governor’s Council on Workforce Policy. These monies make up 15% of the total federal WIA Grant. Some examples of funded activities include:

High Concentration of Youth Activities: Funds are distributed to help defray high program costs associated with serving youth in poverty. Monies are allocated to local workforce boards receiving less than \$500,000 in youth formula funds.

Technical Assistance: Funds are provided to local areas that fail to meet local performance measures. Monies are used to incorporate new strategies that lead to improved customer service and performance outcomes.

Evaluations: Monies are provided to conduct ongoing evaluation studies of workforce investment activities carried out across Arizona to ensure customer satisfaction, as well as to identify areas in need of improvement.

Workforce Investment Act - Local Governments

The budget includes \$48,040,600 from the WIA Grant for the Workforce Investment Act - Local Governments line

item in FY 2011. This amount is unchanged from FY 2010.

This line item funds workforce training for dislocated workers and disadvantaged adults and youth at the local level. These monies are the state’s allotment of the federal WIA Grant, established by Congress in 1998. Of the total grant received by the state, 85% is allocated to local governments.

The allocation of the WIA Grant for workforce related programs in FY 2011 is shown in *Table 3* below.

<u>Category</u>	<u>Amount</u>
Local Governments	\$48,040,600
Discretionary	3,614,000
Administration	2,283,700 ^{1/}
JOBS	<u>2,000,000</u> ^{2/}
Total	\$55,938,300

^{1/} This funding is included in the operating budget.
^{2/} This funding is included in the JOBS line item.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reduction.

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Department of Education
Summary

A.R.S. § 15-231

Superintendent: The Honorable Tom Horne

JLBC Analyst: Steve Schimpp/Jack Brown

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
PROGRAM BUDGET			
Administration	6,135,300	6,048,500	5,923,600
Formula Programs	3,574,409,500	3,152,413,300	3,502,550,300
Non-Formula Programs	122,512,100	61,487,000	37,617,300
State Board of Education	1,328,400	912,700	908,400
AGENCY TOTAL	3,704,385,300	3,220,861,500	3,546,999,600
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	260.9	237.9	192.5 ^{1/}
Personal Services	5,236,600	5,277,300	5,062,800
Employee Related Expenditures	1,609,500	1,712,500	1,668,200
Professional and Outside Services	738,400	445,800	445,800
Travel - In State	28,100	41,200	41,200
Travel - Out of State	5,300	0	0
Other Operating Expenditures	2,452,600	2,043,600	2,103,600
Equipment	39,300	0	0
OPERATING SUBTOTAL	10,109,800	9,520,400	9,321,600
Special Line Items (SLI)	3,694,275,500	3,211,341,100	3,537,678,000
AGENCY TOTAL	3,704,385,300	3,220,861,500	3,546,999,600 ^{2/3/4/5/}
FUND SOURCES			
General Fund	3,650,934,300	3,165,102,400	3,491,223,400
<u>Other Appropriated Funds</u>			
Permanent State School Fund	45,220,700	46,475,500	46,475,500
Proposition 301 Fund	5,736,200	7,000,000	7,000,000
Teacher Certification Fund	2,494,100	2,283,600	2,300,700
SUBTOTAL - Other Appropriated Funds	53,451,000	55,759,100	55,776,200
SUBTOTAL - Appropriated Funds	3,704,385,300	3,220,861,500	3,546,999,600
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	513,800,900	434,859,000	441,962,800
Federal Funds	960,293,200	1,449,479,500	1,070,165,500 ^{6/}
TOTAL - ALL SOURCES	5,178,479,400	5,105,200,000	5,059,127,900

^{1/} Includes 86.5 FTE Positions funded from Special Line Items in FY 2011.

^{2/} Includes K-12 rollover appropriations of \$602,627,700 and \$886,200 from Laws 2009, 3rd Special Session, Chapter 12 and \$350,000,000 from Laws 2010, 7th Special Session, Chapter 1, for a total combined FY 2011 rollover appropriation of \$953,513,900. Laws 2010, 7th Special Session, Chapter 1, appropriates \$952,627,700 in FY 2012 to reflect the deferral of FY 2011 payments. The latter amount is \$(886,200) less than the FY 2011 total because it does not include continued funding for interest.

^{3/} General Appropriation Act appropriation format Varies by Program.

^{4/} The department shall provide an updated report on its budget status every 3 months for the first half of each fiscal year and every month thereafter to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting. Each report shall include, at a minimum, the department's current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs and shall be due 30 days after the end of the applicable reporting period. (General Appropriation Act footnote)

^{5/} Within 15 days of each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall provide the Joint Legislative Budget Committee Staff and the Governor's Office of Strategic Planning and Budgeting with an electronic spreadsheet or database copy of data included in the apor55-1 report for that apportionment for each school district and the char55-1 report for that apportionment for each charter school. (General Appropriation Act footnote)

^{6/} Does not include monies from the American Recovery and Reinvestment Act of 2009 (ARRA) other than State Fiscal Stabilization Fund monies.

AGENCY DESCRIPTION — The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2011 it is anticipated that the department will oversee 240 school districts, accommodation districts and Joint Technological Education Districts and approximately 500 charter schools in their provision of public education from preschool through grade 12.

5th Special Session Reduction

The budget includes \$(4,618,700) from the General Fund and \$(185,200) from the Teacher Certification Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. These lump sum reductions have already been incorporated into individual line items for both FY 2010 and FY 2011. The allocations are as follows:

Program	General Fund	Teacher Certification Fund
AIMS Intervention; Dropout Prevention	\$ (934,400)	
Chemical Abuse	(143,500)	
Family Literacy	(169,600)	
State Block Grant - Early Childhood Education	(3,371,200)	
Non-Formula Programs - Operating		\$ (70,200)
Teacher Certification		(57,500)
State Board of Education		(57,500)
Total	\$(4,618,700)	\$(185,200)

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Department of Education to reduce 4 General Fund FTE Positions in FY 2010 and an additional 5 General Fund FTE Positions in FY 2011. These changes have been incorporated into the agency’s budget.

OVERVIEW OF PROPOSITION 301

This section provides an overview of Proposition 301 from the November 2000 General Election. That Proposition amended A.R.S. § 42-5010 in order to raise the state Transaction Privilege Tax (TPT) (“sales tax”) rate on most purchases from 5% to 5.6%. It also amended A.R.S. § 42-5029 in order to prescribe how those new revenues would be allocated (see Table 1).

As shown in Table 1, the K-12 Classroom Site Fund receives all monies that remain from the Proposition 301 Fund after all other allocations are made. It also receives any K-12 related expendable “land trust” earnings above \$72,263,000, which was the amount of K-12 earnings generated by the State Treasurer and State Land Department combined for FY 2001 (the last year before Proposition 301 took effect). Expendable State Treasurer earnings are derived from the investment of approximately \$2,853,145,400 (as of April 30, 2010) in proceeds from past land trust sales for all beneficiaries (not just K-12) and are distributed under a formula prescribed in the State Constitution. Expendable State Land Department earnings are generated from land leases and from interest on installment sales of state trust lands. (See the “Endowment Earnings” narrative under Basic State Aid in the Formula Programs Cost Center for more information.)

For FY 2011, a total of \$285,404,300 was projected to be available for distribution from the Classroom Site Fund as of March 2010 (see Table 1). This would provide an estimated \$220 per “Group A weighted” ADM pupil on a cash basis under the formula prescribed in A.R.S. § 15-977B2.

The allocations shown in Table 1 are estimates. Actual allocations will depend on sales tax collections and land trust earnings for FY 2011.

Table 1**Proposition 301 Monies**

	<u>FY 2009</u>	<u>FY 2010 *</u>	<u>FY 2011*</u>
<u>Revenues</u>			
Estimated 0.6 cent Sales Tax Revenue	\$566,829,400	\$515,247,900	\$ 539,464,600
<u>Expenditures</u>			
Students FIRST Debt Service	65,811,200	65,810,800	65,841,200
Universities	60,122,200	53,932,500	56,834,800
Community Colleges	15,030,500	13,483,100	14,208,700
Tribal Assistance	510,300	492,900	490,000
Additional School Days	86,280,500	86,280,500	86,280,500
School Safety	7,800,000	7,800,000	7,800,000
Character Education	200,000	200,000	200,000
School Accountability	7,000,000	7,000,000	7,000,000
Failing Schools Tutoring Fund	1,500,000	1,500,000	1,500,000
Income Tax Credit for Sales Tax Paid	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Available for Site Fund: Sales Tax	297,574,700	253,748,100	274,309,400
Available for Site Fund: Land Trust	57,350,500	0	11,094,900
Prior Year Carryforward	<u>2,343,500</u>	<u>24,552,400</u>	<u>0</u>
Total Available for Classroom Site Fund	\$357,268,700	\$278,300,500	\$285,404,300

* Estimated

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	72.5	69.5	66.5
Personal Services	3,237,600	3,534,200	3,383,000
Employee Related Expenditures	967,200	1,123,700	1,089,900
Professional and Outside Services	393,400	223,000	223,000
Travel - In State	13,500	34,900	34,900
Travel - Out of State	3,700	0	0
Other Operating Expenditures	1,508,800	1,132,700	1,192,800
Equipment	11,100	0	0
PROGRAM TOTAL	6,135,300	6,048,500	5,923,600 ^{1/2/3/}
FUND SOURCES			
General Fund	6,135,300	6,048,500	5,923,600
SUBTOTAL - Appropriated Funds	6,135,300	6,048,500	5,923,600
Other Non-Appropriated Funds	7,025,700	6,775,800	6,775,800
Federal Funds	4,455,600	1,594,500	1,594,500
TOTAL - ALL SOURCES	17,616,600	14,418,800	14,293,900

COST CENTER DESCRIPTION — The Administration program consists of 2 subprograms: 1) Administrative Services and 2) Management Information Services. The Administrative Services subprogram provides general administrative support for the agency and includes the office of the State Superintendent of Public Instruction. The Management Information Services subprogram provides information technology support for the agency.

Operating Budget

The budget includes \$5,923,600 and 66.5 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(124,900) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

^{1/} The lump sum appropriation includes \$291,100 and 4 FTE Positions for average daily membership auditing and \$200,000 and 2 FTE Positions for information technology security services. (General Appropriation Act footnote)

^{2/} See agency summary for agencywide lump sum reductions.

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Program.

Department of Education
Formula Programs

A.R.S. § 15-231

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	26.0	24.0 ^{1/}
Personal Services	1,221,900	1,073,100	1,027,200
Employee Related Expenditures	369,200	322,000	311,700
Professional and Outside Services	260,200	20,000	20,000
Travel - In State	13,500	1,500	1,500
Other Operating Expenditures	210,000	324,200	324,200
Equipment	22,000	0	0
OPERATING SUBTOTAL	2,096,800	1,740,800	1,684,600
SPECIAL LINE ITEMS			
Basic State Aid	3,240,669,800	2,690,803,800	3,045,375,700 ^{2/3/4/5/6/}
Additional State Aid	295,940,800	423,642,700	419,264,000
Special Education Fund	34,884,000	35,242,100	35,242,100
Other State Aid to Districts	818,100	983,900	983,900
PROGRAM TOTAL	3,574,409,500	3,152,413,300	3,502,550,300^{7/8/}
FUND SOURCES			
General Fund	3,529,188,800	3,105,937,800	3,456,074,800
<u>Other Appropriated Funds</u>			
Permanent State School Fund	45,220,700	46,475,500	46,475,500
SUBTOTAL - Other Appropriated Funds	45,220,700	46,475,500	46,475,500
SUBTOTAL - Appropriated Funds	3,574,409,500	3,152,413,300	3,502,550,300
Other Non-Appropriated Funds	491,340,600	413,955,700	421,059,500
Federal Funds	0	472,114,000	92,800,000
TOTAL - ALL SOURCES	4,065,750,100	4,038,483,000	4,016,409,800

^{1/} Includes 1 GF FTE Position funded from Special Line Items in FY 2011.

^{2/} Includes K-12 rollover appropriations of \$602,627,700 and \$886,200 from Laws 2009, 3rd Special Session, Chapter 12 and \$350,000,000 from Laws 2010, 7th Special Session, Chapter 1, for a total combined FY 2011 rollover appropriation of \$953,513,900. Laws 2010, 7th Special Session, Chapter 1, appropriates \$952,627,700 in FY 2012 to reflect the deferral of FY 2011 payments. The latter amount is \$(886,200) less than the FY 2011 total because it does not include continued funding for interest.

^{3/} 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 \$46,475,500 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2011. (General Appropriation Act footnote)

^{4/} The portion of the above appropriation for basic state aid for charter school additional assistance pursuant to A.R.S. § 15-185B4 includes a \$10,000,000 reduction. (General Appropriation Act footnote)

^{5/} Receipts derived from the Permanent State 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. (General Appropriation Act footnote)

^{6/} Except as required by A.R.S. § 37-521, 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 of Arizona 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. An expenditure shall not be made except as specifically authorized above. (General Appropriation Act footnote)

^{7/} See agency summary for agencywide lump sum reductions.

^{8/} General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Program.

COST CENTER DESCRIPTION — This program funds the agency’s School Finance Unit, which processes formula funding payments to schools and monitors school district and charter school compliance with school budgeting laws. It also funds the formula programs themselves, the largest of which are Basic State Aid and Additional State Aid. Basic State Aid provides the state’s share of equalization assistance to school districts and charter schools based on a funding formula set in statute. Additional State Aid funds the “Homeowner’s Rebate” program, through which the state pays a portion of each homeowner’s school property taxes.

Operating Budget

The budget includes \$1,684,600 and 23 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(56,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Basic State Aid

The budget includes \$3,045,375,700 for Basic State Aid in FY 2011. This amount consists of:

	FY 2011
General Fund	\$2,998,900,200
Permanent State School Fund	46,475,500

FY 2011 adjustments are described in the “Major Changes to Basic State Aid” section below.

The \$3,045,375,700 total does not include \$86,280,500 in “additional school day” funding from Proposition 301 that will be allocated through Basic State Aid in FY 2011 because those monies are non-appropriated (See Table 1). It also excludes local property tax monies that will help fund K-12 formula costs for FY 2011, which also are non-appropriated.

The \$3,045,375,700 appropriated total includes a net General Fund increase of \$354,571,900 and no change from the Permanent State School Fund for FY 2011. Components of the General Fund increase are described in detail after the overview of Arizona’s K-12 equalization funding formula that appears below.

Formula Overview

K-12 Education funding in Arizona is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula “equalizes” maintenance and operation (M&O) formula funding among school districts, enabling them all to spend approximately the same amount of formula M&O money per pupil from state and local sources combined. A few districts with very strong local property tax bases are able to generate their entire formula funding entitlement from local property taxes alone. Most

school districts, however, require “Basic State Aid” monies in order to receive full formula funding.

The equalization formula for school districts consists of 4 components: the Base Support Level (BSL), Transportation Support Level (TSL), Capital Outlay Revenue Limit (CORL), and Soft Capital. All but the TSL are computed by multiplying a specific dollar amount by a school district’s student count, adjusted for various weights. The TSL, however, is computed by multiplying a specific dollar amount by a district’s pupil transportation route miles. BSL, TSL and CORL funds may be used for M&O or capital expenditures. Soft Capital funds may be used for capital items only. The sum of the 4 formula components equals what is referred to as a school district’s “equalization base,” which is its total funding entitlement under the K-12 equalization funding formula.

After a school district’s equalization base is determined, the net assessed property value (NAV) of the district is multiplied by the statutory “Qualifying Tax Rate” (QTR) pursuant to A.R.S. § 15-971B in order to determine the amount of funding that is assumed to come from QTR taxes under the formula. This amount, plus the district’s share of State Equalization Tax Rate (SETR) revenues pursuant to A.R.S. § 15-994, if any, are then subtracted from its equalization base. If the district’s combined QTR and SETR revenues exceed its equalization base, the district is not entitled to Basic State Aid. If, however, its “local share” funding does not exceed its equalization base, the district receives Basic State Aid funding to make up the difference. The actual local tax rate for schools may be lower than the QTR, or higher if the district is allowed to budget for items outside of its “Revenue Control Limit” (RCL) under A.R.S. § 15-910. It also may be higher if the district participates in a Career Ladder program pursuant to A.R.S. § 15-918 or an Optional Performance Incentive Program pursuant to A.R.S. § 15-919.

Basic State Aid is also provided to charter schools, which are schools that do not have geographic boundaries, operate under terms specified in a “charter,” and are sponsored by an entity such as the State Board for Charter Schools. The equalization funding formula for charter schools is somewhat different than that of school districts in that it does not include separate funding for CORL, Soft Capital, or Transportation. Instead, the charter school funding formula consists only of BSL funding plus “Additional Assistance.” BSL funding for charter schools

Table 1

FY 2011 Basic State Aid Summary

	<u>General Fund</u>	<u>Permanent State School Fund</u>	<u>Prop 301 Sales Tax</u>	<u>Local Property Taxes</u>	<u>ARRA</u> ^{1/}	<u>Total</u>
Basic State Aid from FY 2010	2,644,328,300 ^{2/}	46,475,500	86,280,500	2,239,763,500 ^{3/}	472,114,000	5,488,961,800
Changes for FY 2011:						
Base Adjustment – Rollover	350,000,000					350,000,000
Base Adjustment – ARRA	472,114,000				(472,114,000)	0
Base Adjustment – Cash Balances	(116,109,300)					(116,109,300)
Enrollment Growth @ 0.9%	52,000,000					52,000,000
1.2% Inflation	5,385,900					5,385,900
Net Assessed Valuation Growth	89,839,400			(89,839,400)		0
Truth in Taxation	(150,239,100)			150,239,100		0
No Early Kindergarten Repeaters	(6,200,000)					(6,200,000)
Full-Day Kindergarten	(218,298,300)					(218,298,300)
Soft Capital ^{4/}	(21,120,700)					(21,120,700)
Charter Additional Assistance	(10,000,000)					(10,000,000)
ARRA offset	(92,800,000)				92,800,000	0
Total - Cost after Formula Changes	2,998,900,200^{5/}	46,475,500^{5/}	86,280,500	2,300,163,200	92,800,000	5,524,619,400

1/ Federal "State Fiscal Stabilization Fund" (SFSF) monies from the American Recovery and Reinvestment Act of 2009 (ARRA).
 2/ Reflects adjustments from Laws 2009, 4th Special Session, Chapter 1 and a \$350,000,000 rollover increase from Laws 2010, 7th Special Session, Chapter 1.
 3/ Includes \$243,439,100 from the State Equalization Tax Rate (SETR). Roughly \$400,000,000 of the \$2.2 billion is funded by the state through the Homeowner's Rebate.
 4/ This reduction is in addition to the \$(144,000,000) reduction from Laws 2009, 4th Special Session, Chapter 2, which is continued for FY 2011.
 5/ Represents appropriated Basic State Aid funds. Proposition 301 monies for Basic State Aid are not appropriated.

is determined under the same formula prescribed for traditional public schools, which is in A.R.S. § 15-943. Additional Assistance funding amounts are established in A.R.S. § 15-185B4 and for FY 2011 equal \$1,607.50 per pupil for Grades K-8 and \$1,873.52 per pupil for Grades 9-12. Charter schools receive all of their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

Major Changes to Basic State Aid

The narrative below describes major changes to Basic State Aid funding for FY 2011 relative to the Basic State Aid appropriation for FY 2010 of \$3,045,375,700.

Base Adjustment - Rollover

The budget includes an increase of \$350,000,000 from the General Fund in FY 2011 to fund an additional deferred Basic State Aid payment from FY 2010. The General Appropriation Act for FY 2011 (Laws 2010, 7th Special Session, Chapter 1) deferred until July 1, 2010, but no later than August 29, 2010, \$350,000,000 in Basic State Aid and Additional State Aid funding that otherwise would have been distributed by the department to school districts during FY 2010. This deferral was in addition to \$602,627,700 that was already deferred from FY 2010 by Laws 2009, 3rd Special Session, Chapter 12. Chapter 12 advance appropriated \$602,627,700 plus \$886,200 for related interest costs in FY 2011 in order to fund that deferral. That amount plus the additional \$350,000,000 FY 2011 appropriation from Laws 2010, 7th Special Session, Chapter 1 provides a total of \$952,627,700 in

deferred FY 2010 funding in FY 2011 (\$953,513,900 with interest).

Chapter 1 continues the \$952,627,700 rollover in FY 2011 by deferring \$952,627,700 of FY 2011 state aid payments until FY 2012. As a result, the 12 monthly payments that school districts will receive in FY 2011 will consist of 3 deferred payments from FY 2010 and 9 (rather than 12) "current year" payments for FY 2011. Chapter 1 advance appropriates \$952,627,700 in FY 2012 in order to fund the \$952,627,700 deferred obligation from FY 2011 in FY 2012, but does not continue the \$886,200 in prior year interest funding.

As a result of existing rollovers, the base budget for Basic State Aid going into FY 2012 will include a total deferred obligation of \$952,627,700. That obligation will not be paid off until a 13th payment of \$272,627,700 (for the original FY 2008 rollover), 14th payment of \$330,000,000 (for the additional FY 2009 rollover) and 15th payment of \$350,000,000 (for the additional FY 2010 rollover) are provided in future years in addition to 12 "regular" payments made for the budget year.

On a related note, the K-12 Education BRB for FY 2011 continues to require school districts to include in the revenue estimates that they use for computing their tax rates the rollover monies that they will receive for FY 2011 in July or August 2011.

Base Adjustment - ARRA

The budget includes an increase of \$472,114,000 from the General Fund in FY 2011 in order to restore a one-time

funding reduction authorized by Laws 2009, 3rd Special Session, Chapter 11. Chapter 11 (Section 14) reduced General Fund funding for Basic State Aid by \$(472,114,000) on a one-time basis in FY 2010 due to the availability of State Fiscal Stabilization Fund (SFSF) monies from the American Recovery and Reinvestment Act of 2009 (ARRA). Partially offsetting this \$472,114,000 increase is a new \$(92,800,000) ARRA-related reduction for FY 2011 that is discussed separately below.

Base Adjustment - Cash Balances

The budget includes a decrease of \$(116,109,300) from the General Fund in FY 2011 in order to remove one-time funding that was used in FY 2010 in order to reimburse school districts for the portion of the FY 2009 “cash balances rollover” not covered by school district cash balances. The cash balances rollover was required by Laws 2009, Chapters 5 and 6. Chapter 5 reduced K-12 formula funding by \$(300,000,000) for FY 2009 and Chapter 6 required school districts to cover a formula-determined portion of that amount with their own cash balances. Chapter 6 required the state to reimburse school districts during FY 2010 for the portion of the \$(300,000,000) reduction not covered by school district cash balances and that amount was later determined to be \$116,109,300 (including related interest costs). The FY 2010 budget (as amended by Laws 2009, 4th Special Session, Chapter 1) included \$116,109,300 in one-time funding for this issue. This policy issue eliminates that funding for FY 2011.

The FY 2010 budget also included an increase of \$300,000,000 in order to restore the \$(300,000,000) amount removed from the Basic State Aid funding base for FY 2009 because of the cash balances rollover. That \$300,000,000 amount remains in the Basic State Aid funding base for FY 2011.

Enrollment Growth

The budget includes an increase of \$52,000,000 from the General Fund in FY 2011 for enrollment growth. This assumes that the statewide Average Daily Membership count for school districts and charter schools combined will increase by 9,300 students (0.9%) in FY 2011 (see Table 2).

On a related note, Laws 2009, Chapter 95 removed a cap on the number of school districts and charter schools that can participate in the Arizona Online Instruction (AOI) program (formerly called the “Technology Assisted Project-Based Instruction” program, or “TAPBI”). Prior to this change, only 7 school districts and 7 charter schools were allowed to participate in the program. This change could result in an increase in AOI sites starting in FY 2011. The cost of such potential growth is unknown, however, because it will depend on the proportion of new AOI students who would have been in public schools anyway in FY 2011, which likewise is unknown. In

addition, Chapter 95 reduced the amount of Base Support Level (BSL) funding that AOI students received starting in FY 2010. (Full-time AOI students now receive 95% and part-time students 85% of the BSL amounts received by non-AOI students, versus 100% for all AOI students previously.) As a result, any growth in AOI participation in FY 2011 that is attributable to existing public school students would reduce rather than increase state costs.

Table 2

Average Daily Membership (ADM) Students by Academic Year					
Districts (including Charters) ^{1/}	State Charters	Total	Change	% Change	
					2007
2008	951,685	93,100	1,044,785	20,384	2.0%
2009	944,940	98,415	1,043,355	(1,430)	(0.1)%
2010 ^{2/}	937,620	108,185	1,045,805	2,450	0.2%
2011 ^{2/}	938,806	116,299	1,055,105	9,300	0.9%

^{1/} Assumes an estimated 603 ADM from district sponsored charter schools for FY 2010 and FY 2011 versus 682, 568 and 603 ADM (actuals), respectively, for FY 2007, FY 2008 and FY 2009.

^{2/} Estimated.

^{3/} Assumes a reduction of (1,000) ADM for a new prohibition on “early Kindergarten repeaters” and (2,250) ADM reduction for a new cap on ADM for most pupils at 1.0. Otherwise estimated growth rate would be 0.5%.

1.2% Inflation Adjustment

The budget includes an increase of \$5,385,900 from the General Fund in FY 2011 for a 1.2% inflation increase in the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school “Additional Assistance” amounts prescribed in A.R.S. § 15-185B, as authorized by the K-12 Education Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 8). This will provide \$1.91 or \$2.35 per route mile in FY 2011 (depending on average per pupil route miles for a district pursuant to A.R.S. § 15-945A5) and will fund charter school additional assistance at \$1,607.50 per pupil for Kindergarten through grade 8 and \$1,873.52 per pupil for high school students. It does not include a 1.2% increase in the “base level” prescribed in A.R.S. § 15-901B2, which remains in FY 2011 at the FY 2010 level of \$3,267.72 Funding a 1.2% increase in the base level would have cost an additional \$61,392,900, for a total inflation adjustment of \$66,778,800.

A.R.S. § 901.01 (established by Proposition 301) requires the Legislature to increase the “base level or other components of the Revenue Control Limit” (RCL) by 2% or by the change in the GDP price deflator for the prior calendar year, whichever is less. The FY 2011 adjustment is estimated at 1.2%, since the calendar year 2009 GDP price deflator is currently projected to be 1.2%. A.R.S. § 15-901.01 prohibits the Legislature from setting a base level that is lower than the FY 2002 base level of \$2,687.32.

Net Assessed Value Growth

The budget includes an increase of \$89,839,400 from the General Fund in FY 2011 due to a projected decline in Net Assessed Value (NAV) for taxable properties. The estimated \$89,839,400 increase assumes that the combined Net Assessed Value (NAV) of all properties statewide will decline by (4.6)% for FY 2011. Decreases in statewide NAV decrease “local share” funding for Basic State Aid because the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) generate less local funding when property values decline. This increases the amount of K-12 equalization formula funding that must be provided by the state General Fund.

The projected (4.6)% NAV growth rate for FY 2011 assumes a (7.3)% decline for “existing properties” (properties other than new construction) and 2.7% growth due to new construction. The projected (4.6)% decline is lower than might be expected given dramatic decreases in statewide home prices in the recent months, but reflects the fact that 1) homes account for only about half of the statewide property tax base, and 2) caps on NAV growth for homes in the State Constitution partially deferred the impact of past housing price increases. Regarding the latter issue, the State Constitution caps annual NAV growth for homes at 10%, or at 25% of the difference between a home’s primary and secondary NAV, whichever is less. This has spread out over a period of years the NAV impact of the rapid increase in home prices that occurred in Arizona prior to calendar year 2007. FY 2011 NAVs will be based on property values from January 2009.

The estimated \$89,839,400 amount does not include offsets for lower “Truth in Taxation” and Additional State Aid costs that occur when statewide NAV values decline. Those declines partially offset state costs due to NAV decreases and are discussed separately below.

Truth in Taxation

The budget includes a decrease of \$(150,239,100) from the General Fund in FY 2011 for Truth in Taxation (TNT) pursuant to A.R.S. § 41-1276. That law requires a change in the K-12 QTR and SETR each year in order to offset changes in local property values. In most years, TNT requires decreases in the QTR and SETR in order to offset increases in statewide property values. For FY 2011, however, statewide property values are expected to decrease, which will require increases in the QTR and SETR under TNT. This will decrease Basic State Aid costs because it will increase the amount of “local share” monies generated by the QTR and SETR and this increase will offset state costs on a dollar for dollar basis.

As of February 16, 2010, the JLBC reported that the FY 2011 QTR will be \$1.48 or \$2.96 (depending on the type of district and rounded to the nearest penny) and that the SETR will be \$0.36 per \$100 of NAV (*see Table 3*).

Table 3

Estimated TNT Tax Rates			
Tax Rate		FY 2010	FY 2011
Qualifying Tax Rate (QTR)			
• High School districts and elementary districts located within a high school district		\$1.3726	\$1.4797
• Unified districts and elementary districts not located within a high school district		\$2.7452	\$2.9594
• State Equalization Tax Rate (SETR)		\$0.3306	\$0.3564

No Early Kindergarten Repeaters

The budget includes a decrease of \$(6,200,000) from the General Fund in FY 2011 for the estimated second year impact of a prohibition on state funding for “early Kindergarten repeaters” from Laws 2009, 3rd Special Session, Chapter 2. Chapter 2 amended A.R.S. § 15-821 in order to prohibit Basic State Aid funding in the second year of Kindergarten for Kindergarten repeaters who turned 5 years old after September 1st of the year that they initially enter Kindergarten. This change does not affect school districts with declining enrollments until FY 2011, since they are funded based on their prior year rather than current year ADM counts. The estimated FY 2011 reduction for such school districts is \$(6,200,000).

Full-Day Kindergarten

The budget includes a decrease of \$(218,298,300) from the General Fund in FY 2011 for savings associated with returning to half-day only Kindergarten funding in FY 2011. Prior to FY 2007, the Basic State Aid formula funded Kindergarteners on a half-day basis. For FY 2007 through FY 2010, however, a Kindergarten “Group B” funding weight established by Laws 2006, Chapter 353 provided add-on monies in order to fund Kindergartners on a full time basis. The K-12 Education BRB permanently eliminates the Kindergarten Group B weight starting in FY 2011, which restores half-day only funding for Kindergarten. Monies generated by the Kindergarten Group B weight for FY 2007 through FY 2010 were not restricted for a specific purpose, but generally were used by schools to fund voluntary Full-Day Kindergarten pursuant to A.R.S. § 15-901.02.

On a related note, the K-12 Education BRB for FY 2011 allows a school district to charge tuition for Full-Day Kindergarten in FY 2011 if it decides not to provide free Full-Day Kindergarten for that fiscal year.

Soft Capital Reduction

The budget includes a decrease of \$(21,120,700) from the General Fund in FY 2011 for Soft Capital funding authorized by A.R.S. § 15-962. This decrease is in addition to a \$(144,000,000) session law reduction continued from FY 2010 (from Laws 2009, 3rd Special Session, Chapter 12). In total, Soft Capital funding will be \$(165,120,700) below the formula requirement.

The \$(165,120,700) reduction is authorized by the K-12 Education BRB for FY 2011, which continues to exempt school districts with fewer than 600 K-8 pupils from 50% of the K-8 Soft Capital reductions and districts with fewer

than 600 high school pupils from 50% of the high school Soft Capital reductions that they otherwise would experience for FY 2011. The K-12 Education BRB also continues to permit school districts to use Soft Capital funding for FY 2011 for any operating or capital expenditure. The \$(165,120,700) Soft Capital reduction leaves an estimated \$48,745,000 in Soft Capital funding available to school districts for FY 2011.

Charter School Additional Assistance

The budget includes a decrease of \$(10,000,000) from the General Fund in FY 2011 for charter school Additional Assistance funding authorized by A.R.S. § 15-185B4. This change is authorized by the K-12 Education BRB for and is separate from the 1.2% increase in charter school Additional Assistance per pupil funding that is discussed in the “1.2% Inflation Adjustment” narrative above.

ARRA

The budget includes a decrease of \$(92,800,000) from the General Fund in FY 2011 due to the assumed availability of \$92,800,000 in federal ARRA monies to help fund K-12 formula costs in FY 2011. The General Appropriation Act for FY 2011 stipulates that if the state receives federal assistance from the federal education stabilization fund established by ARRA, the FY 2011 Basic State Aid and Additional State Aid General Fund appropriation is reduced by \$(92,800,000). The General Appropriation Act further stipulates that:

- 1) It is the intent of the Legislature that in FY 2011 \$92,800,000 in federal education stabilization fund monies will be disbursed to school districts and not-for-profit charter schools to offset the \$(92,800,000) reduction in state funding.
- 2) As soon as possible after the effective date of the act, ADE shall reduce scheduled Basic State Aid and Additional State Aid payments to school districts for FY 2011 by \$(92,800,000).
- 3) The federal “backfill monies” shall not impact the Revenue Control Limit (RCL) of any school district.
- 4) The reduction does not affect for-profit charter schools, which are ineligible for federal “backfill” monies.
- 5) The sum of Basic State Aid, Additional State Aid, and federal “backfill” monies that school districts and non-for-profit charter schools receive for FY 2011 shall not exceed the amount of funding that they are entitled to receive under the Basic State Aid and Additional State Aid funding formulas for FY 2011, or the amount that they would receive under the state’s application for federal education stabilization fund monies.

This adjustment is in addition to the “Base Adjustment – ARRA” policy issue discussed separately above.

Endowment Earnings

The budget includes no change from the Permanent State School Fund in FY 2011 for endowment earnings funding for Basic State Aid. This is due to no estimated change in debt service costs for FY 2011 for State School Trust Revenue Bonds and Qualified Zone Academy Bonds (QZABs) that were issued by the School Facilities Board (SFB) in prior years in order to fund deficiencies correction in public schools. Debt service costs on those bonds is funded with monies from the Permanent State School Fund pursuant to A.R.S. § 37-521B1. The SFB projects that combined debt service costs for State School Trust Revenue Bonds and QZABs will again equal \$25,787,500 in FY 2011 (unchanged from FY 2010). This would leave the amount of land trust monies available to fund Basic State Aid in FY 2011 at \$46,475,500 (unchanged).

Endowment Earnings consist of interest on securities held in the Permanent State School Fund, receipts from leases of state lands and interest paid to the State Land Department by buyers of state trust land who purchase land on an installment basis. “Principal” on those purchases is not considered expendable and is instead deposited into the Permanent State School Fund for investment by the State Treasurer.

Continuation of Prior Year Session Law

The budget includes no change from the General Fund in FY 2011 for the following session law changes from FY 2010, which are continued for FY 2011 by the K-12 Education BRB:

- Joint Technological Education Districts – Fund JTEDs at a percentage that would provide them with approximately \$70,000,000 in Basic State Aid funding statewide for FY 2011 and continue to “hold harmless” a JTED if the adjustment factor otherwise would cause it to receive less state aid in FY 2011 than in FY 2010, apart from reductions due to changes in student counts, property values or other technical factors.
- Career Ladder - Establish a maximum base level increase of 5.0%, rather than the 5.5% increase authorized in permanent law, and limit the program to teachers who participated in it during the prior fiscal year.
- Early Graduation Scholarship Program – Suspend new funding for the program, but allow current participants to continue to receive scholarships to the extent permitted by existing fund balances.
- Actual Utility Costs – Notwithstanding and do not fund the “Actual Utility Cost” (formerly “Excess Utilities”) formula authorized in A.R.S. § 15-910.04 and suspend related reporting requirements currently prescribed in A.R.S. § 15-910.03.

Additional State Aid

The budget includes \$419,264,000 from the General Fund for Additional State Aid in FY 2011. This amount funds the following adjustments:

Net Assessed Value Growth

The budget includes a decrease of \$(4,378,700) from the General Fund in FY 2011 for changes in the Net Assessed Value (NAV) of taxable properties statewide for FY 2011. These changes are expected to reduce Homeowner's Rebate costs by \$(4,378,700) because negative NAV growth for FY 2011 will reduce the amount of local property taxes paid by homeowners in FY 2011, which, in turn, will reduce the cost of subsidizing those taxes through the Homeowner's Rebate in FY 2011. The estimated \$(4,378,700) savings amount assumes that statewide NAV in FY 2011 will experience a net decrease by (4.6)% for all classes of property combined (7.3% decline for existing property and 2.7% increase for new construction). It also assumes a (10.6)% decline for Class III properties (owner occupied homes, both new and existing) and that average school district tax rates will increase by 4.0%.

The \$(4,378,700) estimate also includes costs associated with a reduction in the assessment ratio for business property in FY 2011 pursuant to Laws 2005, Chapter 302, as amended by Laws 2007, Chapter 258. Chapter 258 reduces the assessment ratio for Class I properties (commercial and industrial) from 22% in FY 2010 to 21% in FY 2011 (and ultimately to 20% by FY 2012). It also increases the Homeowner's Rebate from 39% of a homeowner's primary property taxes for schools in FY 2010 to 40% in FY 2011. In addition, Chapter 258 increases the current Homeowner's Rebate cap from \$580 per home in FY 2010 to \$600 for FY 2011. Chapters 302 and 258 did not advance appropriate monies to pay for future increases in Homeowner's Rebate costs resulting from their implementation. The (4.6)% NAV growth rate assumed for FY 2011, however, reflects all anticipated NAV changes for the year, including the effects of Chapters 301 and 258.

On a related note, the K-12 Budget Reconciliation Bill for FY 2011 limits the Homeowner's Rebate to the K-12 QTR or to a district's actual primary property tax rate, whichever is lower, starting in FY 2012. This change will eliminate Homeowner's Rebate funding for primary property taxes paid for items such as desegregation programs (A.R.S. § 15-910G), Career Ladder (A.R.S. § 15-918.05) and Transportation Revenue Control Limit (TRCL) (A.R.S. § 15-946) costs that exceed a district's Transportation Support Level (TSL) (A.R.S. § 15-945). The estimated FY 2012 savings for this issue is \$70,500,000.

Background – Additional State Aid is authorized by A.R.S. § 15-972, which for FY 2011 will require the state to pay

40% of each homeowner's school district primary property taxes, up to a maximum of \$600 per parcel. The program also pays for any portion of a homeowner's primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home. This second feature is referred to as the "1% cap" and is required by Article IX, Section 18 of the State Constitution, which limits Class 3 primary property taxes to no more than 1% of a home's full cash value. All Class III properties are eligible for both "homeowner's rebate" and "1% cap" funding.

Special Education Fund

The budget includes \$35,242,100 and 1 FTE Position from the General Fund for the Special Education Fund Special Line Item in FY 2011. These amounts are unchanged from FY 2010. An adjustment for enrollment growth is not included for the program in FY 2011, as caseloads for special education vouchers currently are expected to remain unchanged for FY 2011.

The Special Education Fund provides funding for special education costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) developmentally disabled programs operated by DES [A.R.S. § 15-1202]. It also funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency (Department of Juvenile Corrections, Department of Economic Security (DES), Department of Health Services (DHS), or the Administrative Office of the Courts) [A.R.S. § 15-1182].

Other State Aid to Districts

The budget includes \$983,900 from the General Fund for Other State Aid to Districts in FY 2011. This amount is unchanged from FY 2010.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE).

Certificates of Educational Convenience (CEC's) allow students to attend school in a district other than the one they live in if they are placed there by an authorized state or federal agency. This includes placement into a 1) rehabilitative or corrective institution, 2) foster home or child care agency or institution that is licensed and supervised by DES or DHS, or 3) residential facility operated or supported by DES or DHS [A.R.S. § 15-825]. CEC's also provide supplemental special education funding for school districts that provide special education services to out-of-district children.

The ASDCSE program supplements Basic State Aid funding for school districts that educate pupils whose parents are employed and domiciled at certain state institutions located within the school district's boundaries, pursuant to A.R.S. § 15-976.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

ADM Calculation

Starting in FY 2012, Laws 2010, Chapter 318 redefines Average Daily Membership (ADM) as being the sum of student "membership" (enrollment minus withdrawals) for September 15, November 15, January 15 and March 15 of each school year divided by 4 (a 4-day average) instead of the 100-day average (for the first 100 days of the school year) that is defined under current law. As a result, schools will only need to report 4 days of "membership" data per year (rather than 100) starting in FY 2012.

Chapter 318 also eliminates "Average Daily Attendance" (ADA) calculations for public schools starting in FY 2012. ADA calculations historically have been used in order to adjust ADM counts downward for elementary and unified school districts with more than 6% average daily absences and for high school districts with more than 8.5% average daily absences. Chapter 318, however, requires school districts to continue to report student absence data to the department at least once every 60 days and requires the department and the Auditor General to include at least a 10% sample of daily attendance records as part of ADM audits beginning in FY 2012.

In addition, Chapter 318 requires the department to compute ADM for the current year no later than April 15 and inform school districts and charter schools of their final ADM counts no later than April 22. Chapter 318 requires any subsequent changes to ADM counts for a current year to be handled as corrections to state aid in the following fiscal year.

Chapter 318 will not have a fiscal impact for FY 2011 due to its delayed effective date. For FY 2012 and subsequent years, it is projected to be roughly cost neutral, with the state cost of foregoing penalties for excessive absences being approximately offset by savings associated with counting ADM later in each school year. (The new calculation includes data from March 15th, which is after

the 100th school day for most public schools. ADM counts typically decline as a school year progresses due to high school dropouts.)

Budget Limits for School District Overrides

Laws 2010, Chapter 179 stipulates that budget limits for school district overrides for FY 2011 shall not be affected by the elimination of the Kindergarten Group B funding weight in FY 2011 (*see "Full Day Kindergarten" narrative under Basic State Aid for more information*). Apart from this provision, school district override funding for FY 2011 would decrease because that funding is capped at a percentage of a district's Revenue Control Limit (RCL) and districts with Kindergartners will experience RCL reductions in FY 2011 due to elimination of the Kindergarten Group B weight. This provision is effective for FY 2011 only, so does not permanently hold school district overrides harmless from RCL declines due to the elimination of the Kindergarten Group B weight.

Classroom Site Fund Budget Capacity for FY 2011

Laws 2010, Chapter 306, stipulates that new spending authority ("budget capacity") from the Classroom Site Fund (CSF) for FY 2011 shall be \$120 per pupil. Apart from this provision, new budget capacity from the Classroom Site Fund (CSF) for FY 2011 would be \$25 per pupil due to a new adjustment required for CSF calculations starting in FY 2011 pursuant to A.R.S. § 15-977G1. Chapter 306 spreads out the impact of that new adjustment over more than 1 year.

SAIS Replacement or Update

Laws 2010, Chapter 334, requires the department to issue a request for proposal (RFP) by August 1, 2010 for evaluation of its current data system and to award a contract for that evaluation by October 1, 2010. Chapter 334 also requires the department to issue a RFP to replace or update the Student Accountability Information System (SAIS) and to bring it into compliance with the American Recovery and Reinvestment Act of 2009. Both RFP requirements are subject to the availability of funding from state, federal or other sources. Chapter 334 does not appropriate any state monies for these purposes.

Department of Education
Non-Formula Programs

A.R.S. § 15-231

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	149.4	133.4	93.0 ^{1/}
Personal Services	459,600	346,700	335,100
Employee Related Expenditures	156,400	145,600	143,900
Professional and Outside Services	1,100	98,300	98,300
Travel - In State	1,000	2,500	2,500
Travel - Out of State	400	0	0
Other Operating Expenditures	451,400	225,300	225,200
Equipment	6,200	0	0
OPERATING SUBTOTAL	1,076,100	818,400	805,000
SPECIAL LINE ITEMS			
School Accountability and Improvement			
Achievement Testing	9,778,100	10,236,900	10,230,700 ^{2/}
AIMS Intervention; Dropout Prevention	5,499,200	1,621,300	0
School Accountability	3,881,100	2,349,500	0
Education Services			
Adult Education and GED	4,241,100	1,754,700	0
Chemical Abuse	642,700	269,700	0
Disabled Pupil Scholarships	2,049,100	0	0
Displaced Pupils Choice Grant Program	1,037,000	0	0
English Learner Administration	4,731,900	4,108,800	4,069,700 ^{3/}
Compensatory Instruction Fund Deposit	5,350,500	5,000,000	0
Arizona Structured English Immersion Fund	40,971,100	8,791,400	8,791,400
Extended School Year	500,000	206,800	0
Family Literacy	971,000	296,600	0
Gifted Support	3,056,000	1,329,200	0
School Safety Program	6,808,800	5,209,400	0
Small Pass-Through Programs	100,000	41,300	0
State Block Grant - Early Childhood Education	18,337,500	5,875,500	0
State Block Grant - Vocational Education	11,397,300	11,492,700	11,492,700
Teacher Certification	1,892,700	1,784,800	2,227,800 ^{4/}
Vocational Education Extended Year	190,900	300,000	0
PROGRAM TOTAL	122,512,100	61,487,000	37,617,300^{5/6/}
FUND SOURCES			
General Fund	114,665,500	52,569,300	28,685,300
<u>Other Appropriated Funds</u>			
Proposition 301 Fund	5,736,200	7,000,000	7,000,000
Teacher Certification Fund	2,110,400	1,917,700	1,932,000
SUBTOTAL - Other Appropriated Funds	7,846,600	8,917,700	8,932,000
SUBTOTAL - Appropriated Funds	122,512,100	61,487,000	37,617,300
Other Non-Appropriated Funds	15,434,600	14,900,200	14,900,200
Federal Funds	955,837,600	975,771,000	975,771,000
TOTAL - ALL SOURCES	1,093,784,300	1,052,158,200	1,028,288,500

COST CENTER DESCRIPTION — This cost center funds “non-formula” programs in the agency’s budget, which are programs that are not based on statutory funding formulas and that primarily service functions other than policy setting or agency administration. For FY 2011, those programs include 1) Achievement Testing, 2) English Learner Administration, 3) the Arizona Structured English Immersion Fund, 4) State Block Grant – Vocational Education, and 5) Teacher Certification.

Operating Budget

The budget includes \$805,000 and 7.5 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$671,100
Teacher Certification Fund	133,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(13,400) from the operating budget in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(14,400)
Teacher Certification Fund	1,000

(Please see the General Provisions section.)

School Accountability and Improvement

Achievement Testing

The budget includes \$10,230,700 and 3 FTE Positions for Achievement Testing in FY 2011. These amounts consist of:

General Fund	3,230,700
Proposition 301 Fund	7,000,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,200) from the General Fund in FY 2011 for statewide adjustments.

Fund Shift

The budget includes an increase of \$2,329,800 from the Proposition 301 Fund and a corresponding General Fund decrease in FY 2011 for the Achievement Testing program. These amounts are in addition to the \$2,329,900 fund shift approved in the midyear FY 2010 revisions and result in a total 2-year fund shift of \$4,659,700. Total funding for the SLI was unchanged by this fund shift. Proposition 301 funding for the School Accountability program, however, was eliminated as a result of the shift (*see “School Accountability” narrative for more information.*)

This Special Line Item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. That law requires “norm-referenced testing” of grades selected by the Superintendent of Public Instruction (currently Grades 2 and 9) and AIMS testing of at least 4 grades designated by the State Board of Education (currently Grades 3 through 8, Grade 10, and high school retakes). The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the “up to \$7 million” allowable appropriation for School Accountability in A.R.S. § 42-5029(E7).

Estimated contract costs for achievement testing by year appear in *Table 1*. The state typically funds approximately 55% of annual testing costs and federal monies typically fund about 45% of those costs.

1/ Includes 58.5 GF and 27.0 OF FTE Positions funded from Special Line Items in FY 2011.
 2/ Before making any changes to the Achievement Testing program that will increase program costs, the State Board of Education shall report the estimated fiscal impact of those changes to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
 3/ The appropriated amount is to be used by the Department of Education to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the Department of Education to school districts and charter schools for the purposes of Title 15, Chapter 7, Article 3.1, Arizona Revised Statutes. The Department of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, the Superintendent of Public Instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of *Flores v. State of Arizona*, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)
 4/ 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 of the Teacher Certification program. (General Appropriation Act footnote)
 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
 6/ See agency summary for agencywide lump sum reductions.

Table 1
Current Achievement Testing
Contract Cost by Year

<u>Fiscal Year</u>	<u>Contract Cost</u>
FY 2010	\$11,833,200
FY 2011	13,487,600
FY 2012	15,001,000
FY 2013	13,652,300
FY 2014	<u>14,243,100</u>
Total *	\$68,217,200

* The contract actually is a 1-year contract for FY 2010 with the option to renew for an additional 4 years at the prices shown.

AIMS Intervention; Dropout Prevention

The budget includes no funding for AIMS Intervention; Dropout Prevention in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(1,621,300) from the General Fund in FY 2011 for the AIMS Intervention; Dropout Prevention program. This decrease is in addition to a mid-year FY 2010 decrease of \$(1,621,400) that is continued for FY 2011 and eliminates all remaining program funding.

The program was authorized by A.R.S. § 15-809 and provided additional academic support for high school pupils considered most likely to drop out of school. Program funding was awarded on a competitive grant basis and 39 school districts, charter schools, and other entities (such as the YMCA) received program grants for FY 2009.

The K-12 Education BRB (Laws 2010, 7th Special Session, Chapter 8) notwithstanding for FY 2011 an annual performance audit requirement for the program in A.R.S. § 15-809C.

School Accountability

The budget includes no funding for School Accountability in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(19,700) from the General Fund and \$(2,329,800) and (31) FTE Positions from the Proposition 301 Fund in FY 2011 for the School Accountability program. These decreases are in addition to mid-year FY 2010 decreases of \$(19,700) from the General Fund and \$(2,329,900) from the Proposition 301 Fund that are continued for FY 2011 and eliminate all remaining program funding.

The purpose of the School Accountability program was to promote improved student achievement and school

accountability pursuant to A.R.S. § 15-241. Program funding was used primarily to cover costs of solution teams that are assigned to help underperforming schools pursuant to A.R.S. § 15-241P. Program funding also was used to fund analysis of student achievement testing data in order to determine the academic effectiveness of individual schools and to fund a portion of maintenance costs of the Student Accountability Information System (SAIS).

Education Services

Adult Education and GED

The budget includes no funding for the Adult Education and GED (General Education Development) Special Line Item in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(1,754,700) and (1.8) FTE Positions from the General Fund in FY 2011 for the Adult Education and GED program. This decrease is in addition to a mid-year FY 2010 decrease of \$(1,704,500) that is continued for FY 2011 and eliminates all remaining program funding.

The program funded immigrant education and adult basic education programs that received funding through the department pursuant to A.R.S. § 15-234. Funding was awarded on a competitive grant basis. For FY 2009, funding was allocated to 51 school districts, community colleges and local entities such as the “Camp Verde Adult Program.”

Chemical Abuse

The budget includes no funding for the Chemical Abuse Prevention Program in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(269,700) and (2.4) FTE Positions from the General Fund in FY 2011 for the Chemical Abuse program. This decrease is in addition to a mid-year FY 2010 decrease of \$(229,800) that is continued for FY 2011 and eliminates all remaining program funding.

The program funded chemical abuse prevention programs for students in Grades K-12 pursuant to A.R.S. § 15-712. Funds were awarded on a competitive grant basis to research-based programs that had proven to be effective or showed promise of being effective. For FY 2009, 130 entities (mostly school districts) received funding from this program.

Disabled Pupil Scholarships

The budget includes no funding from the General Fund for the Disabled Pupil Scholarships program in FY 2011. This amount is unchanged from FY 2010.

On March 26, 2009, the Arizona Supreme Court ruled that this program and the Disabled Pupils Choice Grant program (described below) were unconstitutional because they were said to violate a ban in the State Constitution on appropriating public monies for private or religious schools.

On a related note, Laws 2009, 2nd Special Session, Chapter 1, established a corporate income tax credit and an insurance premium tax credit beginning July 1, 2009 for contributions to a school tuition organization (STO) that provides scholarships or grants for disabled students or children in foster care homes. Chapter 1 caps the amount of total tax credits under this new program at \$5,000,000 per year.

The Disabled Pupil Scholarships program provided scholarships to pupils with disabilities to attend the public or non-public school of their choice pursuant to A.R.S. § 15-891, as established by Laws 2006, Chapter 340. The maximum scholarship amount equaled the amount of Base Support Level funding that the student otherwise would have generated under the Basic State Aid funding formula in A.R.S. § 15-943. This varied from roughly \$5,000 to \$25,000 per pupil depending on the special education Group B weight for which the pupil qualified. The department awarded \$240,200 in program vouchers for FY 2007, \$1,516,300 for FY 2008 and \$2,049,100 for FY 2009.

Displaced Pupils Choice Grant Program

The budget includes no funding from the General Fund for the Displaced Pupils Choice Grant Program in FY 2011. This amount is unchanged from FY 2010.

As noted above, the Arizona Supreme Court on March 26, 2009 ruled that this program and the Disabled Pupil Scholarships program (described above) were unconstitutional. As also noted above, however, Laws 2009, 2nd Special Session, Chapter 1, established a corporate income tax credit and an insurance premium tax credit beginning July 1, 2009 for contributions to a school tuition organization (STO) that provides scholarships or grants for children in foster care homes or disabled pupils, up to \$5,000,000 annually.

The Displaced Pupils Choice Grant program provided displaced pupils with grants to attend non-governmental schools pursuant to A.R.S. § 15-817.01, as established by Laws 2006, Chapter 358. Program grants were available only to pupils who had been placed in foster care at any time before they graduated from high school or obtained a GED. The maximum grant value was \$5,000 or the total

amount of tuition and fees charged by the grant school, whichever was less. The department awarded \$744,300 in program grants for FY 2008 and \$1,037,000 for FY 2009.

English Learner Administration

The budget includes \$4,069,700 and 24.5 FTE Positions from the General Fund for English Learner Programs in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(39,100) from the General Fund in FY 2011 for statewide adjustments.

The program was originally authorized by Laws 2006, Chapter 4, which provided an increase of \$14,610,000 from the General Fund in FY 2007 to address the Flores v. State of Arizona litigation. That increase included \$4,610,000 for English language acquisition services provided by the department and \$10,000,000 for compensatory instruction. Since FY 2008, compensatory instruction monies have been appropriated into a separate Compensatory Instruction Fund Deposit line item (*see "Compensatory Instruction Fund Deposit" narrative below*).

Chapter 4 included session law language stipulating how the \$4,610,000 amount was to be used and provided authorization for the department to spend an unspecified portion of those monies on legal services in connection with the Flores case. That session law language was later converted into a General Appropriation Act footnote, which remains in the budget for FY 2011.

Chapter 4 also appropriated \$14,300,000 to the department in FY 2007 for an increase in the English Learner Group B weight. That funding was continued for FY 2008 in a new "Conditional English Learner Weight Funding" line item in the Formula Programs cost center. The FY 2007 funding reverted at the end of FY 2007, but the FY 2008 funding was subsequently reallocated to the Arizona Structured English Immersion Fund for FY 2009 by Laws 2008, Chapter 34, where it remains (at a reduced level) in the budget for FY 2011 (*see the Arizona Structured English Immersion Fund Special Line Item narrative below*).

The Flores v. State of Arizona lawsuit was filed in federal court in 1992 by parents of children enrolled in the Nogales Unified School District. The plaintiffs alleged that the civil rights of Limited English Proficient (LEP) students were violated because the state failed to fund adequate language and academic instructional programs for at-risk students. Litigation in the case has been ongoing since 1992. In June 2009, however, the U.S. Supreme Court reversed the most recent ruling from the federal Ninth Circuit Court of Appeals that had found that Arizona was not fully funding language acquisition programs for English learners. In its decision, the U.S.

Supreme Court remanded the case back to the District court with instructions for it to reconsider changes that have occurred since 2000 in how Arizona serves English learners. The timeline for final resolution in the case in District court is unknown at the time of this writing.

Compensatory Instruction Fund Deposit

The budget includes no funding for the Compensatory Instruction Fund in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2011 for the Compensatory Instruction Fund Deposit program. This decrease is in addition to a mid-year FY 2010 decrease of \$(5,000,000) that is continued for FY 2011 and eliminates all remaining program funding.

The program funded instructional programs for improving the English proficiency of English language learners that are in addition to normal classroom instruction. These programs included individual or small group instruction, extended day classes, summer school or intersession school, pursuant to A.R.S. § 15-756.11.

Arizona Structured English Immersion Fund

The budget includes \$8,791,400 from the General Fund for the Arizona Structured English Immersion Fund in FY 2011. This amount is unchanged from FY 2010.

The Arizona Structured English Immersion Fund was established by Laws 2006, Chapter 4 (A.R.S. § 15-756.04). Monies in the fund are distributed to school districts based on amounts that they requested and that were verified by the department pursuant to A.R.S. § 15-756.04C. Approximately 150 school districts and charter schools received allocations from the fund in FY 2009.

Extended School Year

The budget includes no funding from the General Fund for Extended School Year in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(206,800) from the General Fund in FY 2011 for the Extended School Year program. This decrease is in addition to a mid-year FY 2010 decrease of \$(206,800) that is continued for FY 2011 and eliminates all remaining program funding.

The program helped fund extended school year programs for pupils with disabilities pursuant to A.R.S. § 15-881.

Family Literacy

The budget includes no funding from the General Fund for Family Literacy in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(296,600) from the General Fund in FY 2011 for the Family Literacy program. This decrease is in addition to a mid-year FY 2010 decrease of \$(296,600) that is continued for FY 2011 and eliminates all remaining program funding.

Pursuant to A.R.S. § 15-191.01, the program sought to increase the basic academic and literacy skills of undereducated low-income parents and their preschool children. Program funding was awarded on a competitive grant basis. For FY 2009, 7 organizations (5 school districts and 2 community colleges) received grant funding from this program.

Gifted Support

The budget includes no funding from the General Fund for Gifted Support in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(1,329,200) and (1.1) FTE Positions from the General Fund in FY 2011 for the Gifted Support program. This decrease is in addition to a mid-year FY 2010 decrease of \$(1,286,700) that is continued for FY 2011 and eliminates all remaining program funding.

The program funded Gifted Education, which statute defines as consisting of “appropriated academic course offerings and services that are required to provide an educational program that is an integral part of the regular school day and that is commensurate with the academic abilities and potential of a gifted pupil” (A.R.S. § 15-779). Program funding was allocated under a formula established in A.R.S. § 15-779.03, which, if fully funded, would provide \$82 per pupil for 4% of a school district or charter school’s student count, or \$2,000, whichever is more.

School Safety Program

The budget includes no funding from the General Fund for the School Safety Program in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(5,209,400) and (2.9) FTE Positions from the General Fund in FY 2011 for the School Safety Program. This decrease eliminates all appropriated monies for the program. The program,

however, will continue to receive \$7,800,000 in Proposition 301 sales tax monies that are automatically appropriated to it each year pursuant to A.R.S. § 42-5029E6.

The program places peace officers and juvenile probation officers in schools pursuant to A.R.S. § 15-154. Program funding is allocated on a competitive grant basis and for FY 2009 was received by 74 school districts.

Small Pass-Through Programs

The budget includes no funding from the General Fund for Small Pass-Through Programs in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(41,300) from the General Fund in FY 2011 for the Small Pass-Through program. This decrease is in addition to a mid-year FY 2010 decrease of \$(41,400) that is continued for FY 2011 and eliminates all remaining program funding.

Program funding for FY 2010 was allocated to the Academic Contest Fund and Economic Academic Council. Prior to FY 2009, this program also funded a number of other small pass-through programs.

State Block Grant for Early Childhood Education

The budget includes no funding from the General Fund for the State Block Grant for Early Childhood Education in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(5,875,500) and (1.2) FTE Positions from the General Fund in FY 2011 for the State Block Grant for Early Childhood Education program. This decrease is in addition to a mid-year FY 2010 decrease of \$(5,838,900) that is continued for FY 2011 and eliminates all remaining program funding.

The program provided block grants to school districts and charter schools for efforts aimed at improving the academic achievement of pupils in preschool through Grade 3 pursuant to A.R.S. § 15-1251. Program monies were allocated to individual school districts and charter schools based on the percentage of their respective pupils who were eligible for free or reduced price lunches under the federal school nutrition program.

State Block Grant for Vocational Education

The budget includes \$11,492,700 and 31 FTE Positions from the General Fund for the State Block Grant for Vocational Education in FY 2011. These amounts are unchanged from FY 2010.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. Program funding is allocated based partly on the number of students enrolled in CTE programs at each school district or charter school and partly on their respective job placement rates for those programs.

CTE programs currently also receive approximately \$25.9 million in federal funding annually pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006. Those monies are subject to a federal “maintenance of effort” (MOE) provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year in order to remain eligible for Perkins funding. Otherwise the state loses all of its Perkins funding in the subsequent fiscal year. (Under limited circumstances, a state potentially can receive a waiver to reduce its CTE expenditures by no more than 5% for one year only without violating MOE.) The Perkins Act also requires states to allocate 15% of their Perkins monies each year to community colleges.

Teacher Certification

The budget includes \$2,227,800 and 27 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	429,700
Teacher Certification Fund	1,798,100

These amounts fund the following adjustments:

Create Fund

The budget includes an increase of \$429,700 from the General Fund in FY 2011 to provide temporary start up funding for the newly-created Teacher Certification Fund. Prior to FY 2011, monies received from teachers and other certification applicants pursuant to A.R.S. § 15-531 were deposited into a subaccount of the General Fund rather than into a separate Teacher Certification Fund. Laws 2010, Chapter 306, however, establishes the Teacher Certification Fund in A.R.S. § 15-248.02 and appropriates \$429,700 to it from the General Fund in FY 2011 as a temporary intra-year loan in order to fund early year program expenses (since the new fund will not have a beginning balance going into FY 2011). Chapter 306 requires the department to transfer \$429,700 back to the General Fund by June 30, 2011 (after the program has had 12 months to accumulate fees paid by teachers and other certification applicants). As a result, the net amount available for actual program costs for FY 2011 will be \$1,784,800 (the \$2,214,500 total appropriation minus \$429,700 required transfer).

Statewide Adjustments

The budget includes an increase of \$13,300 from the Teacher Certification Fund in FY 2011 for statewide adjustments. (*Please see the General Provisions section.*)

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

Vocational Education Extended Year

The budget includes no funding from the General Fund in FY 2011 for Vocational Education Extended Year. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(300,000) from the General Fund in FY 2011 for the Vocational Education Extended Year program. This decrease is in addition to a mid-year FY 2010 decrease of \$(300,000) that is continued for FY 2011 and, therefore, eliminates all remaining program funding.

This funding was used to enable students to attend an extended year or summer school program in a joint technological education district pursuant to A.R.S. § 15-783.02.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.0	9.0	9.0
Personal Services	317,500	323,300	317,500
Employee Related Expenditures	116,700	121,200	122,700
Professional and Outside Services	83,700	104,500	104,500
Travel - In State	100	2,300	2,300
Travel - Out of State	1,200	0	0
Other Operating Expenditures	282,400	361,400	361,400
OPERATING SUBTOTAL	801,600	912,700	908,400
SPECIAL LINE ITEMS			
Math or Science Initiatives	526,800	0	0
PROGRAM TOTAL	1,328,400	912,700	908,400 ^{1/2/3/}
FUND SOURCES			
General Fund	944,700	546,800	539,700
<u>Other Appropriated Funds</u>			
Teacher Certification Fund	383,700	365,900	368,700
SUBTOTAL - Other Appropriated Funds	383,700	365,900	368,700
SUBTOTAL - Appropriated Funds	1,328,400	912,700	908,400
TOTAL - ALL SOURCES	1,328,400	912,700	908,400

COST CENTER DESCRIPTION — The 11-member State Board of Education establishes programs, initiates policies and enforces laws and regulations relating to schools and the educational development of the individual child as provided in A.R.S. § 15-203. The board members other than the Superintendent of Public Instruction are appointed by the Governor for 4-year terms.

Operating Budget

General Fund (7,100)
Teacher Certification Fund 2,800

The budget includes \$908,400 and 9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

(Please see the General Provisions section.)

FY 2011
General Fund \$539,700
Teacher Certification Fund 368,700

Math or Science Initiatives

These amounts fund the following adjustments:

The budget includes no funding for the Math or Science Initiatives program in FY 2011. This amount is unchanged from FY 2010.

Statewide Adjustments

The budget includes a decrease of \$(4,300) from the operating budget in FY 2011 for statewide adjustments. This amount consists of:

The board administered the program under parameters specified in A.R.S. § 15-720.01. That law states that the purpose of the program was to promote improved pupil achievement in math or science by providing supplemental funding for innovative math or science programs. It also established a Math or Science Achievement Program Fund

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Program.

^{2/} See agency summary for agencywide lump sum reductions.

^{3/} The State Board of Education program may establish its own strategic plan separate from that of the Department of Education and based on its own separate mission, goals and performance measures. (General Appropriation Act footnote)

consisting of monies appropriated for this purpose, required the board to administer the fund, and allowed the board to retain up to 5% of program funding for administration.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Adjutant General: Hugo Salazar

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
PROGRAM BUDGET			
Administration	1,633,700	1,781,800	1,767,100
Emergency Management	2,403,800	4,772,200	4,794,800
Military Affairs	5,613,800	4,609,900	4,544,400
5th Special Session Reduction	0	(543,000)	(543,000)
AGENCY TOTAL	9,651,300	10,620,900	10,563,300
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	96.6	84.6	82.6 ^{1/2}
Personal Services	2,147,900	2,257,300	2,197,900
Employee Related Expenditures	835,400	785,700	773,200
Professional and Outside Services	98,300	43,100	43,100
Travel - In State	84,500	78,900	78,900
Travel - Out of State	11,900	18,700	18,700
Other Operating Expenditures	2,334,300	2,474,800	2,474,800
Equipment	130,900	116,400	116,400
OPERATING SUBTOTAL	5,643,200	5,774,900	5,703,000
SPECIAL LINE ITEMS			
Governor's Emergency Fund	585,900	2,900,000	2,900,000 ^{3/}
Guardsmen Tuition Reimbursement	739,500	0	0
Military Gift Package Postage	50,000	0	0
Nuclear Emergency Management Fund	827,900	895,100	929,500 ^{4/5/}
Project Challenge	1,804,800	1,593,900	1,573,800
5th Special Session Reduction	0	(543,000)	(543,000)
AGENCY TOTAL	9,651,300	10,620,900	10,563,300 ^{6/7/}
FUND SOURCES			
General Fund	9,518,600	10,488,200	10,430,600
<u>Other Appropriated Funds</u>			
Emergency Response Fund	132,700	132,700	132,700
SUBTOTAL - Other Appropriated Funds	132,700	132,700	132,700
SUBTOTAL - Appropriated Funds	9,651,300	10,620,900	10,563,300
Other Non-Appropriated Funds	220,400	220,400	220,400
Federal Funds	87,583,900	77,186,300	77,186,300
TOTAL - ALL SOURCES	97,455,600	88,027,600	87,970,000

1/ Includes 4.5 FTE Positions in FY 2011 appropriated by Laws 2009, Chapter 73.

2/ Includes 26 FTE Positions funded from Special Line Items in FY 2011.

3/ Includes expenditures authorized by A.R.S. § 35-192, which states that up to \$4,000,000 may be spent on disaster prevention and mitigation. This amount is not included in the General Appropriation Act. The budget includes total funding of \$2,900,000 for a reduction of \$(1,100,000) as a part of Laws 2010, 7th Special Session, Chapter 5.

4/ Includes \$895,117 and 4.5 FTE Positions in FY 2010 and \$929,543 and 4.5 FTE Positions in FY 2011 appropriated by Laws 2009, Chapter 73 for the Nuclear Emergency Management Fund.

5/ Pursuant to A.R.S § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriation, however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.

6/ The Department of Emergency and Military Affairs appropriation includes \$1,215,000 for service contracts. This amount is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2011 monies remaining unexpended and unencumbered on October 31, 2011, revert to the state General Fund. (General Appropriation Act footnote)

7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

AGENCY DESCRIPTION — The department's Emergency Management Program prepares and coordinates emergency response plans for the state. The Military Affairs Program operates the Arizona National Guard and Project Challenge, an educational program for at-risk youth.

Operating Budget

The budget includes \$5,703,000 and 61.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$5,570,300
Emergency Response Fund	132,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(71,900) from the General Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Governor's Emergency Fund

The budget includes \$2,900,000 from the General Fund for the Governor's Emergency Fund in FY 2011. This amount is unchanged from FY 2010.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

The midyear FY 2009 budget revisions included a \$(500,000) decrease from the annually appropriated \$4,000,000 amount. An additional \$(600,000) decrease from the General Fund in FY 2010 was authorized by the General Government Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 7). These decreases were continued in the FY 2011 General Government Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 5).

Guardsmen Tuition Reimbursement

The budget includes no funding for the Guardsmen Tuition Reimbursement Program in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item were used to reimburse eligible guard members for qualifying higher education expenses. In FY 2009, the program awarded funding to 600 guardsmen, who received an average benefit of \$1,250.

Military Gift Package Postage

The budget includes no funding for the Military Gift Package Postage Program in FY 2011. This amount is unchanged from FY 2010.

These funds were used to reimburse individuals and corporations for the cost of mailing gift packages to military personnel serving overseas.

Nuclear Emergency Management Fund

The budget includes \$929,543 and 4.5 FTE Positions from the General Fund for the Nuclear Emergency Management Fund (NEMF) in FY 2011. These amounts fund the following adjustments:

NEMF Increase

The budget includes an increase of \$34,400 from the General Fund for the NEMF Special Line Item in FY 2011.

Laws 2009, Chapter 73 appropriated \$895,117 and 4.5 FTE Positions in FY 2010 and \$929,543 and 4.5 FTE Positions in FY 2011. Since the monies in the line item were appropriated by Chapter 73, these monies do not appear in the General Appropriation Act. Both the Department of Emergency and Military Affairs and Radiation Regulatory Agency received monies from this bill. *(Please see the Radiation Regulatory Agency narrative for more information.)*

Of the total FY 2011 amount, \$440,805 and 4.5 FTE Positions are allocated to the Department of Emergency and Military Affairs' Emergency Management Division for administering and enforcing the state plan for off-site response to an emergency caused by an accident at the Palo Verde nuclear plant. The Emergency Management Division also receives \$418,829 to disburse to agencies of Maricopa County that receive assignments or responsibilities from the nuclear emergency response plan. The remaining \$69,909 is to be disbursed to departments and agencies of the Town of Buckeye for expenses incurred from participation in the nuclear emergency response plan.

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level necessary to offset the General Fund appropriation to the NEMF.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Monies appropriated to the NEMF are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that monies left unexpended or unencumbered at the end of the fiscal year shall be used to offset the next year's assessment and appropriation.

Project Challenge

The budget includes \$1,573,800 and 17 FTE Positions from the General Fund for Project Challenge in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(20,100) from the General Fund in FY 2011 for statewide adjustments.

Project Challenge is an educational program for at-risk youth. It is located in Queen Creek and accepts approximately 200 students per year. Students entering the program live in residence for 5 months to complete a curriculum in academics, career planning, and physical training, which is followed by a 12-month mentoring period. After completion of the program, most graduates will receive their General Education Diploma.

5th Special Session Reduction

The budget includes \$(543,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

Military Installation Fund Shift

Laws 2010, Chapter 208 shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency and Military Affairs beginning on January 1, 2011. The law also redirects the pass-through of 80% of the Military Installation Fund appropriation for the Department of Veterans' Services to the Department of Emergency and Military Affairs.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Department of Emergency and Military Affairs to reduce 2 General Fund FTE Positions in FY 2010 and an additional 2 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Director: Benjamin H. Grumbles

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	473.4	471.4	467.4
Personal Services	5,720,100	5,260,900	17,959,700
Employee Related Expenditures	2,885,200	2,479,200	7,528,300
Professional and Outside Services	431,300	8,800	5,073,300
Travel - In State	18,700	0	520,700
Travel - Out of State	1,200	0	43,300
Other Operating Expenditures	6,160,300	6,236,100	14,857,500
Equipment	169,000	374,700	657,700
OPERATING SUBTOTAL	15,385,800	14,359,700	46,640,500
SPECIAL LINE ITEMS			
Air Programs			
Air Quality Management and Analysis	10,639,000	10,382,500	0
Emissions Control Contractor Payment	25,492,200	27,639,600	27,639,600
Emissions Control Program - Administration	2,662,100	4,148,100	0
Maricopa/Pima/Pinal Travel Reduction Plan	176,900	1,638,100	0
Transfers to Counties Program	165,000	145,700	0
Waste Programs			
Waste Control and Management	4,786,200	3,711,300	0
Underground Storage Tank Program	1,300	22,000	0
Waste Tire Program	48,000	44,500	0
WQARF Priority Site Remediation	13,000,000	7,000,000	7,000,000 ^{1/2/3/}
Water Programs			
Arizona Pollution Discharge Elimination System	1,524,700	1,524,700	0
Drinking Water Regulation Program	1,875,400	2,225,800	0
Surface Water Regulation Program	1,635,200	1,656,300	0
Underground Water Regulation Program	5,607,200	7,052,000	0
WIFA			
Drinking Water Revolving Loan Program	845,100	0	0
5th Special Session Reduction	0	(3,009,000)	(2,540,400)
7th Special Session Fund Shift	0	0	(6,247,700)
AGENCY TOTAL	83,844,100	78,541,300	72,492,000 ^{4/}
FUND SOURCES			
General Fund	19,673,500	12,772,100	7,000,000
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	5,752,200	5,247,200	5,164,200 ^{5/}
Air Quality Fund	5,016,800	4,760,500	4,725,400
Clean Water Revolving Fund	5,482,200	5,000,000	5,000,000
Emissions Inspection Fund	28,154,300	33,114,500	33,086,600
Hazardous Waste Management Fund	163,200	740,800	745,200
Indirect Cost Recovery Fund	12,424,200	10,376,000	10,417,500 ^{6/}
Recycling Fund	2,078,500	0	0
Solid Waste Fee Fund	1,011,000	1,162,800	1,026,000
Underground Storage Tank Revolving Fund	1,300	22,000	22,000
Used Oil Fund	700	138,300	138,900
Water Quality Fee Fund	4,086,200	5,207,100	5,166,200 ^{7/}
SUBTOTAL - Other Appropriated Funds	64,170,600	65,769,200	65,492,000
SUBTOTAL - Appropriated Funds	83,844,100	78,541,300	72,492,000 ^{8/}

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
Other Non-Appropriated Funds	246,489,800	184,520,600	184,520,600
Federal Funds	19,521,800	62,919,800	62,919,800
TOTAL - ALL SOURCES	349,855,700	325,981,700	319,932,400

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. 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.

Operating Budget

The budget includes \$46,640,500 and 467.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$6,247,700
Air Permits Administration Fund	5,593,600
Air Quality Fund	5,114,500
Clean Water Revolving Fund	5,000,000
Emissions Inspection Fund	5,758,300
Hazardous Waste Management Fund	804,800
Indirect Cost Recovery Fund	11,259,300
Solid Waste Fee Fund	1,112,800
Underground Storage Tank Revolving Fund	22,000
Used Oil Fund	138,900
Water Quality Fee Fund	5,588,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(145,200) in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	7,000
Air Permits Administration Fund	(83,000)
Air Quality Fund	(35,100)
Emissions Inspection Fund	(27,900)
Hazardous Waste Management Fund	4,400
Indirect Cost Recovery Fund	41,500
Solid Waste Fee Fund	(11,800)
Used Oil Fund	600
Water Quality Fee Fund	(40,900)

(Please see the General Provisions section.)

Operating Budget Shift

The budget includes an increase of \$32,426,000 and 325.8 FTE Positions to shift the agency’s Special Line Items to the operating budget in FY 2011. These amounts consist of:

- 1/ A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure. Laws 2010, 7th Special Session, Chapter 7 reduced this transfer to \$7,000,000 in FY 2011.
- 2/ The Department of Environmental Quality shall report annually 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. This report shall also include a budget for the WQARF program that is developed in consultation with the WQARF Advisory Board. The FY 2011 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2010. This budget shall specify the monies budgeted for each listed site during FY 2011. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, by October 2, 2010, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table shall include the stage of remediation for each site at the end of FY 2010, whether the current stage of remediation is anticipated to be completed in FY 2011, and the anticipated stage of remediation at each listed site at the end of FY 2011, assuming FY 2011 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- 3/ Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2012 budget for the Water Quality Assurance Revolving Fund before September 1, 2010, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated by Operating Lump Sum with Special Line Items by Agency.
- 5/ All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$5,164,200 in FY 2011 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$5,164,200 in FY 2011, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 6/ All Indirect Cost Fund Recovery revenues received by the Department of Environmental Quality in excess of \$10,417,500 in FY 2011 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$10,417,500 in FY 2011, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 7/ Laws 2010, Chapter 265, appropriated all water quality administration permit revenues to the Department of Environmental Quality. The Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee before the monies are expended.
- 8/ Laws 2010, Chapter 309, appropriates monies received from applicants to expedite permits to ADEQ in order to pay private consultants.

General Fund	3,098,800
Air Permits Administration Fund	5,676,600
Air Quality Fund	5,149,600
Clean Water Revolving Fund	5,000,000
Emissions Inspection Fund	5,786,200
Hazardous Waste Management Fund	800,400
Solid Waste Fee Fund	1,124,600
Underground Storage Tank Revolving Fund	22,000
Used Oil Fund	138,300
Water Quality Fee Fund	5,629,500

(Please see Special Line Items for more information.)

Air Programs

Air Quality Management and Analysis

The budget includes no funding the Air Quality Management and Analysis in FY 2011. This amount funds the following adjustments:

Air Quality Management and Analysis Shift

The budget includes a decrease of \$(10,382,500) and (90.9) FTE Positions in FY 2011 to transfer the Air Quality and Management Analysis Program to the department's operating budget. This shift does not change the department's overall funding. These amounts consist of:

General Fund	(220,500)
Air Permits Administration Fund	(5,676,600)
Air Quality Fund	(4,485,400)

Expenditures from the Air Quality Management and Analysis Special Line Item are for air quality research, regulation and inspection of stationary air pollution sources, and programs to bring non-attainment areas into attainment with federal clean air standards.

Emissions Control Program

The Emissions Control Program is operated by an independent contractor in Maricopa and Pima Counties, with the purpose of identifying and repairing polluting motor vehicles. Vehicle owners in Maricopa County are subject to either an Inspection and Maintenance or On-Board Diagnostic 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 contractor collects the test fees and remits the entire portion for deposit in the Emissions Inspection Fund. Monies are then appropriated from the Emissions Inspection Fund to either pay for ADEQ's program

administration costs or to pay the independent contractor's operational expenses.

Table 1 displays the components of the Emission Control Program appropriation from the Emissions Inspection Fund for FY 2011.

Table 1	
Emissions Control Program	
	<u>FY 2011</u>
Contractor Payment	\$27,639,600
Program Administration	<u>4,150,200</u>
Total	\$31,789,800

Emissions Control Contractor Payment

The budget includes \$27,639,600 from the Emissions Inspection Fund for the Emissions Control Contractor Payment in FY 2011. This amount is unchanged from FY 2010.

Monies appropriated to this line item are to pay the Emissions Control Program contractor. Under the contract, the contractor remits the entire amount of the fee to ADEQ for deposit in the Emissions Inspection Fund. ADEQ then determines the amount due to the contractor, based on the number of vehicles inspected, and makes payments to the contractor on a regular basis.

Emissions Control Program - Administration

The budget includes no funding for the Emissions Control Program in FY 2011. This amount funds the following adjustments:

Emissions Control Administration Shift

The budget includes a decrease of \$(4,148,100) and (34) FTE Positions from the Emissions Inspection Fund in FY 2011 to transfer the Emissions Control Program Administration to the department's operating budget. This shift does not change the department's overall funding.

This line item includes activities such as providing program information and assistance to the public, reviewing the eligibility of those seeking vehicle repair grants or test waivers, and overseeing the inspection contract. These activities are funded from the administrative portion of the inspection fee, which is set by ADEQ.

Maricopa, Pima, and Pinal Counties Travel Reduction Plan

The budget includes no funding for the Maricopa, Pima, and Pinal Counties Travel Reduction Plan in FY 2011. This amount funds the following adjustments:

Maricopa, Pima, and Pinal Counties Travel Reduction Plan Shift

The budget includes a decrease of \$(1,638,100) from the Emissions Inspection Fund in FY 2011 to transfer the Maricopa, Pima, and Pinal Counties Travel Reduction Plan to the department’s operating budget. This shift does not change the department’s overall funding.

Maricopa, Pima, and Pinal Counties each manage air pollution control programs at the county level. The monies in the Maricopa, Pima, and Pinal Counties Travel Reduction Plan provide funding to these counties to administer rideshare and other trip reduction programs.

Transfers to Counties Program

The budget includes no funding for the Transfers to Counties Program in FY 2011. This amount funds the following adjustments:

Transfers to Counties Shift

The budget includes a decrease of \$(145,700) from the Air Quality Fund in FY 2011 to transfer the Transfers to Counties Program to the department’s operating budget. This shift does not change the department’s overall funding.

Monies in this line item are for use by counties in Arizona to establish air quality public notification and outreach programs, to minimize exposure to particulate matter concentrations, and for abatement and minimization of controllable sources of particulate matter through the best available control measures.

Waste Programs

Waste Control and Management

The budget includes no funding for the Waste Control and Management Program in FY 2011. This amount funds the following adjustments:

Revenue Realignment

The budget includes a decrease of \$(125,000) from the Solid Waste Fee Fund in FY 2011 to bring expenditures in line with annual revenue.

Waste Control and Management Shift

The budget includes a decrease of \$(3,586,300) and (44.6) FTE Positions in FY 2011 to transfer the Waste Control and Management Program to the department’s operating budget. This shift does not change the department’s overall funding. These amounts consist of:

General Fund	(1,049,000)
Air Quality Fund	(518,500)
Hazardous Waste Management Fund	(800,400)

Solid Waste Fee Fund	(1,080,100)
Used Oil Fund	(138,300)

The Waste Control and Management Program is responsible for issuing permits to landfills and other solid waste facilities, as well as regulation and inspection of hazardous waste facilities. The department may initiate remediation actions related to compliance issues.

Underground Storage Tank Program

The budget includes no funding for the Underground Storage Tank (UST) Program in FY 2011. This amount funds the following adjustments:

Underground Storage Tank Shift

The budget includes a decrease of \$(22,000) from the Underground Storage Tank Fund in FY 2011 to transfer 2 Underground Storage Tank (UST) committees to the department’s operating budget. This shift does not change the department’s overall funding.

The Environment Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 7) continues to suspend the UST Revolving Fund Assurance Account administrative cap for FY 2011, as was done in FY 2010, to allow the department to utilize up to \$6,531,000. This would allow the agency to continue funding 3 FTE Positions for the Leak Prevention and Compliance Program, and to provide funding for the Used Oil Program. Expenditures from the Assurance Account are not appropriated by the Legislature and, therefore, are not reflected in the table above.

Background – Monies in the UST Program are utilized to detect and clean up hazardous leakage from USTs. The program’s regulatory component is funded from annual tank registration fees. The clean-up component is funded from a 1¢ per gallon excise tax on gasoline and diesel fuel, which expires on December 31, 2013, or when the Regulated Substance Fund (RSF) receives \$60,000,000, whichever occurs first.

The excise tax is deposited into the UST Fund’s State Assurance Account (SAA). Monies in the SAA are used to partially reimburse tank owners for corrective actions due to leaking tanks and to reimburse ADEQ for actions taken by the agency. After all eligible claims have been paid, monies in the SAA are transferred to the RSF. The RSF would be used for future UST cleanup sites.

The vast majority of fund revenues are not appropriated by the Legislature; however, an amount of \$22,000 from the SAA in FY 2011 is appropriated for the operating costs of the Technical Appeals Panel and the Underground Storage Tank Policy Commission. These funds have now been transferred to the operating budget.

Waste Tire Program

The budget includes no funding for the Waste Tire Program in FY 2011. This amount funds the following adjustments:

Waste Tire Shift

The budget includes a decrease of \$(44,500) and (2.8) FTE Positions from the Solid Waste Fee Fund in FY 2011 to transfer the Waste Tire program to the department's operating budget. This shift does not change the department's overall funding.

This program oversees county programs that dispose of and/or recycle waste tires.

WQARF Priority Site Remediation

The budget includes \$7,000,000 from the General Fund for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation in FY 2011. This amount is unchanged from FY 2010.

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. Funding for this program, therefore, does not appear in the General Appropriation Act. 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. Some types of revenue, including cost recovery collections and interest, are not included in this calculation. Therefore, actual program revenues can exceed \$18,000,000 in a year depending on how much is deposited from these other sources.

The FY 2011 Environment BRB (Laws 2010, 7th Special Session, Chapter 7, Section 9), notwithstanding these statutory provisions and reduced the General Fund allocation by \$(8,000,000). *Table 2* describes program activity for FY 2009 and FY 2010. The budget continues the deposit at the reduced level.

The WQARF program is similar to the federal Superfund program in that it is designed to monitor 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.

Table 2

WQARF Activity		
	Actual FY 2009	Estimated FY 2010
Balance Forward	\$ 8,092,000	\$1,129,800
General Fund	13,000,000	7,000,000
Other Revenue	<u>4,602,500</u>	<u>4,016,000</u>
Total Funds Available	25,694,500	12,145,800
General Fund Expenditures	\$ 0	\$7,000,000
Other Funds Expended	10,903,400	3,597,000
Prior Year Commitments	0	51,300
Funds Transferred		
Dept. of Water Resources	\$ 525,000	\$ 300,000
Voluntary Remediation Fund	0	0
DHS Risk Assessment	27,000	60,000
General Fund Reduction	13,055,900	0
Hiring Freeze Revertment	<u>53,400</u>	<u>371,300</u>
Year-End Fund Balance	\$ 1,129,800	\$ 766,200

Water Programs

Arizona Pollutant Discharge Elimination System

The budget includes no funding for the Arizona Pollutant Discharge Elimination System (AZPDES) in FY 2011. This amount funds the following adjustments:

Arizona Pollutant Discharge Elimination Shift

The budget includes a decrease of \$(1,524,700) and (23.2) FTE Positions from the Clean Water Revolving Fund in FY 2011 to transfer the Arizona Pollutant Discharge Elimination System to the department's operating budget. This shift does not change the department's overall funding.

The AZPDES regulates facilities that discharge pollutants from any point source into navigable waters. These permits may be required for agricultural, domestic, or industrial activities.

Drinking Water Regulation Program

The budget includes no funding for the Drinking Water Regulation Program in FY 2011. This amount funds the following adjustments:

Drinking Water Regulation Shift

The budget includes a decrease of \$(2,225,800) and (37.6) FTE Positions FY 2011 to transfer the Drinking Water Regulation Program to the department's operating budget. This shift does not change the department's overall funding. These amounts consist of:

General Fund	(52,200)
Clean Water Revolving Fund	(1,819,000)
Water Quality Fee Fund	(354,600)

The FY 2010 appropriation to this program was \$2,531,200. ADEQ transferred \$325,900 of its Clean Water Revolving Fund appropriation to the Drinking Water Regulation Program from the Drinking Water Revolving Loan Program. ADEQ also transferred \$511,000 of its Water Quality Fee Fund appropriation from the Drinking Water Regulation Program to the Underground Water Regulation Program.

The Drinking Water Regulation Program ensures drinking water standards are met through assessments of drinking water sources, reviews of water delivery system design and construction, and tests of drinking water for contaminants.

Surface Water Regulation Program

The budget includes no funding for the Surface Water Regulation Program in FY 2011. This amount funds the following adjustment:

Surface Water Regulation Shift

The budget includes a decrease of \$(1,656,300) and (26.7) FTE Positions from the Clean Water Revolving Fund in FY 2011 to transfer the Surface Water Regulation Program to the department's operating budget. This shift does not change the department's overall funding.

The FY 2010 appropriation to this program was \$1,137,100. ADEQ transferred \$519,200 of its FY 2010 Clean Water Revolving Fund appropriation from the Drinking Water Revolving Loan Program to the Surface Water Regulation Program.

The Surface Water Regulation Program regulates the discharge and treatment of both domestic sewage and industrial waste derived from the manufacturing industry through a permitting process; and monitors surface water, which represent all the lakes and streams in Arizona, for compliance with the Clean Water Act.

Underground Water Regulation Program

The budget includes no funding for the Underground Water Regulation Program in FY 2011. This amount funds the following adjustments:

Underground Water Regulation Shift

The budget includes a decrease of \$(7,052,000) and (66) FTE Positions in FY 2011 to transfer the Underground Water Regulation Program to the department's operating budget. This shift does not change the department's overall funding. These amounts consist of:

General Fund	(1,777,100)
Water Quality Fee Fund	(5,274,900)

The FY 2010 appropriation to this program was \$7,037,000. ADEQ transferred \$511,000 of its FY 2010

Water Quality Fee Fund appropriation from the Drinking Water Regulation Program to the Underground Water Regulation Program line item.

The Underground Water Regulation Program issues aquifer protection permits to facilities whose activities, including waste discharges, pose a threat to groundwater. This program also issues permits for residential wastewater systems and administers the Drywell Program, which monitors water runoff that is collected and injected underground.

Water Infrastructure Finance Authority (WIFA)

Drinking Water Revolving Loan Program

The budget includes no funding from the Clean Water Revolving Fund for the Drinking Water Revolving Loan Program in FY 2011. This amount is unchanged from FY 2010.

The FY 2010 appropriation to this program was \$845,100. ADEQ transferred \$325,900 of this amount to the Drinking Water Regulation Program and \$519,200 to the Surface Water Regulation Program. The Drinking Water Revolving Loan Program continues to operate on Non-Appropriated funds.

State and local public drinking water systems are eligible for financial assistance under WIFA's Drinking Water Revolving Fund (DWRF). DWRF monies can be used to plan, engineer, construct, or modify drinking water facilities. Funds may also be used for source water protection and land acquisition. Under the Federal Safe Drinking Water Act, Arizona receives a Federal Fund allocation to be used for loans each year. The act requires that states match the federal allocation at 20%.

5th Special Session Reduction

The budget includes \$(2,540,400) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

Air Permits Administration Fund	(429,400)
Air Quality Fund	(389,100)
Emissions Inspection Fund	(311,300)
Hazardous Waste Management Fund	(59,600)
Indirect Cost Recovery Fund	(841,800)
Solid Waste Fee Fund	(86,800)
Water Quality Fee Fund	(422,400)

This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

7th Special Session Fund Shift

The budget includes a decrease of \$(6,247,700) from the General Fund in FY 2011 for a fund shift. This shift is part of an overall plan to move the agency to self-funding. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

The FY 2011 Environment BRB (Laws 2010, 7th Special Session, Chapter 7) permits the director to increase fees in FY 2011 with the intent that the additional fee revenues would not exceed \$5,779,100. The bill also required the department to submit a specific fee plan for legislative consideration by April 1, 2010. Chapter 7 appropriated these additional fees to ADEQ. The non-General Fund appropriation has not been adjusted in the Appropriations Report pending a final decision on the allocation of the fee increase.

The department responded by April 1st with 2 alternatives for raising fees by \$5,779,100 in FY 2011. Under the department's preferred scenario, ADEQ would raise Air Quality Fees on vehicle registrations from its current \$1.50 to \$2.60. Alternatively, ADEQ could raise multiple fees including vehicle registration fees, permitting fees, hazardous waste fees, landfill registration fees, waste management fees, and aquifer protection permit fees. (The increased fee revenue has not been recorded in the summary table above.)

Laws 2010, Chapter 290, specified that ADEQ must provide public notice and public comment at least 30 days prior to amending rules that would raise fees. Chapter 290 specifies fees must be fairly and equitably assessed to all parties for services rendered. Chapter 290 also establishes a 10-member fee commission which will review fee levels, equality of fees, and needs of the agency.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Expedited Permits

Laws 2010, Chapter 309, allows ADEQ to contract with private consultants for the purposes of assisting the review of applications for licenses, permits, and other authorizations. Chapter 309 specifies that an applicant may request an expedited review of a permit by a private consultant by agreeing to pay the associated costs. Monies received by ADEQ from applicants requesting expedited permits are appropriated to ADEQ to pay the private consultants.

Water Quality Fees

Laws 2010, Chapter 265, allows the Director of ADEQ to establish water quality permitting fees by rule. Future fee increases would require statutory approval. Chapter 265, as session law, allows ADEQ to charge water quality permitting fees through June 30, 2011. The water quality permitting fees include fees for aquifer protection permits, Arizona Pollutant Discharge Elimination System fees, and well fees. Chapter 265 also included an intent clause specifying that water quality permitting fees are to be held in trust and used for the exclusive purposes of water quality.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Department of Environmental Quality to reduce 2 General Fund FTE Positions in FY 2010 and an additional 4 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Director: Carolyn Pitre Wright

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	102,700	102,600	99,000
Employee Related Expenditures	41,700	41,600	43,200
Professional and Outside Services	2,000	3,000	3,000
Travel - In State	700	2,800	2,800
Other Operating Expenditures	60,400	62,300	62,300
OPERATING SUBTOTAL	207,500	212,300	210,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(15,900)	(15,900)
AGENCY TOTAL	207,500	196,400	194,400^{1/}
FUND SOURCES			
General Fund	207,500	196,400	194,400
SUBTOTAL - Appropriated Funds	207,500	196,400	194,400
Federal Funds	66,500	68,000	68,000
TOTAL - ALL SOURCES	274,000	264,400	262,400

AGENCY DESCRIPTION — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

Operating Budget

The budget includes \$210,300 and 4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,000) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(15,900) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Interim Chairman: George R. Shook

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	337,200	336,800	326,000
Employee Related Expenditures	123,000	122,900	120,700
Professional and Outside Services	23,100	23,100	23,100
Travel - In State	7,200	7,200	7,200
Other Operating Expenditures	112,000	182,000	184,000
AGENCY TOTAL	602,500	672,000	661,000^{1/}

FUND SOURCES

General Fund	602,500	672,000	661,000
SUBTOTAL - Appropriated Funds	602,500	672,000	661,000
TOTAL - ALL SOURCES	602,500	672,000	661,000

AGENCY DESCRIPTION — The State Board of Equalization consists of 33 members. The board hears property tax appeals for Maricopa and Pima Counties. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. Of the 33 members, the 13 gubernatorial appointments also hear appeals of centrally-valued properties and equalization orders by the Department of Revenue.

Operating Budget

The budget includes \$661,000 and 7 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Volume of Appeals

The budget includes an increase of \$2,000 from the General Fund in FY 2011 for a higher volume of appeals. This amount continues a \$70,000 increase from the General Fund approved in the 7th Special Session FY 2010 revisions.

Statewide Adjustments

The budget includes a decrease of \$(13,000) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Chairman: Duane Belcher, Sr.

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	15.0	14.0
Personal Services	602,100	544,100	533,300
Employee Related Expenditures	253,900	250,700	247,300
Professional and Outside Services	100	0	0
Travel - In State	5,200	6,000	6,000
Other Operating Expenditures	183,500	150,200	150,200
Equipment	2,100	0	0
OPERATING SUBTOTAL	1,046,900	951,000	936,800
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(71,400)	(71,400)
AGENCY TOTAL	1,046,900	879,600	865,400^{1/}
FUND SOURCES			
General Fund	1,046,900	879,600	865,400
SUBTOTAL - Appropriated Funds	1,046,900	879,600	865,400
TOTAL - ALL SOURCES	1,046,900	879,600	865,400

AGENCY DESCRIPTION — The board consists of 1 full-time chairman and 4 part-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.

Operating Budget

The budget includes \$936,800 and 14 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$(14,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(71,400) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Additional Legislation

Board Member Workload

The Criminal Justice Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 6) permanently requires

the Chairman of the Board of Executive Clemency to also serve as the board’s Executive Director. Chapter 6 also excludes all members of the Board, except the Chairman, from working more than 30 hours and restricts them from being eligible for paid leave or any other benefits provided to state employees.

Board Deadlock

Chapter 6 also permanently requires the board to consider failed an issue in which the board is deadlocked rather than forcing the board to reconsider the issue at a later meeting.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Board of Executive Clemency to reduce no General Fund FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency’s budget.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Caseload Data

Table 1 reflects the FY 2009 Board of Executive Clemency caseload by type of hearing. The Board of Executive Clemency is responsible for holding the following 9 types of hearings:

- Phase 1 Commutation: After reviewing an inmate’s request to have their sentence commuted, the board can decide to deny the request or allow the request to move to a Phase 2 Commutation hearing.
- Phase 2 Commutation: The board can deny the inmate’s application to have their sentence commuted or make a recommendation to the Governor to commute the sentence.
- Pardon: The board may recommend that the Governor pardon an offender.
- Absolute Discharge: The board can discharge a person from imprisonment or parole supervision prior to the sentence expiration date or prior to the expiration of parole. Community Corrections, a Division of the Department of Corrections, may recommend an absolute discharge to the board because of exceptional performance while under supervision.
- Modification: The board can recommend to the Governor that an inmate’s sentence be modified or commuted.
- Reprieve: The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate’s punishment.
- Parole: These hearings only apply to offenders sentenced prior to 1994. The board may place these offenders on parole or deny their application for parole and return them to the Department of Corrections.
- Probable Cause: Upon the request of offenders participating in the Community Supervision Program who have been accused of violating the terms of community supervision but claim they are innocent, the board can place the inmate back on the Community Supervision Program or move the inmate on to a Violators Hearing.
- Violator: These hearings are conducted when an offender has violated the terms of community supervision. The board can place the offender back in the Community Supervision Program with no additional stipulations, place the offender back in the Community Supervision Program with additional stipulations, or revoke the inmate to the Department of Corrections.

Table 1	
Board of Executive Clemency Hearing Caseload	
<u>Hearing Type:</u>	<u>FY 2009</u>
Phase 1 Commutation	616
Phase 2 Commutation	114
Pardon	50
Absolute Discharge	13
Modification	0
Reprieve	0
Parole	701
Probable Cause	157
Violator	<u>2,529</u>
Total	<u>4,180</u>

Executive Director: Don West

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	186.0	184.0	184.0
Personal Services	4,093,200	4,322,700	4,237,900
Employee Related Expenditures	1,109,000	1,171,300	1,191,900
Professional and Outside Services	2,926,500	2,991,900	2,992,500
Travel - In State	2,300	2,100	2,100
Travel - Out of State	6,000	7,000	7,000
Other Operating Expenditures	3,279,500	6,002,000	3,402,000
Equipment	147,400	146,400	146,400
OPERATING SUBTOTAL	11,563,900	14,643,400	11,979,800
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(894,500)	(894,500)
AGENCY TOTAL	11,563,900	13,748,900	11,085,300^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Exposition and State Fair Fund	11,563,900	13,748,900	11,085,300
SUBTOTAL - Other Appropriated Funds	11,563,900	13,748,900	11,085,300
SUBTOTAL - Appropriated Funds	11,563,900	13,748,900	11,085,300
Other Non-Appropriated Funds	0	814,400	814,400
TOTAL - ALL SOURCES	11,563,900	14,563,300	11,899,700

AGENCY DESCRIPTION — The Arizona Exposition and State Fair Board is custodian of the 96-acre State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and leases the coliseum and fairgrounds facilities for special events, including the annual Arizona National Livestock Show.

Operating Budget

The budget includes \$11,979,800 and 184 FTE Positions from the Arizona Exposition and State Fair Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Expenditure Authority Adjustment

The budget includes a decrease of \$(2,600,000) from the Arizona Exposition and State Fair Fund in FY 2011 for an expenditure authority adjustment to accurately reflect actual spending on the State Fair and other events.

Statewide Adjustments

The budget includes a decrease of \$(63,600) from the Arizona Exposition and State Fair Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(894,500) from the Arizona Exposition and State Fair Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

The \$(894,500) reduction from the Arizona Exposition and State Fair Fund will not be transferred to the General Fund in FY 2011, however, it is shown here as a reduction since the fund's appropriation level will remain at the FY 2010 level.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Superintendent of Financial Institutions: Lauren W. Kingry

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	57.1	47.1	55.1
Personal Services	2,060,700	1,989,300	2,260,100
Employee Related Expenditures	732,100	739,300	854,600
Professional and Outside Services	8,900	15,700	15,700
Travel - Out of State	100	0	0
Other Operating Expenditures	499,700	464,100	752,300
Equipment	3,100	3,000	54,200
OPERATING SUBTOTAL	3,304,600	3,211,400	3,936,900
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(241,100)	(241,100)
AGENCY TOTAL	3,304,600	2,970,300	3,695,800^{1/2/}

FUND SOURCES

General Fund	3,304,600	2,970,300	2,903,100
<u>Other Appropriated Funds</u>			
Financial Services Fund	0	0	792,700
SUBTOTAL - Other Appropriated Funds	0	0	792,700
SUBTOTAL - Appropriated Funds	3,304,600	2,970,300	3,695,800
Other Non-Appropriated Funds	3,042,000	1,618,600	1,618,600
TOTAL - ALL SOURCES	6,346,600	4,588,900	5,314,400

AGENCY DESCRIPTION — The department regulates state-chartered financial entities. The regulated 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, credit unions and banks.

Operating Budget

General Fund (67,200)
Financial Services Fund (12,500)

The budget includes \$3,936,900 and 55.1 FTE Positions for the operating budget in FY 2011. This amount consists of:

(Please see the General Provisions section.)

	FY 2011
General Fund	\$3,144,200
Financial Services Fund	792,700

Loan Originator Licensing

The budget includes an increase of \$661,600 and 7 FTE Positions from the Financial Services Fund in FY 2011 for Loan Originator Licensing. Laws 2009, Chapter 163 requires all loan originators to be licensed by July 1, 2010 and establishes the Financial Services Fund to generate revenue through loan originator licensing fees. An estimated 5,000 loan originators will apply for licensing in FY 2010. The new license type will increase the department's total licensees from 3,679 in FY 2009 to an estimated 8,700 in FY 2010.

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(79,700) in FY 2011 for statewide adjustments. These amounts consist of:

1/ The Department of Financial Institutions 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. (General Appropriation Act footnote)
2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Licensing staff processed an average of 613 licensees per person in FY 2009. With the loan originator program, this would increase to 1,450 licensees per licensing staff member in FY 2010. With the addition of 5 Customer Service FTE Positions in FY 2011, this ratio would fall to 827 licensees per licensing staff. The remaining 2 FTE Positions would include a Licensing Project Manager and Administrative Assistant.

Implement Information Technology Budget

The budget includes an increase of \$143,600 and 2 FTE Positions from the Financial Services Fund in FY 2011 for Information Technology (IT). This adjustment includes \$53,700 in one-time equipment costs.

Currently, the Department of Financial Institutions utilizes an FTE Position from another area to work on IT issues. A strategic assessment performed by the Government Information Technology Agency in FY 2006 and 2007 recommended the implementation of an IT budget and staff given the agency's size and potential for automation for functions such as licensing. The increased workload from 5,000 loan originator licensees will require additional IT support to employees.

5th Special Session Reduction

The budget includes \$(241,100) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Department of Financial Institutions to reduce 1 General Fund FTE Position in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Director: Gene Palma

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	48.0	47.0
Personal Services	1,762,400	1,177,500	1,139,500
Employee Related Expenditures	589,900	589,600	581,700
Professional and Outside Services	136,000	85,100	85,100
Travel - In State	144,000	37,700	37,700
Travel - Out of State	2,800	0	0
Other Operating Expenditures	457,100	470,500	524,800
Equipment	20,600	0	0
OPERATING SUBTOTAL	3,112,800	2,360,400	2,368,800
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(177,200)	(177,200)
7th Special Session Reduction	0	0	(177,200)
AGENCY TOTAL	3,112,800	2,183,200	2,014,400^{1/}
FUND SOURCES			
General Fund	3,112,800	2,183,200	2,014,400
SUBTOTAL - Appropriated Funds	3,112,800	2,183,200	2,014,400
Other Non-Appropriated Funds	2,611,100	1,701,000	1,701,000
TOTAL - ALL SOURCES	5,723,900	3,884,200	3,715,400

AGENCY DESCRIPTION — The agency enforces safety standards for manufactured homes, mobile homes, and factory-built buildings. 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. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

Operating Budget

The budget includes \$2,368,800 and 47 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$8,400 from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(177,200) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

7th Special Session Reduction

The budget includes a decrease of \$(177,200) from the General Fund in FY 2011 for the 7th Special Session Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Additional Legislation

Conditional Enactment

The FY 2011 Regulation Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 4) suspends the

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Department of Fire, Building, and Life Safety's statutory requirements to the extent that funds are not available only if the sales tax referral does not pass at the May 18, 2010 election. The suspension is not applicable since the sales tax increase was approved by the voters.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. The provision required the Department of Fire, Building, and Life Safety to reduce 1 FTE Position in FY 2010 and 1 additional General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

State Forester

State Forester: Victoria Christiansen

JLBC Analyst: Jay Chilton

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	60.0	54.0	52.0 ^{1/}
Personal Services	1,629,000	1,866,700	1,785,900
Employee Related Expenditures	602,000	696,600	728,200
Travel - In State	8,900	31,800	31,800
Other Operating Expenditures	157,100	120,400	120,400
OPERATING SUBTOTAL	2,397,000	2,715,500	2,666,300
SPECIAL LINE ITEMS			
Environmental County Grants	0	75,000	75,000
Fire Suppression	3,000,000	3,000,000	3,000,000 ^{2/}
Inmate Fire Crews	1,128,400	741,900	752,400
5th Special Session Reduction	0	(263,100)	(263,100)
7th Special Session Reduction	0	0	(259,500)
AGENCY TOTAL	6,525,400	6,269,300	5,971,100^{3/}
FUND SOURCES			
General Fund	3,525,400	3,194,300	5,971,100
<u>Other Appropriated Funds</u>			
State Parks Heritage Fund	3,000,000	3,075,000	0
SUBTOTAL - Other Appropriated Funds	3,000,000	3,075,000	0
SUBTOTAL - Appropriated Funds	6,525,400	6,269,300	5,971,100
Other Non-Appropriated Funds	26,797,400	25,688,300	25,688,300
TOTAL - ALL SOURCES	33,322,800	31,957,600	31,659,400

AGENCY DESCRIPTION — The State Forester is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total).

Laws 2004, Chapter 326, Section 4 amended Arizona Revised Statutes Title 37, Chapter 2.1 to require the Governor to appoint the State Forester. Prior to 2004, the State Land Commissioner appointed a Deputy State Forester to report to the State Land Commissioner. Since that time, the State Land Department and the State Forester's Office have essentially operated as separate agencies. Until FY 2011, however, the Legislature continued to include the State Forester's Office in the State Land Department's appropriation. The FY 2011 General Appropriation Act displays the State Forester as a separate budget unit. The spending related to the State Forester's Office in FY 2009 and FY 2010 is displayed here for comparability.

Operating Budget

The budget includes \$2,666,300 and 39 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(49,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} Includes 13 GF FTE Positions funded from Special Line Items in FY 2011.

^{2/} These monies may be spent on wildfire suppression pursuant to A.R.S. § 37-623. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Environmental County Grants

The budget includes \$75,000 from the General Fund for Environmental County Grants in FY 2011. This amount funds the following adjustments:

Restore General Fund Support

The budget includes an increase of \$75,000 from the General Fund and a corresponding decrease of \$(75,000) from the State Parks Heritage Fund to restore General Fund support for Environmental County Grants. In FY 2009 and FY 2010, this appropriation was made from the State Parks Heritage Fund.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, and Apache Counties for environmental projects that impact economic development in those counties. The State Forester's Office must approve any project prior to expenditure of the monies.

Fire Suppression

The budget includes \$3,000,000 from the General Fund for Fire Suppression in FY 2011. This amount funds the following adjustments:

Restore General Fund Support

The budget includes an increase of \$3,000,000 from the General Fund and a corresponding decrease of \$(3,000,000) from the State Parks Heritage Fund to restore General Fund support for fire suppression. In FY 2009 and FY 2010, this appropriation was made from the State Parks Heritage Fund.

This Special Line Item funds fire suppression on state trust land and rural private land. A.R.S. § 37-623.02 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.

Inmate Fire Crews

The budget includes \$752,400 and 13 FTE Positions from the General Fund for Inmate Fire Crews in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$10,500 from the General Fund in FY 2011 for statewide adjustments.

These monies provide fire-fighting training for 15 inmate fire crews. The crews are used for fuel treatment and fire suppression in and around communities at risk.

5th Special Session Reduction

The budget includes \$(263,100) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

7th Special Session Reduction

The budget includes a further decrease of \$(259,500) from the General Fund in FY 2011 for a 7th Special Session Lump Sum Reduction. This reduction annualizes the 5th Special Session Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the State Forester to reduce 2 FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Executive Director: Rodolfo R. Thomas

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	210,900	211,700	204,700
Employee Related Expenditures	44,800	46,400	46,500
Professional and Outside Services	54,000	40,800	41,000
Travel - In State	1,500	6,500	6,500
Other Operating Expenditures	18,800	45,400	45,400
AGENCY TOTAL	330,000	350,800	344,100^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	330,000	350,800	344,100
SUBTOTAL - Other Appropriated Funds	330,000	350,800	344,100
SUBTOTAL - Appropriated Funds	330,000	350,800	344,100
TOTAL - ALL SOURCES	330,000	350,800	344,100

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.

Operating Budget

The budget includes \$344,100 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,700) from the Board of Funeral Directors' and Embalmers' Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Larry Voyles

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,283,000	13,275,400	13,237,600
Employee Related Expenditures	6,418,000	7,407,500	7,634,300
Professional and Outside Services	977,400	534,000	534,000
Travel - In State	175,500	312,000	312,000
Travel - Out of State	80,400	30,700	30,700
Other Operating Expenditures	3,468,700	10,702,700	11,122,700
Equipment	1,068,600	1,730,000	955,500
OPERATING SUBTOTAL	25,471,600	33,992,300	33,826,800
SPECIAL LINE ITEMS			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,800	346,800	346,800 ^{1/}
Pittman-Robertson/Dingell-Johnson	2,808,000	3,808,000	3,808,000 ^{2/}
Watercraft Grant Program	250,000	250,000	250,000
Watercraft Safety Education Program	1,275,000	1,175,000	1,175,000
AGENCY TOTAL	30,501,400	39,922,100	39,756,600^{3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Game and Fish Fund	27,884,000	35,063,800	34,701,900
Game, Non-Game, Fish and Endangered Species Fund	292,600	332,000	334,700
Watercraft Licensing Fund	2,306,200	4,466,900	4,660,600
Waterfowl Conservation Fund	18,600	43,400	43,400
Wildlife Endowment Fund	0	16,000	16,000
SUBTOTAL - Other Appropriated Funds	30,501,400	39,922,100	39,756,600
SUBTOTAL - Appropriated Funds	30,501,400	39,922,100	39,756,600
Other Non-Appropriated Funds	19,085,000	29,820,700	30,254,800
Federal Funds	30,467,800	33,533,100	34,561,200
TOTAL - ALL SOURCES	80,054,200	103,275,900	104,572,600

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.

- ^{1/} The \$300,000 from the Game and Fish Fund and \$46,800 from the Watercraft Licensing Fund in FY 2011 for the Performance Incentive Pay Program line item shall be used for Personal Services and Employee Related Expenditures associated with the department's Performance Incentive Pay Program. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} In addition to the \$3,808,000 for the Pittman-Robertson/Dingell-Johnson Act line item, the lump sum appropriation includes \$50,000 for cooperative fish and wildlife research which may be used for the purpose of matching federal and apportionment funds. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$33,826,800 and 273.5 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
Game and Fish Fund	\$30,593,900
Game, Non-Game, Fish and Endangered Species Fund	334,700
Watercraft Licensing Fund	2,838,800
Waterfowl Conservation Fund	43,400
Wildlife Endowment Fund	16,000

These amounts fund the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(774,500) from the Game and Fish Fund in FY 2011 for one-time funding. This amount funds the following adjustments:

Video Editing Equipment	(100,000)
Motor Pool Trucks	(310,000)
Purchasing Software	(364,500)

Fuel and Repair

The budget includes an increase of \$150,000 from the Game and Fish Fund in FY 2011 for fuel and repair costs. Increased fuel and maintenance costs for its 175 vehicle motor pool have affected the department's ability to conduct patrols and other operations.

Lapsed Angler Marketing

The budget includes an increase of \$50,000 from the Game and Fish Fund in FY 2011 for lapsed angler marketing. The department plans to reach out to anglers who have purchased licenses in the past but do not renew their licenses annually.

Aquatic Invasive Species Project

The budget includes an increase of \$220,000 from the Watercraft Licensing Fund in FY 2011 for the Aquatic Invasive Species Project. This funding is to implement provisions of the Aquatic Invasive Species (AIS) Interdiction Act (Laws 2009, Chapter 77) which directs the department to take steps to control harmful non-native aquatic species in state waterways. This amount includes \$120,000 for a program to publicize the environmental and economic damage caused by AIS, \$40,000 for seasonal employment of outreach and inspection personnel, \$50,000 for increased enforcement by Game and Fish officers, and \$10,000 for out-of-state travel to coordinate prevention efforts with neighboring states.

Statewide Adjustments

The budget includes an increase of \$189,000 in FY 2011 for statewide adjustments. This amount consists of:

Game and Fish Fund	\$212,600
Game, Non-Game, Fish and Endangered Species Fund	2,700
Watercraft Licensing Fund	(26,300)

(Please see the General Provisions section.)

Lower Colorado Multispecies Conservation

The budget includes \$350,000 from the Watercraft Licensing Fund for the Lower Colorado River Multispecies Conservation Plan (MSCP) in FY 2011. This amount is unchanged from FY 2010.

The \$350,000 payment represents the department's share of Arizona's payment for the plan. This amount funds approximately 25% of the state's annual payment. Currently, the total payment to MSCP is \$1,400,000. The Central Arizona Water Conservation District pays the remaining \$1,050,000 share of the state's obligation under the plan. The total payment, including the state share, will be adjusted for inflation in future years.

Annual payments for the plan are made to the U.S. Bureau of Reclamation. The bureau uses the monies received from state payments to implement conservation measures under the MSCP agreement.

The MSCP is an agreement between Arizona, California, Nevada, Indian Tribes, and water and utility companies to protect species classified as threatened or endangered, and to prevent any additional species from being added to these lists. The MSCP implementation plan lasts for 50 years, is estimated to cost \$626,000,000, and is administered by the U.S. Bureau of Reclamation.

Performance Incentive Pay Program

The budget includes \$346,800 for the Performance Incentive Pay Program in FY 2011. This amount consists of:

Game and Fish Fund	300,000
Watercraft Licensing Fund	46,800

These amounts are unchanged from FY 2010.

These monies fund the department's Performance Incentive Pay Program. Employee distributions are based on 50% work unit performance measures and 50% on agencywide performance measures. These measures are determined by internal and external customer surveys, cycle times, and other quantifiable data.

Pittman-Robertson/Dingell-Johnson Act

The budget includes \$3,808,000 from the Game and Fish Fund for the Pittman-Robertson/Dingell-Johnson Act in FY 2011. This amount is unchanged from FY 2010.

These monies fund the state's 25% match for federal aid matching funds for wildlife restoration projects.

Watercraft Grant Program

The budget includes \$250,000 from the Watercraft Licensing Fund for the Watercraft Grant Program Special Line Item (SLI) in FY 2011. This amount is unchanged from FY 2010.

The program awards grants through a competitive grant process to Arizona watercraft enforcement agencies. These grants are used by agencies to expand Operation Under the Influence enforcement efforts, such as purchasing equipment, paying officers' overtime, or funding prevention and education programs.

Watercraft Safety Education Program

The budget includes \$1,175,000 from the Watercraft Licensing Fund for the Watercraft Safety Education Program SLI in FY 2011. This amount is unchanged from FY 2010.

The Watercraft Safety Education Program SLI funds a statewide marketing campaign designed to promote a boating education class and an internet-based education program. Department data indicate that 78% of all boaters involved in accidents have never received any formal boating education.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Commission Appointment Recommendation Board

Laws 2010, Chapter 22 establishes a board consisting of members selected by the Governor who, with the Governor, select members of the Arizona Game and Fish Commission.

Director: Mark Brnovich

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	123.0	123.0	123.0 ^{1/}
Personal Services	4,330,800	4,450,400	4,156,100
Employee Related Expenditures	1,584,400	1,367,000	1,276,600
Professional and Outside Services	431,700	1,113,700	1,040,100
Travel - In State	304,400	490,200	457,800
Travel - Out of State	45,200	93,400	87,200
Other Operating Expenditures	969,600	706,100	681,400
Equipment	123,600	464,600	433,900
OPERATING SUBTOTAL	7,789,700	8,685,400	8,133,100
SPECIAL LINE ITEMS			
Casino Operations Certification	1,891,100	1,986,200	2,003,600
Joint Monitoring System	145,800	233,300	0
Problem Gambling	2,016,500	2,277,000	2,102,400
AGENCY TOTAL	11,843,100	13,181,900	12,239,100^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,652,000	10,895,700	9,935,500
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,891,100	1,986,200	2,003,600
SUBTOTAL - Other Appropriated Funds	11,843,100	13,181,900	12,239,100
SUBTOTAL - Appropriated Funds	11,843,100	13,181,900	12,239,100
TOTAL - ALL SOURCES	11,843,100	13,181,900	12,239,100

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal State Compact Fund through casino employee and vendor certification application fees.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, the department’s administration and regulatory expenses are capped based on the level of tribal revenues received by the state. This revenue cap limits the department’s operating budget and Special Line Item (SLI) appropriations from the Arizona Benefits Fund, excluding Problem Gambling, to the greater of \$8,000,000, or 9% of state tribal gaming revenues. The budget includes \$8,133,100 for FY 2011, as 9% of projected FY 2011 revenues is more than \$8,000,000. Any unexpended administrative monies are transferred to the Department of Education’s Instructional Improvement Fund.

From the Arizona Benefits Fund, the department is also appropriated 2% of tribal revenues, equal to \$1,802,400 for FY 2011, for the Problem Gambling SLI. This allocation, in addition to the 9% received for the department’s budget is expected to be \$9,935,500.

The revised FY 2010 budget assumed that tribal distributions to State and Local Governments would remain unchanged from FY 2009, at \$97,534,700, while FY 2011 tribal contributions will increase to \$102,411,500, or 5% over its FY 2010 level. Actual FY 2010 revenues are likely to be less than budgeted by an estimated \$6,500,000. (See Table 1 for more information on projected state revenues.)

^{1/} Includes 33 FTE Positions funded from Special Line Items in FY 2011.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$8,133,100 and 90 FTE Positions from the Arizona Benefits Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Joint Monitoring System Shift

The budget includes an increase of \$233,300 from the Arizona Benefits Fund in FY 2011 for a funding shift for the Joint Monitoring System. These monies are shifted from the Joint Monitoring System SLI.

Revenue Realignment

The budget includes a decrease of \$(807,700) from the Arizona Benefits Fund in FY 2011 to realign spending with projected revenues.

Statewide Adjustments

The budget includes an increase of \$22,100 from the Arizona Benefits Fund in FY 2011 for statewide adjustments. (*Please see the General Provision section.*)

Casino Operations Certification

The budget includes \$2,003,600 and 28 FTE Positions from the Tribal-State Compact Fund for Casino Operations Certification in FY 2011. These amounts fund the following adjustments.

Statewide Adjustments

The budget includes an increase of \$17,400 from the Tribal-State Compact Fund in FY 2011 for statewide adjustments.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification SLI.

Joint Monitoring System

The budget includes no funding from the Arizona Benefits Fund for the Joint Monitoring System SLI in FY 2011. This funds the following adjustments:

Joint Monitoring System Shift

The budget includes a decrease of \$(233,300) from the Arizona Benefits Fund in FY 2011 for a shift in funding to the operating budget. This eliminates one-time equipment funding and transfers Joint Monitoring System funding to the operating budget in FY 2011 for ongoing expenses.

Background – The Arizona Tribal-State Gaming Compacts require the department to implement an on-line electronic monitoring system that connects the department in real time to the slot accounting systems of each of the 17 urban

gaming facilities. This system is referred to as the Joint Monitoring System. A total of \$1,188,100 was appropriated in FY 2008 and \$2,442,100 was appropriated in FY 2009 to fund the installation of the electronic monitoring system at the 17 urban sites. Of this total, \$233,300 is ongoing operating costs that continued in FY 2010.

Problem Gambling

The budget includes \$2,102,400 and 5 FTE Positions for Problem Gambling in FY 2011. These amounts consist of:

Arizona Benefits Fund	1,802,400
Lottery Fund	300,000

These amounts fund the following adjustments:

Revenue Realignment

The budget includes a decrease of \$(174,600) from the Arizona Benefits Fund in FY 2011 to realign spending with projected revenues.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The budget includes \$2,102,400 for FY 2011 from the Arizona Benefits Fund. (*See Table 1 for more information on projected state revenues.*)

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

Recipient	Proposition 202 Formula	FY 2008 Actual ^{1/}	FY 2009 Actual ^{1/}	FY 2010 Projected ^{2/}	FY 2011 Projected ^{2/}
State Government Contribution	88% of total	\$ 96,025,600	\$86,496,800	\$85,830,500	\$ 90,122,100
Local Government Contribution	12% of total	<u>15,152,200</u>	<u>11,037,900</u>	<u>11,704,200</u>	<u>12,289,400</u>
Total	100% of total	\$111,177,800	\$97,534,700	\$97,534,700	\$102,411,500
<u>Allocation of State Government's Share</u>					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,642,300	\$ 8,000,000	\$ 8,000,000	\$ 8,133,100
Department of Gaming Problem Gambling	2%	<u>1,920,500</u>	<u>1,729,900</u>	<u>1,716,600</u>	<u>1,802,400</u>
Subtotal-Department of Gaming		\$ 10,562,800	\$ 9,729,900	\$ 9,716,600	\$ 9,935,500
Instructional Improvement Fund (Department of Education)	56% of remainder	47,859,200	42,989,400	42,623,800	44,904,500
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	23,929,600	21,494,700	21,311,900	22,452,300
Arizona Wildlife Conservation Fund	8% of remainder	6,837,000	6,141,400	6,089,100	6,414,900
Tourism Fund	8% of remainder	<u>6,837,000</u>	<u>6,141,400</u>	<u>6,089,100</u>	<u>6,414,900</u>
Total		\$ 96,025,600	\$86,496,800	\$85,830,500	\$ 90,122,100

^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{2/} The budget projects 0% growth in FY 2010 tribal contributions and 5% growth for FY 2011. FY 2010 tribal contributions may be overstated due to the uncertainty of gaming revenues.

Director and State Geologist: M. Lee Allison, Ph.D.

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.3	11.3	10.3
Personal Services	490,100	417,300	408,600
Employee Related Expenditures	144,200	148,100	150,000
Professional and Outside Services	(1,500)	3,200	3,200
Travel - In State	35,500	30,000	30,000
Travel - Out of State	5,600	5,000	5,000
Other Operating Expenditures	286,000	261,300	261,300
Equipment	1,700	1,000	1,000
OPERATING SUBTOTAL	961,600	865,900	859,100
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(65,000)	(65,000)
AGENCY TOTAL	961,600	800,900	794,100^{1/}
FUND SOURCES			
General Fund	961,600	800,900	794,100
SUBTOTAL - Appropriated Funds	961,600	800,900	794,100
Other Non-Appropriated Funds	714,800	594,400	594,400
Federal Funds	766,400	717,400	762,400
TOTAL - ALL SOURCES	2,442,800	2,112,700	2,150,900

AGENCY DESCRIPTION — The Geological Survey investigates Arizona’s geology and 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. The Survey also provides staffing to the Arizona Oil and Gas Conservation Commission, which regulates the drilling and production of oil, gas and other energy resources.

Operating Budget

The budget includes \$859,100 and 10.3 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,800) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(65,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Other Issues

5% FTE Position Reduction Paragraph

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Arizona Geological Survey to reduce no General Fund FTE Position in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency’s budget.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Government Information Technology Agency

A.R.S. § 41-3502

Director: Chad Kirkpatrick

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.0	23.0	23.0 ^{1/}
Personal Services	1,612,300	1,529,800	1,476,200
Employee Related Expenditures	3,582,000	464,200	466,100
Professional and Outside Services	77,500	205,000	205,000
Travel - In State	500	(2,000)	(2,000)
Travel - Out of State	3,100	11,000	11,000
Other Operating Expenditures	1,061,000	4,279,200	4,279,200
Equipment	100	35,100	35,100
OPERATING SUBTOTAL	6,336,500	6,522,300	6,470,600
SPECIAL LINE ITEMS			
Statewide Information Security and Privacy Office	870,300	871,200	861,500
2-1-1 Program	425,200	0	0
Public Safety Communications	639,600	818,100	803,400
5th Special Session Reduction	0	(321,200)	(321,200)
AGENCY TOTAL	8,271,600	7,890,400	7,814,300^{2/}
FUND SOURCES			
General Fund	1,489,900	756,700	742,000
<u>Other Appropriated Funds</u>			
Information Technology Fund	3,036,200	3,233,700	3,172,300
State Web Portal Fund	3,745,500	3,900,000	3,900,000
SUBTOTAL - Other Appropriated Funds	6,781,700	7,133,700	7,072,300
SUBTOTAL - Appropriated Funds	8,271,600	7,890,400	7,814,300
Other Non-Appropriated Funds	418,500	18,000	0
Federal Funds	593,000	1,268,400	1,268,400
TOTAL - ALL SOURCES	9,283,100	9,176,800	9,082,700

AGENCY DESCRIPTION — The Government Information Technology Agency (GITA) is responsible for statewide information technology planning, coordinating, oversight, and consulting. Information technology projects with development costs over \$25,000 cannot proceed without GITA approval. GITA may suspend expenditures on failing projects. GITA also provides staff support to the Information Technology Authorization Committee (ITAC). Information technology projects with development costs over \$1,000,000 cannot proceed without ITAC approval. The GITA Information Technology Fund derives from a 0.2% charge on state agency payrolls.

Operating Budget

The budget includes \$6,470,600 and 16 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
Information Technology Fund	\$2,570,600
State Web Portal Fund	3,900,000

These amounts fund the following adjustments:

^{1/} Includes 3 OF FTE Positions and 4 GF FTE Positions funded from Special Line Items in FY 2011.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Statewide Adjustments

The budget includes a decrease of \$(51,700) from the Information Technology Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Statewide Information Security and Privacy Office

The budget includes \$861,500 and 3 FTE Positions from the Information Technology Fund for the Statewide Information

Security and Privacy Office in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(9,700) from the Information Technology Fund in FY 2011 for statewide adjustments.

This office performs strategic planning, policy development, and risk assessment to protect the state’s information resources.

2-1-1 Program

The budget includes no funding for the 2-1-1 Program in FY 2011. This amount is unchanged from FY 2010.

Arizona 2-1-1 online, www.az211.gov, became operational on June 29, 2005. The online 2-1-1 system provided referrals to available health and human services in Arizona. The 2-1-1 system could also be used to communicate updates during emergencies. The online component of 2-1-1 was initially funded with federal grants. The original FY 2009 appropriation for this program was \$1,175,200. Revisions to the FY 2009 budget reduced this by \$(750,000), and the remaining funding was eliminated in the FY 2010 budget.

Public Safety Communications

The budget includes \$803,400 and 4 FTE Positions from the General Fund for Public Safety Communications in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(14,700) from the General Fund in FY 2011 for statewide adjustments.

The Public Safety Communications Program designs and implements a standard based system that provides interoperability between statewide public safety agencies. Radio interoperability allows public safety personnel from one agency to communicate with personnel from other agencies.

5th Special Session Reduction

The budget includes \$(321,200) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriations Act pending agency decisions on how to allocate it. This amount consists of:

General Fund	(61,400)
Information Technology Fund	(259,800)

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Government Information Technology Agency to reduce 1 General Fund FTE Position in FY 2010 and no additional General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency’s budget.

Governor: The Honorable Janice K. Brewer

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	6,750,300	7,597,700	7,522,300
OPERATING SUBTOTAL	6,750,300	7,597,700	7,522,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(561,400)	(561,400)
AGENCY TOTAL	6,750,300	7,036,300	6,960,900 ^{1/2/3/}
FUND SOURCES			
General Fund	6,750,300	7,036,300	6,960,900
SUBTOTAL - Appropriated Funds	6,750,300	7,036,300	6,960,900
Other Non-Appropriated Funds	3,878,200	2,374,000	2,374,000
Federal Funds	15,829,500	13,650,100	10,081,300
TOTAL - ALL SOURCES	26,458,000	23,060,400	19,416,200

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 Division for Children, Division for Community and Youth Development, Division for State School Readiness, Division for Substance Abuse Policy, Division for Women, Arizona Mexico Policy Office, Northern Office and Tucson Office.

Operating Budget

The budget includes \$7,522,300 from the General Fund for the operating budget in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(75,400) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(561,400) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} Included in the Lump Sum appropriation of \$6,960,900 for FY 2011 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

Director: John Arnold

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	26.0	23.0	22.0
Personal Services	1,453,200	1,450,800	1,390,400
Employee Related Expenditures	372,400	371,900	378,100
Professional and Outside Services	100,300	100,300	100,300
Travel - In State	100	100	100
Other Operating Expenditures	219,400	227,200	227,200
Equipment	1,900	1,900	1,900
OPERATING SUBTOTAL	2,147,300	2,152,200	2,098,000
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(161,600)	(161,600)
AGENCY TOTAL	2,147,300	1,990,600	1,936,400^{1/2/}
FUND SOURCES			
General Fund	2,147,300	1,990,600	1,936,400
SUBTOTAL - Appropriated Funds	2,147,300	1,990,600	1,936,400
TOTAL - ALL SOURCES	2,147,300	1,990,600	1,936,400

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.

Operating Budget

The budget includes \$2,098,000 and 22 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(54,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(161,600) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Governor's Office of Strategic Planning & Budgeting to reduce no General Fund FTE Positions in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Department of Health Services
Summary

A.R.S. § 36-103

Director: Will Humble

JLBC Analyst: Art Smith

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
PROGRAM BUDGET			
Administration	35,325,300	34,025,000	33,522,300
Public Health	32,366,600	17,475,100	17,113,400
Family Health	87,775,700	102,447,500	104,576,800
Behavioral Health	1,308,588,400	1,397,751,500	1,374,495,900
Arizona State Hospital	68,164,700	68,124,800	67,220,000
5th Special Session Reduction	0	(13,972,200)	(13,972,200)
AGENCY TOTAL	1,532,220,700	1,605,851,700	1,582,956,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	1,818.4	1,628.4	1,632.1 ^{1/}
Personal Services	48,307,000	48,590,700	47,140,000
Employee Related Expenditures	17,540,400	17,671,300	17,375,200
Professional and Outside Services	8,748,100	9,049,400	9,049,400
Travel - In State	173,500	195,100	195,100
Travel - Out of State	1,600	7,300	7,300
Other Operating Expenditures	25,105,700	25,171,700	25,170,100
Equipment	314,600	254,400	254,400
OPERATING SUBTOTAL	100,190,900	100,939,900	99,191,500
Special Line Items (SLI)	1,432,029,800	1,504,911,800	1,483,764,700
AGENCY TOTAL	1,532,220,700	1,605,851,700	1,582,956,200 ^{2/3/4/5/}

FUND SOURCES

General Fund	554,117,400	476,696,600	438,939,000
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	4,211,400	11,159,500	11,159,500
ASH Land Earnings Fund	1,039,100	1,150,000	1,150,000
Capital Outlay Stabilization Fund	1,572,500	1,578,000	1,587,500
Child Fatality Review Fund	92,800	98,900	95,400
Emergency Medical Services Operating Fund	4,835,600	5,151,500	5,093,200
Environmental Laboratory Licensure Revolving Fund	821,300	934,500	924,000
Federal Child Care and Development Fund Block Grant	797,800	832,200	836,100
Health Services Licensing Fund	521,800	4,481,700	8,463,300
Hearing and Speech Professionals Fund	314,000	321,500	315,700
Indirect Cost Fund	8,783,700	7,822,200	7,746,700
Newborn Screening Program Fund	5,384,100	6,809,900	6,749,900
Nursing Care Institution Resident Protection Fund	0	38,000	38,000
Substance Abuse Services Fund	2,375,000	2,250,000	2,250,000
TTHCF Health Research Account	1,000,000	1,000,000	1,000,000
TTHCF Medically Needy Account	29,534,800	36,324,800	35,167,000
Vital Records Electronic Systems Fund	468,000	433,400	426,400
SUBTOTAL - Other Appropriated Funds	61,751,900	80,386,100	83,002,700
SUBTOTAL - Appropriated Funds	615,869,300	557,082,700	521,941,700
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	916,351,400	1,048,769,000	1,061,014,500
SUBTOTAL - Expenditure Authority Funds	916,351,400	1,048,769,000	1,061,014,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,532,220,700	1,605,851,700	1,582,956,200

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
Other Non-Appropriated Funds	117,188,800	119,145,300	119,145,300
Federal Funds	297,893,600	297,031,900	297,031,900
TOTAL - ALL SOURCES	1,947,303,100	2,022,028,900	1,999,133,400

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.

Enhanced Federal Match Rate

The 2009 American Recovery and Reinvestment Act (ARRA) increased the Federal Medical Assistance Percentage (FMAP) for Title XIX populations from October 1, 2008 until December 31, 2010. This results in General Fund savings of \$70,133,900 during the first 6 months of FY 2011. Laws 2010, Chapter 232 (SB 1043) would adjust these savings for all of FY 2011 if Congress approves a 6-month extension of the enhanced FMAP to June 30, 2011. Chapter 232 would result in an additional \$69,000,000 of General Fund savings for the second half of FY 2011 for a total full year savings of \$139,133,900. The Appropriations Report display is consistent with the enhanced FMAP being available through June 30, 2011. (See the ARRA Overview and Federal Health Care Reform section at the front of the Appropriations Report for additional details.)

FY 2010 Supplemental

The budget includes an increase of \$129,965,800 for higher than anticipated caseload growth in FY 2011. These amounts consist of:

FY 2011

General Fund	\$44,500,300
Federal Title XIX Expenditure Authority	85,465,500

Of the General Fund amount, \$41,115,600 was due to higher than budgeted caseloads in Behavioral Health Services and \$3,384,700 was due to higher than budgeted caseloads for Children's Rehabilitative Services.

5th Special Session Reduction

The budget includes \$(13,972,200) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

This lump sum reduction was allocated to the agencywide operating budget for FY 2011 in the General Appropriation Act. The Legislature intended that the agency have the flexibility to allocate this lump sum reduction to specific line items. *Table 1* outlines how the agency previously reported it would allocate its FY 2010 lump sum reduction. These reductions are shown below for informational purposes but are not shown in specific line items in this *Appropriations Report*.

- 1/ Includes 242.9 GF, 261.3 OF, and 55.4 EA FTE Positions funded from Special Line Items in FY 2011.
- 2/ 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 of Arizona. (General Appropriation Act footnote)
- 3/ The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 2%. Before implementation of any changes in capitation rates for the AHCCCS-Children's Rehabilitative Services Line Item and any Title XIX Behavioral Health line items, the Department of Health Services shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 4/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded electronically to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of (1) potential shortfalls in programs, (2) potential Federal and Other Funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, and (3) total expenditure authority of the month and year-to-date for Seriously Mentally Ill State Match for Title XIX, Children's Behavioral Health State Match for Title XIX. The footnote also referenced Seriously Mentally Ill Non-Title XIX, Children's Behavioral Health Services, Mental Health Non Title XIX, Substance Abuse Non-Title XIX, Seriously Emotional Handicapped Children and Children's Rehabilitative Services, but these line items have been deleted. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

Table 1
5th Special Session Lump Sum Reductions

	<u>General Fund</u>
CBH State Match for Title XIX	\$ (2,259,400)
Proposition 204 Children's Behavioral Health Services	(252,200)
Seriously Mentally Ill State Match for Title XIX	(1,840,200)
Proposition 204 Seriously Mentally Ill Services	(1,840,200)
Mental Health and Substance Abuse State Match for Title XIX	(3,890,100)
Proposition 204 General Mental Health and Substance Abuse	<u>(3,890,100)</u>
Total	\$ (13,972,200)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues for Legislative Consideration

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required DHS to reduce 29 General Fund FTE Positions in FY 2010 and an additional 40 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	432.8	395.2	389.2 ^{1/}
Personal Services	8,206,800	7,821,100	7,528,600
Employee Related Expenditures	3,175,000	2,955,600	2,947,700
Professional and Outside Services	192,900	171,700	171,700
Travel - In State	27,900	31,300	31,300
Travel - Out of State	500	1,000	1,000
Other Operating Expenditures	12,047,900	11,735,500	11,733,900
Equipment	146,100	98,000	98,000
OPERATING SUBTOTAL	23,797,100	22,814,200	22,512,200
SPECIAL LINE ITEMS			
Assurance and Licensure	11,083,300	10,789,600	10,588,900
Attorney General Legal Services	444,900	421,200	421,200
PROGRAM TOTAL	35,325,300	34,025,000	33,522,300^{2/3/}
FUND SOURCES			
General Fund	22,334,500	17,259,900	12,861,200
<u>Other Appropriated Funds</u>			
Capital Outlay Stabilization Fund	1,572,500	1,578,000	1,587,500
Emergency Medical Services Operating Fund	259,400	259,400	259,400
Federal Child Care and Development Fund Block Grant	797,800	832,200	836,100
Health Services Licensing Fund	521,800	4,481,700	8,463,300
Hearing and Speech Professionals Fund	314,000	321,500	315,700
Indirect Cost Fund	8,783,700	7,822,200	7,746,700
Newborn Screening Program Fund	0	478,600	478,600
Nursing Care Institution Resident Protection Fund	0	38,000	38,000
SUBTOTAL - Other Appropriated Funds	12,249,200	15,811,600	19,725,300
SUBTOTAL - Appropriated Funds	34,583,700	33,071,500	32,586,500
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	741,600	953,500	935,800
SUBTOTAL - Expenditure Authority Funds	741,600	953,500	935,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	35,325,300	34,025,000	33,522,300
Other Non-Appropriated Funds	1,491,900	1,656,900	1,656,900
Federal Funds	4,153,900	4,226,700	4,226,700
TOTAL - ALL SOURCES	40,971,100	39,908,600	39,405,900

COST CENTER 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.

^{1/} Includes 162.6 OF and 13 EA FTE Positions funded from Special Line Items in FY 2011.

^{2/} General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

^{3/} See agency summary for agencywide lump sum reductions.

Operating Budget

The budget includes \$22,512,200 and 213.6 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$12,490,000
Capital Outlay Stabilization Fund	1,587,500
Emergency Medical Services (EMS) Operating Fund	209,400
Indirect Cost Fund	7,746,700
Newborn Screening Program Fund	478,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(302,000) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(236,000)
Capital Outlay Stabilization Fund	9,500
Indirect Cost Fund	(75,500)

(Please see the General Provisions section.)

Assurance and Licensure

The budget includes \$10,588,900 and 175.6 FTE Positions for Assurance and Licensure in FY 2011. These amounts consist of:

Health Services Licensing Fund	8,463,300
Federal Child Care and Development Fund (CCDF) Block Grant	836,100
Hearing and Speech Professionals Fund	315,700
Nursing Care Institution Resident Protection Revolving Fund	38,000
Federal Title XIX Expenditure Authority	935,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(200,700) in FY 2011 for statewide adjustments. This amount consists of:

Federal Child Care and Development Fund (CCDF) Block Grant	3,900
Health Services Licensing Fund	(181,100)
Hearing and Speech Professionals Fund	(5,800)
Federal Title XIX Expenditure Authority	(17,700)

Assurance and Licensure Shift

The budget includes a decrease of \$(4,162,700) from the General Fund and a corresponding increase of \$4,162,700 from the Health Services Licensing Fund in FY 2011 to annualize a shift in General Fund health care licensing costs to other funds.

The FY 2010 budget (Laws 2009, 3rd Special Session, Chapter 11) offset 6 months of General Fund health care licensing costs by shifting \$4,493,400 to the Health Care Licensing Fund. As permanent law, the FY 2010 Health and Welfare Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9) allows the department to establish and collect nonrefundable fees for health care licensing sufficient to offset the entire General Fund appropriation for Assurance and Licensure by FY 2011.

In order to address the large fee increase that was calculated by the Department of Health Services (DHS) for child care licensing, DHS has implemented a 6-month "Empower Pack Pilot" program. The Empower Pack Pilot program is a nutrition and tobacco education program in which participating child care centers will pay a reduced state licensing rate. This new program is projected to reduce the level of the new child care licensing fee increase by 50% for the last 6 months of FY 2010 with the expectation that a similar adjustment will occur for all of FY 2011 with the continuation of the program. For the last 6 months of FY 2010 and all of FY 2011, DHS plans to offset the loss of licensing fee revenue associated with the Empower Pack program by using non-appropriated monies.

Monies in this line item are used to provide licensure services, which include the monitoring and enforcement of health and safety standards for home and community-based adult health care facilities, nursing facilities, and child care facilities.

Attorney General Legal Services

The budget includes \$421,200 for Attorney General Legal Services in FY 2011. This amount consists of:

General Fund	371,200
EMS Operating Fund	50,000

These amounts are unchanged from FY 2010.

Monies in this line item provide funding for costs associated with Attorney General Legal Services for the department.

5th Special Session Reduction

Please see agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Department of Health Services
Public Health

A.R.S. § 36-103

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	245.1	213.6	209.7 ^{1/}
Personal Services	3,667,200	2,837,200	2,695,000
Employee Related Expenditures	1,527,500	1,348,300	1,318,300
Professional and Outside Services	43,900	32,800	32,800
Travel - In State	40,100	55,500	55,500
Other Operating Expenditures	255,500	373,000	373,000
Equipment	2,400	10,000	10,000
OPERATING SUBTOTAL	5,536,600	4,656,800	4,484,600
SPECIAL LINE ITEMS			
Disease Control			
County Tuberculosis Provider Care and Control	821,200	591,700	591,700
Diabetes Prevention and Control	63,000	0	0
Vaccines	1,495,600	0	0
Arizona Statewide Immunization Information System	373,000	220,000	210,200
AIDS Reporting and Surveillance	1,114,700	1,000,000	1,000,000
Laboratory Services	4,540,600	4,682,600	4,568,200
Renal and Nonrenal Disease Management	138,700	198,000	198,000 ^{2/}
Hepatitis C Surveillance	157,200	0	0
Local Health			
Direct Grants	345,200	0	0
Reimbursement to Counties	50,000	0	0
Primary Care			
Loan Repayment	173,600	650,000	650,000
Community Health Centers	9,968,700	0	0
Telemedicine	146,900	0	0
Disease Research			
Alzheimer's Disease Research	2,125,000	1,125,000	1,125,000 ^{3/}
Emergency Medical Services			
EMS Operations	2,928,600	2,402,600	2,350,200
Trauma Advisory Board	337,400	405,000	399,100
Poison Control Centers Funding	1,462,600	990,000	990,000
Scorpion Antivenom	120,000	120,000	120,000
Other			
Vital Records Maintenance	468,000	433,400	426,400
PROGRAM TOTAL	32,366,600	17,475,100	17,113,400 ^{4/5/}
FUND SOURCES			
General Fund	22,564,700	10,812,300	10,526,400
Other Appropriated Funds			
Emergency Medical Services Operating Fund	4,097,000	4,294,900	4,236,600
Environmental Laboratory Licensure Revolving Fund	821,300	934,500	924,000
TTHCF Health Research Account	1,000,000	1,000,000	1,000,000
TTHCF Medically Needy Account	3,415,600	0	0
Vital Records Electronic Systems Fund	468,000	433,400	426,400
SUBTOTAL - Other Appropriated Funds	9,801,900	6,662,800	6,587,000
SUBTOTAL - Appropriated Funds	32,366,600	17,475,100	17,113,400

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
Other Non-Appropriated Funds	27,650,800	26,237,900	26,237,900
Federal Funds	61,865,700	60,974,800	60,974,800
TOTAL - ALL SOURCES	121,883,100	104,687,800	104,326,100

COST CENTER 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.

Operating Budget

The budget includes \$4,484,600 and 94.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$3,647,300
Emergency Medical Services (EMS) Operating Fund	837,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(172,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Disease Control

County Tuberculosis Provider Care and Control

The budget includes \$591,700 from the General Fund for County Tuberculosis Provider Care and Control in FY 2011. This amount is unchanged from FY 2010.

This line item provides General Fund reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs. The program also provides directly-observed therapy to tuberculosis patients deemed at-risk not to complete treatment, and therefore, possibly to develop drug-resistant tuberculosis.

Diabetes Prevention and Control

The budget includes no funding for Diabetes Prevention and Control in FY 2011. This amount is unchanged from FY 2010.

This line item provided diabetes awareness information, including information about diabetes prevention, detection, and treatment through various sources such as newspaper, radio, and television ads.

Vaccines

The budget includes no funding for Vaccines in FY 2011. This amount is unchanged from FY 2010.

This line item provided General Fund monies for the purchase of vaccines from the federal government for the state immunization program, which serves underinsured children who do not have private insurance coverage for vaccines and who are not eligible for the federal Vaccines for Children program or the AHCCCS program. The Department of Health Services (DHS) purchases the vaccines and distributes them to local health agencies that are recruited to administer the shots. Providers must enter into an agreement with the Arizona Immunization Program to provide vaccines to eligible children. Funding in this line item was in addition to the approximately \$88,000,000 worth of vaccines received from the federal government.

Arizona Statewide Immunization Information System (ASIIS)

The budget includes \$210,200 and 5.4 FTE Positions from the General Fund for ASIIS in FY 2011. These amounts fund the following adjustments:

- 1/ Includes 62.3 GF and 53 OF FTE Positions funded from Special Line Items in FY 2011.
- 2/ The Department of Health Services may use up to 4% of the amounts appropriated for Renal and Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 3/ The Department of Health Services shall distribute the entire appropriation for Alzheimer's Disease Research to grant recipients by September 30, 2010. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.
- 5/ See agency summary for agencywide lump sum reductions.

Statewide Adjustments

The budget includes a decrease of \$(9,800) from the General Fund in FY 2011 for statewide adjustments.

This line item provides funding for ASIIS, which is a statewide immunization database that records all vaccinations provided in Arizona.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the General Fund for AIDS Reporting and Surveillance in FY 2011. This amount is unchanged from FY 2010.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also receives \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program, which also receives Federal Funds for the medications. The program served an average of 900 clients per month in FY 2010.

Laboratory Services

The budget includes \$4,568,200 and 70.9 FTE Positions for Laboratory Services in FY 2011. These amounts consist of:

General Fund	3,644,200
Environmental Laboratory Licensure Revolving Fund	924,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(114,400) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(103,900)
Environmental Laboratory Licensure Revolving Fund	(10,500)

This line item 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 private laboratory testing statewide. The funding included in this line item is in addition to monies in the Newborn Screening Program Special Line Item in the Family Health cost center, approximately \$500,000 in the Administration cost center, and \$1,500,000 in non-appropriated fund sources.

Renal and Nonrenal Disease Management

The budget includes \$198,000 from the General Fund for Renal and Nonrenal Disease Management in FY 2011. This amount is unchanged from FY 2010.

This line item provides funding for medication and other transplant-related services for renal and nonrenal transplant patients who are ineligible for other public assistance programs.

Hepatitis C Surveillance

The budget includes no funding for Hepatitis C Surveillance in FY 2011. This amount is unchanged from FY 2010.

This line item provided funding for surveillance and control efforts of Hepatitis C, which is the most common blood borne infection in the United States. Activities include maintaining a registry of Hepatitis C cases and improving health care provider reporting of cases.

Local Health

Direct Grants

The budget includes no funding for Direct Grants in FY 2011. This amount is unchanged from FY 2010. This line item provided grants to counties with populations of less than 500,000 persons for local health work and for a portion of the cost of employing 1 public health nurse and 1 sanitarian in each county.

Reimbursement to Counties

The budget includes no funding for Reimbursement to Counties in FY 2011. This amount is unchanged from FY 2010. This line item provided matching funding to counties with populations of less than 500,000 for local health work.

Primary Care

Loan Repayment

The budget includes \$650,000 from the EMS Operating Fund for Loan Repayment in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used to pay physician and mid-level practitioner student loans in exchange for service in a Health Professional Shortage Area in order to encourage providers to practice in rural areas. Participants must be U.S. citizens and have a license to practice medicine in Arizona.

Community Health Centers

The budget includes no funding for Community Health Centers in FY 2011. This amount is unchanged from FY 2010.

The budget continues a decrease of \$(11,600,000) from the General Fund in FY 2011. In FY 2010, an equivalent amount of federal state fiscal stabilization funds was used to offset this decrease; however, in FY 2011, it is unknown if this offset will continue. The American Recovery and Reinvestment Act (ARRA) provided Arizona with more than \$1,000,000,000, including \$185,000,000 that can be expended for any state expenses. Of the \$185,000,000, approximately \$105,000,000 was expended in FY 2010, including \$11,600,000 for Community Health Centers.

This line item provided grants to community health centers to expand primary care services to Arizona's uninsured population. The department may authorize grants to both federally qualified health centers (which meet certain guidelines required to receive federal monies such as serving a medically underserved area or population) and non-federally qualified health centers.

Telemedicine

The budget includes no funding for Telemedicine in FY 2011. This amount is unchanged from FY 2010.

This line item provided funding for contracted telemedicine programs to facilitate the provision of health care in medically underserved areas of the state. Telemedicine is the use of computers, video imaging, broad-band channels, and telecommunications for diagnosis and treatment of persons in rural communities and secure state institutions.

Disease Research

Alzheimer's Disease Research

The budget includes \$1,125,000 for Alzheimer's Disease Research in FY 2011. This amount consists of:

General Fund	125,000
TTHCF Health Research Account	1,000,000

These amounts are unchanged from FY 2010.

This line item provides funding for grants to universities, hospitals, and research centers in Arizona for dollar-for-dollar matching grants for research on the causes of Alzheimer's disease.

Emergency Medical Services

Emergency Medical Services (EMS) Operations

The budget includes \$2,350,200 and 35 FTE Positions from the EMS Operating Fund for EMS Operations in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(52,400) from the EMS Operating Fund in FY 2011 for statewide adjustments.

This line item provides funding for the operating costs of programs that relate to emergency medical services. The functions of these programs include, but are not limited to, the regulation of ambulance services and providers, assistance to rural EMS providers through equipment grants and technical assistance, and the coordination and planning for the provision of local EMS programs. This line item is funded from the EMS Operating Fund, which receives 48.8% of the Medical Services Enhancement Fund, which in turn receives monies from a 13% surcharge on fines charged for criminal offenses and traffic violations.

Trauma Advisory Board

The budget includes \$399,100 and 4 FTE Positions from the EMS Operating Fund for the Trauma Advisory Board in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,900) from the EMS Operating Fund in FY 2011 for statewide adjustments.

This line item provides funding for operating expenses of the Trauma Advisory Board (*please see EMS Operations for more detail on the EMS Operating Fund*). The Trauma Advisory Board (A.R.S. § 36-2222) includes standards for a statewide trauma system, for maintaining the confidentiality of information throughout the quality assurance process, and for uniform data collection for a statewide trauma registry. The board also is required to develop a statewide EMS and trauma system, and to make recommendations on the designation of trauma centers, the development and implementation of a regional EMS and trauma system plan, and an EMS and trauma system quality improvement process.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund for Poison Control Centers in FY 2011. This amount is unchanged from FY 2010.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS will decide how the appropriation will be distributed between the University of Arizona Poison Control Center and the Banner Poison Control Center. In FY 2010, the University of Arizona Poison Information Center received \$630,000 and the Banner Poison Control Center received \$360,000.

The University of Arizona Poison Control Center received an average of 180 new calls each day in FY 2010 from all counties except Maricopa. The Center is primarily staffed by pharmacists.

Banner Poison Control Center received an average of 300 calls per day in FY 2010 and is primarily staffed by nurses.

Scorpion Antivenom

The budget includes \$120,000 from the General Fund for Scorpion Antivenom in FY 2011. This amount is unchanged from FY 2010. This line item provides funding for the distribution of new scorpion antivenom to hospitals.

Other

Vital Records Maintenance

The budget includes \$426,400 from the Vital Records Electronic Systems Fund for Vital Records Maintenance in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(7,000) from the Vital Records Electronic Systems Fund in FY 2011 for statewide adjustments.

This line item provides funding for the general cost of operating the vital records electronic system. A surcharge is added to vital records in order to maintain operation of this system.

5th Special Session Reduction

Please see agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more detail.)*

Department of Health Services
Family Health

A.R.S. § 36-103

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	96.8	89.6	131.3 ^{1/}
Personal Services	1,610,500	2,735,200	2,602,300
Employee Related Expenditures	595,300	1,157,600	1,126,200
Professional and Outside Services	407,500	407,500	407,500
Travel - In State	1,400	1,300	1,300
Other Operating Expenditures	608,000	700,700	700,700
Equipment	900	1,100	1,100
OPERATING SUBTOTAL	3,223,600	5,003,400	4,839,100
SPECIAL LINE ITEMS			
Children's Rehabilitative Services	2,815,600	0	0
AHCCCS-Children's Rehabilitative Services	68,654,600	84,774,000	87,054,700 ^{2/}
Medicaid Special Exemption Payments	1,707,000	1,695,500	1,773,800
Adult Cystic Fibrosis	105,200	105,200	105,200
Adult Sickle Cell Anemia	25,600	0	0
Breast and Cervical Cancer Screening	791,100	1,348,600	1,346,700
Child Fatality Review Team	216,100	246,100	242,600
County Prenatal Services Grant	783,600	0	0
Folic Acid	333,700	400,000	400,000
High Risk Perinatal Services	3,694,200	2,543,400	2,543,400
Newborn Screening Program	5,384,100	6,331,300	6,271,300
Senior Food Programs	41,300	0	0
PROGRAM TOTAL	87,775,700	102,447,500	104,576,800^{3/4/}
FUND SOURCES			
General Fund	32,122,000	26,857,700	27,428,300
<u>Other Appropriated Funds</u>			
Child Fatality Review Fund	92,800	98,900	95,400
Emergency Medical Services Operating Fund	479,200	597,200	597,200
Newborn Screening Program Fund	5,384,100	6,331,300	6,271,300
TTHCF Medically Needy Account	333,700	400,000	400,000
SUBTOTAL - Other Appropriated Funds	6,289,800	7,427,400	7,363,900
SUBTOTAL - Appropriated Funds	38,411,800	34,285,100	34,792,200
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	49,363,900	68,162,400	69,784,600
SUBTOTAL - Expenditure Authority Funds	49,363,900	68,162,400	69,784,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	87,775,700	102,447,500	104,576,800
Other Non-Appropriated Funds	23,187,700	23,166,700	23,166,700
Federal Funds	191,815,900	191,852,400	191,852,400
TOTAL - ALL SOURCES	302,779,300	317,466,600	319,595,900

^{1/} Includes 1 GF and 64.2 OF FTE Positions funded from Special Line Items in FY 2011.

^{2/} The Department of Health Services may transfer up to \$350,000 in revenues from the Indirect Cost Fund to the Arizona Health Care Cost Containment System Administration for the purpose of meeting indirect cost state match requirements related to AHCCCS - Children's Rehabilitative Services program. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

^{4/} See agency summary for agencywide lump sum reductions.

COST CENTER 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. 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, pregnancy prevention programs, nutrition services, and targeted care for specific diseases.

Operating Budget

The budget includes \$4,839,100 and 66.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$2,410,100
Federal Title XIX Expenditure Authority	2,429,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(164,300) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(81,800)
Federal Title XIX Expenditure Authority	(82,500)

(Please see the General Provisions section.)

Children’s Rehabilitative Services

The budget includes no funding for Children’s Rehabilitative Services (CRS) in FY 2011. This amount is unchanged from FY 2010. CRS offers comprehensive health care to children suffering from handicapping or potentially handicapping conditions. This line item provided funding for uninsured children in the CRS program who were not eligible for Title XIX coverage.

AHCCCS - Children’s Rehabilitative Services

The budget includes \$87,054,700 for AHCCCS-CRS in FY 2011. This amount consists of:

General Fund	21,045,900
Federal Title XIX Expenditure Authority	66,008,800

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$2,280,700 in FY 2011 for caseload and capitation changes in the Children’s Rehabilitative Services program. This amount consists of \$640,800 from the General Fund and \$1,639,900 from Federal Title XIX Expenditure Authority. The FY 2011 adjustment assumes enrollment growth of 1.8% from June 2010 to June 2011, and no increase in capitation rates above FY 2010 rates. This would result in approximately 19,739 members per month being served in FY 2011.

The FY 2010 supplemental appropriated \$3,315,000 from the General Fund and \$6,363,800 from Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. These amounts were continued into FY 2011.

Medicaid Special Exemption Payments

The budget includes \$1,773,800 for Medicaid Special Exemption Payments in FY 2011. This amount consists of:

General Fund	427,000
Federal Title XIX Expenditure Authority	1,346,800

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$78,300 in FY 2011 for Medicaid Special Exemption Payments related to Title XIX caseload and capitation changes in FY 2011. This consists of \$13,500 from the General Fund and \$64,800 from Federal Title XIX Expenditure Authority.

The FY 2010 supplemental appropriated \$69,700 from the General Fund and \$133,900 from Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. These amounts were continued into FY 2011.

This Special Line Item provides the funding necessary for insurance premium tax payments by the Department of Health Services. The department is required to pay a 2% tax on the capitation payments for CRS. Therefore, any changes in capitation payments associated with caseload changes and inflation necessitate a change in premium tax payments.

Adult Cystic Fibrosis

The budget includes \$105,200 from the General Fund for Adult Cystic Fibrosis in FY 2011. This amount is unchanged from FY 2010.

This line item provides contracted care and treatment services through the CRS program for 20 adult residents of the state suffering from cystic fibrosis.

Adult Sickle Cell Anemia

The budget includes no funding for Adult Sickle Cell Anemia in FY 2011. This amount is unchanged from FY 2010.

This line item provided portable medical record devices to adults with sickle cell anemia. The portable medical record minimizes misdiagnosis and facilitates appropriate care for sickle cell anemia patients. The funding is also used to educate providers on the use of the portable medical record.

Breast and Cervical Cancer and Bone Density Screening

The budget includes \$1,346,700 and 1 FTE Position from the General Fund for the Breast and Cervical Cancer and Bone Density Screening in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,900) from the General Fund in FY 2011 for statewide adjustments.

The Well Woman Healthcheck program contracts for cancer screening women over age 40 that do not have health insurance and have incomes less than 250% of the Federal Poverty Level. Women who are diagnosed with breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

Child Fatality Review Team

The budget includes \$242,600 and 2 FTE Positions for the Child Fatality Review Team in FY 2011. This amount consists of:

Child Fatality Review Fund	95,400
Emergency Medical Services Operating Fund	147,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,500) from the Child Fatality Review Fund in FY 2011 for statewide adjustments.

The program provides funding to organize child fatality review teams in all 15 counties and to study data collected by the 13 teams to determine ways to reduce the state's child mortality rate. The Child Fatality Review Fund receives revenues from a \$1 surcharge on fees collected on all certified copies of death certificates.

County Prenatal Services Grant

The budget includes no funding for the County Prenatal Services Grant in FY 2011. This amount is unchanged from FY 2010.

This line item provided grants to counties for programs that focus on increasing prenatal care among women at high risk of not seeking or receiving prenatal care. Monies from this grant are distributed on a pass-through basis with

consideration to population, need, and amount received in prior years.

Folic Acid

The budget includes \$400,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund for Folic Acid in FY 2011. This amount is unchanged from FY 2010.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent neural tube defects (birth defects of a baby's brain and spine). In FY 2009, 24,000 low-income women of childbearing age received multivitamins and 8,000 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,543,400 for High Risk Perinatal Services in FY 2011. This amount consists of:

General Fund	2,093,400
Emergency Medical Services Operating Fund	450,000

These amounts are unchanged from FY 2010.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

Newborn Screening Program

The budget includes \$6,271,300 and 62.2 FTE Positions from the Newborn Screening Program Fund for the Newborn Screening Program in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(60,000) from the Newborn Screening Program Fund in FY 2011 for statewide adjustments.

FTE Increase

The budget includes an increase of 43.7 FTE Positions from the Newborn Screening Program Fund for the Newborn Screening Program in FY 2011. A.R.S. § 36-694 designates the State Laboratory as the only facility authorized to conduct newborn screening testing in Arizona. While funding for Newborn Screening has been appropriated, the majority of newborn screeners have been classified as non-appropriated. This FTE Position increase would accurately reflect the amount of newborn screeners

who utilize the monies appropriated from the Newborn Screening Program Fund and does not reflect an increase in actual staff.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 metabolic and congenital (environmental/inherited) disorders. In FY 2011, the program will provide screening for approximately 105,000 newborns. The program also provides for follow-up counseling for the parents of affected newborns. The State Health Laboratory currently holds the contract for testing.

Senior Food Programs

The budget includes no funding for Senior Food Programs in FY 2011. This amount is unchanged from FY 2010.

This line item provided food assistance to seniors below 130% of the federal poverty level through the Arizona Commodity Supplemental Food Program and the Seniors Farmers' Market program.

The federal government currently provides about \$1,000,000 for administration of the Arizona Commodity Supplemental Food Program and \$4,000,000 worth of food annually for low-income pregnant women, children, and the elderly.

5th Special Session Reduction

Please see agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more detail.)*

Department of Health Services
Behavioral Health

A.R.S. § 36-103

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	166.0	155.5	153.0 ^{1/}
Personal Services	3,509,700	4,990,300	4,701,900
Employee Related Expenditures	1,315,900	2,142,100	2,040,700
Professional and Outside Services	628,000	613,800	613,800
Travel - In State	40,500	32,000	32,000
Travel - Out of State	700	1,300	1,300
Other Operating Expenditures	7,166,100	6,645,400	6,645,400
Equipment	32,800	40,300	40,300
OPERATING SUBTOTAL	12,693,700	14,465,200	14,075,400
SPECIAL LINE ITEMS			
Administration			
Contract Compliance	3,340,100	4,858,500	4,759,000
Dual Eligible Part D Copay Subsidy	466,800	0	0
Medicare Clawback Payments	10,718,100	7,831,800	8,581,500
Medicaid Special Exemption Payments	21,825,900	25,439,200	27,428,600
Proposition 204 Administration	5,849,800	6,680,600	6,680,600
Children's Behavioral Health			
Children's Behavioral Health Services	8,313,800	7,320,700	0
CBH State Match for Title XIX	400,119,300	456,651,900	515,477,600
Proposition 204 Children's Behavioral Health Services	3,249,300	8,999,600	10,487,400
Seriously Mentally Ill			
Seriously Mentally Ill Non-Title XIX	53,899,700	53,849,700	0
Non-Title XIX Prescription Medication	0	0	40,154,900
Supported Housing	0	0	5,324,800
Seriously Mentally Ill State Match for Title XIX	201,851,700	208,215,900	331,815,100
Proposition 204 Seriously Mentally Ill Services	235,190,300	275,253,400	61,948,600 ^{2/}
Court Monitoring	197,500	197,500	0
Arnold v. Sarn	32,741,100	34,170,200	0 ^{3/4/}
General Mental Health and Substance Abuse			
Crisis Services	0	0	16,391,100
Mental Health Non-Title XIX	1,947,200	1,747,300	0
Substance Abuse Non-Title XIX	12,010,000	6,339,400	0
Mental Health and Substance Abuse State Match for Title XIX	114,266,400	125,010,600	133,900,600
Proposition 204 General Mental Health and Substance Abuse	124,597,700	160,720,000	197,470,700 ^{2/}
Prior Year Federal Funds Draw Down	65,310,000	0	0
PROGRAM TOTAL	1,308,588,400	1,397,751,500	1,374,495,900^{5/6/}
FUND SOURCES			
General Fund	414,182,000	379,923,600	347,184,800
Other Appropriated Funds			
Substance Abuse Services Fund	2,375,000	2,250,000	2,250,000
TTHCF Medically Needy Account	25,785,500	35,924,800	34,767,000
SUBTOTAL - Other Appropriated Funds	28,160,500	38,174,800	37,017,000
SUBTOTAL - Appropriated Funds	442,342,500	418,098,400	384,201,800

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	866,245,900	979,653,100	990,294,100
SUBTOTAL - Expenditure Authority Funds	866,245,900	979,653,100	990,294,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,308,588,400	1,397,751,500	1,374,495,900
Other Non-Appropriated Funds	63,698,200	66,924,700	66,924,700
Federal Funds	40,058,100	39,978,000	39,978,000
TOTAL - ALL SOURCES	1,412,344,700	1,504,654,200	1,481,398,600

COST CENTER DESCRIPTION — The Behavioral Health program administers most mental health services for the state both adult and children's behavioral health services, in addition to substance abuse treatment. Most services are provided through contracts with 5 Regional Behavioral Health Authorities (RBHAs) which then subcontract for provision of services with a provider network.

Title XIX Caseload and Inflation Overview

The budget includes an increase of \$133,707,600 for expected growth in the Title XIX Behavioral Health Programs. This adjustment would consist of \$32,183,400 from the General Fund and \$101,524,200 from Federal Title XIX Expenditure Authority (EA) under 12 months of enhanced Federal Medical Assistance Percentage (FMAP) that has been enacted by the federal government. (Please see the AHCCCS Summary for additional information.)

The Behavioral Health Services (BHS) Title XIX enrollment growth represents a 5.5% increase from June 2010 to June 2011. FY 2010 enrollment growth was originally budgeted at 8.9%, but is currently projected to grow by 21%. The FY 2010 supplemental covers this cost.

The budget increase includes an adjustment for the utilization rate of Title XIX Seriously Mentally Ill (SMI) and Title XIX General Mental Health and Substance Abuse (GMH/SA) services. FY 2010 utilization of SMI and GMH/SA was originally budgeted at 5.1% and 10.2%, respectively. Current data indicates that utilization of Title XIX SMI services is 4.1% and utilization of Title XIX GMH/SA services is 9.8%. The budget assumes a utilization rate of 3.7% for the Title XIX SMI population and 9.7% for the Title XIX GMH/SA population in FY 2011.

The utilization rate is the actual number of individuals receiving services as a percentage of the total eligible

population for that program. The department receives a flat amount for each Title XIX eligible individual per month, regardless of whether or not those individuals actually receive treatment.

During the economic downturn, the number of individuals requiring behavioral health services has not grown at the same rate as the overall caseload. As a result, the overall utilization rate has been lowered to prevent excess funding of services. (There was no downward utilization adjustment for Children's Behavioral Health.)

While the utilization rate has been reduced, the actual number of individuals receiving services will still grow each year. *Table 1* below summarizes utilization actuals, as well as projected utilization for the end of FY 2010 and FY 2011, for the 3 Title XIX behavioral health populations.

	June 2009 <u>Actual</u>	June 2010 <u>Estimate</u>	June 2011 <u>Estimate</u>
CBH	30,420	35,903	35,834
SMI	23,266	24,672	24,924
GMH/SA	55,573	61,333	65,365

The budget increase does not include medical inflation growth. Actual BHS capitation rate growth was 0% in FY 2010, 3.6% in FY 2009, 11.3% in FY 2008, 5.2% in FY 2007, 11.4% in FY 2006, and 12.8% in FY 2005.

- 1/ Includes 13.4 GF and 29 EA FTE Positions funded from Special Line Items in FY 2011.
- 2/ The amounts included in the Proposition 204 Administration, Proposition 204 Children's Behavioral Health Services, Proposition 204 General Mental Health and Substance Abuse and Proposition 204 Seriously Mentally Ill Services Special Line Items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 3/ The Department of Health Services shall report to the Joint Legislative Budget Committee 30 days after the end of each calendar quarter on the progress the department is making toward settling the *Arnold v. Sarn* lawsuit. The report shall include at a minimum the department's progress towards meeting the exit criteria and whether the department is in compliance with the exit criteria schedule. (General Appropriation Act footnote)
- 4/ It is the intent of the Legislature that the percent attributable to administration/profit for the regional behavioral health authority in Maricopa County is 9% of the overall capitation rate. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.
- 6/ See agency summary for agencywide lump sum reductions.

	FY 2010 <u>Appropriated</u>	FY 2010 <u>Revised</u>	FY 2011 <u>Revised</u>	FY 2011 Above FY 2010 <u>Revised</u>
Medicare Clawback Payments	\$ 11,932,800	\$ 7,831,800	\$ 8,581,500	\$749,700
Medicaid Special Exemption Payments	5,589,800	6,392,200	6,583,900	191,700
CBH	93,191,600	110,501,400	123,758,300	13,256,900
CBH Proposition 204	1,130,700	2,261,400	2,518,100	256,700
SMI	58,061,600	51,154,700	79,624,900	28,470,200
SMI Proposition 204	53,299,700	67,443,600	14,648,200	(52,795,400)
GMH/SA ^{2/}	29,694,300	30,909,500	32,141,500	1,232,000
GMH/SA Proposition 204	<u>26,964,400</u>	<u>40,384,900</u>	<u>47,404,400</u>	<u>7,019,500</u>
Total	\$279,864,900	\$316,879,500	\$315,260,800	\$(1,618,700)

^{1/} These amounts represent spending under the enhanced FMAP and contingent appropriation under Laws 2010, Chapter 232.
^{2/} Base amounts include \$3,600,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

Table 2 summarizes the FY 2011 General Fund projections, as well as estimated Clawback payments in FY 2010 and FY 2011.

State monies provide approximately a 34% match to the Federal Funds (EA) received. However, federal legislation has extended the ARRA enhanced match rate of 24% in FY 2011. As a result of the ARRA enhanced FMAP extension, the state will pay approximately \$(131,176,900) less from the General Fund for Behavioral Health Services in FY 2011. These amounts are incorporated into Table 2. The adjustment also includes changes in behavioral health services and Medicaid Special Exemption Payments but does not address any changes in administrative costs.

Behavioral Health Statewide Crisis System Consolidation

The state has been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided

to the SMI population. Due to the state's fiscal condition, the plaintiffs and the state agreed to suspend the lawsuit for 2 years due to lack of funding. The SMI population is funded under both Title XIX and Non-Title XIX line items.

As part of this suspension, the FY 2011 budget reduces and reorganizes Non-Title XIX behavioral health spending for both SMI and the General Mental Health populations. As shown in Table 3, total spending declined from \$103,624,800 in FY 2010 to \$61,870,800. As part of this change, the Non-Title XIX line items for Children's Behavioral Health, SMI, Mental Health, and Substance Abuse were eliminated. They were replaced by new line items for Prescription Medication, Supported Housing and Crisis Services. These services were already being provided under the prior system, but the new line items names will be more descriptive of the types of assistances.

<u>Program</u>	<u>FY 2011 Change</u>				<u>FY 2011 TF</u>
	<u>FY 2010 TF</u>	<u>GF</u>	<u>OF/EA</u>	<u>TF</u>	
CBH Non-Title XIX	\$ 7,320,700	\$(7,320,700)	\$ 0	\$(7,320,700)	\$ 0
SMI Non-Title XIX	53,849,700	(22,024,900)	(31,824,800)	(53,849,700)	0
Prescription Medication	0	28,453,800	11,701,100	40,154,900	40,154,900
Supported Housing	0	0	5,324,800	5,324,800	5,324,800
Court Monitor	197,500	(197,500)	0	(197,500)	0
<i>Arnold v. Sarn</i>	34,170,200	(24,569,500)	(9,600,700)	(34,170,200)	0
Crisis Services	0	0	16,391,100	16,391,100	16,391,100
Mental Health Non-TXIX	1,747,300	(1,247,300)	(500,000)	(1,747,300)	0
Substance Abuse Non-TXIX	<u>6,339,400</u>	<u>(4,089,400)</u>	<u>(2,250,000)</u>	<u>(6,339,400)</u>	<u>0</u>
Net Funding	\$103,624,800	\$(30,995,500)	\$(10,758,500)	\$(41,754,000)	\$61,870,800

GF = General Fund OF/EA = Other Funds/Expenditure Authority TF = Total Funds

Prior to these changes, approximately 14,600 SMI adults received SMI services. That number is expected to remain the same, but the benefit package will be reduced. In terms of non-SMI services, 4,200 children and 11,100 adults had previously received mental health services along with 6,600 adult substance abusers. The budget changes would eliminate most of those non-SMI Non-Title XIX services, although substance abuse assistance will continue to be provided through federal funds.

Operating Budget

The budget includes \$14,075,400 and 110.6 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$ 3,625,100
Federal Title XIX Expenditure Authority	10,450,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(389,800) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(100,400)
Federal Title XIX Expenditure Authority	(289,400)

(Please see the General Provisions section.)

Administration

Contract Compliance

The budget includes \$4,759,000 and 42.4 FTE Positions for Contract Compliance in FY 2011. These amounts consist of:

General Fund	1,157,700
Federal Title XIX Expenditure Authority	3,601,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of (99,500) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(24,200)
Federal Title XIX Expenditure Authority	(75,300)

This line item provides funding to improve contract monitoring and oversight, including additional personnel to evaluate contract compliance among the Regional Behavioral Health Authorities (RBHAs) and to ensure that DHS is meeting its obligations in both the *Arnold v. Sarn* and *JK v. Gerard* lawsuits.

Dual Eligible Part D Copay Subsidy

The budget includes no funding for the Dual Eligible Part D Copay Subsidy in FY 2011. This amount is unchanged from FY 2010.

This line item paid the prescription drug copayments of low income individuals qualifying for both Medicare and Medicaid, known as “dual eligibles.” Prior to the federal government taking over prescription drug costs from the state for dual eligibles on January 1, 2006; these individuals did not pay for their prescriptions. As part of the benefit, the copayment ranges from \$1.05 to \$6.01, depending on the class of the drug as well as the recipient’s income.

Medicare Clawback Payments

The budget includes \$8,581,500 from the General Fund for Medicare Clawback Payments in FY 2011. This amount funds the following adjustments:

Formula Growth

The budget includes an increase of \$325,400 from the General Fund in FY 2011 for formula growth associated with Medicare Clawback Payments.

Savings Reduction

The budget includes an increase of \$424,300 from the General Fund in FY 2011 for reduced savings in FY 2011. In February 2010, the federal government announced that it would apply the ARRA enhanced matching rate against the Medicare Clawback payments, thereby reducing the amounts made for Clawback payments. It is estimated that this will reduce behavioral health payments by \$(4,101,000) in FY 2010 and \$(3,676,700) in FY 2011. The savings in FY 2010 are greater than in FY 2011 due to the timing of these savings.

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, DHS is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DHS is required to make “Clawback” payments to Medicare based on 83% of the estimated prescription drug cost of this population in FY 2011. The state’s share of 83% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

Medicaid Special Exemption Payments

The budget includes \$27,428,600 for Medicaid Special Exemption Payments in FY 2011. This amount consists of:

General Fund	6,583,900
Federal Title XIX Expenditure Authority	20,844,700

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$1,989,400 in FY 2011 for increased Medicaid Special Exemption Payments related to Title XIX caseload growth. This amount consists of:

General Fund	191,700
Federal Title XIX Expenditure Authority	1,797,700

The FY 2010 supplemental added \$802,400 from the General Fund and \$1,540,300 in Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. The FY 2010 supplemental is incorporated into the FY 2010 figures above and continued into FY 2011.

This line item provides the funding necessary for insurance premium tax payments by DHS. The department is required to pay a 2% tax on the capitation payments it pays to RBHAs. Therefore, any increases in capitation payments associated with caseload growth and inflation necessitate an increase in premium tax payments. The amount excludes premium tax payments for the behavioral health capitation revenue from developmentally disabled clients, which is funded in the Department of Economic Security's budget.

Proposition 204 Administration

The budget includes \$6,680,600 for Proposition 204 Administration in FY 2011. This amount consists of:

General Fund	2,287,400
Federal Title XIX Expenditure Authority	4,393,200

These amounts are unchanged from FY 2010.

The implementation of Proposition 204, passed by the voters in November of 2000, expanded the categories of eligibility for Title XIX services, including behavioral health services, up to 100% of the federal poverty level. This line item provides funding for the administrative component of this expansion.

Children's Behavioral Health (CBH)

Children's Behavioral Health Services

The budget includes no funding for Children's Behavioral Health Services (CBH) Services in FY 2011. This amount funds the following adjustments:

Eliminate Non-Title XIX CBH

The budget includes a decrease of \$(7,320,700) from the General Fund in FY 2011 to eliminate state-only funding

for CBH services. (Please see Behavioral Health Crisis System Consolidation for additional information.)

This line item provided General Fund monies for prevention programs and for treatment of Non-Title XIX eligible children.

Children's Behavioral Health State Match for Title XIX

The budget includes \$515,477,600 for CBH State Match for Title XIX in FY 2011. This amount consists of:

General Fund	123,758,300
Federal Title XIX Expenditure Authority	391,719,300

This amount funds the following adjustments:

Formula Growth

The budget includes an increase of \$58,825,700 in FY 2011 for Title XIX Children's Behavioral Health caseload and capitation rate growth. This amount consists of:

General Fund	13,256,900
Federal Title XIX Expenditure Authority	45,568,800

The FY 2010 supplemental added \$17,309,800 from the General Fund and \$33,229,900 in Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. The FY 2010 supplemental is incorporated into the FY 2010 figures above and continued into FY 2011.

The FY 2011 adjustment assumes capitation enrollment growth of 5.7% from June 2010 to June 2011, and no increase in capitation rates

This line item funds behavioral health treatment to Title XIX eligible children. There are approximately 621,467 eligible children. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 5.5% or 35,056 of the eligible population will utilize services.

Proposition 204 Children's Behavioral Health Services

The budget includes \$10,487,400 for Proposition 204 CBH Services in FY 2011. This amount consists of:

General Fund	2,518,100
Federal Title XIX Expenditure Authority	7,969,300

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$1,487,800 in FY 2011 for Proposition 204 Children's Behavioral Health caseload growth. This amount consists of:

General Fund 256,700
 Federal Title XIX Expenditure Authority 1,231,100

The FY 2010 supplemental added \$1,130,700 from the General Fund and \$2,554,600 in Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. The FY 2010 supplemental is incorporated into the FY 2010 figures above and continued into FY 2011.

The FY 2011 adjustment assumes capitation enrollment growth of 5% from June 2010 to June 2011, and no increase in capitation rates.

This line item provides behavioral health treatment to children eligible for Title XIX pursuant to Proposition 204. Because most children were already eligible for Title XIX prior to the implementation of Proposition 204, this population is very small. There are approximately 13,598 eligible children. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 5.5%, or 778, of the eligible population will utilize services.

Seriously Mentally Ill (SMI)

SMI is a population of adult patients with more long-term or ongoing mental illness than those funded through the General Mental Health Special Line Items.

Seriously Mentally Ill Non-Title XIX

The budget eliminates the SMI Non-Title XIX services line item in FY 2011 and shifts some of the resources to new state-only BHS line items. This amount funds the following adjustments:

Eliminate Non-Title XIX SMI

The budget includes a decrease of \$(53,849,700) in FY 2011 for SMI Non-Title XIX services. This amount consists of:

General Fund (22,024,900)
 Tobacco Tax and Health Care Fund (31,824,800)
 Medically Needy Account

This reduction is a component of the consolidation of Non-Title XIX services into a statewide crisis system, of which, the new Non-Title XIX Prescription Medication and Supported Housing Special Line Items are a part. These line items would replace the Non-Title XIX SMI program. *(Please see Behavioral Health Crisis System Consolidation for additional information.)*

This line item provided funding for treatment for SMI clients that are not eligible for Title XIX coverage.

Non-Title XIX Prescription Medication

The budget includes \$40,154,900 for a new Non-Title XIX Prescription Medication Special Line Item (SLI) in FY 2011. This amount consists of:

General Fund 28,453,800
 Tobacco Tax and Health Care Fund 11,701,100
 Medically Needy Account

This line item provides funding for a benefit package for Non-Title XIX SMI clients to partially cover the costs of prescription medications and associated services, such as laboratory costs and prescribing clinician costs.

This program is a component of the consolidation of Non-Title XIX services into a statewide crisis system, as recommended by the Governor. *(Please see Behavioral Health Crisis System Consolidation for additional information.)*

Supported Housing

The budget includes \$5,324,800 from the Tobacco Tax and Health Care Fund Medically Needy Account for a new Supported Housing SLI in FY 2011.

This line item provides funding to support services for supported housing services that may include rental subsidies, housing stock, room and board and related living expenses that will enable clients to live in the community while avoiding more restrictive and costly housing arrangements. As of this writing, those individuals who are Non-Title XIX, and who already receive Supported Housing, will keep their services, but no new Non-Title XIX clients will be funded with these monies. This line item gives priority to those who are Title XIX eligible.

This program is a component of the consolidation of Non-Title XIX services into a statewide crisis system, as recommended by the Governor. *(Please see Behavioral Health Crisis System Consolidation for additional information.)*

Seriously Mentally Ill State Match for Title XIX

The budget includes \$331,815,100 for SMI State Match for Title XIX in FY 2011. This amount consists of:

General Fund 79,624,900
 Federal Title XIX Expenditure Authority 252,190,200

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(37,165,000) in FY 2011 for Title XIX Seriously Mentally Ill caseload and capitation rate growth. This amount consists of:

General Fund	(26,389,700)
Federal Title XIX Expenditure Authority	(10,775,300)

The FY 2010 supplemental reduced \$(6,906,900) from the General Fund and \$(13,259,300) in Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. The FY 2010 supplemental is incorporated into the FY 2010 figures above and continued into FY 2011.

The FY 2011 adjustment assumes capitation enrollment growth of 5.7% from June 2010 to June 2011, and no increase in capitation rates.

SMI Reclassification

The budget includes an increase of \$160,764,200 in FY 2011 to shift Prop. 204 SMI clients to the Title XIX SMI population. This amount consists of:

General Fund	54,859,900
Federal Title XIX Expenditure Authority	105,904,300

This adjustment assumes that 87%, or 330,580, of Prop. 204 clients would become part of the Title XIX population, because these individuals are Supplemental Security Income (SSI) eligible. SSI eligible clients would receive Title XIX services even if Prop. 204 had not been enacted.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. There are approximately 608,273 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 3.7%, or 22,830 of the eligible population will utilize services.

Proposition 204 Seriously Mentally Ill Services

The budget includes \$61,948,600 for Proposition 204 Seriously Mentally Ill (SMI) Services in FY 2011. This amount consists of:

General Fund	14,648,200
Federal Title XIX Expenditure Authority	47,300,400

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(52,540,600) in FY 2011 for Proposition 204 SMI caseload and capitation rate growth. This amount consists of:

General Fund	2,064,500
Federal Title XIX Expenditure Authority	(54,605,100)

The FY 2010 supplemental added \$14,143,900 from the General Fund and \$26,806,100 in Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. The FY 2010 supplemental is incorporated into the FY 2010 figures above and continued into FY 2011.

SMI Reclassification

The budget includes a decrease of \$(160,764,200) in FY 2011 to shift Prop. 204 SMI clients to the Title XIX SMI population. This amount consists of:

General Fund	(54,859,900)
Federal Title XIX Expenditure Authority	(105,904,300)

(Please see Seriously Mentally Ill State Match for Title XIX for additional information.)

This line item provides behavioral health treatment to Title XIX eligible SMI adults. There are approximately 49,397 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 3.7%, or 2,094, of the eligible population will utilize services.

Court Monitoring

The budget includes no funding from the General Fund for Court Monitoring in FY 2011. This amount funds the following adjustments:

Elimination of the Office of the Court Monitor

The budget includes a decrease of \$(197,500) from the General Fund in FY 2011 for the elimination of the Court Monitor from the *Arnold v. Sarn* lawsuit.

This line item provided funds for the state share of the expenses incurred by the Office of the Court Monitor, which was established as a result of the *Arnold v. Sarn* lawsuit. The Office of the Court Monitor was eliminated by the Maricopa County Superior Court when it approved an agreement to suspend the *Arnold v. Sarn* lawsuit for 2 years. *(Please see Arnold v. Sarn for additional information.)*

Arnold v. Sarn

The budget includes no funding for *Arnold v. Sarn* in FY 2011. This amount funds the following adjustments:

Suspension of Arnold v. Sarn Lawsuit

The budget includes a decrease of \$(34,170,200) in FY 2011 to stay the ongoing *Arnold v. Sarn* lawsuit for 2 years. This amount consists of:

General Fund	(24,569,500)
Federal Title XIX Expenditure Authority	(9,600,700)

The Maricopa County Superior Court suspended the lawsuit for 2 years in March 2010, as a result of an agreement between the parties, due to the state's fiscal situation. Part of the agreement to suspend the lawsuit included a provision requiring the creation of a statewide crisis system during the suspension to help clients in Maricopa County who are part of the *Arnold* class. The new crisis system would provide services in place of the *Arnold* line item. *(Please see Behavioral Health Crisis System Consolidation for additional information.)*

This line item provided additional funding in order to address the requirements of the *Arnold v. Sarn* lawsuit. It was the intent of the Legislature that this funding be used throughout the state for all persons who meet the same criteria as those covered in the *Arnold v. Sarn* lawsuit.

In order to increase legislative oversight, a footnote in the General Appropriation Act requires the department to report to the Joint Legislative Budget Committee quarterly on the progress being made toward settling the *Arnold v. Sarn* lawsuit. However, with the elimination of funding for Court Monitoring and *Arnold v. Sarn* line items, it is unlikely that there will be any information to report.

General Mental Health and Substance Abuse

General Mental Health and Substance Abuse (GMH/SA) funding assists adults who do not qualify as SMI.

Crisis Services

The budget includes \$16,391,100 for Crisis Services in FY 2011. This amount consists of:

Substance Abuse Services	2,250,000
Tobacco Tax and Health Care Fund	14,141,100
Medically Needy Account	

This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services.

This program is a component of the consolidation of Non-Title XIX services into a statewide crisis system, as recommended by the Governor. *(Please see Behavioral Health Crisis System Consolidation for additional information.)*

Mental Health Non-Title XIX

The budget eliminates Mental Health Non-Title XIX services line item in FY 2011 and shifts some of the resources to the Crisis Services line item. This amount funds the following adjustments:

Eliminate Mental Health Non-Title XIX

The budget includes a decrease of \$(1,747,300) in FY 2011 for the elimination of state-only Mental Health services. This amount consists of:

General Fund	(1,247,300)
Tobacco Tax and Health Care Fund	(500,000)
Medically Needy Account	

This reduction is a component of the consolidation of Non-Title XIX services into a statewide crisis system, of which, the new Crisis Services program is a part. Crisis Services would replace the Mental Health Non-Title XIX and Substance Abuse Non-Title XIX programs. *(Please see Behavioral Health Crisis System Consolidation for additional information.)*

This line item provided funding for mental health treatment services for adults who required treatment but were not diagnosed SMI and were not eligible for the Title XIX program, as well as general mental health services for children and for substance abuse services and prevention.

Substance Abuse Non-Title XIX

The budget eliminates Substance Abuse Non-Title XIX services in FY 2011 and shifts some of the resources to the Crisis Services line item. This amount funds the following adjustments:

Eliminate Substance Abuse Non-Title XIX

The budget includes a decrease of \$(6,339,400) in FY 2011 for Substance Abuse Non-Title XIX services. This amount consists of:

General Fund	(4,089,400)
Substance Abuse Services Fund	(2,250,000)

This reduction is a component of the consolidation of Non-Title XIX services into a statewide crisis system, of which, the new Crisis Services program is a part. Crisis Services would replace the Mental Health Non-Title XIX and Substance Abuse Non-Title XIX programs. *(Please see Behavioral Health Crisis System Consolidation for additional information.)*

This line item provided funding for drug and alcohol abuse services for adults who are not eligible for the Title XIX program.

Mental Health and Substance Abuse State Match for Title XIX

The budget includes \$133,900,600 for Mental Health and Substance Abuse (GMH/SA) State Match for Title XIX in FY 2011. This amount consists of:

General Fund	28,541,500
Tobacco Tax and Health Care Fund Medically Needy Account	3,600,000
Federal Title XIX Expenditure Authority	101,759,100

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$8,890,000 in FY 2011 for Title XIX GMH/SA caseload and capitation rate growth. This amount consists of:

General Fund	1,232,000
Federal Title XIX Expenditure Authority	7,658,000

The FY 2010 supplemental added \$1,215,200 from the General Fund and \$2,332,700 in Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. The FY 2010 supplemental is incorporated into the FY 2010 figures above and continued in FY 2011.

The FY 2011 adjustment assumes capitation enrollment growth of 5.7% from June 2009 to June 2010, and no increase in capitation rates.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. There are approximately 277,693 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 9.7%, or 26,936, of the eligible population will utilize services.

Proposition 204 General Mental Health and Substance Abuse

The budget includes \$197,470,700 for Proposition 204 GMH/SA in FY 2011. This amount consists of:

General Fund	47,404,400
Federal Title XIX Expenditure Authority	150,066,300

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$36,750,700 in FY 2011 for Proposition 204 GMH/SA caseload and capitation rate growth. This amount consists of:

General Fund	7,019,500
Federal Title XIX Expenditure Authority	29,731,200

The FY 2010 supplemental added \$13,420,500 from the General Fund and \$25,763,500 in Federal Title XIX Expenditure Authority for additional caseload growth in FY 2010. The FY 2010 supplemental is incorporated into the FY 2010 figures above and continued into FY 2011.

The FY 2011 adjustment assumes capitation enrollment growth of 5% from June 2010 to June 2011, and no increase in capitation rates.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. There are approximately 379,977 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 9.7%, or 36,858, of the eligible population will utilize services. As of November 2009, there are 28,736 adults who utilize services in this program each month.

Prior Year Federal Funds Draw Down

The budget includes no funding for Prior Year Federal Funds Draw Down in FY 2011.

The FY 2009 budget appropriated \$19,871,400 from the General Fund to DHS for additional FY 2009 supplemental funding for Behavioral Health Services. DHS used that \$19,871,400 to obtain federal matching funds of \$45,438,600. Of the total \$65,310,000, the Legislature instructed DHS to use \$25,438,600 as supplemental funding for Behavioral Health Services, and to transfer the remaining \$39,871,400 back to the General Fund by June 30, 2009.

5th Special Session Reduction

Please see agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more detail.)*

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	877.7	774.5	748.9 ^{1/}
Personal Services	31,312,800	30,206,900	29,612,200
Employee Related Expenditures	10,926,700	10,067,700	9,942,300
Professional and Outside Services	7,475,800	7,823,600	7,823,600
Travel - In State	63,600	75,000	75,000
Travel - Out of State	400	5,000	5,000
Other Operating Expenditures	5,028,200	5,717,100	5,717,100
Equipment	132,400	105,000	105,000
OPERATING SUBTOTAL	54,939,900	54,000,300	53,280,200
SPECIAL LINE ITEMS			
Community Placement Treatment	3,263,200	1,130,700	1,130,700
Electronic Medical Records	163,500	0	0
Sexually Violent Persons	9,798,100	9,882,100	9,697,400
Arizona State Hospital Forensic Unit Debt Service	0	3,111,700	3,111,700
PROGRAM TOTAL	68,164,700	68,124,800	67,220,000^{2/}
FUND SOURCES			
General Fund	62,914,200	55,815,300	54,910,500
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	4,211,400	11,159,500	11,159,500
ASH Land Earnings Fund	1,039,100	1,150,000	1,150,000
SUBTOTAL - Other Appropriated Funds	5,250,500	12,309,500	12,309,500
SUBTOTAL - Appropriated Funds	68,164,700	68,124,800	67,220,000
Other Non-Appropriated Funds	1,160,200	1,159,100	1,159,100
TOTAL - ALL SOURCES	69,324,900	69,283,900	68,379,100

COST CENTER DESCRIPTION — Provides inpatient psychiatric hospitalization services for adolescent and adult seriously mentally ill residents. Over the 12-month period from July 2008 through June 2009, the Arizona State Hospital (ASH) has had an average census of 253 patients.

Operating Budget

The budget includes \$53,280,200 and 582.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$44,250,900
Arizona State Hospital Fund	7,879,300
ASH Land Earnings Fund	1,150,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(720,100) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

The Health Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 10) requires that all counties pay 100% of the daily cost of care for Restoration to Competency patients. This continues a session law enacted in the FY 2010 Health and Welfare BRB (Laws 2009, 3rd Special Session, Chapter 10).

^{1/} Includes 166.2 GF FTE Positions funded from Special Line Items in FY 2011.

^{2/} General Appropriation Act funds are appropriated as an Agencywide Operating Lump Sum with Special Line Items by Program.

Community Placement Treatment

The budget includes \$1,130,700 from the ASH Fund for Community Placement Treatment in FY 2011. This amount is unchanged from FY 2010.

This line item provides funding for housing, transportation, clinical support, and meaningful day activities for State Hospital patients treated in the community.

Electronic Medical Records

The budget includes no funding for the Electronic Medical Records Special Line Item in FY 2011. This amount is unchanged from FY 2010.

This line item provided funding for improvements to the information technology capabilities and the electronic medical records database at the State Hospital as well as for information technology staff support.

Sexually Violent Persons

The budget includes \$9,697,400 and 166.2 FTE Positions for the Sexually Violent Persons (SVP) Special Line Item in FY 2011. These amounts consist of:

General Fund	7,547,900
Arizona State Hospital Fund	2,149,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(184,700) from the General Fund in FY 2011 for statewide adjustments.

The Health BRB requires that all counties pay 25% of the daily cost of care for SVP patients. This continues a session law that was first enacted in the FY 2010 Health and Welfare BRB.

Background – 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. There are currently 71 adjudicated individuals at ASH with SVP status that have completed their sentence with the Arizona Department of Corrections and are currently residing at ASH and 4 individuals living in the community but still under ASH’s jurisdiction and surveillance. An additional 9 individuals are awaiting determination.

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 the State Hospital 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.

ASH Forensic Unit Debt Service

The budget includes \$3,111,700 from the General Fund for the ASH Forensic Unit Debt Service lease-purchase payment to construct a new Forensic Hospital at ASH in FY 2011. This amount is unchanged from FY 2010.

Laws 2007, Chapter 257 (the FY 2008 Capital Outlay Bill) authorized the Arizona Department of Administration to enter into a 15-year \$32,200,000 lease-purchase agreement, with the first debt service payment beginning in FY 2010, to fund a new forensic unit at ASH. The average annual payments in future years would also be approximately \$3,100,000. Construction began on November 2, 2009.

5th Special Session Reduction

Please see agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more detail.)*

Executive Director: Anne I. Woosley

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	59.9	52.9	51.9 ^{1/}
Personal Services	1,270,500	1,266,400	1,227,100
Employee Related Expenditures	536,500	557,500	554,600
Professional and Outside Services	11,300	0	0
Other Operating Expenditures	255,600	266,200	266,200
OPERATING SUBTOTAL	2,073,900	2,090,100	2,047,900
SPECIAL LINE ITEMS			
Centennial Museum	0	0	589,700
Field Services & Grants	65,000	65,000	64,400
Papago Park Museum	2,073,100	1,907,400	3,590,200
AGENCY TOTAL	4,212,000	4,062,500	6,292,200^{2/}
FUND SOURCES			
General Fund	4,017,800	3,868,300	5,861,400
<u>Other Appropriated Funds</u>			
Capital Outlay Stabilization Fund	194,200	194,200	430,800
SUBTOTAL - Other Appropriated Funds	194,200	194,200	430,800
SUBTOTAL - Appropriated Funds	4,212,000	4,062,500	6,292,200
Other Non-Appropriated Funds	1,150,500	1,027,500	1,048,500
TOTAL - ALL SOURCES	5,362,500	5,090,000	7,340,700

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).

Operating Budget

The budget includes \$2,047,900 and 37.3 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(42,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Centennial Museum

The budget includes an increase of \$589,700 and 1 FTE Position from the General Fund for the transfer of the Arizona Mining and Mineral Museum from the Arizona Department of Mines and Mineral Resources to the Arizona Historical Society in FY 2011. The Arizona

Mining and Mineral Museum is to be part of a newly-established Centennial Museum in the Arizona Historical Society.

Laws 2010, Chapter 227 transfers the curator, operation and maintenance of the Arizona Mining and Mineral Museum from the Arizona Department of Mines and Mineral Resources to the Arizona Historical Society as part of a newly-established Centennial Museum effective July 29, 2010. Chapter 227 also transfers \$589,700 from the Arizona Department of Mines and Mineral Resources to the Arizona Historical Society in FY 2011 to pay rent for the mining and mineral museum building to the Arizona Department of Administration and to pay the salary and employee related expenses of the museum curator on the effective date of the act.

^{1/} Includes 14.6 GF FTE Positions funded from Special Line Items in FY 2011.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

This line item funds the operation and maintenance of the Arizona Mining and Mineral Museum as part of the Centennial Museum.

Historical Society to reduce 1 General Fund FTE Position in FY 2010 and an additional 2 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Field Services & Grants

The budget includes \$64,400 and 1 FTE Position from the General Fund for Field Services and Grants in FY 2011. These amounts fund the following adjustments.

Statewide Adjustments

The budget includes a decrease of \$(600) from the General Fund in FY 2011 for statewide adjustments.

This program is authorized by A.R.S. § 41-821H and A.R.S. § 41-821I, which allow the Arizona Historical Society to contract with certified county historical societies for services to be performed 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 a county historical society in presenting or preserving historic materials. Contracts are awarded where historical materials are in the greatest need of additional care. To qualify as a certified historical society, the society must be nonprofit and have a functioning program of historical value. Certification and contract agreements are reviewed annually. The budget includes \$35,000 from the General Fund for grants in FY 2011.

Papago Park Museum

The budget includes \$3,590,200 and 12.6 FTE Positions for the Papago Park Museum in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$3,159,400
Capital Outlay Stabilization Fund	430,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,682,800 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	\$1,446,200
Capital Outlay Stabilization Fund	236,600

These amounts include an increase of \$1,690,100 for the Papago Park Museum lease-purchase payments.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Arizona

Director: John Langellier

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	16.0	14.0	13.0
Personal Services	393,200	429,200	414,800
Employee Related Expenditures	212,000	222,700	219,500
Professional and Outside Services	2,400	2,500	2,500
Other Operating Expenditures	17,900	36,900	36,900
AGENCY TOTAL	625,500	691,300	673,700^{1/}
FUND SOURCES			
General Fund	625,500	691,300	673,700
SUBTOTAL - Appropriated Funds	625,500	691,300	673,700
Other Non-Appropriated Funds	925,900	869,900	869,900
TOTAL - ALL SOURCES	1,551,400	1,561,200	1,543,600

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.

Operating Budget

The budget includes \$673,700 and 13 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(17,600) from the General Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Prescott Historical Society of Arizona to reduce no General Fund FTE Positions in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Gilbert M. Orrantia

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
FUND SOURCES			
Federal Funds	41,737,300	47,607,000	47,607,000
TOTAL - ALL SOURCES	41,737,300	47,607,000	47,607,000

AGENCY DESCRIPTION — The Arizona Department of Homeland Security distributes funding received from the U.S. Department of Homeland Security to state agencies and local governments to prevent and mitigate acts of terrorism and natural disasters. The department publishes the Arizona Homeland Security Strategy and provides planning assistance to aid in the development of regional response plans for natural disasters or terrorism incidents.

Other Issues

Homeland Security Grants

Grants received by the department from Federal Fiscal Year (FFY) 2007 to FFY 2010 are shown in the table below. These amounts differ from the expenditures listed above due to the grants being effective for periods of 2-3 years and monies being disbursed on an as needed basis.

	FFY 2007	FFY 2008	FFY 2009	FFY 2010
SHSGP	\$ 9,120,000	\$13,400,000	\$13,086,500	\$13,217,400
LETPP	6,520,000	-	-	-
CCP	281,500	291,900	290,400	251,400
UASI	16,820,000	16,315,500	15,335,200	15,348,100
MMRS	1,032,600	1,284,900	1,284,900	1,269,700
BZPP	2,077,500	597,000	400,000	600,000
EMP	4,550,000	5,804,800	6,096,600	-
OPSG	-	9,850,000	19,998,600	TBD
TSGP	246,800	771,200	-	-
PSIC	17,713,100	-	-	-
UASI-NP	193,800	423,800	330,000	TBD
EOC	-	-	31,500	TBD
IECGP	-	797,200	923,900	831,500
Total	\$58,555,300	\$49,536,300	\$57,777,600	\$31,518,100

State Homeland Security Grant Program (SHSGP)

This grant is intended to provide funding to purchase equipment that will enhance the ability of state and local governments to prevent and respond to terrorist incidents, and can also be used for training exercises. Arizona received \$13,217,400 from this grant in FFY 2010.

Law Enforcement Terrorism Prevention Program (LETPP)

This program awards funds to law enforcement agencies to increase their capacity to deter and prevent acts of terrorism. Monies can be used for target hardening, threat assessment, and interoperable communications equipment. This grant program became part of the SHSGP program in FFY 2008.

Citizen Corps Program (CCP)

This program provides funding for instructing private citizens to help first responders in terrorist incidents or natural disasters. A total of \$251,400 was available for this program in FFY 2010.

Urban Area Security Initiative (UASI)

Funding from this program provides financial assistance to high-threat urban areas, which are designated by the Secretary of Homeland Security. Funds can be used for planning, training, exercises, and equipment. Arizona received an allocation of \$15,348,100 for this program in FFY 2010.

Metropolitan Medical Response System (MMRS)

These funds are used by highly populated jurisdictions for planning, exercises, training, purchasing equipment, and pharmaceuticals in order to respond to a mass casualty event. An amount of \$1,269,700 was allocated through this grant in FFY 2010.

Buffer Zone Protection Program Grant (BZPP)

This grant provides funding to secure critical infrastructure including chemical facilities, nuclear and electric power plants, dams, stadiums, arenas, and other high-risk areas. In FFY 2010, Arizona received \$600,000.

Emergency Management Performance Grant (EMP)

This grant provides funding for state and local jurisdictions to engage in comprehensive national and regional planning that seeks to enhance emergency management and catastrophic capabilities through national and regional relationships. In FFY 2010, Arizona received no funding.

Operation Stonegarden Grant (OPSG)

These funds are used to enhance preparedness and inter-agency coordination among federal, state, and local law enforcement along the borders of the United States. The FFY 2010 amount has yet to be determined.

Transit Security Grant Program (TSGP)

This grant provides funding for increased security in high-threat urban areas that have critical infrastructure. In FFY 2010, this grant became a direct pass-through to recipients and is no longer managed by the department.

Public Safety Interoperability Communication (PSIC)

This program provides funding to assist public safety agencies in the acquisition, deployment, and training for the use of interoperable communication systems. In FFY 2010, Arizona received no money from this grant program.

Urban Areas Security Initiative - Non-Profits (UASI-NP)

These grants provide monies to non-profits to help fund security enhancements in the areas of training, equipment, exercises, and planning for urban areas. The FFY 2010 amount has yet to be determined.

Emergency Operations Center (EOC)

This program provides funding for the development of emergency operations centers. The FFY 2010 amount has yet to be determined.

Interoperable Emergency Communications Grant Program (IECGP)

These grants provide monies to improve the interoperability of emergency communications between various levels of government by funding training, exercises, and equipment. In FFY 2010, Arizona received \$831,500.

Board of Homeopathic and Integrated Medicine Examiners

A.R.S. § 32-2901

Executive Director: Christine Springer

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	54,600	54,700	53,100
Employee Related Expenditures	24,900	22,100	22,600
Professional and Outside Services	26,600	22,600	24,000
Travel - In State	1,200	1,300	1,300
Other Operating Expenditures	9,200	4,100	15,900
Equipment	800	0	0
AGENCY TOTAL	117,300	104,800	116,900^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	117,300	104,800	116,900
SUBTOTAL - Other Appropriated Funds	117,300	104,800	116,900
SUBTOTAL - Appropriated Funds	117,300	104,800	116,900
TOTAL - ALL SOURCES	117,300	104,800	116,900

AGENCY DESCRIPTION — The board licenses and regulates medical physicians who practice homeopathic and integrated 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.

Operating Budget

The budget includes \$116,900 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(900) from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Operating Budget Adjustments

The budget includes an increase of \$13,000 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2011 for operating budget adjustments. The increase funds \$10,300 for a one-time annual leave payout for an employee eligible for retirement in FY 2011 and \$2,700 for a rulewriter and increased State Boards' Office charges.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Michael Traylor

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	11.0	11.0
Personal Services	587,500	591,400	574,200
Employee Related Expenditures	211,800	203,300	198,600
Professional and Outside Services	13,600	48,500	48,500
Travel - In State	12,100	7,200	7,200
Travel - Out of State	1,700	0	0
Other Operating Expenditures	81,200	87,900	88,500
Equipment	3,400	10,200	10,200
AGENCY TOTAL	911,300	948,500	927,200^{1/}

FUND SOURCES

Other Appropriated Funds

Housing Trust Fund	911,300	948,500	927,200
SUBTOTAL - Other Appropriated Funds	911,300	948,500	927,200
SUBTOTAL - Appropriated Funds	911,300	948,500	927,200
Other Non-Appropriated Funds	41,300,400	22,981,100	22,728,300
Federal Funds	75,347,500	121,965,000	126,229,800
TOTAL - ALL SOURCES	117,559,200	145,894,600	149,885,300

AGENCY DESCRIPTION — Through a variety of housing and community improvement programs, the department annually administers federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency’s administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Housing Finance Authority.

Operating Budget

The budget includes \$927,200 and 11 FTE Positions from the Housing Trust Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(21,300) from the Housing Trust Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

JLBC Analyst: Jack Brown

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	256,400	0	500,000
AGENCY TOTAL	256,400	0	500,000^{1/2/}
FUND SOURCES			
General Fund	256,400	0	500,000
SUBTOTAL - Appropriated Funds	256,400	0	500,000
TOTAL - ALL SOURCES	256,400	0	500,000

AGENCY DESCRIPTION — Proposition 106, approved by 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.

Operating Budget

The budget includes \$500,000 from the General Fund for the operating budget in FY 2011. This amount funds the following adjustments:

Fund Redistricting Commission

The budget includes an increase of \$500,000 from the General Fund in FY 2011 to fund the Independent Redistricting Commission. Proposition 106 states that in either calendar year (CY) 2008 or 2009 the Department of Administration shall submit to the Legislature a recommendation for an appropriation for adequate redistricting expenses and shall make available adequate office space for the operation of the commission. The Department of Administration has recommended that the commission receive \$10,203,000 for the entire CY 2010 redistricting cycle, which will take place over multiple years following the CY 2010 census.

Article 4, Part 2, Section 1 of the Arizona Constitution (as amended by Proposition 106) requires that "the legislature shall make the necessary appropriations by a majority vote" for redistricting expenses. The Arizona Constitution requires that the commission be formed by February 2011. The commission, however, is likely to only use a small portion of its funding in the first year. For example, in FY 2001 (the first fiscal year of the CY 2000 redistricting cycle) the commission expended only \$246,300. For this reason, the budget only includes \$500,000 for the commission in FY 2011.

In subsequent fiscal years, the Legislature would appropriate additional monies to pay for the rest of redistricting expenses. In the past redistricting cycle, the commission expended a total of \$9,554,100. Initially \$6,000,000 was appropriated in FY 2001. The commission was then appropriated an additional \$4,203,000 from the General Fund in FY 2004 to pay for the costs associated with ongoing litigation. The commission would revert any unused monies at the end of the redistricting cycle.

Table 1 details total expenditures to date:

Year	Historical Expenditures
	Actual Expenditures
FY 2001	\$ 246,300
FY 2002	3,339,000
FY 2003	1,857,300
FY 2004	1,962,200
FY 2005	776,800
FY 2006	423,400
FY 2007	298,900
FY 2008	367,700
FY 2009	256,400
FY 2010 (est.)	26,100
Total	\$9,554,100

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{2/} This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all monies remaining unexpended and unencumbered after payment of fees, costs and expenses of the commission revert to the state General Fund. (General Appropriation Act footnote)

Executive Director: Kristine Thomas

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	123,200	29,600	29,000
Employee Related Expenditures	30,900	10,100	10,000
Professional and Outside Services	2,600	34,600	34,600
Travel - In State	1,700	3,000	3,000
Travel - Out of State	1,200	0	0
Other Operating Expenditures	48,400	49,300	49,300
OPERATING SUBTOTAL	208,000	126,600	125,900
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(9,500)	(9,500)
7th Special Session Reduction	0	0	(53,300)
AGENCY TOTAL	208,000	117,100	63,100^{1/}
FUND SOURCES			
General Fund	208,000	117,100	63,100
SUBTOTAL - Appropriated Funds	208,000	117,100	63,100
TOTAL - ALL SOURCES	208,000	117,100	63,100

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.

Operating Budget

The budget includes \$125,900 and 3 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(700) from the General Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

5th Special Session Reduction

The budget includes \$(9,500) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

7th Special Session Reduction

The budget includes \$(53,300) from the General Fund in FY 2011 for the 7th Special Session lump sum reduction.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Laura L. McGrory

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	294.0	279.0	279.0
Personal Services	8,694,800	10,100,200	9,758,900
Employee Related Expenditures	3,385,300	3,737,100	3,827,400
Professional and Outside Services	1,262,800	1,844,600	1,844,600
Travel - In State	177,300	202,000	202,000
Travel - Out of State	600	0	0
Other Operating Expenditures	4,037,400	4,082,800	4,082,800
Equipment	33,400	0	0
AGENCY TOTAL	17,591,600	19,966,700	19,715,700^{1/}

FUND SOURCES

Other Appropriated Funds

Industrial Commission Administrative Fund	17,591,600	19,966,700	19,715,700
SUBTOTAL - Other Appropriated Funds	17,591,600	19,966,700	19,715,700
SUBTOTAL - Appropriated Funds	17,591,600	19,966,700	19,715,700
Other Non-Appropriated Funds	75,297,100	57,066,600	56,467,200
Federal Funds	4,336,300	4,344,600	4,344,600
TOTAL - ALL SOURCES	97,225,000	81,377,900	80,527,500

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.

Operating Budget

The budget includes \$19,715,700 and 279 FTE Positions from the Industrial Commission Administrative Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(251,000) from the Industrial Commission Administrative Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Christina Urias

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.5	93.5	90.5
Personal Services	3,383,100	3,519,100	3,385,500
Employee Related Expenditures	1,367,400	1,398,600	1,371,800
Professional and Outside Services	285,300	189,300	189,300
Travel - In State	33,400	17,100	17,100
Travel - Out of State	900	6,900	6,900
Other Operating Expenditures	846,200	919,600	929,400
Equipment	23,500	25,000	25,000
OPERATING SUBTOTAL	5,939,800	6,075,600	5,925,000
SPECIAL LINE ITEMS			
Managed Care and Dental Plan Oversight	463,400	0	0
5th Special Session Reduction	0	(456,200)	(456,200)
AGENCY TOTAL	6,403,200	5,619,400	5,468,800^{1/}
FUND SOURCES			
General Fund	6,403,200	5,619,400	5,468,800
SUBTOTAL - Appropriated Funds	6,403,200	5,619,400	5,468,800
Other Non-Appropriated Funds	7,436,500	7,225,800	7,265,700
TOTAL - ALL SOURCES	13,839,700	12,845,200	12,734,500

AGENCY DESCRIPTION — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department's oversight responsibilities 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 into 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.

Operating Budget

The budget includes \$5,925,000 and 90.5 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(150,600) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Managed Care and Dental Plan Oversight

The budget includes no funding for Managed Care and Dental Plan Oversight in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item were used by the department to oversee Health Maintenance Organization health care plans and to implement and regulate new health care provider grievance and timely pay laws.

5th Special Session Reduction

The budget includes \$(456,200) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Additional Legislation

Captive Insurance Regulatory and Supervision Fund

Operating Expenses

The Regulation Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 4) allows the Department of Insurance to use up to \$100,000 from the Captive Insurance Regulatory and Supervision Fund for operating expenses.

Statutory Fee Revenue Requirement Suspension

The Regulation BRB suspends the statutory requirement that fee revenues be between 95% and 110% of the department's appropriation.

Reimbursement of Guaranty Funds

Laws 2009, Chapter 1 reimburses the Arizona Property and Casualty Insurance Guaranty Fund and Life and Disability Insurance Guaranty Fund with monies from the General Fund for the \$13,979,000 and \$15,613,400 swept, respectively, in Laws 2009, 1st Special Session, Chapter 1. The Arizona Property and Casualty Insurance Guaranty Fund will receive 3 annual payments of \$4,659,666 and the Life and Disability Insurance Guaranty Fund will receive 3 annual payments of \$5,204,466 from FY 2012 - FY 2014.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Department of Insurance to reduce 2 General Fund FTE Positions in FY 2010 and an additional 3 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Judiciary - Supreme Court

**Arizona Constitution Article VI
A.R.S. § 12-101**

Chief Justice: The Honorable Rebecca White Berch

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	194.0	173.0	169.0 ^{1/}
Personal Services	5,934,000	6,059,300	5,819,100
Employee Related Expenditures	1,511,000	2,285,300	2,422,300
Professional and Outside Services	589,500	200,100	200,200
Travel - In State	27,800	58,000	58,000
Travel - Out of State	13,100	39,500	39,500
Other Operating Expenditures	7,555,900	8,066,300	9,876,800
OPERATING SUBTOTAL	15,631,300	16,708,500	18,415,900^{2/}
SPECIAL LINE ITEMS			
State Aid	5,796,700	5,980,300	5,914,800
County Reimbursements	187,900	187,900	187,900
Automation	11,938,700	12,254,300	12,221,600 ^{3/}
Case and Cash Management System	1,503,300	6,635,700	3,326,500
Foster Care Review Board	2,373,800	2,623,400	3,360,800
Court Appointed Special Advocate	2,815,700	3,051,100	3,531,700
Model Court	442,600	447,600	447,600
Domestic Relations	507,400	545,000	648,100
Judicial Nominations and Performance Review	282,300	333,400	424,400
Commission on Judicial Conduct	394,400	434,200	514,000
Photo Radar Enforcement	2,369,900	4,056,400	5,326,100
5th Special Session Reduction	0	(80,000)	(80,000)
AGENCY TOTAL	44,244,000	53,177,800	54,239,400^{4/}
FUND SOURCES			
General Fund	16,181,600	17,248,600	20,017,900
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	320,000	488,300	483,000
Court Appointed Special Advocate Fund	2,713,700	2,949,100	3,429,700
Criminal Justice Enhancement Fund	2,949,200	3,660,600	2,970,000
Defensive Driving School Fund	5,041,600	5,328,000	5,259,200
Judicial Collection Enhancement Fund	11,820,500	16,501,300	13,808,700
Photo Enforcement Fund	2,369,900	4,056,400	5,326,100
State Aid to the Courts Fund	2,847,500	2,945,500	2,944,800
SUBTOTAL - Other Appropriated Funds	28,062,400	35,929,200	34,221,500
SUBTOTAL - Appropriated Funds	44,244,000	53,177,800	54,239,400
Other Non-Appropriated Funds	12,705,600	19,701,300	19,701,300
TOTAL - ALL SOURCES	56,949,600	72,879,100	73,940,700

1/ Includes 47.4 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2011.

2/ Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

3/ By September 1, 2010, the Supreme Court shall report to the Joint Legislative Budget Committee on current and future automation projects coordinated by the Administrative Office of the Courts. The report shall include a list of court automation projects receiving or anticipated to receive state monies in the current or next 2 fiscal years as well as a description of each project, number of FTE Positions, the entities involved, and the goals and anticipated results for each automation project. The report shall be submitted in 1 summary document. The report shall indicate each project's total multi-year cost by fund source and budget line item, including any prior year, current year and any future year expenditures. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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.

Operating Budget

The budget includes \$18,415,900 and 99.8 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$14,413,100
Confidential Intermediary and Fiduciary Fund	483,000
Defensive Driving School Fund	663,200
Judicial Collection Enhancement Fund (JCEF)	2,856,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,707,400 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	1,758,000
Confidential Intermediary and Fiduciary Fund	(5,300)
Defensive Driving School Fund	(40,700)
JCEF	(4,600)

(Please see the General Provisions section.)

State Aid

The budget includes \$5,914,800 and 3.3 FTE Positions for State Aid in FY 2011. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	2,970,000
State Aid to the Courts Fund	2,944,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(65,500) in FY 2011 for statewide adjustments. This amount consists of:

CJEF	(64,800)
State Aid to the Courts Fund	(700)

The State Aid line item provides state aid to counties for the payment of judges pro tempore salaries and for projects designed to improve the processing of criminal cases in the Superior Court and Justice Courts. The State Aid to the Courts Fund receives: 1) General Fund monies, 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 distributes the monies appropriated from court fines and collections to the Superior Court and the Justice Courts based on a composite index formula using Superior Court felony filings and county population. Monies appropriated from the State Aid to the Courts Fund in the State Aid line item are distributed to all counties.

County Reimbursements

The budget includes \$187,900 from the General Fund for County Reimbursements in FY 2011. This amount is unchanged from FY 2010.

The County Reimbursements line item provides reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital post conviction relief proceedings.

Automation

The budget includes \$12,221,600 and 13 FTE Positions for Automation in FY 2011. These amounts consist of:

Defensive Driving School Fund	4,456,600
JCEF	7,765,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(32,700) in FY 2011 for statewide adjustments. This amount consists of:

Defensive Driving School Fund	(16,300)
JCEF	(16,400)

The Automation line item provides funding for court automation projects throughout the state.

Case and Cash Management System

The budget includes \$3,326,500 for the Case and Cash Management System in FY 2011. This amount consists of:

Defensive Driving School Fund	139,400
JCEF	3,187,100

These amounts fund the following adjustments:

Reduce One-Time Funding

The budget includes a decrease of \$(5,125,800) in FY 2011 to eliminate one-time funding for the statewide

case and cash management system. This amount consists of:

CJEF	(625,800)
JCEF	(4,500,000)

Case and Cash Management System Increase

The budget includes an increase of \$2,000,000 from JCEF in FY 2011 for ongoing costs to replace the statewide case and cash management system.

Statewide Adjustments

The budget includes a decrease of \$(183,400) in FY 2011 for statewide adjustments. This amount consists of:

Defensive Driving School Fund	(11,800)
JCEF	(171,600)

The Case and Cash Management System line item funds the replacement of the computer systems in the larger volume Superior and Limited Jurisdiction Courts in Pima and Maricopa Counties, as well as the case and financial management system that is provided to approximately 145 of the 180 courts at the state, county and municipal level located throughout the state. The AOC estimates upgrading of these systems will continue through FY 2014.

Foster Care Review Board

The budget includes \$3,360,800 and 34.2 FTE Positions from the General Fund for the Foster Care Review Board in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$737,400 from the General Fund in FY 2011 for statewide adjustments.

The Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement. It also coordinates the activities of a state advisory board that oversees the activities of the 95 local review boards and makes recommendations to the Governor and the Legislature for improving the state's foster care system.

Court Appointed Special Advocate

The budget includes \$3,531,700 and 5.5 FTE Positions for the Court Appointed Special Advocate (CASA) in FY 2011. These amounts consist of:

General Fund	102,000
CASA Fund	3,429,700

These amounts fund the following adjustments:

CASA Funding Restoration

The budget includes an increase of \$500,000 from the CASA Fund in FY 2011 to restore funding to CASA. Laws 2009, Chapter 11 reduced the Court Appointed Special Advocate funding by \$(500,000) in FY 2010 through a Fund Reduction and Transfer and salary lump sum reduction. This adjustment restores the eliminated funding.

Statewide Adjustments

The budget includes a decrease of \$(19,400) from the Court Appointed Special Advocate Fund in FY 2011 for statewide adjustments.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System. Local volunteers are trained and then appointed to individual dependency cases by presiding juvenile judges to function as independent advocates for children who are wards of the state. In FY 2009, 982 individuals volunteered for this program. This line item is funded from the CASA Fund, which consists of 30% of State Lottery unclaimed prize money.

Model Court

The budget includes \$447,600 from the General Fund for Model Court in FY 2011. This amount is unchanged from FY 2010.

The Model Court line item and Model Court program are responsible for overseeing and recommending changes to laws governing court processing of cases for children in the state's foster care system. Monies in this line item represent a pass-through to counties to improve processing of dependency cases.

Domestic Relations

The budget includes \$648,100 and 4.9 FTE Positions from the General Fund for Domestic Relations in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$103,100 from the General Fund in FY 2011 for statewide adjustments.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

Judicial Nominations and Performance Review

The budget includes \$424,400 and 4.3 FTE Positions from the General Fund for Judicial Nominations and

Performance Review in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$91,000 from the General Fund in FY 2011 for statewide adjustments.

The Judicial Nominations and Performance Review line item provides a mechanism for nominating individuals for appointment to the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa and Pima Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

Commission on Judicial Conduct

The budget includes \$514,000 and 4 FTE Positions from the General Fund for Commission on Judicial Conduct in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$79,800 from the General Fund in FY 2011 for statewide adjustments.

The Commission on Judicial Conduct line item functions as an internal audit body of the Judicial Branch by investigating and resolving all complaints of judicial misconduct.

Photo Radar Enforcement

The budget includes \$5,326,100 from the Photo Enforcement Fund in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,269,700 from the Photo Enforcement Fund in FY 2011 for statewide adjustments

The Photo Radar Enforcement line item funds automation improvements, court notice costs, and collection costs related to statewide photo radar enforcement. Laws 2008, Chapter 286 established the Photo Enforcement Fund that receives photo citation and revenue. The FY 2011 Criminal Justice Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 6) continues to exempt state photo enforcement citations from being included in judicial productivity credit calculations in FY 2011. After the current contract ends on July 1, 2010, the Governor has elected not to extend the Photo Radar program. *(Please see the Department of Public Safety narrative for more information.)*

5th Special Session Reduction

The budget includes \$(80,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

Suspension of Reporting Requirements

The Criminal Justice Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 6) continues the FY 2010 suspension of the reporting requirements for the Annual Juvenile Intensive Probation Report, the Community Punishment Program Report, the Emancipation of Minors Report, the Annual Drug Treatment and Education Fund Report, the Annual Lengthy Trial Fund Report, the Annual Child Support Committee Report, and the Annual Domestic Relations Committee Report.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Supreme Court to reduce 3 General Fund FTE Positions in FY 2010 and an additional 4 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Chief Judge - Division I: The Honorable Ann A. Scott Timmons
Chief Judge - Division II: The Honorable Joseph W. Howard

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
PROGRAM BUDGET			
Division I	9,588,600	9,811,000	10,327,800
Division II	4,273,700	4,347,600	4,484,900
Lump Sum Reduction	0	(100,000)	(100,000)
AGENCY TOTAL	13,862,300	14,058,600	14,712,700
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	147.5	137.8	134.8 ^{1/}
Personal Services	9,815,400	10,067,500	9,966,100
Employee Related Expenditures	2,517,600	2,869,400	2,883,900
Professional and Outside Services	39,300	12,500	112,700
Travel - In State	184,400	168,500	168,500
Travel - Out of State	5,200	5,600	5,600
Other Operating Expenditures	1,157,700	960,100	1,427,900
Equipment	142,700	75,000	248,000
OPERATING SUBTOTAL	13,862,300	14,158,600	14,812,700^{2/}
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(100,000)	(100,000)
AGENCY TOTAL	13,862,300	14,058,600	14,712,700
FUND SOURCES			
General Fund	13,862,300	14,058,600	14,712,700
SUBTOTAL - Appropriated Funds	13,862,300	14,058,600	14,712,700
TOTAL - ALL SOURCES	13,862,300	14,058,600	14,712,700

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.

Operating Budget

The budget includes \$14,812,700 and 134.8 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts include \$10,327,800 and 98.4 FTE Positions for Division I and \$4,484,900 and 36.4 FTE Positions for Division II. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$654,100 from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(100,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

^{1/} Of the 134.8 FTE Positions for FY 2011, 98.4 FTE Positions are for Division I and 36.4 FTE Positions are for Division II. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

<i>Other Issues</i>

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Court of Appeals to reduce 3 General Fund FTE Positions in FY 2010 and an additional 3 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Judiciary - Superior Court

Director: David K. Byers

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
SPECIAL LINE ITEMS			
<i>Full Time Equivalent Positions</i>	230.5	230.5	231.5 ^{1/}
Judges Compensation	17,556,800	16,323,600	7,393,400
Adult Probation Programs			
Adult Standard Probation	14,402,100	13,565,300	13,543,300
Adult Intensive Probation	11,025,800	10,771,100	10,752,300
Community Punishment	1,993,500	2,320,300	2,316,300
Interstate Compact	635,500	650,400	641,800
Sex Offenders GPS Monitoring	405,100	0	0
Drug Court	996,300	1,013,600	1,013,600
Probation Surcharge	2,667,500	5,032,000	5,029,700
Juvenile Probation Programs			
Juvenile Standard Probation	5,037,200	4,613,900	4,606,000
Juvenile Intensive Probation	8,985,500	9,189,300	9,177,500
Juvenile Treatment Services	22,338,200	22,357,100	22,322,700 ^{2/}
Juvenile Family Counseling	640,000	660,400	660,400
Juvenile Diversion Consequences	9,367,000	9,024,900	9,024,900
Juvenile Crime Reduction	4,137,900	5,154,000	5,123,400
Special Water Master	20,000	20,000	20,000
AGENCY TOTAL	100,208,400	100,695,900	91,625,300 ^{3/4/5/}

FUND SOURCES

General Fund	91,409,500	88,189,600	79,155,900
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	5,636,500	6,974,300	6,939,700
Drug Treatment and Education Fund	494,900	500,000	500,000
Judicial Collection Enhancement Fund	2,667,500	5,032,000	5,029,700
SUBTOTAL - Other Appropriated Funds	8,798,900	12,506,300	12,469,400
SUBTOTAL - Appropriated Funds	100,208,400	100,695,900	91,625,300
Other Non-Appropriated Funds	6,063,900	5,940,300	5,940,300
Federal Funds	1,782,900	2,287,400	2,287,400
TOTAL - ALL SOURCES	108,055,200	108,923,600	99,853,000

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.

^{1/} Of the 231.5 FTE Positions, 176 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 judges pursuant to A.R.S. § 12-121. (General Appropriation Act footnote)

^{2/} Up to 4.6% of the amounts appropriated for Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-322, and to conduct evaluations as needed. The remaining portion of the Treatment Services and Juvenile Diversion Consequences programs shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322. (General Appropriation Act footnote)

^{3/} Receipt of state probation monies by the counties is contingent on the county maintenance of FY 2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act Footnote)

^{4/} General Appropriation Act funds are appropriated as Special Line Items by Agency.

Judges Compensation

The budget includes \$7,393,400 and 176 FTE Positions from the General Fund for Judges Compensation in FY 2011. These amounts fund the following adjustments:

New Judgeships

The budget includes an increase of \$105,300 and 2 FTE Positions from the General Fund in FY 2011 for 2 additional Superior Court judges. This includes funding for judgeships in Pinal and Coconino County with an effective date of January 1, 2010.

5th Special Session Reduction

The budget includes a decrease of \$(200,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the Judges Compensation Line Item pursuant to the agency's allocation decisions.

Maricopa County Judge Shift

The budget includes a decrease of \$(9,079,400) from the General Fund in FY 2011 to shift the costs of Maricopa County judges to Maricopa County. The Criminal Justice Budget Reconciliation Bill (Laws, 2010, 7th Special Session, Chapter 6) requires Maricopa County to pay 100% of the county's Superior Court judges' salaries.

The budget did not reduce the FTE count for 95 Maricopa judges. This technical adjustment would be made in a future budget.

Statewide Adjustments

The budget includes an increase of \$43,900 from the General Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

This line item provides funding for the state's 50% share of the salary and Employee Related Expenditures of Superior Court judges. A.R.S. § 12-128 requires the state General Fund to pay for one-half of Superior Court Judges' salaries, except for Maricopa judges. Pursuant to Laws 2010, 7th Special Session, Chapter 6 Maricopa County is responsible for the salary and Employee Related Expenditures of Maricopa County Superior Court Judges.

Adult Probation Programs

The state and counties have typically shared the costs of adult probation. 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 predominantly pays for the cost of additional probation officers. Counties typically contribute through Probation Service Fee collections, outside grants, and office space.

Since FY 2004, Maricopa County has assumed the state's share of its adult probation costs. Laws 2006, Chapter 261 made permanent this shift of adult probation costs to Maricopa County, as well as allowing Maricopa County to retain monies collected from a \$40 surcharge assessed on civil and criminal traffic violations.

Adult Standard Probation

The budget includes \$13,543,300 and 10.1 FTE Positions from the General Fund for Adult Standard Probation in FY 2011. These amounts fund the following adjustments:

5th Special Session Reduction

The budget includes a decrease of \$(55,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the Adult Standard Probation Line Item pursuant to the agency's allocation decisions.

Statewide Adjustments

The budget includes a decrease of \$(22,000) from the General Fund in FY 2011 for statewide adjustments.

Background – This line item provides funding for community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 12-251A, an adult probation officer shall not supervise more than 65 adults on standard probation at one time. In funding caseload growth, this ratio is adjusted downward by 2% because of the distances officers in rural counties must travel to supervise probationers.

^{5/} By November 1, 2010, the Administrative Office of the Courts shall report to the Joint Legislative Budget Committee the FY 2010 actual, FY 2011 estimated and FY 2012 requested amounts for the following:

1. On a county-by-county basis, the number of authorized and filled case carrying probation positions and non-case carrying positions, distinguishing between Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive. The report shall indicate the level of state probation funding, other state funding, county funding and probation surcharge funding for those positions.
2. Total receipts and expenditures by county and fund source for the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive line items, including the amount of Personal Services expended from each revenue source of each account.
3. The amount of monies from the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive line items that the office does not distribute as direct aid to counties. The report shall delineate how the office expends these monies that are not distributed as direct aid to counties. (General Appropriation Act footnote)

Adult Intensive Probation

The budget includes \$10,752,300 and 8.2 FTE Positions from the General Fund for Adult Intensive Probation in FY 2011. These amounts fund the following adjustments:

5th Special Session Reduction

The budget includes a decrease of \$(45,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the Adult Intensive Probation Line Item pursuant to the agency's allocation decisions.

Statewide Adjustments

The budget includes a decrease of \$(18,800) from the General Fund in FY 2011 for statewide adjustments.

Background – This line item provides funding for a sentencing alternative intended to divert serious, non-violent offenders from prison. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 13-916, 1 team shall not supervise more than 25 intensive probationers at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural counties must travel to supervise probationers.

Community Punishment

The budget includes \$2,316,300 and a 0.9 FTE Position for Community Punishment in FY 2011. These amounts consist of:

	<u>FY 2011</u>
Criminal Justice Enhancement Fund (CJEF)	\$1,816,300
Drug Treatment and Education Fund (DTEF)	500,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(4,000) from CJEF in FY 2011 for statewide adjustments.

This line item provides behavioral treatment services for adult probationers and for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs. Since FY 2007, Maricopa County has been required to assume the costs of its Community Punishment program. Laws 2006, Chapter 261 made this shift permanent.

Interstate Compact

The budget includes \$641,800 and 4.9 FTE Positions from the General Fund for Interstate Compact in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(8,600) from the General Fund in FY 2011 for statewide adjustments.

This line item provides funding for supervision and intervention to probationers transferring to Arizona and monitors the supervision of probationers transferred to other states from Arizona.

Sex Offenders GPS Monitoring

The budget includes no funding for the Sex Offenders Global Position System (GPS) Monitoring in FY 2011. These amounts are unchanged from FY 2010.

Background – GPS monitoring is required of those who are convicted of committing a dangerous crime against children and who are imposed with a term of probation. The State Department of Corrections is responsible for GPS monitoring of those released on parole, community supervision or other release after being convicted of these crimes. *(Please see the Probation Surcharge Special Line Item for more information.)*

Drug Court

The budget includes \$1,013,600 from the General Fund for Drug Court programs in FY 2011. This amount is unchanged from FY 2010.

This line item provides funding for juvenile and adult drug courts within the Superior Court throughout the state. It provides funding for prosecuting, adjudicating and treating drug-dependent offenders. Superior Court divisions in 10 counties have implemented or are planning the implementation of drug courts. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Probation Surcharge

The budget includes \$5,029,700 and a 0.8 FTE Position from the Judicial Collection Enhancement Fund (JCEF) for the Probation Surcharge in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,300) from JCEF in FY 2011 for statewide adjustments.

This line item consists of monies collected from a \$20 surcharge applied to various criminal offenses, civil traffic violations, and game and fish statute violations throughout the state. Monies collected from the surcharge (excluding those collected in courts located within Maricopa County) are deposited into the JCEF and redistributed by the Administrative Office of the Courts (AOC) to all counties to supplement funding for the salaries of probation and surveillance officers and for the support of programs and services of the Superior Court adult and juvenile probation departments. Beginning in FY 2010, Sex Offender GPS monitoring will be funded from the Probation Surcharge line item.

Juvenile Probation Programs

The state and counties have typically shared the costs of juvenile probation. 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 predominantly pays for the cost of additional probation officers. Counties typically contribute through Probation Service Fee collections, outside grants, and office space.

Since FY 2004, Maricopa County has assumed the state's share of its juvenile probation costs. Laws 2006, Chapter 261 made permanent this shift of juvenile probation costs to Maricopa County, as well as allowing Maricopa County to retain monies collected from a \$40 surcharge assessed on civil and criminal traffic violations.

Juvenile Standard Probation

The budget includes \$4,606,000 and 3.6 FTE Positions from the General Fund for Juvenile Standard Probation in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(7,900) from the General Fund in FY 2011 for statewide adjustments.

Background – This line item provides funding for community supervision services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-203B, a juvenile probation officer shall not supervise more than an average of 35 juveniles on standard probation at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural communities must travel to supervise probationers.

Juvenile Intensive Probation

The budget includes \$9,177,500 and 5.4 FTE Positions from the General Fund for Juvenile Intensive Probation in FY 2011. These amounts fund the following adjustments:

5th Special Session Reduction

The budget includes a decrease of \$(200,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the Juvenile Intensive Probation Line Item pursuant to the agency's allocation decisions.

Statewide Adjustments

The budget includes a decrease of \$(11,800) from the General Fund in FY 2011 for statewide adjustments.

Background – This line item provides funding for a sentencing alternative to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-353B, 1 JIPS team shall not supervise more than an average of 25 juveniles on intensive probation at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural communities must travel to supervise probationers.

Juvenile Treatment Services

The budget includes \$22,322,700 and 16.6 FTE Positions from the General Fund for Juvenile Treatment Services in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(34,400) from the General Fund in FY 2011 for statewide adjustments.

This line item provides funding to 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.

Juvenile Family Counseling

The budget includes \$660,400 from the General Fund for Juvenile Family Counseling in FY 2011. This amount is unchanged from FY 2010.

This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated

juveniles and their families and require a 25% county match.

Juvenile Diversion Consequences

The budget includes \$9,024,900 from the General Fund for Juvenile Diversion Consequences in FY 2011. This amount funds the following adjustments:

5th Special Session Reduction

The budget includes a decrease of \$(320,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the Juvenile Diversion Consequences Line Item pursuant to the agency's allocation decisions.

This program diverts youth from formal court proceedings in order to reduce court costs and prevent re-offending. A juvenile diversion probation officer assigns consequences for the juvenile to complete, such as substance abuse education, graffiti abatement, counseling, or other community service programs. In FY 2009, there were approximately 21,359 juveniles diverted from formal court proceedings. Monies in this line item are distributed to all counties.

Juvenile Crime Reduction

The budget includes \$5,123,400 and 7 FTE Positions from CJEF for Juvenile Crime Reduction in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(30,600) from CJEF in FY 2011 for statewide adjustments.

This line item provides funding for the design and implementation of community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Through a grant process, AOC distributes monies in this line item to approximately 20 public and private entities.

Special Water Master

The budget includes \$20,000 from the General Fund for the Special Water Master line item in FY 2011. This amount is unchanged from FY 2010.

This line item provides funding for the Special Water Master assigned by the court in 1990 to the Little Colorado River water rights adjudication. The adjudication of water rights for the Little Colorado River was petitioned in 1978. Through FY 2009, about 30,700 individuals, communities, governments, and companies have filed about 95,200 water rights claims. The Special Water Master conducts

hearings for each claimant and makes recommendations to a Superior Court judge.

Pursuant to statute, the costs of the Water Master are funded from claimant fees. If claimant fees are insufficient, statute requires the state General Fund to pay for these expenses in a Special Line Item within the Superior Court budget.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

County Non-Supplanting Provisions

The Criminal Justice Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 6) continues the FY 2010 suspension of county non-supplanting requirements associated with funding for probation services, criminal case processing, and alternative dispute resolution programs and requires the counties to report on reductions in county funding as a result of the elimination of the non-supplanting provisions.

Probation Revocation Payment Suspension

Laws 2010, 7th Special Session, Chapter 6 suspends A.R.S. § 12-270, which requires the Legislature to annually appropriate 40% of any cost savings related to a reduction in probation revocations. These funds were to be deposited into the Adult Probation Services Fund of each county if there was a reduction in the percentage of supervised probationers who are convicted of new felony offenses.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Superior Court to reduce 1 General Fund FTE Position in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have not been incorporated in the narrative since the agency does not have an operating budget; the agency may allocate to Special Line Items.

Department of Juvenile Corrections

A.R.S. § 41-2802

Director: Michael Branham

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,163.7	1,029.7	1,001.7
Personal Services	47,862,800	43,905,300	42,895,100
Employee Related Expenditures	16,883,800	17,284,900	17,084,800
Professional and Outside Services	2,791,100	2,416,800	2,416,800
Travel - In State	736,100	806,700	806,700
Travel - Out of State	8,100	14,800	14,800
Other Operating Expenditures	10,841,000	8,094,100	7,995,200
Equipment	425,300	59,900	59,900
OPERATING SUBTOTAL	79,548,200	72,582,500	71,273,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(5,365,100)	(5,365,100)
7th Special Session Reduction	0	0	(5,000,000)
AGENCY TOTAL	79,548,200	67,217,400	60,908,200^{1/2}

FUND SOURCES

General Fund	72,552,900	63,284,100	57,008,100
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	614,600	555,200	534,600
State Charitable, Penal and Reformatory Institutions Land Fund	3,956,900	1,098,600	1,098,600
State Education Fund for Committed Youth	2,423,800	2,279,500	2,266,900
SUBTOTAL - Other Appropriated Funds	6,995,300	3,933,300	3,900,100
SUBTOTAL - Appropriated Funds	79,548,200	67,217,400	60,908,200
Other Non-Appropriated Funds	614,800	388,100	388,100
Federal Funds	2,394,800	2,634,800	2,634,800
TOTAL - ALL SOURCES	82,557,800	70,240,300	63,931,100

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

Operating Budget

The budget includes \$71,273,300 and 1,001.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	FY 2011 \$67,143,100
Criminal Justice Enhancement Fund (CJEF)	579,700

State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	2,451,900

These amounts include the following adjustments:

Statewide Adjustments

The budget includes an increase of \$(1,309,200) in FY 2011 for statewide adjustments. This amount consists of:

^{1/} General Appropriation Act funds are appropriated as Lump Sum by Agency.

^{2/} Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and the Constitution of Arizona, to be used for the support of state juvenile institutions and reformatories. (General Appropriation Act footnote)

General Fund (1,276,000)
 CJEF (20,600)
 State Education Fund for Committed Youth (12,600)

These changes have been incorporated in the agency's budget.

(Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(5,365,100) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund (5,135,000)
 CJEF (45,100)
 State Education Fund for Committed Youth (185,000)

7th Special Session Reduction

The budget includes a decrease of \$(5,000,000) in FY 2011 from the General Fund for the 7th Special Session Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

Department of Juvenile Corrections Sunset

The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 6) extends the sunset date of DJC from July 1, 2010 to July 1, 2011.

Commission on Juvenile Corrections Reform

The Criminal Justice BRB creates the Commission on Juvenile Corrections Reform to review and make recommendations regarding current rehabilitative services provided by the juvenile justice system, the future role of DJC, and the size, condition, and location of juvenile correctional centers and community treatment facilities. The commission will also develop a plan for the possible closure of DJC and transfer of responsibility of long-term juvenile incarceration to counties. They are to report recommendations to the Legislature and the Governor no later than November 30, 2010.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required DJC to reduce 21 General Fund FTE Positions in FY 2010 and an additional 28 General Fund FTE Positions in FY 2011.

DJC Youth Census		
	FY 2009 Youth Population	FY 2010 Youth Population as of May 11, 2010
Adobe Mountain	290	233
Black Canyon	58	83
Catalina Mountain	102	77
Eagle Point	148	71
Total Housed Population	598	464
Parole	450	464

Land Commissioner: Maria Baier

JLBC Analyst: Jay Chilton

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	172.9	153.9	152.9
Personal Services	7,089,400	6,456,200	6,363,200
Employee Related Expenditures	2,383,700	2,140,500	2,233,700
Professional and Outside Services	1,463,000	2,050,700	2,050,700
Travel - In State	178,200	177,900	177,900
Travel - Out of State	14,400	1,500	1,500
Other Operating Expenditures	1,905,500	1,982,200	1,547,500
Equipment	581,800	225,000	225,000
OPERATING SUBTOTAL	13,616,000	13,034,000	12,599,500
SPECIAL LINE ITEMS			
CAP User Fees	311,100	481,200	385,000 ^{1/}
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	354,600	650,000	650,000 ^{2/}
5th Special Session Reduction	0	(273,800)	(273,800)
AGENCY TOTAL	14,281,700	14,391,400	13,860,700^{3/}
FUND SOURCES			
General Fund	14,021,700	3,421,000	3,212,300
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	260,000	260,000	260,000
State Parks Heritage Fund	0	390,000	0
Trust Land Management Fund	0	9,820,400	9,888,400
SUBTOTAL - Other Appropriated Funds	260,000	10,970,400	10,648,400
SUBTOTAL - Appropriated Funds	14,281,700	14,391,400	13,860,700
Other Non-Appropriated Funds	1,403,100	1,064,300	1,061,000
TOTAL - ALL SOURCES	15,684,800	15,455,700	14,921,700

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.

Laws 2004, Chapter 326, Section 4 amended Arizona Revised Statutes Title 37, Chapter 2.1 to require the Governor to appoint the State Forester. Prior to 2004, the State Land Commissioner appointed a Deputy State Forester to report to the State Land Commissioner. Since that time, the State Land Department and the State Forester's Office have essentially operated as separate agencies. Until FY 2011, however, the Legislature continued to include the State Forester's Office in the State

Land Department's appropriation. The FY 2011 General Appropriation Act displays the State Forester as a separate budget unit. The spending related to the State Forester's Office in FY 2009 and FY 2010 is displayed in the State Forester section for comparability. *(Please see the State Forester's narrative for more information.)*

1/ The appropriation includes \$385,000 for Central Arizona Project User Fees in FY 2011. For FY 2011, from municipalities that assume their allocation of Central Arizona Project water every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)

2/ Of the amount appropriated for Natural Resource Conservation Districts in FY 2011, \$30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers. (General Appropriation Act footnote)

3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$12,599,500 and 152.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$2,711,100
Trust Land Management Fund	9,888,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(434,500) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	\$(502,500)
Trust Land Management Fund	68,000

(Please see the General Provisions section.)

CAP User Fees

The budget includes \$385,000 from the General Fund for Central Arizona Project (CAP) User Fees in FY 2011. This amount funds the following adjustments:

Reduced CAP Water Rights

The budget includes a decrease of \$(96,200) from the General Fund in FY 2011 to adjust the appropriation for new rates. This reduction allows the department to retain CAP water rights for Trust Land within urban areas.

Monies in this line item are used to pay the Central Arizona Water Conservation District (CAWCD) for the department's allocation of CAP water used on state trust lands. The CAWCD sets the rates for all CAP subcontractors and applies the capital charges to the repayment of federal construction debt.

Due Diligence Fund

The budget includes \$500,000 from the Due Diligence Fund for this line item in FY 2011. This amount is unchanged from FY 2010.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of State Trust Land then reimburse the State Land Department for the cost of the studies. The reimbursements are deposited into the Due Diligence Fund and those monies again become available to the department to fund new studies. The fund is subject to appropriation, so appropriation authority is added to allow the State Land Department to spend the reimbursements.

Natural Resource Conservation Districts

The budget includes \$650,000 for Natural Resource Conservation Districts (NRCDs) in FY 2011. This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts fund the following adjustments:

Restore General Fund Support

The budget includes an increase of \$390,000 from the General Fund and a corresponding decrease of \$(390,000) from the State Parks Heritage Fund to restore General Fund support for NRCDs. In FY 2009 and FY 2010, this appropriation was made from the State Parks Heritage Fund.

Monies in this line item are used to provide for natural resource research, scholarships, and staff at the state's 32 NRCDs. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires the department to include in its budget request up to \$30,000 for each NRCD and \$60,000 for each education center for a 2-year period. A General Appropriation Act footnote requires that \$30,000 of the total appropriation for NRCDs be used to provide grants to NRCD environmental education centers. There are currently 21 education centers sponsored or co-sponsored by 27 NRCDs. The \$30,000 is divided among the 21 education centers, meaning each center receives \$1,428. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015. The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates.

5th Special Session Reduction

The budget includes \$(273,800) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the State Land Department to reduce 2 General Fund FTE Positions in FY 2010 and an additional 1 FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Additional Legislation

State Land Department Fee Structure Changes

Laws 2010, Chapter 243 repeals the current State Land Department fee structure as outlined in A.R.S. § 37-107 and A.R.S. § 37-108, and allows the State Land Commissioner to set new fees by rule. The bill maintains the previous statutory fees until the new fees have been established by rule. Previously, fee revenue was deposited in the General Fund, but under this chapter fee revenue will be deposited in the Trust Land Management Fund. In FY 2011 only, however, Chapter 243 deposits the first \$2,060,000 of fees in the General Fund, which is approximately the current level of General Fund deposits. As a result, in FY 2011, this statutory change is cost neutral, but in future years, because the fee revenue has been removed from the General Fund, there will be foregone General Fund revenues.

Business Manager: Commander Iven T. Wooten

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	57,200	57,600	55,100
Employee Related Expenditures	16,000	16,000	16,200
Travel - In State	400	400	400
Other Operating Expenditures	3,300	3,600	3,600
OPERATING SUBTOTAL	76,900	77,600	75,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(5,800)	(5,800)
AGENCY TOTAL	76,900	71,800	69,500^{1/}
FUND SOURCES			
General Fund	76,900	71,800	69,500
SUBTOTAL - Appropriated Funds	76,900	71,800	69,500
TOTAL - ALL SOURCES	76,900	71,800	69,500

AGENCY DESCRIPTION — The Law Enforcement Merit Council (LEMSC) sets the standards and qualifications for all classified positions within the Department of Public Safety (DPS). The Council provides the rules for selection, appointment, retention, separation, dismissal and retirement of DPS employees. The Council also hears appeals in connection with suspension, demotion or dismissal of classified employees.

Operating Budget

The budget includes \$75,300 and 1 FTE Position from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,300) from the General Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

5th Special Session Reduction

The budget includes \$(5,800) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Auditor General: Debra K. Davenport

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	209.4	205.4	199.4
Personal Services	11,432,500	11,504,200	11,217,400
Employee Related Expenditures	2,062,400	3,753,100	3,885,700
Professional and Outside Services	926,700	499,100	499,100
Travel - In State	74,100	290,800	290,800
Travel - Out of State	17,500	4,500	4,500
Other Operating Expenditures	287,000	1,255,700	1,324,000
Equipment	102,300	567,300	567,300
OPERATING SUBTOTAL	14,902,500	17,874,700	17,788,800
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(1,341,600)	(1,341,600)
AGENCY TOTAL	14,902,500	16,533,100	16,447,200^{1/2}
FUND SOURCES			
General Fund	14,902,500	16,533,100	16,447,200
SUBTOTAL - Appropriated Funds	14,902,500	16,533,100	16,447,200
Other Non-Appropriated Funds	2,174,200	2,613,900	2,613,900
TOTAL - ALL SOURCES	17,076,700	19,147,000	19,061,100

AGENCY DESCRIPTION — The Auditor General (AG) 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.

Operating Budget

The budget includes \$17,788,800 and 199.4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(85,900) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(1,341,600) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Auditor General to reduce 4 General Fund FTE Positions in FY 2010 and an additional 6 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Speaker: The Honorable Kirk Adams

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	12,608,100	13,895,100	13,772,300
OPERATING SUBTOTAL	12,608,100	13,895,100	13,772,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(907,400)	(907,400)
AGENCY TOTAL	12,608,100	12,987,700	12,864,900 ^{1/2/3/}
FUND SOURCES			
General Fund	12,608,100	12,987,700	12,864,900
SUBTOTAL - Appropriated Funds	12,608,100	12,987,700	12,864,900
TOTAL - ALL SOURCES	12,608,100	12,987,700	12,864,900

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.

Operating Budget

The budget includes \$13,772,300 from the General Fund for the operating budget in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(122,800) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(907,400) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
^{3/} Included in the Lump Sum appropriation of \$12,864,900 for FY 2011 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

Director: Richard Stavneak

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	35.0	30.0	29.0
Personal Services	1,609,900	1,917,900	1,852,100
Employee Related Expenditures	509,800	569,100	586,400
Professional and Outside Services	142,500	125,000	125,000
Travel - In State	200	500	500
Other Operating Expenditures	144,700	137,300	137,300
Equipment	0	2,000	2,000
OPERATING SUBTOTAL	2,407,100	2,751,800	2,703,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(206,600)	(206,600)
AGENCY TOTAL	2,407,100	2,545,200	2,496,700^{1/2/}
FUND SOURCES			
General Fund	2,407,100	2,545,200	2,496,700
SUBTOTAL - Appropriated Funds	2,407,100	2,545,200	2,496,700
TOTAL - ALL SOURCES	2,407,100	2,545,200	2,496,700

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.

Operating Budget

The budget includes \$2,703,300 and 29 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(48,500) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(206,600) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Joint Legislative Budget Committee to reduce 1 General Fund FTE Position in FY 2010 and an additional 1 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Mike E. Braun

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	49.8	43.8	42.8 ^{1/}
Personal Services	2,426,400	2,530,700	2,425,900
Employee Related Expenditures	739,900	829,300	836,500
Professional and Outside Services	74,600	58,000	58,000
Other Operating Expenditures	609,800	510,000	510,000
Equipment	814,800	370,500	370,500
OPERATING SUBTOTAL	4,665,500	4,298,500	4,200,900
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	554,000	552,000	537,900
AGENCY TOTAL	5,219,500	4,850,500	4,738,800 ^{2/3/}
FUND SOURCES			
General Fund	5,219,500	4,850,000	4,738,800
SUBTOTAL - Appropriated Funds	5,219,500	4,850,500	4,738,800
TOTAL - ALL SOURCES	5,219,500	4,850,500	4,738,800

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.

Operating Budget

The budget includes \$4,200,900 and 35.8 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(97,600) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Ombudsman-Citizens Aide Office

The budget includes \$537,900 and 7 FTE Positions from the General Fund for the Ombudsman-Citizens Aide Office in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(14,100) from the General Fund in FY 2011 for statewide adjustments.

The Ombudsman-Citizens Aide Office receives complaints from the public, investigates the administrative acts of state agencies and public access laws involving state agencies and political subdivisions and, when warranted, recommends an appropriate remedy. The office’s 7 FTE Positions are included in the total FTE Positions shown in the table for Legislative Council.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Legislative Council to reduce 1 General Fund FTE Position in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency’s budget.

^{1/} Includes 7 GF FTE Positions funded from Special Line Items in FY 2011.

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

President: The Honorable Robert "Bob" Burns

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	8,661,600	8,829,900	8,692,700
OPERATING SUBTOTAL	8,661,600	8,829,900	8,692,700
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(595,100)	(595,100)
AGENCY TOTAL	8,661,600	8,234,800	8,097,600 ^{1/2/3/}
FUND SOURCES			
General Fund	8,661,600	8,234,800	8,097,600
SUBTOTAL - Appropriated Funds	8,661,600	8,234,800	8,097,600
TOTAL - ALL SOURCES	8,661,600	8,234,800	8,097,600

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.

Operating Budget

The budget includes \$8,692,700 from the General Fund for the operating budget in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(137,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(595,100) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
^{3/} Included in the Lump Sum appropriation of \$8,097,600 for FY 2011 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

Director: Jerry A. Oliver Sr.

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	47.2	42.2	42.2
Personal Services	1,655,100	1,548,600	1,492,300
Employee Related Expenditures	736,100	688,900	700,400
Professional and Outside Services	33,700	31,600	31,600
Travel - In State	161,600	154,600	154,600
Travel - Out of State	3,400	3,200	3,200
Other Operating Expenditures	439,600	432,800	499,800
Equipment	200	0	0
OPERATING SUBTOTAL	3,029,700	2,859,700	2,881,900
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(214,700)	(214,700)
AGENCY TOTAL	3,029,700	2,645,000	2,667,200^{1/}
FUND SOURCES			
General Fund	3,029,700	702,700	0
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	0	1,942,300	2,667,200
SUBTOTAL - Other Appropriated Funds	0	1,942,300	2,667,200
SUBTOTAL - Appropriated Funds	3,029,700	2,645,000	2,667,200
Other Non-Appropriated Funds	646,900	755,000	797,100
Federal Funds	130,500	140,000	140,000
TOTAL - ALL SOURCES	3,807,100	3,540,000	3,604,300

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

Operating Budget

The budget includes \$2,881,900 and 42.2 FTE Positions from the Liquor Licenses Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Self Funding

The budget includes an increase of \$702,700 from the Liquor Licenses Fund in FY 2011 and a corresponding decrease of \$(702,700) from the General Fund to make the agency self-funding.

Prior to FY 2010, all liquor fees were deposited to the General Fund and the department received a General Fund appropriation to fund their operations. Laws 2009, 3rd Special Session, Chapter 7, however, authorized the department to retain a portion of these fees in a newly-established Liquor Licenses Fund to the level of their

appropriation while any revenues in excess of that amount would continue to be deposited into the General Fund.

As an intermediate step in making the agency self-funding, the FY 2010 budget appropriated \$1,945,100 from the newly-created Liquor License Fund as well as \$702,700 from the General Fund in an effort to alleviate any cash flow issues created by the transition. To complete the transition of the department to being entirely self funded, the FY 2011 budget includes an increase of \$702,700 from the Liquor Licenses Fund in FY 2011 and a corresponding decrease of \$(702,700) from the General Fund.

Statewide Adjustments

The budget includes an increase of \$22,200 from the Liquor Licenses Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

5th Special Session Reduction

The budget includes \$(214,700) from the Liquor Licenses Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Executive Director: Jeff Hatch-Miller

JLBC Analyst: Juan Beltran

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	110.0	104.0	104.0
Personal Services	4,387,400	4,817,300	4,636,800
Employee Related Expenditures	1,684,600	1,719,700	1,744,600
Professional and Outside Services	386,400	383,400	384,300
Travel - In State	231,800	269,800	269,800
Travel - Out of State	7,700	16,700	16,700
Other Operating Expenditures	572,800	353,300	1,152,300
Equipment	87,800	0	0
OPERATING SUBTOTAL	7,358,500	7,560,200	8,204,500
SPECIAL LINE ITEMS			
Advertising	15,669,700	16,000,000	16,000,000
Instant Tickets ^{1/}	10,038,800	11,537,200	12,451,000 ^{2/}
On-Line Vendor Fees ^{1/}	7,813,800	7,843,000	7,717,100 ^{3/}
Retailer Commissions ^{1/}	32,455,400	35,373,600	37,147,000 ^{4/}
Sales Incentive Program	38,100	50,000	50,000
Telecommunications	393,000	629,400	0
5th Special Session Reduction	0	(528,400)	(528,400)
AGENCY TOTAL	73,767,300	78,465,000	81,041,200 ^{5/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	73,767,300	78,465,000	81,041,200
SUBTOTAL - Other Appropriated Funds	73,767,300	78,465,000	81,041,200
SUBTOTAL - Appropriated Funds	73,767,300	78,465,000	81,041,200
Other Non-Appropriated Funds	284,661,600	313,043,000	330,599,100
TOTAL - ALL SOURCES	358,428,900	391,508,000	411,640,300

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance. Arizona-specific games include instant tickets, the Pick, Pick 3, and Pick 5 on-line games. Arizona also participates in the multi-state Powerball on-line game.

Operating Budget

The budget includes \$8,204,500 and 104 FTE Positions from the State Lottery Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Telecommunications Funding Shift

The budget includes an increase of \$629,400 from the State Lottery Fund in FY 2011 for a funding shift. Telecommunications funding is included in the operating budget instead of the Telecommunications line item

- ^{1/} Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- ^{2/} An amount equal to 3.6% of actual 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 \$12,451,000 in FY 2011. (General Appropriation Act footnote.)
- ^{3/} An amount equal to a percentage of actual on-line game sales as determined by contract is appropriated for payment of on-line vendor fees. This amount is currently estimated to be \$7,717,100, or 3.7% of actual on-line ticket sales in FY 2011. (General Appropriation Act footnote.)
- ^{4/} An amount equal to 6.5% of gross lottery game sales is appropriated for payment of sales commissions to ticket retailers. 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 6.7% of total ticket sales, or \$37,147,000 in FY 2011. (General Appropriation Act footnote.)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

beginning in FY 2011. The shift results in no net change in the Lottery's overall funding level.

Restore Spending Reduction

The budget includes an increase of \$169,600 from the State Lottery Fund in FY 2011 to restore a spending reduction.

In FY 2010, the operating budget was reduced by \$(276,400) as part of a lump sum reduction. In FY 2011, \$169,600 of that reduction is being shifted to the On-Line Vendor Fees line item, which results in a corresponding increase in the operating budget. This shift leaves the operating budget with a \$(106,800) lump sum reduction. *(Please see the On-Line Vendor Fees line item for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(154,700) from the State Lottery Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Advertising

The budget includes \$16,000,000 from the State Lottery Fund for Advertising in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used to promote and market Lottery games.

Instant Tickets

The budget includes \$12,451,000 from the State Lottery Fund for Instant Tickets in FY 2011. This amount funds the following adjustments:

Instant Ticket Sales Increase

The budget includes an increase of \$913,800 from the State Lottery Fund in FY 2011 for Instant Tickets due to higher projected sales. *(See the Lottery Forecast and Distributions section for more details.)*

Monies in this line item are used to pay for instant ticket printing and distribution costs. The actual appropriation is for 3.6% of instant ticket sales. The amount displayed is derived by applying the approved spending percentage to the forecasted sales total.

On-Line Vendor Fees

The budget includes \$7,717,100 from the State Lottery Fund for On-Line Vendor Fees in FY 2011. This amount funds the following adjustments:

New Vendor Contract Rate

The budget includes a decrease of \$(125,900) from the State Lottery Fund in FY 2011 for On-Line Vendor Fees due to a new on-line vendor contract rate.

In FY 2010, the On-Line Vendor Fees line item was reduced by \$(523,300) as part of a lump sum reduction. This reduction was achieved through savings from a new contract. In FY 2011, these savings will be annualized and grow by \$169,600 to \$(692,900). While the reduction in the line item would otherwise increase by \$169,600, the net reduction is only \$(125,900). This net reduction is due to the annualization of the new contract rate of 3.7% of total on-line sales in FY 2011.

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor. The new contract specifies that the new contract rate is 3.7% of total on-line sales beginning October 2009.

The displayed amount is derived by applying the approved percentage to the forecasted sales total. The old contract of 4.0322% was applied to the first 3 months of FY 2010 and the new contract rate of 3.7% was applied to the next 9 months of FY 2010 and all of FY 2011.

Retailer Commissions

The budget includes \$37,147,000 from the State Lottery Fund for Retailer Commissions in FY 2011. This amount funds the following adjustments:

Retailer Commission Increase

The budget includes an increase of \$1,773,400 from the State Lottery Fund in FY 2011 for Retailer Commissions due to higher projected sales. *(See the Lottery Forecast and Distributions section for more details.)*

Monies in this line item are used to compensate retailers for selling lottery tickets. The actual appropriation is equal to 6.5% of total ticket sales. Pursuant to statute, an additional 0.5% of total ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

Sales Incentive Program

The budget includes \$50,000 from the State Lottery Fund for the Sales Incentive Program in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used to provide monetary incentives to employees in the Lottery's Marketing Division for working with retailers to increase sales.

Telecommunications

The budget includes no funding from the State Lottery Fund for Telecommunications in FY 2011. This amount funds the following adjustments:

Telecommunications Funding Shift

The budget includes a decrease of \$(629,400) from the State Lottery Fund in FY 2011 for a funding shift. Telecommunications funding is included in the operating budget instead of the Telecommunications line item beginning in FY 2011. The shift results in no net change in the Lottery's overall funding level.

Monies in this line item were used to pay for all costs related to the Lottery's telecommunications network. The Lottery provides telecommunications services to retailers who sell on-line game tickets through a contract with private vendors.

5th Special Session Reduction

The budget includes \$(528,400) from the State Lottery Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Lottery Forecast and Distributions

The budget forecast for overall ticket sales of \$554,432,300 for FY 2011 represents a 5.0% increase from forecasted FY 2010 ticket sales of \$527,964,600.

The budget forecast for instant ticket sales of \$345,861,400 for FY 2011 represents a 7.9% increase from forecasted FY 2010 instant ticket sales of \$320,478,000. The Instant Scratchers game remains the largest contributor to the FY 2011 forecast with estimated sales of \$290,145,600.

In regards to state-only on-line ticket sales (excluding Powerball), the budget forecast for on-line ticket sales of \$91,332,400 for FY 2011 represents a 1.2% increase from forecasted FY 2010 on-line ticket sales of \$90,248,100. Due to the uncertainty of when large Powerball jackpots will occur, the budget forecast includes no growth in Powerball ticket sales for FY 2011.

A.R.S. § 5-505B requires the Lottery to deposit at least 50% of total ticket sales in the non-appropriated portion of the State Lottery Fund, which is used for prize payouts. If

the Lottery chooses to deposit more than 50% of total ticket sales for prize payouts, then the remaining amount for beneficiary distribution decreases. In FY 2009, approximately 59% of total ticket sales were used for prizes. FY 2010 year-to-date, this percentage has further increased to 61.4% of total ticket sales. Excluding fund transfers, monies available for distribution are estimated to be \$141,037,000 in FY 2011, based on an approximate 60% prize payout.

Table 1 shows a comparison between total ticket sales and the proceeds available for distribution over the last 10 fiscal years. Table 1 indicates that the average annual increase in ticket sales is 6.3% whereas proceeds available for distribution have only increased by 5% annually since FY 1999. Due to both an increase in prize payouts and a decrease in beneficiary distribution, the relevant long-term growth rate is assumed to be 5% as opposed to 6.3%.

Table 1

Lottery Ticket Sales

<u>Fiscal Year</u>	<u>Ticket Sales</u>	<u>% Growth</u>	<u>Proceeds Available for Distribution</u>	<u>% Growth</u>
FY 1999	\$268,263,400		\$ 80,473,300	
FY 2000	258,561,900	-3.6%	75,442,600	-6.3%
FY 2001	272,671,100	5.5%	77,772,900	3.1%
FY 2002	294,823,700	8.1%	84,900,200	9.2%
FY 2003	322,267,100	9.3%	92,447,700	8.9%
FY 2004	366,582,105	13.8%	105,861,000	14.5%
FY 2005	397,560,945	8.5%	113,744,000	7.4%
FY 2006	468,696,827	17.9%	138,253,600	21.5%
FY 2007	462,199,980	-1.4%	137,248,800	-0.7%
FY 2008	472,937,278	2.3%	141,888,700	3.4%
FY 2009	484,486,104	2.4%	126,057,200	-11.2%
Average Growth Rate		6.3%		5.0%

As a result of offering higher prizes as well as increasing aggregate game payouts, FY 2009 total ticket sales were \$11,548,800 above FY 2008. FY 2010 year-to-date sales are currently \$57,602,300 above FY 2009. An increase in ticket sales due in part to higher payouts, however, has in turn led to reduced distributions to state beneficiaries. The percentage of ticket sales that was used for beneficiary distribution dropped from 30% prior to FY 2009 to 26% in FY 2009. As a result, actual profits available for distribution to beneficiaries, excluding fund transfers, dropped by \$(21,675,800) in FY 2009 as compared to the prior year

FY 2010 year-to-date, this percentage has further dropped to 21.9%. Lottery notes that by the end of the fiscal year, the percentage of ticket sales distributed to beneficiaries will equal 26%.

Sources and Uses of Lottery Profit Distribution

Table 2 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2009 and the budget projected distributions for FY 2010 and FY 2011. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-522.

Sales	FY 2009	FY 2010	FY 2011
Instant Sales	\$278.9	\$320.5	\$345.8
On-Line Sales	<u>205.6</u>	<u>207.5</u>	<u>208.6</u>
Total Sales	\$484.5	\$528.0	\$554.4
<i>Less:</i>			
Operating Budget	\$ 73.8	\$ 78.5	\$ 81.0
Fund Transfers ^{1/}	12.2	9.8	1.8
Prizes ^{2/}	<u>284.7</u>	<u>313.0</u>	<u>330.6</u>
Net Profit ^{3/}	\$113.8	\$126.7	\$141.0
Profit Transfers			
Debt Service Fund ^{4/}	\$ NA	\$ NA	\$ 21.6
General Fund – Part 1 ^{5/}	31.0	49.3	59.0
LTAf II ^{6/}	9.0	5.1	NA
LTAf ^{6/}	21.8	12.7	NA
CAF ^{6/}	7.3	4.2	NA
Heritage	20.0	16.2	10.0
Health and Welfare Programs	20.9	19.7	19.9
Homeless Shelters	0	1.0	1.0
General Fund – Part 2 ^{5/}	0	13.4	15.5
University Capital	0	0	7.8
General Fund – Part 3 ^{5/}	0	0	0.8
Economic Development ^{7/}	<u>3.8</u>	<u>5.1</u>	<u>5.4</u>
Total Transfer	\$113.8	\$126.7	\$141.0

^{1/} Transfers in FY 2010 include an advertising fund transfer of \$4,162,700, \$1,000,000 due to a combined Fund Reduction and Transfer (FRAT) and personnel expense reduction, \$4,055,000 due to a 10% county proceeds transfer, an additional \$8,700 personnel expense reduction, and an additional FRAT of \$528,400 as enacted by Laws 2009, 5th Special Session, Chapter 1. Transfers in FY 2011 include a \$226,600 personnel expense reduction and continue a FY 2010 combined \$1,000,000 FRAT and personnel expense reduction as well as an additional \$528,400 FRAT.

^{2/} Prizes are estimated by subtracting net profit and operating budget expenditures from total Lottery sales.

^{3/} To derive the profit transfer amounts, the actual FY 2009 rate of return for each game was applied to the current budget forecast. The cumulative profit transfer rate is 26%.

^{4/} Assumes that the \$450,000,000 Lottery Revenue Bond is issued with an interest-only payment of \$21,600,000 in FY 2011.

^{5/} Total distributions to the General Fund totaled \$31,000,000 in FY 2009 and are estimated to be \$62,686,800 in FY 2010 and \$75,334,600 in FY 2011. The FY 2010 estimate includes \$18,268,600 due to redirected distributions for Mass Transit, LTAf, CAF and the State Parks Board Heritage Fund and the FY 2011 estimate includes redirected distributions of \$49,650,000 as enacted by Laws 2010, 7th Special Session, Chapter 12.

^{6/} Distribution cumulatively reduced by \$(2,007,500) in FY 2009 and \$(4,055,000) in FY 2010.

^{7/} Dedicated funding from 2 instant ticket games.

State Lottery Revenue Bond Debt Service Payment Fund
Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a

20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments will be made from Lottery revenues that would have otherwise been deposited into the General Fund. It is estimated that the FY 2011 bond payment will be \$21,600,000, which is interest only. Beginning in FY 2011, Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Payment Fund.

General Fund – Part 1

Prior to FY 2011, the General Fund could receive up to \$31,000,000 prior to other distributions and an additional \$15,490,000 from the Part 2 distribution (for a total of \$46,490,000) after the statutory funding obligations have been met through the Homeless Shelters distribution. The General Fund is estimated to receive \$31,000,000 in FY 2010 from this distribution plus \$13,418,200 from the Part 2 distribution. In addition, the General Fund is estimated to receive another \$18,268,600 in FY 2010 from the Part 1 distribution due to the redirection of FY 2010 beneficiary distributions to the Mass Transit Fund, the Local Transportation Assistance Fund (LTAf), the County Assistance Fund (CAF), and the State Parks Board Heritage Fund after February 1, 2010 to the General Fund. (Please see the Additional Legislation section for more details.)

Beginning in FY 2011, the General Fund would receive up to \$59,050,000 from the Part 1 distribution due to the permanent elimination of beneficiary distributions to Mass Transit, LTAf, CAF, and the State Parks Board Heritage Fund. Of this amount, \$49,650,000 is due to the elimination of these beneficiary distributions.

The General Fund (Part 2) could receive an additional \$15,490,000 (for a total of \$74,540,000) after the statutory funding obligations have been met through the Homeless Shelters distribution.

After all other statutory obligations have been met, the General Fund (Part 3) receives all remaining revenues. In FY 2011, that amount is estimated to be \$794,600.

In FY 2011, the General Fund is projected to receive a cumulative \$75,334,600 from all 3 distributions.

Mass Transit Fund

Prior to FY 2011, the Mass Transit Fund (otherwise known as LTAf II) received its monies after the \$31,000,000 distribution to the General Fund was met. Starting in FY 2009, it received a maximum of \$9,000,000 increasing by up to 10% every year until total revenues reach a maximum of \$18,000,000. The funds were used by the counties to enhance existing public transportation systems. The Mass Transit Fund was originally estimated to receive \$8,910,000 in FY 2010 and \$10,890,000 in FY 2011.

The FY 2011 Revenues Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 12) redirected FY 2010 Lottery distributions for the Mass Transit Fund after February 1, 2010 to the General Fund. As a result, the Mass Transit Fund is estimated to receive \$5,113,100 in FY 2010, which is the amount distributed prior to February 1, 2010.

The FY 2011 Revenues BRB also permanently repealed the Mass Transit Fund, eliminated any statutorily established distributions beginning in FY 2011, and redirected this distribution to the General Fund.

Local Transportation Assistance Fund

Prior to FY 2011, LTAF received a maximum of \$23,000,000 annually. Funds were distributed to cities and towns. The uses included road building, traffic signals, sidewalk and alley repair, general maintenance, and Dial-a-Ride operating expenses. LTAF was originally estimated to receive \$20,700,000 in FY 2010 and \$23,000,000 in FY 2011.

The FY 2011 Revenues BRB also redirected FY 2010 Lottery distributions for LTAF after February 1, 2010 to the General Fund. As a result, LTAF is estimated to receive \$12,732,200 in FY 2010, which is the amount distributed prior to February 1, 2010. *(Please see the Additional Legislation section for more details.)*

The FY 2011 Revenues BRB permanently repealed LTAF, eliminated any statutorily established distributions beginning in FY 2011, and redirected this distribution to the General Fund.

County Assistance Fund

Prior to FY 2011, CAF received a maximum of \$7,650,000 each fiscal year. The monies were distributed to the General Funds of each of the counties to be used at their discretion. CAF was originally estimated to receive \$6,885,000 in FY 2010 and \$7,650,000 in FY 2011.

The FY 2011 Revenues BRB also redirected FY 2010 Lottery distributions for CAF after February 1, 2010 to the General Fund. As a result, CAF is estimated to receive \$4,233,400 in FY 2010, which is the amount distributed prior to February 1, 2010. *(Please see the Additional Legislation section for more details.)*

The FY 2011 Revenues BRB permanently repealed CAF and eliminated any statutorily established distributions beginning in FY 2011.

Heritage Fund

Prior to FY 2011, the Heritage Fund received up to a maximum of \$20,000,000. Monies were divided equally between the Game and Fish Commission Heritage Fund and the State Parks Board Heritage Fund.

The FY 2011 Revenues BRB also redirected FY 2010 Lottery distributions for the State Parks Board Heritage Fund after February 1, 2010 to the General Fund. As a result, the State Parks Board Heritage Fund is estimated to receive \$6,147,800 in FY 2010, which is the amount distributed prior to February 1, 2010. The Game and Fish Heritage Fund is estimated to receive its entire allocation in FY 2010. *(Please see the Additional Legislation section for more details.)*

The FY 2011 Revenues BRB permanently repealed the State Parks Board Heritage Fund, eliminated any statutorily established distributions beginning in FY 2011 and redirected this distribution to the General Fund. The BRB also reverts any unused monies left in the fund to the General Fund on June 30, 2011. As a result, beginning in FY 2011, the funds are still used to promote wildlife habitat and education programs as well as rehabilitate historic buildings but they are no longer used to acquire and develop park land and renovate trail systems, among other purposes. The Game and Fish Heritage Fund is estimated to receive \$10,000,000 in FY 2011.

Health and Welfare Programs

Statute requires annual inflation adjustments for the Health and Welfare distribution. The revised allocation cap is \$19,663,800 in FY 2010 and \$19,919,500 in FY 2011. These amounts are distributed among the following agencies:

- 29.4% to the Department of Economic Security for the Healthy Families program.
- 23.5% to the Arizona Board of Regents for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to the Arizona Biomedical Research Commission for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2010 and FY 2011.

Homeless Shelters

The Department of Economic Security receives \$1,000,000 for Homeless Shelters. The department shall use the funding to distribute grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and related support services. They are estimated to receive \$1,000,000 both in FY 2010 and FY 2011.

General Fund – Part 2

As noted above, the General Fund could receive an additional \$15,490,000 after all prior allocations have been met. The General Fund is estimated to receive an

additional \$13,418,200 in FY 2010 and its entire \$15,490,000 allocation in FY 2011.

University Capital Improvement Fund

The FY 2009 Education BRB (Laws 2008, Chapter 287) required that after all Lottery revenue beneficiaries have received their statutory distributions, up to a maximum of \$20,000,000 shall be deposited into the University Capital Improvement (UCI) Fund in FY 2009. However, this fund received no monies in FY 2009.

This fund serves as the source for up to 80% of the debt service associated with \$800,000,000 University Capital construction lease-purchase. The FY 2010 Higher Education BRB (Laws 2009, 3rd Special Session, Chapter 9) restricts Lottery distributions in FY 2011 into the UCI Fund by not allowing Lottery revenues to exceed 80% of the required annual debt service for \$167,671,200 of debt in FY 2010 and FY 2011. UCI is expected to receive no monies in FY 2010 and \$7,801,800 in FY 2011, which is 80% of the total debt service payment of \$9,752,300 for the \$167,671,200. Beginning in FY 2012, the existing debt service cap is lifted, and the Arizona Board of Regents can begin making debt payments on any of its outstanding lease-to-own and bond agreements. *(Please see the FY 2011 Arizona Board of Regents Capital Outlay section for more details.)*

General Fund – Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. In FY 2011, the General Fund is estimated to receive \$794,600.

Commerce and Economic Development (CEDC) Fund

Administered by the Arizona Department of Commerce, CEDC receives its funds from the sales of 2 Instant Scratchers games. The funds are used to support the state's community and economic development goals, initiatives, and strategic plans as defined and developed by the CEDC. CEDC is estimated to receive \$5,124,800 in FY 2010 and \$5,381,100 in FY 2011.

Additional Legislation

FY 2010 Beneficiary Distributions

The FY 2011 Revenues BRB redirects Lottery distributions after February 1, 2010 for the Mass Transit Fund, LTAF, CAF, and the State Parks Board Heritage Fund to the General Fund. It is estimated that this provision would generate \$18,268,600 in General Fund revenues in FY 2010. *(See the Lottery Forecast and Distributions section for more details.)*

FY 2011 Beneficiary Distributions

The FY 2011 Revenues BRB permanently repeals Mass Transit, LTAF, CAF, and the State Parks Board Heritage Fund along with their statutorily required distributions and redirects these distributions to the General Fund beginning

in FY 2011. It is estimated that this provision would generate \$49,650,000 in General Fund revenues in FY 2011.

State Lottery Re-Authorization

Laws 2010, 6th Special Session, Chapter 2 re-establishes both the State Lottery Commission and the State Lottery Fund, continues the existing State Lottery's statutory provisions beginning July 1, 2012 and terminates the State Lottery on July 1, 2035. In addition, Chapter 2 secures a first lien on monies that would have otherwise been deposited in the General Fund, for the payment of bond related obligations from the State Lottery Revenue Bond Debt Service Payment Fund.

State Lottery Revenue Bonds

Laws 2010, 6th Special Session, Chapter 4 authorizes ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments will be made from the Lottery revenues that would have otherwise been deposited into the General Fund. It is estimated that the FY 2011 bond payment will be \$21,600,000, which is interest only. This will result in the General Fund receiving \$21,600,000 less in Lottery revenues in FY 2011.

Instant Ticket Games for Charitable Organizations

Laws 2010, Chapter 126 requires the Lottery Commission to establish special instant ticket games for use by charitable non-profit organizations. It is estimated that approximately 300 charitable organizations statewide would meet the qualifying criteria which requires them to have operated within the state for charitable purposes for at least 2 years. Charitable non-profit organizations are allowed to collect 20% of the special ticket's sales. Chapter 126 also allows Lottery to use up to 15% of total annual ticket sales of these instant games for operating expenses.

Executive Director: Lisa S. Wynn

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	58.5	58.5	58.5
Personal Services	2,624,800	2,862,500	2,764,500
Employee Related Expenditures	924,900	1,020,100	1,036,500
Professional and Outside Services	870,700	995,400	999,400
Travel - In State	25,600	23,000	23,000
Travel - Out of State	9,500	14,000	14,000
Other Operating Expenditures	825,700	869,500	869,500
Equipment	114,400	64,200	64,200
AGENCY TOTAL	5,395,600	5,848,700	5,771,100^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona Medical Board Fund	5,395,600	5,848,700	5,771,100 ^{2/}
SUBTOTAL - Other Appropriated Funds	5,395,600	5,848,700	5,771,100
SUBTOTAL - Appropriated Funds	5,395,600	5,848,700	5,771,100
TOTAL - ALL SOURCES	5,395,600	5,848,700	5,771,100

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician’s assistants.

Operating Budget

The budget includes \$5,771,100 and 58.5 FTE Positions from the Arizona Medical Board Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(77,600) from the Arizona Medical Board Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{2/} The Arizona Medical Board may use up to 7% of the Arizona Medical Board Fund balance remaining at the end of each fiscal year for a performance based incentive program the following fiscal year based on the program established in A.R.S. § 38-618. (General Appropriation Act footnote)

Chairperson: Carol Q. Galper

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
SPECIAL LINE ITEMS			
Medical Student Financial Assistance	1,457,200	848,900	431,900
AGENCY TOTAL	1,457,200	848,900	431,900^{1/}
FUND SOURCES			
General Fund	1,001,000	801,900	402,900
<u>Other Appropriated Funds</u>			
Medical Student Loan Fund	456,200	47,000	29,000
SUBTOTAL - Other Appropriated Funds	456,200	47,000	29,000
SUBTOTAL - Appropriated Funds	1,457,200	848,900	431,900
TOTAL - ALL SOURCES	1,457,200	848,900	431,900

AGENCY DESCRIPTION — The Board of Medical Student Loans distributes financial aid to qualified resident students enrolled at the University of Arizona College of Medicine or private medical schools within Arizona. The University of Arizona College of Medicine, Midwestern University, and A.T. Still University provides the board with support services at no cost.

Medical Student Financial Assistance

The budget includes \$431,900 for Medical Student Financial Assistance in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$402,900
Medical Student Loan Fund	29,000

These amounts fund the following adjustments:

Student Financial Assistance Reduction

The budget includes a decrease of \$(399,000) from the General Fund and \$(18,000) from the Medical Student Loan Fund in FY 2011 for the Medical Student Financial Assistance Program in order to limit the program to existing students. Those students would continue to be funded as long as they continued to meet the eligibility requirements.

The Medical Student Financial Assistance Program funds the Medical Student Loan Program and any existing medical student scholarship students currently under contract. In FY 2006, the Medical Student Scholarship program received an appropriation of \$1,500,000. This program was in existence for only 1 year. Those funds were transferred into the Medical Student Loan Program in FY 2007. As the board no longer provides scholarships, only loans are provided under this program.

The Medical Student Loan Program distributes monies on a first come, first serve basis. Preference is given to those students who demonstrate a strong commitment to attend residency programs and practice medicine in-state. The board funds loans according to private and public tuition rates plus a living allowance.

Medical students who participate in the loan program agree to practice in the state’s medically underserved areas 1 year for each year of loan support, but at least 2 years, in return for loan forgiveness. Borrowers not meeting the service requirement must repay the entire amounts of their loans, plus 7% interest and additional penalties. Only students who are entering into Family Practice, Obstetrics/Gynecology, General Internal Medicine, General Pediatrics, combined Medicine and Pediatrics, or any specialty approved by the board are considered for loans.

The board must use at least half of its appropriation to provide loans for students at private medical schools, pursuant to A.R.S. § 15-1723(A). The Higher Education Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 9) permit the board to appropriate less than half of its appropriation to provide loans for students at private medical schools for FY 2011.

At the estimated FY 2011 funding level, the board plans on providing loans to 8 students, 1 of which is a former scholarship student. Loan amounts provide tuition plus a

^{1/} General Appropriation Act funds are appropriated as a Special Line Items by Agency.

\$20,000 living allowance to students. In total, this includes 4 University of Arizona College of Medicine students who will receive up to \$47,418 each; 1 Arizona College of Osteopathic Medicine (AZCOM) student, who will receive up to \$67,742; and 3 A.T. Still University's School of Osteopathic Medicine (SOMA) students, who will receive up to \$60,450 each. The final number of students and loan amounts may also be adjusted according to the availability of funds.

Loan amounts for FY 2010 met 94% of the average annual cost of public medical school students, and approximately 86% of the average annual cost of private medical school education at AZCOM and 82% at SOMA.

State Mine Inspector: The Honorable Joe Hart

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	15.0	14.0
Personal Services	551,300	612,800	583,900
Employee Related Expenditures	212,100	177,000	171,500
Professional and Outside Services	66,000	45,600	45,600
Travel - In State	133,100	84,600	84,600
Travel - Out of State	8,400	0	0
Other Operating Expenditures	180,700	144,700	144,700
Equipment	10,800	2,700	2,700
OPERATING SUBTOTAL	1,162,400	1,067,400	1,033,000
SPECIAL LINE ITEMS			
Abandoned Mines Safety Fund Deposit	173,000	182,000	182,000
Aggregate Mined Land Reclamation	56,500	155,700	111,500 ^{1/}
Ch. 246 Appropriations for Named Claimants	0	0	1,700
5th Special Session Reduction	0	(89,100)	(89,100)
AGENCY TOTAL	1,391,900	1,316,000	1,239,100^{2/}
FUND SOURCES			
General Fund	1,335,400	1,160,300	1,127,600
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	56,500	155,700	111,500
SUBTOTAL - Other Appropriated Funds	56,500	155,700	111,500
SUBTOTAL - Appropriated Funds	1,391,900	1,316,000	1,239,100
Other Non-Appropriated Funds	35,500	115,000	115,000
Federal Funds	317,700	282,800	282,800
TOTAL - ALL SOURCES	1,745,100	1,713,800	1,636,900

AGENCY DESCRIPTION — The State Mine Inspector is an elected constitutional officer. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

Operating Budget

The budget includes \$1,033,000 and 14 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(34,400) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Abandoned Mines Safety Fund Deposit

The budget includes \$182,000 from the General Fund for the Abandoned Mines Safety Fund Deposit Special Line Item in FY 2011. This amount is unchanged from FY 2010.

As a result of growing public safety concerns, the State Mine Inspector has compiled a list of priority abandoned mining sites for closure. Monies in this line item are used to pay contractors for costs to fill, plug, or fence

^{1/} All Aggregate Mining Reclamation Fund receipts received by the State Mine Inspector in excess of \$111,500 in FY 2011 are appropriated to the Aggregate Mined Land Reclamation line item. Before the expenditure of any Aggregate Mining Reclamation Fund receipts in excess of \$111,500 in FY 2011, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee (General Appropriation Act footnote, as adjusted for statewide allocations.)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

abandoned mines. These monies are also used to pay administrative salaries and other costs.

In addition to General Fund appropriations, deposits can be made into the Abandoned Mines Safety Fund from sources such as intergovernmental agreements and donations.

Aggregate Mined Land Reclamation

The budget includes \$111,500 from the Aggregate Mining Reclamation Fund for the Aggregate Mined Land Reclamation Special Line Item in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,400) from the Aggregate Mining Reclamation Fund in FY 2011 for statewide adjustments.

Expenditure Adjustment

The budget includes a decrease of \$(41,800) from the Aggregate Mining Reclamation Fund in FY 2011 for an expenditure adjustment to meet the level of cases expected by the State Mine Inspector. The department estimates it will receive between 20 and 30 new reclamation plans for review. These reclamation plans will allow the department to expend the fees paid for the review.

Monies in this special line item are used to review legally required plans to reclaim land damaged by aggregated mining and ensure compliance with those plans. Aggregate mining is a process whereby earth moving equipment is used to mine an area close to the surface for crushed rock or stone, granite, and sand. Aggregate Mining Reclamation Fund revenues come from fees paid by owners or operators of aggregate mining sites upon submitting a reclamation plan.

Ch. 246 Appropriations for Named Claimants

Laws 2010, Chapter 246 appropriates \$1,739.01 from the General Fund for Named Claimants in FY 2011. This amount funds the following adjustments:

Invoice Payment

The budget includes an increase of \$1,739.01 from the General Fund in FY 2011 to reconcile an unpaid bill for equipment purchased in FY 2005. A previous appropriation for this outstanding bill was made in FY 2008, but was reverted to the General Fund at the end of that year.

5th Special Session Reduction

The budget includes \$(89,100) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the

operating budget in the General Appropriation Act pending agency decisions on how to allocate it.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the State Mine Inspector to reduce no General Fund FTE Positions in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Director: Madan M. Singh

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	344,300	349,900	339,800
Employee Related Expenditures	95,300	96,300	94,200
Professional and Outside Services	2,200	2,200	2,200
Travel - In State	1,900	1,900	1,900
Travel - Out of State	1,800	1,800	1,800
Other Operating Expenditures	436,400	435,300	435,300
Equipment	1,000	1,000	1,000
OPERATING SUBTOTAL	882,900	888,400	876,200
SPECIAL LINE ITEMS			
Centennial Museum	0	0	(589,700)
5th Special Session Reduction	0	(30,200)	(30,200)
7th Special Session	0	0	(30,200)
AGENCY TOTAL	882,900	858,200	226,100^{1/}
FUND SOURCES			
General Fund	882,900	858,200	226,100
SUBTOTAL - Appropriated Funds	882,900	858,200	226,100
Other Non-Appropriated Funds	396,600	411,700	411,700
TOTAL - ALL SOURCES	1,279,500	1,269,900	637,800

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.

Operating Budget

The budget includes \$876,200 and 7 FTE Positions from the General Fund for the operating budget in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(12,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Centennial Museum

The budget includes a decrease of \$(589,700) from the General Fund for the transfer of the Arizona Mining and Mineral Museum from the Arizona Department of Mines and Mineral Resources to the Arizona Historical Society in

FY 2011. The Arizona Mining and Mineral Museum is to be part of a newly-established Centennial Museum in the Arizona Historical Society.

Laws 2010, Chapter 227 transfers the curator, operation and maintenance of the Arizona Mining and Mineral Museum from the Arizona Department of Mines and Mineral Resources to the Arizona Historical Society as part of a newly-established Centennial Museum effective July 29, 2010. Chapter 227 also transfers \$589,700 from the Arizona Department of Mines and Mineral Resources to the Arizona Historical Society in FY 2011 to pay rent for the mining and mineral museum building to the Arizona Department of Administration and to pay the salary and employee related expenses of the museum curator on the effective date of the act.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

This line item funds the operation and maintenance of the Arizona Mining and Mineral Museum as part of the Centennial Museum.

5th Special Session Reduction

The budget includes \$(30,200) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

7th Special Session Reduction

The budget includes a decrease of \$(30,200) from the General Fund in FY 2011 for the 7th Special Session Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Naturopathic Physicians Medical Board

A.R.S. § 32-1501

Executive Director: Craig Runbeck

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	325,000	329,800	321,300
Employee Related Expenditures	102,000	96,100	95,000
Professional and Outside Services	69,000	101,300	101,600
Travel - In State	2,000	3,700	3,700
Other Operating Expenditures	87,700	67,100	67,100
Equipment	14,000	6,400	6,400
AGENCY TOTAL	599,700	604,400	595,100^{1/}

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	599,700	604,400	595,100
SUBTOTAL - Other Appropriated Funds	599,700	604,400	595,100
SUBTOTAL - Appropriated Funds	599,700	604,400	595,100
TOTAL - ALL SOURCES	599,700	604,400	595,100

AGENCY DESCRIPTION — The board licenses and regulates naturopathic physicians, naturopathic medical assistants, and massage therapists. The board certifies physicians to dispense natural remedies, and accredits and approves naturopathic medical schools, internships, and programs. The board also investigates persons unlawfully practicing naturopathic medicine and refers them for prosecution. This board is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$595,100 and 7 FTE Positions from the Naturopathic Physicians Medical Board Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(9,300) from the Naturopathic Physicians Medical Board Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: George Mehnert

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	52,100	52,000	49,800
Employee Related Expenditures	26,200	26,200	25,700
Professional and Outside Services	39,200	47,200	47,200
Other Operating Expenditures	18,100	21,900	21,900
Equipment	3,500	0	0
OPERATING SUBTOTAL	139,100	147,300	144,600
SPECIAL LINE ITEMS			
5 th Special Session Reduction	0	(11,100)	(11,100)
AGENCY TOTAL	139,100	136,200	133,500^{1/}
FUND SOURCES			
General Fund	139,100	136,200	133,500
SUBTOTAL - Appropriated Funds	139,100	136,200	133,500
TOTAL - ALL SOURCES	139,100	136,200	133,500

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 the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

Operating Budget

The budget includes \$144,600 and 2 FTE Positions from the General Fund for the operating budget in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,700) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(11,100) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Additional Legislation

The FY 2011 Environment BRB (Laws 2010, 7th Special Session, Chapter 7) allows the Arizona Navigable Streams and Adjudication Commission to utilize up to \$80,000

from the Risk Management Fund for unpaid legal obligations.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Joey Ridenour

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	41.2	40.2	40.2
Personal Services	2,177,100	2,072,800	1,988,600
Employee Related Expenditures	731,800	908,400	917,100
Professional and Outside Services	383,000	460,300	460,300
Travel - In State	9,100	10,000	10,000
Travel - Out of State	7,200	8,000	8,000
Other Operating Expenditures	503,200	590,400	590,400
Equipment	132,500	100,000	100,000
OPERATING SUBTOTAL	3,943,900	4,149,900	4,074,400
SPECIAL LINE ITEMS			
CNA Fingerprinting	97,500	0	0
AGENCY TOTAL	4,041,400	4,149,900	4,074,400^{1/}
FUND SOURCES			
General Fund	97,500	0	0
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	3,943,900	4,149,900	4,074,400
SUBTOTAL - Other Appropriated Funds	3,943,900	4,149,900	4,074,400
SUBTOTAL - Appropriated Funds	4,041,400	4,149,900	4,074,400
Other Non-Appropriated Funds	414,600	414,600	414,600
TOTAL - ALL SOURCES	4,456,000	4,564,500	4,489,000

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

Operating Budget

The budget includes \$4,074,400 and 40.2 FTE Positions from the Board of Nursing Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(75,500) from the Board of Nursing Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

CNA Fingerprinting

The budget includes no funding from the General Fund for Certified Nursing Assistant (CNA) Fingerprinting in FY 2011. This amount is unchanged from FY 2010.

The FY 2010 General Government Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 7) eliminated General Fund funding for CNA Fingerprinting but continues to require each applicant for initial nursing assistant certification to submit a full set of fingerprints to the State Board of Nursing for the purpose of obtaining a state and federal criminal records check.

This line item funded expenses to fingerprint CNAs. The board receives federal monies to certify nursing assistants and federal regulations prevent the board from charging CNAs for certification or services related to certification, including fingerprinting. Fingerprinting is a state, not a federal requirement.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

**Board of Examiners of Nursing Care Institution
Administrators and Assisted Living Facility Managers**

A.R.S. § 36-446.02

Executive Director: Allen Imig

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	168,200	218,400	211,400
Employee Related Expenditures	65,700	67,500	68,400
Professional and Outside Services	35,200	24,500	24,600
Travel - In State	6,300	6,000	6,000
Travel - Out of State	2,500	4,100	4,100
Other Operating Expenditures	59,000	58,700	58,700
Equipment	1,100	0	0
AGENCY TOTAL	338,000	379,200	373,200^{1/}

FUND SOURCES

Other Appropriated Funds

Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers Fund	338,000	379,200	373,200
SUBTOTAL - Other Appropriated Funds	338,000	379,200	373,200
SUBTOTAL - Appropriated Funds	338,000	379,200	373,200
TOTAL - ALL SOURCES	338,000	379,200	373,200

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

Operating Budget

The budget includes \$373,200 and 5 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,000) from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Occupational Safety and Health Review Board

A.R.S. § 23-422

Chairman: Robert L. Hutzel

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Lump Sum Appropriation	0	0	0
AGENCY TOTAL	0	0	0^{1/}
FUND SOURCES			
General Fund	0	0	0
SUBTOTAL - Appropriated Funds	0	0	0
TOTAL - ALL SOURCES	0	0	0

AGENCY DESCRIPTION — The board reviews cases involving violations of the state's occupational safety and health laws. The cases start with an informal conference with the Industrial Commission's Occupational Safety and Health Division Director. If the case cannot be resolved, the employer can request a hearing before an Industrial Commission Administrative Law Judge. If either the Director of the Occupational Safety and Health Division or the employer disagrees with the ruling, it can be appealed before the Occupational Safety and Health Review Board.

Operating Budget

The budget includes no funding from the General Fund for the operating budget in FY 2011. This amount is unchanged from FY 2010.

The board has requested no increase in its current appropriation in order to use previously appropriated unexpended funds. Pursuant to A.R.S. § 23-422E, General Fund appropriations to the Occupational Safety and Health Review Board are exempt from lapsing. Available monies from unused prior year appropriations will total \$11,000 at the end of FY 2010. The board's current expenditure plan indicates that \$7,000 will be spent in FY 2011, leaving \$4,000 in unused prior year appropriations at the end of FY 2011.

^{1/} Additional board expenses are paid for by the federal government as part of a grant. These monies are included in the non-appropriated budget of the Industrial Commission's Occupational Safety and Health Division.

Executive Director: Wendy Hammon

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	107,700	159,700	153,700
Employee Related Expenditures	37,100	43,700	44,800
Professional and Outside Services	10,600	9,400	9,400
Travel - In State	1,700	2,200	2,200
Other Operating Expenditures	36,800	31,200	51,600
Equipment	13,100	0	0
AGENCY TOTAL	207,000	246,200	261,700^{1/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	207,000	246,200	261,700
SUBTOTAL - Other Appropriated Funds	207,000	246,200	261,700
SUBTOTAL - Appropriated Funds	207,000	246,200	261,700
TOTAL - ALL SOURCES	207,000	246,200	261,700

AGENCY DESCRIPTION — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice. The board provides administrative support to the Board of Athletic Training, which licenses and regulates athletic trainers.

Operating Budget

The budget includes \$261,700 and 3 FTE Positions from the Occupational Therapy Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(4,900) from the Occupational Therapy Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Capital Outlay Adjustment

The budget includes an increase of \$20,400 from the Occupational Therapy Fund in FY 2011 for increased rent for the Board of Occupational Therapy Examiners and the Board of Athletic Training.

Additional Legislation

Board of Athletic Training Omnibus

Laws 2010, Chapter 34 makes numerous changes affecting the Board of Athletic Training. These changes include: 1) establishing the Athletic Training Fund as a separate operating account from the Board of Occupational Therapy; 2) allowing the Board of Athletic Training and

the Board of Occupational Therapy to jointly select an Executive Director; 3) permitting the Board of Athletic Training or the Executive Director to select their staff members; and 4) deleting conflicting statutes regarding hiring of the Board of Athletic Training’s own staff. The Board of Athletic Training will be separately funded starting in FY 2012.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Lori D. Scott

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	58,900	58,800	57,000
Employee Related Expenditures	22,600	23,400	23,800
Professional and Outside Services	28,700	28,800	30,100
Travel - In State	5,500	5,500	8,500
Other Operating Expenditures	8,600	8,600	8,600
AGENCY TOTAL	124,300	125,100	128,000^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Dispensing Opticians Fund	124,300	125,100	128,000
SUBTOTAL - Other Appropriated Funds	124,300	125,100	128,000
SUBTOTAL - Appropriated Funds	124,300	125,100	128,000
TOTAL - ALL SOURCES	124,300	125,100	128,000

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.

Operating Budget

The budget includes \$128,000 and 1 FTE Position from the Board of Dispensing Opticians Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,300) from the Board of Dispensing Opticians Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Operating Increase

The budget includes an increase of \$4,200 from the Board of Dispensing Opticians Fund for operating budget increases. Of this amount, \$3,000 is to increase the number of inspections, and \$1,200 is for increased State Boards' Office costs.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Margaret Whelan

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	101,800	103,800	99,100
Employee Related Expenditures	40,400	36,900	37,600
Professional and Outside Services	28,100	32,000	32,100
Travel - In State	100	1,000	1,000
Travel - Out of State	2,500	5,000	5,000
Other Operating Expenditures	7,200	24,400	24,400
AGENCY TOTAL	180,100	203,100	199,200^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Optometry Fund	180,100	203,100	199,200
SUBTOTAL - Other Appropriated Funds	180,100	203,100	199,200
SUBTOTAL - Appropriated Funds	180,100	203,100	199,200
TOTAL - ALL SOURCES	180,100	203,100	199,200

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.

Operating Budget

The budget includes \$199,200 and 2 FTE Positions from the Board of Optometry Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,900) from the Board of Optometry Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Elaine LeTarte

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.7	6.7	6.7
Personal Services	325,900	351,600	337,700
Employee Related Expenditures	89,000	110,800	112,600
Professional and Outside Services	21,900	78,500	92,000
Travel - In State	100	1,000	1,000
Travel - Out of State	2,300	3,000	3,000
Other Operating Expenditures	92,600	119,600	119,600
Equipment	60,500	36,800	36,800
AGENCY TOTAL	592,300	701,300	702,700^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Osteopathic Examiners Fund	592,300	701,300	702,700
SUBTOTAL - Other Appropriated Funds	592,300	701,300	702,700
SUBTOTAL - Appropriated Funds	592,300	701,300	702,700
TOTAL - ALL SOURCES	592,300	701,300	702,700

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.

Operating Budget

The budget includes \$702,700 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Hearings/Rule Writing

The budget includes an increase of \$13,500 from the Board of Osteopathic Examiners Fund in FY 2011 for Office of Administrative Hearings of cases and to update rules. Due to the number of cases and appeals heard by the Arizona Board of Osteopathic Examiners, use of the Office of Administrative Hearings will facilitate settlement of cases. Furthermore, the board’s rules do not conform to recent statute changes or to current practice. The agency will contract with the Arizona Department of Administration to modify its rules.

Statewide Adjustments

The budget includes a decrease of \$(12,100) from the Board of Osteopathic Examiners Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Additional Legislation

Annualizing Licensee Renewal

The FY 2011 Regulation Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 4) allows the Arizona Board of Osteopathic Examiners, as session law, to select licensees whose renewal date is on or before January 1, 2012 to renew for a 1-year period. The license renewal fee for selected licensees shall be prorated accordingly. This will allow the board to receive license renewal fees on an annual basis, which will facilitate consistent year-over-year cash flows.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Tammy Paz-Combs

JLBC Analyst: Jon McAvoy

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
FUND SOURCES			
Other Non-Appropriated Funds	2,785,100	2,576,200	2,576,200
TOTAL - ALL SOURCES	2,785,100	2,576,200	2,576,200

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 an appropriation from the Legislature.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Arizona State Parks Board

Executive Director: Renee Bahl

JLBC Analyst: Art Smith

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	249.3	232.3	232.3 ^{1/}
Personal Services	5,576,300	3,771,500	3,695,600
Employee Related Expenditures	3,032,600	1,348,700	1,409,200
Professional and Outside Services	13,100	2,000	2,600
Travel - In State	61,900	64,200	64,200
Travel - Out of State	2,000	0	0
Other Operating Expenditures	3,698,100	2,672,900	2,425,500
Equipment	48,500	0	0
OPERATING SUBTOTAL	12,432,500	7,859,300	7,597,100 ^{2/}
SPECIAL LINE ITEMS			
Arizona Trail	125,000	0	0
Growing Smarter	20,000,000	20,000,000	20,000,000 ^{3/}
Kartchner Caverns State Park	2,122,600	2,185,400	2,180,300
5th Special Session Reduction	0	(671,300)	(671,300)
AGENCY TOTAL	34,680,100	29,373,400	29,106,100 ^{4/5/}
FUND SOURCES			
General Fund	23,609,500	20,000,000	20,000,000
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	1,845,300	1,092,700	1,092,700 ^{6/}
Reservation Surcharge Revolving Fund	248,000	454,700	206,400 ^{7/}
State Parks Enhancement Fund	8,977,300	7,826,000	7,807,000
SUBTOTAL - Other Appropriated Funds	11,070,600	9,373,400	9,106,100
SUBTOTAL - Appropriated Funds	34,680,100	29,373,400	29,106,100
Other Non-Appropriated Funds	74,433,100	46,684,400	22,926,600
Federal Funds	4,205,800	4,006,900	4,006,900
TOTAL - ALL SOURCES	113,319,000	80,064,700	56,039,600

^{1/} Includes 51 OF FTE Positions funded from Special Line Items in FY 2011.

^{2/} All Other Operating Expenditures include \$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 2011, 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. (General Appropriation Act footnote)

^{3/} A.R.S. § 41-511.23 annually appropriates \$20,000,000 from the General Fund to the Land Conservation Fund in FY 2001 through FY 2011. Because these appropriations are in permanent statute, they are not included in the General Appropriation Act.

^{4/} General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.

^{5/} During FY 2011, no more than \$5,000 each year from appropriated or non-appropriated monies may be used for the purposes of out-of-state travel expenses by State Parks Board staff. No appropriated or non-appropriated monies may be used for out-of-country travel expenses. The State Parks Board shall submit by June 30, 2011, a report to the Joint Legislative Budget Committee on out-of-state travel activities and expenditures for that fiscal year. (General Appropriation Act footnote)

^{6/} 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 2011. 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. (General Appropriation Act footnote)

^{7/} All Reservation Surcharge Revolving Fund receipts received by the Arizona State Parks Board in excess of \$206,400 in FY 2011 are appropriated to the Reservation Surcharge Revolving Fund. Before the expenditure of any Reservation Surcharge Revolving Fund monies in excess of \$206,400 in FY 2011, the Arizona State Parks Board shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations.)

AGENCY DESCRIPTION — The Arizona State 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 Arizona State Parks Board Heritage Fund grant programs, and the administration of Growing Smarter Grants.

Operating Budget

The budget includes \$7,597,100 and 181.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
State Parks Enhancement Fund (SPEF)	\$6,298,000
Law Enforcement and Boating Safety Fund (LEBSF)	1,092,700
Reservation Surcharge Revolving Fund	206,400

These amounts fund the following adjustments:

Reservation Surcharge Revolving Fund Reduction

The budget includes a decrease of \$(247,400) from the Reservation Surcharge Revolving Fund in FY 2011 due to declining fund revenues.

Statewide Adjustments

The budget includes a decrease of \$(14,800) in FY 2011 for statewide adjustments. This amount consists of:

State Parks Enhancement	(13,900)
Reservation Surcharge Revolving Fund	(900)

(Please see the General Provisions section.)

Arizona Trail

The budget includes no funding for the Arizona Trail in FY 2011. These amounts are unchanged from FY 2010.

The Arizona Trail is an approximately 819-mile non-motorized trail that crosses Arizona from the southern border to the northern border. The appropriation was used solely for maintaining and preserving the trail. The legislation also established the Arizona Trail Fund to be administered by the State Parks Board consisting of legislative appropriations and donations to the fund. As of May 2010, approximately 819 miles of the Arizona Trail have been opened to the public. In the past, monies from the Arizona State Parks Board Heritage Fund have been used for the development of the Arizona Trail.

Growing Smarter

The budget includes \$20,000,000 from the General Fund deposited into the Land Conservation Fund in FY 2011, as prescribed by A.R.S. § 41-511.23 and mandated by a

voter-passed referendum in 1998. This amount is unchanged from FY 2010. Grant expenditures from the Land Conservation Fund are not subject to appropriation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act. Under the referendum, the last appropriation occurs in FY 2011.

If approved by the voters at the November General Election, House Concurrent Resolution (HCR) 2002 from the 7th Special Session would repeal the Land Conservation Fund and revert this deposit and all other revenues to the General Fund. *(Please see Additional Legislation for more information.)*

Background – The State Parks Board is allowed by statute to use up to \$500,000 (or 5% of the yearly deposit into the fund, whichever is smaller) of the yearly interest earned by the Land Conservation Fund to administer the program.

These monies 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 for the grant. Grant applications are reviewed by the Conservation Acquisition Board, which recommends grants to the State Parks Board.

Kartchner Caverns State Park

The budget includes \$2,180,300 and 51 FTE Positions from the SPEF for Kartchner Caverns State Park in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,100) from SPEF in FY 2011 for statewide adjustments.

This line item funds the operating costs at Kartchner Caverns State Park. This park collects the most revenue of all of the state parks.

5th Special Session Reduction

The budget includes \$(671,300) from SPEF in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

Fund Transfers

The budget includes transfers from this agency's fund to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Operating Funding

The Environment Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 7) includes the following provisions affecting the State Parks Board:

- As session law, allows the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs. This continues prior year provisions allowing the agency to offset General Fund reductions taken in FY 2003.
- As session law, continues to allow SPEF monies to be used for the operation of state parks as appropriated by the Legislature or for capital needs as approved by the Joint Committee on Capital Review (JCCR).

SPEF receives revenue from park user fees and concession sales. Permanent law allocates half of SPEF as non-appropriated monies for capital purposes, less an amount sufficient to fund the lease-purchase payment for the Tonto Natural Bridge State Park. The Joint Committee on Capital Review, however, must approve the capital expenditure plan. Under permanent law, the remaining half of SPEF is appropriated and is allocated toward agency operating costs.

From FY 2004 to FY 2006, a series of session laws suspended permanent statute and required the entire fund to be used for agency operating costs, less an amount sufficient to finance the lease-purchase payment. This provision was changed for FY 2007 and allowed the use of monies for operational costs or capital needs. The Environment BRB continues the FY 2007 change and gives the State Parks Board discretion to use monies not needed for operations for capital needs as approved by JCCR.

- As session law, allows the use of all LEBSF monies, less \$500,000 for grants to La Paz County and Mohave County, for operating costs.

LEBSF receives revenue as a portion of the watercraft licensing taxes. Permanent law requires the LEBSF monies be used to provide grants to county law enforcement agencies for water and boating safety programs, as distributed by the Arizona Outdoor Recreation Coordinating Commission. The Environment BRB suspends all but \$500,000 in grants for La Paz and Mohave, while allowing the State Parks Board to use the remaining monies for operations in FY 2011.

FY 2010 General Fund Deposit

Laws 2010, 7th Special Session, Chapter 1 (FY 2011 General Appropriation Act) includes \$213,900 from the General Fund in FY 2010 for deposit into the State Parks Fund in order to offset a prior fund transfer.

Heritage Fund Repeal

The Revenues BRB (Laws 2010, 7th Special Session, Chapter 12) redirected lottery distributions for the Heritage Fund to the General Fund as permanent law. In addition, the Heritage Fund was repealed. This redirection is retroactive to February 1, 2010. However, the Revenues BRB also states that the State Parks Board may spend monies deposited into the fund prior to the retroactive date until June 30, 2011.

Land Conservation Fund Repeal

If approved by voters at the November 2010 General Election, HCR 2002 from the 7th Special Session would repeal the Land Conservation Fund on or before January 1, 2011. The budget includes \$123,538,600 of revenue from the transfer of any unexpended and unencumbered monies accumulated by the Land Conservation Fund, including the FY 2011 deposit of \$20,000,000, to the General Fund.

Other Issues

Status of State Parks

As of May 2010, there are 23 parks that are open to the public and 4 that are closed. Nine of the parks that are currently open will remain open in FY 2011 using only existing state fund sources. The remaining parks will remain open for at least part of FY 2011, but they will either be funded through agreements between the State Parks Board and local governments or the local government will assume operational control of the park.

Executive Director: Judith Henkel

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	103,100	103,400	99,100
Employee Related Expenditures	40,900	44,200	44,300
Professional and Outside Services	141,100	139,500	188,000
Travel - In State	600	1,000	1,000
Other Operating Expenditures	42,200	40,800	40,800
Equipment	200	0	0
AGENCY TOTAL	328,100	328,900	373,200^{1/}

FUND SOURCES

General Fund	328,100	0	0
<u>Other Appropriated Funds</u>			
Personnel Division Fund - Personnel Board Account	0	328,900	373,200
SUBTOTAL - Other Appropriated Funds	0	328,900	373,200
SUBTOTAL - Appropriated Funds	328,100	328,900	373,200
TOTAL - ALL SOURCES	328,100	328,900	373,200

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.

Operating Budget

The budget includes \$373,200 and 3 FTE Positions from the Personnel Board Account of the Personnel Division Fund in FY 2011. These amounts fund the following adjustments:

Contract Hearing Officers

The budget includes an increase of \$48,500 from the Personnel Board Account of the Personnel Division Fund in FY 2011 for contract hearing officers.

Statewide Adjustments

The budget includes a decrease of \$(4,200) from the Personnel Board Account of the Personnel Division Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Acting Director: Ellis M. Jones

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	41.0	40.0	40.0
Personal Services	1,168,200	1,374,900	1,137,100
Employee Related Expenditures	505,400	629,600	558,300
Professional and Outside Services	55,900	87,000	75,100
Travel - In State	88,200	100,000	86,400
Travel - Out of State	2,200	5,000	4,300
Other Operating Expenditures	323,000	394,300	347,300
Equipment	62,600	70,000	60,400
AGENCY TOTAL	2,205,500	2,660,800	2,268,900^{1/}

FUND SOURCES

Other Appropriated Funds

Pest Management Fund	2,205,500	2,660,800	2,268,900
SUBTOTAL - Other Appropriated Funds	2,205,500	2,660,800	2,268,900
SUBTOTAL - Appropriated Funds	2,205,500	2,660,800	2,268,900
Federal Funds	93,300	125,700	125,700
TOTAL - ALL SOURCES	2,298,800	2,786,500	2,394,600

AGENCY DESCRIPTION — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides. Effective July 7, 2008, the Structural Pest Control Commission was renamed the Office of Pest Management and the Structural Pest Control Commission Fund was renamed the Pest Management Fund, pursuant to Laws 2008, Chapter 309. By November 12, 2010, the Auditor General is required to submit a report with recommendations for the reorganization and restructuring of the agency.

Operating Budget

The budget includes \$2,268,900 and 40 FTE Positions from the Pest Management Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Spending Realignment

The budget includes a decrease of \$(363,200) from the Pest Management Fund in FY 2011 to realign Pest Management’s appropriation with its expenditures. This spending realignment reduces the agency’s pre-statewide adjustments appropriation to \$2,300,000, approximately \$100,000 above the agency’s FY 2009 spending level.

Statewide Adjustments

The budget includes a decrease of \$(28,700) from the Pest Management Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Additional Legislation

Fee Increase Authority

The FY 2011 Revenues Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 12) continues the FY 2010 fee raising authority for the Office of Pest Management. The bill adds an intent clause that limits additional revenues to \$525,000. (The increased fee revenue has not been recorded in the summary table above.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Hal Wand

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	18.0	18.0	18.0
Personal Services	965,000	975,000	938,400
Employee Related Expenditures	295,500	295,700	301,700
Professional and Outside Services	204,200	204,700	204,700
Travel – In State	29,600	25,000	25,000
Travel – Out of State	600	1,000	1,000
Other Operating Expenditures	426,000	428,200	478,200
AGENCY TOTAL	1,920,900	1,929,600	1,949,000^{1/}

FUND SOURCES

Other Appropriated Funds

Arizona State Board of Pharmacy Fund	1,920,900	1,929,600	1,949,000
SUBTOTAL - Other Appropriated Funds	1,920,900	1,929,600	1,949,000
SUBTOTAL - Appropriated Funds	1,920,900	1,929,600	1,949,000
Federal Funds	28,500	1,500	1,500
TOTAL - ALL SOURCES	1,949,400	1,931,100	1,950,500

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.

Operating Budget

The budget includes \$1,949,000 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Controlled Substance Prescription Drug Monitoring

The budget includes an increase of \$50,000 from the Arizona State Board of Pharmacy Fund in FY 2011 to backfill a lost federal grant for Controlled Substance Prescription Drug Monitoring (CSPDM). This adjustment is for a vendor contract to continue collection of electronic records from pharmacies and physicians on dispensed controlled substance prescriptions. These records are used to identify and report suspicious activity to prescribers, dispensers, law enforcement, and regulatory agencies.

CSPDM was implemented in FY 2008 and was funded by a combination of \$130,000 from the Arizona State Board of Pharmacy Fund and \$50,000 from a one-time federal grant. Total costs of the program have remained at \$180,000 since its inception.

Statewide Adjustments

The budget includes a decrease of \$(30,600) from the Arizona State Board of Pharmacy Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Charles Brown

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.8	3.8	3.8
Personal Services	188,600	162,400	155,700
Employee Related Expenditures	50,600	74,200	75,100
Professional and Outside Services	42,300	53,000	53,100
Travel - In State	7,100	6,900	6,900
Travel - Out of State	0	900	900
Other Operating Expenditures	48,400	58,500	58,500
Equipment	300	5,700	5,700
AGENCY TOTAL	337,300	361,600	355,900^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	337,300	361,600	355,900
SUBTOTAL - Other Appropriated Funds	337,300	361,600	355,900
SUBTOTAL - Appropriated Funds	337,300	361,600	355,900
TOTAL - ALL SOURCES	337,300	361,600	355,900

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.

Operating Budget

The budget includes \$355,900 and 3.8 FTE Positions from the Board of Physical Therapy Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,700) from the Board of Physical Therapy Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Interim Director: Ted Ihrman

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	115.8	115.8	115.8
Personal Services	3,398,700	3,600,000	3,500,700
Employee Related Expenditures	1,651,700	1,874,300	1,929,900
Professional and Outside Services	89,500	140,500	140,500
Travel - In State	21,900	25,000	25,000
Other Operating Expenditures	699,300	818,500	316,300
Equipment	25,100	25,000	25,000
OPERATING SUBTOTAL	5,886,200	6,483,300	5,937,400
SPECIAL LINE ITEMS			
Prescription Drugs	168,500	240,000	240,000
AGENCY TOTAL	6,054,700	6,723,300	6,177,400^{1/2}

FUND SOURCES

General Fund	0	0	1,570,900
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	2,441,100	2,998,300	2,554,900
State Charitable Fund	3,613,600	3,725,000	2,051,600
SUBTOTAL - Other Appropriated Funds	6,054,700	6,723,300	4,606,500
SUBTOTAL - Appropriated Funds	6,054,700	6,723,300	6,177,400
Other Non-Appropriated Funds	48,600	41,500	41,500
TOTAL - ALL SOURCES	6,103,300	6,764,800	6,218,900

AGENCY DESCRIPTION — The Arizona Pioneers' Home provides a home and long-term nursing care and medical care for Arizona pioneers, long-term residents, and disabled miners. The Home, on average, cares for 130 residents.

Operating Budget

The budget includes \$5,937,400 and 115.8 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$1,570,900
Miners' Hospital Fund	2,554,900
State Charitable Fund	1,811,600

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$22,700 in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	8,900
Miners' Hospital Fund	13,800

(Please see the General Provisions section.)

General Fund Backfill

This budget includes an increase of \$1,562,000 and 33 FTE Positions from the General Fund and a corresponding decrease of \$(1,562,000) and (33) FTE Positions from the State Charitable Fund in FY 2011 to backfill lost revenue from earnings on state lands. Total funding for the operating budget would be unchanged from this shift.

Budget Realignment

This budget includes a decrease of \$(568,600) in FY 2011 to align agency appropriations with FY 2009 spending. These amounts consist of:

1/ 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 of Arizona. (General Appropriation Act footnote)
 2/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.

Miners' Hospital Fund	(457,200)
State Charitable Fund	(111,400)

<i>Prescription Drugs</i>

The budget includes \$240,000 from the State Charitable Fund for Prescription Drugs in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

Executive Director: Dee Doyle

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	68,200	68,100	65,600
Employee Related Expenditures	15,400	15,400	15,800
Professional and Outside Services	34,200	32,800	32,900
Travel - In State	600	600	600
Other Operating Expenditures	25,200	27,500	27,500
AGENCY TOTAL	143,600	144,400	142,400^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Podiatry Fund	143,600	144,400	142,400
SUBTOTAL - Other Appropriated Funds	143,600	144,400	142,400
SUBTOTAL - Appropriated Funds	143,600	144,400	142,400
TOTAL - ALL SOURCES	143,600	144,400	142,400

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.

Operating Budget

The budget includes \$142,400 and 1 FTE Position from the Podiatry Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,000) from the Podiatry Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Commission for Postsecondary Education

A.R.S. § 15-231

Executive Director: April L. Osborn

JLBC Analyst: Marge Zylla

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.0	10.0	5.0 ^{1/}
Personal Services	96,000	223,900	211,800
Employee Related Expenditures	41,000	67,700	67,300
Professional and Outside Services	16,900	20,200	20,200
Travel - In State	1,200	3,000	3,000
Other Operating Expenditures	22,800	84,300	84,300
Equipment	0	6,000	6,000
OPERATING SUBTOTAL	177,900	405,100	392,600
SPECIAL LINE ITEMS			
Arizona College and Career Guide	12,700	21,200	21,200 ^{2/}
Arizona Minority Educational Policy Analysis Center	32,200	100,300	100,000 ^{2/}
Case Managers	0	75,000	0
Family College Savings Program	118,300	152,800	149,500
Leveraging Educational Assistance Partnership	3,963,800	4,264,500	4,264,500 ^{3/}
Postsecondary Education Grant Program	2,749,900	2,422,300	0 ^{4/}
Private Postsecondary Education Student Financial Assistance Program	331,600	323,900	0 ^{4/}
Twelve Plus Partnership	116,000	130,900	130,500 ^{2/}
AGENCY TOTAL	7,502,400	7,896,000	5,058,300^{5/6/}
FUND SOURCES			
General Fund	4,302,300	4,042,000	1,220,800
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	3,200,100	3,854,000	3,837,500
SUBTOTAL - Other Appropriated Funds	3,200,100	3,854,000	3,837,500
SUBTOTAL - Appropriated Funds	7,502,400	7,896,000	5,058,300
TOTAL - ALL SOURCES	7,502,400	7,896,000	5,058,300

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

^{1/} Includes 1.5 FTE Positions funded from Special Line Items in FY 2011.
^{2/} 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 2011. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund. (General Appropriation Act footnote)
^{3/} 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 2011. (General Appropriation Act footnote)
^{4/} The Commission for Postsecondary Education shall not transfer funds out of the Private Postsecondary Education Student Financial Assistance Program or the Postsecondary Education Grant Program line items. (General Appropriation Act footnote) The funding for both of these programs was deleted, so the footnote does not apply.
^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
^{6/} Any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2010 for FY 2011, and all grant monies and other revenues received by the Commission for Postsecondary Education, when paid into the State Treasury, are appropriated for the explicit purposes designated by line items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852. (General Appropriation Act footnote)

Operating Budget

The budget includes \$392,600 and 3.5 FTE Positions from the Postsecondary Education Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(12,500) from the Postsecondary Education Fund in FY 2011 for statewide adjustments. (*Please see the General Provisions section.*)

Arizona College and Career Guide

The budget includes \$21,200 from the Postsecondary Education Fund for the Arizona College and Career Guide Special Line Item (SLI) in FY 2011. This amount is unchanged from FY 2010.

The Arizona College and Career Guide is an annual publication listing Arizona public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The budget includes \$100,000 and a 0.2 FTE Position from the Postsecondary Education Fund for the Arizona Minority Educational Policy Analysis Center (AMEPAC) SLI in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(300) from the Postsecondary Education Fund in FY 2011 for statewide adjustments.

AMEPAC promotes statewide studies, debates, and discussions to improve minority students' awareness of, access to, and achievement in Arizona's postsecondary educational institutions.

Case Managers

The budget includes no funding from the General Fund for the Case Managers SLI in FY 2011. This amount funds the following adjustments:

No Funding for Case Managers SLI

The budget includes a decrease of \$(75,000) and (2) FTE Positions from the General Fund in FY 2011 to eliminate the funding for the Case Managers SLI. This program was originally funded at \$100,000 in FY 2010, but the commission allocated \$(25,000) of its 5th Special Session FY 2010 Lump Sum Reduction to this line item.

These case managers worked in conjunction with case managers in the Department of Economic Security's Independent Living Program and were responsible for educating those in the program about postsecondary education opportunities and providing a student orientation. The Independent Living Program is made up of former foster youth between the ages of 18 and 21. The commission was required to assist in filling out financial aid and postsecondary applications, provide tutoring, and assist students in finding health, dental, and employment opportunities, along with other forms of student assistance.

Family College Savings Program

The budget includes \$149,500 and 1 FTE Position from the Postsecondary Education Fund for the Family College Savings Program (FCSP) in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,300) from the Postsecondary Education Fund in FY 2011 for statewide adjustments.

FCSP enables parents to save money for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Monies in these plans grow tax-free, and withdrawals for qualified higher educational expenses are federal and state income tax free. FCSP operates from the proceeds of new account fees, which are currently \$13 per account. The plans are available to both residents and non-residents of the state. The commission oversees 3 FCSP providers, 2 of which have multiple investment offerings in their plans. In addition, the commission previously opted not to renew 2 providers because of limited investment options and high account fees. Accounts held by the non-renewed providers will continue with limited contracts and will be transitioned into accounts with approved providers.

Leveraging Educational Assistance Partnership

The budget includes \$4,264,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$1,220,800
Postsecondary Education Fund	3,043,700

These amounts are unchanged from FY 2010.

LEAP is a federal, state, and institutional partnership that provides financial assistance to students demonstrating substantial financial need. To be eligible, students must attend, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution (including public universities, public

community colleges, private collegiate institutions, and proprietary schools). In FY 2009, LEAP distributed 2,318 grants averaging \$1,213.

Postsecondary Education Grant Program

The budget includes no funding from the General Fund for the Postsecondary Education Grant Program (PEG) in FY 2011. This amount funds the following adjustments:

Program Suspension

The budget includes a decrease of \$(2,422,300) and (3) FTE Positions from the General Fund in FY 2011 to suspend the funding for PEG. This program was originally funded at \$2,650,000 in FY 2010, but the commission allocated \$(227,700) of its 5th Special Session FY 2010 Lump Sum Reduction to this line item.

This grant program distributed up to \$2,000 annually, for up to 4 years, to full-time and part-time students enrolled at a private baccalaureate degree granting institution, pursuant to A.R.S. § 15-1855. Grant recipients must have met the minimum qualifications established by the commission, which were required to be comparable to the admission standards established by the Arizona Board of Regents. The student must repay the commission the entire grant amount if they do not receive a baccalaureate degree in 5 years or a good cause extension from the commission. The commission continues to be required to monitor and evaluate these repayments.

In FY 2009, PEG distributed 1,434 grants averaging \$1,681 (the PEG application process was suspended by the Executive for 4 months in FY 2009).

Private Postsecondary Education Student Financial Assistance Program

The budget includes no funding from the General Fund for the Private Postsecondary Education Student Financial Assistance Program (PFAP) in FY 2011. This amount funds the following adjustments:

Program Suspension

The budget includes a decrease of \$(323,900) from the General Fund in FY 2011 to suspend the funding for PFAP. This program was originally funded at \$398,900 in FY 2010, but the commission allocated \$(75,000) of its 5th Special Session FY 2010 Lump Sum Reduction to this line item.

This grant program distributed up to \$2,000 annually, for up to 2 years, to qualified community college graduates who entered a private baccalaureate degree granting institution, pursuant to A.R.S. § 15-1854. The student must repay the commission the entire grant amount if they do not receive a baccalaureate degree in 3 years or a good cause extension from the commission. The commission

continues to be required to monitor and evaluate these repayments.

PFAP provided tuition vouchers for qualified community college graduates who entered private postsecondary educational institutions within Arizona, pursuant to A.R.S. § 15-1854. In FY 2009, PFAP distributed 169 grants averaging \$1,692 (the PFAP application process was suspended by the Executive for 4 months in FY 2009).

Twelve Plus Partnership

The budget includes \$130,500 and a 0.3 FTE Position from the Postsecondary Education Fund for the Twelve Plus Partnership (TPP) in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(400) from the Postsecondary Education Fund in FY 2011 for statewide adjustments.

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts, donations of service, and corporate sponsorships support TPP.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Continue Early Graduation Scholarship Program Suspension

The K-12 Education Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 8) continues to suspend new funding for the Early Graduation Scholarship Program for FY 2011, but continues to fund students currently in the program with available fund balances.

Mathematics, Science and Special Education Teacher Student Loan Fund

The Education Omnibus Bill (Laws 2010, Chapter 332) shifts the administrative responsibilities of the Mathematics, Science and Special Education Student Loan Fund Program from the Arizona Board of Regents (ABOR) to the commission. The program offers loans to students pursuing a teaching degree at a postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation.

The legislation allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program.

The ABOR budget includes \$176,000 from the General Fund for the Math and Science Teacher Initiative in FY 2011. These funds will subsequently be transferred to the commission.

Executive Director: Joseph W. Mulholland

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
FUND SOURCES			
Other Non-Appropriated Funds	39,437,600	35,432,700	35,432,700
TOTAL - ALL SOURCES	39,437,600	35,432,700	35,432,700

AGENCY DESCRIPTION - The Arizona Power Authority (APA) manages Arizona’s allocation of hydroelectric power from Hoover Dam for the benefit of the state. Within the scope of that management, APA cooperates with federal, state, and non-governmental agencies to address regulatory and environmental matters that impact electric and water uses of the Colorado River. In addition, the APA serves as an informational resource for its customers on electricity utilization. APA is not subject to appropriation.

Executive Director: Teri R. Stanfill

JLBC Analyst: Marge Zylla

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	185,100	189,300	181,400
Employee Related Expenditures	79,300	69,600	71,100
Professional and Outside Services	17,600	27,200	27,400
Travel - In State	1,100	2,000	2,000
Travel - Out of State	800	0	0
Other Operating Expenditures	42,800	42,800	42,800
Equipment	1,000	5,800	5,800
AGENCY TOTAL	327,700	336,700	330,500^{1/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board for Private Postsecondary Education Fund	327,700	336,700	330,500
SUBTOTAL - Other Appropriated Funds	327,700	336,700	330,500
SUBTOTAL - Appropriated Funds	327,700	336,700	330,500
Other Non-Appropriated Funds	283,700	262,600	262,600
TOTAL - ALL SOURCES	611,400	599,300	593,100

AGENCY DESCRIPTION — The board licenses and regulates 232 private postsecondary education institutions that service approximately 467,900 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

Operating Budget

The budget includes \$330,500 and 4 FTE Positions from the Board for Private Postsecondary Education Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,200) from the Board for Private Postsecondary Education Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Cindy Olvey

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	165,000	164,700	168,100
Employee Related Expenditures	61,300	61,200	65,700
Professional and Outside Services	38,600	63,000	51,600
Travel - In State	7,700	12,000	8,500
Travel - Out of State	5,000	12,000	8,500
Other Operating Expenditures	45,900	84,500	56,100
Equipment	1,300	4,000	1,000
AGENCY TOTAL	324,800	401,400	359,500^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Psychologist Examiners Fund	324,800	401,400	359,500
SUBTOTAL - Other Appropriated Funds	324,800	401,400	359,500
SUBTOTAL - Appropriated Funds	324,800	401,400	359,500
TOTAL - ALL SOURCES	324,800	401,400	359,500

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts.

Operating Budget

The budget includes \$359,500 and 4 FTE Positions from the Board of Psychologist Examiners Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,100) from the Board of Psychologist Examiners Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Budget Realignment

The budget includes a decrease of \$(71,800) from the Board of Psychologist Examiners Fund in FY 2011 for a budget realignment to match expenditures with revenues.

One-Time Expenditure for Behavior Analysts

The budget includes an increase of \$36,000 from the Board of Psychologist Examiners Fund in FY 2011 for Behavior Analyst start-up costs.

Laws 2008, Chapter 288 requires the State Board of Psychologist Examiners to license and regulate Behavior Analysts. Behavior Analysts are professionals who apply experimentally derived principles to improve socially

significant behavior. The Behavior Analyst profession has agreed to provide \$36,000 for start-up costs and this appropriation enables the funds to be spent.

Additional Legislation

General Fund Deposit

The General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) includes \$25,000 from the General Fund in FY 2011 for deposit into the Board of Psychologist Examiners Fund. These General Fund monies are intended to provide one-time revenue to the Board of Psychologist Examiners Fund in an attempt to alleviate any cash flow problems in FY 2011.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Robert Halliday

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,114.8	2,091.8	2,081.8 ^{1/}
Personal Services	108,251,900	107,349,800	106,329,100
Employee Related Expenditures	54,577,400	56,139,400	56,725,500
Professional and Outside Services	568,200	979,100	979,100
Travel - In State	316,100	484,900	484,900
Travel - Out of State	158,300	192,700	192,700
Other Operating Expenditures	26,894,500	22,063,000	22,063,000
Equipment	7,086,200	2,410,600	2,410,600
OPERATING SUBTOTAL	197,852,600	189,619,500	189,184,900
SPECIAL LINE ITEMS			
GIITEM	18,207,900	21,387,500	21,138,000 ^{2/3/}
Motor Vehicle Fuel	3,935,500	3,935,500	3,935,500
DNA Testing	748,500	980,000	980,000 ^{4/}
Photo Radar Enforcement	6,738,100	22,533,600	11,064,800 ^{5/}
5th Special Session Reduction	0	(4,247,800)	(4,247,800)
7th Special Session Reduction	0	0	(2,774,700)
AGENCY TOTAL	227,482,600	234,208,300	219,280,700 ^{6/7/}
FUND SOURCES			
General Fund	54,589,000	43,569,200	43,070,300
<u>Other Appropriated Funds</u>			
Automated Fingerprint Identification System Fund	3,262,500	3,020,900	3,012,700
Crime Laboratory Assessment Fund	5,101,900	5,115,600	872,500
Crime Laboratory Operations Fund	0	9,620,000	11,127,200
Criminal Justice Enhancement Fund	3,292,100	2,863,100	2,886,500
Deoxyribonucleic Acid (DNA) Identification System Fund	3,760,900	4,020,500	3,987,500
Highway Patrol Fund	19,290,200	18,554,100	18,679,000
Highway User Revenue Fund	84,949,500	78,626,200	79,215,700
Motorcycle Safety Fund	0	205,000	205,000
Parity Compensation Fund	3,539,500	3,023,300	1,823,300
Photo Enforcement Fund	6,738,100	22,533,600	11,064,800
Risk Management Fund	292,800	296,200	296,200
Safety Enforcement and Transportation Infrastructure Fund	1,615,600	1,504,600	1,518,800
State Highway Fund	41,050,500	41,256,000	41,521,200
SUBTOTAL - Other Appropriated Funds	172,893,600	190,639,100	176,210,400
SUBTOTAL - Appropriated Funds	227,482,600	234,208,300	219,280,700
Other Non-Appropriated Funds	47,407,600	32,422,200	31,380,700
Federal Funds	37,807,900	44,606,500	36,255,200
TOTAL - ALL SOURCES	312,698,100	311,237,000	286,916,600

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.

Operating Budget

The budget includes \$189,184,900 and 1,910 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$18,606,300
Automated Fingerprint Identification System (AFIS) Fund	3,257,700
Crime Laboratory Assessment Fund (CLAF)	1,287,300
Crime Laboratory Operations Fund (CLOF)	14,681,900
Criminal Justice Enhancement Fund (CJEF)	3,118,600
Deoxyribonucleic Acid (DNA) Identification System Fund	3,333,600
Highway Patrol Fund	19,952,200
Highway User Revenue Fund (HURF)	79,215,700
Motorcycle Safety Fund	205,000
Parity Compensation Fund	2,068,400
Risk Management Fund	296,200
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,640,800
State Highway Fund	41,521,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$765,400 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(249,400)
AFIS Fund	(8,200)
CLAF	38,800
CJEF	23,400
DNA Identification System Fund	(33,000)
Highway Patrol Fund	124,900
HURF	589,500
SETIF	14,200
State Highway Fund	265,200

(Please see the General Provisions section.)

CJEF Shift from CLAF to CLOF

The budget includes a decrease of \$(4,281,900) from CLAF and a corresponding increase of \$4,281,900 to CLOF. This represents the shifting of 9% of CJEF revenues to CLOF that in prior fiscal years, session law appropriated to CLAF.

The monies that CLOF receives are utilized to fund crime laboratory operations at DPS-operated crime laboratories, whereas, funds in CLAF are allocated to both DPS and

- 1/ Includes 171.8 GF FTE Positions funded from Special Line Items in FY 2011.
- 2/ Of the \$21,138,000 appropriated to GIITEM, \$2,603,400 shall be used for the multijurisdictional task force known as the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). If the Department of Public Safety uses any of the monies appropriated for GIITEM for an agreement or contract with a city, town, county or other entity to provide services for the GIITEM program, the city, town, county or other entity shall provide not less than 25% of the cost of the services and the Department of Public Safety shall provide not more than 75% of Personal Services and Employee Related Expenditures for each agreement or contract but may fund all capital related equipment. Recognizing that states have inherent authority to arrest for any immigration violation, there continues to be a benefit with a 287G, including additional training and a partnership with immigration and customs enforcement and the federal government. The distribution of these monies are contingent on the Department of Public Safety making all reasonable efforts to enter into a 287G memorandum of understanding with the United States Department of Homeland Security. The \$2,603,400 shall be used for functions relating to immigration enforcement, including border security and border personnel, including any previously authorized allocations made in Laws 2008, Chapter 285, Section 14, as amended by Laws 2009, 1st Special Session, Chapter 1, Section 2. As state or local law enforcement officers come into any lawful contact with a suspected illegal alien or with a gang or suspected gang member the use of these monies is contingent on law enforcement agencies making every reasonable effort to determine the person's legal status and taking appropriate action that will not jeopardize an ongoing investigation. The \$2,603,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review before expending any monies not identified in the department's previous expenditure plans. Within 30 days after the last day of each calendar quarter, the department shall provide a summary of quarterly and year-to-date expenditures and progress to the Joint Legislative Budget Committee including any prior year appropriations that were nonlapsing. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ Of the \$21,138,100 appropriated to GIITEM, \$9,400,900 shall be used for 100 Department of Public Safety GIITEM personnel. The additional staff shall include at least 50 sworn Department of Public Safety positions to be used for immigration enforcement and border security and 50 Department of Public Safety positions to assist GIITEM in various efforts, including: 1) arresting illegal aliens, 2) responding to or assisting any county sheriff or attorney in investigating complaints of employment of illegal aliens, 3) investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into the country and 4) taking enforcement action, as permitted under federal law and the United States Constitution. As state and local law enforcement officers come into contact with gang or suspected gang members the use of these monies is contingent on law enforcement agencies verifying the immigration status of these individuals and taking appropriate action that will not jeopardize an ongoing investigation. The department shall submit an expenditure plan to the Joint Legislative Budget Committee for review before expending any monies not identified in the department's previous expenditure plans. Within 30 days after the last day of each calendar quarter, the department shall provide a summary of quarterly and year-to-date expenditures and progress to the Joint Legislative Budget Committee including any prior year appropriations that were nonlapsing. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ Laws 2007, Chapter 261 appropriation for FY 2011, as reduced from \$3,440,000 to \$980,000 in Laws 2010, 7th Special Session, Chapter 6.
- 5/ For FY 2011, within 30 days after the last day of each calendar quarter, the department shall report to the Joint Legislative Budget Committee the following quarterly and year-to-date photo radar enforcement information: 1. The total number of issued citations or notices of violation, paid citations or notices of violation, notices of violation that were referred to courts and mobile or stationary cameras in operation. 2. The total amount of citation and notice of violation revenue generated, including how much revenue was distributed for Department of Public Safety staff expenses, for Department of Public Safety vendor payments to the Administrative Office of the Courts for processing of citations and to the state General Fund. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ Any monies remaining in the Department of Public Safety joint account on June 30, 2011 shall revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)

political subdivisions for the operation of crime laboratories.

The budget includes a reduction of \$(3,554,700) from CLOF and an increase of \$4,281,900 from CLOF as a result of the shift of 9% of CJEF revenues from CLAF. In FY 2010, crime laboratory operations were overfunded by an estimated \$3,300,100, which, when coupled with these cuts, should allow DPS sufficient funding to continue crime laboratory operations at or near the FY 2010 level.

Parity Compensation Fund Spending Realignment

The budget includes a decrease of \$(1,200,000) from the Parity Compensation Fund in FY 2011 for Parity Compensation Fund spending realignment. This reduction brings the fund’s appropriation in line with current revenues.

Radio and Infrastructure Equipment Replacement

The budget continues \$677,300 in FY 2011 for radio and infrastructure equipment replacement. This amount consists of:

General Fund	147,300
CJEF	53,800
HURF	357,200
State Highway Fund	119,000

These amounts are unchanged from FY 2010. The equipment to be replaced includes portable radios, mobile radios, base stations, and telecommunications infrastructure.

GIITEM

The budget includes \$21,138,000 and 171.8 FTE Positions from the General Fund for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(249,500) from the General Fund in FY 2011 for statewide adjustments.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) \$8,793,100 for gang enforcement, investigation, and interdiction, 2) \$9,400,900 for at least 50 sworn DPS positions to be used for immigration enforcement and border security and up to 50 DPS positions to expand GIITEM’s public awareness, investigation, and intelligence efforts, 3) \$2,603,400 for local gang and immigration enforcement grants, 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet). *Table 1* identifies the various functions, as well as their corresponding allocations.

Table 1

Allocation of GIITEM Funding

Function/Purpose	FY 2011
Gang Enforcement & Investigation	\$ 8,793,100
DPS Immigration Personnel	9,400,900
Local Immigration Enforcement Grants	2,603,400 ^{1/}
GangNet Upgrade & Crime Analysts	<u>600,000</u>
TOTAL	\$21,397,400 ^{2/}

^{1/} DPS also has prior year non-lapsing monies available for local efforts.

^{2/} This total does not reflect salary reductions as a result of Laws 2010, 7th Special Session, Chapter 1.

Motor Vehicle Fuel

The budget includes \$3,935,500 for Motor Vehicle Fuel in FY 2011. This amount consists of:

General Fund	3,704,200
Highway Patrol Fund	231,300

These amounts are unchanged from FY 2010.

The Motor Vehicle Fuel Special Line Item provides and tracks monies appropriated to DPS for motor vehicle fuel.

DNA Testing

The budget includes \$980,000 from the DNA Identification System Fund for DNA testing in FY 2011. This amount is unchanged from FY 2010. (*Please see Statutory Changes for more information.*)

Background – Laws 2007, Chapter 261 originally appropriated \$1,980,000 in FY 2008, \$2,980,000 in FY 2009, \$3,484,000 in FY 2010, \$3,440,000 in FY 2011, and \$3,520,000 in FY 2012 from the Arizona DNA Identification System Fund to fund the operating costs of the expanded testing provisions, as well as the design and construction of an expanded crime lab in Phoenix. To delay construction of a new parking garage, the revised FY 2009 budget, however, reduced the FY 2009 advance appropriation by \$(2,000,000) and the FY 2010 Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) reduced the FY 2010 advance appropriation by \$(2,504,000). Funding has remained unchanged at \$980,000 since FY 2009.

Photo Radar Enforcement

The budget includes \$11,064,800 from the Photo Enforcement Fund for photo radar enforcement in FY 2011. This amount funds the following adjustments:

Vendor Payment Reduction

The budget includes a decrease of \$(11,450,200) from the Photo Enforcement Fund in FY 2011 for vendor payment

reduction. This amount represents an over-appropriation of the vendor payment, which is now reflective of current collection trends.

Statewide Adjustments

The budget includes a decrease of \$(18,600) from the Photo Enforcement Fund in FY 2011 for statewide adjustments.

The Governor has decided not to extend the Photo Radar contract as of July 15, 2010. While the fund will lose all revenue in the long-run, the short-term impact is more difficult to gauge as pre-termination fines are still being collected.

Background – In July 2008, DPS awarded a 2-year contract to a private vendor for operation of the photo enforcement cameras. DPS originally planned to oversee 100 speed cameras statewide, including 60 stationary cameras and 40 mobile van systems. As of December 2009, 36 fixed cameras and 42 mobile cameras had been deployed.

Laws 2008, Chapter 286 created the statewide photo enforcement system, as well as the Photo Enforcement Fund, which receives photo citation and notice of violation revenue. Photo radar citations under the statewide photo enforcement system do not result in points incurred on a driver’s license. All issued citations or notices of violation, however, do include a fine of \$165 and a 10% clean elections surcharge (bringing the total payment to \$181.50). Local jurisdictions, however, may also require a further surcharge.

DPS funding for the system includes \$2,173,000 for DPS staff expenses and \$8,911,100 for DPS payment of private vendor contracts related to operation of the photo cameras and processing citations. In addition to these monies, \$4,056,600 is included in the Supreme Court budget for processing of photo enforcement citations. After payment of expenses, the Photo Enforcement Fund is allowed to retain \$250,000 as a balance at the end of each calendar quarter. All fund balances above that amount are transferred to the General Fund.

In FY 2009, \$23,396,200 in total revenue was collected, of which \$4,879,700 was distributed to the General Fund during the fiscal year. A subsequent transfer of \$5,637,100 was made to the General Fund on July 15, 2009. DPS retained \$3,289,200 as a balance in the Photo Radar Enforcement Fund to allow for the continued operations of the Photo Radar Enforcement Program. These monies will eventually be deposited into the General Fund. In addition, the following amounts were transferred to designated recipients:

Administrative Offices of the Courts	2,530,800
Clean Elections Commission	1,471,700

DPS	1,829,800
Vendor Payments	3,758,000

While DPS was appropriated \$22,534,300 in FY 2009 for administrative expenses and vendor payments, the full amount was not received since the program did not generate as much revenue as originally projected.

Year-to-date (as of March 2010), the Photo Radar program has collected \$32,680,600 in revenue. This compares to a FY 2009 total of \$23,396,200. The program was first implemented in September 2008.

5th Special Session Reduction

The budget includes \$(4,247,800) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(378,200)
Automated Fingerprint ID System Fund	(245,000)
Crime Laboratory Assessment Fund	(414,800)
Crime Laboratory Operations Fund	(780,000)
Criminal Justice Enhancement Fund	(232,100)
DNA ID System Fund	(326,100)
Highway Patrol Fund	(1,504,500)
Parity Compensation Fund	(245,100)
Safety Enforcement and Transportation Infrastructure Fund	(122,000)

7th Special Session Reduction

The budget includes a decrease of \$(2,774,700) from the Crime Laboratory Operations Fund in FY 2011 for the 7th Special Session Lump Sum Reduction.

FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required DPS to reduce 8 General Fund FTE Positions in FY 2010 and an additional 10 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency’s budget.

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

CJEF Redirect

The Criminal Justice Budget Reconciliation Bill (BRB) permanently redirects 9% of CJEF revenues, formerly deposited into the General Fund, to the Crime Laboratory Operations Fund to fund the department's crime lab operations.

HURF and State Highway Fund Cap

The Criminal Justice BRB notwithstanding the statutory spending cap of \$10,000,000 each for HURF and the State Highway Fund (A.R.S. § 28-6537 and A.R.S. § 28-6993).

Judicial Productivity Calculations/Photo Enforcement

The Criminal Justice BRB exempts state photo enforcement citations from being included in judicial productivity credit calculations in FY 2011. Productivity credits are used by the courts to determine when additional facilities are needed.

Parking Garage Funding

The Criminal Justice BRB reduces the FY 2011 advance appropriation from the DNA Identification System Fund of \$3,440,000 to \$980,000 (originally authorized by Laws 2007, Chapter 261). This provision further delays parking garage construction in order to generate savings of \$2,460,000. *(Please see the DNA Testing Special Line Item and the Fund Transfers section for more information.)*

Peace Officers Standards and Training Board

Administrative Costs

The Criminal Justice BRB allows DPS to charge the Peace Officer Standards and Training Board (POST) for administrative support costs incurred by the department. Previously, POST was only required to reimburse DPS for administrative support costs above and beyond those that would be normally incurred through the operation of the board.

Public Safety Equipment Fund Cap

The Criminal Justice BRB reduces the revenues from Driving Under the Influence and Operating Under the Influence assessments received annually by the Public Safety Equipment Fund from \$3,000,000 to \$1,200,000.

Seismic Sensor Pilot Program

Laws 2010, Chapter 74, requires DPS to seek federal grant monies for the implementation of a 1-year pilot, seismic sensor program. The program would install seismic sensors at rural airports and rural areas where illegal drug trafficking, illegal alien traffic, and human smuggling occur.

Sex Offender Monitoring Fund Elimination

The Criminal Justice BRB eliminates the Sex Offender Monitoring Fund and redirects the revenues and remaining balance to the General Fund.

Public Safety Personnel Retirement System

A.R.S. § 38-841

Administrator: Jim Hacking

JLBC Analyst: Marge Zylla

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
FUND SOURCES			
Other Non-Appropriated Funds	29,627,700	28,870,000	28,870,000
TOTAL - ALL SOURCES	29,627,700	28,870,000	28,870,000

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 firefighters. 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 at the state and local level. PSPRS is not subject to appropriation.

Additional Legislation

EORP Omnibus Amendments

Law 2010, Chapter 30 modifies death benefits for surviving spouses of EORP members, allows employer restitution for employee theft or fraud to be made from the employee’s retirement account, and makes changes to group health and accident coverage for retirees. The actuarial impact of this legislation is yet to be determined.

PSPRS Omnibus Amendments

Law 2010, Chapter 118 modifies death benefits for surviving spouses of PSPRS members and creates deadlines for certain local board actions. The actuarial impact of this legislation is yet to be determined.

CORP Extension of Reverse Deferred Retirement Option Plan

Law 2010, Chapter 163 extends the expiration date of the reverse Deferred Retirement Option Plan (DROP) from June 30, 2011 to June 30, 2016. A reverse DROP allows certain retirees to cash out a portion of their pension benefits in a lump sum and reduce their future monthly benefit. The actuarial impact of this legislation is yet to be determined.

Director: Lonny Powell

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	46.5	41.5	40.5
Personal Services	1,547,700	1,346,900	1,312,300
Employee Related Expenditures	535,200	443,900	466,100
Professional and Outside Services	144,500	21,000	21,000
Travel - In State	123,000	78,600	78,600
Travel - Out of State	3,200	1,000	1,000
Other Operating Expenditures	308,100	198,500	198,500
Equipment	42,800	0	0
OPERATING SUBTOTAL	2,704,500	2,089,900	2,077,500
SPECIAL LINE ITEMS			
Breeders' Award	0	800,000	0
County Fair Racing	0	400,000	400,000
County Fairs Livestock and Agricultural Promotion	0	1,779,500	1,779,500 ^{1/}
County Fairs Racing Betterment	0	900,000	0
Racing Administration	0	67,000	67,000
Stallion Award	0	100,000	0
5th Special Session Reduction	0	(460,400)	(460,400)
AGENCY TOTAL	2,704,500	5,676,000	3,863,600^{2/}
FUND SOURCES			
General Fund	2,241,600	5,676,000	3,863,600
<u>Other Appropriated Funds</u>			
County Fair Racing Fund	427,700	0	0
Racing Administration Fund	35,200	0	0
SUBTOTAL - Other Appropriated Funds	462,900	0	0
SUBTOTAL - Appropriated Funds	2,704,500	5,676,000	3,863,600
Other Non-Appropriated Funds	1,916,600	50,500	16,900
TOTAL - ALL SOURCES	4,621,100	5,726,500	3,880,500

AGENCY DESCRIPTION — The Arizona Department of Racing regulates the pari-mutuel horse and greyhound racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The Division of Boxing Regulation is responsible for licensing, investigating, and regulating professional boxing, tough man, and nontraditional fighting contests within Arizona.

Operating Budget

The budget includes \$2,077,500 and 40.5 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(12,400) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} The amount appropriated to the County Fairs Livestock and Agricultural Promotion line item is for deposit in the County Fairs Livestock and Agricultural Promotion Fund administered by the Office of the Governor.
^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Breeders' Award

The budget includes no monies from the General Fund for the Breeders' Award in FY 2011. This amount funds the following adjustments:

Reduce Racing Awards

The budget includes a decrease of \$(800,000) from the General Fund in FY 2011 to reduce racing awards.

Monies in this line item are deposited in the non-appropriated Arizona Breeders Award Fund. The fund awards the breeder of every winning horse or greyhound foaled or whelped in this state.

County Fair Racing

The budget includes \$400,000 from the General Fund for County Fair Racing in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are deposited in the non-appropriated County Fair Racing Fund to provide funding for the administration of county fair racing.

County Fairs Livestock and Agricultural Promotion

The budget includes \$1,779,500 from the General Fund for County Fairs Livestock and Agricultural Promotion in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are deposited in the County Fairs Livestock and Agricultural Promotion Fund in the Office of the Governor. The fund is used to promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

County Fairs Racing Betterment

The budget includes no monies from the General Fund for County Fairs Racing Betterment in FY 2011. This amount funds the following adjustments:

Reduce Racing Awards

The budget includes a decrease of \$(900,000) from the General Fund in FY 2011 to reduce racing awards.

Monies in this line item are deposited in the non-appropriated County Fairs Racing Betterment Fund. The fund provides grants for capital improvements to each eligible county fair association conducting a county fair racing meeting, in order to protect the health and safety of race participants.

Racing Administration

The budget includes \$67,000 from the General Fund for Racing Administration in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are deposited in the non-appropriated Racing Administration Fund. The fund is used to administer the County Fairs Racing Betterment Fund, the Arizona Breeders Award Fund, the Stallion Award Fund, the Greyhound Adoption Fund, and other racing administration programs.

Stallion Award

The budget includes no monies from the General Fund for the Stallion Award in FY 2011. This amount funds the following adjustments:

Reduce Racing Awards

The budget includes a decrease of \$(100,000) from the General Fund in FY 2011 to reduce racing awards.

Monies in this line item are deposited in the non-appropriated Stallion Award Fund. The fund awards owners or lessees of stallions that bred winning horses within the state.

5th Special Session Reduction

The budget includes \$(460,400) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Arizona Department of Racing to reduce 1 General Fund FTE Position in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Director: Aubrey V. Godwin

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	36.0	32.0	32.0 ^{1/}
Personal Services	755,900	656,600	625,200
Employee Related Expenditures	337,000	323,300	319,100
Professional and Outside Services	10,100	10,100	10,100
Travel - In State	9,300	9,300	9,300
Other Operating Expenditures	122,000	122,100	122,100
Equipment	1,700	1,700	1,700
OPERATING SUBTOTAL	1,236,000	1,123,100	1,087,500
SPECIAL LINE ITEMS			
Nuclear Emergency Management Fund	612,600	628,000	639,500 ^{2/3/}
5th Special Session Reduction	0	(65,300)	(65,300)
AGENCY TOTAL	1,848,600	1,685,800	1,661,700^{4/}

FUND SOURCES

General Fund	1,603,200	1,416,800	1,396,500
<u>Other Appropriated Funds</u>			
State Radiologic Technologist Certification Fund	245,400	269,000	265,200
SUBTOTAL - Other Appropriated Funds	245,400	269,000	265,200
SUBTOTAL - Appropriated Funds	1,848,600	1,685,800	1,661,700
Other Non-Appropriated Funds	349,100	560,000	560,000
Federal Funds	399,700	399,700	399,700
TOTAL - ALL SOURCES	2,597,400	2,645,500	2,621,400

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.

Operating Budget

The budget includes \$1,087,500 and 28 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$822,300
State Radiologic Technologist Certification Fund	265,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(35,600) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	\$(31,800)
State Radiologic Technologist Certification Fund	(3,800)

(Please see the General Provisions section.)

^{1/} Includes 4 FTE Positions funded by Laws 2009, Chapter 73.

^{2/} Pursuant to A.R.S § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.

^{3/} Includes \$627,991 and 4 FTE Positions in FY 2010 and \$639,548 and 4 FTE Positions in FY 2011 appropriated by Laws 2009, Chapter 73 for the Nuclear Emergency Management Fund.

^{4/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Nuclear Emergency Management Fund

The budget includes \$639,548 and 4 FTE Positions from the General Fund for the Nuclear Emergency Management Fund (NEMF) in FY 2011. These amounts fund the following adjustments:

NEMF Increase

The budget includes an increase of \$11,500 from the General Fund for the NEMF Special Line Item in FY 2011.

Laws 2009, Chapter 73 appropriated \$627,991 and 4 FTE Positions in FY 2010 and \$639,548 and 4 FTE Positions in FY 2011. Since the monies in the line item are appropriated by Chapter 73, these monies will not appear in the General Appropriation Act. Both the Radiation Regulatory Agency and Department of Emergency and Military Affairs received monies from this bill. *(Please see the Department of Emergency and Military Affairs narrative for more information.)*

The Legislature is required to biennially assess a fee against each group of public service and municipal corporations operating the Palo Verde Nuclear Generating Station. The fee is set at a level to offset the General Fund appropriation to the NEMF.

Monies in the NEMF are used for the development and maintenance of a state plan for off-site responses to an emergency caused by an accident at a commercial nuclear generating station. NEMF monies are also used to provide for the equipment, personnel, facilities, training, and testing necessary to comply with federally prescribed criteria.

Monies appropriated to the NEMF are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, except that monies left unexpended or unencumbered at the end of the fiscal year shall be used to offset the next year's assessment and appropriation.

5th Special Session Reduction

The budget includes \$(65,300) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

Service Fee Funding

The FY 2011 Revenues BRB (Laws 2010, 7th Special Session, Chapter 12) continues to allow the Radiation Regulatory Agency \$500,000 in increased fee authority to offset a commensurate decrease in the agency's General Fund appropriation. The increased fee authority was originally authorized as \$400,000 in FY 2009 by Laws 2008, Chapter 291 and was subsequently increased to \$500,000 in FY 2010 by Laws 2009, 4th Special Session, Chapter 3.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Radiation Regulatory Agency to reduce 1 General Fund FTE Position in FY 2010 and no additional General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Governor: The Honorable Janice K. Brewer

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
Other Operating Expenditures	13,700	14,000	14,200
AGENCY TOTAL	13,700	14,000	14,200^{1/}
FUND SOURCES			
General Fund	13,700	14,000	14,200
SUBTOTAL - Appropriated Funds	13,700	14,000	14,200
TOTAL - ALL SOURCES	13,700	14,000	14,200

AGENCY DESCRIPTION — Provides a monthly benefit for the one remaining surviving spouse of an Arizona Ranger.

Operating Budget

The budget includes \$14,200 from the General Fund for the operating budget in FY 2011. This amount funds the following adjustments:

Inflation Adjustment

The budget includes an increase of \$200 from the General Fund in FY 2011 for an inflation adjustment. The inflation adjustment increases the annual benefit received by the 1 remaining surviving spouse of an Arizona Ranger. The pension is adjusted annually using the Gross Domestic Product price deflator, as provided by A.R.S. § 41-951B.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Commissioner: Judy Lowe

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	74.4	57.0	55.0
Personal Services	2,158,500	1,778,100	1,719,600
Employee Related Expenditures	931,800	875,100	863,000
Professional and Outside Services	88,400	73,800	73,800
Travel - In State	16,800	10,000	10,000
Other Operating Expenditures	464,600	519,600	558,900
Equipment	25,300	7,000	7,000
OPERATING SUBTOTAL	3,685,400	3,263,600	3,232,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(245,000)	(245,000)
AGENCY TOTAL	3,685,400	3,018,600	2,987,300^{1/}
FUND SOURCES			
General Fund	3,685,400	3,018,600	2,987,300
SUBTOTAL - Appropriated Funds	3,685,400	3,018,600	2,987,300
Other Non-Appropriated Funds	185,500	55,000	55,000
TOTAL - ALL SOURCES	3,870,900	3,073,600	3,042,300

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 into 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.

Operating Budget

The budget includes \$3,232,300 and 55 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(31,300) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(245,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the General Provisions section.)

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the State Real Estate Department to reduce 1 General Fund FTE Positions in FY 2010 and an additional 2 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Jodi Jerich

JLBC Analyst: Juan Beltran

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	11.0	11.0
Personal Services	672,500	744,600	720,400
Employee Related Expenditures	210,600	237,100	240,800
Professional and Outside Services	800	2,400	2,400
Travel - In State	6,100	8,600	8,600
Travel - Out of State	5,000	7,000	7,000
Other Operating Expenditures	156,000	162,900	162,900
Equipment	1,500	0	0
OPERATING SUBTOTAL	1,052,500	1,162,600	1,142,100
SPECIAL LINE ITEMS			
Professional Witnesses	31,200	145,000	145,000 ^{1/}
AGENCY TOTAL	1,083,700	1,307,600	1,287,100^{2/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Residential Utility Consumer Office Revolving Fund	1,083,700	1,307,600	1,287,100
SUBTOTAL - Other Appropriated Funds	1,083,700	1,307,600	1,287,100
SUBTOTAL - Appropriated Funds	1,083,700	1,307,600	1,287,100
TOTAL - ALL SOURCES	1,083,700	1,307,600	1,287,100

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 (ACC). 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.

Operating Budget

The budget includes \$1,142,100 and 11 FTE Positions from the RUCO Revolving Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(20,500) from the RUCO Revolving Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund for Professional Witnesses in FY 2011. This amount is unchanged from FY 2010. Monies in this line item are

used to fund expert witness testimony at utility rate hearings.

Fund Transfers

The budget includes transfers from this agency’s fund to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Board of Respiratory Care Examiners

A.R.S. § 32-3502

Director: Mary Hauf Martin

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,500	174,700	167,800
Employee Related Expenditures	50,900	51,300	52,000
Professional and Outside Services	4,500	5,100	7,600
Travel - In State	1,800	2,000	2,000
Travel - Out of State	0	600	600
Other Operating Expenditures	33,900	29,000	33,000
AGENCY TOTAL	261,600	262,700	263,000^{1/}

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	261,600	262,700	263,000
SUBTOTAL - Other Appropriated Funds	261,600	262,700	263,000
SUBTOTAL - Appropriated Funds	261,600	262,700	263,000
TOTAL - ALL SOURCES	261,600	262,700	263,000

AGENCY DESCRIPTION — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

Operating Budget

The budget includes \$263,000 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,200) from the Board of Respiratory Care Examiners Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Administrative Services Adjustments

The budget includes an increase of \$6,500 from the Board of Respiratory Care Examiners Fund in FY 2011 for payment of contracts for administrative services. The increase funds the payment of \$4,000 for information technology services provided by the Arizona Department of Administration and \$2,500 for financial services provided by the Central Services Bureau.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Paul Matson

JLBC Analyst: Marge Zylla

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	236.0	236.0	236.0
Personal Services	9,551,800	11,866,900	11,866,900
Employee Related Expenditures	3,653,900	4,528,500	4,668,500
Professional and Outside Services	4,112,200	3,881,800	3,881,800
Travel – In State	57,100	53,600	53,600
Travel – Out of State	32,700	25,000	25,000
Other Operating Expenditures	1,452,700	2,496,800	2,496,800
Equipment	585,000	377,500	377,500
OPERATING SUBTOTAL	19,445,400	23,230,100	23,370,100
SPECIAL LINE ITEMS			
Administration Procedures	123,400	0	0
Information Technology Plan	2,819,000	0	0
Ch. 50 ASRS Plan Design Changes	0	0	1,341,700
AGENCY TOTAL	22,387,800	23,230,100	24,711,800^{1/}

FUND SOURCES

<u>Other Appropriated Funds</u>			
Long-Term Disability Administration Account	2,800,000	2,800,000	2,800,000
State Retirement System Administration Account	19,587,800	20,430,100	21,911,800
SUBTOTAL - Other Appropriated Funds	22,387,800	23,230,100	24,711,800
SUBTOTAL - Appropriated Funds	22,387,800	23,230,100	24,711,800
Other Non-Appropriated Funds	41,151,300	51,752,100	51,752,100
TOTAL - ALL SOURCES	63,539,100	74,982,200	76,463,900

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 the June 30, 2009 valuation, ASRS membership included approximately 222,515 active (working and contributing) members, 210,509 inactive members, 94,424 retired members, and 4,712 disabled members. ASRS has approximately \$20.4 billion in assets (market value), \$7.4 billion in unfunded liability, and approximately \$1.9 billion in annual benefit payments. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

Operating Budget

The budget includes \$23,370,100 and 236 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
State Retirement System Administration Account	\$20,570,100
Long-Term Disability Administration Account	2,800,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$140,000 from the State Retirement System Administration Account in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Continue One-Time Funding

The budget continues \$325,300 in one-time funding from the State Retirement System Administration Account in

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

FY 2011 for technology upgrade costs to be used for software quality personnel for the first year of a 3-year program to heighten software efficiencies. The agency's budget for FY 2010 included \$367,100 for technology upgrade funding, including \$41,800 for ongoing operating costs.

The continued funding will fund personnel to increase programming hours for production support and enhancements to business applications.

Administration Procedures

The budget includes no funding from the State Retirement System Administration Account for Administrative Procedures in FY 2011. This amount is unchanged from FY 2010. Monies in this line item were used for one-time costs to implement statutory changes.

Information Technology Plan

The budget includes no funding for the Information Technology (IT) Plan Special Line Item in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item were appropriated for the development and operation of a business reengineering IT Plan. ASRS completed the development in FY 2008. Ongoing IT costs were moved to the operating budget.

Ch. 50 ASRS Design Plan Changes

The budget includes \$1,341,700 for the ASRS Design Plan Changes Special Line Item in FY 2011. This amount funds the following adjustments:

Appropriation for Design Plan Changes

The budget includes an increase of \$1,341,700 from the State Retirement System Administration Account in FY 2011 for implementation costs of modifications to the ASRS design plan.

Laws 2010, Chapter 50 modifies the benefit formula for members who join ASRS on or after July 1, 2011. Chapter 50 increases the retirement eligibility from 80 points to 85 points (age plus years of service) and changes the average compensation calculation used to determine members' retirement benefits from the average of the most highly compensated 36 months in the last 120 months to the average of the most highly compensated 60 months in the final 120 months of employment. Chapter 50 also eliminates employer contribution refunds for members who terminate their employment and choose to withdraw their account balance. ASRS estimates that all the modifications will generate future savings.

Director: Gale Garriott

JLBC Analyst: Juan Beltran

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,164.0	873.0	935.0 ^{1/}
Personal Services	35,882,400	30,392,700	32,492,800
Employee Related Expenditures	14,547,600	13,028,800	15,707,900
Professional and Outside Services	2,196,300	2,727,700	2,727,700
Travel - In State	271,300	283,100	283,100
Travel - Out of State	212,100	222,500	222,500
Other Operating Expenditures	9,466,100	9,247,000	9,946,200
Equipment	579,500	650,200	650,200
OPERATING SUBTOTAL	63,155,300	56,552,000	62,030,400
SPECIAL LINE ITEMS			
BRITS Operational Support	2,223,300	3,620,900	5,577,700
Health Insurance Premium Tax Credit	30,000	30,000	30,000 ^{2/}
Temporary Collectors	0	2,994,900	2,914,300 ^{3/}
Unclaimed Property Administration and Audit	0	2,963,200	1,770,000 ^{4/}
Unclaimed Property Administration	1,401,200	0	0
Unclaimed Property Contract Auditors	698,600	0	0
5th Special Session Reduction	0	(4,887,100)	(4,887,100)
AGENCY TOTAL	67,508,400	61,273,900	67,435,300^{5/6/}
FUND SOURCES			
General Fund	64,339,400	37,543,400	43,709,000
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	0	22,662,500	22,662,500
Estate and Unclaimed Property Fund	2,099,800	0	0
Liability Setoff Fund	407,700	400,700	390,600
Tobacco Tax and Health Care Fund	661,500	667,300	673,200
SUBTOTAL - Other Appropriated Funds	3,169,000	23,730,500	23,726,300
SUBTOTAL - Appropriated Funds	67,508,400	61,273,900	67,435,300
Other Non-Appropriated Funds	22,489,700	29,937,700	27,437,700
TOTAL - ALL SOURCES	89,998,100	91,211,600	94,873,000

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.

1/ Includes 38 GF FTE Positions funded from Special Line Items in FY 2011.
 2/ Includes \$30,000 appropriated by Laws 2006, Chapter 378 for administering health insurance premium tax credits.
 3/ The \$2,914,300 appropriated from the State General Fund for Temporary Collectors is to collect established debt. The department shall report its results to the Joint Legislative Budget Committee on or before January 31, 2011. (General Appropriations Act footnote, as adjusted for statewide allocations).
 4/ If 12.5% of the total dollar value of properties recovered by unclaimed property contract auditors exceeds \$1,770,000, the excess amount shall be transferred from the State General Fund to the DOR Administrative Fund and appropriated to the department for contract auditor fees. (General Appropriation Act footnote)
 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
 6/ The department shall report the department's General Fund revenue enforcement goals for FY 2011 to the Joint Legislative Budget Committee by July 31, 2010. The department shall provide an annual progress report to the Joint Legislative Budget Committee as to the effectiveness of the department's overall Enforcement and Collections Program for FY 2011 by July 31, 2011. The reports shall include a comparison of projected and actual General Fund revenue enforcement collections for FY 2011. (General Appropriation Act footnote)

Operating Budget

The budget includes \$62,030,400 and 897 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$38,236,600
DOR Administrative Fund	22,730,000
Liability Setoff Fund	390,600
Tobacco Tax and Health Care Fund	673,200

These amounts fund the following adjustments:

Unclaimed Property Administration Transfer

The budget includes a transfer of \$1,193,200 and 14 FTE Positions from the DOR Administrative Fund from the Unclaimed Property Administration and Audit line item to the operating budget in FY 2011. The transfer results in no net change in DOR's overall funding level.

Audit Staff Increase

The budget includes an increase of \$4,352,200 and 71 FTE Positions from the General Fund in FY 2011 to increase audit staff. It was projected that increasing the audit staff would result in additional gross General Fund revenues of \$6,150,400 in FY 2011, for a net gain of \$1,798,200.

Collections Staff Increase

The budget includes an increase of \$360,000 and 7 FTE Positions from the General Fund in FY 2011 in order to increase collections staff. It was projected that increasing the collections staff would result in additional gross General Fund revenues of \$1,554,700 in FY 2011, for a net gain of \$1,194,700.

Tax Administration

The budget includes an increase of \$515,500 from the General Fund in FY 2011 for the implementation of various tax administration programs. It was projected that these 6 programs would result in additional gross General Fund revenues of \$15,267,300 in FY 2011, for a net gain of \$14,751,800.

(Please see the General Fund Revenue section for more details on the prior 3 issues.)

Statewide Adjustments

The budget includes a decrease of \$(942,500) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(938,300)
Liability Setoff Fund	(10,100)
Tobacco Tax and Health Care Fund	5,900

(Please see the General Provisions section.)

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes \$5,577,700 and 38 FTE Positions from the General Fund for operational support of BRITS in FY 2011. These amounts fund the following adjustments:

BRITS Internal Support

The budget includes an increase of \$2,000,000 from the General Fund in FY 2011 for BRITS internal technical support. This adjustment allows DOR to continue to replace contractual staff with lower cost departmental staff. The FY 2010 Revenues Budget Reconciliation Bill (BRB) (Laws 2009, 4th Special Session, Chapter 3) included a provision that, as session law, allowed DOR to divert up to \$2,000,000 of General Fund revenues to pay internal BRITS operational support after review of an expenditure plan by the Joint Legislative Budget Committee. These support services were previously paid out of a General Fund cost-sharing contract, which pays the vendor 85% of tax enforcement revenues above an established baseline amount off the top of General Fund revenues. This adjustment does not represent a new net cost to the General Fund as the General Fund Revenue diversion will be eliminated. *(Please see "Other Issues – Business Reengineering/Integrated Tax System" for more details.)*

Statewide Adjustments

The budget includes a decrease of \$(43,200) from the General Fund in FY 2011 for statewide adjustments.

Monies in this line item are used for annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system.

Health Insurance Premium Tax Credit

The budget includes \$30,000 from the General Fund for the Health Insurance Premium Tax Credit in FY 2011 as appropriated by Laws 2006, Chapter 378. This amount is unchanged from FY 2010. As a result of the appropriation in Chapter 378, this funding does not appear in the FY 2011 General Appropriation Act. FY 2011 is the final year of appropriations in Chapter 378.

Temporary Collectors

The budget includes \$2,914,300 from the General Fund for Temporary Collectors in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(80,600) from the General Fund in FY 2011 for statewide adjustments.

Monies in this line item are used to hire temporary collectors to assist in the collection of already established debt.

Unclaimed Property Administration and Audit

The budget includes \$1,770,000 from the DOR Administrative Fund for Unclaimed Property Administration and Audit in FY 2011. These amounts fund the following adjustments:

Unclaimed Property Administration Transfer

The budget includes a transfer of \$(1,193,200) and (14) FTE Positions from the DOR Administrative Fund from the Unclaimed Property Administration and Audit line item to the operating budget in FY 2011. The transfer results in no net change in DOR's overall funding level.

Monies in this line item are used for the administrative costs of handling, publicizing and selling of unclaimed or abandoned property and to pay contract auditors, who mainly audit large financial and insurance companies headquartered out of state. Abandoned property can include bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies.

An amount equal to 12.5% of the dollar value of properties recovered by unclaimed property contract auditors is used to pay unclaimed property contract auditor fees. This amount is currently estimated at \$1,770,000.

Unclaimed Property Administration

The budget includes no funding for Unclaimed Property Administration from the Estate and Unclaimed Property Fund in FY 2011. This amount is unchanged from FY 2010.

Unclaimed Property Contract Auditors

The budget includes no funding for Unclaimed Property Contract Auditors from the Estate and Unclaimed Property Fund in FY 2011. This amount is unchanged from FY 2010.

5th Special Session Reduction

The budget includes \$(4,887,100) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(3,049,600)
DOR Administrative Fund	(1,837,500)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required DOR to reduce 12 General Fund FTE Positions in FY 2010 and an additional 16 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Business Reengineering/Integrated Tax System (BRITS)

BRITS is the computer system being implemented by DOR to integrate their separate tax systems. The overall cost of the original BRITS contract was approximately \$133,664,700, including \$122,664,700 for the base contract and \$11,000,000 for estimated interest. The system was implemented in FY 2003. The original contract called for BRITS to be completed in FY 2007.

As shown in Table 1, DOR's revised estimated total cost of \$162,127,800 included \$122,664,700 for the base contract, \$7,000,000 for estimated interest, and \$32,463,100 for BRITS contract extensions.

**Table 1
Revised Estimate of BRITS Contract Costs**

<u>Original Contract</u>	<u>Costs</u>
BRITS Base Contract	\$122,664,700
Interest	<u>7,000,000</u>
Subtotal Original Contract	\$129,664,700
 <u>Amendments or Extensions</u>	
Approved Contracts to Date	<u>32,463,100</u>
Total ^{1/}	\$162,127,800

^{1/} Total includes \$6,633,800 in BRITS contract funds for document imaging and customer relationship management.

The cost of BRITS had been financed by the contractor who, in turn, was paid from the increased revenues generated by BRITS. Payments were made to the contractor based on 85% of tax enforcement revenues above an established baseline amount. These payments were not dependent on the enforcement revenue being directly related to the BRITS project. Enforcement revenue represents collections received through the tax audit and collection processes.

DOR reports that no additional payments are being made to the vendor out of the original gain sharing agreement. According to DOR, the actual cost of BRITS was \$154,303,200, which is \$(7,824,600) below DOR's revised

estimate of \$162,127,800 and \$20,638,500 above the original estimate of \$133,664,700. The savings as compared to DOR's revised estimate are mainly a result of DOR not implementing document imaging and customer relationship management as well as a decrease in interest charges of \$(914,800).

Table 2	
BRITS Expenditures and Savings	
<u>Contract Expenditures</u>	<u>Costs</u>
Base Contract and Amendments/Extensions	\$148,218,000
Interest	<u>6,085,200</u>
<i>Total Contract Expenditures</i>	154,303,200
<u>Savings</u>	
Foregone Interest	914,800
Foregone Funds for Document Imaging and Customer Relationship Management	6,633,800
Additional Contract Savings	<u>276,000</u>
<i>Total Savings</i>	7,824,600
Total Revised BRITS Contract Costs	\$162,127,800

In FY 2010 DOR was allowed to use up to \$2,000,000 of General Fund revenues to pay internal BRITS operational support after review of an expenditure plan by the Joint Legislative Budget Committee. This plan was favorably reviewed on February 2, 2010 and has allowed DOR to replace existing contractual staff with lower cost departmental staff. To make this a permanent change, the budget includes a General Fund appropriation of \$2,000,000 in FY 2011. This adjustment would not represent a new net cost to the General Fund as General Fund revenues would no longer be reduced by \$2,000,000. (Please see the BRITS Operational Support line item for more details.)

Executive Director: Dean Gray

JLBC Analyst: Jack Brown

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	20.0	18.0	17.0
Personal Services	954,000	793,800	765,000
Employee Related Expenditures	289,700	262,200	256,400
Professional and Outside Services	141,900	142,000	142,000
Travel - In State	26,100	30,000	30,000
Other Operating Expenditures	193,400	193,400	193,400
Equipment	5,700	5,700	5,700
OPERATING SUBTOTAL	1,610,800	1,427,100	1,392,500
SPECIAL LINE ITEMS			
Building Renewal Grants	7,000,000	3,000,000	3,000,000
New School Facilities Debt Service	79,103,000	100,683,300	63,520,100
5th Special Session Reduction	0	(332,100)	(332,100)
AGENCY TOTAL	87,713,800	104,778,300	67,580,500 ^{1/}
FUND SOURCES			
General Fund	87,713,800	104,778,300	67,580,500
SUBTOTAL - Appropriated Funds	87,713,800	104,778,300	67,580,500
Other Non-Appropriated Funds	308,287,900	121,434,000	169,688,900
TOTAL - ALL SOURCES	396,001,700	226,212,300	237,269,400

AGENCY DESCRIPTION — The School Facilities Board (SFB) is composed of 8 gubernatorial appointments and the Superintendent of Education. The board administers the New School Facilities Fund, the Building Renewal Fund, the Building Renewal Grants Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts.

Operating Budget

The budget includes \$1,392,500 and 17 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(34,600) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Building Renewal Grants

The budget includes \$3,000,000 from the General Fund for Building Renewal Grants in FY 2011. This amount is unchanged from FY 2010. Even though SFB chose to allocate its 5th Special Session lump sum reduction to the Building Renewal Grants Special Line Item (SLI) in

FY 2010, this reduction is reflected in the 5th Special Session Reduction SLI in the summary table above.

The Building Renewal Grants Fund was created in FY 2009 to provide grant-based funding for building renewal projects. The fund consists of legislative appropriations and is administered by SFB.

SFB is to distribute monies to school districts to fund primary building renewal projects that are prioritized by SFB, with additional priority given to school districts that have provided routine preventative maintenance on their facility and that can provide a match of monies provided by the fund. Primary building renewal projects are defined to include necessary projects that are owned by the school district and are required to meet the minimum school facility adequacy guidelines. SFB is required to only approve projects that can be completed in 12 months unless similar projects on average take longer to complete.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Prior to FY 2009, the Building Renewal Fund SLI provided formula-based funding, while the Building Renewal Grants SLI provides grant-based funding. Since FY 2009, the Building Renewal formula has been wholly suspended, having been replaced with the Building Renewal Grants program. The FY 2011 Building Renewal Fund amount under the suspended statutory formula would have been \$231,715,400.

New School Facilities

The budget includes no funding from the General Fund for New School Facilities in FY 2011. This amount is unchanged from FY 2010.

The FY 2011 Education Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 8) continues the FY 2009 - FY 2010 moratorium on new school construction projects. The bill prohibits SFB from authorizing or awarding funding for the design or construction of any new school facility, or from distributing funds for school site acquisition, excluding the \$100,000,000 in federal bonding capacity authorized by Section 6 of the legislation. The moratorium was enacted due to declines in the state’s housing market and the state’s population growth rate.

The FY 2010 Education BRB authorized SFB to enter into a maximum of \$100,000,000 worth of lease-purchase transactions through the middle of FY 2011, to be financed through a federal bonding program known as Qualified School Construction Bonds (QSCBs). The FY 2011 Education BRB retained the \$100,000,000 cap, but expanded this authority to include another federal bonding program, Build America Bonds (BABs), and allowed SFB to issue the bonds through the end of FY 2011. These proceeds are required to be spent on new construction projects only, and priority will first be given to school districts whose projected FY 2010 Average Daily Membership (ADM) exceeds the district-wide space capacity.

The 2 federal bonding programs authorized by the Education BRB are as follows:

- Build America Bonds – Taxable bonds where the state receives a 35% interest rate subsidy from the federal government upon each lease-purchase payment.
- Qualified School Construction Bonds – Taxable bonds with 1 of 2 different types of interest subsidy: 1) Bondholders receive federal tax credits in lieu of interest for these bonds; 2) Bond issuers receive a direct payment from the federal government in the amount of the tax credit. In either case, the tax credit amount is set with the intention of providing 100% of the required interest. However, given current market conditions, SFB estimates that the tax credit would only provide an interest rate subsidy of 70-90%. This

would essentially leave the state to pay 10-30% of the traditional taxable bond interest rate upon each lease-purchase payment, depending on market conditions.

Federal law allows the proceeds from these bonds to be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land.

SFB currently estimates new construction to cost \$22,131,400 in FY 2010. These funds will be spent finishing projects already under construction that started prior to the FY 2009 moratorium. These costs will be funded with prior year lease-purchase proceeds.

In addition, SFB projects new construction to cost \$81,130,800 in FY 2011. This amount is associated with the 9 projects to be financed with federally subsidized bonds that SFB estimates will begin construction in FY 2011. SFB estimates that it will spend \$19,932,800 in FY 2012 to complete these 9 projects. In total, these projects will cost \$101,063,600 to build, including land and other site conditions, and will be financed using the \$100,000,000 of bonding authority and Land Department trust revenues.

Background – The New School Facilities SLI provides funding for school districts to build new K-12 school facilities. The board distributes the monies to school districts as work is completed on approved projects. The amounts allocated to each school district are determined by statute. A school district qualifies for new construction funding when the district-wide square feet per student falls below the statutory minimum. (As noted above, however, a moratorium on new construction projects is authorized for FY 2009 – FY 2011.) Funding is then provided to the district at a statutorily prescribed dollar amount per square foot. For individual projects, the board may modify the square footage per student or the cost per square foot under certain circumstances.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC. For FY 2011, JLBC approved a 0% adjustment. (See Table 1 for FY 2011 statutory funding guidelines.)

Type of School	Square Feet Per Student	Funding Per Square Foot ^{1/2/}
K-6	90	\$136.66
7-8	100	\$144.27
9-12 (<1,800 pupils)	134	\$167.05
9-12 (≥1,800 pupils)	125	\$167.05

^{1/} Increased by 5% for rural school districts.
^{2/} FY 2011 amounts. Adjusted annually for inflation.

In addition to state funding, districts can generate local funding for new school construction projects by holding a Class B bond election (A.R.S. § 15-1021). Class B bonds are designed to supplement, and not supplant, funding received from SFB. Space funded with Class B bond proceeds, therefore, is generally not included in the calculation for determining if a school district qualifies for funding from the board.

New School Facilities Debt Service

The budget includes \$63,520,100 from the General Fund for New School Facilities Debt Service in FY 2011. This amount funds the following adjustments:

Lease-Purchase Payment Increase

The budget includes an increase of \$14,836,800 from the General Fund in FY 2011 for an increased lease-purchase payment. This change is the result of 2 factors: 1) The lease-purchase payment on the FY 2003 - FY 2005 outstanding lease-purchase agreements decreases by \$(13,452,700) in FY 2011 to reflect the current payment schedule on these 15-year agreements; 2) The lease-purchase payment on the FY 2009 outstanding issuance increases by \$28,289,500 to reflect the fact that the FY 2010 lease-purchase payment was interest only. Currently, the outstanding principal from these agreements is \$1,246,790,000.

New Lease-Purchase Payment

The budget includes no funding from the General Fund in FY 2011 for a new lease-purchase payment due to the FY 2010/FY 2011 QSCB/BAB authorization. The board was authorized to issue up to \$100,000,000 of QSCBs or BABs by the end of FY 2011, which are expected to be issued in the second half of CY 2010. At this time, the board has indicated that it plans to structure the QSCB/BAB lease-purchase payments so as to avoid any costs in FY 2011.

A.R.S. § 15-2004 prohibits the board from entering into any new lease-purchase agreements to finance new school construction, and specifies the Legislature's intent not to appropriate funding in the future for payments on any lease-purchase transactions entered into by the board from and after May 15, 2006. The FY 2011 Education BRB notwithstanding this statute for the \$100,000,000 QSCB/BAB issuance.

Backfill Full-Day Kindergarten Lease-Purchase Savings

The budget includes an increase of \$8,000,000 from the General Fund in FY 2011 to offset one-time savings in FY 2010 associated with using prior year lease-purchase proceeds for SFB lease-purchase obligations. Laws 2009, 5th Special Session, Chapter 1 directed SFB to use \$8,000,000 of unused Full-Day Kindergarten capital lease-purchase proceeds authorized by the FY 2009 Education

BRB (Laws 2008, Chapter 287) to pay a portion of a lease-purchase payment in FY 2010.

Lease-Purchase Refinance

The budget includes a decrease of \$(60,000,000) from the General Fund in FY 2011 for savings related to the refinancing of SFB's outstanding new construction lease-purchase payments. The FY 2011 Education BRB requires SFB to enter into a refinancing or refunding agreement that reduces the board's FY 2011 lease-purchase obligations by up to \$60,000,000. The legislation prohibits this agreement from reducing lease-purchase payments in other years in order to prevent multi-year savings from the refinancing agreement. A tentative lease-purchase schedule shows that this refinance would increase SFB's lease-purchase payments by \$2,827,600 in each of FY 2012 - 2018, \$22,419,500 in FY 2019, and \$43,165,600 in FY 2020.

5th Special Session Reduction

The budget includes \$(332,100) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the Building Renewal Grant SLI in the General Appropriation Act as specified by the agency.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Education Omnibus Bill

Laws 2010, Chapter 332 requires SFB to update the new construction formula amount for projects which were awarded between January 1, 2005 and November 4, 2009, but were delayed due to the new construction moratorium. These projects will now receive the current cost per square foot. Prior to this legislation, statute would have required these projects to be funded using the new construction formula amount that was in effect at the time the project was awarded, with limited exceptions.

SFB estimates that Chapter 332 will increase the new construction formula statutory awards for the 9 projects discussed previously by \$8,022,300. This increase will be paid using the lease-purchase proceeds that were authorized by the FY 2010 and FY 2011 Education BRBs and Land Department trust revenue. The above narrative and figures incorporate the impact of Chapter 332.

School Facilities Land

Laws 2010, Chapter 301 authorizes SFB to require a school district to sell land that was purchased entirely with SFB funds if SFB determines that the property is no longer

needed for a school site in the next 10 years. The funds from the sale of the land would be deposited into the New School Facilities Fund.

The legislation also mandates that a school district may not do any of the following with land purchased or partially purchased with SFB funds, without obtaining approval from the SFB: 1) Lease, sell, or take any action which would diminish the value of the land; 2) Use the land for any purpose besides a school facilities site.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required SFB to reduce no General Fund FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Secretary of State: The Honorable Ken Bennett

JLBC Analyst: Jack Brown

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	164.1	145.1	139.1 ^{1/}
Personal Services	5,181,600	5,454,600	5,179,900
Employee Related Expenditures	1,922,300	1,964,500	2,074,800
Professional and Outside Services	59,800	82,500	82,500
Travel - In State	8,200	12,500	12,500
Travel - Out of State	20,800	23,600	23,600
Other Operating Expenditures	1,362,200	1,469,500	1,367,000
Equipment	30,700	28,500	28,500
OPERATING SUBTOTAL	8,585,600	9,035,700	8,768,800
SPECIAL LINE ITEMS			
Election Services	4,052,300	1,039,200	4,453,300 ^{2/}
Help America Vote Act (HAVA)	11,773,900	7,722,800	8,934,200 ^{3/4/}
Special Election	0	8,346,900	0
Library Grants in Aid	643,300	651,400	651,400
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	25,152,100	26,893,000	22,904,700 ^{5/}
FUND SOURCES			
General Fund	12,750,100	18,393,000	13,301,800
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	11,773,900	7,722,800	8,934,200
Professional Employer Organization Fund	0	98,900	0
Records Services Fund	628,100	678,300	668,700
SUBTOTAL - Other Appropriated Funds	12,402,000	8,500,000	9,602,900
SUBTOTAL - Appropriated Funds	25,152,100	26,893,000	22,904,700
Other Non-Appropriated Funds	530,300	424,200	424,200
Federal Funds	3,860,400	3,556,800	3,556,800
TOTAL - ALL SOURCES	29,542,800	30,874,000	26,885,700

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. In addition, the Department of State operates its Library Division, which had been a separate state agency (the Arizona State Library, Archives and Public Records) prior to FY 2010. The division is the archival authority and designated repository for historical records and documents of state and local governments, as well as a designated federal document regional repository.

^{1/} Includes 9 GF FTE Positions funded from Special Line Items in FY 2011.
^{2/} Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
^{3/} The FY 2011 appropriation from the Election Systems Improvement Fund for HAVA is available for use pursuant to 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, 2012. (General Appropriation Act footnote)
^{4/} The Secretary of State shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting by December 31, 2010 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2010 and the expected amount and purpose of expenditures from the fund for FY 2011. (General Appropriation Act footnote)
^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$8,768,800 and 130.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$8,100,100
Record Services Fund	668,700

These amounts fund the following adjustments:

Delay Professional Employer Organization Registration

The budget includes a decrease of \$(98,900) and (2.0) FTE Positions from the Professional Employer Organization (PEO) Fund in FY 2011 for the delay of PEO registration. The General Government Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 5) suspended the requirement that the Secretary of State register PEOs until the beginning of FY 2012. Due to this suspension, the budget eliminated the PEO Fund appropriation and appropriated FTE Positions for FY 2011.

Statewide Adjustments

The budget includes a decrease of \$(168,000) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(158,400)
Records Services Fund	(9,600)

(Please see the General Provisions section.)

These operating budget amounts take into account the transfer of the Arizona State Library, Archives, and Public Records (ASLAPR) to the Secretary of State's office as required by Laws 2009, Chapter 114.

That legislation required: 1) The Secretary of State to appoint the Director of ASLAPR and that the Director serves at the pleasure of the Secretary of State; 2) The sale or lease of state property located at 14 N. 18th Avenue, Phoenix, Arizona, which is currently occupied by the Secretary of State; 3) All personnel, property, records and appropriated monies remaining unspent and unencumbered by ASLAPR as of September 30, 2009 be transferred to the Secretary of State.

While ASLAPR was not transferred until September 30, 2009, FY 2009 and FY 2010 have been adjusted for comparability.

Election Services

The budget includes \$4,453,300 and 9 FTE Positions from the General Fund for Election Services in FY 2011. These amounts fund the following adjustments:

Election Year Funding

The budget includes an increase of \$3,400,000 from the General Fund in FY 2011 for Election Services. This adjustment would bring Election Services funding to an amount similar to what was expended in FY 2009, which was the last fiscal year with a major election. This change reflects the increased funds needed to conduct primary elections held in August 2010 and the general election held in November 2010.

This line item funds expenses related to the conduction of elections in the state, including voter registration, certification of candidates for state office, testing and certification of voting devices for use by counties, and certification of the results of statewide elections. Funding is also used to publish the publicity pamphlet on state ballot propositions and conduct Town Hall meetings on the propositions. Finally, funding is used to register lobbyists and accept their filings.

For state elections, statute requires the Secretary of State to: 1) reimburse counties for the costs of printing, labeling, and postage for sample ballots; 2) pay the cost of any recount of votes; 3) reimburse the County Recorder for the costs of certifying petition and referendum signatures; and 4) print and mail a publicity pamphlet to every household with a registered voter for any initiative or referendum.

Statewide Adjustments

The budget includes an increase of \$14,100 from the General Fund in FY 2011 for statewide adjustments.

Help America Vote Act (HAVA)

The budget includes \$8,934,200 from the Election Systems Improvement Fund for the Help America Vote Act (HAVA) (P.L. 107-252) in FY 2011. This amount funds the following adjustments:

Increased Appropriation Authority

The budget includes an increase of \$1,211,400 from the Election Systems Improvement Fund in FY 2011 to allow the Secretary of State to spend additional HAVA monies that were made available by the federal government. The Secretary of State plans to use \$63,800 of existing appropriation authority to fulfill the matching requirements to receive an additional \$1,211,400 of HAVA funds.

Table 1 lists projected HAVA expenditures from FY 2004 through FY 2011.

HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections. The legislation also provides funding to the states to meet the requirements. Through FY 2011, it is estimated that the Secretary of State will receive a total of \$61,970,800 in HAVA funding. This includes revenue from the following sources listed in *Table 2*.

Table 1**HAVA Expenditures**

FY 2004	\$3,756,400
FY 2005	47,100
FY 2006	9,476,400
FY 2007	12,157,900
FY 2008	2,648,500 ^{1/}
FY 2009 (est)	11,773,900 ^{2/}
FY 2010 (est)	7,722,800
FY 2011 (est)	8,934,200
Total	\$56,517,200 ^{3/}

^{1/} Original appropriation was \$15,002,000.

^{2/} The Secretary of State was originally appropriated \$4,000,000 for FY 2009. However, there is approximately \$12,400,000 of appropriation authority available until the end of FY 2009, which the Secretary of State may use to increase FY 2009 HAVA expenditures.

^{3/} Total expenditures will not exceed available funding.

Table 2**HAVA Revenues**

Federal Funds	\$53,414,800
5% GF Match	2,395,700
Interest	6,160,300
Total	\$61,970,800

Assuming \$7,722,800 is expended in FY 2010 and \$8,934,200 is expended in FY 2011, \$5,453,600 in HAVA monies would be available in FY 2012.

Arizona HAVA grant monies are being used to replace all punch card and lever voting machines and to improve election administration. Arizona HAVA annual payment monies are being used to meet the requirements of HAVA, including implementation of a statewide voter registration database and a voting system that meets federal standards. In order to meet federal standards, the voting system must allow the voter to verify the vote before the ballot is cast, provide the voter with the opportunity to change the ballot, and notify the voter if he or she has selected more than 1 candidate. In addition, the system must be accessible to individuals with disabilities.

Other uses of the money include: the finalization of the statewide voter registration system, poll worker recruitment and operation, maintenance, and support for accessible voting machines. Any remaining funding will be spent on voter education, making election sites more accessible, improvements to the telephonic grievance system, administration, consulting, poll worker and election official training, and telecommunications.

Special Election

The budget includes no funding from the General Fund for a statewide special election in FY 2011. This amount funds the following adjustments:

Rollback Special Election Funding

The budget includes a decrease of \$(8,346,900) from the General Fund in FY 2011 for Special Election funding. Funding was provided in FY 2010 to pay for the statewide special election held on May 18, 2010. The special election was held to ask voters to consider Proposition 100, a constitutional amendment to authorize a temporary increase in the Transaction Privilege Tax.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund for Library Grants-in-Aid in FY 2011. This amount is unchanged from FY 2010.

Monies in this Special Line Item are used to fund a portion of the state match that is required for receipt of federal dollars under the Library Services and Technology Act (LSTA). Receipt of LSTA monies is dependent on the state's ability to meet a maintenance-of-effort requirement, which is tied to the state contribution made in each of the 3 prior years.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund for Statewide Radio Reading Service for the Blind in FY 2011. This amount is unchanged from FY 2010.

Monies in this Special Line Item are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Other Issues**5% FTE Position Reduction**

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Secretary of State to reduce 3 General Fund FTE Positions in FY 2010 and an additional 4 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

State Boards' Office

Office Manager: Megan Darian

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	144,900	143,000	137,400
Employee Related Expenditures	62,500	53,300	53,300
Professional and Outside Services	400	0	0
Other Operating Expenditures	76,800	88,600	30,200
AGENCY TOTAL	284,600	284,900	220,900^{1/}

FUND SOURCES

Other Appropriated Funds

Special Services Revolving Fund	284,600	284,900	220,900
SUBTOTAL - Other Appropriated Funds	284,600	284,900	220,900
SUBTOTAL - Appropriated Funds	284,600	284,900	220,900
TOTAL - ALL SOURCES	284,600	284,900	220,900

AGENCY DESCRIPTION — The office serves to centralize services and pool resources of 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.

Operating Budget

The budget includes \$220,900 and 3 FTE Positions from the Special Services Revolving Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,600) from the Special Services Revolving Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Budget Realignment

The budget includes a decrease of \$(58,400) from the Special Services Revolving Fund in FY 2011 for a budget realignment requested by the agency. The Arizona Department of Administration (ADOA) has requested that FY 2011 rent payments for member board occupied space be paid directly to ADOA, rather than being paid through State Boards' Office charges. This will not affect individual agency appropriations, but results in a smaller appropriation for the State Boards' Office. The breakdown of the FY 2011 amount by agency is reflected in Table 1.

Board	FY 2009	FY 2010	FY 2011
Acupuncture Board of Examiners	\$ 23,900	\$ 23,900	\$ 18,400
Board of Barbers	1,500	1,500	1,600
Funeral Directors & Embalmers, State Board of	51,900	51,800	35,600
Homeopathic and Integrated Medicine Examiners, Board of	20,200	20,100	14,100
Independent Redistricting Commission	10,900	11,500	0
Naturopathic Physicians Medical Board	68,700	68,600	58,800
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	24,500	24,500	25,000
Opticians, State Board of Dispensing	29,300	29,300	23,500
Optometry, State Board of	26,900	26,900	22,500
Physical Therapy Examiners, Board of	0	0	100
Podiatry Examiners, State Board of	26,800	26,800	21,300
Total	\$284,600	\$284,900	\$220,900

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

State Board of Tax Appeals

A.

Chairperson: Janice C. Washington

JLBC Analyst: Bob Hull

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	169,100	190,400	184,500
Employee Related Expenditures	43,600	43,800	43,900
Professional and Outside Services	600	1,100	1,100
Travel – In State	300	900	900
Other Operating Expenditures	49,200	43,300	43,300
OPERATING SUBTOTAL	262,800	279,500	273,700
SPECIAL LINE ITEMS			
5 th Special Session Reduction	0	(21,000)	(21,000)
AGENCY TOTAL	262,800	258,500	252,700^{1/}
FUND SOURCES			
General Fund	262,800	258,500	252,700
SUBTOTAL - Appropriated Funds	262,800	258,500	252,700
TOTAL - ALL SOURCES	262,800	258,500	252,700

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.

Operating Budget

The budget includes \$273,700 and 4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,800) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

5th Special Session Reduction

The budget includes \$(21,000) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction.

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Executive Director: Ronald W. Dalrymple

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	23.0	23.0	23.0
Personal Services	736,500	846,500	813,100
Employee Related Expenditures	267,000	322,800	330,100
Professional and Outside Services	76,500	152,300	152,800
Travel - In State	8,100	12,400	12,400
Travel - Out of State	7,900	16,000	16,000
Other Operating Expenditures	318,300	382,300	382,300
Equipment	0	22,500	22,500
AGENCY TOTAL	1,414,300	1,754,800	1,729,200^{1/}

FUND SOURCES

Other Appropriated Funds

Technical Registration Fund	1,414,300	1,754,800	1,729,200
SUBTOTAL - Other Appropriated Funds	1,414,300	1,754,800	1,729,200
SUBTOTAL - Appropriated Funds	1,414,300	1,754,800	1,729,200
TOTAL - ALL SOURCES	1,414,300	1,754,800	1,729,200

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, home inspectors, land surveyors, and landscape architects.

Operating Budget

The budget includes \$1,729,200 and 23 FTE Positions from the Technical Registration Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(25,600) from the Technical Registration Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Office of Tourism

Director: Sherry Henry

JLBC Analyst: Ted Nelson

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	39.0	38.0	0.0
Personal Services	1,965,700	1,871,800	0
Employee Related Expenditures	586,900	577,100	0
Professional and Outside Services	2,435,800	1,283,200	0
Travel - In State	20,000	10,500	0
Travel - Out of State	92,000	48,500	0
Other Operating Expenditures	3,562,600	5,356,200	0
Equipment	27,400	14,400	0
OPERATING SUBTOTAL	8,690,400	9,161,700	0
SPECIAL LINE ITEMS			
Media Advertising	848,700	1,493,500	0
AGENCY TOTAL	9,539,100	10,655,200	0^{1/}
FUND SOURCES			
General Fund	9,539,100	10,655,200	0
SUBTOTAL - Appropriated Funds	9,539,100	10,655,200	0
Other Non-Appropriated Funds	11,592,100	11,334,400	11,334,400
TOTAL - ALL SOURCES	21,131,200	21,989,600	11,334,400

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. The funding for this agency is provided by a transfer from the Tourism and Sports Authority (TSA), as well as a portion of tribal gaming contributions.

Tourism Funding Formula

A.R.S. § 42-5029 provided for an Arizona Office of Tourism (AOT) budget that is based on 3.5% of the gross revenues from bed taxes, 3% of the gross revenues from amusement taxes, and 2% of the gross revenues from restaurant taxes received during the previous fiscal year.

The Revenues Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 12) eliminated the Tourism Funding Formula. The Revenues BRB also allows the Office of Tourism to divert 50% of monies received from the Arizona Tourism and Sports Authority (ATSA), pursuant to A.R.S. § 5-835, to their operational and administrative expenses. Previously, AOT was required to spend all of its ATSA distribution, which is generated from partial allocations of 1% of the bed tax and 3.25% of the car rental tax in Maricopa County, to promote tourism in Maricopa County. In FY 2011, this 50% share is estimated to be \$3,115,600.

Laws 2010, Chapter 128 reinserted the Tourism Funding Formula in statute but leaves the formula inactive until legislative authorization is taken to reinstate it. Chapter 128 also restricts the Office of Tourism's authority to spend 50% of monies received from the Tourism and Sports Authority, pursuant to A.R.S. § 5-835, on operational and administrative expenses to FY 2011 and FY 2012.

Operating Budget

The budget includes no funding from the General Fund for the operating budget in FY 2011. This amount funds the following adjustments:

Elimination of Tourism Funding Formula

The budget includes a decrease of \$(9,161,700) from the General Fund in FY 2011 to eliminate General Fund support of the operating budget.

^{1/} A.R.S. § 42-5029 transfers a portion of General Fund sales tax revenue to the Office of Tourism without legislative appropriation. A.R.S. § 42-5029 is inactive until legislative authorization is taken to reinstate the transfer.

Media Advertising

The budget includes no funding from the General Fund for Media Advertising in FY 2011. This amount funds the following adjustments:

Elimination of Tourism Funding Formula

The budget includes a decrease of \$(1,493,500) from the General Fund in FY 2011 to eliminate General Fund support of the Media Advertising Special Line Item (SLI).

Monies in the Media Advertising SLI were used for a marketing contract with a private sector firm, advertisement placement in magazines, handouts, and inserts in newspapers. The Media Advertising line does not include expenditures associated with the state visitors guide and advertisement production expenditures, which are included in Professional and Outside Services and Other Operating Expenditures in the operating budget.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2009</u> <u>Amount</u>	<u>FY 2010</u> <u>Amount</u>	<u>FY 2011</u> <u>Amount</u>
<u>Tourism Formula</u>				
• 3.5% of bed tax	General Fund	\$ 4,480,700	\$ 4,074,100	\$ 0
• 3% of amusement tax		1,699,600	1,578,800	0
• 2% of restaurant tax		9,270,400	9,090,400	0
• Statewide Adjustments		0	0	0
• Suspended Formula Increase		0	(446,800)	0
• Lump Sum Reduction		<u>(1,010,100)</u>	<u>(3,641,300)</u>	<u>0</u>
Subtotal from Tourism Formula		14,440,600	10,655,200 ^{1/}	0 ^{2/}
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	5,382,700	5,934,400	6,231,100 ^{3/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>6,845,200</u>	<u>6,089,100</u> ^{4/}	<u>6,414,900</u> ^{4/}
Total		\$26,668,500	\$22,678,700	\$12,646,000
^{1/} The FY 2010 General Government Budget Reconciliation Bill (BRB) suspends the Tourism Funding Formula and instead transfers \$10,655,200 from the General Fund to the agency. ^{2/} Laws 2010, Chapter 128 reinserts the Tourism Funding Formula into A.R.S. § 42-5029 as inactive statute until legislative authority is given to reactivate it. ^{3/} Laws 2010, Chapter 128 allows the Office of Tourism to spend 50% of TSA monies on administrative expenses in FY 2011 and FY 2012. ^{4/} The Tribal Gaming amounts for FY 2010 and FY 2011 are estimates from the FY 2010 enacted budget. All other figures in the table are actual amounts.				

Director: John Halikowski

JLBC Analyst: Juan Beltran

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,748.0	4,548.0	4,548.0 ^{1/}
Personal Services	128,663,600	137,341,700	137,254,300
Employee Related Expenditures	57,309,700	62,451,300	65,117,300
Professional and Outside Services	1,939,400	1,896,700	1,896,700
Travel - In State	910,600	895,900	895,900
Travel - Out of State	71,200	62,900	62,900
Other Operating Expenditures	63,044,900	63,955,400	63,165,100
Equipment	1,799,300	1,755,100	1,755,100
OPERATING SUBTOTAL	253,738,700	268,359,000	270,147,300
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	2,740,900	2,874,900	2,895,600
Highways			
Highway Maintenance	112,565,600	133,164,600	133,917,700 ^{2/}
Vehicles and Heavy Equipment	22,678,000	29,805,600	27,592,000
Vehicles and Heavy Equipment Fuel Surcharge	2,000,000	0	0
Motor Vehicle			
Abandoned Vehicle Administration	925,400	1,002,900	1,021,500
Fraud Investigation	701,400	745,000	753,900
New Third Party Funding	910,500	929,900	940,100
Other			
Expenditure Plan Realignment	0	(75,822,300)	(75,822,300)
5th Special Session Reduction	0	(2,622,700)	(592,000)
7th Special Session Reduction	0	0	(592,000)
AGENCY TOTAL	396,260,500	358,436,900	360,261,800 ^{3/4/5/6/7/}
FUND SOURCES			
General Fund	69,700	58,400	54,600
Other Appropriated Funds			
Air Quality Fund	71,700	72,600	72,900
Driving Under the Influence Abatement Fund	143,300	145,400	148,100
Highway User Revenue Fund	617,000	620,400	624,800
Motor Vehicle Liability Insurance Enforcement Fund	2,124,400	2,031,300	1,066,400
Safety Enforcement and Transportation Infrastructure Fund	2,118,900	2,009,900	1,866,200
State Aviation Fund	2,269,700	1,746,400	1,592,700
State Highway Fund	363,659,700	322,400,000	325,794,900
Transportation Department Equipment Fund	23,678,000	27,774,900	27,592,000
Vehicle Inspection and Title Enforcement Fund	1,508,100	1,577,600	1,449,200
SUBTOTAL - Other Appropriated Funds	396,190,800	358,378,500	360,207,200
SUBTOTAL - Appropriated Funds	396,260,500	358,436,900	360,261,800
Other Non-Appropriated Funds	39,076,100	38,604,600	38,178,900
Federal Funds	1,516,300	1,516,300	1,516,300
TOTAL - ALL SOURCES	436,852,900	398,557,800	399,957,000

^{1/} Includes 1,235 OF FTE Positions funded from Special Line Items in FY 2011.

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft. The department has 4 primary responsibilities. The Administration Division establishes and provides policy, guidance and overall direction to the department. The Highways Division plans the statewide transportation system, including highways and airports. The Motor Vehicle Division regulates vehicular operations within the state through the issuance and control of various permits, regulations and licenses. The Aeronautics Division registers and licenses all general aviation aircraft in the state, administers the airports development grant and airport loan programs, and operates the Grand Canyon National Park Airport.

Operating Budget

The budget includes \$270,147,300 and 3,313 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$64,000
Air Quality Fund	72,900
Driving Under the Influence Abatement Fund	148,100
Highway User Revenue Fund	386,900
Motor Vehicle Liability Insurance Enforcement Fund	1,198,700
Safety Enforcement and Transportation Infrastructure Fund	1,629,700
State Aviation Fund	1,876,300
State Highway Fund	263,164,000
Vehicle Inspection and Title Enforcement Fund	1,606,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,578,600 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	900
Air Quality Fund	300
Driving Under the Influence Abatement Fund	2,700
Motor Vehicle Liability Insurance Enforcement Fund	(8,300)

- ^{2/} Of the total amount appropriated, \$133,917,700 in FY 2011 for Highway Maintenance is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all unexpended and unencumbered monies of the appropriation revert to their fund of origin, either the State Highway Fund or the Safety Enforcement and Transportation Infrastructure Fund, on August 31, 2011. (General Appropriation Act footnote, as adjusted for statewide allocations).
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{4/} It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate drivers' license fees charged to the public. (General Appropriation Act footnote)
- ^{5/} Of the total amount appropriated, \$2,663,000 in FY 2011 is for performance pay for participants in the department's engineer pay plan. The department shall establish performance measures with measurable quality and quantity objectives for participants in the engineer pay plan that are designed to result in increased productivity and improved quality of the delivery of state services or products. The department shall either apply these performance measures to the entire engineer pay plan or apply relevant performance measures to subsets within the engineer pay plan either on a group or individual basis. Every quarter or month, the department shall review the participants' performance to determine if the performance measures were met. If the performance measures are met or exceeded, the applicable participants are entitled to receive the performance pay for the corresponding quarter. (General Appropriation Act footnote).
- ^{6/} Of the \$360,261,800 appropriation to the Department of Transportation, the Department of Transportation shall pay \$16,773,800 in FY 2011 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote, as adjusted for statewide allocations).
- ^{7/} The Department of Transportation shall submit an annual report to the Joint Legislative Budget Committee on progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times in a format similar to prior years. The report is due on July 31, 2011 for FY 2011. (General Appropriation Act footnote).

Safety Enforcement and Transportation Infrastructure Fund	19,300
State Aviation Fund	(11,900)
State Highway Fund	2,585,500
Vehicle Inspection and Title Enforcement Fund	(9,900)

(Please see the General Provisions section.)

Expenditure Adjustment

The budget includes a decrease of \$(790,300) from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2011 in order to align the department's spending with available resources. The lower expenditure authority reflects the expected level of revenues available for FY 2011.

Administration

Attorney General Legal Services

The budget includes \$2,895,600 from the State Highway Fund for Attorney General Legal Services in FY 2011. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$20,700 from the State Highway Fund in FY 2011 for statewide adjustments.

Monies in this line item allow the Attorney General to provide legal services to the department, such as litigating

cases, reviewing legal documents and proposed administrative rules, and issuing legal opinions.

Highways

Highway Maintenance

The budget includes \$133,917,700 and 932 FTE Positions for Highway Maintenance in FY 2011. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund	562,500
State Highway Fund	133,355,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$753,100 from the State Highway Fund in FY 2011 for statewide adjustments.

In addition to the \$133,917,700 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$11,700,000 available in FY 2011 for landscape maintenance, trash pick-up, sweeping, and litter education from the non-appropriated Maricopa Regional Area Road Fund.

Monies in this line item are used to maintain the state highway system, including pavements, bridges, landscaping, drainage, signals, lights, fences, signs, striping, and snow removal. The monies also fund the freeway management system and the traffic operations center.

Vehicles and Heavy Equipment

The budget includes \$27,592,000 and 247 FTE Positions from the Transportation Department Equipment Fund for Vehicles and Heavy Equipment in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(182,900) from the Transportation Department Equipment Fund in FY 2011 for statewide adjustments.

5th Special Session Reduction

The budget includes a decrease of \$(2,030,700) from the Transportation Department Equipment Fund in FY 2011 to continue the 5th Special Session Lump Sum Reduction. This reduction has been directly allocated to this line item for FY 2011, but not for FY 2010. (Please see the 5th Special Session Reduction section for more details.)

Monies in this line item allow the department to maintain and replace the department's fleet and perform motor pool services for other state agencies.

Vehicles and Heavy Equipment Fuel Surcharge

The budget includes no funding for Vehicles and Heavy Equipment Fuel Surcharge in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item were used to pay for increased fuel prices, which are now paid directly by the department's sections.

Motor Vehicle

Abandoned Vehicle Administration

The budget includes \$1,021,500 and 23 FTE Positions from the State Highway Fund for Abandoned Vehicle Administration in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$18,600 from the State Highway Fund in FY 2011 for statewide adjustments.

Monies in this line item provide for administrative functions concerning abandoned vehicles including maintaining records, mailing notices, and paying towing fees for vehicles on public land.

Fraud Investigation

The budget includes \$753,900 and 11 FTE Positions from the State Highway Fund for Fraud Investigation in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$8,900 from the State Highway Fund in FY 2011 for statewide adjustments.

Monies in this line item provide for investigation of fraudulent driver's license and motor vehicle documents.

New Third Party Funding

The budget includes \$940,100 and 22 FTE Positions for New Third Party Funding in FY 2011. These amounts consist of:

Highway User Revenue Fund	237,900
Motor Vehicle Liability Insurance Enforcement Fund	197,300
State Highway Fund	427,000
Vehicle Inspection and Title Enforcement Fund	77,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$10,200 in FY 2011 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	4,400
Motor Vehicle Liability Insurance Enforcement Fund	(1,500)
State Highway Fund	8,100
Vehicle Inspection and Title Enforcement Fund	(800)

Monies in this line item provide funding for an additional 22 FTE Positions to address workload backlogs and waiting lists for certain third parties.

Other

Expenditure Plan Realignment

The budget includes \$(75,822,300) from the State Highway Fund in FY 2011 in order to align spending with available resources.

In FY 2010, the Legislature originally appropriated \$398,222,300 from the State Highway Fund for operating expenses. However, due to declining Highway User Revenue Fund (HURF) collections, the department plans to spend only \$322,400,000, or \$(75,822,300) less than their FY 2010 appropriation. As a result, the budget reduces the department’s existing FY 2010 appropriation by \$(75,822,300). The lower expenditure authority reflects the expected level of revenues available for the fiscal year.

The budget also continues the \$(75,822,300) adjustment in FY 2011. This reduction was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

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 monies are currently distributed as follows; 50.5% to the State Highway Fund; 27.5% to cities and towns; 19% to counties; and the remaining 3% to cities with a population over 300,000. Total FY 2009 HURF collections of \$1,248,583,000 were (7.1)% below FY 2008 and (10)% below the department’s original estimate of \$1,387,000,000. The downward trend continues in FY 2010. Through March 2010, HURF collections are down (6.0)% as compared to the prior year. The budget estimates were based on HURF revenues of \$1,186,154,000 in FY 2010, which represents a (5)% decline from FY 2009. *(Please see the FY 2011 Arizona*

Department of Transportation Capital Outlay section for additional information regarding overall HURF collections distribution for FY 2009 through FY 2011.)

5th Special Session Reduction

The budget includes \$(592,000) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(4,700)
Motor Vehicle Liability Insurance Enforcement Fund	(164,800)
Safety Enforcement and Transportation Infrastructure Fund	(163,000)
State Aviation Fund	(141,800)
Vehicle Inspection and Title Enforcement Fund	(117,700)

The budget also continues a \$(2,030,700) 5th Special Session FY 2010 Lump Sum Reduction from the Transportation Department Equipment Fund in FY 2011. This reduction, however, has been directly allocated to the Vehicles and Heavy Equipment line item in FY 2011. *(Please see the Vehicle and Heavy Equipment line item for more details.)*

7th Special Session Reduction

The budget includes a decrease of \$(592,000) in FY 2011 for the 7th Special Session Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate. This amount consists of:

General Fund	(4,700)
Motor Vehicle Liability Insurance Enforcement Fund	(164,800)
Safety Enforcement and Transportation Infrastructure Fund	(163,000)
State Aviation Fund	(141,800)
Vehicle Inspection and Title Enforcement Fund	(117,700)

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*

Additional Legislation

5-Year Renewal Registration

The FY 2011 Revenues Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 12, Section 44) continues to require that the amount of Vehicle License

Tax collected from the 5-year registration option, which is over and above what would have been collected had the vehicles been registered for 2 years, be deposited into the General Fund in FY 2011. The 5-year renewal registration program, however, has not been implemented yet. The department anticipates an implementation date of October 2010.

Abandoned Vehicle Fees

The FY 2011 Revenues BRB (Laws 2010, 7th Special Session, Chapter 12, Sections 9 and 10) allows the department to set the Abandoned Vehicle Fee and directs the additional revenue to the General Fund. The BRB also includes an intent clause that limits the additional revenue to be generated by this fee to \$12,061,200. Previously, the Abandoned Vehicle Fee was set at \$200 for vehicles abandoned on federal land and \$50 for vehicles abandoned on non-federal land. These base fees will continue to be deposited into the Abandoned Vehicle Administration Fund, which is a subaccount of the State Highway Fund.

Canceled Check Fees

Laws 2010, Chapter 202 allows the department to deposit all canceled check fees into the State Highway Fund instead of HURF. This allows the department to deposit the full amount collected from these fees directly into the State Highway Fund without sharing 49.5% of the fees with local governments. Since the department collects on average \$100,000 in canceled check fees per year, Chapter 202 would generate \$49,500 in additional revenue to the State Highway Fund and a corresponding loss to local governments.

State Treasurer: The Honorable Dean Martin

JLBC Analyst: Eric Billings

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	34.4	30.4	29.4
Personal Services	1,558,100	1,535,400	1,521,300
Employee Related Expenditures	559,800	570,100	587,500
Professional and Outside Services	114,200	172,000	172,000
Travel - In State	3,600	1,000	1,000
Travel - Out of State	1,600	0	0
Other Operating Expenditures	289,100	301,500	301,500
Equipment	2,800	0	0
OPERATING SUBTOTAL	2,529,200	2,580,000	2,583,300
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	2,023,400	1,115,100	1,115,100
AGENCY TOTAL	4,552,600	3,695,100	3,698,400^{1/}
FUND SOURCES			
General Fund	4,552,600	3,606,800	1,115,100 ^{2/}
<u>Other Appropriated Funds</u>			
State Treasurer's Management Fund	0	88,300	88,300
State Treasurer's Operating Fund	0	0	2,495,000 ^{2/}
SUBTOTAL - Other Appropriated Funds	0	88,300	2,583,300
SUBTOTAL - Appropriated Funds	4,552,600	3,695,100	3,698,400
Other Non-Appropriated Funds	0	5,617,000	5,617,000
TOTAL - ALL SOURCES	4,552,600	9,312,100	9,315,400

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 another 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.

Operating Budget

The budget includes \$2,583,300 and 29.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
State Treasurer's Operating Fund	\$2,495,000
State Treasurer's Management Fund	88,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,300 in FY 2011 for statewide adjustments. This amount consists of:

General Fund	700
State Treasurer's Operating Fund	2,600

(Please see the General Provisions section.)

Management Fee Appropriation

The budget includes a decrease of \$(2,492,400) from the General Fund and a corresponding increase from the State Treasurer's Operating Fund in FY 2011 to shift the Treasurer's operating budget to management fees.

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{2/} The General Government BRB (Laws 2010, 7th Special Session, Chapter 5), decreased the Treasurer's General Fund appropriation by \$(2,492,400) and increased the State Treasurer's Operating Fund appropriation by \$2,492,400 in FY 2011.

Laws 2009, Chapter 89 allows the Treasurer to deduct a portion of the management fees collected on all monies under management other than the Endowment Fund, not to exceed the appropriated amount as determined by the Legislature. The legislation also lowered the amount the Treasurer can charge for management fees from 12 to 6 basis points.

The General Government BRB (Laws 2010, 7th Special Session, Chapter 5) clarifies Laws 2009, Chapter 89 by depositing the management fees in the State Treasurer's Operating Fund, which was also created by this bill. The bill also reduces the Treasurer's General Fund appropriation by \$(2,492,400), which is offset by increasing the State Treasurer's Operating Fund appropriation by \$2,492,400.

Justice of the Peace Salaries

The budget includes \$1,115,100 from the General Fund for the Justice of the Peace (JP) Salaries Special Line Item in FY 2011. This amount is unchanged from FY 2010.

A.R.S. § 22-117 requires the state to pay 40% of the salary for each Justice of the Peace, with the county paying the remainder. Since FY 2003, there have been a series of annual session law provisions requiring the state to pay a lower percentage of JP salaries. The Criminal Justice Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 6) continued the reduced 19.25% state share of the Justice of the Peace Salaries originally implemented in Laws 2009, 3rd Special Session, Chapter 6.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the State Treasurer to reduce 1 General Fund FTE Position in FY 2010 and 1 additional General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

Executive Director: Joel Sideman

JLBC Analyst: Kimberly Cordes-Sween/Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	27.9	25.9	25.9
Personal Services	1,474,200	1,673,900	1,602,600
Employee Related Expenditures	539,700	466,000	446,100
Travel - In State	1,700	0	0
Other Operating Expenditures	328,500	334,800	334,800
OPERATING SUBTOTAL	2,344,100	2,474,700	2,383,500
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Math and Science Teacher Initiative	364,400	176,000	176,000
Nursing Education ^{1/}	1,368,000	1,368,000	0
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	120,000	125,000	125,000
WICHE Student Subsidies	3,894,400	4,106,000	4,106,000
AGENCY TOTAL	18,435,800	18,594,600	17,135,400 ^{2/3/}
FUND SOURCES			
General Fund	18,435,800	18,594,600	17,135,400
SUBTOTAL - Appropriated Funds	18,435,800	18,594,600	17,135,400
Other Non-Appropriated Funds	8,556,400	7,108,900	7,281,300
Federal Funds	1,681,500	1,309,700	1,279,400
TOTAL - ALL SOURCES	28,673,700	27,013,200	25,696,100

AGENCY DESCRIPTION — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

Operating Budget

The budget includes \$2,383,500 and 25.9 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(91,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund for the Arizona Teachers Incentive Program (ATIP) in FY 2011. This amount is unchanged from FY 2010.

Laws 1990, Chapter 340 mandated that ABOR establish and administer a loan program for students of deaf and blind education at the UA College of Education. Students may earn forgiveness for their loans by teaching in an

^{1/} Includes \$1,368,000 appropriated by Laws 2005, Chapter 330 for the Arizona Partnership for the Nursing Education Demonstration Project. Chapter 330 assigned ABOR the authority to distribute the amount among the universities. This advance appropriation was through FY 2010 and was not continued in FY 2011.
^{2/} Within 10 days of the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit an expenditure plan for review to the Joint Legislative Budget Committee. The expenditure plan shall include any tuition revenue amounts that are greater than the appropriated amounts and all retained tuition and fee revenue expenditures for the current fiscal year. The additional revenue expenditure plan shall provide as much detail as the university budget requests. (General Appropriation Act footnote)
^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Arizona deaf and blind program for a time equal to their period of loan support. In FY 2009, ATIP distributed \$50,000 in loans among 10 students, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The budget includes \$213,700 from the General Fund for the Arizona Transfer Articulation Support System (ATASS) in FY 2011. This amount is unchanged from FY 2010.

A.R.S. § 15-1824 establishes ATASS as a joint initiative, among the public community colleges and universities, to facilitate efficient transfer of course curricula and credits. ATASS is also developing a shared statewide student and financial information database. The tribal colleges and community college districts overall contributed \$313,400 to the system in FY 2009, as well as \$286,600 in FY 2010. Their projected contribution for FY 2011 is \$277,200.

Math and Science Teacher Initiative

The budget includes \$176,000 from the General Fund for the Math and Science Teacher Initiative in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used to increase the number of math, science, and special education teachers in the state. In FY 2009, \$527,000 in loans were awarded to 116 students.

The Education Omnibus Bill (Laws 2010, Chapter 332) shifts the administrative responsibilities of the Mathematics, Science and Special Education Student Loan Fund Program from ABOR to the Commission for Postsecondary Education. The legislation allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program. The funding in this line item will subsequently be transferred to the commission.

Nursing Education

The budget includes no funding from the General Fund for the Arizona Partnership for Nursing Education Demonstration Project (APNEDP) in FY 2011. This amount funds the following adjustments:

Elimination of Advance Appropriation

The budget includes a decrease of \$(1,368,000) from the General Fund in FY 2011 due to the expiration of advance appropriated Nursing Education funding. Laws 2005, Chapter 330, Section 16 appropriated monies in advance

through FY 2010. No further General Fund monies are provided for this Special Line Item in FY 2011.

Chapter 330 established the goal of doubling the state's annual nursing graduates between FY 2005 and FY 2010, while improving the geographic placement, diversity, and efficiency of nurses around the state. The session law directs the state's higher education institutions to use this funding for additional qualified nursing faculty hires and for teaching resources in nursing degree programs, but not for capital expenses.

Chapter 330 advance appropriated a total of \$4,000,000 annually through FY 2010 for APNEDP. The session law allocated the monies between ABOR and the Department of Commerce based upon the respective numbers of university and community college nursing graduates in FY 2005.

Chapter 330 also directed ABOR and the Department of Commerce to distribute their shares of the appropriation among the state universities and community colleges, respectively. The APNEDP was set to expire at the end of FY 2010; however, Laws 2009, Chapter 92, extended the expiration date until the end of FY 2015. The General Fund appropriation, however, was not extended past FY 2010.

Student Financial Assistance

The budget includes \$10,041,200 from the General Fund for Student Financial Assistance in FY 2011. This amount is unchanged from FY 2010.

Pursuant to A.R.S. § 15-1642, monies in this line item match financial aid tuition surcharges collected from university students. The Arizona Financial Aid Trust (AFAT) fee is 1% of the full-time resident undergraduate tuition rate, or around \$54 in FY 2010. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The Higher Education Budget Reconciliation Bill (BRB), (Laws 2009, 7th Special Session, Chapter 9) suspends the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2011.

AFAT retains 25% of all annual receipts as an endowment. ABOR distributes the remaining monies, proportionally to each university's respective contribution, to provide immediate assistance for needy in-state students. In FY 2009, AFAT disbursed \$12,303,700 in financial aid. (Please see Table 4 for a summary of FY 2009 financial aid distributions from all sources.)

Western Interstate Commission Office

The budget includes \$125,000 from the General Fund for the Western Interstate Commission Office in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The budget includes \$4,106,000 from the General Fund for WICHE student subsidies in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item provide subsidies to Arizona students participating in the WICHE Professional Student Exchange Program (PSEP). Since the Arizona University System does not offer programs in dentistry, optometry, occupational therapy, osteopathy, physician assistance, or veterinary medicine, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

In FY 2010, the board provided subsidies to 191 Arizona students, compared to 195 in FY 2009. Participating students receive admissions preference and subsidized tuition. A.R.S. § 15-1745 requires graduates to practice 1 year in Arizona, or 6 months in an under-served Arizona community, for each year of WICHE support. Participants who fail to meet their service requirements must repay 50% of their subsidies, plus interest.

The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

Other

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required ABOR to reduce 1 General Fund FTE Position in FY 2010 and no additional General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Prior Year Deferral Payment/Payment Deferral

Laws 2009, 1st Regular Session, Chapter 5, as amended by Laws 2009, 3rd Special Session, Chapter 9, originally authorized a \$100,000,000 deferral of the FY 2009 payment to the university system into FY 2010 and continued that \$100,000,000 deferral for the FY 2010 payment until FY 2011.

Laws 2010, 7th Special Session, Chapter 1 (the General Appropriation Act) increases the deferral amount to \$200,000,000 for FY 2010 and FY 2011 university system payments, which will be paid instead in the following year. In FY 2011, the \$200,000,000 constitutes a payment deferral until FY 2012 that shall be repaid no later than October 1, 2011. The FY 2011 payment deferral amount for the universities is in proportion to the state General Fund appropriation received by each institution, as specified in the General Appropriation Act.

The FY 2009 deferral for each institution is as reported by each university. Each university received a share of the deferral based on its proportion of the state General Fund appropriation and then decided internally how to distribute the deferral among their respective campuses. These deferral amounts did not appear in the FY 2010 Appropriations Report.

The FY 2009, FY 2010 and FY 2011 payment deferrals were allocated among the universities as shown below.

	FY 2009	FY 2010 & FY 2011
ASU-Tempe/DPC	\$ (36,622,300)	\$ (74,760,400)
ASU-East	(3,650,100)	(5,750,200)
ASU-West	<u>(5,026,000)</u>	<u>(10,064,800)</u>
ASU Subtotal	(45,298,400)	(90,575,400)
NAU	(15,240,800)	(30,494,800)
UA-Main	(28,048,400)	(62,153,100)
UA-HSC	<u>(11,412,400)</u>	<u>(16,776,700)</u>
UA Subtotal	(39,460,800)	78,929,800
Total	\$(100,000,000)	\$(200,000,000)

(Please see the agency pages for additional details.)

American Reinvestment and Recovery Act

The American Recovery and Reinvestment Act (ARRA) requires the U.S. Department of Education to distribute \$831,869,300 to Arizona as part of the State Fiscal Stabilization Fund (SFSF) for education programs.

A total of \$182,809,400 was distributed in FY 2010 from the SFSF for higher education programs. Of this amount, \$28,671,000 was allocated to the community colleges and \$154,138,400 to the universities. ASU received \$69,822,500, NAU received \$23,491,600, and UA received \$60,824,300. The universities are expected to receive an additional \$71,749,600 in FY 2010 and no SFSF monies in FY 2011. The following is the FY 2010 additional break-out by university: ASU \$32,501,600, NAU \$10,935,000, and UA \$28,313,000.

The budget continues a decrease of \$(10,000,000) for the universities from the General Fund in FY 2011, as related to federal stimulus funding stipulations identified in Laws 2009, 3rd Special Session, Chapter 11, Section 15. Chapter 11 stipulates that if the state receives federal assistance from the SFSF established by ARRA, university General Fund appropriations would be reduced by a total of \$(10,000,000). The reduction was allocated as follows in the same manner that ABOR implemented universitywide reductions in FY 2009 and FY 2010: ASU \$(4,528,800), NAU \$(1,524,700), and UA \$(3,946,500). (*Please see the individual agency pages for additional details on these reductions and see more information on ARRA in the ARRA summary pages.*)

University System Summary Tables

Table 1 shows tuition and fee changes for FY 2011. *Table 2* shows FY 2011 Arizona University System enrollment for in-state and out-of-state students. *Table 3* summarizes FY 2011 expenditure authority amounts for the Arizona University System. *Table 4* shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2009. Of \$1,262,258,200 total financial aid distributions in FY 2009, the state appropriated \$2,804,500, university institutional sources provided \$432,949,900, and AFAT (made up of both state and institutional funds) accounted for \$12,303,700.

Table 5 displays total tuition collections for the Arizona University System, which equal an estimated \$1,113,612,400 in FY 2010 and \$1,242,184,000 in FY 2011. The FY 2011 amount includes \$101,542,500 that accounts for the FY 2011 approved tuition increases, which are not incorporated into the individual university narratives. This \$101,542,500 amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.

The universities annually project their expenditure needs for financial aid, facilities (plant fund), debt service, and the operating budget. A.R.S. § 15-1626 authorizes ABOR to then allocate collections between the appropriated operating budgets, under legislative control, and non-appropriated funds, locally retained by the universities.

Additional Legislation

Tuition Waiver for Purple Heart Recipients

Laws 2010, Chapter 135 expands eligibility for Arizona public university and Arizona community college tuition waivers to Purple Heart recipients who are or were members of the Armed Forces and were residents of or stationed in Arizona at the time of their injury and who have a disability rating at least 50% from the U.S. Department of Veterans' Affairs. The state currently grants tuition waivers to those who have received a Purple Heart citation only if they were members of the Arizona National Guard on or before September 11, 2001, or a former member of the National Guard who was medically discharged due to injury.

Table 1

FY 2010 and FY 2011 Tuition, Surcharge, and Fees ^{1/}

	FY 2010 ^{2/}				FY 2011 ^{2/}				FY 2010 to FY 2011 Change			
	Resident		Non-Resident		Resident		Non-Resident		Resident		Non-Resident	
	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad
ASU - Tempe/DPC	\$6,159 to \$6,840	\$7,971	\$19,625	\$21,365	\$6,942 to \$8,128	\$8,844	\$20,592	\$22,393	\$783 to \$1,288	\$873	\$967	\$1,028
ASU East & West	\$5,933 to \$6,840	\$7,971	\$19,625	\$21,365	\$6,708 to \$8,128	\$8,844	\$20,592	\$22,393	\$775 to \$1,288	\$873	\$967	\$1,028
NAU Flagstaff	\$5,681 to \$6,627	\$6,541	\$16,631 to \$17,854	\$17,056	\$5,848 to \$7,667	\$7,429	\$17,764 to \$20,067	\$18,203	\$167 to \$1,040	\$888	\$1,133 to \$2,213	\$1,147
NAU ^{3/} Distance Ed	\$5,583	\$6,199	\$16,289	\$16,714	\$6,131	\$6,929	\$17,264	\$17,703	\$548	\$730	\$975	\$989
UA Main & HSC	\$6,842	\$7,632	\$22,251	\$22,544	\$8,237	\$9,027	\$24,596	\$24,889	\$1,395	\$1,395	\$2,345	\$2,345
UA South	\$5,963	\$7,574	\$22,193	\$22,486	\$6,652	\$8,813	\$24,382	\$24,675	\$689	\$1,239	\$2,189	\$2,189

^{1/} The amounts represent combined full-time tuition for fall and spring semesters, as well as mandatory fees. Undergraduates must take at least 12 credit hours to qualify for full-time status. Graduate full-time status depends upon research and teaching responsibilities. Mandatory fees include AFAT and student recreation charges, but do not include special class or program fees. An economic recovery surcharge fee was charged in FY 2010 and has been rolled into base tuition charges beginning in FY 2011.

^{2/} These amounts represent the range of tuition and fees for continuing students enrolled prior to fall 2008 to future students planning to begin in fall 2010. Beginning in fall 2008, ASU provided a guaranteed tuition rate for each cohort of resident undergraduate students on all of its campuses and NAU provided a fixed tuition rate for each cohort of undergraduate students (both resident and non-resident) at its Flagstaff campus. UA began providing a guaranteed fixed tuition rate in the fall of 2009 for all of its students.

^{3/} These costs do not reflect tuition and fees for NAU Yavapai, which will offer undergraduate only education beginning in FY 2011. The cost will be \$4,500 for residents and \$13,887 for non-residents.

Table 2

FY 2011 Arizona University System Enrollment ^{1/}

	In-State <u>Students</u>	Out-of-State <u>Students</u>	Total <u>Enrollment</u>
ASU-Tempe/DPC	36,855	15,293	52,148
ASU-East	4,108	873	4,981
ASU-West	5,744	892	6,636
NAU	15,695	4,423	20,118
UA-Main	20,816	11,850	32,666
UA-Health Sciences	1,606	477	2,083
Total	84,824	33,808	118,632

^{1/} Enrollment here represents student populations as calculated by the part-statutory, part-conventional student enrollment funding formula.

Table 3

FY 2011 Summary of Spending Authority

	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds ^{2/}	Other Funds	
ABOR	\$ 17,230,300	\$ 0	\$ 0	\$ 1,279,400	\$ 7,281,300	\$ 25,791,000
ASU-Tempe/DPC	326,349,100	334,243,300	0	187,448,100	685,638,800	1,533,679,300
ASU-East	25,101,300	30,792,200	2,000,000	3,573,500	21,809,100	83,276,100
ASU-West	43,935,700	26,906,800	1,600,000	5,427,800	29,485,800	107,356,100
NAU	133,118,100	78,308,200	0	53,600,400	179,695,800	444,722,500
UA-Main	271,315,400	219,265,500	0	234,633,800	676,705,500	1,401,920,200
UA-Health Sciences	73,234,900	22,259,200	0	96,795,600	127,156,000	319,445,700
Total	\$890,284,800	\$711,775,200	\$3,600,000	\$582,758,600	\$1,727,772,300	\$3,916,190,900

^{1/} Excludes FY 2011 tuition increase.

^{2/} Excludes State Fiscal Stabilization Fund.

Table 4

FY 2009 Financial Aid Distribution by Source
(in thousands) ^{1/}

	Federal	State ^{2/}	Institutional ^{3/}	Private/Other ^{4/}	Total
Grants	\$ 97,153.3	\$1,935.2	\$280,209.2	\$119,847.6	\$ 499,145.3
Loans	485,819.2	869.3	12.5	117,158.3	603,859.3
Employment	<u>6,525.2</u>	<u>0.0</u>	<u>152,728.2</u>	<u>0.0</u>	<u>159,253.4</u>
Total	\$589,497.7	\$2,804.5	\$432,949.9	\$237,005.9	\$1,262,258.0

^{1/} Information provided by ABOR.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education and the Board of Medical Student Loans.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 5

Tuition Revenue Allocation

	FY 2009 <u>Actual</u>	FY 2010 <u>Estimate</u>	FY 2011 <u>Estimate ^{1/}</u>
<u>Appropriated</u>			
Operating Budget	\$543,596,600	\$ 684,313,000	\$ 711,775,200
<u>Non-Appropriated</u>			
Operating Budget	\$ 46,365,400	\$ 50,026,200	\$ 50,026,200
Financial Aid	251,391,700	286,925,900	286,460,700
Plant Fund	16,459,800	16,502,100	16,502,100
Debt Service	<u>77,989,400</u>	<u>75,845,200</u>	<u>75,877,300</u>
<i>Subtotal</i>	<i>\$392,206,300</i>	<i>\$ 429,299,400</i>	<i>\$ 428,866,300</i>
To Be Allocated	\$ 0	\$ 0	\$ 101,542,500
Total	\$935,802,900	\$1,113,612,400	\$1,242,184,000

^{1/} The source for these non-appropriated amounts are the universities' FY 2011 budget requests. The appropriated amount does not account for the FY 2011 tuition increases. The \$101,542,500 amount accounts for the FY 2011 approved tuition increases, which are not incorporated into the individual university narratives. This amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.

President: Michael Crow, Ph.D.

JLBC Analyst: Kimberly Cordes-Sween/Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7,073.0	6,562.0 ^{1/}	6,377.0 ^{2/}
Personal Services	321,044,500	349,195,100	349,195,100
Employee Related Expenditures	89,248,400	101,483,300	101,483,300
Professional and Outside Services	33,785,500	31,743,100	31,743,100
Travel - In State	186,900	203,200	203,200
Travel - Out of State	2,385,400	2,515,900	2,515,900
Food	3,998,400	3,765,000	3,765,000
Other Operating Expenditures	63,309,000	53,463,900	63,461,700
Equipment	11,103,000	10,488,400	10,488,400
OPERATING SUBTOTAL	525,061,100	552,857,900	562,855,700
SPECIAL LINE ITEMS			
Biomedical Informatics	2,187,500	2,999,100	2,999,100
Downtown Phoenix Campus	57,632,300	73,502,300	81,182,600
Research Infrastructure Lease-Purchase Payment	13,555,000	13,555,000	13,555,000 ^{3/}
Prior Year Deferral Payment ^{4/}	0	36,622,300	74,760,400
Payment Deferral ^{4/}	(36,622,300)	(74,760,400)	(74,760,400)
AGENCY TOTAL	561,813,600	604,776,200	660,592,400^{5/6/7/}
FUND SOURCES			
General Fund	307,570,500	288,211,000	326,349,100 ^{8/9/}
<u>Other Appropriated Funds</u>			
University Collections Fund	254,243,100	316,565,200	334,243,300 ^{10/}
SUBTOTAL - Other Appropriated Funds	254,243,100	316,565,200	334,243,300
SUBTOTAL - Appropriated Funds	561,813,600	604,776,200	660,592,400
Other Non-Appropriated Funds	596,687,500	697,138,200	685,638,800
Federal Funds	220,984,600	175,534,500	187,448,100
TOTAL - ALL SOURCES	1,379,485,700	1,477,448,900	1,533,679,300

1/ The amounts include 329 FTE Positions and their associated funding above the original FY 2010 amounts.
 2/ Includes 769.7 GF FTE Positions funded from Special Line Items in FY 2011.
 3/ Includes \$13,555,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.
 4/ Includes the Arizona State University - Tempe and Downtown Phoenix Campuses (ASU-Tempe/DPC) portion of a \$100,000,000 FY 2009 General Fund payment that was deferred until FY 2010, as authorized by Laws 2009, 1st Regular Session, Chapter 5 and as amended by Laws 2009, 1st Regular Session, Chapter 12. Also includes ASU-Tempe/DPC's portion of a \$200,000,000 FY 2010 General Fund payment that was deferred until FY 2011, including \$100,000,000 authorized by Laws 2009, 3rd Special Session, Chapter 9 and \$100,000,000 authorized by Laws 2010, 7th Special Session, Chapter 1 (the FY 2011 General Appropriation Act). The FY 2011 General Appropriation Act deferred \$200,000,000 from the FY 2011 General Fund payment until FY 2012. Each university's portion of the deferral is required to be proportional to the university's General Fund appropriation. The FY 2009 deferral for ASU-Tempe/DPC is as identified by the university, the FY 2010 deferral is an estimate and FY 2011 deferral is a proportional split by university campus, as was identified in the FY 2011 General Appropriation Act.
 5/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
 6/ 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. (General Appropriation Act footnote)
 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
 8/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
 9/ It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campuses is \$312,794,100. This appropriation includes a deferral of \$74,760,400 from FY 2011 to FY 2012. This deferral shall be paid as required by Section 129 of this act. (General Appropriation Act footnote) The General Fund base funding of \$312,794,100 plus the \$13,555,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2011 total of \$326,349,100.

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, ASU offers more than 273 baccalaureate, master's, doctoral and first professional degree programs to 55,552 full- and part-time students at its Tempe Campus. The Downtown Phoenix Campus (DPC), budgeted as a unit of the Tempe Campus, offers 51 degree programs to 11,503 full- and part-time students.

Operating Budget

The budget includes \$562,855,700 and 5,607.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$280,210,700
University Collections Fund	282,645,000

These amounts fund the following adjustments:

State Fiscal Stabilization Fund

The budget continues a decrease of \$(3,738,100) from the General Fund in FY 2011, as related to federal stimulus funding stipulations identified in Laws 2009, 3rd Special Session, Chapter 11, Section 15. Chapter 11 stipulates that if the state receives federal assistance from the State Fiscal Stabilization Fund established by the American Recovery and Reinvestment Act of 2009 (ARRA), university General Fund appropriations would be reduced by a total of \$(10,000,000). The ASU-Tempe/DPC reduction was allocated in the same manner that ABOR implemented universitywide reductions in FY 2009 and FY 2010. *(Please see more information on ARRA in the FY 2011 Baseline Summary Book and the ABOR narrative pages.)*

Enrollment Growth

The budget includes an increase of \$9,997,800 from the University Collections Fund in FY 2011 for enrollment growth.

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues.

The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$11,670,800. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Formula growth is projected to grow by 1,538 full-time equivalent (FTE) students, to 32,106 FTE students for ASU-Tempe in FY 2011.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment calculation, the projected decline of (255) FTE out-of-state students was not included in the above calculation. Total out-of-state FTE students for ASU-Tempe are projected at 14,084 in FY 2011.

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

<u>Academic Level</u>	<u>Credit Hours/FTE</u>
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years.

The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.75 support FTE Position, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE is \$70,100.

Biomedical Informatics

The budget includes \$2,999,100 and 19.7 FTE Positions from the General Fund for the Biomedical Informatics Department in FY 2011. These amounts are unchanged from FY 2010.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. The department is closely integrated with

10/ Any unencumbered balances remaining in the collections account on June 30, 2010 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 of Arizona. 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 appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

the University of Arizona Phoenix Medical Campus. (For more information on this campus, please see the University of Arizona - Health Sciences Center section.)

Downtown Phoenix Campus

The budget includes \$81,182,600 and 750 FTE Positions for programs headquartered at the Downtown Phoenix Campus (DPC) in FY 2011. These amounts consist of:

General Fund	29,584,300
University Collections Fund	51,598,300

These amounts fund the following adjustments:

Enrollment Growth

The budget includes an increase of \$7,680,300 from the University Collections Fund in FY 2011 for enrollment growth.

The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$8,965,500. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. (For more information, please see the enrollment funding formula explanation in the Operating Budget section of this report.)

Formula growth is projected to grow by 1,182 full-time equivalent (FTE) students, to 4,749 FTE students for ASU-DPC in FY 2011.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment calculation, the projected growth of 242 FTE out-of-state students was not included in the above calculation. Total out-of-state FTE students at ASU-DPC are projected at 1,209 in FY 2011.

ASU first offered classes in downtown Phoenix in 1986, at the site of the former Phoenix Union High School. (That facility has been renovated to house the Phoenix Medical Campus.) In 1990, ASU relocated those classes across the street to a 160,000 square-foot, 4.5 acre facility known as the Mercado.

In fall of 2006, ASU opened the ASU Downtown Phoenix Campus, which currently houses the Colleges of Public Programs and Nursing and Healthcare Innovation, as well as the University College. The Cronkite School of Journalism and Mass Communication moved from the ASU Main Campus to the Downtown Phoenix Campus in the fall of 2008. KAET-TV/Channel 8, the Phoenix Public

Broadcasting Station, is scheduled to move to the campus in fall of 2009. ASU expects to house a total of 1,300 students in residence halls on its Downtown Phoenix Campus. The first phase of residence halls opened in the fall of 2008. The second phase of residence hall buildings opened in the fall of 2009.

ASU and the City of Phoenix have planned for a Downtown Phoenix Campus that encompasses 2 million square feet on 15 acres and roughly bordered by Fillmore, Van Buren, 3rd Street, and 1st Avenue. This location places the facility 2 city blocks from the Phoenix Medical Campus. A City of Phoenix bond election in March 2006 approved \$188,000,000 to acquire (through purchase or condemnation) the necessary land, renovate 300,000 square feet of existing facilities, and construct up to 400,000 square feet of new facilities. The renovation of existing facilities was completed in the fall of 2006. Construction of additional facilities for the College of Nursing and Health Care Innovation was completed in the fall of 2009.

In total, ASU's financial obligations include lease-purchase payments for the Mercado; all operations, utilities, maintenance, facilities security, building renewal, and non-capital equipment costs; a portion of interest charges for projects already underway; the construction and operation of parking facilities; and a Civic Center usage fee. Additionally, ASU will transfer without cost its ownership of the Mercado to the City of Phoenix once ASU has repaid the existing indebtedness.

ASU hopes to complete the development of the downtown campus by 2020, at which time the program would include housing for 4,000 students and also accommodate 15,000 students and 1,800 faculty and staff.

Research Infrastructure Lease-Purchase Payment

The budget includes \$13,555,000 from the General Fund for the Research Infrastructure Lease-Purchase Payment Special Line Item in FY 2011. This amount is unchanged from FY 2010.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, ASU-Tempe/DPC has issued \$187,200,000 in COPs for the following projects:

- \$80,700,000 for the Biodesign Institute at ASU Building B;

- \$93,300,000 for the Interdisciplinary Science & Technology Buildings I and II;
- \$13,200,000 for the Arizona Biomedical Collaborative Building at the Downtown Phoenix Campus.

ASU-Tempe/DPC has completed each of these projects.

Prior Year Deferral Payment/Payment Deferral

The budget includes \$74,760,400 from the General Fund for FY 2010 payments that were deferred until FY 2011 and includes a FY 2011 General Fund payment deferral of \$(74,760,400) until FY 2012. The payment deferral is unchanged from FY 2010.

These amounts constitute a portion of a \$200,000,000 universitywide payment deferral for FY 2010 and FY 2011, pursuant to the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and the FY 2009 Higher Education Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9). An FY 2009 payment of \$100,000,000 was also deferred until FY 2010. *(Please see the ABOR budget narrative pages for more information.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required ASU-Tempe/DPC to reduce 133 General Fund FTE Positions in FY 2010 and an additional 185 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Arizona State University - East Campus

A.R.

President: Michael Crow, Ph.D.

JLBC Analyst: Kimberly Cordes-Sween/Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	580.0	541.1 ^{1/}	526.1
Personal Services	23,272,100	28,072,400	28,072,400
Employee Related Expenditures	6,891,600	8,071,000	8,071,000
Professional and Outside Services	13,866,800	12,037,600	12,037,600
Travel - In State	21,900	11,400	11,400
Travel - Out of State	162,400	63,200	63,200
Food	140,500	199,400	199,400
Other Operating Expenditures	7,081,900	4,569,600	5,749,500
Equipment	1,154,800	772,000	772,000
OPERATING SUBTOTAL	52,592,000	53,796,600	54,976,500
SPECIAL LINE ITEMS			
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000 ^{2/}
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
Prior Year Deferral Payment ^{3/}	0	3,650,100	5,750,200
Payment Deferral ^{3/}	(3,650,100)	(5,750,200)	(5,750,200)
AGENCY TOTAL	51,858,900	54,613,500	57,893,500 ^{4/5/}
FUND SOURCES			
General Fund	22,821,800	23,001,200	25,101,300 ^{6/7/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	2,000,000	2,000,000	2,000,000
University Collections Fund	27,037,100	29,612,300	30,792,200 ^{8/}
SUBTOTAL - Other Appropriated Funds	29,037,100	31,612,300	32,792,200
SUBTOTAL - Appropriated Funds	51,858,900	54,613,500	57,893,500
Other Non-Appropriated Funds	10,846,700	20,713,800	21,809,100
Federal Funds	8,829,100	3,308,900	3,573,500
TOTAL - ALL SOURCES	71,534,700	78,636,200	83,276,100

^{1/} These amounts include 30.1 FTE Positions and their associated funding above the original FY 2010 amounts.

^{2/} Includes \$917,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

^{3/} Includes the Arizona State University - East Campus (ASU-East) portion of a \$100,000,000 FY 2009 General Fund payment that was deferred until FY 2010, as authorized by Laws 2009, 1st Regular Session, Chapter 5 and as amended by Laws 2009, 1st Regular Session, Chapter 12. Also includes ASU-East's portion of a \$200,000,000 FY 2010 General Fund payment that was deferred until FY 2011, including \$100,000,000 authorized by Laws 2009, 3rd Special Session, Chapter 9 and \$100,000,000 authorized by Laws 2010, 7th Special Session, Chapter 1 (the FY 2011 General Appropriation Act). The FY 2011 General Appropriation Act deferred \$200,000,000 from the FY 2011 General Fund payment until FY 2012. Each university's portion of the deferral is required to be proportional to the university's General Fund appropriation. The FY 2009 deferral for ASU-East is as identified by the university, the FY 2010 deferral is an estimate and FY 2011 deferral is a proportional split by university campus, as was identified in the FY 2011 General Appropriation Act.

^{4/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{6/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{7/} It is the intent of the Legislature that the General Fund base funding for Arizona State University - East Campus is \$24,184,300. This appropriation includes a deferral of \$5,750,200 from FY 2011 to FY 2012. This deferral shall be paid as required by Section 129 of this act. (General Appropriation Act footnote) The General Fund base funding of \$24,184,300 plus the \$917,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2011 total of \$25,101,300.

^{8/} Any unencumbered balances remaining in the collections account on June 30, 2010 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 of Arizona. 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 appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established as a separate budget unit in 1994, Arizona State University - East Campus (ASU-East), also known as the Polytechnic Campus, currently offers a total of 45 professional and technical baccalaureate, master's, and doctoral programs to 9,146 full- and part-time students. ASU-East is located at the 600-acre site of the former Williams Air Force Base in southeast Mesa.

Operating Budget

The budget includes \$54,976,500 and 526.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$24,184,300
University Collections Fund	30,792,200

These amounts fund the following adjustments:

State Fiscal Stabilization Fund

The budget continues a decrease of \$(287,500) from the General Fund in FY 2011, as related to federal stimulus funding stipulations identified in Laws 2009, 3rd Special Session, Chapter 11, Section 15. Chapter 11 stipulates that if the state receives federal assistance from the State Fiscal Stabilization Fund established by the American Recovery and Reinvestment Act of 2009 (ARRA), university General Fund appropriations would be reduced by a total of \$(10,000,000). The ASU-East reduction was allocated in the same manner that ABOR implemented universitywide reductions in FY 2009 and FY 2010. (*See more information on ARRA in the FY 2011 Baseline Summary Book and the ABOR narrative pages.*)

Enrollment Growth

The budget includes an increase of \$1,179,900 from the University Collections Fund in FY 2011 for enrollment growth.

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues.

The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$1,377,200. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Formula enrollment is projected to grow by 182 full-time equivalent (FTE) students, to 4,108 FTE students in FY 2011.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment

calculation, the projected decline of (28) FTE out-of-state students was not included in the above calculation. Total out-of-state FTE students are projected at 873 in FY 2011.

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

<u>Academic Level</u>	<u>Credit Hours/FTE</u>
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years.

The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE Position is \$70,100.

Research Infrastructure Lease-Purchase Payment

The budget includes \$917,000 from the General Fund for the Research Infrastructure Lease-Purchase Payment Special Line Item in FY 2011. This amount is unchanged from FY 2010.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, ASU-East has issued \$19,000,000 in COPs for the Interdisciplinary Science & Technology Building II, which is now complete.

TRIF Lease-Purchase Payment

The budget includes \$2,000,000 from the Technology and Research Initiative Fund (TRIF) for lease-purchase payment requirements in FY 2011. This amount is unchanged from FY 2010.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$1,400,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$27,500,000 in infrastructure development at ASU-East. This session law also included the legislative intention to appropriate future lease-purchase payments from TRIF. The payment schedule runs through FY 2021.

ASU-East renovated or newly constructed 6 buildings. Additionally, the campus made roadway, pedestrian, and landscape improvements, and installed lighting and emergency telephones. ASU-East expended all monies from this lease-purchase by June 2005 and completed the project with non-appropriated monies by fall 2005.

The TRIF revenue source is an automatic appropriation of a portion of a 0.6% sales tax increase, authorized by voters through Proposition 301 in the November 2000 General Election. ABOR administers the fund.

Prior Year Deferral Payment/Payment Deferral

The budget includes \$5,750,200 from the General Fund for FY 2010 payments that were deferred until FY 2011 and includes a FY 2011 General Fund payment deferral of \$(5,750,200) until FY 2012. The payment deferral is unchanged from FY 2010.

These amounts constitute a portion of a \$200,000,000 universitywide payment deferral for FY 2010 and FY 2011, pursuant to the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and the FY 2009 Higher Education Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9). An FY 2009 payment of \$100,000,000 was also deferred until FY 2010. *(Please see the ABOR budget narrative pages for more information.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required ASU-East to reduce 11 General Fund FTE Positions in FY 2010 and an additional 15 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

President: Michael Crow, Ph.D.

JLBC Analyst: Kimberly Cordes-Sween/Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	868.0	818.7 ^{1/}	795.7
Personal Services	35,802,000	36,923,900	36,923,900
Employee Related Expenditures	10,521,900	10,986,100	10,986,100
Professional and Outside Services	17,629,000	18,220,300	18,220,300
Travel - In State	33,200	21,900	21,900
Travel - Out of State	293,100	242,900	242,900
Food	1,230,900	1,475,600	1,475,600
Other Operating Expenditures	5,608,200	3,657,700	2,257,100
Equipment	854,600	714,700	714,700
OPERATING SUBTOTAL	71,972,900	72,243,100	70,842,500
SPECIAL LINE ITEMS			
TRIF Lease-Purchase Payment	1,600,000	1,600,000	1,600,000
Prior Year Deferral Payment ^{2/}	0	5,026,000	10,064,800
Payment Deferral ^{2/}	(5,026,000)	(10,064,800)	(10,064,800)
AGENCY TOTAL	68,546,900	68,804,300	72,442,500 ^{3/4/}
FUND SOURCES			
General Fund	41,233,200	38,896,900	43,935,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	1,600,000	1,600,000	1,600,000
University Collections Fund	25,713,700	28,307,400	26,906,800 ^{2/}
SUBTOTAL - Other Appropriated Funds	27,313,700	29,907,400	28,506,800
SUBTOTAL - Appropriated Funds	68,546,900	68,804,300	72,442,500
Other Non-Appropriated Funds	6,913,400	28,351,800	29,485,800
Federal Funds	11,245,100	5,025,600	5,427,800
TOTAL - ALL SOURCES	86,705,400	102,181,700	107,356,100

1/ The amounts include 53.7 FTE Positions and their associated funding above the original FY 2010 amounts.

2/ Includes the Arizona State University - West Campus (ASU-West) portion of a \$100,000,000 FY 2009 General Fund payment that was deferred until FY 2010, as authorized by Laws 2009, 1st Regular Session, Chapter 5 and as amended by Laws 2009, 1st Regular Session, Chapter 12. Also includes ASU-West's portion of a \$200,000,000 FY 2010 General Fund payment that was deferred until FY 2011, including \$100,000,000 authorized by Laws 2009, 3rd Special Session, Chapter 9 and \$100,000,000 authorized by Laws 2010, 7th Special Session, Chapter 1 (the FY 2011 General Appropriation Act). The FY 2011 General Appropriation Act deferred \$200,000,000 from the FY 2011 General Fund payment until FY 2012. Each university's portion of the deferral is required to be proportional to the university's General Fund appropriation. The FY 2009 deferral for ASU-West is as identified by the university, the FY 2010 deferral is an estimate and FY 2011 deferral is a proportional split by university campus, as was identified in the FY 2011 General Appropriation Act.

3/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

5/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

6/ It is the intent of the Legislature that the General Fund base funding for Arizona State University - West Campus is \$43,935,700. This appropriation includes a deferral of \$10,064,800 from FY 2011 to FY 2012. This deferral shall be paid as required by Section 129 of this act. (General Appropriation Act footnote)

7/ Any unencumbered balances remaining in the collections account on June 30, 2010 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 of Arizona. 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 appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established as a separate budget unit in 1984, Arizona State University - West Campus (ASU-West) currently offers 49 baccalaureate, selective master's, and doctoral programs in the professional and liberal arts to 10,380 full- and part-time students. ASU-West is located at a 277-acre site in northwest Phoenix.

Operating Budget

The budget includes \$70,842,500 and 795.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$43,935,700
University Collections Fund	26,906,800

These amounts fund the following adjustments:

State Fiscal Stabilization Fund

The budget continues a decrease of \$(503,200) from the General Fund in FY 2011, as related to federal stimulus funding stipulations identified in Laws 2009, 3rd Special Session, Chapter 11, Section 15. Chapter 11 stipulates that if the state receives federal assistance from the State Fiscal Stabilization Fund established by the American Recovery and Reinvestment Act of 2009 (ARRA), university General Fund appropriations would be reduced by a total of \$(10,000,000). The ASU-West reduction was allocated in the same manner that the Arizona Board of Regents (ABOR) implemented universitywide reductions in FY 2009 and FY 2010. *(Please see more information on ARRA in the FY 2011 Baseline Summary Book and the ABOR narrative pages.)*

Enrollment Growth

The budget includes a decrease of \$(1,400,600) from the University Collections Fund in FY 2011 for enrollment growth.

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues.

The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided a decrease of \$(1,678,400). These amounts would have funded a projected decline in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Formula enrollment is projected to decline by (216) full-time equivalent (FTE) students, to 5,744 FTE students in FY 2011. The enrollment decline may be partially attributed to shifting of programs between campuses.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment

calculation, the projected growth of 3 FTE out-of-state students was not included in the above calculation. Total out-of-state FTE students is projected at 892 in FY 2011.

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

<u>Academic Level</u>	<u>Credit Hours/FTE</u>
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years. Enrollment growth estimates have been adjusted for comparability over years.

The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE is \$70,100.

TRIF Lease-Purchase Payment

The budget includes \$1,600,000 from the Technology and Research Initiative Fund (TRIF) for lease-purchase payment requirements in FY 2011. This amount is unchanged from FY 2010.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$1,100,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$21,600,000 in infrastructure development at ASU-West. This session law also included the legislative intention to appropriate future lease-purchase payments from TRIF. The payment schedule runs through FY 2021.

This lease-purchase agreement funded the construction of a new Classroom Laboratory/Computer Classroom Building and a central plant expansion. ASU-West completed both projects in spring 2004.

The TRIF revenue source is an automatic appropriation of a portion of a 0.6% sales tax increase, authorized by voters through Proposition 301 in the November 2000 General Election. ABOR administers the fund.

Prior Year Deferral Payment/Payment Deferral

The budget includes \$10,064,800 from the General Fund for FY 2010 payments that were deferred until FY 2011 and includes a FY 2011 General Fund payment deferral of \$(10,064,800) until FY 2012. The payment deferral is unchanged from FY 2010.

These amounts constitute a portion of a \$200,000,000 universitywide payment deferral for FY 2010 and FY 2011, pursuant to the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and the FY 2009 Higher Education Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9). An FY 2009 payment of \$100,000,000 was also deferred until FY 2010. *(Please see the ABOR budget narrative pages for more information.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required ASU-West to reduce 16 General Fund FTE Positions in FY 2010 and an additional 23 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

President: John D. Haeger, Ph. D.

JLBC Analyst: Kimberly Cordes-Sween/Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,238.9	1,972.9	1,913.9
Personal Services	117,785,000	131,988,700	131,988,700 ^{1/}
Employee Related Expenditures	40,492,900	40,995,600	40,995,600
Professional and Outside Services	6,610,700	1,858,600	1,858,600
Travel - In State	448,200	544,200	544,200
Travel - Out of State	502,300	0	0
Food	2,095,500	0	0
Other Operating Expenditures	13,420,700	19,896,700	25,136,000
Equipment	627,700	3,600	3,600
OPERATING SUBTOTAL	181,983,000	195,287,400	200,526,700
SPECIAL LINE ITEMS			
NAU - Yuma	2,993,500	2,999,600	2,999,600
Lease-Purchase	5,900,000	5,900,000	5,900,000 ^{2/}
Teacher Training	2,000,000	2,000,000	2,000,000 ^{3/}
Prior Year Deferral Payment ^{4/}	0	15,240,800	30,494,800
Payment Deferral ^{4/}	(15,240,800)	(30,494,800)	(30,494,800)
AGENCY TOTAL	177,635,700	190,933,000	211,426,300^{5/6/}
FUND SOURCES			
General Fund	125,015,200	117,864,100	133,118,100 ^{7/8/}
<u>Other Appropriated Funds</u>			
University Collections Fund	52,620,500	73,068,900	78,308,200 ^{9/}
SUBTOTAL - Other Appropriated Funds	52,620,500	73,068,900	78,308,200
SUBTOTAL - Appropriated Funds	177,635,700	190,933,000	211,426,300
Other Non-Appropriated Funds	127,940,500	188,687,600	179,695,800
Federal Funds	75,009,400	52,549,400	53,600,400
TOTAL - ALL SOURCES	380,585,600	432,170,000	444,722,500

^{1/} Includes 29.4 FTE Positions funded from Special Line Items in FY 2011.

^{2/} Includes \$5,900,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

^{3/} The appropriated amount for the Teacher Training line item shall be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the Arizona Mentor Teacher program prescribed by the State Board of Education. (General Appropriation Act footnote)

^{4/} Includes the Northern Arizona University (NAU) portion of a \$100,000,000 FY 2009 General Fund payment that was deferred until FY 2010, as authorized by Laws 2009, 1st Regular Session, Chapter 5 and as amended by Laws 2009, 1st Regular Session, Chapter 12. Also includes NAU's portion of a \$200,000,000 FY 2010 General Fund payment that was deferred until FY 2011, including \$100,000,000 authorized by Laws 2009, 3rd Special Session, Chapter 9 and \$100,000,000 authorized by Laws 2010, 7th Special Session, Chapter 1 (the FY 2011 General Appropriation Act). The FY 2011 General Appropriation Act deferred \$200,000,000 from the FY 2011 General Fund payment until FY 2012. Each university's portion of the deferral is required to be proportional to the university's General Fund appropriation. The FY 2009 deferral for NAU is as identified by the university, the FY 2010 deferral is an estimate and FY 2011 deferral is a proportional split by university campus, as was identified in the FY 2011 General Appropriation Act.

^{5/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{8/} It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is \$127,218,100. This appropriation includes a deferral of \$30,494,800 from FY 2011 to FY 2012. This deferral shall be paid as required by Section 129 of this act. (General Appropriation Act footnote) The General Fund base funding of \$127,218,100 plus the \$5,900,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2011 total of \$133,118,100.

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). The university’s primary focus is undergraduate residential education. NAU offers 153 degree programs and 52 certificate programs to 23,600 students in 6 colleges through its campus in Flagstaff and its extended campus programs, also known as distance learning programs. The university is responsible for providing the large majority of statewide extended campus programs, both over the Internet and through 38 instructional sites, including a Yuma Branch Campus that operates in conjunction with Arizona Western College.

Operating Budget

The budget includes \$200,526,700 and 1,892 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$122,218,500
University Collections Fund	78,308,200

These amounts fund the following adjustments:

State Fiscal Stabilization Fund

The budget continues a decrease of \$(1,524,700) from the General Fund in FY 2011, as related to federal stimulus funding stipulations identified in Laws 2009, 3rd Special Session, Chapter 11, Section 15. Chapter 11 stipulates that if the state receives federal assistance from the State Fiscal Stabilization Fund established by the American Recovery and Reinvestment Act of 2009 (ARRA), university General Fund appropriations would be reduced by a total of \$(10,000,000). The NAU reduction was allocated in the same manner that ABOR implemented universitywide reductions in FY 2009 and FY 2010. *(Please see more information on ARRA in the FY 2011 Baseline Summary Book and the ABOR narrative pages.)*

Enrollment Growth

The budget includes an increase of \$5,239,300 from the University Collections Fund in FY 2011 for enrollment growth.

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues.

The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$6,514,200. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Formula enrollment is projected to grow by 873

full-time equivalent (FTE) students, to 15,695 FTE students in FY 2011.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment calculation, the projected growth of 335 FTE out-of-state students was not included in the above calculation. Total out-of-state FTE students are projected at 4,423 in FY 2011.

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

<u>Academic Level</u>	<u>Credit Hours/FTE</u>
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years. The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE is \$70,100.

NAU - Yuma

The budget includes \$2,999,600 and 29.4 FTE Positions from the General Fund for NAU-Yuma in FY 2011. These amounts are unchanged from FY 2010.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

9/ Any unencumbered balances remaining in the collections account on June 30, 2010 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 of Arizona. 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 appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Research Infrastructure Lease-Purchase Payment

The budget includes \$5,900,000 from the General Fund for the Research Infrastructure Lease-Purchase Payment Special Line Item in FY 2011. This amount is unchanged from FY 2010.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, NAU has issued \$77,475,000 in COPs for the following projects:

- \$15,000,000 for College of Engineering and Technology Renovation;
- \$18,000,000 for an Applied Research and Development Facility;
- \$35,475,000 for a New Laboratory Facility;
- \$4,000,000 for a NAU-Yuma Applied Research Facility;
- \$5,000,000 for North Campus Research Infrastructure.

NAU has completed each of these projects.

Teacher Training

The budget includes \$2,000,000 from the General Fund for the Teacher Training Special Line Item in FY 2011. This amount is unchanged from FY 2010.

In FY 2009, funding for the program was shifted from the Department of Education's Teacher Training Special Line Item to NAU. The Teacher Training program serves to increase the number of teachers serving as mentors under the Teacher Training ("Master Teacher") program. The Arizona K-12 Center is affiliated with NAU and is located in downtown Phoenix.

Prior Year Deferral Payment/Payment Deferral

The budget includes \$30,494,800 from the General Fund for FY 2010 payments that were deferred until FY 2011 and includes a FY 2011 General Fund payment deferral of \$(30,494,800) until FY 2012. The payment deferral is unchanged from FY 2010.

These amounts constitute a portion of a \$200,000,000 universitywide payment deferral for FY 2010 and FY 2011, pursuant to the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and the FY 2009 Higher Education Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9). An FY 2009 payment of \$100,000,000 was also deferred until FY 2010. (*Please*

see the ABOR budget narrative pages for more information.)

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required NAU to reduce 42 General Fund FTE Positions in FY 2010 and an additional 59 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

President: Robert Shelton, Ph.D.

JLBC Analyst: Kimberly Cordes-Sween/Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,679.6	5,368.4 ^{1/}	5,218.4 ^{2/}
Personal Services	232,968,700	269,795,400	269,795,400
Employee Related Expenditures	72,545,400	83,599,600	83,599,600
Professional and Outside Services	9,471,500	6,785,800	6,785,800
Travel - In State	129,700	116,400	116,400
Travel - Out of State	596,500	135,500	135,500
Food	8,435,400	8,128,700	8,128,700
Other Operating Expenditures	46,913,900	47,446,700	51,333,000
Equipment	2,808,100	1,667,300	1,667,300
OPERATING SUBTOTAL	373,869,200	417,675,400	421,561,700
SPECIAL LINE ITEMS			
Agriculture	35,942,900	36,965,700	36,965,700
Arizona Cooperative Extension	13,882,400	12,889,600	12,889,600
Research Infrastructure Lease-Purchase Payment	14,253,000	14,253,000	14,253,000 ^{3/}
Sierra Vista Campus	3,955,800	4,910,900	4,910,900
Prior Year Deferral Payment ^{4/}	0	28,048,400	62,153,100
Payment Deferral ^{4/}	(28,048,400)	(62,153,100)	(62,153,100)
AGENCY TOTAL	413,854,900	452,589,900	490,580,900 ^{5/6/}
FUND SOURCES			
General Fund	260,322,800	237,210,700	271,315,400 ^{7/8/}
<u>Other Appropriated Funds</u>			
University Collections Fund	153,532,100	215,379,200	219,265,500 ^{9/}
SUBTOTAL - Other Appropriated Funds	153,532,100	215,379,200	219,265,500
SUBTOTAL - Appropriated Funds	413,854,900	452,589,900	490,580,900
Other Non-Appropriated Funds	603,365,600	649,355,900	676,705,500
Federal Funds	288,711,000	231,230,900	234,633,800
TOTAL - ALL SOURCES	1,305,931,500	1,333,176,700	1,401,920,200

^{1/} The amounts include 362.9 FTE Positions and their associated funding above the original FY 2010 amounts.

^{2/} Includes 863.2 FTE Positions funded from Special Line Items in FY 2011.

^{3/} Includes \$14,253,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

^{4/} Includes the University of Arizona - Main Campus (UA-Main) portion of a \$100,000,000 FY 2009 General Fund payment that was deferred until FY 2010, as authorized by Laws 2009, 1st Regular Session, Chapter 5 and as amended by Laws 2009, 1st Regular Session, Chapter 12. Also includes UA-Main's portion of a \$200,000,000 FY 2010 General Fund payment that was deferred until FY 2011, including \$100,000,000 authorized by Laws 2009, 3rd Special Session, Chapter 9 and \$100,000,000 authorized by Laws 2010, 7th Special Session, Chapter 1 (the FY 2011 General Appropriation Act). The FY 2011 General Appropriation Act deferred \$200,000,000 from the FY 2011 General Fund payment until FY 2012. Each university's portion of the deferral is required to be proportional to the university's General Fund appropriation. The FY 2009 deferral for UA-Main is as identified by the university, the FY 2010 deferral is an estimate and FY 2011 deferral is a proportional split by university campus, as was identified in the FY 2011 General Appropriation Act.

^{5/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{8/} It is the intent of the Legislature that the General Fund base funding for University of Arizona - Main Campus is \$257,062,400. This appropriation includes a deferral of \$62,153,100 from FY 2011 to FY 2012. This deferral shall be paid as required by Section 129 of this act. (General Appropriation Act footnote) The General Fund base funding of \$257,062,400 plus the \$14,253,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2011 total of \$271,315,400.

AGENCY DESCRIPTION — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, UA offers 345 degree-programs to approximately 38,000 full- and part-time students in 31 colleges and schools at its Main Campus in Tucson. Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today. UA-South is a satellite campus of the university in Sierra Vista.

Operating Budget

The budget includes \$421,561,700 and 4,355.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$212,192,100
University Collections Fund	209,369,600

These amounts fund the following adjustments:

State Fiscal Stabilization Fund

The budget continues a decrease of \$(3,107,700) from the General Fund in FY 2011, as related to federal stimulus funding stipulations identified in Laws 2009, 3rd Special Session, Chapter 11, Section 15. Chapter 11 stipulates that if the state receives federal assistance from the State Fiscal Stabilization Fund established by the American Recovery and Reinvestment Act of 2009 (ARRA), university General Fund appropriations would be reduced by a total of \$(10,000,000). The UA-Main reduction was allocated in the same manner that the Arizona Board of Regents (ABOR) implemented universitywide reductions in FY 2009 and FY 2010. *(Please see more information on ARRA in the FY 2011 Baseline Summary Book and the ABOR narrative pages.)*

Enrollment Growth

The budget includes an increase of \$3,886,300 from the University Collections Fund in FY 2011 for enrollment growth.

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues.

The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$4,371,900. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Formula enrollment is projected to grow by 568

full-time equivalent (FTE) students, to 20,816 FTE students in FY 2011.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment calculation, the projected growth of 323 FTE out-of-state students was not included in the above calculation. Total out-of-state FTE students are projected at 11,850 in FY 2011.

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

<u>Academic Level</u>	<u>Credit Hours/FTE</u>
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years.

The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.75 support FTE Position, and their associated General Fund costs, for every 22-FTE student change. The average salary per FTE is \$70,100.

Agriculture

The budget includes \$36,965,700 and 585.4 FTE Positions for the Agriculture Programs in FY 2011. These amounts consist of:

^{9/} Any unencumbered balances remaining in the collections account on June 30, 2010 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 of Arizona. 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 appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

General Fund	30,541,500
University Collections Fund	6,424,200

These amounts are unchanged from FY 2010.

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The budget includes \$12,889,600 and 205.1 FTE Positions for the Arizona Cooperative Extension in FY 2011. These amounts consist of:

General Fund	11,189,600
University Collections Fund	1,700,000

These amounts are unchanged from FY 2010.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Research Infrastructure Lease-Purchase Payment

The budget includes \$14,253,000 from the General Fund for the Research Infrastructure Lease-Purchase Payment Special Line Item in FY 2011. This amount is unchanged from FY 2010.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, UA-Main has issued \$201,300,000 in COPs for the following projects:

- \$68,700,000 for construction of the Thomas W. Keating Bioresearch Building;
- \$62,600,000 for construction of the Medical Research Building;
- \$51,800,000 for additions to the Chemistry Building;
- \$18,200,000 for construction of the ABC Building at the College of Medicine - Phoenix.

UA-Main has completed each of these projects.

Sierra Vista Campus

The budget includes \$4,910,900 and 72.7 FTE Positions for the Sierra Vista Campus in FY 2011. These amounts consist of:

General Fund	3,139,200
University Collections Fund	1,771,700

These amounts are unchanged from FY 2010.

UA-South offers upper-division undergraduate programs in 16 disciplines for community college transfer students. The satellite campus also offers 3 certificate and 3 master's programs. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

Prior Year Deferral Payment/Payment Deferral

The budget includes \$62,153,100 from the General Fund for FY 2010 payments that were deferred until FY 2011 and includes a FY 2011 General Fund payment deferral of \$(62,153,100) until FY 2012. The payment deferral is unchanged from FY 2010.

These amounts constitute a portion of a \$200,000,000 universitywide payment deferral for FY 2010 and FY 2011, pursuant to the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and the FY 2009 Higher Education Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9). An FY 2009 payment of \$100,000,000 was also deferred until FY 2010. *(Please see the ABOR budget narrative pages for more information.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required UA-Main to reduce 106 General Fund FTE Positions in FY 2010 and an additional 150 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

President: Robert Shelton, Ph.D.

JLBC Analyst: Kimberly Cordes-Sween/Leatta McLaughlin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	966.1	948.1 ^{1/}	923.1 ^{2/}
Personal Services	45,927,600	52,545,200	52,545,200
Employee Related Expenditures	12,856,000	13,051,900	13,051,900
Professional and Outside Services	1,380,700	951,200	951,200
Travel - In State	50,600	35,600	35,600
Travel - Out of State	188,900	7,700	7,700
Food	1,086,800	964,700	964,700
Other Operating Expenditures	3,719,500	1,973,500	2,852,700
Equipment	322,600	417,700	417,700
OPERATING SUBTOTAL	65,532,700	69,947,500	70,826,700
SPECIAL LINE ITEMS			
Clinical Rural Rotation	401,800	379,200	379,200
Clinical Teaching Support	9,039,600	9,001,900	9,001,900
Liver Research Institute	656,400	476,200	476,200
Phoenix Medical Campus	12,949,600	12,874,900	12,874,900
Telemedicine Network	2,037,100	1,935,200	1,935,200
Prior Year Deferral Payment ^{3/}	0	11,412,400	16,776,700
Payment Deferral ^{3/}	(11,412,400)	(16,776,700)	(16,776,700)
AGENCY TOTAL	79,204,800	89,250,600	95,494,100 ^{4/ 5/}
FUND SOURCES			
General Fund	62,661,300	67,870,600	73,234,900 ^{6/ 7/}
<u>Other Appropriated Funds</u>			
University Collections Fund	16,543,500	21,380,000	22,259,200 ^{8/}
SUBTOTAL - Other Appropriated Funds	16,543,500	21,380,000	22,259,200
SUBTOTAL - Appropriated Funds	79,204,800	89,250,600	95,494,100
Other Non-Appropriated Funds	122,886,500	124,756,600	127,156,000
Federal Funds	91,019,200	92,522,000	96,795,600
TOTAL - ALL SOURCES	293,110,500	306,529,200	319,445,700

1/ The amounts include 97 FTE Positions and their associated funding above the original FY 2010 amounts.

2/ Includes 322.2 GF FTE Positions funded from Special Line Items in FY 2011, including 212 FTE Positions, all filled by students and associated with the Clinical Teaching Support Special Line Item.

3/ Includes the University of Arizona - Health Sciences Center (UA-HSC) portion of a \$100,000,000 FY 2009 General Fund payment that was deferred until FY 2010, as authorized by Laws 2009, 1st Regular Session, Chapter 5 and as amended by Laws 2009, 1st Regular Session, Chapter 12. Also includes UA-HSC's portion of a \$200,000,000 FY 2010 General Fund payment that was deferred until FY 2011, including \$100,000,000 authorized by Laws 2009, 3rd Special Session, Chapter 9 and \$100,000,000 authorized by Laws 2010, 7th Special Session, Chapter 1 (the FY 2011 General Appropriation Act). The FY 2011 General Appropriation Act deferred \$200,000,000 from the FY 2011 General Fund payment until FY 2012. Each university's portion of the deferral is required to be proportional to the university's General Fund appropriation. The FY 2009 deferral for UA-HSC is as identified by the university, the FY 2010 deferral is an estimate and FY 2011 deferral is a proportional split by university campus, as was identified in the FY 2011 General Appropriation Act.

4/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

6/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

7/ It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$73,234,900. This appropriation includes a deferral of \$16,776,700 from FY 2011 to FY 2012. This deferral shall be paid as required by Section 129 of this act. (General Appropriation Act footnote)

AGENCY DESCRIPTION — In 1994, the University of Arizona (UA) joined its Colleges of Medicine, Nursing, Pharmacy, and Public Health, its School of Health Professions, the University Medical Center, and university physicians into the Arizona Health Sciences Center (UA-HSC). UA-HSC enrolls over 1,800 undergraduate and graduate students at its 48-acre campus in Tucson. UA-HSC currently operates a medical campus in Phoenix that opened in FY 2008.

Operating Budget

The budget includes \$70,826,700 and 600.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$50,685,600
University Collections Fund	20,141,100

These amounts fund the following adjustments:

State Fiscal Stabilization Fund

The budget continues a decrease of \$(838,800) from the General Fund in FY 2011, as related to federal stimulus funding stipulations identified in Laws 2009, 3rd Special Session, Chapter 11, Section 15. Chapter 11 stipulates that if the state receives federal assistance from the State Fiscal Stabilization Fund established by the American Recovery and Reinvestment Act of 2009 (ARRA), university General Fund appropriations would be reduced by a total of \$(10,000,000). The UA-HSC reduction was allocated in the same manner that Arizona Board of Regents (ABOR) implemented universitywide reductions in FY 2009 and FY 2010. (Please see more information on ARRA in the FY 2011 Baseline Summary Book and the ABOR narrative pages.)

Enrollment Growth

The budget includes an increase of \$879,200 from the University Collections Fund in FY 2011 for enrollment growth.

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues.

The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$989,500. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Formula enrollment is projected to grow by 129 full-time equivalent (FTE) students, to 1,606 FTE students in FY 2011.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment calculation, the projected growth of 46 FTE out-of-state students was not included in the above calculation. Total out-of-state FTE students are projected at 477 in FY 2011.

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

<u>Academic Level</u>	<u>Credit Hours/FTE</u>
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years.

The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.75 support FTE Position, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE is \$70,100.

Clinical Rural Rotation

The budget includes \$379,200 and 6.1 FTE Positions from the General Fund for the Clinical Rural Rotation program in FY 2011. These amounts are unchanged from FY 2010.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

8/ Any unencumbered balances remaining in the collections account on June 30, 2010 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 of Arizona. 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 appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Clinical Teaching Support

The budget includes \$9,001,900 and 212 FTE Positions from the General Fund for Clinical Teaching Support in FY 2011. These amounts are unchanged from FY 2010.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions. Since participation in the program has been stable for several years, the funding summary above includes these FTE Positions.

Liver Research Institute

The budget includes \$476,200 and 6.5 FTE Positions from the General Fund for the Liver Research Institute in FY 2011. These amounts are unchanged from FY 2010.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The budget includes \$12,874,900 and 82.7 FTE Positions for the Phoenix Medical Campus (PMC) in FY 2011. These amounts consist of:

General Fund	10,756,800
University Collections Fund	2,118,100

These amounts are unchanged from FY 2010.

The Phoenix Biomedical Campus began operations with 24 medical students in August 2006 at 7th Street and Van Buren in 3 renovated historic buildings, which were the former Phoenix Union High School. The campus is currently in its fourth year of operation and has 120 medical students. UA envisions, by FY 2025, adding at least 1,200,000 square feet to house 680 medical students, 1,660 science students, and 140 bioinformatics students.

ASU has recently decided to withdraw its partnership altogether from the Phoenix Biomedical Campus. The implications for the ASU bioinformatics program, which is the only ASU program housed at this campus, are unclear at this point.

Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 9 authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which ABOR is required to allocate \$376,000,000 for the Phoenix Biomedical Campus

The first phase of this project includes \$172,940,000 in university lottery bonding for construction of the Health Sciences and Education Building and renovation of the Arizona Biomedical Collaborative 1 Building, which was favorably reviewed by the Joint Committee on Capital Review (JCCR) in March 2010. At the March meeting, the Committee provided a favorable review of the project with the provision that for 18 months, or until September 2011, ABOR and the universities would not request additional lottery bonding authority, including the remaining \$203,060,000 available for the Phoenix Biomedical Campus. This provision was recommended by ABOR. As a result, no further medical campus expansion will occur until after August 2011. Bonds for the first phase are expected to be issued in the summer of 2010 and construction should be completed by the spring of 2012. *(For additional information on university lottery bonding, please see the Capital Outlay - Arizona Board of Regents Building System section of this report.)*

In addition to the lottery bonding funding, the universities also received a \$15,000,000 federal grant to build an animal-related research building on the Phoenix Biomedical Campus for animal-related research. Since this was a federal grant, JCCR review was not required. This project will also be complete by the spring of 2012.

Telemedicine Network

The budget includes \$1,935,200 and 14.9 FTE Positions from the General Fund for the Telemedicine Network in FY 2011. These amounts are unchanged from FY 2010.

Telemedicine is the use of computers, video imaging, broadband Internet channels, and other telecommunication technologies to diagnose and treat patients in rural communities and state penitentiaries.

Prior Year Deferral Payment/Payment Deferral

The budget includes \$16,776,700 from the General Fund for FY 2010 payments that were deferred until FY 2011 and includes a FY 2011 General Fund payment deferral of \$(16,776,700) until FY 2012. The payment deferral is unchanged from FY 2010.

These amounts constitute a portion of a \$200,000,000 universitywide payment deferral for FY 2010 and FY 2011, pursuant to the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and the FY 2009 Higher Education Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9). An FY 2009 payment of \$100,000,000 was also deferred until FY 2010. *(Please see the ABOR budget narrative pages for more information.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required UA-HSC to reduce 18 General Fund FTE Positions in FY 2010 and an additional 25 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Director: Colonel Joey Strickland

JLBC Analyst: Amy Upston

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	376.3	359.3	356.3 ^{1/}
Personal Services	1,774,500	1,856,100	1,810,900
Employee Related Expenditures	572,900	687,900	716,700
Professional and Outside Services	83,700	101,100	101,100
Travel - In State	22,400	17,900	17,900
Travel - Out of State	3,600	0	0
Other Operating Expenditures	200,500	16,000	16,000
Equipment	177,100	235,600	235,600
OPERATING SUBTOTAL	2,834,700	2,914,600	2,898,200
SPECIAL LINE ITEMS			
Arizona State Veterans' Home	15,064,500	15,966,800	16,949,800
Southern Arizona Cemetery	279,100	281,300	280,000
Telemedicine Project	0	10,000	10,000
Veterans' Benefit Counseling	2,941,100	2,977,300	2,942,600
Veterans' Organizations Contracts	12,600	29,200	29,200
AGENCY TOTAL	21,132,000	22,179,200	23,109,800 ^{2/}
FUND SOURCES			
General Fund	7,641,900	6,996,600	5,392,700
<u>Other Appropriated Funds</u>			
Home for Veterans' Trust Fund	12,750,100	14,430,800	16,959,800
Veterans' Conservatorship Fund	740,000	751,800	757,300
SUBTOTAL - Other Appropriated Funds	13,490,100	15,182,600	17,717,100
SUBTOTAL - Appropriated Funds	21,132,000	22,179,200	23,109,800
Other Non-Appropriated Funds	1,242,200	1,161,500	1,161,500
Federal Funds	563,300	6,636,300	10,636,300
TOTAL - ALL SOURCES	22,937,500	29,977,000	34,907,600

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, supervises and operates a 200-bed skilled nursing home for Arizona veterans in Phoenix, and operates the Southern Arizona Veterans' Memorial Cemetery. A 120-bed skilled nursing facility is expected to open in Tucson in FY 2012.

Operating Budget

The budget includes \$2,898,200 and 54.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$2,140,900
Veterans' Conservatorship Fund	757,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(16,400) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	\$(21,900)
Veterans' Conservatorship Fund	5,500

(Please see the General Provisions section.)

^{1/} Includes 55 GF and 247 OF FTE Positions funded from Special Line Items in FY 2011.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Arizona State Veterans' Home

The budget includes \$16,949,800 and 247 FTE Positions from the Home for Veterans' Trust Fund for the Arizona State Veterans' Home in FY 2011. These amounts fund the following adjustments:

Increased Census

The budget includes an increase of \$857,800 from the Home for Veterans' Trust Fund in FY 2011 to reflect an anticipated increased census at the home. The daily average census at the home is expected to increase from 170 in FY 2010 to 180 in FY 2011.

Continue Fund Shift

The budget continues an increase of \$600,000 from the Home for Veterans' Trust Fund and a corresponding General Fund decrease approved in the 7th Special Session FY 2010 revisions.

Eliminate General Fund Support

The budget includes an increase of \$1,546,000 and 22 FTE Positions from the Home for Veterans' Trust Fund and a corresponding General Fund decrease in FY 2011 to shift operating expenses to the Home for Veterans' Trust Fund. The balance in this fund has increased over time due to increased enrollment.

Statewide Adjustments

The budget includes an increase of \$125,200 from the Home for Veterans' Trust Fund in FY 2011 for statewide adjustments.

The monies in this line item are used for expenses related to the Arizona State Veterans' Home in Phoenix.

Southern Arizona Cemetery

The budget includes \$280,000 and 2 FTE Positions from the General Fund for the Southern Arizona Cemetery in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,300) from the General Fund in FY 2011 for statewide adjustments.

Monies in this line item are used to partially offset the operating costs at the Southern Arizona Cemetery in Sierra Vista.

Telemedicine Project

The budget includes \$10,000 from the Home for Veterans' Trust Fund for the Telemedicine Project in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are for equipment and other operating expenses for benefit counselors using the

Telemedicine Network, a video-conferencing system both used by physicians to service rural areas and to provide counseling services to those same areas.

Veterans' Benefit Counseling

The budget includes \$2,942,600 and 53 FTE Positions from the General Fund for Veterans' Benefit Counselors in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(34,700) from the General Fund in FY 2011 for statewide adjustments.

The monies in this line item are used to assist Arizona Veterans with questions about benefit eligibility, completion of benefit forms, and obtaining deserved benefits.

Veterans' Organizations Contracts

The budget includes \$29,200 from the General Fund for the Veterans' Organizations Contracts in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are for contracts with veterans' organizations to compensate them for processing third party claims on behalf of veterans that the department does not currently serve.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Military Installation Fund Shift

Laws 2010, Chapter 208 shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency and Military Affairs beginning on January 1, 2011. The law also redirects the pass-through of 80% of the Military Installation Fund appropriation from the Department of Veterans' Services to the Department of Emergency and Military Affairs.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Department of Veterans' Services to reduce 3 General Fund FTE Positions in FY 2010 and an additional 3 General Fund FTE Positions in FY 2011. These changes have been incorporated into the agency's budget.

Executive Director: Jenna Jones

JLBC Analyst: Steve Grunig

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	5.5	5.5
Personal Services	217,200	274,600	265,600
Employee Related Expenditures	75,300	85,000	85,600
Professional and Outside Services	26,400	31,300	31,400
Travel - In State	4,500	9,500	9,500
Travel - Out of State	0	500	500
Other Operating Expenditures	53,400	68,000	68,000
Equipment	100	1,100	1,100
AGENCY TOTAL	376,900	470,000	461,700^{1/}

FUND SOURCES

Other Appropriated Funds

Veterinary Medical Examining Board Fund	376,900	470,000	461,700
SUBTOTAL - Other Appropriated Funds	376,900	470,000	461,700
SUBTOTAL - Appropriated Funds	376,900	470,000	461,700
TOTAL - ALL SOURCES	376,900	470,000	461,700

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

Operating Budget

The budget includes \$461,700 and 5.5 FTE Positions from the Veterinary Medical Examining Board Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(8,300) from the Veterinary Medical Examining Board Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

Director: Herb R. Guenther

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	231.7	216.7	207.2 ^{1/2/}
Personal Services	7,649,400	7,519,300	7,429,500
Employee Related Expenditures	2,864,100	2,564,500	2,545,900
Professional and Outside Services	(169,700)	537,600	537,600
Travel - In State	202,500	207,600	207,600
Travel - Out of State	10,300	32,500	32,500
Other Operating Expenditures	2,785,500	2,513,400	2,636,500
Equipment	92,400	45,000	45,000
OPERATING SUBTOTAL	13,434,500	13,419,900	13,434,600
SPECIAL LINE ITEMS			
Adjudication Support	1,601,600	1,255,800	1,245,600 ^{3/}
Arizona Water Protection Fund Deposit	0	0	0
Assured and Adequate Water Supply Administration	1,781,000	2,512,800	1,817,200 ^{4/}
Automated Groundwater Monitoring	505,200	422,200	418,800
Conservation and Drought Program	465,700	409,800	406,400
Rural Water Studies	1,409,300	1,173,300	1,163,800 ^{5/}
5th Special Session Reduction	0	(1,368,600)	(1,368,600)
7th Special Session Reduction	0	0	(4,133,700)
7th Special Session Fund Shift	0	0	(5,662,900)
AGENCY TOTAL	19,197,300	17,825,200	7,321,200 ^{6/}
FUND SOURCES			
General Fund	10,285,500	16,874,000	7,052,900
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	1,011,800	951,200	268,300
Water Banking Fund	7,900,000	0	0
SUBTOTAL - Other Appropriated Funds	8,911,800	951,200	268,300
SUBTOTAL - Appropriated Funds	19,197,300	17,825,200	7,321,200
Other Non-Appropriated Funds	14,812,700	7,668,700	7,668,700
Federal Funds	337,600	393,500	301,500
TOTAL - ALL SOURCES	34,347,600	25,887,400	15,291,400

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona’s groundwater and surface water law, as well as legally representing the state’s water rights. The department also participates in surveying water level and quality and planning flood control.

- 1/ Includes 59.8 GF FTE Positions funded from Special Line Items in FY 2011.
- 2/ The FY 2011 General Appropriation Act did not reduce the number of FTE Positions. These FTE Positions may need to be re-allocated in the FY 2012 budget.
- 3/ Monies in the Adjudication Support line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-256 and 45-257B4. The Department of Water Resources shall not transfer any funds into or out of the Adjudication Support line item. (General Appropriation Act footnote)
- 4/ Monies in the Assured and Adequate Water Supply Administration line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-108 and 45-576 through 45-579. The Department of Water Resources shall not transfer any funds into or out of the Assured and Adequate Water Supply Administration line item. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that monies in the Rural Water Studies line item will only be spent to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state’s AMAs and not be made available for other department operating expenditures. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$13,434,600 and 147.4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$14,700 from the General Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Adjudication Support

The budget includes \$1,245,600 and 21.3 FTE Positions from the General Fund for Adjudication Support in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(10,200) from the General Fund in FY 2011 for statewide adjustments.

A.R.S. § 45-251 requires the Department of Water Resources (DWR) to provide technical and administrative support to judicial proceedings involving general stream adjudications for the Gila and Little Colorado Rivers. The purpose of the adjudications is to determine the nature, extent, and priority of the water rights claims on the 2 rivers. Technical support for the adjudication courts includes the preparation of hydrographic survey reports and technical reports on specific issues within the adjudications. In addition, DWR is required to keep track of the Statement of Claimants and implement court rulings that are in favor of the claimants.

In 1953, Congress passed the McCarran Amendment, granting state courts jurisdiction over the adjudication of the tribal water rights. As part of this amendment, if the states are unsuccessful in completing the adjudications, the adjudications will be moved to federal courts.

Arizona Water Protection Fund Deposit

The budget includes no funding for the Water Protection Fund Deposit in FY 2011. This amount is unchanged from FY 2010.

The FY 2011 Environment Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 7) includes a session law change to A.R.S. § 45-2112 suspending the statutory \$5,000,000 General Fund appropriation to the Water Protection Fund in FY 2011. This General Fund appropriation has been suspended since 2000. In FY 2009, \$2,000,000 was appropriated from the Arizona Water Banking Fund.

The Arizona Water Protection Fund, administered by the Water Protection Fund Commission, provides grants to

organizations for the preservation, enhancement, and restoration of rivers, streams, and riparian environments.

Assured and Adequate Water Supply Administration

The budget includes \$1,817,200 and 21 FTE Positions for the Assured and Adequate Water Supply (AAWS) Program in FY 2011. These amounts consist of:

	<u>FY 2011</u>
General Fund	\$1,548,900
AAWS Administration Fund	268,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(21,000) in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(12,700)
AAWS Administration Fund	(8,300)

Revenue Realignment

The budget includes a decrease of \$(674,600) and (2.5) FTE Positions from the AAWS Administration Fund in FY 2011 to bring its appropriation in line with annual revenue. Lower revenues are due in part to a decline in new home construction.

Laws 2005, Chapter 217 established the Assured and Adequate Water Supply Administration Fund to provide for the costs and expenses incurred by DWR when determining and declaring assured and adequate water supplies. The AAWS Administration Fund is subject to appropriation and consists of monies that are paid to DWR for applications relating to assured and adequate water supplies. Previously, fees were deposited into the General Fund.

Monies in this Special Lines Item (SLI) are to provide for the operating costs of the AAWS Program. All new subdivisions must receive a Certificate of Assured or Adequate Water Supply. A Certificate of Assured Water Supply is awarded to developers within the 5 Active Management Areas (AMAs) and demonstrates the availability of water for the next 100 years. New developers outside the 5 AMAs must obtain a determination of the quantity and quality of water available in the new subdivision before any lots may be sold. A Certificate of Adequate Water Supply is awarded if DWR determines the subdivision has a 100-year supply of water. If the water is determined to be inadequate, lots may still be sold, but buyers must be notified of the determination.

Automated Groundwater Monitoring

The budget includes \$418,800 and 2 FTE Positions from the General Fund for Automated Groundwater Monitoring in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,400) from the General Fund in FY 2011 for statewide adjustments.

Monies in this SLI are to provide for the installation, operation, and maintenance of new automated groundwater measuring instruments or transducers. The transducers provide daily measurements of groundwater levels and expedite analysis for various program activities for assured and adequate water supply, recharge, developing rural water budgets, and water rights studies.

Conservation and Drought Program

The budget includes \$406,400 and 6 FTE Positions from the General Fund for the Conservation and Drought Program Special Line Item in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,400) from the General Fund in FY 2011 for statewide adjustments.

Monies in this SLI are used to assist local communities to assess conservation needs and assist rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs.

Rural Water Studies

The budget includes \$1,163,800 and 9.5 FTE Positions from the General Fund for Rural Water Studies in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(9,500) from the General Fund in FY 2011 for statewide adjustments.

Monies in this SLI are used to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz. These studies are administered through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. Currently, there are 8 studies underway.

5th Special Session Reduction

The budget includes \$(1,368,600) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

7th Special Session Reduction

The budget includes a decrease of \$(4,133,700) from the General Fund in FY 2011 for a consolidation and modernization plan and an annualization of the 5th Special Session Reduction. The agency is expected to decrease costs by consolidating functions to reduce duplication as well as modernize the agency. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

7th Special Session Fund Shift

The budget includes a decrease of \$(5,662,900) from the General Fund in FY 2011 for a fund shift. This shift is part of an overall plan to move the agency to self-funding. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

The FY 2011 Environment BRB (Laws 2010, 7th Special Session, Chapter 7) permits the director to increase fees in FY 2011 with the intent that the additional fee revenues would not exceed \$5,662,900.

The bill also states that it was the intent for the department to submit a specific fee plan for legislative consideration by April 1, 2010. The department responded by April 1 that they will raise fees by \$2,000,000 in FY 2011. These fees consist of assured and adequate water supply fees, well fees, dam safety fees, groundwater fees, and surface water fees. The fee plan did not address the remaining \$3,600,000 in fee authority. (The increased fee revenue has not been recorded in the summary table above.)

Laws 2010, Chapter 290, specified that DWR must provide public notice and public comment at least 30 days prior to amending rules that would raise fees. Chapter 290 specifies fees must be fairly and equitably assessed to all parties for services rendered. Chapter 290 also establishes a 10-member fee commission which will review fee levels, equality of fees, and needs of the agency.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Expedited Permits

Laws 2010, Chapter 309, allows DWR to contract with private consultants for the purposes of assisting the review of applications for licenses, permits, and other authorizations. Chapter 309 specifies that an applicant may request an expedited review of a permit by a private consultant by agreeing to pay the associated costs. Monies received by DWR from applicants requesting expedited permits are appropriated to DWR to pay the private consultants.

Water Resources Fund

Laws 2010, Chapter 282, establishes the Water Resources Fund. This fund will consist of existing fees collected by DWR to carry out its statutory functions, as well as existing fees that are currently deposited into the General Fund. Chapter 282 specifies that fees deposited in the Water Resources Fund are to be held in trust and only used for those purposes described in statute.

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required the Department of Water Resources to reduce 4 General Fund FTE Positions in FY 2010 and an additional 7 General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

Department of Weights and Measures

A.R.S. § 41-2065

Director: Kevin Tyne

JLBC Analyst: Aaron Galeener

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
PROGRAM BUDGET			
General Services	1,675,200	1,638,100	1,613,200
Oxygenated Fuel	790,400	859,800	854,000
Vapor Recovery	622,200	642,400	635,300
5 th Special Session Reduction	0	(177,700)	(177,700)
AGENCY TOTAL	3,087,800	2,962,600	2,924,800

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	40.4	37.4	36.4
Personal Services	1,589,800	1,574,400	1,533,600
Employee Related Expenditures	640,700	646,200	649,200
Professional and Outside Services	156,200	273,900	273,900
Travel - In State	159,500	179,000	179,000
Travel - Out of State	11,100	14,000	14,000
Other Operating Expenditures	465,600	409,000	409,000
Equipment	64,900	43,800	43,800
OPERATING SUBTOTAL	3,087,800	3,140,300	3,102,500

SPECIAL LINE ITEMS

5th Special Session Reduction	0	(177,700)	(177,700)
AGENCY TOTAL	3,087,800	2,962,600	2,924,800^{1/}

FUND SOURCES

General Fund	1,379,200	1,216,200	1,197,800
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,412,600	1,423,200	1,410,300
Motor Vehicle Liability Insurance Enforcement Fund	296,000	323,200	316,700
SUBTOTAL - Other Appropriated Funds	1,708,600	1,746,400	1,727,000
SUBTOTAL - Appropriated Funds	3,087,800	2,962,600	2,924,800
TOTAL - ALL SOURCES	3,087,800	2,962,600	2,924,800

AGENCY DESCRIPTION — The department regulates the determination and representation of weight and measurement in the marketplace and also maintains 2 environmentally related gasoline inspection programs. All programs investigate consumer complaints.

Operating Budget

The budget includes \$3,102,500 and 36.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$1,296,500
Air Quality Fund	1,489,300
Motor Vehicle Liability Insurance Enforcement Fund	316,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of (37,800) in FY 2011 for statewide adjustments. These amounts consist of:

General Fund	(18,400)
Air Quality Fund	(12,900)
Motor Vehicle Liability Insurance Enforcement Fund	(6,500)

(Please see the General Provisions section.)

^{1/} General Appropriation Act funds are appropriated as a Lump Sum by Program.

5th Special Session Reduction

The budget includes \$(177,700) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(98,700)
Air Quality Fund	(79,000)

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the fund transfers section at the back of this report for more details.)*

Other Issues

5% FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position Reduction by February 1, 2010. This provision required the Department of Weights and Measures to reduce no General Fund FTE Positions in FY 2010 and an additional 1 General Fund FTE Position in FY 2011. These changes have been incorporated in the agency's budget.

CAPITAL OUTLAY

**Capital Outlay
Summary**

JLBC Analyst: Leatta McLaughlin

FY 2011
APPROVED

BUILDING RENEWAL

ADOA Building System	5,582,400
ADOT Building System	1,050,000
ABOR Building System	0
SUBTOTAL	6,632,400

INDIVIDUAL PROJECTS

ADOA Building System	2,440,000
ADOT Building System	203,071,700
ABOR Building System	0
SUBTOTAL	205,511,700

LEASE-PURCHASE PAYMENTS

Leaseback Obligations	54,826,600 ^{1/}
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TOTALS

ADOA Building System	62,849,000
ADOT Building System	204,121,700
ABOR Building System	0
TOTAL - ALL PROJECTS	266,970,700

FUND SOURCES

General Fund	58,826,600
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	1,000,000
Game and Fish Fund	796,800
Game and Fish Capital Improvement Fund	1,800,000
State Aviation Fund	22,527,700
State Highway Fund	181,594,000
State Lottery Fund	75,600
Watercraft Licensing Fund	250,000
Waterfowl Conservation Fund	100,000
SUBTOTAL - Other Appropriated Funds	208,144,100
SUBTOTAL - Appropriated Funds Less Lease-Purchase Financing Projects	212,544,100
SUBTOTAL - Appropriated Funds	266,970,700
Other Non-Appropriated Funds	251,717,000
Federal Funds	618,971,000
TOTAL - ALL SOURCES	1,137,658,700

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a debt service payment for 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 Building System, the Arizona Department of Transportation Building System, and the Arizona Board of Regents Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

^{1/} This amount was appropriated by the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1, Section 146). All other appropriations appear in the FY 2011 Capital Outlay Bill (Laws 2010, 7th Special Session, Chapter 2).

The following amounts are one-time appropriations.

Capital Outlay - The Capital Outlay budget provides a total of \$266,970,700 in FY 2011. Of the total, \$58,826,600 is from the General Fund and \$208,144,100 is from Other Appropriated Funds. The budget consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by the Arizona Department of Administration (ADOA) or individual agencies within the ADOA Building System that have their own funding source for building renewal, the Arizona Department of Transportation (ADOT), and the Arizona Board of Regents for their respective building systems.

The budget provides total funding of \$6,632,400 for Building Renewal in FY 2011. Of the total, \$4,000,000 is from the General Fund and \$2,632,400 is from Other Appropriated Funds in FY 2011. These amounts include:

Arizona Department of Administration	
General Fund @ 12%	\$4,000,000
Capital Outlay Stabilization Fund @ 3%	1,000,000
Game and Fish Fund @ 100%	506,800
State Lottery Fund @ 100%	<u>75,600</u>
Subtotal - ADOA	\$5,582,400

Arizona Department of Transportation	
State Highway Fund @ 11%	\$1,000,000
State Aviation Fund @ 37%	<u>50,000</u>
Subtotal - ADOT	\$1,050,000

(See the individual building systems write-ups for more information.)

Individual Projects

The budget provides a total of \$205,511,700 for individual capital projects in FY 2011, which is from Other Appropriated Funds. *(See the individual building systems write-ups for more information.)*

Lease-Purchase Payments

The budget provides \$54,286,600 from the General Fund for interest only lease-purchase agreement payments in FY 2011. *(See the Lease-Purchase Financing write-up for more information.)*

Capital Outlay
Arizona Department of Administration Building System

JLBC Analyst: Leatta McLaughlin/Ted Nelson

FY 2011
APPROVED

BUILDING RENEWAL

Arizona Department of Administration ^{1/}	5,000,000
Game and Fish Department	506,800
Arizona Lottery Commission	75,600
SUBTOTAL ^{2/}	5,582,400

INDIVIDUAL PROJECTS ^{3/}

Game and Fish

Ben Avery Shooting Facility Improvements	800,000
Shooting Range Access	200,000
Silver Creek Hatchery Remodel/Expansion	1,000,000
Radio Tower	250,000
Preventative Maintenance	30,000
Migratory Waterfowl Habitat	100,000
Regional (Yuma) Office Paving Project	60,000
SUBTOTAL	2,440,000

TOTAL - ALL PROJECTS

8,022,400

FUND SOURCES

General Fund	4,000,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	1,000,000
Game and Fish Fund	796,800
Game and Fish Capital Improvement Fund	1,800,000
State Lottery Fund	75,600
Watercraft Licensing Fund	250,000
Waterfowl Conservation Fund	100,000
SUBTOTAL - Other Appropriated Funds	4,022,400
SUBTOTAL - Appropriated Funds	8,022,400

TOTAL - ALL SOURCES ^{4/5/6/7/}

8,022,400

- ^{1/} The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration shall be reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund. (Capital Outlay Appropriation Act footnote)
- ^{2/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2011 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. Of the amounts appropriated to the Department of Administration, 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. Any monies appropriated for building renewal in FY 2011 that are unexpended or unencumbered on June 30, 2012 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{3/} Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{4/} 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. (Capital Outlay Appropriation Act footnote)
- ^{5/} 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, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- ^{6/} The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request. (Capital Outlay Appropriation Act footnote)
- ^{7/} The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided that funding for the FTE Positions is cost allocated among the projects receiving benefit. The Department of Administration shall report any FTE Position reallocations to the Joint Committee on Capital Review by December 31, 2010. (Capital Outlay Appropriation Act footnote)

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.

Unless otherwise specified, funding for capital projects was appropriated by Laws 2010, 7th Special Session, Chapter 2 (FY 2011 Capital Outlay Bill).

Building Renewal

Building Renewal

The budget includes \$5,582,400 for Building Renewal within the Arizona Department of Administration (ADOA) Building System in FY 2011. This amount includes \$4,000,000 from the General Fund and \$1,582,400 from Other Appropriated Funds. This amount consists of:

- \$4,000,000 from the General Fund and \$1,000,000 from the Capital Outlay Stabilization Fund to ADOA to fund 15% of the building renewal formula. In FY 2010, the formula was funded at \$1,000,000, or 3%.
- \$506,800 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula.
- \$75,600 from the State Lottery Fund to the Arizona State Lottery Commission to fund 100% of the building renewal formula.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The budget continues footnotes that allow 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, and a requirement that unused building renewal monies revert on June 30, 2012.

Game and Fish Department

The budget includes \$2,440,000 from Other Appropriated Funds for Arizona Game and Fish Department projects in FY 2011. This amount consists of:

	<u>FY 2011</u>
Game and Fish Capital Improvement Fund	\$1,800,000
Game and Fish Fund	290,000
Watercraft Licensing Fund	250,000
Waterfowl Conservation Fund	100,000

(All Building Renewal and Statewide Facilities Improvements, including preventative maintenance, are funded from the Game and Fish Fund.)

Game and Fish Statewide Projects

Ben Avery Shooting Facility Improvements

The budget includes \$800,000 from the Game and Fish Capital Improvement Fund for improvements to the Ben Avery Shooting Facility in FY 2011. This funding provides approximately \$700,000 for reconstruction and resurfacing of the main circulation roadways. The remainder of the funding will be used to replace the current water and septic system that serves the facility with connections to the City of Phoenix water and sewer system. This is the second and final phase of the project in which \$950,000 was appropriated in FY 2010.

Shooting Range Access

The budget includes \$200,000 from the Game and Fish Fund for shooting range access improvements in FY 2011. In FY 2008, FY 2009, and FY 2010, \$150,000 was appropriated for this project, and \$200,000 was appropriated in FY 2007. These improvements will partially resurface roadways at the department's 5 shooting ranges, which are generally unpaved or paved to light-duty standards.

Silver Creek Hatchery Remodel/Expansion

The budget includes \$1,000,000 from the Game and Fish Capital Improvement Fund for the expansion and renovation of the Silver Creek Hatchery located near Show Low in FY 2011.

This amount funds the second of 2 phases of hatchery construction and includes renovating the upper and lower springs to maximize fish production. The renovation will result in a fivefold increase in fish production as well as enable the hatchery to start an Apache Trout brood stock program. Currently, Apache Trout are hatched and raised at the Tonto Creek Hatchery. The department plans to construct a hatching and rearing building. The department will also construct an isolation facility for bringing in wild fish, provide power to the hatchery and improve the surrounding access roads.

The first phase, which included design of the project, cost \$1,900,000 and began in FY 2010.

Radio Tower

The budget includes \$250,000 from the Watercraft Licensing Fund for a radio tower in FY 2011. This funding will be used to construct a radio tower along the Colorado River. The new tower will provide radio coverage for law enforcement officers in remote wilderness areas. In FY 2008 and FY 2009, funding for

this project appeared in the operating budget. The project is expected to be completed in FY 2011.

Preventative Maintenance

The budget includes \$30,000 from the Game and Fish Fund to provide funding for preventative maintenance in FY 2011. The program was initiated in FY 2005 and was anticipated to receive ongoing annual funding. The program addresses unexpected facility maintenance expenses requiring immediate action and is separate from building renewal projects.

Migratory Waterfowl Habitat

The budget includes \$100,000 from the Waterfowl Conservation Fund as matching grants for the acquisition of waterfowl habitat in FY 2011. The Waterfowl Conservation Fund receives revenues from the sale of annual duck stamps. In FY 2011, the department would restore the Chevelon Wildlife Area. These funds will be matched by federal dollars for this project.

Game and Fish Region IV (Yuma) Projects

Yuma Regional Office Paving Project

The budget includes \$60,000 from the Game and Fish Fund for paving at the regional office located in Yuma in FY 2011. A 17,000 square foot gravel parking and equipment storage area will be paved to provide better dust control and site drainage.

Capital Outlay
Arizona Department of Transportation Building System

JLBC Analyst: Juan Beltran/Leatta McLaughlin

FY 2011
 APPROVED

BUILDING RENEWAL

ADOT Building Renewal ^{1/}	1,050,000
SUBTOTAL	1,050,000

INDIVIDUAL PROJECTS ^{2/}

Airport Planning and Development ^{3/}	22,477,700
Statewide Highway Construction ^{4/}	180,594,000
SUBTOTAL	203,071,700

TOTAL - ALL PROJECTS ^{5/6/}	204,121,700
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FUND SOURCES

Other Appropriated Funds

State Aviation Fund	22,527,700
State Highway Fund	181,594,000
SUBTOTAL - Other Appropriated Funds	204,121,700
SUBTOTAL - Appropriated Funds	204,121,700

Other Non-Appropriated Funds	251,717,000
Federal Funds ^{7/}	618,971,000
TOTAL - ALL SOURCES	1,074,809,700

DESCRIPTION — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.

Unless otherwise specified, funding for capital projects was appropriated by Laws 2010, 7th Special Session, Chapter 2 (FY 2011 Capital Outlay Bill).

Building Renewal
 The budget includes \$1,050,000 for Building Renewal within the Arizona Department of Transportation (ADOT)

- ^{1/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2011 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. Of the amounts appropriated to the Department of Administration, 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. Any monies appropriated for building renewal in FY 2011 that are unexpended or unencumbered on June 30, 2012 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{2/} Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{3/} The 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. (Capital Outlay Appropriation Act footnote)
- ^{4/} The 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 contracted 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. (Capital Outlay Appropriation Act footnote)
- ^{5/} 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. (Capital Outlay Appropriation Act footnote)
- ^{6/} 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, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- ^{7/} This amount excludes American Recovery and Reinvestment Act funds.

Building System in FY 2011. This amount consists of \$1,000,000 from the State Highway Fund (SHF) and \$50,000 from the State Aviation Fund. The SHF amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula is based on the square footage and replacement cost of existing buildings. The amounts represent 11% funding of the revised highways building renewal formula and 37% funding of the aviation building renewal formula.

Airport Planning and Development

The budget includes \$22,477,700 from the State Aviation Fund for ADOT’s airport construction program in FY 2011. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport.

Statewide Highway Construction

The budget includes \$180,594,000 from SHF in FY 2011 for controlled access and debt service on bonds. A footnote in the FY 2011 Capital Outlay Bill appropriates any additional monies in SHF above the appropriation to ADOT for highway construction (*please see Footnote 4*).

Table 1 shows the FY 2011 appropriated amounts for highway construction, controlled access and debt service. Highway construction funding is determined by the Transportation Board, which develops a 5-year plan. Controlled access funding is dedicated to urban highway construction. The Maricopa Association of Governments receives 75% and the Pima County Association of Governments receives 25%. Debt service funding represents the appropriated portion of debt service on bonds. ADOT has approximately \$2.9 billion in outstanding bonds and other long-term debt.

Due to declining Highway User Revenue Fund (HURF) revenue collections as well as a \$43,618,600 Vehicle License Tax (VLT) transfer to the General Fund in FY 2011, the budget includes no new SHF available for highway construction in the FY 2011 Capital Outlay Bill. Highway construction monies represent the amount that is available from the discretionary SHF to fund the State’s Transportation Board’s 5-year plan after all other allocations have been made. Please see Table 5 for the HURF distribution analysis, which shows that \$(25,765,000) of net SHF monies will be available for statewide highway construction in FY 2011. Since SHF cannot literally run a deficit, this \$(25,765,000) will be absorbed by other proceeds and fund balances.

Only a small portion of the state’s total \$1.8 billion highway construction funding is appropriated. Other monies available for highway construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund, and HURF for controlled access roads. (*Please see the*

Summary of Highway Construction section and Table 5 for additional information.)

The budget includes \$85,831,000 for controlled access and \$94,763,000 for debt service. Debt service payments are expected to increase by \$392,000 in FY 2011 as compared to \$94,371,000 in FY 2010.

Table 1 shows the allocation of the enacted budget related to highway construction.

Table 1	
FY 2011 Highway Construction & Debt Service	
	Capital Outlay Bill ^{1/}
Highway Construction	\$ 0 ^{2/}
Controlled Access	85,831,000
Debt Service	<u>94,763,000</u>
Total	\$180,594,000

^{1/} Since overall FY 2010 HURF collections have been consistent with JLBC Staff’s original FY 2010 - FY 2011 forecast, the budget estimates have not been further modified.
^{2/} The overall amount of new Highway Funds available for highway construction is projected to be \$(25,765,000). Since SHF cannot literally run a deficit, this amount is shown as \$0.

As noted in the HURF distribution table (*please see Table 5*), an additional amount of \$273,089,000 from unspent FY 2010 State Highway monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2011. But because of the estimated \$(25,765,000) shortfall, a total of \$247,324,000 will be available. (*Please see Table 5 for additional information.*)

Summary of Highway Construction

The State Transportation Board oversees ADOT’s highway construction program. The 5-Year Highway Construction Program adopted by the Board on June 19, 2009 includes monies from SHF, Federal Funds, Maricopa Regional Area Road Fund, HURF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$1,754,932,000 for FY 2011, including \$1,391,082,000 for construction and maintenance projects scheduled to begin in FY 2011 and \$363,850,000 for debt service. These estimates may be further modified once a new 5-Year Highway Construction Program (FY 2011-2015) is adopted by the Board on June 18, 2010. (*Please see Table 2 for additional details.*)

Total Highway Construction Funding

Only a small portion of the state’s total highway construction funding is appropriated. Table 3 summarizes all estimated revenues and expenditures for FY 2011, on a cash flow basis as provided by ADOT. Table 2 presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2011.

Of the revenue amounts in *Table 3*, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of Debt Service is appropriated.

	FY 2011 ^{1/}
Construction	\$ 145,847,000
Urban Controlled Access ^{2/}	970,324,000
Pavement Preservation Maintenance	135,000,000
Other ^{3/}	139,911,000
Debt Service ^{4/}	363,850,000
Total	\$1,754,932,000

^{1/} These amounts are subject to change pending the upcoming board meeting on June 18, 2010.
^{2/} Includes expenditures from HURF for controlled access and from the Maricopa Regional Area Road Fund.
^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.
^{4/} Information provided by ADOT. Includes \$94,763,000 for SHF statewide construction bonds; \$60,967,000 for HURF, MAG, and PAG controlled access bonds; \$107,551,000 for Maricopa Regional Area Road Fund Bonds; and \$100,569,000 for Grant Anticipation Notes.

Highway User Revenue Fund Analysis

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. *Table 4* explains the formula distribution of HURF monies between state and local governments. *Table 5* presents the overall HURF distribution for FY 2009 through FY 2011. The line in *Table 5*, which shows Net SHF Monies Available for Statewide Highway Construction, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. The line represents the amount that is available from the discretionary SHF to fund the State Transportation Board's 5-Year Plan.

Total FY 2009 HURF collections of \$1,248,583,000 were (7.1)% below FY 2008. This downward trend continues so far in FY 2010 and, as of March 2010, year-to-date HURF collections are \$(56,723,000), or (6.0)% below FY 2009. The budget estimates were based on HURF revenues of \$1,186,154,000 in FY 2010, which represents a (5)% decline over FY 2009. FY 2011 HURF revenues are projected to be \$1,203,946,000, which represents a 1.5% increase from forecasted FY 2010 HURF collections.

The downward trend in HURF collections is due to a variety of factors related to the general economic downturn. Even with lower fuel prices, consumers have been driving less. Lower population growth has also contributed to fewer miles driven, as well as reduced vehicle license tax and registration fee growth.

Additionally, motor carrier fees are down due to the continued trend of fewer registered commercial vehicles.

	FY 2011
Balance Forward ^{1/}	\$ 694,845,000
Revenues	
Appropriated Statewide Highway Construction ^{2/}	\$ 0
Appropriated Controlled Access Highways (MAG & PAG)	85,831,000
Appropriated Debt Service	94,763,000
STAN ^{3/}	29,089,000
½ Cent Sales Tax	180,900,000
Federal Aid ^{4/}	772,800,000
Maricopa Regional Area Road Fund Bond Proceeds ^{5/}	510,000,000
Grant Anticipation Note Proceeds ^{2/}	60,000,000
Miscellaneous Income/Expenses ^{6/}	(4,877,000)
Subtotal - Revenues	\$1,728,506,000
Total Funds Available for Construction	\$2,423,351,000
Debt Service Expenditures	
Appropriated Debt Service	\$ 94,763,000
Other Debt Service (All Other)	269,087,000
Subtotal - Debt Service	\$ 363,850,000
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$569,000,000
Controlled Access Highways (MAG)	795,153,000
Subtotal - Construction Expenditures	\$1,364,153,000
Total Planned Expenditures	\$1,728,003,000
Balance Forward	\$ 695,348,000

^{1/} Includes unexpended bond proceeds for bonds issued in prior years.
^{2/} The overall amount of new SHF available for highway construction is projected to be \$(25,765,000). Since SHF cannot literally run a deficit, this amount is shown as \$0.
^{3/} Represents the portion of the STAN account expected to be expended in FY 2011, including \$19,389,000 in Maricopa County and \$9,700,000 in other counties.
^{4/} Includes \$94,700,000 in American Recovery and Reinvestment Act funds.
^{5/} Proceeds reflect a cash expenditure basis.
^{6/} Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, construction operating budget reimbursements, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	42.8%
Total	100.0%

^{1/} A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (50.5% of 15.2% = 7.676%). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

Additional Legislation

Local Governments Reimbursements to the RRSCM Account

Laws 2010, Chapter 291 allows counties, cities and towns that have received monies from the Roads of Regional Significance Congestion Mitigation (RRSCM) account before July 1, 2012 to not reimburse the account. RRSCM is a sub-account of STAN and is currently used for lending monies to local governments in high growth counties, cities and towns for construction projects. Under previous law, any local government that was awarded monies from the RRSCM account was required to reimburse the account the entire amount borrowed within 15 years after receiving the monies.

According to ADOT, there is only 1 project in the town of Queen Creek that has received funding from the RRSCM account. As of May 2010, this project has received \$10,000,000. The town of Queen Creek had not been scheduled to reimburse any of the \$10,000,000 to the RRSCM account prior to July 1, 2012.

Table 5

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2009	FY 2010	FY 2011
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Total HURF Collections	\$1,248,583	\$1,186,154	\$1,203,946
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Operating Budget	617	620	620
Dept. of Public Safety (DPS) Transfer from HURF	<u>84,950</u>	<u>78,626</u>	<u>78,626</u>
Net HURF Collections	1,162,016	1,105,908	1,123,700
Less: Cities ^{2/}	354,415	337,302	342,729
Counties ^{2/}	220,783	210,122	213,503
Controlled Access ^{3/}	88,898	84,475	85,831
VLT Transfer to General Fund ^{4/}	66,989	43,171	43,619
VLT Transfer to Parity Compensation Fund ^{5/}	<u>1,962</u>	<u>2,730</u>	<u>2,791</u>
Net SHF (Discretionary)	428,969	428,108	435,227
Plus: Other Income ^{6/}	17,595	14,200	14,748
Less: Operating Budget	363,660	322,400	322,400
Operating Carryovers, Adjustments and Transfers ^{7/}	5	5	5
Capital Outlay and Building Renewal	920	1,000	1,000
Motor Vehicle Third Party Payments ^{8/}	16,060	15,959	16,316
DPS Transfer from Highway Fund	41,051	41,256	41,256
DPS Microwave Communications System ^{9/}	826	0	0
Debt Service ^{10/}	<u>92,672</u>	<u>94,371</u>	<u>94,763</u>
Net SHF Available for Statewide Highway Const. (5-Year Plan) ^{11/}	(68,630)	(32,683)	(25,765)
SHF Adjustments			
Plus: Discretionary SHF Beginning Balance	17,000	7,000	2,000
Controlled Access SHF Beginning Balance	155,000	119,000	182,000
STAN Beginning Balance	304,346	101,413	29,089
Construction Operating Budget Reimbursements ^{12/}	60,000	60,000	60,000
Discretionary SHF Bond Proceeds	<u>187,908</u>	<u>0</u>	<u>0</u>
Total Highway Fund Available for Statewide Highway Construction	\$ 655,624	\$ 254,730	\$ 247,324

^{1/} Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.

^{2/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

^{3/} A statutorily defined distribution of SHF monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

^{4/} VLT transfers in FY 2009 included a \$2,974,200 building renewal transfer, a \$32,288,700 non-highway capital transfer, a Fund Reduction and Transfer (FRAT) of \$21,001,800, an \$8,390,600 VLT transfer, and \$2,333,300, which was estimated to be the revenue generated by the 5-year renewal registration option. In FY 2010, the \$43,170,600 VLT transfer includes a FRAT of \$28,000,000, a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, and an \$8,390,600 VLT transfer. In FY 2011, the \$43,618,600 VLT transfer continues the FY 2010 \$43,170,600 VLT transfer and also includes a \$448,000 Safety Enforcement and Transportation Infrastructure Fund (SETIF) transfer to the General Fund, which is done via VLT.

^{5/} Laws 2005, Chapter 306 transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

^{6/} Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income. In FY 2009 only, this amount includes \$3,394,700 in transfers from SETIF to SHF. In FY 2011 only, this amount also includes \$448,000 in transfers from SETIF to SHF.

^{7/} Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

^{8/} Statutory payments to third parties from VLT collected by third parties.

^{9/} Laws 2006, Chapter 345 appropriated \$826,000 from SHF in each of FY 2007, FY 2008 and FY 2009 to ADOT for distribution to DPS for the design, construction and implementation of a microwave communications system upgrade.

^{10/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

^{11/} Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

^{12/} Construction operating budget monies reimbursed from Federal Funds, Maricopa Regional Area Road Fund and bond monies.

Capital Outlay
Arizona Board of Regents Building System

JLBC Analyst: Kimberly Cordes-Sween/Leatta McLaughlin

FY 2011
 APPROVED

BUILDING RENEWAL

Arizona Board of Regents

TOTAL

0
 0

FUND SOURCES

General Fund

TOTAL - ALL SOURCES

0
 0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

Debt Financed Projects

University Capital Projects

Laws 2008, Chapter 287, as amended by Laws 2009, 1st Special Session, Chapter 9, authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which not more than \$167,671,200 could be issued in FY 2009 and not more than \$400,000,000 in FY 2010. ABOR is required to allocate \$376,000,000 of the \$800,000,000 for the Phoenix Biomedical Campus. Of the remaining \$424,000,000 in proceeds, ABOR plans to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction and \$136,000,000 to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

The Joint Committee on Capital Review (JCCR) favorably reviewed \$167,671,200 for building renewal projects in November 2008 and February 2009. The Committee also favorably reviewed \$172,940,000 for Phase I of the Phoenix Biomedical Campus in March 2010, which represents a portion of the \$376,000,000 requirement and was supposed to be a collaboration between the 3 universities. Subsequent to the March 2010 JCCR meeting, ASU withdrew its partnership altogether from the Phoenix Biomedical Campus. According to ABOR, the University of Arizona and Northern Arizona University will still issue the \$172,940,000 for the Biomedical Campus.

At the March meeting, JCCR favorably reviewed the Phoenix Biomedical Campus debt issuance with the provision that the universities not request authority for further lottery bonding projects for 18 months, or until September 2011. After that time, a total of \$459,388,800 in remaining authority will be available for university

lottery bonding projects, including \$203,060,000 for Phoenix Biomedical Campus expansion.

Under Chapter 287, the annual debt service payments were designed to be paid from the University Capital Improvement Lease-to-Own and Bond (UCI) Fund and would be comprised of at least 80% Lottery revenues and up to 20% state university system revenues, as required by Chapter 287. The FY 2010 Higher Education Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9) restricts Lottery distributions in FY 2010 and FY 2011 into the UCI Fund by not allowing Lottery revenues to exceed 80% of the required annual debt service for the \$167,671,200 in building renewal projects in both years. As a result, the Phoenix Biomedical Campus projects debt service will not be funded with Lottery revenues in FY 2011 and will be entirely funded by university system revenues.

Due to the elimination of the Lottery's advertising cap in Chapter 287 and other procedural changes, the Lottery Commission expected to increase sales to pay for a deposit to the UCI Fund in FY 2009 and for their 80% portion of the annual debt service payments in FY 2010 and beyond. *(Please see the Lottery budget narrative pages for more information.)*

After all Lottery revenue beneficiaries received their statutory distributions, Chapter 287 required up to \$20,000,000 be deposited into the UCI Fund in FY 2009. While Lottery estimated that this fund would receive about \$12,700,000 in FY 2009, the fund received no revenue in FY 2009. The JLBC expects that the UCI Fund will receive no monies in FY 2010 and \$7,801,800 in FY 2011. These revenues should be sufficient to pay the maximum 80% lottery portion of the debt service for the \$167,671,200 in building renewal projects. However, UCI Fund revenues are not anticipated to cover the full 80%

Table 1**University Lottery Bonding Projects ^{1/}**

		<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Projected Lottery Revenue to UCI Fund ^{2/}		\$7,801,800	\$12,570,500	\$18,280,000	\$24,234,000	\$30,439,700	\$36,904,200
Building Renewal Projects							
Lottery Debt Service	80%	\$7,801,800 ^{3/}	\$ 6,241,500	\$ 6,241,500	\$ 6,241,500	\$ 6,241,500	\$12,716,000
University Debt Service	20%	<u>1,950,500</u>	<u>1,560,400</u>	<u>1,560,400</u>	<u>1,560,400</u>	<u>1,560,400</u>	<u>3,179,000</u>
Total Debt Service for \$167.7 M		\$9,752,300	\$ 7,801,900	\$ 7,801,900	\$ 7,801,900	\$ 7,801,900	\$15,895,000
Phoenix Biomedical Campus							
Lottery Debt Service	80%	\$ 0	\$ 6,596,000	\$ 6,596,000	\$ 6,596,000	\$ 6,596,000	\$ 8,848,000
University Debt Service	20%	<u>7,237,000 ^{3/}</u>	<u>1,649,000</u>	<u>1,649,000</u>	<u>1,649,000</u>	<u>1,649,000</u>	<u>2,212,000</u>
Total Debt Service for \$172.9 M		\$7,237,000	\$ 8,245,000	\$ 8,245,000	\$ 8,245,000	\$ 8,245,000	\$11,060,000
Total Lottery Requirement		\$7,801,800	\$12,837,500	\$12,837,500	\$12,837,500	\$12,837,500	\$21,564,000
Lottery Shortfall ^{4/}		0	(267,000)	0	0	0	0
Projected Unused Lottery Revenues		\$ 0	\$ 0	\$ 5,442,500	\$11,396,500	\$17,602,200	\$15,340,200
Projected University Cost ^{5/}		\$9,187,500	\$ 3,476,400	\$ 3,209,400	\$ 3,209,400	\$ 3,209,400	\$ 5,391,000

1/ Represents JCCR reviewed projects. All debt service estimates are rounded and final numbers will not be available until bonds are secured.

2/ Revenues are based on a 10-year average 5% annual increase in lottery revenues (post distribution to beneficiaries).

3/ The university amount identified in FY 2011 includes 100% of the debt service payment since Laws 2009, 3rd Special Session, Chapter 9 does not allow lottery revenues to exceed 80% of the debt service on the \$167,671,200 in building renewal projects in FY 2010 and FY 2011. As a result, only the building renewal projects can be funded from lottery proceeds in FY 2011.

4/ University revenues would be used to offset the Lottery shortfall.

5/ Includes the 20% university share plus the Lottery shortfall.

portion for the Phoenix Biomedical Campus debt service until FY 2013. Until revenues are sufficient, the universities will cover their minimum 20% share of the payment and will backfill the Lottery shortfall.

Chapter 287 also provided that the monies distributed from the UCI Fund would be exempt from the university debt limit calculations. However, each university is required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.

Table 1 shows the current projections for UCI Fund revenues and a summary of the payment schedule for the Phoenix Biomedical Campus and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds. The estimated debt service for interest-only payments for the first 5 years for both the building renewal projects and the Phoenix Biomedical Campus is projected at \$16,989,300 in FY 2011 and \$16,046,900 for FY 2012 to FY 2015. From FY 2016 until FY 2030, the fully annualized payment would be \$26,055,000.

Additional Legislation

University Athletic Facilities Districts

Laws 2010, Chapter 140 would allow the Maricopa, Pima, and Coconino County Board of Supervisors to establish a University Athletic Facilities District (UAFD) that will allow ABOR to construct new or modify existing sports facilities at a public university. The UAFD would be funded by an in lieu tax on new commercial leases established on ABOR-owned property within the

boundaries of the universities. The UAFD (not ABOR) would be allowed to use debt financing to pay for the costs of renovating/constructing the sports facilities, with the in lieu tax revenue used to pay the annual debt service payments. If the UAFD chose to issue debt, it would not be university debt since it would be issued and paid for by a separate entity.

Capital Outlay
Lease-Purchase Financing

JLBC Analyst: Leatta McLaughlin

FY 2011
 APPROVED

LEASE-PURCHASE PAYMENTS

Arizona Department of Administration

Leaseback Obligations	54,826,600
TOTAL - ALL PROJECTS	54,826,600

FUND SOURCES

General Fund	54,826,600
TOTAL - ALL SOURCES	54,826,600

DESCRIPTION — This section consists of monies appropriated by the General Appropriation Act to make payments for state issued lease-purchase agreements.

Lease-Purchase Payments

Leaseback Obligations

The budget includes \$54,826,600 from the General Fund for lease-purchase payments in FY 2011 related to the \$1,035,419,300 in state building sale/lease-back agreements.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 6) authorized the Arizona Department of Administration (ADOA) to enter into 1 or more sale/lease-back agreements in FY 2010 for existing state-owned facilities, including prison facilities.

In a sale/lease-back agreement, the state sells properties to the trustee, and the trustee leases the properties back to the state. Since the properties were sold, the trustee holds the titles to the properties. The control of the properties remains with the state, but the trustee literally "holds" the titles until the obligation is fully repaid. The state reacquires its financial stake through lease-purchase agreements.

Under Chapter 6, any lease-purchase agreements were required to: 1) result in proceeds totaling \$735,419,300 to be deposited to the General Fund in FY 2010 to subsidize state operating expenses, with not more than \$250,000,000 prior to December 31, 2009; 2) be for a fixed term of up to 20 years; 3) result in an initial lease-purchase payment in FY 2011; and 4) require the Arizona Department of Corrections (ADC) or other state agencies and boards, including any private contractors, to maintain operations at the facilities which are sold and simultaneously leased back. The transaction was required to be completed by June 30, 2010 and ADOA was to consult with ADC if a transaction involved a state-owned prison facility.

ADOA was able to sell the entire \$735,419,300 issuance at an average tax-exempt interest rate of 4.57% in January 2010. The first 2 years will be interest only payments of \$41,726,600 in FY 2011 and \$35,344,900 in FY 2012. All the payments for the remaining 18 years will be approximately \$60,100,000. The FY 2011 payment of \$41,726,600 was appropriated to ADOA in Section 146 of the FY 2011 General Appropriation Act.

The following properties were part of the agreement: the Arizona State Prison Complexes at Eyman and Florence, the Executive Tower, the Senate and House of Representatives buildings, the Polly Rosenbaum State Archives building, the Department of Revenue building and parking structure, the Department of Public Safety Phoenix headquarters, the Arizona State Hospital, the Coliseum and Exposition Center, and the Phoenix Day School for the Deaf.

Additionally, Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to enter into an additional 20-year, \$300,000,000 sale/lease-back agreement for state buildings by September 30, 2010. While ADOA has until September to complete the transaction, it is legislative intent that the proceeds be received by June 30, 2010 for use in balancing the FY 2010 budget. As with the \$735,419,300 issuance, this agreement is also expected to have an interest-only payment in FY 2011, which is estimated to be \$13,100,000.

This lease-purchase payment was appropriated to ADOA in Section 146 of the FY 2011 General Appropriation Act. In combination with the \$41,726,600 for the original \$735,419,400 sale/lease-back, the total lease-purchase payment for FY 2011 is \$54,826,600.

The \$735,419,300 agreement was issued as a tax-exempt deficit financing mechanism in which the proceeds were

used for state operational expenses, and the \$300,000,000 agreement is expected to be issued the same. If a state uses tax-exempt debt financing to eliminate a budget shortfall, federal regulations require the state to repay the obligation early if a state's surplus exceeds 5% in a future year. The FY 2011 Budget Procedures BRB (Laws 2010, 7th Special Session, Chapter 3) requires ADOA to annually submit to JLBC by December 31 of each year a Working Capital Surplus Report associated with meeting the requirements for tax-exempt deficit financing concerning agreements entered into after January 1, 2009.

Long-Term Financing Summary

Privatized Lease-to-Own Facilities

Under a privatized lease-to-own (PLTO) agreement, a private entity finances and constructs a building and leases it to the state. At the end of the lease term, the state takes possession of the building.

ADOA entered into PLTO agreements with private entities for 3 office buildings on the Capitol Mall. The 3 buildings house ADOA, the Department of Environmental Quality, and the Department of Health Services. *Table 1* provides information on current lease-to-own agreements.

Privatized Lease-to-Own Summary				
Fund Type	Original Issue	FY 2011 Appropriation	FY 2011 Payment	Lease Completion
General Fund	NA	\$ 4,551,400	\$ 4,876,400	FY 2027
Other Approp.	NA	5,813,200	6,263,700	FY 2027
Non-Approp.	NA	979,900	1,051,400	FY 2028
Total	NA	\$11,344,500	\$12,191,500	NA

Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA and the universities have entered into lease-purchase agreements for the acquisition and construction of state facilities.

The School Facilities Board (SFB) also entered into lease-purchase agreements between FY 2003 and FY 2005 for the construction of new schools. In FY 2006 and FY 2007, new school construction was financed on a cash basis. The FY 2009 Education BRB (Laws 2008, Chapter 287) authorized SFB to enter into lease-purchase agreements again in FY 2009 for most of FY 2008 and all of FY 2009 new construction costs, with annual debt service payments that began in FY 2010.

The FY 2011 Education BRB (Laws 2010, 7th Special Session, Chapter 8) requires SFB to refinance existing obligations in order to realize up to \$60,000,000 of savings in FY 2011, and prohibits SFB from entering into a refinancing agreement which achieves costs savings in other fiscal years in order to avoid substantial changes to

their current debt service schedules. It is projected that refinancing these obligations will increase the payments by \$2,827,600 annually in FY 2012 – FY 2018, by \$22,419,500 in FY 2019, and by \$43,165,600 in FY 2020. However, the payment scheduled will not be finalized until the agreement is issued, which is expected to be July or August 2010.

The state has also committed to participating in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. The City of Phoenix issued \$600,000,000 in COPs in FY 2005. The project was completed in January 2009. The state was not required to begin repayment of its share of \$300,000,000, plus interest, until the following year in FY 2010.

Table 2 provides information related to current state lease-purchase agreements.

Bonding Summary

The Arizona Board of Regents, on behalf of the universities, the Arizona Department of Transportation, and SFB have issued bonds to renovate, acquire, and construct facilities, as well as purchase equipment.

SFB has also issued Qualified Zone Academy Bonds (QZABs). The QZAB program, enacted through federal legislation, allows state and local agencies to issue QZABs at low interest rates by providing federal tax credits to bond holders. SFB issued \$20,000,000 in QZABs in FY 2003. The debt service on QZABs is paid from Permanent State School Fund revenues.

The FY 2010 Education BRB (Laws 2009, 3rd Special Session, Chapter 12) originally required SFB to issue up to \$100,000,000 of Qualified School Construction Bonds by the middle of FY 2011 as authorized by the American Reinvestment and Recovery Act of 2009 to be spent on new construction projects only. The FY 2011 Education BRB retained the \$100,000,000 cap, but expanded this authority to include another federal bonding program, Build America Bonds and allowed SFB to issue the bonds through the end of FY 2011. This bond is expected to be issued in July or August 2010. (*Please see the SFB budget narrative pages for more information.*)

Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments will be made from the Lottery revenues that would have otherwise been deposited into the General Fund. It is estimated that the FY 2011 bond payment will be \$21,600,000, which is interest only. This will result in the General Fund receiving \$21,600,000 less in Lottery revenues in FY 2011.

Table 2 also provides information related to current bond issuances.

Table 2

Lease-Purchase and Bonding Summary

Lease-Purchase Summary	Overall Balance ^{1/}	GF Balance ^{1/}	Overall FY 11 Pymt. ^{2/}	FY 11 GF Pymt. ^{2/}	Retirement FY
ADOA Building System					
2001 A/B Issuance/Refinance					
Prisons/ENSCO	\$ 1,400,400	\$ 1,400,400	\$ 2,862,800	\$ 2,862,800	FY12
Revenue Building	539,100	528,300	1,101,800	1,079,700	FY12
DES Homes	68,900	44,800	140,800	92,200	FY12
Capital Center	<u>401,600</u>	<u>293,200</u>	<u>820,800</u>	<u>605,200</u>	FY12
<i>Subtotal</i>	\$ 2,410,000	\$ 2,266,700	\$ 4,926,200	\$ 4,639,900	
2002A Issuance:					
Health Laboratory	\$ 20,885,000	\$ 11,904,500	\$ 2,319,500	\$ 1,312,600	FY23
2002B Issuance/Refinance					
16th Ave. Parking	0	0	\$ 933,500	\$ 933,500	FY11
Courts Building	0	0	8,355,400	4,904,600	FY11
Historical Museum	0	0	3,074,000	2,643,700	FY11
ASDB Food Service	0	0	928,400	928,400	FY11
DES West	0	0	7,365,100	4,255,500	FY11
Tucson Building	<u>0</u>	<u>0</u>	<u>5,296,900</u>	<u>3,701,300</u>	FY11
<i>Subtotal</i>	\$ 0	\$ 0	\$ 25,953,300	\$ 17,367,000	
2004A Issuance/Refinance					
Records Management	\$ 305,000	\$ 305,000	\$ 182,200	182,200	FY12
Library for the Blind	5,000	5,000	10,700	10,700	FY12
ASDB Projects	1,975,000	1,975,000	1,257,600	1,257,600	FY12
1616 West Adams	5,000	900	10,700	1,900	FY12
Tonto Natural Bridge	<u>590,000</u>	<u>0</u>	<u>373,800</u>	<u>0</u>	FY12
<i>Subtotal</i>	\$ 2,880,000	\$ 2,285,900	\$ 1,835,000	\$ 1,452,400	
2004B Issuance					
ADC Prison Expansions	\$ 20,800,000	\$ 20,800,000	\$ 3,194,300	\$ 3,194,300	FY19
2008A Issuance					
ADC 4000 Prison Beds, Water, and Wastewater	\$ 192,105,000	\$ 192,105,000	\$ 16,719,900	\$ 16,719,900	FY23, 28
DHS Forensic Hospital	<u>28,625,000</u>	<u>28,625,000</u>	<u>3,113,700</u>	<u>3,113,700</u>	FY23
<i>Subtotal</i>	\$ 220,730,000	\$ 220,730,000	\$ 19,833,600	\$ 19,833,600	
2010 Issuance					
Sale/Leaseback	\$1,035,419,300 ^{3/}	<u>1,035,419,300 ^{3/}</u>	<u>54,826,600</u>	<u>54,826,600</u>	FY30
<i>Subtotal - ADOA</i>	\$1,303,124,300	\$1,293,406,400	\$112,888,500	\$102,626,400	
School Facilities Board					
New School Construction - FY 2003 - FY 2005	\$ 666,755,000	\$ 666,755,000	\$ 41,057,500 ^{4/}	\$41,057,500 ^{4/}	FY20
New School Construction - FY 2008 - FY 2009	580,035,000	580,035,000	21,098,000 ^{4/}	21,098,000 ^{4/}	FY24
2011 Refinance ^{4/}	<u>62,220,000</u>	<u>62,220,000</u>	<u>528,200</u>	<u>528,200</u>	FY20
<i>Subtotal - SFB</i>	\$1,309,010,000	\$1,309,010,000	\$ 62,683,700	\$ 62,683,700	
ABOR Building System					
Arizona State University	\$ 388,765,000	\$ 170,738,600	\$ 33,028,000	\$ 14,472,000	FY11-FY31
Northern Arizona University	134,938,000	62,903,700	7,201,000	5,900,000	FY15-FY36
University of Arizona	<u>489,859,000</u>	<u>215,669,700</u>	<u>37,885,000</u>	<u>14,253,000</u>	FY20-FY31
<i>Subtotal - ABOR</i>	\$1,013,562,000	\$ 449,312,000	\$ 78,114,000	\$ 34,625,000	
Phoenix Convention Center ^{5/6/}	\$ 300,000,000	\$ 300,000,000	\$ 10,000,000	\$ 10,000,000	FY39
<i>TOTAL - Lease-Purchase</i>	\$3,925,696,300	\$3,351,728,400	\$263,686,200	\$209,935,100	

(Continued)

Table 2 (Continued)

Bonding Summary	Overall Balance ^{1/}	GF Balance ^{1/}	Overall FY 11 Pymt. ^{2/}	FY 11 GF Pymt. ^{2/}	Retirement FY
School Facilities Board					
Deficiencies Correction:					
Proposition 301	\$ 512,297,700	\$ 0	\$ 65,841,200	\$ 0	FY21
State Land Trust - FY 2004	154,405,000	0	24,249,300	0	FY18
Federal Bonds	<u>100,000,000</u>	<u>\$ 100,000,000</u>	<u>0 ^{7/}</u>	<u>0 ^{7/}</u>	FY26
<i>Subtotal - SFB</i>	\$ 766,702,700	\$ 100,000,000	\$ 90,090,500	\$ 0	
Department of Transportation	\$2,966,000,000 ^{8/}	\$ 0	\$363,850,000	\$ 0	FY17, 26, 34
ABOR Building System					
Arizona State University	\$ 553,755,000	\$ 0	\$ 53,951,000	\$ 0	FY31
Northern Arizona University	187,270,000	0	15,400,000	0	FY31
University of Arizona	498,650,000	0	47,704,000	0	FY31
University Lottery Bond (SPEED)	<u>340,611,200 ^{9/}</u>	<u>0</u>	<u>16,989,300</u>	<u>0</u>	FY30
<i>Subtotal - ABOR</i>	\$1,580,286,200	\$ 0	\$134,044,300	\$ 0	
Lottery Revenue Bond ^{5/}	\$ 450,000,000	\$ 450,000,000	\$ 21,600,000	\$ 21,600,000	FY30
<i>TOTAL - Bonding</i>	\$5,762,988,900	\$ 550,000,000	\$609,584,800	\$ 21,600,000	
TOTAL - Lease-Purchase & Bonding	\$9,688,685,200	\$3,901,728,400	\$873,271,000	\$231,535,100	

^{1/} Represents principal balances. ADOA balances are as of June 30, 2011. All other balances are as of June 30, 2009. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.

^{2/} Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY11 GF Pymt." column.

^{3/} \$300,000,000 of this amount has not been issued yet but is required to be by September 30, 2010.

^{4/} Laws 2010, 7th Special Session, Chapter 8 requires SFB to refinance existing obligations in order to realize \$60,000,000 of savings in FY 2011, which will result in lower FY 2011 payments for the FY 2003 - FY 2005 and FY 2008 - FY 2009 issuances. The FY 2011 payment for the FY 2003 - FY 2005 issuance will decrease by \$23,815,000 for a total payment of \$41,057,500, while the FY 2011 payment for the FY 2008 - FY 2009 issuances will decrease by \$37,549,600 for a total payment of \$21,098,000. The FY 2011 interest only payment of \$528,200 for the refinance will be paid from the proceeds.

^{5/} These obligations will be repaid with foregone General Fund revenues.

^{6/} The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the City to pay this portion of the lease-purchase payment.

^{7/} Even though this bond is expected to be issued in July or August 2010, SFB does not plan on making a payment until FY 2012.

^{8/} Includes \$1,740,000,000 for HURF bonds, \$777,000,000 for MRARF bonds, and \$449,000,000 for GANs.

^{9/} Includes \$167,671,200 for building renewal projects favorably reviewed by JCCR in November 2008 and February 2009 and \$172,940,000 for Phase I of the Phoenix Biomedical Campus favorably reviewed by JCCR in March 2010. These are the initial projects under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED, which was authorized by Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 9. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)

SUMMARY OF RENT CHARGES ^{1/2/}
Phoenix and Tucson Governmental Malls

	Fiscal Year 2011			
	General Fund	Other Fund	Non-Approp	Total
<u>BUDGET UNITS</u>				
Acupuncture Board of Examiners				
1400 W Washington	0	5,500	0	5,500
Administration, AZ Department of				
1300 W Washington	9,300	0	0	9,300
1400 W Washington	64,700	0	0	64,700
1510 W Adams	0	460,600	0	460,600
1520 W Adams	0	13,300	0	13,300
1522 W Jackson	0	67,300	0	67,300
1537 W Jackson	0	88,800	0	88,800
1802 W Jackson	0	0	139,600	139,600
1840 W Jackson	72,800	0	0	72,800
1850 W Jackson	22,200	0	0	22,200
1700 W Washington	261,400	73,700	0	335,100
1937 W Jefferson/CDC	0	184,200	0	184,200
1937 W Jefferson/Wayland	17,700	0	19,900	37,600
1801 W Madison	29,300	0	0	29,300
1805 W Madison	39,700	0	0	39,700
2910 N 44th Street	3,200	0	0	3,200
14 N 18th Avenue	17,400	27,400	5,000	49,800
402 W Congress, Tucson	28,000	42,100	0	70,100
416 W Congress, Tucson	3,500	0	0	3,500
Subtotal - AZ Dept of Administration	569,200	957,400	164,500	1,691,100
Administrative Hearings, Office of				
1400 W Washington	148,700	0	107,700	256,400
Agriculture, AZ Department of				
1520 W Adams	133,400	30,800	6,800	171,000
1624 W Adams	8,500	2,800	1,000	12,300
1688 W Adams	523,300	120,700	26,800	670,800
Subtotal - AZ Dept of Agriculture	665,200	154,300	34,600	854,100
Appraisal, State Board of				
1400 W Washington	0	36,400	0	36,400
AZ Health Care Cost Containment System				
Kingman Building	9,200	0	6,100	15,300
Arts, AZ Commission on the				
417 W Roosevelt	88,300	0	0	88,300
Attorney General - Department of Law				
1275 W Washington	1,726,500	35,200	0	1,761,700
402 W Congress, Tucson	384,100	0	0	384,100
Subtotal - Attorney General - Dept of Law	2,110,600	35,200	0	2,145,800
Auditor General				
2910 N 44th Street	448,200	0	0	448,200
Automobile Theft Authority				
1400 W Washington	0	41,700	0	41,700
Barbers, Board of				
1400 W Washington	0	15,200	0	15,200
Charter Schools, State Board for				
1700 W Washington	72,800	0	0	72,800

	Fiscal Year 2011			
	General Fund	Other Fund	Non-Approp	Total
Commerce, Department of				
1700 W Washington	289,300	86,300	132,000	507,600
Corporation Commission				
1200 W Washington	191,000	622,300	0	813,300
1300 W Washington	212,200	270,100	0	482,300
1400 W Washington	143,600	9,200	0	152,800
Subtotal - Corporation Commission	546,800	901,600	0	1,448,400
Corrections, State Department of				
1601 W Jefferson	988,500	0	0	988,500
1645 W Jefferson	802,500	0	0	802,500
1831 W Jefferson	376,000	0	0	376,000
Subtotal - State Dept of Corrections	2,167,000	0	0	2,167,000
Deaf and Hard of Hearing, Commission for the				
1400 W Washington	0	99,600	0	99,600
Economic Security, Department of				
1400 W Washington	0	0	15,300	15,300
Kingman Building	292,500	39,700	32,500	364,700
Subtotal - Department of Economic Security	292,500	39,700	47,800	380,000
Education, Department of				
1535 W Jefferson	786,200	0	617,800	1,404,000
416 W Congress, Tucson	5,300	3,900	18,500	27,700
Subtotal - Department of Education	791,500	3,900	636,300	1,431,700
Equal Opportunity, Governor's Office of				
1700 W Washington	21,500	0	0	21,500
Equalization, State Board of				
416 W Congress, Tucson	1,800	0	0	1,800
Executive Clemency, Board of				
1645 W Jefferson	111,600	0	0	111,600
Financial Institutions, Department of				
2910 N 44th Street	246,000	0	27,300	273,300
Funeral Directors & Embalmers, State Board of				
1400 W Washington	0	18,100	0	18,100
Geological Survey, AZ				
402 W Congress, Tucson	7,700	0	0	7,700
416 W Congress, Tucson	193,300	0	0	193,300
Subtotal - AZ Geological Survey	201,000	0	0	201,000
Governor, Office of the				
1645 W Jefferson	1,100	0	0	1,100
1700 W Washington	772,400	0	15,800	788,200
Subtotal - Office of the Governor	773,500	0	15,800	789,300
Gov's Ofc of Strategic Planning & Budgeting				
1700 W Washington	132,500	0	0	132,500
Health Services, Department of				
1740 W Adams	992,800	467,200	0	1,460,000
1818 W Adams	213,200	87,100	0	300,300
402 W Congress, Tucson	600	300	0	900
416 W Congress, Tucson	61,600	6,800	0	68,400
Subtotal - Department of Health Services	1,268,200	561,400	0	1,829,600
Historical Society, Arizona				
1502 W Washington ^{3/}	524,700	0	0	524,700
Homeland Security, AZ Dept of				
1700 W Washington	0	0	150,000	150,000

	Fiscal Year 2011			
	General Fund	Other Fund	Non-Approp	Total
Homeopathic & Integrated Medicine Examiners, State Board of 1400 W Washington	0	6,000	0	6,000
Indian Affairs, AZ Commission of 1400 W Washington	12,100	0	0	12,100
Insurance, Department of 2910 N 44th Street	435,300	0	147,800	583,100
Juvenile Corrections, Department of 1624 W Adams	698,000	0	0	698,000
Legislature - House of Representatives 402 W Congress, Tucson	11,400	0	0	11,400
Legislature - Senate 402 W Congress, Tucson	11,300	0	0	11,300
Medical Board, AZ 9500 Doubletree Rd.	0	337,500	0	337,500
Mine Inspector, State 1700 W Washington ^{3/}	92,200	0	0	92,200
Naturopathic Physicians Medical Board 1400 W Washington	0	34,900	0	34,900
Navigable Stream Adjudication Commission, AZ 1700 W Washington	16,200	0	0	16,200
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs. 1700 W Washington	0	25,000	0	25,000
Opticians, State Board of Dispensing 1400 W Washington	0	6,000	0	6,000
Optometry, State Board of 1400 W Washington	0	9,600	0	9,600
Osteopathic Examiners, AZ Board of 9500 Doubletree Rd.	0	49,200	0	49,200
Parks Board, AZ State 1300 W Washington	0	0	409,800	409,800
1645 W Jefferson	0	0	900	900
Subtotal - AZ State Parks Board	0	0	410,700	410,700
Personnel Board 1400 W Washington	0	30,800	0	30,800
Pest Management, Office of 9500 Doubletree Rd.	0	185,600	0	185,600
Pharmacy, AZ State Board of 1700 W Washington	0	130,300	0	130,300
Podiatry Examiners, State Board of 1400 W Washington	0	5,300	0	5,300
Private Postsecondary Education, State Board for 1400 W Washington	0	21,100	0	21,100
Psychologist Examiners, State Board of 1400 W Washington	0	20,600	0	20,600
Real Estate Department, State 2910 N 44th Street	322,900	0	0	322,900
Respiratory Care Examiners, Board of 1400 W Washington	0	23,600	0	23,600
Revenue, Department of 402 W Congress, Tucson	213,900	0	0	213,900
416 W Congress, Tucson	149,900	0	0	149,900
Subtotal - Department of Revenue	363,800	0	0	363,800

	Fiscal Year 2011			Total
	General Fund	Other Fund	Non-Approp	
School Facilities Board				
1700 W Washington	145,900	0	0	145,900
Secretary of State - Dept of State				
1100 W Washington	66,000	0	0	66,000
1700 W Washington	244,800	0	0	244,800
1645 W Jefferson	700	0	0	700
Subtotal - Secretary of State - Dept of State	311,500	0	0	311,500
State Boards' Office				
1400 W Washington	0	36,500	0	36,500
Transportation, Department of				
1275 W Washington ^{4/}	0	172,900	0	172,900
Treasurer, State				
1700 W Washington	181,300	0	0	181,300
Veterinary Medical Examining Board, AZ State				
1400 W Washington	0	25,200	0	25,200
Water Resources, Department of				
1520 W Adams	110,500	0	0	110,500
GRAND TOTAL	\$14,192,500	\$4,076,400	\$1,880,600	\$20,149,500

^{1/} Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share based on actual occupancy.

^{2/} The FY 2011 office square footage rental rate is \$21.02 and the storage square footage rate is \$7.62.

^{3/} Laws 2010, 2nd Regular Session, Chapter 227 transfers the curator, operation, and maintenance of the Arizona Mining and Mineral Museum at 1502 W Washington from the Arizona Department of Mines and Mineral Resources (ADMMR) to the Arizona Historical Society as part of a newly-established Centennial Museum effective July 29, 2010. Chapter 227 also transfers \$589,700 from ADMMR to the Arizona Historical Society in FY 2011 to pay the museum's rent and to pay the salary and employee related expenses of the museum curator. As a result of DMMR vacating it's space at 1502 W Washington, they may relocate to a portion of the State Mine Inspector's space at 1700 W Washington.

^{4/} Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.

LEASE-PURCHASE APPROPRIATIONS ^{1/}
Department of Administration Building System

	Fiscal Year 2011 - Budgeted/Billed ^{2/}			
	General Fund	Other Fund	Non-Approp	Total
BUDGET UNITS				
Administration, AZ Department of				
16th Ave Parking Garage	933,500	0	0	933,500
Capital Center - AG ^{3/}	0	159,400	0	159,400
Capital Center	6,600	0	0	6,600
Capital Center (Vacant)	79,800	7,900	0	87,700
ENSCO	2,862,800	0	0	2,862,800
1616 W Adams	0	300	0	300
Tucson Office	247,700	114,100	0	361,800
DES-West	133,700	0	0	133,700
Sale/Lease-Back	54,826,600	0	0	54,826,600
Subtotal - AZ Department of Administration	\$59,090,700	\$281,700	\$0	\$59,372,400
Agriculture, AZ Department of				
DHS Health Lab	199,600	0	0	199,600
Tucson Office	63,600	22,200	0	85,800
Subtotal - AZ Department of Agriculture	\$263,200	\$22,200	\$0	\$285,400
Attorney General - Department of Law				
Capital Center	327,500	31,200	0	358,700
Tucson Office	78,200	0	0	78,200
Subtotal - Attorney General	\$405,700	\$31,200	\$0	\$436,900
Citizens Clean Elections Commission				
1616 W Adams	0	0	500	500
Contractors, Registrar of				
Tucson Office	0	107,100	0	107,100
Corporation Commission				
Tucson Office	91,100	71,600	0	162,700
Corrections, Arizona Department of				
1,000 Public Prison Beds	3,194,300	0	0	3,194,300
4,000 Public Prison Beds	16,063,900	0	0	16,063,900
Water and Wastewater Projects	656,000	0	0	656,000
Subtotal - AZ Department of Corrections	\$19,914,200	\$0	\$0	\$19,914,200
Deaf and the Blind, AZ State Schools for the				
Food Service Building	928,400	0	0	928,400
High School and Auditorium	1,257,600	0	0	1,257,600
Subtotal - Schools for the Deaf & the Blind	\$2,186,000	\$0	\$0	\$2,186,000
Economic Security, Department of				
DES Group Homes	92,200	0	48,600	140,800
DES-West	4,121,800	1,229,400	1,880,200	7,231,400
Tucson Office	876,600	252,700	356,500	1,485,800
Capital Center ^{4/}	191,300	0	0	191,300
Subtotal - Department of Economic Security	\$5,281,900	\$1,482,100	\$2,285,300	\$9,049,300
Education, Department of				
Tucson Office	109,200	0	40,200	149,400
Environmental Quality, Department of				
Tucson Office	0	210,000	91,600	301,600
Fire, Building and Life Safety, Department of				
Tucson Office	98,600	0	0	98,600
Gaming, Department of				
Tucson Office	0	40,000	0	40,000
Governor, Office of the				
Tucson Office	93,100	0	0	93,100

	Fiscal Year 2011 - Budgeted/Billed ^{2/}			
	General Fund	Other Fund	Non-Approp	Total
Health Services, Department of				
Capital Center (Disease Control)	0	0	17,100	17,100
Health Lab	1,113,000	1,006,900	0	2,119,900
Tucson Office	162,700	193,100	0	355,800
Arizona State Hospital Forensic Unit	3,113,700	0	0	3,113,700
Subtotal - Department of Health Services	<u>\$4,389,400</u>	<u>\$1,200,000</u>	<u>\$17,100</u>	<u>\$5,606,500</u>
Historical Society, Arizona				
Papago Museum	2,643,700	430,300	0	3,074,000
Insurance, Department of				
Tucson Office	17,800	0	17,400	35,200
Judiciary - Court of Appeals				
Tucson Office	1,164,200	0	0	1,164,200
Judiciary - Supreme Court				
Courts Building	4,904,600	2,314,500	1,136,300	8,355,400
Tucson Office	262,700	0	0	262,700
Subtotal - Supreme Court	<u>\$5,167,300</u>	<u>\$2,314,500</u>	<u>\$1,136,300</u>	<u>\$8,618,100</u>
Subtotal - Judiciary	<u>\$6,331,500</u>	<u>\$2,314,500</u>	<u>\$1,136,300</u>	<u>\$9,782,300</u>
Juvenile Corrections, Department of				
1616 W Adams	1,700	0	0	1,700
Land Department, State				
1616 W Adams	200	7,500	0	7,700
Legislature - Auditor General				
Tucson Office	124,100	0	0	124,100
Liquor Licenses and Control, Department of				
Tucson Office	0	67,000	0	67,000
Parks Board, Arizona State				
1616 W Adams	0	0	500	500
Tonto Natural Bridge	0	0	373,800	373,800
Subtotal - Parks Board	<u>\$0</u>	<u>\$0</u>	<u>\$374,300</u>	<u>\$374,300</u>
Pest Management, Office of				
Tucson Office	0	12,100	0	12,100
Real Estate Department, State				
Tucson Office	71,300	0	0	71,300
Revenue, Department of				
Revenue Building	1,079,700	22,100	0	1,101,800
Secretary of State				
Library for the Blind (1030 N. 32nd St.)	10,700	0	0	10,700
Records Management Addition	182,200	0	0	182,200
Tucson Office	16,800	0	0	16,800
Subtotal - Secretary of State	<u>209,700</u>	<u>0</u>	<u>0</u>	<u>209,700</u>
Water Resources, Department of				
Tucson Office	<u>223,600</u>	<u>0</u>	<u>0</u>	<u>223,600</u>
GRAND TOTAL	<u><u>\$102,626,400</u></u>	<u><u>\$6,299,400</u></u>	<u><u>\$3,962,700</u></u>	<u><u>\$112,888,500</u></u>

1/ Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

2/ The budgeted amounts, which represent the appropriations in agencies' budgets, are the same as the billed amounts, which represent the actual lease-purchase payments, in FY 2011.

3/ This amount represents payment for space occupied by the Attorney General (AG), which provides legal services to the Risk Management Division.

4/ This amount represents payment for space occupied by the AG, which provides legal services to the Department of Economic Security.

PRIVATIZED LEASE-TO-OWN APPROPRIATIONS ^{1/}

	Fiscal Year 2011 - Budgeted ^{2/}				Fiscal Year 2011 - Billed ^{2/}			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<u>Arizona Department of Administration Building</u>								
State Board of Accountancy	0	100,100	0	100,100	0	98,700	0	98,700
Arizona Department of Administration	1,233,900	1,535,000	75,400	2,844,300	1,274,700	1,585,800	77,900	2,938,400
State Board of Equalization	70,000	0	0	70,000	79,000	0	0	79,000
Government Information Technology Agency	0	110,200	0	110,200	0	142,200	0	142,200
State Board of Tax Appeals	37,000	0	0	37,000	30,400	0	0	30,400
Subtotal - ADOA Building	<u>\$1,340,900</u>	<u>\$1,745,300</u>	<u>\$75,400</u>	<u>\$3,161,600</u>	<u>\$1,384,100</u>	<u>\$1,826,700</u>	<u>\$77,900</u>	<u>\$3,288,700</u>
<u>Arizona Department of Environmental Quality Building</u>								
Department of Housing	423,400	0	0	423,400	452,300	0	0	452,300
Arizona Criminal Justice Commission	0	34,900	123,600	158,500	0	37,300	132,000	169,300
Department of Environmental Quality	1,033,700	2,199,900	657,100	3,890,700	1,115,700	2,374,300	709,200	4,199,200
Department of Environmental Quality - WIFA	0	0	75,500	75,500	0	0	80,700	80,700
Department of Fire, Building and Life Safety	264,400	0	0	264,400	282,500	0	0	282,500 ^{3/}
Department of Insurance	0	0	48,300	48,300	0	0	51,600	51,600
Arizona Department of Racing	130,100	0	0	130,100	139,000	0	0	139,000
Residential Utility Consumer Office	0	101,100	0	101,100	0	108,000	0	108,000
State Board of Technical Registration	0	156,000	0	156,000	0	166,600	0	166,600
Office of Tourism	160,600	0	0	160,600	171,600	0	0	171,600
Subtotal - ADEQ Building	<u>\$2,012,200</u>	<u>\$2,491,900</u>	<u>\$904,500</u>	<u>\$5,408,600</u>	<u>\$2,161,100</u>	<u>\$2,686,200</u>	<u>\$973,500</u>	<u>\$5,820,800</u>
<u>Arizona Department of Health Services Building</u>								
Department of Health Services	1,198,300	1,576,000	0	2,774,300	1,331,200	1,750,800	0	3,082,000
GRAND TOTAL	<u><u>\$4,551,400</u></u>	<u><u>\$5,813,200</u></u>	<u><u>\$979,900</u></u>	<u><u>\$11,344,500</u></u>	<u><u>\$4,876,400</u></u>	<u><u>\$6,263,700</u></u>	<u><u>\$1,051,400</u></u>	<u><u>\$12,191,500</u></u>

^{1/} Pursuant to Laws 2001, Chapter 317, the Arizona Department of Administration entered into 3 privatized lease-to-own (PLTO) agreements with private entities for the construction of 3 office buildings on the Capital Mall. At the end of the lease period, the state will take possession of these buildings.

^{2/} The budgeted amounts represent the appropriations in agencies' budgets, while the billed amounts represent the actual PLTO payments. Agencies are responsible for the billed amount.

^{3/} Of this amount, \$101,000 of space is occupied by the State Forester.

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted March 2010 budget for FY 2011 assumes total net General Fund revenues of \$8.56 billion. This amount constitutes an increase of 8.8% compared to enacted FY 2010 General Fund revenues.

Base revenues represent ongoing General Fund revenues, exclusive of tax law and revenue changes, one-time revenue adjustments, and any balance forward from the previous fiscal year. For FY 2011, base revenues are projected to increase 4.3% when compared to forecasted FY 2010 revenues. The detailed enacted budget revenue forecasts appear at the end of this section. *Table 7* compares the enacted FY 2011 forecast to the enacted FY 2010 forecast.

General Fund Base Revenue Forecast

FY 2010

The original FY 2010 budget was based on total net revenues of \$8.22 billion. Excluding one-time revenues and Urban Revenue Sharing, ongoing base revenues were projected at \$7.75 billion, or a decline of (0.9)% without enacted tax law changes. Based on the January revisions for the FY 2011 JLBC Baseline, the decline accelerated to (10.5)%. The primary reason for the \$(882) million reduction was a continued substantial drop-off in revenue collections in all of the major revenue categories during the first half of the fiscal year.

As enacted in March, the FY 2010 revised budget was based on a base revenue forecast of \$6.97 billion, excluding any new financing sources. This \$103 million increase above the JLBC Baseline matched the Executive's forecast.

The revised FY 2010 budget forecast reflects a (9.2)% decrease in base revenues compared to FY 2009. By way of comparison, the April "four-sector" consensus forecast predicted a base decrease of (10.7)% (see FY 2011 section for more information on the four-sector consensus process). See *Table 1* below for FY 2010 consensus estimates. The table includes consensus estimates from January 2010 and updated estimates from April 2010, as well as the budget forecast enacted in March.

FY 2011

The January FY 2011 JLBC Baseline estimated total net revenues of \$6.88 billion for FY 2011. Excluding one-time revenues and Urban Revenue Sharing, the ongoing revenues were projected at \$7.22 billion. This amount reflected a base increase of 5.1% compared to FY 2010.

Table 1

FY 2010 Quartile Forecast Percentages Base Revenue ^{1/}

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	(11.0)%	(12.5)%	(8.3)%	(9.0)%	(10.2)%
April	(10.4)%	(15.1)%	(13.8)%	(11.4)%	(12.7)%
Budget	N/A	N/A	N/A	N/A	(8.3)%
Individual Income Tax					
January	(6.6)%	(2.8)%	6.6%	(10.8)%	(3.4)%
April	(7.8)%	(5.9)%	0.8%	(8.0)%	(5.2)%
Budget	N/A	N/A	N/A	N/A	(6.1)%
Corporate Income Tax					
January	(26.5)%	(24.3)%	(16.5)%	(30.0)%	(24.3)%
April	(30.2)%	(23.7)%	(21.6)%	(40.6)%	(29.0)%
Budget	N/A	N/A	N/A	N/A	(30.0)%
Overall ^{2/}					
January	(10.7)%	(9.9)%	(3.5)%	(10.8)%	(10.5)%
April	(11.1)%	(12.4)%	(9.0)%	(12.6)%	(10.7)%
Budget	N/A	N/A	N/A	N/A	(9.2)%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories.

The JLBC's FY 2011 estimated growth rates for the "Big 3" revenue categories (sales tax, individual income tax, and corporate income tax) were initially developed and revised using a four-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- The Finance Advisory Committee (FAC) panel forecast. This independent panel consists of 15 public and private sector economists that meet 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund base model. The model is a simultaneous-equation model consisting of over 100 equations which are updated on an ongoing basis to accommodate changes in the economy. The model uses over 200 variables related to Arizona's economy and is updated quarterly.
- EBR's conservative forecast model, and
- JLBC Staff projections.

The growth rates for the Big 3 categories used in the development of the JLBC revenue estimates from each sector of the forecast are detailed in *Table 2* below. As with the FY 2010 table in the prior section, the table includes consensus estimates from January 2010 and updated estimates from April 2010, as well as the budget forecast enacted in March. The January 2010 four-sector

consensus estimate was the basis of the January JLBC Baseline.

	FAC	UA Low	UA Base	JLBC	Avg
Sales Tax					
January	3.9%	2.6%	7.5%	4.6%	4.7%
April	3.7%	1.8%	4.6%	3.4%	3.4%
Budget	N/A	N/A	N/A	N/A	4.7%
Individual Income Tax					
January	5.8%	0.9%	6.5%	6.3%	4.9%
April	4.5%	3.4%	10.9%	5.7%	6.1%
Budget	N/A	N/A	N/A	N/A	2.9%
Corporate Income Tax					
January	7.6%	17.8%	28.0%	14.6%	17.0%
April	9.5%	(16.9)%	(22.5)%	12.5%	(4.4)%
Budget	N/A	N/A	N/A	N/A	17.0%
Overall ^{2/}					
January	4.9%	3.0%	8.6%	5.9%	5.1%
April	4.4%	1.0%	5.2%	4.8%	3.4%
Budget	N/A	N/A	N/A	N/A	4.3%

^{1/} Prior to any tax law or other revenue changes.
^{2/} Includes JLBC Staff estimates for other revenue categories.

The FY 2011 estimate for the remaining revenue categories, which constitute about 10% of the total, was based on JLBC Staff estimates.

The enacted FY 2011 budget included a General Fund base revenue estimate of \$7.26 billion. This estimate reflects a base growth of 4.3% relative to forecasted FY 2010 revenues and matches the Executive's revised estimate for FY 2011. While the budget growth rate was lower than the JLBC Baseline, the higher FY 2010 base resulted in net new revenues of \$44 million above baseline.

Table 3 below summarizes the changing revenue picture for FY 2010 and FY 2011 through the phases of budget development. The growth rates in the table reflect ongoing base revenues.

	% Change
FY 2010	
Adopted FY 2010 Budget (September 09) <i>(compared to forecasted 09 revenues)</i>	(0.9)%
Adopted FY 2010 Budget (September 09) <i>(compared to actual 09 revenues)</i>	0.9%
JLBC Baseline (January) ^{1/}	(10.5)%
Enacted FY 2011 Budget (March) ^{1/}	(9.2)%
FY 2011	
4 - Sector Consensus (January)	5.1%
Enacted FY 2011 Budget (March)	4.3%

^{1/} Percentage change restated from earlier documents due to technical adjustments.

Revenue Adjustments

Table 8 at the end of this section provides a summary of FY 2010 and FY 2011 tax law and other revenue changes.

Table 4 below provides an overview of base revenue growth rates for FY 2010 and FY 2011 with budget legislation changes (which include a number of tax law changes and revenue adjustments described in more detail in Table 5) and one-time financing sources. The table shows the base and adjusted revenue growth rates based on the enacted FY 2011 budget.

	FY 2010	%	FY 2011	%
Base Revenue	\$6,967.4 ^{1/}	(9.2)%	\$7,263.9	4.3%
Ongoing Budget Legislation	21.5		66.1	
TPT Increase – May Ballot			918.0	
First Things First – November Ballot			60.0	
Urban Revenue Sharing	(628.6)		(474.0)	
One-Time Financing Balance Forward	(480.7)		48.3	
Budget Legislation	<u>1,985.9</u>		<u>676.5</u>	
Adjusted Revenue	<u>\$7,865.4</u>	(4.6)%	<u>\$8,558.9</u>	8.8%

^{1/} \$(16.2) million in tax law and revenue changes from the original FY 2010 budget are included in FY 2010 base. The FY 2010 decline of (9.2)% excludes these changes.

Ongoing Budget Legislation

Each year there are statutory tax law and other revenue changes that impact the state’s revenue collection base. These may include tax rate or tax exemption changes, conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

FY 2010

Laws 2009, 4th Special Session, Chapter 3 provides that \$5.3 million in pari-mutuel revenues be distributed to the General Fund in FY 2010. Additionally, Chapter 3 also redirects two-thirds of the fees collected for the annual report of corporations from the General Fund to the Public Access Fund, which reduces General Fund revenues by \$(2.6) million in FY 2010. Thus, the 2 aforementioned provisions under Chapter 3 will result in a General Fund net gain of \$2.7 million in FY 2010.

Laws 2010, 7th Special Session, Chapter 12 provides that \$18.8 million in state lottery monies allocated to the County Assistance Fund, Local Transportation Assistance Funds I and II, and State Parks Board Heritage Fund for FY 2010 be deposited into the state General Fund.

As shown in *Table 4* above, ongoing budget legislation is expected to result in a total of \$21.5 million in net new General Fund revenues in FY 2010.

FY 2011

For FY 2011, ongoing budget legislation is expected to provide additional General Fund revenues of \$66.1 million. *Table 5* below provides a summary of budget legislation changes with ongoing revenue impacts in FY 2011.

Prior Year Changes

In addition to the tax law and revenue changes enacted during the past legislative session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2011 revenue collections.

Phoenix Convention Center – Laws 2003, Chapter 266 established the state’s obligation to pay the debt service and related costs on \$300 million of construction bonds for the Phoenix Convention Center \$600 million expansion project. The state’s obligation begins in the fiscal year after the Certificate of Completion for the project is filed with the State Treasurer.

The Certificate of Completion was filed with the Treasurer on March 25, 2009. The state’s obligation is for \$5 million the first year (FY 2010), increasing to \$10 million the second year, \$15 million the third year, \$20 million the fourth year, then increasing by \$500,000 per year up to a maximum of \$30 million per year until the debt service and related costs are retired. This means that the General

<u>Prior Year Changes (Year Enacted)</u>	
Phoenix Convention Center (03)	\$ (5.0)
Contributions to Charities (09)	(0.9)
Solar Tax Credit (09)	(5.0)
BRITS Shift (09)	2.0
Treasurer’s Management Fees (09)	<u>(2.5)</u>
Subtotal	\$ (11.4)
<u>New Tax Law Changes</u>	
Out-of-State Proportionality	\$ 22.0
STO Inflation Adjustments	(0.6)
STO Deadline Extension	(2.5)
Refundable R&D Credit	(5.0)
IRC Conformity	<u>--^{1/}</u>
Subtotal	\$ 13.9
<u>Other New Revenue Changes</u>	
DOR Auditors/Collectors	\$ 7.7
DOR Revenue Generating Programs	15.3
Lottery Decrease (Debt Service)	(21.6)
Lottery Distribution Change	49.6
Abandoned Vehicle Fees	12.1
Property Tax – Class 3 Reform	<u>0.5</u>
Subtotal	\$ 63.6
Total – FY 2011 Revenue Impact	<u>\$ 66.1</u>
^{1/} Legislation is expected to have a minimal impact.	

Fund will incur a revenue loss of \$(5.0) million in FY 2011 over and above the loss in FY 2010.

Contributions to Charitable Organizations – Laws 2009, Chapter 80 eliminated the requirement for a taxpayer to establish a baseline year to qualify for the tax credit for cash contributions to charitable organizations that provide assistance to the working poor. This provision is estimated to reduce individual income tax revenues by \$(5.0) million in FY 2010, \$(5.9) million in FY 2011, and \$(7.0) million in FY 2012. This means that the General Fund will incur a revenue loss of \$(0.9) million in FY 2011 over and above the \$(5.0) million loss in FY 2010.

Solar Tax Credit – Laws 2009, Chapter 96 created income and property tax incentives for qualifying renewable energy companies that build headquarter or manufacturing facilities in the state from tax year 2010 to 2014. An income tax credit is allowed for up to 10% of the capital investment, with an aggregate ceiling of \$70 million annually. The credit is expected to reduce General Fund revenues by \$(5.0) million in FY 2011.

BRITS Shift – Laws 2009, 4th Special Session, Chapter 3 authorized the Department of Revenue (DOR) to use up to \$2.0 million of General Fund revenues in FY 2010 to pay for Business Reengineering/Integrated Tax System (BRITS) operational support costs. For FY 2011, however, the General Appropriation Act provides a direct General Fund appropriation of \$2.0 million to DOR for

this purpose. Since DOR will receive a \$2.0 million appropriation in FY 2011 as opposed to paying BRITS costs directly from General Fund revenues, the \$2.0 million constitutes a revenue increase in FY 2011.

Treasurer's Management Fees – Laws 2009, Chapter 89 authorized the Treasurer to use a portion of the management fees on invested funds for their operating budget. Prior to this change, all management fees were deposited into the General Fund. This had the effect of shifting \$2.5 million of the Treasurer's operating budget from the General Fund to management fees. As a result, there will be a General Fund revenue decrease of an equal amount in FY 2011.

New Tax Law Changes

In the 2010 Session, the Legislature enacted the following ongoing tax law changes.

Out-of-State Proportionality – Laws 2010, 6th Special Session, Chapter 3 requires that nonresident individual income taxpayers prorate their standard deduction based on the ratio of their Arizona Gross Income to their Federal Adjusted Gross Income. The act is estimated to increase General Fund revenues by \$22.0 million in FY 2011.

STO Inflation Adjustments – Laws 2010, Chapter 293 provides that the maximum amount of the individual income tax credit for donations to school tuition organizations (STO) be adjusted for inflation each year. The act, which also prohibits taxpayers from swapping donations with others for the benefit of their dependents, is estimated to reduce General Fund revenues by \$(0.6) million in FY 2011.

STO Deadline Extension – Laws 2010, Chapter 188 allows a donation made to a school tuition organization (STO) between the close of the tax year and the individual income tax filing deadline to be applied to either the current or preceding tax year for the purpose of claiming the individual income tax credit. This act is estimated to result in a General Fund revenue decrease of \$(2.5) million in FY 2011.

Refundable R&D Credit – Laws 2010, Chapter 312 changes the individual and corporate income tax credit for Research and Development (R&D) from being nonrefundable to refundable for those companies that employ less than 150 full-time employees. Specifically, the act provides that such taxpayers receive a refund equal to 75% of the amount by which the credit exceeds their liability. The credit has an aggregate cap of \$5 million annually and is effective retroactively from January 1, 2010. The refundable credit is expected to reduce General Fund revenues by \$(5.0) million in FY 2011.

Internal Revenue Code Conformity – Laws 2010, Chapter 176 conforms Arizona Revised Statutes to the federal Internal Revenue Code in effect as of January 1, 2010 (as

well as provisions enacted retroactively for previous tax years) with the exception for the following federal provisions:

- Suspension of Tax on Unemployment Compensation – excludes up to \$2,400 of unemployment compensation from federal gross income in tax year 2009.
- New Car Deduction – provides an income tax deduction for sales taxes paid in 2009 on the purchase of a new vehicle.
- Net Operating Loss Carryback for Small Businesses – provides a 5-year carryback of 2008 net operating losses for businesses with \$15 million or less in gross receipts.
- Net Operating Loss Carryback for All Businesses – provides a 5-year carryback of 2008 or 2009 net operating losses for all businesses.
- Delay of Tax on Cancellation of Debt Income – allows businesses with cancellation of debt income in 2009 and 2010 to defer payment of tax for 5 years.
- 2010 Contributions Related to Haiti Earthquake – allows cash contributions made in the first 2 months of calendar year 2010 for the relief of Haiti earthquake victims to be treated as if they were made in the 2009 for income tax purposes.

According to estimates provided by DOR, full conformity would have resulted in a General Fund revenue loss of \$(138.5) million in FY 2010 and \$(30.3) million in FY 2011. With these exclusions, the bill's estimated impact is expected to be minimal.

Other New Revenue Changes

As shown in *Table 5* above, the enacted budget includes a net \$63.6 million in new ongoing non-tax revenue changes, including:

DOR Audit/Collections Staff Increases – Laws 2010, 7th Special Session, Chapter 1 provides General Fund appropriations of \$4.7 million to DOR to pay for increases of its existing staff of auditors and collectors. The hiring of additional audit and collections staff is expected to result in ongoing General Fund revenues of \$7.7 million in FY 2011.

DOR Revenue Generating Programs – Laws 2010, 7th Special Session, Chapter 12 authorizes DOR to implement a number of measures intended to generate additional revenues for the state. These measures are estimated to generate additional General Fund revenues of \$15.3 million in total in FY 2011. The \$15.3 million in revenue generation includes:

- TPT Business License Fee – allows DOR to set a one-time fee for new and renewals of the Transaction Privilege Tax (TPT) business license fee in FY 2011. Chapter 12 includes an intent clause that limits the additional General Fund revenue to \$5.4 million.
- Outsourcing Collections – eliminates the \$500 outsourcing limit for the collection of delinquent state

taxes, which is expected to result in additional revenues of \$0.9 million in FY 2011.

- Align the Statute of Limitations with IRS – increases the statute of limitations on tax liability to 10 years, which conforms to the Internal Revenue Service’s (IRS) statute of limitations. This change is expected to result in additional General Fund revenues of \$0.8 million in FY 2011.
- Automation of Bank Matching – allows DOR to enter into agreements with financial institutions to conduct electronic data matching for the purpose of collecting delinquent taxes. This program is projected to generate additional General Fund revenues of \$7.4 million in FY 2011.
- Change of Tax Administration Statutes – provides that a 5% penalty be charged on taxpayers who are already required to pay electronically (taxpayers with quarterly withholding liability of at least \$20,000, corporations with tax liability of at least \$20,000, and TPT taxpayers with annual liability of at least \$1.0 million). Additionally, there would also be a requirement that all payroll companies file and pay electronically on behalf of their clients. Failure to comply with this provision will result in a \$25 penalty fee per quarter per client. These changes to statutes are expected to generate additional General Fund revenues of \$0.8 million in FY 2011.

Lottery Decrease (Debt Service) – Laws 2010, 6th Special Session, Chapter 4 authorizes the Arizona Department of Administration (ADOA) to issue \$450 million in lottery revenue bonds by December 31, 2010 to be deposited into the General Fund. The debt service payments will be made from the lottery revenues that would have otherwise been deposited into the General Fund. It is estimated that the FY 2011 bond service payment (interest only) will be \$21.6 million. This will result in the General Fund receiving \$(21.6) million less in lottery revenues in FY 2011.

Lottery Distribution Change – Laws 2010, 7th Special Session, Chapter 12 redirects lottery distributions for the County Assistance Fund, Local Transportation Assistance Fund I, Local Transportation Assistance Fund II (Mass Transit), and State Parks Heritage Fund to the General Fund. This act has the effect of increasing the lottery distributions to the General Fund from \$46.5 million to \$96.1 million in FY 2011, which constitutes a net revenue gain of \$49.6 million.

Abandoned Vehicle Fees – Laws 2010, 7th Special Session, Chapter 12 authorizes the Arizona Department of Transportation (ADOT) to raise the Abandoned Vehicle Fee from \$50 or \$200, depending on the location of the abandonment, to an amount determined by the department. The act includes an intent clause that limits additional revenue to \$12.1 million.

Property Tax – Class 3 Reform – Arizona law provides a property tax reduction for the primary school district taxes levied on owner-occupied residential (Class 3) property. However, this tax reduction (also known as the “homeowner’s rebate”) is sometimes mistakenly given to residential properties that are not owner-occupied due to incorrect classification of properties by the counties. The Class 3 Reform is an effort by the counties to identify previously misclassified residential properties that are not legally entitled to the homeowner’s rebate. The increased enforcement of the law by the counties is expected to result in a General Fund gain of \$0.5 million in FY 2011.

The amounts in *Table 5* do not include any balance forward from the prior year. Additionally, the estimates do not reflect any “dynamic” or secondary impacts. Tax law changes may have an impact beyond the direct impact of the revision if they cause taxpayers to revise their behavior.

TPT Increase – May Ballot

The Legislature passed SCR 1001 in the 6th Special Session, 2010. As approved by voters at the May 2010 Special Election, the resolution amends the Arizona Constitution to provide a 1% increase of the state TPT for a period of 3 years. As shown in *Table 4* above, the temporary TPT increase is estimated to generate \$918 million in additional General Fund revenues in FY 2011.

First Thing First – November Ballot

The Legislature passed HCR 2001 in the 7th Special Session, 2010. Conditional upon voter approval in November 2010, HCR 2001 will repeal the Early Childhood Development and Health Board (also known as First Things First) and its related Regional Councils. Agency operations would terminate by June 1, 2011 pursuant to existing sunset procedures. Any unexpended monies accumulated by First Things First would be transferred to the General Fund. The 80¢ tobacco tax would be deposited into the General Fund. As shown in *Table 4* above, this redirection of First Things First monies is expected to generate General Fund revenues of \$60 million in FY 2011.

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and town within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. As indicated in *Table 4* above, total URS distributions will decline from \$629 million in FY 2010 to \$474 million in FY 2011. These amounts are significantly below the URS distribution of \$728 million in FY 2009.

One-Time Financing

As shown in *Table 4* above, one-time financing sources have been used to help provide a balanced budget. Following is a discussion of one-time financing sources included in the budget for FY 2010 and FY 2011. *Table 6* below provides a summary of the one-time financing sources used in FY 2010 and FY 2011, including any balance forwards.

	<u>FY 2010</u>	<u>FY 2011</u>
Balance Forward	\$(480.7)	\$48.3
One-Time Financing		
Budget Legislation	113.4	32.6
State Asset Leaseback/Lottery	1,485.4	
Fund Transfers-November Ballot		448.5
Fund Transfers	<u>387.1</u>	<u>195.3</u>
Subtotal	1,985.9	676.5
Total One-Time Financing Sources	<u>\$1,505.2</u>	<u>\$724.8</u>

FY 2010

The \$1.51 billion in one-time financing sources for FY 2010 includes:

Balance Forward – The FY 2010 General Fund balance forward had a deficit of \$(480.7) million.

Budget Legislation – One-time revenues totaling \$113.4 million include:

- County Lottery – Laws 2009, 4th Special Session, Chapter 3 provided that \$4.0 million of lottery proceeds that otherwise would have been distributed to the counties through the County Assistance Fund, Local Transportation Assistance Fund I, and Local Transportation Assistance Fund II were deposited into the General Fund.
- County Contributions – Laws 2009, 4th Special Session, Chapter 3 required Maricopa and Pima counties to transfer a total of \$22.0 million to the General Fund in FY 2010.
- Unclaimed Property Acceleration – Laws 2009, 4th Special Session, Chapter 3 accelerated the presumption of abandonment schedule by 1 to 3 years for a number of unclaimed property types, which was expected to generate additional General Fund revenues of \$39.4 million in FY 2010.
- TPT Estimated Payment – Laws 2010, 7th Special Session, Chapter 12 lowered the threshold for estimated TPT payments from \$1 million in annual TPT liability to \$100,000 for FY 2010 through FY 2012. This act is expected to increase General Fund revenues by \$48.0 million in FY 2010.

State Asset Leaseback/Lottery – Laws 2009, 3rd Special Session, Chapter 6 required ADOA to enter into sale and lease-back of state buildings. The sale and lease-purchase provisions generated \$735.4 million in proceeds FY 2010. Laws 2010, 6th Special Session, Chapter 4 provides that the state enters into another round of sale and lease-back agreements, which are expected to generate an additional \$300 million in FY 2010. This means that the total proceeds from the sale of state assets in FY 2010 are estimated to be \$1,035.4 million. Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450 million lottery revenue bond on or before December 31, 2010. The \$450 million of proceeds from the bonds sales are expected to be deposited into the General Fund in FY 2010. The combination of state asset leasebacks and lottery securitization is expected to result in one-time revenues of \$1,485.4 million in FY 2010. *(For more detail, see Capital Outlay Section of the FY 2011 Appropriations Report.)*

Fund Transfers – Laws 2009, 1st Regular Session, Chapters 11 and 12 and Laws 2009, 3rd Special Session, Chapter 12 provided for a total of \$227.8 million in agency fund transfers in FY 2010. Laws 2010, 4th Special Session, Chapter 3, Laws 2010, 5th Special Session, Chapter 1, and Laws 2010, 7th Special Session, Chapter 1 provided for an additional \$159.3 million in total fund transfers in FY 2010. This figure includes a \$2.8 million transfer from the Budget Stabilization Fund. The total amount of fund transfers to the General Fund is \$387.1 million *(see General Provisions for more detail)*.

FY 2011

The \$724.8 million in one-time financing sources for FY 2011 includes:

Balance Forward – The FY 2011 General Fund balance forward is estimated to be \$48.3 million. All other one-time financing totals \$676.5 million.

Budget Legislation – One-time net revenues totaling \$32.6 million include:

- County Contributions – Laws 2010, 7th Special Session, Chapter 12 requires Maricopa County to transfer \$28.6 million and Pima County to transfer \$6.0 million, for a total transfer of \$34.6 million to the General Fund in FY 2011.
- Unclaimed Property – Laws 2009, 4th Special Session, Chapter 3 accelerated the timeframe for unclaimed traveler’s checks from 15 years to 3 years. Laws 2010, Chapter 119 reverts the presumption of abandonment schedule for such unclaimed property back to 15 years, which is expected to result in a revenue reduction of \$(2.4) million in FY 2011.
- Teacher Certification Repayment – Laws 2010, Chapter 306 establishes a new Teacher Certification Fund and appropriates \$429,700 to it from the General

Fund as a temporary intra-year loan in order to fund expenses incurred during the early part of the year (since the fund will have no beginning balance going into FY 2011). The Arizona Department of Education will transfer the fees paid by teachers and other certification applicants back to the General Fund by June 30, 2011. These certification fees will result in net new General Fund revenues of \$429,700 in FY 2011. (There will be no net impact on the General Fund, however, since the appropriation will be paid for by the fees collected during FY 2011.)

million on the electricity they produce for up to 10 years, beginning January 1, 2011. The renewable energy credit has an aggregate cap of \$20 million annually.

Fund Transfers – November Ballot – If approved by voters at the November 2010 General Election, HCR 2001 and HCR 2002 from Laws 2010, 7th Special Session would transfer \$325.0 million from the Early Childhood Development and Health Board and \$123.5 million from the State Parks Board’s Land Conservation Fund to the General Fund, for a total of \$448.5 million in FY 2011 (*see General Provisions for more detail*).

Fund Transfers – Laws 2010, 7th Special Session, Chapter 1, provides for a total of \$195.3 million in fund transfers in FY 2011 (*see General Provisions for more detail*).

Tax Law Changes – FY 2012 and Beyond

In addition to the tax law and revenue changes that impact FY 2011, as noted above, there were tax law changes enacted that will not have a revenue impact until FY 2012 or later.

Solar Liquid Fuel Credit – Laws 2010, Chapter 289 establishes a new individual and corporate income tax credit for research and development, production, and delivery systems costs associated with solar liquid fuel for tax years 2011 through 2026. Solar liquid fuel is a fuel that is created by reversing the combustion process through the use of solar power. In addition to creating combustible fuels such as methanol and ethanol, the further processing of solar liquid fuel can potentially yield more traditional fuels, such as diesel and gasoline.

R&D and Renewable Energy Tax Credits – Laws 2010, Chapter 312 modifies the existing individual and corporate income tax credit for R&D to allow a company that employs less than 150 full-time employees to receive a refund equal to 75% of the amount by which the credit exceeds the taxpayer’s liability. The credit has an aggregate cap of \$5 million annually and is effective retroactively from January 1, 2010. This retroactive provision is expected to reduce General Fund revenues by \$(5.0) million in FY 2011.

In addition to the modified R&D credit that is effective retroactively from tax year 2010, Chapter 312 also establishes a new renewable energy tax credit that will become effective in tax year 2011. The new credit allows qualified producers of renewable energy to receive an individual and corporate income tax credit of up to \$2

Table 7

GENERAL FUND REVENUE - FY 2010-FY 2011

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2009	% CHANGE PRIOR YR	FORECAST FY 2010	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2011	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Taxes:								
Sales and Use	3,756,407.2	-13.7%	3,440,151.8	-8.4%	(316,255.4)	3,601,680.0	4.7%	161,528.2
Income								
-Individual	2,567,754.4	-24.6%	2,402,233.6	-6.4%	(165,520.8)	2,470,929.9	2.9%	68,696.3
-Corporate	592,157.3	-26.8%	381,360.6	-35.6%	(210,796.7)	446,344.4	17.0%	64,983.8
Property	18,244.5	-9.0%	17,000.0	-6.8%	(1,244.5)	15,000.0	-11.8%	(2,000.0)
Luxury	29,808.4	-8.2%	30,538.8	2.5%	730.4	30,538.8	0.0%	0.0
-Tobacco	28,856.0	1.0%	29,838.5	3.4%	982.5	29,838.5	0.0%	0.0
-Liquor	411,370.9	1.1%	398,000.0	-3.3%	(13,370.9)	412,600.0	3.7%	14,600.0
Insurance Premium	210.4	-34.3%	0.0	-100.0%	(210.4)	0.0	N/A	0.0
Estate	1,165.8	-21.5%	630.0	-46.0%	(535.8)	630.0	0.0%	0.0
Other Taxes								
Sub-Total - Taxes	7,405,974.7	-18.2%	6,699,753.3	-9.5%	(706,221.5)	7,007,561.6	4.6%	307,808.3
Other Non-Tax Revenues:								
Lottery	31,000.0	-36.0%	41,847.2	35.0%	10,847.2	46,615.0	11.4%	4,767.8
Licenses, Fees and Permits	34,531.6	-8.6%	24,000.0	-30.5%	(10,531.6)	25,000.0	4.2%	1,000.0
Interest	19,669.4	-79.3%	0.0	-100.0%	(19,669.4)	0.0	N/A	0.0
Sales and Services	48,241.7	-15.7%	45,000.0	-6.7%	(3,241.7)	39,000.0	-13.3%	(6,000.0)
Other Miscellaneous	53,700.6	17.5%	47,523.1	-11.5%	(6,177.5)	47,523.1	0.0%	0.0
Transfers and Reimbursements	33,770.4	-0.8%	40,159.0	18.9%	6,388.6	29,000.0	-27.8%	(11,159.0)
Disproportionate Share Revenue	67,687.5	-6.2%	69,104.9	2.1%	1,417.4	69,210.0	0.2%	105.1
Sub-Total - Other Non-Tax	288,601.2	-26.1%	267,634.2	-7.3%	(20,967.0)	256,348.1	-4.2%	(11,286.1)
Subtotal On-Going Revenue	7,694,575.9	-18.6% ^{1/}	6,967,387.5	-9.5% ^{2/}	(727,188.5)	7,263,909.7	4.3%	296,522.2
TPT Increase - May Ballot	0.0	N/A	0.0	N/A	0.0	918,000.0	N/A	918,000.0
First Things First - Nov. Ballot	0.0	N/A	0.0	N/A	0.0	60,000.0	N/A	60,000.0
Budget Legislation	0.0	N/A	21,458.1	N/A	21,458.1	66,091.2	208.0%	44,633.1
Subtotal w/Tax Law Changes	7,694,575.9	-18.6%	6,988,845.6	-9.2%	(705,730.4)	8,308,000.9	18.9%	1,319,155.3
Urban Revenue Sharing (URS)	(727,677.4)	6.3%	(628,649.1)	-13.6%	99,028.3	(473,986.8)	-24.6%	154,662.3
Subtotal w/Tax Law Changes/URS	6,966,898.5	-20.5%	6,360,196.5	-8.7%	(606,702.1)	7,834,014.1	23.2%	1,473,817.6
One-Time Financing Sources:								
Budget Legislation	118,893.3	N/A	113,420.0	-4.6%	(5,473.3)	32,644.0	-71.2%	(80,776.0)
Prior Year SFB Bond Proceeds	344,000.0	N/A	0.0	-100.0%	(344,000.0)	0.0	N/A	0.0
Fund Transfers	667,749.8	130.1%	387,085.5	-42.0%	(280,664.3)	195,342.9	-49.5%	(191,742.6)
Fund Transfers - Nov. Ballot	0.0	N/A	0.0	N/A	0.0	448,538.6	N/A	448,538.6
BSF Transfer	150,000.0	-69.2%	0.0	-100.0%	(150,000.0)	0.0	N/A	0.0
State Asset Leaseback/Lottery	0.0	N/A	1,485,419.3	N/A	1,485,419.3	0.0	-100.0%	(1,485,419.3)
Sub-Total - One-Time Financing Sources	1,280,643.1	59.7%	1,985,924.8	55.1%	705,281.7	676,525.5	-65.9%	(1,309,399.3)
Subtotal - Revenues	8,247,541.6	-13.8%	8,346,121.3	1.2%	98,579.6	8,510,539.6	2.0%	164,418.3
Balance Forward	1,000.0	-99.7%	(480,713.0)	-48171.3%	(481,713.0)	48,317.6	-110.1%	529,030.6
Total - Resources	8,248,541.6	-17.1%	7,865,408.3	-4.6%	(383,133.4)	8,558,857.2	8.8%	693,448.9

1/ The (18.6)% FY '09 growth rate includes \$(34.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY '09 growth rate is (18.2)%.

2/ The (9.5)% FY 10 decline includes \$(16.2) million in tax law and other revenue changes. Adjusting for these changes, the base FY '10 decline is (9.2)%.

Table 8

BASE REVENUE ADJUSTMENTS BY CATEGORY

(\$ in Thousands)

Summary By Category:	<u>FY 2010</u> ^{1/}	<u>FY 2011</u> ^{1/}
Tax Law Changes		
Individual Income Tax	(9,000.0)	13,000.0
Corporate Income Tax	(33,410.0)	(5,000.0)
Transaction Privilege Tax	(5,000.0)	913,000.0
Subtotal - Tax Law Changes	<u>(47,410.0)</u>	<u>921,000.0</u>
Other Revenue Adjustments		
Other Revenues	52,617.1	123,091.2
Subtotal - Other Revenue Adjustments	<u>52,617.1</u>	<u>123,091.2</u>
TOTAL REVENUE CHANGES	<u>\$ 5,207.1</u>	<u>\$ 1,044,091.2</u>

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Revenue Category</u>
<u>49th Legislature - 2nd Regular Session:</u>				
176	IRS Conformity	0.0	0.0	Individual ^{2/}
		<u>0.0</u>	<u>0.0</u>	Corporate ^{2/}
	Subtotal - IRS Conformity	0.0	0.0	
188	STO Contribution Deadline Extension	0.0	(2,500.0)	Individual
293	STO Maximum Credit Inflation Adjustment	0.0	(600.0)	Individual
312	Research and Development Refundable Credit	0.0	(5,000.0)	Individual
	Subtotal - Revenue Changes	<u>0.0</u>	<u>(8,100.0)</u>	
	Session Total	<u>0.0</u>	<u>(8,100.0)</u>	
<u>49th Legislature - 7th Special Session:</u>				
HCR 2001	First Things First Repeal and Redirect - Nov. Election	0.0	60,000.0	Other ^{3/}
12	Lottery Distribution Change - Beneficiary Elimination	18,800.7	49,650.0	Other ^{4/}
12	DOR Revenue Generation Plan	0.0	15,267.3	Other ^{5/}
12	Abandoned Vehicle Fees	0.0	12,061.2	Other
	DOR Auditors/Collections Staff	0.0	7,705.1	Other ^{5/}
	Class 3 Property Tax - Increased Enforcement	0.0	500.0	Other
	Subtotal - Revenue Changes	<u>18,800.7</u>	<u>85,183.6</u>	
	Session Total	<u>18,800.7</u>	<u>145,183.6</u>	
<u>49th Legislature - 6th Special Session:</u>				
SCR 1001	TPT Increase - May Election	0.0	918,000.0	TPT ^{3/}
3	Out-of-State Filers Proportionality	0.0	22,000.0	Individual
4	Lottery Distribution Reduction - Debt Service	0.0	(21,600.0)	Other
	Subtotal - Revenue Changes	<u>0.0</u>	<u>400.0</u>	
	Session Total	<u>0.0</u>	<u>918,400.0</u>	

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Revenue Category</u>
<u>49th Legislature - 4th Special Session:</u>				
3	Racing - Pari-Mutuel	5,305.5	0.0	Other
3	Corporation Commission Public Access Fees	(2,648.1)	0.0	Other
3	BRITS Shift	0.0	2,000.0	Other
	Subtotal - Revenue Changes	<u>2,657.4</u>	<u>2,000.0</u>	
	Session Total	<u>2,657.4</u>	<u>2,000.0</u>	
<u>49th Legislature - 1st Regular Session:</u>				
2	IRS Conformity	(4,000.0)	0.0	Individual
		<u>(4,410.0)</u>	<u>0.0</u>	Corporate
	Subtotal - IRS Conformity	(8,410.0)	0.0	
80	Contributions to Charitable Organizations	(5,000.0)	(900.0)	Individual
89	Treasurer's Management Fees	0.0	(2,492.4)	Other
96	Renewable Energy Tax Credit	0.0	(5,000.0)	Corporate
	Other Revenue Changes	31,159.0 ^{6/}	0.0	Other
	Subtotal - Revenue Changes	<u>26,159.0</u>	<u>(8,392.4)</u>	
	Session Total	<u>17,749.0</u>	<u>(8,392.4)</u>	
<u>47th Legislature - 1st Regular Session:</u>				
289	Corporate Sales Factor	<u>(29,000.0)</u>	<u>0.0</u>	Corporate
	Subtotal - Tax Law Changes/IRS Conformity	(29,000.0)	0.0	
	Session Total	<u>(29,000.0)</u>	<u>0.0</u>	
<u>Statutory Adjustments</u>				
	Phoenix Convention Center	(5,000.0)	(5,000.0)	TPT
	Statutory Total	<u>(5,000.0)</u>	<u>(5,000.0)</u>	
	TOTAL - All Adjustments	<u>\$ 5,207.1</u>	<u>\$ 1,044,091.2</u>	

1/ Adjustments for FY 2010 reflect estimated change from FY 2009 and adjustments for FY 2011 reflect estimated change from FY 2010, unless otherwise noted.

2/ These adjustments may have a minimal revenue impact not reflected in this chart.

3/ These adjustments are contingent on voter approval. The voters approved the sales tax increase at the May 2010 election.

4/ The \$49,650,000 FY 2011 adjustment includes a continuation of the FY 2010 increase of \$18,800,700 plus an additional increase of \$30,849,300.

5/ These adjustments will be allocated to Individual and Corporate Income Taxes and TPT.

6/ For additional detail, see page 470 of the *FY 2010 Appropriations Report*.

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth.

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January Budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of inflation-adjusted total state personal income, the trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has infrequently been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of inflation adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to the trend growth rate of inflation adjusted AZPI for the most recent 7 years.
- Adjusted personal income in the BSF formula is defined as total Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.
- If the annual growth rate of Arizona personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General

Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.

- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- The BSF's total balance cannot be larger than 7.0% of the current year's General Fund revenues, excluding the beginning balance.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities.

Deposits/Withdrawals

FY 2008

Laws 2008, Chapter 53 authorized a BSF transfer of \$487.0 million to the General Fund in FY 2008 to help balance the state budget. Moreover, Chapter 53 stipulated that if the FY 2008 General Fund ending balance were less than \$0, the Treasurer would be required to transfer an amount equal to the negative ending balance plus \$1.0 million from the BSF to the General Fund. The FY 2008 shortfall of \$(72.0) million combined with the \$1.0 million ending balance requirement resulted in a transfer from the BSF to the General Fund of \$73.0 million. The actual transfer occurred in FY 2009.

In comparison, the actual formula calculation would not have resulted in a FY 2008 BSF deposit. Arizona real adjusted personal income grew by 2.88% in CY 2007 compared to the 7-year average annual growth rate of 3.63%. Although the annual growth rate was (0.75)% below trend, it still remained 0.88% above the 2% floor. Since only one of the 2 requirements for withdrawals was met, the BSF formula recommended no change for FY 2008.

FY 2009

The original FY 2009 budget (Laws 2008, Chapter 285) provided a transfer of \$20.0 million to the General Fund.

In terms of the FY 2009 formula calculation, Arizona real adjusted personal income declined by (0.98)% in CY 2008 compared to the trend growth rate of 3.22%. Since the annual growth rate was both less than the trend growth rate and 2.0%, the BSF formula recommended a BSF withdrawal of \$(369.2) million in FY 2009. Instead, the Legislature transferred \$130.0 million to the General Fund plus the \$73.0 million related to FY 2008 and the original \$20 million transfer amount. As part of mid-year FY 2009 adjustments this essentially depleted the balance in the BSF.

FY 2010

Arizona real adjusted personal income is estimated to decline by (7.33)% in CY 2009. Since this is both less than 2.0% and the trend growth rate of 2.05%, the BSF formula is expected to recommend a BSF withdrawal of \$(653.5) million in FY 2010. The EEC will issue a formal recommendation based on the BSF formula in the first week of June. Regardless of the amount recommended by EEC, the recommendation cannot be implemented, however, since the fund was depleted in the spring of 2010 when Laws 2010, 7th Special Session, Chapter 1 authorized the transfer of the remaining BSF balance of \$2.8 million to the General Fund.

FY 2011

According to the University of Arizona, Arizona real adjusted personal income is forecast to decrease by (0.53)% in CY 2010. Since this is both less than 2.0% and the trend growth rate of 1.73%, the BSF formula is projected to recommend a BSF withdrawal of \$(143.7) million in FY 2011. This formula recommendation cannot be implemented since the BSF was depleted in FY 2010.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2008	Actual FY 2009	Estimate FY 2010	Estimate FY 2011
General Fund Revenues				
Adjusted Revenues	\$8,764,880.2	\$6,966,898.5	\$6,360,196.5	\$7,834,014.1
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	613,541.6	487,682.9	445,213.8	548,381.0
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	2.88%	(0.98)%	(7.33)%	(0.53)%
7-Year Average Income Growth	<u>3.63%</u>	<u>3.22%</u>	<u>2.05%</u>	<u>1.73%</u>
Annual Difference	(0.75)%	(4.20)%	(9.38)%	(2.26)%
BSF Transactions				
Beginning BSF Balance	676,979.9	218,640.5	2,767.1	0.0
BSF Formula Recommendation	0.0	(369,161.5)	(653,495.1)	(143,740.4)
Actual Transfer In				
Actual Appropriation – L'06, Ch. 344	9,808.6	0.0	0.0	0.0
Return of ASH Construction Fund Payments ^{2/}	<u>2,216.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	12,025.0	0.0	0.0	0.0
Actual Transfer Out				
Monies above 7% Cap Transferred to General Fund ^{3/}	(18,576.0)	0.0	0.0	0.0
Fund Transfer to General Fund – L'08, Ch. 53 ^{4/}	(487,000.0)	0.0	0.0	0.0
Conditional Transfer – L'08, Ch. 53 ^{5/}	0.0	(73,000.0)	0.0	0.0
Fund Transfer to General Fund – L'08, Ch. 285 ^{6/}	0.0	(20,000.0)	0.0	0.0
Fund Transfer to General Fund – L'09, 1 st SS., Ch. 1 ^{7/}	0.0	(130,000.0)	0.0	0.0
Fund Transfer to General Fund – L'10, 7 th SS., Ch. 1 ^{8/}	<u>0.0</u>	<u>0.0</u>	<u>(2,767.1)</u>	<u>0.0</u>
SUBTOTAL	(505,576.0)	(223,000.0)	(2,767.1)	0.0
Balance	183,428.9	(4,359.5)	0.0	0.0
Interest Earnings & Equity Gains/Losses	35,211.6	7,126.6	0.0	0.0
Ending BSF Balance	\$218,640.5	\$2,767.1	\$0.0	\$0.0
Percent of Revenues	2.5%	0.0%	0.0%	0.0%

^{1/} BSF history prior to FY 2008 can be found on the JLBC website.
^{2/} According to the Treasurer's Office, an amount of \$2.2 million was returned to the BSF in August 2007 for previous payments related to the construction of the Arizona State Hospital (ASH).
^{3/} According to the Treasurer's Office, the General Accounting Office (GAO) determined that the BSF exceeded the maximum allowable fund balance by \$18.6 million in FY 2007. For this reason, the Treasurer's Office transferred \$18.6 million from the BSF to the General Fund in FY 2008.
^{4/} Laws 2008, Chapter 53 authorized a transfer of \$(487.0) million to General Fund to help balance the FY 2008 budget.
^{5/} Laws 2008, Chapter 53 provided that if the FY 2008 General Fund ending balance were less than \$0, the Treasurer would be required to transfer an amount equal to the negative ending balance plus \$1.0 million. The amount of transfer was determined to be \$(73.0) million. Actual BSF withdrawal was made in FY 2009.
^{6/} Laws 2008, Chapter 285 authorized a transfer of \$(20.0) million to the General Fund to help balance the FY 2009 budget.
^{7/} Laws 2009, 1st Special Session, Chapter 1 authorized a transfer of \$(130.0) million to the General Fund to help balance the FY 2009 budget. This transfer brought the BSF balance to \$2.8 million.
^{8/} Laws 2010, 7th Special Session, Chapter 1 authorized a transfer of \$(2.8) million to the General Fund to help balance the FY 2010 budget. This transfer brought the BSF balance to \$0.

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

GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) provides direction with regard to several general provisions.

General Provisions

FY 2010 and FY 2011 Statewide Adjustments — Section 147 of the General Appropriation Act appropriates \$23,941,100 from the General Fund and \$11,554,900 from Other Appropriated Funds for lease-purchase and health insurance adjustments in FY 2011:

- **State Lease-Purchase:** \$9,002,300 General Fund and \$2,716,300 Other Appropriated Funds for FY 2010 and FY 2011 adjustments in agency or department lease-purchase charges. *(Please see the Capital Outlay section for more details on lease-purchase charges.)*
- **Non-University State Employee Health Insurance:** \$14,938,800 General Fund and \$8,838,600 Other Appropriated Funds for FY 2011 increases in the employer share of non-university state employee health insurance contributions.

Section 147 states that the JLBC Staff shall determine and the Arizona Department of Administration (ADOA) shall allocate to each agency or department an amount for each adjustment. For details on the amount allocated to each agency, please see the Crosswalk section.

No other statewide adjustments were funded in FY 2011, however, Section 148 of the General Appropriation Act transfers to the General Fund \$(1,730,000) in FY 2010 and \$(45,000,000) in FY 2011 from state agencies' General Funds, Other Appropriated Funds, and non-federal non-appropriated funds for personnel expenses and states that the procedures for these transfers are specified in the FY 2011 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 3). *(Please see the Performance Pay Elimination & Furlough Requirement write-up in the Other Budget Issues section below.)*

Expenditure Reporting — Section 151 states that it is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used to implement budget reform legislation if agreed to by the Director of the JLBC and

incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

FTE Position Reporting — Section 152 states that the Full Time Equivalent (FTE) Positions contained in the General Appropriation Act are subject to appropriation. The section directs the Director of ADOA to account for the utilization of all appropriated FTE Positions, excluding FTE Positions in the Department of Economic Security (DES), Universities, and Department of Environmental Quality (DEQ). The Director shall submit the FY 2010 report by October 1, 2010 to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as the total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. DES, the Universities, and DEQ shall report to the Director of the JLBC in a manner comparable to the ADOA report.

Filled FTE Position Reporting — Section 153 states that by October 1, 2010 each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated FTE Positions by Fund Source. The report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2010.

Transfer Authority — Section 154 requires ADOA to provide a monthly report to the JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements — Section 155 requires the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2010 General Fund ending balance by September 15, 2010 and a preliminary estimate of the FY 2011 General Fund ending balance by September 15, 2011. Based on this information, JLBC Staff shall report to JLBC by October 15 of 2010 and 2011 as to whether that fiscal year's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. Excluding the beginning balance and including one-time revenues, Section 155 states the revenues are forecasted to be \$8,345,541,600 for FY 2010 and \$8,525,545,000 for FY 2011.

Expenditure Authority — Section 158 states that for purposes of the General Appropriation Act, "expenditure authority" means that the fund sources are continuously

Table 1**FY 2010 State Employee Health/Dental Insurance ^{1/}**

	<u>General Fund</u>	<u>Other Fund</u>	<u>Non-Approp.</u>	<u>Total Employer</u>	<u>Employee Premiums</u>	<u>Retiree Premiums</u>	<u>Total</u>
Health	308,539,000	140,244,900	112,196,000	560,979,900	66,950,200	78,593,700	706,523,800
Dental	8,691,100	3,950,500	3,160,400	15,802,000	27,658,200	5,193,300	48,653,500
Total	\$317,230,100	\$144,195,400	\$115,356,400	\$576,781,900	\$94,608,400	\$83,787,000	\$755,177,300

^{1/} FY 2011 budget includes a 8.5% increase in employer premiums not reflected in this chart.

appropriated monies that are included in the individual line items of appropriations.

JLBC Review — Section 159 states that for purposes of the General Appropriation Act, “review by the Joint Legislative Budget Committee” means a review by a vote of a majority of a quorum of the members.

Statewide Standard Changes

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2011 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency’s individual appropriation in the General Appropriation Act (Laws 2009, 7th Special Session, Chapter 1). Statewide adjustment amounts are mentioned first in any relevant agency narrative, but do not have additional discussion.

Employee Related Expenditures

Health Insurance — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state

employees and pays health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

Employees have a choice between an Exclusive Provider Organization (EPO, which is the self-insured equivalent of an HMO), a Preferred Provider Organization (PPO) and a Health Savings Account (HSA) Option. Contracts for Plan Year 2011, which begins on October 1, 2010, have not yet been signed. Additional information on the current plan design can be found on page 481 of the *FY 2010 Appropriations Report*.

Laws 2010, 2nd Regular Session, Chapter 232 extends state employee health care coverage to dependents up to their 26th birthday. This permanent law change conforms the state to requirements of the Patient Protection and Affordable Care Act (*see Federal Health Care Legislation at the front of this Appropriations Report for more details*). Chapter 232 also makes a permanent law change to allow a child who was disabled before reaching age 19 who continues to be disabled and for whom the employee had custody before reaching age 19 to be considered a

Table 2

**Health Insurance
State Employee and Employer Monthly Contributions**

	<u>State Employee Contribution 10/1/09 Contract</u>	<u>Employer Contribution 10/1/09 Contract</u>
<u>Exclusive Provider Organization (EPO)</u>		
Employee	\$ 39.00	\$ 484.00
Employee Plus One Adult	97.00	1,013.00
Employee Plus One Child	79.00	967.00
Family	178.00	1,264.00
<u>Preferred Provider Organization (PPO)</u>		
Employee	154.00	641.00
Employee Plus One Adult	328.00	1,318.00
Employee Plus One Child	309.00	1,268.00
Family	443.00	1,699.00
<u>Health Spending Account (HSA) Option</u>		
Employee	25.00	\$444.00
Employee Plus One Adult	80.00	906.00
Employee Plus One Child	59.00	879.00
Family	150.00	1,143.00

Table 3

**Dental Insurance
State Employee and Employer Monthly Contributions**

	State Employee Contribution 10/1/09 Contract	Employer Contribution 10/1/09 Contract
<u>Prepaid</u>		
Employee	\$5.00	\$4.96
Employee Plus One	9.00	9.92
Family	14.00	13.70
<u>Indemnity</u>		
Employee	29.86	4.96
Employee Plus One	67.93	9.92
Family	118.12	13.70

dependent for state employee health care coverage. Laws 2009, 3rd Special Session, Chapter 10 had the unintended consequence of removing this population.

In addition, Laws 2010, 7th Special Session, Chapter 10, the Health BRB, continues a session law provision prohibiting implementation of a differentiated health insurance premium based on the integrated or non-integrated status of the provider.

State employee and employer premiums for the October 1, 2009 plan year are shown in *Table 2*. The budget provided funding for a 8.5% increase in employer premiums for the plan year starting October 1, 2010; however, official rates have not yet been released.

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Employee and employer premiums based on the current plan year are shown in *Table 3*. Rates for the upcoming play year have not yet been released.

For most General Fund agencies, the health and dental insurance contribution is the amount designated in the *Appropriations Report*. These monies are transferred or “swept” from agency General Fund budgets at the beginning of the year and are not charged to agencies on a payroll by payroll basis. The exceptions are the DES and the Universities, who are not “swept,” but instead pay the actual costs incurred for health and dental insurance premiums. (*Please see the Health Insurance Allocations table at the end of this report for these amounts.*)

In addition to health and dental insurance, the following items are components of an agency’s Employee Related Expenditures.

Employer Contribution Rates — *Table 4* provides a list of budgeted state employer contribution rates for state employee benefits during FY 2011. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life

insurance, rates are calculated as a percent of Personal Services.

Life Insurance — \$40.30 per employee per year, an increase of \$3.58 from the FY 2010 rate of \$36.72.

Unemployment Insurance — 0.412% of Personal Services for each agency, unchanged from the FY 2010 rate.

Personnel Division Pro Rata — 1.10% of Personal Services for each agency in the Arizona Department of Administration (ADOA) personnel system, unchanged from the FY 2010 rate. The ADOA Human Resources Division budget is funded from an assessment on the payroll of agencies in the ADOA personnel system.

Disability Insurance — For Arizona State Retirement System (ASRS) employees the employer pays 0.25% of Personal Services for disability insurance, a decrease of (0.15)% from the FY 2011 rate of 0.40%. Agencies’ budgets were not adjusted for this decrease. For non-ASRS employees the rate is 0.36%, unchanged from FY 2010.

Information Technology Planning — 0.20% of Personal Services for each agency, unchanged from the FY 2010 rate. The Government Information Technology Agency budget is funded from an assessment on the payroll of all state agencies except the Universities.

Retiree Accumulated Sick Leave — 0.40% of Personal Services for each agency, unchanged from the FY 2010 rate. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies.

Attorney General Pro Rata — 0.675% of the Personal Services base for each agency not specifically excluded from the charge, unchanged from FY 2010. A portion of the Attorney General’s budget is funded from this charge.

Workers’ Compensation — The rates vary by individual agency. The budgeted rates are unchanged from FY 2010. Monies are deposited into the Risk Management Fund for payment of costs associated with Workers’ Compensation losses. The overall statewide rate is 0.90% in FY 2011.

Federal Insurance Contributions Act (FICA) — Social Security taxes are applied at a rate of 6.20% up to \$106,800 of an employee’s salary, which is an increase from the \$102,000 maximum assumed in FY 2010. In addition, Medicare taxes are applied at a rate of 1.45% on the full level of an employee’s salary. Both the FICA and Medicare rates are unchanged from FY 2010.

State Retirement Systems — There are 4 state employee retirement systems -- ASRS, the Public Safety Personnel Retirement System (PSPRS), the Corrections Officers Retirement Plan (CORP), and the Elected Officials Retirement Plan. In addition, the Universities operate their

Table 4**FY 2011 Employer Contribution Rates**

<u>Category</u>	<u>Rate</u>
Life Insurance (per FTE Position)	\$40.30
Unemployment Insurance	0.412%
Personnel Division Pro Rata	1.10%
Disability (Arizona State Retirement System)	0.25%
Disability (Non-State Retirement System)	0.36%
Information Technology Planning	0.20%
Retiree Accumulated Sick Leave	0.40%
Attorney General Pro Rata	0.675%
Workers' Compensation	Varies

Federal Insurance Contributions Act (FICA)

Social Security (salary max \$106,800)	6.20%
Medicare (no salary cap)	1.45%

Retirement System

	<u>Employer</u>		<u>Employee</u>
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2011</u> ^{1/}
<i>Arizona State Retirement System</i>	9.00	9.60	9.60
<u>Correctional Officers Ret. Plan</u>			
Correctional Officers - DOC	9.19	8.37	8.41
Correctional Officers - DJC	8.41	7.46	8.41
<i>Elected Official Retirement Plan</i>	14.25	17.42	7.00
<i>University Optional</i>	7.00	7.00	7.00
<u>Public Safety Personnel Retirement</u>			
Liquor License Investigators	19.02	19.14	7.65
Department of Public Safety ^{2/}	31.95	33.82	2.65
Northern Arizona University Police	25.36	30.51	7.65
University of Arizona Police	20.01	20.50	7.65
Arizona State University Police	19.96	18.70	7.65
Game and Fish Department	37.09	40.63	7.65
Attorney General Investigators	46.39	81.75	7.65
DEMA Firefighters	16.46	16.46	7.65
ADOA Capitol Police	11.00	12.86	7.65
Parks Police	17.51	14.66	7.65

^{1/} FY 2011 retirement employee rates are unchanged from FY 2010 except for Arizona State Retirement System, which increased from 9.00%.

^{2/} The displayed rates reflect that 5% of the DPS member contribution of 7.65% is paid by the state.

own defined contribution plan. For ASRS, both the employer and employee rates increased by 0.60% in FY 2010, from 9.00% to 9.60%. No change in agencies' budgets was made for this adjustment in rates. *Table 5* lists ASRS contribution rates since FY 1983.

For PSPRS, CORP and EORP only the employer contribution rate changed, as the employee contribution rates which are set in statute remain unchanged for FY 2011.

Other Operating Expenditures

The following items are included in agency's Other Operating Expenditures.

Table 5**ASRS Contribution Rates**

<u>Fiscal Year</u>	<u>Rate</u> ^{1/}	<u>Fiscal Year</u>	<u>Rate</u> ^{1/}
FY 1983	7.00	FY 1998	3.05
FY 1984	7.00	FY 1999	2.85
FY 1985	6.27	FY 2000	2.17
FY 1986	5.67	FY 2001	2.17
FY 1987	5.53	FY 2002	2.00
FY 1988	4.00	FY 2003	2.00
FY 1989 ^{2/}	4.78	FY 2004	5.20
FY 1990 ^{2/}	1.29	FY 2005	5.20
FY 1991 ^{2/}	3.37	FY 2006	6.90
FY 1992 ^{2/}	3.17	FY 2007	8.60
FY 1993 ^{2/}	3.10	FY 2008	9.10
FY 1994 ^{2/}	2.65	FY 2009	8.95
FY 1995 ^{2/}	3.26	FY 2010	9.00
FY 1996	3.36	FY 2011	9.60
FY 1997	3.20		

^{1/} Employer and employee each pay this rate.

^{2/} Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.

Building Payments — The Other Operating Expenditures line of individual agency budgets includes rental charges, lease-purchase, and privatized lease-to-own (PLTO) payments for certain buildings. Rent charges in state-owned space will remain at \$21.02 per square foot, with the charge for state-owned storage space remaining at \$7.62 per square foot.

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. (*Please see the State Lease-Purchase discussion above and the Rent, Lease-Purchase, and PLTO schedules in the Capital Outlay section for more details.*)

Risk Management — Individual agency budgets' Other Operating Expenditures include the Risk Management charges to be billed by the ADOA Risk Management Program. The billings vary by individual agency. The budgeted rates have not changed from FY 2010 and are estimated to generate total revenues of \$70.1 million yearly. The rate that ADOA charges each agency may be different than the budgeted rates. Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state. (*Please see the Summary of Risk Management Charges later in this section for these charges.*)

Other Budget Issues

The FY 2011 Budget Procedures BRB (Laws 2010, 7th Special Session, Chapter 3) includes the following 3 statewide provisions, which will become effective on June 15, 2010:

Voluntary Separation Program – The BRB permanently repeals the voluntary separation program. This program required ADOA to establish procedures which would allow a state agency to provide severance payments to those terminated from state service due to a reduction in force, subject to agencies' available funding. The program also gave ADOA the option to allow a terminated employee to continue state employee health insurance for up to 6 months, subject to available funding.

Furlough Implementation – The BRB continues to allow agencies to implement a furlough for FY 2011 and directs ADOA to prescribe implementation procedures and exempts them from rulemaking requirements for the purpose of prescribing the procedures. (This is in addition to the Performance Pay Elimination & Furlough Requirement discussion below.)

Performance Pay Elimination & Furlough Requirement – The BRB permanently eliminates the 2.75% performance pay available to state agencies, effective May 29, 2010. Performance pay provided participating employees a total of 2.75% of additional compensation if the agency or work unit achieved pre-determined performance targets.

The bill requires 1 furlough day in FY 2010 and 6 furlough days in each of FY 2011 and FY 2012 and allows for exemptions from furloughs if approved by ADOA. If approved by ADOA, a budget unit may reduce employee pay in lieu of requiring furloughs provided that the agency achieves the required amount of savings. The exemptions only apply to furloughs and not the 2.75% pay reduction. ADOA was required to report to JLBC on the job classifications and the total number of employees, by budget unit, who have been exempted from the furlough program and information on budget units which received approval to substitute a pay reduction in lieu of requiring furloughs by April 30, 2010.

ADOA will not be implementing a furlough day in FY 2010. The FY 2011 furlough days are as follows: July 23, August 20, September 17, November 26, December 23, and June 10. The FY 2012 furlough days are as follows: July 22, August 19, September 16, November 25, December 23, and June 15.

Section 148 of the General Appropriation Act transfers to the General Fund \$(1,730,000) in FY 2010 and \$(45,000,000) in FY 2011 from state agencies' funds for personnel expenses related to this performance pay elimination and furlough requirement. The performance pay reduction does not apply to board and commission members who are paid on a per diem basis, university employees, or employees of elected state officers.

Each state elected office agency was also allocated a reduction amount equivalent to 5.05% of non-elected

employees' salaries plus employee related expenditures. This percentage amount is equivalent to the performance pay and furlough reductions taken by most other state agencies. Each elected official, however, shall determine how the reduction will be applied, including using vacancy savings, salary reductions, and furloughs.

Administrative Adjustments — The budget assumes that state agencies will have expenditures totaling \$73,607,000 in FY 2011 for FY 2010 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2010 but for which the state was unbilled until FY 2011. An agency's administrative adjustments cannot exceed its prior year reversionment, or unused appropriation authority. The \$73,607,000 is an increase of \$875,400 from the FY 2010 total of \$72,731,600. The FY 2011 amount is 65% of prior-year reversionments. This amount reflects a percentage close to the historical average. Administrative adjustments as a percentage of prior year's reversionments vary widely from year to year, however, from below 30% to above 70%.

In addition to the FY 2011 increase above FY 2010, the budget assumes no revision to the originally-budgeted FY 2010 administrative adjustment total of \$72,731,600. This amount is 65% of reported FY 2009 reversionments and is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies' historical trends.

Reversionments — The budget assumes that state agencies will revert \$(112,905,100) of FY 2011 appropriations back to the General Fund because the agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2012. This amount is an increase of \$336,500 from the FY 2010 total of \$(113,241,600). The FY 2011 amount reflects 1.1% of total spending, a percentage based on historical averages in years which the economy slows down.

In addition to the FY 2011 increase above FY 2010, the budget assumes no revision to the originally-budgeted FY 2010 reversionment total of \$(113,241,600). This amount is approximately 1.2% of FY 2010 estimated spending.

In addition to these reversionments, the FY 2011 budget also continues to modify the accounting of non-lapsing General Fund monies, which are not usually included in the General Fund ending balance. Laws 2010, 7th Special Session, Chapter 3 requires that any monies appropriated from the General Fund that are non-lapsing and unexpended at the end of FY 2011 shall be treated as if these funds are part of the FY 2011 ending balance. This accounting method is not anticipated to generate additional any statutory reversionment savings in FY 2011. These amounts were originally estimated to be \$50,000,000. These monies remain non-lapsing and continue to be available to the agencies in FY 2012.

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

Lump Sum — The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further legislative or Executive Branch review.

Lump Sum with Special Line Items — The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are permitted to shift funds among line items, programs and subprograms without further legislative or Executive Branch review, though footnotes may place additional restrictions or notifications upon the agency prior to or associated with transfers between special line items or to or from the operating budget.

**SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2002 I/
(Shown in Nominal Dollars)**

Fiscal Year	General Salary Adjustments					Additional Increases for Selected Classes		
	Dollars Appropriated	Effective Date	Annual Cost	% Salary Adjustment	% Performance Adjustment	Dollars Appropriated	Effective Date	Annual Cost
FY 2002	\$3,971,700	June 8	\$63,022,700	\$1,450/FTE <u>1/</u>	-0-	-0-	NA	-0-
FY 2003	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2004	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2005	\$42,136,200	July 1	\$42,136,200	\$1,000/FTE <u>2/</u>	-0-	\$1,878,700	July 1	\$1,878,700 <u>3/</u>
FY 2006	\$26,992,200	July 2	\$26,992,200	1.7%	-0-	\$15,633,100	July 2	\$15,633,100 <u>4/5/</u>
FY 2007	\$129,686,700 <u>6/</u>	July 1	\$129,686,700 <u>7/</u>	\$1,650/FTE <u>8/</u>	2.50%	\$31,761,600	July 1	\$31,761,600 <u>9/10/</u>
FY 2008	\$68,755,000	July 1	\$68,755,000 <u>11/</u>	3.0%	0.25%	\$9,149,200	July 1	\$9,149,200 <u>12/</u>
FY 2009	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2010	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2011	\$(29,910,000) <u>13/</u>	July 1	\$(29,910,000)	-2.30% <u>14/</u>	-2.75% <u>14/</u>	-0-	NA	-0-

1/ Equates to approximately 3.73%.

2/ Equates to approximately 2.6%. Universities may determine how to delineate salary funding, there is no \$1,000 guarantee.

3/ Funds additional adjustments above \$1,000 for state-employed nurses and for sworn officers in the Arizona Department of Public Safety (DPS).

4/ Funds additional adjustments above 1.7% for sworn officers in DPS and Assistant Attorneys General.

5/ Funds \$1,410 adjustment for correctional officers in the Arizona Department of Corrections (ADC) and the Arizona Department of Juvenile Corrections (DJC) in lieu of the 1.7% general salary adjustment.

6/ Salary Adjustment went into effect on March 11, 2006. \$39,854,000 was appropriated for the FY 2006 adjustments.

7/ Laws 2006, Chapter 1 originally appropriated \$130,241,800 for the salary adjustments. Laws 2006, Chapter 261 reduced the appropriation by \$(555,100).

8/ Equates to approximately 3.8%.

9/ Funds additional adjustments above the \$1,650 per FTE and 2.5% performance adjustment for the Auditor General's Office, state-employed nurses and corrections officers in ADC and DJC.

10/ Includes \$17 million that was reallocated from the ADC's Overtime Special Line Item for Salary Adjustments.

11/ Provides funding for the equivalent of a 3.0% adjustment to the Personal Services Base in the FY 2008 JLBC Baseline.

12/ Funds additional adjustments above the 3.0% pay adjustment and 0.25% performance adjustment for the General Accounting Office, Assistant Attorney Generals, supervisor correctional officers at ADC, security officers at the Arizona State Hospital, officers at DJC, and sworn officers at DPS.

13/ Represents General Fund savings from pay reduction.

14/ Represents 6 furlough days except for certain exempted positions and a 2.75% pay reduction. Where possible, the 2.75% reduction was intended to eliminate the FY 2007 and FY2008 Performance Adjustments.

**STATE OF ARIZONA
ELECTED OFFICIALS' SALARIES**

	<u>Jan. 1, 2001</u>	<u>Jan. 1, 2002</u>	<u>Jan. 1, 2007</u>	<u>* Jan. 1, 2009 *</u>
Governor	\$95,000	\$95,000	\$95,000	\$95,000
Secretary of State	\$70,000	\$70,000	\$70,000	\$70,000
Treasurer	\$70,000	\$70,000	\$70,000	\$70,000
Attorney General	\$90,000	\$90,000	\$90,000	\$90,000
Superintendent of Public Instruction	\$85,000	\$85,000	\$85,000	\$85,000
Corporation Commissioners	\$79,500	\$79,500	\$79,500	\$79,500
Mine Inspector	\$50,000	\$50,000	\$50,000	\$50,000
Supreme Court Chief Justice	\$129,150	\$129,150	\$145,294	\$160,000
Other Supreme Court Justices	\$126,525	\$126,525	\$142,341	\$155,000
Appellate Judges	\$123,900	\$123,900	\$139,388	\$150,000
Superior Court Judges	\$120,750	\$120,750	\$135,844	\$145,000
Legislators	\$24,000	\$24,000	\$24,000	\$24,000

* There were no changes in elected officials' salaries between January 1, 2002 and January 1, 2007, January 1, 2007 and January 1, 2009, or January 1, 2009 and the present.

BUDGET CYCLE

Under A.R.S. § 35-113, the state has a “bifurcated” budget system in which most state agencies submit a biennial budget request each odd-numbered year, requesting a separate appropriation for each of the next 2 fiscal years. Larger state agencies make an annual budget request. These “annual budget units” are:

- Arizona Department of Administration (ADOA)
- Arizona Health Care Cost Containment System (AHCCCS)
- Arizona Community Colleges
- Department of Corrections (ADC)
- Department of Economic Security (DES)
- Arizona Department of Education (ADE)
- Department of Health Services (DHS)
- Judiciary
- Department of Juvenile Corrections (DJC)
- School Facilities Board (SFB)

- Arizona Department of Transportation (ADOT)
- Universities, including:
 - Arizona Board of Regents
 - Arizona State University - Tempe/DPC, East, and West
 - University of Arizona
 - Northern Arizona University

In addition to these agencies, the FY 2010 General Appropriation Act appropriated annual budgets to all other agencies. As a result, all agencies also received FY 2011 budgets in the 2010 legislative session.

The table below provides additional detail on how the budget cycle has changed for state agencies since FY 2008. See the *FY 2010 Appropriations Report* for the history since FY 1992.

Biennium	Changes in Biennial Budgeting
FY 2008 - FY 2009	No changes in statutorily-mandated annual agencies from previous biennium. In addition to statutory annual budgets, the Department of Financial Institutions, State Mine Inspector, Arizona Navigable Streams Adjudication Commission, Department of Public Safety, and the State Treasurer received an annual budget. All other agencies received biennial budgets for FY 2008 and FY 2009.
FY 2010 - FY 2011	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget for FY 2010 in 2009 and an annual budget for FY 2011 in 2010.

STRATEGIC PROGRAM AREA REVIEWS (SPARs)

A.R.S. § 41-1275 establishes the Strategic Program Area Review (SPAR) process. The SPARs provide an opportunity for the Governor and the Legislature to evaluate the effectiveness and efficiency of programs crossing state agency lines. These reviews by Joint Legislative Budget Committee (JLBC) Staff and the Governor’s Office of Strategic Planning and Budgeting (OSPB) are a permanent part of the biennial budget process and result in decisions to retain, eliminate, or modify particular programs.

A.R.S. § 41-1275 requires JLBC Staff, in consultation with OSPB, to recommend to the JLBC, program areas for SPAR by January 1 of every odd-numbered year. Because the SPAR process was viewed as duplicating the efforts to review the effectiveness and efficiency of programs that cross state agency lines during session, no programs were subject to SPAR in the current cycle.

FY 2011 BUDGET RECONCILIATION BILLS (BRB)^{1/}

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^{1/} Laws 2010, 7th Special Session unless otherwise noted.

FY 2011 BUDGET RECONCILIATION BILLS (BRB)

BUDGET PROCEDURES – CHAPTER 3 (HB 2003)

	<u>Section</u>
Statewide	
1. As session law, continue to require the Governor’s Office of Economic Recovery to report on the use of American Recovery and Reinvestment Act (ARRA) Funds by October 1. Allow the reports to be transmitted electronically by posting them on the state’s stimulus tracking website.	6
2. As session law, continue to require unrestricted Federal Funds, excluding ARRA funds, to be deposited in the General Fund for the payment of essential government services.	7
3. As session law, continue to allow agencies to implement a furlough (in addition to those required by Section 9) for FY 2011 and direct the Arizona Department of Administration (ADOA) to prescribe implementation procedures. Also, exempt ADOA from rulemaking requirements for the purpose of prescribing procedures.	11
4. As session law, notwithstanding A.R.S. § 35-121 to permit annual budgets for all departments.	12
5. As permanent law, require ADOA to annually submit to the Joint Legislative Budget Committee (JLBC) by December 31 of each year a Working Capital Surplus Report associated with meeting the requirement for tax-exempt deficit financing concerning agreements entered into after January 1, 2009.	4
6. As session law, continue to specify that any non-lapsing monies appropriated from the General Fund that remain unexpended or unencumbered at the close of FY 2011 shall be counted as part of the closing balance.	13
7. As permanent law, repeal language authorizing the inclusion of performance pay in the General Appropriation Act.	1,2,3
8. As permanent law, repeal the voluntary separation program. Subject to agencies’ available funding, this program required ADOA to establish procedures which would allow a state agency to provide severance payments to those terminated from state service due to a reduction in force. The program also gave ADOA the option to allow a terminated employee to continue state employee health insurance for up to 6 months, subject to available funding.	5
9. As permanent law, eliminate the 2.75% performance pay available to state agencies, effective May 29, 2010. As session law, require 1 furlough day in FY 2010 and 6 furlough days in FY 2011 and FY 2012. These requirements apply to all state government units except employees of elected officials other than the Governor. For the offices of non-gubernatorial elected officials, Section 10 requires that these budget units receive a 2.75% personnel expense reduction, along with an additional 2.3% personnel expense reduction, which is equivalent to the 6 day furlough required for all other budget units. The non-gubernatorial elected officials may use furloughs, salary reductions and/or vacancy savings to achieve their savings. Other provisions include: <ul style="list-style-type: none">• University employees are exempt from Sections 8, 9, and 10 because reducing the University system’s appropriation to implement salary reductions or furloughs would reduce funding below federal Stabilization Fund FY 2006 maintenance of effort requirements. This exemption would be removed upon expiration of the federal maintenance of effort requirements (end of FY 2011).• Allows the closure of offices for furloughs• Allows exemption from furloughs, as approved by ADOA, for positions which require continuous operation due to their critical nature or other compelling reasons.• With approval from ADOA, a budget unit may reduce employee pay in lieu of requiring furloughs, provided that the agency achieves the required amount of savings.• Requires that ADOA report to the JLBC by April 30, 2010 the job classifications and the total number of employees, by budget unit, who have been exempted from the furlough program. The report must also include information on budget units which received approval to substitute a pay reduction in lieu of requiring furloughs.• Requires all non-federal savings to be transferred to the General Fund.	8,9,10

CRIMINAL JUSTICE – CHAPTER 6 (HB 2006)

Attorney General

10. As permanent law, continue to permit the use of monies available in the Consumer Fraud Revolving Fund for any operating costs incurred by the Attorney General, including costs associated with the Tobacco Master Settlement Agreement arbitration. This provision was previously in session law. 23
11. As permanent law, continue to permit the use of monies available in the Collection Enforcement Revolving Fund for any operating expenses incurred by the Attorney General. This provision was previously in session law. 13

Capital Postconviction Public Defender’s Office

12. As permanent law, establish the Capital Postconviction Office Fund. Amend A.R.S. § 41-4301 to remove the \$30,000 cap on reimbursements from counties for costs incurred by the Capital Postconviction Public Defender’s Office and deposit the reimbursements into the Capital Postconviction Office Fund. 21,22

State Department of Corrections

13. As session law, continue to require the department to report actual FY 2010, estimated FY 2011, and requested FY 2012 expenditures as delineated in the prior year when the department submits its FY 2012 budget request pursuant to A.R.S. § 35-113. 26
14. As permanent law, continue to permit the use of monies appropriated to the Transition Office Fund for any operating expenses related to the Transition Program. This provision was previously in session law. 11
15. As session law, repeal Laws 2009, 3rd Special Session, Chapter 6, Section 33 requiring the Department of Corrections to enter into a concession agreement with private vendor(s) to operate 1 or more state prisons. 25
16. As a conditional enactment, permanently modify the criminal code to require individuals with sentences of 12 months or less to be incarcerated in county jails rather than state prison. Effective October 1, 2010. This provision only takes effect if the sales tax increase does not pass. 1,3,7,8,9, 10,36,40

Arizona Criminal Justice Commission/Arizona Drug and Gang Prevention Resource Center

17. As permanent law, shift the Drug and Gang Prevention Resource Center Fund from the Drug and Gang Prevention Resource Center to Arizona Criminal Justice Commission (ACJC) for the purpose of conducting the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. This shift was done on a transitional basis in FY 2010 through an intergovernmental agreement between ACJC and the Drug and Gang Prevention Resource Center. 18

Board of Executive Clemency

18. As permanent law, continue to require the Chairman to also act as the Executive Director. This provision was previously in session law. 12
19. As session law, continue to limit members of the Board of Executive Clemency, excluding the Chairman, from working more than 30 hours per week and restrict them from being eligible for paid leave or any other benefits provided to state employees. 33
20. As permanent law, allow the board to consider failed an issue in which the board is deadlocked rather than forcing the board to reconsider the issue at a later meeting. 12

Judiciary

21. As session law, continue to suspend the reporting requirements for the Annual Juvenile Intensive Probation Report, the Community Punishment Program Report, the Emancipation of Minors Report, the Annual Drug Treatment and Education Fund Report, the Annual Lengthy Trial Fund Report, the Annual Child Support Committee Report, and the Annual Domestic Relations Committee Report. 28
22. As session law, suspend A.R.S. § 12-270, which requires the Legislature to annually appropriate 40% of any cost savings related to a reduction in probation revocations, to be deposited in the Adult Probation Services Fund of each county if there is a reduction in the percentage of supervised probationers who are convicted of new felony offenses. 29
23. As session law, continue to suspend county non-supplanting requirements associated with funding for probation services, criminal case processing, and alternative dispute resolution programs and require the counties to report on reductions in county funding as a result of the elimination of the non-supplanting provisions. 30
24. As permanent law, requires Maricopa County to pay for 100% of the county’s Superior Court judges’ salaries. 2

25. As a conditional enactment, increase the counties' current 50% share of the cost of Superior Court judges' compensation by \$735,000 (in counties other than Maricopa). This provision only takes effect if the sales tax increase does not pass. 37

Department of Juvenile Corrections

26. As permanent law, extend the sunset of the Department of Juvenile Corrections (DJC) to July 1, 2011. Retroactive to July 1, 2010. 19,20, 38,39
27. As session law, establishes the Commission on Juvenile Corrections Reform to: 35
- Review and make recommendations regarding current rehabilitative services provided by the juvenile justice system, the future role of DJC, and the size, condition, and location of juvenile correctional centers and community treatment facilities.
 - Develop a plan for the possible closure of DJC and transfer of the responsibility of long-term juvenile incarceration to counties.
 - Report recommendations to the Legislature and the Governor no later than November 30, 2010.

Department of Public Safety

28. As permanent law, redirect 9% of Criminal Justice Enhancement Fund revenues, formally deposited into the General Fund, to the Department of Public Safety (DPS) to fund the department's crime laboratory operations. These monies will be deposited into DPS's Crime Laboratory Operations Fund. Session Law previously redirected these monies to the Crime Laboratory Assessment Fund. 15,17
29. As session law, continue to exempt state photo enforcement citations from being included in judicial productivity credit calculations in FY 2011. 31
30. As session law, continue to suspend the schedule established by A.R.S. § 28-6537 and A.R.S. § 28-6993 governing the level of Highway User Revenue Fund and State Highway Fund revenues available to fund DPS's Highway Patrol costs. 27
31. As session law, continue to reduce the Laws 2007, Chapter 261 advance appropriation of \$3,440,000 from the DNA Identification System Fund to \$980,000 in FY 2011. These monies were originally appropriated to fund the operating costs of expanded testing provisions and the design and construction of an expanded crime lab in Phoenix. 24
32. As permanent law, allow DPS to charge the Peace Officer Standards and Training Board for administrative support costs. 16
33. As permanent law, reduce the amount deposited to the Public Safety Equipment Fund from DUI and OUI assessments from \$3 million to \$1.2 million. 14
34. As permanent law, eliminate the Sex Offender Monitoring Fund and redirect its revenues to the General Fund. 4,5,6,34

State Treasurer

35. As session law, continue to fund the state share of Justice of the Peace salaries at 19.25% in FY 2011. 32
36. As a conditional enactment, fund the state share of Justice of the Peace salaries at 18.2875% in FY 2011. This provision only takes effect if the sales tax increase does not pass. 32

ENVIRONMENT – CHAPTER 7 (HB 2007)

Arizona Department of Agriculture

37. As session law, permit the Director, upon recommendation from the Agricultural Advisory Council, to continue to increase fees in FY 2011. The bill includes an intent clause that limits additional revenues up to \$561,000 and requires that a specific fee plan be developed for legislative consideration by April 1, 2010. 4

Department of Environmental Quality

38. As session law, continue to suspend the Underground Storage Tank Revolving Fund Assurance Account administrative cap for FY 2011 to allow the department to utilize up to \$6,531,000 for program operating costs. 3
39. As session law, allow the department to increase fees in FY 2011. The bill adds an intent clause that limits additional revenues to \$5,779,100 and requires that a specific fee plan be developed for legislative consideration by April 1, 2010. 5
40. As session law, limit the General Fund appropriation to the Water Quality Assurance Revolving Fund to \$7,000,000 in FY 2011. 9

Navigable Stream Adjudication Commission

- 41. As session law, allow up to \$80,000 from the Risk Management Revolving Fund to be spent for the commission’s unpaid legal obligations. 8

Arizona State Parks Board

- 42. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs. 2
- 43. As session law, continue to allow State Parks Enhancement Fund monies to be used for the operation of state parks as appropriated by the Legislature or for capital needs as approved by the Joint Committee on Capital Review in FY 2011. 7
- 44. As session law, allow the use of Law Enforcement Boating Safety Fund monies for Parks Board operations and \$500,000 for law enforcement grants in Mohave and La Paz Counties in FY 2011. 6

Department of Water Resources

- 45. As session law, continue to suspend the statutory \$5,000,000 transfer from the General Fund to the Water Protection Fund in FY 2011. 1
- 46. As session law, allow the department to increase fees in FY 2011. The bill adds an intent clause that limits additional revenues to \$5,662,900 and requires that a specific fee plan be developed for legislative consideration by April 1, 2010. 5

GENERAL GOVERNMENT – CHAPTER 5 (HB 2005)

Department of Commerce

- 47. As session law, continue to amend Laws 2004, Chapter 235, Section 14 to reduce the Military Installation Fund deposit by \$(2,800,000) in FY 2011. 4
- 48. As session law, continue to allow the department to use the Lottery Fund, Bond Fund and Commerce and Economic Development Fund for operating. 6
- 49. Repeal Laws 2007, Chapter 260, Section 6 to eliminate the FY 2011 \$27,500,000 advance appropriation to the 21st Century Fund. 2

Department of Emergency and Military Affairs

- 50. As session law, continue the \$(1,100,000) reduction to the Governor’s Emergency Fund deposit in FY 2011. 5

Secretary of State

- 51. As session law, suspends the requirement that the Secretary of State register Professional Employer Organizations pursuant to A.R.S. § 23-563 until July 1, 2011. 7

State Treasurer

- 52. As permanent law, clarify Laws 2009, Chapter 89 to establish the Treasurer’s Management Fund. Revert General Fund appropriation in lieu of Management Fund appropriation. 1,3

HEALTH – CHAPTER 10 (HB 2010)

Arizona Department of Administration

- 53. As session law, continue to prohibit implementation of a differentiated health insurance premium in FY 2011 based on the integrated or non-integrated status of the provider, beginning October 1, 2010. 24

AHCCCS

- 54. As session law, continue to exclude the Arizona Health Care Cost Containment System (AHCCCS) from the ambulance provider rates set by the Department of Health Services (DHS). *Laws 2010, Chapter 86 (H.B. 2116) sets the AHCCCS ambulance reimbursement rate at 80% of the DHS rates except that from October 1, 2009 until September 30, 2011, the rates will not exceed 76%.* 32
- 55. As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels. 33
- 56. As session law, continue to prohibit increases in institutional and non-institutional provider rates in the contract year beginning October 1, 2010. Allow AHCCCS to reduce institutional and non-institutional rates up to 5% in contract year beginning October 1, 2010. 25

57. As a conditional enactment, allow AHCCCS to reduce institutional and non-institutional provider rates up to an additional 10% in contract year beginning October 1, 2010. This provision only takes effect if the sales tax increase does not pass.	25
58. As session law, require AHCCCS to suspend total Acute Care payments of \$344,201,700 (including \$117,688,200 from the General Fund) to health plans for up to 2 months. Stipulate that the health plans shall receive 0.5% interest for the delayed payment.	31
59. As permanent law, eliminate the KidsCare Children Program. <i>Chapter 232 (S.B. 1043) restores the KidsCare program retroactive to June 14, 2010 (see Chapter 232 below).</i>	1,2,3,4,9, 10,11
60. As permanent law, eliminate certain optional AHCCCS services including, but not limited to, emergency dental services, most well exams for adults (Mammograms, Pap Smears, and Colonoscopies would remain covered), physical therapy services (excluding the first 6 visits), certain transplants, and orthotics. Subject to approval of the federal government, eliminates non-emergency transportation to certain AHCCCS recipients in counties with more than 500,000 persons. Exempts AHCCCS from rulemaking requirements to make these changes. <i>(See Chapter 232 for changes).</i>	5,6,7,8,34
61. As session law, exempt AHCCCS from rulemaking requirements for determining eligibility necessary to implement a program within the available appropriation.	34
62. As session law, set the County Acute Care contribution at \$51,438,400. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328.	28
63. As session law, establish FY 2011 disproportionate share distributions to the Maricopa County Hospital District, the Arizona State Hospital, and private qualifying disproportionate share hospitals.	26
64. As session law, require the collection of \$2,646,200 in the Disproportionate Uncompensated Care pool contributions from counties other than Maricopa. Exclude these contributions from county expenditure limitations.	29
65. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.	30
66. As session law, continue to permit AHCCCS to expend Federal Funds made available by local or tribal spending unless the spending would reduce the enhanced federal matching rate under the federal stimulus or cause the administration to exceed any limitations of federal spending.	20
67. As session law, continue to state that it is the intent of the Legislature that AHCCCS comply with the Federal False Claims Act, achieve the maximum savings as possible under the federal act, and continue to consider best available technologies to consider fraud.	35
68. As session law, set county Arizona Long Term Care System (ALTCS) contributions at \$224,983,700. Specifies this amount includes a reduction of \$39,706,700 for the ALTCS Lump Sum Appropriation and a \$3,221,700 reduction for Medicare Clawback Payments. Both reductions are a result of ARRA of 2009. <i>(See Chapter 232 for changes.)</i>	15
69. As session law, amend Laws 2009, 3 rd Special Session, Chapter 3 to change the 50/50% counties/state split for reversion of excess ALTCS lump sum appropriations to 62.2/37.8% in FY 2009 and 60/40% in FY 2010.	12,13
70. As session law, change 50/50% counties/state split for reversion of excess appropriations in ALTCS lump sum payments to 59.3/40.7% for FY 2011 to ensure compliance with ARRA Federal Medical Assistance Percentage (FMAP) provisions.	16
71. As session law, change 50/50% counties/state split for reversion of excess appropriations in ALTCS Medicare Clawback payments to 45.5/54.5% for FY 2009 and FY 2010 to ensure compliance with ARRA FMAP provisions.	14
72. As session law, change 50/50% counties/state split for reversion of excess appropriations in ALTCS Medicare Clawback payments to 45.3/54.7% for FY 2011 to ensure compliance with ARRA FMAP provisions.	17
73. As session law, require AHCCCS to transfer: a) Acute Care county savings due to the receipt of the enhanced FMAP in FY 2010 to counties by December 31, 2010; b) Acute Care county savings due to the receipt of the enhanced FMAP in FY 2011 to the counties by December 31, 2011; and c) any county savings from the Proposition 204 – DES Eligibility line item in FY 2011 back to the counties to conform with federal stimulus requirements.	18,19,21
74. As session law, appropriates an additional \$3,000,000 from the General Fund and \$5,784,800 from Federal Title XIX expenditure authority for disproportionate share hospital payments for private hospitals in FY 2011.	27

Department of Health Services

75. As session law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment in FY 2011. Allows counties to use any source of county revenue to make the transfers.	23
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76. As session law, continue to require counties to pay 25% of the cost of treatment and confinement for sexually violent persons. Allows counties to use any source of county revenue to make the transfers and exempts county contributions from county expenditure limitations. 22

HEALTH CARE; PROGRAMS; COVERAGE – CHAPTER 232 (SB 1043)

Arizona Department of Administration

77. As permanent law, extend state employee health care coverage to dependents up to their 26th birthday to comply with recently passed federal health care legislation. Allow a child who was disabled before reaching 19 who continues to be disabled and for whom the employee had custody before reaching 19 to be considered a dependent for state employee health care coverage. The 2009 statutory changes in state employee health insurance coverage had the unintended consequences of removing the disabled dependent population. 9,15

AHCCCS

78. As permanent law, restore KidsCare statutes repealed by Laws 2010, 7th Special Session, Chapter 10. Retroactive to June 14, 2010. 1-4, 6-8, 11,16
79. As session law, appropriate \$9,000,000 from the General Fund and \$40,900,000 from the Children’s Health Insurance Fund for KidsCare in FY 2011. Funds program presuming continuation of enrollment freeze as approved by the federal government on March 15, 2010. 12,16
80. As session law, conditional upon the enactment of the enhanced federal Medicaid match rate being extended until June 30, 2011, sets the county Arizona Long Term Care System (ALTCS) contributions at \$187,507,000. Specifies this amount includes a reduction of \$(76,014,400) for the ALTCS Lump Sum appropriation and a \$(4,390,700) reduction for Medicare Clawback payments. 13
81. Makes technical changes to Laws 2010, 7th Special Session, Chapter 1, Section 133 clarifying that the reduction to the FY 2010 Medicare Clawback payment is from “Expenditure Authority” instead of “Federal Title XIX Expenditure Authority.” 10
82. Makes technical changes to transplant coverage to be consistent with the intent of the Health Budget Reconciliation Bill (BRB). The Health BRB inadvertently eliminated transplant coverage for all transplants where the donor was not related; the BRB should have eliminated coverage for only unrelated allogenic transplants (blood stem cell transplants). 5
83. As session law, makes appropriation revisions conditional upon the enhanced federal Medicaid match rate being extended until June 30, 2011. The extended enhanced federal match generates General Fund savings of \$394 million. Of this amount, \$385 million is used to restore Proposition 204 programs in the Arizona Health Care Cost Containment System (AHCCCS) and the Department of Health Services (DHS) for the last 6 months of FY 2011 and \$9 million is used for restoring KidsCare. While the enacted budget presumed the elimination of the Proposition 204 program in January 2011, the federal health care legislation requires maintenance of existing programs. Reducing existing coverage would result in a loss of federal matching funds for the traditional Medicaid program. 14

Appropriations and reductions made are as follows:

- A decrease of \$(43) million from the General Fund and an increase of \$43 million in Federal Title XIX Expenditure Authority to the Department of Economic Security;
- A decrease of \$(45) million from the General Fund and an increase of \$86 million in Expenditure Authority to DHS;
- An increase of \$79 million from the General Fund and an increase of \$1,006 million in Expenditure Authority to AHCCCS.

HIGHER EDUCATION – CHAPTER 9 (HB 2009)

Arizona Community Colleges

84. As session law, continue to suspend capital outlay funding for FY 2011. 2
85. As session law, continue to notwithstanding the 20% cap to the community college districts’ ability to use capital outlay monies for operating. 3
86. As session law, notwithstanding the operating state aid and equalization formulas in FY 2011, and specify that the appropriations for operating and equalization state aid shall be as provided in the General Appropriation Act, including any conditionally enacted reduction. 6,7

87. As a conditional enactment, permanently eliminate the distribution of the Transaction Privilege Tax revenues that are collected on Indian reservations to tribal community colleges and other conforming changes. This provision only takes effect if the sales tax increase does not pass. 1,8

Board of Medical Student Loans

88. As session law, continue to suspend the requirement that at least 50% of loan monies be apportioned for students attending private medical schools retroactive to June 30, 2010. 4

Universities

89. As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust. 5

K-12 EDUCATION – CHAPTER 8 (HB 2008)

Department of Education

90. As permanent law, increase by 1.2% the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school “Additional Assistance” amounts prescribed in A.R.S. § 15-185B4. 1,4
91. As permanent law, maintain at \$3,267.72 for FY 2011 the per pupil “base level” amount prescribed in A.R.S. § 15-901B2 (unchanged from FY 2010). 2
92. As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2011 at a percentage that would freeze statewide JTED costs at the prior year level. 8
93. As session law, continue to “hold harmless” a JTED if the adjustment factor otherwise would cause it to receive less state aid in FY 2011 than in FY 2010, apart from reductions due to changes in student counts, property values and other technical factors. 8
94. As session law, continue to set the maximum base level increase for Career Ladder districts at 5.0% rather than 5.5% and limit the program only to teachers who participated in the prior year. 11
95. As session law, continue to suspend new funding for the early graduation program, but continue to fund existing students with available fund balances. 12
96. As session law, continue to suspend the “Actual Utilities Cost” funding formula in A.R.S. § 15-910.04 and related reporting requirements currently prescribed in A.R.S. § 15-910.03. 13
97. As session law, continue to permit school districts to use Soft Capital funding for FY 2011 for any operating or capital expenditures. 14
98. As session law, continue to suspend the annual AIMS Intervention and Dropout Prevention performance audit for FY 2011. 15
99. As permanent law, restore Half-Day Kindergarten by modifying the Basic State Aid formula. 2,3
100. As session law, continue to allow school districts and charter schools to charge tuition for full day Kindergarten (FDK) in FY 2011 if they decide not to provide free FDK in FY 2011. 16
101. As permanent law starting in FY 2012, limit the Homeowner’s Rebate to the K-12 “Qualifying Tax Rate” (QTR) or to a district’s actual primary property tax rate, whichever is lower. 5,22
102. As session law, continue the \$(144,000,000) Soft Capital reduction required for FY 2010 by Laws 2009, 4th Special Session, Chapter 2 and increase it by \$(21,120,700) for a total FY 2011 reduction of \$(165,120,700). As session law, continue to exempt school districts with fewer than 600 K-8 pupils from 50% of the K-8 Soft Capital reductions and districts with fewer than 600 high school pupils from 50% of the high school Soft Capital reductions that they otherwise would receive for FY 2011. 9
103. As a conditional enactment, suspend the Soft Capital funding formula for FY 2011, rather than reducing Soft Capital funding by \$(165,120,700), as required above. This would result in an estimated state savings of \$(212,000,000) rather than \$(165,120,700). This provision only takes effect if the sales tax increase does not pass. 10
104. As session law, reduce charter school Additional Assistance funding by an amount specified in the General Appropriation Act (\$10,000,000) for FY 2011 only below the level that otherwise would be funded pursuant to A.R.S. § 15-185B4. 7
105. As a conditional enactment, reduce charter school Additional Assistance by an additional amount specified in the General Appropriation Act (\$31,000,000) for FY 2011 only below the level that otherwise would be funded pursuant to A.R.S. § 15-185B4. This would result in a total charter school Additional Assistance reduction of \$41,000,000 rather than \$10,000,000. This provision only takes effect if the sales tax increase does not pass. 7
106. As a conditional enactment, suspend the Capital Outlay Revenue Limit (CORL) formula for FY 2011, which would result in an estimated state savings of \$(248,000,000). This provision only takes effect if the 19

sales tax increase does not pass.

107. As a conditional enactment, reduce Base Support Level (BSL) funding to school districts by \$(102,723,300) in FY 2011. This provision only takes effect if the sales tax increase does not pass. 21

School Facilities Board

108. As session law, continue to prohibit the School Facilities Board (SFB) from authorizing or awarding funding for the design or construction of any new school facility or for school site acquisition. Continue to require school districts to submit capital plans during FY 2011 and permit SFB to review and award new school facilities, subject to future appropriations. 17
109. As session law, continue to suspend the Building Renewal Fund formula for FY 2011. 18
110. As session law, requires SFB to refinance existing outstanding debt in order to realize up to \$60 million of savings in FY 2011, and requires JCCR review prior to SFB entering into any refinancing agreement. Prohibits SFB from entering into a refinancing agreement which achieves costs savings in other fiscal years in order to avoid substantial changes to the board's current debt service schedule. 20
111. As session law, modifies SFB's existing \$100 million of bonding authority to include Build America Bonds, and extends this authority until the end of FY 2011. Require proceeds to first be given to school districts whose actual FY 2010 ADM or projected FY 2011 ADM exceeds the district-wide space capacity. 6

REGULATION – CHAPTER 4 (HB 2004)

Office of Administrative Hearings

112. As session law, continue to suspend the requirement that the office hear appealed actions and contested cases within 60 days of the filing. 6

Registrar of Contractors

113. As session law, continue to allow 14% of prior fiscal year revenues from the Residential Contractors' Recovery Fund to be used for employee and contracted services, equipment, and for operational costs, rather than 10% of the fund balance. 5

Corporation Commission

114. As permanent law, continue to allow mutual fund filing fees to be deposited in the Securities Regulatory and Enforcement Fund and then redirected to the General Fund in February and June of each fiscal year. This provision was previously in session law. 2,3

Department of Fire, Building and Life Safety

115. As a conditional enactment, suspend the department's statutory requirements to the extent that funds are not available. 8

Department of Insurance

116. As session law, continue to notwithstanding the requirement for the Department of Insurance to recover at least 95% but not more than 110% of the department's appropriated budget. 4
117. As permanent law, continue to allow the department to use up to \$100,000 from the Captive Insurance Regulatory and Supervision Fund for operating expenses. This provision was previously in session law. 1

Board of Osteopathic Examiners

118. As session law, the Board of Osteopathic Examiners may select licensees whose renewal date is on or before January 1, 2012 to renew for a 1-year period. The license renewal fee for selected licensees shall be prorated accordingly. 7

REVENUES – CHAPTER 12 (HB 2012)

Department of Housing

119. As a conditional enactment, allow monies in the Housing Trust Fund to be transferred to the Department of Revenue (DOR) Administrative Fund to offset the DOR's contingency plan reduction. This provision only takes effect if the sales tax increase does not pass. 46

Office of Tourism

120. As permanent law, eliminate the Tourism funding formula in A.R.S. § 42-5029. 5,31,32, 33,34
121. As permanent law, allow the Office of Tourism to spend 50% of monies received from the Arizona Tourism and Sports Authority for Maricopa County tourism promotion on their operational and administrative expenses. Retroactive to April 1, 2010. 17,49

Department of Transportation

122. As session law, continue to require that the amount of Vehicle License Tax collected from the 5-year registration option, which is over and above what would have been collected had the vehicles been registered for 2 years, be deposited into the General Fund. 44
123. As permanent law, allow the department to set the Abandoned Vehicle Fee and direct the additional revenue to the General Fund. The bill adds an intent clause that limits additional revenue to \$12,061,200. 9,10,43

Revenues

124. As session law, continue the FY 2010 fee raising authority for the Department of Health Services, the Radiation Regulatory Agency, the State Land Department, and the Office of Pest Management. The bill exempts recreation fees from the fee raising authority granted the State Land Department. The bill adds an intent clause that limits additional revenues to \$600,000 each for the Department of Health Services and the State Land Department, \$500,000 for the Radiation Regulatory Agency, and \$525,000 for the Office of Pest Management. 42
125. As permanent law, lower the threshold for estimated Transaction Privilege Tax payments from \$1 million in TPT liability to \$100,000 for fiscal years 2010 through 2012. 30
126. As session law, redirect lottery distributions after February 1 for the County Assistance Fund, Local Transportation Assistance Fund (LTAF), LTAF II (Mass Transit), and the State Parks Heritage Fund to the General Fund. For any distributions already made, reduce local TPT distributions to cities and counties if necessary to recover the distributions. 45
127. As permanent law, redirect lottery distributions for the County Assistance Fund, LTAF, LTAF II, and the State Parks Heritage Fund to the General Fund. This would increase the distribution to the General Fund from \$46,490,000 to \$96,140,000. 1,2,3,4,8, 13,50
128. As permanent law, repeal LTAF and LTAF II and eliminate any statutory distributions. 10,11,12, 38,39,40
129. As permanent law, requires Phoenix's share of state sales tax to replace LTAF as a backstop for lower-than-expected revenues from the Phoenix Convention Center. 7,31
130. As permanent law, repeals the County Assistance Fund. 14
131. As permanent law, repeals the State Parks Heritage Fund and funding formulas. Revert any unused monies to the General Fund on June 30, 2011. 15,16
132. As session law, allow DOR to set a one-time fee for new and renewals of the TPT business license fee in FY 2011. The bill includes an intent clause that limits additional revenue to \$5,384,000. 20,24,41
133. As permanent law, eliminate the prohibition on outsourcing the collection of delinquent state taxes if the amount owed is less than \$500. 18,28
134. As permanent law, charge a 5% penalty on taxpayers required to make payments by electronic fund transfer who fail to do so. This would affect taxpayers with quarterly withholding liability of \$20,000 or more, corporate taxpayers with tax liability of \$20,000 or more, and TPT taxpayers with annual liability of \$1 million or more. 21,22,36, 37,50
135. As permanent law, allow DOR to enter into agreements with financial institutions to conduct electronic data matching for the collection of delinquent taxes. 6,27,28
136. As permanent law, increase the statute of limitations on tax liability to 10 years, which conforms to the IRS statute of limitations. 19,20,23, 24,25,26, 29
137. As permanent law, require that all payroll service companies file and pay electronically on behalf of their clients and assess a \$25 penalty fee per quarter per client for failure to do so. 28,35
138. As session law, require Maricopa County to transfer \$28,600,000 and Pima County to transfer \$6,000,000 into the General Fund, for a total transfer of \$34,600,000. Exempt these contributions from county expenditure limitations. Allows counties to use any source of county revenue to make the transfers. 47
139. As session law, allow counties to use any source of county revenue to meet a county fiscal obligation, including obligations not directly related to state cost shifts, for FY 2011 and FY 2012. 48

WELFARE – CHAPTER II (HB 2011)

Department of Economic Security

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| 140. As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable cause to believe that the recipient uses illegal drugs. | 9 |
| 141. As session law, continue to permit DES to reduce income eligibility levels for all child care programs. Require DES to report to JLBC within 15 days of any change in levels. | 10 |
| 142. As permanent law, reduce the maximum period of eligibility for TANF Cash Benefits from 5 years to 3 years. | 3,5,6,11 |
| 143. As permanent law, increase the percentage of a client's supplemental security income monthly benefit the department may collect to pay for a portion of the cost of support and care from 70% to 88%. As session law, the bill also provides emergency rule-making authority for 18 months. The bill adds an intent clause that limits additional revenues to \$4,050,000. | 2,11,12 |
| 144. As permanent law, allow the DES Director to establish a child support enforcement clearinghouse fee. As session law, the bill also provides emergency rule-making authority for 18 months. The bill adds an intent clause that limits additional revenues to \$1,050,000. | 1,11,12 |
| 145. As permanent law, allow DES to include the income of a non-parent relative or permanent guardian in determining the income eligibility of child-only applicants for TANF Cash Benefits. | 3,4,7,8,11 |

GROWING SMARTER REFERRAL – (HCR 2002)

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| 146. If approved by the voters at the November 2010 general election, transfer the remaining balance of the Land Conservation Fund to the state General Fund. | 1 |
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FIRST THINGS FIRST REFERRAL – (HCR 2001)

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| 147. If approved by the voters at the November 2010 general election, repeal the Early Childhood Development and Health Board (also known as First Things First) and its related Regional Councils. Agency operations would terminate on or before June 1, 2011 pursuant to existing sunset procedures. Any unexpended monies accumulated by First Things First would be transferred to the General Fund. The 80¢ tobacco tax would be deposited in the General Fund, and would be separately accounted for and appropriated for health and human services for children. | 1,2,3 |
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**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
GENERAL FUND - FY 2011 1/**

General Appropriation Act - Individual Agency	Health Insurance Adjustment	Lease-Purchase Adjustment	Personnel Expenditure Reductions	FY 2011 Additional Appropriations	Prior Year and Statutory Appropriations	FY 2011 Approp Rpt Total
	2/	2/	3/	4/	5/	
BUDGET UNITS						
Administration, AZ Department of	\$17,404,400	\$0	\$718,300	(\$388,400)		\$17,734,300
Administrative Hearings, Office of	934,300	0	0	(26,100)		908,200
Agriculture, AZ Department of	8,584,900	0	35,000	(185,600)		8,434,300
AHCCCS	1,169,253,900	0	0	(1,384,800)	91,000,000	1,376,901,300
Arts, Arizona Commission on the	680,100	4,400	0	(18,900)		665,600
Attorney General - Department of Law	17,887,400	0	43,900	(483,300)	100,000	17,548,000
Capital Postconviction Public Defender Ofc, State	647,000	6,000	0	(17,200)		635,800
Charter Schools, State Board for	823,900	0	0	(21,300)		802,600
Commerce, Department of	1,489,000	0	0	(22,500)	2,100,000	3,566,500
Community Colleges, Arizona	133,426,300	0	0	0	1,918,000	135,344,300
Corporation Commission	589,800	0	50,100	(17,700)		622,200
Corrections, State Department of	955,182,000	10,831,900	2,100	(17,323,100)		948,692,900
Deaf and the Blind, Schools for the	21,268,400	447,200	522,500	(192,700)		22,045,400
Economic Security, Department of	591,533,400	1,439,300	2,745,100	(613,900)	(3,000,000) 6/	634,103,900
Education, Department of	2,630,339,500	0	60,100	(319,800)	257,629,700 7/	3,491,223,400
Emergency & Military Affairs, Dept of	6,696,800	0	0	(95,700)		10,430,600
Environmental Quality, Department of	0	0	0	0	7,000,000	7,000,000
Equal Opportunity, Governor's Office of	196,600	2,600	0	(4,800)		194,400
Equalization, State Board of	674,500	0	0	(13,500)		661,000
Executive Clemency, Board of	880,200	0	0	(14,800)		865,400
Financial Institutions, State Department of	2,973,000	0	0	(69,900)		2,903,100
Fire, Building and Life Safety, Department of	2,007,800	0	54,300	(47,700)		2,014,400
Forester, State	3,013,000	42,100	0	(84,000)	3,000,000	5,971,100
Geological Survey, Arizona	801,400	5,400	0	(12,700)		794,100
Government Information Tech. Agency	757,300	0	0	(15,300)		742,000
Governor, Office of the	7,043,900	64,600	51,200	(198,800)		6,960,900
Gov's Ofc of Strategic Planning & Budgeting	1,993,500	17,600	0	(74,700)		1,936,400
Health Services, Department of	485,638,800	0	(13,100)	(1,686,700)	(45,000,000)	438,939,000
Historical Society, Arizona	3,870,700	8,300	1,453,500	(60,800)	589,700	5,861,400
Historical Society, Prescott	692,000	0	0	(18,300)		673,700
Independent Redistricting Commission	500,000	0	0	0		500,000
Indian Affairs, AZ Commission of	63,800	0	0	(700)		63,100
Insurance, Department of	5,625,800	0	9,800	(166,800)		5,468,800
Judiciary						
Supreme Court	17,262,100	264,100	2,843,200	(351,500)		20,017,900
Court of Appeals	14,063,500	137,300	640,800	(128,900)		14,712,700
Superior Court	79,220,700	70,400	0	(135,200)		79,155,900
SUBTOTAL - Judiciary	110,546,300	471,800	3,484,000	(615,600)	0	113,886,500
Juvenile Corrections, Department of	58,331,200		(98,900)	(1,224,200)		57,008,100
Land Department, State	3,718,500	32,700	(442,200)	(96,700)		3,212,300
Law Enforcement Merit System Council	71,900	700	0	(3,100)		69,500
Legislature						
Auditor General	16,546,700	186,800	68,300	(354,600)		16,447,200
House of Representatives	13,000,900	186,000	0	(322,000)		12,864,900
Joint Legislative Budget Committee	2,548,300	29,100	0	(80,700)		2,496,700
Legislative Council	4,856,200	31,700	0	(149,100)		4,738,800
Senate	8,244,800	105,000	0	(252,200)		8,097,600
SUBTOTAL - Legislature	45,196,900	538,600	68,300	(1,158,600)	0	44,645,200
Liquor Licenses & Control, Department of	0	0	0	0		0
Medical Student Loans, Board of	402,900	0	0	0		402,900
Mine Inspector, State	1,161,700	800	0	(36,600)	1,700	1,127,600
Mines & Mineral Resources, Department of	828,500	0	0	(12,700)	(589,700)	226,100
Navigable Stream Adjudication Commission	136,300	0	0	(2,800)		133,500
Parks Board, Arizona State	0	0	0	0	20,000,000	20,000,000
Pioneers' Home, AZ	1,562,000	48,300	0	(39,400)		1,570,900
Postsecondary Education, Commission for	1,220,800	0	0	0		1,220,800
Public Safety, Department of	43,589,200	0	0	(518,900)		43,070,300
Racing, Arizona Department of	3,877,700	28,700	0	(42,800)		3,863,600
Radiation Regulatory Agency	790,000	0	0	(33,000)	639,500	1,396,500
Rangers' Pensions, Arizona	14,200	0	0	0		14,200
Real Estate Department, State	3,021,400	0	39,300	(73,400)		2,987,300
Revenue, Department of	44,809,600	652,600	(1,900)	(1,781,300)	30,000	43,709,000
School Facilities Board	67,616,500	0	0	(36,000)		67,580,500
Secretary of State	13,456,400	204,300	(92,500)	(266,400)		13,301,800
Tax Appeals, State Board of	258,800	1,300	0	(7,400)		252,700
Tourism, Office of	0	0	0	0	0	0
Transportation, Department of	53,700	1,600	0	(700)		54,600
Treasurer, State	3,607,500	0	0	0	(2,492,400)	1,115,100
Universities						
Arizona State University - Tempe/DPC	238,033,700	0	0	0	36,622,300	326,349,100
Arizona State University - East Campus	18,434,100	0	0	0	3,650,100	25,101,300
Arizona State University - West Campus	33,870,900	0	0	0	5,026,000	43,935,700
Northern Arizona University	96,723,300	0	0	0	15,240,800	133,118,100
Board of Regents	17,230,300	0	0	(94,900)		17,135,400
University of Arizona - Main Campus	194,909,300	0	0	0	28,048,400	271,315,400
University of Arizona - Health Sciences Center	56,458,200	0	0	0	11,412,400	73,234,900
SUBTOTAL - Universities	655,659,800	0	0	(94,900)	100,000,000 8/	890,189,900
Veterans' Services, Department of	5,456,500	88,000	0	(151,800)		5,392,700
Water Resources, Department of	7,083,300	0	123,100	(153,500)	0	7,052,900
Weights and Measures, Department of	1,216,900	0	0	(19,100)		1,197,800
State Employee Health Insurance - FY 11	14,938,800	(14,938,800)	0	0		0
OPERATING BUDGET TOTAL	7,162,100,700	\$0	\$8,812,000	(\$29,949,400)	\$398,139,000	\$936,788,100
Asset Sale and Lease-Back Debt Service	54,826,600	0	0	0	0	54,826,600
General Fund Personnel Expense Reduction	(29,949,400)	0	0	29,949,400	0	0
Lease-Purchase Adjustments	9,002,300	0	(8,812,000)	0	0	190,300

	General Appropriation Act - Individual Agency	Health Insurance Adjustment	Lease-Purchase Adjustment	Personnel Expenditure Reductions	FY 2011 Additional Appropriations	Prior Year and Statutory Appropriations	FY 2011 Approp Rpt Total
Psychologist Examiners Backfill	25,000	0	0	0	0	0	25,000
Capital	4,000,000	0	0	0	0	0	4,000,000
Administrative Adjustments	73,607,000	0	0	0	0	0	73,607,000
Revertments	(112,905,100)	0	0	0	0	0	(112,905,100)
GRAND TOTAL	\$7,160,707,100	\$0	\$0	\$0	\$398,139,000	\$936,788,100	\$8,495,634,200

- ^{1/} This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and the individual agency amount as it appears in the Appropriations Report.
- ^{2/} Section 147 of the General Appropriation Act appropriates statewide lump sum adjustments for each of these amounts. Section 147 requires JLBC Staff to determine the agency-by agency distribution of these funds. Each of these distributions is further explained in the General Provisions section of this report.
- ^{3/} Section 148 of the General Appropriation Act reduced agency spending by \$45,000,000 for salary reductions and furloughs. The remaining \$15,555,500 in savings will be achieved by reducing Non-General Fund pay and transferring these monies to the General Fund. Section 10 of the Budget Procedures Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 3) requires JLBC Staff to determine the agency-by agency distribution of reductions. Each of these reductions is further explained in the General Provisions section of this report.
- ^{4/} Appropriations separate from the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) during the 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section.
- ^{5/} Represents ongoing statutory appropriations or appropriations enacted prior to the 2nd Regular Session.
- ^{6/} Section 150 of the FY 2011 General Appropriation Act appropriates \$40,000,000 to the Department of Economic Security contingent on the voters approving the repeal of the Early Childhood Development and Health Board in the November General Election.
- ^{7/} Section 145 of the FY 2011 General Appropriation Act ex-appropriates \$(92,800,000) upon receipt of Federal Funds. Section 121 of the FY 2011 General Appropriation Act appropriated \$350,000,000 for deferred FY 2010 payments.
- ^{8/} This amount was appropriated in Section 126 of the FY 2011 General Appropriation Act.

**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
OTHER FUNDS - FY 2011 1/**

General Appropriation Act - Individual Agency	Health Insurance Adjustment 2/	Lease-Purchase Adjustment 2/	Personnel Expenditure Reductions 3/	FY 2011 Additional Appropriations 4/	Prior Year and Statutory Appropriations 5/	FY 2011 Approp Rpt Total
BUDGET UNITS						
Accountancy, State Board of						
Board of Accountancy Fund	\$1,902,400	\$13,200				\$1,884,000
Acupuncture Board of Examiners						
Acupuncture Board of Examiners Fund	129,700	600				126,400
Administration, AZ Department of						
Air Quality Fund	714,100	0				714,100
Automation Operations Fund	19,195,900	85,600				18,944,200
Capital Outlay Stabilization Fund	17,411,800	34,000				17,348,200
Corrections Fund	568,900	5,300				564,000
Motor Vehicle Pool Revolving Fund	10,530,500	11,500				10,515,200
Personnel Division Fund	14,080,400	87,300	30,400			13,975,100
Risk Management Revolving Fund	92,472,200	121,200	17,000			92,389,100
Special Employee Health Insurance Trust Fund	5,249,800	17,600				5,182,700
State Surplus Materials Revolving Fund and Federal Surplus Materials Revolving Fund	2,859,400	15,600				2,856,300
Telecommunications Fund	1,796,200	41,600	2,500			1,840,300
Telecommunications Fund - Infrastructure Improvements Account	0	0				0
Total - AZ Department of Administration	164,879,200	419,700	49,900	(1,019,600)	0	164,329,200
Administrative Hearings, Office of						
Healthcare Group Fund	14,500	0				14,500
Agriculture, AZ Department of						
Aquaculture Fund	9,200	0				9,200
Citrus, Fruit and Vegetable Revolving Fund	1,028,700	17,700				1,030,600
Commercial Feed Fund	302,000	2,200	1,900			300,300
Dangerous Plants, Pests and Diseases Fund	40,000	0			60,000	100,000
Egg Inspection Fund	904,400	8,500	6,100			919,000
Fertilizer Materials Fund	307,700	2,100	2,100			303,800
Livestock Custody Fund	79,400	0				79,400
Pesticide Fund	388,300	2,800	2,100			385,500
Arizona Protected Native Plant Fund	197,700	3,900				199,700
Seed Law Fund	54,600	400				53,900
Total - AZ Department of Agriculture	3,312,000	37,600	12,200	(40,400)	60,000	3,381,400
AHCCCS						
Budget Neutrality Compliance Fund	3,117,300	0				3,117,300
Children's Health Insurance Program Fund	0	67,600			40,900,000	40,967,600
Healthcare Group Fund	5,246,100	19,100				5,183,700
Tobacco Products Tax Fund Emergency Health Services Account	19,222,900	0				19,222,900
Tobacco Tax and Health Care Fund Medically Needy Account	38,295,800	0				38,295,800
Total - AHCCCS	65,882,100	86,700	0	(81,500)	40,900,000	106,787,300
Appraisal, State Board of						
Board of Appraisal Fund	624,200	3,200				616,600
Attorney General - Department of Law						
Antitrust Enforcement Revolving Fund	242,800	3,700				242,600
Attorney Gen'l Legal Svcs Cost Allocation Fund	5,651,600	43,200				5,474,200
Collection Enforcement Revolving Fund	3,313,400	40,500				3,313,400
Consumer Protection-Consumer Fraud Rev. Fund	3,513,700	18,300				3,463,800
Interagency Service Agreements Fund	13,440,400	79,500				13,135,800
Risk Management Revolving Fund	9,037,400	70,800	100			8,850,400
Victims' Rights Fund	3,248,200	4,900				3,241,700
Total - Attorney General - Department of Law	38,447,500	260,900	100	(986,600)	0	37,721,900
Automobile Theft Authority						
Automobile Theft Authority Fund	5,140,200	6,700				5,134,800
Barbers, Board of						
Board of Barbers Fund	351,000	2,200				345,100
Biomedical Research Commission, Arizona						
Tobacco Tax and Health Care Fund Health Research Account	0	0			500,000	500,000
Behavioral Health Examiners, Board of						
Board of Behavioral Health Examiners Fund	1,453,200	14,900				1,437,700
Capital Postconviction Public Defender Office, State						
Capital Postconviction Public Defender Office Fund	0	0				0
Chiropractic Examiners, State Board of						
Board of Chiropractic Examiners Fund	453,200	2,300				442,400
Commerce, Department of						
CEDC Fund	3,769,100	7,800				3,759,300
Commerce Development Bond Fund	145,400	900				146,300
Oil Overcharge Fund	185,700	1,000				186,700
State Lottery Fund	268,100	1,800				265,100
Total - Department of Commerce	4,368,300	11,500	0	(22,400)	0	4,357,400
Contractors, Registrar of						
Registrar of Contractors Fund	12,232,700	110,500	59,000			12,181,000
Corporation Commission						
Arizona Arts Trust Fund	51,800	900				51,200
Investment Management Regulatory and Enforcement Fund	711,800	9,500				697,200
Public Access Fund	6,069,800	18,500	24,800			5,964,400
Securities Regulatory and Enforcement Fund	4,408,400	25,500				4,298,400
Utility Regulation Revolving Fund	13,449,300	92,800	14,600			13,135,500
Total - Corporation Commission	24,691,100	147,200	39,400	(731,000)	0	24,146,700
Corrections, State Department of						

	General Appropriation Act - Individual Agency	Health Insurance Adjustment	Lease-Purchase Adjustment	Personnel Expenditure Reductions	FY 2011 Additional Appropriations	Prior Year and Statutory Appropriations	FY 2011 Approp Rpt Total
		2/	2/	3/	4/	5/	
Alcohol Abuse Treatment Fund	554,400	0		0			554,400
Corrections Fund	29,017,600	0		0			29,017,600
Penitentiary Land Fund	979,200	0		0			979,200
Prison Construction and Operations Fund	11,499,400	0		0			11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000	0		0			360,000
State Education Fund for Correctional Education	507,500	5,300		(4,400)			508,400
Transition Program Fund	180,000	0		0			180,000
Transition Program Drug Treatment Fund	555,000	0		0			555,000
Total - State Department of Corrections Cosmetology, Board of	43,653,100	5,300	0	(4,400)	0	0	43,654,000
Board of Cosmetology Fund	1,759,500	15,100		(34,800)			1,739,800
Criminal Justice Commission, Arizona							
Criminal Justice Enhancement Fund	628,600	3,900		(10,900)			621,600
Drug and Gang Prevention Resource Center Fund	235,200	0		0			235,200
State Aid to County Attorneys Fund	973,600	0		0			973,600
State Aid to Indigent Defense Fund	700,300	0		0			700,300
Victim Compensation and Assistance Fund	3,792,500	0		0			3,792,500
Total - Arizona Criminal Justice Commission Deaf and the Blind, AZ Schools for the Schools for the Deaf and the Blind Fund	6,330,200	3,900	0	(10,900)	0	0	6,323,200
Total - AZ Schools for the Deaf and the Blind Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	14,806,600	143,500	0	(220,600)	0	0	14,729,500
Dental Examiners, State Board of Dental Board Fund	14,806,600	143,500	0	(220,600)	0	0	14,729,500
Drug & Gang Prevention Resource Center Drug and Gang Prevention Resource Center Fund	3,997,200	10,500		(35,300)			3,972,400
Intergovernmental Agreements and Grants	1,166,400	4,700		(21,000)			1,150,100
Total - Drug & Gang Prevention Resource Center	0	0		0			0
Economic Security, Department of	344,400	0	0	0	0	0	344,400
Child Abuse Prevention Fund	344,400	0	0	0	0	0	344,400
Child Support Enforcement Administration Fund	1,459,100	700		0			1,459,800
Children and Family Services Training Program Fund	16,402,700	153,600	228,900	0			16,785,200
Domestic Violence Shelter Fund	209,600	0		(2,500)			207,100
Federal Child Care and Development Fund Block Grant	2,220,000	0		0			2,220,000
Federal Reed Act Grant	130,448,600	115,700	123,900	0			130,688,200
Federal Temporary Assistance for Needy Families Block Grant	3,524,200	36,800		0			3,561,000
Long Term Care System Fund	224,265,100	409,000	386,500	0			225,060,600
Public Assistance Collections Fund	30,519,400	1,100		0			30,520,500
Risk Management Fund	427,600	4,100		0			431,700
Special Administration Fund	0	0		0			0
Spinal and Head Injuries Trust Fund	1,135,300	0		0			1,135,300
Statewide Cost Allocation Plan Fund	1,875,400	5,200		(6,100)			1,874,500
Tobacco Tax and Health Care Fund Health Research Account	1,000,000	0		0			1,000,000
Workforce Investment Act Grant	0	0		0			0
Total - Department of Economic Security	55,954,800	21,300	76,000	0	0	0	56,052,100
Education, Department of	469,441,800	747,500	815,300	(8,600)	0	0	470,996,000
Permanent State School Fund							
Proposition 301 Fund	46,475,500	0		0			46,475,500
Teacher Certification Fund	7,000,000	0		0			7,000,000
Total - Department of Education	2,283,600	17,100	0	0	0	0	2,300,700
Emergency & Military Affairs, Dept of Emergency Response Fund	55,759,100	17,100	0	0	0	0	55,776,200
Environmental Quality, Department of	132,700	0		0			132,700
Air Permits Administration Fund							
Air Quality Fund	5,252,000	37,400		(125,200)			5,164,200
Clean Water Revolving Fund	4,763,800	47,100		(85,500)			4,725,400
Emissions Inspection Fund	5,000,000	0		0			5,000,000
Hazardous Waste Management Fund	33,116,600	24,100		(54,100)			33,086,600
Indirect Cost Recovery Fund	740,900	7,000		(2,700)			745,200
Solid Waste Fee Fund	10,382,700	91,800	115,600	(172,600)			10,417,500
Underground Storage Tank Fund	1,038,700	9,800		(22,500)			1,026,000
Used Oil Fund	22,000	0		0			22,000
Water Quality Fee Fund	138,300	600		0			138,900
Total - Department of Environmental Quality Exposition and State Fair Board, AZ	5,210,200	35,400	115,600	(79,400)	0	0	5,166,200
Arizona Exposition and State Fair Fund	65,665,200	253,200	115,600	(542,000)	0	0	65,492,000
Financial Institutions, Department of Financial Services Fund	11,153,000	38,500		(106,200)			11,085,300
Forester, State State Parks Heritage Fund	805,200	6,000		(18,500)			792,700
Funeral Directors and Embalmers, Board of Board of Funeral Directors & Embalmers Fund	0	0		0			0
Game and Fish Department, AZ	351,200	1,500		(8,600)			344,100
Game and Fish Fund							
Game, Nongame, Fish and Endangered Species Fund	34,489,300	212,600		0			34,701,900
Watercraft Licensing Fund	332,000	2,700		0			334,700
Waterfowl Conservation Fund	4,688,800	21,000		(49,200)			4,660,600
Wildlife Endowment Fund	43,400	0		0			43,400
Total - AZ Game and Fish Department	16,000	0	0	0	0	0	16,000
Gaming, Department of	39,569,500	236,300	0	(49,200)	0	0	39,756,600
Tribal-State Compact Fund							
State Lottery Fund	1,986,200	17,400		0			2,003,600
Arizona Benefits Fund	300,000	0		0			300,000
	9,913,400	100	22,000	0			9,935,500

	General Appropriation Act - Individual Agency	Health Insurance Adjustment ^{2/}	Lease-Purchase Adjustment ^{2/}	Personnel Expenditure Reductions ^{3/}	FY 2011 Additional Appropriations ^{4/}	Prior Year and Statutory Appropriations ^{5/}	FY 2011 Approp Rpt Total
Total - Department of Gaming	12,199,600	17,500	22,000	0	0	0	12,239,100
Government Information Tech. Agency							
Information Technology Fund	3,236,700	14,200		(78,600)			3,172,300
State Web Portal Fund	3,900,000	0		0			3,900,000
Total - Government Information Technology Agency	7,136,700	14,200	0	(78,600)	0	0	7,072,300
Health Services, Department of							
Arizona State Hospital Fund	11,159,500	0		0			11,159,500
ASH Land Earnings Fund	1,150,000	0		0			1,150,000
Health Services Licensing Fund	8,656,100	111,200		(304,000)			8,463,300
Capital Outlay Stabilization Fund	1,578,000	0	9,500	0			1,587,500
Child Fatality Review Fund	99,100	0		(3,700)			95,400
Emergency Medical Services Operating Fund	5,154,800	24,900		(86,500)			5,093,200
Environmental Laboratory Licensure Revolving Fund	935,200	7,700		(18,900)			924,000
Federal Child Care and Development Fund Block Grant	832,200	3,900		0			836,100
Hearing and Speech Professionals Fund	321,900	3,400		(9,600)			315,700
Indirect Cost Fund	7,827,500	53,800	2,000	(136,600)			7,746,700
Newborn Screening Program Fund	6,812,700	9,500		(72,300)			6,749,900
Nursing Care Institution Resident Protection Fund	38,000	0		0			38,000
Substance Abuse Services Fund	2,250,000	0		0			2,250,000
Tobacco Tax and Health Care Fund Health Research Account	1,000,000	0		0			1,000,000
Tobacco Tax and Health Care Fund Medically Needy Account	35,167,000	0		0			35,167,000
Vital Records Electronic System Fund	433,700	0		(7,300)			426,400
Total - Department of Health Services	83,415,700	214,400	11,500	(638,900)	0	0	83,002,700
Historical Society, Arizona Capital Outlay Stabilization Fund	194,200	0	236,600	0			430,800
Homeopathic & Integrated Medicine Examiners, Bd of Bd of Homeopathic & Integrated Medicine Exmnr's Fund	117,900	1,200		(2,200)			116,900
Housing, Department of Housing Trust Fund	949,600	6,100		(28,500)			927,200
Total - Department of Housing	949,600	6,100	0	(28,500)	0	0	927,200
Industrial Commission of AZ Industrial Commission Administrative Fund	19,983,100	159,300		(426,700)			19,715,700
Judiciary - Supreme Court							
Confidential Intermediary and Fiduciary Fund	488,700	5,300		(11,000)			483,000
Court Appointed Special Advocate Fund	3,449,900	900		(21,100)			3,429,700
Criminal Justice Enhancement Fund	3,037,400	1,100		(68,500)			2,970,000
Defensive Driving School Fund	5,331,000	5,100		(76,900)			5,259,200
Judicial Collection Enhancement Fund	14,009,300	7,100		(207,700)			13,808,700
Photo Enforcement Fund	4,056,600	0	1,273,500	(4,000)			5,326,100
State Aid to the Courts Fund	2,945,500	300		(1,000)			2,944,800
Total - Supreme Court	33,318,400	19,800	1,273,500	(390,200)	0	0	34,221,500
Judiciary - Superior Court							
Criminal Justice Enhancement Fund	6,975,900	3,700		(39,900)			6,939,700
Judicial Collection Enhancement Fund	5,032,100	0		(2,400)			5,029,700
Drug Treatment and Education Fund	500,000	0		0			500,000
Total - Superior Court	12,508,000	3,700	0	(42,300)	0	0	12,469,400
SUBTOTAL - Judiciary	45,826,400	23,500	1,273,500	(432,500)	0	0	46,690,900
Juvenile Corrections, Department of							
Criminal Justice Enhancement Fund	556,000	0		(21,400)			534,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600	0		0			1,098,600
State Education Fund for Committed Youth	2,281,000	24,000		(38,100)			2,266,900
Total - Department of Juvenile Corrections	3,935,600	24,000	0	(59,500)	0	0	3,900,100
Land Department, State							
Due Diligence Fund	500,000	0		0			500,000
Environmental Special Plate Fund	260,000	0		0			260,000
Trust Land Management Fund	9,820,400	60,500	7,500	0			9,888,400
State Parks Heritage Fund	0	0		0			0
Total - State Land Department	10,580,400	60,500	7,500	0	0	0	10,648,400
Legislature							
Library, Archives & Public Records, AZ State Records Services Fund	0	0		0			0
Total - Legislature	0	0	0	0	0	0	0
Liquor Licenses & Control, Department of Liquor Licenses Fund	2,647,800	24,300	67,000	(71,900)			2,667,200
Lottery Commission, AZ State State Lottery Fund	81,204,600	63,200		(226,600)			81,041,200
Medical Board, Arizona Arizona Medical Board Fund	5,853,400	39,800		(122,100)			5,771,100
Medical Student Loans, Board of Medical Student Loan Fund	29,000	0		0			29,000
Mine Inspector, State Aggregate Mining Reclamation Fund	114,000	0		(2,500)			111,500
Total - State Mine Inspector	114,000	0	0	(2,500)	0	0	111,500
Naturopathic Physicians Medical Board Naturopathic Physicians Medical Board Fund	604,800	600		(10,300)			595,100
Nursing, State Board of Board of Nursing Fund	4,153,900	24,500		(104,000)			4,074,400
Nursing Care Institution Administrators Board Nursing Care Institution Administrators Licensing & Assisted Living Facility Managers' Certification Fund	379,600	2,400		(8,800)			373,200
Occupational Therapy Examiners, Board of Occupational Therapy Fund	266,900	2,000		(7,200)			261,700
Opticians, State Board of Dispensing Board of Dispensing Opticians Fund	129,400	1,100		(2,500)			128,000
Optometry, State Board of Board of Optometry Fund	203,400	1,600		(5,800)			199,200

	General Appropriation Act - Individual Agency	Health Insurance Adjustment	Lease-Purchase Adjustment	Personnel Expenditure Reductions	FY 2011 Additional Appropriations	Prior Year and Statutory Appropriations	FY 2011 Approp Rpt Total
		2/	2/	3/	4/	5/	
Osteopathic Examiners, AZ Board of Board of Osteopathic Examiners Fund	715,500	4,300		(17,100)			702,700
Parks Board, Arizona State Law Enforcement and Boating Safety Fund	1,092,700	0		0			1,092,700
State Parks Enhancement Fund	7,831,200	111,000		(135,200)			7,807,000
Reservation Surcharge Fund	207,600	4,600		(5,800)			206,400
Total - Arizona State Parks Board	9,131,500	115,600	0	(141,000)	0	0	9,106,100
Personnel Board Personnel Board Account of the Personnel Division Fund	377,600	1,000		(5,400)			373,200
Pest Management, Office of Pest Management Fund	2,300,000	24,800	6,700	(62,600)			2,268,900
Pharmacy, AZ State Board of Board of Pharmacy Fund	1,981,400	13,600		(46,000)			1,949,000
Physical Therapy Examiners, Board of Board of Physical Therapy Fund	362,000	2,300		(8,400)			355,900
Pioneers' Home, AZ Miners' Hospital Fund	2,541,100	13,800		0			2,554,900
State Charitable Fund	2,051,600	0		0			2,051,600
Total - AZ Pioneers' Home	4,592,700	13,800	0	0	0	0	4,606,500
Podiatry Examiners, State Board of Podiatry Fund	144,500	1,100		(3,200)			142,400
Postsecondary Education, Commission for Postsecondary Education Fund	3,854,800	2,700		(20,000)			3,837,500
Private Postsecondary Education, Board for Board for Private Postsecondary Education Fund	337,100	3,200		(9,800)			330,500
Psychologist Examiners, State Board of Board of Psychologist Examiners Fund	366,000	1,900		(8,400)			359,500
Public Safety, Department of Arizona Deoxyribonucleic Acid Identification System Fund	3,042,400	14,200		(49,100)		980,000	3,987,500
Arizona Highway Patrol Fund	18,554,900	144,400		(20,300)			18,679,000
Automated Fingerprint Identification System Fund	3,021,300	2,400		(11,000)			3,012,700
Crime Laboratory Assessments Fund	833,700	38,800		0			872,500
Crime Laboratory Operations Fund	11,127,200	0		0			11,127,200
Criminal Justice Enhancement Fund	2,863,100	23,400		0			2,886,500
Highway User Revenue Fund	78,626,200	589,500		0			79,215,700
Motorcycle Safety Fund	205,000	0		0			205,000
Parity Compensation Fund	1,823,300	0		0			1,823,300
Photo Enforcement Fund	11,084,100	0		(19,300)			11,064,800
Risk Management Fund	296,200	0		0			296,200
Safety Enforcement and Transportation Infrastructure Fund	1,504,600	14,200		0			1,518,800
State Highway Fund	41,256,000	265,200		0			41,521,200
Total - Department of Public Safety	174,238,000	1,092,100	0	(99,700)	0	980,000	176,210,400
Radiation Regulatory Agency State Radiologic Technologist Certification Fund	269,300	2,400		(6,500)			265,200
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,308,700	8,700		(30,300)			1,287,100
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners' Fund	269,600	2,000		(8,600)			263,000
Retirement System, Arizona State Long-Term Disability Administration Account	2,800,000	0		0			2,800,000
State Retirement System Administration Account	20,430,100	140,000		0	1,341,700		21,911,800
Total - Arizona State Retirement System	23,230,100	140,000	0	0	1,341,700	0	24,711,800
Revenue, Department of Department of Revenue Administrative Fund	22,662,500			0			22,662,500
Liability Setoff Fund	401,200	3,700		(14,300)			390,600
Tobacco Tax and Health Care Fund	667,300	5,900		0			673,200
Total - Department of Revenue	23,731,000	9,600	0	(14,300)	0	0	23,726,300
Secretary of State Election Systems Improvement Fund	8,934,200	0		0			8,934,200
Records Services Fund	678,800	3,800		(13,900)			668,700
Professional Employer Organization Fund	0	0		0			0
Total - Secretary of State	9,613,000	3,800	0	(13,900)	0	0	9,602,900
State Boards' Office Special Services Revolving Fund	226,800	1,100		(7,000)			220,900
Technical Registration, State Board of Technical Registration Fund	1,756,400	14,400		(41,600)			1,729,200
Transportation, Department of Air Quality Fund	72,700	1,300		(1,100)			72,900
Driving Under the Influence Abatement Fund	145,400	2,700		0			148,100
Highway User Revenue Fund	620,400	4,400		0			624,800
Motor Vehicle Liability Insurance Enforcement Fund	1,077,600	25,800		(37,000)			1,066,400
Safety Enforcement and Transportation Infrastructure Fund	1,846,900	19,300		0			1,866,200
State Aviation Fund	1,606,500	35,700		(49,500)			1,592,700
State Highway Fund	322,400,000	3,394,900		0			325,794,900
Transportation Department Equipment Fund	27,791,800	240,500		(440,300)			27,592,000
Vehicle Inspection & Title Enforcement Fund	1,461,000	18,000		(29,800)			1,449,200
Total - Department of Transportation	357,022,300	3,742,600	0	(557,700)	0	0	360,207,200
Treasurer, State State Treasurer's Operating Fund	0	20,800		(18,200)	2,492,400		2,495,000
State Treasurer's Management Fund	88,300	0		0			88,300
Total - State Treasurer	88,300	20,800	0	(18,200)	2,492,400	0	2,583,300
Universities Arizona State University - Tempe/DPC University Collections Fund	334,243,300	0		0			334,243,300
Total - Arizona State University - Tempe/DPC	334,243,300	0	0	0	0	0	334,243,300

	General Appropriation Act - Individual Agency	Health Insurance Adjustment	Lease-Purchase Adjustment	Personnel Expenditure Reductions	FY 2011 Additional Appropriations	Prior Year and Statutory Appropriations	FY 2011 Approp Rpt Total
Arizona State University - East Campus							
University Collections Fund	30,792,200	0		0			30,792,200
Technology and Research Initiative Fund	2,000,000	0		0			2,000,000
Total - Arizona State University - East Campus	32,792,200	0	0	0	0	0	32,792,200
Arizona State University - West Campus							
University Collections Fund	26,906,800	0		0			26,906,800
Technology and Research Initiative Fund	1,600,000	0		0			1,600,000
Total - Arizona State University - West Campus	28,506,800	0	0	0	0	0	28,506,800
Northern Arizona University							
University Collections Fund	78,308,200	0		0			78,308,200
University of Arizona - Main Campus							
University Collections Fund	219,265,500	0		0			219,265,500
University of Arizona - Health Sciences Center							
University Collections Fund	22,259,200	0		0			22,259,200
SUBTOTAL - Universities	715,375,200	0	0	0	0	0	715,375,200
Veterans' Services, Department of							
State Veterans' Conservatorship Fund	751,800	5,500		0			757,300
State Home for Veterans' Trust Fund	16,834,600	125,200		0			16,959,800
Total - Department of Veterans' Services	17,586,400	130,700	0	0	0	0	17,717,100
Veterinary Medical Examining Board							
Veterinary Medical Examining Board Fund	470,400	2,700		(11,400)			461,700
Water Resources, Department of							
Assured and Adequate Water Supply Admin Fund	277,000	3,600		(12,300)			268,300
Water Banking Fund	0	0		0			0
Total - Department of Water Resources	277,000	3,600	0	(12,300)	0	0	268,300
Weights and Measures, Department of							
Air Quality Fund	1,424,200	11,700		(25,600)			1,410,300
Motor Vehicle Liability Insurance Enf. Fund	323,500	700		(7,500)			316,700
Total - Department of Weights and Measures	1,747,700	12,400	0	(33,100)	0	0	1,727,000
State Employee Health Insurance - FY 10 - Unallocated	0			0			0
State Employee Health Insurance - FY 11	8,838,600	(8,651,700)		0			186,900
OPERATING BUDGET TOTAL	\$2,678,954,300	0	2,716,300	(7,677,900)	44,794,100	1,480,000	2,720,266,800
Personnel Expense Reduction	(7,677,900)	0	0	7,677,900			0
Lease-Purchase Adjustments	2,716,300		(2,716,300)				0
AZNet Adjustments	0						0
Capital	208,144,100	0	0	0			208,144,100
GRAND TOTAL	\$2,882,136,800	\$0	\$0	\$0	\$44,794,100	\$1,480,000	\$2,928,410,900

- 1/ This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) and the individual agency amount as it appears in the Appropriations Report.
- 2/ Section 147 of the General Appropriation Act appropriates statewide lump sum adjustments for each of these amounts. Section 147 requires JLBC Staff to determine the agency-by-agency distribution of these funds. Each of these distributions is further explained in the General Provisions section of this report.
- 3/ Section 148 of the General Appropriation Act appropriates personnel expense reductions. Section 10 of the Budget Procedures Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 3) requires JLBC Staff to determine the agency-by-agency distribution of reductions. Each of these reductions is further explained in the General Provisions section of this report.
- 4/ Appropriations separate from the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) during the 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section.
- 5/ Represents ongoing statutory appropriations or appropriations enacted prior to the 2nd Regular Session.

CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS FEDERAL EXPENDITURE AUTHORITY - FY 2011

AHCCCS	\$4,595,243,200	\$0	\$0	(\$1,360,100)	\$1,001,784,800	\$226,312,600	5,821,980,500
Economic Security, Department of	695,436,200	1,054,800	0	(324,900)	43,000,000	0	739,166,100
Health Services, Department of	975,495,700	0	0	(481,200)	86,000,000	0	1,061,014,500
GRAND TOTAL	\$6,266,175,100	\$1,054,800	\$0	(\$2,166,200)	\$1,130,784,800	\$226,312,600	\$7,622,161,100

Detailed List of General Fund Changes by Agency

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
OPERATING SPENDING CHANGES								
DOA - Arizona Department of Administration	\$17,830,300		\$19,617,000				\$17,734,300	
DOA - Statewide Adjustments		(\$14,900)				\$329,900		
AXS - ADOA Legal Services Payback		1,700,000		117				
DOA - Named Claimants		\$101,600						
DOA - Telecommunications Lease Payment						(\$425,900)		
OAH - Office of Administrative Hearings	\$934,300		\$933,300				\$908,200	
OAH - Statewide Adjustments		(\$1,000)				(\$26,100)		
AGR - Department of Agriculture	\$8,584,900		\$8,577,800				\$8,434,300	
AGR - Statewide Adjustments		(\$7,100)				(\$150,600)		
AXS - AHCCCS	\$1,178,047,500		\$1,217,129,600				\$1,376,901,300	SA
AXS - AHCCCS Supplemental	82,571,500			121		(\$82,571,500)		
AXS - Statewide Adjustments		(\$52,100)				(\$1,384,800)		
AXS - Caseload Growth						\$239,696,100	(\$47,805,300)	
AXS - Payment Deferral Adjustment						\$117,889,100		
AXS - Temporary Federal Assistance (FMAP) Restoration		(\$11,362,400)		132		\$224,976,500	(\$282,000,000)	
AXS - Clawback Reduction		(\$15,354,900)		133			(\$13,766,500)	
AXS - Eliminate KidsCare Children Program							(\$9,112,200)	
AXS - Eliminate Optional Services							(\$6,258,300)	
AXS - Eliminate Graduate Medical Education Funding		(\$8,877,200)		131			(\$13,296,500)	
AXS - Disproportionate Share Hospital Payments		(\$7,842,800)		131			(\$4,818,400)	BRB-H
AXS - Eliminate County Hold Harmless							(\$4,825,600)	
AXS - Fraud Investigators - Net Savings							(\$451,000)	
AXS - Other							\$10,700	
ART - Arizona Commission on the Arts	\$895,900		\$822,500				\$665,600	
ART - Statewide Adjustments		(\$700)				(\$14,500)		
ART - Lump Sum Reduction		(\$72,700)		139				
ART - Community Service Projects SLI							(\$215,800)	
ATT - Attorney General	\$17,987,400		\$17,968,800				\$17,548,000	SA
ATT - Statewide Adjustments		(\$18,600)					(\$439,400)	
CPD - State Capital Postconviction Public Defender Office	\$647,000		\$646,300				\$635,800	
CPD - Statewide Adjustments		(\$700)					(\$11,200)	
CHA - State Board for Charter Schools	\$823,900		\$823,100				\$802,600	
CHA - Statewide Adjustments		(\$800)					(\$21,300)	
COM - Department of Commerce	\$6,221,000		\$6,220,100				\$3,566,500	SA
COM - Statewide Adjustments		(\$900)					(\$22,500)	
COM - End of Nursing Pilot Program						(\$2,632,000)		SA
CCO - Arizona Community Colleges	\$135,344,300		\$135,344,300				\$135,344,300	SA
CCO - Formula Growth						\$7,484,500	(\$7,484,500)	
COR - Corporation Commission	\$589,800		\$589,100				\$622,200	
COR - Statewide Adjustments		(\$700)					\$32,400	
DOC - Department of Corrections	\$879,927,000		\$890,390,700				\$959,692,900	
DOC - Corrections Supp. - Restore AHCCCS Rate Savings	20,000,000			118		0		
DOC - Statewide Adjustments		(\$658,700)					(\$6,489,100)	
DOC - 2,000 New Private Beds						\$39,977,700		
DOC - 4,000 New State Beds						\$58,101,700		
DOC - Provisional Bed Savings		(\$8,877,600)		143		(\$60,717,000)	(\$25,803,300)	
DOC - Restore One-time Debt Service Savings		\$0				\$11,000,000	(\$6,304,100)	
DOC - Backfill ARRA \$							\$50,000,000	
SDB - AZ State Schools for the Deaf and the Blind	\$21,268,400		\$21,261,000				\$22,045,400	
SDB - Statewide Adjustments		(\$7,400)					\$777,000	
DES - Department of Economic Security	\$546,080,200		\$531,962,500				\$634,103,900	SA
DES - Statewide Adjustments		(\$23,600)					\$3,570,500	
DES - DD Caseload Growth						\$19,514,500		
DES - Temporary Federal Assistance (FMAP) Restoration						\$32,438,500	(\$33,000,000)	
DES - Payment Deferral Adjustment						\$17,000,000		
DES - Clawback Reduction		(\$844,100)		134			(\$756,800)	
DES - DD Group Home Consolidation							(\$1,000,000)	
DES - Eliminate Enhanced Rates for DD Contracts							(\$1,000,000)	
DES - Reduce State-Only DD Services		(\$1,850,000)		134			(\$3,700,000)	
DES - Eliminate Grandparent Kinship							(\$450,000)	
DES - Reduce Children, Youth, and Family Programs		(\$5,300,000)		134			(\$5,300,000)	
DES - Community Services Reduction		(\$2,350,000)		134			(\$2,350,000)	
DES - Eliminate SSBG Planning Funds							(\$350,000)	
DES - Reduce Adult Services							(\$1,573,300)	
DES - Eliminate Sight Conservation							(\$120,000)	
DES - Restrict Cash Assistance Eligibility to 36 Mos.		(\$2,250,000)		134			(\$27,000,000)	

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
DES - Means Testing & Fee Increases (DD, Child Support, Cash Benefits)		(\$1,500,000)		134		(\$7,600,000)		
DES - Other Federal Funds Backfill						\$60,000,000		
DES - First Things First Revenue - Nov. Ballot						\$40,000,000		150
DES - Reduction in Force/Privatization						(\$299,700)		
ADE - Arizona Department of Education	\$3,533,990,400		\$3,165,102,400				\$3,491,223,400	SA
ADE - Statewide Adjustments		(\$12,300)				(\$259,700)		
ADE - Basic State Aid and Other Formula Changes					(\$129,701,800)			
ADE - Temporary Federal Assistance (Stabilization) ADE Offset					\$472,114,000	(\$92,800,000)		146
ADE - Achievement Testing		(\$2,329,900)		135		(\$4,659,700)		
ADE - Rollover 1 Add'l Month - See Payment Deferral Section		(\$350,000,000)						
ADE - Eliminate Full Day Kindergarten						(\$218,298,300)		
ADE - Soft Capital Suspension (max available = \$70 M)						(\$21,120,700)		
ADE - Non-Formula Programs		(\$16,545,800)		135		(\$38,470,500)		
ADE - Reduce Charter Additional Assistance						(\$10,000,000)		
ADE - Teacher Certification Loan						\$429,700		
ADE - See Revenue Section for Property Tax Issues								
EMA - Department of Emergency & Military Affairs	\$10,491,900		\$10,488,200				\$10,430,600	SA
EMA - Statewide Adjustments		(\$3,700)				(\$95,700)		
EMA - Nuclear Emergency Management					\$34,400			
DEQ - Department of Environmental Quality	\$12,779,100		\$12,772,100				\$7,000,000	BRB-EV
DEQ - Statewide Adjustments		(\$7,000)						
DEQ - Lump Sum Reduction						\$468,600		
DEQ - Shift Non-WQARF to Fees						(\$6,247,700)		
OEO - Governor's Office of Equal Opportunity	\$196,600		\$196,400				\$194,400	
OEO - Statewide Adjustments		(\$200)				(\$2,200)		
EQU - State Board of Equalization	\$602,500		\$672,000				\$661,000	
EQU - Statewide Adjustments		(\$500)				(\$13,500)		
EQU - Volume of Appeals		\$70,000				\$72,000		
EXE - Board of Executive Clemency	\$880,200		\$879,600				\$865,400	
EXE - Statewide Adjustments		(\$600)				(\$14,800)		
DFI - Dept of Financial Institutions	\$2,973,000		\$2,970,300				\$2,903,100	
DFI - Statewide Adjustments		(\$2,700)				(\$69,900)		
BFS - Department of Fire, Building & Life Safety	\$2,185,000		\$2,183,200				\$2,014,400	
BFS - Statewide Adjustments		(\$1,800)				\$6,600		
BSF - Lump Sum Reduction						(\$177,200)		
FOR - State Forester's Office	\$3,197,500		\$3,194,300				\$5,971,100	SA
FOR - Statewide Adjustments		(\$3,200)				(\$41,900)		
FOR - Shift Fire Suppression from Heritage to General Fund						\$3,075,000		
FOR - Lump Sum Reduction						(\$259,500)		
GEO - Arizona Geological Survey	\$801,400		\$800,900				\$794,100	
GEO - Statewide Adjustments		(\$500)				(\$7,300)		
GTA - Government Information Technology Agy	\$757,300		\$756,700				\$742,000	
GTA - Statewide Adjustments		(\$600)				(\$15,300)		
GOV - Office of the Governor	\$7,043,900		\$7,036,300				\$6,960,900	
GOV - Statewide Adjustments		(\$7,600)				(\$83,000)		
OSP - Gov's Ofc of Strategic Planning & Budgeting	\$1,993,500		\$1,990,600				\$1,936,400	
OSP - Statewide Adjustments		(\$2,900)				(\$57,100)		
DHS - Department of Health Services	\$444,195,900		\$476,696,600				\$438,939,000	
OTH - DHS Supplemental	44,500,300			124	(44,500,300)			
DHS - Statewide Adjustments		(\$64,800)				(\$1,699,800)		
DHS - Caseload Growth					\$46,250,800			
DHS - Temporary Federal Assistance (FMAP) Restoration		(\$2,833,800)		137	\$63,037,700	(\$69,000,000)		
DHS - Assurance and Licensure Fund Shift					(\$4,162,700)			
DHS - Clawback Reduction		(\$4,101,000)		138		(\$3,676,700)		
DHS - Other						(\$10,700)		
DHS - Reduce Non-Title 19 Behavioral Health		(\$5,000,000)		136		(\$35,995,500)		
AZH - Arizona Historical Society	\$3,870,700		\$3,868,300				\$5,861,400	
AZH - Statewide Adjustments		(\$2,400)				\$1,401,000		
AZH - Centennial Museum Shift						\$589,700		
PAZ - Prescott Historical Society	\$692,000		\$691,300				\$673,700	
PAZ - Statewide Adjustments		(\$700)				(\$18,300)		
IND - Independent Redistricting Commission	\$0		\$0				\$500,000	
IND - New Redistricting Cycle					\$500,000			
CIA - Arizona Commission of Indian Affairs	\$117,100		\$117,100				\$63,100	
CIA - Statewide Adjustments		\$0				(\$700)		
CIA - Lump Sum Reduction						(\$53,300)		

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
INS - Department of Insurance	\$5,625,800		\$5,619,400				\$5,468,800	
INS - Statewide Adjustments		(\$6,400)				(\$157,000)		
SPA - Judiciary - Supreme Court	\$17,262,100		\$17,248,600				\$20,017,900	
SPA - Statewide Adjustments		(\$13,500)				\$2,755,800		
COA - Judiciary - Court of Appeals	\$14,063,500		\$14,058,600				\$14,712,700	
COA - Statewide Adjustments		(\$4,900)				\$649,200		
SUP - Judiciary - Superior Court	\$88,194,800		\$88,189,600				\$79,155,900	
SUP - Statewide Adjustments		(\$5,200)				(\$64,800)		
SUP - New Judgeship					\$105,300			
SUP - Shift Maricopa Judges to County						(\$9,079,400)		
DJC - Department of Juvenile Corrections	\$63,331,200		\$63,284,100				\$57,008,100	
DJC - Statewide Adjustments		(\$47,100)				(\$1,323,100)		
DJC - Lump Sum Reduction						(\$5,000,000)		
LAN - State Land Department	\$3,424,700		\$3,421,000				\$3,212,300	
LAN - Statewide Adjustments		(\$3,700)				(\$506,200)		
LAN - Reduced CAP Water Payment					(\$96,200)			
LAN - Shift NRCD from Heritage to General Fund						\$390,000		
LEM - Law Enforcement Merit System Council	\$71,900		\$71,800				\$69,500	
LEM - Statewide Adjustments		(\$100)				(\$2,400)		
Legislature								
AUD - Auditor General	\$16,546,700		\$16,533,100				\$16,447,200	
AUD - Statewide Adjustments		(\$13,600)				(\$99,500)		
HOU - House of Representatives	\$13,000,900		\$12,987,700				\$12,864,900	
HOU - Statewide Adjustments		(\$13,200)				(\$136,000)		
JLBC - Joint Legislative Budget Committee	\$2,548,300		\$2,545,200				\$2,496,700	
JLBC - Statewide Adjustments		(\$3,100)				(\$51,600)		
LEG - Legislative Council	\$4,856,200		\$4,850,500				\$4,738,800	
LEG - Statewide Adjustments		(\$5,700)				(\$117,400)		
SEN - Senate	\$8,244,800		\$8,234,800				\$8,097,600	
SEN - Statewide Adjustments		(\$10,000)				(\$147,200)		
LIQ - Department of Liquor Licenses & Control	\$702,700		\$702,700				\$0	
LIQ - Annualize Fund Shift					(\$702,700)			
MSL - Board of Medical Student Loans	\$801,900		\$801,900				\$402,900	
MSL - Fund Continuing Students Only						(\$399,000)		
MIN - State Mine Inspector	\$1,161,700		\$1,160,300				\$1,127,600	
MIN - Statewide Adjustments		(\$1,400)				(\$35,800)		
MIN - Named Claimants						\$1,700		
MMR - Department of Mines & Mineral Resources	\$858,700		\$858,200				\$226,100	
MMR - Statewide Adjustments		(\$500)				(\$12,700)		
MMR - Lump Sum Reduction						(\$30,200)		
MMR - Centennial Museum Shift						(\$589,700)		
NAV - AZ Navigable Steam Adjudication Comm.	\$136,300		\$136,200				\$133,500	
NAV - Statewide Adjustments		(\$100)				(\$2,800)		
SPB - Arizona State Parks Board	\$20,000,000		\$20,000,000				\$20,000,000	SA
PIO - Arizona Pioneers' Home	\$0		\$0				\$1,570,900	
PIO - Statewide Adjustments		\$0				\$8,900		
PIO - General Fund Backfill/Loss of Land Earnings					\$1,562,000			
POS - Commission for Postsecondary Education	\$4,042,000		\$4,042,000				\$1,220,800	
POS - Eliminate 4-Yr Private Aid (PEG)						(\$2,422,300)		
POS - Eliminate Case Managers SLI						(\$75,000)		
POS - Eliminate Comm College - Private Postsecondary Aid (PFAP)						(\$323,900)		
DPS - Department of Public Safety	\$43,589,200		\$43,569,200				\$43,070,300	
DPS - Statewide Adjustments		(\$20,000)				(\$518,900)		
RAC - Arizona Department of Racing	\$5,677,700		\$5,676,000				\$3,863,600	
RAC - Statewide Adjustments		(\$1,700)				(\$14,100)		
RAC - Reduce Racing Awards						(\$1,800,000)		
RAD - Radiation Regulatory Agency	\$1,418,000		\$1,416,800				\$1,396,500	SA
RAD - Statewide Adjustments		(\$1,200)				(\$33,000)		
RAD - Nuclear Emergency Management					\$11,500			
ARP - Arizona Rangers' Pensions	\$14,000		\$14,000				\$14,200	

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
ARP - Inflation Adjustment					\$200			
REA - State Real Estate Department	\$3,021,400		\$3,018,600				\$2,987,300	
REA - Statewide Adjustments		(\$2,800)				(\$34,100)		
REV - Department of Revenue	\$37,611,900		\$37,543,400				\$43,709,000	SA
REV - Statewide Adjustments		(\$68,500)				(\$1,130,600)		
REV - Shift BRITS Support (no net cost)					\$2,000,000			
REV - Increase Audit/Collection Staff (Rev of \$7.7 M)						\$5,227,700		
SFB - School Facilities Board	\$104,779,700		\$104,778,300				\$67,580,500	
SFB - Statewide Adjustments		(\$1,400)				(\$36,000)		
SFB - New School Debt Service					\$14,836,800			
SFB - Restore One-time Debt Service Savings					\$8,000,000			
SFB - Debt Service Refinance						(\$60,000,000)		
SOS - Secretary of State	\$18,403,300		\$18,393,000				\$13,301,800	
SOS - Statewide Adjustments		(\$10,300)				(\$154,600)		
SOS - Election Year Regular Funding					\$3,400,000			
SOS - Eliminate Special Election Funding					(\$8,346,900)			
TAX - State Board of Tax Appeals	\$258,800		\$258,500				\$252,700	
TAX - Statewide Adjustments		(\$300)				(\$6,100)		
TOU - Office of Tourism	\$10,655,200		\$10,655,200				\$0	SA
TOU - Eliminate GF Funding						(\$10,655,200)		BRB-RV
DOT - Department of Transportation	\$58,400		\$58,400				\$54,600	
DOT - Statewide Adjustments		\$0				\$900		
DOT - Lump Sum Reduction						(\$4,700)		
TRE - State Treasurer	\$3,607,500		\$3,606,800				\$1,115,100	SA
TRE - Statewide Adjustments		(\$700)				\$0		
TRE - Shift Treasurer to Management Fees (No net gain) - w/BRB					(\$2,492,400)			BRB-GG
UNI - Universities								
UNI - Arizona Board of Regents	\$18,598,300		\$18,594,600				\$17,135,400	SA
UNI - End of Nursing Pilot Program					(\$1,368,000)			SA
UNI - ASU - Tempe/DPC	\$326,349,100		\$288,211,000				\$326,349,100	SA
UNI - Rollover		(\$38,138,100)						
UNI - ASU - East Campus	\$25,101,300		\$23,001,200				\$25,101,300	SA
UNI - Rollover		(\$2,100,100)						
UNI - ASU - West Campus	\$43,935,700		\$38,896,900				\$43,935,700	SA
UNI - Rollover		(\$5,038,800)						
UNI - Northern Arizona University	\$133,118,100		\$117,864,100				\$133,118,100	SA
UNI - Rollover		(\$15,254,000)						
UNI - UA - Main Campus	\$271,315,400		\$237,210,700				\$271,315,400	SA
UNI - Rollover		(\$34,104,700)						
UNI - UA - Health Sciences Center	\$73,234,900		\$67,870,600				\$73,234,900	SA
UNI - Rollover		(\$5,364,300)						
VSC - Department of Veterans' Services	\$7,602,500		\$6,996,600				\$5,392,700	
VSC - Statewide Adjustments		(\$5,900)				(\$63,800)		
VSC - State Home for Veterans' Trust Fund Shift		(\$600,000)		142		(\$2,146,000)		
WAT - Department of Water Resources	\$16,879,900		\$16,874,000				\$7,052,900	
WAT - Statewide Adjustments		(\$5,900)				(\$30,400)		
WAT - Consolidation & Modernization Plan						(\$2,765,100)		
WAT - Self-Funding Mechanism						(\$5,662,900)		
WAT - Annualize 5th Special Session Reduction						(\$1,368,600)		
WEI - Department of Weights & Measures	\$1,216,900		\$1,216,200				\$1,197,800	
WEI - Statewide Adjustments		(\$700)				(\$19,100)		
OTH - Other								
OTH - Asset Sale and Lease-Back Debt Service	0		0		57,400,000	(\$2,573,400)	54,826,600	147
OTH - Parks Donations Backfill	0	213,900	213,900	120			0	
OTH - Veterinary Med Bd Backfill	250,000		250,000		(250,000)		0	
OTH - Psychologist Examiners Backfill	300,000		300,000		(275,000)		25,000	144
OTH - Chiropractors Backfill	148,000		148,000		(148,000)		0	
OTH - Funeral Directors Backfill	100,000		100,000		(100,000)		0	
OTH - Tourism Fund Restoration	200,000		200,000		(200,000)		0	
OTH - Prior Year Reversions	(13,037,500)	6,304,100	(6,733,400)		2,037,500		(11,000,000)	
OTH - Administrative Adjustments	72,731,600		72,731,600		875,400		73,607,000	
OTH - Reversions	(113,241,600)		(113,241,600)		336,500		(112,905,100)	
OTH - Lease-Purchase Increase	0		0		9,002,300	(\$8,812,000)	190,300	147
OTH - AzNet Charges	0		0		(2,165,200)	\$2,165,200	0	

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
TOTAL - OPERATING SPENDING CHANGES	\$8,347,793,600	(\$540,652,900)	\$7,807,140,700		\$1,108,727,400	(\$964,886,800)	\$8,491,634,200	
CAPITAL SPENDING								
Veteran's Home Funding - One-time Funding	10,000,000		10,000,000		(10,000,000)		0	
Prior Year Capital Reversion - One-time Savings	(450,000)		(450,000)		450,000		0	
Exposition and State Fair Renovations	400,000		400,000		0	(400,000)	0	
ADOA Building Renewal	0		0		0	4,000,000	4,000,000	
TOTAL - CAPITAL SPENDING	\$9,950,000	\$0	\$9,950,000		(\$9,550,000)	3,600,000	4,000,000	
TOTAL - OPERATING & CAPITAL SPENDING	\$8,357,743,600	(\$540,652,900)	\$7,817,090,700		\$1,099,177,400	(961,286,800)	8,495,634,200	
TOTAL - ALL SPENDING	\$8,357,743,600	(\$540,652,900)	\$7,817,090,700		\$1,099,177,400	(\$961,286,800)	\$8,495,634,200	
FUND TRANSFERS 3/				113				112/113
SBA - State Board of Accountancy								
SBA - Board of Accountancy (OF) - Salary Lump Sum		(1,200)				(31,600)	(31,600)	
SBA - Board of Accountancy EBT		(500,000)						
ACU - Acupuncture Board of Examiners								
ACU - Acupuncture Board of Examiners (OF) - Salary Lump Sum		(200)				(3,900)	(3,900)	
DOA - Arizona Department of Administration								
DOA - Administration - AFIS II Collections Continued FRAT/Salary LSR					(424,000)		(424,000)	
DOA - Administration - AFIS II Collections (NA) - Salary Lump Sum		(700)				(18,200)	(18,200)	
DOA - Air Quality Continued FRAT/Salary LSR					(136,000)		(136,000)	
DOA - Automation Operations Continued FRAT/Salary LSR					(4,957,900)	4,457,900	(500,000)	
DOA - Automation Operations (OF) - Salary Lump Sum		(13,000)				(337,300)	(337,300)	
DOA - Capital Outlay Stabilization (OF) - Salary Lump Sum		(3,800)				(97,600)	(97,600)	
DOA - Capital Outlay Stabilization Continued FRAT/Salary LSR					(815,800)	815,800	0	
DOA - Capitol Police Administrative Towing (NA) - Salary Lump Sum		0				(600)	(600)	
DOA - Construction Insurance (NA) - Salary Lump Sum		(400)				(9,400)	(9,400)	
DOA - Construction Insurance Continued FRAT/Salary LSR					(192,200)		(192,200)	
DOA - Construction Insurance EBT		(57,000)				(818,100)	(818,100)	
DOA - Co-Op State Purchasing Agreement Continued FRAT/Salary LSR					(224,200)	224,200	0	
DOA - Co-Op State Purchasing Agreement (NA) - Salary Lump Sum		(300)				(7,900)	(7,900)	
DOA - Corrections Continued FRAT/Salary LSR					(167,500)		(167,500)	
DOA - Corrections (OF) - Salary Lump Sum		(400)				(10,200)	(10,200)	
DOA - Emergency Telecommunication Services Revolving Continued FRAT/Salary LSR					(2,198,400)		(2,198,400)	
DOA - Emergency Telecommunication Services Revolving (NA) - Salary Lump Sum		(500)				(13,700)	(13,700)	
DOA - Emergency Telecommunication Services Revolving EBT						(250,400)	(250,400)	
DOA - IGA and ISA (NA) - Salary Lump Sum		(2,200)				(57,400)	(57,400)	
DOA - Motor Vehicle Pool Revolving Continued FRAT/Salary LSR					(2,205,200)		(2,205,200)	
DOA - Motor Vehicle Pool Revolving (OF) - Salary Lump Sum		(1,100)				(26,800)	(26,800)	
DOA - Personnel Division Continued FRAT/Salary LSR					(3,600,900)	3,600,900	0	
DOA - Personnel Division (OF) - Salary Lump Sum		(8,600)				(223,000)	(223,000)	
DOA - Risk Management Revolving Fund Continued FRAT/Salary LSR					(581,300)		(581,300)	
DOA - Risk Management Revolving (OF) - Salary Lump Sum		(8,500)				(221,300)	(221,300)	
DOA - Risk Management Fund Transfer		(5,000,000)				(5,000,000)	(5,000,000)	
DOA - Special Employee Health Insurance Trust (OF) - Salary Lump Sum		(3,200)				(84,700)	(84,700)	
DOA - Special Employee Health Insurance Trust Continued FRAT/Salary LSR					(251,100)		(251,100)	
DOA - Special Events (NA) - Salary Lump Sum		(100)				(2,100)	(2,100)	
DOA - Special Services Revolving Continued FRAT/Salary LSR					(400,300)	400,300	0	
DOA - State Employee Travel Reduction Continued FRAT/Salary LSR					(36,100)		(36,100)	
DOA - State Employee Travel Reduction (NA) - Salary Lump Sum		(400)				(9,800)	(9,800)	
DOA - State Surplus Materials Revolving Continued FRAT/Salary LSR					(647,600)	647,600	0	
DOA - State Surplus Materials Revolving (OF) - Salary Lump Sum		(700)				(18,700)	(18,700)	
DOA - Telecommunications Continued FRAT/Salary LSR					(1,414,100)		(1,414,100)	
DOA - Telecommunications Fund Transfer						(4,700,000)	(4,700,000)	
DOA - Traffic and Parking Control (NA) - Salary Lump Sum		0				(400)	(400)	
OAH - Office of Administrative Hearings								
OAH - IGA and ISA (NA) - Salary Lump Sum		(1,200)				(31,400)	(31,400)	
AGR - Department of Agriculture								
AGR - Administrative Support (NA) - Salary Lump Sum		(100)				(1,300)	(1,300)	
AGR - Citrus, Fruit & Vegetable Revolving (OF) - Salary Lump Sum		(600)				(15,800)	(15,800)	
AGR - Citrus, Fruit & Vegetable Revolving Continued FRAT/Salary LSR					(72,000)	72,000	0	
AGR - Commercial Feed (OF) - Salary Lump Sum		(300)				(5,800)	(5,800)	
AGR - Designated (NA) - Salary Lump Sum		(400)				(9,000)	(9,000)	
AGR - Designated Continued FRAT/Salary LSR					(46,000)	46,000	0	
AGR - Fertilizer Materials (OF) - Salary Lump Sum		(400)				(8,100)	(8,100)	
AGR - Pesticide (OF) - Salary Lump Sum		(300)				(7,700)	(7,700)	
AGR - Protected Native Plant (NA) - Salary Lump Sum		(100)				(1,900)	(1,900)	
AGR - Seed Law (OF) - Salary Lump Sum		(100)				(1,100)	(1,100)	
AXS - AHCCCS								
AXS - Healthcare Group Continued FRAT/Salary LSR					(361,900)		(361,900)	
AXS - Healthcare Group (OF) - Salary Lump Sum		(3,200)				(81,500)	(81,500)	
AXS - Intergovernmental Services Continued FRAT/Salary LSR					(653,500)		(653,500)	
AXS - Third Party Collections Continued FRAT/Salary LSR					(608,200)		(608,200)	

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AXS - Third Party Collections EBT		(71,900)				(103,500)	(103,500)	
APP - State Board of Appraisal								
APP - Board of Appraisal (OF) - Salary Lump Sum		(400)				(10,800)	(10,800)	
ART - Arizona Commission on the Arts								
ART - Arts Endowment Fund Transfer						(9,884,600)	(9,884,600)	
ART - Arts Trust Continued FRAT/Salary LSR					(115,400)		(115,400)	
ATT - Attorney General								
ATT - Anti-Racketeering Revolving Continued FRAT/Salary LSR					(862,100)	862,100	0	
ATT - Antitrust Revolving (OF) - Salary Lump Sum		(200)				(3,900)	(3,900)	
ATT - Antitrust Revolving EBT		(80,300)						
ATT - CJEF Distributions Continued FRAT/Salary LSR					(334,500)		(334,500)	
ATT - Collection Enforcement Revolving Continued FRAT/Salary LSR					(1,634,200)	1,634,200	0	
ATT - Collection Enforcement Revolving (OF) - Salary Lump Sum		(1,600)				(40,500)	(40,500)	
ATT - Consumer Fraud Revolving Continued FRAT/Salary LSR					(449,200)		(449,200)	
ATT - Consumer Fraud Revolving (OF) - Salary Lump Sum		(2,600)				(68,200)	(68,200)	
ATT - Consumer Fraud Revolving EBT		(1,809,200)				(3,845,100)	(3,845,100)	
ATT - Criminal Case Processing (NA) - Salary Lump Sum		(100)				(2,700)	(2,700)	
ATT - Interagency Service Agreements (OF) - Salary Lump Sum		(14,700)				(384,100)	(384,100)	
ATT - Intergovernmental Agreements (NA) - Salary Lump Sum		(1,900)				(49,900)	(49,900)	
ATT - Legal Services Cost Allocation Continued FRAT/Salary LSR					(1,064,800)	1,064,800	0	
ATT - Legal Services Cost Allocation (OF) - Salary Lump Sum		(8,500)				(220,600)	(220,600)	
ATT - Risk Management Revolving Continued FRAT/Salary LSR					(789,000)		(789,000)	
ATT - Risk Management Revolving (OF) - Salary Lump Sum		(9,900)				(257,900)	(257,900)	
ATT - Victims Rights Continued FRAT/Salary LSR					(33,000)		(33,000)	
ATT - Victims Rights (OF) - Salary Lump Sum		(400)				(11,400)	(11,400)	
ATT - Victims Rights EBT		(80,500)				(138,700)	(138,700)	
ATT - Victim Witness (NA) - Salary Lump Sum		(100)				(1,800)	(1,800)	
ATA - Automobile Theft Authority								
ATA - Automobile Theft Authority Continued FRAT/Salary LSR					(881,700)		(881,700)	
ATA - Automobile Theft Authority (OF) - Salary Lump Sum		(400)				(12,100)	(12,100)	
BAR - Board of Barbers								
BAR - Board of Barbers (OF) - Salary Lump Sum		(400)				(8,100)	(8,100)	
BHE - Board of Behavioral Health Examiners								
BHE - Board of Behavioral Health Examiners (OF) - Salary Lump Sum		(1,100)				(30,400)	(30,400)	
BCE - State Board of Chiropractic Examiners								
BCE - Board of Chiropractic Examiners (OF) - Salary Lump Sum		(500)				(13,100)	(13,100)	
CCE - Citizens Clean Elections Commission								
CCE - Citizens Clean Elections Commission Fund Transfer						(10,000,000)	(10,000,000)	
COM - Department of Commerce								
COM - CEDC Continued FRAT/Salary LSR					(305,600)		(305,600)	
COM - CEDC (OF) - Salary Lump Sum		(700)				(17,600)	(17,600)	
COM - CEDC EBT		(96,700)				(300,500)	(300,500)	
COM - Commerce Workshops Continued FRAT/Salary LSR					(51,600)	51,600	0	
COM - Commerce Workshops (NA) - Salary Lump Sum		(100)				(2,900)	(2,900)	
COM - GADA Revolving Continued FRAT/Salary LSR					(68,800)	68,800	0	
COM - GADA Revolving (NA) - Salary Lump Sum		(200)				(4,200)	(4,200)	
COM - GADA Revolving Fund Transfer		(1,400,000)						
COM - IGA and ISA Continued FRAT/Salary LSR					(50,700)	50,700	0	
COM - IGA and ISA (NA) - Salary Lump Sum		(800)				(19,800)	(19,800)	
COM - Arizona Job Training Continued FRAT/Salary LSR					(1,935,000)	1,935,000	0	
COM - Arizona Job Training (NA) - Salary Lump Sum		(200)				(5,000)	(5,000)	
COM - Lottery Continued FRAT/Salary LSR					(19,500)		(19,500)	
COM - Lottery (OF) - Salary Lump Sum		(200)				(4,800)	(4,800)	
COM - Military Installation Continued FRAT/Salary LSR					(235,000)	235,000	0	
COM - Nursing Education Demonstration Project Fund Transfer		(616,100)						
ROC - Registrar of Contractors								
ROC - Registrar of Contractors (OF) - Salary Lump Sum		(8,500)				(221,200)	(221,200)	
ROC - Residential Contractors' Recovery (NA) - Salary Lump Sum		(800)				(21,000)	(21,000)	
COR - Corporation Commission								
COR - Arizona Arts Trust (OF) - Salary Lump Sum		(100)				(1,500)	(1,500)	
COR - Investment Management Regulatory & Enf. Continued FRAT/Salary LSR					(224,100)		(224,100)	
COR - Investment Management Regulatory & Enf (OF) - Salary Lump Sum		(1,000)				(24,100)	(24,100)	
COR - Investment Management Regulatory & Enf. EBT		(165,600)				(852,800)	(852,800)	
COR - Public Access Continued FRAT/Salary LSR					(764,600)	764,600	0	
COR - Public Access (OF) - Salary Lump Sum		(5,700)				(148,700)	(148,700)	
COR - Securities Regulatory & Enforcement (OF) - Salary Lump Sum		(5,200)				(135,500)	(135,500)	
COR - Securities Regulatory & Enforcement Continued FRAT/Salary LSR					(357,400)	357,400	0	
COR - Utility Regulation Revolving (OF) - Salary Lump Sum		(16,200)				(421,200)	(421,200)	
COR - Utility Regulation Revolving Continued FRAT/Salary LSR					(1,090,500)		(1,090,500)	
DOC - Department of Corrections								
DOC - Alcohol Abuse Treatment Continued FRAT/Salary LSR					(44,900)	44,900	0	
DOC - AZ Correctional Industries Revolving (NA) - Salary Lump Sum		(11,300)				(293,500)	(293,500)	
DOC - AZ Correctional Industry Revolving Continued FRAT/Salary LSR					(3,043,800)	3,043,800	0	

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DOC - Corrections Continued FRAT/Salary LSR					(37,200)	37,200	0	
DOC - Indirect Cost Recovery Continued FRAT/Salary LSR					(208,300)	208,300	0	
DOC - Interagency Service Agreement (NA) - Salary Lump Sum		(100)				(2,500)	(2,500)	
DOC - Indirect Cost Recovery (NA) - Salary Lump Sum		0				(800)	(800)	
DOC - Prison Construction & Operations Continued FRAT/Salary LSR					(932,400)	932,400	0	
DOC - Special Services Continued FRAT/Salary LSR					(274,500)	274,500	0	
DOC - State DOC Revolving Continued FRAT/Salary LSR					(611,000)	611,000	0	
DOC - State Education Fund for Correctional Education Continued FRAT/Salary LSR					(76,800)	76,800	0	
DOC - State Education Fund for Correctional Education (OF) - Salary Lump Sum		(200)				(4,400)	(4,400)	
DOC - Transition Program Drug Treatment Continued FRAT/Salary LSR					(45,000)	45,000	0	
DOC - Transition Program Drug Treatment Fund EBT		(255,500)				0	0	
COS - Board of Cosmetology								
COS - Board of Cosmetology (OF) - Salary Lump Sum		(1,300)				(34,800)	(34,800)	
JUS - Arizona Criminal Justice Commission								
JUS - Criminal Justice Enhancement Continued FRAT/Salary LSR					(104,100)		(104,100)	
JUS - Criminal Justice Enhancement (OF) - Salary Lump Sum		(900)				(21,800)	(21,800)	
JUS - Criminal Justice Enhancement FRAT						(55,500)	(55,500)	
JUS - Criminal Justice Enhancement EBT						(115,300)	(115,300)	
JUS - DUI Abatement Continued FRAT/Salary LSR					(112,500)		(112,500)	
JUS - DUI Abatement EBT		(62,900)				(850,300)	(850,300)	
JUS - Drug & Gang Enforcement Continued FRAT/Salary LSR					(489,500)		(489,500)	
JUS - Drug & Gang Enforcement EBT		(443,000)				(1,500,000)	(1,500,000)	
JUS - Drug & Gang Prevention Resource Center Continued FRAT/Salary LSR					(67,200)		(67,200)	
JUS - Resource Center EBT		(70,300)				(225,800)	(225,800)	
JUS - State Aid to County Attorneys Continued FRAT/Salary LSR					(78,900)		(78,900)	
JUS - State Aid to County Attorneys EBT		(21,000)						
JUS - State Aid to Indigent Defense Continued FRAT/Salary LSR					(74,900)		(74,900)	
JUS - State Aid to Indigent Defense Fund Transfer						(300,000)	(300,000)	
JUS - Victims Compensation & Assistance Continued FRAT/Salary LSR					(307,500)		(307,500)	
JUS - Victims Compensation & Assistance EBT		(351,100)				(148,800)	(148,800)	
SDB - AZ State Schools for the Deaf and the Blind								
SDB - Enterprise (NA) - Salary Lump Sum		0				(600)	(600)	
SDB - Regional Cooperatives (NA) - Salary Lump Sum		(9,700)				(253,500)	(253,500)	
SDB - Schools for the Deaf and the Blind (OF) - Salary Lump Sum		(8,500)				(220,600)	(220,600)	
HEA - Commission for the Deaf and the Hard of Hearing								
HEA - Telecommunication Fund for the Deaf Continued FRAT/Salary LSR					(1,370,000)		(1,370,000)	
HEA - Telecommunication Fund for the Deaf (OF) - Salary Lump Sum		(1,300)				(35,300)	(35,300)	
HEA - Telecommunication Fund for the Deaf EBT						(412,700)	(412,700)	
DEN - Board of Dental Examiners								
DEN - Dental Board (OF) - Salary Lump Sum		(800)				(21,000)	(21,000)	
PRC - Drug & Gang Prevention Resource Center								
PRC - Drug & Gang Prevention Fund Transfer		(53,200)						
ECDB - Early Childhood Development & Health Board								
ECDB - First Things First Repeal/Redirect - November Ballot						(325,000,000)	(325,000,000)	BRB-FTF
DES - Department of Economic Security								
DES - Child Abuse Prevention Continued FRAT/Salary LSR					(118,300)		(118,300)	
DES - Child Abuse Prevention EBT		(54,600)						
DES - Child Support Enforcement Administration Continued FRAT/Salary LSR					(796,900)	796,900	0	
DES - Children and Family Services Training (OF) - Salary Lump Sum		(100)				(2,500)	(2,500)	
DES - Domestic Violence Shelter Continued FRAT/Salary LSR					(180,000)	180,000	0	
DES - Industries for the Blind (NA) - Salary Lump Sum		(9,400)				(244,100)	(244,100)	
DES - Public Assistance Collections Continued FRAT/Salary LSR					(92,200)		(92,200)	
DES - Special Administration Continued FRAT/Salary LSR					(439,100)		(439,100)	
DES - Special Administration EBT						(234,400)	(234,400)	
DES - Spinal and Head Injuries Trust (OF) - Salary Lump Sum		(300)				(6,100)	(6,100)	
DES - Spinal and Head Injuries Trust Continued FRAT/Salary LSR					(694,300)	248,000	(446,300)	
ADE - Arizona Department of Education								
ADE - Displaced Pupils Choice Grant EBT		(600,200)						
ADE - Education Commodity (NA) - Salary Lump Sum		(100)				(2,900)	(2,900)	
ADE - Indirect Cost Recovery (NA) - Salary Lump Sum		(5,300)				(136,200)	(136,200)	
ADE - Indirect Cost Recovery Continued FRAT/Salary LSR					(356,800)		(356,800)	
ADE - Indirect Cost Recovery EBT		(99,800)				(131,800)	(131,800)	
ADE - Internal Services Continued FRAT/Salary LSR					(791,900)		(791,900)	
ADE - Internal Services (NA) - Salary Lump Sum		(200)				(3,500)	(3,500)	
ADE - Production Revolving Continued FRAT/Salary LSR					(355,800)		(355,800)	
ADE - Production Revolving (NA) - Salary Lump Sum		(600)				(15,400)	(15,400)	
ADE - Teacher Certification Continued FRAT/Salary LSR					(372,500)		(372,500)	
EMA - Department of Emergency & Military Affairs								
EMA - Emergency Response EBT		(120,100)				(132,700)	(132,700)	
EMA - Nuclear Emergency Response (NA) - Salary Lump Sum		(600)				(16,600)	(16,600)	
DEQ - Department of Environmental Quality								
DEQ - Air Permits Administration Continued FRAT/Salary LSR					(769,300)		(769,300)	

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DEQ - Air Permits Administration (OF) - Salary Lump Sum		(4,800)				(125,200)	(125,200)	
DEQ - Air Permits Administration EBT		(402,000)				(1,428,800)	(1,428,800)	
DEQ - Air Quality Continued FRAT/Salary LSR					(1,068,100)	534,100	(534,000)	
DEQ - Air Quality (OF) - Salary Lump Sum		(3,300)				(85,500)	(85,500)	
DEQ - Emissions Inspection Continued FRAT/Salary LSR					(449,700)		(449,700)	
DEQ - Emissions Inspection (OF) - Salary Lump Sum		(2,100)				(54,100)	(54,100)	
DEQ - Emissions Inspection Fund Transfer						(8,000,000)	(8,000,000)	
DEQ - Hazardous Waste Mgmt Continued FRAT/Salary LSR					(59,600)		(59,600)	
DEQ - Hazardous Waste Mgmt (OF) - Salary Lump Sum		(100)				(2,700)	(2,700)	
DEQ - Hazardous Waste Mgmt EBT		(138,700)						
DEQ - IGA and ISA (NA) - Salary Lump Sum		(700)				(17,400)	(17,400)	
DEQ - Indirect Cost Recovery Continued FRAT/Salary LSR					(2,417,300)		(2,417,300)	
DEQ - Indirect Cost Recovery (OF) - Salary Lump Sum		(6,700)				(172,600)	(172,600)	
DEQ - Institutional & Eng. Control (NA) - Salary Lump Sum		0				(300)	(300)	
DEQ - Institutional & Eng. Control EBT		(76,500)				(174,400)	(174,400)	
DEQ - Monitoring Assistance Continued FRAT/Salary LSR					(129,700)		(129,700)	
DEQ - Monitoring Assistance (NA) - Salary Lump Sum		(200)				(4,600)	(4,600)	
DEQ - Monitoring Assistance EBT		(169,000)				(297,700)	(297,700)	
DEQ - Recycling Continued FRAT/Salary LSR					(1,517,900)		(1,517,900)	
DEQ - Solid Waste Fee Continued FRAT/Salary LSR					(347,000)		(347,000)	
DEQ - Solid Waste Fee (OF) - Salary Lump Sum		(900)				(22,500)	(22,500)	
DEQ - Specific Site Judgment Fund Continued FRAT/Salary LSR					(80,000)		(80,000)	
DEQ - Specific Site Judgment Fund EBT		(44,600)						
DEQ - Underground Storage Tank Revolving Continued FRAT/Salary LSR					(4,621,700)		(4,621,700)	
DEQ - Underground Storage Tank Revolving (NA) - Salary Lump Sum		(6,000)				(154,400)	(154,400)	
DEQ - Underground Storage Tank Revolving Fund Transfer - Extend Tax Fund		(556,000)				(1,378,300)	(1,378,300)	
DEQ - Voluntary Remediation Continued FRAT/Salary LSR					(21,500)		(21,500)	
DEQ - Voluntary Remediation (NA) - Salary Lump Sum		(200)				(4,000)	(4,000)	
DEQ - Voluntary Remediation EBT		(188,500)				(312,400)	(312,400)	
DEQ - Voluntary Vehicle Repair & Retrofit Program Continued FRAT/Salary LSR					(747,200)		(747,200)	
DEQ - Water Quality Assurance Revolving Continued FRAT/Salary LSR					(371,300)		(371,300)	
DEQ - Water Quality Assurance Revolving (NA) - Salary Lump Sum		(5,400)				(139,300)	(139,300)	
DEQ - Water Quality Fee Continued FRAT/Salary LSR					(704,200)		(704,200)	
DEQ - Water Quality Fee (OF) - Salary Lump Sum		(3,100)				(79,400)	(79,400)	
COL - Arizona Exposition and State Fair Board								
COL - Arizona Exposition and State Fair Continued FRAT/Salary LSR					(2,576,500)	2,576,500	0	
COL - Arizona Exposition and State Fair (OF) - Salary Lump Sum		(4,100)				(106,200)	(106,200)	
DFI - Dept of Financial Institutions								
DFI - Arizona Escrow Recovery EBT		(188,000)				(330,600)	(330,600)	
DFI - Financial Services (OF) - Salary Lump Sum		0				(18,500)	(18,500)	
DFI - IGA and ISA (NA) - Salary Lump Sum		(100)				(2,700)	(2,700)	
DFI - Revolving Continued FRAT/Salary LSR					(254,600)	254,600	0	
DFI - Revolving (NA) - Salary Lump Sum		(200)				(5,500)	(5,500)	
BFS - Department of Fire, Building & Life Safety								
BFS - Building & Fire Safety (NA) - Salary Lump Sum		(400)				(8,200)	(8,200)	
BFS - Building & Fire Safety EBT		(47,900)				(93,600)	(93,600)	
EMB - Board of Funeral Directors and Embalmers								
EMB - Board of Funeral Directors & Embalmers (OF) - Salary Lump Sum		(400)				(8,600)	(8,600)	
FIS - Arizona Game and Fish Department								
FIS - Heritage Continued FRAT/Salary LSR					(1,335,100)	1,335,100	0	
FIS - Heritage (NA) - Salary Lump Sum		(4,800)				(125,500)	(125,500)	
FIS - Off-Highway Vehicle Recreation Continued FRAT/Salary LSR					(78,600)		(78,600)	
FIS - Off-Highway Vehicle Recreation (NA) - Salary Lump Sum		(1,000)				(24,200)	(24,200)	
FIS - Watercraft Licensing (OF) - Salary Lump Sum		(1,900)				(49,200)	(49,200)	
FIS - Watercraft Licensing Fund Transfer						(800,000)	(800,000)	
GEO - Arizona Geological Survey								
GEO - Geological Survey (NA) - Salary Lump Sum		(1,100)				(26,300)	(26,300)	
GEO - Geological Survey Continued FRAT/Salary LSR					(48,200)	48,200	0	
GTA - Government Information Technology Agency								
GTA - Information Technology Continued FRAT/Salary LSR					(459,700)		(459,700)	
GTA - Information Technology (OF) - Salary Lump Sum		(3,000)				(78,600)	(78,600)	
GTA - State Web Portal Continued FRAT/Salary LSR					(1,100,000)		(1,100,000)	
GTA - State Web Portal Fund Transfer						(4,300,000)	(4,300,000)	
GOV - Office of the Governor								
GOV - IGA and ISA (NA) - Salary Lump Sum		(600)				(15,800)	(15,800)	
GOV - Indirect Cost Recovery (NA) - Salary Lump Sum		(400)				(11,600)	(11,600)	
DHS - Department of Health Services								
DHS - Child Fatality Review (OF) - Salary Lump Sum		(200)				(3,700)	(3,700)	
DHS - Emergency Medical Services Operating Continued FRAT/Salary LSR					(847,600)	847,600	0	
DHS - Emergency Medical Services Operating (OF) - Salary Lump Sum		(3,300)				(86,500)	(86,500)	
DHS - Environmental Laboratory Licensure Revolving Continued FRAT/Salary LSR					(41,300)		(41,300)	
DHS - Environmental Laboratory Licensure Revolving (OF) - Salary Lump Sum		(700)				(18,900)	(18,900)	
DHS - Health Services Licensing (OF) - Salary Lump Sum		(11,700)				(304,000)	(304,000)	
DHS - Hearing and Speech Professionals Continued FRAT/Salary LSR					(20,900)		(20,900)	

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
LAN - Cooperative Forestry Continued FRAT/Salary LSR					(45,400)		(45,400)	
LAN - Fire Suppression Continued FRAT/Salary LSR					(280,100)		(280,100)	
LAN - Fire Suppression EBT		(53,800)				(246,900)	(246,900)	
LIQ - Department of Liquor Licenses & Control								
LIQ - Liquor License & Special Collections Continued FRAT/Salary LSR					(60,000)	60,000	0	
LIQ - Liquor License & Special Collections (NA) - Salary Lump Sum		(1,000)				(26,000)	(26,000)	
LIQ - Liquor Licenses Continued FRAT/Salary LSR					(214,700)		(214,700)	
LIQ - Liquor Licenses (OF) - Salary Lump Sum		(2,800)				(71,900)	(71,900)	
LOT - Arizona State Lottery Commission								
LOT - State Lottery Continued FRAT/Salary LSR					(1,528,400)		(1,528,400)	
LOT - State Lottery (OF) - Salary Lump Sum		(8,700)				(226,600)	(226,600)	
MED - Arizona Medical Board								
MED - Arizona Medical Board (OF) - Salary Lump Sum		(4,700)				(122,100)	(122,100)	
MIN - State Mine Inspector								
MIN - Aggregate Mining Reclamation (OF) - Salary Lump Sum		(100)				(2,500)	(2,500)	
MMR - Department of Mines & Mineral Resources								
MMR - Mines and Mineral Resources Continued FRAT/Salary LSR					(16,200)		(16,200)	
MMR - Mines and Mineral Resources (NA) - Salary Lump Sum		(200)				(5,600)	(5,600)	
MMR - Mines and Mineral Resources EBT		(17,800)						
NAT - Naturopathic Physicians Medical Board								
NAT - Naturopathic Physicians Medical Board (OF) - Salary Lump Sum		(400)				(10,300)	(10,300)	
NUR - Nursing Board								
NUR - Board of Nursing (OF) - Salary Lump Sum		(4,000)				(104,000)	(104,000)	
NCI - Nursing Care Inst. Administrators Board								
NCI - Nursing Care Inst. Administrators Board (OF) - Salary Lump Sum		(400)				(8,800)	(8,800)	
OCC - Board of Occupational Therapy Examiners								
OCC - Occupational Therapy (OF) - Salary Lump Sum		(300)				(7,200)	(7,200)	
DIS - State Board of Dispensing Opticians								
DIS - Board of Dispensing Opticians (OF) - Salary Lump Sum		(100)				(2,500)	(2,500)	
OPT - State Board of Optometry								
OPT - Board of Optometry (OF) - Salary Lump Sum		(300)				(5,800)	(5,800)	
OST - Arizona Board of Osteopathic Examiners								
OST - Board of Osteopathic Examiners (OF) - Salary Lump Sum		(700)				(17,100)	(17,100)	
PAR - Parents Commission on Drug Ed & Prevention								
PAR - Drug Treatment and Education Continued FRAT/Salary LSR					(636,500)		(636,500)	
PAR - Drug Treatment and Education (NA) - Salary Lump Sum		(400)				(8,600)	(8,600)	
PAR - Drug Treatment and Education EBT						(1,363,500)	(1,363,500)	
SPB - Arizona State Parks Board								
SPB - Heritage Continued FRAT/Salary LSR					(1,948,600)	1,948,600	0	
SPB - Land Conservation Fund Transfer						(123,538,600)	(123,538,600)	
SPB - Off-Highway Vehicle Recreation Continued FRAT/Salary LSR					(116,600)		(116,600)	
SPB - Off-Highway Vehicle Recreation (NA) - Salary Lump Sum		(600)				(16,400)	(16,400)	
SPB - Off-Highway Vehicle Recreation EBT						(745,300)	(745,300)	
SPB - Partnerships Continued FRAT/Salary LSR					(14,000)		(14,000)	
SPB - Partnerships (NA) - Salary Lump Sum		(100)				(1,800)	(1,800)	
SPB - Partnerships EBT		(81,200)				(54,300)	(54,300)	
SPB - Publications and Souvenirs Continued FRAT/Salary LSR					(60,200)		(60,200)	
SPB - Publications and Souvenir Revolving (NA) - Salary Lump Sum		(300)				(7,500)	(7,500)	
SPB - Publications and Souvenirs EBT		(48,700)						
SPB - Reservation Surcharge Revolving Continued FRAT/Salary LSR					(96,600)		(96,600)	
SPB - Reservation Surcharge Revolving (OF) - Salary Lump Sum		(300)				(5,800)	(5,800)	
SPB - State Lake Improvement (NA) - Salary Lump Sum		(3,300)				(87,200)	(87,200)	
SPB - State Lake Improvement Continued FRAT/Salary LSR					(528,500)		(528,500)	
SPB - State Lake Improvement EBT						(345,000)	(345,000)	
SPB - State Parks Continued FRAT/Salary LSR					(19,700)		(19,700)	
SPB - State Parks Enhancement Continued FRAT/Salary LSR					(1,954,800)		(1,954,800)	
SPB - State Parks Enhancement (OF) - Salary Lump Sum		(5,200)				(135,200)	(135,200)	
PER - Personnel Board								
PER - Personnel Division - Personnel Board Account (OF) - Salary Lump Sum		(200)				(5,400)	(5,400)	
PES - Office of Pest Management								
PES - Pest Management (OF) - Salary Lump Sum		(2,400)				(62,600)	(62,600)	
PHA - Arizona State Board of Pharmacy								
PHA - AZ State Board of Pharmacy (OF) - Salary Lump Sum		(1,800)				(46,000)	(46,000)	
PHY - Board of Physical Therapy Examiners								
PHY - Board of Physical Therapy (OF) - Salary Lump Sum		(400)				(8,400)	(8,400)	

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
POD - State Board of Podiatry Examiners								
POD - Board of Podiatry (OF) - Salary Lump Sum		(100)				(3,200)	(3,200)	
POS - Commission for Postsecondary Education								
POS - Postsecondary Education (OF) - Salary Lump Sum		(800)				(20,000)	(20,000)	
POS - Postsecondary Education Voucher Fund Transfer		(679,600)						
PRI - Board for Private Postsecondary Education								
PRI - Private Postsecondary Education (OF) - Salary Lump Sum		(400)				(9,800)	(9,800)	
PSY - State Board of Psychologist Examiners								
PSY - State Board of Psychologist Examiners (OF) - Salary Lump Sum		(400)				(8,400)	(8,400)	
DPS - Department of Public Safety								
DPS - Anti-Racketeering Continued FRAT/Salary LSR					(526,300)		(526,300)	
DPS - Anti-Racketeering (NA) - Salary Lump Sum		(100)				(2,100)	(2,100)	
DPS - Anti-Racketeering FRAT								
DPS - Anti-Racketeering EBT								
DPS - DPS RICO Fund (Western Union Settlement) Fund Transfer		(7,000,000)				(1,007,100)	(1,007,100)	
DPS - Auto Fingerprint Identification Continued FRAT/Salary LSR					(274,000)	274,000	0	
DPS - Auto Fingerprint Identification (OF) - Salary Lump Sum		(400)				(11,000)	(11,000)	
DPS - Crime Laboratory Assessment Continued FRAT/Salary LSR					(762,400)	762,400	0	
DPS - Crime Laboratory Operations Continued FRAT/Salary LSR					(780,000)	(2,774,700)	(3,554,700)	
DPS - Criminal Justice Enhancement Continued FRAT/Salary LSR					(447,100)	447,100	0	
DPS - DNA Identification System Continued FRAT/Salary LSR					(593,200)	593,200	0	
DPS - DNA Identification System (OF) - Salary Lump Sum		(1,900)				(49,100)	(49,100)	
DPS - DPS Administration Continued FRAT/Salary LSR					(206,100)		(206,100)	
DPS - DPS Administration (NA) - Salary Lump Sum		(1,800)				(46,200)	(46,200)	
DPS - DPS Joint Fund Control (NA) - Salary Lump Sum		(148,100)				(3,850,400)	(3,850,400)	
DPS - DPS Licensing Continued FRAT/Salary LSR					(163,000)		(163,000)	
DPS - DPS Licensing (NA) - Salary Lump Sum		(1,100)				(28,200)	(28,200)	
DPS - DPS Licensing Fund Transfer						(100,000)	(100,000)	
DPS - Fingerprint Clearance Card Continued FRAT/Salary LSR					(404,100)		(404,100)	
DPS - Fingerprint Clearance Card (NA) - Salary Lump Sum		(2,700)				(71,700)	(71,700)	
DPS - Board of Fingerprinting Continued FRAT/Salary LSR					(109,100)	109,100	0	
DPS - Board of Fingerprinting (NA) - Salary Lump Sum		(500)				(13,200)	(13,200)	
DPS - Highway Patrol Continued FRAT/Salary LSR					(3,003,300)	1,126,600	(1,876,700)	
DPS - Highway Patrol (OF) - Salary Lump Sum		(800)				(20,300)	(20,300)	
DPS - IGA and ISA (NA) - Salary Lump Sum		(5,600)				(143,100)	(143,100)	
DPS - Indirect Cost Recovery Continued FRAT/Salary LSR					(183,500)		(183,500)	
DPS - Indirect Cost Recovery EBT						(262,800)	(262,800)	
DPS - Parking Garage/DNA Fund Transfer						(2,460,000)	(2,460,000)	
DPS - Parity Compensation Continued FRAT/Salary LSR					(516,200)	516,200	0	
DPS - Peace Officers Training Continued FRAT/Salary LSR					(787,300)		(787,300)	
DPS - Peace Officers Training (NA) - Salary Lump Sum		(3,000)				(76,500)	(76,500)	
DPS - Peace Officers Training EBT						(138,000)	(138,000)	
DPS - Photo Enforcement (OF) - Salary Lump Sum		(700)				(19,300)	(19,300)	
DPS - Public Safety Equipment Continued FRAT/Salary LSR					(810,300)	810,300	0	
DPS - Records Processing Continued FRAT/Salary LSR					(1,015,000)	1,015,000	0	
DPS - Records Processing (NA) - Salary Lump Sum		(1,100)				(27,500)	(27,500)	
DPS - SETIF Continued FRAT/Salary LSR					(122,000)		(122,000)	116
DPS - Sex Offender Monitoring Fund Transfer		(22,300)				(16,600)	(16,600)	
RAD - Radiation Regulatory Agency								
RAD - Nuclear Emergency Management (NA) - Salary Lump Sum		(400)				(11,400)	(11,400)	
RAD - Radiation Certification Continued FRAT/Salary LSR					(21,300)		(21,300)	
RAD - Radiation Certification (OF) - Salary Lump Sum		(300)				(6,500)	(6,500)	
REA - State Real Estate Department								
REA - Education Revolving (NA) - Salary Lump Sum		(200)				(4,000)	(4,000)	
REA - Recovery EBT		(64,800)				(157,300)	(157,300)	
RUC - Residential Utility Consumer Office								
RUC - RUCO (OF) - Salary Lump Sum		(1,100)				(30,300)	(30,300)	
RES - Board of Respiratory Care Examiners								
RES - Board of Respiratory Care Examiners (OF) - Salary Lump Sum		(400)				(8,600)	(8,600)	
REV - Department of Revenue								
REV - DOR Administrative Continued FRAT/Salary LSR					(1,837,500)		(1,837,500)	
REV - Estate and Unclaimed Property EBT						(1,262,200)	(1,262,200)	
REV - Liability Set-off Fund Continued FRAT/Salary LSR					(23,700)		(23,700)	
REV - Liability Set-off Fund (OF) - Salary Lump Sum		(500)				(14,300)	(14,300)	
REV - Liability Set-off Fund EBT		(63,300)				(262,700)	(262,700)	
SFB - School Facilities Board								
SFB - Arizona Energy and Water Savings (NA) Salary Lump Sum		(600)				(15,400)	(15,400)	
SFB - Interest Earnings Fund Transfer						(589,000)	(589,000)	
SOS - Secretary of State								
SOS - Data Processing Acquisition (NA) - Salary Lump Sum		(200)				(4,500)	(4,500)	
SOS - Data Processing Acquisition EBT		(56,500)						
SOS - Gift Shop Revolving (NA) - Salary Lump Sum		(100)				(1,900)	(1,900)	
SOS - Notary Bond (NA) - Salary Lump Sum		(200)				(3,500)	(3,500)	
SOS - Notary Bond EBT		(77,100)				(57,400)	(57,400)	

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
SOS - Records Services (OF) - Salary Lump Sum		(500)				(13,900)	(13,900)	
SBO - State Boards' Office								
SBO - Special Services Revolving (OF) - Salary Lump Sum		(300)				(7,000)	(7,000)	
TEC - State Board of Technical Registration								
TEC - Technical Registration (OF) - Salary Lump Sum		(1,600)				(41,600)	(41,600)	
TOU - Office of Tourism								
TOU - Tourism Fund EBT		(981,400)						
DOT - Department of Transportation								
DOT - Air Quality (OF) - Salary Lump Sum		(100)				(1,100)	(1,100)	
DOT - Arizona Highways Magazine (NA) - Salary Lump Sum		(2,500)				(62,800)	(62,800)	
DOT - Arizona Highways Magazine Continues FRAT/Salary LSR					(425,700)		(425,700)	
DOT - Arizona Highways Magazine FRAT						(425,700)	(425,700)	
DOT - Economic Strength Project Continued FRAT/Salary LSR					(100,000)		(100,000)	
DOT - Motor Vehicle Liability Insurance Enforcement Continued FRAT/Salary					(406,800)		(406,800)	
DOT - Motor Vehicle Liability Insurance Enforcement (OF) - Salary Lump Sum		(1,400)				(37,000)	(37,000)	
DOT - Motor Vehicle Liability Insurance Enforcement FRAT						(164,800)	(164,800)	
DOT - SETIF Continued FRAT/Salary LSR					(163,000)		(163,000)	116
DOT - SETIF FRAT						(163,000)	(163,000)	116
DOT - State Aviation Continued FRAT/Salary LSR					(526,400)		(526,400)	
DOT - State Aviation (OF) - Salary Lump Sum		(1,900)				(49,500)	(49,500)	
DOT - State Aviation FRAT						(141,800)	(141,800)	
DOT - Transportation Department Equipment Continued FRAT/Salary LSR					(4,549,200)	4,549,200	0	
DOT - Transportation Department Equipment (OF) - Salary Lump Sum		(16,900)				(440,300)	(440,300)	
DOT - Vehicle Inspection and Title Enforcement Continued FRAT/Salary LSR					(117,700)		(117,700)	
DOT - Vehicle Inspection and Title Enforcement (OF) - Salary Lump Sum		(1,100)				(29,800)	(29,800)	
DOT - Vehicle Inspection and Title Enforcement FRAT						(117,700)	(117,700)	
DOT - Suspend Highway Patrol Vehicle Replacement VLT Fund Transfer					(6,780,000)		(6,780,000)	115
DOT - Continue Prior Year VLT Fund Transfer					(8,390,600)		(8,390,600)	115
DOT - Continue Prior Yr ADOT Operating Reduction/VLT Fund Transfer					(28,000,000)		(28,000,000)	115
TRE - State Treasurer								
TRE - State Treasurer's Operating (OF) - Salary Lump Sum		0				(18,200)	(18,200)	
UNI - Arizona Board of Regents								
UNI - AZ Board of Regents Local Funds Continued FRAT/Salary LSR					(228,600)		(228,600)	
UNI - AZ Board of Regents Local Funds (NA) - Salary Lump Sum		(1,400)				(36,800)	(36,800)	
VME - Veterinary Medical Examining Board								
VME - Veterinary Medical Examining Board (OF) - Salary Lump Sum		(400)				(11,400)	(11,400)	
WAT - Department of Water Resources								
WAT - Arizona Water Banking (NA) - Salary Lump Sum		(400)				(10,300)	(10,300)	
WAT - Arizona Water Banking Continued FRAT/Salary LSR					(301,700)		(301,700)	
WAT - Arizona Water Banking EBT		(198,200)				(154,100)	(154,100)	
WAT - Arizona Water Banking - Interstate Banking Account Fund Transfer		(5,000,000)						
WAT - Arizona Water Protection (NA) - Salary Lump Sum		(400)				(11,600)	(11,600)	
WAT - Arizona Water Protection Continued FRAT/Salary LSR					(41,700)		(41,700)	
WAT - Arizona Water Quality Continued FRAT/Salary LSR					(88,000)		(88,000)	
WAT - Arizona Water Quality (NA) - Salary Lump Sum		(200)				(4,500)	(4,500)	
WAT - Assured and Adequate Water Supply Continued FRAT/Salary LSR					(173,000)	173,000	0	
WAT - Assured and Adequate Water Supply (OF) - Salary Lump Sum		(400)				(12,300)	(12,300)	
WAT - Augmentation & Conservation Assistance Continued FRAT/Salary LSR					(229,200)	229,200	0	
WAT - Augmentation & Conservation Assistance (NA) - Salary Lump Sum		(2,000)				(52,400)	(52,400)	
WAT - Flood Warning System EBT		(28,200)						
WAT - Indirect Cost Recovery Continued FRAT/Salary LSR					(357,400)		(357,400)	
WAT - Indirect Cost Recovery (NA) - Salary Lump Sum		(700)				(19,100)	(19,100)	
WAT - Well Administration & Enforcement Continued FRAT/Salary LSR					(123,000)		(123,000)	
WEI - Department of Weights & Measures								
WEI - Air Quality Continued FRAT/Salary LSR					(108,600)		(108,600)	
WEI - Air Quality (OF) - Salary Lump Sum		(1,000)				(25,600)	(25,600)	
WEI - Motor Vehicle Liability Insurance Enforcement (OF) - Salary Lump Sum		(300)				(7,500)	(7,500)	
OTH - Budget Stabilization Fund Transfer		(2,767,100)						
SUBTOTAL - FRATs		(579,700)			0	(16,619,100)	(16,619,100)	
Subtotal - Non GF Personnel Expense Reduction FRAT		(579,700)				(15,050,600)	(15,050,600)	
SUBTOTAL - EBTs		(14,149,600)			0	(26,700,400)	(26,700,400)	
SUBTOTAL - Continued FRAT/Salary LSR		0			(98,111,800)	40,461,400	(57,650,400)	
SUBTOTAL - Other Fund Transfers		(23,094,300)			(43,170,600)	(174,741,000)	(217,911,600)	
TOTAL - FUND TRANSFERS 4/	(340,871,300)	(37,823,600)	(378,694,900)		199,588,900	(502,599,100)	(643,881,500)	
REVENUE CHANGES								
REV - Ongoing Revenue	6,237,752,100	\$103,643,700	6,360,196,500		499,474,100	\$44,196,700	6,916,014,100	
REV - One-time Revenue 4/	1,078,516,900		1,126,516,900		(1,078,516,900)	\$0	998,961,600	
REV - Ongoing Changes								
REV - Shift Treasurer to Management Fees					(2,492,400)			BRB-GG

	FY 2010 Baseline	Changes	Revised GF FY 2010	Gen'l App Section 1/	11 Baseline 2/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section 1/
REV - Increase Sales Tax Business License Fee						\$5,384,000		BRB-RV
REV - Collections Outsourcing						\$942,200		BRB-RV
REV - Align Statute of Limitations with IRS						\$771,700		BRB-RV
REV - Automation of Bank Matching						\$7,372,600		BRB-RV
REV - Change Tax Administration Statutes (Cumulative)						\$796,800		BRB-RV
REV - DOR - Audit & Collectors (at \$4.7 M Cost)						\$7,705,100		
REV - Repeal TPT Accounting Credit								BRB-AC
REV - First Things First Ongoing Revenue - November Ballot (\$40M to DES)						\$60,000,000		150/ BRB-FTF
REV - Property Misclassification Reform						\$500,000		
REV - Lottery - LTAF/CAF/Heritage		\$18,800,700		BRB-RV		\$49,650,000		BRB-RV
REV - Increase Abandoned Vehicle Fee						\$12,061,200		BRB-RV
REV - STO Inflation Adjustment						(\$600,000)		
REV - STO Deadline Extension						(\$2,500,000)		
REV - R&D Tax Credit						(\$5,000,000)		
SUBTOTAL - Ongoing Changes	0	18,800,700			(2,492,400)	137,083,600		
REV - One-Time Changes								
REV - Beginning Balance Forward						\$48,317,600		
REV - Unclaimed Property Acceleration						(\$2,385,700)		
REV - Temporary 1 Cent TPT Increase						\$918,000,000		
REV - Lower Threshold on TPT Estimated Payments		\$48,000,000		BRB-RV				
REV - County Contribution						\$34,600,000		BRB-RV
REV - Teacher Certification Loan						\$429,700		
SUBTOTAL - One-Time Changes	0	48,000,000				998,961,600		
TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS)	\$7,657,140,300	208,268,000	\$7,486,713,400		(\$781,124,100)	\$1,682,841,000	\$8,558,857,200	
TOTAL - SOLUTIONS		748,920,900				2,644,127,800		
ENDING BALANCE	(\$700,603,300)	\$48,317,600	\$48,317,600		(\$2,580,904,800)	\$63,223,000	\$63,223,000	

1/ Indicates section number in the General Appropriation Act where appropriation/reduction is made, if it is not made in the standard agency budget or fund transfer sections. SA = Separate Appropriation, BRB = Budget Reconciliation Bill

2/ Represents FY 2011 Baseline cost above FY 2010 Baseline estimate.

3/ In the FY 2011 Baseline, this represents continuation of prior year Fund Reduction and Transfer (FRAT) and the Salary Lump Sum Reduction (LSR). The FRATs/LSRs are reductions in agency non-General Fund spending authority, in which the savings are transferred to the General Fund. Since the transfers have not been permanently authorized, they are reenacted annually. In the changes column, the Salary Lump Sum represents the reduction associated with the elimination of the 2.75% performance pay and the 6 furlough days (or the equivalent reduction for elected officials).

4/ In the FY 2010 Baseline, \$8,390,600 for a State Vehicle License Tax Shift is shown as a one-time revenue. As this revenue technically occurs as a transfer, the Statement of General Fund Revenues and Expenditures shows that amount as a fund transfer.

Detailed List of Other Fund Changes by Agency

	FY 2010 OF Baseline	Changes	Revised OF FY 2010	Gen'l App Section	11 OF Baseline 1/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section
OPERATING SPENDING CHANGES								
SBA - State Board of Accountancy	1,902,400		1,901,200				1,884,000	
SBA - Statewide Adjustments		(1,200)				(18,400)		
SBA - Salary Lump Sum - Board of Accountancy Fund								
ACU - Acupuncture Board of Examiners	129,700		129,500				126,400	
ACU - Statewide Adjustments		(200)				(3,300)		
DOA - Arizona Department of Administration	171,609,600		171,570,300				164,329,200	
DOA - Statewide Adjustments		(39,300)				(550,000)		
DOA - HRIS COP Payment - Personnel Div Fund					395,700			
DOA - Telecommunications Fund - Infrastructure Improvements					(4,713,700)			
DOA - Surplus Materials Revolving Revenue Realignment						(1,212,400)		
DOA - Personnel Division Revenue Realignment						(1,200,000)		
OAH - Office of Administrative Hearings	14,500		14,500				14,500	
OAH - Statewide Adjustments								
AGR - Department of Agriculture	3,312,000		3,310,200				3,381,400	
AGR - Statewide Adjustments		(1,800)				9,400		
AGR - Citrus Pest Eradication						60,000		
AXS - AHCCCS	201,221,300		181,666,900				106,787,300	
AXS - Statewide Adjustments		(3,200)				5,200		
AXS - Prop 204 DES Eligibility Statutory Adjustment					123,800			
AXS - Tobacco Tax Decline		(19,551,200)		121	(19,551,200)			
AXS - KidsCare Caseload Decline/Other					(33,625,800)			
AXS - Healthcare Group Admin						(933,600)		
AXS - Eliminate KidsCare Children Program						(40,452,400)		
APP - State Board of Appraisal	624,200		623,800				616,600	
APP - Statewide Adjustments		(400)				(7,600)		
ATT - Attorney General	38,447,500		38,409,600				37,721,900	
ATT - Statewide Adjustments		(37,900)				(725,600)		
ATA - Automobile Theft Authority	5,140,200		5,139,800				5,134,800	
ATA - Statewide Adjustments		(400)				(5,400)		
BAR - Board of Barbers	329,900		329,500				345,100	
BAR - Statewide Adjustments		(400)				(5,900)		
BAR - Annual Leave Payout						21,100		
BHE - Board of Behavioral Health Examiners	1,378,800		1,377,700				1,437,700	
BHE - Statewide Adjustments		(1,100)				(15,500)		
BHE - Legal and Hearing Expenses						74,400		
BIO - Biomedical Research Commission	500,000		500,000				500,000	SA
BIO - Statewide Adjustments								
BCE - State Board of Chiropractic Examiners	476,600		476,100				442,400	
BCE - Statewide Adjustments		(500)				(10,800)		
BCE - Budget Realignment					(23,400)			
COM - Department of Commerce	4,368,300		4,367,400				4,357,400	
COM - Statewide Adjustments		(900)				(10,900)		
ROC - Registrar of Contractors	12,232,700		12,224,200				12,181,000	
ROC - Statewide Adjustments		(8,500)				(51,700)		
COR - Corporation Commission	24,897,100		24,868,900				24,146,700	
COR - Statewide Adjustments		(28,200)				(544,400)		
COR - Automation Funding from Public Access					(206,000)			
DOC - Department of Corrections	43,653,100		43,652,900				43,654,000	
DOC - Statewide Adjustments		(200)				900		
COS - Board of Cosmetology	1,759,500		1,758,200				1,739,800	
COS - Statewide Adjustments		(1,300)				(19,700)		
JUS - Arizona Criminal Justice Commission	6,374,500		6,001,600				6,323,200	
JUS - Statewide Adjustments		(400)				(7,000)		
JUS - Shift Drug & Gang PRC Fund/Include Arizona Youth Survey					235,200			
JUS - Criminal Justice Enhancement FRAT						(55,500)		
JUS - State Aid to Indigent Defense Fund Expenditure Reduction		(372,500)		141		(224,000)		
SDB - AZ State Schools for the Deaf and the Blind	14,806,600		14,798,100				14,729,500	
SDB - Statewide Adjustments		(8,500)				(77,100)		
HEA - Comm for the Deaf & the Hard of Hearing	4,079,200		4,077,900				3,972,400	
HEA - Statewide Adjustments		(1,300)				(24,800)		

	FY 2010 OF Baseline	Changes	Revised OF FY 2010	Gen'l App Section	11 OF Baseline 1/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section
HEA - Operating Budget Reduction						(82,000)		
DEN - Board of Dental Examiners	1,106,500		1,105,700				1,150,100	
DEN - Statewide Adjustments		(800)				(16,300)		
DEN - Operating Adjustments						59,900		
PRC - Drug & Gang Prevention Resource Center	579,600		579,600				344,400	
PRC - Shift to ACJC					(235,200)			
DES - Department of Economic Security	523,698,900		493,933,200				470,996,000	
DES - Statewide Adjustments		(400)				1,554,200		
DES - Disaster Recovery Funding					(271,500)			
DES - Autism Training and Oversight Funding					(200,000)			
DES - TANF Shortfall		(30,500,000)		134		(58,885,600)		
DES - Means Testing & Fee Increases (DD and Cash Benefits)		734,700		134		5,100,000		
ADE - Arizona Department of Education	55,759,100		55,759,100				55,776,200	
ADE - Statewide Adjustments		0				17,100		
ADE - Achievement Testing Accountability Shift		0		122/123				
ADE - Teacher Certification FRAT								
ADE - Non-Formula Programs								
EMA - Department of Emergency & Military Affairs	132,700		132,700				132,700	
DEQ - Department of Environmental Quality	65,790,200		65,769,200				65,492,000	
DEQ - Statewide Adjustments		(21,000)				(173,200)		
DEQ - Solid Waste Fee Revenue Realignment						(125,000)		
COL - Arizona Exposition and State Fair Board	13,753,000		13,748,900				11,085,300	
COL - Statewide Adjustments		(4,100)				(67,700)		
COL - Expenditure Authority Adjustment						(2,600,000)		
DFI - Dept of Financial Institutions	0		0				792,700	
DFI - Statewide Adjustments		0				(12,500)		
DFI - Loan Originator Licensing					385,700	275,900		
DFI - Additional Examiners					686,200	(686,200)		
DFI - Implement Information Technology Budget					177,300	(33,700)		
FOR - State Forester's Office	3,075,000		3,075,000				0	
LAN - Shift Wildland Fire Suppression back to GF						(3,000,000)		
LAN - County Grants back to GF						(75,000)		
EMB - Board of Funeral Directors and Embalmers	351,200		350,800				344,100	
EMB - Statewide Adjustments		(400)				(7,100)		
FIS - Arizona Game and Fish Department	39,924,000		39,922,100				39,756,600	
FIS - Statewide Adjustments		(1,900)				187,100		
FIS - Eliminate One-time Funding					(774,500)			
FIS - Fuel and Repair					150,000			
FIS - Aquatic Invasive Species Project					220,000			
FIS - Lapsed Angler Marketing					50,000			
GAM - Department of Gaming	13,181,900		13,181,900				12,239,100	
GAM - Statewide Adjustments		0				39,500		
GAM - Revenue Realignment					(982,300)			
GAM - Rent								
GTA - Government Information Technology Agency	7,136,700		7,133,700				7,072,300	
GTA - Statewide Adjustments		(3,000)				(64,400)		
DHS - Department of Health Services	80,410,800		80,386,100				83,002,700	
DHS - Statewide Adjustments		(24,700)				(413,000)		
DHS - Assurance & Licensure Fund Shift					4,162,700			
DHS - Consolidate Non-Title 19 BHS - TTHCF Medically Needy Account						(1,157,800)		
AZH - Arizona Historical Society	194,200		194,200				430,800	
AZH - Statewide Adjustments		0				236,600		
HOM - Board of Homeopathic & Integrated Medicine Examiners	104,900		104,800				116,900	
HOM - Statewide Adjustments		(100)				(1,000)		
HOM - Retirement Payout/Operating Increase						13,000		
HOU - Department of Housing	949,600		948,500				927,200	
HOU - Salary Lump Sum - Housing Trust Fund								
HOU - Statewide Adjustments		(1,100)				(22,400)		
IND - Industrial Commission	19,983,100		19,966,700				19,715,700	
IND - Statewide Adjustments		(16,400)				(267,400)		
SPA - Judiciary - Supreme Court	35,944,200		35,929,200				34,221,500	
SPA - Statewide Adjustments		(15,000)				903,100		
SPA - Reduce One-Time Funding					(5,125,800)			
SPA - Court Appointed Special Advocate FRAT						500,000		
SPA - Case and Cash Management System						2,000,000		

	FY 2010 OF Baseline	Changes	Revised OF FY 2010	Gen'l App Section	11 OF Baseline 1/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section
SUP - Judiciary - Superior Court	12,508,000		12,506,300				12,469,400	
SUP - Statewide Adjustments		(1,700)				(38,600)		
DJC - Department of Juvenile Corrections	3,935,600		3,933,300				3,900,100	
DJC - Statewide Adjustments		(2,300)				(35,500)		
LAN - State Land Department	10,970,400		10,970,400				10,648,400	
LAN - Statewide Adjustments		0				68,000		
LAN - Shift NRCD back to GF						(390,000)		
LIO - Department of Liquor Licenses & Control	1,945,100		1,942,300				2,667,200	
LIO - Statewide Adjustments		(2,800)				19,400		
LIO - Annualize Fund Shift to Liquor Fee Fund					702,700			
LOT - Arizona State Lottery Commission	78,473,700		78,465,000				81,041,200	
LOT - Statewide Adjustments		(8,700)				(163,400)		
LOT - Sales-Related Costs					2,730,900			
MED - Arizona Medical Board	5,853,400		5,848,700				5,771,100	
MED - Statewide Adjustments		(4,700)				(82,300)		
MSL - Board of Medical Student Loans	47,000		47,000				29,000	
MSL - Baseline Adjustment						(18,000)		
MIN - State Mine Inspector	155,800		155,700				111,500	
MIN - Statewide Adjustments		(100)				(2,500)		
MIN - Increased Workload					114,000			
MIN - Aggregate Mine Reclamation						(155,800)		
NAT - Naturopathic Physicians Medical Board	604,800		604,400				595,100	
NAT - Statewide Adjustments		(400)				(9,700)		
NUR - State Board of Nursing	4,153,900		4,149,900				4,074,400	
NUR - Statewide Adjustments		(4,000)				(79,500)		
NCI - Nursing Care Inst. Administrators Board	379,600		379,200				373,200	
NCI - Statewide Adjustments		(400)				(6,400)		
OCC - Board of Occupational Therapy Examiners	246,500		246,200				261,700	
OCC - Statewide Adjustments		(300)				(5,200)		
OCC - Baseline Adjustment - Rent						20,400		
DIS - State Board of Dispensing Opticians	125,200		125,100				128,000	
DIS - Statewide Adjustments		(100)				(1,400)		
DIS - Increased Inspections						4,200		
OPT - State Board of Optometry	203,400		203,100				199,200	
OPT - Statewide Adjustments		(300)				(4,200)		
OST - Arizona Board of Osteopathic Examiners	702,000		701,300				702,700	
OST - Statewide Adjustments		(700)				(12,800)		
OST - Hearings/Rule Writing						13,500		
SPB - Arizona State Parks Board	9,378,900		9,373,400				9,106,100	
SPB - Statewide Adjustments		(5,500)				(25,400)		
SPB - Reservation Surcharge Revolving Reduction						(247,400)		
PER - Personnel Board	329,100		328,900				373,200	
PER - Statewide Adjustments		(200)				(4,400)		
PER - Contract Hearing Officers						48,500		
PES - Office of Pest Management	2,663,200		2,660,800				2,268,900	
PES - Statewide Adjustments		(2,400)				(31,100)		
PES - Spending Realignment					(363,200)			
PHA - Arizona State Board of Pharmacy	1,931,400		1,929,600				1,949,000	
PHA - Statewide Adjustments		(1,800)				(32,400)		
PHA - Controlled Substance Prescription Drug Monitoring					50,000			
PHY - Board of Physical Therapy Examiners	362,000		361,600				355,900	
PHY - Statewide Adjustments		(400)				(6,100)		
PIO - Arizona Pioneers' Home	6,723,300		6,723,300				4,606,500	
PIO - Statewide Adjustments		0				13,800		
PIO - Budget Realignment					(568,600)			
PIO - Loss of Land Trust Earnings					(1,562,000)			
POD - State Board of Podiatry Examiners	144,500		144,400				142,400	
POD - Statewide Adjustments		(100)				(2,100)		
POS - Commission for Postsecondary Education	3,854,800		3,854,000				3,837,500	
POS - Statewide Adjustments		(800)				(17,300)		
PRI - Board for Private Postsecondary Education	337,100		336,700				330,500	

	FY 2010 OF Baseline	Changes	Revised OF FY 2010	Gen'l App Section	11 OF Baseline 1/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section
PRI - Statewide Adjustments		(400)				(6,600)		
PSY - State Board of Psychologist Examiners	401,800		401,400				359,500	
PSY - Statewide Adjustments		(400)				(6,500)		
PSY - Budget Realignment					(71,800)			
PSY - One-Time Expenditure for Behavior Analysts					36,000			
DPS - Department of Public Safety	190,642,900		190,639,100				176,210,400	SA
DPS - Statewide Adjustments		(3,800)				992,400		
DPS - Reduce Photo Enforcement Fund Vendor Appropriation						(11,450,200)		
DPS - CLAF Spending Realignment (No Savings)						(4,281,900)		
DPS - CLOF Spending Realignment						1,507,200		
DPS - Parity Compension Fund Spending Realignment						(1,200,000)		
RAD - Radiation Regulatory Agency	269,300		269,000				265,200	
RAD - Statewide Adjustments		(300)				(4,100)		
RUC - Residential Utility Consumer Office	1,308,700		1,307,600				1,287,100	
RUC - Statewide Adjustments		(1,100)				(21,600)		
RES - Board of Respiratory Care Examiners	263,100		262,700				263,000	
RES - Statewide Adjustments		(400)				(6,600)		
RES - Central Services Bureau						6,500		
RET - Arizona State Retirement System	23,230,100		23,230,100				24,711,800	
RET - Statewide Adjustments		0				140,000		
RET - Reductions to PIJ Enhancements					(325,300)			
RET - Software Quality Personnel					325,300			
RET - Plan Design Changes						1,341,700		
REV - Department of Revenue	23,731,000		23,730,500				23,726,300	
REV - Statewide Adjustments		(500)				(4,700)		
SOS - Secretary of State	8,500,500		8,500,000				9,602,900	
SOS - Statewide Adjustments		(500)				(10,100)		
SOS - HAVA Adjustment						1,211,400		
SOS - PEO Fund Delay Appropriation						(98,900)		
SBO - State Boards' Office	285,200		284,900				220,900	
SBO - Statewide Adjustments		(300)				(5,900)		
SBO - Budget Realignment					(58,400)			
TEC - State Board of Technical Registration	1,756,400		1,754,800				1,729,200	
TEC - Statewide Adjustments		(1,600)				(27,200)		
DOT - Department of Transportation	434,222,200		358,378,500				360,207,200	
DOT - Expenditure Plan Realignment (SHF)	(75,822,300)							
DOT - Statewide Adjustments		(21,400)				3,184,900		
DOT - Motor Vehicle Liability Insurance Enforcement FRAT						(164,800)		
DOT - Motor Vehicle Liability Insurance Enforcement Revenue Realignment						(790,300)		
DOT - SETIF FRAT						(163,000)		
DOT - State Aviation FRAT						(141,800)		
DOT - Vehicle Inspection and Title Enforcement FRAT						(117,700)		
TRE - State Treasurer	88,300		88,300				2,583,300	SA
TRE - Statewide Adjustments		0				2,600		
TRE - Shift Treasurer to Management Fees - With BRB					2,492,400			BRB-GG
UNI - Universities								
UNI - ASU - Tempe/DPC	316,565,200		316,565,200				334,243,300	
UNI - ASU Main - Enrollment Growth					17,678,100			
UNI - ASU - East Campus	31,612,300		31,612,300				32,792,200	
UNI - ASU East - Enrollment Growth					1,179,900			
UNI - ASU - West Campus	29,907,400		29,907,400				28,506,800	
UNI - ASU West - Enrollment Growth					(1,400,600)			
UNI - Northern Arizona University	73,068,900		73,068,900				78,308,200	
UNI - NAU - Enrollment Growth					5,239,300			
UNI - UA - Main Campus	215,379,200		215,379,200				219,265,500	
UNI - UA Main - Enrollment Growth					3,886,300			
UNI - UA - Health Sciences Center	21,380,000		21,380,000				22,259,200	
UNI - UA - HSC - Enrollment Growth					879,200			
VSC - Department of Veterans' Services	14,582,600		15,182,600				17,717,100	
VSC - Statewide Adjustments		0				130,700		
VSC - State Home for Veterans' Trust Fund Shift		600,000		142		2,146,000		
VSC - Increased Census @ Home						857,800		
VME - Veterinary Medical Examining Board	470,400		470,000				461,700	
VME - Statewide Adjustments		(400)				(8,700)		

	FY 2010 OF Baseline	Changes	Revised OF FY 2010	Gen'l App Section	11 OF Baseline 1/ Change to Base '10	Changes to Base '10	FY 2011 Enacted	Gen'l App Section
WAT - Department of Water Resources	951,600		951,200				268,300	
WAT - Statewide Adjustments		(400)				(8,700)		
WAT - Align Spending to Revenue					(674,600)			
WEI - Department of Weights & Measures	1,747,700	(1,300)	1,746,400				1,727,000	
WEI - Statewide Adjustments						(20,700)		
OTH - Other								
OTH - Unallocated '09 Adjustments	179,300		179,300		(179,300)		0	
OTH - Lease-Purchase	0		0		2,716,300	(2,716,300)	0	147
OTH - AzNet Charges	0		0		(1,838,600)	1,838,600	0	
OTH - Health Insurance	0		0			186,900	186,900	147
TOTAL - OPERATING SPENDING CHANGES	\$2,860,083,800	(\$49,384,100)	\$2,810,699,700		(\$28,134,800)	(111,682,200)	\$2,720,266,800	
CAPITAL SPENDING CHANGES								
Building Renewal								
Arizona Department of Administration	1,000,000		1,000,000		0		1,000,000	
Arizona Exposition and State Fair Board	1,832,900		1,832,900		(1,832,900)		0	
Game & Fish Department	473,200		473,200		33,600		506,800	
Arizona Lottery Commission	0		0		75,600		75,600	
Arizona Department of Transportation	1,050,000		1,050,000		0		1,050,000	
New Projects								
ADOT '10/'11 Statewide Highway Construction	539,000		539,000		(539,000)		0	
ADOT '10/'11 Controlled Access Highways	85,498,000		85,498,000		333,000		85,831,000	
ADOT '10/'11 Debt Service	101,813,000		101,813,000		(7,050,000)		94,763,000	
ADOT '10/'11 Airport Planning & Development	27,128,000		27,128,000		(4,650,300)		22,477,700	
Game & Fish '11 Migratory Waterfowl Habitat	0		0		100,000		100,000	
Game & Fish '11 Yuma Office Paving Project	0		0		60,000		60,000	
Game & Fish '10/'11 Ben Avery Shooting Facility Improvements	950,000		950,000		(150,000)		800,000	
Game & Fish '10/'11 Silver Creek Hatchery Remodel/Expansion	1,900,000		1,900,000		(900,000)		1,000,000	
Game & Fish '10/'11 Radio Tower	250,000		250,000		0		250,000	
Game & Fish '10/'11 Preventative Maintenance	30,000		30,000		0		30,000	
Game & Fish '10/'11 Shooting Range Access	150,000		150,000		50,000		200,000	
Game & Fish '10 Kingman Regional Office Remodel/Expansion	889,500		889,500		(889,500)		0	
Game & Fish '10 Pinetop Regional Office Paving Project	75,000		75,000		(75,000)		0	
Game & Fish '10 Pinetop Regional Office Canopies	30,000		30,000		(30,000)		0	
TOTAL - CAPITAL SPENDING CHANGES	\$223,608,600	\$0	\$223,608,600		(\$15,464,500)	0	\$208,144,100	
TOTAL - ALL OTHER FUND CHANGES	\$3,083,692,400	(\$49,384,100)	\$3,034,308,300		(\$43,599,300)	(111,682,200)	\$2,928,410,900	

1/ Represents FY 2011 Baseline cost above FY 2010 Baseline estimate.

General Fund
Detailed List of Fund Transfers by Agency
Summary of FY 2010 and FY 2011

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
FUND TRANSFERS												
SBA - State Board of Accountancy												
SBA - Board of Accountancy - Salary Lump Sum	OF							(1,200)	(1,200)		(31,600)	(31,600)
SBA - Board of Accountancy EBT ^{2/}	OF					(500,000)			(500,000)			
ACU - Acupuncture Board of Examiners												
ACU - Acupuncture Board of Examiners - Salary Lump Sum	OF							(200)	(200)		(3,900)	(3,900)
DOA - Arizona Department of Administration												
DOA - Administration - AFIS II Collections FRAT ^{3/}	NA	(173,900)			(185,800)				(359,700)	(359,700)		(359,700)
DOA - Administration - AFIS II Collections - Salary Lump Sum	NA	(64,300)						(700)	(65,000)	(64,300)	(18,200)	(82,500)
DOA - Air Quality FRAT	OF	(85,000)			(51,000)				(136,000)	(136,000)		(136,000)
DOA - Automation Operations FRAT	OF	(2,409,000)			(1,556,400)				(3,965,400)	(500,000)		(500,000)
DOA - Automation Operations - Salary Lump Sum	OF	(992,500)						(13,000)	(1,005,500)		(337,300)	(337,300)
DOA - Capital Outlay Stabilization EBT	OF				(463,900)				(463,900)			
DOA - Capital Outlay Stabilization FRAT	OF				(815,800)				(815,800)			
DOA - Capital Outlay Stabilization - Salary Lump Sum	OF							(3,800)	(3,800)		(97,600)	(97,600)
DOA - Capitol Police Administrative Towing - Salary Lump Sum	NA										(600)	(600)
DOA - Construction Insurance EBT	NA	(1,507,700)			(110,300)	(57,000)			(1,675,000)	(818,100)		(818,100)
DOA - Construction Insurance FRAT	NA				(192,200)				(192,200)	(192,200)		(192,200)
DOA - Construction Insurance - Salary Lump Sum	NA							(400)	(400)		(9,400)	(9,400)
DOA - Co-Op State Purchasing Agreement EBT	NA				(175,800)				(175,800)			
DOA - Co-Op State Purchasing Agreement FRAT	NA	(44,000)			(157,900)				(201,900)			
DOA - Co-Op State Purchasing Agreement - Salary Lump Sum	NA	(22,300)						(300)	(22,600)		(7,900)	(7,900)
DOA - Corrections FRAT	OF	(73,400)			(45,800)				(119,200)	(119,200)		(119,200)
DOA - Corrections - Salary Lump Sum	OF	(48,300)						(400)	(48,700)	(48,300)	(10,200)	(58,500)
DOA - Emergency Telecommunications Services Revolving EBT	NA				(6,488,200)				(6,488,200)	(250,400)		(250,400)
DOA - Emergency Telecommunications Services Revolving FRAT	NA				(2,167,500)				(2,167,500)	(2,167,500)		(2,167,500)
DOA - Emergency Telecommunication Services Revolving - Salary Lump Sum	NA	(30,900)						(500)	(31,400)	(30,900)	(13,700)	(44,600)
DOA - IGA and ISA - Salary Lump Sum	NA							(2,200)	(2,200)		(57,400)	(57,400)
DOA - Motor Vehicle Pool Revolving EBT ^{4/}	OF						(738,700)		(738,700)			
DOA - Motor Vehicle Pool Revolving FRAT	OF	(1,272,700)			(853,800)				(2,126,500)	(2,126,500)		(2,126,500)
DOA - Motor Vehicle Pool Revolving - Salary Lump Sum	OF	(78,700)						(1,100)	(79,800)	(78,700)	(26,800)	(105,500)
DOA - Personnel Division FRAT	OF	(1,888,100)			(972,200)				(2,860,300)			
DOA - Personnel Division Salary - Lump Sum	OF	(740,600)						(8,600)	(749,200)		(223,000)	(223,000)
DOA - Risk Management Revolving Fund Transfer	OF					(5,000,000)			(5,000,000)	(5,000,000)		(5,000,000)
DOA - Risk Management Revolving - Salary Lump Sum	OF	(581,300)						(8,500)	(589,800)	(581,300)	(221,300)	(802,600)
DOA - Special Employee Health Insurance Trust - Salary Lump Sum	PA	(251,100)						(3,200)	(254,300)	(251,100)	(84,700)	(335,800)
DOA - Special Events - Salary Lump Sum	NA							(100)	(100)		(2,100)	(2,100)
DOA - Special Services Revolving FRAT ^{4/}	NA	(216,500)			(149,600)		216,500		(149,600)			
DOA - Special Services Revolving - Salary Lump Sum ^{4/}	NA	(34,200)					34,200					
DOA - State Employee Travel Reduction - Salary Lump Sum	NA	(36,100)						(400)	(36,500)	(36,100)	(9,800)	(45,900)
DOA - State Surplus Materials Revolving FRAT ^{4/}	OF	(425,800)			(159,600)		425,800		(159,600)			
DOA - State Surplus Materials Revolving Salary Lump Sum ^{4/}	OF	(62,200)					62,200					
DOA - State Surplus Materials Revolving - Salary Lump Sum	OF							(700)	(700)		(18,700)	(18,700)
DOA - Telecommunications EBT	OF	(917,300)							(917,300)			
DOA - Telecommunications FRAT	OF	(1,115,800)			(145,600)				(1,261,400)	(1,261,400)		(1,261,400)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
DOA - Telecommunications Fund - Infrastructure Improvements Account Fund	OF	(5,800,000)							(5,800,000)			
DOA - Telecommunications Fund Transfer	OF									(4,700,000)		(4,700,000)
DOA - Telecommunications Salary Lump Sum	OF	(152,700)							(152,700)	(152,700)		(152,700)
DOA - Traffic and Parking Control - Salary Lump Sum	NA										(400)	(400)
OAH - Office of Administrative Hearings												
OAH - IGA and ISA - Salary Lump Sum	NA							(1,200)	(1,200)		(31,400)	(31,400)
AGR - Department of Agriculture												
AGR - Administrative Support - Salary Lump Sum	NA							(100)	(100)		(1,300)	(1,300)
AGR - Citrus, Fruit & Vegetable Revolving FRAT	OF				(72,000)				(72,000)			
AGR - Citrus, Fruit & Vegetable Revolving - Salary Lump Sum	OF							(600)	(600)		(15,800)	(15,800)
AGR - Commercial Feed EBT	OF				(104,700)				(104,700)			
AGR - Commercial Feed - Salary Lump Sum	OF							(300)	(300)		(5,800)	(5,800)
AGR - Designated FRAT	NA				(46,000)				(46,000)			
AGR - Designated - Salary Lump Sum	NA							(400)	(400)		(9,000)	(9,000)
AGR - Fertilizer Materials EBT	OF				(101,600)				(101,600)			
AGR - Fertilizer Materials - Salary Lump Sum	OF							(400)	(400)		(8,100)	(8,100)
AGR - Indirect Cost Recovery EBT	NA				(66,600)				(66,600)			
AGR - Livestock Custody EBT	OF				(60,200)				(60,200)			
AGR - Pesticide EBT	OF				(75,300)				(75,300)			
AGR - Pesticide - Salary Lump Sum	OF							(300)	(300)		(7,700)	(7,700)
AGR - Protected Native Plant - Salary Lump Sum	NA							(100)	(100)		(1,900)	(1,900)
AGR - Seed Law EBT	OF				(57,700)				(57,700)			
AGR - Seed Law - Salary Lump Sum	OF							(100)	(100)		(1,100)	(1,100)
AXS - AHCCCS												
AXS - Healthcare Group - Salary Lump Sum	PA	(361,900)						(3,200)	(365,100)	(361,900)	(81,500)	(443,400)
AXS - Intergovernmental Services EBT	NA	(273,200)			(499,300)				(772,500)			
AXS - Intergovernmental Services FRAT	NA				(653,500)				(653,500)	(653,500)		(653,500)
AXS - AHCCCS Third Party Collections EBT	PA	(130,700)			(139,100)	(71,900)			(341,700)	(103,500)		(103,500)
AXS - AHCCCS Third Party Collections FRAT	PA				(608,200)				(608,200)	(608,200)		(608,200)
APP - State Board of Appraisal												
APP - Board of Appraisal - Salary Lump Sum	OF							(400)	(400)		(10,800)	(10,800)
ART - Arizona Commission on the Arts												
ART - Arts Endowment (Corpus) Fund Transfer	NA	(4,652,300)							(4,652,300)	(9,884,600)		(9,884,600)
ART - Arts Special Revenues Salary Lump Sum	NA	(12,500)							(12,500)			
ART - Arts Trust FRAT	NA				(115,400)				(115,400)	(115,400)		(115,400)
ATT - Attorney General												
ATT - Anti-Racketeering Revolving EBT	NA				(1,369,800)				(1,369,800)			
ATT - Anti-Racketeering Revolving FRAT	NA	(500,000)			(222,900)				(722,900)			
ATT - Anti-Racketeering Revolving Salary Lump Sum	NA	(139,200)							(139,200)			
ATT - Antitrust Revolving EBT	OF				(155,100)	(80,300)			(235,400)			
ATT - Antitrust Revolving - Salary Lump Sum	OF							(200)	(200)		(3,900)	(3,900)
ATT - Attorney General Legal Services Cost Allocation FRAT	OF				(458,200)				(458,200)			
ATT - Attorney General Legal Svcs Cost Allocation Salary Lump Sum	OF	(606,600)							(606,600)			
ATT - CJEF Distributions FRAT	NA				(334,500)				(334,500)	(334,500)		(334,500)
ATT - Collection Enforcement Revolving FRAT	OF	(1,000,000)			(268,700)				(1,268,700)			
ATT - Collection Enforcement Revolving - Salary Lump Sum	OF	(365,500)						(1,600)	(367,100)		(40,500)	(40,500)
ATT - Consumer Protection - Consumer Fraud Revolving EBT	OF				(3,496,500)	(1,809,200)			(5,305,700)	(3,845,100)		(3,845,100)
ATT - Consumer Protection - Consumer Fraud Revolving FRAT	OF				(284,900)				(284,900)	(284,900)		(284,900)
ATT - Consumer Protection - Consumer Fraud Revolving - Salary Lump Sum	OF	(164,300)						(2,600)	(166,900)	(164,300)	(68,200)	(232,500)
ATT - Criminal Case Processing - Salary Lump Sum	NA							(100)	(100)		(2,700)	(2,700)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
ATT - Interagency Service Agreements - Salary Lump Sum	OF							(14,700)	(14,700)		(384,100)	(384,100)
ATT - Intergovernmental Agreements - Salary Lump Sum	NA							(1,900)	(1,900)		(49,900)	(49,900)
ATT - Legal Services Cost Allocation - Salary Lump Sum	NA							(8,500)	(8,500)		(220,600)	(220,600)
ATT - Risk Management Revolving - Salary Lump Sum	OF	(789,000)						(9,900)	(798,900)	(789,000)	(257,900)	(1,046,900)
ATT - Victims Rights EBT	OF				(155,600)	(80,500)			(236,100)	(138,700)		(138,700)
ATT - Victims' Rights - Salary Lump Sum	OF	(33,000)						(400)	(33,400)	(33,000)	(11,400)	(44,400)
ATT - Victim Witness - Salary Lump Sum	NA							(100)	(100)		(1,800)	(1,800)
ATA - Automobile Theft Authority												
ATA - Automobile Theft Authority FRAT	OF		(500,000)		(341,100)				(841,100)	(841,100)		(841,100)
ATA - Automobile Theft Authority - Salary Lump Sum	OF	(40,600)						(400)	(41,000)	(40,600)	(12,100)	(52,700)
BAR - Board of Barbers												
BAR - Board of Barbers - Salary Lump Sum	OF							(400)	(400)		(8,100)	(8,100)
BHE - Board of Behavioral Health Examiners												
BHE - Board of Behavioral Health Examiners - Salary Lump Sum	OF							(1,100)	(1,100)		(30,400)	(30,400)
BCE - State Board of Chiropractic Examiners												
BCE - Board of Chiropractic Examiners - Salary Lump Sum	OF							(500)	(500)		(13,100)	(13,100)
CCE - Citizens Clean Elections Commission												
CCE - Citizens Clean Elections Commission Fund Transfer	NA	(10,000,000)							(10,000,000)	(10,000,000)		(10,000,000)
COM - Department of Commerce												
COM - Commerce Development Bond EBT	OF	(699,000)			(104,900)				(803,900)			
COM - CDC EBT	PA	(2,161,200)			(186,900)	(96,700)			(2,444,800)	(300,500)		(300,500)
COM - CDC FRAT	PA				(305,600)				(305,600)	(305,600)		(305,600)
COM - CDC - Salary Lump Sum	PA							(700)	(700)		(17,600)	(17,600)
COM - Commerce Workshops - Salary Lump Sum	NA							(100)	(100)		(2,900)	(2,900)
COM - Commerce Workshops EBT	NA				(110,500)				(110,500)			
COM - Commerce Workshops FRAT	NA	(51,600)							(51,600)			
COM - GADA Revolving EBT	NA	(500,000)							(500,000)			
COM - GADA Revolving FRAT	NA	(50,000)							(50,000)			
COM - GADA Revolving Fund Transfer	NA					(1,400,000)			(1,400,000)			
COM - GADA Revolving - Salary Lump Sum	NA	(18,800)						(200)	(19,000)		(4,200)	(4,200)
COM - IGA and ISA FRAT	NA				(50,700)				(50,700)			
COM - IGS and ISA - Salary Lump Sum	NA							(800)	(800)		(19,800)	(19,800)
COM - Arizona Job Training EBT	NA	(18,275,000)							(18,275,000)			
COM - Arizona Job Training FRAT	NA	(1,835,000)							(1,835,000)			
COM - Arizona Job Training - Salary Lump Sum	NA	(100,000)						(200)	(100,200)		(5,000)	(5,000)
COM - Lottery - Salary Lump Sum	OF	(19,500)						(200)	(19,700)	(19,500)	(4,800)	(24,300)
COM - Military Installation FRAT	NA				(235,000)				(235,000)			
COM - Nursing Education Demonstration Project Fund Transfer	NA					(616,100)			(616,100)			
ROC - Registrar of Contractors												
ROC - Registrar of Contractors - Salary Lump Sum								(8,500)	(8,500)		(221,200)	(221,200)
ROC - Registrar of Contractors EBT	OF	(2,576,400)							(2,576,400)			
ROC - Residential Contractors' Recovery EBT	NA	(1,836,500)							(1,836,500)			
ROC - Residential Contractors' Recovery - Salary Lump Sum	NA							(800)	(800)		(21,000)	(21,000)
COR - Corporation Commission												
COR - Arizona Arts Trust - Salary Lump Sum	OF							(100)	(100)		(1,500)	(1,500)
COR - Investment Management Regulatory & Enf. EBT	OF	(433,300)			(319,900)	(165,600)			(918,800)	(852,800)		(852,800)
COR - Investment Management Regulatory & Enf. FRAT	OF	(92,900)			(57,700)				(150,600)	(150,600)		(150,600)
COR - Investment Management Regulatory & Enf - Salary Lump Sum	OF	(73,500)						(1,000)	(74,500)	(73,500)	(24,100)	(97,600)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
COR - Public Access EBT	OF	(284,200)			(43,800)				(328,000)			
COR - Public Access FRAT	OF				(508,900)				(508,900)			
COR - Public Access - Salary Lump Sum	OF	(255,700)						(5,700)	(261,400)		(148,700)	(148,700)
COR - Securities Regulatory & Enforcement EBT	OF				(239,200)				(239,200)			
COR - Securities Regulatory & Enforcement FRAT	OF				(357,400)				(357,400)			
COR - Securities Regulatory & Enforcement - Salary Lump Sum								(5,200)	(5,200)		(135,500)	(135,500)
COR - Utility Regulation Revolving EBT	OF	(2,004,300)			(191,000)				(2,195,300)			
COR - Utility Regulation Revolving FRAT	OF				(1,090,500)				(1,090,500)	(1,090,500)		(1,090,500)
COR - Utility Regulation Revolving - Salary Lump Sum	OF							(16,200)	(16,200)		(421,200)	(421,200)
DOC - Department of Corrections												
DOC - Alcohol Abuse Treatment FRAT	OF				(44,900)				(44,900)			
DOC - AZ Correctional Industry Revolving EBT	NA	(391,700)			(1,612,700)				(2,004,400)			
DOC - AZ Correctional Industry Revolving FRAT	NA				(2,445,200)				(2,445,200)			
DOC - AZ Correctional Industries Revolving - Salary Lump Sum	NA	(598,600)						(11,300)	(609,900)		(293,500)	(293,500)
DOC - Corrections Salary Lump Sum	OF				(37,200)				(37,200)			
DOC - Indirect Cost Recovery FRAT	NA	(122,400)			(85,900)				(208,300)			
DOC - Indirect Cost Recovery - Salary Lump Sum	NA										(800)	(800)
DOC - Interagency Service Agreement - Salary Lump Sum	NA							(100)	(100)		(2,500)	(2,500)
DOC - Prison Construction & Operations FRAT	OF				(932,400)				(932,400)			
DOC - Special Services EBT	NA	(454,700)							(454,700)			
DOC - Special Services FRAT	NA				(274,500)				(274,500)			
DOC - State DOC Revolving FRAT	NA	(341,000)			(270,000)				(611,000)			
DOC - State Education Fund for Correctional Education EBT	OF				(94,500)				(94,500)			
DOC - State Education Fund for Correctional Education FRAT	OF				(41,100)				(41,100)			
DOC - State Education Fund for Correctional Education - Salary Lump Sum	OF	(35,700)						(200)	(35,900)		(4,400)	(4,400)
DOC - Transition Office EBT	OF				(135,700)				(135,700)			
DOC - Transition Program Drug Treatment EBT	OF	(119,800)			(493,900)	(255,500)			(869,200)			
DOC - Transition Program Drug Treatment FRAT	OF				(45,000)				(45,000)			
COS - Board of Cosmetology												
COS - Board of Cosmetology - Salary Lump Sum	OF							(1,300)	(1,300)		(34,800)	(34,800)
JUS - Arizona Criminal Justice Commission												
JUS - Criminal Justice Enhancement EBT	PA	(400,000)							(400,000)	(115,300)		(115,300)
JUS - Criminal Justice Enhancement FRAT	PA				(55,500)				(55,500)	(111,000)		(111,000)
JUS - Criminal Justice Enhancement Salary Lump Sum	PA	(48,600)						(900)	(49,500)	(48,600)	(21,800)	(70,400)
JUS - DUI Abatement EBT ^{4/}	NA	(500,000)			(121,500)	(62,900)	(606,000)		(1,290,400)	(850,300)		(850,300)
JUS - DUI Abatement FRAT	NA				(112,500)				(112,500)	(112,500)		(112,500)
JUS - Drug & Gang Enforcement EBT ^{4/}	NA				(856,300)	(443,000)	531,300		(768,000)	(1,500,000)		(1,500,000)
JUS - Drug & Gang Enforcement FRAT	NA				(430,300)				(430,300)	(430,300)		(430,300)
JUS - Drug & Gang Enforcement Account Salary Lump Sum	NA	(59,200)							(59,200)	(59,200)		(59,200)
JUS - Drug & Gang Prevention Resource Center EBT ^{4/}	OF						(344,000)		(344,000)			
JUS - Resource Center EBT	NA				(136,000)	(70,300)			(206,300)	(225,800)		(225,800)
JUS - Resource Center FRAT	NA									(67,200)		(67,200)
JUS - State Aid to County Attorneys EBT ^{4/}	OF	(100,000)			(40,700)	(21,000)	40,700		(121,000)			
JUS - State Aid to County Attorneys FRAT	OF				(78,900)				(78,900)	(78,900)		(78,900)
JUS - State Aid to Indigent Defense EBT	OF	(209,100)							(209,100)			
JUS - State Aid to Indigent Defense FRAT	OF				(74,900)				(74,900)	(74,900)		(74,900)
JUS - Victims Compensation & Assistance EBT ^{4/}	OF				(678,400)	(351,100)	378,000		(651,500)	(148,800)		(148,800)
JUS - Victims Compensation & Assistance FRAT	OF				(307,500)				(307,500)	(307,500)		(307,500)
SDB - AZ State Schools for the Deaf and the Blind												
SDB - Enterprise - Salary Lump Sum	NA										(600)	(600)
SDB - Regional Cooperatives - Salary Lump Sum	NA							(9,700)	(9,700)		(253,500)	(253,500)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
SDB - Schools for the Deaf and the Blind - Salary Lump Sum	OF							(8,500)	(8,500)		(220,600)	(220,600)
HEA - Commission for the Deaf and the Hard of Hearing												
HEA - Telecommunication Fund for the Deaf EBT	OF	(474,600)			(229,700)				(704,300)	(412,700)		(412,700)
HEA - Telecommunication Fund for the Deaf FRAT	OF	(944,100)			(330,700)				(1,274,800)	(1,274,800)		(1,274,800)
HEA - Telecommunication Fund for the Deaf Salary - Lump Sum	OF	(95,200)						(1,300)	(96,500)	(95,200)	(35,300)	(130,500)
DEN - Board of Dental Examiners												
DEN - Dental Board - Salary Lump Sum	OF							(800)	(800)		(21,000)	(21,000)
PRC - Drug & Gang Prevention Resource Center												
PRC - Drug & Gang Prevention Resource Center EBT	OF	(206,300)							(206,300)			
PRC - Drug & Gang Prevention Resource Center FRAT	OF	(44,700)							(44,700)			
PRC - Drug & Gang Prevention Resource Center Fund Transfer	OF					(53,200)			(53,200)			
PRC - Drug & Gang Prevention Resource Center Salary Lump Sum	OF	(22,500)							(22,500)			
ECDB - Early Childhood Development & Health Board												
ECDB - Early Childhood Fund Transfer ^{5/}	NA									(325,000,000)		(325,000,000)
DES - Department of Economic Security												
DES - Child Abuse Prevention EBT	OF				(105,600)	(54,600)			(160,200)			
DES - Child Abuse Prevention FRAT	OF				(118,300)				(118,300)	(118,300)		(118,300)
DES - Child Support Enforcement Administration Salary Lump Sum	OF	(796,900)							(796,900)			
DES - Children & Family Svcs Training - Salary Lump Sum	OF							(100)	(100)		(2,500)	(2,500)
DES - Domestic Violence Shelter EBT	OF	(963,800)							(963,800)			
DES - Domestic Violence Shelter FRAT	OF				(180,000)				(180,000)			
DES - Industries for the Blind - Salary Lump Sum	NA							(9,400)	(9,400)		(244,100)	(244,100)
DES - Public Assistance Collections FRAT	OF	(51,700)							(51,700)	(51,700)		(51,700)
DES - Public Assistance Collections Salary Lump Sum	OF	(40,500)							(40,500)	(40,500)		(40,500)
DES - Special Administration EBT	OF	(704,200)							(704,200)	(234,400)		(234,400)
DES - Special Administration FRAT	OF	(347,000)			(92,100)				(439,100)	(439,100)		(439,100)
DES - Spinal and Head Injuries Trust EBT	OF	(590,600)							(590,600)			
DES - Spinal and Head Injuries Trust FRAT	OF	(513,200)			(137,400)				(650,600)	(446,300)		(446,300)
DES - Spinal and Head Injuries Trust - Salary Lump Sum	OF							(300)	(300)		(6,100)	(6,100)
DES - Spinal and Head Injuries Trust Salary Lump Sum	OF	(43,700)							(43,700)			
ADE - Arizona Department of Education												
ADE - Displaced Pupils Choice Grant EBT	NA				(1,159,900)	(600,200)			(1,760,100)			
ADE - Education Commodity - Salary Lump Sum	NA							(100)	(100)		(2,900)	(2,900)
ADE - Indirect Cost Recovery EBT	NA				(193,000)	(99,800)			(292,800)	(131,800)		(131,800)
ADE - Indirect Cost Recovery FRAT	NA				(356,800)				(356,800)	(356,800)		(356,800)
ADE - Indirect Cost Recovery - Salary Lump Sum	NA							(5,300)	(5,300)		(136,200)	(136,200)
ADE - Internal Services FRAT	NA	(471,100)			(320,800)				(791,900)	(791,900)		(791,900)
ADE - Internal Services - Salary Lump Sum	NA							(200)	(200)		(3,500)	(3,500)
ADE - Production Revolving FRAT	NA	(217,000)			(95,100)				(312,100)	(312,100)		(312,100)
ADE - Production Revolving - Salary Lump Sum	NA	(43,700)						(600)	(44,300)	(43,700)	(15,400)	(59,100)
ADE - Teacher Certification EBT	OF				(559,200)				(559,200)			
ADE - Teacher Certification FRAT	OF				(185,200)				(185,200)	(185,200)		(185,200)
ADE - Teacher Certification Salary Lump Sum	OF	(187,300)							(187,300)	(187,300)		(187,300)
EMA - Department of Emergency & Military Affairs												
EMA - Emergency Response EBT	OF					(120,100)			(120,100)	(132,700)		(132,700)
EMA - Nuclear Emergency Response - Salary Lump Sum	NA							(600)	(600)		(16,600)	(16,600)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
DEQ - Department of Environmental Quality												
DEQ - Air Permits Administration EBT	OF	(2,630,800)			(776,800)	(402,000)			(3,809,600)	(1,428,800)		(1,428,800)
DEQ - Air Permits Administration FRAT	OF				(429,400)				(429,400)	(429,400)		(429,400)
DEQ - Air Permits Administration - Salary Lump Sum	OF	(339,900)						(4,800)	(344,700)	(339,900)	(125,200)	(465,100)
DEQ - Air Quality EBT	OF	(2,113,100)							(2,113,100)			
DEQ - Air Quality FRAT	OF	(522,800)			(389,100)				(911,900)	(534,000)		(534,000)
DEQ - Air Quality - Salary Lump Sum	OF	(156,200)						(3,300)	(159,500)		(85,500)	(85,500)
DEQ - Emissions Inspection EBT	OF	(8,300,000)							(8,300,000)			
DEQ - Emissions Inspection FRAT	OF				(311,300)				(311,300)	(311,300)		(311,300)
DEQ - Emissions Inspection Fund Transfer	OF									(8,000,000)		(8,000,000)
DEQ - Emissions Inspection - Salary Lump Sum	OF	(138,400)						(2,100)	(140,500)	(138,400)	(54,100)	(192,500)
DEQ - Greenfields Program EBT	NA	(100,000)							(100,000)			
DEQ - Hazardous Waste Mgmt EBT	OF				(268,200)	(138,700)			(406,900)			
DEQ - Hazardous Waste Mgmt FRAT	OF				(59,600)				(59,600)	(59,600)		(59,600)
DEQ - Hazardous Waste Mgmt - Salary Lump Sum	OF							(100)	(100)		(2,700)	(2,700)
DEQ - IGA & ISA - Salary Lump Sum	NA							(700)	(700)		(17,400)	(17,400)
DEQ - Indirect Cost Recovery EBT	OF	(2,616,600)			(351,700)				(2,968,300)			
DEQ - Indirect Cost Recovery FRAT	OF	(1,074,800)			(841,800)				(1,916,600)	(1,916,600)		(1,916,600)
DEQ - Indirect Cost Recovery - Salary Lump Sum	OF	(500,700)						(6,700)	(507,400)	(500,700)	(172,600)	(673,300)
DEQ - Institutional & Eng. Control Fund EBT	NA				(147,700)	(76,500)			(224,200)	(174,400)		(174,400)
DEQ - Institutional & Eng. Control - Salary Lump Sum	NA										(300)	(300)
DEQ - Monitoring Assistance EBT	NA	(179,100)			(326,500)	(169,000)			(674,600)	(297,700)		(297,700)
DEQ - Monitoring Assistance FRAT	NA	(74,100)			(55,600)				(129,700)	(129,700)		(129,700)
DEQ - Monitoring Assistance - Salary Lump Sum	NA							(200)	(200)		(4,600)	(4,600)
DEQ - Recycling EBT	OF	(550,000)							(550,000)			
DEQ - Recycling FRAT	OF	(2,290,900)							(2,290,900)	(1,517,900)		(1,517,900)
DEQ - Recycling Salary Lump Sum	OF	(34,900)							(34,900)			
DEQ - Small Water Systems EBT	NA				(119,100)				(119,100)			
DEQ - Solid Waste Fee FRAT	OF	(200,900)			(86,800)				(287,700)	(287,700)		(287,700)
DEQ - Solid Waste Fee - Salary Lump Sum	OF	(59,300)						(900)	(60,200)	(59,300)	(22,500)	(81,800)
DEQ - Specific Site Judgment Fund EBT	NA				(86,200)	(44,600)			(130,800)			
DEQ - Specific Site Judgment Fund FRAT	NA				(80,000)				(80,000)	(80,000)		(80,000)
DEQ - Underground Storage Tank Revolving EBT	NA	(12,821,100)			(1,074,400)				(13,895,500)			
DEQ - Underground Storage Tank Revolving FRAT	NA	(2,000,000)			(2,227,800)				(4,227,800)	(4,227,800)		(4,227,800)
DEQ - Underground Storage Tank Revolving Fund Transfer - Extend Tax	NA					(556,000)			(556,000)	(1,378,300)		(1,378,300)
DEQ - Underground Storage Tank Revolving - Salary Lump Sum	NA	(393,900)						(6,000)	(399,900)	(393,900)	(154,400)	(548,300)
DEQ - Voluntary Remediation EBT	NA				(364,300)	(188,500)			(552,800)	(312,400)		(312,400)
DEQ - Voluntary Remediation - Salary Lump Sum	NA	(21,500)						(200)	(21,700)	(21,500)	(4,000)	(25,500)
DEQ - Voluntary Vehicle Repair & Retrofit Program EBT	NA	(484,600)							(484,600)			
DEQ - Voluntary Vehicle Repair & Retrofit Program FRAT	NA	(1,045,900)							(1,045,900)	(747,200)		(747,200)
DEQ - Water Quality Assurance Revolving - Salary Lump Sum	NA	(371,300)						(5,400)	(376,700)	(371,300)	(139,300)	(510,600)
DEQ - Water Quality Fee EBT	OF	(733,000)							(733,000)			
DEQ - Water Quality Fee FRAT	OF				(422,400)				(422,400)	(422,400)		(422,400)
DEQ - Water Quality Fee - Salary Lump Sum	OF	(281,800)						(3,100)	(284,900)	(281,800)	(79,400)	(361,200)
COL - Arizona Exposition and State Fair Board												
COL - Arizona Exposition and State Fair EBT	OF	(373,200)							(373,200)			
COL - Arizona Exposition and State Fair FRAT	OF	(1,130,000)			(894,500)				(2,024,500)			
COL - Arizona Exposition and State Fair - Salary Lump Sum	OF	(552,000)						(4,100)	(556,100)		(106,200)	(106,200)
DFI - Dept of Financial Institutions												
DFI - Arizona Escrow Guaranty/Recovery EBT	NA	(1,017,500)			(363,200)	(188,000)			(1,568,700)	(330,600)		(330,600)
DFI - Financial Services - Salary Lump Sum	OF										(18,500)	(18,500)
DFI - IGA and ISA - Salary Lump Sum	NA							(100)	(100)		(2,700)	(2,700)
DFI - Receivership Revolving EBT	NA				(143,200)				(143,200)			
DFI - Revolving FRAT	NA	(120,900)			(78,500)				(199,400)			

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
DFI - Revolving - Salary Lump Sum	NA	(55,200)						(200)	(55,400)		(5,500)	(5,500)
BFS - Department of Fire, Building & Life Safety												
BFS - Building & Fire Safety EBT	NA				(92,700)	(47,900)			(140,600)	(93,600)		(93,600)
BFS - Building & Fire Safety - Salary Lump Sum	NA							(400)	(400)		(8,200)	(8,200)
EMB - Board of Funeral Directors and Embalmers												
EMB - Board of Funeral Directors and Embalmers - Salary Lump Sum	OF							(400)	(400)		(8,600)	(8,600)
FIS - Arizona Game and Fish Department												
FIS - Heritage FRAT	NA				(863,900)				(863,900)			
FIS - Heritage - Salary Lump Sum	NA	(471,200)						(4,800)	(476,000)		(125,500)	(125,500)
FIS - Off-Highway Vehicle Recreation FRAT	NA	(46,700)							(46,700)	(46,700)		(46,700)
FIS - Off-Highway Vehicle Recreation - Salary Lump Sum	NA	(31,900)						(1,000)	(32,900)	(31,900)	(24,200)	(56,100)
FIS - Watercraft Licensing EBT	OF	(951,500)							(951,500)			
FIS - Watercraft Licensing Fund Transfer	OF									(800,000)		(800,000)
FIS - Watercraft Licensing - Salary Lump Sum	OF							(1,900)	(1,900)		(49,200)	(49,200)
GEO - Arizona Geological Survey												
GEO - Geological Survey FRAT	NA				(48,200)				(48,200)			
GEO - Geological Survey - Salary Lump Sum	NA							(1,100)	(1,100)		(26,300)	(26,300)
GTA - Government Information Technology Agy												
GTA - Information Technology EBT	OF	(219,200)							(219,200)			
GTA - Information Technology FRAT	OF	(199,900)			(259,800)				(459,700)	(459,700)		(459,700)
GTA - Information Technology - Salary Lump Sum	OF							(3,000)	(3,000)		(78,600)	(78,600)
GTA - State Web Portal FRAT	OF	(1,100,000)							(1,100,000)	(1,100,000)		(1,100,000)
GTA - State Web Portal Fund Transfer	OF									(4,300,000)		(4,300,000)
GOV - Office of the Governor												
GOV - IGA and ISA - Salary Lump Sum	NA							(600)	(600)		(15,800)	(15,800)
GOV - Indirect Cost Recovery - Salary Lump Sum	NA							(400)	(400)		(11,600)	(11,600)
DHS - Department of Health Services												
DHS - Child Fatality Review EBT	OF	(135,300)							(135,300)			
DHS - Child Fatality Review - Salary Lump Sum	OF							(200)	(200)		(3,700)	(3,700)
DHS - Emergency Medical Services Operating EBT	OF	(685,800)			(193,000)				(878,800)			
DHS - Emergency Medical Services Operating FRAT	OF	(598,300)							(598,300)			
DHS - Emergency Medical Services Operating - Salary Lump Sum	OF	(249,300)						(3,300)	(252,600)		(86,500)	(86,500)
DHS - Environmental Laboratory Licensure Revolving - Salary Lump Sum	OF	(41,300)						(700)	(42,000)	(41,300)	(18,900)	(60,200)
DHS - Health Services Licensing - Salary Lump Sum	OF							(11,700)	(11,700)		(304,000)	(304,000)
DHS - Hearing & Speech Professionals - Salary Lump Sum	OF	(20,900)						(400)	(21,300)	(20,900)	(9,600)	(30,500)
DHS - IGA and ISA - Salary Lump Sum	NA							(24,700)	(24,700)		(642,000)	(642,000)
DHS - Indirect Cost EBT	OF	(707,800)							(707,800)			
DHS - Indirect Cost FRAT	OF	(907,600)							(907,600)	(907,600)		(907,600)
DHS - Indirect Cost Salary - Lump Sum	OF	(382,300)						(5,300)	(387,600)	(382,300)	(136,600)	(518,900)
DHS - Newborn Screening Program - Salary Lump Sum	OF							(2,800)	(2,800)		(72,300)	(72,300)
DHS - Risk Assessment - Salary Lump Sum	NA										(500)	(500)
DHS - Substance Abuse Services EBT	OF	(408,800)			(155,000)				(563,800)			
DHS - Substance Abuse Services FRAT	OF	(250,000)							(250,000)			
DHS - Tpbacco Tax & Health Care - Salary Lump Sum	NA							(3,100)	(3,100)		(80,800)	(80,800)
DHS - Vital Records Electronic Systems EBT	OF	(378,400)							(378,400)			
DHS - Vital Records Electronic Systems FRAT	OF	(50,000)							(50,000)			
DHS - Vital Records Electronic Systems - Salary Lump Sum	OF	(16,000)						(300)	(16,300)		(7,300)	(7,300)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
AZH - Arizona Historical Society												
AZH - Permanent AZ Historical Society Revolving - Salary Lump Sum	OF							(100)	(100)		(2,100)	(2,100)
HOM - Board of Homeopathic & Integrated Medicine Examiners												
HOM - Board of Homeopathic & Integrated Medicine Exam - Salary Lump Sum	OF							(100)	(100)		(2,200)	(2,200)
HOU - Department of Housing												
HOU - Housing Program EBT ^{4/}	NA	(1,818,400)			(1,587,000)	(2,183,000)	700,000		(4,888,400)	(1,450,000)		(1,450,000)
HOU - Housing Program FRAT	NA	(459,100)			(230,000)				(689,100)	(689,100)		(689,100)
HOU - Housing Program - Salary Lump Sum	NA	(274,600)						(3,000)	(277,600)	(274,600)	(76,900)	(351,500)
HOU - Housing Trust EBT ^{4/}	PA	(2,000,000)			(1,012,200)	(2,528,900)	(700,000)		(6,241,100)	(4,541,100)		(4,541,100)
HOU - Housing Trust Fund FRAT	PA				(1,458,900)				(1,458,900)	(1,458,900)		(1,458,900)
HOU - Housing Trust - Salary Lump Sum	PA							(1,100)	(1,100)		(28,500)	(28,500)
HOU - IGA/ISA EBT	NA				(341,800)	(176,900)			(518,700)			
HOU - IGA/ISA FRAT	NA				(251,400)				(251,400)	(251,400)		(251,400)
HOU - IGA and ISA - Salary Lump Sum	NA							(300)	(300)		(7,500)	(7,500)
IND - Industrial Commission												
IND - Industrial Commission Administrative EBT	OF	(3,673,900)							(3,673,900)			
IND - Industrial Commission Administrative Fund Transfer	OF									(3,673,900)		(3,673,900)
IND - Industrial Commission Administrative - Salary Lump Sum	OF							(16,400)	(16,400)		(426,700)	(426,700)
INS - Department of Insurance												
INS - Assessment Fund for Voluntary Plans - Salary Lump Sum	NA							(200)	(200)		(4,600)	(4,600)
INS - Captive Insurance Regulatory/Supervision FRAT	NA	(52,300)							(52,300)	(52,300)		(52,300)
INS - Captive Insurance Regulatory/Supervision - Salary Lump Sum	NA	(13,100)						(200)	(13,300)	(13,100)	(5,200)	(18,300)
INS - Financial Surveillance - Salary Lump Sum	NA	(31,600)						(500)	(32,100)	(31,600)	(14,100)	(45,700)
INS - Heal Care Appeals - Salary Lump Sum	NA							(200)	(200)		(5,400)	(5,400)
INS - Insurance Examiners' Revolving EBT	NA				(142,700)	(73,800)			(216,500)			
INS - Insurance Examiners' Revolving FRAT	NA	(482,100)			(330,900)				(813,000)	(813,000)		(813,000)
INS - Insurance Examiners' Revolving - Salary Lump Sum	NA	(113,500)						(1,700)	(115,200)	(113,500)	(44,100)	(157,600)
SPA - Judiciary - Supreme Court												
SPA - Alternative Dispute Resolution EBT	NA				(600,000)				(600,000)			
SPA - Alternative Dispute Resolution FRAT	NA	(74,700)							(74,700)	(74,700)		(74,700)
SPA - Alternative Dispute Resolution - Salary Lump Sum	NA							(100)	(100)		(3,200)	(3,200)
SPA - Certified Reporters - Salary Lump Sum	NA							(200)	(200)		(3,900)	(3,900)
SPA - Confidential Intermediary & Fiduciary - Salary Lump Sum	OF							(400)	(400)		(11,000)	(11,000)
SPA - Court Appointed Special Advocate FRAT	OF	(465,500)							(465,500)			
SPA - Court Appointed Special Advocate - Salary Lump Sum	OF	(34,500)						(800)	(35,300)		(21,100)	(21,100)
SPA - Criminal Justice Enhancement EBT	OF	(183,000)			(1,000,000)				(1,183,000)			
SPA - Criminal Justice Enhancement - Salary Lump Sum	OF	(17,000)						(2,600)	(19,600)	(17,000)	(68,500)	(85,500)
SPA - Defensive Driving School EBT	OF	(1,531,400)							(1,531,400)			
SPA - Defensive Driving School - Salary Lump Sum	OF	(66,500)						(3,000)	(69,500)	(66,500)	(76,900)	(143,400)
SPA - Judicial Collection Enhancement EBT	OF									(882,100)		(882,100)
SPA - Judicial Collection Enhancement - Salary Lump Sum	OF							(8,000)	(8,000)		(207,700)	(207,700)
SPA - Arizona Lengthy Trial EBT	NA	(260,700)			(200,000)				(460,700)			
SPA - Arizona Lengthy Trial - Salary Lump Sum	NA										(400)	(400)
SPA - Photo Enforcement EBT	OF				(700,000)				(700,000)			
SPA - Photo Enforcement - Salary Lump Sum	OF							(200)	(200)		(4,000)	(4,000)
SPA - Public Defender Training FRAT	NA	(71,000)							(71,000)	(71,000)		(71,000)
SPA - Public Defender Training - Salary Lump Sum	NA										(400)	(400)
SPA - State Aid to the Courts EBT	OF	(535,100)				(85,300)			(620,400)	(51,500)		(51,500)
SPA - State Aid to the Courts - Salary Lump Sum	OF										(1,000)	(1,000)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
SUP - Judiciary - Superior Court												
SUP - Criminal Justice Enhancement EBT	OF				(1,000,000)				(1,000,000)	(400,000)		(400,000)
SUP - Criminal Justice Enhancement - Salary Lump Sum	OF	(45,200)						(1,600)	(46,800)	(45,200)	(39,900)	(85,100)
SUP - Drug Treatment and Education - Salary Lump Sum	PA	(31,100)						(500)	(31,600)	(31,100)	(12,500)	(43,600)
SUP - Judicial Collection Enhancement EBT	OF					(117,900)			(117,900)	(607,100)		(607,100)
SUP - Judicial Collection Enhancement - Salary Lump Sum	OF							(100)	(100)		(2,400)	(2,400)
SUP - Juvenile Delinquent Reduction EBT	NA					(959,000)			(959,000)			
SUP - Juvenile Delinquent Reduction FRAT	NA									(500,000)		(500,000)
SUP - Juvenile Delinquent Reduction - Salary Lump Sum	NA							(1,100)	(1,100)		(28,300)	(28,300)
DJC - Department of Juvenile Corrections												
DJC - Criminal Justice Enhancement FRAT	OF	(68,700)			(45,100)				(113,800)	(113,800)		(113,800)
DJC - Criminal Justice Enhancement - Salary Lump Sum	OF	(16,800)						(800)	(17,600)	(16,800)	(21,400)	(38,200)
DJC - DJC Restitution EBT	NA									(13,600)		(13,600)
DJC - Dept. of Juvenile Corrections - Salary Lump Sum	NA							(100)	(100)		(1,800)	(1,800)
DJC - State Ed Fund for Committed Youth FRAT	OF				(185,000)				(185,000)			
DJC - State Ed Fund for Committed Youth - Salary Lump Sum	OF	(237,400)						(1,500)	(238,900)		(38,100)	(38,100)
LAN - State Land Department												
LAN - Cooperative Forestry Salary Lump Sum	NA	(45,400)							(45,400)	(45,400)		(45,400)
LAN - Fire Suppression EBT	NA				(104,100)	(53,800)			(157,900)	(246,900)		(246,900)
LAN - Fire Suppression Salary Lump Sum	NA	(280,100)							(280,100)	(280,100)		(280,100)
HOU - House of Representatives												
HOU - Non-Lapsing Fund Transfer	NA	(2,000,000)							(2,000,000)			
LIQ - Department of Liquor Licenses & Control												
LIQ - Liquor License Special Collections - Salary Lump Sum	NA							(1,000)	(1,000)		(26,000)	(26,000)
LIQ - Liquor License Special Collections EBT	NA	(116,600)			(328,700)				(445,300)			
LIQ - Liquor License Special Collections FRAT	NA				(60,000)				(60,000)			
LIQ - Liquor Licenses FRAT	OF				(214,700)				(214,700)	(214,700)		(214,700)
LIQ - Liquor Licenses - Salary Lump Sum	OF							(2,800)	(2,800)		(71,900)	(71,900)
LOT - Arizona State Lottery Commission												
LOT - State Lottery Advertising Fund Transfer	PA	(4,162,700)							(4,162,700)			
LOT - State Lottery EBT	PA	(1,398,400)							(1,398,400)			
LOT - State Lottery FRAT	PA	(799,700)			(528,400)				(1,328,100)	(1,328,100)		(1,328,100)
LOT - State Lottery - Salary Lump Sum	PA	(200,300)						(8,700)	(209,000)	(200,300)	(226,600)	(426,900)
MED - Arizona Medical Board												
MED - Arizona Medical Board - Salary Lump Sum	OF							(4,700)	(4,700)		(122,100)	(122,100)
MIN - State Mine Inspector												
MIN - Aggregate Mining Reclamation - Salary Lump Sum	OF							(100)	(100)		(2,500)	(2,500)
MMR - Department of Mines & Mineral Resources												
MMR - Mines and Mineral Resources EBT	NA				(34,400)	(17,800)			(52,200)			
MMR - Mines and Mineral Resources - Salary Lump Sum	NA	(16,200)						(200)	(16,400)	(16,200)	(5,600)	(21,800)
NAT - Naturopathic Physicians Medical Board												
NAT - Naturopathic Physicians Medical Board - Salary Lump Sum	OF							(400)	(400)		(10,300)	(10,300)
NUR - State Board of Nursing												
NUR - Board of Nursing - Salary Lump Sum	OF							(4,000)	(4,000)		(104,000)	(104,000)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
NCI - Nursing Care Inst. Administrators Board												
NCI - Nursing Care Inst. Administrators Board - Salary Lump Sum	OF							(400)	(400)		(8,800)	(8,800)
OCC - Board of Occupational Therapy Examiners												
OCC - Occupational Therapy - Salary Lump Sum	OF							(300)	(300)		(7,200)	(7,200)
DIS - State Board of Dispensing Opticians												
DIS - State Board of Dispensing Opticians - Salary Lump Sum	OF							(100)	(100)		(2,500)	(2,500)
OPT - State Board of Optometry												
OPT - State Board of Optometry - Salary Lump Sum	OF							(300)	(300)		(5,800)	(5,800)
OST - Arizona Board of Osteopathic Examiners												
OST - Board of Osteopathic Examiners - Salary Lump Sum	OF							(700)	(700)		(17,100)	(17,100)
PAR - Parents Commission on Drug Ed & Prevention												
PAR - Drug Treatment and Education EBT	NA	(175,900)			(1,648,200)				(1,824,100)	(1,363,500)		(1,363,500)
PAR - Drug Treatment and Education FRAT	NA	(427,600)			(208,900)				(636,500)	(636,500)		(636,500)
PAR - Drug Treatment and Education - Salary Lump Sum	NA							(400)	(400)		(8,600)	(8,600)
SPB - Arizona State Parks Board												
SPB - Heritage EBT ^{4/}	NA				(2,124,700)		(10,104,100)		(12,228,800)			
SPB - Heritage FRAT	NA				(1,784,700)				(1,784,700)			
SPB - Heritage Salary Lump Sum	NA	(163,900)							(163,900)			
SPB - Land Conservation Fund Transfer ^{5/}	NA									(123,538,600)		(123,538,600)
SPB - Off-Highway Vehicle Recreation EBT ^{4/}	NA	(467,500)					(500,000)		(967,500)	(745,300)		(745,300)
SPB - Off-Highway Vehicle Recreation FRAT	NA	(66,300)							(66,300)	(66,300)		(66,300)
SPB - Off-Highway Vehicle Recreation - Salary Lump Sum	NA	(50,300)						(600)	(50,900)	(50,300)	(16,400)	(66,700)
SPB - Partnership EBT	NA				(156,900)	(81,200)			(238,100)	(54,300)		(54,300)
SPB - Partnership - Salary Lump Sum ^{4/}	NA	(14,000)					14,000	(100)	(100)	(14,000)	(1,800)	(15,800)
SPB - Publications and Souvenir EBT	NA				(94,000)	(48,700)			(142,700)			
SPB - Publications and Souvenir FRAT	NA				(37,500)				(37,500)	(37,500)		(37,500)
SPB - Publications and Souvenir Revolving - Salary Lump Sum ^{4/}	NA	(22,700)					22,700	(300)	(300)	(22,700)	(7,500)	(30,200)
SPB - Reservation Surcharge Revolving FRAT ^{4/}	OF	(54,800)					54,800			(54,800)		(54,800)
SPB - Reservation Surcharge Revolving - Salary Lump Sum ^{4/}	OF	(41,800)					41,800	(300)	(300)	(41,800)	(5,800)	(47,600)
SPB - State Lake Improvement EBT ^{4/}	NA	(3,048,200)			(1,387,300)		4,435,500			(345,000)		(345,000)
SPB - State Lake Improvement FRAT ^{4/}	NA				(528,500)		528,500			(528,500)		(528,500)
SPB - State Lake Improvement - Salary Lump Sum	NA							(3,300)	(3,300)		(87,200)	(87,200)
SPB - State Parks Enhancement EBT ^{4/}	PA	(1,901,500)			(1,630,800)		3,532,300					
SPB - State Parks Enhancement FRAT ^{4/}	PA	(725,900)			(671,300)		1,397,200			(1,397,200)		(1,397,200)
SPB - State Parks Enhancement Salary - Lump Sum ^{4/}	PA	(557,600)					557,600	(5,200)	(5,200)	(557,600)	(135,200)	(692,800)
SPB - State Parks EBT ^{6/}	NA				(213,900)	213,900						
SPB - State Parks Salary Lump Sum ^{4/}	NA	(19,700)					19,700			(19,700)		(19,700)
PER - Personnel Board												
Per - Personnel Division - Personnel Board Account - Salary Lump Sum	OF							(200)	(200)		(5,400)	(5,400)
PES - Office of Pest Management												
PES - Pest Management - Salary Lump Sum	OF							(2,400)	(2,400)		(62,600)	(62,600)
PHA - Arizona State Board of Pharmacy												
PHA - AZ State Board of Pharmacy - Salary Lump Sum	OF							(1,800)	(1,800)		(46,000)	(46,000)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
PHY - Board of Physical Therapy Examiners												
PHY - Board of Physical Therapy - Salary Lump Sum	OF							(400)	(400)		(8,400)	(8,400)
POD - State Board of Podiatry Examiners												
POS - State Board of Podiatry - Salary Lump Sum	OF							(100)	(100)		(3,200)	(3,200)
POS - Commission for Postsecondary Education												
POS - Early Graduation Scholarship EBT	NA	(2,863,800)							(2,863,800)			
POS - Early Graduation Scholarship FRAT	NA	(57,800)							(57,800)			
POS - Postsecondary Education - Salary Lump Sum	OF							(800)	(800)		(20,000)	(20,000)
POS - Postsecondary Education Voucher Fund Transfer	OF					(679,600)			(679,600)			
POS - Private Postsecondary Student Financial Assistance EBT	NA				(322,900)				(322,900)			
PRI - Board for Private Postsecondary Education												
PRI - Private Postsecondary Education - Salary Lump Sum	OF							(400)	(400)		(9,800)	(9,800)
PSY - State Board of Psychologist Examiners												
PSY - State Board of Psychologist Examiners - Salary Lump Sum	OF							(400)	(400)		(8,400)	(8,400)
DPS - Department of Public Safety												
DPS - Anti-Racketeering EBT	NA				(2,567,400)				(2,567,400)	(1,007,100)		(1,007,100)
DPS - Anti-Racketeering FRAT	NA				(441,800)				(441,800)	(441,800)		(441,800)
DPS - Anti-Racketeering - Salary Lump Sum	NA	(84,500)						(100)	(84,600)	(84,500)	(2,100)	(86,600)
DPS - Anti-Racketeering (Western Union Settlement) Fund Transfer	NA					(7,000,000)			(7,000,000)			
DPS - Auto Fingerprint Identification EBT	OF	(71,900)							(71,900)			
DPS - Auto Fingerprint Identification FRAT	OF				(245,000)				(245,000)			
DPS - Auto Fingerprint Identification - Salary Lump Sum	OF							(400)	(400)		(11,000)	(11,000)
DPS - Auto Fingerprint Identification Salary Lump Sum	OF	(29,000)							(29,000)			
DPS - Crime Laboratory Assessment FRAT	OF				(414,800)				(414,800)			
DPS - Crime Laboratory Assessment Salary Lump Sum	OF	(347,600)							(347,600)			
DPS - Crime Laboratory Operations EBT	OF				(2,000,000)				(2,000,000)			
DPS - Crime Laboratory Operations FRAT	OF				(780,000)				(780,000)	(3,554,700)		(3,554,700)
DPS - Criminal Justice Enhancement EBT	OF	(206,600)			(167,200)				(373,800)			
DPS - Criminal Justice Enhancement FRAT	OF				(232,100)				(232,100)			
DPS - Criminal Justice Enhancement Salary Lump Sum	OF	(215,000)							(215,000)			
DPS - DNA Identification System - Garage Fund Transfer	OF		(2,504,000)						(2,504,000)	(2,460,000)		(2,460,000)
DPS - DNA Identification System EBT	OF	(552,300)							(552,300)			
DPS - DNA Identification System FRAT	OF				(326,100)				(326,100)			
DPS - DNA Identification System - Salary Lump Sum	OF	(267,100)						(1,900)	(269,000)		(49,100)	(49,100)
DPS - DPS Administration FRAT	NA				(141,100)				(141,100)	(141,100)		(141,100)
DPS - DPS Administration - Salary Lump Sum	NA	(65,000)						(1,800)	(66,800)	(65,000)	(46,200)	(111,200)
DPS - DPS Licensing EBT	NA	(96,700)							(96,700)			
DPS - DPS Licensing FRAT	NA				(85,300)				(85,300)	(85,300)		(85,300)
DPS - DPS Licensing Fund Transfer	NA									(100,000)		(100,000)
DPS - DPS Licensing - Salary Lump Sum	NA	(77,700)						(1,100)	(78,800)	(77,700)	(28,200)	(105,900)
DPS - Fingerprint Clearance Card EBT	NA	(193,800)							(193,800)			
DPS - Fingerprint Clearance Card FRAT	NA				(219,200)				(219,200)	(219,200)		(219,200)
DPS - Fingerprint Clearance Card - Salary Lump Sum	NA	(184,900)						(2,700)	(187,600)	(184,900)	(71,700)	(256,600)
DPS - Board of Fingerprinting FRAT	NA	(29,500)			(42,000)				(71,500)			
DPS - Board of Fingerprinting - Salary Lump Sum	NA	(37,600)						(500)	(38,100)		(13,200)	(13,200)
DPS - Highway Patrol EBT	OF				(1,368,500)				(1,368,500)			
DPS - Highway Patrol FRAT	OF				(1,504,500)				(1,504,500)	(1,504,500)		(1,504,500)
DPS - Highway Patrol - Salary Lump Sum	OF	(1,498,800)						(800)	(1,499,600)	(372,200)	(20,300)	(392,500)
DPS - Indirect Cost Recovery EBT	NA									(262,800)		(262,800)
DPS - Indirect Cost Recovery FRAT	NA				(106,500)				(106,500)	(106,500)		(106,500)
DPS - IGA and ISA - Salary Lump Sum	NA							(5,600)	(5,600)		(143,100)	(143,100)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
DPS - Indirect Cost Recovery Salary Lump Sum	NA	(77,000)							(77,000)	(77,000)		(77,000)
DPS - Joint Fund Control - Salary Lump Sum	NA							(148,100)	(148,100)		(3,850,400)	(3,850,400)
DPS - Motorcycle Safety EBT	OF	(100,000)							(100,000)			
DPS - Parity Compensation EBT	OF	(455,400)							(455,400)			
DPS - Parity Compensation FRAT	OF				(245,100)				(245,100)			
DPS - Parity Compensation Salary Lump Sum	OF	(271,100)							(271,100)			
DPS - Peace Officers Training EBT	NA	(181,200)							(181,200)	(138,000)		(138,000)
DPS - Peace Officers Training FRAT	NA				(598,300)				(598,300)	(598,300)		(598,300)
DPS - Peace Officers Training - Salary Lump Sum	NA	(189,000)						(3,000)	(192,000)	(189,000)	(76,500)	(265,500)
DPS - Photo Enforcement - Salary Lump Sum	OF							(700)	(700)		(19,300)	(19,300)
DPS - Public Safety Equipment EBT	NA				(919,400)				(919,400)			
DPS - Public Safety Equipment FRAT	NA	(755,400)			(54,900)				(810,300)			
DPS - Records Processing EBT	NA	(49,500)							(49,500)			
DPS - Records Processing FRAT	NA	(567,800)			(368,300)				(936,100)			
DPS - Records Processing - Salary Lump Sum	NA	(78,900)						(1,100)	(80,000)		(27,500)	(27,500)
DPS - SETIF FRAT	OF				(122,000)				(122,000)	(122,000)		(122,000)
DPS - Sex Offender Monitoring Fund Transfer	OF					(22,300)			(22,300)	(16,600)		(16,600)
RAC - Arizona Department of Racing												
RAC - AZ Breeders Award EBT	NA	(131,300)							(131,300)			
RAC - County Fairs Racing Betterment EBT	NA	(182,600)							(182,600)			
RAD - Radiation Regulatory Agency												
RAD - Nuclear Emergency Management - Salary Lump Sum	NA							(400)	(400)		(11,400)	(11,400)
RAD - Radiation Certification - Salary Lump Sum	OF	(21,300)						(300)	(21,600)	(21,300)	(6,500)	(27,800)
REA - State Real Estate Department												
REA - Education Revolving - Salary Lump Sum	NA							(200)	(200)		(4,000)	(4,000)
REA - Recovery EBT	NA				(125,100)	(64,800)			(189,900)	(157,300)		(157,300)
RUC - Residential Utility Consumer Office												
RUC - RUCO EBT	OF	(219,400)			(65,800)	(34,000)			(319,200)			
RUC - RUCO - Salary Lump Sum	OF							(1,100)	(1,100)		(30,300)	(30,300)
RES - Board of Respiratory Care Examiners												
RES - Board of Respiratory Care Examiners - Salary Lump Sum	OF							(400)	(400)		(8,600)	(8,600)
REV - Department of Revenue												
REV - DOR Administrative FRAT	OF				(1,837,500)				(1,837,500)	(1,837,500)		(1,837,500)
REV - Estate and Unclaimed Property EBT	PA	(1,011,000)			(408,300)				(1,419,300)	(1,262,200)		(1,262,200)
REV - Liability Set-off EBT	OF	(177,500)			(122,300)	(63,300)			(363,100)	(262,700)		(262,700)
REV - Liability Set-off - Salary Lump Sum	OF	(23,700)						(500)	(24,200)	(23,700)	(14,300)	(38,000)
SFB - School Facilities Board												
SFB - Arizona Energy and Water Savings - Salary Lump Sum	NA							(600)	(600)		(15,400)	(15,400)
SFB - Interest Earnings Fund Transfer		(1,380,000)							(1,380,000)	(589,000)		(589,000)
SOS - Secretary of State												
SOS - Data Processing Acquisition - Salary Lump Sum	NA							(200)	(200)		(4,500)	(4,500)
SOS - Data Processing Acquisition EBT	NA					(56,500)			(56,500)			
SOS - Gift Shop Revolving - Salary Lump Sum	NA							(100)	(100)		(1,900)	(1,900)
SOS - Notary Bond - Salary Lump Sum	NA							(200)	(200)		(3,500)	(3,500)
SOS - Notary Bond EBT	NA					(77,100)			(77,100)	(57,400)		(57,400)
SOS - Records Services - Salary Lump Sum	OF							(500)	(500)		(13,900)	(13,900)
SOS - Records Services EBT	OF					(124,900)			(124,900)			

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
SBO - State Boards' Office												
SBO - Special Services Revolving - Salary Lump Sum	OF							(300)	(300)		(7,000)	(7,000)
TEC - State Board of Technical Registration												
TEC - Technical Registration - Salary Lump Sum	OF							(1,600)	(1,600)		(41,600)	(41,600)
TOU - Office of Tourism												
TOU - Tourism EBT	NA	(400,000)			(1,896,600)	(981,400)			(3,278,000)			
DOT - Department of Transportation												
DOT - Air Quality - Salary Lump Sum	OF							(100)	(100)		(1,100)	(1,100)
DOT - Arizona Highways Magazine EBT	NA	(20,000)			(635,400)				(655,400)			
DOT - Arizona Highways Magazine FRAT	NA				(425,700)				(425,700)	(851,400)		(851,400)
DOT - Arizona Highways Magazine - Salary Lump Sum	NA							(2,500)	(2,500)		(62,800)	(62,800)
DOT - Economic Strength Project EBT	NA	(684,700)							(684,700)			
DOT - Economic Strength Project FRAT	NA	(100,000)							(100,000)	(100,000)		(100,000)
DOT - Motor Vehicle Liability Insurance Enforcement EBT	OF	(266,700)			(125,700)				(392,400)			
DOT - Motor Vehicle Liability Insurance Enforcement FRAT	OF	(242,000)			(164,800)				(406,800)	(571,600)		(571,600)
DOT - Motor Vehicle Liability Insurance Enforcement - Salary Lump Sum	OF							(1,400)	(1,400)		(37,000)	(37,000)
DOT - SETIF EBT	OF				(379,900)				(379,900)			
DOT - SETIF FRAT	OF				(163,000)				(163,000)	(326,000)		(326,000)
DOT - State Aviation EBT	OF	(731,400)			(2,163,100)				(2,894,500)			
DOT - State Aviation FRAT	OF	(233,700)			(141,800)				(375,500)	(517,300)		(517,300)
DOT - State Aviation - Salary Lump Sum	OF	(150,900)						(1,900)	(152,800)	(150,900)	(49,500)	(200,400)
DOT - State Highway FRAT	OF		(28,000,000)						(28,000,000)	(28,000,000)		(28,000,000)
DOT - Transportation Department Equipment EBT	OF	(1,989,200)							(1,989,200)			
DOT - Transportation Department Equipment FRAT	OF	(2,518,500)			(2,030,700)				(4,549,200)			
DOT - Transportation Department Equipment - Salary Lump Sum	OF							(16,900)	(16,900)		(440,300)	(440,300)
DOT - Vehicle Inspection and Title Enforcement EBT	OF	(278,100)							(278,100)			
DOT - Vehicle Inspection and Title Enforcement FRAT	OF				(117,700)				(117,700)	(235,400)		(235,400)
DOT - Vehicle Inspection and Title Enforcement - Salary Lump Sum	OF							(1,100)	(1,100)		(29,800)	(29,800)
DOT - Vehicle License Tax Fund Transfer			(8,390,600)						(8,390,600)	(8,390,600)		(8,390,600)
DOT - VLT 5-year Renewal Fund Transfer				(14,000,000)					(14,000,000)			
DOT - Suspend Highway Patrol Vehicle Replacement VLT Fund Transfer	OF		(6,780,000)						(6,780,000)	(6,780,000)		(6,780,000)
UNI - Arizona Board of Regents												
UNI - AZ Board of Regents Local Fund FRAT	NA	(152,700)							(152,700)	(152,700)		(152,700)
UNI - AZ Board of Regents Local Fund - Salary Lump Sum	NA	(75,900)						(1,400)	(77,300)	(75,900)	(36,800)	(112,700)
VSC - Department of Veterans' Services												
VSC - State Veterans' Cemetery EBT	NA	(121,600)							(121,600)			
VME - Veterinary Medical Examining Board												
VME - Veterinary Medical Examining Board - Salary Lump Sum	OF							(400)	(400)		(11,400)	(11,400)
WAT - Department of Water Resources												
WAT - Assured and Adequate Water Supply FRAT	OF	(111,900)							(111,900)			
WAT - Assured and Adequate Water Supply - Salary Lump Sum	OF	(61,100)						(400)	(61,500)		(12,300)	(12,300)
WAT - Augmentation & Conservation Assistance FRAT	NA	(110,500)			(94,100)				(204,600)			
WAT - Augmentation & Conservation Assistance - Salary Lump Sum	NA	(24,600)						(2,000)	(26,600)		(52,400)	(52,400)
WAT - Dam Repair EBT	NA	(378,400)							(378,400)			
WAT - Flood Warning System EBT	NA				(54,500)	(28,200)			(82,700)			
WAT - Indirect Cost Recovery EBT	NA	(205,100)							(205,100)			
WAT - Indirect Cost Recovery FRAT	NA	(163,300)			(102,000)				(265,300)	(265,300)		(265,300)
WAT - Indirect Cost Recovery - Salary Lump Sum	NA							(700)	(700)		(19,100)	(19,100)
WAT - Indirect Cost Recovery Salary Lump Sum	NA	(92,100)							(92,100)	(92,100)		(92,100)

	Fund Type	FY 10 1st RS Changes	FY 10 3rd SS Changes	FY 10 4th SS Changes	FY 10 5th SS Changes	FY 10 7th SS Changes	FY 10 Fund Exchanges	FY 10 Pay Transfers ^{1/}	FY 10 Total Fund Transfers	FY 11 Fund Transfers	FY 11 Pay Transfers ^{1/}	FY 11 Total Fund Transfers
WAT - Arizona Water Banking EBT	PA	(5,400,000)			(383,000)	(198,200)			(5,981,200)	(154,100)		(154,100)
WAT - Arizona Water Banking FRAT	PA				(301,700)				(301,700)	(301,700)		(301,700)
WAT - Arizona Water Banking - Interstate Banking Account Fund Transfer	PA					(5,000,000)			(5,000,000)			
WAT - Arizona Water Banking - Salary Lump Sum	NA							(400)	(400)		(10,300)	(10,300)
WAT - Arizona Water Protection EBT	NA	(2,346,000)							(2,346,000)			
WAT - Arizona Water Protection FRAT	NA				(41,700)				(41,700)	(41,700)		(41,700)
WAT - Arizona Water Protection - Salary Lump Sum	NA							(400)	(400)		(11,600)	(11,600)
WAT - Arizona Water Quality EBT	NA	(152,600)							(152,600)			
WAT - Arizona Water Quality FRAT	NA	(56,300)							(56,300)	(56,300)		(56,300)
WAT - Arizona Water Quality - Salary Lump Sum	NA	(31,700)						(200)	(31,900)	(31,700)	(4,500)	(36,200)
WAT - Well Administration & Enforcement FRAT	NA	(78,800)							(78,800)	(78,800)		(78,800)
WAT - Well Administration & Enforcement Salary Lump Sum	NA	(44,200)							(44,200)	(44,200)		(44,200)
WEI - Department of Weights & Measures												
WEI - Air Quality FRAT	OF	(29,600)			(79,000)				(108,600)	(108,600)		(108,600)
WEI - Air Quality - Salary Lump Sum	OF							(1,000)	(1,000)		(25,600)	(25,600)
WEI - Motor Vehicle Liability Insurance Enforcement - Salary Lump Sum	OF							(300)	(300)		(7,500)	(7,500)
OTH - Budget Stabilization Fund Transfer						(2,767,100)			(2,767,100)			
SUBTOTAL - FRATs ^{3/}		(53,298,600)	(28,500,000)		(45,490,100)		3,375,000	(579,700)	(124,493,400)	(87,218,900)	(15,050,600)	(102,269,500)
Subtotal - Non GF Personnel Expense Reduction FRAT		(18,444,400)					752,200	(579,700)	(18,271,900)	(9,130,500)	(15,050,600)	(24,181,100)
Subtotal - Other Fund Hiring Freeze Savings												
SUBTOTAL - EBTs ^{2/}		(108,696,800)			(53,606,800)	(13,935,700)	(3,375,000)		(179,614,300)	(26,700,400)		(26,700,400)
SUBTOTAL - FUND TRANSFERS ^{7/}		(27,995,000)	(17,674,600)	(14,000,000)		(23,094,300)			(82,763,900)	(514,911,600)		(514,911,600)
TOTAL - FUND TRANSFERS ^{6/}		(189,990,400)	(46,174,600)	(14,000,000)	(99,096,900)	(37,030,000)		(579,700)	(386,871,600)	(628,830,900)	(15,050,600)	(643,881,500)

^{1/} Laws 2010, 7th Special Session, Chapter 1, Section 148 transfers to the General Fund \$(579,700) in FY 2010 and \$(15,050,600) in FY 2011 from state agencies' Other Appropriated Funds and non-federal non-appropriated funds for salary reductions. In addition, state agency General Fund budgets were directly reduced by \$(1,150,300) in FY 2010 and \$(29,949,400) in FY 2011.

^{2/} EBT = Excess Balance Transfer. An agency's operating budget would be reduced and the savings would be transferred to the General Fund. In general, EBTs represented 50% of the projected FY 2010 ending balance.

^{3/} FRAT = Fund Reduction and Transfer. An agency's operating budget would be reduced and the savings would be transferred to the General Fund. In general, FRATs represented 10% of spending authority in FY 2010.

^{4/} This fund was the subject of a fund exchange in FY 2010. Laws 2009, 1st Regular Session, Chapter 11, Section 111 and Laws 2010, 7th Special Session, Chapter 1, Section 114 allow agencies to shift the amounts between their fund transfers upon JLBC review. The amounts in the "FY 10 Fund Exchanges" column represent the net effective impacts of transfers from the recipient funds still making statutory transfers with help from donor funds. A positive amount represents a recipient fund, while a negative amount represents the donor fund. This does not restore spending authority for Other Appropriated Funds.

^{5/} If approved by the voters at the November 2010 General Election, HCR 2001 & 2002 from Laws 2010, 7th Special Session would transfer \$325,000,000 from the Early Childhood Development and Health Board and \$123,538,600 from the State Parks Board's Land Conservation Fund.

^{6/} The \$213,900 payback to the State Parks Donation from the FY 2010 7th Special Session was recorded as an appropriation and not a fund transfer on the Statement of Revenues and Expenditures.

^{7/} Fund Transfers represent sweeps not generally complying with EBT or FRAT guidelines.

SUMMARY OF RISK MANAGEMENT CHARGES ^{1/}

Agency	FY 2011			Total
	General Fund	Other Appropriated Funds	Non-Appropriated Funds	
Accountancy, State Board of	0	4,100	0	4,100
Acupuncture Board of Examiners	0	1,400	0	1,400
Administration, Arizona Department of	474,300	2,023,300	102,900	2,600,500
Administrative Hearings, Office of	5,600	0	5,200	10,800
Agriculture, Arizona Department of	83,000	18,500	34,900	136,400
Arizona Health Care Cost Containment System	362,200	0	362,200	724,400
Appraisal, State Board of	0	2,200	0	2,200
Arts, Arizona Commission on the	7,700	0	0	7,700
Attorney General - Department of Law	141,900	125,900	0	267,800
Automobile Theft Authority	0	3,300	0	3,300
Barbers, Board of	0	0	1,600	1,600
Behavioral Health Examiners, Board of	0	6,100	0	6,100
Biomedical Research Commission, Arizona	0	0	2,000	2,000
Boyce-Thompson Arboretum	0	0	21,500	21,500
Central Arizona Water	0	0	17,900	17,900
Charter Schools, State Board for	4,000	0	0	4,000
Chiropractic Examiners, State Board of	0	2,100	0	2,100
Citizens Clean Elections Commission	0	0	19,900	19,900
Commerce, Department of	0	43,400	0	43,400
Contractors, Registrar of	0	46,000	0	46,000
Corporation Commission	48,400	104,000	0	152,400
Corrections, State Department of	6,034,000	124,400	62,200	6,220,600
Cosmetology, Board of	0	8,300	0	8,300
Cotton Council	0	0	41,900	41,900
Criminal Justice Commission, Arizona	0	11,100	0	11,100
Deaf and the Blind, AZ State Schools for the	219,800	207,900	0	427,700
Deaf and the Hard of Hearing, Commission for the	0	8,100	0	8,100
Dental Examiners, State Board of	0	9,000	0	9,000
Economic Security, Department of	1,489,500	653,300	4,012,400	6,155,200
Education, Department of	75,400	0	64,200	139,600
Emergency and Military Affairs, Dept. of	397,500	0	0	397,500
Environmental Quality, Department of	108,600	245,100	0	353,700
Equal Opportunity, Governor's Office of	3,400	0	0	3,400
Equalization, State Board of	2,700	0	0	2,700
Executive Clemency, Board of	9,300	0	0	9,300
Exposition and State Fair Board, Arizona	0	134,200	0	134,200
Financial Institutions, Department of	16,100	0	0	16,100
Building & Fire Safety, Department of	23,700	0	0	23,700
Funeral Directors & Embalmers, State Board of	0	2,000	0	2,000
Game and Fish Department, Arizona	0	1,001,700	0	1,001,700
Gaming, Department of	0	28,300	0	28,300
Geological Survey, Arizona	6,200	0	0	6,200
Governor, Office of the	73,900	0	0	73,900
Governor's Office of Strategic Planning & Budgeting	6,500	0	0	6,500
Government Information Technology Agency	0	8,200	0	8,200
Health Services, Department of	1,779,100	0	0	1,779,100
Historical Society, Arizona	92,800	0	24,100	116,900
Historical Society, Prescott	13,100	0	4,800	17,900
Homeland Security, Arizona Department of	0	0	2,200	2,200
Homeopathic and Integrated Medicine Examiners, Board of	0	0	1,400	1,400
Housing, Arizona Department of	0	21,200	0	21,200
Indian Affairs, Arizona Commission of	3,300	0	0	3,300
Industrial Commission of Arizona	0	131,900	0	131,900
Insurance, Department of	66,300	0	0	66,300
Judiciary - Supreme Court	276,800	102,400	0	379,200
Judiciary - Court of Appeals, Division I	35,500	0	0	35,500
Judiciary - Court of Appeals, Division II	15,000	0	0	15,000
Judiciary - Superior Court	3,007,600	61,400	0	3,069,000
Juvenile Corrections, Department of	914,700	47,800	33,900	996,400
Land Department, State	687,000	0	0	687,000
Law Enforcement Merit System Council	1,000	0	0	1,000
Legislature - Auditor General	69,700	0	0	69,700
Legislature - House of Representatives	109,300	0	0	109,300
Legislature - Joint Legislative Budget Committee	11,600	0	0	11,600

FY 2011

Agency	FY 2011			Total
	General Fund	Other Appropriated Funds	Non-Appropriated Funds	
Legislature - Legislative Council	16,800	0	0	16,800
Legislature - AZ State Library, Archives and Public Records	61,700	6,200	0	67,900
Legislature - Senate	51,500	0	0	51,500
Liquor Licenses & Control, Department of	14,600	0	3,400	18,000
Lottery Commission, Arizona State	0	55,600	0	55,600
Medical Board, Arizona	0	42,900	0	42,900
Mine Inspector, State	10,200	0	0	10,200
Mines & Mineral Resources, Department of	5,500	0	0	5,500
Naturopathic Physicians Medical Board	0	1,900	0	1,900
Navigable Stream Adjudication Comm., AZ	1,100	0	0	1,100
Nursing Care Institution Administrators and Assisted Living Facility Managers, Board of Examiners of	0	13,300	0	13,300
Nursing, State Board of	300	17,500	0	17,800
Occupational Therapy Examiners, Board of	0	2,000	0	2,000
Opticians, State Board of Dispensing	0	1,100	0	1,100
Optometry, State Board of	0	1,400	0	1,400
Osteopathic Examiners, Arizona Board of	0	2,600	0	2,600
Parks Board, Arizona State	171,500	96,800	171,500	439,800
Personnel Board	1,500	0	0	1,500
Pest Management, Office of	0	12,600	0	12,600
Pharmacy, Arizona State Board of	0	6,200	0	6,200
Physical Therapy Examiners, Board of	0	1,400	0	1,400
Pioneers' Home, Arizona	12,600	71,000	0	83,600
Podiatry, Examiners, State Board of	0	1,400	0	1,400
Postsecondary Education, Commission for	0	3,400	0	3,400
Power Authority, Arizona	0	0	13,000	13,000
Private Postsecondary Education, State Board for	0	2,200	0	2,200
Prosecuting Attorney Advisory Council	0	0	3,700	3,700
Psychologist Examiners, State Board of	0	2,800	0	2,800
Public Safety, Department of	3,236,700	1,320,200	684,100	5,241,000
Public Safety Personnel Retirement System	0	0	8,200	8,200
Racing, Arizona Department of	76,000	12,100	0	88,100
Radiation Regulatory Agency	11,600	1,300	0	12,900
Real Estate Department, State	43,900	0	0	43,900
Independent Redistricting Commission	2,200	0	0	2,200
Residential Utility Consumer Office	0	4,000	0	4,000
Respiratory Care Examiners, Board of	0	2,200	0	2,200
Retirement System, Arizona State	0	131,300	0	131,300
Revenue, Department of	360,300	8,800	0	369,100
School Facilities Board	7,600	0	0	7,600
Secretary State, Department of State	24,900	0	0	24,900
Tax Appeals, State Board of	1,700	0	0	1,700
Technical Registration, State Board of	0	6,900	0	6,900
Tourism, Office of	11,000	0	0	11,000
Transportation, Department of	300	16,773,500	20,600	16,794,400
Treasurer, State	11,400	0	0	11,400
Universities - Arizona State University	4,708,400	0	2,620,200	7,328,600
Universities - Northern Arizona University	2,441,500	0	0	2,441,500
Universities - Regents, Board of	28,900	0	0	28,900
Universities - University of Arizona	5,182,100	0	4,492,600	9,674,700
Veterans' Services, Department of	25,600	158,500	4,800	188,900
Veterinary Medical Examining Board, AZ State	0	2,900	0	2,900
Water Infrastructure Financing Authority	0	0	4,300	4,300
Water Resources, Department of	83,700	0	0	83,700
Weights & Measures, Department of	8,100	7,100	0	15,200
GRAND TOTAL	33,289,700	23,957,700	12,841,600	70,089,000

1/ Charges reflect budgeted amounts and may differ from actual amounts charged by the Arizona Department of Administration for FY 2011.

HEALTH INSURANCE ALLOCATIONS I/

GENERAL FUND

<u>Agency Name</u>	FY 2011		FY 2011	
	Health	Insurance	Dental	Insurance
Administration, Arizona Department of		2,019,500		72,000
Administrative Hearings, Office of		136,100		4,100
Agriculture, Arizona Department of		1,613,300		47,800
AHCCCS		10,400,486		211,300
Arts, Arizona Commission on the		74,300		2,500
Attorney General - Department of Law		1,524,100		52,000
Capital Postconviction Public Defender Office, State		76,600		-
Charter Schools, State Board for		93,000		3,100
Commerce, Department of		125,541		5,200
Corporation Commission		150,400		4,100
Corrections, State Department of		100,753,176		2,349,300
Deaf & the Blind, AZ State Schools for the		4,159,900		58,100
Economic Security, Department of		18,372,600		522,000
Education, Department of		1,640,295		32,500
Emergency and Military Affairs, Department of		501,400		22,000
Equal Opportunity, Governor's Office of		24,300		-
Equalization, State Board of		58,900		1,800
Executive Clemency, Board of		129,700		3,700
Financial Institutions, State Department of		376,300		14,900
Fire, Building and Life Safety, Department of		347,400		14,400
Forester's Office, State		391,300		9,800
Geological Survey, Arizona		50,300		2,500
Government Information Technology Agency		36,100		1,100
Governor, Office of the		633,000		15,700
Governor's Office of Strategic Planning & Budgeting		172,900		5,300
Health Services, Department of		8,475,198		307,900
Historical Society, Arizona		346,100		12,000
Historical Society of AZ, Prescott		122,800		5,000
Indian Affairs, AZ Commission of		7,300		200
Insurance, Department of		746,800		23,000
Judiciary				
Supreme Court		2,456,700		38,600
Court of Appeals		1,422,000		31,700
Superior Court		899,110		30,500
SUBTOTAL - Judiciary		4,777,810		100,800
Juvenile Corrections, Department of		8,485,800		207,000
Land Department, State		304,300		8,200
Law Enforcement Merit System Council		6,300		200
Legislature				
Auditor General		1,737,100		47,200
House of Representatives		1,730,000		61,400
Joint Legislative Budget Committee		270,900		8,100
Legislative Council		461,700		12,600
Senate		1,159,000		36,900
SUBTOTAL - Legislature		5,358,700		166,200
Mine Inspector, State		128,700		3,400
Mines & Mineral Resources, Department of		53,300		2,100
Navigable Stream Adjudication Commission, AZ		15,600		-
Pioneers' Home, AZ		291,059		6,000
Public Safety, Department of		6,392,600		202,000
Racing, Arizona Department of		267,300		8,700

<u>Agency Name</u>	<u>FY 2011</u>		<u>FY 2011</u>	
	<u>Health</u>	<u>Insurance</u>	<u>Dental</u>	<u>Insurance</u>
Radiation Regulatory Agency		152,700		7,600
Real Estate Department, State		487,800		16,000
Revenue, Department of		6,069,787		180,000
School Facilities Board		136,400		3,700
Secretary of State, Department of State		1,234,900		30,400
Tax Appeals, State Board of		12,400		900
Transportation, Department of		20,500		500
Universities		-		-
Regents, Arizona Board of		294,035		6,200
Arizona State University - East Campus		2,064,316		92,400
Arizona State University - Main Campus		26,130,099		1,122,100
Arizona State University - West Campus		5,822,443		111,600
SUBTOTAL - Arizona State University		34,016,858		1,326,100
Northern Arizona University		14,285,801		595,300
University of Arizona - Main Campus		28,405,089		1,046,300
University of Arizona - Health Sciences Center		4,907,425		140,300
SUBTOTAL - University of Arizona		33,312,514		1,186,600
SUBTOTAL - Universities		81,909,209		3,114,200
Veterans' Services, Department of		818,489		22,800
Water Resources, Department of		1,656,200		52,900
Weights and Measures, Department of		155,300		5,400
TOTAL APPROPRIATION		272,294,249		7,942,300

1/ Medical and dental insurance amounts are appropriated in the individual agency sections of the General Appropriation Act (Laws, 2010, 7th Special Session, Chapter 1). Pursuant to A.R.S. § 38-654, the JLBC Staff annual identifies amounts in state agency appropriations for the payment of employee medical and dental insurance.

HEALTH INSURANCE ALLOCATIONS I/

OTHER FUNDS

	FY 2011	FY 2011
	Health Insurance	Dental Insurance
Accountancy, State Board of	\$ 124,700	\$ 1,900
Office of Administrative Hearings	3,000	-
Attorney General Legal Services	41,400	-
Total - State Board of Accountancy	169,100	1,900
Acupuncture Board of Examiners	5,900	200
State Boards Office	1,500	-
Total - Acupuncture Board of Examiners	7,400	200
Administration, Arizona Department of		
Attorney General Legal Services - Personnel Division Fund	7,100	-
Automation Operations Fund	1,093,800	33,300
Capital Outlay Stabilization Fund	434,400	13,200
Corrections Fund	68,300	20,300
Federal Surplus Materials Revolving Fund	68,200	1,700
Motor Vehicle Pool Revolving Fund	147,200	4,600
Personnel Division Fund	1,107,900	33,700
Risk Management Revolving Fund	1,548,200	48,400
Special Employee Health Insurance Trust Fund	225,000	6,600
State Surplus Materials Revolving Fund	131,900	3,900
Telecommunications Fund	531,600	18,500
Total - Arizona Department of Administration	5,363,600	184,200
Agriculture, Arizona Department of		
Arizona Protected Native Plant Fund	49,700	1,200
Citrus Fruit and Vegetable Revolving Fund	226,600	5,100
Commercial Feed Fund	27,900	800
Egg Inspection Fund	109,100	3,100
Fertilizer Materials Fund	26,600	900
Pesticide Fund	35,400	1,000
Seed Law Fund	5,100	100
Total - Arizona Department of Agriculture	480,400	12,200
AHCCCS		
Children's Health Insurance Program Fund	863,700	16,900
Healthcare Group Fund	243,800	4,700
Total - AHCCCS	1,107,500	21,600
Appraisal, State Board of	33,100	1,000
Office of Administrative Hearings	2,000	-
Attorney General Legal Services	5,300	-
Total - State Board of Appraisal	40,400	1,000
Attorney General - Department of Law		
Anti-Trust Enforcement Revolving Fund	47,700	2,200
Collection Enforcement Revolving Fund	516,900	14,500
Consumer Fraud Revolving Fund	234,000	7,700
Interagency Service Agreements Fund	1,016,100	32,900
Legal Services Cost Allocation Fund	635,900	22,000
Risk Management Revolving Fund	904,900	26,000
Victims' Rights Fund	62,800	2,200
Total - Attorney General - Department of Law	3,418,300	107,500
Automobile Theft Authority	85,300	1,100
Barbers, Board of	28,400	1,100
Behavioral Health Examiners, Board of	181,900	3,000
Office of Administrative Hearings	1,100	-
Attorney General Legal Services	8,000	-
Total - Board of Behavioral Health Examiners	191,000	3,000
Chiropractic Examiners, State Board of	26,100	1,200
Attorney General Legal Services	4,000	-
Total - State Board of Chiropractic Examiners	30,100	1,200
Commerce, Department of		
Bond Fund	11,800	400

	FY 2011	FY 2011
	Health	Dental
	Insurance	Insurance
Commerce and Economic Development Commission Fund	99,300	3,600
Oil Overcharge Fund	12,900	500
State Lottery Fund	22,900	900
Total - Department of Commerce	146,900	5,400
Contractors, Registrar of	1,298,600	38,900
Office of Administrative Hearings	110,000	-
Attorney General Legal Services	4,000	-
Total - Registrar of Contractors	1,412,600	38,900
Corporation Commission		
Arizona Arts Trust Fund	11,100	200
Investment Management Regulatory and Enforcement Fund	121,100	3,400
Public Access Fund	235,900	6,600
Securities Regulatory and Enforcement Fund	326,300	9,900
Utility Regulation Revolving Fund	1,185,400	34,400
Total - Corporation Commission	1,879,800	54,500
Corrections, State Department of		
State Education Fund for Correctional Education	68,000	1,400
Total - State Department of Corrections	68,000	1,400
Cosmetology, Board of	186,800	5,900
Attorney General Legal Services	6,400	-
Total - Board of Cosmetology	193,200	5,900
Criminal Justice Commission, Arizona		
Criminal Justice Enhancement Fund	50,000	2,300
Deaf and the Blind, Arizona State Schools for the		
Arizona School for the Deaf and Blind Fund	1,833,600	62,500
Deaf and the Hard of Hearing, Comm. for the		
Telecommunication Fund for the Deaf	133,800	3,000
Dental Examiners, State Board of	52,200	-
Office of Administrative Hearings	1,100	-
Attorney General Legal Services	6,400	-
Total - State Board of Dental Examiners	59,700	-
Economic Security, Department of		
Child Abuse Prevention Fund	8,500	200
Child Support Enforcement Administration Fund	1,962,700	52,500
Federal Child Care and Development Fund Block Grant	1,477,700	39,500
Federal Reed Act Grant	470,000	14,100
Federal Temporary Assistance for Needy Families Block Grant	5,224,900	154,400
Long-Term Care System Fund	14,500	500
Public Assistance Collections Fund	52,600	1,400
Spinal and Head Injuries Trust Fund	65,900	1,800
Workforce Investment Act Grant	271,900	7,300
Total - Department of Economic Security	9,548,700	271,700
Education, Department of		
Teacher Certification Fund	218,900	7,100
Total - Department of Education	218,900	7,100
Environmental Quality, Department of		
Attorney General Legal Services - Air Quality Fund	24,000	-
Attorney General Legal Services - Hazardous Waste Fund	8,000	-
Air Permits Administration Fund	478,100	12,300
Air Quality Fund	577,000	21,600
Emission Inspection Fund	307,800	7,900
Hazardous Waste Fund	82,100	2,100
Indirect Cost Recovery Fund	1,172,700	21,900
Solid Waste Fee Fund	124,900	3,200
Used Oil Fund	7,800	200
Water Quality Fee Fund	451,800	11,200
Total - Department of Environmental Quality	3,234,200	80,400
Exposition and State Fair Board, Arizona	484,600	9,100
Attorney General Legal Services	8,000	-
Total - Arizona Exposition and State Fair Board	492,600	9,100
Financial Institutions, Department of		

	FY 2011 Health Insurance	FY 2011 Dental Insurance
Financial Services Fund	76,400	2,800
Total - Department of Financial Institutions	76,400	2,800
Funeral Directors and Embalmers, Board of	16,600	200
State Boards Office	2,800	-
Total - Board of Funeral Directors and Embalmers	19,400	200
Game and Fish Department, Arizona		
Watercraft Licensing Fund	267,900	6,600
Game and Fish Fund	2,715,900	66,300
Game, Non-Game, Fish and Endangered Species Fund	34,700	1,100
Total - Arizona Game and Fish Department	3,018,500	74,000
Gaming, Department of		
Arizona Benefits Fund	479,300	23,400
Tribal State Compact Fund	205,200	7,100
Office of Administrative Hearings	1,100	-
Attorney General Legal Services - Tribal State Compact Fund	16,200	-
Total - Department of Gaming	701,800	30,500
Government Information Technology Agency		
Information Technology Fund	181,300	7,700
Total - Government Information Technology Agency	181,300	7,700
Health Services, Department of		
Emergency Medical Services Operating Fund	318,500	7,900
Environmental Laboratory Licensure Revolving Fund	97,900	3,200
Federal Child Care and Development Fund Block Grant	49,300	1,400
Health Services Licensing Fund	1,421,200	47,600
Hearing and Speech Fund	43,400	1,400
Indirect Cost Fund	687,600	19,600
Newborn Screening Program Fund	121,700	4,200
Total - Department of Health Services	2,739,600	85,300
Homeopathic and Integrated Medicine Examiners, Board of	13,100	200
State Boards Office	2,600	-
Total - Board of Homeopathic and Integrated Medicine Examiners	15,700	200
Housing, Department of	70,800	-
Attorney General Legal Services	8,000	-
Total - Department of Housing	78,800	-
Industrial Commission of Arizona	2,034,900	62,000
Judiciary - Supreme Court		
Confidential Intermediary and Fiduciary Fund	67,800	2,300
Court Appointed Special Advocate Fund	11,500	1,000
Criminal Justice Enhancement Fund	14,400	500
Defensive Driving School Fund	65,000	2,400
Judicial Collections Enhancement Fund	90,400	2,900
State Aid to the Courts Fund	3,900	100
Total - Supreme Court	253,000	9,200
Judiciary - Superior Court		
Criminal Justice Enhancement Fund	47,300	1,800
Total - Superior Court	47,300	1,800
Total - Judiciary	300,300	11,000
Juvenile Corrections, Department of		
State Education Fund for Committed Youth	306,800	9,600
Land Department, State		
Trust Management Fund	773,000	-
Total - State Land Department	773,000	-
Liquor Licenses & Control, Department of		
Liquor Licenses Fund	310,600	9,500
Total - Arizona State Lottery Commission	310,600	9,500
Lottery Commission, Arizona State		
State Lottery Fund	796,300	32,600
Attorney General Legal Services	12,000	-
Total - Arizona State Lottery Commission	808,300	32,600
Medical Board, Arizona	454,400	12,400
Office of Administrative Hearings	2,000	-

	FY 2011 Health Insurance	FY 2011 Dental Insurance
Attorney General Legal Services	51,200	-
Total - Arizona Medical Board	507,600	12,400
Naturopathic Physicians Medical Board	3,900	400
Attorney General Legal Services	1,600	-
State Boards Office	3,100	-
Total - Naturopathic Physicians Medical Board	8,600	400
Nursing, State Board of	285,100	6,900
Office of Administrative Hearings	3,900	-
Attorney General Legal Services	24,200	-
Total - State Board of Nursing	313,200	6,900
Nursing Care Institution Administrators Board 2/	29,600	1,700
State Boards Office	1,100	-
Total - Nursing Care Institution Administrators Board	30,700	1,700
Occupational Therapy Examiners, Board of	26,100	400
Opticians, State Board of Dispensing	13,100	200
State Boards Office	1,800	-
Total - State Board of Dispensing Opticians	14,900	200
Optometry, State Board of	18,800	700
State Boards Office	1,200	-
Total - State Board of Optometry	20,000	700
Osteopathic Examiners, Arizona Board of	51,100	1,300
Attorney General Legal Services	4,000	-
Total - Arizona Board of Osteopathic Examiners	55,100	1,300
Parks Board, Arizona State		
Attorney General Legal Services - State Parks Enhancement Fund	7,500	-
Reservation Surcharge Fund	58,700	1,000
State Parks Enhancement Fund	1,410,400	14,600
Total - Arizona State Parks Board	1,476,600	15,600
Personnel Board	12,600	-
Pest Mangement, Office of	313,200	8,700
Office of Administrative Hearings	1,100	-
Attorney General Legal Services	2,400	-
Total - Office of Pest Management	316,700	8,700
Pharmacy, Arizona State Board of	170,000	5,900
Attorney General Legal Services	4,000	-
Total - Arizona Board of Pharmacy	174,000	5,900
Physical Therapy Examiners, Board of	28,600	900
Attorney General Legal Services	1,300	-
State Boards Office	400	-
Total - Board of Physical Therapy Examiners	30,300	900
Pioneers' Home, Arizona		
Miner's Hospital Fund	175,800	4,600
State Charitable Fund	327,800	12,600
Total - Arizona Pioneers' Home	503,600	17,200
Podiatry Examiners, State Board of	13,100	500
State Boards Office	1,700	-
Total - State Board of Podiatry Examiners	14,800	500
Postsecondary Education, Commission for	34,300	1,500
Private Postsecondary Education, State Board for	37,900	300
Attorney General Legal Services	2,000	-
Total - State Board for Private Postsecondary Education	39,900	300
Psychologist Examiners, State Board of	24,600	900
Public Safety, Department of		
Arizona DNA Identification Fund	181,300	7,100
Arizona Highway Patrol Fund	1,845,400	63,700
Automated Fingerprint Identification Fund	31,200	1,200
Crime Laboratory Assessment Fund	496,200	17,300
Criminal Justice Enhancement Fund	298,700	8,800
Motor Vehicle Liability Insurance Enforcement Fund	-	-
Sex Offender Monitoring Fund	-	1,500
Highway User Revenue Fund	7,530,800	247,200

	FY 2011 Health Insurance	FY 2011 Dental Insurance
Safety Enforcement and Transportation Infrastructure Fund	181,900	5,800
State Highway Fund	3,388,100	124,900
Total - Department of Public Safety	13,953,600	477,500
Radiation Regulatory Agency	30,300	1,500
Residential Utility Consumer Office	110,800	1,700
Respiratory Care Examiners, Board of	25,300	300
Retirement System, Arizona State		
State Retirement System Administration Account	1,761,200	50,600
Office of Administrative Hearings - ASRS Administration Account	2,000	-
Attorney General Legal Services - ASRS Administration Account	24,200	-
Total - Arizona State Retirement System	1,787,400	50,600
Revenue, Department of		
Department of Revenue Administrative Fund	1,515,500	-
Liability Setoff Fund	47,100	1,100
Tobacco Tax and Health Care Fund	74,900	1,500
Total - Department of Revenue	1,637,500	2,600
Secretary of State		
Records Services Fund	48,400	1,200
State Boards' Office	34,300	1,100
Technical Registration, State Board of	178,100	4,800
Attorney General Legal Services	6,400	-
Total - State Board of Technical Registration	184,500	4,800
Transportation, Department of		
Attorney General Legal Services - State Highway Fund	264,200	-
Air Quality Fund	16,800	400
Driving Under the Influence Abatement Fund	34,000	800
Highway User Revenue Fund	56,000	-
Motor Vehicle Liability Insurance Enforcement Fund	330,000	7,500
Safety Enforcement and Transportation Infrastructure Fund	246,400	5,500
State Aviation Fund	456,000	8,400
State Highway Fund	42,866,200	1,104,200
Transportation Department Equipment Fund	3,072,100	62,800
Vehicle Inspection and Title Enforcement Fund	229,600	5,600
Total - Department of Transportation	47,571,300	1,195,200
Treasurer, State		
State Treasurer's Operating Fund	265,800	9,400
Total - State Treasurer	265,800	9,400
Veterans' Services, Department of		
State Home for Veterans' Trust Fund	1,599,600	50,000
State Veterans' Conservatorship Fund	70,400	2,000
Total - Department of Veterans' Services	1,670,000	52,000
Veterinary Medical Examining Board, Arizona State	33,200	800
Attorney General Legal Services	1,600	-
Total - Arizona State Veterinary Medical Examining Board	34,800	800
Water Resources, Department of		
Assured and Adequate Water Supply Admin Fund	45,600	3,000
Weights and Measures, Department of		
Air Quality Fund	149,000	200
Motor Vehicle Liability Insurance Enforcement Fund	9,200	200
Total - Department of Weights and Measures	158,200	400
TOTAL - APPROPRIATION	\$ 112,720,300	\$ 3,092,400

1/ Medical and dental insurance amounts are appropriated in the individual agency sections of the General Appropriation Act (Laws, 2010, 7th Special Session, Chapter 1). Pursuant to A.R.S. § 38-654, the JLBC Staff annual identifies amounts in state agency appropriations for the payment of employee medical and dental insurance.

2/ The full agency name is the Board of Examiners of Nursing Care Institutions Administrators and Assisted Living Facility Managers.

HEALTH INSURANCE ALLOCATIONS I/

FEDERAL EXPENDITURE AUTHORITY

	FY 2011	FY 2011
	Health Insurance	Dental Insurance
AHCCCS		
Administration	4,243,100	95,400
DES Eligibility SLI	3,330,400	75,900
DES Title XIX Pass-Through SLI	15,700	400
Claims Computer System Replacement SLI	12,700	300
Proposition 204 Administration SLI	703,000	16,000
Proposition 204 - Pass-Through Administration SLI	2,418,900	52,300
Total - AHCCCS	\$10,723,800	\$240,300
Economic Security, Department of		
Long Term Care	1,417,700	48,600
Case Management SLI	3,610,400	111,500
Home & Community Based Services SLI	488,800	17,800
Institutional Services SLI	382,500	13,900
Medical Services SLI	187,200	7,000
Arizona Training Program at Coolidge	1,425,300	44,200
Child Support Enforcement	2,584,500	93,700
Attorney General Legal Services SLI	587,400	21,700
Total - Department of Economic Security	\$10,683,800	\$358,400
Health Services, Department of		
Behavioral Health	334,200	12,600
Contract Compliance	178,600	6,500
Family Health	143,100	3,400
Assurance and Licensure	68,500	2,400
Total - Department of Health Services	\$724,400	\$24,900
TOTAL EXPENDITURE AUTHORITY	\$22,132,000	\$623,600

SLI = Special Line Item

^{1/} The allocations are based on estimated health insurance allocations in appropriated funds and federal matching percentages. The federal allocations are in addition to the General Fund and Other Appropriated Fund allocations.

**FY 2010
GENERAL FUND ADJUSTMENTS**

FY 2010 GENERAL FUND ADJUSTMENTS

	FY 2009 Final	FY 2010 Original ^{1/}	4th Spec. Session 11/09	5th Spec. Session 12/09	Baseline Readjustments ^{2/}	Revised FY 10 1/10 ^{3/}	6th Spec. Session 2/10	7th Spec. Session 3/10	2nd Regular Session	FY 2010 Revised
REVENUES										
Ongoing Revenues	\$7,694,575,900	\$7,745,260,300			\$(881,516,500)	\$6,863,743,800		\$103,643,700		\$6,967,387,500
Budget Legislation Changes			2,657,400			2,657,400		18,800,700		21,458,100
Urban Revenue Sharing	(727,677,400)	(628,649,100)				(628,649,100)				(628,649,100)
Net On-going Revenues	\$6,966,898,500	\$7,116,611,200	\$2,657,400	\$0	\$(881,516,500)	\$6,237,752,100	\$0	\$122,444,400	\$0	\$6,360,196,500
One-time Financing Sources										
Balance Forward	\$1,000,000	\$32,803,100 ^{4/}			\$(513,516,100)	\$(480,713,000)				\$(480,713,000)
Budget Legislation Changes	118,893,300	8,390,600	99,644,200		(42,614,800)	65,420,000		48,000,000		113,420,000
Prior Year SFB Bond Proceeds	344,000,000									0
Prison Concession Agreement		100,000,000			(100,000,000)					0
State Asset Leaseback/Lottery		735,419,300				735,419,300	750,000,000			1,485,419,300
Budget Stabilization Fund Transfer	150,000,000									
Fund Transfers	667,749,800	227,774,400	28,000,000	99,096,900	(5,609,400)	349,261,900		37,823,600		387,085,500
Subtotal One-time Revenues	\$1,281,643,100	\$1,104,387,400	\$127,644,200	\$99,096,900	\$(661,740,300)	\$669,388,200	\$750,000,000	\$85,823,600	\$0	\$1,505,211,800
Total Revenues	\$8,248,541,600	\$8,220,998,600	\$130,301,600	\$99,096,900	\$(1,543,256,800)	\$6,907,140,300	\$750,000,000	\$208,268,000	\$0	\$7,865,408,300
EXPENDITURES										
Operating Budget Appropriations	\$9,761,240,300	\$9,973,760,500	\$(267,456,400)	\$(83,203,200)	\$87,009,400	\$9,710,110,300		\$(64,332,400)	\$101,600	\$9,645,879,500
FY 2009 Supplementals	173,464,600									
FY 2010 Supplementals					130,813,200	130,813,200		1,770,000		132,583,200
Administrative Adjustments	136,000,000	72,731,600				72,731,600				72,731,600
Reversions	(103,902,300)	(113,241,600)				(113,241,600)				(113,241,600)
Add'l AHCCCS Fraud Reversion		(50,000,000)			50,000,000					
Subtotal Ongoing Expenditures	\$9,966,802,600	\$9,883,250,500	\$(267,456,400)	\$(83,203,200)	\$267,822,600	\$9,800,413,500	\$0	\$(62,562,400)	\$101,600	\$9,737,952,700
One-time Expenditures										
Capital Outlay	\$2,650,000	\$10,400,000				\$10,400,000				\$10,400,000
Capital Outlay Prior Year Reversions	(4,800,200)	(450,000)				(450,000)				(450,000)
Statutory Reversions	(50,000,000)	(2,037,500)		(11,000,000)		(13,037,500)		6,304,100		(6,733,400)
Temporary Federal Assistance	(500,000,000)	(1,126,691,900)	16,840,000		(194,841,400)	(1,304,693,300)		(34,496,200)		(1,339,189,500)
New Payment Deferrals	(125,000,000)	(92,889,100)	(42,000,000)			(134,889,100)		(450,000,000)		(584,889,100)
K-12 Rollover	(630,000,000)									
Subtotal One-time Expenditures	\$(1,307,150,200)	\$(1,211,668,500)	\$(25,160,000)	\$(11,000,000)	\$(194,841,400)	\$(1,442,669,900)	\$0	\$(478,192,100)	\$0	\$(1,920,862,000)
Total Expenditures	\$8,659,652,400	\$8,671,582,000	\$(292,616,400)	\$(94,203,200)	\$72,981,200	\$8,357,743,600	\$0	\$(540,754,500)	\$101,600	\$7,817,090,700
Adjustments	\$(69,602,200)									
Ending Balance	\$(480,713,000)	\$(450,583,400) ^{5/6/}	\$422,918,000	\$193,300,100	\$(1,616,238,000) ^{6/}	\$(1,450,603,300)	\$750,000,000	\$749,022,500	\$(101,600)	\$48,317,600
Structural Shortfall	\$(2,999,904,100)	\$(2,766,639,300)	\$270,113,800	\$83,203,200	\$(1,149,339,100)	\$(3,562,661,400)	\$0	\$185,006,800	\$(101,600)	\$(3,377,756,200)

^{1/} Reflects the FY 2010 budget as published in the *FY 2010 Appropriations Report*.

^{2/} Reflects forecast adjustment to revenue, as well as spending revisions for the Department of Education and Federal stimulus.

^{3/} Reflects estimated mid-year shortfall in January 2010.

^{4/} Subsequently revised to \$(467) million and then \$(481) million.

^{5/} Represents FY 2010 ending balance without any FY 2009 carry-forward shortfall. The *FY 2010 Appropriations Report* estimated the FY 2009 ending balance would decline by \$500 million, from \$33 million to \$(467) million. This would make the overall FY 2010 ending balance \$(951)

^{6/} The \$(450) million carry-forward shortfall plus the \$(1.62) billion in Baseline Readjustments results in an overall shortfall of \$(2.07) billion

FY 2010 GENERAL FUND ADJUSTMENTS

FY 2010 Budget Revision — The preceding chart illustrates the changes to the FY 2010 budget from the publication of the *FY 2010 Appropriations Report* in September 2009 (incorporating changes through the 49th Legislature, 3rd Special Session) to the current estimate in this *FY 2011 Appropriations Report*. The chart includes the projected FY 2010 mid-year budget shortfalls and the changes from the passage of bills in the 2nd Regular Session and the 4th, 5th, 6th, and 7th Special Sessions of the 49th Legislature addressing the FY 2010 budget.

September Shortfall Estimate — At the time of the publication of the *FY 2010 Appropriations Report* in September 2009, the FY 2010 shortfall was estimated to be \$(451) million for FY 2010 alone and \$(951) million when combined with the estimated FY 2009 shortfall.

November Shortfall Solutions — In the 4th Special Session bills approved in November 2009, the Legislature addressed vetoes of Arizona Department of Education and Department of Economic Security (DES) reductions and the Revenues Budget Reconciliation Bill from the 3rd Special Session, reducing the shortfall by \$423 million as outlined below:

- \$3 million in ongoing revenues.
- \$128 million in total one-time revenues, consisting of:
 - \$74 million from accelerating the transfer of unclaimed property to the state.
 - \$22 million in payments from Maricopa and Pima Counties.
 - \$28 million in fund transfers, consisting of revenues from offering a 5-year Vehicle License Tax registration.
- \$267 million in ongoing expenditure reductions, including:
 - \$137 million from the Arizona Department of Education (soft capital reduction).
 - \$130 million from the Department of Economic Security.
- \$25 million in net one-time expenditure reductions in DES, including:
 - Cost of \$(17) million for reduced temporary federal assistance, offset by
 - \$42 million savings from a payment rollover.

December Shortfall Solutions — Laws 2009, 5th Special Session, Chapter 1, approved in December 2009, further addressed the shortfall by generating \$193 million of solutions as follows:

- \$99 million in fund transfers, consisting of:
 - \$46 million from 7.5% “fund reductions and transfers” (FRATs), matching the General Fund reductions below.
 - \$54 million from excess balance transfers.

- \$83 million in ongoing expenditure reductions, primarily from a 7.5% lump sum reduction to many state agencies, excluding statutory formulas and the Universities.
- \$11 million in net one-time expenditure reductions in Department of Corrections from redirecting Certificate of Participation proceeds to offset debt service costs.

January Mid-Year Shortfall — Despite the 4th and 5th Special Session adjustments of \$616 million, the state’s projected FY 2010 January mid-year budget shortfall had increased from \$(951) million to \$(1.45) billion, due primarily to lower-than-expected revenue collections. Beyond the Special Session adjustments, this was a net additional shortfall of \$(1.12) billion. The primary components of this new FY 2010 shortfall were as follows:

	(\$ in M)
• Decline in FY 2010 Revenues	(882)
• Decline in FY 2009 Carry-Forward	(14)
• Fund Transfer/Budget Legislation Adjustments	(198)
• Operating Budget Restatements	(87)
• Estimated Supplementals	(131)
• Temporary Federal Assistance	195
Total	\$(1,117)

Revenue declines continued in FY 2010 compared to FY 2009. While the enacted FY 2010 budget was based on a (0.9)% base revenue decline, the first 6 months of FY 2010 saw a revenue decline of (16.6)%. As a result, in January, the FY 2010 revenue decline was estimated to be (10.5)%. This downward revision increased the size of the shortfall by \$882 million.

In addition, the final FY 2009 carry-forward shortfall was revised downward from \$(467) million to \$(481) million, or \$(14) million more than originally estimated in September and \$(514) million less than the originally-budgeted \$32 million carry-forward. The Baseline also adjusted for \$(198) million in unachievable fund transfers and budget legislation adjustments, including:

- \$(100) million in unachievable prison concession savings due to timing issues.
- \$(48) million in other revenue restatements, including \$(34) million from lower unclaimed property acceleration revenues and \$(14) million from lower 5-year Vehicle License Tax (VLT) renewal savings.
- \$(50) million in unachievable AHCCCS fraud expenditure reductions due to lack of legislation.

The operating budget restatements of \$(87) million included the \$(126) million cost associated with paying off a portion of a FY 2009 K-12 rollover payment assumed to

be covered by school district cash balances offset by \$39 million of restated ARRA-related savings.

The shortfall also included the projected supplemental cost of \$(131) million to the Arizona Health Care Cost Containment System (AHCCCS) and Department of Health Services (DHS) for higher-than-expected Title 19 enrollment and the Department of Corrections for health care provider rates.

Finally, the shortfall also includes \$195 million in net savings from additional temporary federal assistance, including a \$250 million savings from a shift of education-related federal stabilization fund expenditures which did not happen in FY 2009 for technical reasons, and occurred in FY 2010.

As noted above, after these adjustments, the FY 2010 shortfall considered during the 2010 legislative sessions was \$(1.45) billion.

February Shortfall Solutions — Laws 2010, 6th Special Session, Chapter 4 partially addressed the projected FY 2010 shortfall by adopting the following 2 one-time financing mechanisms (*see the Debt Financing section for more details*):

- \$450 million from issuing bonds and using the General Fund share of future lottery proceeds for the debt service.
- \$300 million from selling several state properties and leasing them back over a 20-year period. This sale is above and beyond the \$735 million sale and leaseback authorized for FY 2010 in Laws 2009, 3rd Special Session, Chapter 6.

These two adjustments reduced the projected FY 2010 shortfall to \$(701) million.

March Shortfall Solutions — The 7th Special Session addressed the remaining projected FY 2010 shortfall by adopting \$749 million in revenue increases and spending reductions. (*See Detailed List of General Fund Changes by Agency for all changes.*) The main components of this shortfall package were as follows:

- \$122 million in ongoing revenues, including:
 - \$104 million from using the Executive’s revenue projections, increasing the (10.5)% base revenue growth rate to (8.8)%.
 - \$19 million from redirecting Lottery distributions from the Heritage Fund and county recipients to the General Fund.
- \$86 million in total one-time revenues, consisting of:
 - \$48 million from lowering the threshold for estimated TPT payments from \$1,000,000 in liability to \$100,000.
 - \$38 million in fund transfers, including:

- \$7 million from the Department of Public Safety’s Anti-Racketeering (“RICO”) Fund.
- \$5 million from the Risk Management Fund.
- \$5 million from the Department of Water Resources’ Water Banking Fund.
- \$5 million from Department of Housing funds.
- \$64 million in agency budget reductions, including:
 - \$17 million in Graduate Medical Education and Disproportionate Share reductions in AHCCCS.
 - \$13 million in Department of Economic Security reductions.
 - \$17 million in K-12 non-formula program reductions.
 - \$5 million in non-Title XIX behavioral health reductions in Department of Health Services.
- \$(2) million for the cost of FY 2010 supplementals, primarily for the Arizona Department of Administration (ADOA).
- A one-time \$(6) million cost from not being able to use all Department of Corrections certificate of participation proceeds against FY 2010 costs; this amount was later used to offset FY 2011 costs (*see December Shortfall Solutions above*).
- \$34 million in temporary federal assistance from unanticipated increased federal Medicaid matching monies pursuant to the American Recovery and Reinvestment Act.
- \$450 million in additional rollovers, including:
 - \$350 million for K-12 education.
 - \$100 million for universities.

With a projected shortfall of \$(701) million and solutions of \$749 million, the 7th Special Session changes resulted in a projected FY 2010 ending balance of \$48 million.

2nd Regular Session — Laws 2010, Chapter 246 appropriated \$101,600 from the General Fund to ADOA for “named claimants” legislation, which pays bills submitted to state agencies after the administrative adjustments period.

Final Summary — Since the September 2009 publication of the *FY 2010 Appropriations Report*, the FY 2010 shortfall grew by \$(2.07) billion. The solutions generated in the 4th through 7th Special Sessions totaled \$2.12 billion, allocated as follows:

<u>Mid-Year FY 2010 Solutions</u>	<u>(\$ in M)</u>
• Executive Revenue Estimates	104
• Increased Ongoing Revenues	19
• New One-Time Revenues	313
• New Debt/Lease Purchase Financing	750
• Reduced Ongoing Expenditures	413
• Temporary Federal Assistance	18
• New Non-K-12 Payment Deferrals	142
• New K-12 Rollover	350
• Other	<u>3</u>
Total	\$2,115

These \$2.12 billion of solutions exceed the shortfalls by \$48 million, which is the projected FY 2010 carry-forward balance into FY 2011.

The *FY 2010 Appropriations Report* described the original Baseline FY 2010 shortfall as \$(3.16) billion, offset by \$2.71 billion of solutions, which generated the \$(451) million shortfall described above. Including the original \$(3.16) billion shortfall and the new \$(2.07) billion shortfall (and not double-counting that \$(451) million shortfall), the total FY 2010 shortfall faced by the 49th Legislature reached about \$(4.8) billion. The Legislature generated solutions as follows:

<u>Full Year FY 2010 Solutions</u>	<u>(\$ in M)</u>
<u>Permanent Changes</u>	
• Reduced Ongoing Expenditures	522
• Executive Revenue Estimates	104
• Increased Operating Revenues	39
• State Equalization Tax	250
<u>One-Time Changes</u>	
• Temporary Federal Assistance	1,394
• Debt and Lease Purchase Financing	1,485
• Fund Transfers	364
• K-12 Rollover	350
• Other Payment Deferrals	235
• Other One-Time Revenues	180
• Supplemental Appropriations	<u>(134)</u>
Total	\$4,789

FY 2010 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	FY 2010 Approp Rpt Sept 09	Nov 2009 4th Spec Session		Dec 2009 5th Spec Session		7th Special Session Adjustments			FY 2010 Additional Appropriations 5/	Enacted FY 2010
		Adjustments 2/	Adjustments	Adjustments 3/	Adjustments	FY 2010 Supplementals 4/	FY 2010 Reductions 4/	Personnel Expenditure Reductions 4/		
BUDGET UNITS										
Administration, AZ Department of	\$19,043,500			(1,213,200)		1,700,000		(\$14,900)	\$101,600	\$19,617,000
Administrative Hearings, Office of	1,010,100			(75,800)				(1,000)		933,300
Agriculture, AZ Department of	9,281,000			(696,100)				(7,100)		8,577,800
AHCCCS	1,185,709,600			(7,662,100)		82,571,500	(43,437,300)	(52,100)		1,217,129,600
Arts, Arizona Commission on the	968,500			(72,600)			(72,700)	(700)		822,500
Attorney General - Department of Law	19,436,700			(1,449,300)				(18,600)		17,968,800
Capital Postconviction Public Defender Ofc, State	699,500			(52,500)				(700)		646,300
Charter Schools, State Board for	823,900							(800)		823,100
Commerce, Department of	6,512,000			(291,000)				(900)		6,220,100
Community Colleges, Arizona	135,344,300							0		135,344,300
Corporation Commission	637,600			(47,800)				(700)		589,100
Corrections, State Department of	879,927,000			0	20,000,000		(8,877,600)	(658,700)		890,390,700
Deaf and the Blind, Schools for the	21,268,400							(7,400)		21,261,000
Economic Security, Department of	727,224,700	(155,200,000)		(25,944,500)			(14,094,100)	(23,600)		531,962,500
Education, Department of	4,398,139,500	(387,416,400)	(472,114,000) 6/	(4,618,700)	(18,875,700)	(350,000,000)		(12,300)		3,165,102,400
Emergency & Military Affairs, Dept of	11,034,900			(543,000)				(3,700)		10,488,200
Environmental Quality, Department of	13,247,700			(468,600)				(7,000)		12,772,100
Equal Opportunity, Governor's Office of	212,500			(15,900)				(200)		196,400
Equalization, State Board of	602,500						70,000	(500)		672,000
Executive Clemency, Board of	951,600			(71,400)				(600)		879,600
Financial Institutions, State Department of	3,214,100			(241,100)				(2,700)		2,970,300
Fire, Building and Life Safety, Department of	2,362,200			(177,200)				(1,800)		2,183,200
Forester, State	0		3,460,600 7/	(263,100)				(3,200)		3,194,300
Geological Survey, Arizona	866,400			(65,000)				(500)		800,900
Government Information Tech. Agency	818,700			(61,400)				(600)		756,700
Governor, Office of the	7,605,300			(561,400)				(7,600)		7,036,300
Gov's Ofc of Strategic Planning & Budgeting	2,155,100			(161,600)				(2,900)		1,990,600
Health Services, Department of	458,168,100			(13,972,200)	44,500,300	(11,934,800)		(64,800)		476,696,600
Historical Society, Arizona	3,870,700							(2,400)		3,868,300
Historical Society, Prescott	692,000							(700)		691,300
Indian Affairs, AZ Commission of	126,600			(9,500)				0		117,100
Insurance, Department of	6,082,000			(456,200)				(6,400)		5,619,400
Judiciary										
Supreme Court	17,342,100			(80,000)				(13,500)		17,248,600
Court of Appeals	14,163,500			(100,000)				(4,900)		14,058,600
Superior Court	89,014,800			(820,000)				(5,200)		88,189,600
SUBTOTAL - Judiciary	120,520,400	0	0	(1,000,000)	0	0		(23,600)	0	119,496,800
Juvenile Corrections, Department of	68,466,200			(5,135,000)				(47,100)		63,284,100
Land Department, State	7,159,100		(3,460,600) 7/	(273,800)				(3,700)		3,421,000
Law Enforcement Merit System Council	77,700			(5,800)				(100)		71,800
Legislature										
Auditor General	17,888,300			(1,341,600)				(13,600)		16,533,100
House of Representatives	13,908,300			(907,400)				(13,200)		12,987,700
Joint Legislative Budget Committee	2,754,900			(206,600)				(3,100)		2,545,200
Legislative Council	4,856,200							(5,700)		4,850,500
Library, Archives & Public Records, AZ State	6,441,700		(6,441,700) 8/					0		0
Senate	8,839,900			(595,100)				(10,000)		8,234,800
SUBTOTAL - Legislature	54,689,300	0	(6,441,700)	(3,050,700)	0	0		(45,600)	0	45,151,300
Liquor Licenses & Control, Department of	702,700							0		702,700
Medical Student Loans, Board of	866,900			(65,000)				0		801,900
Mine Inspector, State	1,250,800			(89,100)				(1,400)		1,160,300
Mines & Mineral Resources, Department of	888,900			(30,200)				(500)		858,200
Navigable Stream Adjudication Commission	147,400			(11,100)				(100)		136,200
Parks Board, Arizona State	20,000,000							0		20,000,000
Postsecondary Education, Commission for	4,369,700			(327,700)				0		4,042,000
Public Safety, Department of	43,967,400			(378,200)				(20,000)		43,569,200
Racing, Arizona Department of	6,138,100			(460,400)				(1,700)		5,676,000
Radiation Regulatory Agency	1,483,300			(65,300)				(1,200)		1,416,800

	FY 2010 Approp Rpt Sept 09	Nov 2009		Dec 2009		7th Special Session Adjustments			FY 2010 Additional Appropriations 5/	Enacted FY 2010
		4th Spec Session Adjustments 2/	Adjustments	5th Spec Session Adjustments 3/	Adjustments	FY 2010 Supplementals 4/	FY 2010 Reductions 4/	Personnel Expenditure Reductions 4/		
Rangers' Pensions, Arizona	14,000							0		14,000
Real Estate Department, State	3,266,400			(245,000)				(2,800)		3,018,600
Revenue, Department of	40,661,500			(3,049,600)				(68,500)		37,543,400
School Facilities Board	113,111,800			(8,332,100)				(1,400)		104,778,300
Secretary of State	11,961,600		6,441,700 8/					(10,300)		18,393,000
Tax Appeals, State Board of	279,800			(21,000)				(300)		258,500
Tourism, Office of	10,655,200							0		10,655,200
Transportation, Department of	63,100			(4,700)				0		58,400
Treasurer, State	3,607,500							(700)		3,606,800
Universities										
Arizona State University - Tempe/DPC	330,087,200		(3,738,100) 9/				(38,138,100)	0		288,211,000
Arizona State University - East Campus	25,388,800		(287,500) 9/				(2,100,100)	0		23,001,200
Arizona State University - West Campus	44,438,900		(503,200) 9/				(5,038,800)	0		38,896,900
Northern Arizona University	134,642,800		(1,524,700) 9/				(15,254,000)	0		117,864,100
Board of Regents	18,598,300							(3,700)		18,594,600
University of Arizona - Main Campus	274,423,100		(3,107,700) 9/				(34,104,700)	0		237,210,700
University of Arizona - Health Sciences Center	74,073,700		(838,800) 9/				(5,364,300)	0		67,870,600
SUBTOTAL - Universities	901,652,800	0	(10,000,000)	0	0	0	(100,000,000)	(3,700)	0	791,649,100
Veterans' Services, Department of	7,602,500						(600,000)	(5,900)		6,996,600
Water Resources, Department of	18,248,500			(1,368,600)				(5,900)		16,874,000
Weights and Measures, Department of	1,315,600			(98,700)				(700)		1,216,200
OPERATING BUDGET TOTAL	9,361,204,900	(542,616,400)	(482,114,000)	(83,203,200)	129,896,100	(528,946,500)	(1,150,300)	101,600	7,853,172,200	
General Fund Personnel Expense Reduction	0						(1,150,300) 10/	1,150,300		0
Veterinary Med Bd Backfill	250,000									250,000
Psychologist Examiners Backfill	300,000									300,000
Chiropractors Backfill	148,000									148,000
Funeral Directors Backfill	100,000									100,000
State Parks Board Backfill	0					213,900				213,900
Tourism Fund Restoration	200,000									200,000
Capital	10,400,000									10,400,000
Administrative Adjustments	72,731,600									72,731,600
One-time Revertments	(2,037,500)			(4,695,900) 11/						(6,733,400)
Capital Revertments	(450,000)									(450,000)
Revertments	(113,241,600)									(113,241,600)
GRAND TOTAL	\$9,329,605,400 12/	(542,616,400)	(\$482,114,000)	(\$87,899,100)	\$130,110,000	(\$530,096,800)	\$0	\$101,600	\$7,817,090,700	

1/ This chart provides a crosswalk between an agency's original appropriation in the FY 2010 Appropriations Report and its final FY 2010 appropriation, excluding capital appropriations.

2/ Reflects changes during November 2009 (Laws 2009, 4th Special Session, Chapter 1 (SB 1001).)

3/ Reflects changes during December 2009 (Laws 2009, 5th Special Session, Chapter 1 (SB 1001).)

4/ Reflects changes during the 7th Special Session.

5/ Appropriations separate from the General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) during the 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section.

6/ Laws 2009, 3rd Special Session, Chapter 11 conditional enactment clause for \$(472,114,000) reduction to the Department of Education upon the state's receipt of State Fiscal Stabilization Fund monies from the American Recovery and Reinvestment Act.

7/ Prior to FY 2011, the State Forester was displayed as a division of the State Land Department. For FY 2011 it is displayed as its own agency.

8/ Monies for the Library and Archives are now shown as a division within the Secretary of State.

9/ Laws 2009, 3rd Special Session, Chapter 11 conditional enactment clause for \$(10,000,000) reduction to the universities upon the state's receipt of State Fiscal Stabilization Fund monies from the American Recovery and Reinvestment Act. The \$(10,000,000) has been allocated to each university by the Arizona Board of Regents.

10/ Laws 2010, 7th Special Session, Chapter 1 reduced agency spending by \$1,730,000 for salary reductions and furloughs. The remaining \$579,700 in savings will be achieved by reducing Non-General Fund pay and transferring these monies to the General Fund.

11/ Laws 2009, 5th Special Session, Chapter 1 (SB 1001) reduced the Arizona Department of Correction's New State Prison Beds Special Line Item by \$(11,000,000), however only \$4,695,900 remained unexpended prior to the effective date of the bill.

12/ This amount excludes ADE revertments of \$(375,909,400), AHCCCS fraud reduction savings of \$(50,000,000), ADE stimulus savings of \$(222,114,000) and University stimulus savings of \$(10,000,000) originally reported in the FY 2010 Appropriations Report, as these amounts are addressed in subsequent adjustments.

FY 2010 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES I/

	FY 2010 Approp Rpt Sept 09	Nov 2009 4th Spec Session Adjustments 2/	Adjustments	Dec 2009 5th Spec Session Adjustments 3/	7th Special Session Adjustments			Enacted FY 2010
					FY 2010 Supplementals 4/	FY 2010 Reductions 4/	Personnel Expenditure Reductions 4/	
BUDGET UNITS								
Accountancy, State Board of								
Board of Accountancy Fund	\$1,902,400						(\$1,200)	\$1,901,200
Acupuncture Board of Examiners								
Acupuncture Board of Examiners Fund	129,700						(200)	129,500
Administration, AZ Department of								
Air Quality Fund	765,100			(51,000)			0	714,100
Automation Operations Fund	20,752,300			(1,556,400)			(13,000)	19,182,900
Capital Outlay Stabilization Fund	18,227,600			(815,800)			(3,800)	17,408,000
Corrections Fund	614,700			(45,800)			(400)	568,500
Motor Vehicle Pool Revolving Fund	11,384,300			(853,800)			(1,100)	10,529,400
Personnel Division Fund	15,856,900			(972,200)			(8,600)	14,876,100
Risk Management Revolving Fund	92,472,200						(8,500)	92,463,700
Special Employee Health Insurance Trust Fund	5,249,800						(3,200)	5,246,600
State Surplus Materials Revolving Fund and Federal Surplus Materials Revolving Fund	4,231,400			(159,600)			(700)	4,071,100
Telecommunications Fund	1,941,800			(145,600)			0	1,796,200
Telecommunications Fund - Infrastructure Improvements Account	4,713,700						0	4,713,700
Total - AZ Department of Administration	176,209,800	0	0	(4,600,200)	0	0	(39,300)	171,570,300
Administrative Hearings, Office of								
Healthcare Group Fund	14,500						0	14,500
Agriculture, AZ Department of								
Aquaculture Fund	9,200						0	9,200
Citrus, Fruit and Vegetable Revolving Fund	1,100,700			(72,000)			(600)	1,028,100
Commercial Feed Fund	302,000						(300)	301,700
Dangerous Plants, Pests and Diseases Fund	40,000						0	40,000
Egg Inspection Fund	904,400						0	904,400
Fertilizer Materials Fund	307,700						(400)	307,300
Livestock Custody Fund	79,400						0	79,400
Pesticide Fund	388,300						(300)	388,000
Arizona Protected Native Plant Fund	197,700						(100)	197,600
Seed Law Fund	54,600						(100)	54,500
Total - AZ Department of Agriculture	3,384,000	0	0	(72,000)	0	0	(1,800)	3,310,200
AHCCCS								
Budget Neutrality Compliance Fund	2,993,500						0	2,993,500
Children's Health Insurance Program Fund	114,978,200						0	114,978,200
Healthcare Group Fund	6,179,700						(3,200)	6,176,500
Tobacco Products Tax Fund								
Emergency Health Services Account	23,331,800						(4,108,900)	19,222,900
Tobacco Tax and Health Care Fund Medically Needy Account	53,738,100						(15,442,300)	38,295,800
Total - AHCCCS	201,221,300	0	0	0	0	0	(19,551,200)	181,666,900
Appraisal, State Board of								
Board of Appraisal Fund	624,200						(400)	623,800
Attorney General - Department of Law								
Antitrust Enforcement Revolving Fund	242,800						(200)	242,600
Attorney Gen'l Legal Svcs Cost Allocation Fund	6,109,800			(458,200)			(8,500)	5,643,100
Collection Enforcement Revolving Fund	3,582,100			(268,700)			(1,600)	3,311,800
Consumer Protection-Consumer Fraud Rev. Fund	3,798,600			(284,900)			(2,600)	3,511,100
Interagency Service Agreements Fund	13,440,400						(14,700)	13,425,700
Risk Management Revolving Fund	9,037,400						(9,900)	9,027,500
Victims' Rights Fund	3,248,200						(400)	3,247,800
Total - Attorney General - Department of Law	39,459,300	0	0	(1,011,800)	0	0	(37,900)	38,409,600
Automobile Theft Authority								
Automobile Theft Authority Fund	5,481,300			(341,100)			(400)	5,139,800
Barbers, Board of								
Board of Barbers Fund	329,900						(400)	329,500

	FY 2010 Approp Rpt Sept 09	Nov 2009 4th Spec Session Adjustments 2/	Adjustments	Dec 2009 5th Spec Session Adjustments 3/	7th Special Session Adjustments				Enacted FY 2010
					FY 2010 Supplementals 4/	FY 2010 Reductions 4/	Personnel Expenditure Reductions 4/		
Biomedical Research Commission, Arizona									
Tobacco Tax and Health Care Fund									
Health Research Account	500,000						0		500,000
Behavioral Health Examiners, Board of									
Board of Behavioral Health Examiners Fund	1,378,800						(1,100)		1,377,700
Capital Postconviction Public Defender Office, State									
Capital Postconviction Public Defender Office Fund	0						0		0
Chiropractic Examiners, State Board of									
Board of Chiropractic Examiners Fund	476,600						(500)		476,100
Commerce, Department of									
CEDC Fund	4,074,700			(305,600)			(700)		3,768,400
Commerce Development Bond Fund	145,400						0		145,400
Oil Overcharge Fund	185,700						0		185,700
State Lottery Fund	268,100						(200)		267,900
Total - Department of Commerce	4,673,900	0	0	(305,600)	0	0	(900)		4,367,400
Contractors, Registrar of									
Registrar of Contractors Fund	12,232,700						(8,500)		12,224,200
Corporation Commission									
Arizona Arts Trust Fund	51,800						(100)		51,700
Investment Management Regulatory and Enforcement Fund	769,500			(57,700)			(1,000)		710,800
Public Access Fund	6,784,700			(508,900)			(5,700)		6,270,100
Securities Regulatory and Enforcement Fund	4,765,800			(357,400)			(5,200)		4,403,200
Utility Regulation Revolving Fund	14,539,800			(1,090,500)			(16,200)		13,433,100
Total - Corporation Commission	26,911,600	0	0	(2,014,500)	0	0	(28,200)		24,868,900
Corrections, State Department of									
Alcohol Abuse Treatment Fund	599,300			(44,900)			0		554,400
Corrections Fund	29,017,600						0		29,017,600
Penitentiary Land Fund	979,200						0		979,200
Prison Construction and Operations Fund	12,431,800			(932,400)			0		11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000						0		360,000
State Education Fund for Correctional Education	548,600			(41,100)			(200)		507,300
Transition Program Fund	180,000						0		180,000
Transition Program Drug Treatment Fund	600,000			(45,000)			0		555,000
Total - State Department of Corrections	44,716,500	0	0	(1,063,400)	0	0	(200)		43,652,900
Cosmetology, Board of									
Board of Cosmetology Fund	1,759,500						(1,300)		1,758,200
Criminal Justice Commission, Arizona									
Criminal Justice Enhancement Fund	739,600			(55,500)			(400)		683,700
Drug and Gang Prevention Resource Center Fund	0						0		0
State Aid to County Attorneys Fund	1,052,500			(78,900)			0		973,600
State Aid to Indigent Defense Fund	999,200			(74,900)			(372,500)		551,800
Victim Compensation and Assistance Fund	4,100,000			(307,500)			0		3,792,500
Total - Arizona Criminal Justice Commission	6,891,300	0	0	(516,800)	0	(372,500)	(400)		6,001,600
Deaf and the Blind, AZ Schools for the									
Schools for the Deaf and the Blind Fund	14,806,600						(8,500)		14,798,100
Total - AZ Schools for the Deaf and the Blind	14,806,600	0	0	0	0	0	(8,500)		14,798,100
Deaf and the Hard of Hearing, Comm. for the									
Telecommunication Fund for the Deaf	4,409,900			(330,700)			(1,300)		4,077,900
Dental Examiners, State Board of									
Dental Board Fund	1,106,500						(800)		1,105,700
Drug & Gang Prevention Resource Center									
Drug and Gang Prevention Resource Center Fund	235,200								235,200
Intergovernmental Agreements and Grants	344,400								344,400
Total - Drug & Gang Prevention Resource Center	579,600	0	0	0	0	0	0		579,600
Economic Security, Department of									
Child Abuse Prevention Fund	1,577,400			(118,300)			0		1,459,100
Child Support Enforcement Administration Fund	16,149,600	(796,900)					160,700		15,513,400
Children and Family Services Training Program Fund	209,600						(100)		209,500

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					FY 2010 Supplementals 4/	FY 2010 Reductions 4/	Personnel Expenditure Reductions 4/	
Domestic Violence Shelter Fund	2,400,000			(180,000)			0	2,220,000
Federal Child Care and Development Fund Block Grant	130,448,600						0	130,448,600
Federal Reed Act Grant	3,524,200						0	3,524,200
Federal Temporary Assistance for Needy Families Block Grant	273,516,000	9,634,700				(30,500,000)	0	252,650,700
Long Term Care System Fund	26,469,400					574,000	0	27,043,400
Public Assistance Collections Fund	519,800	(92,200)					0	427,600
Risk Management Fund	271,500						0	271,500
Special Administration Fund	1,574,400	(347,000)		(92,100)			0	1,135,300
Spinal and Head Injuries Trust Fund	2,569,700	(556,900)		(137,400)			(300)	1,875,100
Statewide Cost Allocation Plan Fund	1,000,000						0	1,000,000
Tobacco Tax and Health Care Fund Health Research Account	200,000						0	200,000
Workforce Investment Act Grant	55,954,800						0	55,954,800
Total - Department of Economic Security	516,385,000	7,841,700	0	(527,800)	0	(29,765,300)	(400)	493,933,200
Education, Department of								
Permanent State School Fund	46,475,500	0					0	46,475,500
Proposition 301 Fund	7,000,000				0		0	7,000,000
Teacher Certification Fund	2,468,800			(185,200)			0	2,283,600
Total - Department of Education	55,944,300	0	0	(185,200)	0	0	0	55,759,100
Emergency & Military Affairs, Dept of Emergency Response Fund	132,700						0	132,700
Environmental Quality, Department of								
Air Permits Administration Fund	5,681,400			(429,400)			(4,800)	5,247,200
Air Quality Fund	5,152,900			(389,100)			(3,300)	4,760,500
Clean Water Revolving Fund	5,000,000						0	5,000,000
Emissions Inspection Fund	33,427,900			(311,300)			(2,100)	33,114,500
Hazardous Waste Management Fund	800,500			(59,600)			(100)	740,800
Indirect Cost Recovery Fund	11,224,500			(841,800)			(6,700)	10,376,000
Solid Waste Fee Fund	1,250,500			(86,800)			(900)	1,162,800
Underground Storage Tank Fund	22,000						0	22,000
Used Oil Fund	138,300						0	138,300
Water Quality Fee Fund	5,632,600			(422,400)			(3,100)	5,207,100
Total - Department of Environmental Quality	68,330,600	0	0	(2,540,400)	0	0	(21,000)	65,769,200
Exposition and State Fair Board, AZ Arizona Exposition and State Fair Fund	14,647,500			(894,500)			(4,100)	13,748,900
Financial Institutions, Department of Financial Services Fund	0						0	0
Forester, State State Parks Heritage Fund	0		3,075,000 5/				0	3,075,000
Funeral Directors and Embalmers, Board of Board of Funeral Directors & Embalmers Fund	351,200						(400)	350,800
Game and Fish Department, AZ Game and Fish Fund	35,063,800						0	35,063,800
Game, Nongame, Fish and Endangered Species Fund	332,000						0	332,000
Watercraft Licensing Fund	4,468,800						(1,900)	4,466,900
Waterfowl Conservation Fund	43,400						0	43,400
Wildlife Endowment Fund	16,000						0	16,000
Total - AZ Game and Fish Department	39,924,000	0	0	0	0	0	(1,900)	39,922,100
Gaming, Department of Tribal-State Compact Fund	1,986,200						0	1,986,200
State Lottery Fund	300,000						0	300,000
Arizona Benefits Fund	10,895,700						0	10,895,700
Total - Department of Gaming	13,181,900	0	0	0	0	0	0	13,181,900
Government Information Tech. Agency Information Technology Fund	3,496,500			(259,800)			(3,000)	3,233,700
State Web Portal Fund	3,900,000						0	3,900,000
Total - Government Information Technology Agency	7,396,500	0	0	(259,800)	0	0	(3,000)	7,133,700
Health Services, Department of Arizona State Hospital Fund	11,159,500						0	11,159,500
ASH Land Earnings Fund	1,150,000						0	1,150,000
Health Services Licensing Fund	4,493,400						(11,700)	4,481,700

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					FY 2010 Supplementals ^{4/}	FY 2010 Reductions ^{4/}	Personnel Expenditure Reductions ^{4/}		
Capital Outlay Stabilization Fund	1,578,000							0	1,578,000
Child Fatality Review Fund	99,100							(200)	98,900
Emergency Medical Services Operating Fund	5,154,800							(3,300)	5,151,500
Environmental Laboratory Licensure Revolving Fund	935,200							(700)	934,500
Federal Child Care and Development Fund Block Grant	832,200							0	832,200
Hearing and Speech Professionals Fund	321,900							(400)	321,500
Indirect Cost Fund	7,827,500							(5,300)	7,822,200
Newborn Screening Program Fund	6,812,700							(2,800)	6,809,900
Nursing Care Institution Resident Protection Fund	38,000							0	38,000
Substance Abuse Services Fund	2,250,000							0	2,250,000
Tobacco Tax and Health Care Fund Health Research Account	1,000,000							0	1,000,000
Tobacco Tax and Health Care Fund Medically Needy Account	36,324,800							0	36,324,800
Vital Records Electronic System Fund	433,700							(300)	433,400
Total - Department of Health Services	80,410,800	0	0	0	0	0		(24,700)	80,386,100
Historical Society, Arizona Capital Outlay Stabilization Fund	194,200							0	194,200
Homeopathic & Integrated Medicine Examiners, Bd of Bd of Homeopathic & Integrated Medicine Exmnr's Fund	104,900							(100)	104,800
Housing, Department of Housing Trust Fund	949,600							(1,100)	948,500
Total - Department of Housing	949,600	0	0	0	0	0		(1,100)	948,500
Industrial Commission of AZ Industrial Commission Administrative Fund	19,983,100							(16,400)	19,966,700
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Fund	488,700							(400)	488,300
Court Appointed Special Advocate Fund	2,949,900							(800)	2,949,100
Criminal Justice Enhancement Fund	3,663,200							(2,600)	3,660,600
Defensive Driving School Fund	5,331,000							(3,000)	5,328,000
Judicial Collection Enhancement Fund	16,509,300							(8,000)	16,501,300
Photo Enforcement Fund	4,056,600							(200)	4,056,400
State Aid to the Courts Fund	2,945,500							0	2,945,500
Total - Supreme Court	35,944,200	0	0	0	0	0		(15,000)	35,929,200
Judiciary - Superior Court Criminal Justice Enhancement Fund	6,975,900							(1,600)	6,974,300
Judicial Collection Enhancement Fund	5,032,100							(100)	5,032,000
Drug Treatment and Education Fund	500,000							0	500,000
Total - Superior Court	12,508,000	0	0	0	0	0		(1,700)	12,506,300
SUBTOTAL - Judiciary	48,452,200	0	0	0	0	0		(16,700)	48,435,500
Juvenile Corrections, Department of Criminal Justice Enhancement Fund	601,100			(45,100)				(800)	555,200
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600							0	1,098,600
State Education Fund for Committed Youth	2,466,000			(185,000)				(1,500)	2,279,500
Total - Department of Juvenile Corrections	4,165,700	0	0	(230,100)	0	0		(2,300)	3,933,300
Land Department, State Due Diligence Fund	500,000							0	500,000
Environmental Special Plate Fund	260,000							0	260,000
Trust Land Management Fund	9,820,400							0	9,820,400
State Parks Heritage Fund	3,465,000		(3,075,000) ^{5/}					0	390,000
Total - State Land Department	14,045,400	0	(3,075,000)	0	0	0		0	10,970,400
Legislature Library, Archives & Public Records, AZ State Records Services Fund	678,800		(678,800) ^{6/}					0	0
Total - Legislature	678,800	0	(678,800)	0	0	0		0	0
Liquor Licenses & Control, Department of Liquor Licenses Fund	2,159,800			(214,700)				(2,800)	1,942,300
Lottery Commission, AZ State State Lottery Fund	74,374,200		4,627,900 ^{7/}	(528,400)				(8,700)	78,465,000

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Medical Board, Arizona								
Arizona Medical Board Fund	5,853,400						(4,700)	5,848,700
Medical Student Loans, Board of								
Medical Student Loan Fund	47,000						0	47,000
Mine Inspector, State								
Aggregate Mining Reclamation Fund	155,800						(100)	155,700
Total - State Mine Inspector	155,800	0	0	0	0	0	(100)	155,700
Naturopathic Physicians Medical Board								
Naturopathic Physicians Medical Board Fund	604,800						(400)	604,400
Nursing, State Board of								
Board of Nursing Fund	4,153,900						(4,000)	4,149,900
Nursing Care Institution Administrators Board								
Nursing Care Institution Administrators'								
Licensing & Assisted Living Facility								
Managers' Certification Fund	379,600						(400)	379,200
Occupational Therapy Examiners, Board of								
Occupational Therapy Fund	246,500						(300)	246,200
Opticians, State Board of Dispensing								
Board of Dispensing Opticians Fund	125,200						(100)	125,100
Optometry, State Board of								
Board of Optometry Fund	203,400						(300)	203,100
Osteopathic Examiners, AZ Board of								
Board of Osteopathic Examiners Fund	702,000						(700)	701,300
Parks Board, Arizona State								
Law Enforcement and Boating Safety Fund	1,092,700						0	1,092,700
State Parks Enhancement Fund	8,502,500			(671,300)			(5,200)	7,826,000
Reservation Surcharge Fund	455,000						(300)	454,700
Total - Arizona State Parks Board	10,050,200	0	0	(671,300)	0	0	(5,500)	9,373,400
Personnel Board								
Personnel Board Account of the								
Personnel Division Fund	329,100						(200)	328,900
Pest Management, Office of								
Pest Management Fund	2,663,200						(2,400)	2,660,800
Pharmacy, AZ State Board of								
Board of Pharmacy Fund	1,931,400						(1,800)	1,929,600
Physical Therapy Examiners, Board of								
Board of Physical Therapy Fund	362,000						(400)	361,600
Pioneers' Home, AZ								
Miners' Hospital Fund	2,998,300						0	2,998,300
State Charitable Fund	3,725,000						0	3,725,000
Total - AZ Pioneers' Home	6,723,300	0	0	0	0	0	0	6,723,300
Podiatry Examiners, State Board of								
Podiatry Fund	144,500						(100)	144,400
Postsecondary Education, Commission for								
Postsecondary Education Fund	3,854,800						(800)	3,854,000
Private Postsecondary Education, Board for								
Board for Private Postsecondary Education								
Fund	337,100						(400)	336,700
Psychologist Examiners, State Board of								
Board of Psychologist Examiners Fund	401,800						(400)	401,400
Public Safety, Department of								
Arizona Deoxyribonucleic Acid Identification								
System Fund	4,348,500			(326,100)			(1,900)	4,020,500
Arizona Highway Patrol Fund	20,059,400			(1,504,500)			(800)	18,554,100
Automated Fingerprint Identification System Fund	3,266,300			(245,000)			(400)	3,020,900
Crime Laboratory Assessment Fund	5,530,400			(414,800)			0	5,115,600
Crime Laboratory Operations Fund	10,400,000			(780,000)			0	9,620,000
Criminal Justice Enhancement Fund	3,095,200			(232,100)			0	2,863,100
Highway User Revenue Fund	78,626,200						0	78,626,200
Motorcycle Safety Fund	205,000						0	205,000
Parity Compensation Fund	3,268,400			(245,100)			0	3,023,300
Photo Enforcement Fund	22,534,300						(700)	22,533,600
Risk Management Fund	296,200						0	296,200

	FY 2010 Approp Rpt Sept 09	Nov 2009 4th Spec Session Adjustments 2/	Adjustments	Dec 2009 5th Spec Session Adjustments 3/	7th Special Session Adjustments			Enacted FY 2010
					FY 2010 Supplementals 4/	FY 2010 Reductions 4/	Personnel Expenditure Reductions 4/	
Safety Enforcement and Transportation								
Infrastructure Fund	1,626,600			(122,000)			0	1,504,600
State Highway Fund	41,256,000						0	41,256,000
Total - Department of Public Safety	194,512,500	0	0	(3,869,600)	0	0	(3,800)	190,639,100
Radiation Regulatory Agency								
State Radiologic Technologist Certification Fund	0 269,300						(300)	269,000
Residential Utility Consumer Office								
Residential Utility Consumer Office Revolving Fund	1,308,700						(1,100)	1,307,600
Respiratory Care Examiners, Board of								
Board of Respiratory Care Examiners' Fund	263,100						(400)	262,700
Retirement System, Arizona State								
Long-Term Disability Administration Account State Retirement System Administration Account	2,800,000 20,430,100						0	2,800,000 20,430,100
Total - Arizona State Retirement System	23,230,100	0	0	0	0	0	0	23,230,100
Revenue, Department of								
Department of Revenue Administrative Fund	24,500,000			(1,837,500)			0	22,662,500
Liability Setoff Fund	401,200						(500)	400,700
Tobacco Tax and Health Care Fund	667,300						0	667,300
Total - Department of Revenue	25,568,500	0	0	(1,837,500)	0	0	(500)	23,730,500
Secretary of State								
Election Systems Improvement Fund	7,722,800						0	7,722,800
Records Services Fund	0		678,800 6/				(500)	678,300
Professional Employer Organization Fund	98,900						0	98,900
Total - Secretary of State	7,821,700	0	678,800	0	0	0	(500)	8,500,000
State Boards' Office								
Special Services Revolving Fund	285,200						(300)	284,900
Technical Registration, State Board of								
Technical Registration Fund	1,756,400						(1,600)	1,754,800
Transportation, Department of								
Air Quality Fund	72,700						(100)	72,600
Driving Under the Influence Abatement Fund	145,400						0	145,400
Highway User Revenue Fund	620,400						0	620,400
Motor Vehicle Liability Insurance Enforcement Fund	2,197,500			(164,800)			(1,400)	2,031,300
Safety Enforcement and Transportation								
Infrastructure Fund	2,172,900			(163,000)			0	2,009,900
State Aviation Fund	1,890,100			(141,800)			(1,900)	1,746,400
State Highway Fund	398,222,300				(75,822,300)		0	322,400,000
Transportation Department Equipment Fund	29,822,500			(2,030,700)			(16,900)	27,774,900
Vehicle Inspection & Title Enforcement Fund	1,696,400			(117,700)			(1,100)	1,577,600
Total - Department of Transportation	436,840,200	0	0	(2,618,000)	(75,822,300)	0	(21,400)	358,378,500
Treasurer, State								
State Treasurer's Operating Fund	0						0	0
State Treasurer's Management Fund	88,300						0	88,300
Total - State Treasurer	88,300	0	0	0	0	0	0	88,300
Universities								
Arizona State University - Tempe/DPC								
University Collections Fund	289,864,800		26,700,400 8/				0	316,565,200
Total - Arizona State University - Tempe/DPC	289,864,800	0	26,700,400	0	0	0	0	316,565,200
Arizona State University - East Campus								
University Collections Fund	34,209,100		(4,596,800) 8/				0	29,612,300
Technology and Research Initiative Fund	2,000,000						0	2,000,000
Total - Arizona State University - East Campus	36,209,100	0	(4,596,800)	0	0	0	0	31,612,300
Arizona State University - West Campus								
University Collections Fund	33,551,800		(5,244,400) 8/				0	28,307,400
Technology and Research Initiative Fund	1,600,000						0	1,600,000
Total - Arizona State University - West Campus	35,151,800	0	(5,244,400)	0	0	0	0	29,907,400
Northern Arizona University								
University Collections Fund	62,327,800		10,741,100 8/				0	73,068,900

	FY 2010 Approp Rpt Sept 09	Nov 2009 4th Spec Session Adjustments ^{2/}	Adjustments	Dec 2009 5th Spec Session Adjustments ^{3/}	7th Special Session Adjustments			Enacted FY 2010
					FY 2010 Supplementals ^{4/}	FY 2010 Reductions ^{4/}	Personnel Expenditure Reductions ^{4/}	
University of Arizona - Main Campus University Collections Fund	187,458,300		27,920,900 ^{8/}				0	215,379,200
University of Arizona - Health Sciences Center University Collections Fund	20,471,200		908,800 ^{8/}				0	21,380,000
SUBTOTAL - Universities	631,483,000	0	56,430,000	0	0	0	0	687,913,000
Veterans' Services, Department of State Veterans' Conservatorship Fund	751,800						0	751,800
State Home for Veterans' Trust Fund	13,830,800					600,000	0	14,430,800
Total - Department of Veterans' Services	14,582,600	0	0	0	0	600,000	0	15,182,600
Veterinary Medical Examining Board Veterinary Medical Examining Board Fund	470,400						(400)	470,000
Water Resources, Department of Assured and Adequate Water Supply Admin Fund	951,600						(400)	951,200
Water Banking Fund	0						0	0
Total - Department of Water Resources	951,600	0	0	0	0	0	(400)	951,200
Weights and Measures, Department of Air Quality Fund	1,503,200			(79,000)			(1,000)	1,423,200
Motor Vehicle Liability Insurance Enf. Fund	323,500						(300)	323,200
Total - Department of Weights and Measures	1,826,700	0	0	(79,000)	0	0	(1,300)	1,746,400
State Employee Health Insurance - FY 10 - Unallocated	179,300						0	179,300
State Employee Health Insurance - FY 11	0						0	0
OPERATING BUDGET TOTAL	\$2,891,718,900	\$7,841,700	\$61,057,900	(\$24,712,400)	(\$75,822,300)	(\$49,089,000)	(\$295,100)	\$2,810,699,700
Personnel Expense Reduction	0					(295,100)	295,100	0
Lease-Purchase Adjustments	0							0
AZNet Adjustments	0							0
Capital	223,608,600							223,608,600
GRAND TOTAL	\$3,115,327,500	\$7,841,700	\$61,057,900	(\$24,712,400)	(\$75,822,300)	(\$49,384,100)	\$0	\$3,034,308,300

^{1/} This chart provides a crosswalk between an agency's original appropriation in the FY 2010 Appropriations Report and its final FY 2010 appropriation, excluding capital appropriations.

^{2/} Reflects changes during November 2009 (Laws 2009, 4th Special Session, Chapter 1 (SB 1001).)

^{3/} Reflects changes during December 2009 (Laws 2009, 5th Special Session, Chapter 1 (SB 1001).)

^{4/} Reflects changes during the 7th Special Session.

^{5/} Prior to FY 2011, the State Forester was displayed as a division of the State Land Department. For FY 2011 it is displayed as its own agency.

^{6/} Monies for the Library and Archives are now shown as a division within the Secretary of State.

^{7/} Revised Lottery forecast.

^{8/} Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2010. A footnote in the FY 2010 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

FEDERAL EXPENDITURE AUTHORITY - FY 2010

AHCCCS	5,198,468,700	0	72,439,900	0	43,275,400	(32,093,400)	(51,200)	5,282,039,400
Economic Security, Department of	752,282,100	0	(51,865,600)	0	0	0	(12,400)	700,404,100
Health Services, Department of	960,486,000	0	0	0	88,299,300	0	(16,300)	1,048,769,000
GRAND TOTAL	6,911,236,800	0	20,574,300	0	131,574,700	(32,093,400)	(79,900)	7,031,212,500

FY 2010 MID-YEAR BUDGET RECONCILIATION BILLS (BRB)

4th Special Session

K-12 EDUCATION – CHAPTER 2 (SB 1002)

Department of Education	<u>Section</u>
1. As session law, reduce state aid funding for Soft Capital by \$(144) million statewide for FY 2010. Exempt school districts with fewer than 600 K-8 pupils from 50% of the K-8 Soft Capital reductions and districts with fewer than 600 high school pupils from 50% of the high school Soft Capital reductions that they otherwise would receive for FY 2010.	2
2. As session law, reduce Soft Capital funding for school districts that do not receive state aid for FY 2010 by the amount that would be reduced if they did qualify for state aid for FY 2010.	2
3. As session law, specify that to the extent possible, the Soft Capital reductions shall be taken against administrative costs, rather than classroom instruction.	2
4. As session law, change the retroactivity date in the original K-12 Education BRB pertaining to the Early Graduation Scholarship Program from 9/26/2008 to 9/19/2007. This will eliminate funding losses that school districts experienced under the program in FY 2008 for students who graduated one semester early in FY 2007, as intended in the original K-12 Education BRB (which instead only eliminated those losses for FY 2009 and beyond).	1

GENERAL REVENUES – CHAPTER 3 (SB 1003)

Arizona Department of Agriculture	<u>Section</u>
5. As session law, permit the Arizona Department of Agriculture with the assistance of the Agricultural Advisory Council to adjust its fees in FY 2010. The bill includes as session law an intent statement that the news fees generate up to \$561,000 of increased revenues. (This amount incorporates \$172,000 in FY 2009 fees in FY 2010.) The session law requires the department to collect any difference between the old fee collected in FY 2010 prior to imposition of the new fee and that new fee. The bill also exempts the agency from rulemaking requirements until July 1, 2010.	23

Department of Commerce	
6. As session law, allow the Risk Management Revolving Fund to be used in FY 2010 for a one-time appropriation to allow the Commerce and Economic Development Commission to pay unpaid obligations relating to the Arizona Twenty-First Century Competitive Initiative Fund. Appropriate \$18,474,923 from the Risk Management Revolving Fund to the Commerce and Economic Development Commission for the payment of unpaid prior year obligations.	34, 35

Registrar of Contractors	
7. As session law, allow 14% of prior fiscal year revenues from the Residential Contractor's Recovery Fund to be used for employee and contracted services, equipment, and for operational costs, rather than 10% of fund balance.	24

Corporation Commission	
8. As permanent law, direct a portion of the fee for the annual report of domestic and foreign corporations, as appropriated by the Legislature, to the Public Access Fund for the Corporation Commission's operating expenditures. The fee is currently deposited in the General Fund. Retroactive to June 30, 2009.	4,5,38
9. As permanent law, repeal existing annual registration fees for securities dealers and salesmen and provide authority for the Commission to set new fees by December 31, 2010. Existing fees would remain in effect until news fees are established. The bill includes as session law an intent statement that the new fees generate \$800,000 of increased revenues. As permanent law, direct a portion of another fee from the General Fund to the Securities Regulation and Enforcement Fund.	13,14,30

Government Information Technology Agency

10. As permanent law, beginning in FY 2011, require all revenues from the State Web Portal be deposited in the State Web Portal Fund. (*Note: this provision was subsequently reversed in the 2nd Regular Session.*) 8
11. As session law, limit the operating expenses exempt from appropriation to no more than \$3 million in FY 2010. 25

Arizona Department of Housing

12. As permanent law, deposit the first \$10.5 million in unclaimed property proceeds into the Housing Trust Fund. Retroactive to June 30, 2009. 12

Department of Insurance

13. As session law, notwithstanding the requirement for the Department of Insurance to recover at least 95% but not more than 110% of the department's appropriated budget. Retroactive to November 30, 2009. 21

Lottery Commission

14. As session law, reduce FY 2010 Lottery distributions to the County Assistance Fund by \$765,000, the Local Transportation Assistance Fund by \$2,300,000, and the Local Transportation Assistance Fund II (Mass Transit) by \$990,000. The total reduction is \$4,055,000. 22
15. As permanent law, repeal the State Land Department's Community Protection Initiative Fund and Department of Environmental Quality's Water Supply Development Fund from the list of recipients of State Lottery Fund monies. 2,3

Office of Pest Management

16. As session law, allow the Office of Pest Management to increase its fees in FY 2010. The bill appropriates the revenue generated from the increased fees to the agency, and includes an intent clause that limits additional revenues generated by the fee increases to \$875,000. The bill also exempts the agency from rulemaking requirements until July 1, 2010. Retroactive to November 30, 2009. 28

Department of Racing

17. As permanent law, require pari-mutuel proceeds to be distributed to the General Fund rather than to Racing funds. The bill also appropriates General Fund monies to current Racing fund recipients to partially offset loss of pari-mutuel taxes. Makes Racing funds non-appropriated since they will now receive only General Fund monies. *See Department of Revenue unclaimed property provision for details on total appropriation redirected from both sources.* 1

Department of Revenue

18. As permanent law, provide that the first \$10.5 million in unclaimed property proceeds are to be deposited into the Housing Trust Fund, and the next \$24.5 million goes to the Department of Revenue. Establishes the Department of Revenue Administrative Fund. Includes a retroactive clause to June 30, 2009. Appropriate \$4,595,500 to various Racing programs and \$2,963,200 to the Department of Revenue for administration and auditors. The estimated \$173,100 to the Victims Compensation and Assistance Fund, \$26,300 to the Utility Assistance Fund, and \$11,200 to the Permanent School Fund would continue to be distributed as under current law. 9,12,38
19. As permanent law, accelerate by 2 years the length of time for all property types to be presumed abandoned and therefore unclaimed (from 5 years to 3 years), revised the time period for travelers' checks from 15 years to 3 years and money orders from 6 to 3 years. (*Laws 2010, Chapter 119 later changed the traveler's check timeframe for abandonment back to 15 years.*) 7,10
20. As session law, require firms to notify clients of unclaimed property in their possession by March 1, 2010, and allow clients 90 days to claim the unclaimed property. The possession period is between July 1, 2008 and July 1, 2009. 33
21. As session law, continue the requirement for JLBC review of any BRITS contract extensions or modifications that increase the contractor's share of gain-sharing proceeds from state revenues during FY 2010. Retroactive to June 30, 2009. 31,38
22. As session law, provide that the Department of Revenue may utilize up to \$2 million of General Fund in FY 2010 revenues to pay BRITS operational support costs after JLBC review. Retroactive to June 30, 2009. 31,38

23. As session law, provide that if 12.5% of the dollar value of properties recovered by unclaimed property contract auditors exceeds \$1,770,000 in FY 2010, the excess amount will be transferred to the DOR Administrative Fund and appropriated to DOR for contract auditor fees. 32

Arizona Department of Transportation

24. As permanent law, change A.R.S. § 28-3002A7 to remove the cap on fees for duplicate drivers licenses. 6
 25. As session law, provide that the amount of Vehicle License Tax collected from the 5-year registration option which is over and above what would have been collected had the vehicles been registered for 2 years be deposited into the state General Fund. 29

Revenues

26. As session law, repeal the fee raising authority, appropriations, and rule making exemptions pursuant to Laws 2008, Chapter 291, Section 12 for the Department of Public Safety and the Department of Environmental Quality. Continue FY 2009 fee raising authority for the Department of Health Services, the Radiation Regulatory Agency, and the State Land Department for FY 2010. The bill exempts recreation fees from the fee raising authority granted the State Land Department. The bill adds an intent clause that limits additional revenues to \$600,000 each for the Department of Health Services and the State Land Department, and \$500,000 for the Radiation Regulatory Agency. The bill also exempts the agency from rulemaking requirements until July 1, 2010. Retroactive to June 30, 2009. 20,27
27. As permanent law, changes the end of the state’s General Fund contribution to the Rio Nuevo multipurpose facility district from 2025 to the earlier of that date or the completion of the currently scheduled debt service payments. The bill provides that no state funds may be used for operating expenses of the facility, nor for any costs that qualify for funding from the Arizona Convention Center Development Fund. The bill also provides for a performance audit of the district beginning in 2010. The bill specifies that the district’s Board of Directors consist of 9 members, 5 to be appointed by the Governor, and 2 each to be appointed by the President of the Senate and the Speaker of the House. The bill provides that, until a notice to proceed is issued for a hotel and convention center, distributed funds may only be used for debt service on bonds issued before January 1, 2009, administrative expenses, contractual obligations incurred before June 1, 2009, and the design and construction of the hotel and convention center. The bill also requires the establishment of a web-site database reporting revenues and expenditures of the district, and requires the posting of annual financial reports on the web-site. Retroactive to June 30, 2009. 10,15-19,36,38
28. As session law, require Maricopa County to transfer \$19,014,600 and Pima County to transfer \$2,985,400 into the General Fund, for a total transfer of \$22 million. Exempt these contributions from county expenditure limitations. Allows counties to use any source of county revenue to make the transfers. 26

Other

29. The bill includes an emergency clause. 39

6th Special Session

SPECIAL ELECTION AUTHORIZATION – CHAPTER I (SB 1001)

Special Election Authorization

Section

1. As session law, authorizes a special election to consider SCR 1001 on May 18, 2010. 1-9

LOTTERY – CHAPTER 2 (SB 1004)

Lottery

2. As permanent law, authorizes a new Lottery on July 1, 2012 through 2025. 1-9

OUT OF STATE FILERS – CHAPTER 3 (SB I005)

Revenues

Section

3. As permanent law, extend proration of income tax itemized deductions for out of state filers to the standard deduction, retroactive to 1/1/2010.

1-3

STATE FINANCING – CHAPTER 4 (SB I003)

State Financing

4. As permanent law, authorizes the state to issue up to \$450,000,000 in state lottery revenue bonds and use the General Fund share of future lottery proceeds for the debt service.
5. As session law, authorizes the state to sell several State properties and lease them back over a 20 year period. This sale is above and beyond the sale and leaseback authorized by Laws 2009, 3rd Special Session, Chapter 6 and is capped at \$300,000,000.

1

2