

**FY 2011
Baseline Book**

Individual Agency Detail

January 2010

JLBC

FY 2011

Baseline Book

Individual Agency Detail

Prepared By

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**DIRECTORY OF JLBC ANALYSTS
AND AGENCY/DEPARTMENT HEADS**

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Aaron Galeener	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	Pete Gonzales [Director]	602-542-3095
Administration, Arizona Department of	Leatta McLaughlin	David Raber [Interim Director]	602-542-1500
Administrative Hearings, Office of	Bob Hull	Cliff J. Vanell [Director]	602-542-9826
Agriculture, Arizona Department of	Leatta McLaughlin	Donald Butler [Director]	602-542-4373
Arizona Health Care Cost Containment System	Amy Upston/Aaron Galeener	Thomas J. Betlach [Director]	602-417-4111
Appraisal, State Board of	Aaron Galeener	Deborah Pearson [Executive Director]	602-542-1593
Arizona State University	Kimberly Cordes-Sween	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Bob Hull	Robert Booker [Executive Director]	602-771-6501
Attorney General - Department of Law	Marge Zylla	Honorable Terry Goddard [Attorney General]	602-542-5025
Auditor General	Steve Grunig	Debra K. Davenport [Auditor General]	602-553-0333
Automobile Theft Authority	Eric Billings	Brian Salata [Executive Director]	602-364-2888
Barbers, Board of	Steve Grunig	Sam LaBarbera [Executive Director]	602-542-4498
Behavioral Health Examiners, Board of	Steve Grunig	Debra Rinaudo [Executive Director]	602-542-1884
Biomedical Research Commission, Arizona	Amy Upston	Dawn C. Schroeder [Executive Director]	602-542-1028
Capital Postconviction Public Defender Ofc., State	Jon McAvoy	Marty Lieberman [Director]	
Charter Schools, State Board for	Ted Nelson	DeAnna Rowe [Executive Director]	602-364-3080
Chiropractic Examiners, State Board of	Steve Grunig	Patrice Pritzl [Executive Director]	602-864-5088
Citizens Clean Election Commission	Jack Brown	Todd Lang [Executive Director]	602-364-3477
Commerce, Department of	Eric Billings	Donald E. Cardon [Director]	602-771-1160
Community Colleges, Arizona	Marge Zylla	--	--
Compensation Fund, State	Bob Hull	Donald A. Smith, Jr. [President]	602-631-2050
Constable Ethics Standards and Training Board	Jon McAvoy	Vince Roberts [Chairman]	420-250-1179
Contractors, Registrar of	Bob Hull	Bill Mundell [Director]	602-542-1525
Corporation Commission	Juan Beltran	The Honorable Kristin K. Mayes [Chairman]	602-542-4143
Corrections, State Department of	Martin Lorenzo	Charles L. Ryan [Interim Director]	602-542-5225
Cosmetology, Board of	Steve Grunig	Donna Aune [Acting Director]	480-784-4539
Court of Appeals, Division I	Jon McAvoy	Honorable Ann A. Scott Timmons [Chief Judge]	602-542-4828
Court of Appeals, Division II	Jon McAvoy	Honorable Joseph W. Howard [Chief Judge]	520-628-6946
Criminal Justice Commission, Arizona	Jon McAvoy	John A. Blackburn, Jr. [Executive Director]	602-364-1146
Deaf and the Blind, Arizona State Schools for the	Jack Brown	Robert Hill [Superintendent]	520-770-3601
Deaf and the Hard of Hearing, Commission for the	Bob Hull	Sherri L. Collins [Director]	602-542-3383
Dental Examiners, State Board of	Aaron Galeener	Elaine Hugunin [Executive Director]	602-242-1492
Drug and Gang Prevention Resource Center, AZ	Jon McAvoy		
Early Childhood Development and Health Board, Arizona	Jack Brown	Elliott Hibbs [Executive Director]	602-771-5100
Economic Security, Department of	Jay Chilton	Neal Young [Director]	602-542-5678
Education, Department of	Steve Schimpp	Honorable Tom Horne [Superintendent of Public Instruction]	602-542-5460
Emergency and Military Affairs, Department of	Eric Billings	Hugo Salazar [Adjutant General]	602-267-2710
Environmental Quality, Department of	Aaron Galeener	Benjamin H. Grumbles [Director]	602-771-2309
Equal Opportunity, Governor's Office of	Ted Nelson	Manuel Cisneros [Director]	602-542-3711
Equalization, State Board of	Bob Hull	John Greene [Chairman]	602-364-1600
Executive Clemency, Board of	Jon McAvoy	Duane Belcher, Sr. [Chairman]	602-542-5656
Exposition and State Fair Board, Arizona	Steve Grunig	Don West [Executive Director]	602-252-6771
Financial Institutions, Department of	Aaron Galeener	Thomas L. Wood [Acting Superintendent]	602-255-4421
Fire, Building and Life Safety, Department of	Ted Nelson	Robert Barger [Director]	602-364-1003
Funeral Directors & Embalmers, State Board of	Steve Grunig	Rodolfo R. Thomas [Executive Director]	602-542-8152
Game and Fish Department, Arizona	Ted Nelson	Larry Voyles [Director]	602-942-3000
Gaming, Department of	Ted Nelson	Mark Brnovich [Director]	602-604-1801
Geological Survey, Arizona	Ted Nelson	M. Lee Allison, Ph.D. [Director and State Geologist]	520-770-3500
Government Information Technology Agency	Ted Nelson	Chad Kirkpatrick [Director]	602-364-4770
Governor, Office of the	Bob Hull	Honorable Janice K. Brewer [Governor]	602-542-4331
Governor's Office of Strategic Planning & Budgeting	Bob Hull	John Arnold [Director]	602-542-5381
Health Services, Department of	Art Smith	Will Humble [Interim Director]	602-542-1025
Historical Society, Arizona	Bob Hull	Anne I. Woosley [Executive Director]	520-628-5774
Historical Society of Arizona, Prescott	Bob Hull	John Langellier [Director]	928-445-3122
Homeland Security, Department of	Eric Billings	Gilbert Orrantia [Director]	602-542-7013

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Homeopathic and Integrated Medicine Examiners, Board of House of Representatives	Steve Grunig Bob Hull	Christine Springer [Executive Director] Honorable Kirk Adams [Speaker]	602-542-3095 602-926-5495
Housing, Arizona Department of Independent Redistricting, Commission on	Eric Billings Jack Brown	Mr. Michael Traylor (Director)	602-771-1035 602-542-1500
Indian Affairs, Arizona Commission of Industrial Commission of Arizona	Ted Nelson Bob Hull	Kristine Thomas [Executive Director] Laura McGrody [Director]	602-277-0351 602-542-4411
Insurance, Department of Joint Legislative Budget Committee	Eric Billings Bob Hull	Christina Urias [Director] Richard Stavneak [Director]	602-364-3471 602-926-5491
Juvenile Corrections, Department of	Jon McAvoy	Michael Branham [Director]	602-542-4302
Land Department, State Law Enforcement Merit System Council	Jay Chilton Eric Billings	Maria Baier [Land Commissioner] Commander Iven T. Wooten [Business Manager]	602-542-4621 602-223-2286
Legislative Council	Bob Hull	Mike E. Braun [Executive Director]	602-926-4236
Liquor Licenses & Control, Department of Lottery Commission, Arizona State	Jon McAvoy Juan Beltran	Jerry Oliver, Sr. [Director] Jeff Hatch-Miller [Executive Director]	602-542-9020 480-921-4400
Medical Board, Arizona Medical Student Loans, Board of	Aaron Galeener Steve Grunig	Lisa Wynn [Executive Director] Carol Q. Galper [Chairperson]	480-551-2700 520-626-7145
Mine Inspector, State Mines & Mineral Resources, Department of Naturopathic Physicians Medical Board	Ted Nelson Ted Nelson Steve Grunig	Honorable Joe Hart [State Mine Inspector] Madan M. Singh [Director] Craig Runbeck [Executive Director]	602-542-5971 602-771-1600 602-542-8242
Navigable Stream Adjudication Commission, AZ Northern Arizona University	Aaron Galeener Kimberly Cordes-Sween	George Mehnert [Executive Director] John D. Haeger, Ph.D. [President]	602-542-9214 928-523-3232
Nursing, State Board of Nursing Care Institution Administrators & Assisted Living Facility Managers, Board of Examiners of Occupational Safety & Health Review Board	Aaron Galeener Steve Grunig Bob Hull	Joey Ridenour [Executive Director] Allen Imig [Executive Director] David Areghini [Chairman]	602-889-5150 602-542-8156 602-542-4411
Occupational Therapy Exam., Board of Opticians, State Board of Dispensing Optometry, State Board of Osteopathic Examiners, Arizona Board of Parents Commission on Drug Education and Prevention, AZ	Steve Grunig Steve Grunig Steve Grunig Ted Nelson Jon McAvoy	Wendy H. Hammon [Executive Director] Lori D. Scott [Executive Director] Margaret Whelan [Executive Director] Elaine LeTarte [Executive Director] Tammy Paz-Combs [Director]	602-589-8352 602-542-8158 602-542-8155 480-657-7703 602-542-3643
Parks Board, Arizona State Personnel Board	Art Smith Bob Hull	Renee Bahl [Executive Director] Judith Henkel [Executive Director]	602-542-4174 602-542-3888
Pest Management, Office of Pharmacy, Arizona State Board of Physical Therapy Examiners, Board of	Ted Nelson Aaron Galeener Steve Grunig	Ellis M. Jones [Acting Director] Hal Wand [Executive Director] Charles Brown [Executive Director]	602-255-3664 602-771-2727 602-542-8157
Pioneers' Home, Arizona Podiatry Examiners, State Board of Postsecondary Education, Commission for Power Authority, Arizona Private Postsecondary Education, State Board for	Aaron Galeener Steve Grunig Marge Zylla Ted Nelson Marge Zylla	Ted Ihrman [Interim Director] Dee Doyle [Executive Director] April L. Osborn [Executive Director] Joseph W. Mulholland [Executive Director] Teri R. Stanfill [Executive Director]	928-445-2181 602-542-8151 602-258-2435 602-368-4265 602-542-5709
Psychologist Examiners, State Board of Public Safety, Department of Public Safety Personnel Retirement System	Steve Grunig Eric Billings Marge Zylla	Cindy Olvey [Director] Roger Vanderpool [Director] Jim Hacking [Administrator]	602-542-8162 602-223-2464 602-255-5575
Racing, Arizona Department of Radiation Regulatory Agency	Bob Hull Eric Billings	Luis Marquez [Director] Aubrey V. Godwin [Director]	602-364-1695 602-255-4845
Rangers' Pensions, Arizona Real Estate Department, State Regents, Arizona Board of Residential Utility Consumer Office Respiratory Care Examiners, Board of	Steve Grunig Aaron Galeener Kimberly Cordes-Sween Juan Beltran Steve Grunig	-- Judy Lowe [Commissioner] Joel Sideman [Executive Director] Jodi Jerich [Director] Mary Hauf Martin [Executive Director]	-- 602-771-7799 602-229-2506 602-364-4845 602-542-5995
Retirement System, Arizona State Revenue, Department of School Facilities Board	Marge Zylla Juan Beltran Jack Brown	Paul Matson [Director] Gale Garriott [Director] Dean Gray [Interim Executive Director]	602-240-2031 602-716-6090 602-542-6501
Secretary of State, Department of State Senate	Jack Brown Bob Hull	Honorable Ken Bennett [Secretary of State] Honorable Bob Burns [President of the Senate]	602-542-4285 602-926-5584
State Boards' Office Superior Court Supreme Court Tax Appeals, State Board of Technical Registration, State Board of	Steve Grunig Jon McAvoy Jon McAvoy Bob Hull Aaron Galeener	Megan Darian [Office Manager] David K. Byers [Director] Rebecca White Berch [Chief Justice] Janice C. Washington [Chairperson] Ronald W. Dalrymple [Executive Director]	602-542-3095 602-452-3301 602-452-3536 602-364-1102 602-364-4930

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Tourism, Office of Transportation, Department of Treasurer, State	Ted Nelson Juan Beltran Eric Billings	Sherry Henry [Director] John Halikowski [Director] Honorable Dean Martin [State Treasurer]	602-364-3700 602-712-7227 602-604-7800
University of Arizona Veterans' Services, Department of Veterinary Medical Examining Board, AZ State Water Resources, Department of Weights & Measures, Department of	Kimberly Cordes-Sween Amy Upston Steve Grunig Aaron Galeener Aaron Galeener	Robert Shelton, Ph.D [President] Colonel Joey Strickland [Director] Jenna Jones [Executive Director] Herb Guenther [Director] Gene Palma [Director]	520-621-5511 602-234-8418 602-542-8150 602-771-8426 602-771-4920
<u>OTHER ASSIGNMENTS</u> Capital Review Economic & Revenue Forecast	Leatta McLaughlin Tim Everill Hans Olofsson Eric Jorgensen Martin Lorenzo Juan Beltran Eric Billings		
Federal/Non-Appropriated Funds Fiscal Note Manager Strategic Program Area Reviews	Stefan Shepherd Stefan Shepherd Stefan Shepherd		

[] Denotes Title for Information Purposes

1/11/10

DESCRIPTION OF METHODOLOGY AND MAJOR TECHNICAL ISSUES

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent funding formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2011 budget.

FY 2011 Budget

A.R.S. § 35-101 specifies 17 state agencies as “annual budget units” receiving one annual appropriation; all other agencies are “biennial budget units” receiving biennial appropriations with the dollar amounts itemized for each fiscal year. Given the magnitude of the budget shortfall projected last year for FY 2010 and future years, the FY 2010 budget only included FY 2010 funding for all budget units. As a result, the Baseline includes FY 2011 funding for all budget units. The Baseline also includes supplemental FY 2010 funding for selected budget units. All FY 2011 changes are referenced to the FY 2010 appropriated amount up through the 5th Special Session.

Changes from Prior Year

The Baseline includes adjustments for one-time appropriations, annualization of any items funded for a partial year, and funding formula requirements.

The individual agency descriptions in this volume provide further narrative detail on these changes. In addition, the book provides the line item detail for individual agency budgets. The major technical issues with regard to each of these line items are described below.

The individual agency descriptions also include the following years of budget data:

- *FY 2009 Actual* - This dollar amount represents the FY 2009 expenditures as reported by the agency.
- *FY 2010 Estimate* - This dollar amount represents the FY 2010 appropriations as of the end of the 49th Legislature’s 5th Special Session. Lump sum reductions from the original FY 2010 budget passed in the 1st Regular Session have been allocated among individual line items as reported by the agency. Lump

sum reductions from the 5th Special Session are displayed on a separate line item. These reductions will be allocated among existing lines as part of the FY 2011 General Appropriation Act.

- *FY 2011 Baseline* - This dollar amount represents the FY 2011 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency. The detail for these funds can be found in the “Summary of Funds” section at the end of each individual agency’s narrative pages. (For multiple cost center agencies, the “Summary of Funds” is at the end of the Agency Summary.)

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees. The Baseline does not include a state employee pay adjustment.

ERE Rates - This category typically represents changes in the state’s cost of employee benefits. The rates have been held constant from FY 2010 to FY 2011 in the Baseline.

Medical and Dental Insurance - The Baseline includes no funding for a medical and dental insurance adjustment. Funding for the employer share of health insurance in an individual agency’s FY 2011 Baseline is the same as in FY 2010. JLBC Staff estimates the total increase in medical and dental insurance costs in FY 2011 to be approximately \$50 million in total funds. This increase could be funded by increased employer contributions (funded or unfunded), increased employee and retiree contributions, or drawdowns of the Health Insurance Trust Fund balance. The increase could also be reduced by incorporating plan changes.

Life Insurance - \$40.30 per employee per year, an increase of \$3.58 from the FY 2010 rate of \$36.72 per employee per year. The Baseline does not include additional funding for this increase, which is estimated to have a General Fund cost of less than \$200,000.

Retirement - The Baseline does not include a state employee retirement rate adjustment. Funding for the employer share of retirement rate contributions in an individual agency’s FY 2011 Baseline is the same as in FY 2010.

FY 2011 rates as determined by the state’s retirement systems have changed from the FY 2010 rates. The rates for the different retirement systems, as a percent of Personal Services, are shown in *Table 1*. For the Arizona State Retirement System (ASRS), the statewide non-Universities

Table 1**Retirement Rates**

<u>Retirement System</u>	<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><i>Correctional Officers Ret. Plan</i></u>			
Correctional Officers - DOC	9.19	8.37	8.41
Correctional Officers - DJC	8.41	7.46	8.41
<i>Elected Officials Retirement Plan</i>	14.25	17.42	7.00
<i>University Optional</i>	7.00	7.00	7.00
<u><i>Public Safety Personnel Retirement</i></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 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.

General Fund cost is \$2,046,300. The General Fund cost of non-ASRS changes is a decrease of \$(2,171,100), which includes a \$(2,858,800) decrease in the Department of Corrections. The total funds cost of Universities-related ASRS changes totals \$2,225,300.

Disability Insurance - For ASRS employees the employer pays 0.25% of Personal Services for disability insurance, a decrease of (0.15)% from the FY 2010 rate of 0.40%. The Baseline does not adjust agencies' budgets for this decrease. The savings are incorporated into the total impacts of the retirement rates discussed above.

For non-ASRS employees the rate is 0.36% of Personal Services, unchanged from the FY 2010 rate.

Federal Insurance Contributions Act (FICA) - Social Security taxes are budgeted at a rate of 6.20% up to \$106,800 of an employee's salary, up from the FY 2009 budgeted maximum of \$102,000. (The actual cap beginning January 1, 2010 set by the federal government is also \$106,800.) No additional funds are appropriated to agencies for this increase, though the impact will be minimal. 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 percentage rates are unchanged from FY 2010.

Personnel Division Pro Rata - 1.07% 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.

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.

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.

Unemployment Insurance - 0.412% of Personal Services for each agency, unchanged from the FY 2010 rate.

Attorney General Pro Rata - 0.675% of the Personal Services base for each agency not specifically excluded from the charge, unchanged from the FY 2010 rate. A portion of the Attorney General's budget is funded from this charge.

Workers' Compensation - The rates calculated by ADOA vary by individual agency and have not changed from the FY 2010 workers' compensation rates. The overall statewide rate is 0.90% in FY 2011.

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 and have not changed from the budgeted FY 2010 rates. Individual agency budgets have not been adjusted for changes in rates. The rates are estimated to generate total revenues of \$70.8 million yearly.

Rent - Individual agency budgets' Other Operating Expenditures include monies to pay rent for state-owned, lease-purchase or privatized lease-to-own (PLTO) space, as well as for privately-owned space.

ADOA charges \$21.02 for all state agencies occupying state-owned space and \$7.62 per square foot for state-owned storage space. Agencies have been budgeted at the \$21.02 and \$7.62 rates in the Baseline for FY 2011.

The Baseline adjusts the allocations for all agencies housed in buildings acquired by lease-purchase to reflect FY 2011 changes. Statewide, these changes will increase by \$9,002,300 from the General Fund and \$13,577,600 from total funds above the FY 2010 total. These adjustments will be appropriated centrally and allocated to agencies. The Baseline does not include additional funds for changes in PLTO charges, which are expected to increase by \$671,900 in total funds for FY 2011.

Increases in rent for privately-owned space are addressed as separate policy issues.

AZNet - Administered by ADOA, AZNet provides telephone and data services to state agencies via an outside contractor. The Baseline adjusts the allocations for

participating agencies to reflect FY 2011 charges; the Baseline reflects ADOA’s decision to suspend equipment replacement. As a result, statewide charges will decrease by \$(2,165,200) from the General Fund and \$(5,982,200) from total funds. These adjustments will be allocated to agencies.

Full-Time Equivalent (FTE) Positions

Each agency section in this book includes the proposed number of Full-Time Equivalent (FTE) Positions for the agency, along with the number of authorized FTE Positions for FY 2010 and FY 2011. Any changes from the prior year total are noted in agency narrative. The number of FTE Positions reflects personnel funded from both Personal Services and Special Line Items.

FY 2010 and FY 2011 FTE Position figures are adjusted downward for the effects of Laws 2009, 3rd Special Session, Chapter 11, Section 17, which mandates a 5% General Fund FTE Position reduction by February 1, 2010. The reductions are discussed in each agency in a “5% FTE Position Reduction” narrative in the “Other Issues for Legislative Consideration” section.

Format

Each agency section in this book includes the proposed agency budget format. Any changes from the prior year format are noted. The format governs how an agency’s appropriation will appear in the General Appropriation Act. The most common budget formats are as follows:

- *Lump Sum by Agency*
- *Lump Sum by Program*
- *Modified Lump Sum by Agency*
- *Detailed Line Item by Agency*

A less detailed format will provide an agency with more discretion in implementing the budget at the expense of legislative oversight for that agency. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds to a purpose different from that originally intended by the Legislature.

Details on each of these common formats are below:

Lump Sum by Agency - The appropriation consists of a single dollar amount, thereby allowing the agency to shift funds among line items and programs without further legislative review. In the General Appropriation Act, the agency’s budget would appear as follows:

Agency X	
FTE Positions	2.0
Lump sum appropriation	\$100,000

Within this format, the Legislature will need to determine whether Special Line Items (funds generally granted to entities or individuals outside of state government, or which merit special attention) will be included in the Lump Sum or listed separately.

Lump Sum by Program - The appropriation consists of a single dollar amount for each agency program. Agencies must receive ADOA approval prior to shifting monies from one program to another. Any Special Line Items would be listed under the program with which they are associated. In the General Appropriation Act, the agency’s budget would appear as follows:

Agency X	
FTE Positions	2.0
Program A	\$30,000
Program B	30,000
Program C	<u>40,000</u>
Total Appropriations - Agency X	\$100,000

Modified Lump Sum - The appropriation consists of at least 3 lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, an agency must seek approval of the Joint Legislative Budget Committee before moving any funds into or out of the Personal Services or ERE line items (A.R.S. § 35-173(e)). In the General Appropriation Act, the agency’s budget would appear as follows:

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
All Other Operating Expenditures	<u>25,000</u>
Total Appropriations - Agency X	\$100,000

Detailed Line Item - The appropriation consists of each line item listed in this book, including Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel, Other Operating Expenditures, and Equipment. Any Special Line Items would be listed separately. While the same rules govern Personal Services/ERE transfers as noted in the Modified Lump Sum description, the detailed line item appropriation requires the agency to seek ADOA approval before transferring monies between any other line items.

Agency X	
FTE Positions	2.0
Personal Services	\$60,000
Employee Related Expenditures	15,000
Professional & Outside Services	3,000
Travel - In State	7,500
Travel - Out of State	2,500
Other Operating Expenditures	5,000
Equipment	2,000
Local Grants	<u>5,000</u>
Total Appropriations - Agency X	\$100,000

Footnotes

The individual agency sections of this book include proposed footnotes, which are narrative statements in the General Appropriation Act that establish conditions for expenditures, reporting requirements, and legislative intent. A footnote, however, cannot be used to modify an existing program's authorizing law. Footnotes are classified into one of the following categories:

- *Standard Footnotes*
- *New Footnotes*
- *Deletion of Prior Year Footnotes*

Please see the Summary book for a listing of major footnote changes from FY 2010.

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2010 unless noted.

Expenditure Reporting - It is the intent of the Legislature that all budget units receiving Lump Sum appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years.

FTE Position Reporting - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile a FTE Position utilization report for FY 2011 for submission to the JLBC Director by October 1, 2010; the Department of Economic Security, Universities, and Department of Environmental Quality, exempt from the ADOA report, are to report in a comparable manner. In addition, each agency shall submit a report to the JLBC Director by October 1, 2010 on the number of filled, appropriated FTE Positions by fund source as of September 1, 2010.

Transfer Authority - ADOA shall provide a monthly report to JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

Interim Reporting Requirements - The Arizona Department of Administration shall provide to the JLBC a preliminary estimate of the FY 2010 and FY 2011 General Fund ending balances by September 15, 2010 and 2011, respectively. 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.

Non-Lapsing Appropriations - The General Appropriation Act will designate certain appropriations with “*,” meaning that the appropriation is exempt from lapsing.

Expenditure Authority - For the purposes of the General Appropriation Act, “expenditure authority” means that the fund sources are continuously appropriated monies that are included in the individual line items of appropriations.

JLBC Review - For the 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.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *Please see the Summary book for a complete listing of proposed statutory changes.*

Other Issues for Legislative Consideration

This section may also include other information of general interest, including discussions of the 5% FTE Position reductions and FY 2010 supplementals.

Statewide Expenditure Adjustments

In addition to changes in individual agency budgets, the Baseline includes 3 “balance sheet” expenditure items not discussed elsewhere: Administrative Adjustments, Revertments, and Statutory Revertments.

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling \$72,731,600 in FY 2010 for FY 2009 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2009 but for which the state was unbilled until FY 2010. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$72,731,600 is unchanged from the originally-budgeted FY 2010 total. The FY 2010 amount is approximately 65% of reported FY 2009 revertments and is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies' historical trends. Administrative adjustments as a percentage of prior year revertments vary widely from year to year, however, from below 30% to above 70%.

In addition to the FY 2010 figure, the Baseline assumes a FY 2011 administrative adjustment total of \$73,607,000, an increase of \$875,400 from the FY 2010 total. The FY 2011 amount reflects 65% of prior-year revertments.

Revertments - The Baseline assumes that state agencies will revert \$(113,241,600) of FY 2010 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 2011. This amount is unchanged from the originally-budgeted FY 2010 total. The FY 2010 amount reflects approximately 1.2% of total spending, a percentage based on historical averages in years in which the economy slows down.

In addition to the FY 2010 figure, the Baseline also assumes a FY 2011 reversion total of \$(112,905,100), an increase of \$336,500 from the FY 2010 total. This revised amount is about 1.1% of total spending.

Statutory Reversions - The enacted FY 2010 budget required that any non-lapsing monies appropriated from the General Fund that remained unexpended at the close of FY 2010 be counted as part of the FY 2010 ending balance. These amounts, however, remain available for expenditure in FY 2011. The Baseline assumes that non-lapsing FY 2011 monies will be counted as part of the FY 2011 ending balance.

The enacted FY 2009 budget included \$50 million of one-time savings for this accounting procedure. While the total amount of funds subject to this provision will vary from year to year, it is estimated that to “pay off” this accounting procedure would require approximately an additional \$50 million above the Baseline amount.

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

JLBC: Aaron Galeener
 OSPB: Jennifer Uharriet

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	572,500	602,700	602,700
Employee Related Expenditures	226,300	255,500	255,500
Professional and Outside Services	406,300	414,200	414,200
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	1,902,400	1,902,400

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,429,800	1,902,400	1,902,400
SUBTOTAL - Other Appropriated Funds	1,429,800	1,902,400	1,902,400
SUBTOTAL - Appropriated Funds	1,429,800	1,902,400	1,902,400
TOTAL - ALL SOURCES	1,429,800	1,902,400	1,902,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$1,902,400 and 13 FTE Positions from the Board of Accountancy Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,429,800	1,902,400
Year-End Fund Balance	1,340,200	975,500

Acupuncture Board of Examiners

JLBC: Steve Grunig
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	71,900	71,900	71,900
Employee Related Expenditures	15,500	15,500	15,500
Professional and Outside Services	30,400	30,900	30,900
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	129,700	129,700

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	129,200	129,700	129,700
SUBTOTAL - Other Appropriated Funds	129,200	129,700	129,700
SUBTOTAL - Appropriated Funds	129,200	129,700	129,700
TOTAL - ALL SOURCES	129,200	129,700	129,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$129,700 and 1 FTE Position from the Acupuncture Board of Examiners Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	129,200	129,700
Year-End Fund Balance	16,500	20,100

Arizona Department of Administration

JLBC: Leatta McLaughlin

OSP: Jennifer Uharriet

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	863.7	730.7	724.7
Personal Services	30,664,900	29,451,900	30,002,400
Employee Related Expenditures	11,868,300	11,928,500	12,172,600
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	33,870,300	34,245,200
Equipment	2,651,500	4,180,400	4,180,400
OPERATING SUBTOTAL	79,355,700	83,838,700	85,319,200
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
County Attorney Immigration Enforcement	2,430,000	2,430,000	2,430,000
ENSCO	2,867,300	2,867,300	2,867,300
Named Claimants	254,000	0	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	2,512,000
Other			
5th Special Session Reduction	0	(5,813,400)	(5,813,400)
AGENCY TOTAL	168,771,200	189,439,900	184,696,000
FUND SOURCES			
General Fund	20,416,500	17,830,300	17,404,400
<u>Other Appropriated Funds</u>			
Air Quality Fund	597,800	714,100	714,100
Automation Operations Fund	19,870,600	19,195,900	19,195,900
Capital Outlay Stabilization Fund	14,953,500	17,411,800	17,411,800
Corrections Fund	536,100	568,900	568,900
Federal Surplus Materials Revolving Fund	112,100	453,400	453,400
Motor Vehicle Pool Revolving Fund	7,795,400	10,530,500	10,530,500
Personnel Division Fund	16,358,100	14,884,700	15,280,400
Risk Management Revolving Fund	77,163,100	92,472,200	92,472,200

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
Special Employee Health Insurance Trust Fund	4,224,900	5,249,800	5,249,800
State Surplus Materials Revolving Fund	2,203,600	3,618,400	3,618,400
Telecommunications Fund	2,176,600	1,796,200	1,796,200
Telecommunications Fund – Infrastructure Improvements Account	2,362,900	4,713,700	0
SUBTOTAL - Other Appropriated Funds	148,354,700	171,609,600	167,291,600
SUBTOTAL - Appropriated Funds	168,771,200	189,439,900	184,696,000
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	1,124,369,600	1,152,311,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(425,900)	(2.4%)
Other Appropriated Funds	(4,318,000)	(2.5%)
Total Appropriated Funds	(4,743,900)	(2.5%)
Non-Appropriated Funds	32,685,800	3.5%
Total - All Sources	27,941,900	2.5%

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 Baseline includes \$85,319,200 and 724.7 FTE Positions from the operating budget in FY 2011. These amounts consist of:

General Fund	\$12,268,700
Air Quality Fund	765,100
Automation Operations Fund	20,752,300
Capital Outlay Stabilization Fund	10,877,700
Corrections Fund	614,700
Federal Surplus Materials Revolving Fund	453,400
Motor Vehicle Pool Revolving Fund	11,384,300
Personnel Division Fund	11,502,900
Risk Management Revolving Fund	8,242,500
Special Employee Health Insurance Trust Fund	5,249,800
State Surplus Materials Revolving Fund	1,266,000
Telecommunications Fund	1,941,800

FY 2011 adjustments would be as follows:

Relocation SLI Funding Shift OF 60,000

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

Arizona Financial Information GF 1,120,500 System SLI Funding Shift

The Baseline 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) will be included in the operating budget instead of the Financial Services’ AFIS SLI beginning in FY 2011.

Employee Wellness Program OF 300,000 SLI Funding Shift

The Baseline 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 will be included in the operating budget instead of the Human Resources’ Employee Wellness Program SLI beginning in FY 2011.

Facilities Management

Relocation

The Baseline includes no funding from the Capital Outlay Stabilization Fund for the Relocation SLI in FY 2011. FY 2011 adjustments would be as follows:

Funding Shift OF (60,000)

The Baseline includes a decrease of \$(60,000) from the Capital Outlay Stabilization Fund in FY 2011 for a funding

Human Resources

Employee Wellness Program

The Baseline includes no funding from HITF for the Employee Wellness Program SLI in FY 2011. FY 2011 adjustments would be as follows:

Funding Shift **OF** **(300,000)**

The Baseline includes a decrease of \$(300,000) from HITF in FY 2011 for a funding shift. Funding for the Employee Wellness Program will be 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 program's funding.

Human Resources Information Solution COP

The Baseline includes \$4,749,700 from the Personnel Division Fund for the Human Resources Information Solution (HRIS) COP in FY 2011. FY 2011 adjustments would be as follows:

Lease Payment Increase **OF** **395,700**

The Baseline 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 Baseline includes \$425,900 from the General Fund for the Statewide Telecommunications Management Contract Lease Payment in FY 2011. FY 2011 adjustments would be as follows:

Lease Payment Decrease **GF** **(425,900)**

The Baseline 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 Baseline includes no funding from the Telecommunications Fund Infrastructure Improvements Account for the Infrastructure Improvements SLI in FY 2011. FY 2011 adjustments would be as follows:

Funding Elimination **OF** **(4,713,700)**

The Baseline includes a decrease of \$(4,713,700) from the Telecommunications Fund Infrastructure Improvements Account in FY 2011 to eliminate this SLI's funding. Since ADOA has indicated they will not be charging agencies for this service in FY 2011, this SLI will no longer require funding.

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

This SLI funded one-time settlement costs associated 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 Baseline includes no funding from the Risk Management Revolving Fund for External Legal Services SLI in FY 2011. FY 2011 adjustments would be as follows:

Funding Shift **OF** **(5,592,200)**

The Baseline 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 will be 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 Baseline includes no funding from the Risk Management Revolving Fund for Non-Legal Related Expenditures in FY 2011. FY 2011 adjustments would be as follows:

Funding Shift OF (3,153,900)

The Baseline 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 will be 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 Baseline includes \$8,746,100 from the Risk Management Fund for Risk Management Administrative Expenses in FY 2011. FY 2011 adjustments would be as follows:

Funding Shift OF 8,746,100

The Baseline 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 will be included in this newly-created SLI 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 Baseline 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 Baseline 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 Baseline includes \$2,512,000 from the State Surplus Materials Revolving Fund for State Surplus Property Sales Proceeds in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$(5,813,400) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. 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)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The \$2,430,000 appropriated to the County Attorney Immigration Enforcement line item shall be distributed as follows: \$1,430,000 to each county attorney of a county in this state having a population of 1,500,000 or more persons and \$500,000 to each county attorney of a county in this state having a population of 800,000 or more persons but less than 1,500,000 persons, and the remainder of the monies shall be distributed as equally as possible to each county attorney of counties in this state having a population of less than 800,000 persons. County attorneys may enter into agreements with county sheriffs or other law enforcement agencies or jurisdictions for the purposes of implementing A.R.S. § 23-212. These appropriations are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

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. Any amounts left unspent from the Arizona Financial Information System line item shall revert to the State General Fund.

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 \$20,752,300 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.

The amounts appropriated for the State Employee Transportation Service Subsidy shall be used for up to a ~~100%~~ 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. *(The subsidy amount would be changed from 100% to 50% in order to align it with the current subsidy percentage.)*

It is the intent of the Legislature that the department not replace vehicles until an average of 120,000 miles, or more.

Deletion of Prior Year Footnotes

The Baseline would delete the non-lapsing footnote for the Relocation SLI since this SLI's funding will be shifted into the operating budget beginning in FY 2011.

The Baseline would delete the Corrections Fund footnote pertaining to the oversight of construction projects.

STATUTORY CHANGES

The Baseline would, as session law, continue to prohibit the department from implementing a differentiated health insurance premium in FY 2011 based on the integrated or non-integrated status of the provider, beginning October 1, 2010.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

ADOA was originally budgeted 228.8 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the department to reduce an additional 5 General Fund FTE Positions in FY 2010 and 11 General Fund FTE Positions in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Administration - AFIS II Collections Fund (ADA4203/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Financial transaction processing fees.		
Purpose of Fund: To operate the Arizona Financial Information System (AFIS) II.		
Funds Expended	1,353,700	2,291,300
Year-End Fund Balance	1,100,900	75,000
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To administer a travel reduction program, as defined by A.R.S. § 49-588, including bus ride subsidies for state employees.		
Funds Expended	597,800	714,100
Year-End Fund Balance*	253,500	(85,000)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona State Hospital Capital Construction Fund (ADA2466/A.R.S. § 36-218)		Non-Appropriated
Source of Revenue: Laws 2000, Chapter 1 created the Arizona State Hospital Capital Construction Fund, from which \$80,000,000 was appropriated over 4 years, beginning in 2000.		
Purpose of Fund: To construct civil, forensic and adolescent facilities, renovation of existing buildings and infrastructure, and for the Arizona Community Protection and Treatment Center. FY 2009 expenditures of \$19,000 are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information.		
Funds Expended	19,870,600	19,195,900
Year-End Fund Balance	4,078,800	1,129,500
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying Arizona Department of Administration (ADOA) owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	14,953,500	17,411,800
Year-End Fund Balance	4,274,600	943,800
Capitol Police Administrative Towing Fund (ADA1999/A.R.S. § 41-795)		Non-Appropriated
Source of Revenue: Penalties and fees collected for parking violations on state property.		
Purpose of Fund: For Capitol Police Department law enforcement purposes.		
Funds Expended	0	68,500
Year-End Fund Balance	0	33,300
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	163,678,700	146,843,100
Year-End Fund Balance	78,784,300	4,059,100
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	547,400	2,370,800
Year-End Fund Balance	605,200	224,200
Consumer Loss Recovery Fund (ADA2469/A.R.S. § 41-622.02)		Non-Appropriated
Source of Revenue: Budget Stabilization Fund (A.R.S. § 35-144) transfers based on monthly actual expenditure requests, as submitted by the Risk Management Division.		
Purpose of Fund: To pay claims, as well as adjusting, processing, legal defense, and administrative costs associated with the alternative fuel credit.		
Funds Expended	0	50,000
Year-End Fund Balance	17,800	17,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To provide microfiche of state purchasing information to local governments, as well as to reproduce public records for local governments and the public.		
Funds Expended	861,900	1,946,900
Year-End Fund Balance	512,600	357,700
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease, purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities.		
Funds Expended	536,100	568,900
Year-End Fund Balance*	(1,288,300)	(2,089,400)
Electronic Commerce (ADA2482/A.R.S. § 41-2673)		Non-Appropriated
Source of Revenue: Legislative appropriations, agency repayments, and 10% of any savings generated through the implementation of electronic commerce initiatives using fund monies.		
Purpose of Fund: To partially finance agency electronic commerce initiatives where other funding mechanisms do not exist.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently \$0.20 per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252.		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up from 3% to 5% of revenue beginning September 30, 2009); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	22,225,400	26,732,200
Year-End Fund Balance	29,229,200	13,202,500
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	40,950,400	33,671,800
Year-End Fund Balance	3,721,700	3,300,600
Federal Grants (ADA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants, including grants from the Department of Justice.		
Purpose of Fund: To pay for security related equipment and other expenses.		
Funds Expended	236,200	27,500
Year-End Fund Balance	64,000	36,500
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	112,100	453,400
Year-End Fund Balance*	94,600	(318,200)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	17,836,600	6,973,000
Year-End Fund Balance	2,126,400	560,900
Lease Purchase Building Operating and Maintenance Fund (ADA1025/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Operations and maintenance charges to agencies occupying non-COP lease-purchase state buildings.		
Purpose of Fund: To operate and maintain non-COP lease-purchase state buildings. All such buildings have been paid off or sold.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Legislative, Executive, and Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. In FY 2005, to construct a new Library and Archives Building.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Management Services Division Plan Deposits Fund (ADA3196/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Deposits for blueprints, paid by construction vendors and bidders.		
Purpose of Fund: To reimburse blueprint deposits.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)		Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the governmental mall.		
Funds Expended	0	0
Year-End Fund Balance	1,500	1,500
Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)		Appropriated
Source of Revenue: Charges to agencies for the use of motor pool vehicles.		
Purpose of Fund: To operate the motor vehicle pool.		
Funds Expended	7,795,400	10,530,500
Year-End Fund Balance	4,307,700	2,102,200
Payroll Administration Fund (ADA9230/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: A one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Administrative costs related to garnishments and child support.		
Funds Expended	7,000	7,000
Year-End Fund Balance	124,600	249,200

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Personnel Division Fund (ADA1107/A.R.S. § 41-764)		Appropriated
Source of Revenue: A 1.07% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	16,358,100	14,884,700
Year-End Fund Balance	470,100	(2,894,400)
Privatized Lease-To-Own Fund (ADA5010/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges to agencies occupying privatized lease-to-own (PLTO) buildings.		
Purpose of Fund: To operate, maintain, and make annual rent payments on PLTO buildings.		
Funds Expended	12,311,500	11,736,100
Year-End Fund Balance	93,900	97,900
Racing Investigation Fund (ADA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations, or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by ADOA and disbursements are made pursuant to instructions from the director of the Department of Racing.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Retiree Accumulated Sick Leave Fund (YYA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to 1 individual shall not exceed \$30,000.		
Funds Expended	11,133,800	11,491,000
Year-End Fund Balance	4,369,300	4,878,300
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
Funds Expended	77,163,100	92,472,200
Year-End Fund Balance	55,724,200	27,517,700
Special Employee Health Insurance Trust Fund (ITA3015/A.R.S. § 38-654)		Partially-Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation.		
Appropriated Funds Expended	4,224,900	5,249,800
Non-Appropriated Funds Expended	743,324,100	688,274,000
Year-End Fund Balance	70,631,900	68,545,700
Special Events Fund (ADA2503/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	32,300	51,300
Year-End Fund Balance	30,500	200

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)		Non-Appropriated
Source of Revenue: Payments by agencies using various centralized printing, copying, and repair services offered by ADOA.		
Purpose of Fund: To provide supplies, printing, copying, repair, and other office services for state agencies.		
Funds Expended	1,776,900	1,844,800
Year-End Fund Balance*	242,900	(9,200)
State Employee Suggestion Program Award Fund (ADA3190/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To award state employees up to \$1,000 for a special act in the public interest or for an adopted idea resulting in state savings or improved operations. Up to \$50 per award may be used to purchase recognition materials and up to 6% of fund monies may be used to administer the program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)		Non-Appropriated
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	560,100	498,900
Year-End Fund Balance	140,700	140,700
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)		Appropriated
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	2,203,600	3,618,400
Year-End Fund Balance	275,700	(1,649,700)
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits. In FY 2005, a \$1,000,000 grant for wireless emergency telecommunications was deposited into this fund.		
Purpose of Fund: Employee donations are used to recognize outstanding employees. The \$1,000,000 grant received in FY 2005 is to be used for Geographic Information Systems and mapping support in the development of Wireless Phase II deployment in counties that have already deployed Wireless Phase I.		
Funds Expended	220,100	46,800
Year-End Fund Balance	260,100	223,300
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		Appropriated
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities. Additionally in FY 2006, a transfer of \$927,500 from the Technology and Telecommunications Fund, as stipulated by Laws 2005, Chapter 330.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	2,176,600	1,796,200
Year-End Fund Balance	445,300	261,800
Telecommunications Fund - Infrastructure Improvements Account (ADA4231B/A.R.S. § 35-142)		Appropriated
Source of Revenue: A portion of the rate charged to the state for telecommunications services.		
Purpose of Fund: To replace end-of-life voice and data equipment in state facilities.		
Funds Expended	2,362,900	4,713,700
Year-End Fund Balance*	1,168,100	(5,086,300)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)		Non-Appropriated
Source of Revenue: Penalties and fees collected for traffic and parking violations on state property.		
Purpose of Fund: To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
Funds Expended	12,200	4,700
Year-End Fund Balance	1,700	1,800

*As reported by the agency. Actual ending balance will not be negative.

Office of Administrative Hearings

JLBC: Bob Hull
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	15.0	13.0	12.0
Personal Services	726,800	645,800	645,800
Employee Related Expenditures	271,900	259,900	259,900
Other Operating Expenditures	133,200	118,900	118,900
OPERATING SUBTOTAL	1,131,900	1,024,600	1,024,600
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(75,800)	(75,800)
AGENCY TOTAL	1,131,900	948,800	948,800
FUND SOURCES			
General Fund	1,117,400	934,300	934,300
<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	948,800	948,800
Other Non-Appropriated Funds	1,490,400	1,400,500	1,400,500
TOTAL - ALL SOURCES	2,622,300	2,349,300	2,349,300

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$1,024,600 and 12 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$1,010,100
Healthcare Group Fund	14,500

These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(75,800) from the General Fund 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.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the agency to enter into interagency service agreements to provide services pursuant to Title 41, Chapter 6, Article 10, Arizona Revised Statutes. *(This footnote is redundant because A.R.S § 41-1092.01 requires state agencies to enter into such agreements.)*

STATUTORY CHANGES

The Baseline would, as session law, suspend the requirement that the office hear appealed actions and contested cases within 60 days of the filing.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Office of Administrative Hearings (OAH) was originally budgeted 13 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires OAH to reduce no additional FTE Positions in FY 2010 and additional 1 General Fund FTE Position in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)		Appropriated
Source of Revenue: Interagency Agreement with AHCCCS.		
Purpose of Fund: To reimburse the Office of Administrative Hearings (OAH) for hearings and associated personnel cost for grievances related to Healthcare Group, which is AHCCCS' health insurance plan for small businesses.		
Funds Expended	14,500	14,500
Year-End Fund Balance	0	0
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		Non-Appropriated
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	1,490,400	1,400,500
Year-End Fund Balance	0	0

Arizona Department of Agriculture

JLBC: Leatta McLaughlin
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	249.2	222.2	217.2
Personal Services	6,766,700	6,457,100	6,457,100
Employee Related Expenditures	3,260,700	3,229,000	3,229,000
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	1,657,900
Equipment	129,300	24,800	24,800
OPERATING SUBTOTAL	12,854,500	12,425,000	12,425,000
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	11,896,900	11,896,900
FUND SOURCES			
General Fund	10,161,400	8,584,900	8,584,900
<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	1,028,700	1,028,700
Commercial Feed Fund	263,600	302,000	302,000
Dangerous Plants, Pests and Diseases Fund	40,000	40,000	40,000
Egg Inspection Fund	696,800	904,400	904,400
Fertilizer Materials Fund	270,600	307,700	307,700
Livestock Custody Fund	54,300	79,400	79,400
Pesticide Fund	310,000	388,300	388,300
Protected Native Plant Fund	71,200	197,700	197,700
Seed Law Fund	51,200	54,600	54,600
SUBTOTAL - Other Appropriated Funds	2,804,600	3,312,000	3,312,000
SUBTOTAL - Appropriated Funds	12,966,000	11,896,900	11,896,900
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	25,250,000	25,250,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

Operating Budget

The Baseline includes \$12,425,000 and 217.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$9,041,000
Aquaculture Fund	9,200
Citrus, Fruit, and Vegetable Revolving Fund	1,100,700
Commercial Feed Fund	302,000
Dangerous Plants, Pests, and Diseases Fund	40,000
Egg Inspection Fund	904,400
Fertilizer Materials Fund	307,700
Livestock Custody Fund	79,400
Pesticide Fund	388,300
Protected Native Plant Fund	197,700
Seed Law Fund	54,600

These amounts are unchanged from FY 2010.

Agricultural Consulting and Training Pari-Mutuel

The Baseline 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 Baseline 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 Baseline 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 Baseline includes \$(768,100) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

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

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

FORMAT — Operating Lump Sum with Special Line Items by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

STATUTORY CHANGES

The Baseline would, as session law, permit the director, upon recommendation from the Agricultural Advisory Council to continue to increase fees in FY 2011 with the intent that the additional revenues would not exceed \$561,000. The department will continue to increase Pesticide Registration, Meat and Poultry Inspection, Dairy Inspection, and Animal Health and Welfare fees to raise this additional revenue for the continued FY 2009 \$172,000 fee authority, and this revenue will be deposited into the Pesticide Fund and General Fund. The department has not yet determined which fees will be increased due to the new FY 2010 \$389,000 fee authority. (The increased fee revenue has not been recorded in the summary table above.)

5% FTE Position Reduction

The Arizona Department of Agriculture was originally budgeted 175.7 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the department to reduce an additional 4 General Fund FTE Positions in FY 2010 and 9 General Fund FTE Positions in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		Non-Appropriated
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.		
Purpose of Fund: For costs incurred by the department in providing administrative support.		
Funds Expended	41,700	40,500
Year-End Fund Balance	46,100	64,400
Agricultural Consulting and Training Fund (AHA1239/A.R.S. § 5-113)		Appropriated in FY 2009 Non-Appropriated in FY 2010
Source of Revenue: 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 this appropriated fund. Beginning in FY 2010, \$128,500 is deposited from the General Fund to the new Agricultural Consulting and Training (ACT) Pari-Mutuel Special Line Item (SLI). (The statutory distribution in FY 2008 was \$128,500.) Laws 2009, 4 th Special Session, Chapter 3 permanently repealed the pari-mutuel formula, required pari-mutuel revenues to be deposited into the General Fund instead of this appropriated fund, and made this fund non-appropriated beginning in FY 2010. General Fund monies are now deposited into this fund. Expenditures are not displayed in FY 2010 to avoid double counting the General Fund.		
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01. Expenditures are not displayed in FY 2010 to avoid double counting of the General Fund.		
Funds Expended	106,700	0
Year-End Fund Balance	11,800	165,800
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		Non-Appropriated
Source of Revenue: Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
Purpose of Fund: To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	105,000	212,900
Year-End Fund Balance	131,900	0
Agricultural Protection Fund (AHA2381/A.R.S. § 3-3304)		Non-Appropriated
Source of Revenue: Gifts, grants, or donations.		
Purpose of Fund: To award grants to state agencies, political subdivisions, and non-profit conservation groups for the establishment of agricultural easements.		
Funds Expended	15,200	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Aquaculture Fund (AHA2297/A.R.S. § 3-2913)		Appropriated
Source of Revenue: Fees resulting from the regulation of aquaculture.		
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Funds Expended	7,300	9,200
Year-End Fund Balance	16,400	13,200
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	602,600	620,000
Year-End Fund Balance	20,400	0
Citrus, Fruit and Vegetable Revolving Fund (AHA2260/A.R.S. § 3-447)		Appropriated
Source of Revenue: Assessments, fees, and civil penalties relating to the standardization of citrus, other fruits, and vegetables.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Funds Expended	932,900	1,028,700
Year-End Fund Balance	239,800	23,600
Citrus Research Council Fund (AHA2299/A.R.S. § 3-468.04)		Non-Appropriated
Source of Revenue: An assessment on citrus produced in the state, as well as fines, other charges, and interest.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.		
Funds Expended	49,500	0
Year-End Fund Balance	15,500	0
Commercial Feed Fund (AHA2012/A.R.S. § 3-2607)		Appropriated
Source of Revenue: Licensing fees and fees collected for the inspection of animal and bird feeds.		
Purpose of Fund: To regulate animal and bird feeds.		
Funds Expended	263,600	302,000
Year-End Fund Balance	254,700	213,000
Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)		Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.		
Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
Funds Expended	9,500	5,700
Year-End Fund Balance	5,200	6,500
Cotton Research and Protection Council Abatement Fund (AHA2013/A.R.S. § 3-1085)		Non-Appropriated
Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.		
Funds Expended	1,733,200	1,610,700
Year-End Fund Balance	858,200	586,500

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Dangerous Plants, Pests and Diseases Fund (AHA2054/A.R.S. § 3-214.01)		Appropriated
Source of Revenue: Certification fees on and reimbursements for the destruction of dangerous plants, pests, and diseases.		
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
Funds Expended	40,000	40,000
Year-End Fund Balance	181,100	173,600
Designated Fund (AHA3011/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), industry contributions for the Arizona Grown Program, 5% of Beef Council surcharges, Risk Management grant from the Arizona Department of Administration, and other grants and contributions.		
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.		
Funds Expended	478,300	567,900
Year-End Fund Balance	441,700	256,900
Egg Inspection Fund (AHA2022/A.R.S. § 3-717)		Appropriated
Source of Revenue: Fees resulting from the regulation of eggs and egg products.		
Purpose of Fund: To administer the egg inspection program.		
Funds Expended	696,800	904,400
Year-End Fund Balance	130,800	31,700
Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)		Non-Appropriated
Source of Revenue: Inspection fees for processing ownership and transportation of horses.		
Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.		
Funds Expended	2,000	1,900
Year-End Fund Balance	1,100	1,200
Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)		Non-Appropriated
Source of Revenue: Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
Purpose of Fund: As determined by a cooperative agreement with the U.S. Department of Agriculture. On July 1, 1996, the Arizona Department of Agriculture became the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry.		
Funds Expended	3,018,000	3,065,500
Year-End Fund Balance	1,626,000	1,289,100
Federal Fund (AHA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: As determined by federal law with regard to exotic pest control (e.g., fire ant, gypsy moth, medfly), agricultural chemicals regulation, farm mediation, endangered species, and meat, poultry, and egg inspection. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)		
Funds Expended	4,287,400	4,497,100
Year-End Fund Balance	760,100	1,162,700
Fertilizer Materials Fund (AHA2081/A.R.S. § 3-269)		Appropriated
Source of Revenue: A portion of the fertilizer manufacturer's license fee and fees collected for the inspection of materials.		
Purpose of Fund: To regulate fertilizers.		
Funds Expended	270,600	307,700
Year-End Fund Balance	242,900	206,600

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Grain Research Fund (AHA2201/A.R.S. § 3-590)		Non-Appropriated
Source of Revenue: An assessment on commercial grain sales.		
Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
Funds Expended	138,200	138,200
Year-End Fund Balance	66,400	31,200
Iceberg Lettuce Research Council Fund (AHA2259/A.R.S. § 3-526.06)		Non-Appropriated
Source of Revenue: An assessment on iceberg lettuce prepared for market.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.		
Funds Expended	99,800	39,000
Year-End Fund Balance	12,500	0
Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: For indirect costs associated with administration of federal grants.		
Funds Expended	170,200	195,000
Year-End Fund Balance	275,800	171,800
Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: \$2 million annually from the Land Conservation Fund, as established by A.R.S. § 41-511.23.		
Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
Funds Expended	1,522,600	2,358,700
Year-End Fund Balance	5,988,700	1,010,400
Livestock Custody Fund (AHA2065/A.R.S. § 3-1377)		Appropriated
Source of Revenue: Fines assessed for and proceeds resulting from the sale of mistreated or stray livestock.		
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
Funds Expended	54,300	79,400
Year-End Fund Balance	154,900	122,500
Pesticide Fund (AHA2051/A.R.S. § 3-350)		Appropriated
Source of Revenue: A portion of pesticide registration fees.		
Purpose of Fund: To regulate pesticides.		
Funds Expended	310,000	388,300
Year-End Fund Balance	309,500	188,200
Protected Native Plant Fund (AHA2298/A.R.S. § 3-913)		Appropriated
Source of Revenue: Fees from permits issued for the removal or salvage of protected native plants.		
Purpose of Fund: For the protection of native plants.		
Funds Expended	71,200	197,700
Year-End Fund Balance*	69,700	(10,100)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Seed Law Fund (AHA2064/A.R.S. § 3-234)		Appropriated
Source of Revenue: Seed dealers' and labelers' license fees and penalties.		
Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
Funds Expended	51,200	54,600
Year-End Fund Balance	149,000	129,900

*As reported by the agency. Actual ending balance will not be negative.

Arizona Health Care Cost Containment System

Summary

JLBC: Amy Upston/Aaron Galeener

OSP: Bret Cloninger

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
PROGRAM BUDGET			
Administration	183,389,700	192,886,800	192,218,100
Acute Care	4,931,617,600	5,928,911,400	6,552,653,900
Long-Term Care	1,201,174,100	1,289,876,000	1,303,554,300
Higher Federal Match Rate Savings - State	(359,648,000)	(581,861,700)	(356,885,200)
Higher Federal Match Rate Savings - Federal	359,648,000	581,861,700	356,885,200
Payment Deferral	0	(344,201,700)	143,100
5th Special Session Reduction	0	(7,662,100)	(7,662,100)
AGENCY TOTAL	6,316,181,400	7,059,810,400	8,040,907,300
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,201.4	3,017.4	2,978.4
Personal Services	34,870,000	38,674,400	38,774,400
Employee Related Expenditures	14,340,700	15,787,800	15,832,700
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	(342,232,300)	2,442,100
Equipment	102,000	319,200	319,200
OPERATING SUBTOTAL	60,610,200	(283,654,600)	61,184,900
Special Line Items (SLI)	6,255,571,200	7,343,465,000	7,979,722,400
AGENCY TOTAL	6,316,181,400	7,059,810,400	8,040,907,300
FUND SOURCES			
General Fund	1,156,262,900	1,178,047,500	1,760,609,200
<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	81,352,400
Healthcare Group Fund	3,724,400	6,179,700	6,179,700
Temporary Medical Coverage Fund	3,138,000	0	0
TPTF Emergency Health Services Account	22,131,800	23,331,800	19,222,900
TTHCF Medically Needy Account	50,803,300	53,738,100	38,295,800
SUBTOTAL - Other Appropriated Funds	203,864,300	201,221,300	148,168,100
SUBTOTAL - Appropriated Funds	1,360,127,100	1,379,268,800	1,908,777,300
<u>Expenditure Authority Funds</u>			
County Funds	54,172,300	314,601,300	319,350,500
Federal Title XIX Funds	4,729,464,600	5,198,468,700	5,664,005,600
Third Party Collections Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	125,588,500	118,280,200	108,211,300
TPTF Proposition 204 Protection Account	46,828,900	48,996,700	40,367,900
SUBTOTAL - Expenditure Authority Funds	4,956,054,300	5,680,541,600	6,132,130,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,316,181,400	7,059,810,400	8,040,907,300
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	7,223,305,100	8,203,288,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	582,561,700	49.5%
Other Appropriated Funds	(53,053,200)	(26.4%)
Expenditure Authority Fund	451,588,400	7.9%
Total Appropriated/Expenditure Authority Funds	981,096,900	13.9%
Non-Appropriated Funds	(1,113,300)	(0.7%)
Total - All Sources	979,983,600	13.6%

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.

Administration

KidsCare FMAP Adjustment	GF	\$(44,500)
	OF	44,500
KidsCare Parents Elimination	GF	(160,300)
	OF	(508,400)
BNCF Statutory Adjustment	GF	(123,800)
	OF	123,800

Acute Care

Traditional Medicaid Population	GF	113,002,400
	OF	(15,442,300)
	EA	220,251,400
Proposition 204 Services	GF	129,201,600
	OF	(4,108,900)
	EA	224,168,800
KidsCare Services	GF	(9,171,700)
	OF	(27,864,500)
KidsCare Parents Elimination	GF	(1,670,100)
	OF	(5,297,400)
Payments to Hospitals	GF	89,900
	EA	583,300

Long Term Care

Caseload and Capitation Rate Growth	GF	8,293,500
	EA	4,625,300
Medicare Clawback Payment	GF	480,000
	EA	279,500

Temporary Federal Assistance

ARRA Backfill	GF	224,976,500
	EA	(224,976,500)

Payment Deferral

June 2010 Acute Care Payments	GF	117,688,200
	EA	226,656,600

Due to the temporary nature of the enhanced FMAP, the Baseline includes the enhanced FMAP in a separate line. While costs shown in the individual cost center narratives reflect the regular FMAP, the AHCCCS summary table includes the enhanced FMAP savings in a new Higher Federal Match Rate Savings-State line item.

Higher Federal Match Rate Savings - State

The Baseline includes \$(356,885,200) from the General Fund to continue the reduction as the result of temporary federal assistance in FY 2011. FY 2011 adjustments would be as follows:

ARRA Backfill	GF	224,976,500
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The Baseline includes an increase of \$224,976,500 from the General Fund in FY 2011 to account for the end of the enhanced federal match rate in December 2010.

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. Typically, Arizona receives approximately a 2:1 match for most Title XIX services, but ARRA increases this amount to approximately a 3:1 match from October 1, 2008 to December 31, 2010. In FY 2010, the blended rate would have been 65.76%; but due to the enhanced FMAP, the

federal government will pay 75.93% of Title XIX costs. In FY 2011, the enhanced FMAP is expected to remain at 75.93% from July-December 2010; but if average unemployment falls below 7.13% in either quarter, the enhanced FMAP will decrease. Without further federal legislation, the FMAP will return to 65.85% from January-June 2011.

In order to qualify for the enhanced FMAP, states cannot:

- lower existing eligibility limits for Title XIX populations;
- increase county percent of state match;
- increase monthly premiums for Title XIX enrollees; or
- change redetermination periods.

States are allowed to reduce 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.

Due to the temporary nature of the enhanced FMAP, the Baseline includes the enhanced FMAP in a separate statewide adjustment. All costs shown in the individual cost center narratives reflect the regular FMAP.

Higher Federal Match Rate Cost - Federal

The Baseline includes \$356,885,200 from Title XIX Expenditure Authority to continue the increase as a result of temporary federal assistance in FY 2011. FY 2011 adjustments would be as follows:

ARRA Backfill EA (224,976,500)

The Baseline includes a decrease of \$(224,976,500) from Federal Title XIX Expenditure Authority in FY 2011 to account for the end of the enhanced federal match rate in December 2010.

Payment Deferral

The Baseline includes an increase of \$344,344,800 for a Payment Deferral in FY 2011. This amount consists of:

General Fund	117,688,200
Federal Title XIX Expenditure Authority	226,656,600

The FY 2010 Health and Welfare Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 10) required AHCCCS to delay capitation payments in FY 2010. To offset this deferral, the FY 2010 General Appropriation Act (Laws 2009, 1st Regular Session, Chapter 12, Section 48) made an advanced appropriation of \$344,344,800 in FY 2011. Included in this appropriation was \$143,100 to

pay 0.5% interest for 1 month. The General Fund portion of the deferral in FY 2011 slightly decreases due to a change in FMAP from 65.75% to 65.85%. The increase of \$344,344,800 is the difference of making 11 payments in FY 2010 and making 12 payments (1 rollover FY 2010 payment and 11 regular FY 2011 payments) in FY 2011. The Baseline would continue the policy of rolling over \$344,344,800 of FY 2011 payments into FY 2012.

The payments deferred from FY 2010 to FY 2011 were appropriated in Laws 2009, 1st Regular Session, Chapter 12, Section 48 and will not appear in the General Appropriation Act.

5th Special Session Reduction

The Baseline 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 would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Varies by Program

FOOTNOTES

Standard Footnotes

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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Capitation Rates

The Baseline includes 0% capitation increases in FY 2011. If capitation rates were grown at 5% in FY 2011, this would cost an additional \$64,528,000 from the General Fund in FY 2011.

FY 2010 Supplemental

AHCCCS is estimated to have an \$82,571,500 post-ARRA enhanced match General Fund shortfall in FY 2010. This 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

These 4 items are discussed in more detail below.

Caseload Growth

For the first 4 months of FY 2010, AHCCCS caseloads have been higher than forecasted. The FY 2010 budget allowed for caseload growth of 11.8% from June 2009 to June 2010. Revised forecasts now estimate that caseloads will grow by 14.4% during that same time period.

Tobacco Tax Revenue Shortfall

For the past 3 years, tobacco revenues have been declining. This decline is likely the result of 2 significant tax increases, as well as the poor economy.

In the November 2006 election the voters approved Proposition 203, which included an 80¢ increase in the tobacco tax to fund early childhood programs. In addition, voters also approved Proposition 201, which included a 2¢ increase to fund enforcement of the Smoke-Free Arizona Act.

In March 2009, the federal government raised federal taxes on cigarettes by 62¢ per pack. Together, federal and state cigarette taxes are now \$3.01 per pack.

Previous budgets have already provided backfills for tobacco tax revenue. The FY 2008 Revised Budget backfilled \$26,418,000 from the General Fund and the FY 2009 Revised Budget provided a \$16,540,700 General Fund backfill. Both of these backfills were continued into the following years. The Baseline estimates that FY 2010 will need an additional \$28,180,000 General Fund backfill to account for lost revenue.

Tobacco Settlement Shortfall

The tobacco settlement forecast has been updated to reflect the Attorney General’s mid-range forecast of \$108,211,300 in FY 2010.

ARRA Shortfall

AHCCCS is estimated to receive approximately \$560,006,800 of ARRA enhanced FMAP, or \$(21,854,900) less than the appropriation offset of \$581,861,700.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	2,130,800	2,993,500
Year-End Fund Balance	711,000	0
Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)		Appropriated
Source of Revenue: Includes the Federal Title XXI matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage the federal monies and are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the program has been set at 200% of the Federal Poverty Level, which is approximately \$44,100 for a family of 4.		
Funds Expended	121,935,900	114,978,200
Year-End Fund Balance	3,399,700	3,399,700

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2912 Acute Care/A.R.S. § 36-2953 Long Term Care)		Non-Appropriated
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Cost Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid (Title XIX) dollars.		
Funds Expended	54,172,300	314,601,300
Year-End Fund Balance	0	0
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	20,500	25,000
Year-End Fund Balance	15,400	10,400
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Title XIX eligible. All federal Medicaid monies must flow through AHCCCS, therefore, the Title XIX monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	27,505,200	27,099,300
Year-End Fund Balance	0	0
Federal Funds (HCA2000 Acute Care/A.R.S. 36-2913)		Non-Appropriated
Source of Revenue: Federal grant monies.		
Purpose of Fund: To provide federal match for non-appropriated state expenditures.		
Funds Expended	6,593,800	27,201,100
Year-End Fund Balance	95,100	95,100
Federal Title XIX Funds (HCA2120/HCA2223 Long Term Care/ A.R.S. § 36-2913 Acute Care A.R.S. § 36-2953 Long Term Care)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS' administrative costs and for the provision of acute and long term services to categorically eligible populations.		
Funds Expended	4,729,464,600	5,198,468,700
Year-End Fund Balance	96,705,400	96,865,400
Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)		Partially-Appropriated
Source of Revenue: Premiums paid by employers and employees enrolled in Healthcare Group, including monies to fund the administration of the Healthcare Group program.		
Purpose of Fund: A portion of this fund is appropriated to fund the administrative costs of Healthcare Group. The rest of the fund is non-appropriated and used to pay medical claims for members of Healthcare Group. Healthcare Group is operated by AHCCCS and is a premium based health insurance program available to small businesses and self-employed persons.		
Appropriated Funds Expended	3,724,400	6,179,700
Non-Appropriated-Funds Expended	59,933,600	53,799,800
Year-End Fund Balance	11,629,000	9,982,400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Hospital Loan Residency Fund (HCA2532/A.R.S. § 36-2921)		Non-Appropriated
Source of Revenue: Received a \$1,000,000 deposit from the General Fund in FY 2007. In future years, will also include any repaid loan money received from the participating hospitals.		
Purpose of Fund: To provide interest free loans to fund start-up and ongoing costs for residency programs in accredited hospitals, with priority given to rural areas.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		Non-Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match.		
Purpose of Fund: To expand funding for Graduate Medical Education or other payments to hospitals.		
Funds Expended	0	12,330,000
Year-End Fund Balance	0	0
Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
Funds Expended	8,362,200	8,059,700
Year-End Fund Balance	1,675,600	1,515,200
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Receives gaming monies from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	0	27,479,000
Year-End Fund Balance	15,085,200	12,318,800
Temporary Medical Coverage Fund (HCA2529/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Received a one-time General Fund deposit of \$6,500,000 in FY 2007 in addition to revenue from premium payments. This program was suspended beginning in FY 2009, and AHCCCS was instructed to use the \$3,200,000 appropriated from this fund to pay for reconciliation obligations incurred for claims with dates of services before July 1, 2008. This program has since been eliminated.		
Purpose of Fund: To pay for the services and costs associated with persons who are eligible for temporary medical coverage.		
Funds Expended	3,138,000	0
Year-End Fund Balance	0	0
Third Party Collections Fund (HCA3791 Acute Care/HCA3019 Long Term Care/ A.R.S. § 36-2913)		Partially-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members.		
Appropriated Funds Expended	0	194,700
Non-Appropriated Funds Expended	7,916,400	7,500,800
Year-End Fund Balance	556,700	422,000
Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)		Non-Appropriated
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	125,588,500	118,280,200
Year-End Fund Balance	19,200	19,200

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771) Non-Appropriated

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

Purpose of Fund: To AHCCCS for the Medically Needy Account (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%), the Health Research Account (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 36-775, the amount transferred to the Corrections Fund Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are to be transferred out proportionally to the other 3 accounts. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.

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

Tobacco Tax and Health Care Fund - Medically Needy Accounts Partially-Appropriated
(HCA1306/A.R.S. § 36-774)

Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.

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

Tobacco Products Tax Fund (RVA1310/A.R.S. § 36-770) Partially-Appropriated

Source of Revenue: The fund consists of certain tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies. These taxes were enacted in Proposition 303 and approved by voters in the 2002 General Election.

Purpose of Fund: To AHCCCS for the Proposition 204 Protection Account (42%), Medically Needy Account (27%), and the Emergency Health Services Account (20%), DHS for the Health Education Account (2%), the Health Research Account (5%), and the Healthcare Adjustment Account (4%).

(Please see the table following the summary of funds for consolidated information on the expenditures from each account receiving a distribution from the Tobacco Products Tax Fund.)

Tobacco Products Tax Fund - Emergency Health Services Account Appropriated
(HCA1304/A.R.S. § 36-776)

Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.

Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.

Tobacco Products Tax Fund - Proposition 204 Protection Account Non-Appropriated
(HCA1303/A.R.S. § 36-778)

Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.

Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.

Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund	FY 2009	FY 2010 ^{1/}
Medically Needy Account		
<u>Funds Available</u>		
Balance Forward	\$ 2,939,000	\$ 3,278,800
Transfer In - Tobacco Tax and Health Care Fund	53,479,100	47,869,700
Transfer In - Tobacco Products Tax Fund	30,104,300	25,950,900
Interest and Revertments	3,000	0
Total Funds Available	\$86,525,400	\$ 77,099,400
AHCCCS Allocations		
<u>GF Offsets</u>		
Traditional Medicaid State Match Appropriation	\$50,803,300	\$ 53,738,100
Total AHCCCS Allocations	\$50,803,300	\$ 53,738,100
DHS Allocations		
Behavioral Health GF Offset	\$25,785,500	\$ 34,924,800
Folic Acid	333,600	400,000
Community Health Centers	3,415,600	900,000
Total DHS Allocations	\$29,534,700	\$ 36,224,800
Other Allocations		
<i>Total AHCCCS/DHS Allocations</i>	\$80,338,000	\$89,962,900
Administrative Adjustments	2,908,600	0
Balance Forward	\$ 3,278,800	\$ (12,863,500) ^{2/}
AHCCCS Proposition 204 Protection Account		
<u>Funds Available</u>		
Balance Forward	\$ 0	\$ 6,200
Transfer In - Tobacco Products Tax Fund	46,828,900	40,368,000
Total Funds Available	\$46,828,900	\$ 40,374,200
<u>Allocations</u>		
AHCCCS State Match	\$46,828,900	\$48,996,700
Balance Forward	\$ 0	\$ (8,622,500) ^{2/}
AHCCCS Emergency Health Services Account		
<u>Funds Available</u>		
Balance Forward	\$ 6,200	\$ 0
Transfer In - Tobacco Products Tax Fund	22,131,800	19,222,900
Total Funds Available	\$22,138,000	\$19,222,900
<u>Allocations</u>		
AHCCCS State Match Appropriation	\$22,131,800	\$23,331,800
Balance Forward ^{3/}	\$ 6,200	\$ (4,108,900) ^{2/}

Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund	FY 2009	FY 2010 ^{1/}
DHS Health Education Account		
<u>Funds Available</u>		
Balance Forward	\$ 8,305,800	\$ 3,805,700
Transfer In - Tobacco Tax and Health Care Fund	18,979,900	15,728,600
Transfer In - Tobacco Products Tax Fund	2,333,200	1,922,300
Total Funds Available	\$29,618,900	\$21,456,600
<u>Allocations</u>		
Tobacco Education and Prevention Program	\$21,751,900	\$21,751,900
Leading Causes of Death - Prevention and Detection	4,061,300	4,061,300
Balance Forward	\$ 3,805,700	\$ (4,356,600) ^{2/}
Health Research Account		
<u>Funds Available</u>		
Balance Forward	\$ 7,245,800	\$ 4,646,300
Transfer In - Tobacco Tax and Health Care Fund	3,819,900	3,419,200
Transfer In - Tobacco Products Tax Fund	5,541,700	4,805,700
Interest Revenue	82,800	0
Total Funds Available	\$16,690,200	\$12,871,200
<u>Allocations</u>		
Arizona Biomedical Research Commission	\$ 5,543,900	\$ 5,543,900
Alzheimer's	1,000,000	0
Public Health	0	1,000,000
Autism Training - Department of Economic Security	0	200,000
Biotechnology (Laws 2002, Ch. 186)	500,000	500,000
<i>Bioresearch Non-Appropriated Allocation ^{4/}</i>	5,000,000	5,000,000
Balance Forward	\$ 4,646,300	\$ 627,300
<p>^{1/} Based on revised revenue estimates.</p> <p>^{2/} Actual balances will not be negative.</p> <p>^{3/} Any unencumbered funds in the Emergency Health Services Account are transferred to the Proposition 204 Protection Account at the end of each year.</p> <p>^{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 signed a contract with TGen to continue this appropriation through FY 2012 through the commission's non-appropriated grant program.</p>		

Arizona Health Care Cost Containment System

Administration

JLBC: Amy Upston/Aaron Galeener

OSPB: Bret Cloninger

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3,201.4	3,017.4	2,978.4
Personal Services	34,870,000	38,674,400	38,774,400
Employee Related Expenditures	14,340,700	15,787,800	15,832,700
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	9,631,500	9,961,100
Equipment	102,000	319,200	319,200
OPERATING SUBTOTAL	60,610,200	68,209,200	68,703,900
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	55,906,200	55,906,200
DES Title XIX Pass-Through	259,500	352,500	352,500
Healthcare Group Administration and Reinsurance	6,524,400	6,179,700	6,179,700
Office of Administrative Hearings	217,700	272,700	0
KidsCare - Administration	10,031,500	7,412,100	6,743,400
Proposition 204 - AHCCCS Administration	9,615,900	7,300,300	7,300,300
Proposition 204 - DES Eligibility	37,100,200	41,314,600	41,314,600
PROGRAM TOTAL	183,389,700	192,886,800	192,218,100
FUND SOURCES			
General Fund	82,805,200	78,622,800	78,294,200
<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	5,184,100
Healthcare Group Fund	3,724,400	6,179,700	6,179,700
SUBTOTAL - Other Appropriated Funds	13,586,300	14,821,200	14,481,100
SUBTOTAL - Appropriated Funds	96,391,500	93,444,000	92,775,300
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	86,998,200	99,442,800	99,442,800
SUBTOTAL - Expenditure Authority Funds	86,998,200	99,442,800	99,442,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	183,389,700	192,886,800	192,218,100
Other Non-Appropriated Funds	76,678,500	70,647,000	73,750,200
Federal Funds	34,099,000	30,630,400	26,413,900
TOTAL - ALL SOURCES	294,167,200	294,164,200	292,382,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(328,600)	(0.4%)
Other Appropriated Funds	(340,100)	(2.3%)
Expenditure Authority Fund	0	0.0%
Total Appropriated/Expenditure Authority Funds	(668,700)	(0.3%)
Non-Appropriated Funds	(1,113,300)	(1.1%)
Total - All Sources	(1,782,000)	(0.6%)

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 Baseline includes \$68,703,900 and 967.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$26,516,900
Federal Expenditure Authority	42,187,000

FY 2011 adjustments would be as follows:

Shift Indian Advisory Council to	GF	104,900
Operating Budget	EA	117,100

The Baseline 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	EA	272,700
Hearings to Operating Budget		

The Baseline includes an increase of \$272,200 and 3 FTE Positions from Federal Title XIX Expenditure Authority in FY 2011 to move the Office of Administrative Hearings to the operating budget.

ADOA Data Center Charges

The Baseline 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 Baseline includes no funding for the Indian Advisory Council in FY 2011 due to the shift to the operating budget. FY 2011 adjustments would be as follows:

Shift to Operating Budget	GF	(104,900)
	EA	(117,100)

The Baseline 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 Baseline includes \$55,906,200 and 991.6 FTE Positions for the Department of Economic Security (DES) Eligibility services in FY 2011. These amounts consist of:

General Fund	26,467,600
Federal Expenditure Authority	29,438,600

These amounts are unchanged from FY 2010.

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

DES Title XIX Pass-Through

The Baseline includes \$352,500 and 4.3 FTE Positions for DES Title XIX Pass-Through funding in FY 2011. These amounts consist of:

General Fund	147,700
Federal Expenditure Authority	204,800

These amounts are unchanged from FY 2010.

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 Baseline includes \$6,179,700 and 30 FTE Positions from the Healthcare Group Fund for Healthcare Group

Administration and Reinsurance in FY 2011. These amounts are unchanged from FY 2010.

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 May 2009, there were 14,770 individuals enrolled in HCG medical plans.

Office of Administrative Hearings

The Baseline includes no funding for Office of Administrative Hearing (OAH) costs in FY 2011 due to the shift to the operating budget. FY 2011 adjustments would be as follows:

Shift to Operating Budget EA (272,700)

The Baseline 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 Fund, based on the cases reviewed.

KidsCare - Administration

The Baseline includes \$6,743,400 and 177.5 FTE Positions for KidsCare Administration costs in FY 2011. These amounts consist of:

General Fund	1,559,300
Children’s Health Insurance Program (CHIP) Fund	5,184,100

FY 2011 adjustments would be as follows:

**FMAP Change GF (44,500)
OF 44,500**

The Baseline includes a decrease of \$(44,500) from the General Fund and a corresponding CHIP Fund increase in FY 2011 to reflect the increasing of the Title XXI KidsCare federal medical assistance percentage on October 1, 2010 from 76.03% to 76.10%.

**KidsCare Parents Elimination GF (160,300)
OF (508,400)**

The Baseline includes a decrease of \$(668,700) in FY 2011 as a funding reduction to KidsCare Administration due to the elimination of KidsCare Parents.

This adjustment would consist of a decrease in the General Fund appropriation and a decrease in the CHIP Fund.

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

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 Baseline includes \$7,300,300 and 164.4 FTE Positions for Proposition 204 AHCCCS Administration costs in FY 2011. These amounts consist of:

General Fund	2,576,200
Federal Expenditure Authority	4,724,100

These amounts are unchanged from FY 2010.

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 Baseline includes \$41,314,600 and 643.4 FTE Positions for Proposition 204 DES Eligibility costs in FY 2011. These amounts consist of:

General Fund	19,301,800
Budget Neutrality Compliance Fund	3,117,300
Federal Expenditure Authority Funds	18,895,500

FY 2011 adjustments would be as follows:

**Statutory Adjustment GF (123,800)
OF 123,800**

The Baseline 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. § 11-2920 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 2010 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.)*

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

STATUTORY CHANGES

The Baseline would, as session law, require AHCCCS to transfer any county savings from the Proposition 204 - DES Eligibility line item in FY 2011 back to the counties to conform with federal stimulus requirements.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

AHCCCS was originally budgeted 1,312 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given

the mid-year implementation, this provision requires AHCCCS to reduce an additional 27 General Fund FTE Positions in FY 2010 and 66 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

Arizona Health Care Cost Containment System

Acute Care

JLBC: Amy Upston/Aaron Galeener

OSP: Bret Cloninger

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
SPECIAL LINE ITEMS			
Traditional Medicaid Population			
Capitation	2,148,624,600	2,412,496,300	2,646,419,400
Reinsurance	103,033,300	129,621,800	163,429,700
Fee-For-Service	531,755,000	519,963,200	550,693,600
Medicare Premiums	96,170,100	104,550,000	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	31,925,600	32,981,800
Temporary Medical Coverage	3,138,000	0	0
Proposition 204 Services			
Proposition 204 - Capitation	1,531,692,900	2,139,744,100	2,424,971,700
Proposition 204 - Reinsurance	73,596,200	87,601,900	112,603,300
Proposition 204 - Fee-For-Service	222,136,900	229,802,300	264,704,300
Proposition 204 - Medicare Premiums	31,222,400	33,051,400	37,181,900
Proposition 204 - County Hold Harmless	0	4,825,600	4,825,600
KidsCare Services			
KidsCare - Children	115,412,200	133,434,400	96,398,200
KidsCare - Parents	30,625,100	6,967,500	0
Payments to Hospitals			
Disproportionate Share Payments	4,202,300	30,350,000	30,350,000
Graduate Medical Education	0	42,075,300	42,748,500
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	5,928,911,400	6,552,653,900
FUND SOURCES			
General Fund	1,270,008,600	1,626,178,700	1,857,630,800
<u>Other Appropriated Funds</u>			
Children's Health Insurance Program Fund	114,204,800	109,330,200	76,168,300
Temporary Medical Coverage Fund	3,138,000	0	0
TPTF Emergency Health Services Account	22,131,800	23,331,800	19,222,900
TTHCF Medically Needy Account	50,803,300	53,738,100	38,295,800
SUBTOTAL - Other Appropriated Funds	190,277,900	186,400,100	133,687,000
SUBTOTAL - Appropriated Funds	1,460,286,500	1,812,578,800	1,991,317,800
<u>Expenditure Authority Funds</u>			
County Funds	0	51,711,900	51,438,400
Federal Title XIX Funds	3,298,913,700	3,897,149,100	4,361,123,800
Third Party Collections Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	125,588,500	118,280,200	108,211,300
TPTF Proposition 204 Protection Account	46,828,900	48,996,700	40,367,900
SUBTOTAL - Expenditure Authority Funds	3,471,331,100	4,116,332,600	4,561,336,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	4,931,617,600	5,928,911,400	6,552,653,900
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	5,992,390,400	6,616,132,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	231,452,100	14.2%
Other Appropriated Funds	(52,713,100)	(28.3%)
Expenditure Authority Fund	445,003,500	10.8%
Total Appropriated/Expenditure Authority Funds	623,742,500	10.5%
Non-Appropriated Funds	0	0.0%
Total - All Sources	623,742,500	10.4%

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.

Note: All policy issues are stated at the regular federal match rate.

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 Federal Poverty Level (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 December 1, 2009, AHCCCS programs served 1,367,199 clients.

The following issues are reflected in several different line items:

Title XIX Caseload and Capitation Rate Growth

The Baseline 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 5.5% from June 2010 to June 2011.

In comparison to caseload growth rates which vary by population, capitation rate adjustments are assumed to be 0% above FY 2010 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 cost an additional \$65,000,000 from the General Fund in FY 2011.

In total, the amount includes \$623,069,400 in new Title XIX and Title XXI funding for caseload and capitation rate growth. Of this amount, \$196,692,200 is from the General Fund and \$426,377,200 is in Federal and County

Population	June 2009 Actuals	June 2010	June 2011	% Change
<u>Title XIX</u>				
Traditional Medicaid	735,792	836,209	883,873	5.7%
Proposition 204	<u>272,257</u>	<u>358,096</u>	<u>376,001</u>	<u>5.0%</u>
Subtotal	1,008,049	1,194,305	1,259,874	5.5%
Fee-For-Service/ Other	<u>158,825</u>	<u>168,355</u>	<u>176,773</u>	<u>5.0%</u>
Subtotal – Title XIX	1,166,874	1,362,660	1,436,647	5.4%
<u>Title XXI</u>				
KidsCare-Children	51,435	45,045	46,351	2.9%
KidsCare-Parents	<u>9,223</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Total Acute Care	1,227,532	1,407,705	1,482,998	5.3%
Long-Term Care	<u>26,833</u>	<u>27,740</u>	<u>28,905</u>	<u>4.2%</u>
Total AHCCCS	1,254,365	1,435,445^{2/}	1,511,903	5.3%

^{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.

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. *(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.

Tobacco Taxes and Settlement Monies

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

The Baseline also includes 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 7.2% and 5.9% 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 18% and Proposition 204 Reinsurance is grown at 35% 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 (approximately a 2:1 match) and Title XXI (approximately a 3:1 match) KidsCare program. These rates are set on a state-by-state basis and are revised each year.

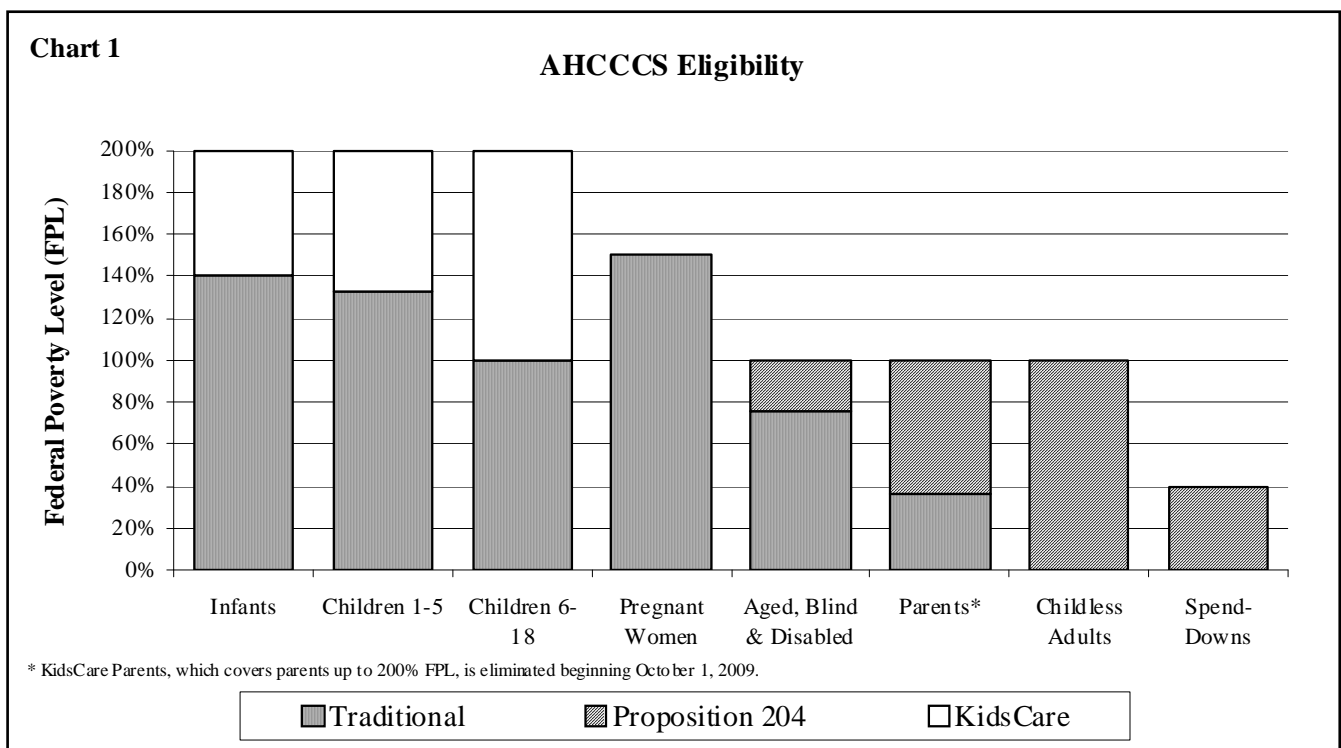
In FY 2011, both the regular Title XIX FMAP (0.07% increase) and the Title XXI FMAP (0.057% increase) are increasing, effective October 1, 2010. The SFY 2011 FMAPs are 65.83% for Title XIX and 76.08% for Title XXI. These decreases will result in General Fund cost decreases in federally matched programs of \$3,852,300 and are included in the growth numbers presented below.

In addition to this change, the 2009 American Recovery and Reinvestment Act increased the federal match for Title XIX populations from October 1, 2008 until December 31, 2010 as long as states meet certain conditions. This enhanced FMAP provides an approximately 3:1 match. The Baseline includes the enhanced FMAP in a separate section to emphasize the temporary nature of the increase. All costs shown in the Acute Care Cost Center reflect the regular FMAP. *(Please see the AHCCCS Summary section for additional information on the American Recovery and Reinvestment Act.)*

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 36% 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 Baseline includes \$2,646,419,400 for Capitation expenditures for the Traditional population in FY 2011. This amount consists of:

General Fund	\$813,063,600
County Funds	51,438,400
TTHCF Medically Needy Account	38,295,800
Third Party Collections	194,700
Federal Title XIX Expenditure Authority	1,743,426,900

FY 2011 adjustments would be as follows:

Formula Growth	GF 78,488,900
	EA 155,434,200

The Baseline includes an increase of \$233,923,100 in FY 2011 for Traditional Title XIX population funding for caseload growth.

The FY 2011 increase represents capitation enrollment growth of 5.7% from June 2010 to June 2011. This would result in approximately 861,809 member years being served in FY 2011. The amount includes no capitation rate increase.

Maricopa Deflator	GF 273,500
	EA (273,500)

The Baseline includes an increase of \$273,500 from the General Fund and a corresponding decrease 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.

Tobacco Tax Backfill	GF 15,442,300
	OF (15,442,300)

The Baseline includes an increase of \$15,442,300 from the General Fund and a corresponding decrease of \$(15,442,300) from the TTHCF Medically Needy Account in FY 2011 to offset declining tobacco tax revenues.

Background – The Capitation line 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. 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

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

code for FY 2011. The 5-year contracts were effective October 2008.

Traditional Medicaid		
Federally-Eligible Rate Codes	FY 2011 Member Years ^{1/}	FY 2011 Capitation Rates ^{2/}
TANF < 1	57,684	\$ 491.52
TANF 1-13	444,914	112.86
TANF 14-44 Female	158,679	245.72
TANF 14-44 Male	75,069	148.11
TANF 45+	14,660	407.32
SSI w/ Medicare	46,900	157.25
SSI w/o Medicare	59,687	753.39
Family Planning	4,216	17.38
Total	861,809	
Deliveries ^{3/}	36,552	\$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 medical services utilization and costs incurred per AHCCCS member per month.

Reinsurance

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

General Fund	55,852,100
Federal Title XIX Expenditure Authority	107,577,600

FY 2011 adjustments would be as follows:

Formula Growth	GF	11,463,100
	EA	22,344,800

The Baseline includes an increase of \$33,807,900 in FY 2011 for Traditional Title XIX Reinsurance funding for caseload growth.

The FY 2011 adjustment would be an increase of 18% above current caseloads.

Pursuant to the FY 2010 Health and Welfare Budget Reconciliation Bill, AHCCCS required all health plans which were not at the lowest deductible level to adjust their reinsurance level to the next lowest level. This policy is expected to lead to lower capitation payments in FY 2010 but higher reinsurance payments in FY 2011.

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 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, 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 Baseline includes \$550,693,600 for Fee-For-Service expenditures for the Traditional population in FY 2011. This amount consists of:

General Fund	105,025,500
Federal Title XIX Expenditure Authority	445,668,100

FY 2011 adjustments would be as follows:

Formula Growth	GF	870,100
	EA	29,860,300

The Baseline includes an increase of \$30,730,400 in FY 2011 for Traditional Title XIX Fee-For-Service caseload growth. This adjustment would be a 7.2% increase above current FY 2010 caseload levels.

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

General Fund	36,637,700
Federal Title XIX Expenditure Authority	85,898,200

FY 2011 adjustments would be as follows:

Formula Growth	GF	5,330,400
	EA	12,655,500

The Baseline includes an increase of \$17,985,900 in FY 2011 for Medicare premiums caseload growth and inflation. This adjustment would be an increase of 9.6% in the Medicare premiums program. The 9.6% 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 costs 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 Baseline 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

FY 2011 adjustments would be as follows:

Formula Growth	GF	12,800
	EA	90,300

The Baseline includes an increase of \$103,100 in FY 2011 for Breast and Cervical Cancer caseload growth. The FY 2011 adjustment would be an increase of 9.9% above current FY 2010 caseload levels, but 22.5% above budgeted 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 (DHS). This program serves women with incomes between 100-250% FPL. Enrollment as of December 1, 2009 was 143 individuals.

Ticket to Work

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

General Fund	2,443,200
Federal Title XIX Expenditure Authority	4,706,000

FY 2011 adjustments would be as follows:

Formula Growth	GF	65,100
	EA	139,800

The Baseline includes an increase of \$204,900 in FY 2011 for Ticket to Work caseload growth. The FY 2011 adjustment would represent a 7.9% increase above current FY 2010 caseload levels.

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 December 1, 2009, approximately 1,035 members were enrolled in this program.

The FY 2011 Baseline 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 Baseline 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 Baseline includes \$32,981,800 from the General Fund for Medicare Clawback Payments in FY 2011. FY 2011 adjustments would be as follows:

Formula Growth GF 1,056,200

The Baseline includes an increase of \$1,056,200 from the General Fund in FY 2011 for Medicare Clawback Payments.

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 Baseline 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 Budget Reconciliation Bill 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.

Proposition 204 - Capitation

The Baseline includes \$2,424,971,700 for Capitation expenditures for the Proposition 204 population in FY 2011. This amount consists of:

General Fund	660,619,500
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	1,596,550,100

FY 2011 adjustments would be as follows:

Formula Growth GF 95,820,300
EA 189,407,300

The Baseline includes an increase of \$285,227,600 in FY 2011 for Proposition 204 funding for caseload growth.

The FY 2011 adjustment would represent Proposition 204 capitation enrollment growth of 5.0% from the revised June 2010 estimate to June 2011. This would result in approximately 367,723 member years being served in FY 2011. The amount includes no capitation rate increase.

Tobacco Tax Shortfall GF 12,737,700
OF (4,108,900)
EA (8,628,800)

The Baseline includes an increase of \$12,737,700 from the General Fund and a corresponding decrease of \$(12,737,700) of Other Appropriated Funds and Expenditure Authority in FY 2011 to offset declining tobacco tax revenues. These amounts consist of:

TPTF Proposition 204 Protection Account	(8,628,800)
Emergency Health Services Account	(4,108,900)

Tobacco Settlement Shortfall GF 10,068,900
EA (10,068,900)

The Baseline includes an increase of \$10,068,900 from the General Fund and a corresponding decrease from the Tobacco Litigation Settlement Fund in FY 2011 to offset an estimated decline in tobacco settlement revenues.

Table 4 details the capitation rates and enrollment for the Proposition 204 program by AHCCCS rate code.

Proposition 204 - Reinsurance

The Baseline includes \$112,603,300 for the Proposition 204 - Reinsurance line item in FY 2011. This amount consists of:

General Fund	38,482,200
Federal Title XIX Expenditure Authority	74,121,100

FY 2011 adjustments would be as follows:

Formula Growth GF 8,483,800
EA 16,517,600

The Baseline includes an increase of \$25,001,400 in FY 2011 for Proposition 204 Reinsurance funding.

Table 4

Proposition 204

Federally-Eligible Rate Codes	FY 2011 Member Years ^{1/}	FY 2011 Capitation Rates ^{2/}
TANF	136,552	\$ 242.69
SSI	28,230	195.75
Prop 204 Conversions ^{3/}	58,611	523.39
Prop 204 Medically Eligible ^{4/}	6,880	1,291.47
Prop 204 Newly Eligible ^{5/}	<u>137,449</u>	523.39
Total	367,723 ^{6/}	
Deliveries ^{7/}	2,745	\$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.

The FY 2011 adjustment represents an increase of 35% above current FY 2010 caseload levels. 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 Baseline includes \$264,704,300 for Fee-For-Service expenditures for the Proposition 204 population in FY 2011. This amount consists of:

General Fund	47,193,100
Federal Title XIX Expenditure Authority	217,511,200

FY 2011 adjustments would be as follows:

Formula Growth	GF	703,400
	EA	34,198,600

The Baseline includes an increase of \$34,902,000 in FY 2011 for caseload growth.

The FY 2011 adjustment would represent an increase of 5.9% above current 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 Baseline includes \$37,181,900 for Medicare Premiums expenditures for the Proposition 204 population in FY 2011. This amount consists of:

General Fund	12,706,000
Federal Title XIX Expenditure Authority	24,475,900

FY 2011 adjustments would be as follows:

Formula Growth	GF	1,387,500
	EA	2,743,000

The Baseline includes an increase of \$4,130,500 in FY 2011 for caseload growth. The FY 2011 adjustment would represent an increase of 6.2% above current caseload levels for FY 2010.

Proposition 204 - County Hold Harmless

The Baseline includes \$4,825,600 from the General Fund for Proposition 204 County Hold Harmless payments in FY 2011. This amount is unchanged from FY 2010.

As a result of the implementation of Proposition 204, some counties experienced revenue losses. The amount continues prior year appropriations to hold these counties harmless. The primary recipient of the appropriation is Pima County, which receives \$3,817,800. The remaining \$1,007,800 is 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. *(Additional funding is also provided for the administration of the KidsCare program in the AHCCCS Administration cost center.)*

KidsCare - Children

The Baseline includes \$96,398,200 for KidsCare children's services in FY 2011. This amount consists of:

General Fund	20,229,900
CHIP Fund	76,168,300

FY 2011 adjustments would be as follows:

Formula Growth **GF (9,171,700)**
OF (27,864,500)

The Baseline includes a decrease of \$(37,036,200) in FY 2011 for caseload growth funding in the KidsCare Children population. The OF amount consists of the CHIP Fund.

These amounts would represent enrollment growth of approximately 1,306 members, or 2.9%, from June 2010 to June 2011. Total enrollment in June 2011 is expected to reach approximately 46,351. As of October 2009, approximately 45,655 children were enrolled in the program. The amount includes no capitation rate increase.

Despite significant recent increases in the Traditional and Proposition 204 Capitation Programs, enrollment in KidsCare has been declining for the past year. The original FY 2010 budget projected that the KidsCare program would experience a 9% growth from June 2009 to June 2010 with an expected June 2010 enrollment of 58,211. JLBC Staff now projects a (13.3)% decline during this period.

The above amounts include an estimate of \$9,700,000 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 Baseline includes no funding for KidsCare Parents in FY 2011. FY 2011 adjustments would be as follows:

Program Elimination **GF (1,670,100)**
OF (5,297,400)

The Baseline includes a decrease of \$(6,967,500) in FY 2011 due to the elimination of this program. The OF amount consists of the CHIP Fund.

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 Baseline includes \$30,350,000 for Disproportionate Share Hospital (DSH) Payments in FY 2011. This amount consists of:

General Fund 8,929,400
Federal Title XIX Expenditure Authority 21,420,600

FY 2011 adjustments would be as follows:

Decreased FMAP **GF (24,900)**
EA 24,900

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 CPE be shown in order to draw down the same amount of federal funding as last year.

The table at the beginning of the Acute Care section indicates that only \$4,202,300 was spent on DSH Payments in FY 2009. This results from most of the FY 2009 appropriation not being distributed to the recipient hospitals until the beginning of FY 2010. These expenditures are counted in the state's overall administrative adjustment total for FY 2010.

	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>26,147,700</u>	<u>26,147,700</u>
Total Allocations	\$135,452,600	\$135,452,600
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	(8,954,300)	(8,929,400)
Net GF Impact	60,150,600	60,280,600
^{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.		

The state only appropriates General Fund dollars for DSH payments to private hospitals (\$26,147,700) and monies retained by Maricopa Integrated Health Services (MIHS) (\$4,202,300). Publicly operated hospitals are required to document uncompensated care costs to the federal government through a certified public expenditure (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 \$15,150,000 based on private hospitals' level of care provided to Medicaid clients and/or the level of low-income clients served. The second pool allocates \$10,997,700 among private hospitals as compensation for uncompensated care.

Graduate Medical Education

The Baseline includes \$42,748,500 for Graduate Medical Education (GME) expenditures in FY 2011. This amount consists of:

General Fund	14,598,800
Federal Title XIX Expenditure Authority	28,149,700

FY 2011 adjustments would be as follows:

Statutory Inflation Adjustment	GF	230,100
	EA	443,100

The Baseline reflects a 1.6% yearly increase of \$673,200 in FY 2011 above the FY 2010 appropriation of \$42,075,300, based on the CMS Hospital Prospective Reimbursement Market Basket, as reported by AHCCCS. This inflation adjustment is required by A.R.S. § 36-2903.1, Subsection H, paragraph 9(a). The additional \$12,000,000 appropriated in FY 2007 for recruiting Arizona physicians and the additional \$8,894,200 appropriated in FY 2008 is not adjusted for inflation.

Decreased FMAP	GF	(102,000)
	EA	102,000

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.

The table at the beginning of the Acute Care section indicates that no monies were spent on GME in FY 2009. This results from the FY 2009 appropriation not being distributed to the recipient hospitals until the beginning of FY 2010. These expenditures are counted in the state's overall administrative adjustment total for FY 2010.

Critical Access Hospitals

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

General Fund	580,500
Federal Title XIX Expenditure Authority	1,119,500

FY 2011 adjustments would be as follows:

Decreased FMAP	GF	(1,800)
	EA	1,800

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

General Fund	3,041,700
Federal Title XIX Expenditure Authority	9,116,400

FY 2011 adjustments would be as follows:

Decreased FMAP	GF	(11,500)
	EA	11,500

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

The table at the beginning of the Acute Care section indicates that no monies were spent on Rural Hospital Reimbursement in FY 2009. This results from the FY 2009 appropriation not being distributed to the recipient hospitals until the beginning of FY 2010. These expenditures are counted in the state's overall administrative adjustment total for FY 2010.

* * *

FORMAT — Special Line Items by Program

FOOTNOTES

Standard Footnotes

Of the \$4,825,600 appropriated for the Proposition 204 County Hold Harmless line item, \$234,200 is allocated to Graham County, \$3,817,800 to Pima County, \$234,400 to Greenlee County, \$159,700 to La Paz County, \$214,800 to Santa Cruz County and \$164,700 to Yavapai County to offset a net loss in revenue due to the implementation of Proposition 204, and shall be used for indigent health care costs.

The \$30,350,000 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 \$26,147,700 for private qualifying disproportionate share hospitals.

STATUTORY CHANGES

The Baseline would:

- As session law, continue the County Acute Care contribution at \$51,438,400. This amount would include adjusting the contribution for Maricopa County in FY 2010 downward by \$(273,500) for inflation by an amount equal to the GDP price deflator. JLBC would also adjust Maricopa County's contribution downward for inflation in FY 2009. *(Please see the Maricopa Deflator policy issue under the Traditional Capitation Special Line Item.)*
- As session law, continue the Disproportionate Share Hospital payments for FY 2011 at \$76,627,700 for a nonstate operated public hospital, \$28,474,900 for the Arizona State Hospital, and \$26,147,700 for qualifying private hospitals. *(Please see the Disproportionate Share Payments Special Line Item for additional information.)*
- As session law, continue the collection of \$2,646,200 in DUC pool contributions from all counties other than Maricopa County. The JLBC would exclude these contributions from county expenditure limitations, retroactive to June 30, 2004.
- As session law, continue the exclusion of Proposition 204 administration costs from county expenditure limitations retroactive to June 30, 2004.
- As session law, continue the exclusion of AHCCCS from paying the ambulance provider rates set by the Department of Health Services.
- As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations and continue to impose a reduction on funding for all managed care organizations administrative funding levels.
- As session law, continue to prohibit increases in institutional and non-institutional provider rates in the contract year beginning October 1, 2010.
- As session law, require AHCCCS to suspend total Acute Care capitation payments of \$344,201,700 to health plans for 1 month. Stipulate that the health plans shall receive 0.5% interest for the delayed payment.
- As session law, require AHCCCS to transfer Acute Care county savings due to the receipt of the enhanced FMAP in FY 2010 to counties by December 31, 2010.
- As session law, require AHCCCS to transfer Acute Care county savings due to the receipt of the enhanced FMAP in FY 2011 to counties within 6 months of the expiration of the enhanced FMAP.
- 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.
- 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 reduce fraud.

Arizona Health Care Cost Containment System

Long-Term Care

JLBC: Amy Upston/Aaron Galeener

OSPB: Bret Cloninger

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
SPECIAL LINE ITEMS			
ALTCS Lump Sum Appropriation	1,179,669,500	1,266,710,000	1,279,628,800
Medicare Clawback Payments	20,706,500	22,956,300	23,715,800
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	1,289,876,000	1,303,554,300

FUND SOURCES

General Fund	163,097,100	180,658,900	189,432,400
SUBTOTAL - Appropriated Funds	163,097,100	180,658,900	189,432,400
<u>Expenditure Authority Funds</u>			
County Funds	54,172,300	262,889,400	267,912,100
Federal Title XIX Funds	983,904,700	846,327,700	846,209,800
SUBTOTAL - Expenditure Authority Funds	1,038,077,000	1,109,217,100	1,114,121,900
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,201,174,100	1,289,876,000	1,303,554,300
TOTAL - ALL SOURCES	1,201,174,100	1,289,876,000	1,303,554,300

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	8,773,500	4.9%
Expenditure Authority Fund	4,904,800	0.4%
Total Appropriated/Expenditure Authority Funds	13,678,300	1.1%
Total - All Sources	13,678,300	1.1%

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

General Fund	\$176,345,900
County Contributions	257,178,000
Federal Expenditure Authority	846,104,900

These amounts do not include adjustments to the Medicaid matching rate under the American Recovery and Reinvestment Act. (Please see Agency Summary for more information.) The FY 2011 adjustments would be as follows:

Formula Growth

GF 8,293,500
EA 4,625,300

The Baseline includes an increase of \$12,918,800 in FY 2011 for caseload and capitation rate growth. This Expenditure Authority (EA) amount consists of:

County Contributions	4,743,200
Federal Title XIX Expenditure Authority	(117,900)

The decrease in EA is due to formula error in the prior year. This error resulted in a \$35,268,300 overestimation in FY 2010. Using the corrected FY 2010 base of \$810,954,500, the EA growth would be \$35,150,400.

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.

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.

Background – While ALTCS is appropriated its expenditures by lump sum, 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 prior year (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 \$5,355,600 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 \$15,102,300 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 6 counties with a total of \$13,166,000 in relief.

In FY 2011, provisions 2 through 6 of the ALTCS formula result in the state providing a total of \$33,623,900 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 Percentages (FMAP), effective October 1, 2010. These amounts do not include adjustments to the Medicaid matching rate under the

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> ^{2/}	<u>Change From FY 2010</u>
Apache	\$ 9,564,800	\$ 188,300	\$ 9,753,100	\$ (9,082,400)	\$ 670,700	\$ 655,700	\$ 15,000
Cochise	7,480,600	184,400	7,665,000	(1,916,300)	5,748,700	5,813,900	(65,200)
Coconino	6,281,600	130,000	6,411,600	(4,398,700)	2,012,900	1,967,700	45,200
Gila	3,526,700	88,600	3,615,300	(1,295,500)	2,319,800	2,410,400	(90,600)
Graham	1,493,600	39,300	1,532,900	-	1,532,900	1,577,300	(44,400)
Greenlee	169,800	4,800	174,600	-	174,600	147,200	27,400
La Paz	864,500	20,900	885,400	-	885,400	793,700	91,700
Maricopa	160,914,600	3,820,900	164,735,500	-	164,735,500	164,638,800	96,700
Mohave	7,643,200	186,200	7,829,400	-	7,829,400	7,461,000	368,400
Navajo	9,549,400	202,800	9,752,200	(6,976,900)	2,775,300	2,713,000	62,300
Pima	48,650,600	1,115,100	49,765,700	(7,130,400)	42,635,300	42,511,400	123,900
Pinal	16,313,800	346,600	16,660,400	(753,800)	15,906,600	13,884,800	2,021,800
Santa Cruz	2,932,000	64,900	2,996,900	(947,100)	2,049,800	1,987,700	62,100
Yavapai	10,402,100	256,800	10,658,900	(622,300)	10,036,600	8,629,800	1,406,800
Yuma	<u>8,902,900</u>	<u>196,200</u>	<u>9,099,100</u>	<u>(500,500)</u>	<u>8,598,600</u>	<u>7,697,300</u>	<u>901,300</u>
Total	\$294,690,200	\$6,845,800	\$301,536,000	\$(33,623,900)	\$267,912,100	\$262,889,400 ^{3/}	\$5,022,700 ^{3/}

^{1/} All numbers reflect the regular 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.

^{3/} Numbers do not add due to rounding.

American Recovery and Reinvestment Act. For a breakdown of contributions by county using the enhanced FMAP rate, please see *Table 2*. (Please see the *Summary Section* for more detail on the enhanced FMAP.)

Medicare Clawback Payments

The Baseline includes \$23,715,800 for Medicare Clawback Payments in FY 2011. This amount consists of:

General Fund	12,981,700
County Contributions	10,734,100

The FY 2011 adjustments would be as follows:

Formula Growth	GF	480,000
	EA	279,500

The Baseline includes an increase of \$759,500 in FY 2011 for caseload capitation rate growth. This EA amount consists of county contributions.

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

The line item is used to make payments to Medicare, as required by the federal Medicare Modernization Act (MMA). As part of the MMA, 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 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.

Dual Eligible Part D Copay Subsidy

The Baseline 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 Baseline includes \$209,700 in FY 2011 for the Board of Nursing. This amount consists of:

General Fund	104,800
Federal 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.

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FORMAT — Special Line Items by Program

FOOTNOTES

Standard Footnotes

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

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.

STATUTORY CHANGES

The Baseline would:

- As session law, set the FY 2011 county Long Term Care contribution as follows:

	<u>Regular FMAP</u>	<u>Enhanced FMAP</u>
Apache	\$ 670,700	\$ 571,300
Cochise	5,748,700	4,896,700
Coconino	2,012,900	1,714,600
Gila	2,319,800	1,976,000
Graham	1,532,900	1,305,700
Greenlee	174,600	148,700
La Paz	885,400	754,200
Maricopa	164,735,500	140,320,400
Mohave	7,829,400	6,669,000
Navajo	2,775,300	2,364,000
Pima	42,635,300	36,316,400
Pinal	15,906,600	13,549,100
Santa Cruz	2,049,800	1,746,000
Yavapai	10,036,600	8,549,100
Yuma	<u>8,598,600</u>	<u>7,324,200</u>
Total	\$267,912,100	\$228,205,400

- As session law, amend Laws 2009, 3rd Special Session, Chapter 3, to change the 50/50 split for reversion of excess appropriations in ALTCS to 62.2/37.8 split in FY 2009 and 60/40 split in FY 2010.
- As session law, change 50/50 split for reversion of excess appropriations in ALTCS to 58.6/41.4 split for July 1, 2010 – December 31, 2010.

State Board of Appraisal

JLBC: Aaron Galeener
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.5	4.5	4.5
Personal Services	234,100	284,100	284,100
Employee Related Expenditures	92,400	86,800	86,800
Professional and Outside Services	181,000	142,000	142,000
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	624,200	624,200

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	616,100	624,200	624,200
SUBTOTAL - Other Appropriated Funds	616,100	624,200	624,200
SUBTOTAL - Appropriated Funds	616,100	624,200	624,200
TOTAL - ALL SOURCES	616,100	624,200	624,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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

Operating Budget

The Baseline includes \$624,200 and 4.5 FTE Positions from the Board of Appraisal Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Appraisal Fund (APA2270/A.R.S. § 32-3608)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of real estate appraisers and tax agents. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate real estate appraisers and property tax agents, and for board administration.		
Funds Expended	616,100	624,200
Year-End Fund Balance	325,900	238,500

Arizona Commission on the Arts

JLBC: Bob Hull
 OSPB: Jennifer Uharriet

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.5	10.5	9.5
Personal Services	484,400	447,600	447,600
Employee Related Expenditures	97,000	90,100	90,100
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	680,100	680,100
SPECIAL LINE ITEMS			
Community Service Projects	862,200	288,400	288,400
5th Special Session Reduction	0	(72,600)	(72,600)
AGENCY TOTAL	1,522,600	895,900	895,900

FUND SOURCES

General Fund	1,522,600	895,900	895,900
SUBTOTAL - Appropriated Funds	1,522,600	895,900	895,900
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	3,685,900	3,363,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	(322,900)	(11.6%)
Total - All Sources	(322,900)	(8.8%)

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 Baseline includes \$680,100 and 9.5 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$(72,600) from the General Fund 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.

Community Service Projects

The Baseline includes \$288,400 from the General Fund for Community Service Projects in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item provide grants to arts organizations and Arizona communities on a matching basis. These grants enable arts organizations and

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FORMAT — Operating Lump Sum with Special Line Items by Agency

February 1, 2010. Given the mid-year implementation, this provision requires the Arizona Commission on the Arts to reduce no additional FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Arizona Commission on the Arts was originally budgeted 10.5 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arts Endowment Fund (HUA3106/A.R.S. § 41-986)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest earnings. The fund had a remaining endowment of \$10,000,000 in FY 2010, after transferring a total of \$10,000,000 in FY 2009 and FY 2010 to the General Fund. The Commission is only permitted to spend revenue earned from the investment of the endowment.		
Purpose of Fund: To award grants to mid-sized arts organizations for stabilization projects.		
Funds Expended	1,076,100	120,300
Year-End Fund Balance	4,300	4,000
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		Non-Appropriated
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions and charges for services. Also includes comingled federal grants for the first several months of FY 2009, which cannot be broken out separately. <i>(Please see Federal Grant Fund for more information.)</i>		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	450,200	116,600
Year-End Fund Balance	86,000	62,400
Arts Trust Fund (HUA3014/A.R.S. § 41-983.01)		Non-Appropriated
Source of Revenue: An annual report filing fee from domestic and foreign for profit corporations.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons, 2) racial or ethnic minorities, and 3) organizations representing rural areas.		
Funds Expended	1,922,800	1,423,700
Year-End Fund Balance	118,200	79,100
Federal Grant Fund (HUA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants from the National Endowment on the Arts beginning several months into FY 2009. Prior to early FY 2009, Federal Funds had been comingled in the Arts Special Revenues Fund.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	572,600	806,500
Year-End Fund Balance	17,100	74,000
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HUA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the Commission to support projects that preserve non-profit arts sector jobs threatened by the economic downturn.		
Funds Expended	0	322,900
Year-End Fund Balance	0	0

Attorney General - Department of Law

JLBC: Marge Zylla
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	644.9	597.9	591.9
Personal Services	27,553,000	27,503,600	27,503,600
Employee Related Expenditures	9,307,400	9,388,900	9,388,900
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	6,998,000
Equipment	223,100	75,600	75,600
OPERATING SUBTOTAL	45,254,500	46,331,400	46,331,400
SPECIAL LINE ITEMS			
Military Airport Planning	74,600	100,000	100,000
Risk Management ISA	8,392,300	9,037,400	9,037,400
State Grand Jury	179,000	179,000	179,000
Victims' Rights	3,204,100	3,248,200	3,248,200
5th Special Session Reduction	0	(2,461,100)	(2,461,100)
AGENCY TOTAL	57,104,500	56,434,900	56,434,900

FUND SOURCES

General Fund	21,483,000	17,987,400	17,987,400
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	189,100	242,800	242,800
Attorney General Legal Services Cost Allocation Fund	6,346,600	5,651,600	5,651,600
Collection Enforcement Revolving Fund	2,625,100	3,313,400	3,313,400
Consumer Protection - Consumer Fraud Revolving Fund	2,499,900	3,513,700	3,513,700
Interagency Service Agreements Fund	12,364,400	13,440,400	13,440,400
Risk Management Revolving Fund	8,392,300	9,037,400	9,037,400
Victims' Rights Fund	3,204,100	3,248,200	3,248,200
SUBTOTAL - Other Appropriated Funds	35,621,500	38,447,500	38,447,500
SUBTOTAL - Appropriated Funds	57,104,500	56,434,900	56,434,900
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	94,468,400	90,825,100

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	(3,643,300)	(9.6%)
Total - All Sources	(3,643,300)	(3.9%)

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 Baseline includes \$46,331,400 and 473.5 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$19,157,700
Antitrust Enforcement Revolving Fund	242,800
Attorney General Legal Services Cost Allocation Fund	6,109,800
Collection Enforcement Revolving Fund	3,582,100
Consumer Fraud Revolving Fund	3,798,600
Interagency Service Agreements Fund	13,440,400

These amounts are unchanged from FY 2010.

Military Airport Planning

The Baseline includes \$100,000 and 1 FTE Position from the General Fund for Military Airport Planning in FY 2011. These amounts are unchanged from FY 2010.

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.

Risk Management ISA

The Baseline includes \$9,037,400 and 107 FTE Positions from the Risk Management Revolving Fund for the Risk Management ISA in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$179,000 and 1.6 FTE Positions from the General Fund for the State Grand Jury in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$3,248,200 and 8.8 FTE Positions from the Victims' Rights Fund for Victims' Rights in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$(2,461,100) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

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

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The Attorney General shall notify the President of the Senate, the Speaker of the House of Representatives and the Joint Legislative Budget Committee before entering into a settlement of \$100,000 or more that will result in the receipt of monies by the Attorney General or any other person. 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.

In addition to the \$13,440,400 appropriated from the Interagency Service Agreements Fund in FY 2011, an additional \$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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote stating that the appropriation for State Grand Jury expenses is for costs incurred pursuant to A.R.S. § 21-426C and is limited to the amount appropriated, since this footnote simply requires compliance with current law.

STATUTORY CHANGES

The Baseline would:

- As permanent law, continue to allow 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.

- As permanent law, continue to permit the Attorney General to use monies available in the Collection Enforcement Revolving Fund for any operating expenses. This provision was previously in session law.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Attorney General was originally budgeted 190.2 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Attorney General to reduce an additional 4 FTE Positions in FY 2010 and 10 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	19,940,400	19,921,100
Year-End Fund Balance	24,086,100	20,284,300
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	189,100	242,800
Year-End Fund Balance	335,400	180,300
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Restricted donations and gifts from individuals and corporations.		
Purpose of Fund: For purposes specified by donors or grantors.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
Source of Revenue: The fund receives a pro rata share of appropriated and non-appropriated funds of select state agencies.		
Purpose of Fund: To fund non-contracted Attorney General Legal Services.		
Funds Expended	6,346,600	5,651,600
Year-End Fund Balance	547,700	0
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: 9.35% of CJEF monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.		
Funds Expended	4,456,100	4,125,400
Year-End Fund Balance	1,900	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)		Appropriated
Source of Revenue: The fund receives 35% of monies recovered by the Attorney General from debts owed to the state.		
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department.		
Funds Expended	2,625,100	3,313,400
Year-End Fund Balance	986,700	100,000
Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)		Non-Appropriated
Source of Revenue: Receives 25% of monies recovered by the state from the settlement of the state of Arizona's sovereign land claims.		
Purpose of Fund: To pay ownership claims near the Colorado River.		
Funds Expended	0	0
Year-End Fund Balance	12,300	12,300
Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)		Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation.		
Funds Expended	2,499,900	3,513,700
Year-End Fund Balance	10,611,400	5,920,600
Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements.		
Funds Expended	843,000	843,000
Year-End Fund Balance	4,754,900	4,754,900
Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	73,400	77,000
Year-End Fund Balance	60,000	57,000
Federal Grants – American Recovery and Reinvestment Act (ARRA) (AGA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for drug, gang, and violent crime efforts and to combat criminal narcotics activity stemming from the Southern border of the United States.		
Funds Expended	1,240,700	2,674,500
Year-End Fund Balance	0	0
Federal Grants (AGA2117/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants for various purposes.		
Purpose of Fund: To be used in accordance with the terms of the individual grants, including drug enforcement, fraud and patient abuse (Arizona Health Care Cost Containment System related), civil rights enforcement, fair housing education and outreach, and hazardous waste.		
Funds Expended	3,241,000	4,510,300
Year-End Fund Balance	2,395,200	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (AGA2000/A.R.S. § 41-101)		Non-Appropriated
Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.		
Purpose of Fund: To be used in accordance with the terms of the individual grants.		
Funds Expended	0	2,414,000
Year-End Fund Balance	0	1,576,100
Interagency Service Agreements Fund (AGA2157/A.R.S. § 41-192)		Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	12,364,400	13,440,400
Year-End Fund Balance	81,100	0
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	146,600	1,487,200
Year-End Fund Balance	321,400	1,333,000
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		Non-Appropriated
Source of Revenue: 3.03% of Criminal Justice Enhancement Fund monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	1,117,300	1,871,000
Year-End Fund Balance	421,900	0
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and the Arizona Department of Administration.		
Funds Expended	8,392,300	9,037,400
Year-End Fund Balance	1,262,000	0
Street Gang Enforcement Revolving Fund (AGA1022/A.R.S. § 41-191.07)		Non-Appropriated
Source of Revenue: A grant from the Arizona Criminal Justice Commission.		
Purpose of Fund: For gang prevention programs, training prosecutors and law enforcement personnel in the area of street gang prosecution and enforcement, and investigating and prosecuting any offense that is concurrently charged or investigated with any offense relating to criminal street gangs.		
Funds Expended	108,600	34,800
Year-End Fund Balance	34,800	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
		Non-Appropriated
Victim Witness Fund (AGA2228/A.R.S. § 41-2407)		
Source of Revenue: Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.		
Purpose of Fund: To assist crime victims and surviving family members who are involved in felony cases and appellate matters.		
Funds Expended	59,000	75,200
Year-End Fund Balance	18,300	0
		Appropriated
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		
Source of Revenue: 7.68% of Criminal Justice Enhancement Fund monies and an assessment on parents of juvenile offenders. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	3,204,100	3,248,200
Year-End Fund Balance	3,591,000	4,021,800

Automobile Theft Authority

JLBC: Eric Billings
 OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	295,400	314,000	314,000
Employee Related Expenditures	101,600	111,500	111,500
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	632,700	632,700
SPECIAL LINE ITEMS			
Automobile Theft Authority Grants	4,189,300	4,798,600	4,798,600
Reimbursable Programs	0	50,000	50,000
5th Special Session Reduction	0	(341,100)	(341,100)
AGENCY TOTAL	4,775,100	5,140,200	5,140,200

FUND SOURCES

Other Appropriated Funds

Automobile Theft Authority Fund	4,775,100	5,140,200	5,140,200
SUBTOTAL - Other Appropriated Funds	4,775,100	5,140,200	5,140,200
SUBTOTAL - Appropriated Funds	4,775,100	5,140,200	5,140,200
TOTAL - ALL SOURCES	4,775,100	5,140,200	5,140,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$632,700 and 6 FTE Positions from the Automobile Theft Authority (ATA) Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

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.

Automobile Theft Authority Grants

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

Reimbursable Programs

The Baseline 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 grants awarded to state, county, and local law enforcement agencies to support law enforcement, prosecution, and public awareness programs

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 Baseline includes \$(341,100) from the Automotive Theft Authority Fund 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	4,775,100	5,140,200
Year-End Fund Balance*	130,500	(933,900)
Federal Funds (ATA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To support projects combating vehicle theft in Arizona.		
Funds Expended	0	0
Year-End Fund Balance	2,500	2,500

*As reported by the agency. Actual ending balance will not be negative.

Board of Barbers

JLBC: Steve Grunig
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	153,400	163,800	163,800
Employee Related Expenditures	57,600	57,700	57,700
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	39,900
Equipment	1,100	1,100	1,100
AGENCY TOTAL	277,800	329,900	329,900

FUND SOURCES

Other Appropriated Funds

Board of Barbers Fund	277,800	329,900	329,900
SUBTOTAL - Other Appropriated Funds	277,800	329,900	329,900
SUBTOTAL - Appropriated Funds	277,800	329,900	329,900
TOTAL - ALL SOURCES	277,800	329,900	329,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$329,900 and 4 FTE Positions from the Board of Barbers Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Barbers Fund (BBA2007/A.R.S. § 32-305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of barbers, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.		
Funds Expended	277,800	329,900
Year-End Fund Balance	67,500	104,600

Board of Behavioral Health Examiners

JLBC: Steve Grunig
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	618,000	687,700	687,700
Employee Related Expenditures	255,800	346,500	346,500
Professional and Outside Services	156,600	158,700	158,700
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	164,500
Equipment	32,900	3,100	3,100
AGENCY TOTAL	1,241,600	1,378,800	1,378,800

FUND SOURCES

Other Appropriated Funds

Board of Behavioral Health Examiners Fund	1,241,600	1,378,800	1,378,800
SUBTOTAL - Other Appropriated Funds	1,241,600	1,378,800	1,378,800
SUBTOTAL - Appropriated Funds	1,241,600	1,378,800	1,378,800
TOTAL - ALL SOURCES	1,241,600	1,378,800	1,378,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$1,378,800 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		Appropriated
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	1,241,600	1,378,800
Year-End Fund Balance	683,200	816,000

Arizona Biomedical Research Commission

JLBC: Amy Upston
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
SPECIAL LINE ITEMS			
Biotechnology	500,000	500,000	500,000
AGENCY TOTAL	500,000	500,000	500,000

FUND SOURCES

Other Appropriated Funds

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

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 \$11,816,100 in FY 2009) 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 Baseline 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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Disease Control Research Fund (DIA2090/A.R.S. § 36-274)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development.		
Funds Expended	3,117,500	3,161,800
Year-End Fund Balance	4,857,800	1,461,700
Tobacco Tax and Health Care Fund - Health Research Account (DIA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Partially-Appropriated
Source of Revenue: The fund receives 5¢ of each dollar deposited in the Tobacco Products Tax Fund. In addition, all monies in the Health Research Account (which receives 5¢ of each dollar deposited into the Tobacco Tax and Health Care Fund) are deposited into the fund.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
Appropriated Funds Expended	500,000	500,000
Non-Appropriated Funds Expended	11,474,500	8,957,700
Year-End Fund Balance	3,715,700	726,700

State Capital Postconviction Public Defender Office

JLBC: Jon McAvoy
 OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	7.0	7.0
Personal Services	451,300	395,700	395,700
Employee Related Expenditures	141,700	149,800	149,800
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	699,500	699,500
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(52,500)	(52,500)
AGENCY TOTAL	755,300	647,000	647,000

FUND SOURCES

General Fund	755,300	647,000	647,000
SUBTOTAL - Appropriated Funds	755,300	647,000	647,000
Federal Funds	0	136,800	136,800
TOTAL - ALL SOURCES	755,300	783,800	783,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$699,500 and 7 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

For each person represented, the State Capital Postconviction Public Defender Office will request reimbursement from the county in which the person was convicted for 50% of the costs incurred from providing representation, or \$30,000, whichever is less. In FY 2009, total reimbursements received from counties totaled \$30,000. In FY 2010 and FY 2011, total reimbursements are estimated to be \$60,000 to \$90,000. Reimbursements are deposited in the General 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 2009, no Training Fund monies were received.

In FY 2010, the agency received a one-year federal grant from the Edward Byrne Memorial State and Local Law Enforcement Assistance Grant Program. The agency will use this funding to retain 1 attorney and 1 part-time administrative assistant assisting in ongoing capital post-conviction cases.

5th Special Session Reduction

The Baseline includes \$(52,500) from the General Fund 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.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (PDA9999/A.R.S. § 41-2405)		Non-Appropriated
Source of Revenue: Federal Edward Byrne Memorial grant monies.		
Purpose of Fund: To fund 1 attorney and 1 part-time administrative assistant assisting in ongoing capital post-conviction cases.		
Funds Expended	0	136,800
Year-End Fund Balance	0	0

State Board for Charter Schools

JLBC: Ted Nelson
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.0	10.0	9.0
Personal Services	398,300	458,700	458,700
Employee Related Expenditures	175,100	185,800	185,800
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	823,900	823,900
FUND SOURCES			
General Fund	695,800	823,900	823,900
SUBTOTAL - Appropriated Funds	695,800	823,900	823,900
TOTAL - ALL SOURCES	695,800	823,900	823,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$823,900 and 9 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The State Board for Charter Schools was originally budgeted 10 General Fund Positions for FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Board for Charter Schools to reduce no additional FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011.

State Board of Chiropractic Examiners

JLBC: Steve Grunig
 OSPB: Kris Okazaki

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	241,300	259,500	259,500
Employee Related Expenditures	80,300	84,300	84,300
Professional and Outside Services	36,800	52,100	28,700
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	476,600	453,200
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	451,500	476,600	453,200
SUBTOTAL - Other Appropriated Funds	451,500	476,600	453,200
SUBTOTAL - Appropriated Funds	451,500	476,600	453,200
TOTAL - ALL SOURCES	451,500	476,600	453,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	(23,400)	(4.9%)
Total Appropriated Funds	(23,400)	(4.9%)
Total - All Sources	(23,400)	(4.9%)

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 Baseline includes \$453,200 and 5 FTE Positions from the Board of Chiropractic Examiners Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Budget Realignment OF \$(23,400)

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

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FORMAT — Lump Sum by Agency

FOOTNOTES

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that requires the State Board of Chiropractic Examiners to submit a report to the Joint Legislative Budget Committee on its ending fund balance, projected revenues and expenditures. *(This footnote would be deleted since the board has submitted a report indicating it will have sufficient resources to continue operating.)*

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	451,500	476,600
Year-End Fund Balance	61,200	172,800

Citizens Clean Elections Commission

JLBC: Jack Brown
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Non-Appropriated Funds	12,703,800	146.5%
Total - All Sources	12,703,800	146.5%

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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Citizens Clean Election Fund (ECA2425/A.R.S. § 16-949)

Non-Appropriated

Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; "qualifying contributions" on behalf of candidates who seek public campaign funding; revenues from a check-off box on state income tax forms; citizen donations and tax credits.

Purpose of Fund: To fund administrative costs of the Citizens Clean Election Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.

Funds Available

Balance Forward	29,047,300	28,115,800
Revenue:		
Civil Penalties (election related)	9,400	2,500
Fine Surcharge	10,580,100	11,000,000
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 Funds Available	47,786,900	47,543,000
Expenditures:		
Operating Funds Expended	5,817,400	2,671,700
Candidate Funding	6,853,700	6,000,000
Total Funds Expended	12,671,100	8,671,700
Transfer Out to General Fund	7,000,000	10,000,000
Year-End Fund Balance	28,115,800	28,871,300

Department of Commerce

JLBC: Eric Billings
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	74.9	66.9	65.9
Personal Services	2,308,200	1,052,400	1,052,400
Employee Related Expenditures	812,700	403,900	403,900
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	2,449,900	2,449,900
SPECIAL LINE ITEMS			
International Development			
Arizona Trade Office in Sonora	25,000	25,000	25,000
International Trade Offices	1,120,900	1,670,600	1,670,600
National Law Center/Free Trade	200,000	200,000	200,000
Business Assistance Center			
Minority and Women Owned Business	121,100	129,600	129,600
Small Business Advocate	118,400	127,000	127,000
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	340,100	340,100
National Marketing			
Advertising and Promotion	266,900	659,200	659,200
Strategic Finance			
CEDC Commission	195,200	197,900	197,900
Other			
Apprenticeship Services	155,900	189,900	189,900
Oil Overcharge Administration	0	185,700	185,700
Military Airport Planning	80,400	2,100,000	2,100,000
Nursing Education	0	2,632,000	0
5th Special Session Reduction	0	(596,600)	(596,600)
AGENCY TOTAL	6,314,600	10,589,300	7,957,300
FUND SOURCES			
General Fund	3,708,300	6,221,000	3,589,000
<u>Other Appropriated Funds</u>			
CEDC Fund	2,229,700	3,769,100	3,769,100
Commerce Development Bond Fund	124,600	145,400	145,400
Oil Overcharge Fund	0	185,700	185,700
State Lottery Fund	252,000	268,100	268,100
SUBTOTAL - Other Appropriated Funds	2,606,300	4,368,300	4,368,300
SUBTOTAL - Appropriated Funds	6,314,600	10,589,300	7,957,300
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	67,232,600	64,600,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(2,632,000)	(42.3%)
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	(2,632,000)	(24.9%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(2,632,000)	(3.9%)

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 Baseline includes \$2,449,900 and 41.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$546,200
Commerce and Economic Development Commission (CEDC) Fund	1,688,100
Bond Fund	145,400
State Lottery Fund	70,200

These amounts are unchanged from FY 2010.

International Development

Arizona Trade Office in Sonora

The Baseline 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 Baseline includes \$1,670,600 and 7 FTE Positions for the International Trade Offices in FY 2011. These amounts consist of:

General Fund	703,800
CEDC Fund	966,800

These amounts are unchanged from FY 2010.

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 Baseline 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 Baseline includes \$129,600 and 2 FTE Positions from the CEDC Fund for Minority and Women Owned Business in FY 2011. These amounts are unchanged from FY 2010.

The line item funds programs to promote the economic development of minority and women-owned business enterprises.

Small Business Advocate

The Baseline includes \$127,000 and 2 FTE Positions from the CEDC Fund for Small Business Advocate in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline 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 Baseline 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 8 grant recipients in FY 2009: Casa Grande, Pinetop-Lakeside, Prescott, Show Low, Williams, Nogales, Globe, and Safford.

REDI Matching Grants

The Baseline 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 11 grant recipients in FY 2009: Yuma, Oracle, Moenkopi, Kingman, Mammoth, Pinetop-Lakeside, Maricopa, Prescott Valley, Parker, Flagstaff, and the Central Arizona Regional Economic Development Foundation.

Rural Economic Development

The Baseline includes \$340,100 and 4 FTE Positions from the General Fund for Rural Economic Development in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline 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 Baseline includes \$197,900 and 3.5 FTE Positions from the State Lottery Fund for the CEDC Commission in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$189,900 and 3 FTE Positions from the General Fund for Apprenticeship Services in FY 2011. These amounts are unchanged from FY 2010.

The line item funds programs to promote the implementation of apprenticeship programs.

Oil Overcharge Administration

The Baseline includes \$185,700 and 2 FTE Positions from the Oil Overcharge Fund for Oil Overcharge Administration in FY 2011. These amounts are unchanged from FY 2010.

The line item funds administration of the oil overcharge grant and loan restitution programs.

Military Airport Planning

The Baseline 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 2010 General Government Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 7) reduced the statutory deposit of \$4,900,000 to the Military Installation Fund to \$2,100,000. For FY 2009, all but \$100,000 of the deposit was suspended.

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.
- \$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.

Nursing Education

The Baseline includes no funding for Nursing Education in FY 2011. FY 2011 adjustments would be as follows:

**Elimination of Advance GF (2,632,000)
 Appropriation**

The Baseline 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, does 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 \$1,456,700 in grants to community colleges. Grant awards declined from FY 2009 due to non-renewals for several colleges. At the time of publication, the department had not provided a figure for the remaining balance for the program. (Table 1 shows grant distribution amounts.)

Table 1
Distribution of Nursing Grants

<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	524,900
Total	\$3,485,100	\$3,039,400	\$1,456,700

5th Special Session Reduction

The Baseline includes \$(596,600) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(291,000)
CEDC Fund	(305,600)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the Department of Commerce to utilize \$250,000 from the CEDC Fund for the implementation of cross-industry business/infrastructure development projects and related project coordination in support of regional technology councils and high technology clusters operating in Arizona.

STATUTORY CHANGES

The Baseline would:

- As session law, continue the General Fund Military Installation Fund deposit at the \$2,100,000 level in FY 2011.
- As permanent law, continue the provision in FY 2011 that enables the department to use funds from the Bond, CEDC, and Lottery Funds for operating costs. This provision was previously in session law.
- As session law, continue the suspension of the Arizona 21st Century Competitive Initiative Fund deposit in FY 2011.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Arizona 21st Century Competitive Initiative Fund Deposit

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 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, 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.

The Baseline would continue this policy and deposit no funding into the Arizona 21st Century Competitive Initiative Fund in FY 2011.

5% FTE Position Reduction

The Department of Commerce was originally budgeted 49.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010.

Given the mid-year implementation, this provision requires the Department of Commerce to reduce an additional 1 FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Twenty-First Century Competitive Initiative Fund (EPA2524/A.R.S. § 41-1505.09)		Non-Appropriated
Source of Revenue: Laws 2007, Chapter 260 deposits \$25,000,000 from the General Fund in each fiscal year from FY 2009 through FY 2011. Laws 2008, Chapter 291 reduced the distribution in FY 2009 to \$22,500,000 and increased the FY 2011 distribution to \$27,500,000. Laws 2009, 1st Special Session, Chapter 1 eliminated the \$22,500,000 FY 2009 deposit. Laws 2009, 3rd Special Session, Chapter 7 eliminated the \$25,000,000 distribution for FY 2010. Commerce does not plan to expend any monies from this fund in FY 2010.		
Purpose of Fund: One-time monies used to build and strengthen medical, scientific, and engineering research programs with an emphasis in bioscience for the purpose of promoting statewide economic development. The Commerce and Economic Development Commission, which administers the fund, shall enter into a memorandum of understanding with a non-profit corporation to use monies in the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Biofuels Conversion Program Fund (No Fund Number/A.R.S. § 41-1515.01)		Non-Appropriated
Source of Revenue: Funds received from gifts, grants, donations, private sources, and federal or state monies.		
Purpose of Fund: To encourage the usage of biofuels through the conversion and installation of biofuel storage and dispensing equipment.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Commerce Development Bond Fund (EPA2196/A.R.S. § 35-726)		Appropriated
Source of Revenue: Filing fees and charges for services related to the provision of a registry of bond allocations.		
Purpose of Fund: To pay for the review and approval of all corporate bond financing related to the construction of multi-family apartments, sanitariums, clinics, medical hotels, retirement homes, skilled nursing facilities and life-care centers.		
Funds Expended	124,600	145,400
Year-End Fund Balance	2,574,700	2,225,400
CEDC Fund (EPA2245/A.R.S. § 41-1505.10)		Partially-Appropriated
Source of Revenue: Profits from 2 designated instant ticket lottery games, service fees and interest income.		
Purpose of Fund: To be used on small business, rural business, and other financial assistance programs approved by the commission. The appropriated portions of the fund are used for various programs, while the non-appropriated funds are loans and grants.		
Appropriated Funds Expended	2,229,700	3,769,100
Non-Appropriated Funds Expended	90,600	58,400
Year-End Fund Balance	7,453,800	380,300
CEDC Local Communities Fund (EPA2498/A.R.S. § 41-1505.12)		Non-Appropriated
Source of Revenue: Tribal contributions from gaming revenue. The Tribal-State Gaming Compact dictates that 12% of revenues received by the state be utilized for government services benefiting the general public. The tribes can grant funds directly to communities or deposit revenues into the CEDC Local Communities Fund.		
Purpose of Fund: To provide grants to cities, towns and counties for government services that benefit the general public including public safety, the mitigation of impacts of gaming or the promotion of commerce and economic development. All grant applications must have a written endorsement of a nearby Indian tribe to receive an award from the commission.		
Funds Expended	0	0
Year-End Fund Balance	102,200	103,700
Commerce Workshops (EPA2149/A.R.S. § 41-1503)		Non-Appropriated
Source of Revenue: Workshop registration fees, publication fees, and environmental certification fees.		
Purpose of Fund: To pay expenses incurred for workshops, the production and distribution of publications, and the monitoring of recycling industry development.		
Funds Expended	261,200	120,200
Year-End Fund Balance	307,200	224,900

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Donations Fund (EPA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	677,300	624,300
Year-End Fund Balance	562,000	340,900
Federal Funds (EPA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	7,933,900	7,329,600
Year-End Fund Balance	1,044,200	616,000
Federal Grants - American Recovery and Reinvestment Act (ARRA) (EPA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	55,900	40,686,500
Year-End Fund Balance	149,500	150,900
Greater Arizona Development Authority Revolving Fund (EPA2311/A.R.S. § 41-1554.03)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for the Department of Commerce's GADA operating costs, as well as technical and financial assistance to communities.		
Funds Expended	422,400	412,200
Year-End Fund Balance	14,160,300	13,829,300
IGA/ISA Fund (EPA9500/A.R.S. § 41-1502)		Non-Appropriated
Source of Revenue: Agreements between Department of Commerce and Department of Economic Security		
Purpose of Fund: To develop and recommend policies to build Arizona's workforce in order to compete in a global environment.		
Funds Expended	1,045,200	625,300
Year-End Fund Balance	14,300	68,300
Indirect Cost Recovery Fund (EPA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collected from Federal Grant Funds.		
Purpose of Fund: To help support administrative functions of the agency.		
Funds Expended	305,600	303,700
Year-End Fund Balance	1,382,800	1,079,100

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
International Development Authority Fund (No Fund Number/A.R.S. § 41-1553.04)		Non-Appropriated
Source of Revenue: Tolls, fees, and rents for use of any authority facility or for services rendered by the authority.		
Purpose of Fund: To pay for the costs of international trade and commerce projects approved by the International Development Authority (IDA). The IDA is a corporate body and political subdivision of the state, independent of the Department of Commerce, charged with facilitating the development of international trade in the Arizona-Sonora border area. The IDA may issue bonds for the purpose of financing the acquisition or operation of property and facilities. The state is not responsible for any costs incurred by the IDA, including compensation for board members and employees. To date, the IDA has not issued any bonds and has no appointed board.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Job Training Fund (EPA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, interest earned on investments and, primarily, proceeds from a 0.1% employers' wage tax. Tax revenues collected in FY 2009 were \$14,878,900 and are estimated to be \$14,500,000 in FY 2010. Interest earned on the fund in FY 2009 was \$897,800.		
Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for small and rural businesses.		
Funds Expended	5,729,200	5,980,000
Year-End Fund Balance	29,384,700	444,700
Military Installation Fund (EPA1010/A.R.S. § 41-1512.01)		Non-Appropriated
Source of Revenue: General Fund deposits totaling \$4,825,000 annually. Laws 2009, 3rd Special Session, Chapter 7 reduces the FY 2010 deposit by \$(2,800,000). Commerce plans to expend \$3,133,000 in FY 2010, but this amount is not displayed below to avoid double counting. Expenditures were reported as \$5,614,000 for FY 2009.		
Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. Commerce must 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. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition to the \$4,825,000 annual General Fund deposit, \$75,000 is appropriated to the department for the costs associated with 1 FTE Position to administer the fund.		
Funds Expended	0	0
Year-End Fund Balance	1,604,700	502,700
Nursing Education Demonstration Project Fund (EPA2514/Laws 2005, Chapter 330)		Non-Appropriated
Source of Revenue: General Fund deposits totaling \$4,000,000 annually from FY 2006 through FY 2010 as determined by Laws 2005, Chapter 330. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: Increase the number of nurses graduating from the state's nursing education programs by increasing the number of qualified nursing education faculty members teaching in nursing degree programs operated by Arizona public universities and community colleges. Monies allocated to the universities shall be administered by the Arizona Board of Regents (ABOR), while monies allocated to the community colleges shall be administered by the Department of Commerce.		
Funds Expended	0	0
Year-End Fund Balance	2,595,600	2,613,800
Oil Overcharge Fund (EPA3171/A.R.S. § 41-1509)		Partially-Appropriated
Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.		
Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state. The portion of the fund that is used for loans, grants, and energy conservation programs is displayed as non-appropriated. The monies used for administration are displayed as appropriated.		
Appropriated Funds Expended	0	185,700
Non-Appropriated Funds Expended	734,900	503,100
Year-End Fund Balance	3,109,500	2,455,700

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Recycling Fund (EPA2289/A.R.S. § 49-837) Non-Appropriated

Source of Revenue: Gifts, grants, donations and landfill disposal fees. At least 4%, but not more than 5%, of the Recycling Fund receipts will be transferred from the Arizona Department of Environmental Quality (ADEQ) to the Department of Commerce. (See ADEQ for the remainder of revenues and expenditures.)

Purpose of Fund: To: 1) develop state market development strategies; 2) coordinate business recruitment and expansion programs, as well as provide technical assistance to companies using post-consumer materials; 3) advise ADEQ in evaluation of grants; and 4) coordinate the advisory committee on recycled materials markets.

Funds Expended	102,700	0
Year-End Fund Balance	2,000	2,000

State Lottery Fund (EPA2122/A.R.S. § 5-521) Appropriated

Source of Revenue: Sales of lottery tickets, retailer license fees and interest earning.

Purpose of Fund: This portion of the fund is used to administer the Commerce and Economic Development Commission.

Funds Expended	252,000	268,100
Year-End Fund Balance*	13,000	(6,500)

*As reported by the agency. Actual ending balance will not be negative.

Arizona Community Colleges

JLBC: Marge Zylla
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	7,660,600	7,488,700	7,679,700
Coconino	2,994,300	2,679,400	2,710,300
Gila	657,800	658,400	774,900
Graham	4,772,900	4,243,900	4,553,700
Maricopa	51,128,000	45,327,400	45,653,100
Mohave	3,748,900	3,682,900	3,885,300
Navajo	3,921,400	3,590,000	3,598,600
Pima	17,413,600	15,942,100	16,361,500
Pinal	5,401,300	4,935,100	5,400,000
Yavapai	4,524,000	4,196,000	4,321,900
Yuma/La Paz	5,086,000	4,812,900	4,954,300
<i>Subtotal - Operating State Aid</i>	107,308,800	97,556,800	99,893,300
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	9,348,300
Graham	14,775,700	17,465,400	19,826,100
Navajo	5,386,500	6,624,000	7,608,900
Yuma/La Paz	1,931,400	2,938,300	3,234,200
<i>Subtotal - Equalization Aid</i>	27,927,000	34,869,500	40,017,500
Rural County Reimbursement	3,645,200	0	0
Rural County Reimbursement Subsidy	1,000,000	1,000,000	1,000,000
Tribal Community Colleges	1,723,700	1,918,000	1,918,000
AGENCY TOTAL	142,104,700	135,344,300	142,828,800

FUND SOURCES

General Fund	142,104,700	135,344,300	142,828,800
SUBTOTAL - Appropriated Funds	142,104,700	135,344,300	142,828,800
Other Non-Appropriated Funds	15,540,800	14,336,400	15,108,300
TOTAL - ALL SOURCES	157,645,500	149,680,700	157,937,100

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	7,484,500	5.5%
Total Appropriated Funds	7,484,500	5.5%
Non-Appropriated Funds	771,900	5.4%
Total - All Sources	8,256,400	5.5%

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 Baseline includes \$99,893,300 from the General Fund for Operating State Aid in FY 2011. FY 2011 adjustments would be as follows:

Enrollment Growth GF \$2,336,500

The Baseline includes an increase of \$2,336,500 from the General Fund in FY 2011 for Enrollment Growth. This amount includes \$4,223,200 to fund statutory formula costs for a 5,363 (4.5%) increase in Full Time Student Equivalent students (FTSE) in community colleges statewide (see Table 1). It also includes 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 \$2,336,500 increase would not backfill \$(18,152,000) in Operating State Aid that was deducted from the program's budget in FY 2009 and FY 2010 as part of lump sum reductions for those years. To do so would require a total funding increase of \$20,488,500 for FY 2011.

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.

Operating State Aid funding for FY 2011 is 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 results in an increase of \$4,223,200 to fund 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.)

Table 1

Community College Enrollment

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%

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 Higher Education BRB, however, permanently eliminated the hold harmless provision starting in FY 2010.

Capital Outlay State Aid

The Baseline 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 GF 0

The Baseline would continue to suspend Capital Outlay State Aid for FY 2011. This would forgo \$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.

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 Baseline includes \$40,017,500 from the General Fund for Equalization Aid in FY 2011. FY 2011 adjustments would be as follows:

Formula Increase GF 5,148,000

This Baseline includes an increase of \$5,148,000 from the General Fund in FY 2011 for Equalization Aid to fund growth in statutory formula costs for the program.

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	2,956,557,400	3,274,078,300	10.7%
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 Equalization Aid funding for qualifying districts.)

**Table 3
FY 2011 Additional Equalization Funding**

<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	295,900	10.0%
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 Baseline 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 2010 budget appropriated \$466,000 to Apache, \$382,800 to Greenlee, and \$151,200 to Santa Cruz. The Baseline assumes the FY 2010 amounts will remain unchanged for FY 2011.

Tribal Community Colleges

The Baseline 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.

FORMAT — District-by-District Special Line Items

FOOTNOTES

Standard Footnotes

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that prohibited the use of appropriated monies for the implementation of the Centennial Scholars Program, as the program has not been established.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend Capital Outlay funding for FY 2011.
- As session law, notwithstanding the 20% cap to the districts' ability to use capital outlay monies for operating.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Nursing Education

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 current number of nursing graduates in the state by FY 2010. There is no new funding for the project in FY 2011 due to the expiration of the Nursing Education Demonstration Project Fund disbursements, although carry-forward monies may remain (data was not available as of this writing).

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. 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.

Table 4

Distribution of Nursing Grants

Community College	FY 2009	FY 2010	FY 2011*
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 approximately 43% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary 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 2010, largely as the result of local property assessed valuation increases. (*See Table 6 for a summary of FY 2010 property tax rates.*)

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 weighted average tuition was \$1,957, an increase of 2.2% from FY 2009. 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.*)

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:

Table 5

Total Estimated Community College Revenues – FY 2010

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property</u>			<u>FY 2010 Total</u> ^{2/}	<u>FY 2009 Total</u> ^{3/}	<u>% Change from FY 2009</u>
			<u>Taxes</u>	<u>Grants</u>	<u>Other</u> ^{1/}			
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	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	<u>7,751,200</u>	<u>9,684,800</u>	<u>27,162,300</u>	<u>10,900,000</u>	<u>2,098,400</u>	<u>57,596,700</u>	<u>66,553,300</u>	<u>(13.5)%</u>
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.

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 \$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 \$2,064,556,500 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.

Table 7

Community College Resident Tuition and Fees – FY 2010

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost</u> ^{1/}	<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	<u>60</u>	<u>1,800</u>	<u>7.1%</u>
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.

Table 6

Community College Tax Rates – FY 2010

<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%)

Table 8

Community Colleges - FY 2010 Budgeted Expenditures

<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	<u>12,304,300</u>	<u>1%</u>
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 Recovery and Reinvestment 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 10*

for the allocation). The community colleges may receive additional SFSF monies in FY 2010 and/or FY 2011. Due to limited availability of funds, this amount may not match the first distribution of \$28,671,000.

<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

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state. In FY 2009 and FY 2010 Diné College and Tohono O'odham Community College qualified for this distribution, contingent on a compact with the Executive.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	510,300	496,200
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts. From FY 2002 to FY 2014, the first \$1,000,000 is to be distributed to bring the state into compliance with the matching capital requirements for new community college campuses prescribed in A.R.S. § 15-1463.		
Funds Expended	15,030,500	13,840,200
Year-End Fund Balance	0	0

State Compensation Fund

JLBC: Bob Hull
 OSPB: Michael Moan

	CY 2008 ACTUAL	CY 2009 ESTIMATE	CY 2010 ESTIMATE
FUND SOURCES			
State Compensation Fund	131,000,000	130,000,000	118,000,000
TOTAL - ALL SOURCES	131,000,000	130,000,000	118,000,000

CHANGE IN FUNDING SUMMARY

	CY 2009 to CY 2010 Estimate	
	\$ Change	% Change
Non Appropriated Funds	(12,000,000)	(9.2)%
Total - All Sources	(12,000,000)	(9.2)%

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.

SUMMARY OF FUNDS

*Represents Calendar Years

CY 2008* **CY 2009***
Actual **Estimate**

State Compensation (TRA9002/A.R.S. § 23-981)

Non-Appropriated

Source of Revenue: Workers' compensation insurance premiums; investment income, including capital gains; other income.

Purpose of Fund: To insure employers against liability for workers' compensation, occupational disease compensation and medical, surgical and hospital benefits pursuant to the provisions of Arizona and federal statutes.

Funds Expended-Operating	131,000,000	130,000,000
Funds Expended-Dividends and Claims	481,400,000	314,200,000
Year-End Fund Balance	478,300,000	521,500,000

Constable Ethics Standards and Training Board

JLBC: Jon McAvoy
 OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	125,200	308,500	308,500
TOTAL - ALL SOURCES	125,200	308,500	308,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Constable Ethics Standards and Training Fund (CNA2346/A.R.S. § 22-138)		Non-Appropriated
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses of the board.		
Funds Expended	125,200	308,500
Year-End Fund Balance	317,000	204,500

Registrar of Contractors

JLBC: Bob Hull
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	144.8	144.8	144.8
Personal Services	4,809,800	5,639,800	5,639,800
Employee Related Expenditures	1,845,700	2,252,600	2,252,600
Professional and Outside Services	322,000	255,000	255,000
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	1,878,900
Equipment	77,500	60,300	60,300
OPERATING SUBTOTAL	8,904,800	10,603,500	10,603,500
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	1,009,000
AGENCY TOTAL	10,230,000	12,232,700	12,232,700

FUND SOURCES

<u>Other Appropriated Funds</u>			
Registrar of Contractors Fund	10,230,000	12,232,700	12,232,700
SUBTOTAL - Other Appropriated Funds	10,230,000	12,232,700	12,232,700
SUBTOTAL - Appropriated Funds	10,230,000	12,232,700	12,232,700
Other Non-Appropriated Funds	7,306,700	6,248,600	6,250,100
TOTAL - ALL SOURCES	17,536,700	18,481,300	18,482,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	1,500	0.0%
Total - All Sources	1,500	0.0%

AGENCY DESCRIPTION — The agency licenses, regulates and conducts examinations of residential and commercial construction contractors.

Operating Budget

The Baseline includes \$10,603,500 and 144.8 FTE Positions from the Registrar of Contractors Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Incentive Pay

The Baseline 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.

Information Management System

The Baseline 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 Baseline includes \$1,009,000 from the Registrar of Contractors Fund for Office of Administrative Hearings (OAH) Costs in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are transferred from the Registrar of Contractors to the OAH for services provided by the OAH.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

STATUTORY CHANGES

The Baseline would, as session law, continue to allow 14% of prior fiscal year revenues from the Residential Contractor’s Recovery Fund to be used for employee and contracted services, equipment, and or operational costs, rather than 10% of the fund balance.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	10,230,000	12,232,700
Year-End Fund Balance	6,171,700	2,599,900
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Laws 2009, 4th Special Session, Chapter 3 allows up to 14% of prior fiscal year revenue to be used to administer the fund, as opposed to 10% of the fund balance, as specified in statute.		
Funds Expended	7,306,700	6,248,600
Year-End Fund Balance	4,114,300	1,481,400

Corporation Commission

JLBC: Juan Beltran
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	330.3	308.3	308.3
Personal Services	15,332,700	16,689,000	16,689,000
Employee Related Expenditures	5,514,700	5,817,900	5,817,900
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	3,501,500
Equipment	342,800	103,700	103,700
OPERATING SUBTOTAL	25,436,900	26,768,800	26,562,800
SPECIAL LINE ITEMS			
Corporation Filings, Same Day Service	0	400,400	400,400
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000
5th Special Session Reduction	0	(2,062,300)	(2,062,300)
AGENCY TOTAL	25,436,900	25,486,900	25,280,900

FUND SOURCES

General Fund	4,212,900	589,800	589,800
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	51,100	51,800	51,800
Investment Management Regulatory and Enforcement Fund	881,700	711,800	711,800
Public Access Fund	3,473,400	6,275,800	6,069,800
Securities Regulatory and Enforcement Fund	3,152,200	4,408,400	4,408,400
Utility Regulation Revolving Fund	13,665,600	13,449,300	13,449,300
SUBTOTAL - Other Appropriated Funds	21,224,000	24,897,100	24,691,100
SUBTOTAL - Appropriated Funds	25,436,900	25,486,900	25,280,900
Other Non-Appropriated Funds	184,700	150,000	150,000
Federal Funds	472,700	685,800	696,000
TOTAL - ALL SOURCES	26,094,300	26,322,700	26,126,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(206,000)	(0.8%)
Total Appropriated Funds	(206,000)	(0.8%)
Non-Appropriated Funds	10,200	1.2%
Total - All Sources	(195,800)	(0.7%)

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.

Operating Budget

The Baseline includes \$26,562,800 and 306.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$637,600
Arizona Arts Trust Fund	51,800
Investment Management Regulatory and Enforcement Fund	769,500
Public Access Fund	6,178,300
Securities Regulatory and Enforcement Fund	4,765,800
Utility Regulation Revolving Fund	14,159,800

FY 2011 adjustments would be as follows:

Automation Update OF (206,000)

The Baseline 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).

Corporation Filings, Same Day Service

The Baseline 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. In FY 2009, all regular and expedited filings were processed within these maximum allowed timeframes. The fee for same day and next day services, however, is yet to be determined by a supermajority vote of the Commissioners. To date, such a fee has not been set and same day and next day services have not been implemented.

Utilities Audits, Studies, Investigations, & Hearings

The Baseline 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 Special 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 Baseline includes \$(2,062,300) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. 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)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

The \$380,000 appropriation from the Utility Regulation Revolving Fund for the Utilities Audits, Studies, Investigations & Hearings Special Line Item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring a report on the total number of filings received and processed by the Corporations Division and the amount of time, in business days, to process each type of service.

STATUTORY CHANGES

The Baseline would, 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 is currently in session law.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Arts Trust Fund (CCA3014/A.R.S. § 41-983.01)		Appropriated
Source of Revenue: One-third of the filing fees for the annual report of domestic and foreign corporations.		
Purpose of Fund: For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	51,100	51,800
Year-End Fund Balance	103,600	51,800
Federal Fund (CCA2000/A.R.S. § 40-441)		Non-Appropriated
Source of Revenue: U.S. Department of Transportation grants.		
Purpose of Fund: To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	472,700	685,800
Year-End Fund Balance	506,300	420,500
IGA and ISA Fund (CCA2500/ A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	2,900	2,900
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		Appropriated
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives and from costs recovered from enforcement actions associated with the licensing.		
Purpose of Fund: For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	881,700	711,800
Year-End Fund Balance	184,100	651,000
Pipeline Safety Revolving Fund (CCA2174/A.R.S. § 40-443)		Appropriated
Source of Revenue: Revenues from civil penalties and fines assessed for the violation of any law, rule, or order pertaining to the safety of the transportation of gas and hazardous liquids, and pipeline facilities. Pursuant to the FY 2004 Public Finance Omnibus Reconciliation Bill, these revenue sources are now deposited in the state General Fund.		
Purpose of Fund: For expenses associated with gas and hazardous liquids pipeline facilities safety, including public education, training, purchasing equipment, and inspections.		
Funds Expended	0	0
Year-End Fund Balance	144,200	144,200
Public Access – Money on Deposit Account (CCA2334/A.R.S. § 10-122.01)		Non-Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To segregate unearned revenues received from customers from the overall Public Access Fund. Customers deposit funds pending their use for filing documents or for obtaining specialized listings from the public database. Once earned, the funds are then transferred to the Public Access Fund.		
Funds Expended	0	0
Year-End Fund Balance	295,400	295,400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents. Laws 2009, 4th Special Session, Chapter 3 requires the commission to retain more Public Access fees, which had previously been shared with the General Fund, beginning in FY 2010.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, on-line access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	3,473,400	6,275,800
Year-End Fund Balance	289,100	122,600
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state. Laws 2009, 4th Special Session, Chapter 3 requires the commission to retain all Securities Registration fees up to the level of the appropriation beginning in FY 2010. These monies had previously been shared with the General Fund.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	3,152,200	4,408,400
Year-End Fund Balance	805,100	486,600
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Receives a grant from the Investor Protection Trust, a private trust which collects monies from fines levied on companies engaged in insider securities trading.		
Purpose of Fund: For public awareness campaigns mostly directed toward the elderly.		
Funds Expended	86,600	150,000
Year-End Fund Balance	68,200	68,200
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Commission for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Commission in connection with the activities of the Commission.		
Funds Expended	98,100	0
Year-End Fund Balance	12,100	17,100
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the Commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the Division.		
Funds Expended	13,665,600	13,449,300
Year-End Fund Balance	13,751,800	388,600

State Department of Corrections

JLBC: Martin Lorenzo

OSPB: Kris Okazaki

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,932.5	9,552.9	10,015.2
Correctional Officer Personal Services	299,206,500	248,600,500	248,600,500
Health Care Personal Services	39,265,200	39,179,000	39,179,000
All Other Personal Services	65,793,700	64,258,900	64,258,900
Personal Services Subtotal	404,265,400	352,038,400	352,038,400
Employee Related Expenditures	175,314,000	174,799,300	174,799,300
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	46,245,900	66,245,900
Equipment	89,900	60,700	60,700
Health Care Operating Subtotal	84,744,400	60,600,700	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	37,922,300
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	120,930,300
OPERATING SUBTOTAL	797,071,600	720,508,400	740,508,400
SPECIAL LINE ITEMS			
County Jail Beds	775,200	866,200	866,200
New State Prison Beds	0	5,064,100	74,165,800
Private Prison Per Diem	80,319,100	92,324,900	133,442,000
Provisional Beds	81,297,500	94,879,900	42,832,900
Continue Lump Sum Reduction	0	0	(9,809,400)
5 th Special Session Reduction	0	(1,063,400)	(1,063,400)
AGENCY TOTAL	959,463,400	912,580,100	980,942,500
FUND SOURCES			
General Fund	916,330,900	868,927,000	937,289,400
<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
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
State Education Fund for Correctional Education	231,000	507,500	507,500
Transition Office 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	43,653,100	43,653,100
SUBTOTAL - Appropriated Funds	959,463,400	912,580,100	980,942,500
Other Non-Appropriated Funds	42,854,000	44,738,400	44,738,400
Federal Funds	15,387,100	65,354,100	65,354,100
TOTAL - ALL SOURCES	1,017,704,500	1,022,672,600	1,091,035,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	68,362,400	7.9%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	68,362,400	7.5%
Non-Appropriated Funds	0	0.0%
Total - All Sources	68,362,400	6.7%

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 Baseline includes \$740,508,400 and 9,268.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$726,627,200
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	548,600
Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

FY 2011 adjustments would be as follows:

AHCCCS Rate Structure GF 20,000,000

The Baseline includes an 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 have opted out of their contracts. While the department is in the process of attempting to enter into additional contracts, their projections suggest the need to restore \$20,000,000 of the \$26,000,000 reduction. A supplemental for an equivalent amount is anticipated in FY 2010. (Please see “Other Issues for Legislative Consideration” for additional information.)

State Fiscal Stabilization Fund GF 0

The Baseline continues a decrease of \$(50,000,000) from the General Fund and the use of an equivalent amount of state fiscal stabilization funds to offset the decrease in FY 2011. 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 is projected to be expended in FY 2010, including \$50,000,000 for Correctional Officer Personal Services. The remaining \$80,000,000 (of the \$185,000,000) may be available for use in FY 2011, including \$50,000,000 for the Correctional Officer Personal Services line item.

County Jail Beds

The Baseline includes \$866,200 from the General Fund for County Jail Beds in FY 2011. This amount is unchanged from FY 2010.

Background – Monies in this line item provide funding for 48 beds used by ADC at the Navajo County Jail. These beds are county-operated, non-permanent beds used as overflow for state-operated beds. (Please see “Other Issues for Legislative Consideration” for additional information.)

New State Prison Beds

The Baseline includes \$74,165,800 and 746.3 FTE Positions from the General Fund for New State Prison Beds in FY 2011. FY 2011 adjustments would be as follows:

Lease-Purchase Payment GF 11,000,000

The Baseline includes an increase of \$11,000,000 from the General Fund in FY 2011 for the lease-purchase payment associated with the 4,000 state prison beds. In FY 2010, the lease-purchase payment associated with the public beds totaled \$16,064,100 and the original FY 2010 General Appropriation Act appropriated an equivalent amount from the General Fund for the payment. Laws 2009, 5th Special Session, however, reduced this amount by \$11,000,000 in FY 2010 due to the Arizona Department of Administration (ADOA) and ADC reporting that, after paying all construction costs associated with the 4,000 state beds, \$11,800,000 generated from the issuance would be available for use on a one-time basis. Because these were one-time monies, to fund the lease-purchase payment in its

entirety in FY 2011 would require the restoration of \$11,000,000.

4,000 State Beds GF 58,101,700

The Baseline 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 (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 that will become operational on the same timeline. 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 would be allocated amongst various line items and 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 400 new beds per week starting July 1, 2010.

In total, the annual cost to operate all 4,000 state beds (excluding the annual lease-purchase payment) is anticipated to be \$56,039,600. Including the annual lease-purchase payment of \$16,064,100, which is entirely funded in the Baseline, the annual cost to operate all 4,000 state beds is approximately \$72,103,700. 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 Legislative Consideration” for additional information.)

Private Prison Per Diem

The Baseline includes \$133,442,000 for Private Prison Per Diem in FY 2011. This amount consists of:

General Fund	104,767,700
Corrections Fund	28,674,300

FY 2011 adjustments would be as follows:

2,000 Private Beds GF 39,977,700

The Baseline 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 as an expansion to the existing 1,400 private bed facility located Kingman. Construction of the 2,000 additional beds is anticipated to be completed by January 11, 2010, at which time the new beds were anticipated to be phased-in at a rate of 50 additional beds per week. To be more consistent with ADC’s draft bed plan, however, all 2,000 beds are anticipated to be phased-in starting April 2010 and continuing through the end of the fiscal year. As a result, these monies would fund the costs associated with the annualization of all 2,000 new beds, and the increased per diem rate for the previously existing 1,400 beds at the facility.

Including this adjustment, ADC would have sufficient funding for the occupancy of all 3,400 beds at this facility for an entire fiscal year, assuming a per diem rate of \$62.16. Anecdotally, ADC has indicated that there are ongoing discussions between the vendor and the department that may result in a lower per diem rate. If a lower per diem rate is agreed upon, the amount associated with this issue would be reduced.

Lump Sum Reallocation GF 1,139,400

The Baseline includes an increase of \$1,139,400 from the General Fund in FY 2011 for a reallocation of the agency’s FY 2010 Lump Sum reduction. The agency reported allocating \$(1,139,400) of its \$(34,645,900) FY 2010 lump sum reduction to this Special Line Item (SLI); and while the lump sum reduction is continued in FY 2011, this amount has been moved to its own Special Line Item to reflect full funding of the Private Prison Per Diem SLI.

Background – Monies in this line item are paid out to private prison contractors for daily expenses associated with housing Arizona inmates. 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 Legislative Consideration” for additional information.)

Provisional Beds

The Baseline includes \$42,832,900 for Provisional Beds in FY 2011. This amount consists of:

General Fund	40,671,900
Penitentiary Land Fund	979,200
Prison Construction and Operations Fund	1,181,800

FY 2011 adjustments would be as follows:

Phase-Out Provisional Beds GF (60,717,000)

The Baseline includes a decrease of \$(60,717,000) from the General Fund in FY 2011 as a result of phasing-out provisional beds. In FY 2010, ADC received funding for 4,892 provisional beds located at 3 separate out-of-state facilities. Based on ADC’s draft beds plan, the department would not renew 2 of the 3 existing provisional bed contracts. These actions result in savings totaling \$(60,717,000) in FY 2011, including:

- \$(17,566,700) as a result of not renewing the contract for 752 beds in Walsenburg, Colorado at a per diem rate of \$64.00. While the contract for these beds expires March 2010, ADC’s draft bed plan suggests these beds would be phased-out between March and April 2010.
- \$(43,150,300) as a result of not renewing the contract for 2,160 beds in Watonga, Oklahoma at a per diem rate of \$59.45. While the contract for these beds expires May 2010, this level of savings assumes the 2,160 beds are phased out at a rate of 250 beds per week between July and August 2010. The annualized savings associated with this contract is \$(3,445,700) and would be realized in FY 2011.

After these adjustments, ADC’s remaining contract is for 1,980 provisional beds in Hinton, Oklahoma at a per diem rate of \$54.50. While this contract expires in September 2010, ADC intends on renewing it for an additional year. As a result, this SLI includes \$39,387,200 to fund the full-year cost of all 1,980 beds.

Lump Sum Reallocation GF 8,670,000

The Baseline includes an increase of \$8,670,000 from the General Fund in FY 2011 for a reallocation of the agency’s FY 2010 lump sum reduction. The agency reported allocating \$(8,670,000) of its \$(34,645,900) FY 2010 lump sum reduction to this SLI; and while the lump sum reduction is continued in FY 2011, this amount has been moved to its own Special Line Item to reflect full funding of the Provisional Beds SLI.

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 Legislative Consideration” for additional information.)

Continue Lump Sum Reduction

The Baseline includes \$(9,809,400) from the General Fund to continue the FY 2010 lump sum reduction in FY 2011. FY 2011 adjustments would be as follows:

Lump Sum Reallocation GF (9,809,400)

The Baseline includes a decrease of \$(9,809,400) from the General Fund in FY 2011 for a reallocation of the agency’s FY 2010 lump sum reduction. The agency received a lump sum reduction of \$(34,645,900) in FY 2010 that would continue in FY 2011. Of this amount, ADC allocated \$(8,670,000) and \$(1,139,400) to the Provisional Beds and Private Prison Per Diem SLI, respectively. These amounts have been moved to its own Special Line Item to reflect full funding of the Provisional Beds and Private Prison Per Diem SLI’s in FY 2011. This lump sum reduction would be allocated proportionally among line items in the General Appropriation Act.

5th Special Session Reduction

The Baseline includes \$(1,063,400) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. 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)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency (*The Baseline would change the agency format as issues related to the allocation of monies are no longer as prevalent as in prior fiscal years.*)

FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that in FY 2011, \$50,000,000 will be disbursed from the State Fiscal Stabilization Fund to the State Department of Corrections for Correctional Officer Personal Services. These monies shall be disbursed in accordance with the provisions of the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

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.

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.

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 Arizona and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price.

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 include at least each line item of appropriation and the main components of All Other Operating Expenditures. The report 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.

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

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.

Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$507,500, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that specifies what is included in the Personal Services and Employee Related Expenditures for Overtime/Compensatory Time. *(This footnote would be deleted as the name of the line item describes its contents.)*

The Baseline would delete the footnote that specifies transfers between various line items shall require review by the Joint Legislative Budget Committee. *(This footnote would be deleted to give the department more flexibility in implementing its budget.)*

The Baseline would delete the footnote that restricts the locations where geographic stipends are offered. *(This would be deleted as the agency has implemented this practice.)*

STATUTORY CHANGES

The Baseline would:

- As session law, continue to require ADC to report actual FY 2010, estimated FY 2011, and requested FY 2012 expenditures for Correctional Officer Personal Services, Health Care Personal Services, All Other Personal Services, Employee Related Expenditures, Personal Services and Employee Related Expenditures for Overtime/Compensatory Time, Health Care All Other Operating Expenditures, Non-Health Care All Other Operating Expenditures, and Special Line Items delineated in the FY 2010 General Appropriation Act when the department submits the FY 2012 budget request pursuant to A.R.S. § 35-113.
- As permanent law, continue to permit ADC to use monies appropriated from the Transition Office Fund for any operating expenses related to the Transition Program. This provision was previously a session law.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The State Department of Corrections was originally budgeted 9,749.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Department of Corrections to reduce an additional 203 FTE Positions in FY 2010 and 487 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget.

FY 2010 Supplemental

The Baseline includes a \$20,000,000 General Fund supplemental in FY 2010 as a result of health care providers unwillingness to contract with ADC for: 1) health and medical services that do not exceed the capped fee-for-service schedule that is adopted by the AHCCCS, and 2) inpatient and outpatient hospital services that do not exceed the reimbursement methodology adopted by AHCCCS. This rate structure was required by the FY 2010 Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) and is believed to have resulted in 2 of the largest private health care providers to ADC having opted out of their contracts. While the department is in the process of attempting to enter into additional contracts, their projections suggest the need to restore \$20,000,000 of the \$26,000,000 reduction.

Outstanding Provisions

Laws 2009, 3rd Special Session, Chapter 6 (FY 2010 Criminal Justice Budget Reconciliation Bill) included several provisions that may impact the department's operations. These issues/provisions include:

- Privatization of Healthcare - ADC issued a Request for Information (RFI) in July 2009 and must submit a Request for Proposal (RFP) to the Joint Legislative

Budget Committee (JLBC) for review (by January 1, 2010) for purposes of privatizing correctional health services, including medical and dental services that are provided within state-owned and operated prison facilities. ADC is required to award a contract by May 1, 2010.

- Concessions Agreement - Upon review by the Joint Committee on Capital Review (JCCR), ADOA, in consultation with ADC, shall issue an RFI to determine the feasibility of a concessions agreement and shall issue an RFP (by April 1, 2010) for a concession agreement allowing a private vendor(s) to operate Arizona State Prison Complex(s). The concession agreement(s) must: 1) result in an up front payment to the state, 2) exclude ASPC - Yuma, and 3) require annual efficiency savings to be split 50/50 between the state and private vendor. While any proposed contract(s) shall be submitted to JCCR for review prior to award, ADOA and ADC are not required to award such a contract. If a contract(s) is awarded, it is the intent of the Legislature that the up front payment to the state would generate a total of \$100,000,000.
- 5,000 New Private Beds - ADC received authorization to issue an RFP for 5,000 new in-state private prison beds. The RFP shall: 1) permit the award of 1 or more contracts, 2) allow a private prison vendor to bid on all or a portion of the beds, 3) allow the beds to be located at new, existing, or expanded facilities, 4) specify a contract period not to exceed 20 years, 5) be submitted to the JLBC for review by November 1, 2009, and 6) result in the award of all contracts by June 30, 2010.

Corrections Fund

The Corrections Fund is for the construction, major maintenance, and purchase or lease of correctional facilities or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. Revenues deposited to the fund are primarily from luxury taxes on alcohol and tobacco products. Under current law, the revenue source to the Corrections Fund will expire June 30, 2010 (the end of FY 2010). *Table 1* identifies actual and projected Corrections Fund revenues and expenditures.

Bed Plan

As of June 30, 2009, ADC managed a total population of 41,412 inmates, a total bed count of approximately 36,452 beds, and a bed shortfall of 4,960 beds (or 18.2% of state bed capacity). The 36,452 beds are comprised of the following 4 types of prison beds:

- State Beds: Beds owned and operated by the department. These beds are located in 10 complexes throughout the state.

	FY 2009	FY 2010 ^{1/2/}	FY 2011 ^{2/}
Beginning Balance	\$ 2,906.7	\$ 3,705.7	\$ 0.0
Revenues	28,717.5	29,039.7	29,039.7
Total Funds Available	\$31,624.2	\$32,745.4	\$29,039.7
Expenditures			
ADOA Staffing	\$ 536.1	\$ 568.9	\$ 568.9
ADOA Fund Transfers	482.7	167.5	0.0
Capital Projects			
Fort Grant Closure	0.0	43.1	0.0
Prison Complex	0.0	260.7	0.0
Yuma Water Treatment	175.2	2,013.8	0.0
Operating Budget			
ADC	25,504.4	29,017.6	29,017.6
Spending (Prior Year)	1,204.5	2,427.0	0.0
Fund Transfers	15.6	37.2	0.0
Total Expenditures	\$27,435.8	\$34,535.8	\$29,586.5
Fund Balance	\$ 3,705.7	\$ (1,790.4)	\$ (546.8)

1/ FY 2010 amounts represent funding as appropriated and assume all monies appropriated through FY 2010 are expended.
2/ Actual ending balance will not be negative. Excluding non lapsing appropriations, the FY 2010 and FY 2011 ending balance would be \$527.2 and \$(19.6), respectively.

- Provisional Beds: Temporary “rented” beds from a public or private vendor historically located out of state. Currently, these beds are located in Oklahoma and Colorado.
- Private Beds: 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.
- County Beds: Jail beds “rented” from Navajo County. A General Appropriation Act footnote permits ADC to contract with counties for additional county jail beds at a per diem rate that does not exceed \$50.00.

ADC Bed Plan

ADC has provided a bed plan that identifies how they propose to utilize their resources while ensuring they have an adequate supply of beds available to manage their current and future populations. While their plan includes details on the movement of populations between the various types of beds identified above, it also addresses the phase-in and phase-out of existing beds and new beds. Some of these changes, by bed type, include:

- State Beds: Adding 4,000 previously authorized beds located at Perryville (1,000), Tucson (1,000), and Yuma (2,000). The Baseline also funds these additional beds in FY 2011.
- Provisional Beds: Eliminating 752 beds in FY 2010, an additional 2,160 beds in FY 2011, and the remaining 1,980 in FY 2012. The FY 2011 Baseline

incorporates the adjustments associated with ADC's reduced provisional bed need in FY 2011.

- Private Beds: Occupying 5,000 previously authorized in-state beds in FY 2012. As eluded to above, Laws 2009, 3rd Special Session, Chapter 6, authorized these beds.

Population Growth

In FY 2009, ADC's fiscal year-end inmate population totaled 41,412. In FY 2010, ADC was appropriated monies for population growth of 151 inmates per month, or 1,812 inmates a year, for an estimated fiscal year-end population of 43,224. Assuming inmate growth in FY 2011 and FY 2012 is similar to the actual growth the department saw in FY 2009, which was a net increase of 126 inmates per month, the FY 2011 and FY 2012 year-end inmate populations would be 44,736 and 46,248, respectively. It is important to note, however, that population growth is volatile, where over the past 12 months, the month-over-month change has ranged from a decrease of (76) inmates in November 2009, to an increase of 266 inmates in January 2009. Should actual population growth remain below the estimates, the projected bed shortfalls reflected in *Table 2* would decrease.

Bed Shortfall

After incorporating population growth and ADC's bed plan, the FY 2010 year-end bed shortfall is anticipated to be (5,510). This shortfall would decrease slightly to (5,002) in FY 2011, after adding all 6,000 previously authorized public and private beds and eliminating a portion of the provisional beds. With the addition of the 5,000 private beds authorized in Chapter 6 and ADC eliminating the all remaining provisional beds, the bed shortfall would fall to (3,494) in FY 2012.

Table 2 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 2

**Fiscal Year End Public and Private Prison Bed Count
by Bed Type and Facility**

	FY 2009 <u>Actual</u>	Incorporates ADC Bed Plan			FY 2010 <u>Per Diem</u>
		FY 2010 <u>Year End</u>	FY 2011 <u>Year End</u>	FY 2012 <u>Year End</u>	
State:					
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 ^{1/}	3,260	3,260	4,260	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 ^{1/}	3,640	3,640	4,640	4,640	
Winslow	1,666	1,666	1,666	1,666	
Yuma ^{1/}	<u>2,190</u>	<u>2,190</u>	<u>4,190</u>	<u>4,190</u>	
Sub-Total	27,248	27,248	31,248	31,248	
Provisional:					
Watonga, Oklahoma	2,160	2,160	0	0	\$59.45
Hinton, Oklahoma	1,980	1,980	1,980	0	54.50
Huerfano, Colorado	<u>752</u>	<u>0</u>	<u>0</u>	<u>0</u>	64.00
Sub-Total	4,892	4,140	1,980	0	
Private:					
Kingman	1,400	3,220	3,400	3,400	\$62.16
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	414	608	608	608	14.86-33.76
New Beds ^{2/}	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	NA
Sub-Total	4,264	6,278	6,458	11,458	
County Jails:					
Navajo	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>	\$49.44
Total	36,452	37,714	39,734	42,754	
Projected Population^{3/}	41,412	43,224	44,736	46,248	
Projected Bed Shortfall (Year End)	(4,960)	(5,510)	(5,002)	(3,494)	
Projected Bed Shortfall (as % of State Beds)	(18.2)%	(20.2)%	(16.0)%	(11.2)%	

^{1/} Reflects the additional 6,000 public and private prison beds authorized by Laws 2007, Chapter 261.

^{2/} Reflects the additional 5,000 private prison beds authorized by Laws 2009, 3rd Special Session, Chapter 6.

^{3/} Reflects actual FY 2009 population on June 30 and growth of 151 inmates per month in FY 2010 and 126 inmates per month in FY 2011 and FY 2012.

SUMMARY OF FUNDS

**FY 2009
Actual** **FY 2010
Estimate**

Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)

Appropriated

Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses. The average charge for inmate labor is \$0.75 per hour.

Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.

Funds Expended	392,600	554,400
Year-End Fund Balance	174,500	95,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACT's buildings and equipment; and pay other associated ACI operational costs.		
Funds Expended	29,083,600	30,157,500
Year-End Fund Balance	7,209,900	3,880,200
Corrections Donations Fund (DCA3147/A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Private grants and monies received from the disposal of donated properties.		
Purpose of Fund: To be used as specified by the particular donation.		
Funds Expended	4,300	1,000
Year-End Fund Balance	1,400	1,400
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease, purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities.		
Funds Expended	25,504,400	29,017,600
Year-End Fund Balance	4,899,700	1,771,000
Criminal Justice Enhancement Fund (DCA2035/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Beginning in FY 2010, Laws 2009, 3 rd Special Session, Chapter 6 requires these monies to be allocated through the Treasurer's Office rather than ADC.		
Purpose of Fund: For distribution to counties for the training of detention officers, county jail operational enhancement, and ADC administrative expenses.		
Funds Expended	5,565,800	5,867,400
Year-End Fund Balance	29,000	18,900
Federal Funds (DCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	15,387,100	15,354,100
Year-End Fund Balance	142,700	99,100
Federal Grants - American Recovery and Reinvestment Act (ARRA) (DCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for Correctional Officer Personal Services in FY 2010.		
Funds Expended	0	50,000,000
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay department-wide administrative and overhead costs.		
Funds Expended	1,318,800	1,059,500
Year-End Fund Balance	36,000	700

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Non-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC.		
Funds Expended	472,500	472,500
Year-End Fund Balance	1,000	1,000
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	223,200	105,000
Year-End Fund Balance	59,100	35,500
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		Partially-Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
Appropriated Funds Expended	1,418,800	979,200
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	10,000	330,400
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$250 to \$1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	13,929,200	11,499,400
Year-End Fund Balance*	(307,100)	2,500
Risk Management Insurance Reimbursement Fund (DCA3748/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Funds from the Risk Management Revolving Fund administered by the Arizona Department of Administration.		
Purpose of Fund: Reimbursements for losses of state property and to pay on-call duty claims.		
Funds Expended	445,600	360,000
Year-End Fund Balance	334,800	294,800
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
Source of Revenue: Profits from canteens, hobby shops, and commissions on telephone service.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis.		
Funds Expended	3,413,100	3,385,500
Year-End Fund Balance	518,000	63,300
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Partially-Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.		
Appropriated Funds Expended	1,208,700	360,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	1,463,800	2,624,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
Funds Expended	2,327,100	3,330,000
Year-End Fund Balance	964,800	373,800
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	231,000	507,500
Year-End Fund Balance	208,900	192,300
State Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-776)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Transition Office Fund (DCA2379/A.R.S. § 31-284)		Appropriated
Source of Revenue: A 5% allocation of wages earned from inmates who earn at least \$2.00 per hour.		
Purpose of Fund: To pay for costs related to the transition program office.		
Funds Expended	177,600	180,000
Year-End Fund Balance	94,100	276,000
Transition Program Drug Treatment Fund (DCA2383/A.R.S. § 31-286)		Appropriated
Source of Revenue: Cost savings resulting from implementation of a transition drug treatment program.		
Purpose of Fund: To provide transition services to nonviolent drug offenders.		
Funds Expended	270,200	555,000
Year-End Fund Balance	232,400	1,004,900

*As reported by the agency. Actual ending balance will not be negative.

Board of Cosmetology

JLBC: Steve Grunig
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	526,100	757,200	757,200
Employee Related Expenditures	241,800	314,000	314,000
Professional and Outside Services	62,400	186,600	186,600
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	1,759,500	1,759,500

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,393,400	1,759,500	1,759,500
SUBTOTAL - Other Appropriated Funds	1,393,400	1,759,500	1,759,500
SUBTOTAL - Appropriated Funds	1,393,400	1,759,500	1,759,500
TOTAL - ALL SOURCES	1,393,400	1,759,500	1,759,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$1,759,500 and 24.5 FTE Positions from the Board of Cosmetology Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists, salons, and cosmetology schools. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
Funds Expended	1,393,400	1,759,500
Year-End Fund Balance	7,900	1,003,300

Arizona Criminal Justice Commission

JLBC: Jon McAvoy
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8.0	8.0	8.0
Personal Services	412,300	457,600	457,600
Employee Related Expenditures	140,600	159,200	159,200
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	739,600	974,800
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	999,200	999,200
Victim Compensation and Assistance	4,026,300	4,100,000	4,100,000
5th Special Session Reduction	0	(516,800)	(516,800)
AGENCY TOTAL	7,573,400	6,374,500	6,609,700
FUND SOURCES			
General Fund	1,054,800	0	0
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	763,900	684,100	684,100
Drug and Gang Prevention Resource Center Fund	0	0	235,200
State Aid to County Attorneys Fund	886,700	973,600	973,600
State Aid to Indigent Defense Fund	841,700	924,300	924,300
Victim Compensation and Assistance Fund	4,026,300	3,792,500	3,792,500
SUBTOTAL - Other Appropriated Funds	6,518,600	6,374,500	6,609,700
SUBTOTAL - Appropriated Funds	7,573,400	6,374,500	6,609,700
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	34,620,400	34,796,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	235,200	3.7%
Total Appropriated Funds	235,200	3.7%
Non-Appropriated Funds	(58,700)	(0.2%)
Total - All Sources	176,500	0.5%

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 Baseline includes \$974,800 and 8 FTE Positions for the operating budget in FY 2011. These amounts consist of:

CJEF	\$739,600
Drug and Gang Prevention Resource Center Fund	235,200

FY 2011 adjustments would be as follows:

Arizona Youth Survey **OF** **235,200**

The Baseline 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 Baseline also includes a corresponding decrease to the Drug and Gang Prevention Resource Center from the Drug and Gang Prevention Resource Center Fund. *(See Statutory Changes and the Drug and Gang Prevention Resource Center narrative for more information.)*

Rural State Aid to County Attorneys

The Baseline 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 Baseline 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 Baseline 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 Baseline includes \$999,200 from the State Aid to Indigent Defense Fund for the State Aid to Indigent Defense Fund line item in FY 2011. This amount is unchanged from FY 2010.

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 Baseline 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.

5th Special Session Reduction

The Baseline includes \$(516,800) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists 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)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Notwithstanding any other law, the amount appropriated for Rural State Aid to County Attorneys and Rural State Aid to Indigent Defense shall be allocated to counties with populations of less than 500,000 persons.

All State Aid to the County Attorneys Fund receipts received by the Arizona Criminal Justice Commission in excess of \$1,052,500 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 \$1,052,500, the Arizona Criminal Justice Commission shall ~~submit~~ REPORT the intended use of the monies ~~for review by~~ TO the Joint Legislative Budget Committee.

All State Aid to Indigent Defense Fund receipts received by the Arizona Criminal Justice Commission in excess of \$999,200 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 \$999,200 in FY 2011, the Arizona Criminal Justice Commission shall ~~submit~~ REPORT the intended use of the monies ~~for review by~~ TO the Joint Legislative Budget Committee.

All Victim Compensation and Assistance receipts received by the Arizona Criminal Justice Commission in excess of \$4,100,000 in FY 2011 are appropriated to the Crime Victims Program. Before the expenditure of any Victim Compensation and Assistance receipts in excess of \$4,100,000 in FY 2011, the Arizona Criminal Justice Commission shall ~~submit~~ REPORT the intended use of the monies ~~for review by~~ TO the Joint Legislative Budget Committee.

STATUTORY CHANGES

The Baseline would, as permanent law, shift 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. The survey measures alcohol and drug use, gang affiliation, and weapons within schools. This shift was done on a transitional basis in FY 2010 through an IGA between ACJC and the Drug and Gang Prevention Resource Center. (See "Arizona Youth Survey" policy issue under Operating Budget and the Drug and Gang Prevention Resource Center narrative for more information.)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)		Appropriated
Source of Revenue: A 1.57% allocation of CJEF. (See below for additional information on statewide CJEF maintained in the Treasurer's Office but shown under ACJC as Arizona Revised Statute requires the Commission to annually report on CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To cover the operating costs ACJC.		
Funds Expended	763,900	684,100
Year-End Fund Balance	309,800	270,900

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)	Partially-Appropriated
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Source of Revenue: A 47% penalty on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

Purpose of Fund: CJEF monies are distributed on a percentage basis to various state entities. (See individual agency pages for detailed information on each recipient.)

	<u>FY 2009</u>	<u>FY 2010</u>	<u>% of CJEF</u>	<u>Approp.</u>
Funds Transferred ^{1/2/}				
Attorney General				
AZ Prosecuting Attorneys Advisory Council (4)	1,444,500	1,441,600	3.03	no
County Attorneys (7)	4,457,400	4,448,500	9.35	no
Victim's Rights Implementation (13)	3,661,200	3,653,900	7.68	yes ^{3/}
AZ Criminal Justice Commission				
Operation Costs (10)	748,500	747,000	1.57	yes
Victim Compensation (14)	2,192,900	2,188,500	4.60	yes ^{3/}
Department of Corrections				
County Sheriffs (9)	5,577,700	5,566,500	11.70	no
Department of Public Safety				
Crime Lab Assessment Fund (12)	5,387,000	5,376,200	2.30	yes ^{3/}
DNA Identification System (6)	619,700	618,500	1.30	yes ^{3/}
Fingerprinting Identification System (1)	3,079,600	3,073,500	6.46	yes
Peace Officers' Training Fund (3)	7,932,700	7,916,800	16.64	no
State/Local Grants (6)	3,461,000	3,454,100	7.26	^{4/}
Department of Juvenile Corrections (2)	767,500	766,000	1.61	yes
Supreme Court				
Case Processing (8)	2,869,900	2,864,100	6.02	yes
Juvenile Crime (5)	4,457,400	4,448,500	9.35	yes
Community Punishment Program (15)	1,015,400	1,013,400	2.13	yes
General Fund (11) ^{5/}	<u>0</u>	<u>0</u>	9.00	no
Total Funds Transferred	<u>47,672,400</u>	<u>47,577,100</u>		

^{1/} The numbers following the recipient agencies represent the paragraph numbers from A.R.S. § 41-2401 subsection D.

^{2/} The numbers displayed in the chart represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{3/} These monies represent a continuing appropriation from CJEF, but are appropriated prior to expenditure by the recipient agency.

^{4/} Monies retained by the Department of Public Safety (DPS) for operating expenditures are appropriated. Monies passed through to state and local agencies are non-appropriated.

^{5/} As session law, revenues previously deposited to the General Fund were redirected to DPS' Crime Lab Assessment Fund for FY 2010.

Driving Under the Influence Abatement Fund (JCA2422/A.R.S. § 28-1304)	Non-Appropriated
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Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater.

Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.

Funds Expended	1,002,400	1,387,500
Year-End Fund Balance	889,300	247,300

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Drug and Gang Enforcement Account (JCA2134/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.		
Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%). In FY 2009, \$500,000 was deposited into the DEA account for a one-time distribution to local law enforcement agencies to retrofit public safety vehicles for fire prevention resulting from rear-ends collisions. In FY 2010, the Drug and Gang Prevention Resource Center entered into an IGA for \$235,200 with ACJC to fund the Arizona Youth Survey. The IGA expenditures are not displayed to avoid double counting of the Drug and Gang Prevention Resource Center Fund.		
Funds Expended	10,772,700	5,037,100
Year-End Fund Balance	1,368,700	1,742,200
Drug and Gang Prevention Resource Center Fund (DPA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
Purpose of Fund: To fund the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (JCA2000/A.R.S. § 41-2405)		Non-Appropriated
Source of Revenue: Federal grants, including additional Edward Byrne Memorial grant monies and Victims of Crime Act (VOCA) monies awarded as a result of the American Recovery and Reinvestment Act of 2009.		
Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.		
Funds Expended	14,770,700	21,821,300
Year-End Fund Balance	5,670,500	24,111,800
Resource Center Fund (JCA2280/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: A 1.31% allocation from selected Superior Court Fees and monies received from public or private gifts.		
Purpose of Fund: To fund the Arizona Drug and Gang Prevention Resource Center. Per Laws 2009, 3 rd Special Session, Chapter 6, the Drug and Gang Prevention Resource Center entered into an IGA with ACJC to fund the Arizona Youth Survey in FY 2010 with these monies. Expenditures are not displayed to avoid double counting of the Drug and Gang Prevention Resource Center Fund.		
Funds Expended	0	0
Year-End Fund Balance	440,700	276,500
State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)		Appropriated
Source of Revenue: Legislative appropriations, a 15.44% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population. Pursuant to a General Appropriation Act footnote, General Fund monies are distributed only to rural counties (defined as counties with populations of less than 500,000 persons).		
Funds Expended	886,700	973,600
Year-End Fund Balance	147,500	82,700

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders and contract indigent counsel for the processing of criminal cases. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population. Pursuant to a General Appropriation Act footnote, General Fund monies are distributed only to rural counties (defined as counties with populations of less than 500,000 persons).		
Funds Expended	841,700	924,300
Year-End Fund Balance*	8,500	(130,000)
Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)		Appropriated
Source of Revenue: The fund consists of 2 sub-accounts. The Victim Compensation sub-account receives a 4.6% distribution from CJEF, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance sub-account receives revenue derived from community supervision fees and interstate compact fees. Following a 2006 court settlement which resulted in a \$2,900,000 deposit into the fund, the annual fund appropriation was increased by \$300,000 to spend down the settlement monies. At this rate the settlement monies would provide an increased level of program funding through FY 2012.		
Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.		
Funds Expended	4,026,300	3,792,500
Year-End Fund Balance	2,790,700	1,380,500

*As reported by the agency. Actual ending balance will not be negative.

Arizona State Schools for the Deaf and the Blind

JLBC: Jack Brown
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
PROGRAM BUDGET			
Administration/Statewide Programs	3,595,600	4,140,300	4,140,300
Phoenix Day School for the Deaf	8,366,700	9,456,700	9,456,700
Preschool/Outreach Programs	5,046,600	4,263,600	4,263,600
Regional Cooperatives	2,033,500	1,073,000	1,073,000
Tucson Campus	16,863,100	17,141,400	17,141,400
AGENCY TOTAL	35,905,500	36,075,000	36,075,000

OPERATING BUDGET			
Full Time Equivalent Positions	587.2	581.2	572.2
Personal Services	21,612,500	19,037,300	19,037,300
Employee Related Expenditures	7,944,500	9,613,500	9,613,500
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	4,720,600
Equipment	483,500	343,000	343,000
OPERATING SUBTOTAL	35,905,500	35,337,000	35,337,000

SPECIAL LINE ITEMS			
School Bus Replacement	0	738,000	738,000
Voucher Fund Adjustment	0	0	0
AGENCY TOTAL	35,905,500	36,075,000	36,075,000

FUND SOURCES			
General Fund	21,273,700	21,268,400	21,268,400
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	14,631,800	14,806,600	14,806,600
SUBTOTAL - Other Appropriated Funds	14,631,800	14,806,600	14,806,600
SUBTOTAL - Appropriated Funds	35,905,500	36,075,000	36,075,000
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	59,525,100	59,525,100

CHANGE IN FUNDING SUMMARY	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

Operating Budget

The Baseline includes \$35,337,000 and 572.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$20,530,400
Schools for the Deaf and the Blind Fund	14,806,600

These amounts are unchanged from FY 2010.

The Baseline includes no change for the following 2 items:

Assistive Technology Devices GF 0

The Baseline includes no change in funding for assistive technology devices from the General Fund in FY 2011. The Baseline 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 OF 0

The Baseline maintains funding in FY 2011 for the preschool program at the Foundation for Blind Children at the previously appropriated level.

School Bus Replacement

The Baseline 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 Baseline 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 Baseline funds inflation only for school district (not ASDB) transportation costs and ASDB’s caseload changes are uncertain at this time. *(Please see the “Voucher Caseloads” narrative under “Other Issues for Legislative Consideration” for more information.)*

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 included amounts are reflected within a special line item to give ASDB flexibility in allocating the increased funding among its 4 programs.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

Before the expenditure of any Arizona Schools for the Deaf and the Blind Fund monies in excess of \$14,806,600 in FY 2011, ASDB shall report to the Joint Legislative Budget Committee the intended use of the funds. *(The revised language would eliminate the need for the JLBC to review the use of increased voucher funding due to caseload changes.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

ASDB was originally budgeted 294.3 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires ASDB to reduce an additional 6 FTE Positions in FY 2010 and 15 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

Voucher Caseloads

Recent agency estimates put FY 2010 voucher enrollment at 664 pupils, which would result in approximately \$(1,000,000) less in revenue and expenditures for the ASDB Fund than was budgeted for FY 2010. The reported numbers are considered preliminary, however, and therefore have not been incorporated into ASDB's baseline numbers for FY 2011. If additional data confirm a decline in ASDB caseloads, a reduction in ASDB's voucher funding for FY 2011 will be recommended later during the budget process.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)		Non-Appropriated
Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	1,197,400	1,870,200
Year-End Fund Balance	859,200	756,200
Enterprise Fund (SDA4222/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.		
Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).		
Funds Expended	77,300	77,100
Year-End Fund Balance	101,800	133,500
Federal Grants (SDA2000/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Federal grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	2,183,300	4,640,100
Year-End Fund Balance	307,600	80,900
IGA and ISA Fund (SDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	0	0
Year-End Fund Balance	0	0
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	168,000	167,500
Year-End Fund Balance	231,500	206,300

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Non-Federal Grants (SDA2011/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	37,000	33,900
Year-End Fund Balance	11,900	0
Regional Cooperatives Fund (SDA4221/Laws 1987, Chapter 363)		Non-Appropriated
Source of Revenue: Monies in the fund come from special education voucher funds as well as tuition and fees that school districts pay to ASDB in order to reimburse it for costs of providing services to their students.		
Purpose of Fund: The Regional Cooperative Fund is used to support ASDB's Regional Cooperatives program, which provides educational services to sensory impaired pupils who attend school at their local school districts rather than at an ASDB campus.		
Funds Expended	15,619,000	16,595,500
Year-End Fund Balance	4,807,600	2,708,400
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	14,631,800	14,806,600
Year-End Fund Balance	499,800	794,000
Trust Fund (SDA3148/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	70,500	65,800
Year-End Fund Balance	5,000	0

Commission for the Deaf and the Hard of Hearing

JLBC: Bob Hull
 OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	16.0	15.0	15.0
Personal Services	717,800	742,200	742,200
Employee Related Expenditures	265,800	274,000	274,000
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	1,793,200
Equipment	336,900	615,200	615,200
OPERATING SUBTOTAL	3,796,400	4,409,900	4,409,900
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(330,700)	(330,700)
AGENCY TOTAL	3,796,400	4,079,200	4,079,200

FUND SOURCES

Other Appropriated Funds

Telecommunication Fund for the Deaf	3,796,400	4,079,200	4,079,200
SUBTOTAL - Other Appropriated Funds	3,796,400	4,079,200	4,079,200
SUBTOTAL - Appropriated Funds	3,796,400	4,079,200	4,079,200
Other Non-Appropriated Funds	7,700	0	0
TOTAL - ALL SOURCES	3,804,100	4,079,200	4,079,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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. Laws 2000, Chapter 98 required the agency to license interpreters of the deaf and the hard of hearing beginning in 2007.

Operating Budget

The Baseline includes \$4,409,900 and 15 FTE Positions from the Telecommunication Fund for the Deaf for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Reduction. This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Lump Sum by Agency

5th Special Session Reduction

The Baseline includes \$(330,700) from the Telecommunication Fund for the Deaf in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Private Grants (DFA2423/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grant from St. Luke's Health Initiatives and grants from the Arizona Community Foundation.		
Purpose of Fund: To develop an action plan for a mental health services network for the hearing impaired. The grant from the Arizona Community Foundation is used to research and review a state model to provide hearing aids to state residents. The grant is also to be used to study the needs of Native Americans who are deaf, hard of hearing, blind, or speech impaired.		
Funds Expended	7,700	0
Year-End Fund Balance	0	0
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System, support community outreach and education, purchase, repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired, and operating costs of the commission.		
Funds Expended	3,796,400	4,079,200
Year-End Fund Balance	997,800	467,200

State Board of Dental Examiners

JLBC: Aaron Galeener
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	434,500	536,500	536,500
Employee Related Expenditures	153,400	147,600	147,600
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	130,300
Equipment	19,200	23,700	23,700
AGENCY TOTAL	1,082,400	1,106,500	1,106,500

FUND SOURCES

Other Appropriated Funds

Dental Board Fund	1,082,400	1,106,500	1,106,500
SUBTOTAL - Other Appropriated Funds	1,082,400	1,106,500	1,106,500
SUBTOTAL - Appropriated Funds	1,082,400	1,106,500	1,106,500
TOTAL - ALL SOURCES	1,082,400	1,106,500	1,106,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 JLBC	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of dentists, denturists, dental hygienists and dental assistants.

Operating Budget

The Baseline includes \$1,106,500 and 11 FTE Positions from the Dental Board Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,082,400	1,106,500
Year-End Fund Balance	136,900	794,700

Arizona Drug and Gang Prevention Resource Center

JLBC: Jon McAvoy
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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

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

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	(235,200)	(40.6%)
Total Appropriated Funds	(235,200)	(40.6%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(235,200)	(29.1%)

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 Baseline includes \$344,400 and 6.3 FTE Positions from the Intergovernmental Agreements and Grants Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Arizona Youth Survey OF \$(235,200)

The Baseline includes a decrease of \$(235,200) from the Drug and Gang Prevention Resource Center Fund in FY 2011. The Baseline includes a corresponding increase to the Arizona Criminal Justice Commission (ACJC) from the Drug and Gang Prevention Resource Center Fund for ongoing funding for costs associated with the Arizona Youth Survey. (See *Statutory Changes and ACJC narrative for more information.*)

* * *

FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as permanent law, shift 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. The survey measures alcohol and drug use, gang affiliation, and weapons within schools. 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. (See *"Arizona Youth Survey" policy issue under Operating Budget and ACJC narrative for more information.*)

SUMMARY OF FUNDS ^{1/}	FY 2009 Actual	FY 2010 Estimate
Drug and Gang Prevention Resource Center Fund (DPA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies. Funds are distributed through the Arizona Criminal Justice Commission.		
Purpose of Fund: To provide a statewide resource system that assists agencies, organizations, and individuals in their community drug and gang prevention activities.		
Funds Expended	203,400	235,200
Year-End Fund Balance	53,200	53,200
Federal Grants & Intergovernmental Agreements (DPA9445/A.R.S. § 41-617.01)		Non-Appropriated
Source of Revenue: Federal grants and federally funded intergovernmental agreements.		
Purpose of Fund: To support prevention projects, provide a clearinghouse of prevention materials, and provide technical assistance and training to prevention providers.		
Funds Expended	622,200	123,000
Year-End Fund Balance*	(36,100)	0
Intergovernmental Agreements and Grants Fund (DPA9750/A.R.S. § 41-617.01)		Appropriated
Source of Revenue: Intergovernmental Agreements with the Department of Health Services, AHCCCS, Department of Juvenile Corrections and the Governor's Community Policy Office.		
Purpose of Fund: To provide a clearinghouse of prevention materials, technical program development assistance, and research and evaluation services to communities developing and implementing programs to prevent substance abuse and other social problems.		
Funds Expended	23,200	344,400
Year-End Fund Balance*	1,900	(85,300)
Private and Non-Profit Grants (DPA9446/A.R.S. § 41-617.01)		Non-Appropriated
Source of Revenue: Grants from various public and private sources.		
Purpose of Fund: To provide support in tobacco prevention efforts of local governmental and private entities		
Funds Expended	28,800	104,600
Year-End Fund Balance*	45,500	(30,600)

^{1/} Funds are not held in the state's accounting system but are instead held within Arizona State University's financial accounting system.

* As reported by the agency. Actual ending balance will not be negative.

Arizona Early Childhood Development and Health Board

JLBC: Jack Brown
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	30,919,400	159,099,600	156,521,600
TOTAL - ALL SOURCES	30,919,400	159,099,600	156,521,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Non-Appropriated Funds	(2,578,000)	(1.6)%
Total - All Sources	(2,578,000)	(1.6)%

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.

Other Issues

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 Early Childhood Development and Health Fund (ECDHF) and go into 1 of 2 accounts, the Administrative Costs Account and 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 early childhood development and health (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 Early Childhood Development and Health Fund is not subject to legislative appropriation.

Early Childhood Development Program

The Early Childhood Development Program is administered through the Arizona Early Childhood Development and Health Board, 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, \$142,814,000 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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		Non-Appropriated
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Program. Monies from the fund may supplement, but not supplant, existing early childhood development programs. In FY 2007, all revenues received by the fund were deposited to the Administrative Costs Account for the purposes of funding start-up costs of the Initiative. Starting in FY 2008, up to 10% of the funds are deposited to the Administrative Costs Account with at least 90% of the funds deposited to the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative in the 2006 election. The ballot proposition established a planning process that defers most programmatic spending to FY 2010.		
Funds Available		
Balance Forward	236,126,700	362,073,100
Revenue:		
Administrative Costs Account	15,670,800	13,466,500
Program Account	141,028,800	121,198,600
Other	166,200	16,700
Total Funds Available	392,992,500	496,754,900
Expenditures:		
Administrative Expenditures	13,618,200	16,283,300
Programmatic Expenditures	17,140,900	142,814,000
Other	160,300	2,300
Total Funds Expended	30,919,400	159,099,600
Year-End Fund Balance	362,073,100	337,655,300

Department of Economic Security

Summary

JLBC: Jay Chilton

OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
PROGRAM BUDGET			
Administration	30,052,100	31,557,200	31,671,700
Aging and Community Services	40,785,800	44,640,800	44,640,800
Benefits and Medical Eligibility	162,325,100	157,550,300	157,550,300
Child Support Enforcement	62,537,400	66,136,300	66,136,300
Children, Youth and Families	287,009,500	300,500,500	300,500,500
Developmental Disabilities	862,739,100	927,294,000	984,066,700
Employment and Rehabilitation Services	269,536,300	285,988,800	285,602,800
Higher Federal Match Rate Savings - State	0	(83,804,600)	(51,366,100)
Higher Federal Match Rate Cost - Federal	0	83,804,600	51,366,100
Payment Deferral	0	(17,000,000)	0
5th Special Session Reduction	0	(26,472,300)	(26,472,300)
AGENCY TOTAL	1,714,985,300	1,770,195,600	1,843,696,800
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,948.4	5,889.4	5,473.4
Personal Services	133,367,700	149,645,900	149,645,900
Employee Related Expenditures	57,975,900	54,649,500	54,649,500
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	72,699,000
Equipment	3,782,900	1,835,400	1,835,400
OPERATING SUBTOTAL	272,936,700	291,461,300	291,932,300
Special Line Items (SLI)	1,442,048,600	1,478,734,300	1,551,764,500
AGENCY TOTAL	1,714,985,300	1,770,195,600	1,843,696,800
FUND SOURCES			
General Fund	613,543,000	546,080,200	615,033,200
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	793,100	1,459,100	1,459,100
Child Support Enforcement Administration Fund	14,384,700	15,352,700	15,352,700
Children and Family Services Training Program Fund	209,600	209,600	209,600
Domestic Violence Shelter Fund	2,153,800	2,220,000	2,220,000
Federal CCDF Block Grant	126,325,600	130,448,600	130,448,600
Federal TANF Block Grant	275,814,600	283,150,700	283,150,700
Long Term Care System Fund (Non-Federal Matched)	24,141,500	26,469,400	26,469,400
Public Assistance Collections Fund	216,800	427,600	427,600
Reed Act Grant	3,443,700	3,524,200	3,524,200
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	1,875,400	1,875,400
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	55,954,800
SUBTOTAL - Other Appropriated Funds	490,848,300	523,698,900	523,227,400
SUBTOTAL - Appropriated Funds	1,104,391,300	1,069,779,100	1,138,260,600
<u>Expenditure Authority Funds</u>			
Federal Funds	40,596,000	43,546,200	43,546,200
Long Term Care System Fund (Federal Match)	569,998,000	656,870,300	661,890,000
SUBTOTAL - Expenditure Authority Funds	610,594,000	700,416,500	705,436,200
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,714,985,300	1,770,195,600	1,843,696,800

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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	3,967,932,400	3,236,582,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	68,953,000	12.6%
Other Appropriated Funds	(471,500)	(0.1%)
Expenditure Authority Fund	5,019,700	0.7%
Total Appropriated/Expenditure Authority Funds	73,501,200	4.2%
Non-Appropriated Funds	(804,850,900)	(36.6%)
Total - All Sources	(731,349,700)	(18.4%)

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.

Developmental Disabilities	GF	\$19,514,500
Caseload Growth	EA	37,458,200
Remove Unused Triagency Disaster Recovery Funding	OF	(271,500)
Remove Autism Training and Oversight Funding	OF	(200,000)
Payment Deferral	GF	17,000,000
Temporary Federal Assistance		
ARRA Backfill – Enhanced FMAP	GF	32,438,500
	EA	(32,438,500)

The 2009 American Recovery and Reinvestment Act (ARRA) increased FMAP for Title XIX populations from October 1, 2008 until December 31, 2010. Typically, Arizona receives approximately a 2:1 match for most Title XIX services, but ARRA increases this amount to approximately a 3:1 match from October 1, 2008 to December 31, 2010. In FY 2010, the blended rate would have been 65.76%, but due to the enhanced FMAP, the federal government will pay 75.93% of Title XIX costs. In FY 2009, the federal government paid 66.2% of most Title XIX services from July 2008 through September 2008, 75.01% from October 2008 through March 2009, and 75.93% from April 2009 through June 2009. The increase from 75.01% to 75.93% was due to a formula specified in ARRA based on the state’s unemployment rate.

Due to the temporary nature of the enhanced Federal Medical Assistance Percentage (FMAP), the General Appropriation Act includes the enhanced FMAP in a separate section of the General Appropriation Act. While the costs shown in the individual cost center narratives reflect the regular FMAP, the DES Summary table includes the enhanced FMAP savings.

In order to qualify for the enhanced FMAP, states:

- cannot lower existing eligibility limits for Title XIX populations;
- cannot increase county percent of state match;
- cannot increase monthly premiums for Title XIX enrollees; or
- cannot change redetermination periods.

The following 4 line items appear only in the Summary.

Higher Federal Match Rate Savings - State

The Baseline includes \$(51,366,100) from the General Fund to continue the reduction as a result of temporary federal assistance in FY 2011. FY 2011 adjustments would be as follows:

States are allowed to reduce 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 administrative services (typically funded at 50%) or any program which already receives an enhanced FMAP.

ARRA Backfill **GF** **32,438,500**
 The Baseline includes an increase of \$32,438,500 from the General Fund in FY 2011 to account for the end of the enhanced federal match rate in December 2010.

Laws 2009, Chapter 1, 4th Special Session reduced the amount of federal match rate savings by \$16,840,000, from \$100,644,600 to \$83,894,600. Since DES reduced provider rates in the Developmental Disabilities program by 10%, total spending for the program was lower than

initially anticipated, and the amount of savings available was likewise lower.

Higher Federal Match Rate Cost - Federal

The Baseline includes \$51,366,100 from the Long Term Care System Fund to continue the increase as a result of temporary federal assistance in FY 2011. FY 2011 adjustments would be as follows:

ARRA Backfill EA (32,438,500)

The Baseline includes a decrease of \$(32,438,500) from the Long Term Care System Fund in FY 2011 to account for the end of the enhanced federal match rate in December 2010.

Payment Deferral

The Baseline includes no funding for the Payment Deferral in FY 2011. FY 2011 adjustments would be as follows:

Eliminate One-Time Savings GF 17,000,000

The Baseline includes \$17,000,000 from the General Fund for the Payment Deferral in FY 2011 as a technical adjustment.

Law 2009, 4th Special Session 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. DES plans to defer payments from the Special Line Items specified below:

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 increase 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 will not appear in the General Appropriation Act; however, the amount is included in the Baseline General Fund amount for DES in this section.

The Baseline reflects a full 12 months of payments in FY 2011, which consists of 1 month of FY 2010 payments and 11 months of FY 2011 payments. As a result, \$42,000,000 in FY 2011 payments will be deferred to FY 2012.

5th Special Session Reduction

The Baseline 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)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

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 entitlement programs, (2) potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, ~~(3) shortfalls resulting from new leases or renegotiations of current leases and associated costs, and (4) total expenditure authority of the Child Support Enforcement program for the month and year to date as compared to prior year totals.~~ (This footnote has been modified to only require the agency to submit the required report electronically and to eliminate the requirement to report shortfalls resulting from leases and to report total expenditure authority for the Child Support Enforcement program as those requirements are redundant.)

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring that DES not operate more welfare offices than it operated in FY 2006, as that number is already below the 2006 level.

The Baseline would delete the footnote indicating the Legislature’s intent that DES make reductions associated with the agencywide lump sum reduction against administrative functions rather than programmatic functions. This change would increase agency flexibility in implementing its reductions.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

DES was originally budgeted 2,827.6 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires DES to reduce an additional 59 General Fund FTE Positions in FY 2010 and 141 General Fund FTE Positions in FY 2011.

In addition to this reduction, Laws 2009, 1st Regular Session, Chapter 12 included a lump sum reduction which 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, this FTE Position reduction also includes a reduction of (334) FTE Positions to incorporate that line-item vetoed FTE reduction in FY 2011.

Federal Assistance – State Fiscal Stabilization Fund

In addition to the enhanced FMAP, DES received other additional funding associated with ARRA. Of the state’s approximate \$1,000,000,000 allocation, \$185,000,000 could be expended for any broad purpose not subject to legislative appropriation. The Governor allocated a total of \$43,300,000 to DES programs, 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

For the State-Only Home and Community-Based Services and Children’s Autism Services items, the Legislature reduced the General Fund appropriations so they could be backfilled by this federal funding. *(See the individual sections for the above line items for more details.)*

Federal Block Grants

The Baseline includes \$283,150,700 of the state’s federal Temporary Assistance for Needy Families (TANF) Block Grant allocation. *Table 1* 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 is 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 continues to be eligible to receive the TANF Contingency Fund money, but as the economy has worsened, additional states have become eligible and the fund has been depleted. It is estimated that in FY 2010, DES will receive its allotment for 1 quarter, or

approximately \$10,000,000. The Baseline does not backfill the shortfall created by the loss of these federal funds.

	<u>Revised FY 2010</u>	<u>Baseline FY 2011</u>
Beginning Balance	\$ 50,600	\$ 0
TANF Base Revenues	224,434,400	224,434,400
TANF Contingency Fund Revenues	10,000,000	0
TANF ARRA Revenues	<u>3,000,000</u>	<u>3,000,000</u>
Total – Available TANF	237,485,000	227,434,400
Total TANF Expenditures	<u>283,150,700</u>	<u>283,150,700</u>
Ending Balance	\$(45,665,700)	\$(55,716,300)
Permanent Revenues vs. Expenditures ^{2/}	\$(58,716,300)	\$(58,716,300)

^{1/} Actual ending balance cannot be negative; the agency will employ funding options to balance the appropriation for FY 2010 and FY 2011.
^{2/} Difference between Base Revenues and Total Expenditures. Contingency Fund Revenues are not included in Permanent Revenues.

Additionally, the 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, 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. While the agency has the option to roll forward 10% of the total TANF Block Grant from FY 2011 into FY 2010, this will not be sufficient to resolve the shortfall caused by the unavailability of the TANF Contingency Fund. For FY 2010, the TANF Block Grant permanent revenues are projected to be \$(58,716,300) less than permanent spending. Contingency Fund revenues are not included in the permanent revenue calculation.

Table 2 provides detailed information on TANF expenditures and appropriations.

Table 2

TANF Block Grant Spending

<u>Cost Center/Special Line Item</u>	<u>Actual FY 2009</u>	<u>Approved FY 2010</u>	<u>Change from FY 2010</u>	<u>Baseline FY 2011</u>
Administration				
Operating	\$3,137,100	\$4,272,800	\$0	\$4,272,800
Finger Imaging	18,900	127,800	0	127,800
Attorney General Legal Services	151,100	168,900	0	168,900
Total – Administration	\$3,307,100	\$4,569,500	\$0	\$4,569,500
Benefits and Medical Eligibility				
Operating	\$13,824,500	\$ 15,021,000	\$0	\$15,021,000
TANF Cash Benefits	65,297,200	88,236,800	0	88,236,800
Total – Benefits and Medical Eligibility	\$79,121,700	\$103,257,800	\$0	\$103,257,800
Aging and Community Services				
Operating	\$ 39,000	\$ 248,800	\$0	\$ 248,800
Community and Emergency Services	3,806,400	4,549,000	0	4,549,000
Coordinated Hunger Program	483,500	500,000	0	500,000
Coordinated Homeless Programs	1,511,200	1,649,500	0	1,649,500
Domestic Violence Prevention	6,157,600	6,620,700	0	6,620,700
Total – Aging and Community Services	\$11,997,700	\$13,568,000	\$0	\$13,568,000
Children, Youth and Families				
Operating	\$ 40,112,300	\$ 38,301,300	\$0	\$ 38,301,300
Adoption Services	19,302,300	19,302,400	0	19,302,400
Adoption - Family Preservation Projects	480,800	500,000	0	500,000
Children Support Services	27,224,700	29,929,100	0	29,929,100
CPS Emergency Placement	2,904,300	3,006,400	0	3,006,400
CPS Residential Placement	10,794,100	11,166,600	0	11,166,600
Foster Care Placement	6,046,300	6,223,100	0	6,223,100
Family Builders Program	3,192,400	0	0	0
Attorney General Legal Services	52,200	52,300	0	52,300
Joint Substance Abuse Treatment (Families FIRST)	1,846,200	2,000,000	0	2,000,000
Homeless Youth Intervention	266,700	0	0	0
Permanent Guardianship Subsidy	1,743,000	1,743,000	0	1,743,000
Total – Children, Youth and Families	\$113,965,300	\$112,224,200	\$0	\$112,224,200
Employment and Rehabilitation Services				
Operating	\$ 5,469,200	\$ 6,656,600	\$0	\$ 6,656,600
JOBS	13,973,700	9,894,700	0	9,894,700
Day Care Subsidy	47,979,900	32,979,900	0	32,979,900
Total – Employment and Rehabilitation Services	\$67,422,800	\$ 49,531,200	\$0	\$49,531,200
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$275,814,600	\$283,150,700	\$0	\$283,150,700
Beginning Balance	\$ 11,082,700	\$ 50,600		\$ 0
TANF Base Revenues	224,434,400	224,434,400		224,434,400
TANF Contingency Fund Revenues	40,348,100	10,000,000		0
TANF ARRA Revenues		3,000,000		3,000,000
Total TANF Revenues	275,865,200	237,485,000		227,434,400
Ending Balance	\$ 50,600	\$(45,665,700)		\$(55,716,300) ^{1/}

^{1/} Actual ending balance cannot be negative.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the Department of Mental Retardation (now DES, pursuant to A.R.S. § 36-551) for buildings, equipment, and other capital investments.		
Funds Expended	0	127,100
Year-End Fund Balance	136,300	68,200
Child Abuse Prevention Fund (DEA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through a check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	793,100	1,459,100
Year-End Fund Balance	1,437,800	743,400
Child Passenger Restraint Fund (DEA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in motor vehicles children under the age of 4 or weighing less than 40 pounds.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	175,400	180,000
Year-End Fund Balance	5,800	5,800
Child Protective Services Expedited Substance Abuse Treatment Fund (DEA2421/A.R.S. § 8-812)		Non-Appropriated
Source of Revenue: An annual appropriation from the state General Fund.		
Purpose of Fund: To provide expedited drug treatment to guardians and parents when a dependency case plan calls for treatment. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	24,700	0
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Partially-Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program.		
Appropriated Funds Expended	14,384,700	15,352,700
Non-Appropriated Funds Expended	9,402,700	9,570,500
Year-End Fund Balance	5,345,500	3,131,100
Children and Family Services Training Program Fund (DEA2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of Child Protective Services (CPS) files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child protective service workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of CPS files may be used only for reimbursing the department for its cost.		
Funds Expended	209,600	209,600
Year-End Fund Balance	103,200	125,200

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Client Trust Fund (DEA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	1,385,900	1,730,000
Year-End Fund Balance	2,732,300	2,735,300
Community-Based Marriage and Communication Skills Program Fund (DEA2434/A.R.S. § 41-203)		Non-Appropriated
Source of Revenue: Legislative appropriations from the General Fund.		
Purpose of Fund: To distribute to community-based organizations whose plans for marriage and communication skills programs are recommended by the Marriage and Parenting Skills Commission. An amount of not more than 5% can be used for administrative costs. Expenditures from this fund are not displayed to avoid double counting of appropriated monies.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned on those funds. ATP-P land was sold in September 1998 for \$4,250,000. The FY 2008 midyear budget revisions swept \$1,600,000 from this fund to the General Fund, and the midyear FY 2009 revisions swept an additional \$1,450,400 to the General Fund, reducing the amount of principal in the fund.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	70,400	124,000
Year-End Fund Balance	248,300	124,300
Domestic Violence Shelter Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	2,153,800	2,220,000
Year-End Fund Balance	1,114,200	24,200
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	99,200	100,700
Year-End Fund Balance	244,400	146,800
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs and policies that promote parental choice; providing consumer education to help parents make informed choices on child care; providing child care to welfare recipient parents; and implementing health, safety, licensing, and registration standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care. In FY 2009 and FY 2010, expenditures include \$18,200,000 in additional CCDF funding authorized by the American Recovery and Reinvestment Act of 2009.		
Funds Expended	126,325,600	130,448,600
Year-End Fund Balance	25,848,800	8,400,200

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants. In FY 2009 and FY 2010, also may include fiscal stabilization funds authorized by the American Recovery and Reinvestment Act of 2009.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant.		
Funds Expended	921,716,900	1,240,278,900
Year-End Fund Balance*	(5,364,600)	(12,274,200)
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	275,814,600	283,150,700
Year-End Fund Balance*	50,600	(42,097,800)
Arizona Industries for the Blind Fund (DEA4003/A.R.S. § 41-1975)		Non-Appropriated
Source of Revenue: Proceeds from sales of products of Arizona Industries for the Blind, as well as interest earned on the fund balance.		
Purpose of Fund: To provide funds for the wages and salaries of production workers, inspectors, and other employees necessary for the operation of the training centers, workshops, or home industries; supplies, equipment or other incidental costs.		
Funds Expended	20,580,300	20,699,000
Year-End Fund Balance	179,400	89,600
Joint Substance Abuse Treatment Fund (DEA2429/A.R.S. § 8-881)		Non-Appropriated
Source of Revenue: Legislative appropriations from the General Fund and the Federal Temporary Assistance for Needy Families Block Grant.		
Purpose of Fund: To be jointly administered by DES and the Department of Health Services for services to families and Federal Temporary Assistance for Needy Families recipients involved with Child Protective Services and whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. An amount of not more than 5% can be used for program development costs. Up to 10% can be used for evaluating community programs delivering the services. Expenditures from this fund are not displayed to avoid double counting appropriated monies.		
Funds Expended	0	0
Year-End Fund Balance	296,700	0
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Non-Appropriated
Source of Revenue: Federal Title XIX monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	569,998,000	656,870,300
Year-End Fund Balance	0	0
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	24,141,500	26,469,400
Year-End Fund Balance	16,678,800	7,603,600

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Mesa Land Fund (DEA3151/Laws 1976, Chapter 140)		Non-Appropriated
Source of Revenue: Proceeds from the sale of donated land located in Mesa. Interest proceeds are transferred to the appropriated Long Term Care System Fund.		
Purpose of Fund: To be used for the establishment and operation of community-based, state-operated, residential group homes and/or habilitation and training facilities. The funds may not be used for the Arizona Training Centers in Coolidge.		
Funds Expended	0	100
Year-End Fund Balance	300	200
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	26,000	80,000
Year-End Fund Balance	141,800	126,800
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	216,800	427,600
Year-End Fund Balance	616,300	6,700
Reed Act Grant (DEA9501/A.R.S. § 23-701)		Appropriated
Source of Revenue: Administrative unemployment security insurance monies redistributed back to the states by the federal Department of Labor.		
Purpose of Fund: To enhance states' employment security programs by providing one-time monies for equipment and short-term operating expenditures to improve customer service delivery for Arizona's unemployment insurance program.		
Funds Expended	3,443,700	3,524,200
Year-End Fund Balance	137,320,800	133,796,600
Risk Management Fund (DEA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Charges assessed on agencies insured under the state's risk management system, as well as all monies recovered by the state pursuant to litigation and other means. Funds are used to pay for damages relating to liability, property, and workers' compensation losses.		
Purpose of Fund: To contract for and implement a disaster recovery plan for DES, in partnership with the Department of Administration and the Department of Public Safety.		
Funds Expended	181,000	271,500
Year-End Fund Balance	90,500	0
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	1,046,300	1,135,300
Year-End Fund Balance	170,800	48,200

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	50,000	100,000
Year-End Fund Balance	53,200	53,200
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	2,196,300	1,875,400
Year-End Fund Balance*	27,400	(181,400)
Statewide Cost Allocation Plan Fund (DEA9538/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	1,000,000	1,000,000
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund - Health Research Account (HCA1306/A.R.S. § 36-773)		Appropriated
Source of Revenue: The account receives 5¢ of each dollar deposited in the Tobacco Tax and Health Care Fund. The Legislature has appropriated a portion of these monies to DES.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction. In DES, the appropriation from this fund is used for the Autism Training and Oversight Special Line Item.		
Funds Expended	0	200,000
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (TRA9005/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to Section 903 of the federal Social Security Act.		
Funds Expended	737,651,900	968,292,700
Year-End Fund Balance*	442,037,800	(159,254,900)
Utility Assistance Fund (DEA3092/A.R.S. § 46-731)		Partially-Appropriated
Source of Revenue: Unclaimed or abandoned utility deposits.		
Purpose of Fund: To provide utility repair and deposit assistance to eligible recipients. Financial assistance to an individual shall not exceed \$900 per fiscal year. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated community action or other agency providing energy assistance for administrative costs. Laws 2007, Chapter 218 eliminated this fund and transferred the remaining unexpended balance and unencumbered funds to DES for the purpose of entering into a contract with a private community-based nonprofit entity that provides utility assistance by December 1, 2008.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	601,300	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	38,941,300	55,954,800
Year-End Fund Balance	48,986,500	31,873,500

* As reported by the agency. Actual ending balance will not be negative.

Department of Economic Security

Administration

JLBC: Jay Chilton

OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	302.5	297.5	289.5
Personal Services	12,818,700	13,049,200	13,049,200
Employee Related Expenditures	4,921,600	4,941,600	4,941,600
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	11,147,000
Equipment	976,200	600,700	600,700
OPERATING SUBTOTAL	29,069,600	29,793,400	30,179,400
SPECIAL LINE ITEMS			
Finger Imaging	171,600	589,400	589,400
Attorney General Legal Services	750,500	902,900	902,900
Triagency Disaster Recovery	0	271,500	0
Document Management	60,400	0	0
PROGRAM TOTAL	30,052,100	31,557,200	31,671,700
FUND SOURCES			
General Fund	24,390,300	24,135,100	24,296,100
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	676,300	854,800	854,800
Federal TANF Block Grant	3,307,100	4,569,500	4,569,500
Public Assistance Collections Fund	216,800	427,600	427,600
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	7,375,600
SUBTOTAL - Appropriated Funds	30,052,100	31,557,200	31,671,700
Other Non-Appropriated Funds	55,600	53,900	53,900
Federal Funds	52,237,800	53,057,800	53,057,800
TOTAL - ALL SOURCES	82,345,500	84,668,900	84,783,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	161,000	0.7%
Other Appropriated Funds	(46,500)	(0.6%)
Total Appropriated Funds	114,500	0.4%
Non-Appropriated Funds	0	0.0%
Total - All Sources	114,500	0.1%

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.

Operating Budget

The Baseline includes \$30,179,400 and 273.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$23,208,200
Federal TANF Block Grant	4,272,800
Federal CCDF Block Grant	837,500
Public Assistance Collections Fund	337,200
Spinal and Head Injuries Trust Fund	39,500
Statewide Cost Allocation Plan Fund	1,000,000
Federal Reed Act Grant	259,200
Workforce Investment Act Grant	225,000

FY 2011 adjustments would be as follows:

**Research Administration GF 161,000
Transfer**

The Baseline includes an increase of \$161,000 from the General Fund in FY 2011 and a corresponding decrease in the JOBS SLI in the Division of Employment and Rehabilitation Services (DERS). This shift is related to the transfer of the Research Administration from DES to the Department of Commerce in FY 2009.

WIA Administration Transfer OF 225,000

The Baseline 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.

Finger Imaging

The Baseline includes \$589,400 and 2.1 FTE Positions for Finger Imaging in FY 2011. These amounts consist of:

General Fund	461,600
Federal TANF Block Grant	127,800

These amounts are unchanged from FY 2010.

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 Baseline includes \$902,900 and 12.1 FTE Positions for Attorney General Legal Services in FY 2011. These amounts consist of:

General Fund	626,300
Federal TANF Block Grant	168,900

FY 2011 Baseline

Federal CCDF Block Grant	17,300
Public Assistance Collections Fund	90,400

These amounts are unchanged from FY 2010.

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 Baseline includes no funding for Triagency Disaster Recovery in FY 2011. FY 2011 adjustments would be as follows:

Eliminate Funding OF (271,500)

The Baseline 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 Baseline includes no funding and 1.6 FTE Positions for Document Management in FY 2011. This amount is unchanged from FY 2010.

This SLI 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.

* * *

FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of

Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the 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.

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.

Department of Economic Security
Aging and Community Services

JLBC: Jay Chilton
 OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	109.6	107.6	103.6
Personal Services	2,164,400	3,443,000	3,443,000
Employee Related Expenditures	968,900	1,603,300	1,603,300
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	752,000
Equipment	24,400	22,100	22,100
OPERATING SUBTOTAL	3,759,900	5,915,200	5,915,200
SPECIAL LINE ITEMS			
Adult Services	15,600,000	16,070,700	16,070,700
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	13,828,700	13,828,700
Lifespan Respite Care	300	0	0
PROGRAM TOTAL	40,785,800	44,640,800	44,640,800
FUND SOURCES			
General Fund	26,453,300	28,672,800	28,672,800
<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	13,568,000
Risk Management Fund	181,000	0	0
SUBTOTAL - Other Appropriated Funds	14,332,500	15,968,000	15,968,000
SUBTOTAL - Appropriated Funds	40,785,800	44,640,800	44,640,800
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	129,950,900	129,950,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

Operating Budget

The Baseline includes \$5,915,200 and 102.6 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$5,666,400
Federal Temporary Assistance for Needy Families (TANF) Block Grant	248,800

These amounts are unchanged from FY 2010.

Adult Services

The Baseline includes \$16,070,700 from the General Fund for Adult Services in FY 2011. This amount is unchanged from FY 2010.

This line item provides an array of independent living support to elderly persons, distributed as follows:

Adult Protective Contracted Services - Provides \$345,400 for services to elderly people who are abused or neglected.

Supplemental Payments - Provides \$1,010,800 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 \$10,348,300 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 \$500,000 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 \$1,640,200 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 \$1,764,000 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 \$462,000 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 2010, the monies in this line item are expected to be distributed as shown in *Table 1*.

Table 1

FY 2010 DES Adult Services Funding Distribution

<u>Organization</u>	<u>Location</u>	<u>Funding</u>
Area Agency on Aging, Region One, Inc.	Phoenix	\$ 7,012,400
Pima Council on Aging	Tucson	3,207,800
Northern Arizona Council of Governments	Flagstaff	1,360,600
Western Arizona Council of Governments	Yuma	1,310,400
Pinal-Gila County for Senior Citizens	Casa Grande	1,098,500
Southeastern Arizona Governments Organization	Bisbee	1,025,700
Inter-Tribal Council of Arizona	Phoenix	268,100
Navajo Nation	Window Rock	248,800
Other		538,400
Total - Adult Services		\$16,070,700

Community and Emergency Services

The Baseline 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 2008, this line item provided short-term crisis services to 3,384 individuals, energy assistance to 28,164 individuals, and 78,160 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 Baseline 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 Baseline 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 2008, this line item provided emergency shelter services to 13,659 individuals and transitional shelter services to 1,623 individuals. The monies were distributed to 35 organizations with funding ranging from \$10,000 to \$800,000.

Domestic Violence Prevention

The Baseline includes \$13,828,700 for Domestic Violence Prevention in FY 2011. This amount consists of:

General Fund	4,808,000
Federal TANF Block Grant	6,620,700
Domestic Violence Shelter Fund	2,400,000

These amounts are unchanged from FY 2010.

In FY 2008, this line item, along with non-appropriated funds, provided funding to 33 organizations that served approximately 11,332 women and children in emergency shelters, 525 women and children in transitional housing, and 7,180 victims with legal and lay legal advocacy.

Lifespan Respite Care

The Baseline 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.

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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. The Department of Economic Security shall report the intended use of the monies above \$2,400,000 to the Joint Legislative Budget Committee.

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.

Department of Economic Security
Benefits and Medical Eligibility

JLBC: Jay Chilton

OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	574.0	565.0	553.0
Personal Services	19,582,100	25,249,000	25,249,000
Employee Related Expenditures	9,175,600	6,058,800	6,058,800
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	4,426,300
Equipment	499,900	286,900	286,900
OPERATING SUBTOTAL	39,937,100	37,372,800	37,372,800
SPECIAL LINE ITEMS			
TANF Cash Benefits	115,887,700	115,485,000	115,485,000
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	157,550,300	157,550,300
FUND SOURCES			
General Fund	83,203,400	54,292,500	54,292,500
<u>Other Appropriated Funds</u>			
Federal TANF Block Grant	79,121,700	103,257,800	103,257,800
SUBTOTAL - Other Appropriated Funds	79,121,700	103,257,800	103,257,800
SUBTOTAL - Appropriated Funds	162,325,100	157,550,300	157,550,300
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	293,932,000	293,932,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

Operating Budget

The Baseline includes \$37,372,800 and 553 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$22,351,800
Federal TANF Block Grant	15,021,000

These amounts are unchanged from FY 2010.

TANF Cash Benefits

The Baseline includes \$115,485,000 for TANF Cash Benefits in FY 2011. This amount consists of:

General Fund	27,248,200
Federal TANF Block Grant	88,236,800

These amounts are unchanged from FY 2010.

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. Due to growth in the program and the 20% reduction, total spending in FY 2010 is estimated to be \$(6,388,400) lower than the amount originally appropriated.

The TANF Cash Benefits caseload is estimated to grow by approximately 7.2% in FY 2010 to 98,300 recipients in June 2010, or an average monthly caseload of 95,400 for the fiscal year. At this growth rate and if the rate reduction is continued, the program would cost an additional \$2,405,700 in FY 2011. With no additional funding, the benefit could be further reduced so that payments do not exceed the appropriated amount.

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 Baseline 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 the 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 Baseline 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 Budget Reconciliation Bill 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 Baseline 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 Baseline 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.

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring JLBC review of transfers of monies from the TANF Cash Benefits line items to facilitate the agency's allocation of its available funding.

STATUTORY CHANGES

The Baseline would, as session law, continue a provision requiring recipients of TANF Cash Benefits to pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.

Department of Economic Security
Child Support Enforcement

JLBC: Jay Chilton
 OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	863.8	861.8	858.8
Personal Services	22,326,500	23,130,900	23,130,900
Employee Related Expenditures	9,967,300	10,327,100	10,327,100
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	8,689,900
Equipment	208,100	213,100	213,100
OPERATING SUBTOTAL	45,995,900	47,618,300	47,928,300
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	9,607,800	9,607,800
PROGRAM TOTAL	62,537,400	66,136,300	66,136,300

FUND SOURCES

General Fund	7,556,700	7,237,400	7,237,400
<u>Other Appropriated Funds</u>			
Child Support Enforcement Administration Fund	14,384,700	15,352,700	15,352,700
SUBTOTAL - Other Appropriated Funds	14,384,700	15,352,700	15,352,700
SUBTOTAL - Appropriated Funds	21,941,400	22,590,100	22,590,100
<u>Expenditure Authority Funds</u>			
Federal Funds	40,596,000	43,546,200	43,546,200
SUBTOTAL - Expenditure Authority Funds	40,596,000	43,546,200	43,546,200
SUBTOTAL - Appropriated/Expenditure Authority Funds	62,537,400	66,136,300	66,136,300
TOTAL - ALL SOURCES	62,537,400	66,136,300	66,136,300

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Expenditure Authority Fund	0	0.0%
Total Appropriated/Expenditure Authority Funds	0	0.0%
Total - All Sources	0	0.0%

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.

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.

Table 1 details the sources and uses of the CSEA Fund.

Table 1	
FY 2011 CSEA Fund Sources and Uses	
<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	\$15,352,700
Administration (Non-Appropriated)	<u>2,709,700</u>
Total	\$18,062,400

Operating Budget

The Baseline includes \$47,928,300 and 710.8 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$6,559,000
CSEA Fund	11,695,900
Federal Expenditure Authority	29,673,400

FY 2011 adjustments would be as follows:

Shift Genetic Testing to	GF	72,400
Operating Budget	EA	237,600

The Baseline includes an increase of \$310,000 in FY 2011 to shift the Genetic Testing line item to the DCSE operating budget.

Genetic Testing

The Baseline includes no funding for the Genetic Testing SLI in FY 2011. FY 2011 adjustments would be as follows:

Shift Genetic Testing to	GF	(72,400)
Operating Budget	EA	(237,600)

The Baseline includes a decrease of \$(310,000) in FY 2011 to shift the SLI to the DCSE operating budget.

This line item funds DNA testing and blood testing for the estimated 50% of child support cases subject to the establishment of paternity through testing.

County Participation

The Baseline 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 Baseline includes \$9,607,800 and 148 FTE Positions for Attorney General Legal Services in FY 2011. These amounts consist of:

General Fund	678,400
CSEA Fund	2,317,700
Federal Expenditure Authority	6,611,700

These amounts are unchanged from FY 2010.

Monies in this line item are used to contract for Attorney General representation.

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

All state share of retained earnings, fees and federal incentives above \$15,352,700 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. The Division of Child Support Enforcement shall report the intended use of the monies to the Joint Legislative Budget Committee.

Department of Economic Security
Children, Youth and Families

JLBC: Jay Chilton
 OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,616.7	1,591.7	1,557.7
Personal Services	51,915,100	58,451,600	58,451,600
Employee Related Expenditures	22,634,000	20,879,700	20,879,700
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	14,527,500
Equipment	1,221,200	0	0
OPERATING SUBTOTAL	89,726,500	97,352,400	97,352,400
SPECIAL LINE ITEMS			
Children Services			
Children Support Services	66,733,200	70,062,600	71,090,000
CPS Emergency Placement	4,859,300	4,927,200	4,927,200
CPS Residential Placement	15,991,100	16,824,500	16,824,500
Foster Care Placement	22,038,300	23,262,600	23,262,600
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 – AZ Families F.I.R.S.T.	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	500,000	500,000
CPS Appeals	711,600	698,200	698,200
Attorney General Legal Services	10,589,100	10,910,600	10,910,600
PROGRAM TOTAL	287,009,500	300,500,500	300,500,500
FUND SOURCES			
General Fund	172,041,500	186,489,300	186,489,300
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	793,100	1,577,400	1,577,400
Children and Family Services Training Program Fund	209,600	209,600	209,600
Federal TANF Block Grant	113,965,300	112,224,200	112,224,200
SUBTOTAL - Other Appropriated Funds	114,968,000	114,011,200	114,011,200
SUBTOTAL - Appropriated Funds	287,009,500	300,500,500	300,500,500
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	527,939,400	527,939,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$97,352,400 and 1,395.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$58,841,500
Federal Temporary Assistance for Needy Families (TANF) Block Grant	38,301,300
Children and Family Services Training Program Fund	209,600

These amounts are unchanged from FY 2010.

DES indicates that \$5,500,000 from the State Fiscal Stabilization Fund monies authorized by the American Recovery and Reinvestment Act of 2009 are intended to be used for unfunded growth in this program in FY 2010. Unlike the Developmental Disabilities offset, the FY 2010 budget did not reduce the General Fund appropriation due to the use of the Federal Funds. *(Please see the Federal Assistance – State Fiscal Stabilization Fund section of the DES Summary for more information.)*

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 \$51,075,200 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.

Children Support Services

The Baseline includes \$71,090,000 and 1 FTE Position for Children Support Services in FY 2011. This amount consists of:

General Fund	39,583,500
Federal TANF Block Grant	29,929,100
Child Abuse Prevention Fund	1,577,400

FY 2011 adjustments would be as follows:

Funding Shifts	GF	200,000
	OF	827,400

The Baseline 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. Of the total amount, \$200,000 is from the General Fund and \$827,400 is from the Child Abuse Prevention Fund.

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 August 2009, the department reported 9,611 out-of-home clients and 3,569 in-home cases. Monthly reports of abuse averaged 2,765 for FY 2009. About 166 per month were substantiated. There is no report of how many of these children received children support services.

DES indicates that \$18,000,000 from the State Fiscal Stabilization Fund monies authorized by the American Recovery and Reinvestment Act of 2009 are intended to be used for unfunded growth in this program in FY 2010. Unlike the Developmental Disabilities offset, the FY 2010 budget did not reduce the General Fund appropriation due to the use of the Federal Funds. *(Please see the Federal Assistance – State Fiscal Stabilization Fund section of the DES Summary for more information.)*

In FY 2010, the Legislature enacted a payment deferral of \$17,000,000. The deferral resulted in a one-time savings in that amount from the General Fund in FY 2010. This

Table 1

	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/}	14,286	9,611	209	162	1,295	1,270	7,816	8,199
General Fund	\$38,758,500	\$39,583,500	\$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>31,506,500</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	71,090,000	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	\$106,535,900	\$8,259,100	\$8,031,600	\$34,423,100	\$37,767,700	\$42,306,800	\$42,015,800
							FY 2009	FY 2011
General Fund Total							\$61,902,500	\$64,201,700
Other Appropriated Total							47,719,400	51,902,600
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	\$194,351,000

^{1/} FY 2009 Client counts are as of July 2009. FY 2011 Client counts assume caseloads as of July 2009. The Children Support Services count includes only in-home services to avoid double counting.

was in addition to a \$25,000,000 payment deferral enacted in FY 2009. The Baseline continues the payment deferral in FY 2011. Of the total \$42,000,000 in deferred payments, \$6,200,000 is deferred from the Children Support Services SLI. (Please see the Payment Deferral section in the DES Summary for additional information.)

CPS Emergency Placement

The Baseline 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 July 2009, 162 children were reported in emergency placements at an average monthly cost of \$2,068 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 Baseline 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 Special Line Item 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 March 2009, 1,108 children were reported in residential placements at an average monthly cost of \$2,892 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.)

Foster Care Placement

The Baseline includes \$23,362,600 for Foster Care Placement in FY 2011. This amount consists of:

General Fund 17,139,500
 Federal TANF Block Grant 6,223,100

These amounts are unchanged from FY 2010.

The Foster Care Placement Special Line Item provides funding for the placement of children in the CPS system into foster homes. This Special Line Item only includes the cost of placement, not additional support services. In July 2009, 8,199 children were reported in foster care. Of that number, 3,504 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 4,695 children were in licensed foster care at an average monthly cost of \$766 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 Baseline 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 Baseline 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 Baseline includes no funding for the Child Abuse Prevention SLI in FY 2011. FY 2011 adjustments would be as follows:

Shift Funding to Children Support Services OF (827,400)

The Baseline 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 Baseline 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 2010, these funds will provide substance abuse services to approximately 5,500 individuals.

Other Services

Independent Living Maintenance

The Baseline 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 Baseline includes no funding for the Education and Training Vouchers program in FY 2011. FY 2011 adjustments would be as follows:

Shift Funding to Children Support Services GF (200,000)

The Baseline 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 Baseline 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 Baseline 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.

<u>Source</u>	<u>Amount</u>
General Fund	\$ 1,757,000
Reimbursement from AHCCCS	24,699,100
Total	\$26,456,100

Permanent Guardianship Subsidy

The Baseline 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 July 2009, 2,193 clients received permanent guardianship subsidies.

Adoption Services

The Baseline includes \$55,244,600 for Adoption Services in FY 2011. This amount consists of:

General Fund	35,942,200
Federal TANF Block Grant	19,302,400

These amounts are unchanged from FY 2010.

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 July 2009, 12,780 clients received adoption subsidies.

DES indicates that \$5,604,800 from the Fiscal Stabilization Fund monies authorized by the American Recovery and Reinvestment Act of 2009 are intended to be used for unfunded growth in this program in FY 2010. Unlike the Developmental Disabilities offset, the FY 2010 budget did not reduce the General Fund appropriation due to the use of the Federal Funds. (Please see the Federal Assistance – State Fiscal Stabilization Fund section of the DES Summary for more information.)

Adoption Services - Family Preservation Projects

The Baseline includes \$500,000 from the Federal TANF Block Grant for Adoption Services - Family Preservation Projects in FY 2011. This amount is unchanged from FY 2010.

These monies are 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 will provide additional funding to the agency to recruit adoptive parents, as well as to provide adoption subsidy increases and/or one-time payments. Specific projects in FY 2008 included focused recruitment and retention efforts, as well as providing crisis intervention services to adoptive families.

CPS Appeals

The Baseline includes \$698,200 and 10.5 FTE Positions from the General Fund for CPS Appeals in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$10,910,600 and 151.1 FTE Positions for Attorney General Legal Services in FY 2011. These amounts consist of:

General Fund	10,858,300
Federal TANF Block Grant	52,300

These amounts are unchanged from FY 2010.

Monies in this line item are used to contract for Attorney General representation.

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

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.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the Joint Legislative Budget Committee to review transfers from the appropriations for Children Support Services, CPS Emergency Placement, CPS Residential Placement and Foster Care Placement to facilitate the agency's allocation of its available funding.

Department of Economic Security
Developmental Disabilities

JLBC: Jay Chilton
 OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,921.9	1,907.9	1,889.9
Personal Services	11,235,200	9,484,100	9,484,100
Employee Related Expenditures	4,565,600	3,420,400	3,420,400
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	28,413,100
Equipment	398,600	396,000	396,000
OPERATING SUBTOTAL	37,660,700	42,481,600	42,481,600
SPECIAL LINE ITEMS			
Title XIX Long Term Care			
Case Management - Title XIX	35,652,800	40,099,300	40,099,300
Home and Community Based Services - Title XIX	584,432,200	624,011,900	670,275,000
Institutional Services - Title XIX	17,085,600	15,747,900	16,575,700
Medical Services	109,294,400	137,509,400	147,324,200
Arizona Training Program at Coolidge - Title XIX	17,133,100	16,476,000	16,545,300
Medicare Clawback Payments	2,206,600	2,456,100	2,523,100
State-Funded Services			
Case Management - State Only	3,290,300	3,855,500	3,855,500
Home and Community Based Services - State Only	27,111,900	16,014,200	16,014,200
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	26,529,100
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
PROGRAM TOTAL	862,739,100	927,294,000	984,066,700
FUND SOURCES			
General Fund	268,599,600	327,558,900	347,073,400
<u>Other Appropriated Funds</u>			
Long Term Care System Fund (Non-Federal Matched)	24,141,500	26,469,400	26,469,400
TTHCF Health Research Account	0	200,000	0
SUBTOTAL - Other Appropriated Funds	24,141,500	26,669,400	26,469,400
SUBTOTAL - Appropriated Funds	292,741,100	354,228,300	373,542,800
<u>Expenditure Authority Funds</u>			
Long Term Care System Fund (Federal Match)	569,998,000	573,065,700	610,523,900
SUBTOTAL - Expenditure Authority Funds	569,998,000	573,065,700	610,523,900
SUBTOTAL - Appropriated/Expenditure Authority Funds	862,739,100	927,294,000	984,066,700
Other Non-Appropriated Funds	959,200	1,192,200	1,192,200
Federal Funds	19,283,700	39,402,100	39,402,100
TOTAL - ALL SOURCES	882,982,000	967,888,300	1,024,661,000

CHANGE IN FUNDING SUMMARY

	<u>FY 2010 to FY 2011 Baseline</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	19,514,500	6.0%
Other Appropriated Funds	(200,000)	(0.7%)
Expenditure Authority Fund	37,458,200	6.5%
Total Appropriated/Expenditure Authority Funds	56,772,700	6.1%
Non-Appropriated Funds	0	0.0%
Total - All Sources	56,772,700	5.9%

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.

Note: All policy issues are stated at the regular federal match rate.

Overview

As of July 2009, the Division of Developmental Disabilities serves 30,262 clients, which includes 21,813 clients in the LTC program and 8,449 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	13,527	45%
At Risk	8,786	29%
Autism	3,920	13%
Cerebral Palsy	2,839	9%
Epilepsy	1,190	4%

<u>Age</u>	<u>Number</u>	<u>Percentage</u>
Under 21	19,867	66%
21 to 55	9,043	30%
Over 55	1,352	4%

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 Baseline 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 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 will increase 65.75% in Federal Fiscal Year (FFY) 2010 to 65.85% in FFY 2011, which means the state will have to contribute slightly less in state monies to generate \$1 in total funds. These amounts do not include adjustments to the Medicaid matching rate under the American Recovery and Reinvestment Act of 2009. (Please see agency summary for more information.)

Table 3 summarizes the average monthly caseload estimates for the Special Line Items. 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.

Table 3
FY 2011 Long Term Care Caseloads

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	20,407
Institutional Services	101
Arizona Training Program at Coolidge	123 ^{1/}
Subtotal	20,631
Case Management/Medical Services only	3,199
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 Baseline includes \$42,481,600 and 290.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$17,417,100
Long Term Care System Fund	25,064,500

This amount is unchanged from FY 2010.

Background – Of the total \$17,417,100 General Fund for the Division of Developmental Disabilities operating budget, \$13,170,900 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 Baseline includes \$40,099,300 and 821.5 FTE Positions for Case Management in FY 2011. These amounts consist of:

Table 4
FY 2011 Long Term Care Capitation Rate Revenue

<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	\$3,281.12	\$615,539,900	\$322,730,000	\$938,269,900
Administration			(5,001,900)	(3,753,700)	(8,755,600) ^{1/}
FFS/Reinsurance			2,826,000	1,467,200	4,293,200 ^{2/}
Cost Sharing			(2,840,100)	(1,474,500)	(4,314,600) ^{3/}
Clawback Payments			0	2,523,100	2,523,100 ^{2/}
Dual Eligible Part D Copay Subsidy			0	55,600	55,600 ^{2/4/}
FY 2011 LTC Total			\$610,523,900	\$321,547,700	\$932,071,600 ^{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 2009).
^{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.

General Fund	13,125,200
Long Term Care System Fund	26,974,100

These amounts are unchanged from FY 2010.

Background – In addition to providing case management services to an estimated 20,631 clients receiving direct services, this line item also provides case management services only to another 3,199 clients.

Home and Community Based Services - Title XIX

The Baseline includes \$670,275,000 and 99.2 FTE Positions for Home and Community Based Services (HCBS) in FY 2011. These amounts consist of:

General Fund	232,032,000
Long Term Care System Fund	438,243,000

FY 2011 adjustments would be as follows:

Caseload Growth	GF 15,810,400
	EA 30,452,700

The Baseline includes an increase of \$46,263,100 in FY 2011 for Caseload Growth. The Expenditure Authority funding is from the Long Term Care System Fund, which consists of the Title XIX Medicaid matching money.

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).

In FY 2010, the Legislature enacted a payment deferral of \$17,000,000. The deferral resulted in a one-time savings

in that amount from the General Fund in FY 2010. This was in addition to a \$25,000,000 payment deferral enacted in FY 2009. The Baseline continues the payment deferral 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 \$670,275,000 in this line item, \$658,571,900 funds HCBS services to clients enrolled in the LTC program; the other \$11,703,100 funds program staff.

Table 5 indicates how estimated caseloads are expected to be allocated among HCBS settings.

Table 5	
FY 2011 Caseloads	
HCBS Setting	Clients
At Home With Family	16,884
Adult Developmental Foster Home	549
Group Home	2,292
Child Developmental Foster Home	220
Independent Living	401
State-Operated Group Home	61
Total	20,407

Institutional Services - Title XIX

The Baseline includes \$16,575,700 and 77.7 FTE Positions for Institutional Services in FY 2011. These amounts consist of:

General Fund	5,581,900
Long Term Care System Fund	10,993,800

FY 2011 adjustments would be as follows:

Caseload Growth	GF	282,900
	EA	544,900

The Baseline includes an increase of \$827,800 in FY 2011 for Caseload Growth. The Expenditure Authority funding is from the Long Term Care System Fund, which consists of the Title XIX Medicaid matching money.

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 \$16,575,700 in this line item, \$11,229,300 funds Institutional Services to clients enrolled in the LTC program; the other \$5,346,400 funds program staff.

Medical Services

The Baseline includes \$147,324,200 and 36.7 FTE Positions for Medical Services in FY 2011. These amounts consist of:

General Fund	49,162,800
Long Term Care System Fund	98,161,400

These amounts fund the following adjustments:

Caseload Growth	GF	3,354,200
	EA	6,460,600

The Baseline includes an increase of \$9,814,800 in FY 2011 for Caseload Growth. The Expenditure Authority funding is from the Long Term Care System Fund, which consists of the Title XIX Medicaid matching money.

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 \$147,324,200 in this line item, \$143,022,700 funds Acute Care services to clients enrolled in the LTC program; the other \$4,301,500 funds the staff of the division’s Managed Care unit.

Arizona Training Program at Coolidge - Title XIX

The Baseline includes \$16,545,300 and 429.4 FTE Positions for ATP-C in FY 2011. These amounts consist of:

General Fund	5,458,200
Long Term Care System Fund	11,087,100

FY 2011 adjustments would be as follows:

Shift Funding from ATP-C	GF	69,300
State-Only		

The Baseline 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.

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 Baseline includes no funding for the Arizona Training Program at Coolidge – State-Only SLI in FY 2011. FY 2011 adjustments would be as follows:

Shift Funding to ATP-C Title XIX GF (69,300)

The Baseline 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 Baseline includes \$26,529,100 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	25,621,300

FY 2011 adjustments would be as follows:

Shift Funding from Institutional GF Services – State-Only 144,900

The Baseline 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 Large Group Living Facilities (LGLFs) or other nursing facilities.

Of the \$26,529,100 in this line item, \$25,651,300 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$877,800 funds program staff.

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.

	<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>		
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

Autism Training and Oversight

The Baseline includes no funding for the Autism Training and Oversight program in FY 2011. FY 2011 adjustments would be as follows:

Eliminate Program Funding OF (200,000)

The Baseline 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 Baseline includes no funding from the General Fund for the Children's Autism Intensive Behavioral Treatment Services Special Line Item in FY 2011. This amount is unchanged from FY 2010.

Fiscal Stabilization Fund GF 0

The Baseline continues a decrease of \$(1,800,000) from the General Fund and the use of an equivalent amount of federal state fiscal stabilization funds to offset the decrease in FY 2011. 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 will be expended in FY 2010, including \$1,800,000 for Children’s Autism Intensive Behavioral Treatment Services. The remaining \$80,000,000 (of the \$185,000,000) may be available for use in FY 2011. 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. If the Legislature were to continue the program in FY 2011, the Fiscal Stabilization Fund could be a source of funding

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 Baseline includes no funding from the General Fund for the Children’s Autism Intensive Early Intervention Services for Toddlers Special Line Item in FY 2011. FY 2011 adjustments would be as follows:

Fiscal Stabilization Fund GF 0

The Baseline continues a decrease of \$(500,000) from the General Fund and the use of an equivalent amount of federal state fiscal stabilization funds to offset the decrease in FY 2011. 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 will be expended in FY 2010, including \$500,000 for Children’s Autism Intensive Early Intervention Services for Toddlers. The remaining \$80,000,000 (of the \$185,000,000) may be available for use in FY 2011. 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. If the Legislature were to continue the program in FY 2011, the Fiscal Stabilization Fund could be a source of funding.

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 Baseline includes \$1,843,700 from the General Fund for the Arizona Early Intervention Program Special Line Item 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 the AHCCCS.

* * *

FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

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.

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.

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~~ IMPACT of the provider

rate adjustment and the ongoing source of funding for the adjustment, if applicable.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote stating the intent of the Legislature that available surplus monies for developmental disabilities programs be applied toward the waiting list, as any available monies may be needed to reduce the statewide budget shortfall.

Department of Economic Security
Employment and Rehabilitation Services

JLBC: Jay Chilton
 OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	559.9	557.9	554.9
Personal Services	13,325,700	16,838,100	16,838,100
Employee Related Expenditures	5,742,900	7,418,600	7,418,600
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	4,743,200
Equipment	454,500	316,600	316,600
OPERATING SUBTOTAL	26,787,000	30,927,600	30,702,600
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
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	1,966,800
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
Workforce Investment Act - Local Governments	32,828,500	48,040,600	48,040,600
PROGRAM TOTAL	269,536,300	285,988,800	285,602,800
FUND SOURCES			
General Fund	31,298,200	44,443,300	44,282,300
<u>Other Appropriated Funds</u>			
Federal CCDF Block Grant	125,649,300	129,593,800	129,593,800
Federal TANF Block Grant	67,422,800	49,531,200	49,531,200
Reed Act Grant	3,217,900	3,265,000	3,265,000
Special Administration Fund	1,046,300	1,227,400	1,227,400
Spinal and Head Injuries Trust Fund	2,165,300	1,973,300	1,973,300
Workforce Investment Act Grant	38,736,500	55,954,800	55,729,800
SUBTOTAL - Other Appropriated Funds	238,238,100	241,545,500	241,320,500
SUBTOTAL - Appropriated Funds	269,536,300	285,988,800	285,602,800
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	1,940,888,900	1,136,457,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(161,000)	(0.4%)
Other Appropriated Funds	(225,000)	(0.1%)
Total Appropriated Funds	(386,000)	(0.1%)
Non-Appropriated Funds	(804,045,300)	(48.6%)
Total - All Sources	(804,431,300)	(41.4%)

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 Baseline includes \$30,702,600 and 461.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$7,258,600
Federal Child Care and Development Fund (CCDF) Block Grant	10,915,000
Federal Temporary Assistance for Needy Families (TANF) Block Grant	6,656,600
Federal Reed Act Grant	3,265,000
Workforce Investment Act (WIA) Grant	2,075,200
Special Administration Fund	24,400
Spinal and Head Injuries Trust Fund	507,800

FY 2011 adjustments would be as follows:

WIA Administration Shift OF (225,000)

The Baseline includes a decrease of \$(225,000) from the Workforce Investment Act (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 Baseline 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

FY 2011 adjustments would be as follows:

Research Administration Transfer GF (161,000)

The Baseline 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.

<u>Expenditures</u>	<u>Amount</u>
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.

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 \$353 per month in FY 2010. 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% 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 highlights 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 46,207 children received subsidies each month, an increase of 1.9% above FY 2008 levels.

The largest increase was for the TANF category, which grew by 21.4% in FY 2009. These cases are recipients of TANF Cash Benefits. The Low Income Working category grew by 1.0% above FY 2009 levels and CPS-referred cases grew by 9.1%. Transitional Child Care cases continued their decline at a rate of (10.7)%. This decrease is similar to the decrease in TANF caseloads 24 months prior, as 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 child care services on February 18, 2009. According to DES, as of December 2009, approximately 10,200 children had been found eligible for child care services but placed on the waiting

list and no new children had been added to the Low-Income Working category in that time. As a result, in FY 2010, the program is expected to fund subsidies for about 41,800 children. For FY 2011, the appropriation for the program is expected to provide subsidies to about 41,600 children, a decrease of (0.5)% from the estimated FY 2010 amount, as the less expensive Low-Income Working population continues to decline due to the waiting list and the more expensive populations continue to grow.

In FY 2010, the Legislature enacted a payment deferral of \$17,000,000. The deferral resulted in a one-time savings in that amount to the General Fund in FY 2010. This was in addition to a \$25,000,000 payment deferral enacted in FY 2009. The Baseline continues the payment deferral 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 Baseline 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 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, intended 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.

Category	Children Served			
	FY 2008	FY 2009	Funded FY 2010 ^{1/}	Estimated FY 2011 ^{1/}
TANF	3,893	4,727	5,000	5,300
CPS	6,299	6,872	7,500	8,100
Low-Income Working	<u>27,394</u>	<u>27,664</u>	<u>22,500</u>	<u>21,400</u>
Day Care Subsidy SLI Subtotal	37,586	39,263	35,000	34,800
Transitional Child Care SLI	<u>7,781</u>	<u>6,945</u>	<u>6,800</u>	<u>6,800</u>
Total Served	45,367	46,208	41,800	41,600

^{1/} Represents funding/projected average caseload. Actual caseloads may differ.

Transitional Child Care

The Baseline 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 Baseline 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 original FY 2010 appropriation, prior to the application of any of the agency's lump sum reduction, was estimated to serve about 4,750 clients. The department has implemented a waiting list for these services as a result of the decrease in funding.

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 (DHS), the Arizona State Schools for the Deaf and the Blind, and also the City of Phoenix.

Assistive Technology

The Baseline 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 Baseline includes \$1,966,800 for Independent Living Rehabilitation Services in FY 2011. This amount consists of:

General Fund	706,000
Spinal and Head Injuries Trust Fund	1,260,800

These amounts are unchanged from FY 2010.

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. Funds are also used to provide eye exams and glasses to financially needy persons.

Workforce Development Administration

Summer Youth Employment and Training

The Baseline includes no funding for Summer Youth Employment and Training in FY 2011. This amount is unchanged from FY 2010.

When funded, monies in this line item are 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 Baseline 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 Baseline 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.

* * *

FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

Of the \$148,489,000 appropriated for Day Care Subsidy, \$115,199,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level.

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. Excess monies may not be spent until a proposed expenditure plan for the excess monies has been reported to the Joint Legislative Budget Committee. *(This requirement has been modified from a review by the JLBC to a report to the JLBC.)*

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. Excess monies may not be spent until a proposed expenditure plan for the

excess monies has been reported to the Joint Legislative Budget Committee. *(This requirement has been modified from a review by the JLBC to a report to the JLBC.)*

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring JLBC review of transfers of monies from the Day Care Subsidy and Transitional Child Care line items to facilitate the agency’s allocation of its available funding.

The Baseline would delete the footnote mandating that monies in the Child Care line items be used to provide services only to citizens of the United States or people who are otherwise lawfully present in the United States because Laws 2009, 3rd Special Session, Chapter 7 amended statute to require proof of lawful presence in the United States to receive state and local public benefits.

The Baseline would delete the footnote requiring the appropriation for assistive technology from the Vocational Rehabilitation program be used to create a statewide clearinghouse for assistive technology because the Vocational Rehabilitation federal match cannot be used for this purpose.

STATUTORY CHANGES

The Baseline would continue a FY 2010 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 10) provision that permits DES to reduce income eligibility levels for all child-care programs if the program has insufficient resources. DES would be required to report to JLBC within 15 days of any such change in levels.

Department of Education

Summary

JLBC: Steve Schimpp/Jack Brown

OSP: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
PROGRAM BUDGET			
Administration	6,135,300	6,055,600	6,055,600
Formula Programs	3,574,409,500	3,502,415,400	3,871,306,900
Non-Formula Programs	122,512,100	85,111,300	85,111,300
State Board of Education	1,328,400	971,100	971,100
5th Special Session Reduction	0	(4,803,900)	(4,803,900)
AGENCY TOTAL	3,704,385,300	3,589,749,500	3,958,641,000

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	260.9	237.9	232.9
Personal Services	5,236,600	5,350,900	5,350,900
Employee Related Expenditures	1,609,500	1,736,800	1,736,800
Professional and Outside Services	738,400	457,500	457,500
Travel - In State	28,100	42,200	42,200
Travel - Out of State	5,300	0	0
Other Operating Expenditures	2,452,600	2,071,300	2,071,300
Equipment	39,300	0	0
OPERATING SUBTOTAL	10,109,800	9,658,700	9,658,700
Special Line Items (SLI)	3,694,275,500	3,580,090,800	3,948,982,300
AGENCY TOTAL	3,704,385,300	3,589,749,500	3,958,641,000

FUND SOURCES

General Fund	3,650,934,300	3,533,990,400	3,902,881,900
<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	2,283,600
SUBTOTAL - Other Appropriated Funds	53,451,000	55,759,100	55,759,100
SUBTOTAL - Appropriated Funds	3,704,385,300	3,589,749,500	3,958,641,000
<u>Other Non-Appropriated Funds</u>			
Federal Funds	513,800,900	420,421,200	442,380,000
	960,293,200	1,449,479,500	977,365,500
TOTAL - ALL SOURCES	5,178,479,400	5,459,650,200	5,378,386,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	368,891,500	10.4%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	368,891,500	10.3%
Non-Appropriated Funds	(450,155,200)	(24.1)%
Total - All Sources	(81,263,700)	(1.5)%

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.

Basic State Aid

Enrollment Growth @ 0.9%	GF	\$52,000,000
Net Assessed Value Growth @ (3.0)%	GF	57,077,800
“Truth in Taxation”	GF	(81,212,500)
1.2% Inflation (Prop 301)	GF	5,385,900
No Early Kindergarten Repeaters	GF	(6,200,000)
Base Adjustment - Cash Balances	GF	(116,109,300)
Base Adjustment - ARRA	GF	<u>472,114,000</u>
SUBTOTAL	GF	\$383,055,900

Additional State Aid

(“Homeowner’s Rebate”)

NAV Growth & Business Prop Tax	GF	<u>(14,164,400)</u>
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TOTAL	GF	\$368,891,500
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5th Special Session Reduction

The Baseline includes \$(4,803,900) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(4,618,700)
Teacher Certification Fund	(185,200)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Varies by Program

FOOTNOTES

Standard Footnotes

The department shall provide an updated report on its budget status every 2-3 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. *(The revised language would reduce the number of reports required for the first half of each fiscal year, when the department has less information to report.)*

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Education was originally budgeted 175.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Education to reduce an additional 4 General Fund FTE Positions in FY 2010 and 9 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate it to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Academic Contest Fund (EDA1006/A.R.S. § 15-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To pay for sending state level winners of academic contests and their chaperons to national contests. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	62,000	53,400
American Competitiveness Project Fund (EDA2361/A.R.S. § 15-245)		Non-Appropriated
Source of Revenue: Donations, grants, gifts, contributions and devises from individuals, corporations and nonprofit organizations.		
Purpose of Fund: To fund technical assistance and distribute grants to schools and other local educational agencies that offer academic programs that emphasize foreign language acquisition, international business and world history.		
Funds Expended	8,900	0
Year-End Fund Balance	3,200	3,200

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
Purpose of Fund: To provide additional funding support for public schools.		
Funds Expended	99,800	99,500
Year-End Fund Balance	99,800	99,500
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools.		
Funds Expended	148,300	0
Year-End Fund Balance	12,000	62,000
Charter Schools Stimulus (EDA1007/A.R.S. § 15-188)		Non-Appropriated
Source of Revenue: Legislative appropriations from the State General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To encourage the establishment of charter schools by assisting with charter school start-up costs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Classroom Site Fund (EDA2471/A.R.S. § 15-977)		Non-Appropriated
Source of Revenue: A portion of the Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	360,628,300	263,862,700
Year-End Fund Balance	50,349,300	50,349,300
Displaced Pupils Choice Grant Fund (EDA2533/A.R.S. § 15-817.06)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. Due to a court decision, the Legislature no longer provides funding for this program.		
Purpose of Fund: To provide qualifying displaced pupils with grants to be applied toward tuition and fees charged by nongovernmental schools. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,760,100	600,200
Early Graduation Scholarship Fund (EDA2364/A.R.S. § 15-105L)		Non-Appropriated
Source of Revenue: Monies deposited into the fund by the Arizona Department of Education pursuant to A.R.S. § 15-105F & J.		
Purpose of Fund: To provide postsecondary education scholarships to individuals who graduated at least 1 year early from a public high school. <i>(See Fund PEA 2364 in the Summary of Funds for the Commission for Postsecondary Education for more information.)</i>		
Funds Expended	0	0
Year-End Fund Balance	0	0
E-Learning Fund (EDA2527/A.R.S. § 15-1044)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund the e-learning pilot program established by Laws 2006, Chapter 375. Expenditures are not displayed to avoid double counting of General Fund. (Laws 2009, 1st Regular Session, Chapter 1, repealed the \$3,000,000 appropriation for this program and reverted any unexpended monies, which equaled \$2,997,200.)		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	100,800	234,900
Year-End Fund Balance	270,500	136,300
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities that are sponsored by donor organizations.		
Funds Expended	239,700	50,000
Year-End Fund Balance	432,900	432,900
English Learner Classroom Personnel Bonus (EDA2485/A.R.S. § 15-943.04)		Non-Appropriated
Source of Revenue: General Fund appropriation from Laws 2001, 2nd Special Session, Chapter 9.		
Purpose of Fund: To provide bonuses to classroom personnel based on the number of English Learners who become proficient in English. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	23,200	23,200
Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To provide grants for extraordinary special education costs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)		Non-Appropriated
Source of Revenue: A portion of the 0.6% Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E8.		
Purpose of Fund: To fund tutoring for students who have not yet passed portions of the high school AIMS test or who attend "failing" schools, pursuant to A.R.S. § 15-241R, and to purchase materials designed to help students meet the Arizona Academic Standards and pass the AIMS test, pursuant to A.R.S. § 15-241CC.		
Funds Expended	643,700	1,500,000
Year-End Fund Balance	1,252,900	1,252,900
Federal Funds (EDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education. FY 2010 amount for "Funds Expended" also includes one-time monies from the State Fiscal Stabilization Fund authorized by the American Recovery and Reinvestment Act of 2009 (ARRA).		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the federal grants.		
Funds Expended	960,293,200	1,449,479,500
Year-End Fund Balance	13,319,100	25,561,900
Full-Day Kindergarten Fund (EDA2507/Laws 2004, Chapter 278)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To provide eligible schools with funding for full-day kindergarten. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Golden Rule Special Plate Fund (EDA2513/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	158,800	150,000
Year-End Fund Balance	13,600	13,600
Arizona Government Education Fund (EDA2362/A.R.S. § 15-246)		Non-Appropriated
Source of Revenue: Legislative appropriations from the General Fund, gifts, grants and donations. The Legislature no longer provides funding for this program.		
Purpose of Fund: To contact with third parties to provide for annual, one-week high school civics courses that focus on state government. General Fund expenditures are not displayed to avoid double counting. No gifts, grants or donations have been reported for the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	2,122,600	1,419,500
Year-End Fund Balance	838,000	818,400
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	4,976,000	4,399,900
Year-End Fund Balance	614,800	392,600
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	44,595,400	49,275,200
Year-End Fund Balance	11,214,000	11,214,000
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	5,498,500	3,956,000
Year-End Fund Balance*	515,300	(362,600)
Mathematics or Science Achievement Program Fund (EDA2363/A.R.S. § 15-720.01)		Non-Appropriated
Source of Revenue: Monies appropriated from the General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To promote improved pupil achievement in math or science by providing supplemental funding for innovative math or science programs. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Partially-Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and interest earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 (\$72,263,000), are automatically appropriated first to pay for debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds or State School Trust Revenue Bonds. Any remaining monies from the \$72,263,000 baseline total are then subject to appropriation to the Department of Education (ADE) to help fund Basic State Aid pursuant to A.R.S. § 15-971H. Expendable earnings beyond the \$72,263,000 baseline total from FY 2001 are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521B4.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4. (See "State Land Trust Bond Debt Service Fund" and "School Improvement Revenue Bond Debt Service Fund" in the Summary of Funds for the School Facilities Board budget for information on other uses of expendable monies from this fund.)		
Purpose of Fund: To support common schools.		
Funds Expended	45,220,700	46,475,500
Year-End Fund Balance	2,371,700	1,116,900
Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: Revolving fund for revenues and expenditures from the agency print shop.		
Funds Expended	986,100	1,173,000
Year-End Fund Balance	772,600	273,700
Proposition 301 Fund (EDA1014/A.R.S. § 42-5029.E7) (EDA 1004, 1015, 1016 & 1017/A.R.S. § 42-5029.E5 & E6)		Partially-Appropriated
Source of Revenue: A portion of the Proposition 301 sales tax pursuant to A.R.S. § 42-5029E5-7. The appropriated portion of the fund receives "up to \$7 million" monies appropriated by the Legislature pursuant to A.R.S. § 42-5029E7. The non-appropriated portion receives monies automatically appropriated by Proposition 301 for additional school days, School Safety and Character Education, plus any unspent "up to \$7 million" monies from the prior year.		
Purpose of Fund: Appropriated monies pay for school accountability functions required by Proposition 301. Non-Appropriated monies pay for additional school days, School Safety and Character Education.		
Appropriated Funds Expended	5,736,200	7,000,000
Non-Appropriated Funds Expended	93,594,000	94,280,500
Year-End Fund Balance	20,699,700	20,699,700
Research Based Reading Instruction and Reading Instruction Training (EDA2413/Laws 2002, Chapter 295)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: Pays for teacher training in methods of reading instruction, pursuant to A.R.S. § 15-704. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Scholarships for Pupils With Disabilities Program Fund (EDA2534/A.R.S. § 15-891.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. Due to a court decision, the Legislature no longer provides funding for this program.		
Purpose of Fund: To provide disabled pupils with scholarships to attend the public or non-public school of their choice. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)		Appropriated
Source of Revenue: Revenues from 0.6% increase in the state Transaction Privilege Tax, as approved under Proposition 301 in the 2000 General Election.		
Purpose of Fund: To pay the debt service on \$832,865,000 in Proposition 301 revenue bonds and \$20,000,000 in Qualified Zone Academy Bond (QZAB) revenue bonds (<i>see School Facilities Board budget pages</i>). For FY 2007, the fund also provided \$1,865,400 to Hayden-Winkelman Unified to repay existing bonds (the district is required to repay that amount with interest over a 3-year period starting in FY 2008).		
Funds Expended	0	0
Year-End Fund Balance	0	0
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the Arizona State Schools for the Deaf and the Blind pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,119,700	1,186,700
Statewide Compensatory Instruction Fund (EDA2528/A.R.S. § 15-756.11)		Non-Appropriated
Source of Revenue: Legislative appropriations from the State General Fund.		
Purpose of Fund: To supplement existing instruction for English Language Learners. Supplemental instruction may include individual or small group instruction, extended day classes, summer school or intersession school. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	22,000	22,000
Arizona Structured English Immersion Fund (EDA2535/A.R.S. § 15-756.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	329,000	329,000
Teacher Certification Fund (EDA1003/A.R.S. § 15-531)		Appropriated
Source of Revenue: Fees collected by the State Board of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program. The fund technically is a sub-account of the state General Fund, rather than a statutorily-created separate fund.		
Funds Expended	2,494,100	2,283,600
Year-End Fund Balance	912,100	1,137,800
Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	0	20,000
Year-End Fund Balance	427,200	417,200

*As reported by the agency, adjusted for legislative fund transfers. Actual ending balance will not be negative.

Department of Education

Administration

JLBC: Steve Schimpp/Jack Brown

OSP: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	72.5	69.5	66.5
Personal Services	3,237,600	3,539,900	3,539,900
Employee Related Expenditures	967,200	1,125,100	1,125,100
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	1,132,700
Equipment	11,100	0	0
PROGRAM TOTAL	6,135,300	6,055,600	6,055,600
FUND SOURCES			
General Fund	6,135,300	6,055,600	6,055,600
SUBTOTAL - Appropriated Funds	6,135,300	6,055,600	6,055,600
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	14,425,900	14,425,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$6,055,600 and 66.5 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

* * *

FORMAT — Lump Sum by Program

FOOTNOTES

Standard Footnotes

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.

Department of Education

Formula Programs

JLBC: Steve Schimpp/Jack Brown

OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	26.0	24.0
Personal Services	1,221,900	1,074,800	1,074,800
Employee Related Expenditures	369,200	322,400	322,400
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	1,742,900	1,742,900
SPECIAL LINE ITEMS			
Basic State Aid	3,240,669,800	3,040,803,800	3,423,859,700
Additional State Aid	295,940,800	423,642,700	409,478,300
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	3,502,415,400	3,871,306,900
FUND SOURCES			
General Fund	3,529,188,800	3,455,939,900	3,824,831,400
<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	3,502,415,400	3,871,306,900
Other Non-Appropriated Funds	491,340,600	458,785,400	458,785,400
Federal Funds	0	472,114,000	0
TOTAL - ALL SOURCES	4,065,750,100	4,433,314,800	4,330,092,300

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	368,891,500	10.7%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	368,891,500	10.5%
Non-Appropriated Funds	(472,114,000)	(100.0)%
Total - All Sources	(103,222,500)	(2.3)%

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 Baseline includes \$1,742,900 and 23 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Basic State Aid

The Baseline includes \$3,423,859,700 for Basic State Aid in FY 2011. This amount consists of:

General Fund \$3,377,384,200
 Permanent State School Fund 46,475,500

FY 2011 adjustments are described in the “Major Changes to Basic State Aid” section below.

The \$3,423,859,700 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 \$3,423,859,700 appropriated total includes a net General Fund increase of \$383,055,900 and no change from the Permanent State School Fund for FY 2011. Components of the General Fund decrease 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

	<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	2,994,328,300 ^{2/}	46,475,500	86,280,500	2,165,549,700 ^{3/}	472,114,000	5,764,748,000
Changes for FY 2011:						0
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
1.3% Inflation	5,385,900					5,385,900
Net Assessed Valuation Growth	57,077,800			(57,077,800)		0
Truth in Taxation	(81,212,500)			81,212,500		0
No Early Kindergarten Repeaters	(6,200,000)					(6,200,000)
Total - Cost after Formula Changes	3,377,384,200 ^{4/}	46,475,500 ^{4/}	86,280,500	2,189,684,400	0	5,699,824,600

^{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.
^{3/} Includes \$250,000,000 from the State Equalization Tax Rate (SETR). Roughly \$400,000,000 of this cost is funded by the state through the Homeowner’s Rebate.
^{4/} Represents appropriated Basic State Aid funds. Proposition 301 monies for Basic State Aid are not appropriated.

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 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 2010 equal \$1,588.44 per pupil for Grades K-8 and \$1,851.30 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 \$3,040,803,800.

Base Adjustment - ARRA GF 472,114,000

The Baseline 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).

The \$472,114,000 amount, plus \$182,809,400 in SFSF monies distributed to universities and community colleges, will leave \$176,945,900 available for distribution from the SFSF. Public schools may receive additional SFSF monies in FY 2010 or FY 2011. Due to the limited availability of SFSF funds, this amount would be less than the first distribution of \$472,114,000. (See more information on ARRA in the Summary Book.)

Soft Capital Reduction GF 0

The Baseline includes no change from the General Fund in FY 2011 for Soft Capital funding authorized by A.R.S. § 15-962. It therefore continues a \$(144,000,000) reduction in Soft Capital funding for FY 2010 that was required on a session law basis by Laws 2009, 4th Special Session, Chapter 2 (see “Statutory Changes” section below). This would leave an estimated \$69,865,700 in Soft Capital funding available to school districts for FY 2011.

Enrollment Growth GF 52,000,000

The Baseline 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 receive 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.

	Districts (including Charters) ^{1/}	State Charters	Total	Change	% Change
2007	936,497	87,904	1,024,401	26,180	2.6%
2008	951,685	93,100	1,044,785	20,384	2.0%
2009 ^{2/}	947,417	101,120	1,048,054	3,269	0.3%
2010 ^{2,3/}	942,319	108,185	1,050,504	2,450	0.2%
2011 ^{2/}	943,505	116,299	1,059,804	9,300	0.9%

^{1/} Includes 568 charter school ADM for FY 2008 (actual), and an estimated 482 annually for FY 2009 through FY 2011.
^{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 GF 5,385,900

The Baseline 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. § 15-185B4 (see “Statutory Changes” section). This would 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 would 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 would not include a 1.2% increase in the “base level” prescribed in A.R.S. § 15-901B2, which would remain at the FY 2010 level of \$3,267.72. Funding a 1.2% increase in the base level would 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 GF 57,077,800

The Baseline includes an increase of \$57,077,800 from the General Fund in FY 2011 for an increase in Basic State Aid costs due to a projected decline in Net Assessed Value (NAV) for taxable properties. The estimated \$57,077,800 increase assumes that the combined Net Assessed Value (NAV) of all properties statewide will decline by (3.0)% 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 (3.0)% NAV growth rate for FY 2011 assumes a (4.0)% decline for “existing properties” (properties other than new construction) and 1% growth due to new construction. The projected (3.0)% 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 \$57,077,800 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 GF (81,212,500)

The Baseline includes a decrease of \$(81,212,500) 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 would require *increases* in the QTR and SETR under TNT. This would decrease Basic State Aid costs because it would increase the amount of “local share”

monies generated by the QTR and SETR, and this increase would offset state costs on a dollar for dollar basis.

Data on local property values that are needed in order to precisely compute TNT reductions for FY 2011 will not be available until mid February 2010. Based on current available data, however, the JLBC Staff estimates that TNT will reduce state General Fund costs by \$(81,212,500) for FY 2011. This assumes that TNT will require the K-12 QTR to be increased from approximately \$2.75 currently to \$2.86 in FY 2011 and the SETR from approximately \$0.33 currently to approximately \$0.34 (*see Table 3 and “Statutory Changes” section below*).

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	\$1.4298
• Unified districts and elementary districts not located within a high school district		\$2.7452	\$2.8596
• State Equalization Tax Rate (SETR)		\$0.3306	\$0.3444

Base Adjustment - Cash

Balances GF (116,109,300)

The Baseline 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.

No Early Kindergarten

Repeaters GF (6,200,000)

The Baseline includes a decrease of \$(6,200,000) from the General Fund in FY 2011 for the estimated 2nd 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

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 (3.0)% NAV growth rate assumed for FY 2011, however, reflects all anticipated NAV changes for the year, including the effects of Chapters 301 and 258.

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 Baseline 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

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.

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.

STATUTORY CHANGES

The Baseline would:

- As session law, continue the \$(144,000,000) Soft Capital reduction required for FY 2010 by Laws 2009, 4th Special Session, Chapter 2. 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.

provide free FDK in FY 2011 due to funding reductions continued from FY 2010.

- 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.
- As permanent law, specify the official K-12 QTR and State Equalization Tax Rate (SETR) for FY 2011, as adjusted for compliance with the Truth in Taxation law (A.R.S. § 41-1276) and the business property tax changes instituted by Laws 2007, Chapter 258.
- As session law, continue to cap formula funding to JTEDs in FY 2011 at a percentage that would leave state aid to JTEDs as a whole unchanged from FY 2010.
- 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.
- 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.
- As session law, continue to suspend new funding for the early graduation scholarship program, but continue to fund existing students with available fund balances.
- As session law, continue to defer \$602,627,700 in Basic State Aid payments for FY 2011 until FY 2012. Appropriate \$602,627,700 in FY 2012 for these deferred Basic State Aid payments and \$886,200 for related interest costs in FY 2012. Allow the State Board of Education to make the rollover payment no later than August 29, 2011.
- As session law, continue to require school districts to include in the FY 2011 revenue estimates that they use for computing their FY 2011 tax rates the rollover monies that they will receive for FY 2011 in July or August 2011.
- 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.
- As session law, continue to suspend the new teacher performance pay funding formula in A.R.S. § 15-977G3.
- As session law, continue to permit school districts to use Soft Capital funding for FY 2011 for any operating or capital expenditure.
- As session law, continue to suspend the annual AIMS Intervention and Dropout Prevention performance audit for FY 2011.
- 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

Department of Education

Non-Formula Programs

JLBC: Steve Schimpp/Jack Brown

OSP: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	149.4	133.4	133.4
Personal Services	459,600	383,100	383,100
Employee Related Expenditures	156,400	158,800	158,800
Professional and Outside Services	1,100	105,200	105,200
Travel - In State	1,000	3,200	3,200
Travel - Out of State	400	0	0
Other Operating Expenditures	451,400	238,800	238,800
Equipment	6,200	0	0
OPERATING SUBTOTAL	1,076,100	889,100	889,100
SPECIAL LINE ITEMS			
School Accountability and Improvement			
Achievement Testing	9,778,100	10,237,100	10,237,100
AIMS Intervention; Dropout Prevention	5,499,200	4,177,100	4,177,100
School Accountability	3,881,100	4,699,100	4,699,100
Education Services			
Adult Education and GED	4,241,100	3,459,300	3,459,300
Chemical Abuse	642,700	643,100	643,100
Disabled Pupil Scholarships	2,049,100	0	0
Displaced Pupils Choice Grant Program	1,037,000	0	0
English Learner Administration	4,731,900	4,110,300	4,110,300
Compensatory Instruction Fund Deposit	5,350,500	10,000,000	10,000,000
Arizona Structured English Immersion Fund	40,971,100	8,791,400	8,791,400
Extended School Year	500,000	413,600	413,600
Family Literacy	971,000	762,800	762,800
Gifted Support	3,056,000	2,616,000	2,616,000
School Safety Program	6,808,800	5,209,600	5,209,600
Small Pass-Through Programs	100,000	82,700	82,700
State Block Grant - Early Childhood Education	18,337,500	15,085,600	15,085,600
State Block Grant - Vocational Education	11,397,300	11,492,700	11,492,700
Teacher Certification	1,892,700	1,841,800	1,841,800
Vocational Education Extended Year	190,900	600,000	600,000
PROGRAM TOTAL	122,512,100	85,111,300	85,111,300
FUND SOURCES			
General Fund	114,665,500	76,066,500	76,066,500
<u>Other Appropriated Funds</u>			
Proposition 301 Fund	5,736,200	7,000,000	7,000,000
Teacher Certification Fund	2,110,400	2,044,800	2,044,800
SUBTOTAL - Other Appropriated Funds	7,846,600	9,044,800	9,044,800
SUBTOTAL - Appropriated Funds	122,512,100	85,111,300	85,111,300
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	1,075,782,500	1,075,782,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

COST CENTER DESCRIPTION — This cost center funds 3 “non-formula” programs in the agency’s budget: 1) School Accountability and Improvement, 2) Education Services and 3) Professional Development. The School Accountability and Improvement program funds the Student Assessment, Research and Evaluation and School Improvement and State Intervention subprograms. The Education Services program funds subprograms pertaining to Special Education, English Learners, Early Childhood Education, Title 1, Career and Technical Education, Adult Education, Best Practices, Student Nutrition, Family Literacy, Outreach Programs and Innovative Exemplary Programs. The Professional Development program funds subprograms pertaining to Highly Qualified Professionals and Standards Based Teaching and Learning.

Operating Budget

The Baseline includes \$889,100 and 7.5 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$686,100
Teacher Certification Fund	203,000

These amounts are unchanged from FY 2010.

School Accountability and Improvement

Achievement Testing

The Baseline includes \$10,237,100 and 3 FTE Positions for Achievement Testing in FY 2011. These amounts consist of:

General Fund	7,896,800
Proposition 301 Fund	2,340,300

These amounts are unchanged from FY 2010.

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 \$2,340,300 for Achievement Testing is from the “up to \$7 million” allowable appropriation for School Accountability in A.R.S. § 42-5029(E7). No additional Proposition 301 monies are available for achievement testing because the \$2,340,300 Proposition 301 amount for achievement

testing, plus the \$4,659,700 Proposition 301 Fund amount for School Accountability program in the Non-Formula Programs cost center, sum to the maximum allowable \$7,000,000 appropriation from Proposition 301.

The department awarded a new achievement testing contract in May 2009 to NCS Pearson, Incorporated. (The prior contract was with CTB/McGraw Hill.) Estimated contract costs by year appear in *Table 1*. The contract cost for FY 2011 (if renewed after FY 2010) is \$13,487,600 and the total 5-year cost (if renewed for all 4 years after FY 2010) is currently estimated at \$68,217,200. The total cost of the previous 5-year contract was \$54,619,300. Cost increases in the new contract are attributable for factors such as caseload growth, program changes, and inflation. As a temporary cost-saving measure, the new contract suspends the AIMS writing test for pupils in Grades 3, 4 and 8. It includes a science test for all 5 years of the contract, whereas, the prior contract did not administer a science test until FY 2008. The state typically funds approximately 55% of annual testing costs and federal monies typically fund about 45% of those costs.

Fiscal Year	Contract Cost
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.

On a related note, the FY 2010 K-12 Education BRB (Laws 2009, 3rd Special Session, Chapter 12) made the following changes to the Achievement Testing program: 1)

permanently required that any additional assessment for high school pupils are adopted in the future by the State Board of Education be designed to measure college and career readiness of pupils, and 2) repealed language in Laws 2008, Chapter 287, Section 65 that limited the length of any future contracts for achievement testing to 1 year.

AIMS Intervention; Dropout Prevention

The Baseline includes \$4,177,100 from the General Fund for AIMS Intervention; Dropout Prevention in FY 2011. This amount is unchanged from FY 2010.

The program is authorized by A.R.S. § 15-809 and seeks to provide additional academic support for high school pupils who are most likely to drop out of school. Program funding is 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 FY 2010 K-12 Education BRB (Laws 2009, 3rd Special Session, Chapter 12) notwithstanding for FY 2010 an annual reporting requirement for the program in A.R.S. § 15-809D. The Baseline would continue that suspension for FY 2011 (*see “Statutory Changes” section in the Formula Programs cost center narrative*).

School Accountability

The Baseline includes \$4,699,100 and 31 FTE Positions for School Accountability in FY 2011. This amount consists of:

General Fund	39,400
Proposition 301 Fund	4,659,700

These amounts are unchanged from FY 2010.

The purpose of the School Accountability program is to promote improved student achievement and school accountability pursuant to A.R.S. § 15-241. Program funding is 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 is 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 Baseline includes \$3,459,300 and 1.8 FTE Positions from the General Fund for the Adult Education and GED (General Education Development) Special Line Item in FY 2011. These amounts are unchanged from FY 2010.

The program funds immigrant education and adult basic education programs that receive funding through the department pursuant to A.R.S. § 15-234. Funding is 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 Baseline includes \$643,100 and 2.4 FTE Positions from the General Fund for the Chemical Abuse Prevention Program in FY 2011. These amounts are unchanged from FY 2010.

The program funds chemical abuse prevention programs for students in Grades K-12 pursuant to A.R.S. § 15-712. Funds are awarded on a competitive grant basis to programs that are research-based and have proven to be effective or show promise of being effective. For FY 2009, 130 entities (mostly school districts) received funding from this program.

Disabled Pupil Scholarships

The Baseline 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 Baseline 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 Baseline includes \$4,110,300 and 24.5 FTE Positions from the General Fund for English Learner Programs in FY 2011. These amounts are unchanged from FY 2010.

The program consists primarily of programs and funding 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, the \$10,000,000 for compensatory instruction has been appropriated into its own separate line item (*please see 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 Baseline 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 in the Baseline 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 Baseline includes \$10,000,000 from the General Fund for a deposit into the Compensatory Instruction Fund in FY 2011. This amount is unchanged from FY 2010.

As noted above, this funding was originally appropriated by Laws 2006, Chapter 4. The FY 2007 Appropriations Report included the \$10,000,000 as part of the "English Learner Administration" line item, along with other non-formula appropriations from Chapter 4. Since FY 2008, the \$10,000,000 has been appropriated into this separate line item, which remains in the Baseline for FY 2011.

The program funds instructional programs for improving the English proficiency of English language learners that are in addition to normal classroom instruction. These programs may include 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 Baseline 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 FY 2010 budget originally appropriated \$41,300,100 for this program, which included \$8,791,400 from Laws 2009, Chapter 12 (HB 2643) (from June 30, 2009) and \$32,508,700 from Laws 2009, 3rd Special Session, Chapter 1 (from July 6, 2009). Laws 2009, 4th Special Session, Chapter 1 (from November 23, 2009), however, repealed

the July 6 appropriation, leaving the program with a total appropriation of \$8,791,400 for FY 2010. The \$8,791,400 amount equals ADE's expected program cost for 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 Baseline includes \$413,600 from the General Fund for Extended School Year in FY 2011. This amount is unchanged from FY 2010. The program helps fund extended school year programs for pupils with disabilities, as required by A.R.S. § 15-881.

Family Literacy

The Baseline includes \$762,800 from the General Fund for Family Literacy in FY 2011. This amount is unchanged from FY 2010.

Pursuant to A.R.S. § 15-191.01, the program seeks to increase the basic academic and literacy skills of undereducated low-income parents and their preschool children. Program funding is 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 Baseline includes \$2,616,000 and 1.1 FTE Positions from the General Fund for Gifted Support in FY 2011. These amounts are unchanged from FY 2010.

The program funds 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 is allocated under a formula established in A.R.S. § 15-779.03, which provides \$82 per pupil for 4% of a school district or charter school's student count, or \$2,000, whichever is more, subject to funding availability.

School Safety Program

The Baseline includes \$5,209,600 and 2.9 FTE Positions from the General Fund for the School Safety Program in FY 2011. These amounts are unchanged from FY 2010.

The program places peace officers and juvenile probation officers in schools pursuant to A.R.S. § 15-154. In addition to the approved General Fund appropriation, the program will receive \$7,800,000 in Proposition 301 sales tax monies that are automatically appropriated each year by A.R.S. § 42-5029E6. Program funding from both sources is allocated on a competitive grant basis and for FY 2009 was received by 74 school districts.

Small Pass-Through Programs

The Baseline includes \$82,700 from the General Fund for Small Pass-Through Programs in FY 2011. This amount is unchanged from FY 2010.

The included amount is to be allocated for the Academic Contest Fund and Economic Academic Council. Prior to FY 2009, this program also funded a number of other small pass-through programs. The department eliminated funding for those programs in FY 2009 as part of its lump sum reduction for that year. (See "Deletion of Prior Year Footnotes" section for more information.)

State Block Grant for Early Childhood Education

The Baseline includes \$15,085,600 and 1.2 FTE Positions from the General Fund for the State Block Grant for Early Childhood Education in FY 2011. These amounts are unchanged from FY 2010.

The program provides 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 are allocated to individual school districts and charter schools based on the percentage of their respective pupils who are eligible for free or reduced price lunches under the federal school nutrition program.

State Block Grant for Vocational Education

The Baseline 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 programs. Program funding is allocated based partly on the number of students enrolled in Career and Technical Education programs at each school district or charter school and partly on their respective job placement rates for those programs.

Teacher Certification

The Baseline includes \$1,841,800 and 27 FTE Positions from the Teacher Certification Fund for Teacher Certification in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$600,000 from the General Fund for Vocational Education Extended Year in FY 2011. This amount is unchanged from FY 2010.

This funding is 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

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 A.R.S. Title 15, Chapter 7, Article 3.1. 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.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that allocates funding from the Small Pass-Through Programs Special Line Item to various entities, since only 2 entities (the Academic Contest Fund and Economic Academic Council) continue to receive funding from the program.

Department of Education
State Board of Education

JLBC: Steve Schimpp/Jack Brown
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.0	9.0	9.0
Personal Services	317,500	353,100	353,100
Employee Related Expenditures	116,700	130,500	130,500
Professional and Outside Services	83,700	109,300	109,300
Travel - In State	100	2,600	2,600
Travel - Out of State	1,200	0	0
Other Operating Expenditures	282,400	375,600	375,600
OPERATING SUBTOTAL	801,600	971,100	971,100
SPECIAL LINE ITEMS			
Math or Science Initiatives	526,800	0	0
PROGRAM TOTAL	1,328,400	971,100	971,100

FUND SOURCES

General Fund	944,700	547,100	547,100
<u>Other Appropriated Funds</u>			
Teacher Certification Fund	383,700	424,000	424,000
SUBTOTAL - Other Appropriated Funds	383,700	424,000	424,000
SUBTOTAL - Appropriated Funds	1,328,400	971,100	971,100
TOTAL - ALL SOURCES	1,328,400	971,100	971,100

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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

The Baseline includes \$971,100 and 9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$547,100
Teacher Certification Fund	424,000

These amounts are unchanged from FY 2010.

Math or Science Initiatives

The budget includes no funding for the Math or Science Initiatives program in FY 2011. This amount is unchanged from FY 2010.

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 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.

* * *

FORMAT — Lump Sum by Program

FOOTNOTES

Standard Footnotes

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.

Department of Emergency and Military Affairs

JLBC: Eric Billings
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
PROGRAM BUDGET			
Administration	1,633,700	1,782,400	1,782,400
Emergency Management	2,403,800	4,772,800	4,807,200
Military Affairs	5,613,800	4,612,400	4,612,400
5th Special Session Reduction	0	(543,000)	(543,000)
AGENCY TOTAL	9,651,300	10,624,600	10,659,000

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	96.6	84.6	82.6
Personal Services	2,147,900	2,259,700	2,259,700
Employee Related Expenditures	835,400	786,300	786,300
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	5,777,900	5,777,900

SPECIAL LINE ITEMS

211 Services	0	0	0
Civil Air Patrol	0	0	0
Governor's Emergency Fund	585,900	2,900,000	2,900,000
Guardsmen Tuition Reimbursement	739,500	0	0
Military Gift Package Postage	50,000	0	0
National Guard Uniform Allowance	0	0	0
Nuclear Emergency Management Fund	827,900	895,100	929,500
Project Challenge	1,804,800	1,594,600	1,594,600
5th Special Session Reduction	0	(543,000)	(543,000)
AGENCY TOTAL	9,651,300	10,624,600	10,659,000

FUND SOURCES

General Fund	9,518,600	10,491,900	10,526,300
<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	10,624,600	10,659,000
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	88,031,300	88,065,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	34,400	0.3%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	34,400	0.3%
Non-Appropriated Funds	0	0.0%
Total - All Sources	34,400	0.0%

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 Baseline includes \$5,777,900 and 61.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$5,645,200
Emergency Response Fund	132,700

These amounts are unchanged from FY 2010.

2-1-1 Services

The Baseline includes no funding from the General Fund for 2-1-1 services in FY 2011. This amount is unchanged from FY 2010.

The 2-1-1 service was a primarily online information center which also included a statewide automated telephone line that provides community, social service, and homeland security information. In FY 2009, a portion of the 2-1-1 service was transferred from AHCCCS to DEMA making DEMA responsible for the administration of the 2-1-1 call center and call routing. The 2-1-1 Services were eliminated in the midyear FY 2009 budget revisions and a portion of the funding was transferred to DEMA's operating budget to offset a lump sum reduction.

Civil Air Patrol

The Baseline includes no funding from the General Fund for the Civil Air Patrol in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item were used to partially offset the costs of required operations and maintenance of aircraft used by volunteers to aid in search and rescue and other emergency missions.

Governor's Emergency Fund

The Baseline 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, will not be 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).

Guardsmen Tuition Reimbursement

The Baseline 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 Baseline 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.

National Guard Uniform Allowance

The Baseline includes no funding for the National Guard Uniform Allowance Special Line Item in FY 2011. This amount is unchanged from FY 2010.

Monies in this SLI were used to fund the purchase of uniforms for National Guardsmen at the rate of \$250 per year for all officers.

Nuclear Emergency Management Fund

The Baseline includes \$929,543 and 4.5 FTE Positions from the General Fund for the Nuclear Emergency Management Fund (NEMF) in FY 2011. FY 2011 adjustments would be as follows:

NEMF Increase	GF	34,400
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The Baseline 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 will 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 Baseline includes \$1,594,600 and 17 FTE Positions from the General Fund for Project Challenge in FY 2011. These amounts are unchanged from FY 2010.

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 GED.

5th Special Session Reduction

The Baseline includes \$(543,000) from the General Fund 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

It is the intent of the Legislature that the Department of Emergency and Military Affairs submit a request to the United States Department of Defense, on or before September 30, 2010, to allow the Department of Emergency and Military Affairs to conduct training exercises for Arizona National Guard units at the Arizona-Mexico border. The Department of Emergency and Military Affairs shall report to the Joint Legislative Budget Committee on or before December 31, 2010 on the response of the United States Department of Defense to this request.

STATUTORY CHANGES

The Baseline would, as session law, continue the \$(1,100,000) reduction to the Governor's Emergency Fund deposit in FY 2011.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Emergency and Military Affairs was originally budgeted 82.1 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Emergency and Military Affairs to reduce an additional 2 FTE Positions in FY 2010 and 4 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items. These reductions have been applied to the FTE Positions appropriated in the General Appropriation Act and do not include FTE Positions appropriated by Laws 2009, Chapter 73.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility.		
Funds Expended	10,432,600	10,437,100
Year-End Fund Balance	2,073,200	1,822,200
Emergency Management Registration Fees Fund (MAA2087/A.R.S. § 26-102)		Non-Appropriated
Source of Revenue: Emergency management course fees paid by private sector participants.		
Purpose of Fund: To pay for the costs of administering the emergency management course.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Emergency Response Fund (MAA3031/A.R.S. § 26-352)		Appropriated
Source of Revenue: The fund receives 10% of the Department of Environmental Quality's Hazardous Waste Management Fund.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program, equip local emergency planning committees for the development of hazardous materials emergency response teams, and assist local agencies in providing adequate response to emergency situations.		
Funds Expended	132,700	132,700
Year-End Fund Balance	66,900	0
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal program grants. Homeland Security funds received by Arizona after FY 2006 are reported in the Arizona Department of Homeland Security's budget.		
Purpose of Fund: To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	12,575,700	15,158,400
Year-End Fund Balance	583,000	24,700
Federal Funds - Military (MAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Service Contracts for security, maintenance and operations of the National Guard.		
Purpose of Fund: To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	64,575,600	51,590,800
Year-End Fund Balance	1,028,200	1,810,100
Freedom Academy Fund (MAA2104/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Governor's Office for Drug Policy and the Joint Counter Narcotics Task Force (federal Department of Justice, through the Department of Defense).		
Purpose of Fund: To provide middle and high school students with anti-drug and gang information. Student representatives throughout the state are invited to participate in the weekend programs at Camp Navajo.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)		Non-Appropriated
Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.		
Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
Funds Expended	66,500	66,500
Year-End Fund Balance	500	2,900

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
National Guard Fund (MAA2140/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: A subaccount that receives the proceeds from the rental or use of armories.		
Purpose of Fund: For general operating expenses of the National Guard.		
Funds Expended	153,900	153,900
Year-End Fund Balance	40,800	73,900
National Guard Relief Fund (No Fund Number/ A.R.S. § 26-183)		Non-Appropriated
Source of Revenue: Monies received from individual contributors who voluntarily donate through the state individual income tax return. Since tax year 2006, donors have been able to contribute to the fund.		
Purpose of Fund: To provide assistance to families of National Guard members who are mobilized in support of a contingency operation or state emergency.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Armory Property Fund (MAA2146/A.R.S. § 26-231)		Non-Appropriated
Source of Revenue: Sale of surplus armory property.		
Purpose of Fund: For the construction and capital improvement of National Guard armories.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of Environmental Quality

JLBC: Aaron Galeener

OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	473.4	471.4	467.4
Personal Services	5,720,100	5,269,100	5,288,400
Employee Related Expenditures	2,885,200	2,481,100	2,488,800
Professional and Outside Services	431,300	8,800	17,300
Travel - In State	18,700	0	13,900
Travel - Out of State	1,200	0	0
Other Operating Expenditures	6,160,300	6,236,100	6,253,000
Equipment	169,000	374,700	375,100
OPERATING SUBTOTAL	15,385,800	14,369,800	14,436,500
SPECIAL LINE ITEMS			
Air Programs			
Air Quality Management and Analysis	10,639,000	10,389,800	10,389,800
Emissions Control Contractor Payment	25,492,200	27,639,600	27,639,600
Emissions Control Program - Administration	2,662,100	4,150,200	4,150,200
Maricopa, Pima, and Pinal Counties Travel Reduction Plan	176,900	1,638,100	1,638,100
Transfers to Counties Program	165,000	145,700	145,700
Waste Programs			
Waste Control and Management	4,786,200	3,714,600	3,714,600
Underground Storage Tank Program	1,300	22,000	0
Waste Tire Program	48,000	44,700	0
WQARF Priority Site Remediation	13,000,000	7,000,000	7,000,000
Water Programs			
Arizona Pollution Discharge Elimination System	1,524,700	1,524,700	1,524,700
Drinking Water Regulation Program	1,875,400	2,226,400	2,226,400
Surface Water Regulation Program	1,635,200	1,656,300	1,656,300
Underground Water Regulation Program	5,607,200	7,056,400	7,056,400
WIFA			
Drinking Water Revolving Loan Program	845,100	0	0
5th Special Session Reduction	0	(3,009,000)	(3,009,000)
AGENCY TOTAL	83,844,100	78,569,300	78,569,300
FUND SOURCES			
General Fund	19,673,500	12,779,100	12,779,100
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	5,752,200	5,252,000	5,252,000
Air Quality Fund	5,016,800	4,763,800	4,763,800
Clean Water Revolving Fund	5,482,200	5,000,000	5,000,000
Emissions Inspection Fund	28,154,300	33,116,600	33,116,600
Hazardous Waste Management Fund	163,200	740,900	740,900
Indirect Cost Recovery Fund	12,424,200	10,382,700	10,382,700
Recycling Fund	2,078,500	0	0
Solid Waste Fee Fund	1,011,000	1,163,700	1,163,700
Underground Storage Tank Revolving Fund	1,300	22,000	22,000
Used Oil Fund	700	138,300	138,300
Water Quality Fee Fund	4,086,200	5,210,200	5,210,200
SUBTOTAL - Other Appropriated Funds	64,170,600	65,790,200	65,790,200
SUBTOTAL - Appropriated Funds	83,844,100	78,569,300	78,569,300

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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	326,009,700	326,009,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$14,436,500 and 141.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$ 3,145,300
Indirect Cost Recovery Fund	11,224,500
Solid Waste Fee Fund	44,700
Underground Storage Tank Revolving Fund	22,000

FY 2011 adjustments would be as follows:

Waste Tire Shift OF 44,700

The Baseline includes an increase of \$44,700 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. *(Please see Waste Tire Program for more information.)*

UST Shift OF 22,000

The Baseline includes an increase of \$22,000 from the Underground Storage Tank Fund in FY 2011 to transfer two Underground Storage Tank (UST) committees to the department’s operating budget. This shift does not change the department’s overall funding. *(Please see Underground Storage Tank Program for more information.)*

Air Programs

Air Quality Management and Analysis

The Baseline includes \$10,389,800 and 90.9 FTE Positions for Air Quality Management and Analysis in FY 2011. These amounts consist of:

General Fund	220,800
Air Permits Administration Fund	5,681,400
Air Quality Fund	4,487,600

These amounts are unchanged from FY 2010.

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	
	FY 2011
Contractor Payment	\$27,639,600
Program Administration	4,150,200
Total	\$31,789,800

Emissions Control Contractor Payment

The Baseline 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 Baseline includes \$4,150,200 and 34 FTE Positions from the Emissions Inspection Fund for the Emissions Control Program in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$1,638,100 from the Emissions Inspection Fund for the Maricopa, Pima, and Pinal Counties Travel Reduction Plan in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$145,700 from the Air Quality Fund for the Transfers to Counties Program in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$3,714,600 and 45.6 FTE Positions for Waste Control and Management in FY 2011. These amounts consist of:

General Fund	1,050,400
Air Quality Fund	519,600
Hazardous Waste Management Fund	800,500
Solid Waste Fee Fund	1,205,800
Used Oil Fund	138,300

These amounts are unchanged from FY 2010.

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 Baseline includes no funding for the Underground Storage Tank (UST) Program in FY 2011. FY 2011 adjustments would be as follows:

UST Shift	OF	(22,000)
The Baseline includes a decrease of \$(22,000) from the Underground Storage Tank Fund in FY 2011 to transfer two Underground Storage Tank (UST) committees to the department's operating budget. This shift does not change the department's overall funding.		

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 January 1, 2014.

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. 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.

The Baseline would also continue 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.

Waste Tire Program

The Baseline includes no funding for the Waste Tire Program in FY 2011. FY 2011 adjustments would be as follows:

Waste Tire Shift OF (44,700)

The Baseline includes a decrease of \$(44,700) 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 Baseline 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.

Laws 2009, Chapter 285 notwithstanding these statutory provisions and reduced the General Fund allocation by \$(2,000,000) and Laws 2009, Chapter 12 reduced the allocation further by \$(6,000,000). Table 2 describes program activity for FY 2009 and FY 2010. The Baseline would continue the deposit at the reduced level.

	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
<u>Funds Transferred</u>		
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

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.

Water Programs

Arizona Pollutant Discharge Elimination System

The Baseline includes \$1,524,700 and 23.2 FTE Positions from the Clean Water Revolving Fund for the Arizona Pollutant Discharge Elimination System (AZPDES) in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$2,226,400 and 37.6 FTE Positions for the Drinking Water Regulation Program in FY 2011. These amounts consist of:

General Fund	52,200
Clean Water Revolving Fund	1,819,000
Water Quality Fee Fund	355,200

These amounts are unchanged from FY 2010.

Water Infrastructure Finance Authority (WIFA)

Drinking Water Revolving Loan Program

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 Baseline includes \$1,656,300 and 26.7 FTE Positions from the Clean Water Revolving Fund for the Surface Water Regulation Program in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$7,056,400 and 68 FTE Positions for the Underground Water Regulation Program in FY 2011. These amounts consist of:

General Fund	1,779,000
Water Quality Fee Fund	5,277,400

These amounts are unchanged from FY 2010.

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.

The Baseline 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 Baseline includes \$(3,009,000) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(468,600)
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 lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

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FORMAT — By Program with Special Line Items

FOOTNOTES

Standard Footnotes

Of the monies appropriated to the Maricopa, Pima and Pinal Counties Travel Reduction Plan line item in FY 2011, \$926,600 shall be allocated to Maricopa County, \$364,400 shall be allocated to the Pima Association of Governments, \$85,000 shall be allocated to Pinal County and \$262,100 shall be allocated to Pima County.

The monies appropriated in the Transfers to Counties Program line item are for use by Arizona counties to avoid being declared in nonattainment of particulate matter standards by establishing public notification and outreach programs, minimizing exposure to particulate matter concentrations, and abating and minimizing controllable sources of particulate matter through best available control measures. Of the monies in the Transfers to Counties Program line item in FY 2011, \$50,000 shall be used by Pima County for carbon monoxide monitoring as required by the Pima County Limited Maintenance Plan with the United States Environmental Protection Agency.

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.

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.

All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$5,252,000 in FY 2011 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$5,252,000 in FY 2011, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. *(This footnote has been modified to require a report to the Joint Legislative Budget Committee, rather than review.)*

All Indirect Cost Recovery Fund revenues received by the Department of Environmental Quality in excess of \$10,382,700 in FY 2011 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$10,382,700 in FY 2011, the Department of Environmental Quality shall report the intended use of the monies to the Joint

Legislative Budget Committee. *(This footnote has been modified to require a report to the Joint Legislative Budget Committee, rather than review.)*

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring that any transfer from the amount appropriated for the Arizona Pollutant Discharge Elimination System line item shall require prior Joint Legislative Budget Committee review.

The Baseline would delete the footnote regarding expenditures from the hazardous waste or environmental health reserves.

The Baseline would delete the footnote requiring Joint Legislative Budget Committee review of water quality permit processing times.

STATUTORY CHANGES

The Baseline would:

- As permanent law, continue to suspend the UST Revolving Fund Assurance Account administrative cap in FY 2011, as was done in FY 2010, to allow the department to utilize up to \$6,531,000 for program operating costs. This provision was previously in session law.
- As session law, continue to reduce the transfer from the Corporate Income Tax to the WQARF program to \$7,000,000.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Environmental Quality was originally budgeted 118 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Environmental Quality to reduce an additional 2 FTE Positions in FY 2010 and 6 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Air Permits Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections.		
Funds Expended	5,752,200	5,252,000
Year-End Fund Balance	3,354,200	1,580,800
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from a \$1.50 fee assessed on motor vehicle registrations; gifts, grants, and donations; and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also to provide an annual \$400,000 transfer to the Department of Administration for state employee travel reduction programs and annual appropriations for the Department of Weights and Measures Oxygenated Fuels and Vapor Recovery programs. <i>(See individual agencies for further description.)</i>		
Funds Expended	5,016,800	4,763,800
Funds Appropriated		
Department of Weights and Measures	1,520,600	1,503,200
Arizona Department of Transportation	71,700	72,700
Arizona Department of Administration (Bus Subsidy)	597,800	765,100
Funds Transferred		
Arizona Department of Administration (Travel Reduction)	400,000	400,000
Year-End Fund Balance	2,938,900	58,800
Air Quality Fund - Clean Air Subaccount (EVA2240/A.R.S. § 49-551)		Partially-Appropriated
Source of Revenue: A fee which allowed owners of vehicles 5 years old or newer to pay in-lieu of the vehicle emissions inspections. This fee was repealed effective July 1, 2006. The FY 2009 budget transferred \$2,212,300 from the Air Quality Fund - Clean Air Sub Account to the General Fund.		
Purpose of Fund: 5% of fee revenues was used for administrative costs, with the balance distributed to various programs:		
1. 5% for the Voluntary Lawn and Garden Equipment Emissions Reduction Program;		
2. 15% for the Voluntary Vehicle Repair and Retrofit Program;		
3. 30% for the Diesel Vehicle Low Emissions Incentive Grant Program;		
4. 10% for the voluntary accelerate purchase of Tier 2 and Tier 3 non-road equipment;		
5. 15% for grants to counties with populations fewer than 400,000 for travel reduction programs;		
6. 25% for other air quality programs and measures.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Clean Air Fund (EVA1238/A.R.S. § 41-411)		Non-Appropriated
Source of Revenue: Prior to its elimination, the Arizona Clean Air Fund (ACAF) received revenues from: the Arizona Department of Environmental Quality (ADEQ) Vehicle Repair Grant program, fees that owners of vehicles 5 years old or newer may pay in lieu of the vehicle emission inspections fee; lottery proceeds; and gifts, grants, donations and interest.		
Purpose of Fund: To provide grants for alternative fuel vehicles and diesel vehicle conversion grants. Beginning July 1, 2003, the revenue source and activities of this fund shifted to the Air Quality Fund. <i>(See Arizona Clean Air Fund Balance for more information.)</i>		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Clean Air Fund Balance (EVA2250/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: A transfer in FY 2004 from the Arizona Clean Air Fund. The FY 2009 budget transferred \$2,876,400 from the Arizona Clean Air Fund Balance Fund to the General Fund.		
Purpose of Fund: This fund was established to separate the Clean Air in lieu fee account from the remaining balance of the Arizona Clean Air Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Brownfields Cleanup Revolving Loan Fund (EVA2456/A.R.S. § 49-218)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal grants, loan repayments, interest, penalties, gifts and donations.		
Purpose of Fund: To provide loans to eligible parties to perform non time-crucial removal of hazardous waste contamination on sites accepted into the State Voluntary Remediation Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Clean Water Revolving Fund (EVA2254/A.R.S. § 49-1221)		Partially-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund. The FY 2009 and FY 2010 budgets appropriated \$5,000,000 from the Clean Water Revolving Fund to the department to offset a General Fund operating reduction.		
Appropriated Funds Expended	5,482,200	5,000,000
Non-Appropriated Funds Expended	140,527,200	97,921,200
Year-End Fund Balance	41,504,700	42,395,500
Donations Fund (EVA2449/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Various donations, settlements, and consent decrees.		
Purpose of Fund: To administer the intent of the donation, settlement or decree.		
Funds Expended	11,100	8,000
Year-End Fund Balance	4,500	4,500
Drinking Water Revolving Fund (EVA2307/A.R.S. § 49-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans to drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Funds Expended	59,683,800	45,921,300
Year-End Fund Balance	60,897,000	66,966,000
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Funds Expended	28,154,300	33,116,600
Year-End Fund Balance	877,400	856,900
Federal Funds (EVA2000/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Federal grants related to water quality management, underground storage tank enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	18,615,000	17,782,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (EVA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Source of Revenue: One-time Federal Funds to be used by the department for air and water quality programs, the Underground Storage Tank Program, and the Water Infrastructure Finance Authority.		
Funds Expended	906,800	45,137,500
Year-End Fund Balance	0	0
Greenfields Program Fund (EVA2309/A.R.S. § 49-157)		Non-Appropriated
Source of Revenue: Legislative appropriations and program fees. Initial General Fund appropriations of \$100,000 in FY 1998 and \$70,000 in FY 1999 made at the beginning of the pilot program were intended as start-up monies and will be paid back as fees are collected.		
Purpose of Fund: To remediate parcels of land that has soil contamination and return them to productive use. ADEQ will review and approve remediation plans submitted by certified remediation specialists.		
Funds Expended	0	0
Year-End Fund Balance*	700	(99,300)
Hardship Grant Fund (EVA2437/A.R.S. § 49-1267)		Non-Appropriated
Source of Revenue: Legislative appropriations and monies received from the United States government, including monies that are awarded to this state pursuant to Title II of the Clean Water Act and that are no longer obligated to the Construction Grants program.		
Purpose of Fund: Providing hardship grants to political subdivisions or Indian tribes to plan, design, acquire, construct or improve wastewater collection and treatment facilities. Providing training and technical assistance related to the operation and maintenance of wastewater systems.		
Funds Expended	23,600	0
Year-End Fund Balance	0	0
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	163,200	740,900
Year-End Fund Balance	1,536,500	864,700
IGA & ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	3,081,000	1,356,700
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (EVA7000/A.R.S. § 49-104)		Appropriated
Source of Revenue: Monies transferred from the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	12,424,200	10,382,700
Year-End Fund Balance	2,832,900	715,600

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Institutional & Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	16,300	10,500
Year-End Fund Balance	323,900	300,700
Intergovernmental Agreement Fund (EVA2180/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements from various public entities, including the Game and Fish Department and the Water Protection Commission.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	12,900	12,900
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.		
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
Funds Expended	452,800	685,300
Year-End Fund Balance	1,070,000	664,400
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others for developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration.		
Funds Expended	2,078,500	0
Year-End Fund Balance*	153,700	(630,800)
Small Water Systems Fund (EVA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair.		
Funds Expended	0	0
Year-End Fund Balance	361,600	242,500
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Fees, donations, and legislative appropriations.		
Purpose of Fund: To pay solid waste program costs, including tire fire cleanup expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement.		
Funds Expended	1,011,000	1,163,700
Year-End Fund Balance*	675,400	(93,700)
Specific Site Judgment Fund (EVA 3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	0	0
Year-End Fund Balance	1,318,900	1,241,300

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Technical Appeals Program Fund (EVA3411/A.R.S. § 49-116)		Non-Appropriated
Source of Revenue: Legislative appropriations and dispute resolution fees		
Purpose of Fund: To pay the costs of implementing and administering a technical appeals process for specified WQARF site registry and work plan review decisions.		
Funds Expended	0	0
Year-End Fund Balance	0	0
NOTE: The Underground Storage Tank (UST) Fund is displayed first as a fund summary, then by individual account.		
Underground Storage Tank (UST Summary) (EVA2271/A.R.S. § 49-1015A)		Partially-Appropriated
Source of Revenue: See each account for specific revenue sources.		
Purpose of Fund: See each account for specific account purpose.		
Balance Forward	35,734,300	20,982,300
Revenue	29,898,800	28,882,400
Funds Available	65,633,100	49,864,700
Appropriated Funds Expended	1,300	22,000
Non-Appropriated Funds Expended	30,014,100	27,454,100
Legislative Fund Transfers	14,635,400	16,289,400
Year-End Fund Balance	20,982,300	3,871,400
UST - Area A Assurance Account (EVA2271/A.R.S. § 49-1015)		Partially-Appropriated
Source of Revenue: Area A (Maricopa County) excise tax revenues, cost recovery, and interest. The excise tax is a 1¢ per gallon tax on regulated substances, such as gasoline.		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse ADEQ if the state is required to take corrective action in Area A.		
Balance Forward	16,275,700	9,737,900
Revenue	14,508,700	13,924,600
Funds Available	30,784,400	23,662,500
Appropriated Funds Expended	0	2,000
Non-Appropriated Funds Expended	9,722,800	11,899,000
Legislative Fund Transfers	11,323,700	9,652,300
Year-End Fund Balance	9,737,900	2,109,200
UST - Cleanup Municipalities Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: A one-time transfer of \$5,000,000 of vehicle license tax revenues in FY 2001, as provided by Laws 2000, Chapter 354, and interest.		
Purpose of Fund: To partially reimburse school districts, counties, cities, towns, hospitals, and certain small businesses for costs of cleaning up leaking tanks.		
Balance Forward	2,976,100	463,100
Revenue	58,900	103,100
Funds Available	3,035,000	566,200
Funds Expended	0	0
Legislative Fund Transfers	2,571,900	472,300
Year-End Fund Balance	463,100	93,900

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
UST - Grant Account (EVA2271/A.R.S. § 49-1071)		Non-Appropriated
Source of Revenue: Interest earnings on account balance.		
Purpose of Fund: To provide grants, up to \$100,000 to UST owners/operators for the purposes of meeting tank performance standards, removing tanks for closure or replacement, or paying the portion of corrective action costs that are less than the deductible amount under the Assurance Fund. The Grant Account was divided into the Area A and Non-Maricopa Accounts by Laws 1993, Chapter 1, 6 th Special Session. The figures below depict the entire Grant Account.		
Balance Forward	537,400	518,900
Revenue	8,000	14,200
Funds Available	545,400	533,100
Funds Expended	26,500	0
Legislative Fund Transfers	0	529,100
Year-End Fund Balance	518,900	4,000
UST - Municipal Tank Closure and Corrective Action Program Account (EVA2271/A.R.S. § 49-1073)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and donations. Laws 2001, Chapter 341 transferred all unobligated funds in the UST Grant Account as of December 31, 2001 to this account. The estimated amount transferred was \$2,300,000.		
Purpose of Fund: To perform permanent closures and corrective actions on underground storage tanks in cities and towns requesting assistance. Cities and towns must have less than 15,000 people to be eligible for the program.		
Balance Forward	643,300	522,600
Revenue	10,400	25,700
Funds Available	653,700	548,300
Funds Expended	131,100	522,500
Year-End Fund Balance	522,600	25,800
UST - Non-Maricopa County Assurance Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Non-Maricopa County excise tax revenues, cost recovery, and interest. The excise tax is a 1¢ per gallon tax on regulated substances, such as gasoline.		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse DEQ if the state is required to take corrective action in areas other than Area A.		
Balance Forward	14,257,900	8,702,800
Revenue	14,619,900	14,099,000
Funds Available	28,877,800	22,801,800
Funds Expended	19,441,200	14,349,400
Legislative Fund Transfers	733,800	7,831,400
Year-End Fund Balance	8,702,800	621,000
UST - Policy Commission Account (EVA2271/A.R.S. § 49-1092)		Partially-Appropriated
Source of Revenue: This account receives \$12,000 from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Policy Commission review and provide recommendations to improve the UST program.		
Balance Forward	24,900	23,600
Revenue	0	0
Funds Available	24,900	23,600
Appropriated Funds Expended	1,300	10,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	23,600	13,600

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
UST - Regulatory Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Annual tank fees (\$100/tank) and interest.		
Purpose of Fund: To carry out the state regulatory program, state-initiated corrective actions, and cost recovery activities.		
Balance Forward	982,600	977,000
Revenue	692,900	715,800
Funds Available	1,675,500	1,692,800
Funds Expended	692,500	683,200
Legislative Fund Transfers	6,000	32,100
Year-End Fund Balance	977,000	977,500
UST - Technical Appeals Account (EVA2271/A.R.S. § 49-1093)		Partially-Appropriated
Source of Revenue: Fund receives an annual \$10,000 appropriation from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Technical Appeals panel.		
Balance Forward	36,400	36,400
Revenue	0	0
Funds Available	36,400	36,400
Appropriated Funds Expended	0	10,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	36,400	26,400
Used Oil Fund (EVA3500/A.R.S. § 49-818)		Appropriated
Source of Revenue: Legislative appropriations and penalties for misuse of used oil.		
Purpose of Fund: For costs associated with the collection and analysis of used oil fuel samples.		
Funds Expended	700	138,300
Year-End Fund Balance	67,600	66,900
Voluntary Lawn and Garden Equipment Emissions Reduction Fund (EVA2306/A.R.S. § 49-474)		Non-Appropriated
Source of Revenue: An annual \$10,000 appropriation from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To provide vouchers for the retirement of residential and commercial lawn mowers. Residential owners receive a \$100 voucher to be used toward the purchase of an electric mower. Commercial owners receive a \$200 voucher to be used toward the purchase of a mower that generates lower emissions.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	228,400	206,500
Year-End Fund Balance	1,033,500	741,200
Voluntary Vehicle Repair & Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		Non-Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.		
Funds Expended	996,100	0
Year-End Fund Balance*	379,300	(499,600)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Water Quality Assurance Revolving Fund (WQARF) (EVA2221/A.R.S. § 49-282)		Non-Appropriated
Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S § 49-282, \$15,000,000 is to be transferred to WQARF from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually. This statutory transfer was suspended in FY 2009 in favor of a transfer amount of \$13,000,000, and in FY 2010 in favor of a \$9,000,000 transfer.		
Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer of up to \$800,000 to the Department of Water Resources for well inspection and data management. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.		
Funds Expended	11,455,400	10,957,000
Year-End Fund Balance	1,129,800	766,200
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		Appropriated
Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.		
Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.		
Funds Expended	4,086,200	5,210,200
Year-End Fund Balance	1,545,800	273,400

*As reported by the agency. Actual ending balance will not be negative.

Governor's Office of Equal Opportunity

JLBC: Ted Nelson
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	102,700	102,700	102,700
Employee Related Expenditures	41,700	41,700	41,700
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	212,500	212,500
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(15,900)	(15,900)
AGENCY TOTAL	207,500	196,600	196,600
FUND SOURCES			
General Fund	207,500	196,600	196,600
SUBTOTAL - Appropriated Funds	207,500	196,600	196,600
Federal Funds	66,500	68,000	68,000
TOTAL - ALL SOURCES	274,000	264,600	264,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$212,500 and 4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(15,900) from the General Fund 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.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Equal Employment and Economic Development Fund		Non-Appropriated
(AFA2000/Executive Order: 93-20)		
Source of Revenue: Federal Funds received by the State of Arizona under the provisions of the Wagner-Peyser Act, the Workforce Investment Act, and Public Law 105-220.		
Purpose of Fund: To establish effective communication links between government agencies and local communities to address areas of employment under-utilization. To conduct research to improve, expand, or integrate state agencies' equal opportunity programs.		
Funds Expended	66,500	68,000
Year-End Fund Balance	3,600	3,600

State Board of Equalization

JLBC: Bob Hull
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	337,200	337,200	337,200
Employee Related Expenditures	123,000	123,000	123,000
Professional and Outside Services	23,100	23,100	23,100
Travel - In State	7,200	7,200	7,200
Other Operating Expenditures	112,000	112,000	112,000
AGENCY TOTAL	602,500	602,500	602,500
FUND SOURCES			
General Fund	602,500	602,500	602,500
SUBTOTAL - Appropriated Funds	602,500	602,500	602,500
TOTAL - ALL SOURCES	602,500	602,500	602,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$602,500 and 7 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

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FORMAT — Lump Sum by Agency

Board of Executive Clemency

JLBC: Jon McAvoy
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	15.0	14.0
Personal Services	602,100	544,500	544,500
Employee Related Expenditures	253,900	250,900	250,900
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	951,600	951,600
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(71,400)	(71,400)
AGENCY TOTAL	1,046,900	880,200	880,200

FUND SOURCES

General Fund	1,046,900	880,200	880,200
SUBTOTAL - Appropriated Funds	1,046,900	880,200	880,200
TOTAL - ALL SOURCES	1,046,900	880,200	880,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$951,600 and 14 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(71,400) from the General Fund 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.

Other Issues

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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Board of Executive Clemency was originally budgeted 15 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Board of Executive Clemency to reduce no additional FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011.

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	4,180

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would:

- As permanent law, require the Chairman to also act as the Executive Director.
- As session law, continue to limit members of the Board of Executive Clemency, excluding the

Arizona Exposition and State Fair Board

JLBC: Steve Grunig
 OSPB: Jennifer Uharriet

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	186.0	184.0	184.0
Personal Services	4,093,200	4,326,100	4,326,100
Employee Related Expenditures	1,109,000	1,172,000	1,172,000
Professional and Outside Services	2,926,500	2,991,900	2,991,900
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	6,002,000
Equipment	147,400	146,400	146,400
OPERATING SUBTOTAL	11,563,900	14,647,500	14,647,500
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(894,500)	(894,500)
AGENCY TOTAL	11,563,900	13,753,000	13,753,000

FUND SOURCES

Other Appropriated Funds

Arizona Exposition and State Fair Fund	11,563,900	13,753,000	13,753,000
SUBTOTAL - Other Appropriated Funds	11,563,900	13,753,000	13,753,000
SUBTOTAL - Appropriated Funds	11,563,900	13,753,000	13,753,000
Other Non-Appropriated Funds	0	814,400	814,400
TOTAL - ALL SOURCES	11,563,900	14,567,400	14,567,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$14,647,500 and 184 FTE Positions from the Arizona Exposition and State Fair Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

5th Special Session Reduction

The Baseline 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. This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Capital Outlay Fund (CLA4006/A.R.S. § 3-1005)	Non-Appropriated	
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Source of Revenue: Prior to FY 2010, 11% of funds (or \$400,000, whichever is less) 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 this fund. Beginning in FY 2010, \$400,000 is appropriated from the General Fund to this fund through the Capital Outlay Bill. (The statutory distribution in FY 2008 was \$400,000.) Laws 2009, 4th Special Session, Chapter 3, permanently replaced the pari-mutuel formula and required pari-mutuel revenues to be deposited into the General Fund beginning in FY 2010. General Fund monies are now deposited into this fund. General Fund expenditures are not displayed in FY 2010 to avoid double counting the General Fund.

Purpose of Fund: For capital outlay expenditures, bond interest, and for retirement of bond liability. Monies from this fund are expended in the Capital Outlay Budget. To prevent double counting, FY 2010 expenditures exclude \$400,000 from the General Fund. (*See the Capital Outlay Budget for additional detail.*)

Funds Expended	0	814,400
Year-End Fund Balance	809,400	0

Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)	Appropriated	
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Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.

Purpose of Fund: For operating costs of the State Fair.

Funds Expended	11,563,900	13,753,000
Year-End Fund Balance*	2,443,100	(2,721,000)

* As reported by the agency. Actual ending balance will not be negative.

Department of Financial Institutions

JLBC: Aaron Galeener
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	57.1	47.1	65.1
Personal Services	2,060,700	1,991,500	3,087,000
Employee Related Expenditures	732,100	739,800	739,800
Professional and Outside Services	8,900	15,700	15,700
Travel - In State	0	0	30,000
Travel - Out of State	100	0	0
Other Operating Expenditures	499,700	464,100	534,100
Equipment	3,100	3,000	56,700
OPERATING SUBTOTAL	3,304,600	3,214,100	4,463,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(241,100)	(241,100)
AGENCY TOTAL	3,304,600	2,973,000	4,222,200

FUND SOURCES

General Fund	3,304,600	2,973,000	2,973,000
<u>Other Appropriated Funds</u>			
Financial Services Fund	0	0	1,249,200
SUBTOTAL - Other Appropriated Funds	0	0	1,249,200
SUBTOTAL - Appropriated Funds	3,304,600	2,973,000	4,222,200
Other Non-Appropriated Funds	3,042,000	1,618,600	1,618,600
TOTAL - ALL SOURCES	6,346,600	4,591,600	5,840,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	1,249,200	42.0%
Total Appropriated Funds	1,249,200	42.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	1,249,200	27.2%

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

The Baseline includes \$4,463,300 and 65.1 FTE Positions for the operating budget in FY 2011. This amount consists of:

General Fund	\$3,214,100
Financial Services Fund	1,249,200

FY 2011 adjustments would be as follows:

Loan Originator Licensing OF 385,700

The Baseline includes an increase of \$385,700 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.

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 include an additional Licensing Project Manager and Administrative Assistant.

Additional Examiners OF 686,200

The Baseline includes an increase of \$686,200 and 10 FTE Positions from the Financial Services Fund in FY 2011 for additional examiners. This adjustment includes \$586,200 in Personal Services and Employee Related Expenses, \$30,000 for additional travel, and \$70,000 in increased overhead costs. A.R.S. § 6-122B requires each mortgage licensee to be examined at least once in every 5-year period.

The Department of Financial Institutions is currently out of statutory compliance with 539 licensees having not been examined during the past 5 years. The new loan originator licensee program is estimated to add an additional 5,000 licensees, which will be subject to A.R.S. § 6-122B. The loan originator licensees will be examined as part of the process of examining the mortgage banker and broker. As a result, the loan originator licensees will cause the length of time to complete an examination to increase. In 2009, the Department of Financial Institutions had 1 examiner per 725 licensees. After adjusting for new loan originator licensees and 10 additional examiners, there would be 1 examiner per 538 licensees. For comparison, in FY 2008 the ratio was 1 examiner per 275 licensees.

**Implement Information OF 177,300
Technology Budget**

The Baseline includes an increase of \$177,300 and 2 FTE Positions from the Financial Services Fund in FY 2011 for Information Technology (IT). This amount represents 75% of the agency's total automation plan, since loan originators are estimated to constitute 75% of the agency's licensees. The remaining costs would be funded by the agency's existing funding. 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 Government Information Technology Agency (GITA) 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 Baseline includes \$(241,100) from the General Fund in FY 2011 to continue the 5th Special Session Reduction. This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Financial Institutions originally budgeted 48.1 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Financial Institutions to reduce an additional 1 FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011.

SUMMARY OF FUNDS	FY 2009	FY 2010
	Actual	Estimate
Arizona Escrow Recovery Fund (BDA2341/A.R.S. § 6-847.01)		Non-Appropriated
Source of Revenue: Within the fund, the Superintendent shall keep separate and distinct the following 2 accounts: 1) real property escrow agents account and 2) all other escrow agents account. All real property escrow agents shall make a one-time contribution of \$5,000 plus 3% of gross escrow fees until the real property escrow subaccount balance reaches \$4,000,000. Real property escrow agents may be asked to resume payment if claims draw the subaccount balance below \$4,000,000 or if there is an open escrow receivership that may require additional monies. Escrow agents, other than real property agents, pay into the fund as prescribed by the Superintendent.		
Purpose of Fund: To pay claims against escrow agents. Each year, the department may receive up to 2% of the fund balance for administration costs.		
Funds Expended	77,300	10,000
Year-End Fund Balance	1,949,800	739,100

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		Appropriated
Source of Revenue: Loan originator licensing fees.		
Purpose of Fund: To supervise and regulate loan originators.		
Funds Expended	0	0
Year-End Fund Balance	0	2,125,000
IGA and ISA Fund (BDA2500/A.R.S. § 6-1241)		Non-Appropriated
Source of Revenue: Monies received through Intergovernmental Agreements with the Attorney General's Office.		
Purpose of Fund: To reimburse the department for expenses related to the examination of money transmitting organizations. The banking examiners work in cooperation with the Attorney General's Office to provide information leading to the criminal conviction of fraudulent money transmitting organizations.		
Funds Expended	182,800	139,800
Year-End Fund Balance	0	0
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		Non-Appropriated
Source of Revenue: Licensing and renewal fees paid by licensed loan originators.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	0	0
Year-End Fund Balance	0	376,000
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships.		
Funds Expended	74,200	500,500
Year-End Fund Balance	1,195,800	674,400
Revolving Fund (BDA2126/A.R.S. § 6-135)		Non-Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$50,000 are transferred to the department's Receivership Revolving Fund.		
Funds Expended	2,707,700	968,300
Year-End Fund Balance	172,300	27,300

Department of Fire, Building, and Life Safety

JLBC: Ted Nelson
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	48.0	47.0
Personal Services	1,762,400	1,179,000	1,179,000
Employee Related Expenditures	589,900	589,900	589,900
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	470,500
Equipment	20,600	0	0
OPERATING SUBTOTAL	3,112,800	2,362,200	2,362,200
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(177,200)	(177,200)
AGENCY TOTAL	3,112,800	2,185,000	2,185,000

FUND SOURCES

General Fund	3,112,800	2,185,000	2,185,000
SUBTOTAL - Appropriated Funds	3,112,800	2,185,000	2,185,000
Other Non-Appropriated Funds	2,611,100	1,701,000	1,701,000
TOTAL - ALL SOURCES	5,723,900	3,886,000	3,886,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$2,362,200 and 47 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(177,200) from the General Fund 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.

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Fire, Building, and Life Safety was originally budgeted 49 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Fire, Building, and Life Safety to reduce an additional 1 General Fund FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arson Detection Reward Fund (MMA2169/A.R.S. § 41-2167)		Non-Appropriated
Source of Revenue: Donations, court imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To provide rewards for information leading to convictions of arson cases.		
Funds Expended	500	500
Year-End Fund Balance	47,900	51,400
Building & Fire Safety Fund (MMA2211/A.R.S. § 41-2173)		Non-Appropriated
Source of Revenue: Intergovernmental Agreement with the Department of Environmental Quality and the Department of Health Services. Registration fees charged to fire training school participants.		
Purpose of Fund: The fund is used: a) to implement a fire and life safety inspection program for the removal or installation of storage tanks and to ensure that owners and operators are complying with and reporting environmental releases to the proper agencies; b) to implement a fire and life safety inspection program for all buildings licenses under Federal Medicaid and Medicare Programs and provide staff to perform inspections; and c) to provide training classes, at the local level, to address the needs of volunteer firefighters.		
Funds Expended	198,900	198,900
Year-End Fund Balance	233,000	188,400
Condominium and Planned Community Hearing Office Fund (MMA2537/A.R.S. § 41-2198.05)		Non-Appropriated
Source of Revenue: Filing fees and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes.		
Purpose of Fund: To reimburse the costs of the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations.		
Funds Expended	11,300	0
Year-End Fund Balance	1,200	1,200
Consumer Recovery Fund (MMA3090/A.R.S. § 41-2188)		Non-Appropriated
Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.		
Funds Expended	1,098,800	200,000
Year-End Fund Balance	86,600	91,900
Interagency Service Agreement Fund (MMA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred from the State Land Department's Forestry Division to cover their portion of rent expenses for office space shared with the Department of Fire, Building, and Life Safety.		
Purpose of Fund: To pay rent for office space shared by the Department of Fire, Building, and Life Safety and the State Land Department's Forestry Division. There has not been any activity in this fund because the State Land Department's Forestry Division has not paid rent.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Manufactured Housing Cash Bond Fund (MMA3722/A.R.S. § 41-2179)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Mobile Home Relocation Fund (MMA2237/A.R.S. § 33-1476.02)		Non-Appropriated
Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000.		
Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.		
Funds Expended	1,301,600	1,301,600
Year-End Fund Balance	7,284,600	6,891,700

State Board of Funeral Directors and Embalmers

JLBC: Steve Grunig

OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	210,900	212,000	212,000
Employee Related Expenditures	44,800	46,500	46,500
Professional and Outside Services	54,000	40,800	40,800
Travel - In State	1,500	6,500	6,500
Other Operating Expenditures	18,800	45,400	45,400
AGENCY TOTAL	330,000	351,200	351,200

FUND SOURCES

Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	330,000	351,200	351,200
SUBTOTAL - Other Appropriated Funds	330,000	351,200	351,200
SUBTOTAL - Appropriated Funds	330,000	351,200	351,200
TOTAL - ALL SOURCES	330,000	351,200	351,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

AGENCY DESCRIPTION — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is 1 of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

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The Baseline includes \$351,200 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
Funds Expended	330,000	351,200
Year-End Fund Balance	75,700	190,000

Arizona Game and Fish Department

JLBC: Ted Nelson
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	274.5	273.5	273.5
Personal Services	13,283,000	13,276,900	13,276,900
Employee Related Expenditures	6,418,000	7,407,900	7,407,900
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	33,994,200	33,639,700
SPECIAL LINE ITEMS			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,800	346,800	346,800
Pittman-Robertson/Dingell-Johnson	2,808,000	3,808,000	3,808,000
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	39,924,000	39,569,500
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Game and Fish Fund	27,884,000	35,063,800	34,489,300
Game, Non-Game, Fish and Endangered Species Fund	292,600	332,000	332,000
Watercraft Licensing Fund	2,306,200	4,468,800	4,688,800
Waterfowl Conservation Fund	18,600	43,400	43,400
Wildlife Endowment Fund	0	16,000	16,000
SUBTOTAL - Other Appropriated Funds	30,501,400	39,924,000	39,569,500
SUBTOTAL - Appropriated Funds	30,501,400	39,924,000	39,569,500
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	103,277,800	104,385,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	(354,500)	(0.9%)
Total Appropriated Funds	(354,500)	(0.9%)
Non-Appropriated Funds	1,462,200	2.3%
Total - All Sources	1,107,700	1.1%

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.

Operating Budget

The Baseline includes \$33,639,700 and 273.5 FTE Positions for the operating budget in FY 2011. These amounts consist of:

Game and Fish Fund	\$30,381,300
Game, Non-Game, Fish and Endangered Species Fund	332,000
Watercraft Licensing Fund	2,867,000
Waterfowl Conservation Fund	43,400
Wildlife Endowment Fund	16,000

FY 2011 adjustments would be as follows:

Operating Related Costs

Eliminate One-Time Funding OF (774,500)

The Baseline 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 OF 150,000

The Baseline 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 OF 50,000

The Baseline includes an increase of \$50,000 from the Game and 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.

Wildlife and Habitat Projects

Aquatic Invasive Species Project OF 220,000

The Baseline 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.

Lower Colorado Multispecies Conservation

The Baseline 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 Baseline 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

The Baseline 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 Baseline 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Big Game Permit Fund (GFA3712/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: License fees for hunting permits.		
Purpose of Fund: Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		Appropriated
Source of Revenue: Transfers from the Conservation Development Fund.		
Purpose of Fund: To construct, maintain and renovate department facilities. Expenditures from the fund are not displayed as they are part of the capital budget.		
Funds Expended	0	0
Year-End Fund Balance	710,400	900
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		Non-Appropriated
Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
Purpose of Fund: To construct, maintain, and renovate department facilities.		
Funds Expended	1,005,000	4,005,000
Year-End Fund Balance	6,132,000	3,927,000
Federal Funds (GFA2000/A.R.S. § 17-406)		Non-Appropriated
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
Funds Expended	63,100	0
Year-End Fund Balance	258,400	258,400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		Non-Appropriated
Source of Revenue: Funds received from the federal government for deposit and appropriated state matching money.		
Purpose of Fund: For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	30,404,700	33,533,100
Year-End Fund Balance	3,055,000	3,169,000
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		Non-Appropriated
Source of Revenue: Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D(4), revenues derived from the sale or lease of real property owned by the commission, and interest earnings.		
Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	325,500	0
Year-End Fund Balance	3,500	3,500
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		Appropriated
Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
Purpose of Fund: To provide funding for general operation of the Game and Fish Department.		
Funds Expended	27,884,000	35,063,800
Year-End Fund Balance	11,547,800	6,070,000
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
Purpose of Fund: This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	3,280,100	3,490,400
Year-End Fund Balance	4,810,100	3,504,700
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		Appropriated
Source of Revenue: Contributions from taxpayers who select the "check-off" option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department's management plan.		
Funds Expended	292,600	332,000
Year-End Fund Balance	392,700	297,700
Heritage Fund (GFA2295/A.R.S. § 17-297)		Non-Appropriated
Source of Revenue: Annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings.		
Purpose of Fund: To protect areas containing sensitive or endangered biological features and wildlife. At least 29% of the fund, but no more than 60%, may be used for capital projects and acquisitions. Interest earnings are to be used for administration.		
Funds Expended	5,276,800	10,654,100
Year-End Fund Balance	3,668,200	1,779,000
IGA and ISA Fund (GFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	20,100	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	2,093,400	2,497,500
Year-End Fund Balance	242,600	548,100
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp which is required to take deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	3,000	77,900
Year-End Fund Balance	161,700	262,600
Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)		Appropriated
Source of Revenue: Fishing license fees.		
Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and match funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona Department of Game and Fish receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5 percent are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation and law enforcement activities.		
Funds Expended	734,500	1,584,400
Year-End Fund Balance	344,000	459,000
Publications Revolving Fund (GFA4007/A.R.S. § 17-269)		Non-Appropriated
Source of Revenue: Sales of agency publications, including <i>Wildlife Views</i> magazine and various field guides.		
Purpose of Fund: To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.		
Funds Expended	169,500	127,800
Year-End Fund Balance	39,700	108,400
Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)		Appropriated
Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education program relating to boating and boating safety.		
Funds Expended	2,306,200	4,468,800
Year-End Fund Balance	259,900	124,600

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Waterfowl Conservation Fund (GFA2209/A.R.S. § 17-270)		Appropriated
Source of Revenue: Monies received from sales of waterfowl stamps and artwork, gifts, grants, other contributions, and interest earned.		
Purpose of Fund: To provide funding for developing migratory waterfowl habitat, and associated research and management to increase the number of migratory waterfowl in Arizona.		
Funds Expended	18,600	43,400
Year-End Fund Balance	287,500	176,100
Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)		Non-Appropriated
Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
Funds Expended	6,012,500	7,222,200
Year-End Fund Balance	4,367,800	3,378,600
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		Appropriated
Source of Revenue: Sales of lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	0	16,000
Year-End Fund Balance	1,446,600	1,605,600
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		Appropriated
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		Non-Appropriated
Source of Revenue: Fines charged for the unlawful taking of wildlife.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the Arizona Game and Fish Department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	164,600	161,400
Year-End Fund Balance	43,700	84,300

Department of Gaming

JLBC: Ted Nelson
 OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	123.0	123.0	123.0
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	1,040,000
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	659,400
Equipment	123,600	464,600	433,900
OPERATING SUBTOTAL	7,789,700	8,685,400	8,111,000
SPECIAL LINE ITEMS			
Casino Operations Certification	1,891,100	1,986,200	1,986,200
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	12,199,600

FUND SOURCES

<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,652,000	10,895,700	9,913,400
State Lottery Fund	300,000	300,000	300,000
Tribal State Compact Fund	1,891,100	1,986,200	1,986,200
SUBTOTAL - Other Appropriated Funds	11,843,100	13,181,900	12,199,600
SUBTOTAL - Appropriated Funds	11,843,100	13,181,900	12,199,600
TOTAL - ALL SOURCES	11,843,100	13,181,900	12,199,600

CHANGE IN FUNDING SUMMARY

	<u>FY 2010 to FY 2011 Baseline</u>	
	<u>\$ Change</u>	<u>% Change</u>
Other Appropriated Funds	(982,300)	(7.5%)
Total Appropriated Funds	(982,300)	(7.5%)
Total - All Sources	(982,300)	(7.5%)

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 Baseline includes \$8,111,000 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 \$9,913,400.

The Department of Gaming is forecasting FY 2010 tribal gaming revenue increases of 15% over FY 2009 and FY 2011 tribal gaming revenue increases of 10% over FY 2010. In comparison, gaming revenues declined by 9.9% in FY 2009 due to the overall downturn in the economy. As a result of the continuing economic

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	\$85,830,600	\$ 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	\$97,534,800	\$102,411,500
Allocation of State Government's Share					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,642,300	\$ 8,000,000	\$ 8,000,000	\$ 8,111,000
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	\$ 9,913,400
Instructional Improvement Fund (Department of Education)	56% of remainder	47,859,200	42,989,400	42,623,900	44,916,900
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	23,929,600	21,494,700	21,311,900	22,458,400
Arizona Wildlife Conservation Fund	8% of remainder	6,837,000	6,141,400	6,089,100	6,416,700
Tourism Fund	8% of remainder	<u>6,837,000</u>	<u>6,141,400</u>	<u>6,089,100</u>	<u>6,416,700</u>
Total		\$ 96,025,600	\$86,496,800	\$85,830,600	\$ 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/} JLBC projects 0% gaming revenue growth in FY 2010 and 5% growth for FY 2011. JLBC projections are used due to uncertainty as to whether the Department of Gaming's 15% FY 2010 and 10% FY 2011 gaming revenue growth projections will be realized.

slowdown, there is uncertainty as to whether gaming proceeds will be high enough to match the department's projections. The JLBC has established alternative estimates that FY 2010 gaming revenues will remain unchanged from FY 2009, while FY 2011 gaming revenues will increase by 5% over FY 2010. (See Table 1 for more information on projected state revenues.)

Operating Budget

The Baseline includes \$8,111,000 and 90 FTE Positions from the Arizona Benefits Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Joint Monitoring System Shift OF \$233,300

The Baseline 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 OF (807,700)

The Baseline includes a decrease of \$(807,700) from the Arizona Benefits Fund in FY 2011 to realign spending with projected revenues.

Casino Operations Certification

The Baseline includes \$1,986,200 and 28 FTE Positions from the Tribal-State Compact Fund for Casino Operations Certification in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes no funding from the Arizona Benefits Fund for the Joint Monitoring System SLI in FY 2011. FY 2011 adjustments would be as follows:

Joint Monitoring System Shift OF (233,300)

The Baseline 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.

A footnote in the General Appropriation Act stipulates that expenditures for the Joint Monitoring System SLI appropriation are contingent on Information Technology Authorization Committee (ITAC) approval of the system. ITAC approved the system for all 17 urban sites.

Problem Gambling

The Baseline 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

FY 2011 adjustments would be as follows:

Revenue Realignment OF (174,600)

The Baseline 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 Baseline includes \$2,102,400 for FY 2011 from the Arizona Benefits Fund. (See Table 1 for more information on projected state revenues.)

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Deletion of Prior Year Footnotes

The Baseline would delete the footnote on the Information Technology Authorization Committee approval of the Joint Monitoring System as they have already approved it.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)		Partially-Appropriated
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to various state funds. (See individual agency pages for detailed information on each recipient.)		
Appropriated Funds Expended by Department of Gaming	9,652,000	10,895,700
Funds Transferred		
Instructional Improvement Fund	42,971,700	49,275,200
Trauma and Emergency Services Fund	21,485,800	24,637,600
Arizona Wildlife Conservation Fund	6,138,800	7,039,300
Tourism Fund	<u>6,138,800</u>	<u>7,039,300</u>
Total Funds Transferred	76,735,100	87,991,400
Year-End Fund Balance	72,300	51,900
Lottery Fund (GMA2122/A.R.S. § 5-601)		Appropriated
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individual's suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	0	0
Tribal State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	1,891,100	1,986,200
Year-End Fund Balance	2,141,700	2,115,200

Arizona Geological Survey

JLBC: Ted Nelson
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.3	11.3	10.3
Personal Services	490,100	417,700	417,700
Employee Related Expenditures	144,200	148,200	148,200
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	866,400	866,400
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(65,000)	(65,000)
AGENCY TOTAL	961,600	801,400	801,400

FUND SOURCES

General Fund	961,600	801,400	801,400
SUBTOTAL - Appropriated Funds	961,600	801,400	801,400
Other Non-Appropriated Funds	714,800	594,400	594,400
Federal Funds	766,400	717,400	762,400
TOTAL - ALL SOURCES	2,442,800	2,113,200	2,158,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	45,000	3.4%
Total - All Sources	45,000	2.1%

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 Baseline includes \$866,400 and 10.3 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(65,000) from the General Fund 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.

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Arizona Geological Survey was originally budgeted 11.3 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Arizona Geological Survey to reduce no additional FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (GSA2000/A.R.S. § 27-152.02)		Non-Appropriated
Source of Revenue: Matching and non-matching grants from various federal agencies, including the U.S. Geological Survey, the Bureau of Reclamation, and the Environmental Protection Agency.		
Purpose of Fund: To perform various studies of Arizona's geologic framework and setting.		
Funds Expended	766,400	717,400
Year-End Fund Balance	19,000	38,000
Geological Survey (GSA3030/A.R.S. § 27-152.02)		Non-Appropriated
Source of Revenue: Donations, local and state contracts, forfeited bonds, and sales of maps and publications.		
Purpose of Fund: To investigate and describe Arizona's geologic setting, to plug abandoned oil and gas wells, and to finance map publication production expenses.		
Funds Expended	714,800	594,400
Year-End Fund Balance	256,100	141,700

Government Information Technology Agency

JLBC: Ted Nelson
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.0	23.0	23.0
Personal Services	1,612,300	1,531,900	1,531,900
Employee Related Expenditures	3,582,000	464,600	464,600
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	6,524,800	6,524,800
SPECIAL LINE ITEMS			
Statewide Information Security and Privacy Office	870,300	871,700	871,700
2-1-1 Program	425,200	0	0
Public Safety Communications	639,600	818,700	818,700
5th Special Session Reduction	0	(321,200)	(321,200)
AGENCY TOTAL	8,271,600	7,894,000	7,894,000

FUND SOURCES

General Fund	1,489,900	757,300	757,300
<u>Other Appropriated Funds</u>			
Information Technology Fund	3,036,200	3,236,700	3,236,700
State Web Portal Fund	3,745,500	3,900,000	3,900,000
SUBTOTAL - Other Appropriated Funds	6,781,700	7,136,700	7,136,700
SUBTOTAL - Appropriated Funds	8,271,600	7,894,000	7,894,000
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	9,180,400	9,162,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	(18,000)	(1.4%)
Total - All Sources	(18,000)	(0.2%)

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

Information Technology Fund \$2,624,800
 State Web Portal Fund 3,900,000

The Baseline includes \$6,524,800 and 16 FTE Positions for the operating budget in FY 2011. These amounts consist of:

These amounts are unchanged from FY 2010.

Statewide Information Security and Privacy Office

The Baseline includes \$871,700 and 3 FTE Positions from the Information Technology Fund for the Statewide Information Security and Privacy Office in FY 2011. These amounts are unchanged from FY 2010.

This office performs strategic planning, policy development, and risk assessment to protect the state's information resources.

2-1-1 Program

The Baseline 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 Baseline includes \$818,700 and 4 FTE Positions from the General Fund for Public Safety Communications in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$(321,200) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(61,400)
Information Technology Fund	(259,800)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (GTA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenues from reimbursement grants to advance strategic initiatives through federal projects.		
Purpose of Fund: To administer monies as sub-contractor for federal projects.		
Funds Expended	593,000	1,268,400
Year-End Fund Balance	92,000	158,900
IGA and ISA Fund (GTA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	418,500	18,000
Year-End Fund Balance	18,000	0
Information Technology Fund (GTA2152/A.R.S. § 41-3505)		Appropriated
Source of Revenue: A pro rata share, currently 0.20% of total payroll, charged to all budget units subject to the Government Information Technology Agency (GITA) or the Information Technology Authorization Committee (ITAC) oversight.		
Purpose of Fund: To support GITA and ITAC in their performance of statewide information technology planning, oversight, coordination, and consulting.		
Funds Expended	3,036,200	3,236,700
Year-End Fund Balance*	633,100	(31,800)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
State Web Portal Fund (GTA2531/A.R.S. § 41-3506)		Appropriated
<p>Source of Revenue: Grants, donations, and web portal revenues, including any fees collected by NIC, Inc. in agreement for providing services on the web portal. The amount of web portal revenue forwarded directly to the contractor and not deposited in the fund shall not exceed \$3,000,000 in FY 2010. Beginning in FY 2011, all expenditures will be appropriated.</p> <p>Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. The web portal works with state agencies to provide electronic delivery of government services such as licensing, permitting, data sharing and access to government information.</p>		
Funds Expended	3,745,000	3,900,000
Year-End Fund Balance*	7,900	(3,612,100)

*As reported by the agency. Actual ending balance will not be negative.

Office of the Governor

JLBC: Bob Hull
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	6,750,300	7,605,300	7,605,300
OPERATING SUBTOTAL	6,750,300	7,605,300	7,605,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(561,400)	(561,400)
AGENCY TOTAL	6,750,300	7,043,900	7,043,900
FUND SOURCES			
General Fund	6,750,300	7,043,900	7,043,900
SUBTOTAL - Appropriated Funds	6,750,300	7,043,900	7,043,900
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	23,068,000	19,499,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	(3,568,800)	(22.3%)
Total - All Sources	(3,568,800)	(15.5%)

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 Baseline includes \$7,605,300 from the General Fund for the operating budget in FY 2011. This amount is unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(561,400) from the General Fund 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.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriation of \$7,605,300 for FY 2011 is \$10,000 for the purchase of mementos and items for visiting officials.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
County Fairs Livestock and Agricultural Promotion Fund (GVA2037/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Prior to FY 2010, 33% of 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, or \$1,800,000 from those sources whichever is less, were deposited into this fund. Laws 2009, 4th Special Session, Chapter 3, requires pari-mutuel proceeds and unclaimed property revenue to be distributed to the General Fund, rather than to Racing funds beginning in FY 2010. Beginning in FY 2010, \$1,779,500 is appropriated from the General Fund to the new County Fairs Livestock and Agricultural Promotion Special Line Item in the Arizona Department of Racing for deposit in the County Fairs Livestock and Agricultural Promotion Fund administered by the Office of the Governor. (The statutory distribution in FY 2008 was \$1,779,500.) Expenditures are not displayed in FY 2010 to avoid double counting the General Fund.		
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor.		
Funds Expended	1,668,500	0
Year-End Fund Balance	224,400	0
Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.		
Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Energy Conservation Fund (GVA3209/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Public or private gifts, grants and donations.		
Purpose of Fund: To promote energy conservation and encourage public service to Arizona by its citizens.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (GVA2000/A.R.S. § 4-101.01)		Non-Appropriated
Source of Revenue: Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona.		
Funds Expended	15,829,500	13,650,100
Year-End Fund Balance	1,892,200	1,613,500
Governor's Arizona Promotional and Public Service Fund (GVA3207/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Private gifts, grants, donations or monies, and interest earnings.		
Purpose of Fund: To promote the interests of the state or to encourage citizen public service to the state.		
Funds Expended	14,500	14,500
Year-End Fund Balance	35,500	36,000
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	1,333,500	1,333,500
Year-End Fund Balance	1,026,000	977,500

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	365,400	529,700
Year-End Fund Balance	317,600	187,900
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		Non-Appropriated
Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	496,300	496,300
Year-End Fund Balance	203,100	181,000

Governor's Office of Strategic Planning and Budgeting

JLBC: Bob Hull
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	26.0	23.0	22.0
Personal Services	1,453,200	1,453,200	1,453,200
Employee Related Expenditures	372,400	372,400	372,400
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	2,155,100	2,155,100
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(161,600)	(161,600)
AGENCY TOTAL	2,147,300	1,993,500	1,993,500

FUND SOURCES

General Fund	2,147,300	1,993,500	1,993,500
SUBTOTAL - Appropriated Funds	2,147,300	1,993,500	1,993,500
TOTAL - ALL SOURCES	2,147,300	1,993,500	1,993,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$2,155,100 and 22 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(161,600) from the General Fund 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.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Governor's Office of Strategic Planning and Budgeting was originally budgeted 23 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Governor's Office of Strategic Planning and Budgeting to reduce no additional FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011.

Department of Health Services

Summary

JLBC: Art Smith

OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
PROGRAM BUDGET			
Administration	35,325,300	34,060,000	34,060,000
Public Health	32,366,600	17,489,000	17,489,000
Family Health	87,775,700	92,573,700	103,815,100
Behavioral Health	1,308,588,400	1,292,761,900	1,426,469,500
Arizona State Hospital	68,164,700	68,156,600	68,156,600
Higher Federal Match Rate Savings - State	0	(133,171,600)	(70,133,900)
Higher Federal Match Rate Cost - Federal	0	133,171,600	70,133,900
5th Special Session Reduction	0	(13,972,200)	(13,972,200)
AGENCY TOTAL	1,532,220,700	1,491,069,000	1,636,018,000

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	1,818.4	1,628.4	1,588.4
Personal Services	48,307,000	48,648,700	48,648,700
Employee Related Expenditures	17,540,400	17,685,100	17,685,100
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	25,482,000	25,482,000
Equipment	314,600	254,400	254,400
OPERATING SUBTOTAL	100,190,900	101,322,000	101,322,000
Special Line Items (SLI)	1,432,029,800	1,389,747,000	1,534,696,000
AGENCY TOTAL	1,532,220,700	1,491,069,000	1,636,018,000

FUND SOURCES

General Fund	554,117,400	444,195,900	549,321,700
<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	1,578,000
Child Fatality Review Fund	92,800	99,100	99,100
Emergency Medical Services Operating Fund	4,835,600	5,154,800	5,154,800
Environmental Laboratory Licensure Revolving Fund	821,300	935,200	935,200
Federal Child Care and Development Fund Block Grant	797,800	832,200	832,200
Health Services Licensing Fund	521,800	4,493,400	8,656,100
Hearing and Speech Professionals Fund	314,000	321,900	321,900
Indirect Cost Fund	8,783,700	7,827,500	7,827,500
Newborn Screening Program Fund	5,384,100	6,812,700	6,812,700
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	36,324,800
Vital Records Electronic Systems Fund	468,000	433,700	433,700
SUBTOTAL - Other Appropriated Funds	61,751,900	80,410,800	84,573,500
SUBTOTAL - Appropriated Funds	615,869,300	524,606,700	633,895,200
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	916,351,400	966,462,300	1,002,122,800
SUBTOTAL - Expenditure Authority Funds	916,351,400	966,462,300	1,002,122,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,532,220,700	1,491,069,000	1,636,018,000

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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	1,907,246,200	2,052,195,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	105,125,800	23.7%
Other Appropriated Funds	4,162,700	5.2%
Expenditure Authority Fund	35,660,500	3.7%
Total Appropriated/Expenditure Authority Funds	144,949,000	9.7%
Non-Appropriated Funds	0	0.0%
Total - All Sources	144,949,000	7.6%

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.

Note: All policy issues are stated at the regular federal match rate.

Behavioral Health Caseload Growth	GF \$42,305,800 EA 91,076,400	ARRA Backfill	GF 63,037,700
FY 2008 Clawback Payment	GF 325,400	The Baseline includes an increase of \$63,037,700 from the General Fund in FY 2011 to account for the end of the enhanced federal match rate in December 2010.	
CRS Title XIX Caseload and Capitation Rate Growth	GF 3,619,600 EA 7,621,800	The 2009 American Recovery and Reinvestment Act (ARRA) increased the FMAP for Title XIX populations from October 1, 2008 until December 31, 2010. Typically, Arizona receives approximately a 2:1 match for most Title XIX services, but ARRA increases this amount to approximately a 3:1 match from October 1, 2008 to December 31, 2010. In FY 2010, the blended rate would have been 65.76%, but due to the enhanced FMAP, the federal government will pay 75.93% of Title XIX costs. In FY 2009, the federal government paid 66.2% of most Title XIX services from July 2008 through September 2008, 75.01% from October 2008 through March 2009, and 75.93% from April 2009 through June 2009. The increase from 75.01% to 75.93% was due to a formula specified in ARRA based on the state's unemployment rate.	
Assurance and Licensure Shift	GF (4,162,700) OF 4,162,700		
ARRA Backfill – Enhanced FMAP	GF 63,037,700 EA (63,037,700)		

Due to the temporary nature of the enhanced Federal Medical Assistance Percentage (FMAP), the General Appropriation Act includes the enhanced FMAP in a separate section. While costs shown in the individual cost center narratives reflect the regular FMAP, the DHS summary table includes the enhanced FMAP savings.

The following 3 line items appear only in the Summary.

Higher Federal Match Rate Savings - State

The Baseline includes \$(70,133,900) from the General Fund to continue the reduction as a result of temporary federal assistance in FY 2011. FY 2011 adjustments would be as follows:

In order to qualify for the enhanced FMAP, states:

- cannot lower existing eligibility limits for Title XIX populations;
- cannot increase county percent of state match;
- cannot increase monthly premiums for Title XIX enrollees; and
- cannot change redetermination periods.

States are allowed to reduce 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 and KidsCare Parents), administrative services (typically funded at 50%).

Higher Federal Match Rate Cost - Federal

The Baseline includes \$70,133,900 from the Federal Title XIX Expenditure Authority to continue the increase as a result of temporary federal assistance in FY 2011. FY 2011 adjustments would be as follows:

ARRA Backfill EA (63,037,700)

The Baseline includes a decrease of \$(63,037,700) from the Federal Title XIX Expenditure Authority in FY 2011 to account for the end of the enhanced federal match rate in December 2010.

5th Special Session Reduction

The Baseline 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 would be allocated to specific line items in the FY 2011 General Appropriation Act.

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution of Arizona.

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.

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, Seriously Mentally Ill Non-Title XIX, Children’s Behavioral Health Services, Children’s Behavioral Health State Match for Title XIX, Mental Health Non-Title XIX, Substance Abuse Non-Title XIX, and ~~Children’s Rehabilitative Services.~~

The lump sum reduction may not be taken against the appropriation made for Alzheimer’s Disease Research.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring Joint Legislative Budget Committee review of transfers to or from a Special Line Item to increase agency flexibility in implementing its lump sum reductions.

The Baseline would delete the one-time footnote stating the intent of the Legislature that Agencywide Lump Sum reductions are taken against administrative functions and not against programmatic functions.

STATUTORY CHANGES

The Baseline would, as session law, continue to permit the agency to raise fees in an amount not to exceed an aggregate collection of \$600,000 to offset an ongoing General Fund reduction initially implemented in FY 2009.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2010 Supplemental

DHS is estimated to have a \$44,500,300 General Fund shortfall in FY 2010. This estimate incorporates \$(5,774,200) in FMAP savings due to federal assistance provided under ARRA. This shortfall is due to higher than budgeted caseloads in Behavioral Health Services (BHS) and Children’s Rehabilitative Services (CRS).

The FY 2010 budget allowed for total BHS and CRS growth of 9.2% from June 2009 and June 2010. Based on year-to-date growth, it is now estimated that caseloads will grow by 21% during that same time period.

5% FTE Position Reduction

The Department of Health Services was originally budgeted 1,370.4 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation,

this provision requires the Department of Health Services to reduce an additional 29 FTE Positions in FY 2010 and 69 General Fund FTE Positions in FY 2011. This reduction is allocated to each division's operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Addiction Reduction and Recovery Fund (HSA2523/A.R.S. § 36-2007)		Non-Appropriated
Source of Revenue: FY 2007 appropriation of \$2,500,000 from the General Fund and any federal monies and private grants, gifts, and contributions to assist in carrying out the purposes of this fund.		
Purpose of Fund: For substance abuse and addiction prevention programs including methamphetamine abuse and addiction prevention programs.		
Funds Expended	336,200	0
Year-End Fund Balance	100	100
Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)		Appropriated
Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Title XIX reimbursement for services provided at the Arizona State Hospital, and monies collected for services to clients at the state hospital. The FY 2009 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2009, 1 st Special Session, Chapter 4) continued a session law that required Maricopa and Pima County to pay 86% of Restoration to Competency (RTC) costs and added the requirement that all other counties pay 50% of RTC costs in FY 2009. The FY 2010 Health and Welfare BRB (Laws 2009, 3 rd Special Session, Chapter 10) requires that all counties pay 100% of the daily cost of care for RTC patients.		
Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
Funds Expended	4,211,400	11,159,500
Year-End Fund Balance	2,846,800	2,846,800
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	123,300	150,000
Year-End Fund Balance	74,800	74,800
Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Appropriations from the Arizona Department of Administration Capital Outlay Stabilization Fund and transfers from the Arizona Department of Administration (<i>see Arizona Department of Administration for more detail on Capital Outlay Stabilization Fund</i>).		
Purpose of Fund: Lease-purchase payments for the new state health laboratory (transfers from Arizona Department of Administration are spent for building renewal).		
Funds Expended	1,572,500	1,578,000
Year-End Fund Balance	5,050,900	3,472,900
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$100,000. Any revenue collected in excess of \$100,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Economic Security.		
Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
Funds Expended	92,800	99,100
Year-End Fund Balance	77,900	2,500

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
Funds Expended	896,800	896,800
Year-End Fund Balance	1,020,100	810,400
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	6,400	400
Year-End Fund Balance	6,500	6,100
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	4,835,600	5,154,800
Year-End Fund Balance	773,700	392,500
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	821,300	935,200
Year-End Fund Balance	245,100	46,300
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities.		
Funds Expended	797,800	832,200
Year-End Fund Balance	189,000	100,500
Federal Grants (HSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and reimbursements from the federal government. Federal reimbursement for the Title XIX program is not included in this fund and can be found listed in the Title XIX Services and County Contributions Fund.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	297,893,600	297,031,900
Year-End Fund Balance	1,522,500	1,505,700
Health Services Licensure Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Nonrefundable fees for health care institution licensing services.		
Purpose of Fund: For health care institutions' licensing applications, initial license, renewal license and architectural drawing reviews. As permanent law, the FY 2010 Health and Welfare Budget Reconciliation Bill (BRB) allows DHS to establish nonrefundable fees for assurance and licensure. Prior to the Health and Welfare BRB, these fees were set forth in permanent law, however, the new law now allows the department to establish fees for health care institutions. Fees collected on or before December 31, 2009 are deposited into the General Fund, which is where revenues were deposited prior to the statutory change. Beginning January 1, 2010, 90% of assurance and licensure fees will be deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	521,800	4,493,400
Year-End Fund Balance	175,300	154,400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Hearing and Speech Professionals Fund (HSA6243/A.R.S. § 36-1903)		Appropriated
Source of Revenue: Monies collected by DHS from the examination and licensing of hearing and speech professionals.		
Purpose of Fund: For the licensing and regulation of hearing and speech professionals.		
Funds Expended	314,000	321,900
Year-End Fund Balance	175,300	154,400
IGA/County Contributions (HSA2144/2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund receives revenues from intergovernmental agreements between DHS and other state and local entities, contributions from Maricopa and Pima Counties for treating persons with behavioral health problems, subaccounts for Liquor Services Fees authorized under A.R.S. § 4-203.02, and deposits from the State Lottery Fund pursuant to A.R.S. § 5-522. In FY 2009, DHS received \$42.0 million from Maricopa and Pima County for behavioral health services, \$20.8 million from the Arizona Health Care Cost Containment System (AHCCCS) for KidsCare, \$4.7 million from the Department of Economic Security for nutrition services, and \$3.0 million from the Department of Corrections for substance abuse services. The department also received \$7.1 million from the State Lottery Fund for teenage pregnancy prevention, Health Start, and the Women, Infants, and Children (WIC) program.		
Purpose of Fund: To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.		
Funds Expended	90,599,100	94,141,600
Year-End Fund Balance	11,599,800	9,000,000
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	8,783,700	7,827,500
Year-End Fund Balance*	310,100	(715,100)
Internal Services Fund (HSA4202/A.R.S. § 36-108)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	0	0
Year-End Fund Balance	129,100	129,100
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: Monies received as part of the hospital charges for each child born in Arizona. Fee limits for newborn screening are \$30 for the first blood and hearing screening and \$40 for the second blood and hearing screening.		
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of 29 metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
Funds Expended	5,384,100	6,812,700
Year-End Fund Balance	1,364,700	427,500
Nursing Care Institution Resident Protection Fund (HSA2329/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	0	38,000
Year-End Fund Balance	479,300	441,300

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Oral Health Fund (HSA2329/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	300,800	480,000
Year-End Fund Balance	654,200	364,200
Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)		Non-Appropriated
Source of Revenue: Monies received from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
Purpose of Fund: To conduct health effects studies and risk assessments of public health risks from environmental exposure, to evaluate and calculate cleanup standards, to communicate health risks to the public, and for administrative costs of those activities.		
Funds Expended	26,600	26,600
Year-End Fund Balance	19,100	19,100
Serious Mental Illness Services Fund (HSA2464/A.R.S. § 36-503.02)		Non-Appropriated
Source of Revenue: Monies appropriated from the Tobacco Litigation Settlement Account, other legislative appropriations and interest earned on these monies. The fund received a one-time appropriation of \$50,000,000 from tobacco settlement funds in FY 2001. The final \$1,100,000 was spent in FY 2005.		
Purpose of Fund: To fund Community Housing, Vocational Rehabilitation, and other recovery support services to persons with serious mental illnesses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Smoke Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke Free Arizona Act) enacted in the 2006 General Election. The Smoke Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
Funds Expended	3,590,100	2,437,900
Year-End Fund Balance	590,400	956,800
State Hospital Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	1,039,100	1,150,000
Year-End Fund Balance	1,136,600	983,800
Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.		
Funds Expended	2,375,000	2,250,000
Year-End Fund Balance	272,700	315,400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Title XIX Services (HSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: The fund receives federal match dollars for treating behavioral health problems in Title XIX-eligible persons, federal match dollars for Title XIX-eligible persons in the Children's Rehabilitative Services (CRS) program.		
Purpose of Fund: For accounting purposes, these monies are considered part of the Agreements/IGA Fund. However, for informational purposes, the revenues and expenditures related to behavioral health and the CRS program have been separated from the Agreements Fund.		
Funds Expended	916,351,400	966,462,300
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund - Health Crisis Fund (HSA2312/A.R.S. § 36-797)		Non-Appropriated
Source of Revenue: The account receives transfers from the Medically Needy Account, which is managed by AHCCCS.		
Purpose of Fund: Monies may only be used for expenses incurred for a health crisis which is declared by the Governor by Executive Order. This fund was permanently repealed as part of the midyear FY 2009 budget revisions. Any balances remaining in the fund reverted to the General Fund.		
Funds Expended	388,000	0
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
Funds Expended	20,921,500	21,012,000
Year-End Fund Balance	0	0
Tobacco Tax and Health Care Fund - Health Research Account (DSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Partially-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund that is transferred from the Arizona Biomedical Research Commission.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
Appropriated Funds Expended	1,000,000	1,000,000
Non-Appropriated Funds Expended	0	0
Tobacco Tax and Health Care - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Partially-Appropriated
Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account. (See Tobacco Tax Table in the AHCCCS section.)		
Purpose of Fund: Monies are used for a variety of health programs that are intended to increase primary care and mental health services for uninsured and low-income populations.		
Appropriated Funds Expended	29,534,800	36,324,800
Non-Appropriated Funds Expended	0	0
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	468,000	433,700
Year-End Fund Balance*	141,700	(296,000)

*As reported by the agency. Actual ending balance will not be negative.

Department of Health Services

Administration

JLBC: Art Smith

OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	432.8	395.2	389.2
Personal Services	8,206,800	7,839,100	7,839,100
Employee Related Expenditures	3,175,000	2,959,300	2,959,300
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	11,735,500
Equipment	146,100	98,000	98,000
OPERATING SUBTOTAL	23,797,100	22,835,900	22,835,900
SPECIAL LINE ITEMS			
Assurance and Licensure	11,083,300	10,802,900	10,802,900
Attorney General Legal Services	444,900	421,200	421,200
PROGRAM TOTAL	35,325,300	34,060,000	34,060,000
FUND SOURCES			
General Fund	22,334,500	17,276,300	13,113,600
<u>Other Appropriated Funds</u>			
Capital Outlay Stabilization Fund	1,572,500	1,578,000	1,578,000
Emergency Medical Services Operating Fund	259,400	259,400	259,400
Federal Child Care and Development Fund Block Grant	797,800	832,200	832,200
Health Services Licensing Fund	521,800	4,493,400	8,656,100
Hearing and Speech Professionals Fund	314,000	321,900	321,900
Indirect Cost Fund	8,783,700	7,827,500	7,827,500
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	15,829,000	19,991,700
SUBTOTAL - Appropriated Funds	34,583,700	33,105,300	33,105,300
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	741,600	954,700	954,700
SUBTOTAL - Expenditure Authority Funds	741,600	954,700	954,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	35,325,300	34,060,000	34,060,000
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	39,943,600	39,943,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(4,162,700)	(24.1%)
Other Appropriated Funds	4,162,700	26.3%
Expenditure Authority Fund	0	0.0%
Total Appropriated/Expenditure Authority Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

Operating Budget

The Baseline includes \$22,835,900 and 213.6 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$12,742,400
Capital Outlay Stabilization Fund	1,578,000
Emergency Medical Services (EMS) Operating Fund	209,400
Indirect Cost Fund	7,827,500
Newborn Screening Program Fund	478,600

These amounts are unchanged from FY 2010.

Assurance and Licensure

The Baseline includes \$10,802,900 and 175.6 FTE Positions for Assurance and Licensure in FY 2011. These amounts consist of:

Health Services Licensing Fund	8,656,100
Federal Child Care and Development Fund (CCDF) Block Grant	832,200
Federal Title XIX Expenditure Authority	954,700
Hearing and Speech Professionals Fund	321,900
Nursing Care Institution Resident Protection Revolving Fund	38,000

FY 2011 adjustments would be as follows:

Assurance and Licensure Shift	GF	(4,162,700)
	OF	4,162,700

The Baseline 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 to annualize a shift in General Fund health care licensing costs to other funds first authorized.

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 DHS for Child Care licensing, DHS has

implemented a 6 month “Empower Pack Pilot” program. 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 Baseline 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.

* * *

FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

Department of Health Services

Public Health

JLBC: Art Smith

OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	245.1	213.6	209.7
Personal Services	3,667,200	2,842,000	2,842,000
Employee Related Expenditures	1,527,500	1,349,300	1,349,300
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	4,662,600	4,662,600
SPECIAL LINE ITEMS			
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	220,400	220,400
AIDS Reporting and Surveillance	1,114,700	1,000,000	1,000,000
Laboratory Services	4,540,600	4,686,700	4,686,700
Renal and Nonrenal Disease Management	138,700	198,000	198,000
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
Emergency Medical Services			
EMS Operations	2,928,600	2,405,500	2,405,500
Trauma Advisory Board	337,400	405,400	405,400
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	433,700	433,700
PROGRAM TOTAL	32,366,600	17,489,000	17,489,000
FUND SOURCES			
General Fund	22,564,700	10,821,900	10,821,900
<u>Other Appropriated Funds</u>			
Emergency Medical Services Operating Fund	4,097,000	4,298,200	4,298,200
Environmental Laboratory Licensure Revolving Fund	821,300	935,200	935,200
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	433,700	433,700
SUBTOTAL - Other Appropriated Funds	9,801,900	6,667,100	6,667,100
SUBTOTAL - Appropriated Funds	32,366,600	17,489,000	17,489,000
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	104,701,700	104,701,700

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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	104,701,700	104,701,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$4,662,600 and 94.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$3,825,300
Emergency Medical Services (EMS)	
Operating Fund	837,300

These amounts are unchanged from FY 2010.

Disease Control

County Tuberculosis Provider Care and Control

The Baseline 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 Baseline includes no funding for Diabetes Prevention and Control in FY 2011. This amount is unchanged from FY 2010.

This line item provides diabetes awareness information, including information about diabetes prevention, detection, and treatment through various sources such as newspaper, radio, and television ads.

Vaccines

The Baseline 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 is in addition to the approximately \$88,000,000 worth of vaccines received from the federal government.

Arizona Statewide Immunization Information System (ASIIS)

The Baseline includes \$220,400 and 5.4 FTE Positions from the General Fund for ASIIS in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline 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 provided \$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 1,333 clients per month in FY 2009.

Laboratory Services

The Baseline includes \$4,686,700 and 70.9 FTE Positions for Laboratory Services in FY 2010. These amounts consist of:

General Fund	3,751,500
Environmental Laboratory Licensure	935,200
Revolving Fund	

These amounts are unchanged from FY 2010.

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 Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline includes no funding for Community Health Centers in FY 2011. FY 2011 adjustments would be as follows:

State Fiscal Stabilization Fund GF 0

The Baseline continues a decrease of \$(11,600,000) from the General Fund and the use of an equivalent amount of federal state fiscal stabilization funds to offset the decrease in FY 2011. The American Recovery and Reinvestment Act (ARRA) provided Arizona with more than \$1 billion, including \$185 million that can be expended for any state expenses. Of the \$185 million, approximately \$105 million will be expended in FY 2010, including \$11.6 million for Community Health Centers. The remaining \$80 million (of the \$185 million) may be available for use in FY 2011, including \$11,600,000 for the Community Health Centers line item.

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. In FY 2009, funding in this line item paid for 85,916 primary care visits.

Telemedicine

The Baseline 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 Baseline 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 Baseline includes \$2,405,500 and 35 FTE Positions from the EMS Operating Fund for EMS Operations in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$405,400 and 4 FTE Positions from the EMS Operating Fund for the Trauma Advisory Board in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$990,000 from the General Fund for Poison Control Centers in FY 2011. This amount is unchanged from FY 2010.

The FY 2009 Health and Welfare Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 10) required 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 program and the Banner Poison Control Center.

The University of Arizona Poison Control line item provided 24-hour poison education services and treatment information at the University of Arizona Poison Information Center. The center received an average of 184 new calls each day in FY 2009 from all counties except Maricopa. The University of Arizona Poison Control Center is primarily staffed by pharmacists.

The Poison Control Centers line item provided funding for provision of poison control services in Maricopa County. Banner Poison Control Center received an average of 295 calls per day in FY 2009 and is primarily staffed by nurses.

Scorpion Antivenom

The Baseline 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 Baseline includes \$433,700 from the Vital Records Electronic Systems Fund for Vital Records Maintenance in FY 2011. This amount is unchanged from FY 2010.

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.

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

The Department of Health Services may use up to 4% of the amounts appropriated for Renal and Nonrenal Disease Management, ~~Community Health Centers and Telemedicine~~ for the administrative costs to implement the program.

The Department of Health Services shall distribute the entire appropriation for Alzheimer's Disease Research to grant recipients by September 30, 2010.

Deletion of Prior Year Footnotes

The Baseline would delete the footnotes related to Vaccines, Direct Grants, Reimbursement to Counties and Community Health centers since these programs no longer receive an appropriation.

The Baseline would delete the footnote requiring that the appropriation for AIDS Reporting and Surveillance and Renal and Nonrenal Disease Management be used to provide services only to legal residents of the United States or those who are present in the country legally. Laws 2009, 3rd Special Session, Chapter 7 amended permanent law to require proof of lawful presence before receiving public benefits.

Department of Health Services

Family Health

JLBC: Art Smith

OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	96.8	89.6	87.6
Personal Services	1,610,500	2,739,500	2,739,500
Employee Related Expenditures	595,300	1,158,900	1,158,900
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	5,009,000	5,009,000
SPECIAL LINE ITEMS			
Children's Rehabilitative Services	2,815,600	0	0
AHCCCS-Children's Rehabilitative Services	68,654,600	74,922,200	86,106,400
Medicaid Special Exemption Payments	1,707,000	1,664,900	1,722,100
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	1,348,600
Child Fatality Review Team	216,100	246,300	246,300
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	6,334,100	6,334,100
Senior Food Programs	41,300	0	0
PROGRAM TOTAL	87,775,700	92,573,700	103,815,100
FUND SOURCES			
General Fund	32,122,000	32,437,700	36,057,300
<u>Other Appropriated Funds</u>			
Child Fatality Review Fund	92,800	99,100	99,100
Emergency Medical Services Operating Fund	479,200	597,200	597,200
Newborn Screening Program Fund	5,384,100	6,334,100	6,334,100
TTHCF Medically Needy Account	333,700	400,000	400,000
SUBTOTAL - Other Appropriated Funds	6,289,800	7,430,400	7,430,400
SUBTOTAL - Appropriated Funds	38,411,800	39,868,100	43,487,700
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	49,363,900	52,705,600	60,327,400
SUBTOTAL - Expenditure Authority Funds	49,363,900	52,705,600	60,327,400
SUBTOTAL - Appropriated/Expenditure Authority Funds	87,775,700	92,573,700	103,815,100
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	307,592,800	318,834,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	3,619,600	11.2%
Other Appropriated Funds	0	0.0%
Expenditure Authority Fund	7,621,800	14.5%
Total Appropriated/Expenditure Authority Funds	11,241,400	12.1%
Non-Appropriated Funds	0	0.0%
Total - All Sources	11,241,400	3.7%

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 Baseline includes \$5,009,000 and 66.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$2,494,700
Federal Title XIX Expenditure Authority	2,514,300

These amounts are unchanged from FY 2010.

Children’s Rehabilitative Services

The Baseline 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 provides funding for uninsured children in the CRS program who are not eligible for Title XIX coverage.

AHCCCS - Children’s Rehabilitative Services

The Baseline includes \$86,106,400 for AHCCCS-CRS in FY 2011. This amount consists of:

General Fund	29,426,900
Federal Title XIX Expenditure Authority	56,679,500

FY 2011 adjustments would be as follows:

Formula Growth	GF	3,604,900
	EA	7,579,300

The Baseline includes an increase of \$11,184,200 for caseload and capitation changes in the Children’s Rehabilitative Services program in FY 2011. This amount consists of \$3,604,900 from the General Fund and \$7,579,300 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 19,337 members per month being served in FY 2011.

Medicaid Special Exemption Payments

The Baseline includes \$1,722,100 for Medicaid Special Exemption Payments in FY 2011. This amount consists of:

General Fund	588,500
Federal Title XIX Expenditure Authority	1,133,600

FY 2011 adjustments would be as follows:

Formula Growth	GF	14,700
	EA	42,500

The Baseline includes an increase of \$57,200 for Medicaid Special Exemption Payments related to Title XIX caseload and capitation changes in 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 Baseline 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 Baseline includes no funding for Adult Sickle Cell Anemia in FY 2011. This amount is unchanged from FY 2010.

This line item provides 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 Baseline includes \$1,348,600 and 1 FTE Position from the General Fund for the Breast and Cervical Cancer and Bone Density Screening in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$246,300 and 2 FTE Positions for the Child Fatality Review Team in FY 2011. This amount consists of:

Child Fatality Review Fund	99,100
Emergency Medical Services Operating Fund	147,200

These amounts are unchanged from FY 2010.

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 Baseline includes no funding for the County Prenatal Services Grant in FY 2011. This amount is unchanged from FY 2010.

This line item provides 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 Baseline 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 Baseline 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 Baseline includes \$6,334,100 and 18.5 FTE Positions from the Newborn Screening Program Fund for the Newborn Screening Program in FY 2011. These amounts are unchanged from FY 2010.

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 2010, the program will provide screening for approximately 106,588 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 Baseline includes no funding for Senior Food Programs in FY 2011. This amount is unchanged from FY 2010.

This line item provides 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.

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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 the AHCCCS – Children's Rehabilitative Services program.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the Joint Legislative Budget Committee to review transfers from the appropriations for AHCCCS-Children's Rehabilitative Services program to facilitate the agency's allocation of its available funding.

The Baseline would delete the footnote requiring the Department of Health Services to distribute part of the High Risk Perinatal Services appropriation to counties.

Department of Health Services
Behavioral Health

JLBC: Art Smith
 OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	166.0	155.5	153.0
Personal Services	3,509,700	5,000,100	5,000,100
Employee Related Expenditures	1,315,900	2,145,500	2,145,500
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	14,478,400	14,478,400
SPECIAL LINE ITEMS			
Administration			
Contract Compliance	3,340,100	4,861,800	4,861,800
Dual Eligible Part D Copay Subsidy	466,800	0	0
Medicare Clawback Payments	10,718,100	11,932,800	12,258,200
Medicaid Special Exemption Payments	21,825,900	23,096,500	25,677,100
Proposition 204 Administration	5,849,800	6,680,600	6,680,600
Children's Behavioral Health			
Children's Behavioral Health Services	8,313,800	8,320,700	8,320,700
CBH State Match for Title XIX	400,119,300	408,538,000	503,477,600
Proposition 204 Children's Behavioral Health Services	3,249,300	5,114,300	10,832,700
Seriously Mentally Ill			
Seriously Mentally Ill Non-Title XIX	53,899,700	57,849,700	57,849,700
Seriously Mentally Ill State Match for Title XIX	201,851,700	231,932,600	181,820,100
Proposition 204 Seriously Mentally Ill Services	235,190,300	234,503,400	250,983,300
Court Monitoring	197,500	197,500	197,500
Arnold v. Sarn	32,741,100	34,170,200	34,180,400
General Mental Health and Substance Abuse			
Mental Health Non-Title XIX	1,947,200	1,747,300	1,747,300
Substance Abuse Non-Title XIX	12,010,000	6,339,400	6,339,400
Mental Health and Substance Abuse State Match for Title XIX	114,266,400	121,462,700	129,527,600
Proposition 204 General Mental Health and Substance Abuse	124,597,700	121,536,000	177,237,100
Prior Year Federal Funds Draw Down	65,310,000	0	0
PROGRAM TOTAL	1,308,588,400	1,292,761,900	1,426,469,500
FUND SOURCES			
General Fund	414,182,000	474,956,700	517,587,900
<u>Other Appropriated Funds</u>			
Substance Abuse Services Fund	2,375,000	2,250,000	2,250,000
TTHCF Medically Needy Account	25,785,500	35,924,800	35,924,800
SUBTOTAL - Other Appropriated Funds	28,160,500	38,174,800	38,174,800
SUBTOTAL - Appropriated Funds	442,342,500	513,131,500	555,762,700
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	866,245,900	779,630,400	870,706,800
SUBTOTAL - Expenditure Authority Funds	866,245,900	779,630,400	870,706,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,308,588,400	1,292,761,900	1,426,469,500

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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	1,399,664,600	1,533,372,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	42,631,200	9.0%
Other Appropriated Funds	0	0.0%
Expenditure Authority Fund	91,076,400	11.7%
Total Appropriated/Expenditure Authority Funds	133,707,600	10.3%
Non-Appropriated Funds	0	0.0%
Total - All Sources	133,707,600	9.6%

COST CENTER DESCRIPTION — The Behavioral Health program administers most mental health services for the state both adult and children's behavioral health services, substance abuse treatment and seriously emotionally handicapped children. Most services are provided through contracts with 5 Regional Behavioral Health Authorities (RBHAs) which then subcontract for provision of services with a provider network.

Note: All policy issues are stated at the regular federal match rate.

Title XIX Caseload and Inflation Overview

The Baseline includes an increase of \$133,707,600 for expected growth in the Title XIX Behavioral Health Programs. This adjustment would consist of \$42,631,200 from the General Fund and \$91,076,400 from Federal Title XIX Expenditure Authority (EA).

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 Baseline 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 Baseline 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.

	Jun. 2009 <u>Actual</u>	Nov. 2009 <u>Actual</u>	Jun. 2010 <u>Estimate</u>	Jun. 2011 <u>Estimate</u>
CBH	30,420	32,136	33,905	35,834
SMI	23,266	24,098	24,672	24,924
GMH/SA	55,573	57,301	61,333	65,365

The Baseline 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.

Table 2 on the following page 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. An increase in the Federal Medical Assistance Percentage (FMAP) means the state will pay approximately \$(831,700) less in state match in FY 2011. These amounts are incorporated into *Table 1*. The increase also includes changes in behavioral health

Table 2

General Fund Title XIX Behavioral Health Projections^{1/}

	FY 2010 Appropriated	FY 2010 Revised	FY 2011	FY 2011 Above FY 2010 Appropriated
Medicare Clawback Payments	\$ 11,932,800	\$ 11,781,700	\$ 12,258,200	\$ 325,400
Medicaid Special Exemption Payments	7,909,400	8,792,800	8,775,200	865,800
CBH	140,782,500	158,487,000	172,063,400	31,280,900
CBH Proposition 204	1,762,400	3,110,600	3,702,100	1,939,700
SMI	79,924,100	72,955,600	62,130,300	(17,793,800)
SMI Proposition 204	80,859,700	96,255,600	85,773,500	4,913,800
GMH/SA ^{2/}	41,856,100	42,517,100	44,266,100	2,410,000
GMH/SA Proposition 204	<u>41,881,400</u>	<u>55,550,900</u>	<u>60,570,800</u>	<u>18,689,400</u>
Total	\$406,908,400	\$449,451,300	\$449,539,600	\$42,631,200

1/ These amounts represent spending under the regular FMAP.

2/ Base amounts include \$3,600,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

services and Medicaid Special Exemption Payments but does not address any changes in administrative costs. These amounts do not include adjustments to the FMAP under the American Recovery and Reinvestment Act.

Operating Budget

The Baseline includes \$14,478,400 and 110.6 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts consist of:

General Fund	\$3,728,900
Federal Title XIX Expenditure Authority	10,749,500

These amounts are unchanged from FY 2010.

Administration

Contract Compliance

The Baseline includes \$4,861,800 and 42.4 FTE Positions for Contract Compliance in FY 2011. These amounts consist of:

General Fund	1,182,700
Federal Title XIX Expenditure Authority	3,679,100

These amounts are unchanged from FY 2010.

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 Baseline 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 Baseline includes \$12,258,200 from the General Fund for Medicare Clawback Payments in FY 2011. FY 2011 adjustments would be as follows:

Clawback Payments	GF	325,400
The Baseline includes an increase of \$325,400 from the General Fund in FY 2011 for Medicare Clawback Payments.		

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 Baseline includes \$25,677,100 for Medicaid Special Exemption Payments in FY 2011. This amount consists of:

General Fund	8,775,200
Federal Title XIX Expenditure Authority	16,901,900

FY 2011 adjustments would be as follows:

Formula Growth	GF	865,800
	EA	1,714,800

The Baseline includes an increase of \$2,580,600 in FY 2011 for increased Medicaid Special Exemption Payments related to Title XIX caseload growth.

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 Baseline 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 Baseline includes \$8,320,700 from the General Fund for Children's Behavioral Health Services (CBH) Services in FY 2011. This amount is unchanged from FY 2010.

This line item provides 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 Baseline includes \$503,477,600 for CBH State Match for Title XIX in FY 2011. This amount consists of:

General Fund	172,063,400
Federal Title XIX Expenditure Authority	331,414,200

FY 2011 adjustments would be as follows:

Formula Growth	GF	31,280,900
	EA	63,658,700

The Baseline includes an increase of \$94,939,600 in FY 2011 for Title XIX Children's Behavioral Health caseload and capitation rate growth. 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 33,527, of the eligible population will utilize services.

Proposition 204 Children's Behavioral Health Services

The Baseline includes \$10,832,700 for Proposition 204 CBH Services in FY 2011. This amount consists of:

General Fund	3,702,100
Federal Title XIX Expenditure Authority	7,130,600

FY 2011 adjustments would be as follows:

Formula Growth	GF	1,939,700
	EA	3,778,700

The Baseline includes an increase of \$5,718,400 in FY 2011 for Proposition 204 Children's Behavioral Health caseload growth. 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 Baseline includes \$57,849,700 for SMI Non-Title XIX services in FY 2011. This amount consists of:

General Fund	26,024,900
Tobacco Tax and Health Care Fund	31,824,800
Medically Needy Account	

These amounts are unchanged from FY 2010.

This line item provides funding for treatment for SMI clients that are not eligible for Title XIX coverage.

Seriously Mentally Ill State Match for Title XIX

The Baseline includes \$181,820,100 for SMI State Match for Title XIX in FY 2011. This amount consists of:

General Fund	62,130,300
Federal Title XIX Expenditure Authority	119,689,800

FY 2011 adjustments would be as follows:

Formula Growth	GF	(17,793,800)
	EA	(32,318,700)

The Baseline includes a decrease of \$(50,112,500) in FY 2011 for Title XIX Seriously Mentally Ill caseload and capitation rate growth. 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 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 3.7%, or 13,975, of the eligible population will utilize services. As of November 2009, there are 12,013 adults who utilize services in this program each month.

Proposition 204 Seriously Mentally Ill Services

The Baseline includes \$250,983,300 for Proposition 204 Seriously Mentally Ill (SMI) Services in FY 2011. This amount consists of:

General Fund	85,773,500
Federal Title XIX Expenditure Authority	165,209,800

FY 2011 adjustments would be as follows:

Formula Growth	GF	4,913,800
	EA	11,566,100

The Baseline includes an increase of \$16,479,900 in FY 2011 for Proposition 204 SMI caseload and capitation rate growth. 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 3.7%, or 14,059, of the eligible population will utilize services. As of November 2009, there are 12,085 adults who utilize services in this program each month.

Court Monitoring

The Baseline includes \$197,500 from the General Fund for Court Monitoring in FY 2011. This amount is unchanged from FY 2010. This line item provides 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.

Arnold v. Sarn

The Baseline includes \$34,180,400 for *Arnold v. Sarn* in FY 2011. This amount consists of:

General Fund	24,569,500
Federal Title XIX Expenditure Authority	9,610,900

FY 2011 adjustments would be as follows:

Increased FMAP	EA	10,200
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The Baseline includes an increase of \$10,200 in Federal Title XIX Expenditure Authority in FY 2011 to account for the expected change in the Federal Medical Assistance Percentage (FMAP) from Federal Fiscal Year (FFY) 2010 to FFY 2011.

This line item provides additional funding in order to address the requirements of the *Arnold v. Sarn* lawsuit. It is 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. Funding in this line item does not represent all of the resources dedicated to addressing 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.

General Mental Health and Substance Abuse

General Mental Health and Substance Abuse (GMH/SA) funding assists adults who do not qualify as SMI.

Mental Health Non-Title XIX

The Baseline includes \$1,747,300 for Mental Health Non-Title XIX services in FY 2011. This amount consists of:

General Fund	1,247,300
Tobacco Tax and Health Care Fund	500,000
Medically Needy Account	

These amounts are unchanged from FY 2010.

This line item provides funding for mental health treatment services for adults who require treatment but are not diagnosed SMI and are 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 Baseline includes \$6,339,400 for Substance Abuse Non-Title XIX services in FY 2011. This amount consists of:

General Fund	4,089,400
Substance Abuse Services Fund	2,250,000

These amounts are unchanged from FY 2010.

This line item provides 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 Baseline includes \$129,527,600 for Mental Health and Substance Abuse (GMH/SA) State Match for Title XIX in FY 2011. This amount consists of:

General Fund	40,666,100
Tobacco Tax and Health Care Fund	3,600,000
Medically Needy Account	
Federal Title XIX Expenditure Authority	85,261,500

FY 2011 adjustments would be as follows:

Formula Growth	GF	2,410,000
	EA	5,654,900

The Baseline includes a decrease of \$8,064,900 in FY 2011 for Title XIX GMH/SA caseload and capitation rate growth.

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. As of November 2009, there are 28,565 adults who utilize services in this program each month.

Proposition 204 General Mental Health and Substance Abuse

The Baseline includes \$177,237,100 for Proposition 204 GMH/SA in FY 2011. This amount consists of:

General Fund	60,570,800
Federal Title XIX Expenditure Authority	116,666,300

FY 2011 adjustments would be as follows:

Formula Growth	GF	18,689,400
	EA	37,011,700

The Baseline includes an increase of \$55,701,100 in FY 2011 for Proposition 204 GMH/SA caseload and capitation rate growth. 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 Baseline 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.

FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that the total amount available in the *Arnold v. Sarn* line item be used for the population covered by the *Arnold v. Sarn* lawsuit in counties with a population of 2 million or more persons and for seriously mentally ill persons that meet the same criteria as those covered by the *Arnold v. Sarn* lawsuit in counties with populations of less than 2 million persons.

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.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the Joint Legislative Budget Committee to review transfers from the appropriations for Children's Behavioral Health Services to facilitate the agency's allocation of its available funding.

STATUTORY CHANGES

The Baseline would, as session law, continue to require DHS to provide a list of priority services for non-title XIX services on their website and provide 30 days' notice before revising priorities. It would continue to specify that behavioral health providers and division contractors are not liable for refusing to provide uncompensated or underfunded nonemergency, non-title XIX behavioral health services to persons who are not seriously mentally ill.

Department of Health Services

Arizona State Hospital

JLBC: Art Smith

OSPB: Chris Hall

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	877.7	774.5	748.9
Personal Services	31,312,800	30,228,000	30,228,000
Employee Related Expenditures	10,926,700	10,072,100	10,072,100
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	6,027,400	6,027,400
Equipment	132,400	105,000	105,000
OPERATING SUBTOTAL	54,939,900	54,336,100	54,336,100
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	9,578,100	9,578,100
Arizona State Hospital Forensic Unit Debt Service	0	3,111,700	3,111,700
PROGRAM TOTAL	68,164,700	68,156,600	68,156,600
FUND SOURCES			
General Fund	62,914,200	55,847,100	55,847,100
<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	68,156,600	68,156,600
Other Non-Appropriated Funds	1,160,200	1,159,100	1,159,100
TOTAL - ALL SOURCES	69,324,900	69,315,700	69,315,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

COST CENTER DESCRIPTION — Provides inpatient psychiatric hospitalization services for adolescent and adults 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 Baseline includes \$54,336,100 and 582.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$45,306,800
Arizona State Hospital Fund	7,879,300
ASH Land Earnings Fund	1,150,000

These amounts are unchanged from FY 2010.

Community Placement Treatment

The Baseline 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.

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FORMAT — Agencywide Operating Lump Sum with Special Line Items by Program

Electronic Medical Records

The Baseline 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 Baseline includes \$9,888,400 and 166.2 FTE Positions for the Sexually Violent Persons (SVP) Special Line Item in FY 2011. These amounts consist of:

General Fund	7,738,900
Arizona State Hospital Fund	2,149,500

These amounts are unchanged from FY 2010.

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 79 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 5 individuals living in the community but still under ASH’s jurisdiction and surveillance. An additional 17 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 Baseline 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.

STATUTORY CHANGES

The Baseline would:

- As session law, continue a FY 2010 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 10) provision requiring all counties to pay 100% of their Restoration to Competency costs.
- As session law, continue a FY 2010 Health and Welfare BRB provision requiring all counties to pay 25% of their Sexually Violent Persons costs.

Arizona Historical Society

JLBC: Bob Hull
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	59.9	52.9	50.9
Personal Services	1,270,500	1,268,000	1,268,000
Employee Related Expenditures	536,500	557,900	557,900
Professional and Outside Services	11,300	0	0
Other Operating Expenditures	255,600	266,200	266,200
OPERATING SUBTOTAL	2,073,900	2,092,100	2,092,100
SPECIAL LINE ITEMS			
Field Services & Grants	65,000	65,000	65,000
Papago Park Museum	2,073,100	1,907,800	1,907,800
AGENCY TOTAL	4,212,000	4,064,900	4,064,900
FUND SOURCES			
General Fund	4,017,800	3,870,700	3,870,700
<u>Other Appropriated Funds</u>			
Capital Outlay Stabilization Fund	194,200	194,200	194,200
SUBTOTAL - Other Appropriated Funds	194,200	194,200	194,200
SUBTOTAL - Appropriated Funds	4,212,000	4,064,900	4,064,900
Other Non-Appropriated Funds	1,150,500	1,027,500	1,048,500
TOTAL - ALL SOURCES	5,362,500	5,092,400	5,113,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	21,000	2.0%
Total - All Sources	21,000	0.4%

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 Baseline includes \$2,092,100 and 37.3 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Field Services & Grants

The Baseline includes \$65,000 and 1 FTE Position from the General Fund for Field Services and Grants in FY 2011. These amounts are unchanged from FY 2010.

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.

Papago Park Museum

The Baseline includes \$1,907,800 and 12.6 FTE Positions for the Papago Park Museum in FY 2011. These amounts consist of:

General Fund	\$1,713,600
Capital Outlay Stabilization Fund	194,200

These amounts are unchanged from FY 2010.

This line item funds operation of the Papago Park Museum.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Arizona Historical Society was originally budgeted 53.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Arizona Historical Society to reduce an additional 1 FTE Position in FY 2010 and 3 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying Arizona Department of Administration (ADOA) owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	194,200	194,200
Year-End Fund Balance	0	0
Federal Grants (HIA2000/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		Non-Appropriated
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	352,100	337,700
Year-End Fund Balance	130,200	72,300
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		Non-Appropriated
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	56,000	27,900
Year-End Fund Balance	20,700	20,300
Private Fund (HIA9447/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	476,800	406,500
Year-End Fund Balance	774,800	634,400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Private Grants Fund (HIA9449/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Derived from the following sources: AHS Foundation; National Endowment for the Humanities; DeGrazia Foundation. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	49,100	28,700
Year-End Fund Balance	20,800	11,600
Restricted Fund (HIA9448/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Private restricted donations. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used for specific projects as designated by donor.		
Funds Expended	213,000	217,100
Year-End Fund Balance	356,400	277,100
Trust Fund (HIA9450/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	3,500	9,600
Year-End Fund Balance	257,700	252,200

Prescott Historical Society of Arizona

JLBC: Bob Hull
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	16.0	14.0	13.0
Personal Services	393,200	429,800	429,800
Employee Related Expenditures	212,000	222,800	222,800
Professional and Outside Services	2,400	2,500	2,500
Other Operating Expenditures	17,900	36,900	36,900
AGENCY TOTAL	625,500	692,000	692,000

FUND SOURCES			
General Fund	625,500	692,000	692,000
SUBTOTAL - Appropriated Funds	625,500	692,000	692,000
Other Non-Appropriated Funds	925,900	869,900	869,900
TOTAL - ALL SOURCES	1,551,400	1,561,900	1,561,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$692,000 and 13 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Prescott Historical Society of Arizona was originally budgeted 14 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Prescott Historical Society of Arizona to reduce no additional FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)		Non-Appropriated
Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.		
Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.		
Funds Expended	925,900	869,900
Year-End Fund Balance	200,500	105,300

Arizona Department of Homeland Security

JLBC: Eric Billings

OSP: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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 FOR LEGISLATIVE CONSIDERATION

Homeland Security Grants

Grants received by the department from Federal Fiscal Year (FFY) 2006 to FFY 2009 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 2006	FFY 2007	FFY 2008	FFY 2009
SHSGP	\$ 8,660,000	\$9,120,000	\$13,400,000	\$13,086,500
LETPP	6,290,000	6,520,000	-	-
CCP	371,600	281,500	291,900	290,400
UASI	3,920,000	16,820,000	16,315,500	15,335,200
MMRS	929,300	1,032,600	1,284,900	1,284,900
BZPP	567,000	2,077,500	597,000	400,000
EMP	3,312,800	4,550,000	5,804,800	6,096,600
OPSG	6,353,200	885,000	9,850,000	12,850,000
TSGP	300,000	246,800	771,200	-
PSIC	-	17,713,100	-	-
UASI-NP	-	193,700	423,800	330,000
EOC	-	-	1,000,000	31,500
IECGP	-	-	797,200	923,900
Total	\$30,703,900	\$59,440,200	\$50,536,300	\$50,629,000

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 \$13,086,500 from this grant in FFY 2009.

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 \$290,400 was available for this program in FFY 2009.

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 \$15,335,200 for this program in FFY 2009.

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 \$1,284,900 was allocated through this grant in FFY 2009.

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 2009, Arizona received \$400,000.

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 2009, Arizona received \$6,096,600.

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. In FFY 2009, Arizona received \$12,850,000.

Transit Security Grant Program (TSGP)

This grant provides funding for increased security in high-threat urban areas that have critical infrastructure. In FFY 2009, 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 2009, 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. In FFY 2009, Arizona received \$330,000.

Emergency Operations Center (EOC)

This program provides funding for the development of emergency operations centers. In FFY 2009, Arizona received \$31,500.

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 2009, Arizona received \$923,900.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Funds (HLA2000/A.R.S. § 41-4254)		Non-Appropriated
Source of Revenue: Grants received from the U.S. Department of Homeland Security. Homeland Security funds received by Arizona prior to FY 2007 are reported in the Arizona Department of Emergency and Military Affairs budget.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grant total to be used for administrative costs.		
Funds Expended	41,737,300	47,607,000
Year-End Fund Balance	22,500	15,500

Board of Homeopathic and Integrated Medicine Examiners

JLBC: Steve Grunig
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	54,600	54,800	54,800
Employee Related Expenditures	24,900	22,100	22,100
Professional and Outside Services	26,600	22,600	22,600
Travel - In State	1,200	1,300	1,300
Other Operating Expenditures	9,200	4,100	4,100
Equipment	800	0	0
AGENCY TOTAL	117,300	104,900	104,900

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Homeopathic and Integrated Medicine Examiners' Fund	117,300	104,900	104,900
SUBTOTAL - Other Appropriated Funds	117,300	104,900	104,900
SUBTOTAL - Appropriated Funds	117,300	104,900	104,900
TOTAL - ALL SOURCES	117,300	104,900	104,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 1 of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

* * *

The Baseline includes \$104,900 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopaths. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate homeopaths, and for board administration.		
Funds Expended	117,300	104,900
Year-End Fund Balance	45,600	43,900

Arizona Department of Housing

JLBC: Eric Billings
 OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	11.0	11.0
Personal Services	587,500	592,300	592,300
Employee Related Expenditures	211,800	203,500	203,500
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	87,900
Equipment	3,400	10,200	10,200
AGENCY TOTAL	911,300	949,600	949,600

FUND SOURCES

Other Appropriated Funds

Housing Trust Fund	911,300	949,600	949,600
SUBTOTAL - Other Appropriated Funds	911,300	949,600	949,600
SUBTOTAL - Appropriated Funds	911,300	949,600	949,600
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	145,895,700	149,907,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	4,012,000	2.8%
Total - All Sources	4,012,000	2.7%

AGENCY DESCRIPTION — Through a variety of housing and community improvement programs, the department annually administers approximately \$144.9 million in 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 Baseline includes \$949,600 and 11 FTE Positions from the Housing Trust Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Funds (HDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	75,347,500	121,965,000
Year-End Fund Balance	1,138,400	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Housing Development Fund (HDA2313/A.R.S. § 41-3956)		Non-Appropriated
Source of Revenue: Monies transferred through legislation from the Housing Trust Fund. The Legislature transferred \$500,000 from the Housing Trust Fund in FY 1999 and FY 2001. No new appropriations are being sought for this fund.		
Purpose of Fund: To provide incentives for the development of affordable housing around state prisons for state prison employees.		
Funds Expended	8,800	0
Year-End Fund Balance	0	0
Housing Program Fund (HDA9600/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), fees charged from conferences and workshops, and fees from the Section 8 project-based contract administration program.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs. Additionally, at the Director's election, to transfer to any fund established by the Arizona Housing Finance Authority in connection with any bonds or certificates issued by the Arizona Housing Finance Authority.		
Funds Expended	3,491,300	2,837,300
Year-End Fund Balance	4,971,700	3,224,400
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Partially-Appropriated
Source of Revenue: Receives the first \$10,500,000 from the proceeds of the sales of unclaimed property and interest income. Laws 2009, 4 th Special Session, Chapter 3 removed the provision that the Housing Trust Fund receive 55% of unclaimed property sale proceeds and instead appropriated the first \$10,500,000 in unclaimed property sale proceeds to the fund.		
Purpose of Fund: For expenses related to the provision of affordable housing opportunities to low and moderate income families. The appropriated portion pays for administration expenses, and may not exceed 10% of the Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. <i>(See Housing Development Fund detail for additional information).</i>		
Appropriated Funds Expended	911,300	949,600
Non-Appropriated Funds Expended	31,204,400	17,043,800
Year-End Fund Balance	31,475,100	20,311,800
IGA & ISA Fund (HDA2500/A.R.S. § 41-3952)		Non-Appropriated
Source of Revenue: Interagency Service Agreements including \$2,500,000 from the Housing Trust Fund through an interagency agreement to support the programs of the Arizona Housing Finance Authority (AZHFA). The fund will also receive monies through fees earned by the finance authority.		
Purpose of Fund: The fund supports the activities of the AZHFA which issues bonds to finance single and multi-family housing programs. Majority of funds relate to a Housing Trust Fund ISA with AZHFA for homeownership and multi-family programs.		
Funds Expended	6,595,900	3,100,000
Year-End Fund Balance	4,310,200	3,195,500

Independent Redistricting Commission

JLBC: Jack Brown
 OSPB: N/A

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	256,200	0	500,000
AGENCY TOTAL	256,200	0	500,000
FUND SOURCES			
General Fund	256,200	0	500,000
SUBTOTAL - Appropriated Funds	256,200	0	500,000
TOTAL - ALL SOURCES	256,200	0	500,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	500,000	N/A
Total Appropriated Funds	500,000	N/A
Total - All Sources	500,000	N/A

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 Baseline includes \$500,000 from the General Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Fund Redistricting Commission GF \$500,000

The Baseline 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 of CY 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 Baseline 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 \$9,552,700. 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.

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FORMAT — Lump Sum by Agency

FOOTNOTES

New Footnotes

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.

Arizona Commission of Indian Affairs

JLBC: Ted Nelson
 OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	123,200	29,600	29,600
Employee Related Expenditures	30,900	10,100	10,100
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	126,600
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(9,500)	(9,500)
AGENCY TOTAL	208,000	117,100	117,100

FUND SOURCES

General Fund	208,000	117,100	117,100
SUBTOTAL - Appropriated Funds	208,000	117,100	117,100
TOTAL - ALL SOURCES	208,000	117,100	117,100

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$126,600 and 3 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(9,500) from the General Fund 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 Appropriations Act.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
IGA and ISA Fund (IAA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		Non-Appropriated
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	0
Year-End Fund Balance	7,400	7,400
Publications Fund (IAA4013/A.R.S. § 41-543)		Non-Appropriated
Source of Revenue: Sale of commission publications.		
Purpose of Fund: To produce and distribute commission publications. At fiscal year end, amounts in excess of \$15,000 revert to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	800	1,600
Statewide Donations Fund (IAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 21 tribes and nations of Arizona, as well as private corporations.		
Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. ACIA is required by statute to facilitate this day on the second Tuesday of each regular legislative session.		
Funds Expended	0	0
Year-End Fund Balance	20,000	39,900

Industrial Commission of Arizona

JLBC: Bob Hull
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	294.0	279.0	279.0
Personal Services	8,694,800	10,113,900	10,113,900
Employee Related Expenditures	3,385,300	3,739,800	3,739,800
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	19,983,100	19,983,100

FUND SOURCES

Other Appropriated Funds

Industrial Commission Administrative Fund	17,591,600	19,983,100	19,983,100
SUBTOTAL - Other Appropriated Funds	17,591,600	19,983,100	19,983,100
SUBTOTAL - Appropriated Funds	17,591,600	19,983,100	19,983,100

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	81,394,300	80,794,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	(599,400)	(1.0%)
Total - All Sources	(599,400)	(0.7%)

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 Baseline includes \$19,983,100 and 279 FTE Positions from the Industrial Commission Administrative Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Fund Transfers

The budget included the FY 2009 transfer to the General Fund of \$4,685,000 from the non-appropriated Special

Fund. The Industrial Commission filed a lawsuit with the Maricopa County Superior Court claiming that any transfer from the Special Fund to the General Fund would be illegal. Due to the unresolved lawsuit, on June 29, 2009, a Superior Court judge issued a Temporary Restraining Order to prevent the state from transferring the \$4,685,000 from the Special Fund. The transfer still has not been completed.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (ICA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	4,336,300	4,344,600
Year-End Fund Balance	2,350,000	1,590,900
Industrial Commission Administrative Fund (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that can not exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	17,591,600	19,983,100
Year-End Fund Balance	2,780,400	544,700
Revolving Fund (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	158,900	184,200
Year-End Fund Balance	127,800	140,500
Special Fund (ICA9003/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	75,138,200	56,882,400
Year-End Fund Balance	7,029,300	587,200

Department of Insurance

JLBC: Eric Billings
 OSPB: Jennifer Uharriet

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	106.5	93.5	90.5
Personal Services	3,383,100	3,524,400	3,524,400
Employee Related Expenditures	1,367,400	1,399,700	1,399,700
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	919,600
Equipment	23,500	25,000	25,000
OPERATING SUBTOTAL	5,939,800	6,082,000	6,082,000
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	5,625,800	5,625,800
FUND SOURCES			
General Fund	6,403,200	5,625,800	5,625,800
SUBTOTAL - Appropriated Funds	6,403,200	5,625,800	5,625,800
Other Non-Appropriated Funds	7,436,500	7,225,800	7,265,700
TOTAL - ALL SOURCES	13,839,700	12,851,600	12,891,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	39,900	0.6%
Total - All Sources	39,900	0.3%

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 Baseline includes \$6,082,000 and 90.5 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are 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.

Managed Care and Dental Plan Oversight

The Baseline includes no funding for Managed Care and Dental Plan Oversight in FY 2011. This amount is unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(456,200) from the General Fund 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.

FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would:

- As session law, suspend the statutory provision that fees collected by the department fall between 95% and 110% of the department's appropriation for FY 2012. Fee revenue is deposited into the General Fund.
- As permanent law, continue the provision allowing the department to use up to \$100,000 from the Captive Insurance Regulatory and Supervision Fund for operating costs.

5% FTE Position Reduction

The Department of Insurance was originally budgeted 95.5 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Insurance to reduce an additional 2 FTE Positions in FY 2010 and 5 General Fund FTE Positions in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)		Non-Appropriated
Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
Purpose of Fund: To provide for the administrative costs associated with finding liability insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	198,000	135,100
Year-End Fund Balance	10,800	53,700
Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)		Non-Appropriated
Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.		
Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry. Monies are also used to cover the department's related administration costs.		
Funds Expended	141,600	135,500
Year-End Fund Balance	366,600	100,000
Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)		Non-Appropriated
Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	364,800	400,900
Year-End Fund Balance	62,700	10,600
Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)		Non-Appropriated
Source of Revenue: One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start-up and on-going costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	219,600	231,900
Year-End Fund Balance	13,100	27,900

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance. Monies are also used to cover the department's related administrative costs.		
Funds Expended	4,298,900	4,081,200
Year-End Fund Balance	450,300	290,200
Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	1,437,100	1,446,200
Year-End Fund Balance	33,521,100	33,516,200
Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	721,600	726,700
Year-End Fund Balance	32,021,700	35,195,000
Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	54,900	68,300
Year-End Fund Balance	87,000	69,700

Judiciary - Supreme Court

JLBC: Jon McAvoy
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	194.0	173.0	169.0
Personal Services	5,934,000	6,068,900	6,068,900
Employee Related Expenditures	1,511,000	2,287,000	2,287,000
Professional and Outside Services	589,500	200,200	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	8,066,300
OPERATING SUBTOTAL	15,631,300	16,719,900	16,719,900
SPECIAL LINE ITEMS			
State Aid	5,796,700	5,982,900	5,982,900
County Reimbursements	187,900	187,900	187,900
Automation	11,938,700	12,255,800	12,255,800
Case and Cash Management System	1,503,300	6,643,100	1,517,300
Foster Care Review Board	2,373,800	2,626,400	2,626,400
Court Appointed Special Advocate	2,815,700	3,051,900	3,051,900
Model Court	442,600	447,600	447,600
Domestic Relations	507,400	545,600	545,600
Judicial Nominations and Performance Review	282,300	333,800	333,800
Commission on Judicial Conduct	394,400	434,800	434,800
Photo Radar Enforcement	2,369,900	4,056,600	4,056,600
5th Special Session Reduction	0	(80,000)	(80,000)
AGENCY TOTAL	44,244,000	53,206,300	48,080,500
FUND SOURCES			
General Fund	16,181,600	17,262,100	17,262,100
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	320,000	488,700	488,700
Court Appointed Special Advocate Fund	2,713,700	2,949,900	2,949,900
Criminal Justice Enhancement Fund	2,949,200	3,663,200	3,037,400
Defensive Driving School Fund	5,041,600	5,331,000	5,331,000
Judicial Collection Enhancement Fund	11,820,500	16,509,300	12,009,300
Photo Enforcement Fund	2,369,900	4,056,600	4,056,600
State Aid to the Courts Fund	2,847,500	2,945,500	2,945,500
SUBTOTAL - Other Appropriated Funds	28,062,400	35,944,200	30,818,400
SUBTOTAL - Appropriated Funds	44,244,000	53,206,300	48,080,500
Other Non-Appropriated Funds	12,705,600	19,701,300	19,701,300
TOTAL - ALL SOURCES	56,949,600	72,907,600	67,781,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(5,125,800)	(14.3%)
Total Appropriated Funds	(5,125,800)	(9.6%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(5,125,800)	(7.0%)

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 Baseline includes \$16,719,900 and 99.8 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$12,664,000
Confidential Intermediary and Fiduciary Fund	488,700
Defensive Driving School Fund	705,700
Judicial Collection Enhancement Fund (JCEF)	2,861,500

These amounts are unchanged from FY 2010.

State Aid

The Baseline includes \$5,982,900 and 3.3 FTE Positions for State Aid in FY 2011. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	3,037,400
State Aid to the Courts Fund	2,945,500

These amounts are unchanged from FY 2010.

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 Baseline 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 Baseline includes \$12,255,800 and 13 FTE Positions for Automation in FY 2011. These amounts consist of:

Defensive Driving School Fund	4,473,600
JCEF	7,782,200

These amounts are unchanged from FY 2010.

The Automation line item provides funding for court automation projects throughout the state.

Case and Cash Management System

The Baseline includes \$1,517,300 for the Case and Cash Management System in FY 2011. This amount consists of:

Defensive Driving School Fund	151,700
JCEF	1,365,600

FY 2011 adjustments would be as follows:

Reduce One-Time Funding OF (5,125,800)

The Baseline 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)

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 Baseline includes \$2,626,400 and 34.2 FTE Positions from the General Fund for the Foster Care Review Board in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$3,051,900 and 5.5 FTE Positions for the Court Appointed Special Advocate (CASA) in FY 2011. These amounts consist of:

General Fund	102,000
CASA	2,949,900

These amounts are unchanged from FY 2010.

The Court Appointed Special Advocate 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 Baseline 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 Baseline includes \$545,600 and 4.9 FTE Positions from the General Fund for Domestic Relations in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$333,800 and 4.3 FTE Positions from the General Fund for Judicial Nominations and Performance Review in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$434,800 and 4 FTE Positions from the General Fund for Commission on Judicial Conduct in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$4,056,600 from the Photo Radar Enforcement Fund in FY 2011. This amount is unchanged from FY 2010.

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 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 6) continued to exempt state photo enforcement citations from being included in judicial productivity credit calculations in FY 2010. (Please see the Department of Public Safety narrative and Statutory Changes for more information.)

5th Special Session Reduction

The Baseline includes \$(80,000) from the General Fund 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials.

The Administrative Office of the Courts shall not transfer monies between the Supreme Court operating budget and the Automation line item without review by the Joint Legislative Budget Committee.

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 one 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.

STATUTORY CHANGES

The Baseline would:

- 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.
- 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 a new felony offense.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FTE Allocation

Supreme Court FTE Positions have been realigned between line items to reflect current usage.

5% FTE Position Reduction

The Supreme Court was originally budgeted 139.5 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Supreme Court to reduce an additional 3 FTE Positions in FY 2010 and 7 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)		Non-Appropriated
Source of Revenue: The fund consists of 0.35% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 2.42% of civil filings in Justice of the Peace Courts.		
Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.		
Funds Expended	163,600	750,000
Year-End Fund Balance*	798,100	(236,900)
Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)		Non-Appropriated
Source of Revenue: Fees, costs and penalties relating to reporter certification.		
Purpose of Fund: For reporter certification.		
Funds Expended	113,800	115,500
Year-End Fund Balance	113,100	98,000
Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)		Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.		
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependent child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.		
Funds Expended	320,000	488,700
Year-End Fund Balance	249,800	136,400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)		Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.		
Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
Funds Expended	2,713,700	2,949,900
Year-End Fund Balance	609,700	205,900
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% of CJEF monies are used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% of CJEF monies are used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	2,949,200	3,663,200
Year-End Fund Balance	2,071,300	166,400
Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)		Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.		
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state. In FY 2009, the AOC spent approximately \$4.5 million for court automation projects.		
Funds Expended	5,041,600	5,331,000
Year-End Fund Balance	1,999,700	0
Grants and Special Revenue Fund (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	11,140,200	17,238,100
Year-End Fund Balance	7,238,600	2,890,100
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 14.02% to 15.58% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. (<i>See Supreme Court for information regarding non-Maricopa counties.</i>)		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services. Funds represented here reflect the amount shifted from the Supreme Court budget to the Superior Court budget for probation officer salaries and programs.		
Funds Expended	11,820,500	16,509,300
Year-End Fund Balance	5,794,600	1,918,000
Arizona Lengthy Trial Fund (SPA2382/A.R.S. § 21-222)		Non-Appropriated
Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
Purpose of Fund: To pay juror expenses in cases that last longer than 5 days. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund.		
Funds Expended	557,600	887,700
Year-End Fund Balance*	289,700	(50,500)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Photo Enforcement Fund (SPA2390/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Citation and notice of violation (NOV) revenue generated by the State Photo Enforcement System through use of fixed and mobile speed and red light enforcement cameras. The cost per citation or NOV is a fixed cost of \$165, which is all deposited into the Photo Enforcement Fund, plus a 10% clean elections surcharge. Any money remaining in the fund in excess of \$250,000 at the end of each quarter is deposited into the state General Fund.		
Purpose of Fund: To provide funding for non-capital automation and payment collection costs associated with citations from the state photo enforcement system. <i>(See the Department of Public Safety Summary of Funds section for other purposes of this fund.)</i>		
Funds Expended	2,369,900	4,056,600
Year-End Fund Balance	705,300	5,300
Public Defender Training Fund (SPA3013/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
Purpose of Fund: For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.		
Funds Expended	730,400	710,000
Year-End Fund Balance	44,700	34,300
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		Appropriated
Source of Revenue: Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.		
Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.		
Funds Expended	2,847,500	2,945,500
Year-End Fund Balance	639,300	170,500

*As reported by the agency. Actual ending balance will not be negative.

Judiciary - Court of Appeals

JLBC: Jon McAvoy
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
PROGRAM BUDGET			
Division I	9,588,600	9,813,000	9,813,000
Division II	4,273,700	4,350,500	4,350,500
Lump Sum Reduction	0	(100,000)	(100,000)
AGENCY TOTAL	13,862,300	14,063,500	14,063,500
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	147.5	137.8	133.8
Personal Services	9,815,400	10,071,600	10,071,600
Employee Related Expenditures	2,517,600	2,870,200	2,870,200
Professional and Outside Services	39,300	12,500	12,500
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	960,100
Equipment	142,700	75,000	75,000
OPERATING SUBTOTAL	13,862,300	14,163,500	14,163,500
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(100,000)	(100,000)
AGENCY TOTAL	13,862,300	14,063,500	14,063,500
FUND SOURCES			
General Fund	13,862,300	14,063,500	14,063,500
SUBTOTAL - Appropriated Funds	13,862,300	14,063,500	14,063,500
TOTAL - ALL SOURCES	13,862,300	14,063,500	14,063,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$14,163,500 and 133.8 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts include \$9,813,000 and 97.4 FTE Positions for Division I and \$4,350,500 and 36.4 FTE Positions for Division II. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(100,000) from the General Fund 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.

* * *

FORMAT — Operating Lump Sum by Subprogram

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Court of Appeals was originally budgeted 140.8 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Court of Appeals to reduce an additional 3 FTE Positions in FY 2010 and 7 General Fund FTE Positions in FY 2011.

Judiciary - Superior Court

JLBC: Jon McAvoy
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
SPECIAL LINE ITEMS			
<i>Full Time Equivalent Positions</i>	230.5	226.5	222.5
Judges Compensation	17,556,800	16,523,600	16,628,900
Adult Probation Programs			
Adult Standard Probation	14,402,100	13,621,300	13,621,300
Adult Intensive Probation	11,025,800	10,817,000	10,817,000
Community Punishment	1,993,500	2,320,400	2,320,400
Interstate Compact	635,500	650,900	650,900
Sex Offenders GPS Monitoring	405,100	0	0
Drug Court	996,300	1,013,600	1,013,600
Probation Surcharge	2,667,500	5,032,100	5,032,100
Juvenile Probation Programs			
Juvenile Standard Probation	5,037,200	4,614,300	4,614,300
Juvenile Intensive Probation	8,985,500	9,389,900	9,389,900
Juvenile Treatment Services	22,338,200	22,358,900	22,358,900
Juvenile Family Counseling	640,000	660,400	660,400
Juvenile Diversion Consequences	9,367,000	9,344,900	9,344,900
Juvenile Crime Reduction	4,137,900	5,155,500	5,155,500
Special Water Master	20,000	20,000	20,000
Other			
5th Special Session Reduction	0	(820,000)	(820,000)
AGENCY TOTAL	100,208,400	100,702,800	100,808,100
FUND SOURCES			
General Fund	91,409,500	88,194,800	88,300,100
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	5,636,500	6,975,900	6,975,900
Drug Treatment and Education Fund	494,900	500,000	500,000
Judicial Collection Enhancement Fund	2,667,500	5,032,100	5,032,100
SUBTOTAL - Other Appropriated Funds	8,798,900	12,508,000	12,508,000
SUBTOTAL - Appropriated Funds	100,208,400	100,702,800	100,808,100
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	108,930,500	109,035,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	105,300	0.1%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	105,300	0.1%
Non-Appropriated Funds	0	0.0%
Total - All Sources	105,300	0.1%

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.

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.)*

These monies were transferred in FY 2008 to the Superior Court budget from the Supreme Court for the statewide GPS monitoring of sex offenders. Prior to FY 2008, GPS monitoring was funded in the Supreme Court's budget.

Drug Court

The Baseline 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 9 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 Baseline includes \$5,032,100 and a 0.8 FTE Position from the Judicial Collection Enhancement Fund (JCEF) for the Probation Surcharge in FY 2011. These amounts are unchanged from FY 2010.

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 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 Baseline includes \$4,614,300 and 3.6 FTE Positions from the General Fund for Juvenile Standard Probation in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$9,389,900 and 5.4 FTE Positions from the General Fund for Juvenile Intensive Probation in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$22,358,900 and 16.6 FTE Positions from the General Fund for Juvenile Treatment Services in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline 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 Baseline includes \$9,344,900 from the General Fund for Juvenile Diversion Consequences in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$5,155,500 and 7 FTE Positions from CJEF for Juvenile Crime Reduction in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline 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.

5th Special Session Reduction

The Baseline includes \$(820,000) from the General Fund 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.

* * *

FORMAT — Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Of the 222.5 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.

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.

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.

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.

STATUTORY CHANGES

The Baseline would, 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FTE Allocation

Supreme Court FTE Positions have been realigned between line items to reflect current usage.

5% FTE Position Reduction

The Superior Court was originally budgeted 223.1 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Superior Court to reduce an additional 5 FTE Positions in FY 2010 and 11 General Fund FTE Positions in FY 2011. This reduction has not been allocated in the narrative since the agency does not have an operating budget; the agency may allocate to Special Line Items. The Superior Court revised their FY 2010 estimate to 222.8; as a result, the aforementioned FTE reductions have been applied to this figure.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)		Non-Appropriated
Source of Revenue: Discretionary fines imposed by the courts on drug offenders.		
Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.		
Funds Expended	0	100,000
Year-End Fund Balance	132,700	66,800
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% of CJEF monies are used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% of CJEF monies are used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	5,636,500	6,975,900
Year-End Fund Balance*	1,916,000	(94,600)
Drug and Gang Enforcement Account (SPA2074/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
Funds Expended	1,782,900	2,287,400
Year-End Fund Balance	0	0
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Partially-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads.		
Appropriated Funds Expended	494,900	500,000
Non-Appropriated Funds Expended	3,764,700	3,947,600
Year-End Fund Balance	646,100	384,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Grants and Special Revenue Fund (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	2,276,100	1,867,700
Year-End Fund Balance*	(30,800)	139,800
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 14.02% to 15.58% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. <i>(See Supreme Court for information regarding non-Maricopa counties.)</i>		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services. Funds represented here reflect the amount shifted from the Supreme Court budget to the Superior Court budget for probation officer salaries and programs.		
Funds Expended	2,667,500	5,032,100
Year-End Fund Balance	932,500	235,800
Juvenile Delinquent Reduction Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts. These expenditures appear as General Fund expenditures in the appropriated budget.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses.		
Funds Expended	0	0
Year-End Fund Balance	1,051,600	567,500
State Aid to Detention Fund (SPA2141/A.R.S. § 41-2417)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To provide state assistance to counties in maintaining, expanding, and operating juvenile detention centers. On behalf of the juvenile court, the Administrative Office of the Courts may use monies in the fund to enter into agreements with public agencies or private entities to acquire land for, build, purchase, lease-purchase, lease, maintain, expand, or operate juvenile detention centers.		
Funds Expended	23,100	25,000
Year-End Fund Balance	56,100	32,400

*As reported by the agency. Actual ending balance will not be negative.

Department of Juvenile Corrections

JLBC: Jon McAvoy
 OSPB: Kris Okazaki

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	1,163.7	1,029.7	1,001.7
Personal Services	47,862,800	43,945,700	43,945,700
Employee Related Expenditures	16,883,800	17,293,900	17,293,900
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	8,094,100
Equipment	425,300	59,900	59,900
OPERATING SUBTOTAL	79,548,200	72,631,900	72,631,900
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(5,365,100)	(5,365,100)
AGENCY TOTAL	79,548,200	67,266,800	67,266,800

FUND SOURCES

General Fund	72,552,900	63,331,200	63,331,200
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	614,600	556,000	556,000
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	2,281,000	2,281,000
SUBTOTAL - Other Appropriated Funds	6,995,300	3,935,600	3,935,600
SUBTOTAL - Appropriated Funds	79,548,200	67,266,800	67,266,800
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	70,289,700	70,289,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$72,631,900 and 1,001.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund \$68,466,200
 Criminal Justice Enhancement Fund (CJEF) 601,100

State Charitable, Penal and Reformatory
 Institutions Land Fund 1,098,600
 State Education Fund for Committed Youth 2,466,000

These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline 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)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Juvenile Corrections was originally budgeted 985.7 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% GF FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Juvenile Corrections to reduce an additional 21 General Fund FTE Positions in FY 2010 and 49 General Fund FTE Positions in FY 2011.

DJC Youth Census		
	FY 2009 Youth Population	FY 2010 Youth Population as of October 31, 2009
Adobe Mountain	290	204
Black Canyon	58	78
Catalina Mountain	102	91
Eagle Point	<u>148</u>	<u>124</u>
Total Housed Population	598	497
Parole	450	479

SUMMARY OF FUNDS

**FY 2009
Actual** **FY 2010
Estimate**

Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)

Appropriated

Source of Revenue: Receives 1.61% of state Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.

Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.

Funds Expended	614,600	556,000
Year-End Fund Balance	1,300	69,700

DJC Career Technical Education Fund (DJA2326/A.R.S. § 41-2828)

Non-Appropriated

Source of Revenue: Proceeds generated by any department educational, vocational, treatment, training, or work program, including the sale of unneeded equipment or supplies.

Purpose of Fund: To pay expenses that are required for any educational, vocational, treatment, training or work program established by the department.

Funds Expended	0	0
Year-End Fund Balance	0	0

DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)

Non-Appropriated

Source of Revenue: Federal, state, and local appropriations distributed by the director from the Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.

Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.

Funds Expended	14,700	15,000
Year-End Fund Balance	13,600	13,600

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Funds (DJA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Grants.		
Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Job Training Partnership Act, substance abuse, and other federal programs.		
Funds Expended	2,394,800	2,634,800
Year-End Fund Balance	881,100	586,300
IGA and ISA Fund (DJA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To provide training to DJC staff in behavioral therapy, motivational interviewing, and child and family teams, and some supplemental funding for attainment of juvenile treatment goals.		
Funds Expended	269,700	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	300	97,500
Year-End Fund Balance	116,000	88,500
Instructional Improvement Fund (DJA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming received through the Arizona Department of Education (ADE). The ADE Instructional Improvement Fund receives 56% of total shared revenue, as authorized by Proposition 202 from the 2002 General Election. <i>(See ADE section for more information.)</i>		
Purpose of Fund: To fund teacher compensation increases, class size reductions, dropout prevention, and instructional improvement programs.		
Funds Expended	15,000	15,000
Year-End Fund Balance	20,900	20,900
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)		Non-Appropriated
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency director, or for special student activities.		
Funds Expended	105,600	48,100
Year-End Fund Balance	96,700	93,200
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund.		
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.		
Funds Expended	3,956,900	1,098,600
Year-End Fund Balance	828,300	79,700
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)		Appropriated
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
Purpose of Fund: To help provide for the education of committed youth.		
Funds Expended	2,423,800	2,281,000
Year-End Fund Balance	237,400	87,300

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)		Non-Appropriated
Source of Revenue: Classroom Site Fund monies received from the Arizona Department of Education, pursuant to A.R.S. § 15-977. The Classroom Site Fund received monies from a 0.6% sales tax approved by the voters in the November 2000 General Election (Proposition 301).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	208,100	205,000
Year-End Fund Balance	244,000	214,000
Statewide Employee Recognition Gifts/Donations Fund (DJA2025/DJA2449/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	1,400	2,500
Year-End Fund Balance	8,000	5,500
Training Institute Fund (DJA2001/A.R.S. § 41-2824)		Non-Appropriated
Source of Revenue: Monies received from grants, gifts, donations, services or other financial assistance.		
Purpose of Fund: To train tribal personnel who have limited access to training within their jurisdictions.		
Funds Expended	0	5,000
Year-End Fund Balance	9,000	6,000

State Land Department

JLBC: Jay Chilton

OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	232.9	207.9	204.9
Personal Services	7,089,400	6,459,900	6,459,900
Employee Related Expenditures	2,383,700	2,140,500	2,140,500
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	1,982,200
Equipment	581,800	225,000	225,000
OPERATING SUBTOTAL	13,616,000	13,037,700	13,037,700
SPECIAL LINE ITEMS			
CAP User Fees	311,100	481,200	385,000
Due Diligence Fund	0	500,000	500,000
Environmental County Grants	0	75,000	75,000
Fire Suppression Operating Expenses	2,397,000	2,718,700	2,718,700
Fire Suppression	3,000,000	3,000,000	3,000,000
Inmate Fire Crews	1,128,400	741,900	741,900
Natural Resource Conservation Districts	354,600	650,000	650,000
5th Special Session Reduction	0	(536,900)	(536,900)
AGENCY TOTAL	20,807,100	20,667,600	20,571,400
FUND SOURCES			
General Fund	17,547,100	6,622,200	6,526,000
<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	3,000,000	3,465,000	3,465,000
Trust Land Management Fund	0	9,820,400	9,820,400
SUBTOTAL - Other Appropriated Funds	3,260,000	14,045,400	14,045,400
SUBTOTAL - Appropriated Funds	20,807,100	20,667,600	20,571,400
Other Non-Appropriated Funds	28,200,500	26,752,600	26,749,300
TOTAL - ALL SOURCES	49,007,600	47,420,200	47,320,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(96,200)	(1.5%)
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	(96,200)	(0.5%)
Non-Appropriated Funds	(3,300)	0.0%
Total - All Sources	(99,500)	(0.2%)

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. The department is also responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total).

Operating Budget

The Baseline includes \$13,037,700 and 150.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$3,217,300
Trust Land Management Fund	9,820,400

These amounts are unchanged from FY 2010.

CAP User Fees

The Baseline includes \$385,000 from the General Fund for Central Arizona Project (CAP) User Fees in FY 2011. FY 2011 adjustments would be as follows:

Reduced CAP Water Rights GF (96,200)

The Baseline 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 Baseline 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.

Environmental County Grants

The Baseline includes \$75,000 from the State Parks Heritage Fund funding for Environmental County Grants in FY 2011. This amount is unchanged from FY 2010.

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 Land Department must approve any project prior to expenditure of the monies.

Fire Suppression Operating Expenses

The Baseline includes \$2,718,700 and 41 FTE Positions from the General Fund for the Fire Suppression Operating Expenses Special Line Item in FY 2011. These amounts are unchanged from FY 2010.

Monies in this Special Line Item (SLI) are used to fund the Division of Forestry. The Division of Forestry is primarily responsible for fire suppression and pre-suppression activities in the state and forest management. The Special Line Item does not include expenses paid to other entities that provide fire suppression assistance.

Fire Suppression

The Baseline includes \$3,000,000 from the State Parks Heritage Fund for Fire Suppression in FY 2011. This amount is unchanged from FY 2010.

This SLI 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. Continuing to fund this SLI from the State Parks Heritage Fund would require additional legislative action. (*Please see Statutory Changes section below.*)

Inmate Fire Crews

The Baseline includes \$741,900 and 13 FTE Positions from the General Fund for Inmate Fire Crews in FY 2011. These amounts are unchanged from FY 2010.

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.

Natural Resource Conservation Districts

The Baseline includes \$650,000 for Natural Resource Conservation Districts (NRCDS) in FY 2011. This amount consists of:

State Parks Heritage Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2010.

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 NRCDS 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 and co-sponsored by 27 NRCDs. The \$30,000 is divided among the 21 education centers, meaning each center receives \$1,428. Districts which 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 Baseline includes \$(536,900) from the General Fund 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the report on the increase in Trust land management activity based on the increased funding for Trust land management provided to the agency in FY 2006 through FY 2008 because those increases have been eliminated in the budget reductions since the midyear FY 2008 revisions.

STATUTORY CHANGES

The Baseline would continue a provision from the FY 2010 Environment BRB (Laws 2009, 3rd Special Session, Chapter 5) suspending the statutory General Fund appropriation for wild land fire suppression and appropriating an equal amount from the State Parks Heritage Fund. The appropriation from the Heritage Fund

will be made as 2 appropriations of \$1,500,000, the first on January 1, 2011 and the second on April 1, 2011. At the end of calendar year 2011, the unobligated balance in the Fire Suppression Fund above \$2,000,000 reverts to the Heritage Fund.

The Baseline would continue a provision granting fee raising authority to the State Land Department and appropriating the additional revenue earned from the increased fees to the department. Recreation fees are exempt from the fee raising authority. Additional revenue is limited to \$600,000.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The State Land Department was originally budgeted 106 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Land Department to reduce an additional 2 FTE Positions in FY 2010 and 5 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

Separate State Forester's Office Appropriation from State Land Department

Laws 2004, Chapter 326, Section 4 amended statute 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. For most purposes, including budgeting within the agencies, the State Land Department and the Forestry Division operate as separate agencies. Currently, the Forestry Division's appropriation is made as various Special Line Items within the State Land Department's appropriation. However, since the State Forester no longer reports to the State Land Commissioner and reports to the Governor and since the functions of the agencies are separate, JLBC Staff recommends that the State Forester's funding be made separately from the State Land Department in the General Appropriation Act.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		Non-Appropriated
Source of Revenue: Reimbursements to the state for back water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	134,000	0
Year-End Fund Balance	0	13,000
Community Protection Initiative Fund (FOA2343/A.R.S. § 37-641)		Non-Appropriated
Source of Revenue: Legislative appropriations, private and federal monies, grants, gifts, and contributions. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide grants to communities at risk of wildfire to complete community wildfire protection plans.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Cooperative Forestry Fund (FOA2232/A.R.S. § 37-624)		Non-Appropriated
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	9,232,800	7,804,200
Year-End Fund Balance	4,455,900	3,095,100
Due Diligence Fund (LDA2526/A.R.S. § 37-110)		Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To fund Due Diligence studies.		
Funds Expended	0	500,000
Year-End Fund Balance	30,300	30,300
Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)		Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects.		
Funds Expended	260,000	260,000
Year-End Fund Balance	43,800	13,800
Federal Funds (LDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for urban and rural forestry, resource conservation, development of forest lands, insect and disease control, fire training and protection of forests, and other forestry projects.		
Purpose of Fund: For resource conservation and development, in accordance with the requirements of each grant.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)		Non-Appropriated
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	295,400	0
Year-End Fund Balance	110,800	110,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Fire Suppression Fund (FOA2360/A.R.S. § 37-623.02)		Non-Appropriated
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wildland Fire Emergency Council and other monies. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. If the unobligated balance of the fund exceeds \$2,000,000 at the end of any Calendar Year, the excess shall be transferred to the General Fund. In FY 2009 and FY 2010, the appropriation was shifted from the General Fund to the State Parks Heritage Fund. At the end of Calendar Years 2009 and 2010, any balance in the fund exceeding \$2,000,000 will revert to the State Parks Heritage Fund.		
Purpose of Fund: To cover the costs of fighting fires on public and private lands.		
Funds Expended	17,564,600	17,884,100
Year-End Fund Balance	7,649,300	211,700
State Parks Heritage Fund (PRA2296/A.R.S. § 41-502)		Appropriated
Source of Revenue: Annual transfer from the Lottery Fund to the State Parks Board of up to \$10,000,000, and interest earnings. In FY 2009, the fund received the full \$10,000,000 transfer from the Lottery and \$697,800 in interest earnings. The FY 2010 expenditures assume the fund will receive \$10,433,900 in revenue from the Lottery and from interest earnings.		
Purpose of Fund: Of the total allocation for the State Parks Board, the Legislature has appropriated \$3,465,000 for fire suppression, environmental county grants, and Natural Resource Conservation Districts.		
Funds Expended	3,000,000	3,465,000
Year-End Fund Balance	0	0
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Collections from other state agencies for services and products provided by the State Land Department.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	129,000	0
Year-End Fund Balance	170,300	0
Military Airport Land Exchange Fund (No Fund Number/A.R.S. § 37-1224)		Non-Appropriated
Source of Revenue: Legislative appropriations and land exchange proposal-processing fees.		
Purpose of Fund: To fund the expenses of the military airport land exchange section for the purpose of facilitating exchanges of federal land for private land near military airports.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
Funds Expended	74,700	286,000
Year-End Fund Balance	44,400	44,400
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	301,800	288,300
Year-End Fund Balance	318,200	289,900
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		Non-Appropriated
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
State Land Department Fund (LDA2451/A.R.S. § 37-108)		Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	468,200	490,000
Year-End Fund Balance	268,800	178,800
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Up to 10% of the proceeds from sale of State Trust land and natural resources.		
Purpose of Fund: To fund the management of the 9.3 million acres of State Trust land throughout the state.		
Funds Expended	0	9,820,400
Year-End Fund Balance	0	640,700
Universities Timber Land Account Fund (LDA3134/A.R.S. § 37-482)		Non-Appropriated
Source of Revenue: Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.		
Purpose of Fund: To fund expenses incurred by the State Land Department for the conservation, sale, and administration of timber and timber products located on state lands where the University Land Fund is the beneficiary.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Law Enforcement Merit System Council

JLBC: Eric Billings
 OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	57,200	57,700	57,700
Employee Related Expenditures	16,000	16,000	16,000
Travel - In State	400	400	400
Other Operating Expenditures	3,300	3,600	3,600
OPERATING SUBTOTAL	76,900	77,700	77,700
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(5,800)	(5,800)
AGENCY TOTAL	76,900	71,900	71,900
FUND SOURCES			
General Fund	76,900	71,900	71,900
SUBTOTAL - Appropriated Funds	76,900	71,900	71,900
TOTAL - ALL SOURCES	76,900	71,900	71,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$77,700 and 1 FTE Position from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(5,800) from the General Fund 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.

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FORMAT — Lump Sum by Agency

Legislature - Auditor General

JLBC: Steve Grunig
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	209.4	205.4	199.4
Personal Services	11,432,500	11,515,700	11,515,700
Employee Related Expenditures	2,062,400	3,755,200	3,755,200
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	1,255,700
Equipment	102,300	567,300	567,300
OPERATING SUBTOTAL	14,902,500	17,888,300	17,888,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(1,341,600)	(1,341,600)
PROGRAM TOTAL	14,902,500	16,546,700	16,546,700

FUND SOURCES

General Fund	14,902,500	16,546,700	16,546,700
SUBTOTAL - Appropriated Funds	14,902,500	16,546,700	16,546,700
Other Non-Appropriated Funds	2,174,200	2,613,900	2,613,900
TOTAL - ALL SOURCES	17,076,700	19,160,600	19,160,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$17,888,300 and 199.4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(1,341,600) from the General Fund 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.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Auditor General was originally budgeted 209.4 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Auditor General to reduce an additional 4 FTE Positions in FY 2010 and 10 General Fund FTE Positions in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		Non-Appropriated
Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.		
Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.		
Funds Expended	2,174,200	2,613,900
Year-End Fund Balance	1,127,200	943,800

Legislature - House of Representatives

JLBC: Bob Hull
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	12,608,100	13,908,300	13,908,300
OPERATING SUBTOTAL	12,608,100	13,908,300	13,908,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(907,400)	(907,400)
AGENCY TOTAL	12,608,100	13,000,900	13,000,900
FUND SOURCES			
General Fund	12,608,100	13,000,900	13,000,900
SUBTOTAL - Appropriated Funds	12,608,100	13,000,900	13,000,900
TOTAL - ALL SOURCES	12,608,100	13,000,900	13,000,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$13,908,300 from the General Fund for the operating budget in FY 2011. This amount is unchanged from FY 2010.

Included in the Lump Sum appropriation of \$13,908,300 for FY 2011 is \$1,000 for the purchase of mementos and items for visiting officials.

5th Special Session Reduction

The Baseline includes \$(907,400) from the General Fund 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.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Legislature - Joint Legislative Budget Committee

JLBC: Bob Hull
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	35.0	30.0	29.0
Personal Services	1,609,900	1,920,500	1,920,500
Employee Related Expenditures	509,800	569,600	569,600
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	2,754,900	2,754,900
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(206,600)	(206,600)
AGENCY TOTAL	2,407,100	2,548,300	2,548,300

FUND SOURCES

General Fund	2,407,100	2,548,300	2,548,300
SUBTOTAL - Appropriated Funds	2,407,100	2,548,300	2,548,300
TOTAL - ALL SOURCES	2,407,100	2,548,300	2,548,300

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$2,754,900 and 29 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(206,600) from the General Fund 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.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Joint Legislative Budget Committee was originally budgeted 31 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Joint Legislative Budget Committee to reduce an additional 1 FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011.

Legislature - Legislative Council

JLBC: Bob Hull
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	49.8	43.8	42.8
Personal Services	2,426,400	2,534,900	2,534,900
Employee Related Expenditures	739,900	830,000	830,000
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	4,303,400	4,303,400
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	554,000	552,800	552,800
AGENCY TOTAL	5,219,500	4,856,200	4,856,200

FUND SOURCES

General Fund	5,219,500	4,856,200	4,856,200
SUBTOTAL - Appropriated Funds	5,219,500	4,856,200	4,856,200
TOTAL - ALL SOURCES	5,219,500	4,856,200	4,856,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$4,303,400 and 35.8 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Ombudsman-Citizens Aide Office

The Baseline includes \$552,800 and 7 FTE Positions from the General Fund for the Ombudsman-Citizens Aide Office in FY 2011. These amounts are unchanged from FY 2010.

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Legislative Council was originally budgeted 44.8 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Legislative Council to reduce an additional 1 FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

Legislature - Senate

JLBC: Bob Hull
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	8,661,600	8,839,900	8,839,900
OPERATING SUBTOTAL	8,661,600	8,839,900	8,839,900
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(595,100)	(595,100)
AGENCY TOTAL	8,661,600	8,244,800	8,244,800
FUND SOURCES			
General Fund	8,661,600	8,244,800	8,244,800
SUBTOTAL - Appropriated Funds	8,661,600	8,244,800	8,244,800
TOTAL - ALL SOURCES	8,661,600	8,244,800	8,244,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$8,839,900 from the General Fund for the operating budget in FY 2011. This amount is unchanged from FY 2010.

Included in the Lump Sum appropriation of \$8,839,900 for FY 2011 is \$1,000 for the purchase of mementos and items for visiting officials.

5th Special Session Reduction

The Baseline includes \$(595,100) from the General Fund 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.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Department of Liquor Licenses and Control

JLBC: Jon McAvoy
 OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	47.2	42.2	42.2
Personal Services	1,655,100	1,550,900	1,550,900
Employee Related Expenditures	736,100	689,400	689,400
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	432,800
Equipment	200	0	0
OPERATING SUBTOTAL	3,029,700	2,862,500	2,862,500
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(214,700)	(214,700)
AGENCY TOTAL	3,029,700	2,647,800	2,647,800

FUND SOURCES

General Fund	3,029,700	702,700	0
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	0	1,945,100	2,647,800
SUBTOTAL - Other Appropriated Funds	0	1,945,100	2,647,800
SUBTOTAL - Appropriated Funds	3,029,700	2,647,800	2,647,800
Other Non-Appropriated Funds	646,900	755,000	797,100
Federal Funds	130,500	140,000	140,000
TOTAL - ALL SOURCES	3,807,100	3,542,800	3,584,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(702,700)	(100.0%)
Other Appropriated Funds	702,700	36.1%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	42,100	4.7%
Total - All Sources	42,100	1.2%

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

Operating Budget

The Baseline includes \$2,862,500 and 42.2 FTE Positions from the Liquor Licenses Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Self Funding	GF	\$(702,700)
	OF	702,700

The Baseline 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.

Liquor fees previously were deposited to the General Fund. Laws 2009, Chapter 7 allowed the Department of Liquor Licenses and Control to retain fees in the new Liquor Licenses Fund to the level of their appropriation. This permits the agency to be shifted off of the General Fund and on to the new Liquor Licenses Fund. However, this transfer resulted in no net gain to the General Fund as the diverted liquor license fee revenues were previously deposited into the General Fund.

To facilitate this transfer, the FY 2010 budget provided \$702,700 from the General Fund to assist with cash flow issues during the 1st Quarter of FY 2010 while the

department waited for FY 2010 revenue collections. Laws 2009, 3rd Special Session, Chapter 7 established the Liquor Licenses Fund and diverted \$702,700 of liquor license fee revenues from the General Fund to the Liquor Licenses Fund in FY 2010 to allow the department's General Fund appropriation to be eliminated in FY 2011 and to provide a balance for the fund that would be used to assist with 1st quarter cash flow issues in future budget cycles.

reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

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FORMAT — Lump Sum by Agency

5th Special Session Reduction

The Baseline includes \$(214,700) from the Liquor Licenses Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This lump sum

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$20 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	176,300	163,300
Year-End Fund Balance	19,600	0
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$20 surcharge on hotel and restaurant liquor licenses and \$35 on all other licenses.		
Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	180,500	296,000
Year-End Fund Balance	55,400	0
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$35 surcharge on liquor license renewals.		
Purpose of Fund: To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	290,100	295,700
Year-End Fund Balance	22,800	0
Federal Grants (LLA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal revenues received through the Governor's Office of Highway Safety.		
Purpose of Fund: To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	130,500	140,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Liquor License Lottery Fund (LLA3015/A.R.S. § 4-206.01)	Non-Appropriated	
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Source of Revenue: A \$100 application fee and fair market value fee on new licensees.

Purpose of Fund: To conduct a random selection process to determine the recipients of new liquor licenses. After costs of random selection process are recovered, monies are transferred to the General Fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)	Appropriated	
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Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature. An additional \$700,000 was deposited into the fund to assist with cash flow during the 4th quarter of FY 2010.

Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year.

Funds Expended	0	1,945,100
Year-End Fund Balance	0	702,700

Arizona State Lottery Commission

JLBC: Juan Beltran
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	110.0	104.0	104.0
Personal Services	4,387,400	4,824,500	4,824,500
Employee Related Expenditures	1,684,600	1,721,200	1,721,200
Professional and Outside Services	386,400	383,400	383,400
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	7,568,900	8,367,900
SPECIAL LINE ITEMS			
Advertising	15,669,700	16,000,000	16,000,000
Instant Tickets	10,038,800	11,537,200	12,451,000
On-Line Vendor Fees	7,813,800	7,843,000	7,717,100
Retailer Commissions	32,455,400	35,373,600	37,147,000
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	78,473,700	81,204,600

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	73,767,300	78,473,700	81,204,600
SUBTOTAL - Other Appropriated Funds	73,767,300	78,473,700	81,204,600
SUBTOTAL - Appropriated Funds	73,767,300	78,473,700	81,204,600
Other Non-Appropriated Funds	284,661,600	313,043,000	330,662,300
TOTAL - ALL SOURCES	358,428,900	391,516,700	411,866,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	2,730,900	3.5%
Total Appropriated Funds	2,730,900	3.5%
Non-Appropriated Funds	17,619,300	5.6%
Total - All Sources	20,350,200	5.2%

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 Baseline includes \$8,367,900 and 104 FTE Positions from the State Lottery Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Telecommunications Funding Shift

OF \$629,400

The Baseline includes a funding shift of \$629,400 from the State Lottery Fund in FY 2011. Telecommunications funding will now be included in the operating budget instead of the Telecommunications line item beginning in FY 2011. The shift would not result in a net change in the Lottery's overall funding level.

Restore Spending Reduction OF 169,600

The Baseline includes an increase of \$169,600 from the State Lottery Fund in FY 2011 to restore a spending reduction. This restoration is offset by a reduction in on-line vendor fees, which were renegotiated in October 2009. (See the *On-line Vendor Fees* line item for more information.)

Advertising

The Baseline 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 Baseline includes \$12,451,000 from the State Lottery Fund for Instant Tickets in FY 2011. FY 2011 adjustments would be as follows:

Instant Ticket Sales Increase OF 913,800

The Baseline includes an increase of \$913,800 from the State Lottery Fund in FY 2011 for Instant Tickets due to higher projected sales. (See “*Other Issues for Legislative Consideration – Lottery Forecast*” for more information.)

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 Baseline includes \$7,717,100 from the State Lottery Fund for On-line Vendor Fees in FY 2011. FY 2011 adjustments would be as follows:

New Vendor Contract Rate OF (125,900)

The Baseline 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.

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 Baseline includes \$37,147,000 from the State Lottery Fund for Retailer Commissions in FY 2011. FY 2011 adjustments would be as follows:

Retailer Commission Increase OF 1,773,400

The Baseline includes an increase of \$1,773,400 from the State Lottery Fund in FY 2011 for Retailer Commissions due to higher projected sales. (See “*Other Issues for Legislative Consideration – Lottery Forecast*” for more information.)

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 Baseline 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 Baseline includes no funding from the State Lottery Fund for Telecommunications in FY 2011. FY 2011 adjustments would be as follows:

Telecommunications OF (629,400) Funding Shift

The Baseline includes a funding shift of \$(629,400) from the State Lottery Fund in FY 2011. Telecommunications funding will now be included in the operating budget instead of the Telecommunications line item beginning in FY 2011. The shift would not result in a 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 Baseline includes \$(528,400) from the State Lottery Fund 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Lottery Forecast

The JLBC Staff forecasts a 9.0% increase in overall Lottery ticket sales in FY 2010, followed by a 5.0% increase in FY 2011. For FY 2010 and FY 2011, the JLBC forecasts Lottery ticket sales of \$527,964,600 and \$554,432,300, respectively.

The JLBC Staff forecasts a 14.9% increase in instant ticket sales for FY 2010, followed by a 7.9% increase in FY 2011. The Instant Scratchers game remains the largest contributor to both FY 2010 and FY 2011 forecasts with estimated sales of \$267,415,300 and \$290,145,600, respectively.

In regards to state-only on-line ticket sales (excluding Powerball), the JLBC Staff forecasts a 2.2% increase in on-line ticket sales in FY 2010, followed by a 1.2% increase in FY 2011. Due to the uncertainty of when large Powerball jackpots will occur, the forecast includes no growth in Powerball ticket sales for FY 2010 and FY 2011.

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. However, this caused the percentage of ticket sales that is used for beneficiary distribution to drop from 30% prior to FY 2009 to 26% in FY 2009. Therefore, despite an increase in total ticket

sales in FY 2009, actual profits available for distribution to beneficiaries, excluding fund transfers, dropped by \$(21,675,800) as compared to the prior year. 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. Excluding fund transfers, monies available for distribution are estimated to be \$126,701,800 in FY 2010 and \$142,037,000 in FY 2011, based on an approximate 59% prize payout.

Sources and Uses of Lottery Profit Distribution

Table 1 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2009 and the JLBC 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.

General Fund – Part 1

The General Fund receives up to \$31,000,000 prior to other distributions. The General Fund could receive an additional \$15,490,000 (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 both FY 2010 and FY 2011 from this distribution plus \$10,847,200 in FY 2010 and \$15,490,000 in FY 2011 from the Part 2 distribution. In addition, the General Fund is estimated to receive an additional \$125,000 in FY 2011 after all statutory funding obligations have been met.

Mass Transit Fund

The Mass Transit Fund (otherwise known as LTAF II) receives its monies after the \$31,000,000 distribution to the General Fund is met. Starting in FY 2009, it receives 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 are used by the counties to enhance existing public transportation systems. LTAF II is estimated to receive \$8,910,000 in FY 2010 and \$10,890,000 in FY 2011. The FY 2010 distribution would have been \$9,900,000, however, Laws 2009, 4th Special Session, Chapter 3 transferred 10% of these monies to the General Fund.

Local Transportation Assistance Fund (LTAF)

LTAF receives a maximum of \$23,000,000 annually. Funds are distributed to cities and towns. The uses include road building, traffic signals, sidewalk and alley repair, general maintenance, and Dial-a-Ride operating expenses. LTAF is estimated to receive \$20,700,000 in FY 2010 and \$23,000,000 FY 2011. The FY 2010 distribution would have been \$23,000,000, however, Laws 2009, 4th Special

Session, Chapter 3 transferred 10% of these monies to the General Fund.

Session, Chapter 3 transferred 10% of these monies to the General Fund.

Table 1

Forecast of Lottery Revenue Distribution
(\$ in Millions)

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	\$ 81.2
Fund Transfer ^{1/}	12.2	9.8	0.5
Prizes ^{2/}	<u>284.7</u>	<u>313.0</u>	<u>330.7</u>
Net Profit ^{3/}	\$113.8	\$126.7	\$142.0
Profit Transfers			
General Fund ^{4/}	\$ 31.0	\$ 31.0	\$ 31.0
LTAI II ^{5/}	9.0	8.9	10.9
LTAI ^{5/}	21.8	20.7	23.0
CAF ^{5/}	7.3	6.9	7.7
Heritage	20.0	20.0	20.0
Health and Welfare Programs	20.9	22.2	22.4
Homeless Shelters	0	1.0	1.0
General Fund ^{4/}	0	10.9	15.5
University Capital	NA	0	5.0
General Fund ^{4/}	0	0	0.1
Economic Development ^{6/}	<u>3.8</u>	<u>5.1</u>	<u>5.4</u>
Total Transfer	\$113.8	\$126.7	\$142.0

^{1/} Transfers in FY 2009 included a \$4,543,600 mandated fund transfer and \$84,900 due to a hiring freeze, as originally approved in the FY 2009 General Appropriation Act. This amount also includes the following transfers approved in the midyear FY 2009 revisions; a \$4,898,500 mandated fund transfer, \$690,600 due to a combined Fund Reduction and Transfer (FRAT) and a personnel expense reduction, and \$2,007,500 due to a 5% county proceeds transfer. The FY 2010 amount represents an advertising fund transfer of \$4,162,700, \$1,000,000 due to a combined FRAT and personnel expense reduction, \$4,055,000 due to a 10% county proceeds transfer, and an additional FRAT of \$528,400 as enacted by Laws 2009, 5th Special Session, Chapter 1.

^{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 forecast.

^{4/} Total distributions to the General Fund totaled \$31,000,000 in FY 2009 and are estimated to be \$41,847,200 in FY 2010 and \$46,615,000 in FY 2011.

^{5/} Distribution cumulatively reduced by \$(2,007,500) in FY 2009 and \$(4,055,000) in FY 2010.

^{6/} Dedicated funding from 2 instant ticket games.

County Assistance Fund (CAF)

CAF receives a maximum of \$7,650,000 each fiscal year. The monies are distributed to the General Funds of each of the counties to be used at their discretion. CAF is estimated to receive \$6,885,000 in FY 2010 and \$7,650,000 in FY 2011. The FY 2010 distribution would have been \$7,650,000, however, Laws 2009, 4th Special

Heritage Fund

The Heritage Fund receives up to a maximum of \$20,000,000. Monies are divided equally between the Game and Fish Commission Heritage Fund and the State Parks Board Heritage Fund. The funds are used to promote wildlife habitat and education programs, rehabilitate historic buildings, acquire and develop park land, and renovate trail systems, among other purposes. The Heritage Fund is estimated to receive \$20,000,000 in both FY 2010 and FY 2011.

Health and Welfare Programs

Statute requires annual inflation adjustments for the Health and Welfare distribution. The allocation cap is \$22,234,800 in FY 2010 and \$22,472,300 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 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 in both 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 \$10,847,200 in FY 2010 and \$15,490,000 in FY 2011.

University Capital Improvement Fund

The FY 2009 Education Budget Reconciliation Bill (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 will serve as the source for 80% of the debt service associated with \$800,000,000 University Capital construction lease-purchase. UCI is expected to receive no monies in FY 2010 and \$5,028,600 FY 2011, which is 80% of the total debt service payment of \$6,285,700. (Please see the FY 2010 Arizona Board of Regents Capital Outlay section for more details.)

The FY 2010 Higher Education BRB (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 \$167,671,200 of debt in both years.

Water Supply Development and Community Protection Initiative Funding

Laws 2008, Chapter 287, added the Department of Environmental Quality's Water Supply Development Fund and the State Land Department's Community Protection Initiative Fund as new recipients beginning in FY 2010. However, Laws 2009, 4th Special Session, Chapter 3 repealed both these funds from the list of recipients of Lottery monies in FY 2010.

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 \$125,000.

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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
State Lottery Fund (LOA2122/A.R.S. § 5-521)		Partially-Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: A portion of the fund is appropriated to pay for all costs of the Arizona State Lottery Commission. After all expenses are paid including the prize monies displayed below in the Non-Appropriated Funds Expended line, Lottery profits are distributed to the General Fund, Local Transportation Assistance Fund II (Mass Transit), Local Transportation Assistance Fund, County Assistance Fund, Heritage Fund, Health and Welfare programs, Homeless Shelters, University Capital Improvement Lease-to-Own and Bond Fund, Water Supply Development Fund, Community Protection Initiative Fund, and the Economic Development Commission, revenues permitting. Laws 2009, 4th Special Session, Chapter 3 permanently repealed both the Water Supply Development Fund and the Community Protection Initiative Fund from the list of recipients of Lottery monies.		
Appropriated Funds Expended	73,767,300	78,473,700
Non-Appropriated Funds Expended	284,661,600	313,043,000
Year-End Fund Balance	24,639,200	24,675,100

Arizona Medical Board

JLBC: Aaron Galeener
 OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	58.5	58.5	58.5
Personal Services	2,624,800	2,866,400	2,866,400
Employee Related Expenditures	924,900	1,020,900	1,020,900
Professional and Outside Services	870,700	995,400	995,400
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	5,853,400	5,853,400

FUND SOURCES

<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	5,395,600	5,853,400	5,853,400
SUBTOTAL - Other Appropriated Funds	5,395,600	5,853,400	5,853,400
SUBTOTAL - Appropriated Funds	5,395,600	5,853,400	5,853,400
TOTAL - ALL SOURCES	5,395,600	5,853,400	5,853,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

Operating Budget

The Baseline includes \$5,853,400 and 58.5 FTE Positions from the Arizona Medical Board Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		Appropriated
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs.		
Funds Expended	5,395,600	5,853,400
Year-End Fund Balance	996,900	1,321,100

Board of Medical Student Loans

JLBC: Steve Grunig
 OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
SPECIAL LINE ITEMS			
Medical Student Financial Assistance	1,457,200	913,900	913,900
5th Special Session Reduction	0	(65,000)	(65,000)
PROGRAM TOTAL	1,457,200	848,900	848,900
FUND SOURCES			
General Fund	1,001,000	801,900	801,900
<u>Other Appropriated Funds</u>			
Medical Student Loan Fund	456,200	47,000	47,000
SUBTOTAL - Other Appropriated Funds	456,200	47,000	47,000
SUBTOTAL - Appropriated Funds	1,457,200	848,900	848,900
TOTAL - ALL SOURCES	1,457,200	848,900	848,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$913,900 for Medical Student Financial Assistance in FY 2011. These amounts consist of:

General Fund	\$866,900
Medical Student Loan Fund	47,000

These amounts are unchanged from FY 2010.

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 FY 2010 Higher Education Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 9) permitted the board to appropriate less than half of its appropriation to provide loans for students at private medical schools for FY 2010. At the FY 2010 funding level, the board plans on providing loans to 16 students, 1 of which is a former

scholarship student. Loan amounts provide tuition plus a \$20,000 living allowance to students. In total, this includes 7 University of Arizona College of Medicine students who will receive up to \$47,418 each; 4 Arizona College of Osteopathic Medicine (AZCOM) students, who will receive up to \$67,742 each; and 5 A.T. Still University's School of Osteopathic Medicine (SOMA) students, who will receive up to \$60,450 each.

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.

The board estimates it will provide approximately 16 loans totaling \$913,900 in FY 2011. This includes \$866,900 from the General Fund and \$47,000 from the Medical Student Loan Fund, which includes previously transferred appropriations from the Medical Student Scholarship program. The final number of students and loan amounts may also be adjusted according to the availability of funds.

5th Special Session Reduction

The Baseline includes \$(65,000) from the General Fund 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.

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FORMAT — Special Line Items by Agency

STATUTORY CHANGES

The Baseline would, as session law, notwithstanding the requirement in A.R.S. § 15-1723A that at least 50% of loan monies be apportioned for students attending private medical schools retroactive to June 30, 2010.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Medical Student Loan Fund (MSA3306/A.R.S. § 15-1725)		Appropriated
Source of Revenue: Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing. The fund also includes monies transferred in from the Medical Student Scholarship Fund, which was repealed in FY 2007.		
Purpose of Fund: To provide loans to defray the medical education expenses of Arizona resident students attending medical school, in return for a service commitment to the state. Also provides support for existing Medical Student Scholarship recipients.		
Funds Expended	456,200	47,000
Year-End Fund Balance	55,500	42,600

State Mine Inspector

JLBC: Ted Nelson
 OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	15.0	14.0
Personal Services	551,300	614,000	614,000
Employee Related Expenditures	212,100	177,200	177,200
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	1,068,800	1,068,800
SPECIAL LINE ITEMS			
Abandoned Mines Safety Fund Deposit	173,000	182,000	182,000
Aggregate Mined Land Reclamation	56,500	155,800	269,800
5th Special Session Reduction	0	(89,100)	(89,100)
AGENCY TOTAL	1,391,900	1,317,500	1,431,500
FUND SOURCES			
General Fund	1,335,400	1,161,700	1,161,700
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	56,500	155,800	269,800
SUBTOTAL - Other Appropriated Funds	56,500	155,800	269,800
SUBTOTAL - Appropriated Funds	1,391,900	1,317,500	1,431,500
Other Non-Appropriated Funds	35,500	115,000	115,000
Federal Funds	317,700	282,800	282,800
TOTAL - ALL SOURCES	1,745,100	1,715,300	1,829,300

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	114,000	73.2%
Total Appropriated Funds	114,000	8.7%
Non-Appropriated Funds	0	0.0%
Total - All Sources	114,000	6.6%

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 Baseline includes \$1,068,800 and 14 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Abandoned Mines Safety Fund Deposit

The Baseline 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 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

Aggregate Mined Land Reclamation

The Baseline includes \$269,800 from the Aggregate Mining Reclamation Fund for the Aggregate Mined Land Reclamation Special Line Item in FY 2011. FY 2011 adjustments would be as follows:

Increased Workload OF \$114,000

The Baseline includes an increase of \$114,000 from the Aggregate Mining Reclamation Fund in FY 2011 for increased workload. The department estimates it will receive between 20 and 30 new reclamation plans for review. This increase 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.

5th Special Session Reduction

The Baseline includes \$(89,100) from the General Fund 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.

FOOTNOTES

Standard Footnotes

All Aggregate Mining Reclamation Fund receipts received by the State Mine Inspector in excess of \$269,800 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 \$269,800 in FY 2011, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The State Mine Inspector was budgeted 15 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Mine Inspector to reduce no additional General Fund FTE Positions in FY 2010 and 1 General Fund FTE Position in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)		Non-Appropriated
Source of Revenue: Gifts, grants and contributions. The Legislature may appropriate matching monies.		
Purpose of Fund: To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	35,500	115,000
Year-End Fund Balance	191,300	76,300
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		Appropriated
Source of Revenue: Fees collected from exploration and aggregate mining operations.		
Purpose of Fund: To review aggregate mined land reclamation plans and to enforce compliance with the plans.		
Funds Expended	56,500	155,800
Year-End Fund Balance	154,000	9,600

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (MIA2000/A.R.S. § 27-105)		Non-Appropriated
Source of Revenue: Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM) and education and training fees collected by the State Mine Inspector pursuant to A.R.S. § 27-123.		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	317,700	282,800
Year-End Fund Balance	7,000	35,500
IGA and ISA Fund (MIA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through agreements with other state agencies.		
Purpose of Fund: To aid state agencies in securing abandoned mines on their properties.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of Mines and Mineral Resources

JLBC: Ted Nelson
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	7.0	7.0	7.0
Personal Services	344,300	350,300	350,300
Employee Related Expenditures	95,300	96,400	96,400
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	888,900	888,900
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(30,200)	(30,200)
AGENCY TOTAL	882,900	858,700	858,700

FUND SOURCES

General Fund	882,900	858,700	858,700
SUBTOTAL - Appropriated Funds	882,900	858,700	858,700
Other Non-Appropriated Funds	396,600	411,700	411,700
TOTAL - ALL SOURCES	1,279,500	1,270,400	1,270,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$888,900 and 7 FTE Positions from the General Fund for the operating budget in FY 2011. This amount is unchanged from FY 2010.

FORMAT — Lump Sum by Agency

5th Special Session Reduction

The Baseline includes \$(30,200) from the General Fund 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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Mines and Minerals Resources (MNA3156/A.R.S. § 27-111)		Non-Appropriated
<p>Source of Revenue: This fund is made up of 4 accounts. In the first, monies are received through grants, donations, gifts, and bequests given to the department, and from federal agencies. In the second, monies are collected through museum entrance fees and retail gift shop revenues. In the third, monies are collected through fees for department publications. In the fourth, monies are received from grants, contracts, contributions, gratuities or reimbursements payable or distributable to this state from the United States, from state, county, municipal or other governmental sources or from private persons or corporations.</p> <p>Purpose of Fund: To promote the development of mineral resources in Arizona by establishing field offices, formulating programs and policies of the department, for maintenance and operations of the museum, for the printing revolving account, and for fulfilling obligations undertaken by contract.</p>		
Funds Expended	396,600	411,700
Year-End Fund Balance	170,400	143,100

Naturopathic Physicians Medical Board

JLBC: Steve Grunig
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	325,000	330,100	330,100
Employee Related Expenditures	102,000	96,200	96,200
Professional and Outside Services	69,000	101,300	101,300
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	604,800	604,800

FUND SOURCES

<u>Other Appropriated Funds</u>			
Naturopathic Physicians Medical Board Fund	599,700	604,800	604,800
SUBTOTAL - Other Appropriated Funds	599,700	604,800	604,800
SUBTOTAL - Appropriated Funds	599,700	604,800	604,800
TOTAL - ALL SOURCES	599,700	604,800	604,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$604,800 and 7 FTE Positions from the Naturopathic Physicians Medical Board Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians, massage therapists, and for board administration.		
Funds Expended	599,700	604,800
Year-End Fund Balance	743,400	906,600

Arizona Navigable Stream Adjudication Commission

JLBC: Aaron Galeener
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	52,100	52,100	52,100
Employee Related Expenditures	26,200	26,200	26,200
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	147,400	147,400
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(11,100)	(11,100)
AGENCY TOTAL	139,100	136,300	136,300
FUND SOURCES			
General Fund	139,100	136,300	136,300
SUBTOTAL - Appropriated Funds	139,100	136,300	136,300
TOTAL - ALL SOURCES	139,100	136,300	136,300

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$147,400 and 2 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(11,100) from the General Fund 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.

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FORMAT — Lump Sum by Agency

State Board of Nursing

JLBC: Aaron Galeener

OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	41.2	40.2	40.2
Personal Services	2,177,100	2,076,200	2,076,200
Employee Related Expenditures	731,800	909,000	909,000
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	4,153,900	4,153,900
SPECIAL LINE ITEMS			
CNA Fingerprinting	97,500	0	0
AGENCY TOTAL	4,041,400	4,153,900	4,153,900

FUND SOURCES

General Fund	97,500	0	0
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	3,943,900	4,153,900	4,153,900
SUBTOTAL - Other Appropriated Funds	3,943,900	4,153,900	4,153,900
SUBTOTAL - Appropriated Funds	4,041,400	4,153,900	4,153,900
Other Non-Appropriated Funds	414,600	414,600	414,600
TOTAL - ALL SOURCES	4,456,000	4,568,500	4,568,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

Operating Budget

The Baseline includes \$4,153,900 and 40.2 FTE Positions from the Board of Nursing Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

CNA Fingerprinting

The Baseline 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.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.		
Funds Expended	3,943,900	4,153,900
Year-End Fund Balance	845,800	874,600
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	414,600	414,600
Year-End Fund Balance	0	0

**Board of Examiners of Nursing Care Institution Administrators
and Assisted Living Facility Managers**

JLBC: Steve Grunig
OSP: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	168,200	218,700	218,700
Employee Related Expenditures	65,700	67,600	67,600
Professional and Outside Services	35,200	24,500	24,500
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	379,600	379,600

FUND SOURCES

<i>Other Appropriated Funds</i>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers Fund	338,000	379,600	379,600
SUBTOTAL - Other Appropriated Funds	338,000	379,600	379,600
SUBTOTAL - Appropriated Funds	338,000	379,600	379,600
TOTAL - ALL SOURCES	338,000	379,600	379,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

Operating Budget

The Baseline includes \$379,600 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 are unchanged from FY 2010.

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FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	338,000	379,600
Year-End Fund Balance	111,500	68,600

Occupational Safety and Health Review Board

JLBC: Bob Hull
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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

FUND SOURCES			
General Fund	0	0	0
SUBTOTAL - Appropriated Funds	0	0	0
TOTAL - ALL SOURCES	0	0	0

CHANGE IN FUNDING SUMMARY	<u>FY 2010 to FY 2011 Baseline</u>	
	\$ Change	% Change
General Fund	0	0.0%
Total 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.

<i>Operating Budget</i>

The Baseline 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.

Board of Occupational Therapy Examiners

JLBC: Steve Grunig
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	107,700	159,900	159,900
Employee Related Expenditures	37,100	43,800	43,800
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	31,200
Equipment	13,100	0	0
AGENCY TOTAL	207,000	246,500	246,500

FUND SOURCES

<u>Other Appropriated Funds</u>			
Occupational Therapy Fund	207,000	246,500	246,500
SUBTOTAL - Other Appropriated Funds	207,000	246,500	246,500
SUBTOTAL - Appropriated Funds	207,000	246,500	246,500
TOTAL - ALL SOURCES	207,000	246,500	246,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$246,500 and 3 FTE Positions from the Occupational Therapy Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund. The fund also contains a separate subaccount for examination and licensing fees collected from athletic trainers.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists, occupational therapy assistants, and athletic trainers, and for board administration.		
Funds Expended	207,000	246,500
Year-End Fund Balance	278,500	334,600

State Board of Dispensing Opticians

JLBC: Steve Grunig
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	58,900	58,900	58,900
Employee Related Expenditures	22,600	23,400	23,400
Professional and Outside Services	28,700	28,800	28,800
Travel - In State	5,500	5,500	5,500
Other Operating Expenditures	8,600	8,600	8,600
AGENCY TOTAL	124,300	125,200	125,200

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Dispensing Opticians Fund	124,300	125,200	125,200
SUBTOTAL - Other Appropriated Funds	124,300	125,200	125,200
SUBTOTAL - Appropriated Funds	124,300	125,200	125,200
TOTAL - ALL SOURCES	124,300	125,200	125,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 BASELINE	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$125,200 and 1 FTE Position from the Board of Dispensing Opticians Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	124,300	125,200
Year-End Fund Balance	86,900	120,400

State Board of Optometry

JLBC: Steve Grunig
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	101,800	104,000	104,000
Employee Related Expenditures	40,400	37,000	37,000
Professional and Outside Services	28,100	32,000	32,000
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	203,400	203,400

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Optometry Fund	180,100	203,400	203,400
SUBTOTAL - Other Appropriated Funds	180,100	203,400	203,400
SUBTOTAL - Appropriated Funds	180,100	203,400	203,400
TOTAL - ALL SOURCES	180,100	203,400	203,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$203,400 and 2 FTE Positions from the Board of Optometry Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	180,100	203,400
Year-End Fund Balance	117,400	96,300

Arizona Board of Osteopathic Examiners

JLBC: Ted Nelson
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.7	6.7	6.7
Personal Services	325,900	352,200	352,200
Employee Related Expenditures	89,000	110,900	110,900
Professional and Outside Services	21,900	78,500	78,500
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	702,000	702,000

FUND SOURCES

Other Appropriated Funds

Board of Osteopathic Examiners Fund	592,300	702,000	702,000
SUBTOTAL - Other Appropriated Funds	592,300	702,000	702,000
SUBTOTAL - Appropriated Funds	592,300	702,000	702,000
TOTAL - ALL SOURCES	592,300	702,000	702,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$702,000 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Osteopathic Examiners Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	592,300	702,000
Year-End Fund Balance	239,500	698,700

Arizona Parents Commission on Drug Education & Prevention

JLBC: Jon McAvoy
 OSPB: Kris Okazaki

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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

CHANGE IN FUNDING SUMMARY

	<u>FY 2010 to FY 2011 Baseline</u>	
	<u>\$ Change</u>	<u>% Change</u>
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty percent of the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	2,785,100	2,576,200
Year-End Fund Balance	3,839,200	5,002,100

Arizona State Parks Board

JLBC: Art Smith
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	249.3	232.3	232.3
Personal Services	5,576,300	3,774,500	3,774,500
Employee Related Expenditures	3,032,600	1,350,000	1,350,000
Professional and Outside Services	13,100	2,000	2,000
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	2,672,900
Equipment	48,500	0	0
OPERATING SUBTOTAL	12,432,500	7,863,600	7,863,600
SPECIAL LINE ITEMS			
Arizona Trail	125,000	0	0
Growing Smarter	20,000,000	20,000,000	20,000,000
Kartchner Caverns State Park	2,122,600	2,186,600	2,186,600
5th Special Session Reduction	0	(671,300)	(671,300)
AGENCY TOTAL	34,680,100	29,378,900	29,378,900
FUND SOURCES			
General Fund	23,609,500	20,000,000	20,000,000
Other Appropriated Funds			
Law Enforcement and Boating Safety Fund	1,845,300	1,092,700	1,092,700
Reservation Surcharge Revolving Fund	248,000	455,000	455,000
State Parks Enhancement Fund	8,977,300	7,831,200	7,831,200
SUBTOTAL - Other Appropriated Funds	11,070,600	9,378,900	9,378,900
SUBTOTAL - Appropriated Funds	34,680,100	29,378,900	29,378,900
Other Non-Appropriated Funds	74,433,100	46,684,400	46,684,400
Federal Funds	4,205,800	4,006,900	4,006,900
TOTAL - ALL SOURCES	113,319,000	80,070,200	80,070,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$7,863,600 and 181.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

State Parks Enhancement Fund	\$6,315,900
Law Enforcement and Boating Safety Fund	1,092,700
Reservation Surcharge Revolving Fund	455,000

These amounts are unchanged from FY 2010.

Arizona Trail

The Baseline includes no funding for the Arizona Trail in FY 2011. These amounts are unchanged from FY 2010.

The Arizona Trail is an approximately 800-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 December 2009, approximately 763 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 Baseline 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.

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 Baseline includes \$2,186,600 and 51 FTE Positions from the State Parks Enhancement Fund for Kartchner Caverns State Park in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$(671,300) from the State Parks Enhancement Fund 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

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.

All Reservation Surcharge Revolving Fund receipts received by the Arizona State Parks Board in excess of \$455,000 in FY 2011 are appropriated to the Reservation Surcharge Revolving Fund. Before the expenditure of any Reservation Surcharge Revolving Fund monies in excess of \$455,000 in FY 2011, the Arizona State Parks Board shall ~~submit~~ **REPORT** the intended use of the monies ~~for review by~~ **TO** the Joint Legislative Budget Committee.

STATUTORY CHANGES

The Baseline would:

- As permanent law, allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs. This provision was previously in session law.
- As session law, continue a FY 2010 provision to allow State Parks Enhancement Fund (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) in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations and donations.		
Purpose of Fund: To maintain and preserve the Arizona trail.		
Funds Expended	104,400	25,800
Year-End Fund Balance	25,800	0
Development Rights Retirement Fund (No Fund Number/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and transfers.		
Purpose of Fund: To make grants to public and private entities for the purchase, lease or transfer of development rights on private land in the state. This fund was created by Laws 2000, 4 th Special Session, Chapter 1. There are currently no revenue or expenditure estimates.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (PRA2000/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	4,205,800	4,006,900
Year-End Fund Balance	967,600	802,300
Heritage Fund (PRA2296/A.R.S. § 41-502)		Non-Appropriated
Source of Revenue: Annual transfer from the Lottery Fund of up to \$10,000,000, and interest earnings. In FY 2009, the fund received the full \$10,000,000 transfer from the Lottery and \$697,800 in interest earnings. The FY 2010 expenditures below assume the fund will receive \$10,433,900 in revenue from the Lottery and from interest.		
Purpose of Fund: To fund acquisition and development of local, regional, and state parks (35%); development of trails (5%); acquisition of natural areas (17%); maintenance and operation of natural areas (4%); environmental education (5%); State Parks acquisition and development (17%); and historic preservation projects (17%). Interest earnings are to be used for program administration.		
Funds Expended - Capital	12,313,200	5,627,600
Funds Expended - Operating (amount includes local grants)	12,283,700	18,130,200
Year-End Fund Balance	26,025,900	4,316,600
Land Conservation Fund - Administration Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Interest earnings from the Public Conservation Account, which receives \$20,000,000 annually from the General Fund in FY 2001 through FY 2011, as approved by Arizona voters in November 1998. Unobligated amounts at the end of each fiscal year revert to the Public Conservation Account.		
Purpose of Fund: Prior to the FY 2009 midyear budget revision, the agency could use up to \$500,000 to support the Conservation Acquisition Board and administer the Land Conservation Fund. As session law, Laws 2009, 1st Special Session, Chapter 3 allowed the State Parks Board to use interest earnings from the Public Conservation Account in excess of \$500,000 for operating expenses. Laws 2009, 3rd Special Session, Chapter 5 made this provision permanent law.		
Funds Expended - Non-Appropriated	2,212,000	2,225,000
Year-End Fund Balance	0	0
Land Conservation Fund - Donation Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Donations from public and private entities.		
Purpose of Fund: To match grants made to purchase state trust lands for conservation purposes. There are currently no estimates of donations that will be deposited to the account.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Land Conservation Fund - Public Conservation Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: As approved by Arizona voters in November 1998, the fund receives \$20,000,000 annually from the General Fund in FY 2001 through 2011. Beginning in FY 2004, \$2,000,000 of this amount is deposited into the Livestock and Crop Conservation Fund, administered by the Department of Agriculture.		
Purpose of Fund: For grants to the state or any of its political subdivisions, non-profit organizations, individual landowners, and agricultural lessees of state or federal land. Grants are made to purchase or lease state trust lands that are classified as suitable for conservation purposes. The Conservation Acquisition Board will recommend appropriate grants to the Arizona State Parks Board.		
Funds Expended	33,165,100	11,350,000
Year-End Fund Balance	96,180,900	104,830,900
Law Enforcement and Boating Safety Fund (PRA2111/A.R.S. § 5-383)		Appropriated
Source of Revenue: A portion of watercraft licensing taxes.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Arizona Outdoor Recreation Coordinating Commission distributes the grants.		
Funds Expended	1,845,300	1,092,700
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona State Parks Board receives 60% of off-highway user fees and annual collections from the Motor Vehicle Fuel Tax transfer, which is equivalent of up to 0.55% of the total license tax.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5 percent are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation and law enforcement activities.		
Funds Expended	1,393,200	1,721,400
Year-End Fund Balance	1,667,000	1,432,100
Partnership Fund (PRA2448/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.		
Purpose of Fund: To provide trails stewardship with funds received from the USDA Forest Service and the Bureau of Land Management; for operating costs of the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.		
Funds Expended	190,900	174,800
Year-End Fund Balance	524,500	297,700
Publications and Souvenir Revolving Fund (PRA4010/A.R.S. § 41-511.21)		Non-Appropriated
Source of Revenue: Sales of books, postcards, posters, and souvenir items at state parks and proceeds from the operation of the lodge and restaurant at Tonto Natural Bridge State Park.		
Purpose of Fund: Production and distribution of agency publications, as well as the purchase of souvenir items for sale at state parks, and the operation of concessions.		
Funds Expended	522,700	462,500
Year-End Fund Balance	262,600	168,800
Reservation Surcharge Revolving Fund (PRA1304/A.R.S. § 41-511.24)		Appropriated
Source of Revenue: Surcharges on reservations made using an automated reservation system. Currently only Kartchner Caverns State Park utilizes the system. The surcharge is \$3.00 per reserved ticket. Any amount in excess of \$75,000 at the end of each fiscal year is transferred to the General Fund.		
Purpose of Fund: To staff and manage the reservation system.		
Funds Expended	248,000	455,000
Year-End Fund Balance	75,000	75,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)		Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review.		
Funds Expended - Capital	845,200	1,325,300
Funds Expended - Operating (amount includes local grants)	10,647,400	5,193,500
Year-End Fund Balance*	3,234,000	(225,300)
State Parks Enhancement Fund (PRA2202/A.R.S. § 41-511.11)		Partially-Appropriated
Source of Revenue: State parks user fees and concession sales.		
Purpose of Fund: Under permanent law, one-half of this fund is appropriated for parks operations and the other half is used for park acquisition and development (including the lease-purchase payments for the Tonto Natural Bridge State Park). Upon completion of the Tonto lease-purchase payment, expected in FY 2012, the acquisition and development portion of the fund will be subject to legislative appropriation. In FY 2010, the permanent law provisions were modified to permit less than 50% to be spent on capital.		
Funds Expended - Operating (Appropriated)	8,977,300	7,831,200
Funds Expended - Operating (Non-Appropriated)	65,600	0
Funds Expended - Capital (Non-Appropriated)	372,700	448,300
Year-End Fund Balance	2,520,200	100,500
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		Non-Appropriated
Source of Revenue: Private gifts, grants, and donations.		
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
Funds Expended	317,000	0
Year-End Fund Balance	569,500	301,900

*As reported by the agency. Actual ending balance will not be negative.

Personnel Board

JLBC: Bob Hull
 OSPB: Jennifer Uharriet

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	103,100	103,600	103,600
Employee Related Expenditures	40,900	44,200	44,200
Professional and Outside Services	141,100	139,500	139,500
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	329,100	329,100

FUND SOURCES			
General Fund	328,100	0	0
<u>Other Appropriated Funds</u>			
Personnel Division Fund - Personnel Board Account	0	329,100	329,100
SUBTOTAL - Other Appropriated Funds	0	329,100	329,100
SUBTOTAL - Appropriated Funds	328,100	329,100	329,100
TOTAL - ALL SOURCES	328,100	329,100	329,100

CHANGE IN FUNDING SUMMARY	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$329,100 and 3 FTE positions from the Personnel Board Account of the Personnel Division Fund in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Personnel Division Fund - Personnel Board Account (PBA1107/A.R.S. § 41-764)		Appropriated
Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System.		
Purpose of Fund: To fund Personnel Board operations.		
Funds Expended	0	329,100
Year-End Fund Balance	0	0

Office of Pest Management

JLBC: Ted Nelson
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	41.0	40.0	40.0
Personal Services	1,168,200	1,376,900	1,189,100
Employee Related Expenditures	505,400	630,000	544,100
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	340,600
Equipment	62,600	70,000	60,400
AGENCY TOTAL	2,205,500	2,663,200	2,300,000

FUND SOURCES

Other Appropriated Funds

Pest Management Fund	2,205,500	2,663,200	2,300,000
SUBTOTAL - Other Appropriated Funds	2,205,500	2,663,200	2,300,000
SUBTOTAL - Appropriated Funds	2,205,500	2,663,200	2,300,000
Federal Funds	93,300	125,700	125,700
TOTAL - ALL SOURCES	2,298,800	2,788,900	2,425,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	(363,200)	(13.6%)
Total Appropriated Funds	(363,200)	(13.6%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(363,200)	(13.0%)

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 Baseline includes \$2,300,000 and 40 FTE Positions from the Pest Management Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Spending Realignment OF \$(363,200)

The Baseline 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 appropriation to \$2,300,000, approximately \$100,000 above the agency's FY 2009 spending level.

* * *

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Fee Increase Authority

The Baseline would not continue the session law for FY 2011 that allowed the Office of Pest Management to increase its fee authority in FY 2010. The FY 2010 General Revenues Budget Reconciliation Bill (Laws 2009, 4th Special Session, Chapter 3) appropriated the revenue generated from \$875,000 in increased fees to the agency in FY 2010 and exempted the agency from rulemaking requirements for 1 year. (The increased fee revenue has not been recorded in the summary table above.) Due to the spending realignment for FY 2011, the department has a sufficient beginning cash balance to operate without continuation of the fee increase.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Funds (SBA2000/A.R.S. § 32-2304)		Non-Appropriated
Source of Revenue: Federal Environmental Protection Agency grants.		
Purpose of Fund: To support Pest Management's licensing and regulation activities. Includes education and training for employees as well as industry, information technology hardware and software, and travel.		
Funds Expended	93,300	125,700
Year-End Fund Balance	16,200	0
Pest Management Fund (SBA2050/A.R.S. § 32-2305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of professional pest control companies and applicators of structural pesticides. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, inspect and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	2,205,500	2,663,200
Year-End Fund Balance*	576,600	(302,000)

*As reported by the agency. Actual ending balance will not be negative.

Arizona State Board of Pharmacy

JLBC: Aaron Galeener
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	18.0	18.0	18.0
Personal Services	965,000	976,500	976,500
Employee Related Expenditures	295,500	296,000	296,000
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	1,931,400	1,981,400

FUND SOURCES

<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	1,920,900	1,931,400	1,981,400
SUBTOTAL - Other Appropriated Funds	1,920,900	1,931,400	1,981,400
SUBTOTAL - Appropriated Funds	1,920,900	1,931,400	1,981,400
Federal Funds	28,500	1,500	1,500
TOTAL - ALL SOURCES	1,949,400	1,932,900	1,982,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	50,000	2.6%
Total Appropriated Funds	50,000	2.6%
Non-Appropriated Funds	0	0.0%
Total - All Sources	50,000	2.6%

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 Baseline includes \$1,981,400 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund for the operating budget in FY 2011. The FY 2011 adjustments would be as follows:

Controlled Substance OF \$50,000
Prescription Drug Monitoring

The Baseline 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 federal grant. Total costs of the program have remained at \$180,000 since its inception. Recently, the agency learned its request to continue the federal grant was denied.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration.		
Funds Expended	1,920,900	1,931,400
Year-End Fund Balance	49,800	505,400
Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)		Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Up to \$395,795 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907.		
Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.		
Funds Expended	0	0
Year-End Fund Balance	180,000	180,000
Federal Grants (PMA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal reimbursements and grants.		
Purpose of Fund: Reimbursements for services provided to the federal government and one-time grant to help implement a prescription monitoring program.		
Funds Expended	28,500	1,500
Year-End Fund Balance*	(1,500)	(1,500)

*As reported by the agency, actual ending balance will not be negative.

Board of Physical Therapy Examiners

JLBC: Steve Grunig
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.8	3.8	3.8
Personal Services	188,600	162,700	162,700
Employee Related Expenditures	50,600	74,300	74,300
Professional and Outside Services	42,300	53,000	53,000
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	362,000	362,000

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	337,300	362,000	362,000
SUBTOTAL - Other Appropriated Funds	337,300	362,000	362,000
SUBTOTAL - Appropriated Funds	337,300	362,000	362,000
TOTAL - ALL SOURCES	337,300	362,000	362,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$362,000 and 3.8 FTE Positions from the Board of Physical Therapy Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	337,300	362,000
Year-End Fund Balance	408,000	163,900

Arizona Pioneers' Home

JLBC: Aaron Galeener
 OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	115.8	115.8	115.8
Personal Services	3,398,700	3,600,000	3,533,600
Employee Related Expenditures	1,651,700	1,874,300	1,874,300
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	5,914,700
SPECIAL LINE ITEMS			
Prescription Drugs	168,500	240,000	240,000
AGENCY TOTAL	6,054,700	6,723,300	6,154,700

FUND SOURCES

General Fund	0	0	1,562,000
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	2,441,100	2,998,300	2,541,100
State Charitable Fund	3,613,600	3,725,000	2,051,600
SUBTOTAL - Other Appropriated Funds	6,054,700	6,723,300	4,592,700
SUBTOTAL - Appropriated Funds	6,054,700	6,723,300	6,154,700
Other Non-Appropriated Funds	48,600	41,500	41,500
TOTAL - ALL SOURCES	6,103,300	6,764,800	6,196,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	1,562,000	
Other Appropriated Funds	(2,130,600)	(31.7%)
Total Appropriated Funds	(568,600)	(8.5%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(568,600)	(8.4%)

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 Baseline includes \$5,914,700 and 115.8 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$1,562,000
Miners' Hospital Fund	2,541,100
State Charitable Fund	1,811,600

FY 2011 adjustments would be as follows:

General Fund Backfill	GF	1,562,000
	OF	(1,562,000)

This adjustment includes an increase of \$1,562,000 from the General Fund and a decrease of \$(1,562,000) 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 OF (568,600)

This adjustment includes a decrease of \$(568,600) in FY 2011 to align agency appropriations with FY 2009 spending. This amount consists of:

Miners' Hospital Fund	(457,200)
State Charitable Fund	(111,400)

Prescription Drugs

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

The Pioneers' Home shall not exceed its expenditure authority for monies appropriated from the Miners' Hospital for Disabled Miners Land Fund.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
IGA and ISA Fund (PIA2500/A.R.S. § 41-921)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between the Arizona Pioneers' Home and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Miners' Hospital Fund (PIA3130/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	2,441,100	2,998,300
Year-End Fund Balance	2,463,600	1,468,300
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	17,500	29,000
Year-End Fund Balance	57,300	52,900
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Donations or contributions from private sources.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	21,000	3,000
Year-End Fund Balance	29,400	31,600
State Charitable Fund (PIA3129/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund.		
Purpose of Fund: For the operation of state charitable institutions.		
Funds Expended	3,613,600	3,725,000
Year-End Fund Balance	4,392,000	2,867,400
Statewide Employee Recognition Gifts Fund (PIA2449/A.R.S. § 41-776)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	10,100	9,500
Year-End Fund Balance	9,000	10,400

State Board of Podiatry Examiners

JLBC: Steve Grunig
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	68,200	68,200	68,200
Employee Related Expenditures	15,400	15,400	15,400
Professional and Outside Services	34,200	32,800	32,800
Travel - In State	600	600	600
Other Operating Expenditures	25,200	27,500	27,500
AGENCY TOTAL	143,600	144,500	144,500

FUND SOURCES

<u>Other Appropriated Funds</u>			
Podiatry Fund	143,600	144,500	144,500
SUBTOTAL - Other Appropriated Funds	143,600	144,500	144,500
SUBTOTAL - Appropriated Funds	143,600	144,500	144,500
TOTAL - ALL SOURCES	143,600	144,500	144,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$144,500 and 1 FTE Position from the Podiatry Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Podiatry Fund (POA2055/A.R.S. § 32-806)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	143,600	144,500
Year-End Fund Balance	66,900	48,800

Commission for Postsecondary Education

JLBC: Marge Zylla
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.0	10.0	10.0
Personal Services	96,000	224,300	224,300
Employee Related Expenditures	41,000	67,800	67,800
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	405,600	405,600
SPECIAL LINE ITEMS			
Arizona College and Career Guide	12,700	21,200	21,200
Arizona Minority Educational Policy Analysis Center	32,200	100,400	100,400
Case Managers	0	100,000	100,000
Family College Savings Program	118,300	153,000	153,000
Leveraging Educational Assistance Partnership	3,963,800	4,264,500	4,264,500
Postsecondary Education Grant Program	2,749,900	2,650,000	2,650,000
Private Postsecondary Education Student Financial Assistance Program	331,600	398,900	398,900
Twelve Plus Partnership	116,000	130,900	130,900
5 th Special Session Reduction	0	(327,700)	(327,700)
AGENCY TOTAL	7,502,400	7,896,800	7,896,800
FUND SOURCES			
General Fund	4,302,300	4,042,000	4,042,000
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	3,200,100	3,854,800	3,854,800
SUBTOTAL - Other Appropriated Funds	3,200,100	3,854,800	3,854,800
SUBTOTAL - Appropriated Funds	7,502,400	7,896,800	7,896,800
TOTAL - ALL SOURCES	7,502,400	7,896,800	7,896,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

Operating Budget

The Baseline includes \$405,600 and 3.5 FTE Positions from the Postsecondary Education Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Arizona College and Career Guide

The Baseline includes \$21,200 from the Postsecondary Education Fund for the Arizona College and Career Guide 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 Baseline includes \$100,400 and a 0.2 FTE Position from the Postsecondary Education Fund for the Arizona Minority Educational Policy Analysis Center (AMEPAC) in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$100,000 and 2 FTE Positions from the General Fund for the Case Managers Special Line Item in FY 2011. These amounts are unchanged from FY 2010.

Working in conjunction with case managers in the Department of Economic Security's Independent Living Program, these case managers are 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 is required to assist in filling out financial aid and postsecondary applications, provide tutoring, and assists students in finding health, dental, and employment opportunities, along with other forms of student assistance.

Family College Savings Program

The Baseline includes \$153,000 and 1 FTE Position from the Postsecondary Education Fund for the Family College Savings Program (FCSP) in FY 2011. These amounts are unchanged from FY 2010.

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 recently 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 Baseline includes \$4,264,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2011. These amounts consist of:

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 Baseline includes \$2,650,000 and 3 FTE Positions from the General Fund for the Postsecondary Education Grant Program (PEG) in FY 2011. These amounts are unchanged from FY 2010.

This grant program distributes up to \$2,000 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 meet the minimum qualifications established by the commission, which shall be comparable to the admission standards established by the Arizona Board of Regents. Recipients can continue to receive the grant for up to 4 years. 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.

Currently, 30 private institutions are eligible under the grant requirements. These institutions independently verify a student's eligibility for the grant. The student can then apply directly to the commission for the grant. 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 Baseline includes \$398,900 from the General Fund for Private Postsecondary Education Student Financial Assistance Program (PFAP) in FY 2011. This amount is unchanged from FY 2010.

PFAP provides tuition vouchers for qualified community college graduates who enter 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 Baseline includes \$130,900 and a 0.3 FTE Position from the Postsecondary Education Fund for the Twelve Plus Partnership (TPP) in FY 2011. These amounts are unchanged from FY 2010.

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.

5th Special Session Reduction

The Baseline includes \$(327,700) 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

Of the \$2,650,000 appropriated for the Postsecondary Education Grant Program, up to \$500,000 may be allocated for the administration of the program in FY 2011.

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.

Of the total amount appropriated for the Private Postsecondary Education Student Financial Assistance Program, no more than 10% may be used for program administrative costs.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote designating eligible recipients of Leveraging Educational Assistance Partnership grants under the Arizona State Student Incentive Grant Program administered by the Commission for Postsecondary Education. These restrictions were made permanent law by Laws 2009, 3rd Special Session, Chapter 9.

STATUTORY CHANGES

The Baseline would, as session law, continue to suspend new funding for the Early Graduation Scholarship Program for FY 2011, but continue to fund students currently in the program with available fund balances.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Early Graduation Scholarship Fund (PEA2364/A.R.S. § 15-105)		Non-Appropriated
Source of Revenue: Monies received from the Department of Education on behalf of students who graduate early, pursuant to A.R.S. § 15-105.		
Purpose of Fund: For education scholarships awarded to eligible Arizona high school students who graduate at least 1 year early, enabling them to attend a postsecondary institution. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	4,307,600	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, monies received from state agencies and political subdivisions of the state, monies received from the federal government, and/or private gifts, grants and donations. The commission must separately account for monies received from each source.		
Purpose of Fund: Provide for purposes designated by Special Line Items for which the monies are received. Donations are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission.		
Funds Expended	3,200,100	3,854,800
Year-End Fund Balance	267,100	318,300
Postsecondary Education Grant Program (PEA2530/A.R.S. § 15-1855)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: For tuition grants awarded to full and part-time students enrolled at a private baccalaureate degree granting institution. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: For tuition vouchers awarded to eligible graduates of Arizona community colleges enabling them to obtain a bachelor's degree at a private college or university in the state. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	980,000	657,100
Teachers Incentive Program Fund (PEA2249/A.R.S. § 15-1851)		Non-Appropriated
Source of Revenue: Monies collected as repayment from students who do not meet the conditions of the loan program.		
Purpose of Fund: To collect repayment monies from students who received a loan in prior years for teacher education and did not fulfill their teaching obligation. The students' teacher loan indebtedness to the State of Arizona is forgiven if the recipient of the monies completes a specified period of time teaching in designated school districts, which are identified as having high proportions of economically disadvantaged and at-risk pupils. Monies collected are reverted to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona Power Authority

JLBC: Ted Nelson
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Hoover Upgrading Fund (No Fund Number/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Currently, the sale of hydro-electricity from Hoover Dam to APA customers; originally, bond proceeds.		
Purpose of Fund: Currently, to purchase hydro-electricity from Hoover Dam for APA customers and to pay debt service on the bond issuance. Originally, to increase power generation capacity at Hoover Dam pursuant to the Hoover Power Plant Act of 1984.		
Funds Expended	33,405,800	31,326,900
Year-End Fund Balance	0	0
Arizona Power Authority Fund (PAA9506/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Energy sales to any of the authority's 39 customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	6,031,800	4,105,800
Year-End Fund Balance	3,363,400	3,314,500

State Board for Private Postsecondary Education

JLBC: Marge Zylla
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	185,100	189,600	189,600
Employee Related Expenditures	79,300	69,700	69,700
Professional and Outside Services	17,600	27,200	27,200
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	337,100	337,100

FUND SOURCES

Other Appropriated Funds

Board for Private Postsecondary Education Fund	327,700	337,100	337,100
SUBTOTAL - Other Appropriated Funds	327,700	337,100	337,100
SUBTOTAL - Appropriated Funds	327,700	337,100	337,100
Other Non-Appropriated Funds	283,700	262,600	262,600
TOTAL - ALL SOURCES	611,400	599,700	599,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$337,100 and 4 FTE Positions from the Board for Private Postsecondary Education Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

* * *

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	327,700	337,100
Year-End Fund Balance	284,600	295,000
Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)		Non-Appropriated
Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds \$500,000, only newly or provisionally licensed institutions pay the assessment.		
Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.		
Funds Expended	283,700	262,600
Year-End Fund Balance	523,500	270,900

State Board of Psychologist Examiners

JLBC: Steve Grunig
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	165,000	165,000	175,000
Employee Related Expenditures	61,300	61,300	65,300
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	401,800	366,000

FUND SOURCES

Other Appropriated Funds

Board of Psychologist Examiners Fund	324,800	401,800	366,000
SUBTOTAL - Other Appropriated Funds	324,800	401,800	366,000
SUBTOTAL - Appropriated Funds	324,800	401,800	366,000
TOTAL - ALL SOURCES	324,800	401,800	366,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	(35,800)	(8.9%)
Total Appropriated Funds	(35,800)	(8.9%)
Total - All Sources	(35,800)	(8.9%)

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts.

Operating Budget

The Baseline includes \$366,000 and 4 FTE Positions from the Board of Psychologist Examiners Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Budget Realignment OF \$(71,800)

The Baseline 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. The board estimates that revenue from normal licenses and fees will equal an average of \$318,300 for FY 2010 and FY 2011. If future revenue exceeds this level, expenditures can be increased.

One-Time Expenditure for Behavior Analysts OF 36,000

The Baseline includes an increase of \$36,000 from the Board of Psychologist Examiners Fund in FY 2011 for Behavior Analyst start-up costs requested by the agency.

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. This appropriation would enable the funds to be spent.

* * *

FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

General Fund Deposit

The Baseline includes an increase of \$25,000 from the General Fund in FY 2011 for deposit into the Board of Psychologist Examiners Fund. The General Appropriation Act (Laws 2009, 1st Regular Session, Chapter 11) included \$300,000 from the General Fund in FY 2010 for deposit into the Board of Psychologist Examiners Fund. The monies were intended to alleviate cash flow problems in FY 2010, but were not expected to completely address

problems in FY 2011. These General Fund monies are intended to provide one-time revenue to the Board of Psychologist Examiners Fund to alleviate any cash flow problems in FY 2011. It is expected that the board will be able to use its own resources to head off potential cash flow problems in future years.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. A separate account has been established within the Board of Psychologist Examiners Fund consisting of licensing and other fees for behavior analysts. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
Funds Expended	324,800	401,800
Year-End Fund Balance	137,300	140,100

Department of Public Safety

JLBC: Eric Billings
 OSPB: Melissa Harto

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,114.8	2,091.8	2,081.8
Personal Services	108,251,900	107,359,500	107,359,500
Employee Related Expenditures	54,577,400	56,142,900	56,142,900
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	189,632,700	189,632,700
SPECIAL LINE ITEMS			
GIITEM	18,207,900	21,397,400	21,397,400
Motor Vehicle Fuel	3,935,500	3,935,500	3,935,500
DNA Testing	748,500	980,000	980,000
Photo Radar Enforcement	6,738,100	22,534,300	22,534,300
5th Special Session Reduction	0	(4,247,800)	(4,247,800)
AGENCY TOTAL	227,482,600	234,232,100	234,232,100

FUND SOURCES

General Fund	54,589,000	43,589,200	43,589,200
<u>Other Appropriated Funds</u>			
Automated Fingerprint Identification System Fund	3,262,500	3,021,300	3,021,300
Crime Laboratory Assessment Fund	5,101,900	5,115,600	5,115,600
Crime Laboratory Operations Fund	0	9,620,000	9,620,000
Criminal Justice Enhancement Fund	3,292,100	2,863,100	2,863,100
Deoxyribonucleic Acid (DNA) Identification System Fund	3,760,900	4,022,400	4,022,400
Highway Patrol Fund	19,290,200	18,554,900	18,554,900
Highway User Revenue Fund	84,949,500	78,626,200	78,626,200
Motorcycle Safety Fund	0	205,000	205,000
Parity Compensation Fund	3,539,500	3,023,300	3,023,300
Photo Enforcement Fund	6,738,100	22,534,300	22,534,300
Risk Management Fund	292,800	296,200	296,200
Safety Enforcement and Transportation Infrastructure Fund	1,615,600	1,504,600	1,504,600
State Highway Fund	41,050,500	41,256,000	41,256,000
SUBTOTAL - Other Appropriated Funds	172,893,600	190,642,900	190,642,900
SUBTOTAL - Appropriated Funds	227,482,600	234,232,100	234,232,100
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	311,260,800	301,868,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	(9,392,800)	(12.2%)
Total - All Sources	(9,392,800)	(3.0%)

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 Baseline includes \$189,632,700 and 1,910 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$18,865,800
Automated Fingerprint Identification System (AFIS) Fund	3,266,300
Crime Laboratory Assessment Fund (CLAF)	5,530,400
Crime Laboratory Operations Fund (CLOF)	10,400,000
Criminal Justice Enhancement Fund (CJEF)	3,095,200
Deoxyribonucleic Acid (DNA) Identification System Fund	3,368,500
Highway Patrol Fund	19,828,100
Highway User Revenue Fund (HURF)	78,626,200
Motorcycle Safety Fund	205,000
Parity Compensation Fund	3,268,400
Risk Management Fund	296,200
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,626,600
State Highway Fund	41,256,000

These amounts are unchanged from FY 2010.

Equipment Issues

Radio and Infrastructure Equipment Replacement OF 0

The Baseline 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 Baseline includes \$21,397,400 and 171.8 FTE Positions from the General Fund for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) in FY 2011. These amounts are unchanged from FY 2010.

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) \$3,303,400 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

<u>Function/Purpose</u>	<u>FY 2011</u>
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

^{1/} DPS also has prior year non-lapsing monies available for local efforts.

Motor Vehicle Fuel

The Baseline 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 Baseline 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).

Photo Radar Enforcement

The Baseline includes \$22,534,300 from the Photo Enforcement Fund for photo radar enforcement in FY 2011. This amount is unchanged from FY 2010.

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 \$20,361,300 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 2010 for administrative expenses and vendor payments, the full amount was not received since the program did not generate as much revenue as originally projected.

In FY 2010 and FY 2011, General Fund revenue from the Photo Enforcement Program is anticipated to be higher than FY 2009 since FY 2010 will be the program’s first full year in operation.

5th Special Session Reduction

The Baseline includes \$(4,247,800) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(378,200)
Automated Fingerprint ID System Fun	(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)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
Of the \$21,397,400 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.

Of the \$21,397,400 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.

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 DPS staff expenses, for DPS vendor payments to the Administrative Office of the Courts for processing of citations and to the State General Fund.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote preventing the department from taking their lump sum reduction against sworn personnel. The lump sum reduction has been allocated to other areas of the department's budget.

STATUTORY CHANGES

The Baseline would:

- As permanent law, continue to redirect 9% of CJEF revenues, formerly deposited into the General Fund, to DPS to fund the department's crime lab operations. In prior years, this provision was in session law.
- As session law, continue to exempt state photo enforcement citations from being included in judicial productivity credit calculations.
- As session law, 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).
- As session law, continue to reduce the Laws 2007, Chapter 261 advance appropriation of \$3,440,000 from the DNA Identification System Fund in FY 2011 to \$980,000. These monies were originally appropriated to fund the operating costs of the expanded testing provisions, as well as the design and construction of an expanded crime lab in Phoenix.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FTE Fund Shift

The Department of Public Safety was originally appropriated 488.5 General Fund and 1,611.3 Other Fund FTE Positions in FY 2010. In order to more accurately reflect the department's staffing, the Baseline reduces the General Fund FTE Positions appropriation to 365.8 and increases the Other Fund FTE Positions appropriation to 1,734.0 in FY 2011. This results in no net change to total FTE Positions.

5% FTE Position Reduction

The Department of Public Safety was originally budgeted 365.8 General Fund FTE Positions in FY 2010, as adjusted for the DPS FTE fund shift mentioned above. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Public Safety to reduce an additional 8 FTE Positions in FY 2010 and 18 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Anti-Racketeering Fund (PSA3123/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.		
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.		
Funds Expended	18,565,900	5,449,500
Year-End Fund Balance	9,663,000	5,224,100
Automated Fingerprint Identification System Fund (PSA2286/A.R.S. § 41-2414)		Appropriated
Source of Revenue: A 6.46% allocation from the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operation and maintenance of the Arizona Automated Fingerprint Identification System.		
Funds Expended	3,262,500	3,021,300
Year-End Fund Balance	616,500	329,300
Conferences, Workshops and Other Education Fund (PSA2700/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Conference registration fees.		
Purpose of Fund: To cover expenditures of conferences held by the Governor's Office of Highway Safety.		
Funds Expended	49,500	24,000
Year-End Fund Balance	0	0
Crime Laboratory Assessment Fund (PSA2282/A.R.S. § 41-2415)		Appropriated
Source of Revenue: A 2.3% allocation of CJEF. DPS retains 55% of this fund and distributes the remaining funds to political subdivisions that operate crime laboratories. In addition to the 2.3% allocation, DPS is authorized by session law to receive 9% of CJEF revenues that were previously deposited into the General Fund. These additional funds are exempt from distribution to political subdivisions. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide enhanced crime lab services, purchase and maintain scientific equipment, and train crime lab forensic scientists.		
Funds Expended	5,101,900	5,115,600
Year-End Fund Balance	838,600	348,300
Crime Laboratory Operations Fund (PSA2394/A.R.S. § 41-1772)		Appropriated
Source of Revenue: The fund includes the first \$10,400,000 generated each year resulting from a \$45 surcharge for all persons who elect to take a defensive driving course in lieu of paying the civil traffic violation fine. Any revenues in excess of that amount are deposited into the General Fund.		
Purpose of Fund: To fund crime laboratory operations.		
Appropriated Funds Expended	0	9,620,000
Year-End Fund Balance*	0	(2,000,000)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Partially-Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For direct operating expenses for the DPS.		
Appropriated Funds Expended	3,292,100	2,863,100
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	553,200	340,200
Deoxyribonucleic Acid (DNA) Identification System Fund (PSA2337/A.R.S. § 41-2419)		Appropriated
Source of Revenue: A 15% allocation of an 8.56% distribution from CJEF, monies collected from individuals subjected to DNA testing who have the financial ability to pay for tests, and contributions from any other sources. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Laws 2007, Chapter 261 increased the existing 3% penalty assessment (authorized by Laws 2002, Chapter 226) to 7% until December 31, 2011, after which the penalty assessment will decrease to 6%. The additional penalty assessment is similar to the CJEF assessments.		
Purpose of Fund: To implement, operate and maintain DNA testing and administrative costs.		
Funds Expended	3,760,900	4,022,400
Year-End Fund Balance*	490,800	(792,100)
DPS Administration Fund (PSA2322/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: State and local grants and donations. In FY 2009, this fund was also used to collect crime lab fees charged to local law enforcement agencies (Laws 2008, Chapter 291).		
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System. In FY 2009, this funded a portion of crime laboratory costs.		
Funds Expended	2,140,100	1,740,700
Year-End Fund Balance	845,500	192,400
DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)		Non-Appropriated
Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.		
Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.		
Funds Expended	1,059,400	1,051,400
Year-End Fund Balance	303,500	174,600
Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)		Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)		Non-Appropriated
Source of Revenue: Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state.		
Funds Expended	0	100,000
Year-End Fund Balance	77,400	52,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants and Reimbursements (PSA2000/A.R.S. § 41-1833)		Non-Appropriated
Source of Revenue: Federal grants, including monies awarded as a result of the American Recovery and Reinvestment Act of 2009.		
Purpose of Fund: To administer Federal Highway Administration grants, various Homeland Security grants, the High Intensity Drug Trafficking Area program, organized crime financial investigations, the Rocky Mountain Information Network, the Motor Carrier Safety Assistance program, and the Department of Justice Victims of Crime Act monies.		
Funds Expended	37,807,900	44,606,500
Year-End Fund Balance	656,100	284,900
Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)		Non-Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
Funds Expended	2,698,000	2,703,100
Year-End Fund Balance	889,900	454,500
Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)		Non-Appropriated
Source of Revenue: Fees paid by fingerprint clearance card applicants.		
Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card?		
Funds Expended	560,200	517,800
Year-End Fund Balance	163,000	96,100
Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		Appropriated
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits from Concealed Carry Weapon (CCW) permits and, pursuant to Laws 2007, Chapter 278, fees collected from towing impound hearings.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve, to operate the Concealed Carry Weapon (CCW) licensing program, and for the costs associated with impounding vehicles.		
Funds Expended	19,290,200	18,554,900
Year-End Fund Balance	4,062,500	2,058,100
Highway User Revenue Fund (PSA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Revenues collected from various highway-related taxes and fees, including the motor vehicle license tax.		
Purpose of Fund: To fund a portion of Highway Patrol costs.		
Funds Expended	84,949,500	78,626,200
Year-End Fund Balance	0	0
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	8,583,200	6,886,200
Year-End Fund Balance	1,784,700	213,200
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay department-wide administrative and overhead costs.		
Funds Expended	877,000	1,313,400
Year-End Fund Balance	2,021,700	1,313,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.		
Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	100	0
Year-End Fund Balance	3,200	3,200
Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)		Appropriated
Source of Revenue: Receives \$1 of each motorcycle registration fee.		
Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	0	205,000
Year-End Fund Balance	5,100	5,100
Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)		Appropriated
Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	3,539,500	3,023,300
Year-End Fund Balance*	638,100	(809,800)
Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)		Non-Appropriated
Source of Revenue: Receives 16.64% of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.		
Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board (POST).		
Funds Expended	7,503,600	7,378,500
Year-End Fund Balance	909,400	496,100
Photo Enforcement Fund (PSA2390/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Citation and notice of violation (NOV) revenue generated by the State Photo Enforcement System through use of fixed and mobile speed and red light enforcement cameras. The cost per citation or NOV is a fixed cost of \$165, which is all deposited into the Photo Enforcement Fund, plus a 10% clean elections surcharge. Any money remaining in the fund in excess of \$250,000 at the end of each quarter is deposited into the State General Fund.		
Purpose of Fund: To fund administrative and personnel costs incurred by DPS to oversee the State Photo Enforcement System, as well as for payment to privately contracted vendors for operation of photo enforcement cameras and the processing of citations. <i>(See the Supreme Court Summary of Funds section for other purposes of this fund.)</i>		
Funds Expended	6,738,100	22,534,300
Year-End Fund Balance	7,785,500	4,600
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Non-Appropriated
Source of Revenue: The first \$3,000,000 in revenue generated by additional assessments of up to \$1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses, as established by Laws 2008, Chapter 286. Prior to this legislation, DPS received this extra DUI assessment funding via the General Fund beginning in FY 2006. In FY 2009, the first \$500,000 was directly distributed to the Arizona Criminal Justice Commission for local law enforcement agencies to retrofit public safety vehicles for fire prevention.		
Purpose of Fund: For department purchase of protective body armor, electronic stun gun devices, and other safety equipment.		
Funds Expended	500,000	677,600
Year-End Fund Balance*	217,600	(919,400)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Records Processing Fund (PSA2278/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.		
Purpose of Fund: For fingerprint processing and department administrative costs.		
Funds Expended	4,833,100	4,542,500
Year-End Fund Balance	365,700	78,300
Risk Management Fund (PSA4216/A.R.S. § 41-1713)		Appropriated
Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.		
Purpose of Fund: For the planning costs of a tri-agency disaster recovery program for the DPS mainframe data center.		
Funds Expended	292,800	296,200
Year-End Fund Balance	141,200	141,200
Safety Enforcement and Transportation Infrastructure Fund (PSA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Monies are transferred from the ADOT administered fund and include fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. <i>(See the Arizona Department of Transportation Summary of Funds section for other purposes of this fund.)</i>		
Funds Expended	1,615,600	1,504,600
Year-End Fund Balance	0	0
Sex Offender Monitoring Fund (PSA2372/A.R.S. § 13-3828)		Appropriated
Source of Revenue: Fees collected from individuals who must register as sex offenders.		
Purpose of Fund: To cover monitoring costs of registered sex offenders.		
Funds Expended	0	0
Year-End Fund Balance	5,700	22,300
State Highway Fund (PSA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation.		
Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
Funds Expended	41,050,500	41,256,000
Year-End Fund Balance	0	0
State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)		Non-Appropriated
Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Donations (PSA2025/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Donations from outside entities.		
Purpose of Fund: To fund the operating costs of the Red Badge Program and the cost of publishing a children's safety calendar, as well as for other purposes determined by the Governor's Office of Highway Safety.		
Funds Expended	37,500	37,500
Year-End Fund Balance	0	0

*As reported by the agency. Actual ending balance will not be negative.

Public Safety Personnel Retirement System

JLBC: Marge Zylla
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

As of the June 30, 2009 valuation, there were 48,453 active, retired, and Deferred Retirement Option Plan (DROP) members in the 3 plans administered by PSPRS. *Table 1* shows membership by plan. Members of the DROP agree to retiree at a specified time (within 5 years of the agreement). During the DROP period, members make no contributions and their retirement benefits are paid to a separate account, which provides a lump sum payment to members at retirement.

Table 2 shows each plan's assets and liabilities. To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. *Table 2* reflects current market values for assets and not the actuarial value.

	Active	Retirees & Beneficiaries	DROP
PSPRS	19,867	8,609	1,044
CORP	14,580	2,591	N/A
EORP	857	905	N/A
Total	35,304	12,105	1,044

	FY 2009		FY 2008	
	Market Value of Assets	Total Liability	Market Value of Assets	Total Liability
PSPRS	\$4,119	\$7,989	\$5,019	\$7,663
CORP	961	1,584	1,142	1,390
EORP	258	506	332	454
Total	\$5,338	\$10,079	\$6,493	\$9,507

SUMMARY OF FUNDS

	FY 2009 Actual	FY 2010 Estimate
Fire Fighter and Peace Officer Cancer Insurance Policy Program Administrative Expenses (No Fund Number/A.R.S. § 38-643)		Non-Appropriated
Source of Revenue: Consists of employer contributions of \$180 per fire fighter participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses.		
Funds Expended	21,000	20,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843; 38-802; 38-882)	Non-Appropriated	
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Source of Revenue: Public Safety Personnel Retirement Fund; Elected Officials' Retirement Fund; Correctional Officer Retirement Fund.

Purpose of Fund: A 5-member governing board called the Fund Manager administers PSPRS, the Elected Officials' Retirement Plan (EORP), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute for the Fund Manager to spend monies from each fund to pay for necessary administration and investment expenses.

Funds Expended	29,606,700	28,850,000
Year-End Fund Balance	0	0

Arizona Department of Racing

JLBC: Bob Hull
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	46.5	41.5	40.5
Personal Services	1,547,700	1,348,300	1,348,300
Employee Related Expenditures	535,200	444,200	444,200
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	2,091,600	2,091,600
SPECIAL LINE ITEMS			
Breeders' Award	0	800,000	800,000
County Fair Racing	0	400,000	400,000
County Fairs Livestock and Agricultural Promotion	0	1,779,500	1,779,500
County Fairs Racing Betterment	0	900,000	900,000
Racing Administration	0	67,000	67,000
Stallion Award	0	100,000	100,000
5th Special Session Reduction	0	(460,400)	(460,400)
AGENCY TOTAL	2,704,500	5,677,700	5,677,700
FUND SOURCES			
General Fund	2,241,600	5,677,700	5,677,700
<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	5,677,700	5,677,700
Other Non-Appropriated Funds	1,916,600	50,500	16,900
TOTAL - ALL SOURCES	4,621,100	5,728,200	5,694,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	(33,600)	(66.5%)
Total - All Sources	(33,600)	(0.6%)

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 Baseline includes \$2,091,600 and 40.5 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Breeders' Award

The Baseline includes \$800,000 from the General Fund for the Breeders' Award in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are deposited in the non-appropriated Breeders' Award Fund. The fund awards the breeder of every winning horse or greyhound foaled or whelped in this state.

County Fair Racing

The Baseline 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 Baseline 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 Baseline includes \$900,000 from the General Fund for County Fairs Racing Betterment in FY 2011. This amount is unchanged from FY 2010.

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 Baseline 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 Breeders' Award Fund, the Stallion Award Fund, and the Greyhound Adoption Fund.

Stallion Award

The Baseline includes \$100,000 from the General Fund for the Stallion Award in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$(460,400) from the General Fund 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Arizona Department of Racing was originally budgeted 42.5 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Arizona Department of Racing to reduce an additional 1 FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Breeders Award Fund (RCA2206/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Prior to FY 2010, 22% of 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, or \$1,200,000 from those sources whichever is less, were deposited into this fund. Laws 2009, 4 th Special Session, Chapter 3, the FY 2010 General Revenues Budget Reconciliation Bill requires pari-mutuel proceeds and unclaimed property revenue to be distributed to the General Fund, rather than to Racing funds beginning in FY 2010. Beginning in FY 2010, \$800,000 is deposited from the General Fund to the new Breeders' Award Special Line Item (SLI). (The statutory distribution in FY 2008 was \$800,000.) General Fund monies are now deposited into this fund. Expenditures are not displayed in FY 2010 to avoid double counting the General Fund.		
Purpose of Fund: To award the breeder of every winning horse, greyhound foaled or whelped, statewide.		
Funds Expended	753,800	0
Year-End Fund Balance	433,300	0
County Fair Racing Fund (RCA2170/A.R.S. § 5-113)		Appropriated in FY 2009 Non-Appropriated in FY 2010
Source of Revenue: Prior to FY 2010, 9% of 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, or \$450,000 from those sources whichever is less, were deposited into this fund. Laws 2009, 4 th Special Session, Chapter 3, the FY 2010 General Revenues Budget Reconciliation Bill requires pari-mutuel proceeds and unclaimed property revenue to be distributed to the General Fund, rather than to Racing funds beginning in FY 2010. Beginning in FY 2010, \$400,000 is deposited from the General Fund to the new County Fair Racing Special Line Item (SLI). (The statutory distribution in FY 2008 was \$400,000.) General Fund monies are now deposited into this fund. Expenditures are not displayed in FY 2010 to avoid double counting the General Fund.		
Purpose of Fund: Provides funding for the administration of county fair racing.		
Funds Expended	427,700	0
Year-End Fund Balance	111,200	0
County Fairs Racing Betterment Fund (RCA2207/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Prior to FY 2010, 22% of 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, or \$1,200,000 from those sources whichever is less, were deposited into this fund. Laws 2009, 4 th Special Session, Chapter 3, the FY 2010 General Revenues Budget Reconciliation Bill requires pari-mutuel proceeds and unclaimed property revenue to be distributed to the General Fund, rather than to Racing funds beginning in FY 2010. Beginning in FY 2010, \$900,000 is deposited from the General Fund to the new County Fairs Racing Betterment Special Line Item (SLI). (The statutory distribution in FY 2008 was \$900,000.) General Fund monies are now deposited into this fund. Expenditures are not displayed in FY 2010 to avoid double counting the General Fund.		
Purpose of Fund: To provide a grant 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.		
Funds Expended	1,095,400	0
Year-End Fund Balance	315,600	0
Greyhound Adoption Fund (RCA2015/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: License fees collected from dog breeders, racing kennels, and other operations where greyhounds are raised for dog racing. Additional monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired racing greyhounds and horses.		
Funds Expended	1,600	3,000
Year-End Fund Balance	3,700	2,300

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Racing Administration Fund (RCA2018/A.R.S. § 5-113)

Appropriated in FY 2009
Non-Appropriated in FY 2010

Source of Revenue: Prior to FY 2010, 1% of 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, or \$67,000 from those sources whichever is less, were deposited into this fund. Laws 2009, 4th Special Session, Chapter 3, the FY 2010 General Revenues Budget Reconciliation Bill requires pari-mutuel proceeds and unclaimed property revenue to be distributed to the General Fund, rather than to Racing funds beginning in FY 2010. Beginning in FY 2010, \$67,000 is deposited from the General Fund to the new Racing Administration Special Line Item (SLI). (The statutory distribution in FY 2008 was \$67,000.) General Fund monies are now deposited into this fund. Expenditures are not displayed in FY 2010 to avoid double counting the General Fund.

Purpose of Fund: To administer the Arizona County Fairs Racing Betterment Fund, the Arizona Breeders' Award Fund, the Arizona Stallion Award Fund, and the Greyhound Adoption Fund.

Funds Expended	35,200	0
Year-End Fund Balance	63,600	0

Racing Investigation Fund (RCA2369/A.R.S. § 41-705)

Non-Appropriated

Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.

Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Racing.

Funds Expended	6,400	43,600
Year-End Fund Balance	3,600	0

Stallion Award Fund (RCA2315/A.R.S. § 5-113)

Non-Appropriated

Source of Revenue: Prior to FY 2010, 1% of 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, or \$60,000 from those sources whichever is less, were deposited into this fund. Laws 2009, 4th Special Session, Chapter 3, the FY 2010 General Revenues Budget Reconciliation Bill requires pari-mutuel proceeds and unclaimed property revenue to be distributed to the General Fund, rather than to Racing funds beginning in FY 2010. Beginning in FY 2010, \$100,000 is deposited from the General Fund to the new Stallion Award Special Line Item (SLI). (The statutory distribution in FY 2008 was \$100,000.) General Fund monies are now deposited into this fund. Expenditures are not displayed in FY 2010 to avoid double counting the General Fund.

Purpose of Fund: To award owners or lessees of stallions that bred winning horses within the state.

Funds Expended	59,400	0
Year-End Fund Balance	86,300	0

Unarmed Combat Fund (RCA2393/A.R.S. § 5-225)

Non-Appropriated

Source of Revenue: Fees established by the Boxing Commission for unarmed combat events.

Purpose of Fund: To pay for the administration and regulation of unarmed combat.

Funds Expended	0	3,900
Year-End Fund Balance	18,000	50,100

Radiation Regulatory Agency

JLBC: Eric Billings
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	36.0	32.0	32.0
Personal Services	755,900	657,900	657,900
Employee Related Expenditures	337,000	323,500	323,500
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	1,124,600	1,124,600
SPECIAL LINE ITEMS			
Nuclear Emergency Management Fund	612,600	628,000	639,500
5th Special Session Reduction	0	(65,300)	(65,300)
AGENCY TOTAL	1,848,600	1,687,300	1,698,800

FUND SOURCES

General Fund	1,603,200	1,418,000	1,429,500
<u>Other Appropriated Funds</u>			
State Radiologic Technologist Certification Fund	245,400	269,300	269,300
SUBTOTAL - Other Appropriated Funds	245,400	269,300	269,300
SUBTOTAL - Appropriated Funds	1,848,600	1,687,300	1,698,800
Other Non-Appropriated Funds	349,100	560,000	560,000
Federal Funds	399,700	399,700	399,700
TOTAL - ALL SOURCES	2,597,400	2,647,000	2,658,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	11,500	0.8%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	11,500	0.7%
Non-Appropriated Funds	0	0.0%
Total - All Sources	11,500	0.4%

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 Baseline includes \$1,124,600 and 28 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$855,300
State Radiologic Technologist Certification Fund	269,300

These amounts are unchanged from FY 2010.

Nuclear Emergency Management Fund

The Baseline includes \$639,548 and 4 FTE Positions from the General Fund for the Nuclear Emergency Management Fund (NEMF) in FY 2011. FY 2011 adjustments would be as follows:

NEMF Increase	GF	11,500
The Baseline 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 Baseline includes \$(65,300) from the General Fund 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.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, continue to permit the agency to raise fees in an amount not to exceed an aggregate collection of \$500,000 to offset an ongoing General Fund reduction initially implemented in FY 2009.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Radiation Regulatory Agency was originally budgeted 24 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Radiation Regulatory Agency to reduce an additional 1 FTE Position in FY 2010 and 1 General Fund FTE Position in FY 2011. These reductions have been applied to the FTE Positions appropriated in the General Appropriation Act and do not include FTE Positions appropriated by Laws 2009, Chapter 73.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (AEA2000/A.R.S. § 30-654)		Non-Appropriated
Source of Revenue: Federal grants and miscellaneous revenue.		
Purpose of Fund: To track radiation levels, assess and reduce radon levels, and monitor x-ray facilities in the state.		
Funds Expended	399,700	399,700
Year-End Fund Balance	43,200	22,900
Laser Safety Fund (AEA2138/ A.R.S. § 32-3234)		Non-Appropriated
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health related purposes.		
Funds Expended	0	60,000
Year-End Fund Balance	0	5,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Nuclear Emergency Management Fund (AEA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Service Fees Increase Fund (AEA1050/Laws 2008, Chapter 291)		Non-Appropriated
Source of Revenue: Includes fees collected for licensing, inspection, and registration fees for individuals and other entities utilizing radiological materials. Laws 2009, 4 th Special Session, Chapter 3, allows the agency to raise fees not in excess of \$500,000 in FY 2010. Laws 2008, Chapter 291 capped the fees that could be collected for this fund at \$400,000 in FY 2009.		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	349,100	500,000
Year-End Fund Balance	50,900	50,900
State Radiologic Technologist Certification Fund (AEA2061/A.R.S. § 32-2823)		Appropriated
Source of Revenue: License fees paid by x-ray technologists.		
Purpose of Fund: To provide for the licensing of x-ray technologists and the investigation of complaints.		
Funds Expended	245,400	269,300
Year-End Fund Balance	86,600	82,500

Arizona Rangers' Pensions

JLBC: Steve Grunig
 OSPB: Kris Okazaki

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Other Operating Expenditures	13,700	14,000	14,200
AGENCY TOTAL	13,700	14,000	14,200
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

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	200	1.4%
Total Appropriated Funds	200	1.4%
Total - All Sources	200	1.4%

AGENCY DESCRIPTION — Provides a monthly benefit for the one remaining surviving spouse of an Arizona Ranger.

Operating Budget

The Baseline includes \$14,200 from the General Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Inflation Adjustment GF \$200

The Baseline 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. § 41-951.B.

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FORMAT — Lump Sum by Agency

State Real Estate Department

JLBC: Aaron Galeener
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	74.4	57.0	55.0
Personal Services	2,158,500	1,780,400	1,780,400
Employee Related Expenditures	931,800	875,600	875,600
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	519,600
Equipment	25,300	7,000	7,000
OPERATING SUBTOTAL	3,685,400	3,266,400	3,266,400
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(245,000)	(245,000)
AGENCY TOTAL	3,685,400	3,021,400	3,021,400

FUND SOURCES

General Fund	3,685,400	3,021,400	3,021,400
SUBTOTAL - Appropriated Funds	3,685,400	3,021,400	3,021,400
Other Non-Appropriated Funds	185,500	55,000	55,000
TOTAL - ALL SOURCES	3,870,900	3,076,400	3,076,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

Operating Budget

The Baseline includes \$3,266,400 and 55 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(245,000) from the General Fund 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.

* * *

FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The State Real Estate Department was originally budgeted 58 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Real Estate Department to reduce an additional 1 General Fund FTE Position in FY 2010 and 3 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Condominium Recovery Fund (REA3121/A.R.S. § 32-2193.32)		Non-Appropriated
Source of Revenue: The Condominium Recovery Fund is funded by a fee of \$10 per condominium unit requested by a developer in a Public Report application.		
Purpose of Fund: To benefit consumers who have suffered a direct out-of-pocket loss due to an unfinished condominium project.		
Funds Expended	5,000	5,000
Year-End Fund Balance	11,500	17,000
Education Revolving Fund (REA4011/A.R.S. § 32-2107)		Non-Appropriated
Source of Revenue: Sale of the department's educational publications, primarily the <i>Real Estate Lawbook</i> .		
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.		
Funds Expended	50,000	20,000
Year-End Fund Balance	6,500	25,000
Recovery Fund (REA3119/A.R.S. § 32-2186)		Non-Appropriated
Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.		
Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.		
Funds Expended	130,500	30,000
Year-End Fund Balance	244,200	254,600

Residential Utility Consumer Office

JLBC: Juan Beltran
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	11.0	11.0
Personal Services	672,500	745,600	745,600
Employee Related Expenditures	210,600	237,200	237,200
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	1,163,700	1,163,700
SPECIAL LINE ITEMS			
Professional Witnesses	31,200	145,000	145,000
AGENCY TOTAL	1,083,700	1,308,700	1,308,700

FUND SOURCES

Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	1,083,700	1,308,700	1,308,700
SUBTOTAL - Other Appropriated Funds	1,083,700	1,308,700	1,308,700
SUBTOTAL - Appropriated Funds	1,083,700	1,308,700	1,308,700
TOTAL - ALL SOURCES	1,083,700	1,308,700	1,308,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$1,163,700 and 11 FTE Positions from the RUCO Revolving Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Professional Witnesses

The Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Professional Witnesses Special Line Item are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		Appropriated
Source of Revenue: An assessment against public service corporations, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	1,083,700	1,308,700
Year-End Fund Balance	419,200	134,000

Board of Respiratory Care Examiners

JLBC: Steve Grunig
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,500	175,000	175,000
Employee Related Expenditures	50,900	51,400	51,400
Professional and Outside Services	4,500	5,100	5,100
Travel - In State	1,800	2,000	2,000
Travel - Out of State	0	600	600
Other Operating Expenditures	33,900	29,000	29,000
AGENCY TOTAL	261,600	263,100	263,100

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Respiratory Care Examiners Fund	261,600	263,100	263,100
SUBTOTAL - Other Appropriated Funds	261,600	263,100	263,100
SUBTOTAL - Appropriated Funds	261,600	263,100	263,100
TOTAL - ALL SOURCES	261,600	263,100	263,100

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$263,100 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	261,600	263,100
Year-End Fund Balance	256,700	293,600

Arizona State Retirement System

JLBC: Marge Zylla
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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	4,528,500
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	23,230,100
SPECIAL LINE ITEMS			
Administration Procedures	123,400	0	0
Information Technology Plan	2,819,000	0	0
AGENCY TOTAL	22,387,800	23,230,100	23,230,100

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	20,430,100
SUBTOTAL - Other Appropriated Funds	22,387,800	23,230,100	23,230,100
SUBTOTAL - Appropriated Funds	22,387,800	23,230,100	23,230,100
Other Non-Appropriated Funds	41,151,300	51,752,100	51,752,100
TOTAL - ALL SOURCES	63,539,100	74,982,200	74,982,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 223,323 active (working and contributing) members, 228,896 inactive members, 99,125 retired members and survivor beneficiaries, and 4,672 disabled members. ASRS has approximately \$20.8 billion in assets (market value), \$6.2 billion in unfunded liability, and approximately \$1.9 billion in 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 Baseline includes \$23,230,100 and 236 FTE Positions for the operating budget in FY 2011. These amounts consist of:

State Retirement System Administration Account	\$20,430,100
Long-Term Disability Administration Account	2,800,000

These amounts are unchanged from FY 2010.

Continue One-Time Funding OF 0

The Baseline continues \$325,300 in one-time funding from the State Retirement System Administration Account in 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 Baseline 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 Baseline 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.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval.		
Funds Expended	41,100,300	51,752,100
Year-End Fund Balance	0	0
Long-Term Disability Administration Account (RSA1408/A.R.S. § 38-797.02)		Partially-Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Appropriated Funds Expended	2,800,000	2,800,000
Non-Appropriated Funds Expended	51,000	0
Year-End Fund Balance	0	0
State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	19,587,800	20,430,100
Year-End Fund Balance	0	0

Department of Revenue

JLBC: Juan Beltran

OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,164.0	873.0	857.0
Personal Services	35,882,400	30,443,700	31,131,000
Employee Related Expenditures	14,547,600	13,038,900	13,359,400
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	9,432,400
Equipment	579,500	650,200	650,200
OPERATING SUBTOTAL	63,155,300	56,613,100	57,806,300
SPECIAL LINE ITEMS			
BRITS Operational Support	2,223,300	3,623,700	5,623,700
Health Insurance Premium Tax Credit	30,000	30,000	30,000
Temporary Collectors	0	3,000,000	3,000,000
Unclaimed Property Administration and Audit	0	2,963,200	1,770,000
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	61,342,900	63,342,900
FUND SOURCES			
General Fund	64,339,400	37,611,900	39,611,900
<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	401,200	401,200
Tobacco Tax and Health Care Fund	661,500	667,300	667,300
SUBTOTAL - Other Appropriated Funds	3,169,000	23,731,000	23,731,000
SUBTOTAL - Appropriated Funds	67,508,400	61,342,900	63,342,900
Other Non-Appropriated Funds	22,489,700	29,937,700	27,437,700
TOTAL - ALL SOURCES	89,998,100	91,280,600	90,780,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	2,000,000	5.3%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	2,000,000	3.3%
Non-Appropriated Funds	(2,500,000)	(8.4%)
Total - All Sources	(500,000)	(0.5%)

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.

Operating Budget

The Baseline includes \$57,806,300 and 819 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$34,007,800
DOR Administrative Fund	22,730,000
Liability Setoff Fund	401,200
Tobacco Tax and Health Care Fund	667,300

FY 2011 adjustments would be as follows:

Unclaimed Property Administration Transfer OF 1,193,200

The Baseline 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 would result in no net change in DOR's overall funding level.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes \$5,623,700 and 38 FTE Positions from the General Fund for operational support of BRITS in FY 2011. FY 2011 adjustments would be as follows:

BRITS Internal Support GF 2,000,000

The Baseline includes an increase of \$2,000,000 from the General Fund in FY 2011 for BRITS internal technical support. This adjustment would allow 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 utilize 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. Since DOR anticipates hiring an additional 22 FTE Positions for BRITS internal support in FY 2010, DOR's FTE authority has been adjusted accordingly in both FY 2010 and FY 2011. 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. As a result, this adjustment would not represent a new net cost to the General Fund. (Please see "Other Issues for Legislative Consideration – Business Reengineering/Integrated Tax System" for additional information.)

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 Baseline 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 will not appear in the FY 2011 General Appropriation Act.

Temporary Collectors

The Baseline includes \$3,000,000 from the General Fund for Temporary Collectors in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$1,770,000 from the DOR Administrative Fund for Unclaimed Property Administration and Audit in FY 2011. FY 2011 adjustments would be as follows:

Unclaimed Property Administration Transfer OF (1,193,200)

The Baseline 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 would result 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 Baseline 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 Baseline 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 Baseline includes \$(4,887,100) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

General Fund	(3,049,600)
DOR Administrative Fund	(1,837,500)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The \$3,000,000 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.

The department shall provide the department’s General Fund revenue enforcement goals for FY 2011 for review by 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.

New Footnotes

If the 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 General Fund to the DOR Administrative Fund and appropriated to the department for contract auditor fees. (This provision was included in the FY 2010 Revenues BRB as session law. Prior to FY 2010, 12.5% of the dollar value of the properties recovered by unclaimed property auditors was appropriated from the Estate and Unclaimed Property Fund).

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Business Reengineering/Integrated Tax System (BRITS) Contract Extensions or Modifications

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 the following table, DOR currently estimates a total cost of \$162,127,800 including \$122,664,700 for the base contract, \$7,000,000 for estimated interest, and \$32,463,100 for BRITS contract extensions.

Estimate of BRITS Costs	
<u>Original Contract</u>	<u>Costs</u>
BRITS Base Contract Interest	\$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
<small>^{1/} Total includes \$6,633,800 in BRITS contract funds for document imaging and customer relationship management.</small>	

The cost of BRITS is being financed by the contractor who, in turn, is paid from the increased revenues generated by BRITS. Payments are made to the contractor based on 85% of tax enforcement revenues above an established baseline amount. These payments are 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.

In FY 2010, DOR may utilize 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 allows DOR to replace existing contractual staff with lower cost departmental staff. In order to make this a permanent change, the Baseline 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.

5% FTE Position Reduction

DOR was originally budgeted 569 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires DOR to reduce an additional 12 FTE Positions in FY 2010 and 28 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Client County Equipment Capitalization Fund (RVA2457/A.R.S. § 42-11057)		Non-Appropriated
Source of Revenue: Monies received over \$0.60 per parcel pursuant to an intergovernmental agreement between the Department of Revenue (DOR) and the county assessor for data processing services. The first \$0.60 per parcel is deposited to the General Fund.		
Purpose of Fund: To upgrade data processing property tax equipment in the counties, which contract with DOR to provide data processing services to their county assessors. Any unencumbered fiscal year-end balance over \$300,000 shall be transferred to the General Fund.		
Funds Expended	116,100	142,000
Year-End Fund Balance	248,100	106,100
Department of Revenue Administrative Fund (RVA2463/A.R.S. § 42-1116.01)		Appropriated
Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 5 years. Laws 2009, 4 th Special Session, Chapter 3 establishes the DOR Administrative Fund and redirects \$24,500,000 each year in unclaimed property proceeds to this fund.		
Purpose of Fund: To cover DOR's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
Funds Expended	0	22,662,500
Year-End Fund Balance	0	0
Escheated Estates Fund (RVA3745/A.R.S. § 12-885)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.		
Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund. Transfers to the Permanent School Fund totaled \$366,200 in FY 2009.		
Funds Expended	0	0
Year-End Fund Balance	800	800
Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)		Partially-Appropriated
Source of Revenue: The fund consists of monies from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 5 years. Notwithstanding the title of this fund, it no longer includes the proceeds of escheated estates. Those funds are deposited to the department's Escheated Estates Fund.		
Purpose of Fund: The appropriated portion of the fund covers DOR's administrative costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property. DOR retains not less than \$100,000 in the non-appropriated portion of the fund to pay allowed claims, while the state attempts to locate abandoned property owners. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations and unclaimed property in a self-storage unit are transferred to the Permanent State School Fund. Unclaimed victim restitution monies are transferred to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. The remaining monies are transferred to the following funds in the following percentages: Housing Trust Fund (55%), State General Fund (25%), and Racing Fund (20%). Racing's 20% share is distributed to 8 different Racing Department funds which are capped at specific levels of revenue, with any excess being deposited to the General Fund. Racing deposited \$5,498,500 in FY 2009 to the General Fund. Transfers totaled \$49,970,300 in FY 2009, including \$10,879,200 to the General Fund, \$28,554,100 to the Housing Trust Fund, \$0 to the Utility Assistance Fund, \$10,383,300 to the Racing Fund, \$9,100 to the Permanent State School Fund, and \$144,600 to the Victim Compensation and Assistance Fund. The total amount transferred to the General Fund in FY 2009 includes a statutorily mandated transfer of \$1,125,000 from Laws 2009, 1 st Special Session, Chapter 1. Laws 2009, 4 th Special Session, Chapter 3 now requires that the first \$10,500,000 in unclaimed property proceeds be deposited into the Housing Trust Fund and the next \$24,500,000 into the DOR Administrative Fund beginning in FY 2010. Since Racing would no longer receive neither pari-mutuel nor unclaimed property revenues, the FY 2010 General Appropriation Act (Laws 2009, 1 st Regular Session, Chapter 12) appropriated General Fund monies to current Racing fund recipients. Chapter 3 also accelerates by 2 years the length of time for all property types to be presumed abandoned and therefore unclaimed. It revises the holding period for traveler's checks from 14 years to 3 years as well as the holding period for money orders from 6 years to 3 years. Shortening these periods is expected to result in additional General Fund revenues of \$73,589,200 in FY 2010.		
Appropriated Funds Expended	2,099,800	0
Non-Appropriated Funds Expended	22,267,200	29,767,200
Year-End Fund Balance	2,250,100	830,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Liability Setoff Fund (RVA2179/A.R.S. § 42-1122)		Appropriated
Source of Revenue: Fees collected from agencies or taxpayers utilizing the setoff procedure. DOR withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover DOR's costs of administering the Liability Setoff program.		
Funds Expended	407,700	401,200
Year-End Fund Balance	212,700	426,300
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	104,900	28,500
Year-End Fund Balance	12,100	13,600
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 8, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A. R. S. § 42-104.B.3. The remainder of the collected amounts are distributed to the state or political subdivisions according to the distribution proportions for the tax collected. No revenue was collected from contracted collections in FY 2009.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	1,500	0
Year-End Fund Balance	4,100	4,100
Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771)		Appropriated
Source of Revenue: The fund consists of tobacco taxes retained by the department to administer the tobacco tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	661,500	667,300
Year-End Fund Balance	646,000	32,600
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		Non-Appropriated
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190. Transfers totaled \$7,890,100 in FY 2009, including \$276,200 to DEQ and \$7,613,900 to counties.		
Funds Expended	0	0
Year-End Fund Balance*	(75,100)	(75,100)

*As reported by the agency. Actual ending balance will not be negative.

School Facilities Board

JLBC: Jack Brown
 OSPB: Kevin Burke

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	20.0	18.0	17.0
Personal Services	954,000	795,000	795,000
Employee Related Expenditures	289,700	262,400	262,400
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	1,428,500	1,428,500
SPECIAL LINE ITEMS			
Building Renewal Grants	7,000,000	3,000,000	3,000,000
New School Facilities	0	0	0
New School Facilities Debt Service	79,103,000	100,683,300	123,520,100
5th Special Session Reduction	0	(332,100)	(332,100)
AGENCY TOTAL	87,713,800	104,779,700	127,616,500
FUND SOURCES			
General Fund	87,713,800	104,779,700	127,616,500
SUBTOTAL - Appropriated Funds	87,713,800	104,779,700	127,616,500
Other Non-Appropriated Funds	308,287,900	154,879,900	145,864,400
TOTAL - ALL SOURCES	396,001,700	259,659,600	273,480,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	22,836,800	21.8%
Total Appropriated Funds	22,836,800	21.8%
Non-Appropriated Funds	(9,015,500)	(5.8%)
Total - All Sources	13,821,300	5.3%

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 Baseline includes \$1,428,500 and 17 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Building Renewal Grants

The Baseline includes \$3,000,000 from the General Fund for Building Renewal Grants in FY 2011. This amount is unchanged from FY 2010.

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.

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 Baseline includes no funding from the General Fund for New School Facilities in FY 2011. This amount is unchanged from FY 2010.

The FY 2010 Education Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 12) continued the FY 2009 moratorium on new school construction projects. The bill prohibited 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 new federal bonding capacity. 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 requires SFB to issue up to \$100,000,000 of Qualified School Construction Bonds (QSCBs) in FY 2010 as authorized by the American Reinvestment and Recovery Act (ARRA) of 2009 to be spent on new construction projects only. The proceeds will first be given to school districts whose projected FY 2010 Average Daily Membership (ADM) exceeds the district-wide space capacity. ARRA allows the state to issue up to \$186,292,000 of QSCBs in CY 2010, and the proceeds from these bonds can be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land. The proceeds have to be spent within 3 years after issuance. Bondholders receive federal tax credits in lieu of interest for these bonds. The tax credit amount is set with the intention of providing 100% of the required interest, however, given current market conditions, the state may need to pay additional interest above and beyond the bondholder tax credit.

As of December 2009, SFB projects new construction to cost \$63,577,300 in FY 2010. Of this amount, SFB estimates \$6,866,000 for land acquisition, \$34,579,900 to start construction on 10 QSCB projects and \$22,131,400 to finish projects already under construction that started prior to the FY 2009 moratorium. These FY 2010 costs will be funded with the \$100,000,000 QSCB issuance and \$32,215,100 of prior year lease-purchase proceeds.

In addition, SFB projects new construction to cost \$57,306,300 in FY 2011. This amount is the result of second year costs associated with the 10 QSCB projects scheduled to begin construction in FY 2010. This estimated cost will be funded with the remaining proceeds from the \$100,000,000 QSCB issuance.

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 2010.) 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. SFB has not yet requested an FY 2011 adjustment. (See Table 1 for FY 2010 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 2010 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 Baseline includes \$123,520,100 from the General Fund for New School Facilities Debt Service in FY 2011. FY 2011 adjustments would be as follows:

Debt Service Payment Increase GF \$14,836,800

The Baseline includes an increase of \$14,836,800 from the General Fund in FY 2011 for an increased debt service payment. This change is the result of 2 factors: 1) The debt service 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 lease-purchase agreements; 2) The debt service payment on the FY 2009 outstanding issuance increases by \$28,289,500 to reflect the fact that the FY 2010 debt service payment was interest only. Currently, the outstanding principal from these agreements is \$1,246,790,000.

New Debt Service Payment GF 0

The Baseline includes no funding from the General Fund in FY 2011 for a new debt service payment due to the FY 2010 QSCB authorization. The board was authorized to issue up to \$100,000,000 of QSCBs in FY 2010, which are expected to be issued in the first quarter of CY 2010. At this time, the board has indicated that it plans to structure the QSCB debt service 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 debt service payments on any lease-purchase transactions entered into by the board from and after May 15, 2006. The FY 2010 Education BRB notwithstanding this statute for the \$100,000,000 QSCB issuance.

**Backfill Full-Day Kindergarten GF 8,000,000
Lease-Purchase Savings**

The Baseline 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 debt service 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 debt service payment in FY 2010.

5th Special Session Reduction

The Baseline includes \$(332,100) from the General Fund 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

STATUTORY CHANGES

The Baseline would:

- As session law, continue to prohibit 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.
- As session law, continue to suspend the Building Renewal Fund formula.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

SFB was originally budgeted 18 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires SFB to reduce no additional FTE positions in FY 2010 and 1 General Fund FTE Position in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Building Renewal Fund (SFA2465/A.R.S. § 15-2031)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide school districts with monies for maintaining the adequacy of existing school facilities. School districts must submit their 3-year Building Renewal plans before they can be awarded any Building Renewal monies. The fund balance represents monies that have not yet been distributed to districts due to the timeliness of district submitted 3-year Building Renewal plans.		
Funds Expended	0	0
Year-End Fund Balance	5,000	5,000
Building Renewal Grant Fund (SFA7777/A.R.S. § 15-2032)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. To prevent double counting, FY 2009 and FY 2010 expenditures exclude \$7,000,000 and \$3,000,000, respectively, from the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	4,994,800	494,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Capital Reserve Fund (SFA2450/A.R.S. § 15-2003)		Appropriated
Source of Revenue: Earnings on the investment of Capital Reserve Fund balances and unobligated monies from the New School Facilities Fund that are credited to the Capital Reserve Fund by the State Treasurer on June 30 of each year.		
Purpose of Fund: To serve as a clearing account for any New School Facilities Fund monies that are unobligated at the end of each fiscal year. This allows the monies to be invested by the State Treasurer until they are appropriated back to the New School Facilities Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Deficiencies Correction Fund (SFA2455/A.R.S. § 15-2021 [repealed])		Non-Appropriated
Source of Revenue: Legislative appropriations. Does not include \$832,865,000 in Proposition 301 revenue bond proceeds or \$20,000,000 in Qualified Zone Academy Bond (QZAB) revenue bond proceeds. <i>(See the School Improvement Revenue Bond Proceeds Fund.)</i> Does not include \$246,600,000 in Permanent State School Fund revenue bond proceeds. <i>(See the State Land Trust Bond Proceeds Fund.)</i>		
Purpose of Fund: To provide school districts with monies for correcting existing deficiencies. The fund expired at the end of FY 2006, but there are expenditures in FY 2009 and FY 2010 to make outstanding district payments.		
Funds Expended	406,900	400,000
Year-End Fund Balance	801,300	0
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-2022)		Non-Appropriated
Source of Revenue: Monies transferred from the New School Facilities Fund.		
Purpose of Fund: To provide school districts monies for facility emergencies.		
Funds Expended	2,173,200	2,343,300
Year-End Fund Balance	1,942,000	0
Land Trust Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	24,248,200	24,249,000
Year-End Fund Balance	4,500	200
Land Trust Bond Proceeds Fund (SFA3339/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Proceeds from the sale of \$246,600,000 in Permanent State School Fund revenue bonds that were issued by the School Facilities Board (SFB). <i>(See the Deficiencies Correction Fund for more information on Deficiencies Correction Program funding.)</i>		
Purpose of Fund: To provide monies for correcting existing deficiencies and for bond related expenses. These funds have been entirely expended.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Lease-to-Own Debt Service Fund (SFA2373/A.R.S. § 15-2004)		Non-Appropriated
Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by SFB to finance the costs of new school construction. To prevent double counting, FY 2009 and FY 2010 expenditures exclude \$79,103,000 and \$108,683,300, respectively, from the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	223,300	218,300
New School Facilities Fund (SFA2460/A.R.S. § 15-2041)		Non-Appropriated
Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements.		
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.		
Funds Expended	217,154,500	63,583,300
Year-End Fund Balance	32,215,100	68,631,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
School Facilities Revenue Bond Debt Service Fund (SFA5010/A.R.S. § 15-2054)		Non-Appropriated
Source of Revenue: Monies credited to the fund, if necessary, from the Permanent State School Fund (A.R.S. § 37-521.B1) or state Transaction Privilege Tax (TPT) revenues.		
Purpose of Fund: To pay the debt service on State School Facilities Revenue Bonds issued for new construction. There is no activity in this fund since State School Facilities Revenue Bonds have never been issued.		
Funds Expended	0	0
Year-End Fund Balance	0	0
School Facilities Revenue Bond Proceeds Fund (SFA3325/A.R.S. § 15-2053)		Non-Appropriated
Source of Revenue: Proceeds from the sale of up to \$200,000,000 in revenue bonds that may be issued by SFB if authorized by the Legislature.		
Purpose of Fund: To provide monies for constructing new school facilities. There is no activity in this fund since State School Facilities Revenue Bonds have never been issued.		
Funds Expended	0	0
Year-End Fund Balance	0	0
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)		Non-Appropriated
Source of Revenue: Revenues from a 0.6% increase in the state TPT (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
Purpose of Fund: To pay the debt service on \$832,865,000 in Proposition 301 revenue bonds and \$20,000,000 in QZAB revenue bonds.		
Funds Expended	64,305,100	64,304,300
Year-End Fund Balance	18,327,400	14,721,600
School Improvement Revenue Bond Proceeds Fund (SFA3335/A.R.S. § 15-2083)		Non-Appropriated
Source of Revenue: Proceeds from the sale of up to \$832,865,000 in Proposition 301 revenue bonds and \$20,000,000 in QZAB revenue bonds that were issued by the SFB. <i>(See the Deficiencies Correction Fund for more information on Deficiencies Correction Program funding.)</i>		
Purpose of Fund: To provide monies for correcting existing deficiencies and for bond related expenses. These funds have been entirely expended.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of State - Secretary of State

JLBC: Jack Brown
 OSPB: Jennifer Uharriet

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	164.1	145.1	141.1
Personal Services	5,181,600	5,463,100	5,463,100
Employee Related Expenditures	1,922,300	1,966,100	1,966,100
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	1,469,500
Equipment	30,700	28,500	28,500
OPERATING SUBTOTAL	8,585,600	9,045,800	9,045,800
SPECIAL LINE ITEMS			
Election Services	4,052,300	1,039,900	4,439,900
Help America Vote Act (HAVA)	11,773,900	7,722,800	7,722,800
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	26,903,800	21,956,900
FUND SOURCES			
General Fund	12,750,100	18,403,300	13,456,400
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	11,773,900	7,722,800	7,722,800
Professional Employer Organization Fund	0	98,900	98,900
Records Services Fund	628,100	678,800	678,800
SUBTOTAL - Other Appropriated Funds	12,402,000	8,500,500	8,500,500
SUBTOTAL - Appropriated Funds	25,152,100	26,903,800	21,956,900
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	30,884,800	25,937,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(4,946,900)	(26.9%)
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	(4,946,900)	(18.4%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(4,946,900)	(16.0%)

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.

Operating Budget

The Baseline includes \$2,673,700 and 32.3 FTE for the Secretary of State operating budget in FY 2011. These amounts consist of:

General Fund	\$2,574,800
Professional Employer Organization (PEO) Fund	98,900

These amounts are unchanged from FY 2010.

Laws 2009, Chapter 114 transferred the Arizona State Library, Archives, and Public Records (ASLAPR) to the Secretary of State's office, effective September 30, 2009. In addition, the legislation requires: 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.

The transfer includes \$6,372,100 and 99.8 FTE Positions for the State Library, Archives and Public Records in FY 2011. These amounts consist of:

General Fund	5,693,300
Record Services Fund	678,800

These amounts are unchanged from FY 2010.

While ASLAPR was not transferred until September 30, 2009, FY 2009 and FY 2010 have been adjusted for comparability.

Election Services

The Baseline includes \$4,439,900 and 9 FTE Positions from the General Fund for Election Services in FY 2011. FY 2011 adjustments would be as follows:

Election Year Funding GF 3,400,000

The Baseline 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.

Help America Vote Act

The Baseline includes \$7,722,800 from the Election Systems Improvement Fund for the Help America Vote Act (HAVA) (P.L. 107-252) in FY 2011. This amount is unchanged from FY 2010.

Table 1 lists projected HAVA expenditures from FY 2004 through FY 2011.

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)	<u>7,722,800</u>
Total	\$55,305,800 ^{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.

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 \$60,695,600 in HAVA funding. This includes revenue from the following sources listed in Table 2.

HAVA Revenues	
Federal Funds	\$52,203,400
5% GF Match	2,331,900
Interest	<u>6,160,300</u>
Total	\$60,695,600

Assuming \$7,722,800 is expended in FY 2010 and \$7,722,800 is expended in FY 2011, \$5,389,800 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 Baseline includes no funding from the General Fund to pay for a statewide special election in FY 2011. FY 2011 adjustments would be as follows:

Rollback Special Election GF (8,346,900)
Funding

The Baseline includes a decrease of \$(8,346,900) from the General Fund for Special Election funding. Funding was provided in FY 2010 to pay for a potential statewide special election. Among potential topics was a constitutional amendment to authorize a temporary increase in the Transaction Privilege Tax.

Library Grants in Aid

The Baseline includes \$651,400 from the General Fund for 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee.

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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Secretary of State was originally budgeted 138.1 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Secretary of State to reduce an additional 3 FTE Positions in FY 2010 and 7 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Blue Book Revolving Fund (STA2006/A.R.S. § 41-131)		Non-Appropriated
Source of Revenue: Proceeds from the sales of Arizona Blue Books and legislative appropriations.		
Purpose of Fund: To publish the Arizona Blue Book, which contains information about the state's Executive, Legislative, and Judicial Branches.		
Funds Expended	0	0
Year-End Fund Balance	8,900	10,100
Data Processing Acquisition Fund (STA2265/A.R.S. § 41-127)		Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code filings.		
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.		
Funds Expended	65,200	15,900
Year-End Fund Balance	131,700	185,800
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Appropriated
Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations. Any monies deposited into the fund in FY 2003 and FY 2004 are appropriated to the Secretary of State. Monies deposited in the fund each subsequent year, including Federal Funds, are subject to legislative appropriation.		
Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, including replacement of all punch-card and lever voting machines, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended	306,000	7,722,800
Year-End Fund Balance	14,405,000	10,653,000
Election Training Fund (STA2521/A.R.S. § 16-407.01)		Appropriated
Source of Revenue: Receives money from cities and towns whose employees take election training courses.		
Purpose of Fund: To provide election training to officials from cities and towns.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants Fund (LAA2000/A.R.S. § 41-1336)		Non-Appropriated
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	3,860,400	3,556,800
Year-End Fund Balance	206,900	54,000
Gift Shop Revolving Fund (LAA4008/Laws 1984, Chapter 396)		Non-Appropriated
Source of Revenue: Sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
Funds Expended	73,200	64,700
Year-End Fund Balance	129,800	125,100
Health Care Directives Registry (STA2508/A.R.S. § 36-3297)		Non-Appropriated
Source of Revenue: Donations from private investors.		
Purpose of Fund: To support, promote and maintain the Health Care Directives Registry.		
Funds Expended	30,600	0
Year-End Fund Balance	400	400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Notary Bond Fund (STA3000/A.R.S. § 41-314)		Non-Appropriated
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	0	62,600
Year-End Fund Balance	119,700	177,100
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance.		
Funds Expended	0	98,900
Year-End Fund Balance*	0	(98,900)
Records Services Fund (LAA2431/A.R.S. § 41-1345)		Appropriated
Source of Revenue: Fees collected from state agencies for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	628,100	678,800
Year-End Fund Balance	228,600	249,800
Standing Political Committee Administration Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	54,900	0
Year-End Fund Balance	32,100	44,400
State Library Fund (LAA2115/A.R.S. § 41-1336)		Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	306,400	281,000
Year-End Fund Balance	487,700	356,700

*As reported by the agency. Actual ending balance will not be negative.

State Boards' Office

JLBC: Steve Grunig

OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	144,900	143,200	143,200
Employee Related Expenditures	62,500	53,400	53,400
Professional and Outside Services	400	0	0
Other Operating Expenditures	76,800	88,600	30,200
AGENCY TOTAL	284,600	285,200	226,800

FUND SOURCES

Other Appropriated Funds

Special Services Revolving Fund	284,600	285,200	226,800
SUBTOTAL - Other Appropriated Funds	284,600	285,200	226,800
SUBTOTAL - Appropriated Funds	284,600	285,200	226,800
TOTAL - ALL SOURCES	284,600	285,200	226,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	(58,400)	(20.5%)
Total Appropriated Funds	(58,400)	(20.5%)
Total - All Sources	(58,400)	(20.5%)

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 Baseline includes \$226,800 and 3 FTE Positions from the Special Services Revolving Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

FORMAT — Lump Sum by Agency

Budget Realignment OF \$(58,400)

The Baseline 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 will result in a smaller appropriation for the State Boards' Office. The breakdown of the FY 2011 amount by agency is reflected in *Table 1*.

Table 1

Total State Boards' Office Budget by Agency Contribution

<u>Board</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Acupuncture Board of Examiners	\$ 23,900	\$ 23,900	\$ 18,900
Board of Barbers	1,500	1,500	1,600
Funeral Directors & Embalmers, State Board of	51,900	51,900	36,700
Homeopathic and Integrated Medicine Examiners, Board of	20,200	20,200	15,200
Independent Redistricting Commission	10,900	11,500	0
Naturopathic Physicians Medical Board	68,700	68,700	59,900
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	24,500	24,500	25,500
Opticians, State Board of Dispensing	29,300	29,300	24,100
Optometry, State Board of	26,900	26,900	23,100
Physical Therapy Examiners, Board of	0	0	0
Podiatry Examiners, State Board of	26,800	26,800	21,800
Total	\$284,600	\$285,200	\$226,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)		Appropriated
Source of Revenue: Monies are collected from 11 small regulatory boards residing in the State Boards' Office. This is the appropriated portion of a larger fund within the Department of Administration (ADOA). <i>(See the ADOA section for additional fund information.)</i>		
Purpose of Fund: To provide centralized office services, printing, and other administrative or management services.		
Funds Expended	284,600	285,200
Year-End Fund Balance	0	0

State Board of Tax Appeals

JLBC: Bob Hull
 OSPB: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	169,100	190,600	190,600
Employee Related Expenditures	43,600	43,900	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	279,800	279,800
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(21,000)	(21,000)
AGENCY TOTAL	262,800	258,800	258,800

FUND SOURCES

General Fund	262,800	258,800	258,800
SUBTOTAL - Appropriated Funds	262,800	258,800	258,800
TOTAL - ALL SOURCES	262,800	258,800	258,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$279,800 and 4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline includes \$(21,000) from the General Fund 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.

* * *

FORMAT — Lump Sum by Agency

State Board of Technical Registration

JLBC: Aaron Galeener
 OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	23.0	23.0	23.0
Personal Services	736,500	847,800	847,800
Employee Related Expenditures	267,000	323,100	323,100
Professional and Outside Services	76,500	152,300	152,300
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	1,756,400	1,756,400

FUND SOURCES

Other Appropriated Funds

Technical Registration Fund	1,414,300	1,756,400	1,756,400
SUBTOTAL - Other Appropriated Funds	1,414,300	1,756,400	1,756,400
SUBTOTAL - Appropriated Funds	1,414,300	1,756,400	1,756,400
TOTAL - ALL SOURCES	1,414,300	1,756,400	1,756,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$1,756,400 and 23 FTE Positions from the Technical Registration Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		Appropriated
Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
Funds Expended	1,414,300	1,756,400
Year-End Fund Balance	675,300	665,800

Office of Tourism

JLBC: Ted Nelson
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	39.0	38.0	37.0
Personal Services	1,965,700	1,871,800	1,871,800
Employee Related Expenditures	586,900	577,100	577,100
Professional and Outside Services	2,435,800	1,283,200	1,283,200
Travel - In State	20,000	10,500	10,500
Travel - Out of State	92,000	48,500	48,500
Other Operating Expenditures	3,562,600	5,356,200	5,356,200
Equipment	27,400	14,400	14,400
OPERATING SUBTOTAL	8,690,400	9,161,700	9,161,700
SPECIAL LINE ITEMS			
Media Advertising	848,700	1,493,500	1,493,500
Statutory Funding Increase	0	0	0
AGENCY TOTAL	9,539,100	10,655,200	10,655,200
FUND SOURCES			
General Fund	9,539,100	10,655,200	10,655,200
SUBTOTAL - Appropriated Funds	9,539,100	10,655,200	10,655,200
Other Non-Appropriated Funds	11,592,100	11,334,400	11,334,400
TOTAL - ALL SOURCES	21,131,200	21,989,600	21,989,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 formula that transfers 3.5% of bed taxes, 3% of amusement taxes, and 2% of restaurant taxes collected in the prior year from the General Fund to the Tourism Fund. The agency also receives 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 provides for an Office of Tourism 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 current estimates put the formula distribution at \$14,613,300 from the General Fund in FY 2011.

FY 2010. Suspension of the Tourism funding formula is assumed to continue in FY 2011.

The adjustments to the operating budget and Special Line Item do not require legislative appropriation and are displayed for informational purposes. Since the Office of Tourism is funded through a statutory formula, this agency does not appear in the General Appropriation Act.

The FY 2010 General Government Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 7) suspends the Tourism funding formula and, instead, provides \$10,655,200 from the General Fund to the agency in

Operating Budget

The Baseline includes \$9,161,700 and 37 FTE Positions from the General Fund for the operating budget in FY 2011. This amount is unchanged from FY 2010.

Media Advertising

The Baseline includes \$1,493,500 from the General Fund for Media Advertising in FY 2011. This amount is unchanged from FY 2010.

Monies in the Media Advertising Special Line Item are 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.

Statutory Funding Increase

The Baseline includes no funding for the Statutory Funding Increase Special Line Item in FY 2010. This amount is unchanged from FY 2010.

A.R.S. § 42-5029 was suspended for FY 2010. Suspension of the Statutory Funding Formula is assumed to continue in FY 2011. *(Please see the discussion regarding the Tourism Funding Formula for more information.)*

STATUTORY CHANGES

The Baseline would, as session law, continue to suspend the Tourism funding formula in A.R.S. § 42-5029.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Statutory Allocations

The Office of Tourism receives its funding from 3 statutory allocations. *(Please see Table 1 for allocations.)*

5% FTE Position Reduction

The Office of Tourism was originally budgeted 39 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Office of Tourism to reduce an additional 1 FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011.

Table 1 Office of Tourism Revenues				
<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2009 Amount</u>	<u>FY 2010 Amount</u>	<u>FY 2011 Amount</u>
<u>Tourism Formula</u>				
• 3.5% of bed tax	General Fund	\$ 4,480,700	\$ 4,074,100	\$4,074,100
• 3% of amusement tax		1,699,600	1,578,800	1,585,100
• 2% of restaurant tax		9,270,400	9,090,400	8,954,100
• 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>(3,958,100)</u>
Subtotal from Tourism Formula		14,440,600	10,655,200 ^{1/}	10,655,200 ^{1/}
<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
<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> ^{2/}	<u>6,416,700</u> ^{2/}
Total		\$26,668,500	\$22,678,700	\$23,303,000

^{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/} The Tribal Gaming amounts for FY 2010 and FY 2011 are JLBC estimates. All other figures in the table are actual amounts.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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Tourism Fund (TOA2236/A.R.S. § 41-2306)	Non-Appropriated	
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Source of Revenue: Transfer from the General Fund to the Tourism Fund of 3.5% of bed taxes, 3% of amusement taxes, and 2% of restaurant taxes collected in the prior year. The Legislature notwithstanding this formula and instead provided \$14,296,500 in FY 2009 and \$10,655,200 in FY 2010. In addition, the Tourism Fund receives a transfer from the Tourism and Sports Authority (TSA) to be used for tourism promotion in Maricopa County. Pursuant to Laws 2000, Chapter 372, TSA receives revenue derived from a 1% increase in the bed tax and a 3.25% increase in the car rental tax. Of this amount, TSA is to transfer \$4,000,000 in FY 2002 and increase the transfer amount each year by 5% to the Tourism Fund. Finally, the fund receives a portion of tribal gaming contributions, pursuant to Proposition 202. The Tourism Fund became non-appropriated in FY 2004, pursuant to Laws 2002, Chapter 288.

Purpose of Fund: To pay for all costs associated with Office of Tourism activities.

Funds Expended	11,592,100	11,334,400
Year-End Fund Balance	6,155,900	4,259,300

Tourism Workshop Fund (TOA3163/A.R.S. § 41-2307)	Appropriated	
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Source of Revenue: Workshop registration fees, trade marketing recoveries, advertising recoveries, and other operating revenue.

Purpose of Fund: To pay for expenses incurred for the annual Governor's Tourism Conference and other projects. There is currently no activity in this fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

Department of Transportation

JLBC: Juan Beltran
 OSPB: Brandon Nee

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,748.0	4,548.0	4,548.0
Personal Services	128,663,600	137,345,200	137,345,200
Employee Related Expenditures	57,309,700	62,452,000	62,452,000
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	63,955,400
Equipment	1,799,300	1,755,100	1,755,100
OPERATING SUBTOTAL	253,738,700	268,363,200	268,363,200
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	2,740,900	2,874,900	2,874,900
Highways			
Highway Maintenance	112,565,600	133,164,600	133,164,600
Vehicles and Heavy Equipment	22,678,000	29,822,500	29,822,500
Vehicles and Heavy Equipment Fuel Surcharge	2,000,000	0	0
Motor Vehicle			
Abandoned Vehicle Administration	925,400	1,002,900	1,002,900
Fraud Investigation	701,400	745,000	745,000
New Third Party Funding	910,500	930,200	930,200
Other			
Expenditure Plan Realignment	0	0	(75,822,300)
5th Special Session Reduction	0	(2,622,700)	(2,622,700)
AGENCY TOTAL	396,260,500	434,280,600	358,458,300
FUND SOURCES			
General Fund	69,700	58,400	58,400
Other Appropriated Funds			
Air Quality Fund	71,700	72,700	72,700
Driving Under the Influence Abatement Fund	143,300	145,400	145,400
Highway User Revenue Fund	617,000	620,400	620,400
Motor Vehicle Liability Insurance Enforcement Fund	2,124,400	2,032,700	2,032,700
Safety Enforcement and Transportation Infrastructure Fund	2,118,900	2,009,900	2,009,900
State Aviation Fund	2,269,700	1,748,300	1,748,300
State Highway Fund	363,659,700	398,222,300	322,400,000
Transportation Department Equipment Fund	23,678,000	27,791,800	27,791,800
Vehicle Inspection and Title Enforcement Fund	1,508,100	1,578,700	1,578,700
SUBTOTAL - Other Appropriated Funds	396,190,800	434,222,200	358,399,900
SUBTOTAL - Appropriated Funds	396,260,500	434,280,600	358,458,300
Other Non-Appropriated Funds	39,076,100	38,604,600	38,604,600
Federal Funds	1,516,300	1,516,300	1,516,300
TOTAL - ALL SOURCES	436,852,900	474,401,500	398,579,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(75,822,300)	(17.5%)
Total Appropriated Funds	(75,822,300)	(17.5%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(75,822,300)	(16.0%)

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 Baseline includes \$268,363,200 and 3,313 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$63,100
Air Quality Fund	72,700
Driving Under the Influence Abatement Fund	145,400
Highway User Revenue Fund	386,900
Motor Vehicle Liability Insurance Enforcement Fund	1,998,500
Safety Enforcement and Transportation Infrastructure Fund	1,610,400
State Aviation Fund	1,890,100
State Highway Fund	260,578,500
Vehicle Inspection and Title Enforcement Fund	1,617,600

These amounts are unchanged from FY 2010.

Administration

Attorney General Legal Services

The Baseline includes \$2,874,900 from the State Highway Fund for Attorney General Legal Services in FY 2011. This amount is unchanged from FY 2010.

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 Baseline includes \$133,164,600 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	132,602,100

These amounts are unchanged from FY 2010.

In addition to the \$133,164,600 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$13,000,000 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 Baseline includes \$29,822,500 and 247 FTE Positions from the Transportation Department Equipment Fund for Vehicles and Heavy Equipment in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline 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 Baseline includes \$1,002,900 and 23 FTE Positions from the State Highway Fund for Abandoned Vehicle Administration in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$745,000 and 11 FTE Positions from the State Highway Fund for Fraud Investigation in FY 2011. These amounts are unchanged from FY 2010.

Monies in this line item provide for investigation of fraudulent driver's license and motor vehicle documents.

New Third Party Funding

The Baseline includes \$930,200 and 22 FTE Positions for New Third Party Funding in FY 2011. These amounts consist of:

Highway User Revenue Fund	233,500
Motor Vehicle Liability Insurance Enforcement Fund	199,000
State Highway Fund	418,900
Vehicle Inspection and Title Enforcement Fund	78,800

These amounts are unchanged from FY 2010.

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 Baseline includes \$(75,822,300) from the State Highway Fund in FY 2011 in order to align spending with available resources.

In FY 2009, after the midyear adjustments, the department's operating budget from the State Highway Fund was \$399,034,000. However, due to declining Highway User Revenue Fund (HURF) collections, the department actually expended \$363,659,700.

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 November 2009, HURF collections are down (8.3)% as compared to the prior year. (*Please see the FY 2010 Arizona Department of Transportation Capital Outlay section for additional information regarding overall HURF collections distribution for FY 2009 through FY 2011.*)

In FY 2010, the Legislature appropriated \$398,222,300 from the State Highway Fund for operating expenses. However, the department plans to spend only \$322,400,000, or \$(75,822,300) less than their FY 2010 appropriation. As a result, the Baseline would reduce the department's existing FY 2010 appropriation by \$(75,822,300). The lower expenditure authority would reflect the expected level of revenues available for the fiscal year.

In FY 2011, the Baseline includes the same \$(75,822,300) adjustment, which would make the spending level consistent with FY 2010. This estimate assumes FY 2011 HURF collections remain flat as compared to FY 2010. It is possible, however, that HURF collections could increase in FY 2011 and decrease even more in FY 2010. While this adjustment is shown as a lump sum reduction, this change would be distributed among line items in the General Appropriation Act. (*Please see "Other Issues for Legislative Consideration – FY 2010 Expenditure Plan Realignment" for additional information.*)

5th Special Session Reduction

The Baseline includes \$(2,622,700) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. 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)
Transportation Department Equipment Fund	(2,030,700)
Vehicle Inspection and Title Enforcement Fund	(117,700)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate driver license fees charged to the public.

Of the total amount appropriated, \$133,164,600 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.

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.

Of the \$358,458,300 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.

New Footnotes

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. *(Currently, the department is required to submit quarterly progress reports to the Joint Legislative Budget Committee within 30 days after the end of each calendar quarter. This requirement replaces the quarterly reports with one annual report.)*

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring review by the Joint Legislative Budget Committee of any transfers to or from an operating budget or Special Line Item as outlined in the Joint Legislative Budget Committee Staff FY 2011 Appropriations Report that equals or exceeds \$1,000,000 in total for FY 2011. The footnote also requires that any transfers below \$1,000,000 be reported to the Joint Legislative Budget Committee Staff.

STATUTORY CHANGES

The Baseline would, 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Highway User Revenue Fund (HURF) Distributions

Please see Capital Outlay section for this information.

FY 2010 Expenditure Plan Realignment

Due to declining HURF revenues, the Baseline includes a decrease of \$(75,822,300) from the State Highway Fund in FY 2010. The lower expenditure authority would reflect the expected level of revenues available for FY 2010. The Baseline continues the same \$(75,822,300) adjustment in FY2011. *(Please see the Expenditure Plan Realignment section for additional information.)*

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Air Quality Fund (DTA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration. The Arizona Department of Transportation (ADOT) is appropriated monies from the Air Quality Fund in the Department of Environmental Quality.		
Purpose of Fund: For tracking the availability and sales of oxygenated fuels to ensure that a sufficient supply is available for non-attainment areas of the state.		
Funds Expended	71,700	72,700
Year-End Fund Balance	0	0
Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)		Non-Appropriated
Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations.		
Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
Funds Expended	5,721,100	5,249,800
Year-End Fund Balance	1,948,400	1,312,900
Aviation Federal Funds (DTA2267/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To develop Grand Canyon Airport, to update the State Aviation System Plan, and to conduct the FAA Airport Inspection program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Cash Deposits Fund (DTA2266/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property.		
Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.		
Funds Expended	1,200	1,200
Year-End Fund Balance	427,500	476,300
Contract Counsel Fund (DTA4212/A.R.S. § 28-6925)		Non-Appropriated
Source of Revenue: An amount of \$30,000 was originally appropriated from the State Highway Fund to the Contract Counsel Fund. The Arizona Department of Administration replenishes expended monies from State Highway Fund monies appropriated for construction of state highways, as ADOT submits itemized statements detailing their expenditures from the Contract Counsel Fund.		
Purpose of Fund: To reimburse the Attorney General for attorneys' services for rights-of-way condemnation cases on federal aid projects.		
Funds Expended	0	0
Year-End Fund Balance	0	0
ADOT Donations Fund (DTA3080/A.R.S. § 28-818)		Partially-Appropriated
Source of Revenue: Federal Funds, donations, monies from this state or any agency of this state for the Bicycle Safety Fund.		
Purpose of Fund: This fund includes 2 smaller funds, the Heavy Vehicle Equipment Licensing Information Fund and the Bicycle Safety Fund. A.R.S. § 28-818 establishes a Bicycle Safety Fund to plan, engineer, construct and maintain bicycle paths. Subject to legislative appropriation, monies in the Bicycle Safety Fund may be used to match federal or local monies spent for these		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Driving Under the Influence Abatement Fund (DTA2422/A.R.S. § 28-1304)		Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments for enforcement purposes and alcohol abuse treatment services and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and Department of Public Safety receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes.		
Funds Expended	143,300	145,400
Year-End Fund Balance	132,600	130,500
Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)		Non-Appropriated
Source of Revenue: The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
Purpose of Fund: For "economic strength" highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. <i>(See the ADOT Capital Outlay Budget section for expenditures.)</i>		
Funds Expended	0	0
Year-End Fund Balance	296,700	430,800
Emergency Medical Services Special Plate Fund (No Fund Number/A.R.S. § 28-2434)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of Emergency Medical Services special plate fee and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Emergency Medical Services special plates. ADOT is to allocate fund monies to a nonprofit corporation that pays \$32,000 by December 31, 2014 and is qualified under section 501(c)(3) of the United States internal revenue code for federal income tax purposes. The nonprofit corporation must use the donations for public purposes related to emergency medical services. ADOT has not yet established the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants (DTA2097/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Federal grants, other than aviation federal grants.		
Purpose of Fund: For federal highway construction and maintenance; assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion.		
Funds Expended	1,516,300	1,516,300
Year-End Fund Balance*	1,567,500	(14,176,300)
Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.		
Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund.		
Funds Expended	142,600	142,600
Year-End Fund Balance	100,220,000	17,935,100

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Highway User Revenue Fund Fees (DTA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.		
Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget, to DPS for a portion of the highway patrol costs, to political subdivisions for highway purposes, and for capital highway construction projects.		
Funds Expended	617,000	620,400
Year-End Fund Balance*	96,785,900	(569,237,000)
Arizona International Development Authority Fund (DTA1994/A.R.S. § 41-4505)		Non-Appropriated
Source of Revenue: The fund consists of monies received from the federal government, tolls, fees, gifts, grants, donations from any public or private source, interest earnings, and any other monies received by the Arizona International Development Authority (AIDA)		
Purpose of Fund: To pay costs associated with the administration of the fund and to carry out the requirements of AIDA. Monies in the fund can also be used to provide grants or loans for international transportation and infrastructure projects. ADOT is required to provide staff support to AIDA including general administrative, office, equipment and staff support, using earnings from the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Monies received from local jurisdictions.		
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity.		
Funds Expended	164,800	164,800
Year-End Fund Balance*	15,683,500	(23,292,900)
Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)		Non-Appropriated
Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.		
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system.		
Funds Expended	32,830,700	32,830,500
Year-End Fund Balance	305,781,200	90,636,800
Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.		
Purpose of Fund: To carry out the provisions of the chapter. DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	42,300	47,300
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: For the department to enforce mandatory motor vehicle liability insurance laws.		
Funds Expended	2,124,400	2,032,700
Year-End Fund Balance	337,800	255,900

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Professional Baseball Club Special Plate Fund (DTA2540/A.R.S. § 28-2426)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona professional baseball club special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona professional baseball club special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a private Arizona professional baseball organization's foundation that allocates the monies to programs relating to youth education and development, housing for the homeless or low-income persons and health care for the indigent.		
Funds Expended	171,200	171,200
Year-End Fund Balance	142,500	173,000
Arizona Professional Basketball Club Special Plate Fund (DTA2543/A.R.S. § 28-2432)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of Arizona professional basketball club special plate fee and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona professional basketball club special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a private Arizona professional basketball organization foundation.		
Funds Expended	0	0
Year-End Fund Balance	6,900	16,900
Arizona Professional Football Club Special Plate Fund (No Fund Number/A.R.S. § 28-2433)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona professional football club special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona professional football club special plates, if an entity pays \$32,000 by December 31, 2009. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a private Arizona professional football organization foundation. ADOT has not yet established the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Railroad Review Fund (No Fund Number/A.R.S. § 28-9401)		Non-Appropriated
Source of Revenue: Fees assessed and collected by the department from the proponent of a proposed major railroad project.		
Purpose of Fund: For the department to pay the cost of evaluating a proposed major railroad project, including the cost of consultants, the review process and hearings. Any unused portion of the fees collected is refunded to the railroad. ADOT has not yet established the fund, which was enacted by Laws 2008, Chapter 284.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)		Non-Appropriated
Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Safety Enforcement and Transportation Infrastructure Fund (DTA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To enforce vehicle safety requirements by DPS and ADOT, and maintain and construct transportation facilities within 25 miles of the Arizona-Mexico border. To improve vehicle congestion at Mexican border ports of entry, and obtain Federal Funds for Safety Enforcement and Transportation Infrastructure Fund (SETIF) purposes. Also to maintain and construct transportation facilities in the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico. In addition, ADOT may provide SETIF monies to the Arizona-Mexico Commission, Arizona Department of Homeland Security, and AIDA for certain SETIF-related purposes.		
Funds Expended	2,118,900	2,009,900
Year-End Fund Balance	1,561,300	772,900
Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)		Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.		
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Aviation Fund (DTA2005/A.R.S. § 28-8202)		Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.		
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions.		
Funds Expended	2,269,700	1,748,300
Year-End Fund Balance	785,600	4,401,500
State Highway Fund (DTA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, and donations.		
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. Monies in the Statewide Transportation Acceleration Needs (STAN) Account of the State Highway Fund are used to accelerate certain highway projects and are divided 60% for Maricopa County, 16% for Pima County and 24% for all other counties.		
Funds Expended	363,659,700	398,222,300
Year-End Fund Balance*	174,349,300	(1,062,066,500)
Statewide Employee Recognition Gifts/Donations (DTA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	44,500	44,500
Year-End Fund Balance	18,500	14,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Transplantation Awareness Fund (No Fund Number/A.R.S. § 28-2419)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal transplantation awareness special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue transplant awareness special plates. ADOT is to annually allocate fund monies to a private coalition selected by the director, that is qualified under section 501(c)(3) of the United States internal revenue code for federal income tax purposes and that has a mission of promoting transplant awareness. ADOT has not yet established the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006)		Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
Purpose of Fund: For ownership, maintenance, service or repair of equipment and consumable material including administrative expenses.		
Funds Expended	23,678,000	27,791,800
Year-End Fund Balance*	1,117,200	(33,213,000)
Underground Storage Tank Revolving Fund (DTA3728/A.R.S. § 28-6008)		Non-Appropriated
Source of Revenue: The fund consists of Underground Storage Tank taxes paid by persons liable for motor/aviation fuel taxes; or persons who refine, manufacture or produce compounds, blend or import diesel (liquid petroleum).		
Purpose of Fund: For department administrative expenses. Per subsections A and B of A.R.S. § 28-1599.45, "the director acts only as a collecting agent for the Director of the Department of Environmental Quality and assumes no responsibility for the underlying tax liability." The department retains only administrative costs as determined by an intergovernmental agreement between ADOT and the Department of Environmental Quality.		
Funds Expended	0	0
Year-End Fund Balance*	(206,400)	(206,400)
Vehicle Inspection and Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)		Appropriated
Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.		
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.		
Funds Expended	1,508,100	1,578,700
Year-End Fund Balance*	296,800	(127,700)

*As reported by the agency. Actual ending balance will not be negative.

State Treasurer

JLBC: Eric Billings
 OSPB: Bill Greeney

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	34.4	30.4	29.4
Personal Services	1,558,100	1,536,000	1,536,000
Employee Related Expenditures	559,800	570,200	570,200
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	2,580,700	2,580,700
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	2,023,400	1,115,100	1,115,100
AGENCY TOTAL	4,552,600	3,695,800	3,695,800

FUND SOURCES

General Fund	4,552,600	3,607,500	1,115,100
<u>Other Appropriated Funds</u>			
State Treasurer's Management Fund	0	88,300	2,580,700
SUBTOTAL - Other Appropriated Funds	0	88,300	2,580,700
SUBTOTAL - Appropriated Funds	4,552,600	3,695,800	3,695,800
Other Non-Appropriated Funds	0	5,617,000	5,617,000
TOTAL - ALL SOURCES	4,552,600	9,312,800	9,312,800

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(2,492,400)	(69.1%)
Other Appropriated Funds	2,492,400	2,822.7%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$2,580,700 and 29.4 FTE Positions from the State Treasurer's Management Fund for the operating budget in FY 2011. FY 2011 adjustments would be as follows:

Management Fee	GF	\$(2,492,400)
Appropriation	OF	2,492,400

The Baseline includes a decrease of \$(2,492,400) from the General Fund and a corresponding increase from the State

Treasurer's Management Fund in FY 2011 to shift the Treasurer's operating budget to management fees.

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.

Justice of the Peace Salaries

The Baseline 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 38.5% of JP salaries. The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 6) reduced the state’s share of the Justice of the Peace Salaries to 19.25%.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the Treasurer to come before JLBC review prior to changing the 6 basis point investment management fee.

STATUTORY CHANGES

The Baseline would, as session law, continue to fund the state share of the Justice of the Peace salaries at 19.25% in FY 2011.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The State Treasurer was originally budgeted 31.4 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Treasurer to reduce an additional 1 FTE Position in FY 2010 and 2 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Criminal Justice Enhancement Fund (No Fund Number/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	0	5,617,000
Year-End Fund Balance	0	0
State Treasurer's Management Fund (TRA3799/A.R.S. § 41-177)		Appropriated
Source of Revenue: A portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state, not to exceed the amount appropriated by the Legislature.		
Purpose of Fund: To provide funding for the administrative expenses associated with managing LGIP.		
Funds Expended	0	88,300
Year-End Fund Balance	91,000	40,000

Arizona Board of Regents

JLBC: Kimberly Cordes-Sween
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	27.9	25.9	25.9
Personal Services	1,474,200	1,676,800	1,676,800
Employee Related Expenditures	539,700	466,800	466,800
Travel - In State	1,700	0	0
Other Operating Expenditures	328,500	334,800	334,800
OPERATING SUBTOTAL	2,344,100	2,478,400	2,478,400
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	1,368,000	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	18,598,300	17,230,300

FUND SOURCES

General Fund	18,435,800	18,598,300	17,230,300
SUBTOTAL - Appropriated Funds	18,435,800	18,598,300	17,230,300
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	27,016,900	25,791,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	(1,368,000)	(7.4%)
Total Appropriated Funds	(1,368,000)	(7.4%)
Non-Appropriated Funds	142,100	1.7%
Total - All Sources	(1,225,900)	(4.5%)

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 Baseline includes \$2,478,400 and 25.9 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Arizona Teachers Incentive Program

The Baseline 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 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 Baseline 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 Baseline 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.

Nursing Education

The Baseline includes no funding from the General Fund for the Arizona Partnership for Nursing Education Demonstration Project (APNEDP) in FY 2011. FY 2011 adjustments would be as follows:

Elimination of Advance Appropriation	GF \$(1,368,000)
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The Baseline 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 Baseline 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, 3rd Special Session, Chapter 9) suspended the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2010. *(Please see the Statutory Changes section for more information.)*

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 Baseline 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 Baseline 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.

University System Summary Tables

Table 1 shows tuition and fee changes for FY 2010. FY 2011 tuition and fees schedules are not yet available. 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 \$1,140,641,500 in FY 2011. The FY 2011 tuition totals include the economic recovery surcharge.

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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that required that the \$2,000,000 state General Fund appropriation for the Math and Science Teacher Initiative be deposited into the Mathematics, Science and Special Education Teacher Student Loan Fund if established by A.R.S. § 15-1784. The deleted footnote also required that, of that amount, ABOR use \$1,500,000 for student loans to eligible prospective math and science teachers, \$500,000 for student loans to eligible prospective special education teachers, and also permitted ABOR to retain up to \$100,000 of the appropriation for the Math and Science Teacher Initiative for administrative costs directly incurred by the board. (This footnote is proposed for deletion because the majority of the funding for this program was eliminated by the agency as part of its lump sum reduction.)

The Baseline would delete the footnote that prohibited the use of appropriated monies for the implementation of the Centennial Scholars Program, as the program has not been established.

STATUTORY CHANGES

The Baseline would:

- As permanent law, clarify that future enrollment growth shall be calculated based on the enrollment of Arizona residents only. The FY 2010 Higher Education BRB required ABOR to separately report out-of-state students. Legislative intent was for this report to be used specifically for enrollment growth calculations. This statutory change makes that clarification.
- As session law, suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into AFAT. Based on student fees contributed to AFAT in FY 2009, the state's match would grow to \$12,839,000 or an increase of \$2,797,800 over the current appropriation in FY 2011.
- As session law, defer a \$100,000,000 FY 2011 payment to the universities until FY 2012. The FY 2011 payment would otherwise be paid to the universities in May and June 2011. This will continue the \$100,000,000 deferral that began with FY 2009 and FY 2010 end-of-year payments, which were deferred or rolled over to the following year.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

(Please see the agency pages for additional details on these reductions and see more information on ARRA in the Summary Book.)

5% FTE Position Reduction

ABOR was originally budgeted 26.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires ABOR to reduce an additional 1 General Fund FTE Positions in FY 2010 and 1 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (ARRA) provided Arizona with \$831,869,300 from the education component of the State Fiscal Stabilization Fund (SFSF). *(See more information on ARRA in the Summary Book.)*

Of the \$831,869,300, approximately \$654,923,400 is expected to be allocated through FY 2010, including \$154,138,400 for the University system. The remaining \$176,945,900 (of the \$831,869,300) will be allocated either in FY 2010 or FY 2011. The funding will be distributed amongst the Universities, Community Colleges and the Arizona Department of Education in accordance with federal requirements.

The \$154,138,400 in university stabilization funding was allocated to each of the 3 universities based on their proportional share of total university General Fund spending. Each university then distributed the ARRA funding among the campuses as follows.

ASU-Tempe/DPC	\$ 57,465,400
ASU-East	5,765,300
ASU-West	6,591,800
NAU	23,491,600
UA-Main	60,824,300
UA-HSC	<u>0</u>
Total	\$154,138,400

Laws 2009, 3rd Special Session, Chapter 11 included a conditional enactment clause for another \$(10,000,000) reduction to the universities upon the state’s receipt of SFSF monies from ARRA. Chapter 11 stipulated that if the state received federal assistance from SFSF, the General Fund appropriation to the universities would be collectively reduced by a total of \$(10,000,000), which would be allocated by ABOR. This systemwide reduction will likely be allocated proportionately:

ASU-Tempe/DPC	\$(3,738,100)
ASU-East	(287,500)
ASU-West	(503,200)
NAU	(1,524,700)
UA-Main	(3,107,700)
UA-HSC	<u>(838,800)</u>
Total	\$(10,000,000)

Table 1

FY 2009 and FY 2010 Tuition, Surcharge, and Fees ^{1/}

	FY 2009 ^{2/}				FY 2010 ^{2/3/}				FY 2009 to FY 2010 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	\$5,313 to \$5,659	\$7,039	\$17,947	\$19,604	\$6,159 to \$6,840	\$7,971	\$19,625	\$21,365	\$846 to \$1,181	\$932	\$1,678	\$1,761
ASU East & West	\$5,099 to \$5,659	\$7,037	\$17,945	\$19,602	\$5,933 to \$6,840	\$7,968	\$19,622	\$21,362	\$834 to \$1,181	\$931	\$1,677	\$1,760
NAU Flagstaff	\$5,217 to \$5,446	\$5,611	\$15,546 to \$16,544	\$15,971	\$5,681 to \$6,627	\$6,541	\$16,631 to \$17,854	\$17,056	\$905 to \$1,181	\$930	\$1,085 to \$1,310	\$1,085
NAU Distance Ed	\$4,850	\$5,429	\$15,364	\$15,789	\$5,583	\$6,199	\$16,289	\$16,714	\$733	\$770	\$925	\$925
UA Main & HSC	\$5,531	\$6,321	\$18,665	\$18,958	\$6,842	\$7,632	\$22,251	\$22,544	\$1,311	\$1,311	\$3,586	\$3,586
UA South	\$4,804	\$6,265	\$18,609	\$18,902	\$5,963	\$7,574	\$22,193	\$22,486	\$1,159	\$1,309	\$3,584	\$3,584

^{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. A new economic recovery surcharge fee will be charged for FY 2010 only.

^{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 2009. 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) on its Flagstaff campus. UA will begin providing a guaranteed tuition rate in the fall of 2009 for all of its students.

^{3/} These amounts include the economic recovery surcharge. The following economic recovery surcharges will be charged: ASU Resident - \$510, ASU Non-Resident - \$710, NAU Resident - \$350, NAU Non-Resident - \$450, UA Resident - \$766, and UA Non-Resident - \$966.

Table 2

Arizona University System Enrollment ^{1/}

	<u>In-State Students</u>	<u>Out-of-State Students</u>	<u>Total 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/} Includes Estimated FY 2011 tuition, fees and economic recovery surcharges.

^{2/} Excludes State Fiscal Stabilization Fund.

Table 4

FY 2009 Financial Aid Distribution by Source
(in thousands) ^{1/}

	<u>Federal</u>	<u>State</u> ^{2/}	<u>Institutional</u> ^{3/}	<u>Private/Other</u> ^{4/}	<u>Total</u>
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

	<u>FY 2009</u> <u>Actual</u>	<u>FY 2010</u> <u>Estimate</u>	<u>FY 2011</u> ^{1/}
<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>
Total	\$935,802,900	\$1,113,612,400	\$1,140,641,500

^{1/} The source for these non-appropriated amounts are the universities' FY 2011 budget requests. The appropriated amount includes all FY 2011 estimated tuition collections, fees and economic surcharge revenues.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-522)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting. Pass-through funds totaled \$4,910,900 in FY 2009 and are estimated to be \$4,700,000 in FY 2010 and \$4,500,000 in FY 2011.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Fund (BRA2000/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support pre-service, retraining, and in-service educational programs improving the instructional and management skills of K-12 and vocational school teachers and administrators, with an emphasis on core subjects.		
Funds Expended	1,681,500	1,309,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Mathematics, Science, and Special Education Teacher Student Loan Fund (BRA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of previously issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree in mathematics, science, and special education at a state university and who agree to a service commitment to teach in a public school. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	830,400	354,900
Nursing Education Demonstration Project Fund (BRA2514/Laws 2005, Chapter 330)		Non-Appropriated
Source of Revenue: General Fund deposits totaling \$4,000,000 annually from FY 2006 through FY 2010 as determined by Laws 2005, Chapter 330. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: Increase the number of nurses graduating from the state's nursing education programs by increasing the number of qualified nursing education faculty members teaching in nursing degree programs operated by Arizona public universities and community colleges. Monies allocated to the universities shall be administered by the Arizona Board of Regents (ABOR), while monies allocated to the community colleges shall be administered by the Department of Commerce.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Regents Local Fund (BRA1/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained tuition from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	1,073,500	1,397,300
Year-End Fund Balance	654,800	366,000
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: A portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute. Total receipts were \$60,122,200 in FY 2009 and are estimated to be \$59,490,800 in FY 2010 and \$59,490,800 in FY 2011.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	2,852,800	1,253,400
Year-End Fund Balance	0	0
Trust Land Fund (BRA3131/3132/3134/3136/ A.R.S. § 15-1662)		Non-Appropriated
Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively. Total land earnings were \$4,620,400 in FY 2009 and are estimated to be \$4,439,000 in FY 2010 and \$4,439,000 in FY 2011.		
Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. The displayed expenditures represent only that portion of trust land earnings transferred to university endowments to support outstanding faculty. ABOR transfers all other trust land earnings to University Collections Funds, which reflect those monies.		
Funds Expended	4,630,100	4,458,200
Year-End Fund Balance	19,200	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery package authorized by Laws 2008, Chapter 287 and amended by Laws 2009, 1st Special Session, Chapter 6. The fund will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by Chapter 287. Laws 2009, 3rd Special Session, Chapter 9 restricts Lottery distributions into the UCI Fund by not allowing Lottery revenues to exceed 80% of the required annual debt service for \$167,671,200 in both years.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Arizona State University - Tempe/DPC

JLBC: Kimberly Cordes-Sween

OSP: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7,073.0	6,562.0	6,377.0
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
Other Operating Expenditures	63,309,000	53,463,900	63,461,700
Library Acquisitions	3,998,400	3,765,000	3,765,000
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
AGENCY TOTAL	598,435,900	642,914,300	660,592,400
FUND SOURCES			
General Fund	344,192,800	326,349,100	326,349,100
<u>Other Appropriated Funds</u>			
University Collections Fund	254,243,100	316,565,200	334,243,300
SUBTOTAL - Other Appropriated Funds	254,243,100	316,565,200	334,243,300
SUBTOTAL - Appropriated Funds	598,435,900	642,914,300	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	1,416,108,000	1,515,587,000	1,533,679,300

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	17,678,100	5.6%
Total Appropriated Funds	17,678,100	2.7%
Non-Appropriated Funds	414,200	0.0%
Total - All Sources	18,092,300	1.2%

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

General Fund \$280,210,700
 University Collections Fund 282,645,000

The Baseline includes \$562,855,700 and 5,607.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

FY 2011 adjustments would be as follows:

State Fiscal Stabilization Fund GF 0

The Baseline 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. *(See more information on ARRA in the Summary Book and the ABOR narrative pages.)*

Enrollment Growth OF 9,997,800

The Baseline 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 Baseline 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 Baseline 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 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 Baseline 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

FY 2011 adjustments would be as follows:

Enrollment Growth OF 7,680,300

The Baseline includes an increase of \$7,680,300 from the University Collections Fund in FY 2011 for enrollment growth.

The Baseline 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 residences 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 are currently underway and are scheduled to open 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 Baseline 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 \$34,600,000 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The appropriated monies shall not be used for scholarships or any student newspaper.

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.

The state General Fund appropriations shall not be used for alumni association funding.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that prohibited the use of appropriated monies for the implementation of the Centennial Scholars Program, as the program has not been established.

the mid-year implementation, this provision requires ASU-Tempe/DPC to reduce an additional 133 General Fund FTE Positions in FY 2010 and 318 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items. ASU-Tempe/DPC revised their FY 2010 Estimate to 6,695 General Fund FTE Positions; as a result, the aforementioned FTE reductions have been applied to this figure.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

ASU-Tempe/DPC was originally budgeted 6,366 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Auxiliary Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	123,266,600	145,807,000
Year-End Fund Balance	24,167,600	35,216,600
Designated Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	305,230,300	381,895,900
Year-End Fund Balance	184,661,800	147,913,400
Endowment and Life Income Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,224,100	1,273,100
Year-End Fund Balance	73,778,500	73,778,500
Federal Grants (No Fund Number/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	163,258,900	175,261,600
Year-End Fund Balance	0	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	57,465,400	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Indirect Cost Recovery Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	260,300	272,900
Year-End Fund Balance	4,751,200	4,336,400
Indirect Cost Recovery Fund (Non-Federal) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	51,700	54,200
Year-End Fund Balance	943,900	861,500
Loan Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	147,200	153,000
Year-End Fund Balance	13,178,000	13,461,600
Restricted Fund (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the Arizona Board of Regents Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	166,767,600	167,955,000
Year-End Fund Balance	32,165,800	25,541,400
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	254,243,100	316,565,200
Year-End Fund Balance	0	0

Arizona State University - East Campus

JLBC: Kimberly Cordes-Sween
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	580.0	541.1	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
Other Operating Expenditures	7,081,900	4,569,600	5,749,500
Library Acquisitions	140,500	199,400	199,400
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
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	55,509,000	56,713,600	57,893,500

FUND SOURCES

General Fund	26,471,900	25,101,300	25,101,300
<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
SUBTOTAL - Other Appropriated Funds	29,037,100	31,612,300	32,792,200
SUBTOTAL - Appropriated Funds	55,509,000	56,713,600	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	75,184,800	80,736,300	83,276,100

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	1,179,900	3.7%
Total Appropriated Funds	1,179,900	2.1%
Non-Appropriated Funds	1,359,900	5.7%
Total - All Sources	2,539,800	3.1%

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 Baseline includes \$54,976,500 and 526.1 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$24,184,300
University Collections Fund	30,792,200

FY 2011 adjustments would be as follows:

State Fiscal Stabilization Fund GF 0
 The Baseline 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 Summary Book and the ABOR narrative pages.*)

Enrollment Growth OF 1,179,900

The Baseline 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 Baseline 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 Baseline 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 \$34,600,000 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that prohibited the use of appropriated monies for the implementation of the Centennial Scholars Program, as the program has not been established.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

ASU-East was originally budgeted 522 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires ASU-East to reduce an additional 11 General Fund FTE Positions in FY 2010 and 26 General Fund FTE Positions in FY 2011. ASU-East revised their FY 2010 Estimate to 552.1 General Fund FTE Positions; as a result, the aforementioned FTE reductions have been applied to this figure.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Auxiliary Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	599,400	630,400
Year-End Fund Balance	159,300	370,100
Designated Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	6,183,400	12,806,600
Year-End Fund Balance	11,083,400	11,231,800
Endowment and Life Income Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	600	600
Year-End Fund Balance	975,400	975,400
Federal Grants (No Fund Number/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	3,063,800	3,308,900
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	5,765,300	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Loan Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	0	0
Year-End Fund Balance	27,600	27,600
Restricted Fund (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the Arizona Board of Regents Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	4,063,300	7,276,200
Year-End Fund Balance	3,297,000	2,340,100
Technology and Research Initiative Fund (No Fund Number/A.R.S. § 15-1648)		Appropriated
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
Purpose of Fund: To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	2,000,000	2,000,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	27,037,100	29,612,300
Year-End Fund Balance	0	0

Arizona State University - West Campus

JLBC: Kimberly Cordes-Sween
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	868.0	818.7	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
Other Operating Expenditures	5,608,200	3,657,700	2,257,100
Library Acquisitions	1,230,900	1,475,600	1,475,600
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
AGENCY TOTAL	73,572,900	73,843,100	72,442,500
FUND SOURCES			
General Fund	46,259,200	43,935,700	43,935,700
<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
SUBTOTAL - Other Appropriated Funds	27,313,700	29,907,400	28,506,800
SUBTOTAL - Appropriated Funds	73,572,900	73,843,100	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	91,731,400	107,220,500	107,356,100

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(1,400,600)	(4.7%)
Total Appropriated Funds	(1,400,600)	(1.9%)
Non-Appropriated Funds	1,536,200	4.6%
Total - All Sources	135,600	0.1%

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 Baseline includes \$70,842,500 and 795.7 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$43,935,700
University Collections Fund	26,906,800

FY 2011 adjustments would be as follows:

State Fiscal Stabilization Fund GF 0

The Baseline 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 ABOR implemented universitywide reductions in FY 2009 and FY 2010. (See more information on ARRA in the Summary Book and the ABOR narrative pages.)

Enrollment Growth OF (1,400,600)

The Baseline 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 Baseline 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that prohibited the use of appropriated monies for the implementation of the

Centennial Scholars Program, as the program has not been established.

Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires ASU-West to reduce an additional 16 General Fund FTE Positions in FY 2010 and 39 General Fund FTE Positions in FY 2011. ASU-West revised their FY 2010 Estimate to 834.7 General Fund FTE Positions; as a result, the aforementioned FTE reductions have been applied to this figure.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

ASU-West was originally budgeted 781 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Auxiliary Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	486,300	648,200
Year-End Fund Balance	867,600	1,037,900
Designated Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	3,850,800	23,160,300
Year-End Fund Balance	8,440,600	9,080,700
Endowment and Life Income Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	2,200	2,300
Year-End Fund Balance	2,250,000	2,250,000
Federal Grants (No Fund Number/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	4,653,300	5,025,600
Year-End Fund Balance	4,658,700	5,031,500
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	6,591,800	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Indirect Cost Recovery Fund (Non-Federal) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Loan Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	0	0
Year-End Fund Balance	4,300	4,300
Restricted Fund (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the Arizona Board of Regents Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	2,574,100	4,541,000
Year-End Fund Balance	2,209,000	1,384,000
Technology and Research Initiative Fund (No Fund Number/A.R.S. § 15-1648)		Appropriated
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
Purpose of Fund: To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	1,600,000	1,600,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	25,713,700	28,307,400
Year-End Fund Balance	0	0

Northern Arizona University

JLBC: Kimberly Cordes-Sween
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
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
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
Other Operating Expenditures	13,420,700	19,896,700	25,136,000
Library Acquisitions	2,095,500	0	0
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
Research Infrastructure Lease-Purchase Payment	5,900,000	5,900,000	5,900,000
Teacher Training	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	192,876,500	206,187,000	211,426,300
FUND SOURCES			
General Fund	140,256,000	133,118,100	133,118,100
<u>Other Appropriated Funds</u>			
University Collections Fund	52,620,500	73,068,900	78,308,200
SUBTOTAL - Other Appropriated Funds	52,620,500	73,068,900	78,308,200
SUBTOTAL - Appropriated Funds	192,876,500	206,187,000	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	395,826,400	447,424,000	444,722,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	5,239,300	7.2%
Total Appropriated Funds	5,239,300	2.5%
Non-Appropriated Funds	(7,940,800)	(3.3%)
Total - All Sources	(2,701,500)	(0.6%)

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

General Fund \$122,218,500
 University Collections Fund 78,308,200

The Baseline includes \$200,526,700 and 1,892 FTE Positions for the operating budget in FY 2011. These amounts consist of:

FY 2011 adjustments would be as follows:

State Fiscal Stabilization Fund GF 0

The Baseline 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. (See more information on ARRA in the Summary Book and the ABOR narrative pages.)

Enrollment Growth OF 5,239,300

The Baseline 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 Baseline 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 Baseline 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.

Research Infrastructure Lease-Purchase Payment

The Baseline 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 \$34,600,000 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 Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that prohibited the use of appropriated monies for the implementation of the Centennial Scholars Program, as the program has not been established.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

NAU was originally budgeted 2,014.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires NAU to reduce an additional 42 General Fund FTE Positions in FY 2010 and 101 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Auxiliary Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	43,575,700	50,733,300
Year-End Fund Balance	7,449,700	8,590,400
Designated Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	53,081,900	105,695,600
Year-End Fund Balance	62,556,200	40,108,600
Endowment and Life Income Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To accumulate earnings to a level that will support a financial aid program.		
Funds Expended	0	0
Year-End Fund Balance	13,576,000	14,376,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Grants (No Fund Number/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	49,375,800	50,364,500
Year-End Fund Balance	0	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	23,491,600	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	2,142,000	2,184,900
Year-End Fund Balance	3,685,000	4,117,900
Indirect Cost Recovery Fund (Non-Federal) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	866,500	883,900
Year-End Fund Balance	1,490,600	2,817,900
Loan Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: The federal government provides the majority or 95% of funding for these loans. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	0	350,000
Year-End Fund Balance	7,048,100	7,033,100
Restricted Fund (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the Arizona Board of Regents Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	30,416,400	31,024,800
Year-End Fund Balance	15,845,700	14,298,500
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	52,620,500	73,068,900
Year-End Fund Balance	0	0

University of Arizona - Main Campus

JLBC: Kimberly Cordes-Sween
 OSPB: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,679.6	5,368.4	5,218.4
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
Other Operating Expenditures	46,913,900	47,446,700	51,333,000
Library Acquisitions	8,435,400	8,128,700	8,128,700
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
Sierra Vista Campus	3,955,800	4,910,900	4,910,900
AGENCY TOTAL	441,903,300	486,694,600	490,580,900
FUND SOURCES			
General Fund	288,371,200	271,315,400	271,315,400
<u>Other Appropriated Funds</u>			
University Collections Fund	153,532,100	215,379,200	219,265,500
SUBTOTAL - Other Appropriated Funds	153,532,100	215,379,200	219,265,500
SUBTOTAL - Appropriated Funds	441,903,300	486,694,600	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	1,333,979,900	1,367,281,400	1,401,920,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	3,886,300	1.8%
Total Appropriated Funds	3,886,300	0.8%
Non-Appropriated Funds	30,752,500	3.5%
Total - All Sources	34,638,800	2.5%

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

General Fund \$212,192,100
 University Collections Fund 209,369,600

The Baseline includes \$421,561,700 and 4,355.2 FTE Positions for the operating budget in FY 2011. These amounts consist of:

FY 2011 adjustments would be as follows:

State Fiscal Stabilization Fund GF 0

The Baseline 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 ABOR implemented universitywide reductions in FY 2009 and FY 2010. (*See more information on ARRA in the Summary Book and the ABOR narrative pages.*)

Enrollment Growth OF 3,886,300

The Baseline 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 Baseline 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 Baseline includes \$36,965,700 and 585.4 FTE Positions for the Agriculture Programs in FY 2011. These amounts consist of:

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 Baseline 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 Baseline 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 \$34,600,000 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that prohibited the use of appropriated monies for the implementation of the Centennial Scholars Program, as the program has not been established.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

UA-Main was originally budgeted 5,111.5 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires UA-Main to reduce an additional 106 General Fund FTE Positions in FY 2010 and 256 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items. UA-Main revised their FY 2010 Estimate to 5,474.4 General Fund FTE Positions; as a result, the aforementioned FTE reductions have been applied to this figure.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Auxiliary Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	233,103,200	241,140,800
Year-End Fund Balance	43,911,200	41,551,400

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Designated Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	213,372,000	249,051,900
Year-End Fund Balance	144,737,900	147,220,800
Endowment and Life Income Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	99,657,000	94,014,900
Federal Grants (No Fund Number/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	185,634,000	188,133,200
Year-End Fund Balance	7,082,900	9,244,600
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	60,824,300	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	42,252,700	43,097,700
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	9,830,900	10,027,500
Year-End Fund Balance	0	0
Loan Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide 27% of the amount of federal student loans. The federal government provides the other 73%.		
Funds Expended	763,400	773,700
Year-End Fund Balance	17,562,000	17,440,200

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Restricted Fund (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the Arizona Board of Regents Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	146,296,100	148,362,000
Year-End Fund Balance	16,319,100	4,065,400
University Collections Fund (UAA1402/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	153,532,100	215,379,200
Year-End Fund Balance	0	0

University of Arizona - Health Sciences Center

JLBC: Kimberly Cordes-Sween

OSP: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	966.1	948.1	923.1
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
Other Operating Expenditures	3,719,500	1,973,500	2,852,700
Library Acquisitions	1,086,800	964,700	964,700
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
AGENCY TOTAL	90,617,200	94,614,900	95,494,100
FUND SOURCES			
General Fund	74,073,700	73,234,900	73,234,900
<u>Other Appropriated Funds</u>			
University Collections Fund	16,543,500	21,380,000	22,259,200
SUBTOTAL - Other Appropriated Funds	16,543,500	21,380,000	22,259,200
SUBTOTAL - Appropriated Funds	90,617,200	94,614,900	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	304,522,900	311,893,500	319,445,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	879,200	4.1%
Total Appropriated Funds	879,200	0.9%
Non-Appropriated Funds	6,673,000	3.1%
Total - All Sources	7,552,200	2.4%

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

General Fund \$50,685,600
University Collections Fund 20,141,100

The Baseline includes \$70,826,700 and 600.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

FY 2011 adjustments would be as follows:

State Fiscal Stabilization Fund GF 0

The Baseline 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 ABOR implemented universitywide reductions in FY 2009 and FY 2010. (See more information on ARRA in the Summary Book and the ABOR narrative pages.)

Enrollment Growth OF 879,200

The Baseline 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 Baseline 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 Baseline 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.

Clinical Teaching Support

The Baseline 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 Baseline 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 Baseline includes \$12,874,900 and 82.7 FTE Positions from the Phoenix Medical Campus (PMC) in FY 2011. These amounts consists of:

General Fund	10,756,800
University Collections Fund	2,118,100

These amounts are unchanged from FY 2010.

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.

The FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287) authorized ABOR to enter into lease-to-own and bond transactions for new facilities and building renewal projects. The bill required ABOR to allocate \$470,000,000 for construction of the University of Arizona Phoenix Biomedical Campus. Laws 2009, 1st Special Session, Chapter 6 permanently reduced the allocation for the University of Arizona Biomedical Campus from \$470,000,000 to \$376,000,000.

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 University Capital Improvement Lease-to-Own and Bond (UCI) Fund for the required debt service payments for the \$167,671,200 favorably reviewed by the Joint Committee on Capital Review. The BRB does not allow lottery revenues to exceed 80% of the required annual debt service for the \$167,671,200 in FY 2010 and FY 2011. *(For additional information on the ABOR University Capital Projects, please see the Capital Outlay - Arizona Board of Regents Building System section of this report.)*

Telemedicine Network

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line items by Agency

FOOTNOTES

Standard Footnotes

The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that prohibited the use of appropriated monies for the implementation of the Centennial Scholars Program, as the program has not been established.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

UA-HSC was originally budgeted 869.1 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires UA-HSC to reduce an additional 18 General Fund FTE Positions in FY 2010 and 43 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items. UA-HSC revised their FY 2010 Estimate to 966.1 General Fund FTE Positions; as a result, the aforementioned FTE reductions have been applied to this figure.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Auxiliary Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	10,887,800	10,957,000
Year-End Fund Balance	2,874,800	2,713,100

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Designated Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	22,410,400	22,816,700
Year-End Fund Balance	22,616,400	24,840,800
Endowment and Life Income Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	51,195,600	48,066,600
Federal Grants (No Fund Number/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	68,713,800	69,770,600
Year-End Fund Balance	1,016,800	3,068,900
Federal Indirect Cost Recovery Fund (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	22,305,400	22,751,400
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	4,715,800	4,810,100
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the Arizona Board of Regents Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	84,872,500	86,172,800
Year-End Fund Balance	38,519,200	40,716,200
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	16,543,500	21,380,000
Year-End Fund Balance	0	0

Department of Veterans' Services

JLBC: Amy Upston

OSPB: Illya Riske

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	376.3	359.3	356.3
Personal Services	1,774,500	1,857,900	1,857,900
Employee Related Expenditures	572,900	688,300	688,300
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	2,916,800	2,916,800
SPECIAL LINE ITEMS			
Arizona State Veterans' Home	15,064,500	15,966,800	15,966,800
Southern Arizona Cemetery	279,100	281,400	281,400
Telemedicine Project	0	10,000	10,000
Veterans' Benefit Counseling	2,941,100	2,980,900	2,980,900
Veterans' Organizations Contracts	12,600	29,200	29,200
AGENCY TOTAL	21,132,000	22,185,100	22,185,100
FUND SOURCES			
General Fund	7,641,900	7,602,500	7,602,500
<u>Other Appropriated Funds</u>			
Home for Veterans' Trust Fund	12,750,100	13,830,800	13,830,800
Veterans' Conservatorship Fund	740,000	751,800	751,800
SUBTOTAL - Other Appropriated Funds	13,490,100	14,582,600	14,582,600
SUBTOTAL - Appropriated Funds	21,132,000	22,185,100	22,185,100
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	29,982,900	33,982,900

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	4,000,000	51.3%
Total - All Sources	4,000,000	13.3%

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

General Fund \$2,165,000
Veterans' Conservatorship Fund 751,800

The Baseline includes \$2,916,800 and 54.3 FTE Positions for the operating budget in FY 2011. These amounts consist of:

These amounts are unchanged from FY 2010.

Arizona State Veterans' Home

The Baseline includes \$15,966,800 and 247 FTE Positions for the Arizona State Veterans' Home in FY 2011. These amounts consist of:

General Fund	2,146,000
State Home for Veterans' Trust Fund	13,820,800

These amounts are unchanged from FY 2010. The monies in this line item are used for expenses related to the Arizona State Veterans' Home in Phoenix.

Southern Arizona Cemetery

The Baseline includes \$281,400 and 2 FTE Positions from the General Fund for the Southern Arizona Cemetery in FY 2011. These amounts are unchanged from FY 2010.

Monies in this line item are used to partially offset the operating costs at the Southern Arizona Cemetery in Sierra Vista.

Telemedicine Project

The Baseline includes \$10,000 from the State 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 Baseline includes \$2,980,900 and 53 FTE Positions from the General Fund for Veterans' Benefit Counselors in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Veterans' Services was originally budgeted 128 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Veterans' Services to reduce an additional 3 General Fund FTE Positions in FY 2010 and 6 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Federal Funds (VSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: U.S. Department of Veterans' Affairs and Department of Defense Grants.		
Purpose of Fund: For supervision and qualification of educational and training programs. Federal monies totaling \$18,571,400 are expected to be received in FY 2010 through FY 2012 for the construction of a new Veterans' Home in Tucson. Of that amount, \$6,000,000 in FY 2010 is reflected below.		
Funds Expended	563,300	6,636,300
Year-End Fund Balance	200,000	122,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Home for Veterans' Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, Veterans' Administration, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	12,750,100	13,830,800
Year-End Fund Balance	329,900	2,604,400
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
Source of Revenue: Donations, bequests, or other contributions from public or private sources. This fund received a one-time General Fund appropriation of \$100,000 in FY 2008.		
Purpose of Fund: To provide financial assistance to family members of deceased or wounded veterans who were deployed from an Arizona military base, who entered active service from Arizona, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment.		
Funds Expended	11,600	255,000
Year-End Fund Balance	1,122,900	1,875,300
Military Installation Fund (VSA1010/A.R.S. § 41-1512.01)		Non-Appropriated
Source of Revenue: Agreements between Department of Commerce and Department of Veterans' Services. This funding is appropriated to the Department of Commerce. This amount is not displayed below to avoid double counting. No new funding was appropriated in FY 2009.		
Purpose of Fund: The department uses these monies to acquire property, real estate, property rights, and related infrastructure to preserve, support, or enhance military installation.		
Funds Expended	0	0
Year-End Fund Balance	2,517,400	0
Southern Arizona Veterans' Memorial Cemetery Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.		
Purpose of Fund: To manage and maintain the southern Arizona veterans' cemetery.		
Funds Expended	108,400	116,800
Year-End Fund Balance	29,300	20,400
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-776)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	4,000	3,000
Year-End Fund Balance	0	1,000
Veterans' Cemetery Fund (VSA2481/A.R.S. § 41-608.02)		Non-Appropriated
Source of Revenue: Includes a one-time \$500,000 appropriation from the General Fund and federal monies used as reimbursement for the construction of veterans' cemeteries.		
Purpose of Fund: To acquire property for and to establish state veterans' cemeteries.		
Funds Expended	0	0
Year-End Fund Balance	243,300	121,700
Veterans' Conservatorship Fund (VSA2077/A.R.S. § 14-5414.01)		Appropriated
Source of Revenue: Fees collected from veterans, or a veteran's surviving spouse, or minor child, or the incapacitated spouse of a protected veteran, for whom the agency serves as a conservator.		
Purpose of Fund: To operate the Fiduciary Division of the Department of Veterans' Services.		
Funds Expended	740,000	751,800
Year-End Fund Balance	12,000	166,900

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Veterans' Donation Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
<p>Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, and Gold Star license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.</p> <p>Purpose of Fund: To benefit veterans within the state of Arizona and to make donations to organizations seeking to establish a monument or memorial on public property that recognizes or honors veterans or recognizes events in which veterans were major participants or had a major influence. A separate subaccount of this fund is for the construction and maintenance of the Enduring Freedom Memorial.</p>		
Funds Expended	1,118,200	786,700
Year-End Fund Balance	973,500	1,698,700

Arizona State Veterinary Medical Examining Board

JLBC: Steve Grunig

OSPB: Scott Selin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	5.5	5.5
Personal Services	217,200	275,000	275,000
Employee Related Expenditures	75,300	85,000	85,000
Professional and Outside Services	26,400	31,300	31,300
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	470,400	470,400

FUND SOURCES

Other Appropriated Funds

Veterinary Medical Examining Board Fund	376,900	470,400	470,400
SUBTOTAL - Other Appropriated Funds	376,900	470,400	470,400
SUBTOTAL - Appropriated Funds	376,900	470,400	470,400
TOTAL - ALL SOURCES	376,900	470,400	470,400

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

Operating Budget

* * *

The Baseline includes \$470,400 and 5.5 FTE Positions from the Veterinary Medical Examining Board Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	376,900	470,400
Year-End Fund Balance	492,300	359,900

Department of Water Resources

JLBC: Aaron Galeener
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	231.7	216.7	207.2
Personal Services	7,649,400	7,523,000	7,523,000
Employee Related Expenditures	2,864,100	2,565,200	2,565,200
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	2,513,400
Equipment	92,400	45,000	45,000
OPERATING SUBTOTAL	13,434,500	13,424,300	13,424,300
SPECIAL LINE ITEMS			
Adjudication Support	1,601,600	1,256,200	1,256,200
Arizona Water Protection Fund Deposit	0	0	0
Assured and Adequate Water Supply Administration	1,781,000	2,513,700	1,839,100
Automated Groundwater Monitoring	505,200	422,300	422,300
Conservation and Drought Program	465,700	409,900	409,900
Rural Water Studies	1,409,300	1,173,700	1,173,700
5th Special Session Reduction	0	(1,368,600)	(1,368,600)
AGENCY TOTAL	19,197,300	17,831,500	17,156,900
FUND SOURCES			
General Fund	10,285,500	16,879,900	16,879,900
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	1,011,800	951,600	277,000
Water Banking Fund	7,900,000	0	0
SUBTOTAL - Other Appropriated Funds	8,911,800	951,600	277,000
SUBTOTAL - Appropriated Funds	19,197,300	17,831,500	17,156,900
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	25,893,700	25,127,100

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(674,600)	(70.9%)
Total Appropriated Funds	(674,600)	(3.8%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(674,600)	(2.6%)

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.

Operating Budget

The Baseline includes \$13,424,300 and 147.4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

Adjudication Support

The Baseline includes \$1,256,200 and 21.3 FTE Positions from the General Fund for Adjudication Support in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes no funding for the Water Protection Fund Deposit in FY 2011. This amount is unchanged from FY 2010.

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. The Baseline 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.

Assured and Adequate Water Supply Administration

The Baseline includes \$1,839,100 and 21 FTE Positions for the Assured and Adequate Water Supply (AAWS) Program in FY 2011. These amounts consist of:

General Fund	\$1,562,100
AAWS Administration Fund	277,000

FY 2011 adjustments would be as follows:

Revenue Realignment OF (674,600)

The Baseline would include 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. A total of \$301,200 was collected in FY 2009 and \$252,000 is estimated for FY 2010. The department estimates \$277,000 in revenue for FY 2011. Part of the reason for the low collections may be due to 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 the 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 Baseline includes \$422,300 and 2 FTE Positions from the General Fund for Automated Groundwater Monitoring in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$409,900 and 6 FTE Positions from the General Fund for the Conservation and Drought Program Special Line Item in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$1,173,700 and 9.5 FTE Positions from the General Fund for Rural Water Studies in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$(1,368,600) from the General Fund 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

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.

STATUTORY CHANGES

The Baseline would, as session law, continue a change to A.R.S. § 45-2112 to suspend the statutory \$5,000,000 transfer from the General Fund to the Water Protection Fund in FY 2011.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Water Resources was originally budgeted 214.2 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Water Resources to reduce an additional 4 FTE Positions in FY 2010 and 11 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Administrative Fund (WCA3025/A.R.S. § 45-113)		Non-Appropriated
Source of Revenue: A portion of application, certificate, license, permit and inspection fees.		
Purpose of Fund: To refund, without interest, fees paid to department in error.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supplies.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring assured and adequate water supplies.		
Funds Expended	1,011,800	951,600
Year-End Fund Balance*	493,900	(378,700)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own sub-account within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	1,001,500	1,159,900
Year-End Fund Balance	1,357,400	474,100
Colorado River Water Use Fee Clearing Fund (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	9,300	5,000
Year-End Fund Balance	100	100
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Repayments for emergency remedial measures undertaken by the department on behalf of dam owners, as well as from dam safety inspection fees, filing fees, and legislative appropriations.		
Purpose of Fund: Generally, to implement emergency remedial measures on privately owned dams as necessary to protect life and property, as well as to offer loans and grants for private dam owners to make non-emergency repairs.		
Funds Expended	292,300	180,000
Year-End Fund Balance	603,900	2,500
Federal Grants (WCA2000/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	337,600	393,500
Year-End Fund Balance	23,800	12,300
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	3,300	3,000
Year-End Fund Balance	146,300	110,800
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	28,500	21,800
Year-End Fund Balance	47,200	31,400
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services, including security and cashiering.		
Funds Expended	1,199,400	1,258,100
Year-End Fund Balance	774,100	204,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	164,500	140,000
Year-End Fund Balance	477,300	407,300
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
Source of Revenue: From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the General Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	17,500	20,000
Year-End Fund Balance	10,400	10,200
Publications and Mailings Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the General Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	11,500	12,000
Year-End Fund Balance	7,800	5,800
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own sub-account within the fund.		
Funds Expended	0	0
Year-End Fund Balance	39,400	41,100
State Water Storage Fund (WCA2287/A.R.S. § 45-897.01)		Non-Appropriated
Source of Revenue: Since January 1, 1997, from interest only. Prior to that date, from property taxes levied by multi-county water conservation districts. These taxes are now directed to the Water Banking Fund. The balance of the fund was expended in 2006.		
Purpose of Fund: To build underground water storage demonstration projects in conservation districts and to purchase excess Central Arizona Project (CAP) water. The department provides administrative support for this fund, but control of expenditures is vested with the Central Arizona Water Conservation District (CAWCD).		
Funds Expended	0	0
Year-End Fund Balance	0	0
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	96,500	95,000
Year-End Fund Balance	317,300	242,300

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Partially-Appropriated
<p>Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own sub-account within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances. Pursuant to an interstate water banking agreement with Nevada, the fund received a combined total of \$100,000,000 in FY 2005 and FY 2006. In 2004, the Southern Nevada Water Authority (SNWA) agreed to pay the Arizona Water Banking Authority (AWBA) an additional \$230,000,000 for delivery and storage of water. Equal payments of \$23,000,000 per year from Nevada to the AWBA were to begin in 2009 and continue through 2018. In FY 2009, the agreement was amended allowing SNWA to delay payment resulting in no payment in FY 2009. Appropriations from this fund may include monies received through the water banking agreement with Nevada that are used for purposes outside of contractual agreement with Nevada (Laws 2009, Chapter 332). In FY 2009, \$7,900,000 was appropriated from the Water Banking Fund to backfill General Fund reductions to the department's budget.</p> <p>Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. In addition, pursuant to an interstate water banking agreement with Nevada, to obtain, store, and retrieve water for Nevada. The Funds Expended totals below include \$2,700,000 for this purpose in FY 2010.</p>		
Appropriated Funds Expended	7,900,000	0
Non-Appropriated Funds Expended	8,068,000	3,720,800
Year-End Fund Balance	12,150,500	6,094,500
Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
<p>Source of Revenue: General Fund appropriations, as well as from purchases or leases of CAP water. Since FY 2000, session law changes have suspended the statutory General Fund appropriation. In FY 2010, the \$2,000,000 statutory deposit from the Arizona Water Banking Fund was also suspended.</p> <p>Purpose of Fund: To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.</p>		
Funds Expended	2,848,500	514,600
Year-End Fund Balance	9,157,800	22,400
Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
<p>Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.</p> <p>Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.</p>		
Funds Expended	496,900	304,800
Year-End Fund Balance	249,800	4,900
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
<p>Source of Revenue: Well-drilling filing and permit fees.</p> <p>Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.</p>		
Funds Expended	575,000	233,700
Year-End Fund Balance	35,200	0

*As reported by the agency. Actual ending balance will not be negative.

Department of Weights and Measures

JLBC: Aaron Galeener

OSP: Michael Moan

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
PROGRAM BUDGET			
General Services	1,675,200	1,639,100	1,639,100
Oxygenated Fuel	790,400	860,300	860,300
Vapor Recovery	622,200	642,900	642,900
5th Special Session Reduction	0	(177,700)	(177,700)
AGENCY TOTAL	3,087,800	2,964,600	2,964,600
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.4	37.4	36.4
Personal Services	1,589,800	1,576,000	1,576,000
Employee Related Expenditures	640,700	646,600	646,600
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	3,142,300	3,142,300
SPECIAL LINE ITEMS			
5th Special Session Reduction	0	(177,700)	(177,700)
AGENCY TOTAL	3,087,800	2,964,600	2,964,600
FUND SOURCES			
General Fund	1,379,200	1,216,900	1,216,900
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,412,600	1,424,200	1,424,200
Motor Vehicle Liability Insurance Enforcement Fund	296,000	323,500	323,500
SUBTOTAL - Other Appropriated Funds	1,708,600	1,747,700	1,747,700
SUBTOTAL - Appropriated Funds	3,087,800	2,964,600	2,964,600
TOTAL - ALL SOURCES	3,087,800	2,964,600	2,964,600

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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 Baseline includes \$3,142,300 and 36.4 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$1,315,600
Air Quality Fund	1,503,200
Motor Vehicle Liability Insurance Enforcement Fund	323,500

These amounts are unchanged from FY 2010.

5th Special Session Reduction

The Baseline 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)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

* * *

FORMAT — Lump Sum by Program

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The Department of Weights and Measures was originally budgeted 18.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Weights and Measures to reduce no additional FTE Positions in FY 2010 and 1 General Fund FTE Positions in FY 2011.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Owners of motor vehicles pay an annual air quality fee of \$1.50 at the time of vehicle registration.		
Purpose of Fund: To pay for the department's Oxygenated Fuel and Vapor Recovery Programs.		
Funds Expended	1,412,600	1,424,200
Year-End Fund Balance	9,456,400	6,429,400
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. § Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: While the purpose of the fund for the Department of Transportation is to enforce mandatory motor vehicle liability insurance laws on all vehicles, the Department of Weights and Measures appropriation is to focus on enforcement on taxis, limousines, and livery vehicles. The Department of Weights and Measures verifies that these passenger carrying vehicles have the proper insurance and vehicle license plates, without which the department can revoke or refuse to issue a taxi license.		
Funds Expended	296,000	323,500
Year-End Fund Balance	3,216,900	2,570,500

CAPITAL OUTLAY ESTIMATES

Capital Outlay

Summary

JLBC: Leatta McLaughlin

OSPB: Bret Cloninger

	FY 2011 BASELINE
BUILDING RENEWAL	
ADOA Building System	1,582,400
ADOT Building System	1,050,000
ABOR Building System	0
SUBTOTAL	2,632,400
INDIVIDUAL PROJECTS	
ADOA Building System	2,840,000
ADOT Building System	203,071,700
ABOR Building System	0
SUBTOTAL	205,911,700
DEBT FINANCED PROJECTS	
2010 Leaseback Financing	43,000,000
TOTALS	
ADOA Building System	47,422,400
ADOT Building System	204,121,700
ABOR Building System	0
TOTAL - ALL PROJECTS	251,544,100
FUND SOURCES	
General Fund	43,400,000
<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 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 Debt Financing Projects	208,544,100
SUBTOTAL - Appropriated Funds	251,544,100
Other Non-Appropriated Funds	251,717,000
Federal Funds	618,971,000
TOTAL - ALL SOURCES	1,122,232,100

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.

The following amounts are one-time appropriations.

Capital Outlay	GF	\$43,400,000
	OF	208,144,100

The Baseline includes a total of \$251,544,100 from Other Appropriated Funds in FY 2011. Of the total, \$43,400,000 is from the General Fund and \$208,144,100 is from Other Funds. The budget consists of 3 main categories: 1)

Building Renewal, 2) Individual Projects, and 3) Debt Financed Projects.

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 (JCCR). 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 (ABOR) for their respective building systems.

The Baseline includes total funding of \$2,632,400 for Building Renewal in FY 2011, which is from Other Funds. These amounts include:

Arizona Department of Administration	
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	\$1,582,400

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 Baseline includes a total of \$205,911,700 for individual capital projects in FY 2011. Of the total, \$400,000 is from the General Fund and \$205,511,700 is from Other Appropriated Funds. *(See the individual building systems write-ups for more information.)*

Debt Financed Projects

The Baseline includes \$43,000,000 from the General Fund for an interest only lease-purchase agreement debt service payment in FY 2011. *(See the Debt Financing write-up for more information.)*

Capital Outlay

Arizona Department of Administration Building System

JLBC: Leatta McLaughlin/Ted Nelson

OSPB: Bret Cloninger

	FY 2011 BASELINE
BUILDING RENEWAL	
Arizona Department of Administration	1,000,000
Game and Fish Department	506,800
Arizona Lottery Commission	75,600
SUBTOTAL	1,582,400
INDIVIDUAL PROJECTS	
Arizona Exposition and State Fair Board	
Pari-Mutuel Fund Shift	400,000
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	2,840,000
TOTAL - ALL PROJECTS	4,422,400
FUND SOURCES	
General Fund	400,000
<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	4,422,400
TOTAL - ALL SOURCES	4,422,400

DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of buildings controlled by all state agencies except the Arizona Board of Regents and Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following amounts for FY 2011 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Funds.

The following amounts are one-time appropriations:

Building Renewal

Building Renewal OF \$1,582,400

The Baseline includes \$1,582,400 from Other Appropriated Funds for Building Renewal within the Arizona Department of Administration (ADOA) Building System in FY 2011. This amount consists of:

- \$1,000,000 from the Capital Outlay Stabilization Fund to ADOA to fund 3% 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 Baseline

would continue the footnote that requires unused building renewal monies to revert on June 30, 2012.

Arizona Exposition and State Fair Board

Pari-Mutuel Fund Shift GF 400,000

The Baselines includes \$400,000 from the General Fund to the Arizona Exposition and State Fair Board to continue a pari-mutuel fund shift in FY 2011.

The pari-mutuel tax is assessed on the amount of money wagered at horse and dog racing facilities and simulcasts in the state. Prior to FY 2010, statute required the board’s Capital Outlay Fund, a Non-Appropriated Fund, to receive the lesser of \$400,000 or 11% of total pari-mutuel collections each year.

Laws 2009, 4th Special Session, Chapter 3 permanently repealed the pari-mutuel formula and required pari-mutuel revenues to be deposited into the General Fund instead of the board’s Capital Outlay Fund. The FY 2010 Capital Outlay Bill appropriated \$400,000 from the General Fund to this fund in FY 2010.

Game and Fish Department

The Baseline includes \$2,440,000 from Other Appropriated Funds for Arizona Game and Fish Department projects in FY 2011. This amount consists of:

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 OF 800,000
Improvements**

The Baseline 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 OF 200,000

The Baseline 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 OF 1,000,000
Remodel/Expansion**

The Baseline 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 OF 250,000

The Baseline 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 OF 30,000

The Baseline 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 OF 100,000

The Baseline 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 OF 60,000
Project**

The Baseline 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.

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes

Building Renewal

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.

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. All 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.

Individual Projects

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.

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.

The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request.

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.

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 greater than \$250,000.

Deletion of Prior Year Footnotes

Building Renewal

The Baseline would delete the following building renewal footnotes:

- The footnote that allows ADOA to allocate \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions.
- The footnote that allows 25% or less of the monies to be spent on Americans with Disabilities Act modifications.
- The footnote that requires identifying energy efficient systems in the building renewal expenditure plan.

(These footnotes would be deleted due to the limited amount of building renewal funding included in the Baseline.)

Capital Outlay

Arizona Department of Transportation Building System

JLBC: Juan Beltran/Leatta McLaughlin

OSPB: Brandon Nee

	FY 2011 BASELINE
BUILDING RENEWAL	
ADOT Building Renewal	1,050,000
SUBTOTAL	1,050,000
INDIVIDUAL PROJECTS	
Airport Planning and Development	22,477,700
Controlled Access Highways	85,831,000
Debt Service	94,763,000
Statewide Highway Construction	0
SUBTOTAL	203,071,700
TOTAL - ALL PROJECTS	204,121,700
FUND SOURCES	
<u>Other Appropriated Funds</u>	
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	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.

The following amounts reflect one-time appropriations:

Building Renewal OF \$1,050,000
The Baseline includes \$1,050,000 for Building Renewal within the Arizona Department of Transportation (ADOT) 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 OF 22,477,700
The Baseline includes \$22,477,700 from the State Aviation Fund for the department'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.

Controlled Access Highways OF 85,831,000
The Baseline includes \$85,831,000 from SHF for the Highway User Revenue Fund (HURF) formula dedicated to the construction of urban freeways in FY 2011. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service OF 94,763,000
The Baseline includes \$94,763,000 from SHF for the appropriated portion of the debt service on bonds in FY 2011. ADOT has approximately \$2.9 billion in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2011 debt service payments. (See Table 2 for more information on debt service.)

Statewide Highway Construction OF 0
The Baseline includes no new SHF contribution for highway construction in FY 2011. 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 from the FY 2011 HURF revenue cash flow. Since SHF cannot

literally run a deficit, this \$(25,765,000) will be absorbed by other proceeds 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. (See the *Total Highway Construction Funding discussion and Table 3 in Other Issues for Legislative Consideration for additional information.*)

Expenditure of highway construction funding is determined by the Transportation Board, which develops a 5-year plan.

The Baseline includes no funding for the Statewide Transportation Acceleration Needs Account (STAN) of SHF in FY 2011. No deposits were made to STAN in FY 2009 or FY 2010. (See the *STAN discussion in Other Issues for Legislative Consideration for further discussion.*)

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes

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. All 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.

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 Appropriations Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph.

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.

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.

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.

Deletion of Prior Years Footnotes

Building Renewal

The Baseline would delete building renewal footnotes with the following provisions:

- Allows 25% or less of the monies to be spent on Americans with Disabilities Act modifications.
- Allows ADOT to allocate \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions.
- Requires identifying energy efficient systems in the building renewal expenditure plan.

(These footnotes would be deleted due to the limited amount of building renewal funding included in the Baseline.)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Statewide Transportation Acceleration Needs Account

The State Transportation Board uses monies in the STAN Account of SHF to pay for certain costs for the construction or reconstruction of freeways, state highways, bridges, and interchanges that are in a county's regional transportation plan or ADOT's long-range statewide transportation plan. STAN monies are divided 60% for Maricopa County, 16% for Pima County, and 24% for all other counties. In contrast, ADOT divides net SHF monies available for statewide highway construction according to an agreement known as the "Casa Grande Accord" - 37% for Maricopa County, 13% for Pima County, and 50% for all other counties.

ADOT reports that as of November 30, 2009, STAN had a balance of \$68,186,500. This balance reflects \$32,852,300 in earned interest and \$187,665,800 in disbursements. There were originally 14 approved STAN projects with a total cost of \$339,500,000, including costs of \$193,400,000 for 7 Maricopa County projects, \$50,600,000 for 4 Pima County projects, \$75,500,000 for 1 Pinal County project, \$10,000,000 for the Transportation Acceleration Interest Reimbursement Account, and \$10,000,000 for the Roads of Regional Significance Congestion Mitigation Account. ADOT reports that as a result of a FY 2009 transfer of \$104,000,000 from STAN

to the General Fund, STAN funding for 3 projects in Maricopa County was eliminated. The remaining 11 projects across the state are currently underway.

State Transportation Board Funding Obligations

BFOs are loans totaling up to \$200,000,000 from the General Fund operating balance to the department, as authorized by statute. BFOs are statutorily capped at \$200,000,000. This amount includes \$60,000,000 to SHF and \$140,000,000 to the Highway Expansion and Extension Loan Program (HELP) Fund.

Statute requires that the State Treasurer notify the State Transportation Board and the ADOT Director in writing when General Fund operating monies fall below \$400,000,000. The State Treasurer notified ADOT on October 23, 2008 that General Fund operating monies dropped below the \$400,000,000 threshold. By statute, the State Treasurer may call the BFOs in \$25,000,000 increments 15 days after notifying the State Transportation Board and the ADOT Director that operating monies have fallen below \$200,000,000. On April 15, 2009, \$110,000,000 in outstanding BFOs were recalled by the State Treasurer. Currently, the department has no additional outstanding BFOs. (*See the Statutory Changes for additional information.*)

Summary of Non-Appropriated Capital Funds Expended

Table 1 provides a summary of non-appropriated capital funds expenditures. For further background information regarding the funds, please see the ADOT Summary of Funds in the ADOT operating budget section. This latter section does not include the non-appropriated capital expenditures as those only appear in Table 1.

Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the Board on June 19, 2009 includes monies from SHF, Federal Funds, the 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. (*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, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2011.

Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of the Debt Service is appropriated.

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 and (10)% below the department's original estimate of \$1,387,000,000. This downward trend has continued so far in FY 2010 and, as of November 2009, HURF collections are down (8.3)% as compared to the prior year. As a result, the JLBC Staff forecasts a (5)% decline in total HURF revenue collections in FY 2010 followed by a 1.5% increase in FY 2011.

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.

Table 1

**Non-Appropriated Capital Funds Expended
(\$ in Thousands)**

	FY 2009	FY 2010	FY 2011
	<u>Actual</u>	<u>Estimate</u>	<u>Baseline</u>
Aviation Federal Funds	\$ 3,875	\$ 7,083	\$ 2,688
Federal Grants	<u>598,333</u>	<u>616,283</u>	<u>616,283</u>
Subtotal – Federal Funds	602,208	623,366	618,971
Economic Strength Project Fund	1,053	1,019	1,019
Highway Expansion and Extension Loan Program Fund	4,013	0	0
Local Agency Deposits Fund	38,977	36,000	36,000
Maricopa Regional Area Road Fund	215,145	208,847	214,698
Subtotal – Other Non-Appropriated Funds	259,188	245,866	251,717
Total	\$861,396	\$869,232	\$870,688

Table 2

**Highway Construction Projects Beginning in FY 2011
and Debt Service Payments**

	FY 2011
Construction	\$ 145,847,000
Urban Controlled Access ^{1/}	970,324,000
Pavement Preservation Maintenance	135,000,000
Other ^{2/}	139,911,000
Debt Service ^{3/}	<u>363,850,000</u>
Total	\$1,754,932,000

^{1/} Includes expenditures from the HURF for controlled access and from the Maricopa Regional Area Road Fund.

^{2/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

^{3/} Information provided by the department. 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.

Table 3

Estimated Highway Construction - Cash Basis

	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/}	0
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 ^{5/}	60,000,000
Miscellaneous Income/Expenses ^{6/}	5,085,000
Subtotal - Revenues	<u>\$1,709,379,000</u>
Total Funds Available for Construction	\$2,404,224,000
Debt Service Expenditures	
Appropriated Debt Service	\$ 94,763,000
Other Debt Service (All Other)	269,087,000
Subtotal - Debt Service	<u>\$ 363,850,000</u>
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$518,000,000
Controlled Access Highways (MAG)	918,911,000
Subtotal - Construction Expenditures	<u>\$1,436,911,000</u>
Total Planned Expenditures	\$1,800,761,000
Balance Forward	\$ 603,463,000

^{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/} All monies in the STAN Account of SHF are estimated to be expended in FY 2010.

^{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.

Table 4

Percentage Distribution of HURF Monies

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.676%
State Highway Fund ^{1/}	<u>42.824%</u>
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.

Table 5

Highway User Revenue Fund (HURF) Distribution
(\$ in Thousands)

	FY 2009	FY 2010	FY 2011
	Actual	Estimate	Baseline
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
Vehicle License Tax (VLT) Transfer to General Fund ^{4/}	66,989	43,171	43,171
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	435,675
Plus: Other Income ^{6/}	17,595	14,200	14,300
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	7,000
Controlled Access SHF Beginning Balance	155,000	119,000	182,000
STAN Beginning Balance	304,346	101,413	0
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	\$ 223,235

^{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, a \$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 a \$8,390,600 VLT transfer. The Baseline assumes these transfers continue in FY 2011.

^{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 also includes \$3,394,700 in transfers from the Safety Enforcement and Transportation Infrastructure Fund 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: Kimberly Cordes-Sween/Leatta McLaughlin

OSPB: Bret Cloninger

FY 2011
BASELINE

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 Project

University Capital Projects

The FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287) authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$1,000,000,000 to pay for building renewal projects and new facilities. However, Laws 2009, 1st Special Session, Chapter 6 permanently reduced ABOR's bonding authority from \$1,000,000,000 to \$800,000,000. ABOR originally could not issue more than \$285,000,000 in FY 2009 and not more than \$500,000,000 in FY 2010. Chapter 6 revised these amounts to limit bonding authority to \$167,671,200 in FY 2009 and \$400,000,000 in FY 2010.

Chapter 287 required ABOR to allocate \$470,000,000 of the \$1,000,000,000 in proceeds for construction of the University of Arizona (UA) Phoenix Biomedical Campus. The legislation permitted ABOR to determine the distribution of the remaining funds. Chapter 6 permanently reduced the allocation for the UA Biomedical Campus from \$470,000,000 to \$376,000,000. 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.

In October 2008, the 3 universities submitted \$167,671,200 (ASU \$34,350,000, UA \$68,506,200, and Northern Arizona University \$64,815,000) in building renewal projects, which represents a portion of each university's \$136,000,000 allocation, for review by the Joint Committee on Capital Review. At its November 13, 2008 meeting, the Committee favorably reviewed \$64,600,000 in fire, life, and safety building renewal projects of the \$167,671,200 in projects requested by the 3 universities. At its February 24, 2009 meeting, the Committee favorably reviewed the remaining \$103,071,200 of the original \$167,671,200 request. The universities have not yet issued bonds for these projects.

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 80% Lottery revenues and 20% state university system revenues, as required by Chapter 287. 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 \$5,028,600 in FY 2011.

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.

The FY 2010 Higher Education BRB (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 both years. The legislation prohibits any General Fund obligation for the debt service on ABOR's \$800,000,000 in lease-to-own and bond transaction authority.

* * *

FORMAT — Lump Sum by Project by Fund

Capital Outlay
Debt Financing

JLBC: Leatta McLaughlin
 OSPB: Bret Cloninger

FY 2011
 BASELINE

DEBT FINANCED PROJECTS

Arizona Department of Administration

2010 Leaseback Financing	43,000,000
TOTAL - ALL PROJECTS	43,000,000

FUND SOURCES

General Fund	43,000,000
TOTAL - ALL SOURCES	43,000,000

DESCRIPTION — This section of the Capital Outlay Budget consists of one-time appropriations to make debt service payments for state issued lease-purchase agreements.

Debt Financed Projects

2010 Leaseback Financing GF \$43,000,000

The Baseline includes \$43,000,000 from the General Fund for an interest only lease-purchase agreement debt service payment in FY 2011.

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 and simultaneous lease-purchase agreements in FY 2010 for existing state-owned facilities, including prison facilities. Any lease-purchase agreements are required to: 1) result in proceeds totaling \$735,419,300 to the General Fund in FY 2010, 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 is required to be completed by June 30, 2010 and ADOA will consult with ADC if a transaction involves a state-owned prison facility.

According to ADOA, the lease-purchase agreement will be issued in the middle of January 2010, and the proceeds will be received by the end of January 2010. ADOA will try to issue the entire \$735,419,300 amount at one time, pending market acceptance. ADOA plans to structure the debt service so the initial FY 2011 payment will be an interest only payment of \$43,000,000, while the average annual debt services payments are then expected to be \$64,000,000. The debt service schedule will not be finalized until the debt has been issued. The following properties will be used as collateral for 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.

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 2010 Appropriation	FY 2011 Payment*	Lease Completion
General Fund	NA	\$ 4,551,400	\$ 4,806,400	FY 2027
Other Approp.	NA	5,813,200	6,161,700	FY 2027
Non-Approp.	NA	979,900	1,048,300	FY 2028
Total	NA	\$11,344,500	\$12,016,400	NA

* FY 2011 appropriation amounts to be determined.

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 the annual debt service payments that began in FY 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

ABOR, 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) required SFB to issue up to \$100,000,000 of Qualified School Construction Bonds in FY 2010 as authorized by the American Reinvestment and Recovery Act of 2009 to be spent on new construction projects only. This bond is expected to be issued in the spring of 2010. *(Please see the SFB budget narrative pages for more information.)*

Table 2 also shows the outstanding bond balances and the payment for FY 2011 for current bond issuances.

* * *

FORMAT — Lump Sum by Project by Fund

Table 2

	<u>Lease-Purchase Summary</u>		<u>Bonding Summary</u>	
	<u>Balance</u> ^{1/}	<u>FY 2011 Pvmt</u>	<u>Balance</u> ^{1/}	<u>FY 2011 Pvmt</u>
<u>ADOA Building System</u>				
2001 A/B Issuance/Refinance				
Prisons/ENSCO	1,400,400	2,862,800		
Revenue Building	539,100	1,101,800		
DES Homes	68,900	140,800		
Capital Center	401,600	820,800		
Subtotal	2,410,000	4,926,200		
2002A Issuance:				
Health Laboratory	20,885,000	2,319,500		
2002B Issuance/Refinance				
16th Ave. Parking	0	933,500		
Courts Building	0	8,355,400		
Historical Museum	0	3,074,000		
ASDB Food Service	0	928,400		
DES West	0	7,365,100		
Tucson Building	0	5,296,900		
Subtotal	0	25,953,300		
2004A Issuance/Refinance				
Records Management	305,000	182,200		
Library for the Blind	5,000	10,700		
ASDB Projects	1,975,000	1,257,600		
1616 West Adams	5,000	10,700		
Tonto Natural Bridge	590,000	373,800		
Subtotal	2,880,000	1,835,000		
2004B Issuance				
ADC Prison Expansions	20,800,000	3,194,300		
2008A Issuance				
ADC 4000 Prison Beds, Water, and Wastewater	192,105,000	16,719,900		
DHS Forensic Hospital	28,625,000	3,113,700		
Subtotal	220,730,000	19,833,600		
2010 Issuance				
Sale/Leaseback	735,419,300	43,000,000 ^{2/}		
Subtotal - ADOA	1,003,124,300	101,061,900		
<u>School Facilities Board</u>				
New School Construction - FY 2003 - FY 2005	666,755,000	64,872,500		
New School Construction - FY 2008 - FY 2009	580,035,000	58,647,700		
Subtotal - SFB	1,246,790,000	123,520,200		
<u>ABOR Building System</u>				
Arizona State University	388,765,000	33,028,000		
Northern Arizona University	134,938,000	7,201,000		
University of Arizona	489,859,000	37,885,000		
Subtotal - ABOR	1,013,562,000	78,114,000		
Phoenix Convention Center	300,000,000	10,000,000 ^{3/}		
TOTAL - Lease-Purchase	3,563,476,300	312,696,100		
			School Facilities Board	
			Deficiencies Correction:	
			Proposition 301	512,297,700
			State Land Trust - FY 2004	154,405,000
			Qualified School Construction Bonds	100,000,000
			Subtotal - SFB	766,702,700
			Department of Transportation	2,966,000,000 ^{5/}
			Subtotal - Department of Transportation	3,732,702,700
			ABOR Building System	
			Arizona State University	553,755,000
			Northern Arizona University	187,270,000
			University of Arizona	498,650,000
			FY 2009 Capital Bond	800,000,000 ^{6/}
			Subtotal - ABOR	2,039,675,000
			TOTAL - Bonding	5,772,377,700
			TOTAL - Lease-Purchase & Bonding	9,335,854,000
				889,977,300

1/ Represents principal balances. ADOA balances are as of June 30, 2011. All other balances as of June 30, 2009.

2/ The agreements have not been issued yet but are expected to be by the end of FY 2010.

3/ 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 debt service.

4/ Even though this debt will be issued by the end of FY 2010, SFB does not plan on making a payment until FY 2012.

5/ Includes \$1,740,000,000 for HURF bonds, \$777,000,000 for MRARF bonds, and \$449,000,000 for GANs.

6/ Includes \$376,000,000 for construction of the University of Arizona Phoenix Biomedical Campus. Laws 2008, Chapter 287 originally authorized \$1,000,000,000 of debt including \$470,000,000 for the Biomedical Campus, however, Laws 2009, 1st Special Session, Chapter 6 reduced the total bonding authority from \$1,000,000,000 to \$800,000,000. Laws 2009, 3rd Special Session, Chapter 9 restricts Lottery distributions in FY 2010 and FY 2011 for debt service payments by not allowing Lottery revenues to exceed 80% of the required annual debt service for the \$167,671,200, which has been favorably reviewed by JCCR, in both years.