

# **STATE OF ARIZONA**

**FY 2012**

## **Appropriations Report**

**May 2011**

**JLBC**

# FY 2012 APPROPRIATIONS REPORT

## INTRODUCTION

This annual *Appropriations Report* provides detailed information on FY 2012 appropriations, as provided in the General Appropriation Act (Laws 2011, Chapter 24) and other legislative acts. The Report also includes the economic and state revenue forecast upon which the budget was based. This Report provides information relative to the legislative intent of appropriations.

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## JOINT LEGISLATIVE BUDGET COMMITTEE

The Joint Legislative Budget Committee was established in 1966, pursuant to Laws 1966, Chapter 96. The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government. The following members serve on the Committee during the 50<sup>th</sup> Legislature:

Representative John Kavanagh Chairman 2011	Senator Andy Biggs Chairman 2012
Representative Lela Alston	Senator Paula A. Aboud
Representative Steve Court	Senator Olivia Cajero Bedford
Representative John M. Fillmore	Senator Rich Crandall
Representative Jack W. Harper	Senator Lori Klein
Representative Matt Heinz	Senator Rick Murphy
Representative Russ Jones	Senator Steven B. Yarbrough
Representative Anna Tovar	Vacant

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

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

Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007  
Phone: (602) 926-5491  
Email: [jlbcwebmaster@azleg.gov](mailto:jlbcwebmaster@azleg.gov)  
JLBC Website: <http://www.azleg.gov/jlbc.htm>

## JOINT COMMITTEE ON CAPITAL REVIEW

The Joint Committee on Capital Review (JCCR) was first established on April 11, 1986, pursuant to Laws 1986, Chapter 85. The primary powers and duties of the Joint Committee on Capital Review relate to ascertaining facts and making recommendations to the Legislature regarding state expenditures for land, buildings and improvements. This portion of the state budget is known as “capital outlay.” The following members serve on the Committee during the 50<sup>th</sup> Legislature:

Senator Andy Biggs Chairman 2011	Representative John Kavanagh Chairman 2012
Senator Paula A. Aboud	Representative Lela Alston
Senator Rich Crandall	Representative Chad Campbell
Senator Lori Klein	Representative Steve Court
Senator Rick Murphy	Representative Nancy McLain
Senator David Schapira	Representative Anna Tovar
Vacant	Vacant

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

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

**APPROPRIATIONS COMMITTEE MEMBERS**

**Fiftieth Legislature  
First Regular Session**

SENATE

Andy Biggs, Chairman  
Ron Gould, Vice-Chairman  
Paula Aboud  
Sylvia Allen  
Olivia Cajero Bedford  
Rich Crandall  
Lori Klein  
Al Melvin  
Rick Murphy  
David Schapira  
Don Shooter  
Kyrsten Sinema  
Steve Smith

HOUSE

John Kavanagh, Chairman  
Steve Court, Vice-Chairman  
Lela Alston  
Chad Campbell  
John Fillmore  
Tom Forese  
Matt Heinz  
Russ Jones  
Nancy McLain  
Justin Olson  
Anna Tovar  
Michelle Ugenti  
Vic Williams

**STAFF OF THE  
JOINT LEGISLATIVE BUDGET COMMITTEE**

- Director..... Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors ..... Steve Schimpp  
..... Stefan Shepherd
- Assistant Directors ..... Eric Jorgensen  
..... Leatta McLaughlin
- Chief Economist..... Hans Olofsson
- Principal Fiscal Analysts ..... Bob Hull  
..... Amy Upston
- Senior Fiscal Analysts ..... Eric Billings  
..... Jack Brown  
..... Steve Grunig  
..... Art Smith  
..... Marge Zylla
- Fiscal Analysts ..... James Alcantar  
..... Benjamin Beutler  
..... Aaron Galeener  
..... Ted Nelson
- Administrative Assistant/JLBC Clerk ..... Sandy Schumacher
- Administrative Assistant/JCCR Clerk ..... Mya Trivison

**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	Steve Grunig	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	Pete Gonzales [Director]	602-542-3095
Administration, Arizona Department of	Ben Beutler	Scott Smith [Director]	602-542-1500
Administrative Hearings, Office of	Bob Hull	Cliff J. Vanell [Director]	602-542-9830
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	Steve Grunig	Daniel Pietropaulo [Executive Director]	602-542-1593
Arizona State University	Leatta McLaughlin	Michael Crow, Ph.D. [President]	480-965-8972
Arts, Arizona Commission on the	Bob Hull	Robert Booker [Executive Director]	602-771-6501
Athletic Training, Board of	Steve Grunig	J. Randy Frost [Executive Director]	602-589-6337
Attorney General - Department of Law	Marge Zylla	Honorable Tom Horne [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
Capital Postconviction Public Defender Ofc., State	James Alcantar	--	602-771-9000
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	Ben Beutler	Todd Lang [Executive Director]	602-364-3477
Commerce Authority, Arizona	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	James Alcantar	Vince Roberts [Chairman]	420-250-1179
Contractors, Registrar of	Bob Hull	Bill Mundell [Director]	602-542-1525
Corporation Commission	Ben Beutler	Honorable Gary Pierce [Chairman]	602-542-3933
Corrections, State Department of	Stefan Shepherd/James Alcantar	Charles L. Ryan [Director]	602-542-5225
Cosmetology, Board of	Steve Grunig	Donna Aune [Director]	480-784-4539
Court of Appeals, Division I	James Alcantar	Honorable Ann A. Scott Timmer [Chief Judge]	602-542-4828
Court of Appeals, Division II	James Alcantar	Honorable Joseph W. Howard [Chief Judge]	520-628-6946
Criminal Justice Commission, Arizona	James Alcantar	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	Bob Hull	Elaine Hugunin [Executive Director]	602-242-1492
Early Childhood Development and Health Board, Arizona	Jack Brown	Rhian Allvin [Executive Director]	602-771-5100
Economic Security, Department of	Aaron Galeener	Clarence H. Carter [Director]	602-542-5678
Education, Department of	Steve Schimpp	Honorable John Huppenthal [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	James Alcantar	Henry Darwin [Acting Director]	602-771-2309
Equal Opportunity, Governor's Office of	Bob Hull	Carolyn Pitre Wright [Director]	602-542-3711
Equalization, State Board of	Bob Hull	George R. Shook [Interim Chairman]	602-364-1600
Executive Clemency, Board of	James Alcantar	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	Steve Grunig	Lauren W. Kingry [Superintendent]	602-255-4421
Fire, Building and Life Safety, Department of	Ted Nelson	Gene Palma [Director]	602-364-1003
Forester, State	Art Smith	Scott Hunt [State Forester]	602-771-1400
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
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 [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 Andy Tobin [Speaker of the House]	602-542-3095 602-926-5495
Housing, Arizona Department of	Eric Billings	Michael Trailor (Director)	602-771-1035
Independent Redistricting, Commission on	Ben Beutler	Ray Bladine [Executive Director]	602-542-1500
Indian Affairs, Arizona Commission of	Bob Hull	Kristine Thomas [Executive Director]	602-542-4421
Industrial Commission of Arizona	Bob Hull	Laura I. McGrory [Director]	602-542-4411
Insurance, Department of	Eric Billings	Christina Urias [Director]	602-364-3471
Joint Legislative Budget Committee	Bob Hull	Richard Stavneak [Director]	602-926-5491
Juvenile Corrections, Department of	Eric Billings	Michael Branham [Director]	602-542-4302
Land Department, State	Ted Nelson	Maria Baier [Land Commissioner]	602-542-4621
Law Enforcement Merit System Council	Eric Billings	Commander Iven T. Wooten [Business Manager]	602-223-2286
Legislative Council	Bob Hull	Mike E. Braun [Executive Director]	602-926-4236
Liquor Licenses & Control, Department of	James Alcantar	Alan Everett [Director]	602-542-9020
Lottery Commission, Arizona State	Ted Nelson	Jeff Hatch-Miller [Executive Director]	480-921-4400
Medical Board, Arizona	Bob Hull	Lisa Wynn [Executive Director]	480-551-2700
Medical Student Loans, Board of	Steve Grunig	Carol Q. Galper [Chairperson]	520-626-7145
Mine Inspector, State	Ted Nelson	Honorable Joe Hart [State Mine Inspector]	602-542-5971
Naturopathic Physicians Medical Board	Steve Grunig	Craig Runbeck [Executive Director]	602-542-8242
Navigable Stream Adjudication Commission, AZ	Ben Beutler	George Mehnert [Executive Director]	602-542-9214
Northern Arizona University	Marge Zylla	John D. Haeger, Ph.D. [President]	928-523-3232
Nursing, State Board of	Bob Hull	Joey Ridenour [Executive Director]	602-771-7800
Nursing Care Institution Administrators & Assisted Living Facility Managers, Board of Examiners of	Steve Grunig	Allen Imig [Executive Director]	602-542-8156
Occupational Safety & Health Review Board	Bob Hull	Robert L. Hutzel [Chairman]	602-542-4411
Occupational Therapy Exam., Board of	Steve Grunig	J. Randy Frost [Executive Director]	602-589-8352
Opticians, State Board of Dispensing	Steve Grunig	Lori D. Scott [Executive Director]	602-542-8158
Optometry, State Board of	Steve Grunig	Margaret Whelan [Executive Director]	602-542-8155
Osteopathic Examiners, Arizona Board of	Ben Beutler	Elaine LeTarte [Executive Director]	480-657-7703
Parents Commission on Drug Education and Prevention, AZ	James Alcantar	Tammy Paz-Combs [Director]	602-542-3643
Parks Board, Arizona State	Art Smith	Renee Bahl [Executive Director]	602-542-4174
Personnel Board	Bob Hull	Laurie Barcelona [Executive Director]	602-542-3888
Pest Management, Office of	Ben Beutler	Ellis M. Jones [Acting Director]	602-255-3664
Pharmacy, Arizona State Board of	Bob Hull	Hal Wand [Executive Director]	602-771-2740
Physical Therapy Examiners, Board of	Steve Grunig	Charles Brown [Executive Director]	602-542-8157
Pioneers' Home, Arizona	Aaron Galeener	Ted Ihrman [Interim Director]	928-445-2181
Podiatry Examiners, State Board of	Steve Grunig	Sarah Penttinen [Executive Director]	602-542-8151
Postsecondary Education, Commission for	Marge Zylla	April L. Osborn [Executive Director]	602-258-2435
Power Authority, Arizona	Ben Beutler	Joseph W. Mulholland [Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Marge Zylla	Teri R. Stanfill [Executive Director]	602-542-5709
Psychologist Examiners, State Board of	Steve Grunig	Cindy Olvey [Director]	602-542-8162
Public Safety, Department of	Eric Billings	Robert Halliday [Director]	602-223-2464
Public Safety Personnel Retirement System	Marge Zylla	Jim Hacking [Administrator]	602-255-5575
Racing, Arizona Department of	Bob Hull	Lonny Powell [Director]	602-364-1695
Radiation Regulatory Agency	Eric Billings	Aubrey V. Godwin [Director]	602-255-4845
Real Estate Department, State	Steve Grunig	Judy Lowe [Commissioner]	602-771-7799
Regents, Arizona Board of	Leatta McLaughlin	Tom Anderes [President]	602-229-2500
Residential Utility Consumer Office	Ben Beutler	Jodi Jerich [Director]	602-364-4835
Respiratory Care Examiners, Board of	Steve Grunig	Mary Hauf Martin [Executive Director]	602-542-5995
Retirement System, Arizona State	Marge Zylla	Paul Matson [Director]	602-240-2031
Revenue, Department of	Eric Billings	Gale Garriott [Director]	602-716-6090
School Facilities Board	Jack Brown	Dean Gray [Executive Director]	602-542-6501
Secretary of State, Department of State	Ben Beutler	Honorable Ken Bennett [Secretary of State]	602-542-4285
Senate	Bob Hull	Honorable Russell Pearce [President of the Senate]	602-926-5584
State Boards' Office	Steve Grunig	Megan Darian [Office Manager]	602-542-3095
Superior Court	James Alcantar	David K. Byers [Director]	602-452-3301
Supreme Court	James Alcantar	Rebecca White Berch [Chief Justice]	602-452-3536
Tax Appeals, State Board of	Bob Hull	Janice C. Washington [Chairperson]	602-364-1102
Technical Registration, State Board of	Steve Grunig	Ronald W. Dalrymple [Executive Director]	602-364-4930
Tourism, Office of	Ted Nelson	Sherry Henry [Director]	602-364-3700
Transportation, Department of	Ben Beutler	John Halikowski [Director]	602-712-7227



AGENCY/DEPT./BUDGET AREA

Treasurer, State  
University of Arizona  
Veterans' Services, Department of  
Veterinary Medical Examining Board, AZ State  
Water Resources, Department of  
Weights & Measures, Department of

JLBC ANALYST

Eric Billings  
Leatta McLaughlin  
Amy Upston  
Steve Grunig  
Aaron Galeener  
Ben Beutler

AGENCY/DEPARTMENT HEADS

Honorable Doug Ducey [State Treasurer]  
Robert Shelton, Ph.D [President]  
Colonel Joey Strickland [Director]  
Jenna Jones [Executive Director]  
Sandra A. Fabritz-Whitney [Acting Director]  
Kevin Tyne [Director]

TELEPHONE  
NUMBER

602-604-7800  
520-621-5511  
602-234-8412  
602-542-8150  
602-771-8426  
602-771-4920

OTHER ASSIGNMENTS

Capital Review  
Capital Review - Debt Financing  
Economic & Revenue Forecast

Leatta McLaughlin  
Jack Brown  
Eric Jorgensen  
Hans Olofsson  
Ben Beutler  
Eric Billings  
Ted Nelson  
Stefan Shepherd  
Stefan Shepherd

Federal/Non-Appropriated Funds  
Fiscal Note Manager

[ ] Denotes Title for Information Purposes

## **BUDGET HIGHLIGHTS**

## HIGHLIGHTS OF THE FY 2012 BUDGET

The FY 2012 budget is based primarily upon the actions of the 50<sup>th</sup> Legislature's 1<sup>st</sup> Regular Session. On April 6, 2011, the Governor signed into law the FY 2012 budget for the year beginning July 1, 2011.

The state's FY 2012 General Fund budget is \$8.32 billion. After accounting for non-General Fund monies, the state's "all funds" budget is \$26.9 billion. (*See the Summary of Appropriated Funds and Summary of Total Spending Authority for more details.*)

**Revised FY 2011 Budget** – At the time of publication of the *FY 2011 Appropriations Report* in May 2010 after the 49<sup>th</sup> Legislature's 2<sup>nd</sup> Regular Session, the FY 2011 ending balance was assumed to be \$63 million. By January 2011, however, the positive balance had become an estimated shortfall of \$(543) million. (This estimate was listed as \$(531) million in the *FY 2012 Baseline Book*, but was revised to \$(543) million for technical reasons.) The primary adjustments included:

- A projected FY 2011 beginning balance of \$48 million became a shortfall of \$(6) million due to a greater than expected decline in FY 2010 revenues. The net loss was \$(54) million.
- The failure of 2 ballot fund transfers at the November 2010 General Election increased the shortfall by \$(469) million. The original FY 2011 budget assumed passage of the ballot propositions.
- A revised FY 2011 revenue forecast increased the shortfall by \$(86) million.

As part of the FY 2012 budget, the Legislature approved \$211 million in FY 2011 shortfall solutions, including spending reductions (\$119 million), fund transfers (\$52 million), and revenue adjustments (\$40 million). These adjustments resulted in a projected FY 2011 shortfall of \$(332) million carried forward into FY 2012. This shortfall was resolved as part of the FY 2012 budget. (*See FY 2011 General Fund Adjustments at the end of this Appropriations Report for more details.*)

**Comparison to the JLBC Baseline** – At the beginning of session, the JLBC Staff calculated the growth in the state's anticipated FY 2012 spending based on existing statutory funding formulas and other technical requirements. The projected spending level was \$9.28 billion. Based on a 5.2% General Fund base revenue increase in FY 2011 and a 5.4% increase in FY 2012, General Fund revenues were anticipated to be \$8.31 billion in FY 2012.

Under the JLBC Baseline, the FY 2012 budget was projected to have a \$(974) million shortfall. In comparison, the Executive estimated the FY 2012 shortfall at over \$(1.1) billion. One major reason for the difference in estimates was whether certain reductions should be

classified as part of the Baseline or as a solution to the shortfall. For example, the Executive reduced some Medicaid payment rates by (5)% on April 1, 2011 which generated annualization savings in FY 2012. The JLBC included those savings as part of the Baseline, while the Executive counted that reduction as part of the solution to the shortfall.

To create more comparability, the JLBC Baseline was restated using the Executive methodology and certain caseload estimates were updated as well. The restated FY 2012 shortfall was \$(1.18) billion (*see Table 1*).

After adjusting for the \$(332) million FY 2011 carry forward, the total projected FY 2012 Baseline shortfall was \$(1.51) billion.

The Legislature approved FY 2012 solutions totaling \$1.52 billion as follows:

- \$1.1 billion in new reductions, including \$524 million from Medicaid waiver plan savings.
- \$172 million in new fund transfers (in addition to \$85 million in the Baseline for a total of \$256 million).
- \$53 million in other revenue, including \$22 million for a one-time Tax Amnesty Program.
- \$66 million cash payments or redirected local revenue (in addition to \$35 million in the Baseline for a total of \$101 million).
- \$70 million in additional base revenue above the Baseline estimate.

As part of the last solution, the Legislature adopted revenue growth rates of 5.6% in FY 2011 and 5.7% in FY 2012.

(*See FY 2012 State General Fund Budget - A Narrative Summary and the General Provisions section for further details on FY 2012 changes.*)

**Comparison to the FY 2011 Budget** – General Fund revenues, including one-time monies, are projected to increase from \$8.00 billion in FY 2011 to \$8.33 billion in FY 2012. Base ongoing revenues are projected to increase by \$423 million, from \$7.41 billion in FY 2011 to \$7.83 billion in FY 2012. After technical adjustments, the projected base growth is 5.7%, which will be further modified by the following revenue changes (*see the General Fund Revenue section*):

- \$76 million gain from the temporary 1-cent sales tax; projected revenues are forecast to increase from \$825 million to \$901 million.
- \$59 million net gain due to \$66 million in increased local contributions, primarily through redirecting Highway User Revenue Fund monies that previously had gone to

local governments. That amount is offset by \$(8) million in enacted tax law and other revenue changes.

- \$50 million gain due to decreased contributions to Urban Revenue Sharing based on state income tax collections from 2 years prior.
- A \$(278) million loss in other one-time revenues from \$240 million in FY 2011 to \$(38) million in FY 2012. The decline is a result of a negative carry forward increasing from \$(6) million at the beginning of FY 2011 to \$(332) million at the beginning of FY 2012.

General Fund spending is projected to decline slightly from \$8.33 billion in FY 2011 to \$8.32 billion in FY 2012, which is a decrease of \$(17) million, or (0.2)%. The small decrease reflects \$1.1 billion in backfill and caseload increases offset by \$(1.1) billion in new spending reductions. The backfill and caseload increases include:

- \$778 million to replace one-time Federal Funds and for caseload growth in Medicaid;
- \$143 million to replace one-time Federal Funds and for caseload growth in K-12;
- \$97 million to replace one-time funding and for increased debt service in the School Facilities Board; and
- \$79 million for one-time costs of a 27<sup>th</sup> pay period for state employees.

The primary reductions include:

- \$(524) million in Medicaid waiver plan savings;
- \$(60) million in to annualize April 1, 2011 Medicaid provider rate reductions;
- \$(199) million in new K-12 reductions;
- \$(198) million for University lump sum reductions;
- \$(73) million for Community College operating state aid reductions; and
- \$(63) million for employee benefit changes, including \$(41) million to increase the employee share of the Arizona State Retirement System contribution from 50% to 53%, \$(10) million to institute a waiting period for new state employee health and retirement benefits and \$(12) million from greater use of state employee health savings accounts.

*(See FY 2012 State General Fund Budget - A Narrative Summary for a more detailed list of changes.)*

Excluding one-time rollover adjustments and Federal Funds backfill, permanent spending is expected to decrease by \$(1.13) billion, or (12.0)%, in FY 2012.

**General Fund Balance** – The FY 2012 General Fund cash balance is projected to be \$14 million. Beyond its cash balance, a budget is also evaluated by the difference between ongoing revenues and expenditures. The state can have a cash balance but a shortfall in ongoing funds through the use of one-time revenue and/or expenditure savings. Including the 1-cent sales tax, ongoing revenues are projected to exceed ongoing spending by \$131 million

in FY 2012. Excluding the 1-cent sales tax, ongoing revenues are projected to be less than ongoing spending by \$(770) million in FY 2012. *(See page BH-4 for more details.)*

**Special Sessions** – While the Legislature was in Regular Session, 2 Special Sessions were held. The 1<sup>st</sup> Special Session was convened in January 2011 to approve legislation requiring AHCCCS to seek a waiver of federal maintenance of effort requirements. *(See page 19 for more information.)*

The 2<sup>nd</sup> Special Session was held in February to consider the Governor's proposal to replace the Department of Commerce with the Arizona Commerce Authority and to authorize new tax reductions. *(See page 44 and page 291 for more information.)* Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1 is projected to have a \$(38) million fiscal impact in FY 2012, which was incorporated into the revised JLBC Baseline estimates. Chapter 1's projected impact grows to \$(538) million by FY 2018.

	<b>\$ in M</b>
JLBC January Base	\$ (973.8)
AHCCCS Rate Shifted to Reductions	(62.2)
Commerce Authority	(38.2)
Community College Formula	(10.7)
ADE Property Tax Revisions	(14.3)
ADE Caseload Decrease	18.9
DHS Caseload Increase	(44.0)
University Funding Shifted to Reductions	(52.9)
<b>Revised Baseline</b>	<b>\$(1,177.2)</b>

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

	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>
<b>REVENUES</b>		
Ongoing Revenues	\$7,411,696,300	\$7,834,223,800
Budget Legislation Changes <u>2/</u>	0	58,690,900
1¢ Sales Tax	824,756,300	901,024,500
Urban Revenue Sharing	(474,006,500)	(424,423,400)
Net On-going Revenues	\$7,762,446,100	\$8,369,515,800
One-time Financing Sources		
Balance Forward	(5,723,000)	(332,260,300)
Budget Legislation Changes <u>3/</u>	(1,956,000)	38,000,000
Fund Transfers <u>4/</u>	247,291,800	256,074,600
Subtotal One-time Revenues	\$239,612,800	(\$38,185,700)
<b>Total Revenues</b>	\$8,002,058,900	\$8,331,330,100
<b>EXPENDITURES</b>		
Operating Budget Appropriations	\$9,405,051,100	\$8,276,436,300
FY 2011 Baseline Adjustments <u>5/</u>	(6,441,600)	
Administrative Adjustments	78,000,000	73,388,300
Revertments <u>6/</u>	(112,905,100)	(111,256,400)
Subtotal Ongoing Expenditures	\$9,363,704,400	\$8,238,568,200
One-time Expenditures		
Capital Outlay	\$4,000,000	
Additional (27th) Pay Period		79,000,000
Temporary Federal Assistance	(973,385,200)	
SFB Debt Refinance	(60,000,000)	
Subtotal One-time Expenditures	(\$1,029,385,200)	\$79,000,000
<b>Total Expenditures</b>	\$8,334,319,200	\$8,317,568,200
<b>Ending Balance <u>7/</u></b>	(\$332,260,300)	\$13,761,900
Structural Balance (with 1¢ TPT Increase) <u>8/</u>	(\$1,601,258,300)	\$130,947,600
Structural Balance (without 1¢ TPT Increase) <u>8/</u>	(\$2,426,014,600)	(\$770,076,900)

1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.

2/ See page 287 for details.

3/ See page 289 for details.

4/ See page 337 for details.

5/ See page 367 for details.

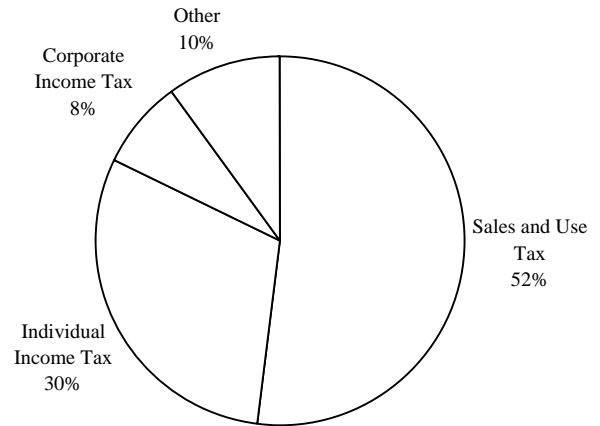
6/ Assumes that the level of continuing appropriations remains at the FY 2010 level of \$35.5 million through FY 2012.

7/ This calculation reflects the difference between total revenues and total expenditures.

8/ This calculation reflects the difference between ongoing revenues and expenditures.

## FY 2012 General Fund Revenue - Where it Comes From

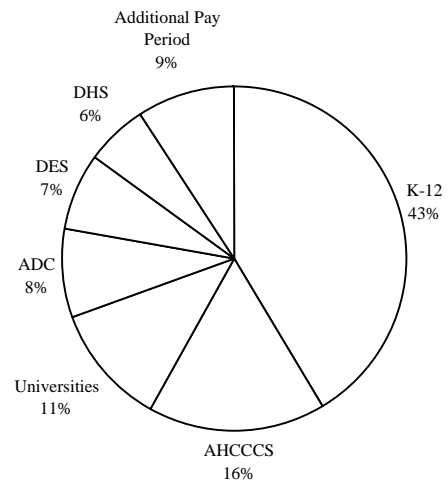
<u>Source</u>	<u>Revenue (Millions)</u>
Sales and Use Tax	\$ 4,567.5
Individual Income Tax	2,671.4
Corporate Income Tax	686.8
Other	868.2
<b>TOTAL REVENUE</b>	<b><u>\$ 8,793.9</u> <sup>1/</sup></b>



<sup>1/</sup> Includes all legislative revenue changes, but does not include beginning balance shortfall of \$(332) million, urban revenue sharing, or other one-time revenue adjustments.

## FY 2012 General Fund Appropriations - Where it Goes

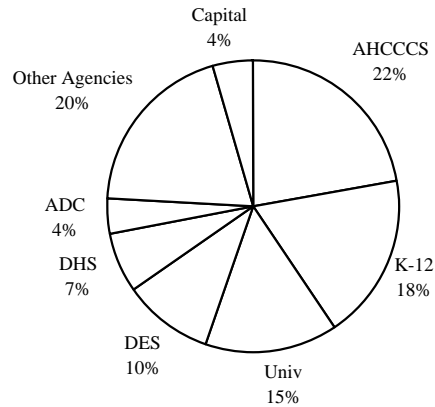
<u>Budget Unit</u>	<u>Appropriation (Millions)</u>
Education (K-12)	\$ 3,436.5
AHCCCS	1,363.7
Corrections	948.2
Universities	682.5
Economic Security	602.6
Health Services	494.3
One-time 27th Pay Period	79.0
Other Agencies	748.6
<b>TOTAL OPERATING BUDGET</b>	<b><u>\$ 8,355.4</u> <sup>1/</sup></b>



<sup>1/</sup> Does not include administrative adjustments and revertsments

### FY 2012 Total Spending - All Sources <sup>1/</sup>

<u>Budget Unit</u>	<u>Spending (Millions)</u>
AHCCCS	\$ 5,993.2
Education (K-12)	4,923.4
Universities	3,971.3
Economic Security	2,710.3
Health Services	1,780.0
Corrections	1,062.2
Other Agencies	5,286.1
Capital	1,194.4
TOTAL	<u>\$ 26,920.9 <sup>2/</sup></u>

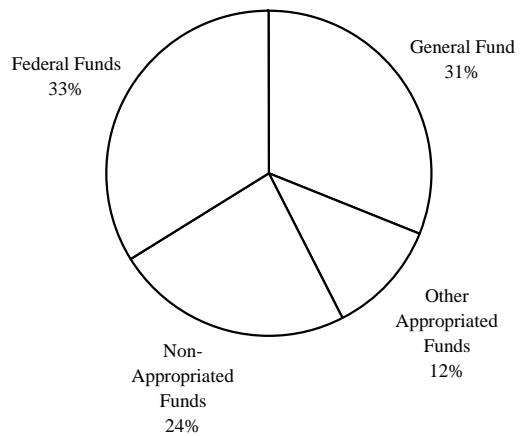


<sup>1/</sup> Does not include administrative adjustments and revertsments.

<sup>2/</sup> Prior to FY 2008, the same chart in Appropriations Reports excluded capital.

### FY 2012 Total Spending by Fund Source <sup>1/</sup>

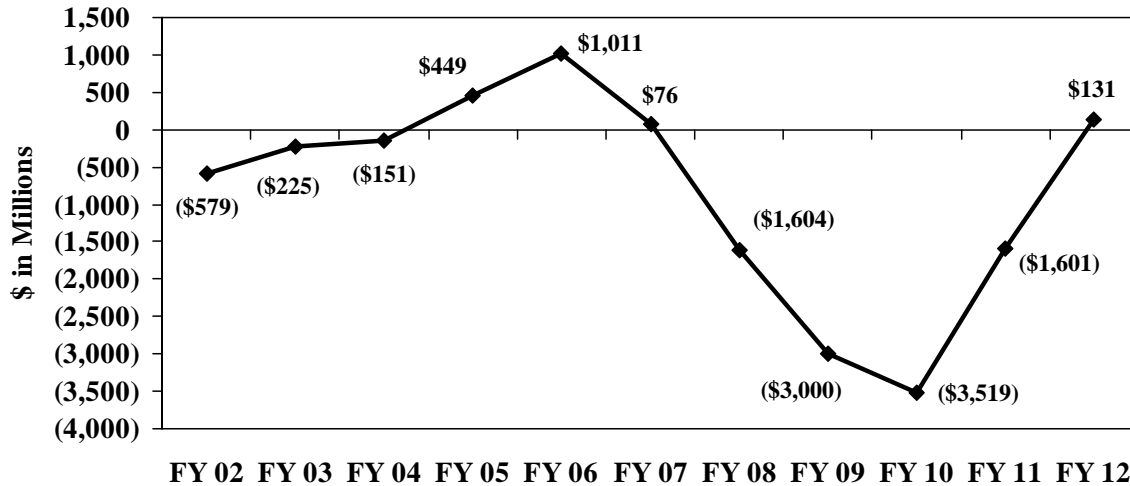
<u>Fund Source</u>	<u>Spending (Millions)</u>
General Fund	\$ 8,355.4
Other Appropriated Funds	3,097.4
Non-Appropriated Funds	6,361.5
Federal Funds	9,106.6
TOTAL	<u>\$ 26,920.9 <sup>2/</sup></u>



<sup>1/</sup> Does not include administrative adjustments and revertsments.

<sup>2/</sup> Prior to FY 2008, the same chart in Appropriations Reports excluded capital.

**The Structural General Fund Balance**  
**Difference Between Ongoing Revenues and Ongoing Expenditures**



**Ongoing Fund Surplus (+) / Shortfall (-)**  
**Counts 1 ¢ Sales Tax as Ongoing in FY '11 and FY '12**

**Recent History of Ongoing General Fund Balance <sup>1/</sup>**  
**(\$ in Millions)**

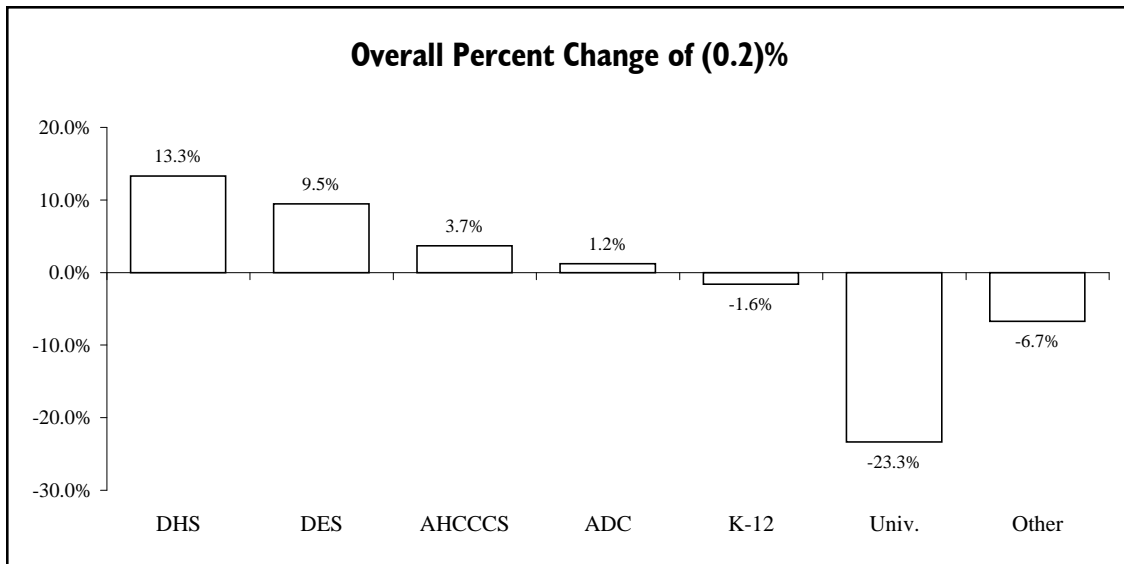
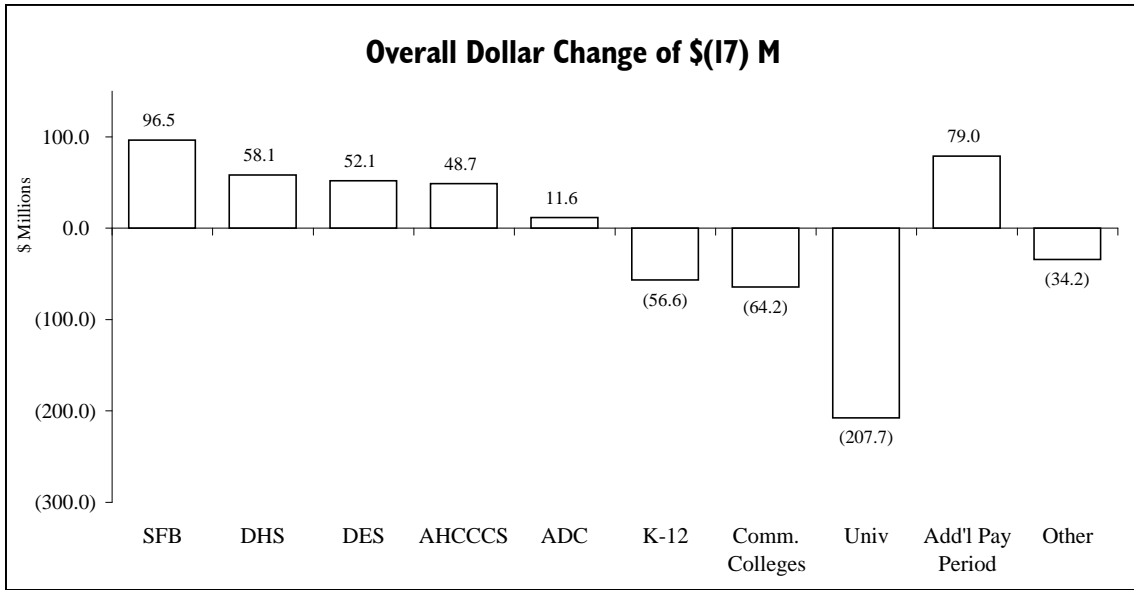
Fiscal Year	Ongoing Revenues	Ongoing Expenditures	Surplus/ (Shortfall)
2002	5,760	6,339	(579)
2003	5,801	6,026	(225)
2004	6,462	6,613	(151)
2005	7,719	7,270	449
2006	9,266	8,255	1,011
2007	9,624	9,548	76
2008	8,765	10,369	(1,604)
2009	6,967	9,967	(3,000)
2010	6,295	9,814	(3,519)
2011	7,763 <sup>2/</sup>	9,364	(1,601)
2012	8,370 <sup>2/</sup>	8,239	131

<sup>1/</sup> Excludes one-time revenues and expenditures.

<sup>2/</sup> Includes the 1-cent sales tax increase from Proposition 100 as ongoing revenue. Without the 1-cent tax, there is a \$(770) million shortfall.



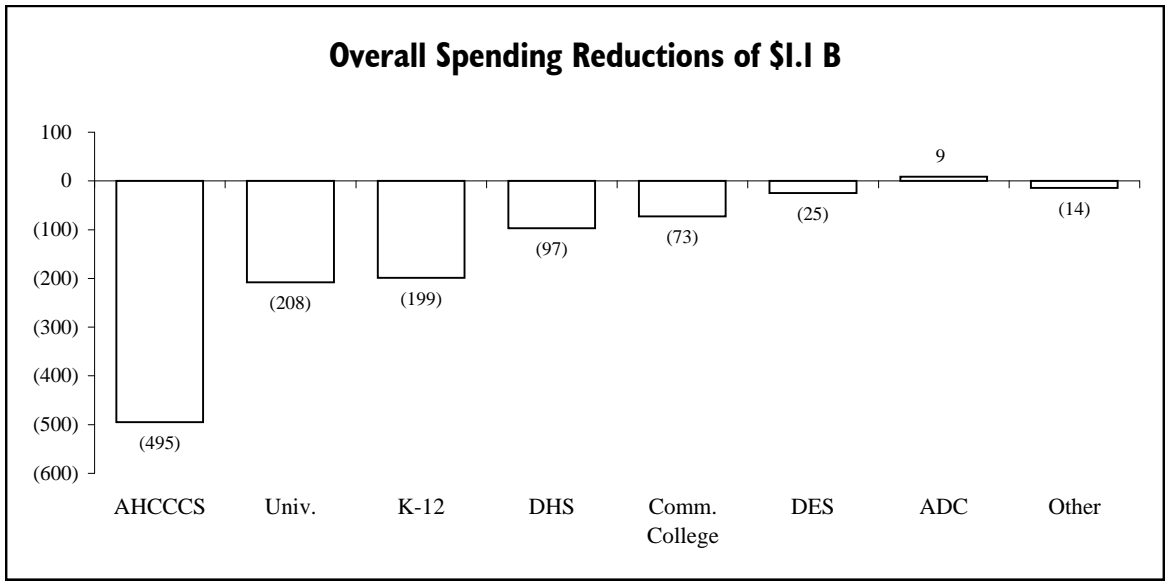
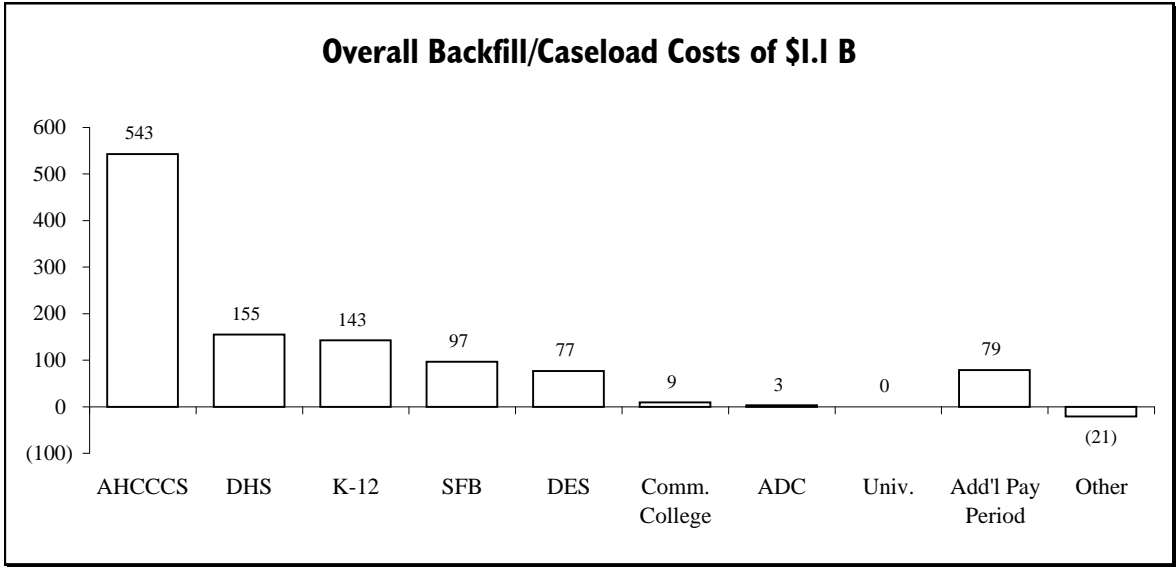
**CHANGES TO MAJOR AGENCIES' GENERAL FUND BUDGET <sup>1/2/</sup>**  
**FY 2011 to FY 2012**



<sup>1/</sup> Represents change in total General Fund spending from FY 2011 (including supplementals and ex-appropriations) to FY 2012. See page BD-6.

<sup>2/</sup> See BH-9 for major caseload/backfill dollar changes versus reductions.

**CHANGES TO MAJOR AGENCIES' GENERAL FUND BUDGET FROM FY 2011 TO FY 2012**  
**\$1.1 B of Backfill/Caseload Costs Were Offset With \$1.1 B of New Reductions**



# FY 2012 STATE GENERAL FUND BUDGET – A NARRATIVE SUMMARY

## General Fund Balances

- Given FY 2012 revenues of \$8.33 billion and spending of \$8.32 billion, the state has a projected FY 2012 surplus of \$13.8 million.
- The state's fiscal condition is also evaluated by the comparison between the state's permanent ongoing revenues and permanent ongoing spending. The FY 2012 budget has a structural surplus of \$131 million with the 1-cent sales tax and a \$(770) million shortfall without it.
- The state is projected to have a structural surplus of \$300 million in FY 2013 with the 1-cent tax and a shortfall of \$(600) million in FY 2014, the latter due to the expiration of the 1-cent sales tax increase.

## General Fund Revenues

- FY 2011 base revenues are projected to increase by 5.6%, excluding tax law changes. Including one-time revenues, projected FY 2011 revenues are \$8.0 billion and with spending of \$8.33 billion, the state is projected to have a \$(332) million shortfall at the end of FY 2011. That shortfall is resolved as part of the FY 2012 budget.
- FY 2012 General Fund revenues are projected to be \$8.33 billion, including the FY 2011 shortfall. FY 2012 base revenues are projected to increase by 5.7%, excluding tax law and other statutory changes.
- Urban Revenue Sharing (URS) distributions for FY 2012 will total \$424.4 million. By statute, URS is based on 15% of income tax collections 2 years prior. This amount is a reduction of \$(49.6) million compared to FY 2011, due to the substantial decline in income tax revenues.
- The budget includes \$59 million of new ongoing revenue associated with enacted legislation. Of this amount, \$66 million is from higher local contributions, including:
  - ⇒ \$4.0 million related to increased county cash contributions, from \$34.6 million to \$38.6 million.
  - ⇒ \$38.6 million for shifting Motor Vehicle Division funding from the Highway Fund to the Highway User Revenue Fund (HURF).
  - ⇒ \$23.6 million for shifting Department of Public Safety funding from the Highway Fund to HURF.
- The budget assumed new one-time revenue of \$38 million, including \$22 million related to a tax amnesty program which begins in September 2011.
- The budget includes \$256 million of fund transfers including:
  - ⇒ \$16.1 million - Risk Management Fund.
  - ⇒ \$40.3 million - State Employee Health Insurance Trust Fund.
  - ⇒ \$20.0 million - Clean Election Fund.
  - ⇒ \$30.0 million - Department of Economic Security Long Term Care Fund.
  - ⇒ \$28.0 million - Department of Transportation Vehicle License Tax Transfer.

## General Fund Spending

- FY 2012 General Fund spending is projected to be \$8.32 billion.
- Due to the expiration of one-time federal assistance and funding formula adjustments, FY 2012 spending would increase \$1.1 billion. This increase is offset by enacted spending reductions of \$1.1 billion. In total, spending would decrease by \$(16.8) million, or (0.2)%, below the FY 2011 budget.
- The entire state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$27 billion.

## Education

### **Department of Education**

- ADE spending decreases by \$(56.5) million, or (1.6)%. The \$(56.5) million adjustment consists of 3 elements.
- \$143.2 million in baseline formula changes, including:
  - ⇒ \$90.9 million for an increase of 12,300 students, or 1.2%, for a total of 1,070,400.
  - ⇒ \$92.8 million to offset one-time federal assistance in FY 2011.
  - ⇒ \$3.8 million for a 0.9% inflation adjustment for transportation and charter additional assistance. Prior to FY 2011, the state had inflated the per pupil "base level" as well. That adjustment would have cost another \$39.9 million.
  - ⇒ \$(21.4) million net decrease for 1.5% new property growth.
  - ⇒ \$50.0 million to annualize the FY 2011 funding shortfall.
  - ⇒ \$(70.5) million for savings from limiting the 40% subsidy of homeowner property taxes to statewide school taxes. This change was enacted last year.
  - ⇒ \$(2.0) million for the Special Education Fund due to caseload decline.
- \$(33.5) million for statewide adjustments, which almost entirely consist of a reduction in formula funding for school districts due to increasing the employee share of retirement contributions from 50% to 53%.
- \$(166.2) million in new reductions, including:

- ⇒ \$(71.5) million for Capital Outlay Revenue Limit (CORL)/Additional Assistance reduction.
- ⇒ \$(35.0) million for a new reduction that would be offset by the 2010 Federal Stimulus Funds (EduJobs).
- ⇒ \$(23.0) million for increased Soft Capital suspension.
- ⇒ \$(29.8) million for no JTED 9th Grade funding.
- ⇒ \$(14.5) million for Career Ladder phase out.
- ⇒ \$5.0 million for Student Accountability and Information System replacement.
- ⇒ \$4.5 million to offset declining Joint Technological Education Districts (JTED) Qualifying Tax Rate revenues.
- ⇒ \$(1.9) million due to one-time FY 2011 funding.

### **School Facilities Board**

- SFB spending increases by \$96.5 million, or 142.9%. The \$96.5 million adjustment includes:
  - ⇒ \$26.5 million to pay for increased debt service associated with past lease-purchase agreements.
  - ⇒ \$60.0 million to backfill one-time FY 2011 savings associated with refinancing SFB's outstanding debt.
  - ⇒ \$10.1 million to pay for debt service related to issuances made in FY 2010 and FY 2011.
- The budget assumes no additional new construction is authorized in FY 2012.

### **Universities**

- The Universities' General Fund spending decreases by \$(207.7) million, or (23.3)%, including:
  - ⇒ \$(198) million lump sum reduction which is distributed proportionally by each campus's share of the overall university General Fund budget.
  - ⇒ \$(9.5) million associated with statewide adjustments, which mostly includes savings from the enacted retirement contribution and benefit waiting period changes.
- University enrollment is projected to be 123,416 full-time equivalent students in FY 2012, representing a comparable increase of 4,217 in-state students, or 5.0% above FY 2011. University enrollment growth is not part of a statutorily-required formula. Enrollment growth would have cost \$28.4 million.

### **Community Colleges**

- Community College General Fund spending decreases by \$(64.3) million, or (47.5)%, including:
  - ⇒ \$9.0 million for General Fund operating state aid and equalization aid formula growth.
  - ⇒ \$(72.9) million for an operating state aid reduction. Community College non-General Fund revenues were projected to increase by 6% above FY 2011 levels. The \$(72.9) million represents an offsetting (6)% reduction, all applied against operating state aid.
- Enrollment is projected to increase by 11,992 full-time equivalent students, or 9.7%, for a total enrollment of 135,789.

### **Health and Welfare**

#### **AHCCCS**

- AHCCCS' General Fund spending increases by \$48.7 million, or 3.7%. The \$48.7 million includes:
  - ⇒ \$543.4 million for the backfill of one-time federal Medicaid match assistance, caseload growth, and \$(55) million in FY 2011 one-time reductions.
  - ⇒ \$(478.9) million for a reduction in Proposition 204 and other Medicaid spending.
  - ⇒ \$(6.0) million for eligibility verification savings.
  - ⇒ \$(49.4) million to annualize FY 2011 April 1 provider rate reductions.
  - ⇒ \$36.4 million to transfer the Children's Rehabilitative Services program from the Department of Health Services (DHS) to AHCCCS.
  - ⇒ \$(1.8) million for statewide adjustments.
- Without any changes in program eligibility, total caseloads would be projected to increase 1.9% from June 2011 to June 2012. Total population would reach 1.37 million by June 2012.
- As of this writing, the Executive has submitted a waiver request to the Federal Government to modify the state's Medicaid program, consistent with the \$(478.9) million in budgeted savings. Depending on the federal decision, these changes could affect program eligibility.

#### **Department of Health Services**

- DHS' General Fund spending increases by \$58.1 million, or 13.3%. The \$58.1 million includes:
  - ⇒ \$127.3 million for the backfill of one-time federal Medicaid match assistance.
  - ⇒ \$27.3 million for new FY 2012 caseload growth.
  - ⇒ \$(43.5) million for a reduction in Proposition 204 and other Medicaid spending.
  - ⇒ \$(11.0) million to annualize the FY 2011 April 1 Medicaid provider rate reduction.
  - ⇒ \$(36.4) million to move the Children's Rehabilitative Services program from DHS to AHCCCS.

- ⇒ \$(1.2) million to shift Vital Records costs to new fees.
- ⇒ \$(2.7) million to increase counties' share of the cost of treatment of sexually violent persons from 25% to 50%.
- ⇒ \$(1.6) million related to the statewide adjustments.
- Without any changes in program eligibility, the Medicaid behavioral health caseload is projected to increase 2.3% from June 2011 to June 2012. The total served population would reach 129,000 by June 2012. As described in the AHCCCS section, the federal waiver request could affect program eligibility.

### **Department of Economic Security**

- DES General Fund spending increases by \$52.1 million, or 9.5%. The \$52.1 million includes:
  - ⇒ \$62.1 million for the backfill of one-time federal Medicaid match assistance.
  - ⇒ \$18.0 million for an increase of 1,202 new clients, or 5.0%, in the Medicaid Developmental Disabilities Long Term Care program. Total caseload would equal 25,244.
  - ⇒ \$(3.4) million for a Temporary Assistance for Needy Families (TANF) caseload decline. In addition, continues a mid-year FY 2011 reduction of \$(25.0) million for a total reduction of \$(28.4) million. This reduction reflects a caseload decline of (27,160) recipients from the budgeted FY 2011 caseload of 70,000. Current caseload has already declined to less than 42,000.
  - ⇒ \$(8.6) million from reducing the lifetime time limit for TANF Cash Benefits from 36 to 24 months.
  - ⇒ \$(13.8) million to eliminate General Fund support for child care subsidies. In addition, continues a mid-year FY 2011 reduction of \$(10.0) million for a total reduction of \$(23.8) million.
  - ⇒ \$(1.6) million from the Developmentally Disabled program for savings from the Medicaid Waiver Proposal.
  - ⇒ \$4.5 million to backfill Federal Funds for eligibility determinations and child support enforcement.
  - ⇒ \$(5.2) million for statewide adjustments.
- The budget also continues \$(21.0) million of enacted FY 2011 reductions:
  - ⇒ Continues a \$(15.0) million mid-year FY 2011 reduction to be offset by \$15.0 million in additional TANF Block Grant monies.
  - ⇒ Continues a \$(6.0) million mid-year FY 2011 reduction from shifting Adult Services funding to the Social Services Block Grant.

### **Criminal Justice**

### **Department of Corrections**

- ADC General Fund spending increases by \$11.6 million or 1.2%, including:
  - ⇒ \$10.0 million to backfill one-time FY 2011 savings.
  - ⇒ \$4.2 million to annualize the cost of 5,000 new state beds opened in FY 2011.
  - ⇒ \$(3.2) million for lower than budgeted private prison contracted rates.
  - ⇒ \$(1.2) million for statewide adjustments.
- The budget assumes population growth of 27 inmates/month for a total of 34,099 prisoners in state beds.
- ADC is expected to have a 1,527 bed shortfall by June 2011 and 1,851 by June 2012.
- The budget would require counties to house prisoners sentenced less than a year or pay ADC to do so on their behalf, effective July 1, 2012.

### **Environment**

### **Parks Board**

- Parks General Fund spending declines from \$20 million to \$0 to reflect the last deposit to the Land Conservation Fund required by the 1998 ballot proposition. Park operations are primarily funded from park fees.
- Fee spending authority was increased by \$1.1 million to level fund Parks operating budget between FY 2011 and FY 2012, based on all of the agency's funding sources.

### **General Government**

- The budget eliminated all General Fund support for the following:
  - ⇒ The Arizona Commission on the Arts.
  - ⇒ The Department of Military Affairs Project Challenge program.
  - ⇒ Rangers' Pensions due to the death of 1 remaining recipient.
- The budget enacted several agency consolidations:
  - ⇒ The Department of Mines and Mineral Resources merged into the Geological Survey and the Arizona Historical Society.
  - ⇒ Government Information Technology Agency (GITA) merged into the Arizona Department of Administration.
  - ⇒ The Arizona Biomedical Research Commission merged into the Department of Health Services.

- The budget eliminated the \$1.4 million General Fund appropriation to the Department of Commerce. Separate legislation created a new Arizona Commerce Authority as a replacement. The Authority is funded with \$31.5 million redirected from the General Fund.

#### **Financing and Payment Deferral**

- The budget includes an increase of \$77.9 million from the General Fund for debt and lease-purchase payments in FY 2012. The total General Fund debt service payment would be \$287.8 million, which includes:
  - ⇒ \$49.1 million for the annual payment for the \$1.0 billion state building sale/lease-back issuance.
  - ⇒ \$78.6 million for traditional capital lease-purchase payments.
  - ⇒ \$160.1 million for outstanding SFB lease-purchase agreements.
  - ⇒ The budget also includes \$20.7 million in diverted General Fund lottery revenues to pay the debt service on the \$450 million of lottery revenue bonds issued in FY 2010.
- The budget includes no net change in existing payment deferrals. The budget defers \$1.3 billion in General Fund spending from FY 2012 to FY 2013, including:
  - ⇒ \$953 million of school district payments.
  - ⇒ \$200 million of payments to the University system.
  - ⇒ \$113 million of AHCCCS payments.
  - ⇒ \$35 million of DES payments.

#### **State Employee Issues**

##### **FTE Positions**

- The budget would fund an increase of 47.6 Full-Time Equivalent (FTE) Positions in FY 2012, including:
  - ⇒ 144 additional positions to open a new veteran's home.
  - ⇒ A decrease of (15.5) FTE Positions associated with agency eliminations and consolidations.
  - ⇒ A decrease of (80.9) FTE Positions due to technical changes, including the shifting of 64.9 positions from the Department of Commerce to non-appropriated status in the newly-created Arizona Commerce Authority.
- These adjustments would bring total appropriated FTE Positions to 49,847.1.

##### **Employee Pay and Salary Issues**

- The budget includes \$79 million in one-time funding for an additional employee payday. There are 27 scheduled pay periods in FY 2012, as opposed to the 26 that typically occur in other fiscal years.
- The budget partially continues the 5% statewide salary reduction that was enacted in the FY 2011 budget. This salary reduction consisted of a 2.75% pay reduction and 6 furlough days. The pay reduction continued and the furlough days were removed, however, agencies did not receive restoration of funding for the furlough days except for certain smaller agencies.
- The budget includes \$62.0 million of savings due to employee benefit changes:
  - ⇒ \$41.3 million due to increasing the employee share of Arizona State Retirement System (ASRS) contributions from 50% to 53%.
  - ⇒ \$12.0 million by implementing an expanded Health Savings Account option for state employees.
  - ⇒ \$10.0 million by requiring that state employees work regularly for at least 90 days to be eligible for health benefits and 6 months to become a member of the ASRS.
- The budget includes no change in funding for the employee or employer share of health insurance for existing state employees, as surplus health insurance funds are expected to cover any cost increase.

#### **Statewide Issues**

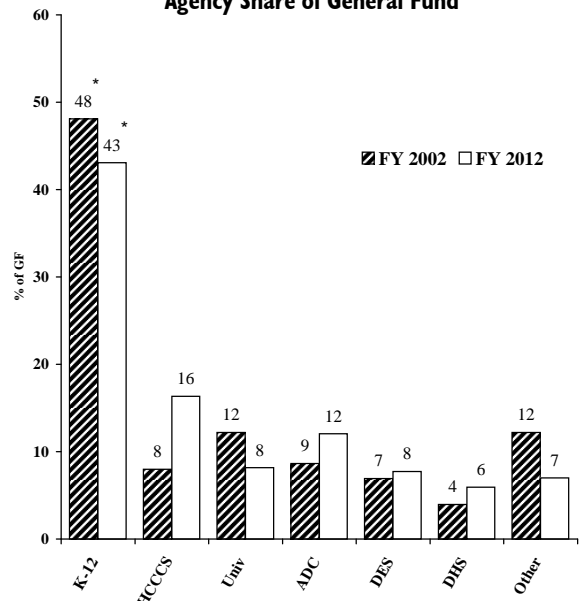
- The above narrative references statewide adjustments which were enacted in the FY 2012 budget. These adjustments affect most agencies and include the following changes:
  - ⇒ Health Insurance - State agencies will now be billed based on actual health insurance costs.
  - ⇒ Lease-Purchase/Rent Adjustment - Technical adjustment include rent changes and expiration of lease-purchase agreements.
  - ⇒ Risk Management Adjustment - Adjustments reflect risk management changes.
  - ⇒ New Hire Benefit Waiting Period - Savings are achieved by delaying benefits for new employees (90 days for employee benefits, 6 months to join the ASRS).
  - ⇒ Uncaptured Pay Savings - Unbudgeted savings are from the prior enacted FY 2011 pay reduction.
  - ⇒ Retirement Contribution Adjustment - Savings are achieved by increasing the employee share of ASRS contributions from 50% to 53%.
- Agency funding totals listed above exclude the additional pay period due to it being a significant amount of one-time funding.

## "THEN AND NOW" - FY 2002 vs. FY 2012 General Fund Spending

**Comparison of 9 Largest General Fund Operating Budgets <sup>1/</sup>**  
**(\$ in Millions)**

	FY 02 Actuals	FY 12 Approp.	\$ Change FY 02-12	% Change FY 02-12
Education (K-12)	\$ 2,601.9	\$ 3,436.5	\$ 834.6	32.1
AHCCCS	500.3	1,363.7	863.4	172.6
Corrections	541.1	948.2	407.1	75.2
Universities	765.8	682.5	(83.3)	(10.9)
Economic Security	434.6	602.6	168.0	38.7
Health Services	279.1	494.3	215.2	77.1
Community Colleges	137.2	71.1	(66.1)	(48.2)
School Facilities Board	383.6	164.1	(219.5)	NA
Public Safety	48.9	46.5	(2.4)	(4.9)
Other	578.8	466.9	(111.9)	(19.3)
27th Pay Period	-	79.0	79.0	N/A
<b>TOTAL</b>	<b>\$ 6,271.3</b>	<b>\$ 8,355.4</b>	<b>\$ 2,005.1</b>	<b>32.0%</b>

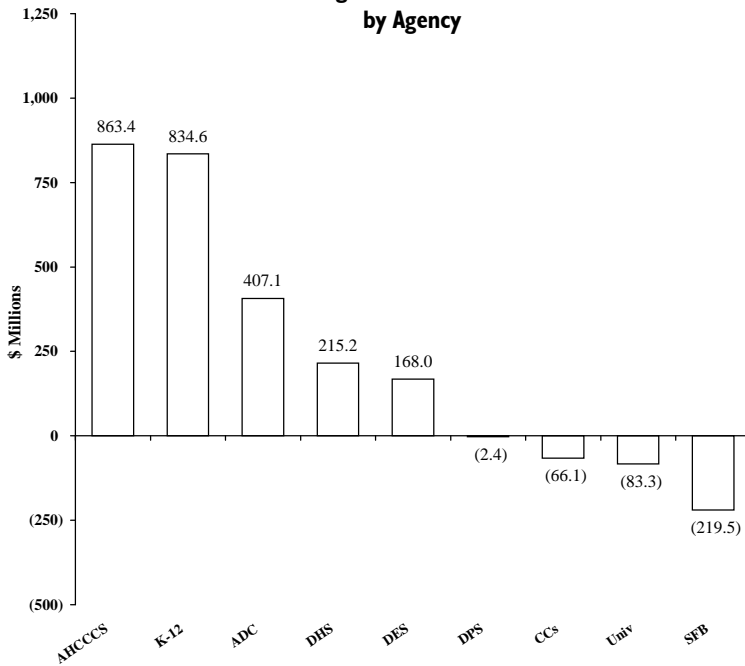
**Agency Share of General Fund**



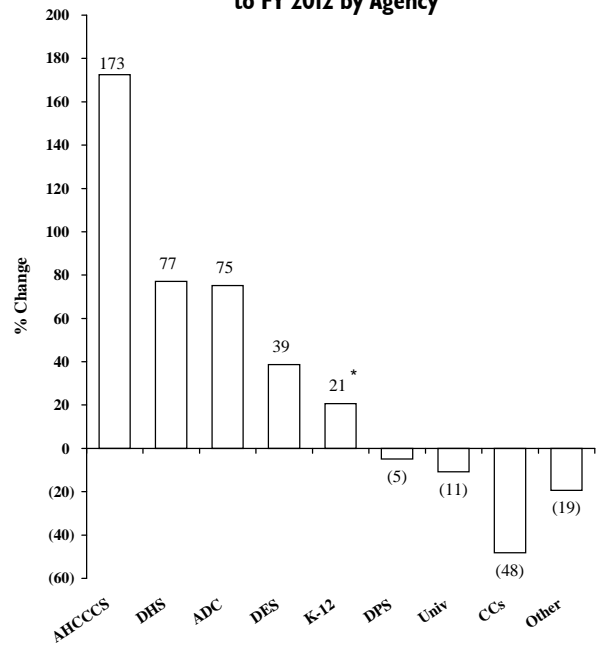
<sup>1/</sup> Represents individual agency General Fund spending only. Excludes administrative adjustments and revertsments.

\* K-12 includes School Facilities Board spending.

**Dollar Change from FY 2002 to FY 2012  
by Agency**



**Percent Change from FY 2002  
to FY 2012 by Agency**



\* K-12 includes School Facilities Board spending.

**"THEN AND NOW" - FY 2002 vs. FY 2012 General Fund Revenue and Ending Balances**

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

Fiscal Year	Revenue	Expenditures	Ending Balance	Ending Balance as a % of Revenue
2002	6,339.6	6,338.6	1.0	0.0%
2003	6,232.8	6,040.6	192.2	3.1%
2004	6,876.2	6,515.8	360.4	5.2%
2005	8,184.1	7,545.1	639.0	7.8%
2006	9,814.9	8,768.4	1,046.5	10.7%
2007	10,672.2	10,200.5	471.7	4.4%
2008	10,038.2	10,037.2	1.0	0.0%
2009	8,273.7	8,754.4	(480.7)	-5.8%
2010	7,851.5	7,857.2	(5.7)	-0.1%
2011	8,002.1	8,334.3	(332.3)	-4.2%
2012	8,331.3	8,317.6	13.7	0.2%

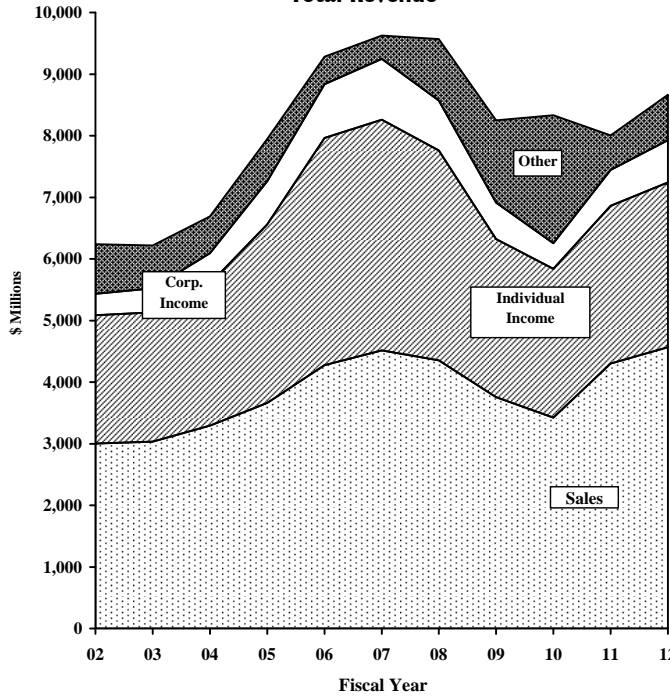
**General Fund Major Tax Sources as a Percent of Total Revenue <sup>1/</sup>**

Fiscal Year	Sales	Individual Income	Corporate Income	Other
2002	48.1%	33.4%	5.5%	12.9%
2003	48.8%	33.7%	6.3%	11.2%
2004	49.2%	34.5%	7.4%	8.9%
2005	46.1%	36.4%	8.8%	8.7%
2006	46.0%	39.7%	9.4%	4.8%
2007	46.9%	38.9%	10.2%	3.9%
2008	45.5%	35.6%	8.5%	10.4%
2009	45.5%	31.1%	7.2%	16.1%
2010	41.1%	29.0%	5.0%	25.0%
2011	53.7%	32.0%	7.3%	7.0%
2012	52.7%	30.8%	7.9%	8.5% <sup>2/</sup>

<sup>1/</sup> Excludes balance forward from prior year.

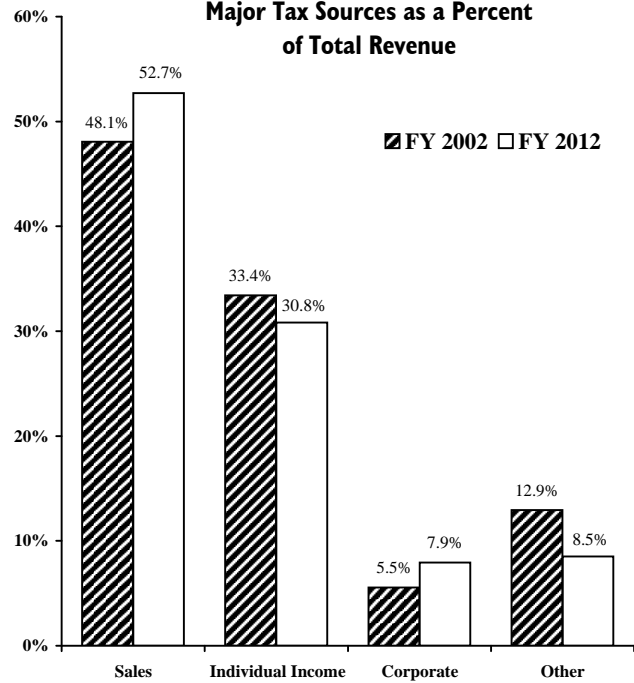
<sup>2/</sup> Includes \$294.1 million in FY 2012 one-time revenue adjustments (excluding FY 2011 negative carry forward balance). See prior Appropriations Reports for earlier years.

**General Fund Major Tax Sources as a Share of Total Revenue**



**FY 2002 vs. FY 2012**

**Major Tax Sources as a Percent of Total Revenue**





**BUDGET DETAIL**

**SUMMARY OF GENERAL FUND APPROPRIATIONS**  
**By Individual Chapter**  
**For Fiscal Years 2011 - 2013 1/2/3/**

Chap. Bill No. Number	Reference Title	FY 2011 General Fund	FY 2012 General Fund	FY 2013 General Fund
<u>Fiftieth Legislature - First Regular Session (2011)</u>				
24 SB 1612	2011-2012; General Appropriations	\$ (165,779,800)	\$ 6,998,762,800	\$ 1,300,228,400 <u>4/</u>
26 SB 1614	State Budget Procedures; 2011-2012		(39,317,700) <u>5/</u>	
34 SB 1622	General Government BRB		(1,100,000) <u>16/</u>	
35 SB 1623	Budget Reconciliation; Regulation; 2011-2012		(9,864,200) <u>9/</u>	(9,864,200) <u>9/</u>
36 SB 1624	Budget Reconciliation; Environment; 2011-2012		(8,000,000) <u>20/</u>	
120 HB 2652	Appropriations; Named Claimants	68,700		
132 SB 1135	Nuclear Emergency Appropriation and Assessment		1,812,400	1,782,100
308 SB 1398	Moving Violations; Assessment; Equipment; Enforcement		1,000,000	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		<u>(165,711,100)</u>	<u>6,943,293,300</u>	<u>1,292,146,300</u>
<u>Forty-Ninth Legislature - Second Regular Session (2010)</u>				
208 SB 1350	Military Affairs Commission	3,100 <u>6/</u>		
232 SB 1043	Health Care; Coverage; Programs	0 <u>7/</u>		
246 SB 1212	Appropriations; Named Claimants	1,700		
306 SB 1284	School Finance Revisions	429,700		
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION		<u>434,500</u>	<u>0</u>	<u>0</u>
<u>Forty-Ninth Legislature - Seventh Special Session (2010)</u>				
1 HB 2001	General Appropriations; 2009-2010; 2010-2011	7,593,205,200	1,312,315,900 <u>8/</u>	0
2 HB 2002	Capital Outlay Appropriations; 2010-2011	4,000,000 C		
5 HB 2005	General Government; Budget Reconciliation; 2010-2011	(33,892,400) <u>10/</u>		
7 HB 2007	Environment; Budget Reconciliation; 2010-2011	(13,000,000)		
10 HB 2010	Health; Budget Reconciliation; 2010-2011	3,000,000		
12 HB 2012	Revenues; Budget Reconciliation; 2010-2011 <u>18/</u>	0		
SUBTOTAL APPROPRIATIONS - 7th SPECIAL SESSION		<u>7,553,312,800</u>	<u>1,312,315,900</u>	<u>0</u>
<u>Forty-Ninth Legislature - Third Special Session (2009)</u>				
2/12 HB 2002	K-12 Education; Budget Reconciliation	603,513,900		
9 HB 2012	Higher Education; Budget Reconciliation	100,000,000		
10 HB 2013	Health and Welfare; Budget Reconciliation	(1,000,000) <u>11/</u>	(1,000,000) <u>11/</u>	0
SUBTOTAL APPROPRIATIONS - 3rd SPECIAL SESSION		<u>702,513,900</u>	<u>(1,000,000)</u>	<u>0</u>
<u>Forty-Ninth Legislature - First Regular Session (2009)</u>				
1 HB 2051	2008-2009; Appropriations; Budget Revisions		9,864,200 <u>9/</u>	9,864,200 <u>9/</u> *
12 HB 2643	General Appropriations; 2009-2010; Trailer	160,032,200		
73 SB 1316	Nuclear Emergency Management; Appropriations; Assessments	1,569,000		
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		<u>161,601,200</u>	<u>9,864,200</u>	<u>9,864,200</u>
<u>Forty-Eighth Legislature - Second Regular Session (2008)</u>				
291 HB 2462	Budget Reconciliation; Budget Procedures	2,500,000 <u>10/</u>		
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION		<u>2,500,000</u>	<u>0</u>	<u>0</u>
<u>Forty-Eighth Legislature - First Regular Session (2007)</u>				
260 HB 2786	Budget Reconciliation; General Revenues	25,000,000 <u>10/</u>		
263 HB 2789	Budget Reconciliation; Health and Welfare	1,000,000 <u>11/</u>	1,000,000 <u>11/</u>	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		<u>26,000,000</u>	<u>1,000,000</u>	<u>0</u>
<u>Forty-Seventh Legislature - Second Regular Session (2006)</u>				
378 HB 2177	Health Insurance Premium Tax Credit	30,000 <u>12/</u>		
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION		<u>30,000</u>	<u>0</u>	<u>0</u>
<u>Permanent General Fund Appropriations and Allocations <u>13/</u> *</u>				
15-1670	University Research Infrastructure Financing <u>14/</u>	34,625,000	34,625,000	34,625,000
35-192	General Emergency Authority <u>15/16/</u>	4,000,000	4,000,000	4,000,000
37-623	Wild Land Fire Emergency <u>15/</u>	3,000,000	3,000,000	3,000,000
41-511.23	Growing Smarter <u>17/</u>	20,000,000	0	0
42-5029	Tax Distribution to Tourism Fund <u>18/</u>	0	0	0
42-5031.01	Indian Tribal Postsecondary Educational Institutions	1,918,000	1,662,900	1,662,900
43-409	Arizona Commerce Authority/Income Tax Withholding	0	31,500,000	31,500,000
45-2112	Water Protection Fund Deposit <u>19/</u>	5,000,000	0	0
49-282	WQARF Priority Site Remediation <u>20/</u>	15,000,000	15,000,000	15,000,000
L '04, Ch. 235	Military Airport Planning; Appropriation <u>6/</u>	5,000,000 <u>6/</u>	175,000	175,000
SUBTOTAL APPROPRIATIONS - PERMANENT		<u>88,543,000</u>	<u>89,962,900</u>	<u>89,962,900</u>
TOTAL APPROPRIATIONS		<u>8,369,224,300</u>	<u>8,355,436,300</u>	<u>1,391,973,400</u>

- \* Appropriation beyond FY 2013.
- C Designates a capital appropriation. All other appropriations are operating appropriations.
- 1/ For FY 2011 - FY 2013, this table summarizes all General Fund appropriations enacted in any session.
- 2/ All appropriations have been rounded to the nearest \$100.
- 3/ Excludes administrative adjustments, revertsments, and statutory revertsments.
- 4/ Laws 2011, Chapter 24 appropriates \$1,300,228,400 for the payment of FY 2012 payment deferrals into FY 2013 as follows: AHCCCS - \$112,600,700; Department of Economic Security (DES) - \$35,000,000; Arizona Department of Education (ADE) - \$952,627,700; Universities - \$200,000,000.
- 5/ Represents the General Fund savings associated with the shift of employee/employer Arizona State Retirement System contributions from 50/50 to 53/47.
- 6/ Laws 2004, Chapter 235 appropriates, in perpetuity, \$4,900,000 annually to the Department of Commerce and \$100,000 annually to the Office of the Attorney General for the support of military installations in the state. Laws 2010, 7th Special Session, Chapter 5 reduced the appropriation by \$(2,800,000) in FY 2011. Laws 2010, Chapter 208 shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency and Military Affairs (DEMA) beginning on January 1, 2011 and reduces the Attorney General appropriation to \$85,000 and increases the DEMA appropriation to \$4,915,000. Laws 2011, Chapter 34 permanently reduced this appropriation to \$175,000 (\$90,000 to DEMA and \$85,000 to the Attorney General). The \$3,100 from Laws 2010, Chapter 208 is a technical adjustment.
- 7/ Laws 2010, Chapter 232 appropriates \$9,000,000 from the General Fund to restore KidsCare funding and \$385,000,000 from the General Fund for Proposition 204 programs in AHCCCS and DHS contingent upon the 6-month extension of the enhanced FMAP. The General Fund appropriation is offset by a \$(394,000,000) General Fund reduction which was to be backfilled with enhanced FMAP monies. Laws 2010, Chapter 232 was expected to be cost neutral, and is displayed as a zero appropriation. Chapter 232 ultimately was not cost neutral as the FMAP extension generated less than expected. The federal revenue loss was offset through Laws 2011, Chapter 24 adjustments.
- 8/ Laws 2010, 7th Special Session, Chapter 1 appropriates \$1,312,315,900 for the payment of FY 2011 payment deferrals into FY 2012 as follows: AHCCCS - \$117,688,200; DES - \$42,000,000; ADE - \$952,627,700; Universities - \$200,000,000. Laws 2011, Chapter 24 subsequently reduced the \$42,000,000 DES payment to \$35,000,000.
- 9/ Laws 2009, 1st Regular Session, Chapter 1 appropriates \$4,659,700 and \$5,204,500 from the General Fund to the Arizona Property and Casualty Insurance Guaranty Fund and the Life and Disability Insurance Guaranty Fund, respectively, in each of FY 2012, FY 2013 and FY 2014 as reimbursement for prior transfers from these funds. However, because litigation has been filed to stop the original transfers, Laws 2011, Chapter 35, Section 6 requires repayment only if the actual transfers are made. The FY 2012 and FY 2013 repayments are shown as zero because as of writing, the actual transfers have not occurred.
- 10/ Laws 2007, Chapter 260 appropriates \$25,000,000 annually from the General Fund, through FY 2011, to the Arizona 21st Century Fund. Laws 2008, Chapter 291 reduced the appropriation for FY 2009 by \$2,500,000 and increases the FY 2011 appropriation by \$2,500,000 to \$27,500,000. Laws 2009, 3rd Special Session, Chapter 7 and Laws 2010, 7th Special Session, Chapter 5 eliminated the appropriations for FY 2010 and FY 2011, respectively.
- 11/ Laws 2007, Chapter 263 appropriates \$1,000,000 annually, through FY 2012, to the Arizona Biomedical Research Commission for a repository to store human stem cells of non-embryonic origin. Laws 2009, 3rd Special Session, Chapter 10 eliminates the appropriation in FY 2010 through FY 2012.
- 12/ Laws 2006, Chapter 378 appropriates \$75,000 in FY 2007 and \$30,000 in Fiscal Years 2008 through 2011.
- 13/ Permanent law authorizes these appropriations and allocations.
- 14/ Starting in FY 2008 and continuing through FY 2031, A.R.S. § 15-1670 annually appropriates the collective total of \$34,625,000 to Arizona State University, Northern Arizona University, and the University of Arizona for debt service on research infrastructure projects.
- 15/ In an emergency, the Governor can order the withdrawal of these monies from the General Fund without specific appropriation authority.
- 16/ Laws 2010, 7th Special Session, Chapter 5 and Laws 2011, Chapter 34 reduce the appropriation by \$1,100,000 for FY 2011 and FY 2012, respectively.
- 17/ In November 1998, Arizona voters approved Proposition 300, which annually appropriates, from FY 2001 through FY 2011, \$20,000,000 from the General Fund. The monies provide grants to purchase state trust lands for conservation purposes. All grants must be matched by the public or private recipient.
- 18/ A.R.S. § 42-5029D(4b) establishes a formula for this amount, based on prior year tourism receipts. Laws 2010, 7th Special Session, Chapter 12 eliminated the Tourism funding formula which reduced the FY 2011 appropriation to zero. Subsequent legislation restored the formula in a manner that requires specific legislative action to fund the distribution. The FY 2011 formula would have been \$14,613,300, if funded.
- 19/ Laws 2010, 7th Special Session, Chapter 7 suspended the appropriation for FY 2011, and Laws 2011, Chapter 36 permanently eliminated the appropriation.
- 20/ A.R.S. § 49-282 directs \$18,000,000 annually to the Water Quality Assurance Revolving Fund (WQARF). The statute instructs the State Treasurer to transfer \$15,000,000 from corporate income tax receipts into WQARF at the start of each fiscal year. The statute also instructs the State Treasurer to adjust the corporate income tax deposit at the end of each fiscal year to supplement other deposits, so that WQARF receives \$18,000,000 total from all sources. Laws 2010, 7th Special Session, Chapter 7 and Laws 2011, Chapter 36 reduce the appropriations by \$8,000,000 for FY 2011 and FY 2012, respectively.

**SUMMARY OF OTHER FUND APPROPRIATIONS  
By Individual Chapter  
For Fiscal Years 2011 and 2012 1/2/3/**

Chap. Bill No. Number Reference Title	FY 2011 Other Fund	FY 2012 Other Fund
<u>Fiftieth Legislature - First Regular Session (2011)</u>		
24 SB 1612 2011-2012; General Appropriations	21,531,700	2,843,569,500
25 SB 1613 Capital Outlay; 2011-2012		246,090,200 C
29 SB 1617 Budget Reconciliation; K-12 Education; 2011-2012		1,200,000
33 SB 1621 Budget Reconciliation; Criminal Justice; 2011-2012 <u>5/</u>		(2,540,000)
34 SB 1622 Budget Reconciliation; General Government; 2011-2012		500,000
308 SB 1398 Moving Violations; Assessment; Equipment; Enforcement		3,780,000
333 HB 2314 Boating Safety; Fees; Fund		400,000
357 SB 1609 Retirement Systems; Plans; Plan Designs		350,000
<b>SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION</b>	<b>21,531,700</b>	<b>3,093,349,700</b>
<u>Forty-Ninth Legislature - Second Regular Session (2010)</u>		
50 HB 2389 ASRS; Plan Design; Refunds	1,341,700	
232 SB 1043 Health Care; Programs; Coverage	40,900,000	
274 SB 1238 Appropriation; Asian Citrus Psyllid Eradication	60,000	
<b>SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION</b>	<b>63,833,400</b>	<b>0</b>
<u>Forty-Ninth Legislature - Seventh Special Session (2010)</u>		
1 HB 2001 General Appropriations; 2009-2010; 2010-2011	2,750,240,500 <u>4/</u>	
2 HB 2002 Capital Outlay Appropriations; 2010-2011	208,144,100 C	
5 HB 2005 General Government; Budget Reconciliation; 2010-2011	2,492,400	
6 HB 2006 Criminal Justice; Budget Reconciliation; 2010-2011 <u>5/</u>	(2,460,000)	
<b>SUBTOTAL APPROPRIATIONS - 7th SPECIAL SESSION</b>	<b>2,958,417,000</b>	<b>0</b>
<u>Forty-Eighth Legislature - First Regular Session (2007)</u>		
261 HB 2787 Budget Reconciliation; Criminal Justice	3,440,000 <u>5/</u>	3,520,000 <u>5/</u>
<b>SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION</b>	<b>3,440,000</b>	<b>3,520,000</b>
<u>Forty-Fifth Legislature - Second Regular Session (2002)</u>		
186 SB 1270 Biotechnology Research	500,000	500,000 <u>6/</u>
<b>SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION</b>	<b>500,000</b>	<b>500,000</b>
<b>TOTAL APPROPRIATIONS</b>	<b>3,026,190,400</b>	<b>3,097,369,700</b>

- C Designates a capital appropriation. All other appropriations are operating appropriations.
- 1/ For FY 2011 and FY 2012, this table summarizes all Other Fund appropriations enacted in any session.
- 2/ All appropriations have been rounded to the nearest \$100.
- 3/ Excludes administrative adjustments, revertsments, and statutory revertsments.
- 4/ Includes an increase of \$59,999,600 for university tuition, \$8,561,600 for Department of Environmental Quality fee authority adjustments, \$5,662,900 for Department of Water Resources fee authority adjustments, and \$909,700 for the State Lottery for a revised lottery forecast.
- 5/ Appropriates \$3,440,000 in FY 2011, and \$3,520,000 in FY 2012 from the Arizona Deoxyribonucleic Acid Identification (DNA) Fund for operating and capital expenses to conduct and implement DNA testing. Laws 2010, 7th Special Session, Chapter 6 reduces the FY 2011 appropriation by \$(2,460,000), while Laws 2011, Chapter 33 reduces the FY 2012 appropriation by \$(2,540,000).
- 6/ Laws 2002, Chapter 186 appropriates \$500,000 from the Tobacco Tax Health Research Account each year through FY 2012.

**SUMMARY OF FISCAL-RELATED VETOES**  
**Fiftieth Legislature - First Regular Session**

Chapter/Bill No.	Reference Title	Description of Vetoed Bill
SB 1041	Arizona quality jobs incentives	Would allow a qualifying business with property, subject to construction or a major renovation, to be assessed under a class 6 property classification. Certification would be made by new Arizona Commerce Authority.
SB 1186	2011 tax corrections act	Would correct errors, obsolete language and blending problems within the Arizona Revised Statutes which govern state tax laws and establish an additional individual tax credit for contributions made to School Tuition Organizations (STO) that are certified to accept corporate donations.
SB 1552	corporate tax allocation; sales factor	Would allow a multistate service provider to elect to apportion service revenues to the destination of the customer.
SB 1561	legislative appropriations; federal monies	Would give the Legislature the authority to appropriate noncustodial federal monies.
HB 2166	low income housing; property tax	Would require county assessors to value qualifying low income multifamily residential rental property using an income-based approach, and establishes a capitalization rate of 12.5 percent.
HB 2577	legislative appropriations; federal monies	Would give the Legislature the authority to appropriate noncustodial federal monies.
HB 2581	STOs; credits; administration	Would allow credits to be taken against luxury and severance tax liability for contributions made to school tuition organizations (STOs) for scholarships awarded to low-income and displaced and disabled students, and removes the cap on corporate contributions to STOs while increasing the cap on individual contributions.
HB 2700	Arizona centennial statehood day	Would declare February 14 of 2012, and every centenary afterward, a state holiday entitled Arizona Centennial Statehood Day.
HB 2707	General Fund revenue limit	Would establish a revenue limit for the state General Fund beginning in FY 2013, prohibits the Legislature from appropriating monies in excess of the revenue limit, and specifies distribution of any excess revenues above the limit to be distributed.

**SUMMARY OF APPROPRIATED FUNDS**  
**By Agency For Fiscal Years 2011 and 2012 !/**

	Fiscal Year 2011			Fiscal Year 2012		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
<b>BUDGET UNITS</b>						
Accountancy, State Board of	\$0	\$1,880,200	\$1,880,200	\$0	\$1,887,800	\$1,887,800
Acupuncture Examiners, Board of	0	125,900	125,900	0	125,300	125,300
Administration, AZ Department of 2/	17,756,900	164,208,100	181,965,000	14,858,600	165,781,200	180,639,800
Administrative Hearings, Office of	905,100	14,500	919,600	811,100	14,500	825,600
Agriculture, AZ Department of	8,412,300	3,376,600	11,788,900	7,909,400	2,851,300	10,760,700
AHCCCS	1,314,973,600	116,777,600	1,431,751,200	1,363,735,000	114,467,000	1,478,202,000
Appraisal, State Board of	0	615,300	615,300	0	755,500	755,500
Arts, Arizona Commission on the	663,400	0	663,400	0	0	0
Athletic Training, Board of	0	101,700	101,700	0	101,200	101,200
Attorney General - Department of Law	17,478,700	37,604,700	55,083,400	16,931,500	39,378,600	56,310,100
Automobile Theft Authority	0	5,133,400	5,133,400	0	4,273,600	4,273,600
Barbers, Board of	0	344,100	344,100	0	320,700	320,700
Behavioral Health Examiners, Board of	0	1,434,100	1,434,100	0	1,458,700	1,458,700
Biomedical Research Commission, Arizona 2/	0	500,000	500,000	0	0	0
Capital Postconviction Public Defender Ofc, State	633,800	148,000	781,800	688,900	161,000	849,900
Charter Schools, State Board for	800,100	0	800,100	750,600	0	750,600
Chiropractic Examiners, State Board of	0	440,800	440,800	0	449,300	449,300
Commerce, Department of 3/	1,463,800	4,354,700	5,818,500	0	0	0
Commerce Authority, Arizona 3/	0	0	0	31,500,000	0	31,500,000
Community Colleges, Arizona	135,344,300	0	135,344,300	71,089,000	0	71,089,000
Contractors, Registrar of	0	12,154,700	12,154,700	0	12,002,700	12,002,700
Corporation Commission	620,100	24,059,900	24,680,000	316,400	23,555,700	23,872,100
Corrections, State Department of	936,637,400	43,653,500	980,290,900	948,188,600	50,649,100	998,837,700
Cosmetology, Board of	0	1,735,700	1,735,700	0	1,742,100	1,742,100
Criminal Justice Commission, Arizona	0	6,320,600	6,320,600	0	5,625,500	5,625,500
Deaf and the Blind, Schools for the	22,022,500	14,703,300	36,725,800	20,686,300	12,725,500	33,411,800
Deaf and the Hard of Hearing, Comm. for the	0	3,768,200	3,768,200	0	3,745,700	3,745,700
Dental Examiners, State Board of	0	1,147,600	1,147,600	0	1,183,800	1,183,800
Economic Security, Department of	550,548,800	482,434,000	1,032,982,800	602,603,300	481,257,900	1,083,861,200
Education, Department of	3,493,050,500	55,776,200	3,548,826,700	3,436,528,700	56,959,300	3,493,488,000
Emergency & Military Affairs, Dept of	12,534,200	132,700	12,666,900	8,815,300	132,700	8,948,000
Environmental Quality, Department of	7,000,000	73,989,300	80,989,300	7,000,000	64,926,700	71,926,700
Equal Opportunity, Governor's Office of	193,800	0	193,800	187,900	0	187,900
Equalization, State Board of	659,400	0	659,400	625,800	0	625,800
Executive Clemency, Board of	863,600	0	863,600	790,500	0	790,500
Exposition and State Fair Board, AZ	0	11,072,700	11,072,700	0	11,096,200	11,096,200
Financial Institutions, Department of	2,894,800	790,500	3,685,300	2,726,600	733,300	3,459,900
Fire, Building and Life Safety, Department of	2,008,700	0	2,008,700	1,693,300	0	1,693,300
Forester, State	5,961,100	0	5,961,100	6,052,000	0	6,052,000
Funeral Directors and Embalmers, Board of	0	343,100	343,100	0	339,600	339,600
Game and Fish Department, AZ	0	39,750,800	39,750,800	0	39,020,900	39,020,900
Gaming, Department of	0	12,239,100	12,239,100	0	11,874,200	11,874,200
Geological Survey, Arizona 2/	792,600	0	792,600	865,100	0	865,100
Government Information Tech. Agency 2/	740,200	7,063,000	7,803,200	0	0	0
Governor, Office of the	6,937,300	0	6,937,300	6,601,900	186,700	6,788,600
Gov's Ofc of Strategic Planning & Budgeting	1,927,500	0	1,927,500	1,874,200	0	1,874,200
Health Services, Department of 2/	436,168,700	82,926,900	519,095,600	494,294,800	88,753,300	583,048,100
Historical Society, Arizona	5,854,200	430,800	6,285,000	4,151,100	0	4,151,100
Historical Society, Prescott	671,500	0	671,500	652,600	0	652,600
Homeopathic & Integrated Medicine Examiners, Board of	0	116,600	116,600	0	105,300	105,300
Housing, AZ Department of	0	923,800	923,800	0	916,900	916,900
Independent Redistricting Commissio	500,000	0	500,000	3,000,000	0	3,000,000
Indian Affairs, AZ Commission of	63,000	0	63,000	54,300	0	54,300
Industrial Commission of AZ	0	19,665,100	19,665,100	0	19,550,400	19,550,400
Insurance, Department of	5,449,000	0	5,449,000	5,184,200	0	5,184,200
Judiciary						
Supreme Court	19,976,200	34,175,300	54,151,500	16,153,000	26,978,200	43,131,200
Court of Appeals	14,697,400	0	14,697,400	13,786,300	0	13,786,300
Superior Court	79,139,900	12,464,400	91,604,300	79,083,200	12,460,200	91,543,400
SUBTOTAL - Judiciary	113,813,500	46,639,700	160,453,200	109,022,500	39,438,400	148,460,900
Juvenile Corrections, Department of	53,255,000	3,893,100	57,148,100	46,729,800	3,860,200	50,590,000
Land Department, State	3,297,000	10,648,400	13,945,400	1,231,800	14,117,600	15,349,400
Law Enforcement Merit System Council	69,100	0	69,100	70,200	0	70,200
Legislature						
Auditor General	16,405,100	0	16,405,100	16,156,000	0	16,156,000
House of Representatives	12,824,200	0	12,824,200	12,993,700	0	12,993,700
Joint Legislative Budget Committee	2,487,100	0	2,487,100	2,399,900	0	2,399,900
Legislative Council	4,721,100	0	4,721,100	4,654,100	0	4,654,100
Senate	8,066,600	0	8,066,600	7,985,200	0	7,985,200
SUBTOTAL - Legislature	44,504,100	0	44,504,100	44,188,900	0	44,188,900
Liquor Licenses & Control, Department of	0	2,658,700	2,658,700	0	2,815,600	2,815,600
Lottery Commission, AZ State	0	81,924,000	81,924,000	0	86,848,800	86,848,800
Medical Board, Arizona	0	5,756,600	5,756,600	0	5,799,200	5,799,200
Medical Student Loans, Board of	402,900	29,000	431,900	67,000	20,200	87,200
Mine Inspector, State	1,123,300	111,200	1,234,500	1,185,800	112,500	1,298,300
Mines & Mineral Resources, Department of 2/	224,600	0	224,600	0	0	0
Naturopathic Physicians Medical Boar	0	593,900	593,900	0	586,000	586,000
Navigable Stream Adjudication Commissio	133,200	0	133,200	126,900	0	126,900
Nursing, State Board of	0	4,062,100	4,062,100	0	4,034,300	4,034,300

	Fiscal Year 2011			Fiscal Year 2012		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Nursing Care Institution Administrators Board <sup>4/</sup>	0	372,200	372,200	0	361,700	361,700
Occupational Safety & Health Review Board	0	0	0	15,000	0	15,000
Occupational Therapy Examiners, Board of	0	260,800	260,800	0	161,600	161,600
Opticians, State Board of Dispensing	0	127,700	127,700	0	131,100	131,100
Optometry, State Board of	0	198,500	198,500	0	197,300	197,300
Osteopathic Examiners, AZ Board of	0	700,700	700,700	0	698,300	698,300
Parks Board, Arizona State	20,000,000	10,203,400	30,203,400	0	11,274,200	11,274,200
Personnel Board	0	372,600	372,600	0	365,200	365,200
Pest Management, Office of	0	2,261,500	2,261,500	0	2,700,400	2,700,400
Pharmacy, AZ State Board of	0	1,943,500	1,943,500	0	1,918,100	1,918,100
Physical Therapy Examiners, Board of	0	354,900	354,900	0	364,100	364,100
Pioneers' Home, AZ	1,566,200	4,606,500	6,172,700	1,603,600	4,569,100	6,172,700
Podiatry Examiners, State Board of	0	142,000	142,000	0	142,600	142,600
Postsecondary Education, Commission for	1,220,800	3,835,100	5,055,900	1,396,800	3,841,100	5,237,900
Private Postsecondary Education, Board for	0	329,300	329,300	0	326,600	326,600
Psychologist Examiners, State Board of	0	358,500	358,500	0	344,000	344,000
Public Safety, Department of <sup>2/</sup>	43,008,700	176,198,600	219,207,300	46,526,200	169,652,900	216,179,100
Racing, Arizona Department of	3,858,500	0	3,858,500	2,781,600	1,434,300	4,215,900
Radiation Regulatory Agency	1,392,600	264,400	1,657,000	1,459,000	761,300	2,220,300
Rangers' Pensions, Arizona	14,200	0	14,200	0	0	0
Real Estate Department, State	2,978,600	0	2,978,600	2,656,700	0	2,656,700
Residential Utility Consumer Office	0	1,283,500	1,283,500	0	1,289,000	1,289,000
Respiratory Care Examiners, Board of	0	262,000	262,000	0	306,200	306,200
Retirement System, Arizona State	0	24,811,800	24,811,800	0	24,573,500	24,573,500
Revenue, Department of	43,497,600	24,924,600	68,422,200	44,129,600	23,581,800	67,711,400
School Facilities Board	67,576,200	0	67,576,200	164,087,200	0	164,087,200
Secretary of State	13,270,200	9,601,300	22,871,500	13,309,400	3,503,000	16,812,400
State Boards' Office	0	220,100	220,100	0	211,600	211,600
Tax Appeals, State Board of	251,800	0	251,800	253,400	0	253,400
Technical Registration, State Board of	0	1,724,300	1,724,300	0	1,834,900	1,834,900
Transportation, Department of	54,500	360,141,000	360,195,500	50,200	359,941,400	359,991,600
Treasurer, State	1,115,100	2,581,100	3,696,200	1,115,100	2,680,800	3,795,900
Universities						
Arizona State University - Tempe/DPC	326,349,100	353,023,900	679,373,000	247,742,900	371,241,700	618,984,600
Arizona State University - East Campus	25,101,300	36,329,400	61,430,700	19,076,800	36,635,000	55,711,800
Arizona State University - West Campus	43,935,700	30,999,800	74,935,500	33,159,600	27,861,700	61,021,300
Northern Arizona University	133,118,100	81,510,200	214,628,300	101,861,800	86,613,200	188,475,000
Board of Regents	17,124,100	0	17,124,100	16,926,200	0	16,926,200
University of Arizona - Main Campus	271,315,400	248,253,300	519,568,700	208,367,000	255,188,900	463,555,900
University of Arizona - Health Sciences Center	73,234,900	25,258,200	98,493,100	55,334,300	25,381,800	80,716,100
SUBTOTAL - Universities	890,178,600	775,374,800	1,665,553,400	682,468,600	802,922,300	1,485,390,900
Veterans' Services, Department of	5,374,700	17,717,100	23,091,800	7,050,700	20,625,100	27,675,800
Veterinary Medical Examining Board	0	460,300	460,300	0	455,300	455,300
Water Resources, Department of	7,034,700	5,929,700	12,964,400	5,698,300	6,665,500	12,363,800
Weights and Measures, Department of	1,195,500	1,723,100	2,918,600	1,165,000	1,731,400	2,896,400
OPERATING BUDGET SUBTOTAL	\$8,312,942,100	\$2,817,859,400	\$11,130,801,500	\$8,239,556,300	\$2,826,307,700	\$11,065,864,000
OPERATING BUDGET APPROPRIATIONS	\$8,312,942,100	\$2,817,859,400	\$11,130,801,500	\$8,239,556,300	\$2,826,307,700	\$11,065,864,000
Health Savings Account Enhancements <sup>5/</sup>	0	0	0	(12,000,000)	0	(12,000,000)
Additional Pay Period <sup>1/</sup>	0	0	0	79,000,000	25,000,000	104,000,000
Psychologist Examiners Backfil	25,000	0	25,000	0	0	0
Asset Sale and Lease-Back Debt Service	52,066,900	0	52,066,900	49,050,700	0	49,050,700
Unallocated FY 2011 Health Insurance	0	186,900	186,900	0	0	0
Unallocated FY 2011 Lease-Purchase Adjustments	190,300	0	190,300	0	0	0
Unallocated FY 2012 Unaptured Pay Savings	0	0	0	(11,300)	0	(11,300)
Unallocated FY 2012 Risk Management Adjustments	0	0	0	(1,700)	(3,000)	(4,700)
Unallocated FY 2012 Lease-Purchase/Rent Adjustments	0	0	0	(157,700)	(25,200)	(182,900)
Capital	4,000,000	208,144,100	212,144,100	0	246,090,200	246,090,200
Administrative Adjustments	78,000,000	0	78,000,000	73,388,300	0	73,388,300
Reversions	(112,905,100)	0	(112,905,100)	(111,256,400)	0	(111,256,400)
GRAND TOTAL	\$8,334,319,200	\$3,026,190,400	\$11,360,509,600	\$8,317,568,200	\$3,097,369,700	\$11,414,937,900

<sup>1/</sup> This table summarizes FY 2011 and FY 2012 appropriations from the 1st Regular Session and 2nd Special Sessions of the 50th Legislature and all prior sessions. This table does not display the allocation of the 27th pay period by agency. That information can be found in the Crosswalk of General Appropriations Act to Appropriation Report Totals

<sup>2/</sup> Laws 2011, Chapter 27 (Consolidation Budget Reconciliation Bill) 1) transfers the functions of the Government Information Technology Agency to the Arizona Department of Administration (ADOA); 2) transfers the non-museum functions of the Department of Mines and Minerals into the Arizona Geological Survey; 3) transfers the functions of ADOA Capitol Police to the Department of Public Safety; 4) transfers the functions of the Biomedical Research Commission to the Department of Health Services

<sup>3/</sup> Laws 2011, 2nd Special Session, Chapter 1 transfers most of the functions of the Department of Commerce to the Arizona Commerce Authority

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

<sup>5/</sup> These savings will be distributed by agency after ADOA reports by January 31, 2012 to the JLBC on usage of the Enhanced Health Savings Account

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

	FY 2011		FY 2012	
	General Fund	Other Funds	General Fund	Other Funds
<b><u>ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM</u></b>				
Administration, Arizona Department of				
Building Renewal for ADOA System 4/5/6/	4,000,000	1,000,000		6,500,000
Building Renewal for Department of Corrections 7/				4,630,500
Subtotal - ADOA Building Renewal	\$4,000,000	\$1,000,000	\$0	\$11,130,500
Game and Fish Department, Arizona				
Building Renewal 8/		506,800		522,100
Statewide Preventative Maintenance		30,000		30,000
Shooting Range Access Improvements		200,000		
Radio Tower		250,000		
Ben Avery Shooting Range Improvements		800,000		
Silver Creek Hatchery Remodel/Expansion		1,000,000		
Migratory Waterfowl Habitat		100,000		
Regional (Yuma) Office Paving Project		60,000		
Property Maintenance				500,000
Dam Maintenance				500,000
Subtotal - Arizona Game and Fish Department	\$0	\$2,946,800	\$0	\$1,552,100
Lottery Commission, Arizona State				
Building Renewal 8/		75,600		79,200
SUBTOTAL - ADOA BUILDING SYSTEM	\$4,000,000	\$4,022,400	\$0	\$12,761,800
<b><u>ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM</u></b>				
Arizona Department of Transportation				
Building Renewal 9/		1,050,000		1,050,000
Airport Planning and Development 10/		22,477,700		22,300,400
Highway Construction 11/		180,594,000		209,978,000
SUBTOTAL - ADOT BUILDING SYSTEM	\$0	\$204,121,700	\$0	\$233,328,400
GRAND TOTAL - ALL APPROPRIATIONS	\$4,000,000	\$208,144,100	\$0	\$246,090,200

**SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION**

Laws 2011, 1st Regular Session			0	246,090,200
Laws 2010, 7th Special Session	4,000,000	208,144,100		

1/ This table summarizes all Capital appropriations for FY 2011 and FY 2012 from the 7th Special Session of the 49th Legislature and the 1st Regular Session of the 50th Legislature. Appropriations are listed by the state's "building systems." Capital Outlays are budgeted on an annual basis except under special circumstances. More detail on these projects can be found starting on page 260 of this report.

2/ FY 2012 amounts represent appropriations from the FY 2012 Capital Outlay Bill (Laws 2011, Chapter 25).

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

4/ Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2012 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amounts appropriated to the Arizona Department of Administration (ADOA), up to \$275,000 in Personal Services and Employee Related Expenditures (ERE) for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or ERE or for maintenance contracts on building components and equipment without review by the JCCR. Any monies appropriated for building renewal in FY 2012 that are unexpended or unencumbered on June 30, 2013 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote) Laws 2011, Chapter 34 permanently allows ADOA to use 8% of its annual Building Renewal appropriation for routine preventative maintenance.

5/ ADOA shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund (COSF) are insufficient to fund the appropriation to the ADOA for building renewal, the appropriation to the ADOA shall be reduced by the difference between the amount appropriated to the ADOA from COSF and the balance in COSF. (Capital Outlay Appropriation Act footnote)

6/ The FY 2011 appropriation represents 15% of the building renewal formula, while the FY 2012 appropriation represents 17%. In combination with the \$4,630,500 Department of Corrections appropriation, 29% of the FY 2012 formula is funded.

7/ The department shall allocate the amount appropriated to the State Department of Corrections for necessary building renewal and, as permitted by statute, on preventative maintenance projects.

8/ Both the FY 2011 and FY 2012 appropriations represent 100% funding of the building renewal formula.



- 9/ Includes \$1,000,000 from the State Highway Fund (SHF) to fund 11% of the portion of the revised building renewal formula in FY 2011 and FY 2012. Also includes \$50,000 from the State Aviation Fund to fund 37% of the formula in FY 2011 and 31% in FY 2012.
- 10/ The amount is appropriated from the State Aviation Fund for the planning, construction, development, and improvement of state, county, city, or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- 11/ The amount appropriated for highway construction is from the SHF for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the SHF in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)

**SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS 1/ 2/  
(Other Than FY 2011/FY 2012 Changes in All General Appropriation Acts  
and All Capital Outlay Appropriations)**

**GENERAL FUND**

	FY 2011	FY 2012
<b>Administration, Arizona Department of</b>		
Laws 2011, Ch. 120 (HB 2652) Appropriations; Named Claimants	\$ 68,700	
<b>Agriculture, Department of</b>		
Laws 2011, Ch.132 (SB 1135) Nuclear Emergency Appropriation and Assessment		\$ 92,100
<b>AHCCCS 3/</b>		
Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage	79,000,000 4/	
Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage	9,000,000	
Laws 2010, 7th Special Session, Ch. 10 (HB 2010) Health Budget Reconciliation Bill (BRB)	3,000,000	
Subtotal - AHCCCS	91,000,000	0
<b>Attorney General - Department of Law</b>		
23-263 - Military Airport Planning; Appropriation		85,000
41-1512.02 - Military Airport Planning; Appropriation	100,000 5/	
<b>Commerce, Department of</b>		
41-1512.02 - Military Airport Planning; Appropriation	4,900,000	
Laws 2010, 7th Special Session, Ch. 5 (HB 2005) General Government BRB	(2,800,000)	
Subtotal - Department of Commerce	2,100,000 5/	0
<b>Commerce Authority, Arizona</b>		
43-409 - Arizona Commerce Authority Income Tax Withholding		31,500,000
<b>Community Colleges</b>		
42-5031.01 - Indian Tribal Postsecondary Educational Institutions	1,918,000	1,662,900
<b>Economic Security, Department of 3/</b>		
Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage	(43,000,000) 4/	
<b>Education, Department of 3/</b>		
Laws 2010, Ch. 306 (SB 1284) School Finance Revisions	429,700	
Laws 2009, 3rd Special Session, Ch. 12 (HB 2001) K-12 BRB	603,513,900	
Subtotal - Department of Education	603,943,600	0
<b>Emergency and Military Affairs, Department of</b>		
23-263 - Military Airport Planning; Appropriation		90,000
Laws 2011, Ch.132 (SB 1135) Nuclear Emergency Appropriation and Assessment		1,004,300
Laws 2009, 1st Regular Session, Ch. 73 (SB 1316) Nuclear Emergency Management; Appropriations; Assessments	929,500	
35-192 - Governor's Emergency Authority	4,000,000	4,000,000
Laws 2011, Ch. 34 (SB 1622) General Government BRB		(1,100,000)
Laws 2010, 7th Special Session, Ch. 5 (HB 2005) General Government BRB	(1,100,000)	
Subtotal	2,900,000	2,900,000
Subtotal - Department of Emergency and Military Affairs	3,829,500	3,994,300
<b>Environmental Quality, Department of</b>		
49-282 - WQARF Priority Site Remediation	15,000,000	15,000,000
Laws 2011, Ch. 35 (SB 1624) Environment BRB	0	(8,000,000)
Laws 2010, 7th Special Session, Ch. 7 (HB 2007) Environment BRB	(8,000,000)	0
Subtotal - Department of Environmental Quality	7,000,000	7,000,000
<b>Forester, State</b>		
37-623 - Wild Land Fire Emergency	3,000,000	3,000,000
<b>Health Services, Department of</b>		
Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage	(45,000,000) 4/	
<b>Historical Society, Arizona</b>		
Laws 2010, 2nd Regular Session, Ch. 227 (HB 2251) Historical Society; Transfer; Centennial Museum	589,700	
<b>Mine Inspector, State</b>		
Laws 2010, 2nd Regular Session, Ch. 246 (SB 1212) Appropriations for Named Claimants	1,700	

<b>Mines and Mineral Resources, Department of</b> Laws 2010, 2nd Regular Session, Ch. 227 (HB 2251) Historical Society; Transfer; Centennial Museum	(589,700)	
<b>Parks Board, State</b> 41-511.23 - Growing Smarter	20,000,000	0
<b>Public Safety, Department of</b> Laws 2011, Ch. 308 (SB 1398) Moving Violations; Assessment; Equipment; Enforcement		1,000,000
<b>Radiation Regulatory Agency</b> Laws 2011, Ch.132 (SB 1135) Nuclear Emergency Appropriation and Assessment Laws 2009, 1st Regular Session, Ch. 73 (SB 1316) Nuclear Emergency Management; Appropriations; Assessments	639,500	716,000
<b>Revenue, Department of</b> Laws 2006, Ch. 378 (HB 2177) Health Insurance Premium Tax Credits	30,000	
<b>Treasurer, State</b> Laws 2010, 2nd Regular Session, Ch. 5 (HB 2005) General Government BRB	(2,492,400) 7/	
<b>Regents, Arizona Board of</b> Laws 2009, 3rd Special Session, Ch. 9 (HB 2012) Higher Education BRB	100,000,000 3/	
<b>Arizona State University - Tempe/DPC</b> 15-1670 - University Research Infrastructure Financing	13,555,000	13,555,000
<b>Arizona State University - West Campus</b> 15-1670 - University Research Infrastructure Financing	917,000	917,000
<b>Northern Arizona University</b> 15-1670 - University Research Infrastructure Financing	5,900,000	5,900,000
<b>University of Arizona - Main Campus</b> 15-1670 - University Research Infrastructure Financing	14,253,000	14,253,000
<b>University of Arizona - Health Sciences Center</b>		
<b>Water Resources, Department of</b> 45-2112 - Arizona Water Protection Fund Deposit Laws 2010, 7th Special Session, Ch. 7 (HB 2007) Environment BRB Subtotal - Department of Water Resources	5,000,000 (5,000,000) 0	0 0 0
<b>GENERAL FUND TOTAL</b>	<u>777,763,600</u>	<u>83,675,300</u>

#### OTHER FUNDS

	<u>FY 2011</u>	<u>FY 2012</u>
<b>Administration, Arizona Department of</b> Laws 2011, Ch. 34 (SB 1622) General Government BRB		500,000
<b>Agriculture, Arizona Department of</b> Laws 2010, 2nd Regular Session, Ch. 274 (SB 1238) Appropriation; Asian Citrus Psyllid Eradication	60,000	
<b>AHCCCS</b> Laws 2010, 2nd Regular Session, Ch. 232 (SB 1043) Health Care; Programs; Coverage	40,900,000	
<b>Biomedical Research Commission, Arizona</b> Laws 2011, Ch. 27 (SB 1615) Consolidation BRB Laws 2002, Ch. 186 (SB 1270) Biotechnology Research	500,000	(500,000)
<b>Criminal Justice Commission, Arizona</b> Laws 2011, Ch. 308 (SB 1398) Moving Violations; Assessment; Equipment; Enforcement		(700,300)
<b>Education, Department of</b> Laws 2011, Ch. 29 (SB 1617) K-12 Education BRB		1,200,000
<b>Health Services, Department of</b> Laws 2011, Ch. 27 (SB 1615) Consolidation BRB		500,000
<b>Public Safety, Department of</b> Laws 2011, Ch. 308 (SB 1398) Moving Violations; Assessment; Equipment; Enforcement  Laws 2007, Ch. 261 (HB 2787) Criminal Justice BRB Laws 2011, Ch. 33, (SB 1621) Criminal Justice BRB Laws 2010, 7th Special Session, Ch. 6 (HB 2006) Criminal Justice BRB Subtotal Subtotal - Department of Public Safety	3,440,000   (2,460,000) <u>980,000</u> <u>980,000</u>	3,520,000   (2,540,000) <u>980,000</u> <u>5,460,300</u>

<b>Racing, Arizona Department of</b>		
Laws 2011, Ch. 333 (HB 2314) Boating Safety; Fees; Fund		400,000
<b>Retirement System, Arizona State</b>		
Laws 2011, Ch. 357 (SB 1609) Retirement Systems; Plans; Plan Design		250,000
Laws 2010, 2nd Regular Session, Ch. 50 (HB 2389) ASRS; Plan Designs; Refunds	1,341,700	
<b>Treasurer, State</b>		
Laws 2011, Ch. 357 (SB 1609) Retirement Systems; Plans; Plan Designs		100,000
Laws 2010, 2nd Regular Session, Ch. 5 (HB 2005) General Government BRB	2,492,400	<u>6/</u>
<b>OTHER FUNDS TOTAL</b>	<u>46,274,100</u>	<u>7,210,000</u>

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

2/ Excludes all General Appropriation Act and all Capital Outlay Appropriations bills.

3/ All payment deferrals from FY 2010 into FY 2011 were in the General Appropriation Act, except for the Department of Education and the Universities (which are displayed in the chart).

4/ These conditional appropriations went into effect as the federal government extended the enhanced federal match rate.

5/ Laws 2010, 2nd Regular Session, Chapter 208 shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency & Military Affairs beginning on January 1, 2011. Upon the general effective date of Chapter 208, the legislation increases the amount appropriated for administration of the fund from \$75,000 to \$90,000 and decreases the Attorney General's appropriation from \$100,000 to \$85,000. In addition, A.R.S. § 41-1512.02 is transferred and renumbered as A.R.S. § 26-263.

6/ This legislation includes a decrease of \$(2,492,400) from the General Fund and a corresponding increase from the State Treasurer's Operating Fund in FY 2011 to shift the Treasurer's operating budget to management fees.

**SUMMARY OF TOTAL SPENDING AUTHORITY  
(APPROPRIATED AND NON-APPROPRIATED FUNDS)  
For Fiscal Years 2011 and 2012**

	Fiscal Year 2011			Fiscal Year 2012		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds 1/		General and Other Funds	Federal and Other Funds 1/	
<b>BUDGET UNITS</b>						
Accountancy, State Board of	\$1,880,200	\$0	\$1,880,200	\$1,887,800	\$0	\$1,887,800
Acupuncture Examiners, Board of	125,900	0	125,900	125,300	0	125,300
Administration, AZ Department of 2/	181,965,000	929,858,600	1,111,823,600	180,639,800	997,060,300	1,177,700,100
Administrative Hearings, Office of	919,600	974,000	1,893,600	825,600	974,000	1,799,600
Agriculture, AZ Department of	11,788,900	14,523,700	26,312,600	10,760,700	14,166,700	24,927,400
AHCCCS	1,431,751,200	6,149,975,200	7,581,726,400	1,478,202,000	4,514,956,700	5,993,158,700
Appraisal, State Board of	615,300	0	615,300	755,500	0	755,500
Arts, Arizona Commission on the	663,400	2,112,000	2,775,400	0	2,095,600	2,095,600
Athletic Training, Board of	101,700	0	101,700	101,200	0	101,200
Attorney General - Department of Law	55,083,400	39,365,000	94,448,400	56,310,100	32,636,700	88,946,800
Automobile Theft Authority	5,133,400	0	5,133,400	4,273,600	0	4,273,600
Barbers, Board of	344,100	0	344,100	320,700	0	320,700
Behavioral Health Examiners, Board of	1,434,100	0	1,434,100	1,458,700	0	1,458,700
Biomedical Research Commission, Arizona 2/	500,000	15,173,400	15,673,400	0	0	0
Capital Postconviction Public Defender Ofc, State	781,800	0	781,800	849,900	0	849,900
Charter Schools, State Board for	800,100	75,000	875,100	750,600	75,000	825,600
Chiropractic Examiners, State Board of	440,800	0	440,800	449,300	0	449,300
Citizens Clean Elections Commission	0	11,344,400	11,344,400	0	5,309,500	5,309,500
Commerce, Department of 3/	5,818,500	54,677,800	60,496,300	0	0	0
Commerce Authority, Arizona 3/	0	0	0	31,500,000	10,409,900	41,909,900
Community Colleges, Arizona	135,344,300	14,698,700	150,043,000	71,089,000	14,698,700	85,787,700
Compensation Fund, State	0	321,100,000	321,100,000	0	291,000,000	291,000,000
Constable Ethics Standards & Training Board	0	213,600	213,600	0	213,600	213,600
Contractors, Registrar of	12,154,700	6,165,300	18,320,000	12,002,700	6,165,300	18,168,000
Corporation Commission	24,680,000	1,126,000	25,806,000	23,872,100	1,094,800	24,966,900
Corrections, State Department of	980,290,900	62,011,800	1,042,302,700	998,837,700	63,351,400	1,062,189,100
Cosmetology, Board of	1,735,700	0	1,735,700	1,742,100	0	1,742,100
Criminal Justice Commission, Arizona	6,320,600	24,903,400	31,224,000	5,625,500	18,830,100	24,455,600
Deaf and the Blind, Schools for the	36,725,800	21,324,000	58,049,800	33,411,800	21,324,000	54,735,800
Deaf and the Hard of Hearing, Comm. for the	3,768,200	0	3,768,200	3,745,700	0	3,745,700
Dental Examiners, State Board of	1,147,600	0	1,147,600	1,183,800	0	1,183,800
Early Childhood Development & Health Board, AZ	0	210,071,300	210,071,300	0	153,500,000	153,500,000
Economic Security, Department of	1,032,982,800	2,843,808,900	3,876,791,700	1,083,861,200	1,626,410,100	2,710,271,300
Education, Department of	3,548,826,700	1,713,650,900	5,262,477,600	3,493,488,000	1,429,922,400	4,923,410,400
Emergency & Military Affairs, Dept of	12,666,900	68,817,100	81,484,000	8,948,000	68,817,100	77,765,100
Environmental Quality, Department of	80,989,300	223,961,600	304,950,900	71,926,700	224,261,600	296,188,300
Equal Opportunity, Governor's Office of	193,800	100,300	294,100	187,900	68,000	255,900
Equalization, State Board of	659,400	0	659,400	625,800	0	625,800
Executive Clemency, Board of	863,600	0	863,600	790,500	0	790,500
Exposition and State Fair Board, AZ	11,072,700	0	11,072,700	11,096,200	0	11,096,200
Financial Institutions, Department of	3,685,300	1,605,700	5,291,000	3,459,900	705,700	4,165,600
Fire, Building and Life Safety, Department of	2,008,700	1,013,700	3,022,400	1,693,300	1,013,700	2,707,000
Forester, State	5,961,100	17,167,800	23,128,900	6,052,000	17,167,800	23,219,800
Funeral Directors and Embalmers, Board of	343,100	0	343,100	339,600	0	339,600
Game and Fish Department, AZ	39,750,800	60,899,400	100,650,200	39,020,900	61,276,000	100,296,900
Gaming, Department of	12,239,100	0	12,239,100	11,874,200	0	11,874,200
Geological Survey, Arizona 2/	792,600	9,248,500	10,041,100	865,100	9,313,800	10,178,900
Government Information Tech. Agency 2/	7,803,200	2,647,200	10,450,400	0	0	0
Governor, Office of the	6,937,300	91,907,500	98,844,800	6,788,600	66,963,000	73,751,600
Gov's Ofc of Strategic Planning & Budgeting	1,927,500	0	1,927,500	1,874,200	0	1,874,200
Health Services, Department of 2/	519,095,600	1,469,036,400	1,988,132,000	583,048,100	1,196,935,400	1,779,983,500
Historical Society, Arizona	6,285,000	1,179,100	7,464,100	4,151,100	1,061,000	5,212,100
Historical Society, Prescott	671,500	759,000	1,430,500	652,600	759,000	1,411,600
Homeland Security, AZ Department of	0	59,083,200	59,083,200	0	59,083,200	59,083,200
Homeopathic & Integrated Medicine Examiners, Board of	116,600	0	116,600	105,300	0	105,300
Housing, AZ Department of	923,800	151,268,200	152,192,000	916,900	106,156,000	107,072,900
Independent Redistricting Commission	500,000	0	500,000	3,000,000	0	3,000,000
Indian Affairs, AZ Commission of	63,000	12,700	75,700	54,300	12,700	67,000
Industrial Commission of AZ	19,665,100	57,024,400	76,689,500	19,550,400	56,854,400	76,404,800
Insurance, Department of	5,449,000	6,851,600	12,300,600	5,184,200	6,845,000	12,029,200
Judiciary						
Supreme Court	54,151,500	20,897,400	75,048,900	43,131,200	20,897,400	64,028,600
Court of Appeals	14,697,400	0	14,697,400	13,786,300	0	13,786,300
Superior Court	91,604,300	7,833,100	99,437,400	91,543,400	7,833,100	99,376,500
SUBTOTAL - Judiciary	160,453,200	28,730,500	189,183,700	148,460,900	28,730,500	177,191,400
Juvenile Corrections, Department of	57,148,100	2,744,200	59,892,300	50,590,000	2,744,200	53,334,200
Land Department, State	13,945,400	2,048,300	15,993,700	15,349,400	1,448,300	16,797,700
Law Enforcement Merit System Council	69,100	0	69,100	70,200	0	70,200
Legislature						
Auditor General	16,405,100	750,100	17,155,200	16,156,000	750,100	16,906,100
House of Representatives	12,824,200	0	12,824,200	12,993,700	0	12,993,700
Joint Legislative Budget Committee	2,487,100	0	2,487,100	2,399,900	0	2,399,900
Legislative Council	4,721,100	0	4,721,100	4,654,100	0	4,654,100
Senate	8,066,600	0	8,066,600	7,985,200	0	7,985,200
SUBTOTAL - Legislature	44,504,100	750,100	45,254,200	44,188,900	750,100	44,939,000
Liquor Licenses & Control, Department of	2,658,700	872,000	3,530,700	2,815,600	872,000	3,687,600
Lottery Commission, AZ State	81,924,000	353,157,900	435,081,900	86,848,800	371,857,000	458,705,800

	Fiscal Year 2011			Fiscal Year 2012		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds 1/		General and Other Funds	Federal and Other Funds 1/	
Medical Board, Arizona	5,756,600	0	5,756,600	5,799,200	0	5,799,200
Medical Student Loans, Board of	431,900	0	431,900	87,200	0	87,200
Mine Inspector, State	1,234,500	549,600	1,784,100	1,298,300	549,600	1,847,900
Mines & Mineral Resources, Department of 2/	224,600	347,400	572,000	0	0	0
Naturopathic Physicians Medical Board	593,900	0	593,900	586,000	0	586,000
Navigable Stream Adjudication Commission	133,200	0	133,200	126,900	0	126,900
Nursing, State Board of	4,062,100	414,600	4,476,700	4,034,300	414,600	4,448,900
Nursing Care Institution Administrators Board 4/	372,200	0	372,200	361,700	0	361,700
Occupational Safety & Health Review Board	0	0	0	15,000	0	15,000
Occupational Therapy Examiners, Board of	260,800	0	260,800	161,600	0	161,600
Opticians, State Board of Dispensing	127,700	0	127,700	131,100	0	131,100
Optometry, State Board of	198,500	0	198,500	197,300	0	197,300
Osteopathic Examiners, AZ Board of	700,700	0	700,700	698,300	0	698,300
Parents Commission on Drug Educ. & Prev., AZ	0	6,799,100	6,799,100	0	6,799,100	6,799,100
Parks Board, Arizona State	30,203,400	90,347,300	120,550,700	11,274,200	84,699,400	95,973,600
Personnel Board	372,600	0	372,600	365,200	0	365,200
Pest Management, Office of	2,261,500	388,100	2,649,600	2,700,400	114,300	2,814,700
Pharmacy, AZ State Board of	1,943,500	371,500	2,315,000	1,918,100	371,500	2,289,600
Physical Therapy Examiners, Board of	354,900	0	354,900	364,100	0	364,100
Pioneers' Home, AZ	6,172,700	21,200	6,193,900	6,172,700	21,200	6,193,900
Podiatry Examiners, State Board of	142,000	0	142,000	142,600	0	142,600
Postsecondary Education, Commission for	5,055,900	3,168,200	8,224,100	5,237,900	3,168,200	8,406,100
Power Authority, Arizona	0	37,230,200	37,230,200	0	37,230,200	37,230,200
Private Postsecondary Education, Board for	329,300	160,900	490,200	326,600	160,900	487,500
Psychologist Examiners, State Board of	358,500	0	358,500	344,000	0	344,000
Public Safety, Department of 2/	219,207,300	91,063,600	310,270,900	216,179,100	63,161,600	279,340,700
Public Safety Personnel Retirement System	0	28,620,000	28,620,000	0	28,620,000	28,620,000
Racing, Arizona Department of	3,858,500	16,900	3,875,400	4,215,900	16,900	4,232,800
Radiation Regulatory Agency	1,657,000	1,097,000	2,754,000	2,220,300	596,600	2,816,900
Rangers' Pensions, Arizona	14,200	0	14,200	0	0	0
Real Estate Department, State	2,978,600	0	2,978,600	2,656,700	0	2,656,700
Residential Utility Consumer Office	1,283,500	0	1,283,500	1,289,000	0	1,289,000
Respiratory Care Examiners, Board of	262,000	0	262,000	306,200	0	306,200
Retirement System, Arizona State	24,811,800	55,211,500	80,023,300	24,573,500	58,951,700	83,525,200
Revenue, Department of	68,422,200	18,130,000	86,552,200	67,711,400	19,030,000	86,741,400
School Facilities Board	67,576,200	154,248,400	221,824,600	164,087,200	129,225,700	293,312,900
Secretary of State	22,871,500	6,196,100	29,067,600	16,812,400	6,196,100	23,008,500
State Boards' Office	220,100	0	220,100	211,600	0	211,600
Tax Appeals, State Board of	251,800	0	251,800	253,400	0	253,400
Technical Registration, State Board of	1,724,300	0	1,724,300	1,834,900	0	1,834,900
Tourism, Office of	0	12,424,800	12,424,800	0	12,424,800	12,424,800
Transportation, Department of	360,195,500	74,489,300	434,684,800	359,991,600	74,489,300	434,480,900
Treasurer, State	3,696,200	5,566,500	9,262,700	3,795,900	5,566,500	9,362,400
Universities						
Arizona State University - Tempe/DPC	679,373,000	960,805,800	1,640,178,800	618,984,600	982,832,400	1,601,817,000
Arizona State University - East Campus	61,430,700	17,723,900	79,154,600	55,711,800	18,141,800	73,853,600
Arizona State University - West Campus	74,935,500	16,977,400	91,912,900	61,021,300	17,369,300	78,390,600
Northern Arizona University	214,628,300	225,734,200	440,362,500	188,475,000	231,009,400	419,484,400
Board of Regents	17,124,100	8,064,100	25,188,200	16,926,200	7,568,600	24,494,800
University of Arizona - Main Campus	519,568,700	984,485,600	1,504,054,300	463,555,900	998,381,200	1,461,937,100
University of Arizona - Health Sciences Center	98,493,100	226,929,400	325,422,500	80,716,100	230,585,000	311,301,100
SUBTOTAL - Universities	1,665,553,400	2,440,720,400	4,106,273,800	1,485,390,900	2,485,887,700	3,971,278,600
Veterans' Services, Department of	23,091,800	2,709,400	25,801,200	27,675,800	4,480,200	32,156,000
Veterinary Medical Examining Board	460,300	0	460,300	455,300	0	455,300
Water Resources, Department of	12,964,400	9,770,800	22,735,200	12,363,800	9,770,800	22,134,600
Weights and Measures, Department of	2,918,600	0	2,918,600	2,896,400	0	2,896,400
OPERATING BUDGET SUBTOTAL	\$11,130,801,500	\$18,088,102,200	\$29,218,903,700	\$11,065,864,000	\$14,519,837,200	\$25,585,701,200
OPERATING BUDGET APPROPRIATIONS	\$11,130,801,500	\$18,088,102,200	\$29,218,903,700	\$11,065,864,000	\$14,519,837,200	\$25,585,701,200
Health Savings Account Enhancements	0	0	0	(12,000,000)	0	(12,000,000)
Additional Pay Period	0	0	0	104,000,000	0	104,000,000
Psychologist Examiners Backfil	25,000	0	25,000	0	0	0
Asset Sale and Lease-Back Debt Service	52,066,900	0	52,066,900	49,050,700	0	49,050,700
Unallocated FY 2011 Health Insurance	186,900	0	186,900	0	0	0
Unallocated FY 2011 Lease-Purchase Adjustments	190,300	0	190,300	0	0	0
Unallocated FY 2012 Uncaptured Pay Savings	0	0	0	(11,300)	0	(11,300)
Unallocated FY 2012 Risk Management Adjustment	0	0	0	(4,700)	0	(4,700)
Unallocated FY 2012 Lease-Purchase/Rent Adjustments	0	0	0	(182,900)	0	(182,900)
Capital	212,144,100	948,847,100	1,160,991,200	246,090,200	948,289,000	1,194,379,200
Administrative Adjustment	78,000,000	0	78,000,000	73,388,300	0	73,388,300
Reversions	(112,905,100)	0	(112,905,100)	(111,256,400)	0	(111,256,400)
GRAND TOTAL	\$11,360,509,600	\$19,036,949,300	\$30,397,458,900	\$11,414,937,900	\$15,468,126,200	\$26,883,064,100

1/ The amounts shown are generally based on estimates published in the JLBC Staff's Baseline Book (January 2011), but may have been updated for later information.

2/ Laws 2011, Chapter 27 (Consolidation Budget Reconciliation Bill) 1) transfers the functions of the Government Information Technology Agency to the Arizona Department of Administration (ADOA); 2) transfers the non-museum functions of the Department of Mines and Minerals into the Arizona Geological Survey; 3) transfers the functions of ADOA Capitol Police to the Department of Public Safety; 4) transfers the functions of the Biomedical Research Commission to the Department of Health Services.

3/ Laws 2011, 2nd Special Session, Chapter 1 transfers most of the functions of the Department of Commerce to the Arizona Commerce Authority

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

**STATE PERSONNEL SUMMARY**  
**By Full-Time Equivalent Positions for Fiscal Years 2011 and 2012 1/**

BUDGET UNITS	Fiscal Year 2011			Fiscal Year 2012		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Accountancy, State Board of	0.0	13.0	13.0	0.0	13.0	13.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of 2/	217.8	506.9	724.7	175.8	513.9	689.7
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
Agriculture, Arizona Department of	166.7	50.5	217.2	166.7	39.5	206.2
AHCCCS 3/	1,243.3	172.0	1,415.3	1,243.3	164.0	1,407.3
Appraisal, State Board of	0.0	4.5	4.5	0.0	5.5	5.5
Arts, Arizona Commission on the	9.5	0.0	9.5	0.0	0.0	0.0
Athletic Training, Board of	0.0	1.5	1.5	0.0	1.5	1.5
Attorney General - Department of Law	181.2	411.7	592.9	181.2	411.7	592.9
Automobile Theft Authority	0.0	6.0	6.0	0.0	6.0	6.0
Barbers, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Behavioral Health Examiners, Board of	0.0	17.0	17.0	0.0	17.0	17.0
Biomedical Research Commission, AZ 2/	0.0	0.0	0.0	0.0	0.0	0.0
Capital Postconviction Public Defender Office, State	7.0	0.0	7.0	7.0	0.0	7.0
Charter Schools, State Board for	9.0	0.0	9.0	9.0	0.0	9.0
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Commerce, Department of 4/	46.9	18.0	64.9	0.0	0.0	0.0
Community Colleges, Arizona	0.0	0.0	0.0	0.0	0.0	0.0
Contractors, Registrar of	0.0	144.8	144.8	0.0	144.8	144.8
Corporation Commission	6.0	302.3	308.3	6.0	302.3	308.3
Corrections, State Department of	10,009.2	6.0	10,015.2	10,009.2	6.0	10,015.2
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, AZ	0.0	8.0	8.0	0.0	8.0	8.0
Deaf & the Blind, AZ State Schools for the	279.3	292.9	572.2	279.3	292.9	572.2
Deaf and the Hard of Hearing, Commission for the	0.0	15.0	15.0	0.0	15.0	15.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Security, Department of 5/	2,352.6	1,373.4	3,726.0	2,352.6	1,373.4	3,726.0
Education, Department of	157.5	35.0	192.5	157.5	35.0	192.5
Emergency and Military Affairs, Department of 2/6/	83.6	0.0	83.6	83.6	0.0	83.6
Environmental Quality, Department of	0.0	467.4	467.4	0.0	467.4	467.4
Equal Opportunity, Governor's Office of	4.0	0.0	4.0	4.0	0.0	4.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	14.0	0.0	14.0	14.0	0.0	14.0
Exposition & State Fair Board, AZ	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, State Department of	46.1	9.0	55.1	46.1	9.0	55.1
Fire, Building and Life Safety, Department of	47.0	0.0	47.0	47.0	0.0	47.0
Forester, State	52.0	0.0	52.0	52.0	0.0	52.0
Funeral Directors & Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	123.0	123.0	0.0	123.0	123.0
Geological Survey, Arizona 2/	10.3	0.0	10.3	10.3	0.0	10.3
Government Information Technology Agency 2/	4.0	19.0	23.0	0.0	0.0	0.0
Governor's Office of Strategic Planning & Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of 7/	1,146.8	366.5	1,513.3	1,146.8	366.5	1,513.3
Historical Society, Arizona	51.9	0.0	51.9	51.9	0.0	51.9
Historical Society of AZ, Prescott	13.0	0.0	13.0	13.0	0.0	13.0
Homeopathic & Integrated Medicine Examrs., Bd. of	0.0	1.0	1.0	0.0	1.0	1.0
Housing, Department of	0.0	11.0	11.0	0.0	11.0	11.0
Indian Affairs, AZ Commission of	3.0	0.0	3.0	3.0	0.0	3.0
Industrial Commission of Arizona	0.0	279.0	279.0	0.0	279.0	279.0
Insurance, Department of	90.5	0.0	90.5	90.5	0.0	90.5
Judiciary						
Supreme Court	130.5	38.5	169.0	128.5	40.5	169.0
Court of Appeals	134.8	0.0	134.8	134.8	0.0	134.8
Superior Court	127.8	8.7	136.5	127.8	8.7	136.5
SUBTOTAL - Judiciary	393.1	47.2	440.3	391.1	49.2	440.3
Juvenile Corrections, Department of	936.7	65.0	1,001.7	936.7	65.0	1,001.7
Land Department, State	28.0	124.9	152.9	2.0	150.9	152.9
Law Enforcement Merit System Council	1.0	0.0	1.0	1.0	0.0	1.0
Legislature						
Auditor General	199.4	0.0	199.4	199.4	0.0	199.4
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0
Legislative Council	42.8	0.0	42.8	42.8	0.0	42.8
SUBTOTAL - Legislature	271.2	0.0	271.2	271.2	0.0	271.2
Liquor Licenses & Control, Department of	0.0	42.2	42.2	0.0	45.2	45.2
Lottery Commission, Arizona State	0.0	104.0	104.0	0.0	104.0	104.0
Medical Board, AZ	0.0	58.5	58.5	0.0	58.5	58.5
Medical Student Loans, Board of	0.0	0.0	0.0	0.0	0.0	0.0
Mine Inspector, State	14.0	0.0	14.0	14.0	0.0	14.0

BUDGET UNITS	Fiscal Year 2011			Fiscal Year 2012		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Mines & Mineral Resources, Department of <sup>2/</sup>	6.0	0.0	6.0	0.0	0.0	0.0
Naturopathic Physicians Medical Board	0.0	7.0	7.0	0.0	7.0	7.0
Navigable Stream Adjudication Commission, AZ	2.0	0.0	2.0	2.0	0.0	2.0
Nursing, State Board of	0.0	40.2	40.2	0.0	40.2	40.2
Nursing Care Institution of Administrators, Bd	0.0	5.0	5.0	0.0	5.0	5.0
Occupational Safety & Health Review Board	0.0	0.0	0.0	0.0	0.0	0.0
Occupational Therapy Examiners, Board of	0.0	3.0	3.0	0.0	1.5	1.5
Opticians, State Board of Dispensing	0.0	1.0	1.0	0.0	1.0	1.0
Optometry, State Board of	0.0	2.0	2.0	0.0	2.0	2.0
Osteopathic Examiners, AZ Board of	0.0	6.7	6.7	0.0	6.7	6.7
Parks Board, Arizona State	0.0	232.3	232.3	0.0	232.3	232.3
Personnel Board	0.0	3.0	3.0	0.0	3.0	3.0
Pest Management, Office of	0.0	40.0	40.0	0.0	40.0	40.0
Pharmacy, AZ State Board of	0.0	18.0	18.0	0.0	18.0	18.0
Physical Therapy Examiners, Board of	0.0	3.8	3.8	0.0	3.8	3.8
Pioneers' Home, AZ	0.0	115.8	115.8	0.0	115.8	115.8
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.0	5.0	5.0	0.0	5.0	5.0
Private Postsecondary Education, Board for	0.0	4.0	4.0	0.0	4.0	4.0
Psychologist Examiners, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Public Safety, Department of	343.8	1,738.0	2,081.8	389.8	1,750.0	2,139.8
Racing, Arizona Department of	40.5	0.0	40.5	20.5	20.0	40.5
Radiation Regulatory Agency <sup>6/</sup>	27.0	5.0	32.0	27.5	5.0	32.5
Rangers' Pensions, Arizona	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Department, State	55.0	0.0	55.0	55.0	0.0	55.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	11.0	11.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	236.0	236.0	0.0	236.0	236.0
Revenue, Department of	907.0	28.0	935.0	907.0	28.0	935.0
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	130.9	8.2	139.1	130.9	8.2	139.1
State Boards' Office	0.0	3.0	3.0	0.0	3.0	3.0
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	23.0	23.0	0.0	23.0	23.0
Tourism, Office of <sup>8/</sup>	0.0	0.0	0.0	0.0	0.0	0.0
Transportation, Department of	2.0	4,546.0	4,548.0	2.0	4,546.0	4,548.0
Treasurer, State	0.0	29.4	29.4	0.0	29.4	29.4
Universities <sup>9/</sup>						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University - Tempe/DPC Campus	6,868.8	0.0	6,868.8	6,868.8	0.0	6,868.8
Arizona State University - East Campus	526.1	0.0	526.1	526.1	0.0	526.1
Arizona State University - West Campus	795.7	0.0	795.7	795.7	0.0	795.7
Northern Arizona University	1,989.0	0.0	1,989.0	1,989.0	0.0	1,989.0
University of Arizona - Main Campus	5,805.5	0.0	5,805.5	5,805.5	0.0	5,805.5
University of Arizona - Health Sciences Center	979.1	0.0	979.1	979.1	0.0	979.1
SUBTOTAL - Universities	16,990.1	0.0	16,990.1	16,990.1	0.0	16,990.1
Veterans' Services, Department of	88.3	268.0	356.3	88.3	412.0	500.3
Veterinary Medical Examining Board, AZ. State	0.0	5.5	5.5	0.0	5.5	5.5
Water Resources, Department of	82.0	125.2	207.2	72.0	135.2	207.2
Weights and Measures, Department of	19.4	17.0	36.4	19.4	17.0	36.4
<b>TOTAL APPROPRIATED FUNDS</b>	<b>36,652.2</b>	<b>13,147.3</b>	<b>49,799.5</b>	<b>36,532.3</b>	<b>13,314.8</b>	<b>49,847.1</b>

1/ Full-Time Equivalent (FTE) Positions shown for individual agencies include only those positions funded by appropriated funds. The detail for changes in FTE Positions that occurred between FY 2011 and FY 2012 can be found in the individual agency pages.

2/ Laws 2011, Chapter 27 (Consolidation Budget Reconciliation Bill) 1) transfers the functions of the Government Information Technology Agency to the Arizona Department of Administration (ADOA); 2) transfers the non-museum functions of the Department of Mines and Mineral Resources to the Arizona Geological Survey; 3) transfers the functions of the ADOA Capitol Police to the Department of Public Safety; 4) transfers the functions of the Biomedical Research Commission to the Department of Health Services.

3/ Excludes 1,568.1 FTE Positions in FY 2011 and FY 2012 that are Federally funded (Medicaid funds).

4/ Laws 2011, 2nd Special Session, Chapter 1 transfers most of the functions of the Department of Commerce to the Arizona Commerce Authority.

5/ Excludes 1,747.4 FTE Positions in FY 2011 and FY 2012 funded by the Long Term Care System Fund and Federal Funds for Child Support Enforcement.

6/ Includes 4.5 General Fund FTE Positions in the Department of Emergency and Military Affairs and 4.5 General Fund FTE Positions in the Radiation Regulatory Agency for FY 2012 appropriated by Laws 2011, Chapter 132.

7/ Excludes 118.8 FTE Positions in FY 2011 and FY 2012 that are Federally funded (Medicaid funds).

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

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



## HISTORICAL OVERVIEW OF THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

In February 2009, the federal government enacted the American Recovery and Reinvestment Act (ARRA) to address the nationwide recession. Arizona was awarded approximately \$4.3 billion from the legislation. The *Overview of the American Recovery and Reinvestment Act* in the *FY 2011 Appropriations Report* addressed this topic in more detail. This section provides updates to that earlier description.

**Enhanced FMAP** – One ARRA program was the enhanced federal medical assistance percentage (FMAP), which ARRA temporarily increased through June 2011. FMAP is the proportion of Title XIX costs that are paid for by the federal government. The enhanced FMAP allowed Arizona to reduce General Fund support for its Medicaid programs as the federal government paid a greater share of existing program costs.

The enhanced FMAP began on October 1, 2008 and was originally scheduled to end on December 31, 2010. At the beginning of 2010, however, the Congress began to consider a proposal to extend the enhanced match rate until June 30, 2011. Based on that consideration, the FY 2011 budget assumed the continuation of the full enhanced match for the entire FY 2011.

While the federal government did ultimately extend the enhanced match until June 30, 2011, the rate was phased down starting in January 2011. As a result, the state received less federal assistance than expected.

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

<u>Fiscal Year</u>	<u>FMAP</u>
2008	66.3%
2009	72.9% <sup>1/</sup>
2010	75.9%
2011	74.0% <sup>1/</sup>
2012	66.9%

<sup>1/</sup> Represents blended rate for different quarters. The FY 2009 rate includes 1 quarter at the regular rate (65.9%), 2 quarters at the Tier 2 rate (75.01%), and 1 quarter at the Tier 3 rate (75.9%). In FY 2011, the budgeted rate was 75.9%, but that rate was phased down to 73.1% in the 3rd quarter and 71.2% in the last quarter.

Table 2 outlines the General Fund savings associated with the enhanced FMAP.

<u>Agency</u>	<u>FY 2009</u> <u>FMAP</u> <u>Savings</u>	<u>FY 2010</u> <u>FMAP</u> <u>Savings</u>	<u>FY 2011</u> <u>FMAP</u> <u>Savings</u> <sup>1/</sup>
AHCCCS	\$320,238,700	\$586,724,100	\$536,338,000
DES	57,812,900	84,648,700	68,448,300
DHS	<u>83,168,300</u>	<u>145,702,700</u>	<u>117,620,000</u>
<b>Total</b>	<b>\$461,219,900</b>	<b>\$817,075,500</b>	<b>\$722,406,300</b>

<sup>1/</sup> Includes a reduced savings of \$(158,178,900) due to lower than expected match rate compared to the original FY 2011 budget. The FY 2011 amounts have not been adjusted for caseload and other technical changes since the original FY 2011 budget.

While ARRA permitted Arizona to realize savings by reducing General Fund support for Title XIX agencies, the legislation imposed several requirements in order for states to qualify for the enhanced FMAP. The most significant prohibitions prevented the state from increasing cost sharing with political subdivisions or enacting stricter eligibility standards than those in effect as of July 1, 2008.

**State Fiscal Stabilization Fund** – ARRA also implemented the State Fiscal Stabilization Fund (SFSF), a program which distributed monies to states through a population-based formula. In total, Arizona received approximately \$1.0 billion in SFSF monies, which consisted of \$831 million to the Education Stabilization Fund and \$185 million to the Government Services Fund, as described below:

**Education Stabilization Fund** – 81.8% (approximately \$831 million) of the SFSF program was for the support of elementary, secondary, and postsecondary education, as well as early childhood education programs/services. Table 3 outlines how these monies were distributed:

<u>Agency</u>	<u>FY 2009</u>	<u>FY 2010</u> <sup>1/</sup>	<u>FY 2011</u> <sup>1/</sup>
Department of Education	\$0	\$522,270,500	\$42,643,500
Community Colleges	28,671,000	11,398,300	0
Universities	<u>154,138,400</u>	<u>71,749,600</u>	<u>0</u>
<b>Total</b>	<b>\$182,809,400</b>	<b>\$605,418,400</b>	<b>\$42,643,500</b>

<sup>1/</sup> The Department of Education budget originally assumed approximately \$472 million of SFSF monies in FY 2010 and \$93 million in FY 2011, but \$50 million of the FY 2011 monies were instead used in FY 2010 to help address a state aid shortfall for that year.

The major restriction on the use of Education Stabilization Funds was the Maintenance of Effort (MOE) requirement. MOE required Arizona to certify that it would maintain “state support” at least at the FY 2006 level for both public schools and the higher education system as a whole. ARRA included a process whereby a state could apply for a “waiver” from the maintenance of effort provisions, however, Arizona did not pursue this option.

Government Services Fund – 18.2% (approximately \$185 million) of the SFSF program was for public safety and “other government services.” The use of these funds was exclusively controlled by the Executive and was largely unrestricted, except that Arizona had to meet the MOE requirements discussed previously.

In the FY 2010 budget, the Legislature reduced the General Fund budget by \$(78.9) million with the understanding that the Executive would backfill the difference with Government Services Fund. In December 2010, the Executive released its allocation of the entire Government Services Fund (*see Table 4*).

(“EduJobs”) monies to Arizona in August 2010 pursuant to Public Law No. 111-226. Guidance from the U.S. Department of Education indicated that the monies were intended “to save or create education jobs for the 2010-2011 school year.” Arizona school districts and charter schools were allocated 98% (\$207,657,300) of the program total, with the remaining 2% being retained for state level administration, as permitted by the program. Public schools may spend EduJobs monies on salaries, benefits and other general operational expenses and must expended all of their allocations by September 30, 2012. As of early May 2011, \$101,367,000 of school district and charter school EduJobs monies had not yet been expended. (*See related discussion in the Department of Education budget pages under the “Base Adjustment – FY 2011 Supplemental” and “Federal Funds Cut/Backfill” policy issues.*)

<u>Expenditure</u>	<u>Amount</u>
Education Reform	
• Teach for America	\$ 2,000,000
• Education Information Systems	3,000,000 <sup>1/</sup>
• Education Innovation Project	1,636,374 <sup>1/</sup>
Health Care and Children’s Programs	
• DHS Community Health	11,600,000 <sup>2/</sup>
• DHS Arizona State Hospital	116,273
• DES Autism	2,297,824 <sup>2/</sup>
• DES Developmentally Disabled	15,000,000 <sup>2/</sup>
• DES Children’s Services	18,000,000
• DES Adoption Services	2,500,000
• DES Child Protective Services	5,500,000
Public Safety	
• Department of Corrections	50,000,000 <sup>2/</sup>
• Border Security Enhancement	10,000,000
• Public Safety Stabilization	10,000,000
• Supplemental Public Safety Projects	6,545,494 <sup>1/</sup>
• Department of Administration Public Safety Project	1,700,000 <sup>1/</sup>
Innovation, Technology and Economic Development	
• Commerce Economic Development	15,000,000 <sup>1/</sup>
• Commerce Job Training	12,000,000 <sup>1/</sup>
• Commerce Jobs Agenda	12,000,000 <sup>1/</sup>
• Arizona Technology Enhancement (Department of Administration)	182,079 <sup>1/</sup>
Arizona County Projects	4,007,797
Office of Economic Recovery	<u>2,000,000</u>
<b>Total</b>	<b>\$185,085,841</b>

<sup>1/</sup> This “Designated Category” is subject to additional reporting requirements.

<sup>2/</sup> Funding used as a direct budget offset in FY 2010

Based on the Executive’s Allocation plan, Laws 2011, Chapter 26 (the State Budget Procedures BRB), requires the Governor’s Office of Economic Recovery to provide more information on a quarterly basis to the JLBC. The report is limited to certain designated categories. The report is to include the amount allocated and expended to date by each state agency and each individual grantee that has received a Government Services Fund allocation.

**Education Jobs Fund Program** – In addition to the ARRA monies described above, the federal government allocated \$211,824,500 in Education Jobs Fund Program

**BUDGET UNITS**

## Arizona State Board of Accountancy

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	597,200	619,800	633,100
Employee Related Expenditures	264,400	310,700	305,800
Professional and Outside Services	357,900	441,500	441,500
Travel - In State	4,000	6,800	6,800
Travel - Out of State	600	9,400	9,400
Other Operating Expenditures	218,300	465,300	464,500
Equipment	22,400	26,700	26,700
<b>AGENCY TOTAL</b>	<b>1,464,800</b>	<b>1,880,200</b>	<b>1,887,800</b> <sup>1/2/</sup>

### FUND SOURCES

#### Other Appropriated Funds

Board of Accountancy Fund	1,464,800	1,880,200	1,887,800
SUBTOTAL - Other Appropriated Funds	1,464,800	1,880,200	1,887,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,464,800</b>	<b>1,880,200</b>	<b>1,887,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,464,800</b>	<b>1,880,200</b>	<b>1,887,800</b>

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

### Operating Budget

The budget includes \$1,887,800 and 13 FTE Positions from the Board of Accountancy Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(8,500) from the Board of Accountancy Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$16,100 from the Board of Accountancy Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$31,400 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Acupuncture Board of Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	72,200	71,800	73,400
Employee Related Expenditures	15,500	15,400	14,900
Professional and Outside Services	19,200	20,400	20,400
Travel - In State	1,400	1,400	1,400
Travel - Out of State	1,900	1,900	1,900
Other Operating Expenditures	14,900	14,900	13,200
Equipment	100	100	100
<b>AGENCY TOTAL</b>	<b>125,200</b>	<b>125,900</b>	<b>125,300<sup>1/2</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Acupuncture Board of Examiners Fund	125,200	125,900	125,300
SUBTOTAL - Other Appropriated Funds	125,200	125,900	125,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>125,200</b>	<b>125,900</b>	<b>125,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>125,200</b>	<b>125,900</b>	<b>125,300</b>

**AGENCY DESCRIPTION** — The Acupuncture Board of Examiners licenses and regulates the practice of acupuncture by individuals who are not licensed to practice acupuncture by another professional board. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

### Operating Budget

The budget includes \$125,300 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(2,600) from the Acupuncture Board of Examiners Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$2,000 from the Acupuncture Board of Examiners Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$3,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Arizona Department of Administration

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	730.7	724.7	689.7 <sup>1/</sup>
Personal Services	24,254,900	26,859,100	26,738,700
Employee Related Expenditures	9,803,000	11,369,000	10,670,100
Professional and Outside Services	3,694,800	4,661,900	5,050,400
Travel - In State	253,500	311,200	315,500
Travel - Out of State	15,100	20,200	26,800
Other Operating Expenditures	26,607,000	29,975,500	29,844,200
Equipment	2,392,000	5,982,500	5,831,500
<b>OPERATING SUBTOTAL</b>	<b>67,020,300</b>	<b>79,179,400</b>	<b>78,477,200<sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Facilities Management</b>			
Relocation	53,600	0	0
Utilities	7,311,700	7,975,600	7,975,600
<b>Financial Services</b>			
Arizona Financial Information System	1,113,700	0	0
Ch. 120 Appropriations for Named Claimants	101,600	68,700	0
County Attorney Immigration Enforcement	715,000	1,213,200	1,213,200 <sup>3/</sup>
ENSCO	2,867,300	2,862,800	1,436,400
Federal Legal Services Payback	1,700,000	0	0
<b>Human Resources</b>			
Employee Wellness Program	218,500	0	0
Human Resources Information Solution COP	4,318,400	4,749,700	5,550,600
<b>Information Technology Services</b>			
Public Safety Communications	0	0	527,200
Statewide Information Security and Privacy Office	0	0	853,100
Telecommunications Lease Payment	851,700	425,900	0
<b>Risk Management</b>			
External Legal Services	2,681,100	0	0
Non-Legal Related Expenditures	2,124,100	0	0
Risk Management Administrative Expenses	0	8,746,100	8,746,100
Risk Management Losses and Premiums	30,061,800	45,371,300	43,480,200
Workers' Compensation Losses and Premiums	22,323,000	30,112,300	30,620,200
<b>Support Services</b>			
State Surplus Property Sales Proceeds	587,300	1,260,000	1,260,000 <sup>4/</sup>
<b>Other</b>			
Ch. 34 One-Time COSF	0	0	500,000
<b>AGENCY TOTAL</b>	<b>144,049,100</b>	<b>181,965,000</b>	<b>180,639,800<sup>5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	18,799,900	17,756,900	14,858,600
<u>Other Appropriated Funds</u>			
Air Quality Fund	696,600	714,100	714,100 <sup>7/</sup>
Automation Operations Fund	18,200,700	18,904,200	18,672,400 <sup>8/</sup>
Capital Outlay Stabilization Fund	14,988,600	17,336,600	17,790,500
Corrections Fund	428,700	562,800	552,500
Federal Surplus Materials Revolving Fund	99,800	458,700	451,400
Information Technology Fund	0	0	3,120,500
Motor Vehicle Pool Revolving Fund	7,434,400	10,512,000	10,038,900 <sup>9/</sup>
Personnel Division Fund	12,551,300	13,948,600	14,564,800
Risk Management Revolving Fund	64,113,500	92,362,800	90,321,800
Special Employee Health Insurance Trust Fund	3,706,500	5,172,600	5,108,300
State Surplus Materials Revolving Fund	1,568,800	2,395,400	2,378,800

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
State Web Portal Fund	0	0	250,000
Telecommunications Fund	1,460,300	1,840,300	1,817,200
SUBTOTAL - Other Appropriated Funds	125,249,200	164,208,100	165,781,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>144,049,100</b>	<b>181,965,000</b>	<b>180,639,800</b>
Other Non-Appropriated Funds	897,873,600	923,106,300	990,566,800
Federal Funds	2,172,500	6,752,300	6,493,500
<b>TOTAL - ALL SOURCES</b>	<b>1,044,095,200</b>	<b>1,111,823,600</b>	<b>1,177,700,100</b>

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

**Operating Budget**

The budget includes \$78,477,200 and 682.7 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$11,056,100
Air Quality Fund	714,100
Automation Operations Fund	18,672,400
Capital Outlay Stabilization Fund	9,940,600
Corrections Fund	552,500
Federal Surplus Materials Revolving Fund	451,400
Information Technology Fund	2,267,400
Motor Vehicle Pool Revolving Fund	10,038,900
Personnel Division Fund	9,014,200
Risk Management Revolving Fund	7,475,300

Special Employee Health Insurance Trust Fund	5,108,300
State Surplus Materials Revolving Fund	1,118,800
State Web Portal Fund	250,000
Telecommunications Fund	1,817,200

These amounts fund the following adjustments:

**GITA Consolidation**

The budget includes an increase of \$2,560,800 and 16 FTE Positions in FY 2012 to transfer the functions of the Government Information Technology Agency (GITA) to the Arizona Department of Administration (ADOA) as required by the Consolidation Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 27). These amounts consist of:

- 1/ Includes 4 GF and 3 OF FTE Positions funded from Special Line Items in FY 2012.
- 2/ The department may collect an amount not to exceed \$1,762,600 from other funding sources, excluding Federal Funds, to recover pro rata costs of operating AFIS II. (General Appropriation Act footnote)
- 3/ Of the \$1,213,200 appropriated to the County Attorney Immigration Enforcement line item, \$200,000 shall be distributed to the county attorney of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, and \$500,000 shall be distributed to the county sheriff of a county in this state having a population of 2,000,000 or more persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. Subject to the prior approval of the Joint Legislative Budget Committee, the remaining monies may be distributed to county attorneys and county sheriffs of counties with populations of less than 2,000,000 persons for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes. This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. The appropriated monies may be spent in the sole discretion of the county attorney or county sheriff to whom the monies are distributed for the purpose of enforcing Title 23, Chapter 2, Article 2, Arizona Revised Statutes, without any further approval or other action by the county board of supervisors of the county. (General Appropriation Act footnote)
- 4/ All State Surplus Materials Revolving Fund revenues received by the Department of Administration in excess of the \$1,260,000 appropriated to the State Surplus Property Sales Proceeds line item in FY 2012 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$1,260,000 in FY 2012, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 6/ In addition to these amounts, a total of \$265,700 GF and \$1,068,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- 7/ The amounts appropriated for the State Employee Transportation Service Subsidy shall be used for up to a 50% subsidy of charges payable for transportation service expenses as provided in A.R.S. § 41-786, of nonuniversity state employees in a vehicle emissions control area as defined in A.R.S. § 49-541, of a county with a population of more than 400,000 persons. (General Appropriation Act footnote)
- 8/ The appropriation for the Automation Operations Fund is an estimate representing all monies, including balance forward, revenue and transfers during FY 2012. 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. Before the expenditure of any Automation Operations Fund revenues in excess of \$18,672,400 in FY 2012, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 9/ It is the intent of the Legislature that the department not replace vehicles until an average of 120,000 miles or more. (General Appropriation Act footnote)

Information Technology Fund	2,310,800
State Web Portal Fund	250,000

**Office of Employment and Population Statistics  
Consolidation**

The budget includes an increase of \$233,100 from the General Fund in FY 2012 to transfer the Office of Employment and Population Statistics from the Department of Commerce to ADOA as required by the General Government BRB (Laws 2011, Chapter 34).

**Transfer Capitol Police to DPS**

The budget includes a decrease of \$(2,410,800) and (58) FTE Positions in FY 2012 to transfer the Capitol Police from ADOA to the Department of Public Safety as required by the Consolidation BRB (Laws 2011, Chapter 27). These amounts consist of:

General Fund	(1,889,200)
Risk Management Fund	(521,600)

**Statewide Adjustments**

The budget includes a decrease of \$(1,085,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	151,600
Automation Operations Fund	(231,800)
Capital Outlay Stabilization Fund	(46,100)
Corrections Fund	(10,300)
Federal Surplus Materials Revolving Fund	(7,300)
Information Technology Fund	(43,400)
Motor Vehicle Pool Revolving Fund	(473,100)
Personnel Division Fund	(184,700)
Risk Management Revolving Fund	(136,200)
Special Employee Health Insurance Trust Fund	(64,300)
State Surplus Materials Revolving Fund	(16,600)
Telecommunications Fund	(23,100)

Of these amounts \$2,031,200 is for ADOA to make the final lease-purchase payment in FY 2012 from the General Fund for the Arizona State Schools for the Deaf and the Blind high school/auditorium.

*(Please see the Agency Detail and Allocations section.)*

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**Facilities Management**

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**Relocation**

The budget includes no funding in FY 2012 for Relocation. These monies were transferred into the operating budget in FY 2011. Monies in this Special Line Item (SLI) provided funding for unanticipated agency relocations.

**Utilities**

The budget includes \$7,975,600 in FY 2012 for Utilities. This amount consists of:

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

These amounts are unchanged from FY 2011.

This line item funds utility charges, including electric, water, gas, and garbage disposal, for state-owned buildings.

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**Financial Services**

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**Arizona Financial Information System**

The budget includes no funding in FY 2012 for Arizona Financial Information Systems. These monies were transferred into the operating budget in FY 2011. Monies in this SLI provided funding for the General Fund cost of operating the statewide accounting system.

**Ch. 120 Appropriations for Named Claimants**

Laws 2011, Chapter 120 appropriates \$68,687.30 from the General Fund in FY 2011 for Named Claimants. The state must annually settle legitimate unpaid claims against received goods and services, as submitted by the various state agencies. Monies in this SLI are not included in the General Appropriation Act. A separate legislative act usually makes this appropriation. Laws 2010, Chapter 246 included \$101,633.97 in FY 2010 for prior year unpaid claims. All \$101,633.97 was expended on claims.

The General Fund is used to pay the Named Claimants bills, but is reimbursed if the claim would have otherwise been paid by another fund source. Of the \$68,687.30, the General Fund will receive \$3,904 from the Risk Management Fund and \$17,504.44 from the Nursing Fund. The total of \$21,408.44 will be deposited in the General Fund as revenue.

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



### ***County Attorney Immigration Enforcement***

The budget includes \$1,213,200 from the General Fund in FY 2012 for County Attorney Immigration Enforcement. This amount is unchanged from FY 2011.

The FY 2012 appropriation is for distribution to county attorneys and county sheriffs for the purpose of enforcement of Title 23, Chapter 2, Article 2, Arizona Revised Statutes that prohibit an employer from knowingly employing unauthorized immigrants and general enforcement of immigration related matters. A footnote specifies the allocation of these funds.

### ***ENSCO***

The budget includes \$1,436,400 from the General Fund in FY 2012 for ENSCO. This amount funds the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(1,426,400) from the General Fund in FY 2012 for statewide adjustments.

Monies in this line item are used to pay the lease-purchase requirements for acquisition of the ENSCO site. Laws 1991, Chapter 282 authorized the simultaneous sale and lease-purchase of state properties to fund this appropriation. In October 1991, ADOA issued a 20-year, \$54,514,200 Certification of Participation (COP) in which portions of the adult prison complex at Florence were used as collateral. The COP will be paid off in August of 2011, which is FY 2012. *(Please see the FY 2011 Appropriations Report for more details.)*

### ***Federal Legal Services Payback***

The budget includes no funding in FY 2012 for Federal Legal Services Payback. Monies in this SLI provided one-time funding for the repayment to the federal government for Attorney General Legal Services Cost Allocation Fund pro rata charges in FY 2010.

## ***Human Resources***

### ***Employee Wellness Program***

The budget includes no funding in FY 2012 for the Employee Wellness Program. These monies were transferred into the operating budget in FY 2011. Monies in this SLI provided funding for a vendor contract to conduct employee wellness screenings and provide wellness feedback to participants.

### ***Human Resources Information Solution COP***

The budget includes \$5,550,600 from the Personnel Division Fund in FY 2012 for the Human Resources Information Solution (HRIS) COP. This amount funds the following adjustments:

#### **Lease Payment Increase**

The budget includes an increase of \$800,900 from the Personnel Division Fund in FY 2012 for an increased HRIS lease-purchase payment.

This line item funds semi-annual payments made on the \$35,000,000 12-year COP issued to fund HRIS.

## ***Information Technology Services***

### ***Public Safety Communications***

The budget includes \$527,200 and 4 FTE Positions from the General Fund in FY 2012 for Public Safety Communications. These amounts fund the following adjustments:

#### **GITA Consolidation**

The budget includes an increase of \$542,000 and 4 FTE Positions from the General Fund in FY 2012 to transfer the functions of GITA to ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).

#### **Statewide Adjustments**

The budget includes a decrease of \$(14,800) from the General Fund in FY 2012 for statewide adjustments.

The Public Safety Communications Program designs and implements a standard based system that provides interoperability between statewide public safety agencies.

Radio interoperability allows public safety personnel from one agency to communicate with personnel from other agencies.

### ***Statewide Information Security and Privacy Office***

The budget includes \$853,100 and 3 FTE Positions from the Information Technology Fund in FY 2012 for the Statewide Information Security and Privacy Office. These amounts fund the following adjustments:

#### **GITA Consolidation**

The budget includes an increase of \$861,500 and 3 FTE Positions from the Information Technology Fund in FY 2012 to transfer the functions of GITA to ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).

**Statewide Adjustments**

The budget includes a decrease of \$(8,400) from the Information Technology Fund in FY 2012 for statewide adjustments.

The office performs strategic planning, policy development, and risk assessment to protect the state’s information resources.

**Telecommunications Lease Payment**

The budget includes no funding in FY 2012 for the Telecommunications Lease Payment. This amount funds the following adjustments:

**Lease Payment Decrease**

The budget includes a decrease of \$(425,900) from the General Fund in FY 2012 to eliminate the lease payment.

**Risk Management**

**External Legal Services**

The budget includes no funding in FY 2012 for External Legal Services. Monies in this SLI were transferred to the Risk Management Administrative Expenses SLI (see below) in FY 2011. Monies in this SLI provided funding for legal representation from outside the Office of the Attorney General in Risk Management or workers’ compensation related lawsuits against the state.

**Non-Legal Related Expenditures**

The budget includes no funding in FY 2012 for Non-Legal Related Expenditures. Monies in this SLI were transferred to the Risk Management Administrative Expenses SLI (see below) in FY 2011. Monies in this SLI provided funding for financial and actuarial analyses, relevant investigations, and related travel.

**Risk Management Administrative Expenses**

The budget includes \$8,746,100 from the Risk Management Fund in FY 2012 for Risk Management Administrative Expenses. This amount is unchanged from FY 2011.

This line item funds financial and actuarial analyses, relevant investigations, and related travel. This line item also funds legal representation from outside the Office of the Attorney General.

**Risk Management Losses and Premiums**

The budget includes \$43,480,200 from the Risk Management Revolving Fund in FY 2012 for Risk

Management Losses and Premiums. This amount funds the following adjustments:

**Risk Management Losses**

The budget includes a decrease of \$(1,891,100) from the Risk Management Revolving Fund in FY 2012 for an estimated decrease in Risk Management Losses and Premiums. This decrease is a result of an independent actuarial review of the department’s claim history and exposure.

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

**Workers’ Compensation Losses and Premiums**

The budget includes \$30,620,200 from the Risk Management Revolving Fund in FY 2012 for Workers’ Compensation Losses and Premiums. This amount funds the following adjustments:

**Losses and Premiums Increase**

The budget includes an increase of \$507,900 from the Risk Management Revolving Fund in FY 2012 for an estimated increase in Workers’ Compensation Losses and Premiums. This increase is a result of an independent actuarial review of the department’s claim history and exposure.

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

**Support Services**

**State Surplus Property Sales Proceeds**

The budget includes \$1,260,000 from the State Surplus Materials Revolving Fund in FY 2012 for State Surplus Property Sales Proceeds. This amount is unchanged from FY 2011.

This line item 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.

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*Other*

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***Ch. 34 One-Time COSF***

Laws 2011, Chapter 34 appropriates \$500,000 from the Capital Outlay Stabilization Fund (COSF) in FY 2012 for costs associated with building maintenance and building utilities.

This line item is a one-time appropriation of 50% of the balance of a completed capital project. ADOA intends to spend these funds on the operating and utility expenses for the Polly Rosenbaum Archives Building.

***Fund Transfers***

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

***Additional Legislation***

***Differentiated Health Insurance Premium***

The Health BRB (Laws 2011, Chapter 31) continues to prohibit ADOA from implementing a differentiated health insurance premium in FY 2012 based on the integrated or non-integrated status of the provider.

***Self-Insurance Pool***

The Health BRB (Laws 2011, Chapter 31) eliminates the requirement that state agencies transfer all their state employee health insurance appropriations to the ADOA self-insurance pool at the beginning of the fiscal year. Agencies will instead pay their actual costs throughout the year.

***Health Savings Account***

The General Appropriation Act (Laws 2011, Chapter 24) states that it is the intent of the Legislature that ADOA offer an enhanced Health Savings Account (HSA) option to state employees. Chapter 24 requires ADOA to report to JLBC by January 31, 2012 on the employer contribution savings associated with the HSA option. These savings are to be transferred or reverted to the General Fund.

***Health Insurance Trust Monies***

The General Appropriation Act (Laws 2011, Chapter 24) authorizes ADOA, upon the review of JLBC, to pay the federal government for any obligations related to the transfer of Health Insurance Trust monies to the General Fund.

## Office of Administrative Hearings

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	13.0	12.0	12.0
Personal Services	576,900	555,100	555,100
Employee Related Expenditures	256,100	248,700	196,600
Other Operating Expenditures	114,800	115,800	73,900
<b>AGENCY TOTAL</b>	<b>947,800</b>	<b>919,600</b>	<b>825,600<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	933,300	905,100	811,100
<u>Other Appropriated Funds</u>			
Healthcare Group Fund	14,500	14,500	14,500
SUBTOTAL - Other Appropriated Funds	14,500	14,500	14,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>947,800</b>	<b>919,600</b>	<b>825,600</b>
Other Non-Appropriated Funds	1,267,100	974,000	974,000
<b>TOTAL - ALL SOURCES</b>	<b>2,214,900</b>	<b>1,893,600</b>	<b>1,799,600</b>

**AGENCY DESCRIPTION** — The Office of Administrative Hearings is an independent office whose services and personnel are to be used by all state agencies to conduct administrative hearings, unless exempted by law. All agencies supported by other appropriated or non-appropriated funding sources are to contract for administrative hearing services from the office. The Director shall assign Administrative Law Judges (ALJ) from the office to an agency, on either a temporary or permanent basis, to preside over contested cases in accordance with the special expertise of the ALJ in the subject matter of the agency.

### Operating Budget

The budget includes \$825,600 and 12 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$811,100
Healthcare Group Fund	14,500

These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(94,000) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Fund Transfers

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

### Additional Legislation

#### Prompt Hearings

The Regulation Budget Reconciliation Bill (Laws 2011, Chapter 35) suspends the requirement that the office hear appealed actions and contested cases within 60 days of the filing in FY 2012. The office would hold the hearings as soon as reasonably possible.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$24,500 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Arizona Department of Agriculture

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	222.2	217.2	206.2
Personal Services	5,681,000	5,523,400	5,658,800
Employee Related Expenditures	3,112,300	3,046,100	2,551,400
Professional and Outside Services	285,800	328,000	351,800
Travel - In State	414,400	445,900	516,200
Travel - Out of State	7,900	5,000	11,500
Other Operating Expenditures	1,229,400	2,152,600	1,255,500
Equipment	133,500	47,900	83,400
<b>OPERATING SUBTOTAL</b>	<b>10,864,300</b>	<b>11,548,900</b>	<b>10,428,600</b>
<b>SPECIAL LINE ITEMS</b>			
Agricultural Consulting and Training Pari-Mutuel	126,600	128,500	128,500
Agricultural Employment Relations Board	19,800	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Nuclear Emergency Management Fund	0	0	92,100
Red Imported Fire Ant	23,200	23,200	23,200
<b>AGENCY TOTAL</b>	<b>11,098,900</b>	<b>11,788,900</b>	<b>10,760,700</b> <sup>1/2/</sup>
<b>FUND SOURCES</b>			
General Fund	8,569,800	8,412,300	7,909,400
<u>Other Appropriated Funds</u> <sup>3/</sup>			
Aquaculture Fund	9,200	9,200	9,200
Citrus, Fruit and Vegetable Revolving Fund	586,200	1,028,700	480,400
Commercial Feed Fund	296,500	299,600	293,400
Dangerous Plants, Pests and Diseases Fund	40,000	100,000	125,500
Egg Inspection Fund	713,600	919,000	896,600
Fertilizer Materials Fund	307,300	302,800	294,900
Livestock Custody Fund	67,200	79,400	120,000
Pesticide Fund	373,700	384,600	489,100
Protected Native Plant Fund	80,900	199,500	90,000
Seed Law Fund	54,500	53,800	52,200
SUBTOTAL - Other Appropriated Funds	2,529,100	3,376,600	2,851,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,098,900</b>	<b>11,788,900</b>	<b>10,760,700</b>
Other Non-Appropriated Funds	9,575,000	8,443,700	8,086,700
Federal Funds	5,382,600	6,080,000	6,080,000
<b>TOTAL - ALL SOURCES</b>	<b>26,056,500</b>	<b>26,312,600</b>	<b>24,927,400</b>

**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.

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$194,100 GF and \$63,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

<sup>3/</sup> The FY 2012 General Appropriation Act contained appropriations for all these funds. Laws 2011, Chapter 281 converts these funds to non-appropriated status as of the bill's effective date, July 20, 2011.

## **Operating Budget**

The budget includes \$10,428,600 and 206.2 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$7,577,300
Aquaculture Fund	9,200
Citrus, Fruit, and Vegetable Revolving Fund	480,400
Commercial Feed Fund	293,400
Dangerous Plants, Pests, and Diseases Fund	125,500
Egg Inspection Fund	896,600
Fertilizer Materials Fund	294,900
Livestock Custody Fund	120,000
Pesticide Fund	489,100
Protected Native Plant Fund	90,000
Seed Law Fund	52,200

These amounts fund the following adjustments:

### **Fee Use Authority Appropriation**

The budget includes an increase of \$357,000 in FY 2012 to continue the expenditure authority for fee increases authorized in earlier years. This amount consists of:

General Fund	218,000
Dangerous Plants, Pests, and Diseases Fund	26,000
Pesticide Fund	113,000

The Environment Budget Reconciliation Bill (Laws 2011, Chapter 36) permits the director, upon recommendation from the Agricultural Advisory Council, to continue to increase fees in FY 2012 with the intent that the additional fee revenues will not exceed \$218,000 to the General Fund, \$26,000 to the Dangerous Plants, Pests, and Diseases Fund, and \$113,000 to the Pesticide Fund. FY 2012 is the first year the fee revenues have been appropriated.

### **Livestock Investigations Increase**

The budget includes an increase of \$40,600 from the Livestock Custody Fund in FY 2012 to support increased operations in dealing with stray and/or seized animals within the state.

### **Citrus Inspector Reductions**

The budget includes a decrease of \$(530,600) and (11) FTE Positions from the Citrus, Fruit, and Vegetable Revolving Fund in FY 2012 for the reduction of standardized inspectors due to the program being shifted from quality inspection to food safety audits.

### **Native Plant Appropriation Decrease**

The budget includes a decrease of \$(104,700) from the Protected Native Plant Fund in FY 2012 to reflect current expenditures and revenues.

## **Statewide Adjustments**

The budget includes a decrease of \$(882,600) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(813,000)
Citrus, Fruit, and Vegetable Revolving Fund	(17,700)
Commercial Feed Fund	(6,200)
Dangerous Plants, Pests, and Diseases Fund	(500)
Egg Inspection Fund	(22,400)
Fertilizer Materials Fund	(7,900)
Pesticide Fund	(8,500)
Protected Native Plant Fund	(4,800)
Seed Law Fund	(1,600)

*(Please see the Agency Detail and Allocations section.)*

## **Agricultural Consulting and Training Pari-Mutuel**

The budget includes \$128,500 from the General Fund in FY 2012 for the Agricultural Consulting and Training Pari-Mutuel line item. This amount is unchanged from FY 2011.

This line item 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 in FY 2012 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2011.

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

## **Animal Damage Control**

The budget includes \$65,000 from the General Fund in FY 2012 for the Animal Damage Control line item. This amount is unchanged from FY 2011.

This line item 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.

## **Nuclear Emergency Management Fund**

Laws 2011, Chapter 132 appropriates \$92,113 from the General Fund in FY 2012 and FY 2013 for the Nuclear Emergency Management Fund (NEMF). This amount funds the following adjustments:

### **NEMF Appropriation**

The budget includes an increase of \$92,113 from the General Fund in FY 2012 and FY 2013 for off-site nuclear emergency response plans. The monies in this line item are appropriated by Laws 2011, Chapter 132. As a result, these monies do not appear in the General Appropriation Act. The Department of Agriculture, Radiation Regulatory Agency, and Department of Emergency and Military Affairs received monies from this bill. *(Please see the Radiation Regulatory Agency and 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.

### **Red Imported Fire Ant**

The budget includes \$23,200 from the General Fund in FY 2012 for the Red Imported Fire Ant line item. This amount is unchanged from FY 2011.

This line item 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.

### **Fund Transfers**

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

### **Additional Legislation**

#### **Agricultural Trust Funds**

Laws 2011, Chapter 281 converts the following funds into trust funds on the bill's effective date through December 30, 2012: Agricultural Consulting and Training Fund, Aquaculture Fund, Citrus, Fruit, and Vegetable Revolving

Fund, Commercial Feed Fund, Dangerous Plants, Pests, and Diseases Fund, Egg Inspection Fund, Fertilizer Materials Fund, Grain Research Fund, Iceberg Lettuce Research Council Fund, Livestock Custody Fund, Pesticide Fund, Protected Native Plant Fund, and Seed Law Fund. The funds are restored to their original statutory form on December 31, 2012. The bill also requires the State Treasurer to account for these funds' monies separately and to hold them in trust. Language in the bill stipulates that any surplus monies in these funds, including any unexpended and unencumbered balances, at the end of the fiscal year do not revert to the General Fund.

#### **Office of Pest Management Relocation**

Laws 2011, Chapter 20 relocates the Office of Pest Management (OPM) to the Arizona Department of Agriculture (ADA) building on the bill's effective date. The bill also temporarily transfers OPM's administration supervision from the Department of Administration director to the ADA director from the bill's effective date through December 31, 2013.

## Arizona Health Care Cost Containment System

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3,017.4	2,983.4	2,975.4 <sup>1/</sup>
Personal Services	37,306,800	41,092,700	40,309,100
Employee Related Expenditures	16,203,900	18,266,900	17,513,700
Professional and Outside Services	2,990,000	4,908,400	4,731,200
Travel - In State	58,100	80,800	80,200
Travel - Out of State	7,900	23,400	23,400
Other Operating Expenditures	16,840,400	16,339,500	15,840,200
Equipment	326,200	618,900	617,900
<b>OPERATING SUBTOTAL</b>	<b>73,733,300</b>	<b>81,330,600</b>	<b>79,115,700</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
DES Eligibility	39,993,100	54,478,600	53,661,700 <sup>2/</sup>
Proposition 204 - AHCCCS Administration	8,356,100	6,684,300	6,620,400
Proposition 204 - DES Eligibility	36,047,000	38,116,900	37,716,400
<b>Medical Services</b>			
Traditional Medicaid Services	2,986,252,500	3,565,236,800	3,276,860,600 <sup>3/</sup>
Proposition 204 Services	2,376,882,700	2,639,915,000	1,014,494,200 <sup>4/</sup>
Children's Rehabilitative Services	0	0	110,126,600
KidsCare	90,395,600	47,801,300	36,067,800
ALTCS Services	1,262,451,400	1,242,309,200	1,244,829,000 <sup>5/6/</sup>
<b>Payments to Hospitals<sup>7/</sup></b>			
Disproportionate Share Payments	0	13,487,100	13,487,100 <sup>8/</sup>
Rural Hospitals	850,000	13,858,100	13,858,100
<b>FY 2011 Reduction</b>			
Budget Reduction	0	(236,086,000)	0
<b>AGENCY TOTAL</b>	<b>6,874,961,700</b>	<b>7,467,131,900</b>	<b>5,886,837,600</b> <sup>9/10/11/12/</sup>
<b>FUND SOURCES</b>			
General Fund	1,190,314,400	1,314,973,600	1,363,735,000
<b>Other Appropriated Funds</b>			
Budget Neutrality Compliance Fund	2,235,600	3,117,300	3,161,100
Children's Health Insurance Program Fund	77,827,900	40,967,600	30,176,400
Healthcare Group Fund	2,979,100	5,174,000	3,496,300
Prescription Drug Rebate Fund	0	10,000,000	20,114,500
TPTF Emergency Health Services Account	20,230,200	19,222,900	19,222,900
TTHCF Medically Needy Account	38,295,800	38,295,800	38,295,800
SUBTOTAL - Other Appropriated Funds	141,568,600	116,777,600	114,467,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,331,883,000</b>	<b>1,431,751,200</b>	<b>1,478,202,000</b>
<b>Expenditure Authority Funds</b>			
County Funds	6,860,000	244,316,400	302,984,400
Federal Medicaid Authority	5,387,114,500	5,642,290,400	3,956,877,300
Third Party Collections Fund	95,700	194,700	194,700
Tobacco Litigation Settlement Fund	105,394,100	108,211,300	108,211,300
TPTF Proposition 204 Protection Account	43,614,400	40,367,900	40,367,900
SUBTOTAL - Expenditure Authority Funds	5,543,078,700	6,035,380,700	4,408,635,600
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>6,874,961,700</b>	<b>7,467,131,900</b>	<b>5,886,837,600</b>
<b>Other Non-Appropriated Funds</b>			
Other Non-Appropriated Funds	70,100,600	85,420,300	81,791,500
Federal Funds	32,489,800	29,368,900	24,724,300
<b>TOTAL - ALL SOURCES</b>	<b>6,977,552,100</b>	<b>7,581,921,100</b>	<b>5,993,353,400</b>



**AGENCY DESCRIPTION** — The Arizona Health Care Cost Containment System (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 is the state's federally matched Medicaid program and provides acute and long-term care services.

**Operating Budget**

The budget includes \$79,115,700 and 1,208.4 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$27,984,700
Healthcare Group Fund	3,496,300
Children's Health Insurance Program (CHIP) Fund	1,633,400
Prescription Drug Rebate Fund	114,500
Federal Medicaid Authority (FMA)	45,886,800

These amounts fund the following adjustments:

**Healthcare Group Administrative Decrease**

The budget includes an agency-requested decrease of \$(1,646,100) and (10) FTE Positions from the Healthcare Group Fund in FY 2012 for decreased administrative expenses in Healthcare Group. AHCCCS forecasts enrollment of 6,900 in healthcare insurance in June 2012 compared to 11,000 in June 2010. Healthcare Group's contract limits administrative expenses to 7% of total premium revenues.

**Drug Rebate Oversight Staff**

The budget includes an increase of \$114,500 and 2 FTE Positions from the Prescription Drug Rebate Fund in FY 2012 for oversight of the drug rebate program. The federal Affordable Care Act extended the Medicaid drug rebate program to Medicaid managed care organizations.

**Statewide Adjustments**

The budget includes a decrease of \$(683,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(598,700)
Healthcare Group Fund	(31,600)
CHIP Fund	(13,100)
Federal Medicaid Authority	(39,900)

*(Please see the Agency Detail and Allocations section.)*

*Background* – The following line items are now incorporated into the operating budget with no additional adjustments to the budget: ADOA Data Center Charges, Healthcare Group Administration and Reinsurance, KidsCare – Administration, and Board of Nursing.

- 1/ Includes 807.1 GF, and 959.9 EA FTE Positions funded from Special Line Items in FY 2012.
- 2/ The amounts appropriated for the Department of Economic Security Eligibility line item shall be used for intergovernmental agreements with the Department of Economic Security for the purpose of eligibility determination and other functions. The General Fund share may be used for eligibility determination for other programs administered by the Division of Benefits and Medical Eligibility based on the results of the Arizona Random Moment Sampling Survey. (General Appropriation Act footnote)
- 3/ Laws 2010, 7<sup>th</sup> Special Session, Chapter 1 appropriated \$344,344,800 in FY 2012 to reflect deferred payments from FY 2011, including \$117,688,200 from the General Fund. The FY 2012 General Appropriation Act appropriated the same amount in FY 2013 to reflect deferred payments from FY 2012.
- 4/ The amounts included in the Proposition 204 - AHCCCS Administration, Proposition 204 - DES Eligibility, and Proposition 204 Services Special Line Items includes all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 5/ Any Federal Funds that the Arizona Health Care Cost Containment System Administration passes through to the Department of Economic Security for use in long-term administration care for the developmentally disabled shall not count against the long-term care expenditure authority above. (General Appropriation Act footnote)
- 6/ The county portion of the FY 2012 nonfederal portion of the costs of providing long-term care system services is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 7/ All Arizona Health Care Containment System voluntary state match and related Federal Medicaid Authority monies for Graduate Medical Education are appropriated in FY 2012. The Arizona Health Care Cost Containment System shall report these amounts from sources other than Arizona Health Care Containment System to the Joint Legislative Budget Committee by August 1, 2012. (General Appropriation Act footnote)
- 8/ The \$13,487,100 appropriation for Disproportionate Share Payments for FY 2012 made pursuant to A.R.S. § 36-2903.01P includes \$4,202,300 for the Maricopa County Healthcare District and \$9,284,800 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 9/ Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 10/ The Arizona Health Care Cost Containment System Administration shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 2%. Before implementation of any changes in capitation rates, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the Administration implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the Administration shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the Administration shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.
- 12/ In addition to these amounts, a total of \$693,100 GF, \$137,600 OF and \$693,100 FMA is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

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**Administration**

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**DES Eligibility**

The budget includes \$53,661,700 and 995.9 FTE Positions in FY 2012 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

General Fund	24,924,500
Federal Medicaid Authority	28,737,200

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(816,900) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(771,300)
Federal Medicaid Authority	(45,600)

Through an Intergovernmental Agreement, DES performs eligibility determinations. The DES Title XIX Pass-Through line item is now rolled into the DES Eligibility line item with no additional adjustment.

**Proposition 204 - AHCCCS Administration**

The budget includes \$6,620,400 and 167.2 FTE Positions in FY 2012 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	2,207,600
Federal Medicaid Authority	4,412,800

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(63,900) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(58,000)
Federal Medicaid Authority	(5,900)

Proposition 204 expanded AHCCCS coverage up to 100% of the Federal Poverty level (FPL). This line item contains funding for AHCCCS' administration costs of the Proposition 204 program.

**Proposition 204 - DES Eligibility**

The budget includes \$37,716,400 and 603.9 FTE Positions in FY 2012 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,260,800
Budget Neutrality Compliance Fund	3,161,100
Federal Medicaid Authority	17,294,500

These amounts fund the following adjustments:

**Statutory Adjustment**

The budget includes a decrease of \$(94,200) from the General Fund and a corresponding increase from the Budget Neutrality Compliance Fund (BNCf) in FY 2012 to reflect a statutorily-required increase of county contributions in FY 2012 (A.R.S. § 11-292O). (*Please see Table 7 for contributions by county.*)

**Statewide Adjustments**

The budget includes a decrease of \$(400,500) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(378,200)
Federal Medicaid Authority	(22,300)

*Background* – 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.

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**Medical Services**

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AHCCCS oversees acute care and long term care services as well as the Children's Rehabilitative Services program. Overall formula adjustments are below. A description of program components can be found in the *Other Information* section.

**Traditional Medicaid Services**

The budget includes \$3,276,860,600 in FY 2012 for Traditional Medicaid Services. This amount consists of:

General Fund	936,988,700
County Funds	51,251,500
Prescription Drug Rebate Fund	10,525,700
TTHCF Medically Needy Account	38,295,800
Third Party Collections	194,700
Federal Medicaid Authority	2,239,604,200

These amounts fund the following adjustments:

**Formula Adjustment**

The budget includes a decrease of \$(270,227,300) in FY 2012 for formula adjustments to Traditional Medicaid Services. This amount consists of:

General Fund	228,854,300
Prescription Drug Rebate Fund	5,262,800
County Funds	(186,900)
Federal Medicaid Authority	(504,157,500)

The formula adjustments include:

- A General Fund backfill for a lower federal match rate.
- 2.3% enrollment growth in FY 2012 to a level of 823,500 (see Table 5).
- 1.8% increase in fee-for-service, 2.3% increase in reinsurance expenses, and 20% in Medicare premiums.
- Savings from annualizing the April 1, 2011 provider rate reduction.
- \$(186,900) decrease in Maricopa County Acute Care contribution under A.R.S § 11-292 with a corresponding General Fund increase.
- An additional \$(5,262,800) General Fund savings from drug rebates.

**Reduction of Erroneous and Fraudulent Payments**

The budget includes a decrease of \$(18,148,900) in FY 2012 for reducing erroneous and fraudulent payments. This amount consists of:

General Fund	(6,000,000)
Federal Medicaid Authority	(12,148,900)

The Health Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 31) requires AHCCCS to award a Request For Proposal (RFP) by January 1, 2012 regarding provisions which reduce erroneous and fraudulent payments.

(Please see Other Information for more information.)

Background – Traditional Medicaid Services funds the following populations (see Chart 1):

- Children less than 1, up to 140% FPL
- Children aged 1-5, up to 133% FPL
- Children aged 6-18, up to 100% FPL
- Pregnant women, up to 150% FPL

- Aged, blind, and disabled adults, up to 75% FPL
- Parents, up to 23% FPL
- Women diagnosed through the Breast and Cervical Cancer Screening Program, up to 250% FPL
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL (“Ticket to Work”)

Previously, this line item was comprised of 7 individual line items: Capitation, Reinsurance, Fee-For-Service, Medicare Premiums, Breast and Cervical Cancer, Ticket to Work, and Medicare Clawback Payments.

**Proposition 204 Services**

The budget includes \$1,014,494,200 in FY 2012 for Proposition 204 Services. This amount consists of:

General Fund	129,893,400
Tobacco Settlement Fund	108,211,300
TPTF Proposition 204 Protection Account	40,367,900
Emergency Health Services Account	19,222,900
Prescription Drug Rebate Fund	8,005,500
Federal Medicaid Authority	708,793,200

These amounts fund the following adjustments:

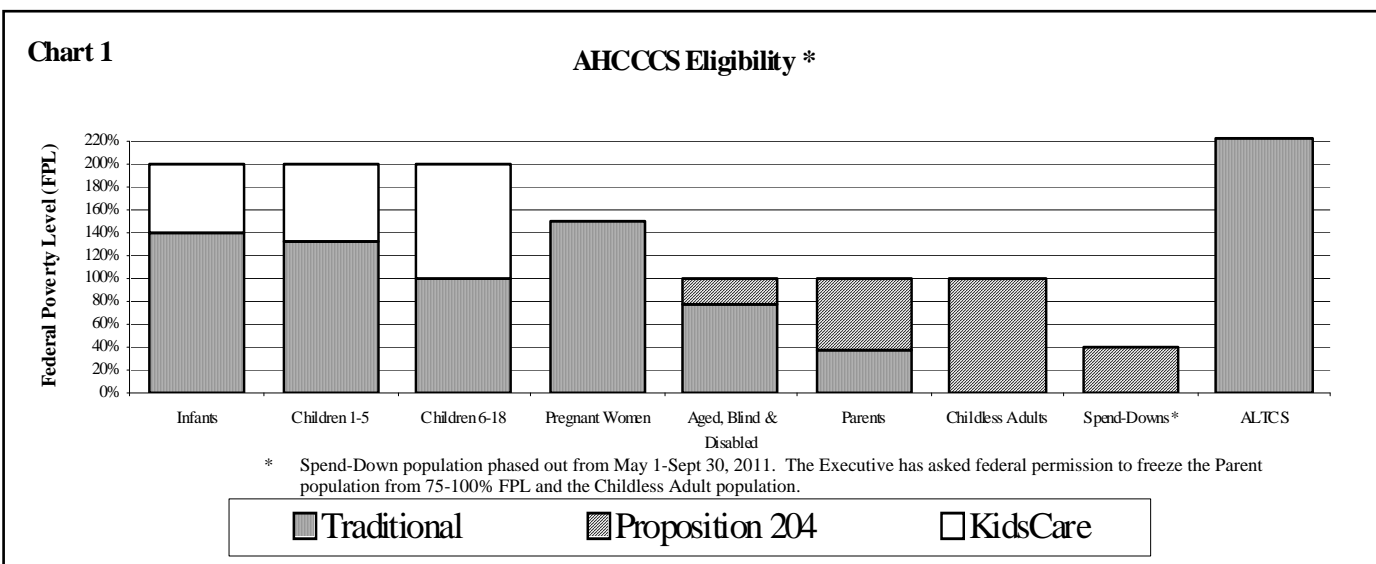
**Formula Adjustment**

The budget includes a decrease of \$(1,625,420,800) in FY 2012 for Proposition 204 Services funding for formula adjustments. This amount consists of:

General Fund	(307,580,900)
Prescription Drug Rebate Fund	4,002,800
Federal Medicaid Authority	(1,321,842,700)

The formula adjustments include:

- A reduction of \$(478,902,900) from the General Fund.
- A General Fund backfill for a lower federal match rate.



- 1.8% increase in fee-for-service, 2.3% increase in reinsurance expenses, and 20% in Medicare premiums.
- Savings from annualizing the April 1, 2011 provider rate reduction.
- \$(186,900) decrease in Maricopa County Acute Care contribution under A.R.S § 11-292 with a corresponding General Fund increase.
- An additional \$(4,002,800) General Fund savings from drug rebates.

The Executive has been given flexibility to implement the \$(478,902,900) reduction. *(Please see Other Information for more details.)* Without this reduction, the formula adjustment includes a 2.3% enrollment growth in FY 2012 to a level of 371,700 *(see Table 5)*.

Additionally, Laws 2011, Chapter 234 allows local governments, county governments, tribal governments, and universities to provide the state match for Proposition 204 services if General Fund monies are not available, subject to federal approval. This provision expires on September 30, 2013.

*Background* – The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population, but are below 100% FPL. Although not technically a Proposition 204 program, monies for the “spend-down” program have traditionally been included in Proposition 204 line items. The Executive has received federal approval to phase out the “spend-down” program between May 1 and September 30, 2011.

Previously, this line item was comprised of 5 individual line items: Proposition 204 - Capitation, Proposition 204 - Reinsurance, Proposition 204 - Fee-For-Service, Proposition 204 - Medicare Premiums, and Proposition 204 - County Hold Harmless.

**Children’s Rehabilitative Services**

The budget includes \$110,126,600 in FY 2012 for Children’s Rehabilitative Services (CRS). This amount consists of:

General Fund	36,410,600
Federal Medicaid Authority	73,716,000

These amounts fund the following adjustments:

**Transfer from DHS**

The budget includes an increase of \$106,411,900 in FY 2012 to transfer CRS from the Department of Health Services (DHS) to AHCCCS. This amount consists of:

General Fund	27,619,200
Federal Medicaid Authority	78,792,700

**Formula Adjustment**

The budget includes an increase of \$3,714,700 in FY 2012 for CRS funding for formula adjustments. This amount consists of:

General Fund	8,791,400
Federal Medicaid Authority	(5,076,700)

This adjustment assumes an enrollment increase of 1.8% from June 2011 to June 2012, no increases in capitation rates above the April 2011 rates, and a General Fund backfill for a lower federal match rate. This would result in approximately 22,200 members per month being served in June 2012 *(see Table 5)*.

The CRS program offers health care to children with handicapping or potentially handicapping conditions. Beginning on January 1, 2011, the Executive moved the oversight of the CRS program from DHS to AHCCCS and funding was provided through an interagency agreement. The Health BRB officially transitions responsibility to AHCCCS.

**KidsCare**

The budget includes \$36,067,800 in FY 2012 for KidsCare children’s services. This amount consists of:

General Fund	7,524,800
CHIP Fund	28,543,000

These amounts fund the following adjustments:

**Formula Adjustment**

The budget includes a decrease of \$(11,733,500) in FY 2012 for KidsCare Services funding for formula adjustments. This amount consists of:

General Fund	(955,400)
CHIP Fund	(10,778,100)

The formula adjustments include a (21.5)% enrollment decline in FY 2012. The KidsCare program has had an enrollment freeze since January 2010. Enrollment is projected at 18,000 in June 2011 and 14,100 in June 2012 *(see Table 5)*.

*Background* – 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 an approximate 3 to 1 match rate, which is higher than the regular 2 to 1 match in the other programs. The federal 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.

**ALTCS Services**

The budget includes \$1,244,829,000 in FY 2012 for Arizona Long Term Care System (ALTCS) expenditures. This amount consists of:

General Fund	172,812,200
County Contributions	251,732,900
Prescription Drug Rebate Fund	1,468,800
Federal Medicaid Authority	818,815,100

These amounts fund the following adjustments:

**Formula Adjustment**

The budget includes an increase of \$2,519,800 in FY 2012 for ALTCS Services for formula adjustments. This amount consists of:

General Fund	36,894,700
County Contributions	58,854,900
Prescription Drug Rebate Fund	734,400
Federal Medicaid Authority	(93,964,200)

Besides the federal match rate change, the formula adjustments include:

- A General Fund backfill for a lower federal match rate.
- 2.3% enrollment growth in FY 2012 to a level of 28,600 (see Table 5).
- An additional \$(734,400) savings from drug rebates. This savings is split proportionally between county and state contributions.
- Savings from annualizing the April 1, 2011 provider rate reduction.

The revised FY 2011 federal matching rate will also change county contributions. See Table 7 for both the revised FY 2011 and new FY 2012 county amounts.

The Health BRB allows AHCCCS to increase county contributions proportionally if the overall costs of the ALTCS program exceed \$1,242,309,200 in FY 2011.

ALTCS provides coverage for individuals up to 222% of the FPL, or \$24,176 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 \$7,841 per person.

Clients 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 2010, AHCCCS estimates that client contributions paid for 7.1% of care.

**Payments to Hospitals**

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

**Disproportionate Share Payments**

The budget includes \$13,487,100 in FY 2012 for Disproportionate Share Hospital (DSH) Payments. This amount consists of:

General Fund	3,114,700
Federal Medicaid Authority	10,372,400

This amount funds the following adjustments:

**Formula Adjustment**

The budget includes a decrease of \$(56,100) from the General Fund and a corresponding increase from Federal Medicaid Authority in FY 2012 for DSH Payments due to a change in the federal match rate.

The Health BRB allows local government and public universities to provide additional state match dollars for DSH payments in FY 2011 and FY 2012; contributors may designate specific hospitals to receive state and accompanying matching monies.

*Background* – This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low-income patients, including Yuma Regional Medical Center. Table 1 displays the allocation of Disproportionate Share Funding.

	<b>FY 2011</b>	<b>FY 2012</b>
<b>Eligible Funding</b>		
County-Operated Hospitals	\$ 55,507,900	\$ 55,507,900
Arizona State Hospital (ASH)	28,474,900	28,474,900
Private Hospitals	<u>9,284,800</u>	<u>9,284,800</u>
<b>Total Allocations</b>	<b>\$ 93,267,600</b>	<b>\$ 93,267,600</b>
<b>Distribution of Funding</b>		
Federal DSH to GF (Maricopa)	\$ 42,841,600 <sup>1/</sup>	\$ 33,154,500
Federal DSH to GF (ASH)	<u>18,750,700</u>	<u>19,334,500</u>
Subtotal	\$ 61,592,300	\$ 52,489,000
County-Operated Hospitals	4,202,300	4,202,300
Private Hospitals	<u>9,284,800</u>	<u>9,284,800</u>
<b>Total</b>	<b>\$ 75,079,400</b>	<b>\$ 65,976,100</b>

<sup>1/</sup> FY 2010 payments were not made until FY 2011. Includes a federal match of \$32,294,200 for FY 2010, less a reconciliation of \$(5,147,900) for FY 2008. Includes a federal match of \$32,349,700 for FY 2011, less a reconciliation of \$(16,654,400) for FY 2009.

The state only appropriates General Fund dollars for DSH payments to private hospitals (\$9,284,800 in total funds in FY 2012). 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. The state retains all of the Federal Funds with the exception of \$4,202,300 which is allocated to Maricopa Integrated Health System (MIHS).

**Rural Hospitals**

The budget includes \$13,858,100 in FY 2012 for Rural Hospitals. This amount consists of:

General Fund	4,613,000
Federal Medicaid Authority	9,245,100

These amounts fund the following adjustments:

**Formula Adjustment**

The budget includes an increase of \$1,277,300 from the General Fund and a corresponding decrease from Federal Medicaid Authority in FY 2012 for Rural Hospital payments due to a change in the federal match rate.

*Background* – This line item is comprised of 2 programs. The Rural Hospital Reimbursement program, established in FY 2006, increases inpatient reimbursement rates for qualifying rural hospitals. The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals. In FY 2010, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 11 from Critical Access Hospitals.

**FY 2011 Reduction**

**Budget Reduction**

The budget includes no funding in FY 2012 for a Budget Reduction. This funds the following adjustments:

**Eliminate One-Time Reduction**

The budget includes an increase of \$236,086,000 in FY 2012 to eliminate the one-time reduction. This amount consists of:

General Fund	61,766,900
Federal Medicaid Authority	174,319,100

The reduction has been consolidated into a single line for display purposes. This reduction consists of one-time and ongoing savings. In FY 2012, ongoing savings are located in the relevant line item. *(Please see the FY 2011 Net Funding Changes section for more information.)*

**Other Information**

**Fund Transfers**

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

**Proposition 204 and Federal Waiver Request**

In January 2011, the Executive proposed eliminating coverage for childless adults and the “spend-down” population and rolling back coverage for approximately 25% of Proposition 204 parents in FY 2012. Under this proposal, most General Fund support for the program would be eliminated. Proposition 204, passed by a voter initiative in 2000, expanded Medicaid to 100% FPL *(see Chart 1)*. Proposition 204 spending occurs in both AHCCCS and DHS. As required by Proposition 204, monies from the Tobacco Settlement Litigation Fund and certain tobacco taxes (the TPTF Proposition 204 Protection Account) would continue to fund this population.

As part of this proposal, the 1<sup>st</sup> Special Session of the 50<sup>th</sup> Legislature was convened in January 2011 to approve legislation requiring AHCCCS to seek a waiver of federal maintenance of effort requirements. The 2010 Federal Health Care legislation (The Patient Protection and Affordable Care Act) required states to maintain their existing Medicaid eligibility programs as of March 2010 or potentially lose all their federal Medicaid matching funds.

Upon federal approval, Laws 2011, 1<sup>st</sup> Special Session, Chapter 1 further required AHCCCS to implement any changes of eligibility necessary to remain within available monies. The federal government subsequently responded to Arizona’s request by notifying the state that a maintenance of effort waiver was unnecessary since its Section 1115 Waiver was scheduled to expire at the end of September 2011. Arizona’s Medicaid program operates under a Section 1115 Waiver, and this waiver must be renewed every 5 years.

As a result of the federal response, the state was not obligated to continue its coverage of the Proposition 204 expansion population at least through January 2014, when an expansion of Medicaid coverage was scheduled to take effect *(see Federal Health Care Legislation section of the FY 2011 Appropriations Report, p. BH-20)*. The state, however, still needed to submit its Section 1115 Waiver extension to the federal government by March 2011.

By mid-March, the Senate approved a budget that was consistent with the Executive’s January proposal. The Senate budget included \$(475,000,000) in savings from AHCCCS and \$(49,000,000) in savings from DHS.

At the same time, the Executive revised its approach to the AHCCCS and DHS budgets. Based on its March 31 waiver extension request, the Executive’s revised proposal includes phasing out the Medicaid “spend-down” program on May 1, 2011, implementing a coverage freeze for childless adults beginning July 1, 2011, and implementing a coverage freeze on parents from 75-100% FPL beginning on October 1, 2011. A freeze allows individuals who are enrolled as of the date of the freeze to continue receiving coverage as long as they are still eligible for the program, but AHCCCS would not accept new applicants. In addition, the revised plan includes a number of other changes as described in *Table 2*, along with the Executive’s estimate of savings.

<b>Proposal</b>	<b>Savings (in millions)</b>	<b>Health BRB Section</b>
Eliminate “Spend-Down” Program	\$ 70.0	
Implement Freeze for Childless Adults	190.0	
Implement Freeze for Parents from 75- 100% FPL	17.0	
Reduce Provider Rates by (5)% and Eliminate Outlier Payments	95.0	32, 11
6-Month Redetermination for Childless Adults and Proposition 204 Parents	15.0	10
State Reimbursement of Medicare Liability	40.0	33
Expand Mandatory Co-Payments	2.7	
Impose New Benefit Limits	40.0	
Eliminate Non-Emergency Transportation for Some Recipients	1.0	
Institute Fee for Missed Appointments	<u>0.0</u>	
<b>Total</b>	<b>\$470.7</b>	

As of this writing, the federal government has not yet responded to the state’s 1115 waiver extension other than to permit the phase out of the “spend-down” population as of May 2011.

As the Executive was submitting its waiver extension to the federal government, the Legislature approved the FY 2012 budget and transmitted the bills to the Executive, which ultimately signed the legislation. The final budget included savings similar to the Senate proposal, but with a slightly different split as shown below in *Table 3*.

While the approved budget included \$(524,000,000) in savings, the waiver plan was estimated to generate only \$(470,700,000). That difference was mostly addressed by shifting \$50,000,000 of FY 2011 bills back to FY 2010, thereby freeing up \$(50,000,000) (*see FY 2011 Net Funding Changes discussion below*).

	<b>Adjustment</b>
AHCCCS Savings	\$(478,902,900)
DHS Savings	(43,530,800)
DES Savings	<u>(1,566,300)</u>
<b>Total</b>	<b>\$(524,000,000)</b>

***Budget Legislation***

The approved budget legislation includes numerous provisions to facilitate the enactment of the waiver plan if it is approved by the federal government. Those provisions, along with others, are described in this section.

The Health Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 31) includes the following provisions:

***Available Funding***

Section 34 authorizes AHCCCS, notwithstanding any other law, to adopt rules to implement a program within its available appropriations to 1) make changes to the amount, scope or duration of services, 2) establish and maintain rules regarding standards, methods and procedures for determining eligibility within the available appropriation and 3) make changes to reimbursement rates and methodologies, including rules relating to cost sharing.

If the federal waiver request is not approved, Section 38 states that it is the intent of the Legislature that AHCCCS continue to implement a program within the available appropriation.

***Cost Sharing***

Section 11 requires AHCCCS to implement a \$15 monthly premium for AHCCCS members (not to exceed \$60 per household) and a co-pay of \$5 for a physician visit, \$10 for an urgent care visit and \$30 for an emergency room visit. The Medicaid waiver plan, however, includes lower cost-sharing requirements. Section 38 directs AHCCCS to implement the Section 11 provisions if the waiver request is denied.

***Covered Services***

Section 13 eliminates non-emergency transportation as a covered service, with the exception of stretcher vans and ambulances. This provision would apply to all AHCCCS recipients. The Medicaid waiver plan, however, applies to all non-emergency transportation but for only non-disabled childless adults and parents in Maricopa and Pima Counties (non-disabled childless adults and parents in other counties would pay a co-pay). Section 38 directs AHCCCS to implement the Section 13 provisions if the waiver request is denied.

Section 38 also states that it is the intent of the Legislature to fund the coverage of transplant services eliminated in the FY 2011 budget.

**Changes to Rates**

The Health BRB provides a number of changes to rates as described below:

**Provider Rates**

Section 31 prohibits AHCCCS from increasing provider rates in the 2012 contract year beyond what they are paying at the end of the 2011 contract year. Section 32 allows AHCCCS to make an additional (5)% provider rate reduction as of October 1, 2011. The Executive’s revised Medicaid plan incorporates a (5)% reduction for all providers.

**Administrative Costs**

Section 30 continues to reduce the risk contingency rate setting for all managed care organizations by 50% and impose a 5.88% reduction on funding for all managed care organizations administrative funding levels.

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

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

**Ambulance Rates**

Section 13 sets ambulance payments at 72.2% of the DHS-set rate from April 1, 2011 to September 30, 2011. AHCCCS is permitted to reduce rates an additional (5)% from October 1, 2011 to September 30, 2012. It further prohibits AHCCCS from recognizing any increases in ambulance rates that are provided by DHS from July 2, 2011 to September 30, 2011. This is also part of the Executive’s revised Medicaid plan.

**Outlier Payments**

Section 11 eliminates the requirement for AHCCCS to make outlier payments for inpatient hospital services. AHCCCS currently pays a flat rate for inpatient hospital stays which are within a certain dollar range. Hospital stays that exceed that threshold are provided with additional compensation. The elimination of outlier payments is part of the Executive’s revised Medicaid plan.

**Redetermination**

Section 10 clarifies that redeterminations shall occur at least annually. Currently almost all recipients are required

to re-qualify annually. In the revised Medicaid plan, the Executive proposes to change redetermination periods to 6 months for childless adults and Proposition 204 parents.

**Erroneous Payments**

Section 33 permits AHCCCS to recover erroneous Medicare payments the state has made due to errors on behalf of the federal government. Credits may be used to pay for the AHCCCS program in the year they are received. This proposal is included in the Executive’s revised Medicaid plan.

Additionally, Section 36 continues 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 to consider best available technologies to reduce fraud.

**Prescription Drug Rebate Fund**

Section 14 creates the Prescription Drug Rebate Fund as a partially-appropriated fund. The fund is to be used for administration and the state share of prescription drug rebates.

**Missed Appointment Fee**

Laws 2011, Chapter 234 allows physicians to charge a \$25 fee for missed appointments. The physician may also prohibit the member from rescheduling until they have paid their missed appointment fee. This initiative is also included in the Executive’s revised Medicaid plan.

**FY 2012 Overall AHCCCS Formula Adjustments**

The budget includes \$50,567,600 from the General Fund for AHCCCS formula changes in FY 2012 as delineated by Table 4. Changes are described in further detail below the table.

<b>Table 4</b>	
<b>FY 2012 General Fund Formula Changes</b>	
	<b>Adjustment</b>
Federal Match Rate Backfill & Caseload Growth	\$558,425,000 <sup>1/</sup>
4/1 Provider Rate Annualization	(49,365,100) <sup>1/</sup>
Reduction in Spending	(478,902,900)
Prescription Drug Rebates	(10,000,000) <sup>1/</sup>
Eligibility Verification	(6,000,000)
Children’s Rehabilitative Services	<u>36,410,600</u>
<b>Total</b>	<b>\$ 50,567,600</b>

<sup>1/</sup> The combination of these issues equals the growth in the formula changes line in the statewide Detailed List of General Fund Changes by Agency as adjusted for the FY 2011 Proposition 204 savings.

**Federal Match Rate Backfill & Caseload Growth**

The budget includes an increase of \$558,425,000 for the federal match rate backfill and caseload growth. The majority of this amount is due to a decline in the federal match rate. From October 2008 until June 2011, states received an enhanced federal match rate. The FY 2011



blended federal match rate was 74.05% for most Medicaid services. This declines to 66.94% in FY 2012. Additionally, caseloads are expected to grow 1.9% to a level of 1,368,500 (see Table 5) prior to the Medicaid waiver plan. The \$558,425,000 amount includes \$50,000,000 to backfill for one-time FY 2011 savings.

Overall FY 2012 AHCCCS caseloads will depend on whether the federal government allows AHCCCS to freeze certain populations. At the time of this writing, the Executive has received permission from the federal government to phase out the “spend-down” program but is awaiting answers on the other provisions. Although the “spend-down” population is not technically a Proposition 204 population, it has traditionally been funded in those line items. As of March 2011, there were approximately 6,500 people enrolled in that program.

If the federal government approves the Medicaid waiver plan, the June 2012 Proposition 204 caseload would be reduced by approximately 6,700 for the Medicaid “spend-down” elimination, 110,000 for the childless adult freeze and 26,000 for the 75-100% parent freeze.

**Table 5**  
**JLBC Forecasted Member Months<sup>1/</sup>**  
**Prior to Medicaid Waiver Plan**

<u>Population</u>	<u>June 2011</u>	<u>June 2012</u>	<u>% Change</u>
Traditional Capitation	804,835	823,535	2.3%
Prop 204 Capitation	363,295	371,651	2.3
Children’s Rehabilitative Services	21,837	22,229	1.8
KidsCare-Children	17,953	14,092	(21.5)
Long-Term Care	27,932	28,574	2.3
Fee-For-Service/Other	<u>106,442</u>	<u>108,387</u>	<u>1.8</u>
<b>Total AHCCCS</b>	<b>1,342,294<sup>2/</sup></b>	<b>1,368,468<sup>3/</sup></b>	<b>1.9</b>

<sup>1/</sup> The figures represent point-in-time estimates. The Fee-For-Service/Other population includes the Dual Eligible (Medicare Premiums), Ticket to Work, and Breast and Cervical Cancer populations.  
<sup>2/</sup> Represents revised forecast.  
<sup>3/</sup> Actual caseloads may be lower due to the \$(478,902,900) General Fund reduction.

**4/1 Provider Rate Adjustments**

The budget includes \$(49,365,100) to annualize the savings associated with the April 1, 2011 (5)% provider rate reduction. The FY 2011 mid-year reversion savings of \$(12,807,500) will grow to \$(62,172,600) for a full year in FY 2012.

**Reduction in Spending**

The budget includes a \$(478,902,900) General Fund reduction in spending. This is described in more detail in the *Proposition 204 Services and Federal Waiver Request* narrative.

**Drug Rebates**

The federal Affordable Care Act requires drug manufacturers to provide rebates for drugs sold to Medicaid managed care plans. AHCCCS issued a Request for Proposal to hire a vendor to oversee the collection of drug rebates, and the rebates began to be processed during spring 2011. The FY 2012 General Appropriation Act appropriated 2 FTE Positions to oversee this program. The FY 2012 budget includes an additional \$(10,000,000) more in General Fund savings compared to the FY 2011 budget for a total of \$(20,000,000) in savings.

**Eligibility Verification and Children’s Rehabilitative Services**

The budget includes \$(6,000,000) in General Fund savings from a new Request for Proposal to reduce erroneous and fraudulent payments and \$36,410,600 to shift the Children’s Rehabilitative Services program to AHCCCS. These items are discussed in more detail above.

**Payment Deferral**

The budget includes a total of \$344,344,800 in FY 2012 of continued payment deferrals. This amount consists of:

General Fund	117,688,200
Federal Medicaid Authority	226,656,600

The FY 2011 Health BRB (Laws 2010, 7<sup>th</sup> Special Session, Chapter 10) required AHCCCS to defer capitation payments in the amount of \$344,201,700 in FY 2011. The FY 2011 General Appropriation Act (Laws 2010, 7<sup>th</sup> Special Session, Chapter 1) made an advanced appropriation of \$344,344,800 (the same amount plus interest) in FY 2012. The FY 2012 General Appropriation Act (Laws 2011, Chapter 24) also required AHCCCS to make a FY 2012 deferral of \$344,201,700 and made an advanced appropriation of \$344,344,800 in FY 2013.

**FY 2011 Net Funding Changes**

The FY 2011 budget initially had a shortfall of \$121,250,600 due to a lower than anticipated federal match rate. The American Recovery and Reinvestment Act of 2009 (ARRA) increased the Medicaid match rate for most services to 75.9% (KidsCare remained unchanged). The FY 2011 budget assumed the continuation of that rate through the end of FY 2011. The federal government subsequently decided to phase down that match rate as of January 2011. The final blended FY 2011 FMAP is 74.1%.

While the lower FMAP rate created an initial shortfall in FY 2011, it was offset by a number of different items. These items are discussed in more detail below (see Table 6).

Table 6

**FY 2011 General Fund  
Budget Changes**

	<u>Adjustment</u>
Lower Federal Match Rate & Lower Caseloads	\$ 64,160,800 <sup>1/</sup>
Co-Pay Implementation	(4,007,400) <sup>1/</sup>
Other Capitation Adjustments	(26,112,800) <sup>1/</sup>
Reconciliation Recoupments	(18,000,000) <sup>1/</sup>
Drug Rebates	(10,000,000) <sup>1/</sup>
4/1 Provider Rate Adjustment	(12,807,500)
FY 2010 Revertments	(50,000,000)
5/1 Medicaid "Spend-Down"	<u>(5,000,000)</u>
<b>Total</b>	<b><u>\$(61,766,900)</u></b>

<sup>1/</sup> The combination of these issues equals the \$6,040,600 formula changes line in the statewide Detailed List of General Fund Changes by Agency.

Although the enhanced match rate was estimated to generate \$652,651,700 in General Fund savings in the original FY 2011 budget, the lower than anticipated rate reduced that amount. Declining caseloads were able to offset much of the lost Federal Funds. While the original FY 2011 budget funded a June 2011 caseload of 1,450,200, the current projection is 1,342,300. Together, these 2 items generate an additional cost of \$64,160,800.

AHCCCS is expected to generate FY 2011 savings through 7 initiatives. First, AHCCCS began implementation of co-pays for certain AHCCCS adult populations. This is expected to generate \$(4,007,400) in General Fund savings. Second, AHCCCS made additional

capitation rate adjustments in October 2011, reducing anticipated General Fund expenses by approximately \$(26,112,800). This includes adjustments for utilization and other program changes. 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. Third, health plans repaid \$(18,000,000) in reconciliation recoupments. Health plans are limited to a specific percentage of profits in any given contract period. When they exceed this level, AHCCCS receives reconciliation recoupments. Fourth, savings from drug rebates, as described above, are expected to generate \$(10,000,000) of General Fund savings in FY 2011. Fifth, AHCCCS reduced capitation rates beginning on April 1, 2011, saving approximately \$(12,807,500) from the General Fund. Sixth, AHCCCS will use \$50,000,000 in FY 2010 revertments to pay FY 2010 bills which they did not receive until FY 2011. Finally, the budget includes \$(5,000,000) of savings associated with the May 1, 2011 elimination of the medical "spend-down" population (*See Proposition 204 and Federal Waiver Section*).

**County Contributions**

County governments make 4 different payments to defray the AHCCCS budget's costs, as summarized in *Table 7*.

The counties' single largest contribution is the ALTCS program. 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:

Table 7

**County Contributions**

<u>County</u>	<u>FY 2011</u>				<u>FY 2012</u>			
	<u>BNCF</u>	<u>Acute</u>	<u>DUC</u>	<u>ALTCS</u>	<u>BNCF</u>	<u>Acute</u>	<u>DUC</u>	<u>ALTCS</u>
Apache	\$ 102,700	\$268,800	\$ 87,300	\$ 485,000	\$ 104,200	\$ 268,800	\$ 87,300	\$ 631,800
Cochise	191,700	2,214,800	162,700	4,140,300	194,300	2,214,800	162,700	5,309,100
Coconino	189,100	742,900	160,500	1,455,400	191,700	742,900	160,500	1,896,300
Gila	77,600	1,413,200	65,900	1,670,700	78,700	1,413,200	65,900	2,113,600
Graham	55,200	536,200	46,800	1,098,000	56,000	536,200	46,800	1,430,800
Greenlee	14,200	190,700	12,000	124,600	14,400	190,700	12,000	162,300
La Paz	29,400	212,100	24,900	636,800	29,800	212,100	24,900	827,500
Maricopa	0	20,761,900	0	118,573,200	0	20,575,000	0	154,518,900
Mohave	220,700	1,237,700	187,400	5,629,100	223,800	1,237,700	187,400	7,335,500
Navajo	144,600	310,800	122,800	2,006,700	146,700	310,800	122,800	2,614,500
Pima	1,314,500	14,951,800	1,115,900	30,705,400	1,333,000	14,951,800	1,115,900	39,653,400
Pinal	257,200	2,715,600	218,300	11,455,700	260,800	2,715,600	218,300	15,702,000
Santa Cruz	60,800	482,800	51,600	1,476,300	61,600	482,800	51,600	1,933,300
Yavapai	243,000	1,427,800	206,200	7,228,300	246,400	1,427,800	206,200	9,586,200
Yuma	216,600	1,325,100	183,900	6,192,500	219,700	1,325,100	183,900	8,017,700
<b>Subtotal</b>	<b>\$3,117,300</b>	<b>\$48,792,200</b>	<b>\$2,646,200</b>	<b>\$192,878,000<sup>1/2/</sup></b>	<b>\$3,161,100</b>	<b>\$48,605,300</b>	<b>\$2,646,200</b>	<b>\$251,732,900</b>
<b>Total</b>				<b>\$247,433,700<sup>3/</sup></b>	<b>\$306,145,500</b>			

<sup>1/</sup> This amount reflects revised contributions to account for the lower enhanced FMAP in FY 2011.

<sup>2/</sup> The Health BRB allows AHCCCS to increase county contributions proportionally if the overall of the ALTCS program exceeds \$1,242,309,200.

<sup>3/</sup> The Health BRB requires AHCCCS to transfer any excess monies back to the counties by December 31, 2012 if the counties' proportion of the state match exceeds the portion allowed to comply with the federal Affordable Care Act.

1. The growth is split 50% to the state, 50% to the counties.
2. The counties' portion is allocated among the counties based on their FY 2010 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2012, this provision provides 1 county with a total of \$3,903,800 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 2012, this provision provides 3 counties with a total of \$15,753,600 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 2012 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$37.64 in FY 2012). In FY 2012, this provision provides 7 counties with a total of \$12,274,400 in relief.

In FY 2012, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$31,931,800 in relief to 10 counties.

In FY 2011, the county share increased from \$187,507,000 to \$192,878,000, a change of \$5,371,000, due to lower than expected federal match partially offset by lower than budgeted caseloads. In FY 2012, the budget includes an increase of \$58,854,900 to \$251,732,900 to account for caseload growth and FMAP adjustments.

The Health BRB includes a provision requiring AHCCCS to distribute any excess funding in the ALTCS program in FY 2012 proportionally between the counties and state.

The Health BRB also includes a provision that if the cost of the ALTCS program exceeds the amount specified in the General Appropriation Act in FY 2012 the director of AHCCCS can charge counties a proportional share of the additional costs.

### ***Program Components***

Traditional Medicaid, Proposition 204, KidsCare, and ALTCS services include the following costs:

#### Capitation

The majority of AHCCCS payments are made through monthly capitated payments. This follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate for each member. In FY 2012, the average capitation rate is expected to be approximately \$350 per member per month (or \$4,200 annually). Of that amount, \$116 is from state match and \$234 from Federal Medicaid Authority. This

calculation includes the annualization of the April 1, 2011 provider rate reduction but does not include any new program changes or provider rate reductions in FY 2012.

#### Reinsurance

Reinsurance is a stop-loss program for health plans and program contractors for patients with unusually high costs. The health plan is responsible for paying all of a member's costs until an annual deductible has been met.

#### Fee-for-Service

Rather than using Capitation, Fee-For-Service payments are made for 4 programs: 1) federally-mandated services for Native Americans living on-reservations; 2) rural Federally Qualified Health Centers (FQHC); 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.

#### Medicare Premiums

AHCCCS provides funding for the purchase of Medicare Part B (supplemental medical insurance) and Part A (hospital insurance). Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, this includes the cost of premiums for certain disabled workers and low-income Qualified Medicare Beneficiaries.

#### Clawback

AHCCCS is not required to pay for prescription drug costs for members who are eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on a certain percent (80.0% in 2012) of the estimated drug costs.

### ***Graduate Medical Education***

The Graduate Medical Education (GME) program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. A.R.S. § 36-2903.01 allows local, county, and tribal governments, along with public universities to provide state match for GME, and entities may designate the recipients of such funds.

While the budget includes no General Fund GME support, AHCCCS' budget permits federal expenditure authority for the non-AHCCCS match. AHCCCS expects to receive federal matching funds of \$73,679,600 in FY 2012 for GME based on \$38,210,400 in local and university funds.

### ***Tobacco Tax Allocation***

Table 8 is a summary of the tobacco tax allocations.

Table 8

**Summary of Tobacco Tax and Health Care Fund and Tobacco Products Tax Fund**

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
<b>Medically Needy Account</b>			
<u>Funds Available</u>			
Balance Forward	\$ 486,600	\$ 3,805,300	\$ 4,163,100
Transfer In - Tobacco Tax and Health Care Fund	49,883,800	47,869,700	47,869,700
Transfer In - Tobacco Products Tax Fund	<u>27,081,300</u>	<u>25,950,900</u>	<u>25,950,900</u>
<b>Total Funds Available</b>	<b>\$77,451,700</b>	<b>\$77,625,900</b>	<b>\$77,983,700</b>
<u>Allocations</u>			
<i>AHCCCS</i>			
Traditional Medicaid State Match Appropriation	<u>\$38,295,800</u>	<u>\$38,295,800</u>	<u>\$38,295,800</u>
Total AHCCCS Allocations	<b>\$38,295,800</b>	<b>\$38,295,800</b>	<b>\$38,295,800</b>
<i>DHS</i>			
Behavioral Health GF Offset	\$35,006,300	\$34,767,000	\$34,767,000
Folic Acid	<u>338,600</u>	<u>400,000</u>	<u>400,000</u>
Total DHS Allocations	<b>\$35,344,900</b>	<b>\$35,167,000</b>	<b>\$35,167,000</b>
Administrative Adjustments	<u>(5,700)</u>	<u>0</u>	<u>0</u>
<b>Balance Forward</b>	<b>\$ 3,805,300</b>	<b>\$ 4,163,100</b>	<b>\$ 4,520,900</b>
<b>AHCCCS Proposition 204 Protection Account</b>			
<u>Funds Available</u>			
Balance Forward	\$ 0	\$ 0	\$ 0
Transfer In - Tobacco Products Tax Fund	<u>43,614,400</u>	<u>40,367,900</u>	<u>40,367,900</u>
<b>Total Funds Available</b>	<b>\$43,614,400</b>	<b>\$40,367,900</b>	<b>\$40,367,900</b>
<u>Allocations</u>			
AHCCCS State Match	<u>\$43,614,400</u>	<u>\$40,367,900</u>	<u>\$40,367,900</u>
<b>Balance Forward</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>AHCCCS Emergency Health Services Account</b>			
<u>Funds Available</u>			
Balance Forward	\$ 173,900	\$ 3,900	\$ 0
Transfer In - Tobacco Products Tax Fund	<u>20,060,200</u>	<u>19,222,900</u>	<u>19,222,900</u>
<b>Total Funds Available</b>	<b>\$20,234,100</b>	<b>\$19,226,800</b>	<b>\$19,222,900</b>
<u>Allocations</u>			
AHCCCS State Match Appropriation	\$20,230,200	\$19,222,900	\$19,222,900
Administrative Adjustments	<u>0</u>	<u>3,900</u>	<u>0</u>
<b>Balance Forward <sup>1/</sup></b>	<b>\$ 3,900</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>DHS Health Education Account</b>			
<u>Funds Available</u>			
Balance Forward	\$ 6,772,600	\$ 6,311,000	\$ 4,868,200
Transfer In - Tobacco Tax and Health Care Fund	16,531,900	15,654,000	15,654,000
Transfer In - Tobacco Products Tax Fund	<u>2,019,300</u>	<u>1,916,000</u>	<u>1,916,000</u>
<b>Total Funds Available</b>	<b>\$25,323,800</b>	<b>\$23,881,000</b>	<b>\$22,438,200</b>
<u>Allocations</u>			
Tobacco Education and Prevention Program	\$16,349,600	\$16,349,600	\$16,349,600
Leading Causes of Death - Prevention and Detection	<u>2,663,200</u>	<u>2,663,200</u>	<u>2,663,200</u>
<b>Balance Forward</b>	<b>\$ 6,311,000</b>	<b>\$ 4,868,200</b>	<b>\$ 3,425,400</b>
<b>Health Research Account</b>			
<u>Funds Available</u>			
Balance Forward	\$ 3,717,300	\$ 2,114,400	\$ 1,291,600
Transfer In - Tobacco Tax and Health Care Fund	3,563,000	3,419,200	3,419,200
Transfer In - Tobacco Products Tax Fund	5,048,300	4,805,700	4,805,700
Interest Revenue	27,300	<u>0</u>	<u>0</u>
<b>Total Funds Available</b>	<b>\$12,355,900</b>	<b>\$10,339,300</b>	<b>\$9,516,500</b>
<u>Allocations</u>			
Biomedical Research	\$ 9,741,500	\$ 8,547,700	\$ 7,547,700
Alzheimer's Disease Research	0	0	1,000,000
Biotechnology (Laws 2002, Ch. 186)	500,000	<u>500,000</u>	<u>500,000</u>
<b>Balance Forward</b>	<b>\$ 2,114,400</b>	<b>\$ 1,291,600</b>	<b>\$ 468,800</b>

<sup>1/</sup> Any unencumbered funds in the Emergency Health Services Account are transferred to the Proposition 204 Protection Account at the end of each year.

# State Board of Appraisal

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.5	4.5	5.5
Personal Services	225,600	224,500	284,300
Employee Related Expenditures	93,000	92,800	113,600
Professional and Outside Services	142,500	201,600	271,900
Travel - In State	3,100	7,600	7,600
Travel - Out of State	0	5,000	5,000
Other Operating Expenditures	151,100	78,800	68,100
Equipment	0	5,000	5,000
<b>AGENCY TOTAL</b>	<b>615,300</b>	<b>615,300</b>	<b>755,500</b> <sup>1/2</sup>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	615,300	615,300	755,500
SUBTOTAL - Other Appropriated Funds	615,300	615,300	755,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>615,300</b>	<b>615,300</b>	<b>755,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>615,300</b>	<b>615,300</b>	<b>755,500</b>

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

## Operating Budget

The budget includes \$755,500 and 5.5 FTE Positions from the Board of Appraisal Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

### Compliance Administrator

The budget includes an increase of \$148,900 and 1 FTE Position from the Board of Appraisal Fund in FY 2012 for a regulatory compliance administrator to run the Appraisal Management Company (AMC) program, and for other associated costs. Laws 2010, Chapter 336 requires the Board of Appraisal to register and investigate complaints concerning AMCs. The board began registering AMCs in July 2010 but has been using temporary staff for the program. The budget provides funding for a permanent regulatory compliance administrator, Attorney General legal services, and other costs associated with the new program.

### Statewide Adjustments

The budget includes a decrease of \$(14,200) from the Board of Appraisal Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

## Restore Furlough Reduction

The budget includes an increase of \$5,500 from the Board of Appraisal Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

## Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$14,100 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Arizona Commission on the Arts

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	10.5	9.5	0.0
Personal Services	309,400	399,900	0
Employee Related Expenditures	138,700	144,200	0
Professional and Outside Services	5,500	6,600	0
Travel - In State	600	5,600	0
Travel - Out of State	300	4,000	0
Other Operating Expenditures	86,500	103,100	0
<b>OPERATING SUBTOTAL</b>	<b>541,000</b>	<b>663,400</b>	<b>0</b>
<b>SPECIAL LINE ITEMS</b>			
Community Service Projects	281,500	0	0
<b>AGENCY TOTAL</b>	<b>822,500</b>	<b>663,400</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	822,500	663,400	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>822,500</b>	<b>663,400</b>	<b>0</b>
Other Non-Appropriated Funds	1,560,400	1,216,400	1,200,000
Federal Funds	1,128,800	895,600	895,600
<b>TOTAL - ALL SOURCES</b>	<b>3,511,700</b>	<b>2,775,400</b>	<b>2,095,600</b>

**AGENCY DESCRIPTION** — The agency promotes arts in the state by offering matching grants to communities and arts organizations, developing programs in-house to showcase artists in all disciplines, and serving as a resource for local artists.

### **Operating Budget**

The budget includes no funding from the General Fund in FY 2012 for the operating budget. This amount funds the following adjustments:

#### **Statewide Adjustments**

The budget includes an increase of \$2,200 from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### **Eliminate General Fund Support**

The budget includes a decrease of \$(665,600) and (9.5) FTE Positions from the General Fund in FY 2012 to shift agency operations to end General Fund support for the Commission.

### **Community Service Projects**

The budget includes no funding in FY 2012 for Community Service Projects. This amount is unchanged from FY 2011. The Arizona Commission on the Arts eliminated funding for this program as part of its allocation of its FY 2011 lump sum reduction.

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

### **Fund Transfers**

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

## ***Board of Athletic Training***

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	0.0	1.5	1.5
Personal Services	0	60,800	60,800
Employee Related Expenditures	0	17,900	17,200
Professional and Outside Services	0	4,400	4,400
Travel - In State	0	600	600
Other Operating Expenditures	0	18,000	18,200
<b>AGENCY TOTAL</b>	<b>0</b>	<b>101,700</b>	<b>101,200<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Athletic Training Fund	0	101,700	101,200
SUBTOTAL - Other Appropriated Funds	0	101,700	101,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>0</b>	<b>101,700</b>	<b>101,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>0</b>	<b>101,700</b>	<b>101,200</b>

**AGENCY DESCRIPTION** — The Board of Athletic Training (BAT) examines and licenses athletic trainers, investigates complaints and holds hearings to enforce standards of practice. The Executive Director of BAT also serves as the Executive Director of the Board of Occupational Therapy. BAT is displayed as its own agency for the first time in FY 2011.

### ***Operating Budget***

The budget includes \$101,200 and 1.5 FTE Positions from the Athletic Training Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(500) from the Athletic Training Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

### ***Additional Legislation***

The General Appropriation Act (Laws 2011, Chapter 24) provides a supplemental appropriation of \$101,700 from the Athletic Training Fund in FY 2011 for the operating budget. The Board of Athletic Training began having license and fee revenue deposited in the Athletic Training Fund in FY 2011. However, there was no appropriation for the Board of Athletic Training in the original FY 2011 budget. Expenditures are currently being made from a sub-account in the Occupational Therapy Fund. Any expenditures from the Occupational Therapy Fund in FY 2011 for the Board of Athletic Training are to be reimbursed from the Athletic Training Fund.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$3,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Attorney General - Department of Law

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	597.9	592.9	592.9 <sup>1/</sup>
Personal Services	23,868,700	26,039,700	26,039,700
Employee Related Expenditures	8,178,000	9,021,300	8,694,000
Professional and Outside Services	825,600	1,045,000	1,045,000
Travel – In State	117,300	125,100	125,100
Travel – Out of State	50,400	67,300	67,300
Other Operating Expenditures	5,349,200	6,162,000	7,770,800
Equipment	431,600	302,100	302,100
<b>OPERATING SUBTOTAL</b>	<b>38,820,800</b>	<b>42,762,500</b>	<b>44,044,000</b>
<b>SPECIAL LINE ITEMS</b>			
Military Airport Planning	99,900	84,600	84,700 <sup>2/</sup>
Risk Management ISA	7,723,000	8,819,800	8,765,900
State Grand Jury	178,900	176,200	176,800
Victims' Rights	3,125,500	3,240,300	3,238,700
<b>AGENCY TOTAL</b>	<b>49,948,100</b>	<b>55,083,400</b>	<b>56,310,100</b> <sup>3/4/5/</sup>
<b>FUND SOURCES</b>			
General Fund	17,774,300	17,478,700	16,931,500
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	112,500	242,100	241,200
Attorney General Legal Services Cost Allocation Fund	5,574,100	5,448,000	5,397,100
Collection Enforcement Revolving Fund	2,353,700	3,308,600	5,291,900
Consumer Protection - Consumer Fraud Revolving Fund	1,954,700	3,455,700	3,439,800
Interagency Service Agreements Fund	11,330,300	13,090,200	13,004,000 <sup>6/</sup>
Risk Management Revolving Fund	7,723,000	8,819,800	8,765,900
Victims' Rights Fund	3,125,500	3,240,300	3,238,700
SUBTOTAL - Other Appropriated Funds	32,173,800	37,604,700	39,378,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>49,948,100</b>	<b>55,083,400</b>	<b>56,310,100</b>
Other Non-Appropriated Funds	33,207,700	31,319,500	26,620,400
Federal Funds	7,453,500	8,045,500	6,016,300
<b>TOTAL - ALL SOURCES</b>	<b>90,609,300</b>	<b>94,448,400</b>	<b>88,946,800</b>

**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.

<sup>1/</sup> Includes 110.8 OF FTE Positions and 2.6 GF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> Includes \$84,700 from the General Fund appropriated by A.R.S. § 26-263 for Military Airport Planning, as adjusted for statewide allocations.

<sup>3/</sup> The Attorney General shall notify the President of the Senate, the Speaker of the House of Representatives and the Joint Legislative Budget Committee before entering into a settlement of \$100,000 or more that will result in the receipt of monies by the Attorney General or any other person. The Attorney General shall not allocate or expend these monies until the Joint Legislative Budget Committee reviews the allocations or expenditures. Settlements that pursuant to statute must be deposited in the state General Fund need not be reviewed by the Joint Legislative Budget Committee. This paragraph does not apply to actions under Title 13, Arizona Revised Statutes, or other criminal matters. (General Appropriation Act footnote)

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

<sup>5/</sup> In addition to these amounts, a total of \$412,300 GF and \$1,130,700 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

<sup>6/</sup> In addition to the \$13,004,000 appropriated from the Interagency Service Agreements Fund in FY 2012, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2012 for new or expanded interagency service agreements. The Attorney General shall report to the Joint Legislative Budget Committee whenever an interagency service agreement is established that will require expenditures from the additional amount. The report shall include the name of the agency or entity with which the agreement is made, the dollar amount of the contract by fiscal year and the number of associated FTE Positions. (General Appropriation Act footnote, as adjusted for statewide allocations)



## **Operating Budget**

The budget includes \$44,044,000 and 479.5 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$16,670,000
Antitrust Enforcement Revolving Fund	241,200
Attorney General Legal Services Cost Allocation Fund	5,397,100
Collection Enforcement Revolving Fund	5,291,900
Consumer Fraud Revolving Fund	3,439,800
Interagency Service Agreements Fund	13,004,000

These amounts fund the following adjustments:

### **Increase in Appropriation Authority**

The budget includes an increase of \$2,000,000 from the Collection Enforcement Revolving Fund in FY 2012 for increased appropriation authority. The Collection Enforcement Revolving Fund receives 35% of the monies recovered by the Attorney General's Office from debts owed to the state and is used for expenses related to debt collection owed to the state and general operating expenses.

### **Statewide Adjustments**

The budget includes a decrease of \$(718,500) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(547,900)
Antitrust Enforcement Revolving Fund	(900)
Attorney General Legal Services Cost Allocation Fund	(50,900)
Collection Enforcement Revolving Fund	(16,700)
Consumer Fraud Revolving Fund	(15,900)
Interagency Service Agreements Fund	(86,200)

*(Please see the Agency Detail and Allocations section.)*

## **Military Airport Planning**

The budget includes \$84,700 and 1 FTE Position from the General Fund in FY 2012 for Military Airport Planning. These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes an increase of \$100 from the General Fund in FY 2012 for statewide adjustments.

A.R.S. § 26-263 appropriated \$85,000 annually (prior to statewide adjustments) from the General Fund to the Attorney General's Office. 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 original 2004 legislation, including review and determination of compliance with land use plans.

## **Risk Management ISA**

The budget includes \$8,765,900 and 102 FTE Positions from the Risk Management Revolving Fund in FY 2012 for the Risk Management ISA. These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes a decrease of \$(53,900) from the Risk Management Revolving Fund in FY 2012 for statewide adjustments.

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

## **State Grand Jury**

The budget includes \$176,800 and 1.6 FTE Positions from the General Fund in FY 2012 for the State Grand Jury. These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes an increase of \$600 from the General Fund in FY 2012 for statewide adjustments.

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

## **Victims' Rights**

The budget includes \$3,238,700 and 8.8 FTE Positions from the Victims' Rights Fund in FY 2012 for Victims' Rights. These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes a decrease of \$(1,600) from the Victims' Rights Fund in FY 2012 for statewide adjustments.

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

## **Fund Transfers**

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

<b><i>Additional Legislation</i></b>
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***Increase in Collections Enforcement Revolving Fund  
Non-Lapsing Cap***

The Criminal Justice Budget Reconciliation Bill (Laws 2011, Chapter 33) permanently increases the non-lapsing cap for the Collections Enforcement Revolving Fund from \$100,000 to \$500,000.

## Automobile Theft Authority

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	243,900	304,400	309,500
Employee Related Expenditures	88,700	114,200	111,600
Professional and Outside Services	11,800	16,500	16,500
Travel - In State	1,500	4,000	4,000
Travel - Out of State	1,300	6,000	6,000
Other Operating Expenditures	117,900	171,300	158,800
Equipment	1,300	9,500	9,500
<b>OPERATING SUBTOTAL</b>	<b>466,400</b>	<b>625,900</b>	<b>615,900</b>
<b>SPECIAL LINE ITEMS</b>			
Automobile Theft Authority Grants	3,732,700	4,457,500	3,607,700 <sup>1/2/</sup>
Reimbursable Programs	0	50,000	50,000 <sup>3/</sup>
<b>AGENCY TOTAL</b>	<b>4,199,100</b>	<b>5,133,400</b>	<b>4,273,600<sup>4/5/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Automobile Theft Authority Fund	4,199,100	5,133,400	4,273,600
SUBTOTAL - Other Appropriated Funds	4,199,100	5,133,400	4,273,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,199,100</b>	<b>5,133,400</b>	<b>4,273,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>4,199,100</b>	<b>5,133,400</b>	<b>4,273,600</b>

**AGENCY DESCRIPTION** — The Automobile Theft Authority (ATA) is responsible for analyzing the methods of combating the problem of vehicle theft and promoting successful methods of reducing the number of vehicle thefts in Arizona. The ATA is primarily funded from motor vehicle insurance premium fees.

#### Operating Budget

The budget includes \$615,900 and 6 FTE Positions from the Automobile Theft Authority (ATA) Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

##### Statewide Adjustments

The budget includes a decrease of \$(16,200) from the Automobile Theft Authority Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$6,200 from the ATA Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

#### Automobile Theft Authority Grants

The budget includes \$3,607,700 from the ATA Fund in FY 2012 for ATA Grants. This amount funds the following adjustments:

##### Appropriation Alignment

The budget includes a decrease of \$(849,800) from the ATA Fund in FY 2012 to bring the appropriation level in-line with available funding.

- 1/ The Automobile Theft Authority shall pay 75% of the Personal Services and Employee Related Expenses for city and county sworn officers who participate in the Arizona Vehicle Theft Task Force. (General Appropriation Act footnote)
- 2/ Automobile Theft Authority grants shall be awarded with consideration given to areas with greater automobile theft problems and shall be used to combat economic automobile theft operations. (General Appropriation Act footnote)
- 3/ The Automobile Theft Authority shall submit a report to the Joint Legislative Budget Committee for review before expending any monies for the Reimbursable Programs line item. The agency shall also show sufficient funds collected to cover the expenses indicated in the report. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ In addition to these amounts, a total of \$15,300 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

This line item funds grants awarded to law enforcement agencies to reduce auto theft.

#### ***Reimbursable Programs***

The budget includes \$50,000 from the ATA Fund in FY 2012 for Reimbursable Programs. This amount is unchanged from FY 2011.

This line item funds programs such as training seminars and “bait car” projects. This Special Line Item is funded from donations and grants from the private sector.

#### ***Fund Transfers***

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

## Board of Barbers

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	163,100	184,100	187,500
Employee Related Expenditures	55,500	57,500	56,000
Professional and Outside Services	6,600	14,500	14,500
Travel - In State	17,200	44,000	44,000
Travel - Out of State	1,600	3,000	3,000
Other Operating Expenditures	32,600	39,900	14,600
Equipment	100	1,100	1,100
<b>AGENCY TOTAL</b>	<b>276,700</b>	<b>344,100</b>	<b>320,700<sup>1/2</sup></b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Board of Barbers Fund	276,700	344,100	320,700
SUBTOTAL - Other Appropriated Funds	276,700	344,100	320,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>276,700</b>	<b>344,100</b>	<b>320,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>276,700</b>	<b>344,100</b>	<b>320,700</b>

**AGENCY DESCRIPTION** — The board licenses barbers, inspects barbering establishments, and investigates violations of sanitation requirements and barbering procedures. It conducts hearings and imposes enforcement actions where appropriate.

### Operating Budget

The budget includes \$320,700 and 4 FTE Positions from the Board of Barbers Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Eliminate One-Time Expenditures

The budget includes a decrease of \$(21,000) from the Board of Barbers Fund in FY 2012 to eliminate a one-time annual leave payout for 3 employees.

#### Statewide Adjustments

The budget includes a decrease of \$(6,600) from the Board of Barbers Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$4,200 from the Board of Barbers Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$9,300 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Board of Behavioral Health Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	584,800	654,400	667,100
Employee Related Expenditures	255,500	360,700	355,500
Professional and Outside Services	188,200	233,100	244,300
Travel - In State	2,300	10,000	10,000
Travel - Out of State	0	8,300	8,300
Other Operating Expenditures	168,800	164,500	170,400
Equipment	7,700	3,100	3,100
<b>AGENCY TOTAL</b>	<b>1,207,300</b>	<b>1,434,100</b>	<b>1,458,700</b> <sup>1/2</sup>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Board of Behavioral Health Examiners Fund	1,207,300	1,434,100	1,458,700
SUBTOTAL - Other Appropriated Funds	1,207,300	1,434,100	1,458,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,207,300</b>	<b>1,434,100</b>	<b>1,458,700</b>
<b>TOTAL - ALL SOURCES</b>	1,207,300	1,434,100	1,458,700

**AGENCY DESCRIPTION** — The board certifies and regulates behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board also licenses and regulates professionals engaged in the practice of psychotherapy.

### Operating Budget

The budget includes \$1,458,700 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Meeting Security

The budget includes an increase of \$11,200 from the Board of Behavioral Health Examiners Fund in FY 2012 for increased meeting security. The funds will allow the board to pay for a uniformed officer to attend board meetings and credentialing committee meetings.

#### Increased Postage Costs

The budget includes an increase of \$7,500 from the Board of Behavioral Health Examiners Fund in FY 2012 for increased postage costs. The board has experienced increased costs to mail information packets and licensure application materials.

#### Statewide Adjustments

The budget includes a decrease of \$(9,600) from the Board of Behavioral Health Examiners Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$33,100 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

### Restore Furlough Reduction

The budget includes an increase of \$15,500 from the Board of Behavioral Health Examiners Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

### Fund Transfers

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

## Arizona Biomedical Research Commission

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>SPECIAL LINE ITEMS</b>			
Biotechnology	500,000 <sup>1/</sup>	500,000 <sup>1/</sup>	0 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>500,000</b>	<b>500,000</b>	<b>0</b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Tobacco Tax and Health Care Fund - Health Research Account	500,000	500,000	0
SUBTOTAL - Other Appropriated Funds	500,000	500,000	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>500,000</b>	<b>500,000</b>	<b>0</b>
Other Non-Appropriated Funds	12,555,300	15,173,400	0 <sup>2/</sup>
<b>TOTAL - ALL SOURCES</b>	<b>13,055,300</b>	<b>15,673,400</b>	<b>0</b>

**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.

Laws 2011, Chapter 27, the Consolidation Budget Reconciliation Bill, transfers the functions of the Arizona Biomedical Research Commission (ABRC) to the Department of Health Services (DHS) as of July 1, 2011. The commission which oversees the ABRC is also transferred to DHS, but with an advisory role. In addition to the appropriated money described below, 2 non-appropriated funds are shifted to DHS: the Health Research Account of the Tobacco Tax and the Disease Control Research Fund. The Health Research Account receives monies from tobacco taxes (approximately \$8,224,900 in FY 2012). The Disease Control Research Fund receives monies from the state lottery. The JLBC Staff estimates it will receive approximately \$2,346,600 in FY 2012.

for biotechnology. Funding is to be allocated to a nonprofit medical research foundation that specializes in biotechnology.

### **Biotechnology**

The budget includes no funding in FY 2012 for Biotechnology. This funds the following adjustment:

#### **Agency Consolidation**

The budget includes a decrease of \$(500,000) from the Health Research Account of the Tobacco Tax and Health Care Fund in FY 2012 due to the agency consolidation with DHS. These monies are shifted to DHS.

Laws 2002, Chapter 186 appropriated \$500,000 from the Health Research Fund annually from FY 2003 to FY 2012

<sup>1/</sup> Laws 2002, Chapter 186 appropriation of \$500,000.

<sup>2/</sup> As of July 1, 2011, Laws 2011, Chapter 27 transfers the functions of the Arizona Biomedical Research Commission (ABRC) with the Department of Health Services (DHS), shifts the commission which oversees ABRC to DHS in an advisory role, and shifts all monies to DHS.

## State Capital Postconviction Public Defender Office

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	372,600	475,100	512,600
Employee Related Expenditures	128,500	186,300	208,800
Professional and Outside Services	83,100	58,300	58,300
Travel - In State	4,000	4,300	4,300
Travel - Out of State	1,400	3,200	3,400
Other Operating Expenditures	56,600	54,600	62,500
Equipment	800	0	0
<b>AGENCY TOTAL</b>	<b>647,000</b>	<b>781,800</b>	<b>849,900</b> <sup>1/2</sup>
<b>FUND SOURCES</b>			
General Fund	647,000	633,800	688,900
<u>Other Appropriated Funds</u>			
Capital Postconviction Public Defender Office Fund	0	148,000	161,000
SUBTOTAL - Other Appropriated Funds	0	148,000	161,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>647,000</b>	<b>781,800</b>	<b>849,900</b>
Federal Funds	136,700	0	0
<b>TOTAL - ALL SOURCES</b>	<b>783,700</b>	<b>781,800</b>	<b>849,900</b>

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

### Operating Budget

The budget includes \$849,900 and 7 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

General Fund	<b><u>FY 2012</u></b>
Capital Postconviction Public Defender Office Fund	\$688,900
	161,000

These amounts fund the following adjustments:

#### Ongoing Staff

The budget includes an increase of \$14,400 from the Capital Postconviction Public Defender Office Fund in FY 2012 for the annualization of ongoing staff requirements. The budget also continues an increase of \$148,000 from the Capital Postconviction Public Defender Office Fund approved in the mid-year FY 2011 revisions.

#### Funding Increase

The budget includes an increase of \$40,000 from the General Fund in FY 2012 for additional staff.

#### Attorney General Pro Rata Exemption

The Criminal Justice Budget Reconciliation Bill (Laws 2011, Chapter 33) includes a decrease of \$(2,500) from the General Fund in FY 2012 for exempting the agency from paying the Attorney General Pro Rata charge to avoid a conflict of interest.

#### Statewide Adjustments

The budget includes an increase of \$7,500 in FY 2012 for statewide adjustments. This amount consists of:

General Fund	8,900
Capital Postconviction Public Defender Office Fund	(1,400)

*(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$8,700 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provision section.)*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$17,500 GF and \$5,700 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*



## State Board for Charter Schools

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	10.0	9.0	9.0
Personal Services	373,100	424,300	433,300
Employee Related Expenditures	172,800	197,000	158,100
Professional and Outside Services	38,800	51,300	51,300
Travel - In State	1,800	3,400	3,400
Travel - Out of State	400	0	0
Other Operating Expenditures	132,000	122,100	102,500
Equipment	1,800	2,000	2,000
<b>AGENCY TOTAL</b>	<b>720,700</b>	<b>800,100</b>	<b>750,600<sup>1/2</sup></b>
<b>FUND SOURCES</b>			
General Fund	720,700	800,100	750,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>720,700</b>	<b>800,100</b>	<b>750,600</b>
Other Non-Appropriated Funds	0	75,000	75,000
<b>TOTAL - ALL SOURCES</b>	<b>720,700</b>	<b>875,100</b>	<b>825,600</b>

**AGENCY DESCRIPTION** — The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees 457 charter schools.

### Operating Budget

The budget includes \$750,600 and 9 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(60,400) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$10,900 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

### Additional Legislation

#### Gift and Grant Fund

Laws 2011, Chapter 344 allows the State Board for Charter Schools to accept gifts and grants from public and private organizations. The bill also requires the agency to establish a Gift and Grant Fund.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$19,100 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## State Board of Chiropractic Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	251,700	247,300	252,800
Employee Related Expenditures	89,000	83,800	82,000
Professional and Outside Services	18,300	29,000	31,400
Travel - In State	5,400	5,000	5,000
Other Operating Expenditures	69,400	75,700	75,100
Equipment	500	0	3,000
<b>AGENCY TOTAL</b>	<b>434,300</b>	<b>440,800</b>	<b>449,300<sup>1/2/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Chiropractic Examiners Fund	434,300	440,800	449,300
SUBTOTAL - Other Appropriated Funds	434,300	440,800	449,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>434,300</b>	<b>440,800</b>	<b>449,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>434,300</b>	<b>440,800</b>	<b>449,300</b>

**AGENCY DESCRIPTION** — The board licenses, investigates, and regulates chiropractors who practice a system of therapy in which disease is considered the result of neural malfunction. Manipulation of the spinal column and other structures is the preferred method of treatment.

#### Operating Budget

The budget includes \$449,300 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

##### Computer Equipment

The budget includes a one-time increase of \$3,000 from the Board of Chiropractic Examiners Fund in FY 2012 for computer equipment. The board will replace outdated computer hardware.

##### ADOA Information Technology Contract

The budget includes an increase of \$2,400 from the Board of Chiropractic Examiners Fund in FY 2012 for an Information Technology (IT) contract. In order to save costs, the board will enter into a contract with the Arizona Department of Administration for maintenance and repair of its IT equipment and network.

##### Statewide Adjustments

The budget includes a decrease of \$(3,600) from the Board of Chiropractic Examiners Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$6,700 from the Board of Chiropractic Examiners Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

#### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$12,500 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

**Citizens Clean Elections Commission**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	6,140,400	11,344,400	5,309,500
<b>TOTAL - ALL SOURCES</b>	<b>6,140,400</b>	<b>11,344,400</b>	<b>5,309,500</b>

**AGENCY DESCRIPTION** — As authorized by a 1998 ballot initiative, the Citizens Clean Elections Commission provides full public funding to qualified candidates who agree to abide by the commission’s guidelines. To qualify for funding, participating candidates must adhere to spending and contribution limits, and gather \$5 qualifying contributions from district constituents who are registered voters. Participating candidates also agree to attend required debates. The commission is not subject to legislative appropriation.

	FY 2010 <u>Actual</u>	FY 2011 <u>Estimate</u>	<b>Additional Legislation</b>
<b>Funds Available</b>			
Balance Forward	\$28,172,400	\$32,716,700	
<u>Revenue:</u>			
Fine Surcharge	\$12,241,100	\$12,500,000	
Civil Penalties (election related)	600	500	
Qualifying Contributions	296,000	112,000	
\$5 Check Off Box	8,012,000	8,012,000	
Donations/Tax Credits	105,000	105,000	
Other	<u>30,000</u>	<u>30,000</u>	
<b>Total Revenue</b>	\$20,684,700	\$20,759,500	
<b>Total Funds Available</b>	\$48,857,100	\$53,476,200	
<u>Expenditures:</u>			
Personal Services	\$ 462,800	\$ 462,700	
Employee Related Expenditures	154,200	154,200	
Professional & Outside Services	2,066,100	2,000,000	
Travel - In State	5,300	5,000	
Travel - Out of State	0	2,500	
Candidate Funding	3,268,600	5,200,000	
Other Operating Expenses	164,800	3,500,000	
Capital Equipment	0	0	
Non-Capital Equipment	<u>18,600</u>	<u>20,000</u>	
<b>Total Funds Expended</b>	\$ 6,140,400	\$11,344,400	
<b>Transfer to General Fund</b>	\$10,000,000	\$20,000,000	
<b>Year-End Fund Balance</b>	\$32,716,700	\$22,131,800	

**Additional Legislation**

If approved by voters at the November 2012 General Election, Senate Concurrent Resolution (SCR) 1025 would prohibit the state or its political subdivisions from using public funds for political campaigns. In addition, SCR 1025 would prohibit these entities from offering tax credits/deductions or assessing any surcharge associated with the public financing of campaigns.

The practical effect of SCR 1025 would be the elimination of the Citizens Clean Elections Commission along with its associated check off box and fine surcharge. Any unexpended Clean Elections funds would be transferred to the General Fund.

**Fund Transfers**

The budget assumes a transfer of \$(20,000,000) from the Citizens Clean Election Fund to the General Fund in FY 2012. Pursuant to a 1998 ballot proposition (A.R.S. § 16-954D), the Citizens Clean Elections Commission is instructed to return excess monies to the General Fund if it determines that anticipated revenues exceed anticipated expenses. Given the legal requirement for the return of excess monies, these transfers were not specified in any bill.

## Department of Commerce

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	65.9	64.9	0.0
Personal Services	511,700	534,500	0
Employee Related Expenditures	228,400	194,500	0
Professional and Outside Services	78,500	164,500	0
Travel - In State	11,200	14,000	0
Travel - Out of State	9,900	15,200	0
Other Operating Expenditures	267,800	897,700	0
Equipment	35,100	9,500	0
<b>OPERATING SUBTOTAL</b>	<b>1,142,600</b>	<b>1,829,900</b>	<b>0</b>
<b>SPECIAL LINE ITEMS</b>			
<b>International Development</b>			
Arizona Trade Office in Sonora	25,000	25,000	0
International Trade Offices	1,193,000	1,666,300	0
National Law Center/Free Trade	170,000	200,000	0
<b>Business Assistance Center</b>			
Minority and Women Owned Business	128,900	127,500	0
Small Business Advocate	125,700	124,900	0
<b>Rural Community Assistance</b>			
Economic Development Matching Funds	27,000	104,000	0
Main Street	83,400	130,000	0
REDI Matching Grants	11,000	45,000	0
Rural Economic Development	325,900	337,500	0
<b>National Marketing</b>			
Advertising and Promotion	570,900	659,200	0
<b>Strategic Finance</b>			
CEDC Commission	170,500	194,500	0
<b>Other</b>			
Apprenticeship Services	187,100	188,000	0
Oil Overcharge Administration	0	186,700	0
Military Airport Planning	1,954,400	0	0
Nursing Education	2,632,000	0	0
<b>AGENCY TOTAL</b>	<b>8,747,400</b>	<b>5,818,500</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	6,202,700	1,463,800	0
<u>Other Appropriated Funds</u>			
CEDC Fund	2,325,000	3,757,200	0
Commerce Development Bond Fund	400	146,300	0
Oil Overcharge Fund	0	186,700	0
State Lottery Fund	219,300	264,500	0
SUBTOTAL - Other Appropriated Funds	2,544,700	4,354,700	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,747,400</b>	<b>5,818,500</b>	<b>0</b>
Other Non-Appropriated Funds	25,606,700	6,946,300	0
Federal Funds	25,154,900	47,731,500	0
<b>TOTAL - ALL SOURCES</b>	<b>59,509,000</b>	<b>60,496,300</b>	<b>0</b>

**AGENCY DESCRIPTION** — The department promoted economic, community, and workforce development. The department's duties included: 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.

***Transition to Arizona Commerce Authority***

Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1, established the Arizona Commerce Authority (ACA) and eliminated the Department of Commerce. The ACA retained most of the Department of Commerce’s former responsibilities; however, the bill moved the Energy Office to the Governor’s Office, and the Greater Arizona Development Authority to the Water Infrastructure Finance Authority. The General Government Budget Reconciliation Bill (Laws 2011, Chapter 34) moved the Office of Employment and Population Statistics to the Arizona Department of Administration. (See ACA for further description of the new budget unit.)

The following describes the Department of Commerce’s FY 2011 resources.

***Operating Budget***

The FY 2011 budget included \$1,829,900 and 41.4 FTE Positions for the operating budget. These amounts consisted of:

	<b><u>FY 2011</u></b>
General Fund	\$238,800
Commerce and Economic Development Commission (CEDC) Fund	1,374,800
Bond Fund	146,300
State Lottery Fund	70,000

***International Development***

***Arizona Trade Office in Sonora***

The FY 2011 budget included \$25,000 from the CEDC Fund for the Arizona Trade Office in Sonora.

Managed by the Arizona-Mexico Commission, the Arizona Trade Office in Sonora assisted Arizona companies in search of trade opportunities in Mexico, as well as ensured that such business ventures into Mexico were effective.

***International Trade Offices***

The FY 2011 budget included \$1,666,300 and 7 FTE Positions for the International Trade Offices. These amounts consisted of:

General Fund	699,500
CEDC Fund	966,800

The line item funded business incentives and assistance procedures to locate businesses in the state. The program supported international trade offices in Mexico, the United

Kingdom, Canada, Northern Ireland (European Office) and Japan.

***National Law Center/Free Trade***

The FY 2011 budget included \$200,000 from the CEDC Fund for National Law Center/Free Trade.

The National Law Center for Inter-American Free Trade was a research and educational center. Funding was 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 FY 2011 budget included \$127,500 and 2 FTE Positions from the CEDC Fund for Minority and Women Owned Business.

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

***Small Business Advocate***

The FY 2011 included \$124,900 and 2 FTE Positions from the CEDC Fund for Small Business Advocate.

The line item funded programs to promote the creation and growth of small Arizona businesses. The office also acted as an advocate for small business interests.

***Rural Community Assistance***

***Economic Development Matching Funds***

The FY 2011 budget included \$104,000 from the CEDC Fund for Economic Development Matching Funds.

The line item funded programs to support community growth management efforts, including the development of general and comprehensive land use plans.

***Main Street***

The FY 2011 budget included \$130,000 from the CEDC Fund for the Main Street program.

This line item provided funding for the historical preservation or refurbishment of downtown areas, or “main streets,” in selected rural Arizona communities. There were 9 grant recipients in FY 2011: Lake Havasu,

Sedona, Prescott, Pinetop-Lakeside, Safford, Williams, Globe, Florence, and Casa Grande.

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***REDI Matching Grants***

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The FY 2011 budget included \$45,000 from the CEDC Fund for Rural Economic Development Initiative (REDI) Matching Grants.

The REDI program offered special community project grants for technical assistance in implementing economic development programs for rural communities. There were 6 grant recipients in FY 2011: Maricopa, Copper Corridor, Show Low, Eagar, Florence, and Moenkope.

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***Rural Economic Development***

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The FY 2011 budget included \$337,500 and 4 FTE Positions from the General Fund for Rural Economic Development.

The line item funded programs to assist rural Arizona communities in accessing financing mechanisms and technical assistance to better address community infrastructure needs.

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***National Marketing***

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***Advertising and Promotion***

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The FY 2011 budget included \$659,200 from the CEDC Fund for Advertising and Promotion.

The line item funded programs advertising and promoting the department's various services through magazine ads, direct mail, and special events.

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***Strategic Finance***

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***CEDC Commission***

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The FY 2011 budget included \$194,500 and 3.5 FTE Positions from the State Lottery Fund for the CEDC Commission.

These administration expenses were 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 was to provide oversight for the short-term and long-term economic development initiatives in the statewide economic development strategic plan.

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***Other***

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***Apprenticeship Services***

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The FY 2011 budget included \$188,000 and 3 FTE Positions from the General Fund for Apprenticeship Services.

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

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***Oil Overcharge Administration***

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The FY 2011 budget included \$186,700 and 2 FTE Positions from the Oil Overcharge Fund for Oil Overcharge Administration.

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

# Arizona Commerce Authority

FY 2012  
APPROVED

<b>OPERATING BUDGET</b>	10,000,000 <sup>1/</sup>
<b>SPECIAL LINE ITEMS</b>	
Arizona Competes Fund Deposit	21,500,000 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>31,500,000</b>
<b>FUND SOURCES</b>	
General Fund	31,500,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>31,500,000</b>
Other Non-Appropriated Funds	7,660,200
Federal Funds <sup>2/</sup>	2,749,700
<b>TOTAL - ALL SOURCES</b>	<b>41,909,900</b>

**AGENCY DESCRIPTION** — The Arizona Commerce Authority promotes economic, community, and workforce development. The department's duties include: support for statewide business expansion and attraction; international trade offices; workforce development and job training; online assistance for new business start-ups; tax credit administration.

## Creation of Arizona Commerce Authority

Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1 established the Arizona Commerce Authority (ACA) and eliminated the Department of Commerce. The ACA's main purpose is to attract and retain business in Arizona and is governed by a board of directors. In addition to attracting businesses, the ACA inherited the following Department of Commerce functions:

- Economic Strength Fund and Projects
- Healthy Forest Enterprise Incentives Program
- Defense Contractor Restructuring Assistance Program
- Environmental Technology Assistance Program
- Capital Investment Incentives (Angel Investment) Program
- Small Business Investment Tax Credit
- Motion Picture Production and Infrastructure Tax Incentives
- Commercial Solar Energy Tax Credit Applications
- Renewable Energy Tax Incentives Program Applications
- Increased Research Activity Tax Credit Certification
- Arizona 21<sup>st</sup> Century Fund Administration and Fund
- Job Training Program and Fund
- Governor's Council on Workforce Policy Member

Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1 establishes the Job Creation Withholdings Clearing Account, consisting of \$31.5 million in income tax withholding from the General

Fund. Of that amount, \$10 million is deposited into the Arizona Commerce Authority Fund (ACAF) for ACA operational expenses and \$21.5 million is deposited into the Arizona Competes Fund (ACF). In accordance with these provisions, Section 135 of the General Appropriation Act allocates these monies to ACA.

Additionally, Chapter 1 provides an annual deposit of \$3.5 million in lottery revenues to the Arizona Competes Fund. Combining General Fund and lottery revenues, the ACF will have \$25 million in resources to provide grants to help attract, expand, or retain businesses in Arizona.

The bill also allows the Authority access to the remaining balance in the Commerce and Economic Development Fund, which is estimated to be approximately \$3.5 million.

Both funds are non-appropriated. *(Please see the Economic and Revenue Forecast section for more information on Chapter 1's tax provisions.)*

## Fund Transfers

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

<sup>1/</sup> In accordance with A.R.S. § 43-409, \$31,500,000 of state General Fund withholding tax revenue is allocated in FY 2012 to the Arizona Commerce Authority, of which \$ 10,000,000 shall be credited to the Arizona Commerce Authority Fund and \$21,500,000 shall be credited to the Arizona Competes Fund. (General Appropriation Act footnote)

<sup>2/</sup> Excludes most remaining American Recovery and Reinvestment Act monies allocated to the ACA.

## Arizona Community Colleges

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>SPECIAL LINE ITEMS</b>			
Operating State Aid			
Cochise	7,488,700	7,488,700	5,572,000
Coconino	2,679,400	2,679,400	1,836,000
Gila	658,400	658,400	428,100
Graham	4,243,900	4,243,900	2,260,000
Maricopa	45,327,400	45,327,400	6,891,200
Mohave	3,682,900	3,682,900	1,792,200
Navajo	3,590,000	3,590,000	1,730,100
Pima	15,942,100	15,942,100	7,146,400
Pinal	4,935,100	4,935,100	2,086,200
Yavapai	4,196,000	4,196,000	899,200
Yuma/La Paz	4,812,900	4,812,900	2,683,000
<i>Subtotal - Operating State Aid</i>	97,556,800	97,556,800	33,324,400
Capital Outlay State Aid	0	0	0
Equalization Aid			
Cochise	7,841,800	7,841,800	8,048,900
Graham	17,465,400	17,465,400	19,345,700
Navajo	6,624,000	6,624,000	6,451,700
Yuma/La Paz	2,938,300	2,938,300	1,406,600
<i>Subtotal - Equalization Aid</i>	34,869,500	34,869,500	35,252,900
Rural County Reimbursement	3,866,300	0	0
Rural County Reimbursement Subsidy	1,000,000	1,000,000	848,800 <sup>1/</sup>
Tribal Community Colleges	1,662,900	1,918,000	1,662,900 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>138,955,500</b>	<b>135,344,300</b>	<b>71,089,000<sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	138,955,500	135,344,300	71,089,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>138,955,500</b>	<b>135,344,300</b>	<b>71,089,000</b>
Other Non-Appropriated Funds	13,688,800	14,698,700	14,698,700
<b>TOTAL - ALL SOURCES</b>	<b>152,644,300</b>	<b>150,043,000</b>	<b>85,787,700</b>

**AGENCY DESCRIPTION** — The Arizona community college system is comprised of 10 college districts and 2 provisional districts. Arizona's community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associates degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

### Operating State Aid

The budget includes \$33,324,400 from the General Fund in FY 2012 for Operating State Aid. This amount funds the following adjustments:

#### Enrollment Growth

The budget includes an increase of \$8,631,800 from the General Fund in FY 2012 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for an 11,992 (9.7%) increase in Full Time Student Equivalent (FTSE) students in community colleges statewide (*see Table 1*). The 11,992 net FTSE increase consists of a 12,037 FTSE increase for non-dual enrollment students and a (45) FTSE decrease for dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

<sup>1/</sup> Of the \$848,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County will receive \$466,000 and Greenlee County \$382,800. (General Appropriation Act footnote)

<sup>2/</sup> A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax revenues collected from sources located on the reservation, or \$1,750,000, whichever is less.

<sup>3/</sup> General Appropriation Act funds are appropriated as District-by-District Special Line Items.



**Table 1****Community College Enrollment**

<u>District</u>	<u>FY 2009 FTSE</u>	<u>FY 2010 FTSE</u>	<u>Percentage Change</u>
Cochise	7,671	8,586	11.9%
Coconino	2,127	2,361	11.0%
Gila	1,028	1,050	2.1%
Graham	2,686	3,013	12.2%
Maricopa	70,099	78,149	11.5%
Mohave	3,518	3,953	12.4%
Navajo	2,682	2,396	(10.7)%
Pima	20,889	22,021	5.4%
Pinal	4,407	5,036	14.3%
Yavapai	3,921	3,920	0.0%
Yuma/La Paz	4,769	5,304	11.2%
<b>Total</b>	<b>123,797</b>	<b>135,789</b>	<b>9.7%</b>

**Operating State Aid Reduction**

The budget includes a decrease of \$(72,864,200) from the General Fund in FY 2012 for a reduction to Operating State Aid. In order to implement this reduction, the Higher Education Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 30) notwithstanding the program's statutory funding formula for FY 2012 and stipulates that its funding instead shall equal the amount appropriated in the General Appropriation Act.

The budget allocates the reduction amount for Operating State Aid among the individual community colleges by the equivalent of (6.2)% of each district's estimated FY 2012 operating revenues, which are comprised of state aid, primary property tax, and tuition and fees (*see Table 2*). The (6.2)% decrease was designed to offset the districts' estimated year-over-year operating revenue growth from FY 2011 to FY 2012 of 6.2%, or \$72.9 million. Thus, estimated statewide district operating revenue is held constant from FY 2011 to FY 2012.

**Table 2****Community College Operating Reduction**

<u>District</u>	<u>FY 2012 Estimated Operating Revenues<sup>1/</sup></u>	<u>Operating State Aid Reduction</u>	<u>Percentage Change</u>
Cochise	\$ 41,757,200	\$(2,571,900)	(6.16)%
Coconino	16,417,900	(1,011,200)	(6.16)%
Gila	4,292,500	(264,400)	(6.16)%
Graham	36,024,500	(2,218,800)	(6.16)%
Maricopa	717,849,400	(44,213,600)	(6.16)%
Mohave	35,480,700	(2,185,300)	(6.16)%
Navajo	27,101,000	(1,669,200)	(6.16)%
Pima	155,975,300	(9,606,800)	(6.16)%
Pinal	53,614,400	(3,302,200)	(6.16)%
Yavapai	53,662,100	(3,305,100)	(6.16)%
Yuma/La Paz	40,844,700	(2,515,700)	(6.16)%
<b>Total</b>	<b>\$1,183,019,700</b>	<b>\$(72,864,200)</b>	<b>(6.16)%</b>

<sup>1/</sup> Includes state aid, tuition and fees, and primary property tax revenues as estimated by the districts in fall 2010.

*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. The Operating State Aid formula

adjusts state aid in an amount that reflects changes 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 2012, the last actual FTSE data was from FY 2010.*)

**Capital Outlay State Aid**

The budget includes no funding from the General Fund in FY 2012 for Capital Outlay State Aid. This is unchanged from FY 2011.

**Continue Suspension of Capital Outlay Formula**

The budget continues to suspend Capital Outlay State Aid for FY 2011. This forgoes \$22,155,200 in formula costs for capital outlay state aid for FY 2012, which includes \$20,652,500 already suspended for FY 2011 plus \$1,502,700 in foregone formula growth for the formula in FY 2012. The suspension of Capital Outlay State Aid for FY 2012 is pursuant to the Higher Education BRB.

*Background* – The Capital Outlay Special Line Items provide the community college districts with funds for capital land, building, and equipment needs pursuant to A.R.S. § 15-1464.

The Capital Outlay State Aid formula provides per capita funding to districts based on the district's size and the most recent years actual audited FTSE. The statutory formula provides \$210 per FTSE for districts with 5,000 or less FTSE or \$160 per FTSE for districts with greater than 5,000 FTSE.

**Equalization Aid**

The budget includes \$35,252,900 from the General Fund in FY 2012 for Equalization Aid. This amount funds the following adjustments:

**Formula Increase**

The budget includes an increase of \$383,400 from the General Fund in FY 2012 to fund the statutory funding formula for Equalization Aid.

*Background* – The Equalization Special Line Items provide additional state aid 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 2012 Equalization Aid formula calculation, the minimum assessed valuation decreased (2.3)% to \$1.6 billion. (*See Table 3 for the calculation of the growth rate.*)

**Table 3**

**Equalization Growth Factor  
for Tax Years (TY) 2009-2010**

<b>District</b>	<b>TY 2009</b>	<b>TY 2010</b>	<b>TY 2009- 2010</b>
	<b>Primary AV</b>	<b>Primary AV</b>	<b>% Growth</b>
Cochise*	\$ 986,677,800	\$ 1,042,041,200	5.6%
Graham*	221,874,600	217,455,200	(2.0)%
Navajo*	998,764,600	1,059,004,900	6.0%
Yuma/LaPaz*	1,432,962,500	1,526,888,600	6.6%
Coconino	1,840,775,000	1,920,050,800	4.3%
Mohave	2,533,640,800	2,321,464,600	(8.4)%
Pinal	2,880,552,100	2,562,246,100	(11.1)%
Yavapai	<u>3,274,078,300</u>	<u>3,187,577,700</u>	<u>(2.6)%</u>
<b>Total</b>	<b>\$14,169,325,700</b>	<b>\$13,836,729,100</b>	<b>(2.3)%</b>

\* 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.

**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 2010 expenditure of \$3,866,300 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 2011 and FY 2012 dollar amounts are not yet known. Given the language of A.R.S. § 15-1469.01, these monies do not appear in the General Appropriation Act.

**Rural County Reimbursement Subsidy**

The budget includes \$848,800 from the General Fund in FY 2012 for Rural County Reimbursement Subsidy. This amount funds the following adjustments:

**Elimination of Santa Cruz Subsidy**

The budget includes a decrease of \$(151,200) from the General Fund in FY 2012 to eliminate the Santa Cruz County portion of the subsidy. Santa Cruz County recently began operating a provisional community college district, so is no longer eligible for the subsidy.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties.

The FY 2012 budget allocates \$466,000 to Apache and \$382,800 to Greenlee.

**Tribal Community Colleges**

The budget includes \$1,662,900 from the General Fund in FY 2012 for Tribal Community Colleges. This amount funds the following adjustments:

**Lower TPT Collections**

The budget includes a decrease of \$(255,100) from the General Fund in FY 2012 to reflect lower Transaction Privilege Tax (TPT) revenue within the Navajo Nation, which will reduce program funding pursuant to A.R.S. § 42-5031.01.

*Background* – A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the TPT revenues collected from sources located on Indian reservations, whichever is less. These monies provide tribal community colleges with funding for maintenance, renewal, and capital expenses. Actual amounts for FY 2012 will depend on FY 2012 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 \$1,662,900 will be distributed to Diné College in FY 2012. This amount represents 10% of the estimated Transaction Privilege Tax revenues collected in the Navajo reservation in FY 2012. The Tohono O’odham Community College also will potentially receive program funding in FY 2012 contingent upon completion of a compact with the Executive that has not been finalized as of this writing. On a related note, the Navajo Nation recently began operating a branch of Navajo Technical College in Chinle, Arizona. This will not entitle the Navajo Nation to additional TPT funding.

**Other Issues**

**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 7% of their revenues from state aid.

For FY 2011, base operating revenues from all sources are estimated to be \$1,922,149,200, an increase of 15% from FY 2010. (See Table 4 for a summary of FY 2011 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for over 38% 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

**Table 4**

**Total Estimated Community College Revenues – FY 2011**

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u> <sup>1/</sup>	<u>FY 2011 Total</u> <sup>2/</sup>	<u>FY 2010 Total</u> <sup>3/</sup>	<u>% Change from FY 2010</u>
Cochise	\$ 15,330,500	\$ 7,456,800	\$16,656,000	\$ 17,579,700	\$ 1,236,200	\$ 58,259,200	\$ 58,557,500	(0.5)%
Coconino	2,679,400	7,285,300	8,398,900	5,664,900	721,400	24,749,900	24,771,500	(0.1)%
Gila <sup>4/</sup>	658,400		3,398,300	35,000	450,000	4,541,700	3,798,600	19.6%
Graham	21,709,300	7,173,600	4,647,700	7,500,000	7,089,000	48,119,600	44,501,600	8.1%
Maricopa	45,327,400	241,715,300	460,758,800	189,874,400	303,196,600	1,240,872,500	1,011,807,200	22.6%
Mohave	3,682,900	12,114,100	18,260,600	18,766,500	426,100	53,250,200	46,436,800	14.7%
Navajo	10,214,000	4,635,000	11,938,600	5,150,000	1,180,000	33,117,600	33,779,100	(2.0)%
Pima	15,942,100	48,338,000	97,422,000	68,121,000	6,782,000	236,605,100	225,341,000	5.0%
Pinal	4,935,100	10,744,000	38,272,000	18,370,000	10,246,100	82,567,200	77,775,700	6.2%
Yavapai	4,196,000	9,274,700	43,633,200	10,166,300	8,843,100	76,113,300	67,703,700	12.4%
Yuma/La Paz	<u>7,751,200</u>	<u>10,360,000</u>	<u>28,018,500</u>	<u>15,000,000</u>	<u>2,823,200</u>	<u>63,952,900</u>	<u>78,013,300</u>	<u>(18.0)%</u>
<b>Total</b>	<b>\$132,426,300</b>	<b>\$359,096,800</b>	<b>\$731,404,600</b>	<b>\$356,227,800</b>	<b>\$342,993,700</b>	<b>\$1,922,149,200</b>	<b>\$1,672,486,000</b>	<b>14.9%</b>

<sup>1/</sup> Includes auxiliary programs, interest incomes, workforce development funds, and transfers.

<sup>2/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,433,096,400 for FY 2011.

<sup>3/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$2,221,264,200 for FY 2010.

<sup>4/</sup> Gila Provisional Community College contracts with Graham County’s Eastern Arizona College in order to provide degree programs. Therefore, Gila’s tuition and fee revenues are collected by Graham according to their contract agreement.

secondary property taxes are levied to pay for capital outlay expenses. Each community college district determines its primary and secondary property tax rates. (See Table 5 for a summary of FY 2011 property tax rates.)

**Table 5**

**Community College Tax Rates – FY 2011**

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change in Combined Rate from FY 2010</u>
Cochise	\$1.60	\$0.00	\$1.60	(0.6%)
Coconino	0.34	0.09	0.43	0.0%
Gila	0.60	0.00	0.60	13.2%
Graham	2.14	0.00	2.14	18.9%
Maricopa	0.79	0.18	0.97	10.2%
Mohave	0.79	0.00	0.79	16.2%
Navajo	1.13	0.00	1.13	(0.9%)
Pima	0.98	0.11	1.09	0.9%
Pinal	1.47	0.12	1.59	8.6%
Santa Cruz	0.07	0.00	0.07	N/A
Yavapai	1.21	0.16	1.37	7.9%
Yuma/La Paz	1.50	0.30	1.80	(1.6%)

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 19% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2011 weighted average tuition was \$2,005, an increase of 2.5% from FY 2010. Full-time annual tuition costs range from \$1,520 at Graham, to \$2,550 at Coconino. (See Table 6 for FY 2011 resident tuition and fee rates.)

**Table 6**

**Community College Resident Tuition and Fees – FY 2011**

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost</u> <sup>1/</sup>	<u>% Change from FY 2010</u>
Cochise	\$56	\$1,690	3.7%
Coconino	85	2,550	13.3%
Gila <sup>2/</sup>	-	-	-
Graham	51	1,520	0.0%
Maricopa	71	2,130	0.0%
Mohave	77	2,310	14.4%
Navajo	58	1,750	7.4%
Pima	58	1,750	4.5%
Pinal	65	1,950	12.3%
Yavapai	62	1,860	6.9%
Yuma/La Paz	60	1,800	0.0%
<b>Weighted Average</b>	<b>\$67</b>	<b>\$2,005</b>	<b>2.5%</b>

<sup>1/</sup> Annual cost is for 30 hours a year, or 15 hours per semester.

<sup>2/</sup> Gila Provisional Community College contracts with Graham County’s Eastern Arizona College in order to provide degree programs. Therefore, Gila’s tuition and fee amounts are the same as Graham’s.

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 36% of community college revenues. Grants traditionally come from the federal government, including: the U.S. Department of Education, Small Business Administration, National Science Foundation, and Health and Human Services. Revenue listed in the “other” category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

**Total Community College Expenditures**

Table 7 shows total budgeted FY 2011 community college expenditures. In FY 2011, total budgeted expenditures are \$2,413,755,700. As mentioned previously, base operating revenues for FY 2011 are \$1,922,149,200; however, this figure does not include allocated fund balances or bond

proceeds. Including these amounts, total available revenues are \$2,433,096,400. Of the total \$2,413,755,700 in expenditures, \$1,439,495,800, or 60%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$519,017,800, or 22%, for instruction and \$235,935,200, or 10%, for administrative support.

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 519,017,800	22%
Public Service	26,149,300	1%
Academic Support	128,335,400	5%
Student Services	216,195,300	9%
Administrative Support	235,935,200	10%
Operation & Maintenance	86,234,600	4%
Scholarships/Grants	147,987,500	6%
Auxiliary Enterprises	4,199,500	
Contingency	<u>75,441,200</u>	<u>3%</u>
<b>Subtotal</b>	<b>\$1,439,495,800</b>	<b>60%</b>
<b>Auxiliary Enterprises Fund</b>	\$ 125,873,800	5%
<b>Plant Fund</b>	\$ 725,416,700	30%
<b>Debt Service</b>	\$ 122,969,400	5%
<b>Total</b>	<b>\$2,413,755,700</b>	

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$125,873,800, or 5% of the total. Plant Fund expenditures, which generally include capital costs, are \$725,416,700, or 30% of the total. The remaining \$122,969,400 is for debt service.

### ***Additional Legislation***

#### ***Flexibility and Reduced Reporting Requirements***

The Higher Education BRB continues to notwithstanding the 20% cap to the districts' ability to use capital outlay monies for operating purposes. The Higher Education BRB also permanently allows district boards to delegate the authority to execute leases exceeding \$100,000 per year. Additionally, the Higher Education BRB permanently eliminates the districts' annual reporting requirement to submit a workforce development plan to the Department of Commerce and to submit an annual report to the Center for Vocational Education.

#### ***One-Time Student Deposit***

The K-12 Education BRB (Laws 2011, Chapter 29) requires each community college district, on a one-time basis, to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2011.

## ***State Compensation Fund***

	CY 2009* ACTUAL	CY 2010 ACTUAL	CY 2011 ESTIMATE
<b>BUDGET</b>			
Operating Budget	120,600,000	113,900,000	103,300,000
Dividends and Claims	306,300,000	207,500,000	187,700,000
<b>TOTAL</b>	<b>426,900,000</b>	<b>321,400,000</b>	<b>291,000,000</b>
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	426,900,000	321,400,000	291,000,000

**AGENCY DESCRIPTION** — The State Compensation Fund insures employers against liability for workers' compensation, occupational disease compensation, and medical, surgical, and hospital benefits pursuant to the provisions of Arizona and federal statutes.

\*Represents Calendar Years

The State Compensation Fund (SCF) terminates effective January 1, 2013. The SCF Board of Directors is required to perform all acts necessary to establish a successor mutual insurer corporation by January 1, 2013. The successor mutual insurer corporation is to become the successor in interest to all SCF assets and liabilities, including title to all SCF property and responsibility for SCF obligations, effective January 1, 2013. The successor mutual insurer corporation is not an agency or a public entity of Arizona. The successor mutual insurer corporation is prohibited from using the term "State Compensation Fund" or "SCF" in its new name or logo, effective July 1, 2014. The SCF Board of Directors must provide a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives that calculates the value, if any, of state equity or other state financial interests in the SCF and provide a copy to the Secretary of State by January 1, 2011.

## ***Constable Ethics Standards and Training Board***

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	276,000	213,600	213,600
<b>TOTAL - ALL SOURCES</b>	276,000	213,600	213,600

**AGENCY DESCRIPTION** — The board establishes and enforces the code of conduct for constables throughout the state. The board also administers funding for constable training and equipment. The Arizona Association of Counties currently manages the board's administrative responsibilities. The board receives fees from every writ collected on behalf of a Justice of the Peace.

### ***Fund Transfers***

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

## Registrar of Contractors

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	144.8	144.8	144.8
Personal Services	4,431,600	5,519,200	5,519,200
Employee Related Expenditures	1,798,900	2,341,000	2,274,500
Professional and Outside Services	50,800	405,300	405,300
Travel - In State	205,000	505,100	505,100
Travel - Out of State	100	11,800	11,800
Other Operating Expenditures	1,408,300	2,254,400	2,168,900
Equipment	69,800	100,300	100,300
<b>OPERATING SUBTOTAL</b>	<b>7,964,500</b>	<b>11,137,100</b>	<b>10,985,100</b>
<b>SPECIAL LINE ITEMS</b>			
Office of Administrative Hearings Costs	804,500	1,017,600	1,017,600 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>8,769,000</b>	<b>12,154,700</b>	<b>12,002,700</b> <sup>2/3/</sup>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Registrar of Contractors Fund	8,769,000	12,154,700	12,002,700
SUBTOTAL - Other Appropriated Funds	8,769,000	12,154,700	12,002,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,769,000</b>	<b>12,154,700</b>	<b>12,002,700</b>
Other Non-Appropriated Funds	5,944,600	6,165,300	6,165,300
<b>TOTAL - ALL SOURCES</b>	<b>14,713,600</b>	<b>18,320,000</b>	<b>18,168,000</b>

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

### Operating Budget

The budget includes \$10,985,100 and 144.8 FTE Positions from the Registrar of Contractors Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(152,000) from the Registrar of Contractors Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

The Incentive Pay and Information Management System line items are now displayed in the operating budget.

### Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund in FY 2012 for Office of Administrative

Hearings (OAH) Costs. This amount is unchanged from FY 2011.

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

### Additional Legislation

#### Recovery Fund Administration Expenses

The Regulation Budget Reconciliation Bill (Laws 2011, Chapter 35), continues to allow the Registrar of Contractors to use up to 14% of prior fiscal year revenues from the Residential Contractors' Recovery Fund for employee and contracted services, equipment, and operational costs in FY 2012, rather than 10% of the fund balance.

<sup>1/</sup> Any transfer to or from the amount appropriated for the Office of Administrative Hearings Costs line item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> In addition to these amounts, a total of \$273,400 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Corporation Commission

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	308.3	308.3	308.3 <sup>1/</sup>
Personal Services	14,332,500	14,312,000	14,312,000
Employee Related Expenditures	5,346,100	5,456,100	5,188,900
Professional and Outside Services	802,700	135,000	135,000
Travel - In State	128,800	128,500	128,500
Travel - Out of State	62,900	61,500	61,500
Other Operating Expenditures	3,099,300	3,631,500	3,090,800
Equipment	361,400	175,000	175,000
<b>OPERATING SUBTOTAL</b>	<b>24,133,700</b>	<b>23,899,600</b>	<b>23,091,700</b>
<b>SPECIAL LINE ITEMS</b>			
Corporation Filings Same Day Service	0	400,400	400,400 <sup>2/</sup>
Utilities Audits, Studies, Investigations & Hearings	2,100	380,000	380,000 <sup>3/</sup>
<b>AGENCY TOTAL</b>	<b>24,135,800</b>	<b>24,680,000</b>	<b>23,872,100<sup>4/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	586,800	620,100	316,400
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	47,400	51,000	49,900
Investment Management Regulatory and Enforcement Fund	710,600	694,300	678,700
Public Access Fund	5,527,700	5,946,800	5,842,100
Securities Regulatory and Enforcement Fund	4,234,600	4,282,300	4,217,400
Utility Regulation Revolving Fund	13,028,700	13,085,500	12,767,600
SUBTOTAL - Other Appropriated Funds	23,549,000	24,059,900	23,555,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>24,135,800</b>	<b>24,680,000</b>	<b>23,872,100</b>
Other Non-Appropriated Funds	260,900	31,200	0
Federal Funds	776,600	1,094,800	1,094,800
<b>TOTAL - ALL SOURCES</b>	<b>25,173,300</b>	<b>25,806,000</b>	<b>24,966,900</b>

**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.

<sup>1/</sup> Includes 2 OF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> 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 2012 if the commission cannot process all expedited services within 5 business days and all regular services within 30 business days in accordance with A.R.S. § 10-122, 10-3122, and 29-851. (General Appropriation Act footnote)

<sup>3/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

<sup>4/</sup> In addition to these amounts, a total of \$13,600 GF and \$707,400 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

<sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.



### ***Operating Budget***

The budget includes \$23,091,700 and 306.3 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b><u>FY 2012</u></b>
General Fund	\$316,400
Arizona Arts Trust Fund	49,900
Investment Management Regulatory and Enforcement Fund	678,700
Public Access Fund	5,441,700
Securities Regulatory and Enforcement Fund	4,217,400
Utility Regulation Revolving Fund	12,387,600

These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(807,900) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(303,700)
Arizona Arts Trust Fund	(1,100)
Investment Management Regulatory and Enforcement Fund	(15,600)
Public Access Fund	(104,700)
Securities Regulatory and Enforcement Fund	(64,900)
Utility Regulation Revolving Fund	(317,900)

*(Please see the Agency Detail and Allocations section.)*

### ***Corporation Filings, Same Day Service***

The budget includes \$400,400 and 2 FTE Positions from the Public Access Fund in FY 2012 for Corporation Filings, Same Day Service. These amounts are unchanged from FY 2011.

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 2010, 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 budget includes \$380,000 from the Utility Regulation Revolving Fund in FY 2012 for Utilities Audits, Studies,

Investigations & Hearings. This amount is unchanged from FY 2011.

Monies in this line item allow the commission to hire outside consultants to provide professional expertise and advice to the Utilities Program staff.

### ***Fund Transfers***

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

## State Department of Corrections

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	9,932.5	10,015.2	10,015.2
Correctional Officer Personal Services	245,988,800	312,407,700	314,111,000
Health Care Personal Services	37,922,900	40,261,200	40,522,600
All Other Personal Services	62,068,400	64,492,000	64,257,400
<b>Personal Services Subtotal</b>	<b>345,980,100</b>	<b>417,160,900</b>	<b>418,891,000</b>
<b>Employee Related Expenditures</b>	<b>170,584,900</b>	<b>193,396,000</b>	<b>194,499,300</b>
<b>Personal Services and Employee Related Expenditures for Overtime/Compensatory Time</b>	<b>8,511,900</b>	<b>10,060,800</b>	<b>10,046,900</b>
<b>Health Care All Other Operating Expenditures</b>			
Professional and Outside Services	11,306,600	12,578,900	16,555,400
Travel - In State	27,500	41,600	43,100
Food	762,300	0	0
Other Operating Expenditures	60,342,300	64,909,200	65,152,200
Equipment	1,106,200	1,515,300	1,247,800
<b>Health Care Operating Subtotal</b>	<b>73,544,900</b>	<b>79,045,000</b>	<b>82,998,500</b>
<b>Non-Health Care All Other Operating Expenditures</b>			
Professional and Outside Services	2,881,700	3,744,200	3,886,900
Travel - In State	90,500	121,500	123,300
Travel - Out of State	85,000	87,700	87,700
Food	40,209,800	45,493,700	48,184,200
Other Operating Expenditures	70,475,500	88,116,100	100,141,900
Equipment	9,027,100	12,402,800	5,791,300
<b>Non-Health Care Operating Subtotal</b>	<b>122,769,600</b>	<b>149,966,000</b>	<b>158,215,300</b>
<b>OPERATING SUBTOTAL</b>	<b>721,391,400</b>	<b>847,628,700</b>	<b>864,651,000</b>
<b>SPECIAL LINE ITEMS</b>			
County Jail Beds	364,600	0	0
New State Prison Beds	16,064,100	0	0
Private Prison Per Diem	87,132,100	124,302,600	127,636,600
Provisional Beds	85,380,500	8,359,600	0
Leap Year Costs	0	0	800,100
Narrowband Radio Conversation	0	0	5,750,000
<b>AGENCY TOTAL</b>	<b>910,332,700</b>	<b>980,290,900</b>	<b>998,837,700</b> <sup>1/2/3/4/5/</sup>
<b>FUND SOURCES</b>			
General Fund	871,270,800	936,637,400	948,188,600
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	409,600	554,400	554,400
Corrections Fund	26,039,500	29,017,600	27,517,600
Penitentiary Land Fund	979,200	979,200	1,979,200 <sup>6/</sup>
Prison Construction and Operations Fund	10,398,200	11,499,400	13,249,400
State Charitable, Penal and Reformatory Institutions Land Fund	337,000	360,000	3,360,000 <sup>7/</sup>
State Education Fund for Correctional Education	472,900	507,900	503,500 <sup>8/</sup>
Transition Program Fund	0	180,000	930,000
Transition Services Fund	425,500	555,000	2,555,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>39,061,900</b>	<b>43,653,000</b>	<b>50,649,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>910,332,700</b>	<b>980,290,900</b>	<b>998,837,700</b>
Other Non-Appropriated Funds	38,208,600	47,038,400	49,538,400
Federal Funds	64,695,000	14,973,400	13,813,000
<b>TOTAL - ALL SOURCES</b>	<b>1,013,236,300</b>	<b>1,042,302,700</b>	<b>1,062,189,100</b>

**AGENCY DESCRIPTION** — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

**Operating Budget**

The budget includes \$864,651,000 and 10,015.2 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$848,248,700
Alcohol Abuse Treatment Fund	554,400
Prison Construction and Operations Fund	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	503,500
Transition Program Fund	930,000
Transition Services Fund	2,555,000

These amounts fund the following adjustments:

**New State Beds**

The budget includes an increase of \$4,242,000 from the General Fund in FY 2012 to annualize the cost associated with new state beds.

In FY 2011, ADC opened 5,000 new beds, including: 1,250 female beds in Perryville, 1,250 male beds in Tucson, and 2,500 male beds in Yuma. The original legislation (Laws 2007, Chapter 261) authorized 4,000 state beds.

**Restore State Bed Funding**

The budget includes an increase of \$2,000,000 from the General Fund in FY 2012 to restore funding for operating state beds. The mid-year FY 2011 revisions included a one-time \$(2,000,000) decrease in funding for operating

state beds associated with lower-than-anticipated start-up costs for new state beds.

**Returning Prisoners to State Beds**

The budget includes an increase of \$9,199,900 from the General Fund in FY 2012 to fund the annualized marginal costs for prisoners returned to state-operated beds from out-of-state provisional beds. The state returned all prisoners from out-of-state provisional beds by November 2010. This increase will fund the marginal costs such as medical care and food for these returning prisoners.

**Additional Operating Authority**

The budget includes an increase of \$2,750,000 in FY 2012 for additional operating authority. This amount consists of:

Transition Program Fund	750,000
Transition Services Fund	2,000,000

The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 33) permits the department to use these funds, as well as the Inmate Store Proceeds Fund, for department operating expenses in FY 2012.

**Statewide Adjustments**

The budget includes a decrease of \$(1,169,600) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(1,165,200)
State Education Fund for Correctional Education	(4,400)

*(Please see the Agency Detail and Allocations section.)*

- 1/ Before altering its bed capacity by closing state-operated prison beds or canceling or not renewing contracts for privately-operated prison beds, the State Department of Corrections shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 2/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 3/ A monthly report comparing State Department of Corrections expenditures for the month and year-to-date as compared to prior year expenditures shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall be in the same format as the prior fiscal year and shall include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 5/ In addition to these amounts, a total of \$18,808,700 GF and \$18,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*
- 6/ One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 7/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 8/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$503,500, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

### **County Jail Beds**

The budget includes no funding in FY 2012 for County Jail Beds. Monies in this line item provided funding for beds used by ADC at county jails. These beds were county-operated non-permanent beds used as overflow for state-operated beds. In December 2009, ADC vacated all county jail beds.

### **New State Prison Beds**

The budget includes no funding in FY 2012 for New State Prison Beds. Monies in this line item provided funding for 4,000 state prison beds authorized by Laws 2007, Chapter 261. These monies were transferred into the operating budget in FY 2011.

### **Private Prison Per Diem**

The budget includes \$127,636,600 in FY 2012 for Private Prison Per Diem. This amount consists of:

General Fund	99,139,800
Corrections Fund	27,517,600
Penitentiary Land Fund	979,200

These amounts fund the following adjustments:

#### **Private Beds Alignment**

The budget includes a decrease of \$(4,666,000) in FY 2012 to align private prison funding with ADC-anticipated private bed utilization. This amount consists of:

General Fund	(3,166,000)
Corrections Fund	(1,500,000)

#### **Restore Contracted Funding**

The budget includes an increase of \$8,000,000 from the General Fund in FY 2012 to restore contracted funding for private beds. The mid-year FY 2011 revisions included a one-time \$(8,000,000) decrease in funding for private prison per diem associated with lower-than-anticipated FY 2011 usage.

*Background* – Monies in this line item are paid out to private prison contractors for housing Arizona inmates in 6,458 beds under contract in FY 2012. 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. Administrative expenses related to private prison contracts are included in the department’s operating budget subtotal.

### **Provisional Beds**

The budget includes no funding in FY 2012 for Provisional Beds. This amount includes the following adjustments:

#### **Eliminate Funding for Remaining Provisional Beds**

The budget includes a decrease of \$(8,359,600) from the General Fund in FY 2012 to eliminate the funding associated with previously contracted provisional beds. ADC was appropriated an equivalent amount in FY 2011 to fund a single contract for 1,980 provisional beds located in Hinton, Oklahoma through the fall 2010. This contract was not renewed and all inmates were transferred from the facility to other public or private beds by November 2010.

*Background* – Monies in this line item provided funding for provisional beds. Typically, provisional beds are temporarily “rented” on an annual basis. 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.

### **Leap Year Costs**

The budget includes \$800,100 from the General Fund in FY 2012 for a new Leap Year Costs Special Line Item. Because FY 2012 will include an extra day for 2012’s leap year, certain costs paid by the department on a per diem basis such as private prison per diem will increase by one day. This line item funds those one-time costs.

### **Narrowband Radio Conversion**

The budget includes \$5,750,000 in FY 2012 for a new Narrowband Radio Conversion Special Line Item. This amount consists of:

Penitentiary Land Fund	1,000,000
Prison Construction and Operations Fund	1,750,000
State Charitable, Penal and Reformatory Institutions Land Fund	3,000,000

These one-time monies will be used to convert department radios and other equipment to narrowband frequency by January 2013 as mandated by the Federal Communications Commission.

### **Fund Transfers**

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

## **Additional Legislation**

### ***Sentences of Less Than a Year and County Jails***

The Criminal Justice BRB (Laws 2011, Chapter 33) requires persons convicted of a crime after July 1, 2012 and receiving a sentence less than 1 year at ADC to serve that sentence in county jails. If convicted prior to July 1, 2012, that category of inmates would serve the remainder of their term at ADC and counties would reimburse the state for those costs. County sheriffs are required to notify ADC by February 1, 2012 if they plan to house prisoners or if they will reimburse ADC for the costs of housing them. ADC is required to present its plan for FY 2013 budget savings from reduced bed usage and marginal costs to JLBC by March 1, 2012.

### ***Budget Structure***

The Criminal Justice BRB (Laws 2011, Chapter 33) requires the department to report FY 2011 actual expenditures, FY 2012 estimated expenditures, and FY 2013 requested expenditure amounts for each line item as delineated in the prior year when the department submits its FY 2013 budget request pursuant to A.R.S. § 35-113.

### ***Building Renewal Fund***

The Criminal Justice BRB (Laws 2011, Chapter 33) establishes a new Building Renewal Fund in the department for capital projects and preventative maintenance. It permits the ADC Director to charge an inmate visitor's fee to all visitors 18 years or older and to set a fee for deposits into inmates' personal accounts and directs those revenues, along with specified yearly transfers from 4 funds, into the new fund. *(Please see the Capital Budget - ADOA narrative for more information.)*

### ***Privatized Health Care***

Laws 2011, Chapter 278 modifies Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6, which included a requirement mandating that the department issue a Request for Proposals (RFP) to privatize some or all of its correctional health care cost if the cost was below the FY 2008 costs for those services. Chapter 278 eliminates the FY 2008 reference and requires the department to issue a Request for Information within 30 days of the bill's effective date (i.e., no later than August 19, 2011) and then, within 90 days of JLBC review of the information submitted, issue an RFP for which the contract shall be awarded to the best qualified bidder. Chapter 278 also prohibits the department or its contractor from paying above AHCCCS rates for services.

### ***FY 2011 Supplemental***

The mid-year FY 2011 adjustments included a reduction of \$(10,000,000) from the General Fund for one-time savings associated with private prisons and new state prison beds. *(Please see the operating budget and Private Prison Per Diem narratives for more detail.)*

## **Other Issues**

### ***Bed Counts***

Table 1 reflects the FY 2010 – FY 2012 bed counts by bed type and facility. The FY 2011 and FY 2012 projected population reflects growth of an additional 27 inmates per month, or 324 inmates per year, based on the average actual population growth over the past 2 years.

### **Bed Shortfall**

In FY 2010, the ADC actual beds shortfall was (4,971). After incorporating population growth and any bed adjustments, the FY 2011 year-end bed shortfall is anticipated to be (1,586), or (4.9)% of state operated beds. In FY 2012, the budget projects the bed shortfall to increase to (1,910), or (5.9)% of state operated beds.

The FY 2010 budget authorized an RFP to open 5,000 new in-state private beds. After withdrawing the original RFP in September 2010, ADC released a revised RFP in February 2011. The department has stated that it does not expect to begin placing prisoners in the new in-state private beds until April 2013.

**Table 1****Fiscal Year End Bed Count by Bed Type and Facility**

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
	<b><u>Actual</u></b>	<b><u>Year End</u></b>	<b><u>Year End</u></b>
<b><u>State:</u></b>			
Douglas	2,270	2,270	2,270
Eyman	4,210	4,210	4,210
Florence	3,372	3,372	3,372
Perryville	3,260	4,510	4,510
Phoenix	822	822	822
Lewis	4,270	4,270	4,270
Safford	1,548	1,548	1,548
Tucson	3,640	4,890	4,890
Winslow	1,666	1,666	1,666
Yuma	2,190	4,690	4,690
<b>Subtotal <sup>1/</sup></b>	<b>27,248</b>	<b>32,248</b>	<b>32,248</b>
<b><u>Provisional:</u></b>			
Hinton, Oklahoma	1,980	0	0
<b><u>Private (Per Diem):</u></b>			
Kingman (\$62.16)	3,220	3,400	3,400
Phoenix West (\$49.28)	400	400	400
Marana (\$49.03)	450	450	450
Florence West (\$44.95-55.79)	600	600	600
Florence II (\$67.22)	1,000	1,000	1,000
Temporary Beds (\$12.60-22.00)	608	608	608
<b>Subtotal <sup>2/</sup></b>	<b>6,278</b>	<b>6,458</b>	<b>6,458</b>
<b>Total – All Beds</b>	<b>35,506</b>	<b>38,706</b>	<b>38,706</b>
<b>Population <sup>3/</sup></b>	<b>40,477</b>	<b>40,292</b>	<b>40,616</b>
<b>Bed Shortfall (June)</b>	<b>(4,971)</b>	<b>(1,586)</b>	<b>(1,910)</b>
<b>Bed Shortfall (% of Beds)</b>	<b>(18.2)%</b>	<b>(4.9)%</b>	<b>(5.9)%</b>

<sup>1/</sup> Reflects ADC adding 5,000 (as opposed to the 4,000) public prison beds authorized by Laws 2007, Chapter 261.

<sup>2/</sup> Does not reflect the additional 5,000 private prison beds authorized by Laws 2009, 3rd Special Session, Chapter 6.

<sup>3/</sup> Assumes population growth of 27 inmates/month, or 324 inmates/year in last 6 months of FY 2011 and all FY 2012.

## Board of Cosmetology

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	697,500	748,000	762,500
Employee Related Expenditures	300,300	308,600	302,600
Professional and Outside Services	190,700	190,700	190,700
Travel - In State	46,500	38,200	38,200
Travel - Out of State	8,300	8,300	8,300
Other Operating Expenditures	406,300	424,100	422,000
Equipment	17,800	17,800	17,800
<b>AGENCY TOTAL</b>	<b>1,667,400</b>	<b>1,735,700</b>	<b>1,742,100<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,667,400	1,735,700	1,742,100
SUBTOTAL - Other Appropriated Funds	1,667,400	1,735,700	1,742,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,667,400</b>	<b>1,735,700</b>	<b>1,742,100</b>
<b>TOTAL - ALL SOURCES</b>	1,667,400	1,735,700	1,742,100

**AGENCY DESCRIPTION** — The board administers licensing examinations and licenses; inspects salons and schools; investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.

### Operating Budget

The budget includes \$1,742,100 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(11,300) from the Board of Cosmetology Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$17,700 from the Board of Cosmetology Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$37,800 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Arizona Criminal Justice Commission

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	8.0	8.0	8.0
Personal Services	406,100	450,200	458,900
Employee Related Expenditures	146,300	158,500	155,400
Professional and Outside Services	133,400	158,500	158,500
Travel - In State	6,500	7,800	7,800
Travel - Out of State	7,900	5,500	5,500
Other Operating Expenditures	64,400	72,500	72,100
Equipment	5,100	1,200	1,200
<b>OPERATING SUBTOTAL</b>	<b>769,700</b>	<b>854,200</b>	<b>859,400</b>
<b>SPECIAL LINE ITEMS</b>			
State Aid to County Attorneys	973,600	973,600	973,600
State Aid to Indigent Defense	551,800	700,300	0
Victim Compensation and Assistance	3,550,100	3,792,500	3,792,500
<b>AGENCY TOTAL</b>	<b>5,845,200</b>	<b>6,320,600</b>	<b>5,625,500<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	623,700	619,000	624,700
Drug and Gang Prevention Resource Center Fund	146,000	235,200	234,700
State Aid to County Attorneys Fund	973,600	973,600	973,600 <sup>3/</sup>
State Aid to Indigent Defense Fund	551,800	700,300	0 <sup>4/</sup>
Victim Compensation and Assistance Fund	3,550,100	3,792,500	3,792,500 <sup>5/</sup>
SUBTOTAL - Other Appropriated Funds	5,845,200	6,320,600	5,625,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,845,200</b>	<b>6,320,600</b>	<b>5,625,500</b>
Other Non-Appropriated Funds	6,790,000	4,643,200	6,986,000
Federal Funds	23,344,900	20,260,200	11,844,100
<b>TOTAL - ALL SOURCES</b>	<b>35,980,100</b>	<b>31,224,000</b>	<b>24,455,600</b>

**AGENCY DESCRIPTION** — The commission was created to enhance the effectiveness and coordination of the criminal justice system in Arizona. The commission may identify needed revisions in the system and make reports. It receives 1.57% of Criminal Justice Enhancement Fund (CJEF) monies.

- <sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>2/</sup> In addition to these amounts, a total of \$22,800 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- <sup>3/</sup> All State Aid to the County Attorneys Fund receipts received by the Arizona Criminal Justice Commission in excess of \$973,600 in FY 2012 are appropriated to the State Aid to the County Attorney Program. Before the expenditure of any State Aid to the County Attorney Fund receipts in excess of \$973,600, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- <sup>4/</sup> All State Aid to Indigent Defense Fund receipts received by the Arizona Criminal Justice Commission in excess of \$700,300 in FY 2012 are appropriated to the State Aid to Indigent Defense Program. Before the expenditure of any State Aid to Indigent Defense receipts in excess of \$700,300 in FY 2012, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote) Subsequent to the passage of the General Appropriations Act, Laws 2011, Chapter 308 transferred these monies in FY 2012 to the Department of Public Safety's Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement subaccount.
- <sup>5/</sup> All Victim Compensation and Assistance receipts received by the Arizona Criminal Justice Commission in excess of \$3,792,500 in FY 2012 are appropriated to the Crime Victims Program. Before the expenditure of any Victim Compensation and Assistance receipts in excess of \$3,792,500 in FY 2012, the Arizona Criminal Justice Commission shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)



### **Operating Budget**

The budget includes \$859,400 and 8 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u><b>FY 2012</b></u>
CJEF	\$624,700
Drug and Gang Prevention Resource Center Fund	234,700

These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(5,900) in FY 2012 for statewide adjustments. This amount consists of:

Criminal Justice Enhancement Fund	(5,400)
Drug and Gang Prevention Resource Center Fund	(500)

*(Please see the Agency Detail and Allocations section.)*

#### **Restore Furlough Reduction**

The budget includes an increase of \$11,100 from the Criminal Justice Enhancement Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see General Provisions section.)*

### **State Aid to County Attorneys**

The budget includes \$973,600 from the State Aid to County Attorneys Fund in FY 2012 for State Aid to County Attorneys. This amount is unchanged from FY 2011.

This line item provides funding for the various offices of county attorneys throughout Arizona to improve the processing of criminal cases. The line item receives funds from a 15.44% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

### **State Aid to Indigent Defense**

The budget includes no funding from the State Aid to Indigent Defense Fund in FY 2012 for State Aid to Indigent Defense. This funds the following adjustments:

#### **Transfer to Department of Public Safety**

The General Appropriation Act appropriated \$700,300 from the State Aid to Indigent Defense Fund in FY 2012 for State Aid to Indigent Defense. Laws 2011, Chapter 308 subsequently transferred any monies allocated to the

State Aid to Indigent Defense Fund from A.R.S. § 41-2421 in FY 2012 to the Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement subaccount. This provision does not affect prior year balances. The projected State Aid to Indigent Defense Fund balance at the end of FY 2011 is \$152,200. ACJC will be able to expend any remaining FY 2011 balance in FY 2012 for this program without further appropriation. *(Please see the Department of Public Safety narrative for more information.)*

This line item provides funding to the various counties in Arizona for processing of criminal cases by the offices of the public defender, legal defender, and/or contract indigent defense counsel in each county. The line item receives funding from a 14.66% allocation of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations and a portion of the monies collected by the Supreme Court and Court of Appeals. ACJC is required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

### **Victim Compensation and Assistance**

The budget includes \$3,792,500 from the Victim Compensation and Assistance Fund in FY 2012 for Victim Compensation and Assistance. This amount is unchanged from FY 2011.

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 to county compensation boards that award cash compensation to crime victims for specified expenses resulting from their victimization. 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 to local government and not-for-profit agencies on a competitive basis and are used for operating expenses related to their victim assistance programs. Revenues for victim assistance grants come from community supervision fees and interstate compact fees.

### **Fund Transfers**

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

## Arizona State Schools for the Deaf and the Blind

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>PROGRAM BUDGET</b>			
Administration/Statewide Programs	4,295,500	4,118,100	4,259,300
Phoenix Day School for the Deaf	10,234,500	9,510,000	8,784,800
Preschool/Outreach Programs	4,558,200	4,298,300	3,938,200
Regional Cooperatives	936,200	1,070,700	1,096,200
Tucson Campus	15,191,400	17,728,700	15,333,300
<b>AGENCY TOTAL</b>	<b>35,215,800</b>	<b>36,725,800</b>	<b>33,411,800</b>

### OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	581.2	572.2	572.2
Personal Services	18,542,600	17,884,600	17,884,600
Employee Related Expenditures	8,286,400	9,739,700	10,423,000
Professional and Outside Services	1,389,600	1,496,100	1,496,100
Travel - In State	21,600	35,400	35,400
Travel - Out of State	15,900	34,900	34,900
Food	54,600	86,200	86,200
Other Operating Expenditures	5,612,300	5,163,200	3,165,900
Equipment	554,800	1,547,700	1,547,700
<b>OPERATING SUBTOTAL</b>	<b>34,477,800</b>	<b>35,987,800</b>	<b>34,673,800</b>

### SPECIAL LINE ITEMS

School Bus Replacement	738,000	738,000	738,000
Voucher Fund Adjustment	0	0	(2,000,000)
<b>AGENCY TOTAL</b>	<b>35,215,800</b>	<b>36,725,800</b>	<b>33,411,800<sup>1/2</sup></b>

### FUND SOURCES

General Fund	21,261,000	22,022,500	20,686,300
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	13,954,800	14,703,300	12,725,500 <sup>3/</sup>
SUBTOTAL - Other Appropriated Funds	13,954,800	14,703,300	12,725,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>35,215,800</b>	<b>36,725,800</b>	<b>33,411,800</b>
Other Non-Appropriated Funds	16,913,300	17,164,200	17,164,200
Federal Funds	3,806,800	4,159,800	4,159,800
<b>TOTAL - ALL SOURCES</b>	<b>55,935,900</b>	<b>58,049,800</b>	<b>54,735,800</b>

**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 2,129 children: 472 students in the K-12 programs (201 in Tucson and 271 in Phoenix), 78 children in preschools, 319 infant/toddlers in regional areas, and 1,260 children through the 5 existing regional cooperatives.

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

<sup>2/</sup> In addition to these amounts, a total of \$369,400 GF and \$405,500 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

<sup>3/</sup> Before the expenditure of any Arizona State Schools for the Deaf and the Blind Fund monies in excess of \$12,725,500 in FY 2012, the Arizona State Schools for the Deaf and the Blind shall report to the Joint Legislative Budget Committee the intended use of the funds. (General Appropriation Act footnote, as adjusted for statewide allocations)

### **Operating Budget**

The budget includes \$34,673,800 in FY 2012 for the operating budget. This amount consists of:

	<b><u>FY 2012</u></b>
General Fund	\$19,948,300
Schools for the Deaf and the Blind Fund	14,725,500

These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(1,314,000) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(1,336,200)
Schools for the Deaf and the Blind Fund	22,200

Of this amount, a decrease of \$(2,031,200) from the General Fund is due to a shift in funding which will allow the Arizona Department of Administration to make the final lease-purchase payment in FY 2012 for the high school/auditorium project. *(Please see the Agency Detail and Allocations section.)*

#### **Assistive Technology Devices**

The budget includes no change in funding from the General Fund in FY 2012 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2012 for assistive technology devices. Assistive technology devices include: electronic dictionaries for visually impaired students, mobile classroom computer labs for visually disabled students, interactive whiteboards for hearing impaired students, and computer and software upgrades for computers used by visually impaired students.

#### **Foundation for the Blind**

The budget maintains funding in FY 2012 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

### **School Bus Replacement**

The budget includes \$738,000 from the General Fund in FY 2012 for School Bus Replacement. This amount is unchanged from FY 2011.

Monies in this line item are used for the purchase of new school buses. According to the School Facilities Board rules for ASDB, a gasoline powered bus should be replaced after 10 years or 150,000 miles.

### **Voucher Fund Adjustment**

The budget includes a decrease of \$(2,000,000) from the Schools for the Deaf and the Blind Fund in FY 2012 for a Voucher Fund Adjustment. This amount funds the following adjustments:

#### **Realign ASDB Fund Expenditures With Revenue**

The budget includes a decrease of \$(2,000,000) from the ASDB Fund in FY 2012 in order to align the fund's appropriation with expected revenues. ASDB Fund revenues have declined since FY 2009 due to a decreased number of enrolled students.

ASDB is projecting that ASDB revenues will decline from \$13,644,700 in FY 2010 to \$12,421,300 in FY 2011.

*Background* – Special education voucher monies in the ASDB Fund represent ASDB's reimbursement from the Arizona Department of Education (ADE) for educational costs based on its enrollment. As with school districts, ASDB's ADE funding is determined by statutory formula. The amounts are reflected within a special line item to give ASDB flexibility in allocating the increased funding among its 4 programs.

### **Fund Transfers**

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

## Commission for the Deaf and the Hard of Hearing

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	15.0	15.0	15.0
Personal Services	678,600	641,100	654,200
Employee Related Expenditures	258,300	244,700	241,700
Professional and Outside Services	218,600	649,400	649,400
Travel - In State	13,600	35,300	35,300
Travel - Out of State	2,500	16,600	16,600
Other Operating Expenditures	1,778,900	1,759,100	1,726,500
Equipment	64,700	422,000	422,000
<b>AGENCY TOTAL</b>	<b>3,015,200</b>	<b>3,768,200</b>	<b>3,745,700</b> <sup>1/2</sup>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Telecommunication Fund for the Deaf	3,015,200	3,768,200	3,745,700
SUBTOTAL - Other Appropriated Funds	3,015,200	3,768,200	3,745,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,015,200</b>	<b>3,768,200</b>	<b>3,745,700</b>
<b>TOTAL - ALL SOURCES</b>	3,015,200	3,768,200	3,745,700

**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 licenses interpreters for the deaf and the hard of hearing. The agency is supported by the Telecommunication Fund for the Deaf, which derives monies from the Telecommunication Services Excise Tax.

### Operating Budget

The budget includes \$3,745,700 and 15 FTE Positions from the Telecommunication Fund for the Deaf in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Continue Fund Reduction and Transfer

The budget continues a \$(200,000) decrease from the Telecommunication Fund for the Deaf approved in the mid-year FY 2011 revisions. This savings is transferred to the General Fund.

#### Statewide Adjustments

The budget includes a decrease of \$(40,500) from the Telecommunication Fund for the Deaf in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$18,000 from the Telecommunication Fund for the Deaf in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$32,500 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## State Board of Dental Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	411,700	517,000	525,300
Employee Related Expenditures	150,500	148,300	144,400
Professional and Outside Services	204,300	259,700	299,200
Travel - In State	3,800	3,200	3,200
Travel - Out of State	2,800	5,500	5,500
Other Operating Expenditures	152,000	183,200	182,500
Equipment	26,300	30,700	23,700
<b>AGENCY TOTAL</b>	<b>951,400</b>	<b>1,147,600</b>	<b>1,183,800</b> <sup>1/2</sup>

### FUND SOURCES

#### Other Appropriated Funds

Dental Board Fund	951,400	1,147,600	1,183,800
SUBTOTAL - Other Appropriated Funds	951,400	1,147,600	1,183,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>951,400</b>	<b>1,147,600</b>	<b>1,183,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>951,400</b>	<b>1,147,600</b>	<b>1,183,800</b>

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

#### Operating Budget

The budget includes \$1,183,800 and 11 FTE Positions from the Dental Board Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

##### Investigations

The budget includes an increase of \$39,500 from the Dental Board Fund in FY 2012 to contract with a consultant to investigate complaints and perform anesthesia evaluations.

##### One-Time Equipment

The budget includes a decrease of \$(7,000) from the Dental Board Fund in FY 2012 for one-time equipment.

##### Statewide Adjustments

The budget includes a decrease of \$(7,000) from the Dental Board Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

##### Restore Furlough Reduction

The budget includes an increase of \$10,700 from the Dental Board Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

#### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$26,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## *Arizona Early Childhood Development and Health Board*

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	86,423,200	210,071,300	153,500,000
<b>TOTAL - ALL SOURCES</b>	<b>86,423,200</b>	<b>210,071,300</b>	<b>153,500,000</b>

**AGENCY DESCRIPTION** — As authorized by a 2006 ballot initiative, the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents a pack cigarette tax, plus taxes on other tobacco products. The board funds early childhood development programs and services for children prior to kindergarten and their families.

### *Background*

#### **Early Childhood Development and Health Fund**

Revenues from the tax are deposited into the Early Childhood Development and Health (ECDH) Fund and go into 2 accounts: 90% of funds are allocated to the Program Account and 10% of funds to the Administrative Costs 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 for 1 or more of the following 6 purposes: 1) Improve the quality of ECDH programs; 2) Increase access to quality ECDH programs; 3) Increase access to preventive health care and health screenings for children through age 5; 4) Offer parent and family support and education concerning early childhood development and literacy; 5) Provide professional development and training for ECDH providers; and 6) Increase coordination of ECDH programs and public information about the importance of ECDH. The ECDH Fund is not subject to legislative appropriation.

During FY 2010, the board's revenues were \$137,518,400 and expenditures were \$86,423,200. In FY 2011, the board expects to collect \$137,624,500 in revenues and expend \$210,071,300. Of this FY 2011 spending amount, \$194,609,700 and \$15,461,600 will be from the Program Account and the Administrative Account, respectively.

The above expenditures leave the fund with a projected balance of \$341,193,200 at the end of FY 2011. 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) continues to decline.

## Department of Economic Security

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5,889.4	5,473.4	5,473.4 <sup>1/</sup>
Personal Services	117,524,200	143,105,900	140,255,900
Employee Related Expenditures	52,923,000	65,025,800	62,602,300
Professional and Outside Services	14,432,400	14,976,600	14,976,600
Travel - In State	1,650,000	2,040,900	2,040,900
Travel - Out of State	34,900	6,100	6,100
Other Operating Expenditures	59,279,500	69,631,800	64,597,700
Equipment	6,590,800	4,448,900	4,448,900
<b>OPERATING SUBTOTAL</b>	<b>252,434,800</b>	<b>299,236,000</b>	<b>288,928,400</b> <sup>2/3/4/5/6/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
Attorney General Legal Services	18,914,300	21,485,700	21,338,400
<b>Aging and Community Service</b>			
Adult Services	13,316,600	6,924,100	6,924,100
Community and Emergency Services	3,763,400	3,724,000	3,724,000
Coordinated Homeless	2,386,600	2,522,600	2,522,600
Coordinated Hunger	1,427,800	1,754,600	1,754,600
Domestic Violence Prevention	13,004,400	12,123,700	12,123,700 <sup>7/8/</sup>
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	100,348,100	57,015,800	44,999,400 <sup>9/</sup>
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
<b>Child Support Enforcement</b>			
County Participation	7,118,600	8,600,200	8,600,200
Genetic Testing	128,800	0	0
<b>Children, Youth and Families</b>			
Children Support Services	33,906,700	77,568,300	77,567,600 <sup>10/</sup>
CPS Emergency and Residential Placement	17,473,500	24,001,700	24,001,700 <sup>10/</sup>
Foster Care Placement	18,957,300	23,112,600	23,112,600 <sup>10/</sup>
Independent Living Maintenance	2,320,900	2,719,300	2,719,300
Permanent Guardianship Subsidy	8,329,000	8,815,300	8,815,300
Adoption Services	52,060,700	57,744,600	57,744,600
Adoption Services - Family Preservation Projects	227,700	0	0
Education and Training Vouchers	7,700	0	0
<b>Developmental Disabilities</b> <sup>11/12/13/14/</sup>			
Case Management - Title XIX	34,756,600	38,087,400	37,804,400
Home and Community Based Services - Title XIX	564,312,800	687,668,600	706,956,600
Institutional Services - Title XIX	17,379,400	18,360,300	19,305,900
Medical Services	121,340,800	131,645,100	138,931,600
Arizona Training Program at Coolidge - Title XIX	16,369,700	15,688,700	15,582,100
Medicare Clawback Payments	1,612,000	1,766,300	2,496,900
Case Management - State Only	2,307,400	3,885,200	3,846,000
Home and Community Based Services - State Only	7,258,900	32,623,400	32,615,300
State-Funded Long Term Care Services	21,719,800	26,530,200	26,528,100
<b>Employment and Rehabilitation Services</b>			
<b>JOBS</b>	9,264,900	13,005,600	13,005,600
Day Care Subsidy	109,930,600	135,167,900	121,396,600 <sup>15/</sup>
Rehabilitation Services	3,513,800	5,088,500	5,088,500
Workforce Investment Act Services	58,035,100	51,654,600	51,654,600 <sup>16/</sup>
<b>AGENCY TOTAL</b>	<b>1,518,609,000</b>	<b>1,773,200,600</b>	<b>1,764,769,000</b> <sup>17/18/19/20/</sup>

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>FUND SOURCES</b>			
General Fund	461,656,600	550,548,800	602,603,300 <sup>21/</sup>
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,800	1,459,100
Child Support Enforcement Administration Fund	11,935,900	16,785,200	16,534,900 <sup>4/</sup>
Children and Family Services Training Program Fund	106,300	206,800	205,300
Domestic Violence Shelter Fund	2,219,800	2,220,000	2,220,000 <sup>7/</sup>
Federal CCDF Block Grant	106,211,100	130,688,200	130,567,500
Federal TANF Block Grant	212,429,600	240,060,600	239,304,400
Long Term Care System Fund (Non-Federal Matched)	19,707,800	30,520,500	30,518,400
Public Assistance Collections Fund	251,500	431,700	423,900
Reed Act Grant	3,524,200	0	0
Special Administration Fund	24,400	1,135,300	1,129,900
Spinal and Head Injuries Trust Fund	699,700	1,873,800	1,864,700
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	1,000,000
Workforce Investment Act Grant	59,898,800	56,052,100	56,029,800 <sup>16/</sup>
SUBTOTAL - Other Appropriated Funds	418,009,100	482,434,000	481,257,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>879,665,700</b>	<b>1,032,982,800</b>	<b>1,083,861,200</b>
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	39,604,800	44,720,200	40,320,200
Long Term Care System Fund (Federal Match)	599,338,500	695,497,600	640,587,600 <sup>22/</sup>
SUBTOTAL - Expenditure Authority Funds	638,943,300	740,217,800	680,907,800
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,518,609,000</b>	<b>1,773,200,600</b>	<b>1,764,769,000</b>
Other Non-Appropriated Funds	987,785,100	609,083,800	311,945,300
Federal Funds	1,836,054,100	1,494,507,300	633,557,000
<b>TOTAL - ALL SOURCES</b>	<b>4,342,448,200</b>	<b>3,876,791,700</b>	<b>2,710,271,300</b>

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

- 1/ Includes 624.1 GF, 138.5 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2012.
- 2/ In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund. (General Appropriation Act footnote)
- 3/ The Operating Lump Sum Appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)
- 4/ All state share of retained earnings, fees and federal incentives above \$16,534,900 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. Before the expenditure of these increased monies, the Division of Child Support Enforcement shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 5/ The Department of Economic Security shall provide training to any new Child Protective Services FTE Positions before assigning to any of these employees any client caseload duties. (General Appropriation Act footnote)
- 6/ It is the intent of the Legislature that the Department of Economic Security use the funding in the Division of Children, Youth and Families to achieve a 100% investigation rate. (General Appropriation Act footnote)
- 7/ All Domestic Violence Shelter Fund monies above \$2,220,000 received by the Department of Economic Security are appropriated for the Domestic Violence Prevention line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$2,220,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 8/ 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, 2011. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)
- 9/ Of the amount appropriated for Temporary Assistance for Needy Families Cash Benefits, \$500,000 reflects appropriation authority only to ensure sufficient cash flow to administer cash benefits for tribes operating their own welfare programs. The department shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting Staff before the use of any of the \$500,000 appropriation authority. (General Appropriation Act footnote)
- 10/ Of the amounts appropriated for Children Support Services, CPS Emergency and 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 and Residential Placement \$12,167,000, Foster Care Placement \$5,074,400. (General Appropriation Act footnote)



## Operating Budget

The budget includes \$288,928,400 and 3,590.2 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$127,401,100
Child Support Enforcement Administration Fund	12,872,900
Children and Family Services Training Program Fund	205,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	80,180,000
Federal Child Care and Development Fund (CCDF) Block Grant	11,871,300
Federal Expenditure Authority	26,438,200
Long-Term Care System Fund	25,695,600
Public Assistance Collections Fund	333,200
Special Administration Fund	19,000
Spinal and Head Injuries Trust Fund	536,600
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,375,200

These amounts fund the following adjustments:

### ARRA Payments

The budget includes a decrease of \$(4,400,000) from Federal Expenditure Authority in FY 2012 as a result of decreased Title IV-D funding. Previously, ARRA had allowed states to use federal incentive payments as state match for Title IV-D funding. In FY 2012 federal incentive payments will no longer be considered state match, and the amount of Title IV-D funding will decrease.

### Formula Growth

The budget includes a decrease of \$(4,439,500) in FY 2012 for formula growth. This amount consists of:

General Fund	2,196,400
FMA	(6,635,900)

- 11/ For FY 2012, the Department of Economic Security shall not increase reimbursement rates for community service providers and independent service agreement providers contracting with the Division of Developmental Disabilities. (General Appropriation Act footnote)
- 12/ The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than 2%. Before implementation of any changes in capitation rates for the Long-Term Care program, the Department of Economic Security shall report for review the expenditure plan to the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 13/ Prior to the implementation of any developmentally disabled or long-term care statewide provider rate adjustments not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 14/ 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 2012 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, 2012. (General Appropriation Act footnote)
- 15/ Of the \$121,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2013, \$115,119,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level. (General Appropriation Act footnote)
- 16/ All Federal Workforce Investment Act monies that are received by this state in excess of \$56,029,800 are appropriated to the Workforce Investment Act Services line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$56,029,800 to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 17/ The above appropriations are in addition to funds granted to the state by the federal government for the same purposes but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to A.R.S. § 42-5029. (General Appropriation Act footnote)
- 18/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 19/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 20/ In addition to these amounts, a total of \$5,009,100 GF, \$2,860,100 OF, and \$1,820,000 FMA is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- 21/ Laws 2010, 7<sup>th</sup> Special Session, Chapter 1, as amended by Laws 2011, Chapter 24, appropriated \$35,000,000 from the General Fund in FY 2012 to account for the deferral of FY 2011 payments into FY 2012, so that \$35,000,000 does not appear in the FY 2012 General Appropriation Act. Laws 2011, Chapter 24 appropriates \$35,000,000 in FY 2013 to reflect the deferral of FY 2012 payments to FY 2013.
- 22/ All monies in the Long-Term Care System Fund unexpended and unencumbered at the end of FY 2012 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System administration. (General Appropriation Act footnote)

This formula adjustment consists of a federal match rate change as well as reversing a DES shift that moved funding from benefits to the operating budget in Developmental Disabilities. This would return the Developmental Disabilities operating budget to the level appropriated in FY 2011.

**Additional TANF Drawdown**

The budget continues a decrease of \$(5,000,000) from the General Fund approved in the mid-year FY 2011 revisions and a corresponding increase from the federal TANF Block Grant. This fund shift is the result of additional federal TANF Block Grant monies made available to the state in FY 2011 and FY 2012.

**Revenue Realignment**

The budget continues a decrease of \$(3,561,000) from the Reed Act Grant approved in the mid-year FY 2011 revisions to align fund expenditures with actual revenue.

**Federal Fund Backfill**

The budget includes an increase of \$4,500,000 from the General Fund in FY 2012 to backfill lost Federal Funds for benefits and medical eligibility determinations and child support enforcement.

**Statewide Adjustments**

The budget includes a decrease of \$(5,968,100) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(4,815,100)
Child Support Enforcement Administration Fund	(231,000)
Child and Family Services Training Program Fund	(1,500)
Federal CCDF Block Grant	(120,700)
Federal TANF Block Grant	(756,200)
Public Assistance Collections Fund	(6,800)
Special Administration Fund	(5,400)
Spinal and Head Injuries Trust Fund	(9,100)
Workforce Investment Act Grant	(22,300)

*(Please see the Agency Detail and Allocations section.)*

The budget also includes \$8,200,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$127,401,100 would consist of \$8,200,000 from Chapter 1 and \$119,201,100 from the FY 2012 General Appropriation Act. This amount has been allocated to the operating budget pending agency decisions on how to allocate.

The Finger Imaging, Tuberculosis Control, and CPS Appeals line items have been shifted to the operating budget in FY 2012 and all years are displayed accordingly.

**Administration**

**Attorney General Legal Services**

The budget includes \$21,338,400 and 311.2 FTE Positions in FY 2012 for Attorney General Legal Services. These amounts consist of:

General Fund	12,063,800
Child Support Enforcement Administration Fund	2,322,900
Federal TANF Block Grant	222,700
Federal CCDF Block Grant	17,400
Federal Expenditure Authority	6,620,900
Public Assistance Collections Fund	90,700

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(147,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(127,000)
Child Support Enforcement Administration Fund	(19,300)
Public Assistance Collections Fund	(1,000)

Monies in this line item fund Attorney General Legal Services for the department. All Attorney General expenses have been consolidated into this line item.

**Aging and Community Services**

**Adult Services**

The budget includes \$6,924,100 from the General Fund in FY 2012 for Adult Services. This amount funds the following adjustments:

**Fund Shift**

The budget continues a decrease of \$(6,000,000) from the General Fund approved in the mid-year FY 2011 revisions. This decrease will be offset by a \$6,000,000 increase in non-appropriated federal Social Services Block Grant funding.

This line item provides an array of independent living support to elderly persons, distributed as shown in *Table 1*.

<b>Table 1</b>	
<b>Independent Living Support</b>	
<b>Services</b>	<b>FY 2011</b>
Adult Protective Contracted Services	\$ 295,100
Supplemental Payments	165,000
Home Care	2,674,800
Older Americans Act	1,916,700
Assessments and Case Management	1,410,500
Respite Care	462,000
<b>Total</b>	<b>\$6,924,100</b>

### ***Community and Emergency Services***

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2012 for Community and Emergency Services. This amount is unchanged from FY 2011.

Monies in this line item provide funding to 15 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2010, this line item provided short-term crisis services to 2,167 households, energy assistance to 35,688 households, and 30,350 households participated in telephone discount programs.

### ***Coordinated Homeless***

The budget includes \$2,522,600 in FY 2012 for Coordinated Homeless programs. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2011.

In FY 2010, this line item provided emergency shelter services to 14,814 individuals and transitional shelter services to 1,871 individuals.

### ***Coordinated Hunger***

The budget includes \$1,754,600 in FY 2012 for Coordinated Hunger programs. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2011.

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 2010, the USDA Commodities Food Program served 302,000 households quarterly.

### ***Domestic Violence Prevention***

The budget includes \$12,123,700 in FY 2012 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Shelter Fund	2,220,000

These amounts are unchanged from FY 2011.

In FY 2010, this line item, along with non-appropriated funds, served approximately 9,820 women and children in

emergency shelters, 515 women and children in transitional housing, and 8,696 victims with legal and lay legal advocacy.

### ***Benefits and Medical Eligibility***

The Tuberculosis Control line item has been consolidated into the operating budget.

### ***TANF Cash Benefits***

The budget includes \$44,999,400 in FY 2012 for TANF Cash Benefits. This amount consists of:

General Fund	(8,600,000)
Federal TANF Block Grant	53,599,400

The negative General Fund appropriation will be adjusted by DES during FY 2012 by the transfer of monies between line items.

These amounts fund the following adjustments:

#### **Caseload Adjustment**

The budget includes a decrease of \$(3,416,400) from the General Fund in FY 2012 and continues a decrease of \$(24,969,200) from the mid-year FY 2011 revisions to align funding with actual caseloads. The total FY 2012 reduction is \$(28,385,600). The March 2011 caseload is 41,813. The FY 2012 budget estimated the caseload to reach 42,840 in June 2011. The average monthly benefit is approximately \$103. The FY 2012 figure is a decline of (27,160) below the originally budgeted FY 2011 caseload of 70,000. (See FY 2011 Adjustments discussion in Other Issues.)

#### **Reduce TANF Cash Benefits Time Limit**

The budget includes a decrease of \$(8,600,000) from the General Fund in FY 2012 to reduce the lifetime time limit that a recipient can receive TANF Cash Benefits from 36 months to 24 months. The Welfare Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 32) included amendments to permanent statute to implement this change. It is estimated approximately 7,000 recipients will lose their benefits as a result of this change.

The Welfare BRB includes a continuing session law provision requiring recipients of TANF Cash Benefits pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.

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), or \$5,022 for a family of 4.

**Tribal Pass-Through Funding**

The budget includes \$4,680,300 from the General Fund in FY 2012 for Tribal Pass-Through Funding. This amount is unchanged from FY 2011.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. 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.

**Child Support Enforcement**

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

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 displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state.

Table 2 details the sources and uses of the CSEA Fund.

<u>Sources</u>	
State Share of Retained Earnings	\$ 9,290,900
Federal Incentive Payments	6,900,000
Fees	<u>1,871,500</u>
<b>Total</b>	<b>\$18,062,400</b>
<u>Uses</u>	
DCSE Administration	\$16,785,200
Administration (Non-Appropriated)	<u>1,277,200</u>
<b>Total</b>	<b>\$18,062,400</b>

**County Participation**

The budget includes \$8,600,200 in FY 2012 for County Participation. This amount consists of:

CSEA Fund	1,339,100
Federal Expenditure Authority	7,261,100

These amounts are unchanged from FY 2011.

The division contracts with several Arizona counties to operate child support programs in those counties. This line

item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

**Genetic Testing**

The budget includes no funding in FY 2012 for the Genetic Testing Special Line Item (SLI). This program was shifted to the operating budget in FY 2011.

This line item funded DNA testing and blood testing for the estimated 50% of child support cases subject to the establishment of paternity through testing. These functions will continue to be funded through the operating budget.

**Children, Youth and Families**

The budget provides funding for Children Services in 3 separate line items (see Table 3).

	<u>Appropriated Funds</u>	<u>Non-Appropriated Funds</u>	<u>Total</u>
Children Support Services	\$77,567,600	\$39,556,700	\$117,124,300
CPS Emergency & Residential Placement	24,001,700	17,600,900	41,602,600
Foster Care Placement	23,112,600	18,637,800	41,750,400
<b>TOTAL</b>	<b>\$124,681,900</b>	<b>\$75,795,400</b>	<b>\$200,477,300</b>

Of the \$124,681,900 in appropriated funds, \$53,650,200 is from the TANF Block Grant. A total of \$22,613,100 from TANF is deposited into the federal Social Services Block Grant (SSBG); once deposited, the monies are spent on the Children Services program. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. The transfer to SSBG provides additional funding flexibility to DES.

**Children Support Services**

The budget includes \$77,567,600 and 1 FTE Position in FY 2012 for Children Support Services. These amounts consist of:

General Fund	45,854,400
Federal TANF Block Grant	30,254,100
Child Abuse Prevention Fund	1,459,100

These amounts fund the following adjustments:

**Additional TANF Drawdown**

The budget continues a decrease of \$(5,000,000) from the General Fund approved in the mid-year FY 2011 revisions

and a corresponding increase from the federal TANF Block Grant. This fund shift is the result of additional federal TANF Block Grant monies made available to the state in FY 2011 and FY 2012.

**Statewide Adjustments**

The budget includes a decrease of \$(700) from the Child Abuse Prevention fund in FY 2012 for statewide adjustments.

The Children Support Services line item provides support services for both in-home and out-of-home clients. This does not include the cost of residential placement. For March 2011, the department reported 10,817 out-of-home clients and 5,365 in-home cases. In addition, these funds will pay for services to approximately 5,500 parents, guardians, or custodians in FY 2011 whose substance abuse is a significant barrier to preserving the family. These funds were previously appropriated to the Joint Substance Abuse Treatment line item.

This line item also provides full coverage of the medical and dental expenses of foster children. 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). These funds were previously appropriated to the Comprehensive Medical and Dental Program line item.

The budget also includes \$6,200,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$45,854,400 would consist of \$6,200,000 from Chapter 1, and \$39,654,400 from the FY 2012 General Appropriation Act.

**CPS Emergency and Residential Placement**

The budget includes \$24,001,700 in FY 2012 for CPS Emergency and Residential Placement. This amount consists of:

General Fund	7,578,700
Federal TANF Block Grant	16,423,000

These amounts are unchanged from FY 2011.

The CPS Emergency and Residential Placement provides funding for 1) short-term placement until a more permanent placement can be arranged and 2) behavioral or other therapeutic residential treatment. These 2 programs were previously funded in separate line items.

In February 2011, 207 children were reported in emergency placements at an average monthly cost of \$3,123 per child, while 1,124 children were reported in residential placements at an average monthly cost of \$2,478 per child.

The budget also includes \$1,800,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$7,578,700 would consist of \$1,800,000 from Chapter 1, and \$5,778,700 from the FY 2012 General Appropriation Act.

**Foster Care Placement**

The budget includes \$23,112,600 in FY 2012 for Foster Care Placement. This amount consists of:

General Fund	16,139,500
Federal TANF Block Grant	6,973,100

These amounts are unchanged from FY 2011.

The Foster Care Placement SLI provides funding for the placement of children in the CPS system into foster homes. This line item only includes the cost of placement, not additional support services. In February 2011, 8,690 children were reported in foster care. Of that number, 3,681 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 5,009 children were in licensed foster care at an average monthly cost of \$664 per child.

The budget also includes \$1,900,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$16,139,500 would consist of \$1,900,000 from Chapter 1, and \$14,239,500 from the FY 2012 General Appropriation Act.

**Independent Living Maintenance**

The budget includes \$2,719,300 from the General Fund in FY 2012 for Independent Living Maintenance. This amount is unchanged from FY 2011.

The Independent Living Maintenance program provides stipends to about 288 former foster youth between 18 and 21, who are now living on their own and are either enrolled in a postsecondary program or employed.

**Permanent Guardianship Subsidy**

The budget includes \$8,815,300 in FY 2012 for Permanent Guardianship Subsidy. This amount consists of:

General Fund	7,072,300
Federal TANF Block Grant	1,743,000

These amounts are unchanged from FY 2011.

The program provides a subsidy of foster care children in private homes under permanent guardianship status. In March 2011, 2,412 clients received permanent guardianship subsidies.

**Adoption Services**

The budget includes \$57,744,600 in FY 2012 for Adoption Services. This amount consists of:

General Fund	32,942,200
Federal TANF Block Grant	24,802,400

These amounts fund the following adjustments:

**Additional TANF Drawdown**

The budget continues a decrease of \$(5,000,000) from the General Fund approved in the mid-year FY 2011 revisions and a corresponding increase from the federal TANF Block Grant. This fund shift is the result of additional federal TANF Block Grant monies made available to the state in FY 2011 and FY 2012.

The program subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental, or emotional disorders or who 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 March 2011, 15,431 clients received adoption subsidies. In addition, this line item is estimated to receive \$72,547,000 from Federal Grants in FY 2012.

**Adoption Services – Family Preservation Projects**

The budget includes no funding in FY 2012 for the Adoption Services – Family Preservation Projects SLI. This SLI was eliminated in the FY 2011 budget.

This line item funded part of a project to evaluate ways to enhance family preservation and promote adoption and permanency for children in the foster care system.

**Education and Training Vouchers**

The budget includes no funding in FY 2012 for the Education and Training Vouchers SLI. This program was shifted to the operating budget in FY 2011.

Under this program, children in the foster care system with a financial need may apply for assistance in obtaining post-secondary education and training.

**Developmental Disabilities**

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. 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 federal Medicaid services.

As of March 2011, the Division of Developmental Disabilities serves 31,106 clients, which includes 23,437 clients in the LTC program and 7,669 clients in the state-only portion. The primary disabilities of these clients are shown in *Table 4*.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	13,677	44%
At Risk	8,726	28%
Autism	4,452	14%
Cerebral Palsy	2,943	10%
Epilepsy	1,219	4%
Not Indicated	89	<1%

The LTC program is funded from 2 sources: the General Fund (GF) and matching federal Medicaid funds.

**Overall DES Formula Adjustments**

The budget includes \$80,139,700 from the General Fund in FY 2012 for DES formula changes as delineated in *Table 5*. Those changes are described in further detail below the table.

	<u>Adjustment</u>
Federal Match Rate Backfill	\$85,122,900
Regular FMAP Adjustment	(10,454,100)
FY 2011 Base Adjustment & FY 2012 Caseload Growth	17,957,900
FY 2011 Supplemental	(12,487,000)
Capitation Changes	0
<b>Total</b>	<b>\$80,139,700</b>

**FMAP Backfill/Regular FMAP Adjustments**

Due to a reduction in the Federal Medicaid Assistance Percentage (FMAP), the budget includes \$85,122,900 to backfill the loss of Federal Funds. The FMAP is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. The federal government had provided a 65.8% match for Medicaid services.

The American Recovery and Reinvestment Act of 2009 (ARRA) increased the Medicaid match rate for most services to 75.9%. The FY 2011 budget assumed the continuation of that rate through the end of FY 2011. The federal government subsequently decided to phase down that match rate as of January 2011. The final blended FY 2011 FMAP is estimated to be 74.1%, and as a result the FY 2011 mid-year revision increased the state share of FY 2011 costs by \$17,312,100. (Please see *Other Issue for discussion of FY 2011 adjustments.*)

During FY 2012, the blended FMAP for Medicaid will decline to 66.9% (7.1% decline). The rate would have otherwise returned to 65.8%, but the state's low personal income growth qualifies it for a higher rate. This better regular match rate generates savings of \$(10,454,100) to offset the \$85,122,900 backfill.

FY 2011 Base Adjustment and FY 2012 Caseload Growth

The budget includes a net increase of \$17,957,900 from the General Fund in FY 2012 for the Department of Economic Security (DES) caseload changes. The FY 2011 caseload funding will be \$(4,825,100) less than budgeted due to lower caseloads. While the original FY 2011 budget funded a June caseload of 24,893, the current projection is 24,042, an increase of 5.0% from FY 2010 to FY 2011. From FY 2011 to FY 2012, caseloads are expected to grow by 5.0% to a level of 25,244 at a cost of \$22,783,000. That amount is offset by the \$(4,825,100) FY 2011 adjustment for a net change of \$17,957,900.

FY 2012 Capitation Rate Changes

As the AHCCCS-authorized provider of DD services, DES receives federal monies through prepaid monthly capitation payments based on rates for types of clients. The budget reflects no net capitation rate adjustments in FY 2012. Capitation rates normally reflect adjustments in utilization of services and medical inflation. The FY 2011 budget, however, set a policy of no capitation adjustments, which is continued in the FY 2012 budget. If capitation rates increased by 5% in FY 2012, this would cost an additional \$16,052,300 from the General Fund in FY 2012.

Table 6 summarizes the average monthly caseload estimates for the Special Line Items (SLI). All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

FY 2011 Supplemental

The budget includes a FY 2011 supplemental of \$12,487,000 from the General Fund. This amount consists of \$17,312,100 for the FMAP shortfall due to the phased down match rate in FY 2011. This increase is offset by a reduction of \$(4,825,100) for caseload changes for a total FY 2011 supplemental of \$12,487,100.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	21,349
Institutional Services	216
Arizona Training Program at Coolidge	124 <sup>1/</sup>
Subtotal	21,689
Case Management/Medical Services only	3,555
<b>Total</b>	<b>25,244</b>

<sup>1/</sup> Represents the budgeted client caseload.

**Case Management – Title XIX**

The budget includes \$37,804,400 and 755.5 FTE Positions in FY 2012 for Case Management. These amounts consist of:

General Fund	12,461,600
Long Term Care System Fund	25,342,800

These amounts fund the following adjustments:

**Formula Growth**

The budget includes an increase of \$1,518,000 from the General Fund in FY 2012 and a corresponding decrease from the Long Term Care System Fund. This formula adjustment consists of the federal match rate change.

**Statewide Adjustments**

The budget includes a decrease of \$(283,000) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(126,600)
Long Term Care System Fund	(156,400)

*Background* – In addition to providing case management services to an estimated 21,689 clients receiving direct services, this line item also provides case management services only to another 3,555 clients.

**Home and Community Based Services - Title XIX**

The budget includes \$706,956,600 and 94.5 FTE Positions in FY 2012 for Home and Community Based Services (HCBS). These amounts consist of:

General Fund	233,778,700
Long Term Care System Fund	473,177,900

These amounts fund the following adjustments:

**Formula Growth**

The budget includes an increase of \$24,178,900 in FY 2012 for Formula Growth. This amount consists of:

General Fund	66,110,400
Long Term Care System Fund	(41,931,500)

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2012 to a level of 21,349 and no increase for medical inflation (see Table 6).

**Medicaid Waiver**

The budget includes a decrease of \$(4,789,900) in FY 2012 for reduced provider rates as outlined in the 1115 Medicaid Waiver Proposal submitted to the federal government on March 31<sup>st</sup>, 2011. This amount consists of:

General Fund	(1,566,300)
Long Term Care System Fund	(3,223,600)

(Please see the Proposition 204 and Federal Waiver Request in the AHCCCS section for additional detail).

**Statewide Adjustments**

The budget includes a decrease of \$(101,000) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(45,200)
Long Term Care System Fund	(55,800)

*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).

Of the \$706,956,600 in this line item, \$695,234,100 funds HCBS services to clients enrolled in the LTC program; the other \$11,722,500 funds program staff.

The budget also includes \$16,900,000 in deferred FY 2011 General Fund payments appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1, and defers the same amount for FY 2012 to FY 2013. As a result, the FY 2012 General Fund amount of \$233,778,700 would consist of \$16,900,000 from Chapter 1, and \$216,878,700 from the FY 2012 General Appropriation Act.

**Institutional Services - Title XIX**

The budget includes \$19,305,900 and 74 FTE Positions in FY 2012 for Institutional Services. These amounts consist of:

General Fund	6,379,200
Long Term Care System Fund	12,926,700

These amounts fund the following adjustments:

**Formula Growth**

The budget includes an increase of \$973,900 in FY 2012 for Formula Growth. This amount consists of:

General Fund	1,080,800
Federal Medicaid Authority	(106,900)

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2012 to a level of 216 and no increase for medical inflation (see Table 6).

**Statewide Adjustments**

The budget includes a decrease of \$(28,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(12,700)
Long Term Care System Fund	(15,600)

*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.

Of the \$19,305,900 in this line item, \$13,930,500 funds Institutional Services to clients enrolled in the LTC program; the other \$5,375,400 funds program staff.

**Medical Services**

The budget includes \$138,931,600 and 35.4 FTE Positions in FY 2012 for Medical Services. These amounts consist of:

General Fund	45,931,400
Long Term Care System Fund	93,000,200

These amounts fund the following adjustments:

**Formula Growth**

The budget includes an increase of \$7,308,000 in FY 2012 for Formula Growth. This amount consists of:

General Fund	8,069,800
Federal Medicaid Authority	(761,800)

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2012 to a level of 3,555 and no increase for medical inflation (see Table 6).

**Statewide Adjustments**

The budget includes an increase of \$(21,500) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(9,600)
Long Term Care System Fund	(11,900)



*Background* – Of the \$138,931,600 in this line item, \$134,625,800 funds Acute Care services to clients enrolled in the LTC program; the other \$4,305,800 funds the staff of the division’s Managed Care unit.

**Arizona Training Program at Coolidge - Title XIX**

The budget includes \$15,582,100 and 383.7 FTE Positions in FY 2012 for ATP-C. These amounts consist of:

General Fund	5,137,700
Long Term Care System Fund	10,444,400

These amounts fund the following adjustments:

**Formula Growth**

The budget includes an increase of \$433,700 from the General Fund in FY 2012 and a corresponding decrease from the Long Term Care System Fund for Formula Growth. This formula adjustment consists of the federal match rate change.

**Statewide Adjustments**

The budget includes a decrease of \$(106,600) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(47,700)
Long Term Care System Fund	(58,900)

*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).

At an estimated June 2012 caseload of 115, 95 in ICF/MRs and 20 in state-operated group homes, the blended cost per DD client at ATP-C will be \$135,500.

**Medicare Clawback Payments**

The budget includes \$2,496,900 from the General Fund in FY 2012 for Medicare Clawback Payments. This amount funds the following adjustments:

**Formula Growth**

The budget includes an increase of \$730,600 from the General Fund in FY 2012 for formula growth. Besides the federal match rate change, the formula adjustments include an adjustment for caseload growth associated with Medicare Clawback Payments.

*Background* – DES is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DES is required to make “Clawback” payments to Medicare based on a certain percent (80% in 2012) of the estimated drug costs.

**Case Management – State-Only**

The budget includes \$3,846,000 and 79.3 FTE Positions from the General Fund in FY 2012 for state-only Case Management. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(39,200) from the General Fund in FY 2012 for statewide adjustments.

*Background* – This line item funds case management services to clients in the state-only DD program. As of March 2011, there are approximately 7,669 clients in the state-only program.

**Home and Community Based Services – State-Only**

The budget includes \$32,615,300 and 53.6 FTE Positions in FY 2012 for state-only Home and Community Based Services. These amounts consist of:

General Fund	28,625,000
Long Term Care System Fund	3,990,300

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(8,100) from the General Fund in FY 2012 for statewide adjustments.

*Background* – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. It also includes funding for state-operated facilities, excluding ATP-C.

Of the \$32,615,300 in this line item, \$27,604,800 funds Home and Community Based Services to clients enrolled in the DD program, \$1,691,500 funds program staff, and \$3,319,000 funds the Arizona Early Intervention Program. The total amount is expected to provide a total of 7,910 member years of service.

The Arizona Early Intervention Program line item has been shifted to the Home and Community Based Services – State Only line item in FY 2012 and all years have been displayed accordingly.

**State-Funded Long Term Care Services**

The budget includes \$26,528,100 and 2 FTE Positions from the Long Term Care System Fund in FY 2012 for State-Funded Long Term Care Services. These amounts fund the following adjustments:

### Statewide Adjustments

The budget includes a decrease of \$(2,100) from the Long Term Care System Fund in FY 2012 for statewide adjustments.

*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 or other nursing facilities.

Of the \$26,528,100 in this line item, \$25,650,000 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$878,100 funds program staff.

The Institutional Services - State Only and Arizona Training Program at Coolidge - State Only line items have been shifted to the State-Funded Long Term Care Services line item in FY 2012 and all years are displayed accordingly.

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### Employment and Rehabilitation Services

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#### JOBS

The budget includes \$13,005,600 and 93 FTE Positions for JOBS in FY 2012. These amounts consist of:

Federal TANF Block Grant	9,894,700
Workforce Investment Act Grant	2,000,000
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2011.

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 7* highlights total estimated expenditures for the JOBS line item.

**Table 7**

#### Estimated JOBS Expenditures

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$9,896,600
Job Training	2,516,800
FLSA Supplement	340,100
Work-Related Transportation	207,100
Job Search Stipends	45,000
<b>Total</b>	<b>\$13,005,600</b>

#### Day Care Subsidy

The budget includes \$121,396,600 in FY 2012 for Day Care Subsidy. This amount consists of:

Federal CCDF Block Grant	118,678,800
Federal TANF Block Grant	2,717,800

These amounts fund the following adjustments:

### Eliminate General Fund Support

The budget continues a decrease of \$(10,000,000) from the General Fund approved in the mid-year FY 2011 revisions to maintain the child care wait list. In addition, the budget includes a decrease of \$(13,771,300) from the General Fund in FY 2012 to eliminate General Fund support for day care subsidies. This change is estimated to eliminate services for approximately 5,100 children in FY 2012.

The Welfare BRB (Laws 2011, Chapter 32) includes a provision continuing to allow DES to reduce the maximum income eligibility levels for child care assistance to manage within appropriated and available monies. DES is required to report to JLBC within 15 days of implementing any change in eligibility levels.

This line item funds child care 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.

This line item now includes the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment.

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 has a 24-month cumulative lifetime time limit. The only population for which there is no specified time limit is families referred by CPS and children in Foster Care.

*Subsidy Rates* - The average subsidy paid to providers per child is projected to be approximately \$337 per month in FY 2012. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$27.93 per day.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% of the Federal Poverty Level (FPL), the required daily co-payment for their first child in care is \$2.00. Using the \$27.93 Maricopa rate, this \$2.00 co-payment would account for 7.2% of the total cost of care (with the state paying the other 92.8%). By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 35.8% of the child's day care costs.

*Caseloads* – The estimated average number of children receiving child care services in FY 2012 is projected to be 24,500 (see Table 8). DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. DES will continue to maintain the wait list to manage the program within appropriated funds.

<u>Category</u>	<u>Estimated FY 2012</u> <sup>1/</sup>
TANF	4,600
CPS	6,400
Low-Income Working	7,800
Transitional Child Care SLI	<u>5,700</u>
<b>Total Served</b>	<b>24,500</b>

<sup>1/</sup> Represents projected average caseload.

### **Rehabilitation Services**

The budget includes \$5,088,500 in FY 2012 for Rehabilitation Services. This amount consists of:

General Fund	3,760,400
Spinal and Head Injuries Trust Fund	1,328,100

These amounts are unchanged from FY 2011.

The program is expected to serve up to 2,392 clients at an average annual Total Funds cost of \$6,074 per client.

In addition to these clients, the division is also expected to serve 200 clients at an average annual cost of \$3,622 per client, using federal Social Services Block Grant and Arizona Industries for the Blind monies.

*Background* - This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. This line item also 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.

The Assistive Technology and Independent Living Rehabilitation line items have been shifted to the Rehabilitation Services line item in FY 2012 and all years are displayed accordingly.

### **Workforce Investment Act Services**

The budget includes \$51,654,600 from the Workforce Investment Act (WIA) Grant in FY 2012 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2011.

*Background* – These monies are the state’s allotment of the federal WIA Grant for job training activities of dislocated

workers and disadvantaged adults and youth. Of the total grant received by the state, 85% is allocated to local governments and 15% is retained at the state level. This line item consolidates the previously separated WIA - Discretionary and WIA - Local Government line items.

The allocation of the WIA Grant for workforce related programs in FY 2012 is shown in Table 9.

<u>Category</u>	<u>Amount</u>
Local Governments	\$48,040,600
Discretionary	3,614,000
Administration	2,283,700 <sup>1/</sup>
JOBS	<u>2,000,000</u> <sup>2/</sup>
<b>Total</b>	<b>\$55,938,300</b>

<sup>1/</sup> This funding is included in the operating budget.  
<sup>2/</sup> This funding is included in the JOBS line item.

### **Fund Transfers**

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

### **Other Issues**

#### **Payment Deferral**

The budget continues a \$(7,000,000) decrease in the payment deferral approved in the mid-year FY 2011 revisions. A total of \$35,000,000 in payments were deferred from FY 2011 to FY 2012 and will be deferred from FY 2012 to FY 2013. The FY 2012 General Appropriation Act specifies that payments to child care providers shall not be deferred, and May payments to providers of developmentally disabled services shall not be deferred. DES plans to defer a total of \$35,000,000 in payments from the Special Line Items specified below:

Children Support Services	6,200,000
Emergency and Residential Placement	1,800,000
Foster Care Placement	1,900,000
Home and Community Based Services – Title XIX	16,900,000
Operating Budget	8,200,000

The original \$42,000,000 deferral was reduced to \$35,000,000 in the mid-year FY 2011 revisions. Of the \$42,000,000, \$15,200,000 was deferred from child care. The mid-year FY 2011 revisions included a deferral shift of \$8,200,000 from child care to the operating budget pending agency decisions how to allocate. The remaining \$7,000,000 reflects the reduction in the overall deferral amount approved in the mid-year FY 2011 revisions.

The budget reflects a full 12 months of payments in FY 2012, which consists of \$35,000,000 deferred from FY 2011 and \$35,000,000 deferred to FY 2013. The

FY 2011 General Appropriation Act appropriates \$35,000,000 in FY 2012 for the deferral of these payments. As a result, the FY 2012 General Fund amount of \$602,603,300 would consist of \$35,000,000 from the deferral appropriation and \$567,603,300 from the General Appropriation Act.

#### ***FY 2011 Adjustments***

The budget includes a decrease of \$(32,043,200) in mid-year FY 2011 revisions, including \$(43,482,200) from the General Fund and \$11,439,000 from Other Appropriated Funds. This amount includes:

#### ***LTC Formula Growth***

The FY 2011 budget forecasted June caseloads of 24,893. Revised forecasts now estimate caseloads of 24,042, for General Fund savings of \$4,825,100. The enhanced FMAP extension was \$(17,312,100) lower than projected. As a result, the net shortfall in LTC is \$12,487,000.

#### ***TANF Cash Benefits Caseload Adjustment***

The budget includes a decrease of \$(24,969,200) from the General Fund to align funding with actual caseloads in FY 2011. In June FY 2011 there is estimated to be 42,840 TANF Cash Benefit recipients, (27,160) below originally budgeted FY 2011 caseloads.

#### ***Additional TANF Drawdown***

The budget includes a decrease of \$(15,000,000) from the General Fund and a corresponding \$15,000,000 increase in federal TANF Block Grant funding from the Children's Support Services, Adoption Services, and Operating Budget line items. The increased federal TANF Block Grant funding was due to additional contingency fund revenue that become available.

#### ***Child Care***

The budget includes a decrease of \$(10,000,000) from the General Fund approved in the mid-year FY 2011 revisions to maintain the child care wait list.

#### ***Adult Services***

The budget includes a decrease of \$(6,000,000) from the General Fund approved in the mid-year FY 2011 revisions. This decrease is offset by a corresponding increase from federal Social Services Block Grant funding.

#### ***Reed Act Grant***

The budget includes a decrease of \$(3,561,000) from the Reed Act Grant fund to align expenditures with fund revenues.

#### ***TANF Block Grant***

The budget appropriates \$239,304,400 of the state's federal TANF Block Grant allocation in FY 2012.

The agency has the option to roll forward 10% of the total TANF Block Grant from FY 2011 into FY 2012. Contingency Fund and Emergency Contingency Fund

revenues are not included in the permanent revenue calculation.

*Table 10* provides detailed information on TANF expenditures and appropriations.

Table 10

## TANF Block Grant Spending

<u>Special Line Item</u>	<u>Actual FY 2010</u>	<u>Estimated FY 2011</u>	<u>Approved FY 2012</u>
<b>Operating</b>	\$ 56,787,300	\$ 80,936,200	\$ 80,180,000
<b>Administration</b>			
Attorney General Legal Services	\$ 175,100	\$ 222,700	\$ 222,700
<b>Aging and Community Services</b>			
Community and Emergency Services	\$ 3,763,400	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,649,500	1,649,500	1,649,500
Coordinated Hunger Program	396,700	500,000	500,000
Domestic Violence Prevention	6,197,300	6,620,700	6,620,700
Total – Aging and Community Services	\$ 12,006,900	\$ 12,494,200	\$ 12,494,200
<b>Benefits and Medical Eligibility</b>			
TANF Cash Benefits	\$ 88,377,300	\$ 53,599,400	\$ 53,599,400
<b>Children, Youth and Families</b>			
Children Support Services	\$ 6,034,200	\$ 30,254,100	\$ 30,254,100
CPS Emergency and Residential Placement	13,404,000	16,423,000	16,423,000
Foster Care Placement	6,061,600	6,973,100	6,973,100
Permanent Guardianship Subsidy	1,307,300	1,743,000	1,743,000
Adoption Services	16,618,500	24,802,400	24,802,400
Adoption - Family Preservation Projects	227,700	0	0
Total – Children, Youth and Families	\$ 43,653,300	\$ 80,195,600	\$ 80,195,600
<b>Employment and Rehabilitation Services</b>			
JOBS	\$ 8,921,700	\$ 9,894,700	\$ 9,894,700
Day Care Subsidy	2,508,000	2,717,800	2,717,800
Total – Employment and Rehabilitation Services	\$ 11,429,700	\$ 12,612,500	\$ 12,612,500
<b>TOTAL - DEPARTMENT OF ECONOMIC SECURITY</b>	<b>\$212,429,600</b>	<b>\$240,060,600</b>	<b>\$239,304,400</b>
<b>Beginning Balance</b>	\$ 50,300	\$ 5,823,200	\$ 13,653,100
<b>Administrative Adjustments</b>	(18,071,100)	0	0
<b>Non-Lapsing Authority from Prior Years</b>	0	(2,300,000)	0
<b>TANF Base Revenues</b>	236,273,600	223,965,100	223,965,100
<b>TANF Contingency Fund Revenues</b>	0	15,000,000	15,000,000
<b>TANF Stimulus Revenues</b>	0	11,225,400	0
<b>Total TANF Available</b>	<b>218,252,800</b>	<b>253,713,700</b>	<b>252,618,200</b>
<b>Ending Balance</b>	\$ 5,823,200	\$ 13,653,100	\$ 13,313,800
<b>Permanent Revenues vs Expenditures<sup>1/</sup></b>	23,844,000	(16,095,500)	(15,339,300)

<sup>1/</sup> Difference between Base Revenues and Total Expenditures. Contingency Fund Revenues are not included in Permanent Revenues.

## Department of Education

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	237.9	192.5	192.5 <sup>1/</sup>
Personal Services	4,859,300	4,899,700	4,899,700
Employee Related Expenditures	2,132,200	2,060,400	1,632,200
Professional and Outside Services	289,900	326,400	1,526,400
Travel - In State	12,600	16,100	16,100
Travel - Out of State	1,100	0	0
Other Operating Expenditures	2,528,300	1,079,900	850,800
Equipment	46,800	0	0
<b>OPERATING SUBTOTAL</b>	<b>9,870,200</b>	<b>8,382,500</b>	<b>8,925,200</b> <sup>2/3/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Formula Programs</b>			
Basic State Aid	2,853,052,800	3,047,240,800	3,061,676,600 <sup>4/-10/</sup>
Additional State Aid	231,187,600	419,264,000	351,525,000
Special Education Fund	35,242,100	35,242,100	33,242,100
Other State Aid to Districts	734,400	983,900	983,900
<b>School Accountability and Improvement</b>			
Achievement Testing	7,238,200	10,230,100	10,217,400 <sup>11/</sup>
AIMS Intervention; Dropout Prevention	2,035,900	0	0
School Accountability	3,160,200	0	0
<b>Education Services</b>			
Adult Education and GED	1,698,700	0	0
Chemical Abuse	244,000	0	0
English Learner Administration	3,551,300	4,063,900	3,958,200 <sup>12/</sup>
Compensatory Instruction Fund Deposit	3,973,600	0	0
Arizona Structured English Immersion Fund	8,791,400	8,791,400	8,791,400
Family Literacy	360,200	0	0
Gifted Support	726,800	0	0
School Safety Program	4,028,000	0	0
State Block Grant - Early Childhood Education	6,515,600	0	0
State Block Grant - Vocational Education	11,503,800	11,492,700	11,492,700
Vocational Education Extended Year	238,500	0	0
Teacher Certification	1,797,000	2,227,800	1,781,200
<b>State Board of Education</b>			
State Board of Education	893,200	907,500	894,300 <sup>13/</sup>
<b>AGENCY TOTAL</b>	<b>3,186,843,500</b>	<b>3,548,826,700</b>	<b>3,493,488,000</b> <sup>14/15/16/</sup> <sup>17/</sup>
<b>FUND SOURCES</b>			
General Fund	3,162,536,900	3,493,050,500	3,436,528,700
<b>Other Appropriated Funds</b>			
Education Learning and Accountability Fund	0	0	1,200,000
Permanent State School Fund	16,269,400	46,475,500	46,475,500
Proposition 301 Fund	6,077,500	7,000,000	7,000,000
Teacher Certification Fund	1,959,700	2,300,700	2,283,800
SUBTOTAL - Other Appropriated Funds	24,306,600	55,776,200	56,959,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,186,843,500</b>	<b>3,548,826,700</b>	<b>3,493,488,000</b>
<b>Other Non-Appropriated Funds</b>			
Other Non-Appropriated Funds	438,683,100	406,147,000	442,024,600
Federal Funds	1,660,239,400	1,307,503,900	987,897,800
<b>TOTAL - ALL SOURCES</b>	<b>5,285,766,000</b>	<b>5,262,477,600</b>	<b>4,923,410,400</b>

**AGENCY DESCRIPTION** — The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2012 it is anticipated that the department will oversee 238 school districts, accommodation districts and Joint Technological Education Districts and approximately 400 charter schools in their provision of public education from preschool through grade 12.

**Operating Budget**

The budget includes \$8,925,200 and 97 FTE Positions for the operating budget in FY 2012. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$7,591,300
Education Learning and Accountability Fund	1,200,000
Teacher Certification Fund	133,900

These amounts fund the following adjustments:

**New Data System**

Laws 2011, Chapter 29, the K-12 Education Budget Reconciliation Bill (BRB), appropriates an estimated \$1,200,000 in new fee revenue from the Education Learning and Accountability Fund in FY 2012 for a new data system to collect, compile, maintain and report student level data for students attending public preschool, K-12 and postsecondary educational programs in the state pursuant to A.R.S. § 15-249. The K-12 Education BRB also repeals the current version of A.R.S. § 15-249 pertaining to the new data system and replaces it with revised language.

- 1/ Includes 95.5 FTE Positions funded from Special Line Items in FY 2012.
- 2/ The operating lump sum appropriation includes \$291,100 and 4 FTE Positions for average daily membership auditing and \$200,000 and 2 FTE Positions for information technology security services. (General Appropriation Act footnote)
- 3/ Laws 2011, Chapter 29 appropriates an estimated \$1,200,000 in fee revenues from the Education Learning and Accountability Fund for a new data system. These monies are displayed as part of the Operating Subtotal.
- 4/ Includes K-12 rollover appropriation of \$952,627,700 from Laws 2010, 7<sup>th</sup> Special Session, Chapter 1. Laws 2011, Chapter 24 appropriates \$952,627,700 in FY 2013 to reflect the deferral of FY 2012 payments.
- 5/ 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 2012. (General Appropriation Act footnote)
- 6/ The portion of the above appropriation for basic state aid for charter school additional assistance pursuant to A.R.S. § 15-185B4 includes a \$17,656,000 reduction. (General Appropriation Act footnote)
- 7/ The Department of Education shall transfer \$5,000,000 of its Basic State Aid appropriation for FY 2012 to the Education Learning and Accountability Fund. (General Appropriation Act footnote)
- 8/ Receipts derived from the Permanent State School Fund and any other non-state General Fund revenue source that is dedicated to fund Basic State Aid will be expended, whenever possible, before expenditure of state General Fund monies. (General Appropriation Act footnote)
- 9/ Except as required by A.R.S. § 37-521, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds as prescribed by the Enabling Act and the Constitution of Arizona and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure shall not be made except as specifically authorized above. (General Appropriation Act footnote)
- 10/ Does not include monies from the federal Education Jobs Fund Program.
- 11/ Before making any changes to the Achievement Testing program that will increase program costs, the State Board of Education shall report the estimated fiscal impact of those changes to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 12/ The appropriated amount is to be used by the Department of Education to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the Department of Education to school districts and charter schools for the purposes of Title 15, Chapter 7, Article 3.1, Arizona Revised Statutes. The Department of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, the Superintendent of Public Instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)
- 13/ The State Board of Education program may establish its own strategic plan separate from that of the Department of Education and based on its own separate mission, goals and performance measures. (General Appropriation Act footnote)
- 14/ The department shall provide an updated report on its budget status every 3 months for the first half of each fiscal year and every month thereafter to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting. Each report shall include, at a minimum, the department's current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs and shall be due 30 days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 15/ Within 15 days of each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website in an electronic format the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 17/ In addition to these amounts, a total of \$329,700 GF and \$64,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

The estimated \$1,200,000 amount will be generated by a \$6 one-time fee that the K-12 Education BRB requires community colleges and universities to collect per full-time student equivalent (FTSE) in FY 2012. The K-12 Education BRB requires community colleges and universities to deposit those fee revenues into the newly-created Education Learning and Accountability Fund (A.R.S. § 15-249.02), which was also established by the K-12 Education BRB, on or before December 1, 2011.

The new data system also will be funded with \$5,000,000 in Basic State Aid funding that the department is required to transfer into the Education Learning and Accountability Fund in FY 2012 pursuant to a footnote in the General Appropriation Act. (See SAIS Replacement policy issue under Basic State Aid for a related discussion.)

### Statewide Adjustments

The budget includes a decrease of \$(657,300) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

## Formula Programs

### Basic State Aid

The budget includes \$3,061,676,600 for Basic State Aid in FY 2012. This amount consists of:

General Fund	3,015,201,100
Permanent State School Fund	46,475,500

The \$3,061,676,600 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 2012 because those monies are non-appropriated (see Table 1). It also excludes local property taxes and federal Education Jobs Fund Program monies that will help fund K-12 formula costs for FY 2012, as they also are non-appropriated.

The \$3,105,201,100 appropriated total includes a net General Fund increase of \$14,435,800 and no change from the Permanent State School Fund for FY 2012. These amounts fund the following adjustments:

### Base Adjustment - FY 2011 Supplemental

The budget includes a decrease of \$(1,865,100) from the General Fund in FY 2012 to eliminate one-time supplemental funding for Basic State Aid. Section 118 of the FY 2012 General Appropriation Act appropriated \$1,865,100 from the General Fund in FY 2011 to for-profit charter schools in order to fund a Basic State Aid funding shortfall for them for FY 2011. The FY 2012 budget assumes a Basic State Aid shortfall of roughly \$100,000,000 for FY 2011 and the K-12 Education BRB

requires school districts and not-for-profit charter schools to address their portion of that shortfall with monies provided by the Federal Education Jobs Fund Program Act of 2011 (Public Law No. 111-126). For-profit charter schools were not eligible to receive Education Jobs Fund Program monies, so a General Fund supplemental was instead provided for them for FY 2011. (Please see the “Federal Funds Cut/Backfill” narrative under Basic State Aid for further discussion of Education Jobs Fund Program monies.)

<b>General Fund</b>	
FY 2011 Appropriation (with supplemental)	\$3,000,765,300
Base Adjustment – prior year supplemental <sup>1/</sup>	(1,865,100)
Base Adjustment – ARRA <sup>2/</sup>	92,800,000
Base Adjustment – Enrollment Growth & Misc <sup>3/</sup>	50,000,000
Enrollment Growth @ 1.6%	90,877,800
Property Taxes from New Construction	(24,182,300)
0.9% Inflation	3,835,400
Soft Capital Reduction	(23,000,000)
CORL Reduction	(63,864,800)
Federal Funds Cut/Backfill – EDUJobs <sup>4/</sup>	(35,000,000)
Charter School Additional Assistance Reduction	(7,656,000)
JTED QTR Offset	4,485,700
JTED 9 <sup>th</sup> Grade Funding	(29,780,100)
Career Ladder Phase Out	(14,500,000)
Retirement Shift	(32,714,800)
SAIS Replacement	5,000,000
FY 2012 budget	3,105,201,100
<b>Permanent State School Fund (no change)</b>	46,475,500
<b>Prop 301 Sales Tax (no change) <sup>5/</sup></b>	86,280,500
<b>Local Property Taxes <sup>5/6/</sup></b>	
FY 2011 Base	2,279,258,100
Property Taxes from New Construction	24,182,300
FY 2012 estimated <sup>6/</sup>	2,303,440,400
<b>Federal Monies <sup>5/</sup></b>	
ARRA <sup>2/</sup>	(92,800,000)
Education Jobs Fund Program <sup>4/</sup>	35,000,000
	(57,800,000)
<b>Grand Total (all sources) <sup>7/</sup></b>	<b>\$5,483,597,500</b>
<sup>1/</sup> To offset gain of one-time FY 2011 supplemental monies.	
<sup>2/</sup> To offset loss of one-time monies from the American Recovery and Reinvestment Act (ARRA).	
<sup>3/</sup> For prior year shortfall due to higher than budgeted enrollment growth and other technical factors.	
<sup>4/</sup> The budget permits school districts to use federal Education Jobs Fund Program monies to offset an additional \$(35,000,000) CORL reduction for FY 2012.	
<sup>5/</sup> Non-appropriated, so excluded from appropriated totals.	
<sup>6/</sup> An estimated \$352 million of this total will be funded by the state through the Homeowner’s Rebate.	
<sup>7/</sup> Statutory formula cost would be approximately \$310 million higher without the Soft Capital, CORL, charter school Additional Assistance and JTED reductions that are included in the budget on a session law basis.	



### Base Adjustment - ARRA

The budget includes an increase of \$92,800,000 from the General Fund in FY 2012 in order to restore a one-time funding reduction authorized for FY 2011 by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1. Chapter 1 reduced General Fund funding for Basic State Aid by \$(92,800,000) on a one-time basis in FY 2011 due to the availability of State Fiscal Stabilization Fund (SFSF) monies from the American Recovery and Reinvestment Act of 2009 (ARRA).

### Base Adjustment - ADM

The budget includes an increase of \$50,000,000 from the General Fund in FY 2012 in order to adjust the program's base budget for prior year shortfalls that occurred due to higher than budgeted Average Daily Membership (ADM) growth and other technical factors.

### Enrollment Growth

The budget includes an increase of \$90,877,800 from the General Fund in FY 2012 for enrollment growth. This assumes that total K-12 formula costs will increase by approximately 1.6% in FY 2012 due to 1.2% ADM growth for K-12 students as a whole (*see Table 2*) and 4.1% ADM growth for students in special education (*see Table 3*). Both types of growth affect formula costs, as special education students receive "add on" funding in addition to the formula monies that they receive for being part of the overall K-12 student population.

	<u>Districts</u>	<u>Charters</u>	<u>Total</u>	<u>Change</u>	<u>%</u>
2008	951,117	93,668	1,044,785	20,384	2.0%
2009	944,337	99,018	1,043,355	(1,430)	(0.1)%
2010	948,388	107,476	1,055,864	12,509	1.2%
2011 est	949,168	116,579	1,065,747	9,883	0.9%
2012 est	953,279	124,776	1,078,055	12,308	1.2%

	<u>Districts</u>	<u>Charters</u>	<u>Total</u>	<u>Change</u>	<u>%</u>
2008	14,402	498	14,900	948	6.8%
2009	15,298	588	15,886	986	6.6%
2010 est	15,498	714	16,212	326	2.0%
2011 est	16,040	837	16,877	665	4.1%
2012 est	16,602	967	17,569	692	4.1%

### Property Taxes from New Construction

The budget includes a decrease of \$(24,182,300) from the General Fund in FY 2012 due to a projected 1.5% increase in statewide Net Assessed Value (NAV) from new construction in FY 2012. This will increase local property tax revenues from the K-12 "Qualifying Tax Rate" (QTR) and State Equalization Tax Rate (SETR) by an estimated \$24,182,300 in FY 2012. It also will decrease state costs by \$(24,182,300), since QTR and SETR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls ("existing property") is expected to decrease by (16.3)% in FY 2012, resulting in a net (14.8)% NAV decline for new construction and existing property combined for FY 2012.

The projected (16.3)% NAV decline for existing property will not affect net QTR or SETR collections in FY 2012, however, because A.R.S. § 41-1276 (the "Truth in Taxation" or "TNT" law) requires the QTR and SETR to be adjusted each year in order to offset NAV changes for existing properties. As a result, the QTR will increase to \$3.54 (from \$2.96 currently) and the SETR will increase to \$0.43 (from \$0.36 currently) in FY 2012 in order to offset the estimated (16.3)% NAV decrease for existing property (*see Table 4*).

<u>Tax Rate</u>	<u>FY 2011</u>	<u>FY 2012</u>
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.4797	\$1.7682
• Unified districts and elementary districts not located within a high school district	\$2.9594	\$3.5364
• State Equalization Tax Rate (SETR)	\$0.3564	\$0.4259

### 0.9% Inflation Adjustment

The budget includes an increase of \$3,835,400 from the General Fund in FY 2012 for a 0.9% inflation increase in the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school "Additional Assistance" amounts prescribed in A.R.S. § 15-185B. It does not include a 0.9% increase in the "base level" prescribed in A.R.S. § 15-901B2, which remains in FY 2012 at the FY 2011 level of \$3,267.72 pursuant to a provision in the K-12 Education BRB. Funding a 0.9% increase in the base level would have cost an additional \$39,895,400 for a total inflation adjustment of \$43,730,800.

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 most recent prior calendar year, whichever is less. The FY 2012 adjustment is 0.9%, which equals the GDP price deflator for calendar year 2010. 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.

Prior to FY 2011, the base level, transportation and charter additional assistance levels all were increased annually for inflation. In FY 2011, only the latter 2 items were increased for inflation. A lawsuit was subsequently filed with the State Supreme Court in August 2010 contending that the state must also increase the base level annually for inflation. The Supreme Court declined special-action jurisdiction over the case in September 2010 and it was refiled in Maricopa County Superior Court in October 2010. The Maricopa County Superior Court dismissed the lawsuit in February 2011, finding that the inflation

adjustment provision in Proposition 301 “is not self-executing.” That ruling is being appealed, with oral arguments anticipated in fall 2011.

### **Soft Capital Reduction**

The budget includes a decrease of \$(23,000,000) from the General Fund in FY 2012 for Soft Capital funding authorized by A.R.S. § 15-962. This decrease is in addition to a \$(165,120,700) session law reduction continued from FY 2011 (from Laws 2010, 7<sup>th</sup> Special Session, Chapter 8). In total, Soft Capital funding will be \$(188,120,700) below the formula requirement in FY 2012.

The \$(188,120,700) reduction is authorized by the K-12 Education BRB. Unlike prior years, the K-12 Education BRB does not reduce by 50% the Soft Capital reductions that small school districts will experience for the year. It caps at \$5,000,000, however, the sum of Soft Capital and Capital Outlay Revenue Limit (CORL) reductions (discussed below) in FY 2012 for school districts with a student count of fewer than 1,100 pupils. The \$(188,120,700) Soft Capital reduction leaves an estimated \$23,988,100 in Soft Capital funding available to school districts statewide for FY 2012.

On a related note, Laws 2011, Chapter 195 amends A.R.S. § 15-962 to allow school districts to spend Soft Capital funding on any operating or Soft Capital item. Prior to this change, school districts could only spend Soft Capital monies on short-term capital items, such as technology, textbooks, buses, furniture and equipment, although that provision has been suspended on a session law basis in recent years in the K-12 Education BRB.

### **CORL Reduction**

The budget includes a decrease of \$(63,864,800) from the General Fund in FY 2012 for CORL funding authorized by A.R.S. § 15-961. The \$(63,864,800) reduction is authorized by the K-12 Education BRB, which also authorizes an additional \$(35,000,000) CORL reduction in FY 2012 that school districts may offset with federal Education Jobs Fund Program monies (*see separate policy issue below*). The 2 CORL reductions combined leave an estimated \$153,403,700 in CORL funding available to school districts for FY 2012.

CORL monies originally were earmarked for capital costs only, but since 1986 school districts have been allowed to use them also for operating costs. In FY 2010 (latest available data) schools used approximately 63% of their CORL monies for operating expenditures.

### **Federal Funds Cut/Backfill**

The budget includes a decrease of \$(35,000,000) from the General Fund in FY 2012 for CORL funding authorized by A.R.S. § 15-961. The \$(35,000,000) reduction is authorized by the K-12 Education BRB, which also authorizes the \$(63,864,800) CORL reduction for FY 2012

described above. The K-12 Education BRB authorizes school districts to use federal Education Jobs Fund Program (“EduJobs”) monies in FY 2012 in order to offset the \$(35,000,000) reduction. The U.S. Department of Education allocated \$207,657,300 in “EduJobs” monies to Arizona school districts and charter schools in August 2010. Those monies may be spent on salaries, benefits and other general operational expenses and must be expended by September 30, 2012. As of early May 2011, \$101,367,000 of EduJobs monies had not yet been expended.

### **Charter School Additional Assistance**

The budget includes a decrease of \$(7,656,000) from the General Fund in FY 2012 for charter school Additional Assistance funding authorized by A.R.S. § 15-185B4. This change is authorized by the K-12 Education BRB and is separate from the 0.9% increase in charter school Additional Assistance per pupil funding that is discussed in the “0.9% Inflation Adjustment” narrative above.

### **JTED QTR Offset**

The budget includes an increase of \$4,485,700 from the General Fund in FY 2012 in order to offset a reduction in QTR revenues that Joint Technical Education Districts (JTEDs) otherwise would experience due to declining property values. Property owners in JTED member districts pay an additional 5¢ QTR annually to support their JTED pursuant to A.R.S. § 15-971B3. Revenues from the 5¢ tax rate will decrease by an estimated \$(4,485,700) in FY 2012 due to the (14.8)% decline in statewide property values that is anticipated for FY 2012. Unlike school districts’ main QTR, the JTED QTR is set at 5 cents and does not change with property values.

### **JTED 9<sup>th</sup> Graders**

The budget includes a decrease of \$(29,780,100) from the General Fund in FY 2012 to eliminate state funding for JTED 9<sup>th</sup> Graders. The K-12 Education BRB amends A.R.S. § 15-393 to prohibit JTEDs from including 9<sup>th</sup> Grade pupils in their ADM counts. This is expected to reduce Basic State Aid funding to JTEDs by \$(29,780,100), since 9<sup>th</sup> Graders currently account for approximately 26% of all JTED ADM. Laws 2011, Chapter 258, however, permits JTEDs to continue to serve 9<sup>th</sup> Grade pupils using local QTR monies only.

### **Career Ladder Phase Out**

The budget includes a decrease of \$(14,500,000) from the General Fund in FY 2012 for the first year of a 5-year phase out of Career Ladder funding required by the K-12 Education BRB. The K-12 Education BRB reduces existing Career Ladder funding by 20% per year over the next 5 fiscal years, which would eliminate program funding by FY 2016. It also phases out state funding first, which maximizes the state savings in the initial years of the phase out. The budget assumes that Career Ladder districts otherwise would receive \$72,500,000 in Career Ladder funding for FY 2012, including an estimated

\$32,542,800 in state funding and \$39,957,200 from local property taxes.

On a related note, the K-12 Education BRB also repeals the teacher performance pay plan in A.R.S. §15-977G3. That law would have phased in Career Ladder funding for all school districts and charter schools by the end of FY 2018. Currently only 28 school districts participate in Career Ladder and no new districts have been admitted into the program since FY 1994.

#### **Retirement Shift**

The budget includes a decrease of \$(32,714,800) from the General Fund in FY 2012 for a retirement funding shift required by Laws 2011, Chapter 26 (the Budget Procedures BRB). As permanent law, Chapter 26 changed the employee/employer contribution split for the Arizona State Retirement System (ASRS) from 50/50 to 53/47, which will reduce employee benefit costs for public schools by an estimated \$(32,714,800) in FY 2012. Chapter 26 requires the department to reduce Basic State Aid funding to public schools in FY 2012 by the amount of the estimated savings in order to capture a state savings for this issue. This will reduce Basic State Aid costs by an estimated \$(32,714,800) in FY 2012. *(Please see the budget pages for the Arizona State Retirement System for more information.)*

#### **SAIS Replacement**

The budget includes an increase of \$5,000,000 from the General Fund in FY 2012 in order to help fund a new statewide data system for public preschool, K-12 and postsecondary educational programs pursuant to A.R.S. § 15-249. A footnote in the General Appropriation Act requires the department to transfer these monies to the Education Learning and Accountability Fund, which will be the funding source for the new data system *(see New Data System policy issue above for related discussion)*.

#### **Endowment Earnings**

The budget includes no change from the Permanent State School Fund in FY 2012 for endowment earnings funding for Basic State Aid. This is due to no estimated change in \$25,787,500 of FY 2012 debt service costs for State School Trust Revenue Bonds and Qualified Zone Academy Bonds (QZABs) that were issued by the School Facilities Board (SFB) in prior years in order to fund deficiencies correction in public schools. This leaves the amount of land trust monies available to fund Basic State Aid in FY 2012 at \$46,475,500 (unchanged).

Endowment Earnings consist of interest on securities held in the Permanent State School Fund, receipts from leases of state lands and interest paid to the State Land Department by buyers of state trust land who purchase land on an installment basis. "Principal" on those purchases is not considered expendable and is instead deposited into the Permanent State School Fund for investment by the State Treasurer.

#### **Rollover**

The budget includes no change from the General Fund in FY 2012 for the K-12 rollover. This continues to defer \$952,627,700 of current year (now FY 2012) state aid payments until the following fiscal year (now FY 2013). As a result, the 12 monthly payments that school districts will receive in FY 2012 under the budget will again consist of 3 deferred payments from the prior year and 9 (rather than 12) payments from the current year. Laws 2010, 7<sup>th</sup> Special Session, Chapter 1 advance appropriated \$952,627,700 from the General Fund in FY 2012 in order to fund the \$952,627,700 deferred obligation from FY 2011. Those monies therefore do not appear in the FY 2012 General Appropriation Act. That Act, however, advance appropriates \$952,627,700 from the General Fund in FY 2013 in order to fund the deferred FY 2012 obligation.

As a result of existing rollovers, the base budget for Basic State Aid going into FY 2012 continues to include a total deferred obligation of \$952,627,700. That amount includes \$272,627,700 for the original FY 2008 rollover, \$330,000,000 for the additional FY 2009 rollover and \$350,000,000 for the additional FY 2010 rollover.

#### **Continuation of Prior Year Session Law**

The budget includes no change from the General Fund in FY 2012 for the following session law changes from FY 2011, which are continued for FY 2012 by the K-12 Education BRB:

- Joint Technological Education Districts – Fund state aid for JTEDs at 91% of the amount that otherwise would be provided by law.
- Early Graduation Scholarship Program – Suspend new funding for the program, but allow current participants to continue to receive scholarships to the extent permitted by existing fund balances.

#### **Additional State Aid**

The budget includes \$351,525,000 in FY 2012 from the General Fund for Additional State Aid (ASA). These amounts fund the following adjustments:

#### **Changes in Property Values and Tax Rates**

The budget includes an increase of \$2,761,000 from the General Fund in FY 2012 for projected changes in property values and tax rates for homeowners statewide for FY 2012. This assumes a (14.9)% decline in property values for Class III properties (owner occupied homes, both new and existing) statewide and a 19.5% increase in the average QTR paid by homeowners.

#### **Homeowner's Rebate on QTR Only**

The budget includes a decrease of \$(70,500,000) from the General Fund for limiting the Homeowner's Rebate to only the K-12 QTR starting in FY 2012. This change is

required by Laws 2010, 7<sup>th</sup> Special Session, Chapter 8. Through FY 2011, school primary taxes for desegregation, the small school district budget exemption (A.R.S. § 15-949), the difference between a district's Transportation Revenue Control Limit (TRCL) and its Transportation Support Level (TSL), and interest on registered warrants also are subsidized with Homeowner's Rebate funding.

*Background* – Additional State Aid is authorized by A.R.S. § 15-972, which requires 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 exceed 1% of the full cash value of their home.

On a related note, the Commerce Authority Bill (Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1) limits the Homeowners' Rebate to the primary residence of in-state residents only and requires homeowners to submit an affidavit that a home is their primary residence. These changes are expected to take effect starting in FY 2013 and reduce program costs by approximately \$(39,000,000) starting that year.

Chapter 1 also increases the Homeowners' Rebate percentage for FY 2014 through FY 2018 by an amount to be determined by the Department of Revenue that would offset for homeowners the tax shift that otherwise would occur under the bill due to assessment ratio changes for Class 1 and Class 2 properties. This provision is estimated to increase Homeowners' Rebate costs by \$15,600,000 in FY 2014 with the increase growing to \$93,000,000 by FY 2017, when the bill is fully implemented.

### ***Special Education Fund***

The budget includes \$33,242,100 and 1 FTE Position from the General Fund in FY 2012 for the Special Education Fund Special Line Item. These amounts fund the following adjustments:

#### **Base Adjustment**

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2012 as a base adjustment in order to eliminate surplus program funding. Program costs have decreased in recent years due to declines in special education voucher caseloads at the Arizona State School for the Deaf and the Blind (ASDB).

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.

Starting in FY 2012, the Special Education Fund also will fund Arizona Empowerment Scholarship Accounts (ESAs) pursuant to Laws 2011, Chapter 75. Chapter 75 authorizes the parents of a child with a disability to participate in an ESA for their child if the child 1) attended a public school for at least the first 100 days of the prior fiscal year and transferred to a qualified private school, 2) participated in the ESA program in the prior year, or 3) received in the prior year a scholarship from a "corporate" school tuition organization pursuant to A.R.S. § 43-1505.

Chapter 75 requires the department to transfer annually to the State Treasurer for deposit into a qualifying pupil's ESA an amount equal to 90% of the base support level funding that the pupil otherwise would receive for the fiscal year if they attended public school. The cost to the Special Education Fund of this provision is expected to be offset by the Basic State Aid savings associated with the student's departure from public school. Chapter 75 requires parents to renew their child's ESA annually.

### ***Other State Aid to Districts***

The budget includes \$983,900 from the General Fund in FY 2012 for Other State Aid to Districts. This amount is unchanged from FY 2011.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

### ***School Accountability and Improvement***

#### ***Achievement Testing***

The budget includes \$10,217,400 and 3 FTE Positions in FY 2012 for Achievement Testing. These amounts consist of:

General Fund	3,217,400
Proposition 301 Fund	7,000,000

These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(12,700) from the General Fund in FY 2012 for statewide adjustments.

This Special Line Item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the "up to \$7 million" allowable appropriation for School Accountability in A.R.S. § 42-5029E7.

Table 5 shows current achievement testing costs by year under the current 5-year contract. The state typically funds approximately 55% of annual testing costs and federal monies typically fund about 45% of those costs.

<b>Fiscal Year</b>	<b>Contract Cost</b>
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>
<b>Total</b>	<b>\$68,217,200</b>

**AIMS Intervention; Dropout Prevention**

The budget includes no funding in FY 2012 for the AIMS Intervention; Dropout Prevention program. Monies in this line item provided additional academic support for high school pupils considered most likely to drop out of school pursuant to A.R.S. § 15-809. This SLI was eliminated in the FY 2011 budget.

The K-12 Education BRB continues to notwithstanding for FY 2012 an annual performance audit requirement for the program in A.R.S. § 15-809C.

**School Accountability**

The budget includes no funding in FY 2012 for School Accountability. Program funding was used primarily to cover costs of solution teams that are assigned to help underperforming schools pursuant to A.R.S. § 15-241P. Program funding also was used to fund analysis of student achievement testing data in order to determine the academic effectiveness of individual schools and to fund a portion of maintenance costs of the Student Accountability Information System (SAIS). This SLI was eliminated in the FY 2011 budget.

**Education Services**

**Adult Education and GED**

The budget includes no funding in FY 2012 for Adult Education and GED (General Education Development). The program funded immigrant education and adult basic education programs that received funding through the department pursuant to A.R.S. § 15-234. This SLI was eliminated in the FY 2011 budget.

**Chemical Abuse**

The budget includes no funding in FY 2012 for the Chemical Abuse SLI. The program funded chemical abuse prevention programs for students in Grades K-12 pursuant to A.R.S. § 15-712. This SLI was eliminated in the FY 2011 budget.

**English Learner Administration**

The budget includes \$3,958,200 and 24.5 FTE Positions from the General Fund in FY 2012 for English Learner Programs. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(105,700) from the General Fund in FY 2012 for statewide adjustments.

The program was originally authorized by Laws 2006, Chapter 4 in order to address the Flores v. State of Arizona litigation. The lawsuit was filed in federal court in 1992 by parents of children enrolled in the Nogales Unified School District. Litigation in the case has been ongoing. The timeline for final resolution in the case in district court is unknown at the time of this writing. (See FY 2011 Appropriations Report for additional history of this issue.)

The SLI funds costs associated with implementing the English Language Education requirements in A.R.S. § 15-751 through 15-757. Those requirements pertain primarily to additional testing, teacher training and instructional services prescribed for English Learners.

**Compensatory Instruction Fund Deposit**

The budget includes no funding in FY 2012 for the Compensatory Instruction Fund Deposit. The program funded individual or small group instruction, extended day classes, summer school or intersession school for English Learners pursuant to A.R.S. § 15-756.11. This SLI was eliminated in the FY 2011 budget.

**Arizona Structured English Immersion Fund**

The budget includes \$8,791,400 from the General Fund in FY 2012 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2011.

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 request pursuant to A.R.S. § 15-756.04C.

***Family Literacy***

The budget includes no funding in FY 2012 for Family Literacy. The program sought to increase the basic academic and literacy skills of undereducated low-income parents and their preschool children pursuant to A.R.S. § 15-191.01. This SLI was eliminated in the FY 2011 budget.

***Gifted Support***

The budget includes no funding in FY 2012 for Gifted Support. The program funded Gifted Education pursuant to A.R.S. § 15-779.03. This SLI was eliminated in the FY 2011 budget.

***School Safety Program***

The budget includes no funding in FY 2012 for the School Safety Program. The program, however, will continue to receive \$7,800,000 in Proposition 301 sales tax monies that are automatically appropriated to it each year pursuant to A.R.S. § 42-5029E6.

The program places peace officers and juvenile probation officers in schools pursuant to A.R.S. § 15-154. General Fund funding for the program was eliminated in the FY 2011 budget.

***State Block Grant for Early Childhood Education***

The budget includes no funding in FY 2012 for the State Block Grant for Early Childhood Education. The program provided block grants to school districts and charter schools for efforts aimed at improving the academic achievement of pupils in preschool through Grade 3 pursuant to A.R.S. § 15-1251. This SLI was eliminated in the FY 2011 budget.

***State Block Grant for Vocational Education***

The budget includes \$11,492,700 and 31 FTE Positions from the General Fund in FY 2012 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2011.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. CTE programs also currently receive approximately \$26,000,000 in federal funding annually pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006. Those monies are subject to a federal “maintenance of effort” (MOE) provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year.

***Vocational Education Extended Year***

The budget includes no funding in FY 2012 for Vocational Education Extended Year. This funding was used to enable students to attend an extended year or summer school program in a joint technological education district pursuant to A.R.S. § 15-783.02. This SLI was eliminated in the FY 2011 budget.

***Teacher Certification***

The budget includes \$1,781,200 and 27 FTE Positions from the Teacher Certification Fund in FY 2012 for Teacher Certification. These amounts fund the following adjustments:

**Eliminate Temporary Loan**

The budget includes a decrease of \$(429,700) from the General Fund in FY 2012 to eliminate temporary start up funding that was loaned to the newly-created Teacher Certification Fund for FY 2011.

**Statewide Adjustments**

The budget includes a decrease of \$(16,900) from the Teacher Certification Fund in FY 2012 for statewide adjustments.

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.

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***State Board of Education***

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***State Board of Education***

The budget includes \$894,300 and 9 FTE Positions in FY 2012 for the State Board of Education. These amounts consist of:

General Fund	525,600
Teacher Certification Fund	368,700

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(13,200) from the General Fund in FY 2012 for statewide adjustments.

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.

## ***Fund Transfers***

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

## ***Additional Legislation***

### ***Additional Repeals***

In addition to provisions described above, the K-12 Education BRB repeals the "actual utilities" formula in A.R.S. § 15-910.04 and the special education cost study required by A.R.S. § 15-236.

### ***Classroom Site Fund, Bonding and Overrides***

Laws 2011, Chapter 344 sets the Classroom Site Fund (CSF) per pupil amount at \$120, rather than the \$94 amount established pursuant to A.R.S. § 15-977G1. This will allow public schools to spend an additional \$26 per pupil from their local level CSF during FY 2012 either by borrowing the difference temporarily from their other local funds or by funding it with surplus FY 2012 CSF revenues, if any.

Chapter 344 also allows school districts to base their FY 2012 override funding on an alternative Revenue Control Limit (RCL) that assumes a 0.9% increase in the per pupil "base level" for FY 2012 (which the budget did not fund) and a weighted student count for Kindergarten that assumes that the Kindergarten "Group B" weight repealed by the FY 2011 budget is still in effect. This is expected to give school districts statewide roughly \$27,000,000 in additional override funding capacity for FY 2012 beyond what would exist under the "regular" RCL computation. K-12 overrides are based on a percentage of a school district's RCL.

In addition, Chapter 344 increases Class B bonding capacity for school construction and other long-term capital needs from 10% to 20% for unified school districts and from 5% to 10% for other school districts for bonds approved by voters before April 15, 2011. It also allows school districts to seek voter approval to change spending plans for bonds already approved and extend from 6 to 10 years the time period to issue Class B Bonds authorized in 2009 and earlier.

## Department of Emergency and Military Affairs

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>PROGRAM BUDGET</b>			
Administration	1,527,200	3,705,300	1,621,300
Emergency Management	3,477,800	4,705,300	4,741,300
Military Affairs	4,156,700	4,256,300	2,585,400
<b>AGENCY TOTAL</b>	<b>9,161,700</b>	<b>12,666,900</b>	<b>8,948,000</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	84.6	83.6	83.6 <sup>1/2/</sup>
Personal Services	1,746,000	1,721,100	1,721,100
Employee Related Expenditures	708,500	649,100	507,900
Professional and Outside Services	87,400	111,200	111,200
Travel - In State	62,600	53,800	53,800
Travel - Out of State	14,200	13,700	13,700
Other Operating Expenditures	2,255,300	2,490,600	2,427,600
Equipment	102,000	118,400	118,400
<b>OPERATING SUBTOTAL</b>	<b>4,976,000</b>	<b>5,157,900</b>	<b>4,953,700</b>
<b>SPECIAL LINE ITEMS</b>			
Governor's Emergency Fund	1,772,100	2,900,000	2,900,000 <sup>3/</sup>
Military Airport Planning	0	2,115,000	90,000 <sup>4/</sup>
Nuclear Emergency Management Fund	895,100	929,500	1,004,300 <sup>5/6/</sup>
Project Challenge	1,518,500	1,564,500	0
<b>AGENCY TOTAL</b>	<b>9,161,700</b>	<b>12,666,900</b>	<b>8,948,000 <sup>7/8/9/</sup></b>
<b>FUND SOURCES</b>			
General Fund	9,100,100	12,534,200	8,815,300
<u>Other Appropriated Funds</u>			
Emergency Response Fund	61,600	132,700	132,700
SUBTOTAL - Other Appropriated Funds	61,600	132,700	132,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>9,161,700</b>	<b>12,666,900</b>	<b>8,948,000</b>
Other Non-Appropriated Funds	31,800	11,900	11,900
Federal Funds	65,700,400	68,805,200	68,805,200
<b>TOTAL - ALL SOURCES</b>	<b>74,893,900</b>	<b>81,484,000</b>	<b>77,765,100</b>

**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.

<sup>1/</sup> Includes 4.5 FTE Positions in FY 2012 appropriated by Laws 2011, Chapter 132.

<sup>2/</sup> Includes 1 FTE Position funded from Special Line Items in FY 2012.

<sup>3/</sup> Includes expenditures authorized by A.R.S. § 35-192, which states that up to \$4,000,000 may be spent on disaster prevention and mitigation. This amount is not included in the General Appropriation Act. The budget includes total funding of \$2,900,000 for a reduction of \$(1,100,000) as a part of Laws 2011, Chapter 34.

<sup>4/</sup> Appropriated by A.R.S. § 26-263 for the administration of the Military Installation Fund.

<sup>5/</sup> Includes \$1,004,355 and 4.5 FTE Positions in FY 2012 and \$1,013,963 and 4.5 FTE Positions in FY 2013 appropriated by Laws 2011, Chapter 132 for the Nuclear Emergency Management Fund.

<sup>6/</sup> Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriation, however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.

<sup>7/</sup> 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 2012 monies remaining unexpended and unencumbered on October 31, 2012, revert to the state General Fund. (General Appropriation Act footnote)

<sup>8/</sup> General Appropriation Act funds are appropriated by Program.

<sup>9/</sup> In addition to these amounts, a total of \$96,600 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)



## **Operating Budget**

The budget includes \$4,953,700 and 78.1 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$4,821,000
Emergency Response Fund	132,700

These amounts fund the following adjustments:

### **FTE Shift**

The budget includes an increase of 17 FTE Positions from the General Fund in FY 2012 as a result of the elimination of funding for the Project Challenge Program.

### **Statewide Adjustments**

The budget includes a decrease of \$(204,200) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

## **Governor's Emergency Fund**

The budget includes \$2,900,000 from the General Fund in FY 2012 for the Governor's Emergency Fund. This amount is unchanged from FY 2011.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

The FY 2012 General Government Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 34) reduced the authorization to \$2,900,000.

## **Military Airport Planning**

The budget includes \$90,000 and 1 FTE Position from the General Fund in FY 2012 for Military Airport Planning. These amounts fund the following adjustments:

### **Elimination of Military Installation Fund Deposit**

The budget includes a decrease of \$(2,025,000) from the General Fund in FY 2012 for the elimination of the annual deposit into the Military Installation Fund.

The FY 2012 General Government BRB eliminates the annual deposit into the Military Installation Fund in statute. Statute retains the annual \$90,000 and 1 FTE Position administrative appropriation to the department and an annual \$85,000 appropriation to the Attorney General. Since these monies are appropriated in statute, they do not appear in the General Appropriation Act.

Previously, permanent law appropriated \$5,000,000 annually from the General Fund for military installation preservation projects. Of the \$5,000,000:

- \$4,825,000 was allocated to the Military Installation Fund. The Department of Emergency and Military Affairs was required to award 80% to acquire private property, real estate, property rights, and related infrastructure. The remaining 20% was awarded to cities, towns, and counties. The FY 2012 General Government BRB eliminated this amount.
- \$90,000 and 1 FTE Position is appropriated to the Department of Emergency and Military Affairs for administration.

The remaining \$85,000 for Military Airport Planning is appropriated to the Office of the Attorney General.

## **Nuclear Emergency Management Fund**

The budget includes \$1,004,355 and 4.5 FTE Positions from the General Fund in FY 2012 for the Nuclear Emergency Management Fund (NEMF) and \$1,013,963 and 4.5 FTE Positions in FY 2013. These amounts fund the following adjustments:

### **NEMF Allocation Increase**

Laws 2011, Chapter 132 includes an increase of \$74,800 from the General Fund in FY 2012 for the NEMF Special Line Item and an increase of \$84,500 in FY 2013. These amounts represent the increase above the FY 2011 NEMF allocation of \$929,500, originally appropriated in Laws 2009, Chapter 73.

The monies in this line item are appropriated by Laws 2011, Chapter 132. As a result, these monies do not appear in the General Appropriation Act. The Radiation Regulatory Agency, Department of Emergency and Military Affairs, and Department of Agriculture receive monies from this bill. *(Please see the Department of Agriculture and Radiation Regulatory Agency narrative for more information.)*

## **Project Challenge**

The budget includes no funding in FY 2012 for Project Challenge. This amount funds the following adjustments:

### **Elimination of State Funding**

The budget includes a decrease of \$(1,564,500) and (17) FTE Positions from the General Fund in FY 2012 for the elimination of state funding for the Project Challenge program.

While state funding is eliminated, DEMA may continue to operate the Project Challenge program if it generates sufficient in-kind services and private donations to continue to draw down federal matching funds.

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 receive their General Education Diploma.

### ***Fund Transfers***

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

## Department of Environmental Quality

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	471.4	467.4	467.4
Personal Services	5,136,000	14,853,500	14,344,000
Employee Related Expenditures	2,325,800	6,289,800	5,886,900
Professional and Outside Services	48,900	7,185,300	7,282,300
Travel - In State	15,000	403,200	400,200
Travel - Out of State	(900)	44,200	44,200
Other Operating Expenditures	4,933,800	17,034,900	16,425,600
Equipment	60,300	538,800	536,900
<b>OPERATING SUBTOTAL</b>	<b>12,518,900</b>	<b>46,349,700</b>	<b>44,920,100</b>
<b>SPECIAL LINE ITEMS</b>			
Air Quality Management and Analysis	8,546,800	0	0
Emissions Control Contractor Payment	19,630,500	27,639,600	20,006,600 <sup>1/</sup>
Emissions Control Program - Administration	2,692,800	0	0
Transfers to Counties Program	1,127,600	0	0
Waste Control and Management	2,825,200	0	0
Underground Storage Tank Program	2,800	0	0
Waste Tire Program	40,600	0	0
Drinking Water Regulation Program	2,367,400	0	0
Surface Water Regulation Program	2,731,200	0	0
Underground Water Regulation Program	4,443,700	0	0
WQARF Priority Site Remediation	6,958,200	7,000,000	7,000,000 <sup>2/3/4/5/</sup>
<b>AGENCY TOTAL</b>	<b>63,885,700</b>	<b>80,989,300</b>	<b>71,926,700<sup>6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	12,728,400	7,000,000	7,000,000
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	5,168,900	7,043,600	6,989,200 <sup>7/</sup>
Air Quality Fund	4,131,000	5,376,400	5,366,000
Clean Water Revolving Fund	4,769,500	5,000,000	0
Emissions Inspection Fund	23,409,600	33,080,200	25,518,300
Hazardous Waste Management Fund	428,000	1,719,300	1,706,900
Indirect Cost Recovery Fund	9,146,900	13,179,500	12,961,300 <sup>8/</sup>
Solid Waste Fee Fund	927,400	2,297,200	1,907,400
Underground Storage Tank Revolving Fund	2,800	22,000	22,000
Used Oil Fund	14,000	138,900	138,900
Water Quality Fee Fund	3,159,200	6,132,200	10,316,700
SUBTOTAL - Other Appropriated Funds	51,157,300	73,989,300	64,926,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>63,885,700</b>	<b>80,989,300</b>	<b>71,926,700</b>
Other Non-Appropriated Funds	342,913,000	185,659,100	185,959,100
Federal Funds	80,150,800	38,302,500	38,302,500
<b>TOTAL - ALL SOURCES</b>	<b>486,949,500</b>	<b>304,950,900</b>	<b>296,188,300</b>

**AGENCY DESCRIPTION** — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

## **Operating Budget**

The budget includes \$44,920,100 and 467.4 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
Air Permits Administration Fund	\$6,989,200
Air Quality Fund	5,366,000
Emissions Inspection Fund	5,511,700
Hazardous Waste Management Fund	1,706,900
Indirect Cost Recovery Fund	12,961,300
Solid Waste Fee Fund	1,907,400
Underground Storage Tank Revolving Fund	22,000
Used Oil Fund	138,900
Water Quality Fee Fund	10,316,700

These amounts fund the following adjustments:

### **Solid Waste Fee Fund Revenue Alignment**

The budget includes a decrease of \$(369,500) from the Solid Waste Fee Fund in FY 2012 to bring expenditures in line with annual revenue.

### **Emissions Inspection Feed Bill Alignment**

The budget includes an increase of \$112,900 from the Emissions Inspection Fund in FY 2012 for emission inspection contract payments. The General Appropriation Act incorrectly allocated \$112,900 of the contract payment to the operating budget. (*Please see the Emissions Control Contractor Payment section.*)

### **Water Quality Program Funding Shift**

The budget includes a decrease of \$(736,300) in FY 2012 to shift funding for the Water Quality Program. This amount consists of:

Clean Water Revolving Fund	(5,000,000)
Water Quality Fee Fund	4,263,700

### **Statewide Adjustments**

The budget includes a decrease of \$(436,700) in FY 2012 for statewide adjustments. This amount consists of:

Air Permits Administration Fund	(54,400)
Air Quality Fund	(10,400)
Emissions Inspection Fund	(41,800)
Hazardous Waste Management Fund	(12,400)
Indirect Cost Recovery Fund	(218,200)
Solid Waste Fee Fund	(20,300)
Water Quality Fee Fund	(79,200)

(*Please see the Agency Detail and Allocations section.*)

## **Air Quality Management and Analysis**

The budget includes no funding in FY 2012 for the Air Quality Management and Analysis line item. Beginning in FY 2011, funding for this program was moved to the operating budget.

Expenditures from the Air Quality Management and Analysis Special Line Item were 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 Contractor Payment**

The budget includes \$20,006,600 from the Emissions Inspection Fund in FY 2012 for the Emissions Control

- <sup>1/</sup> The General Appropriations Act shows an appropriation of \$20,006,600. The legislation incorrectly allocated another \$112,900 of the contractor payment to the operating budget. After ADEQ transfers these monies to the special line item, there will be a total of \$20,119,500 for the contractor payment.
- <sup>2/</sup> A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure. Laws 2011, Chapter 26 reduced this transfer to \$7,000,000 in FY 2012.
- <sup>3/</sup> 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 2012 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2011. This budget shall specify the monies budgeted for each listed site during FY 2012. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, by October 2, 2011, 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 2011, whether the current stage of remediation is anticipated to be completed in FY 2012, and the anticipated stage of remediation at each listed site at the end of FY 2012, assuming FY 2012 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- <sup>4/</sup> 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, 2011, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)
- <sup>5/</sup> In addition to these amounts, a total of \$759,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. (*Please see the Agency Detail and Allocations section.*)
- <sup>6/</sup> General Appropriation Act funds are appropriated by Operating Lump Sum with Special Line Items by Agency.
- <sup>7/</sup> All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$6,989,200 in FY 2012 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$6,989,200 in FY 2012, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- <sup>8/</sup> All Indirect Cost Fund Recovery revenues received by the Department of Environmental Quality in excess of \$12,961,300 in FY 2012 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$12,961,300 in FY 2012, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Contractor Payment. This amount funds the following adjustments:

**Contract Alignment**

The budget includes a decrease of \$(7,633,000) from the Emissions Inspection Fund in FY 2012 to align expenditures with actual contract payments.

The General Appropriations Act shows an appropriation of \$20,006,600. The legislation incorrectly allocated another \$112,900 of the contractor payment to the operating budget. After ADEQ transfers these monies to the special line item, there will be a total of \$20,119,500 for the contractor payment.

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.

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. 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.

**Emissions Control Program - Administration**

The budget includes no funding in FY 2012 for the Emissions Control Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

This line item included 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 were funded from the administrative portion of the inspection fee, which is set by ADEQ.

**Transfers to Counties Program**

The budget includes no funding in FY 2012 for the Transfers to Counties Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

Monies in this line item were 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 Control and Management**

The budget includes no funding in FY 2012 for the Waste Control and Management Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

The Waste Control and Management line item was responsible for issuing permits to landfills and other solid waste facilities, as well as regulation and inspection of hazardous waste facilities.

**Underground Storage Tank Program**

The budget includes no funding in FY 2012 for the Underground Storage Tank (UST) Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

*Background* – Monies in the UST Special Line Item were utilized to detect and clean up hazardous leakage from USTs. The program’s regulatory component is currently funded from annual tank registration fees in the operating budget. The clean-up component is funded from a 1¢ per gallon excise tax on gasoline and diesel fuel, which expires on December 31, 2013, or when the Regulated Substance Fund (RSF) receives \$60,000,000, whichever occurs first.

The excise tax is deposited into the UST Fund’s State Assurance Account (SAA). Monies in the SAA are used to partially reimburse tank owners for corrective actions due to leaking tanks and to reimburse ADEQ for actions taken by the agency. After all eligible claims have been paid, monies in the SAA are transferred to the RSF. The RSF would be used for future UST cleanup sites.

The vast majority of fund revenues are not appropriated by the Legislature; however, an amount of \$22,000 from the SAA in FY 2012 is appropriated for the operating costs of the Technical Appeals Panel and the Underground Storage Tank Policy Commission. These funds have now been transferred to the operating budget.

**Waste Tire Program**

The budget includes no funding in FY 2012 for the Waste Tire Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

This line item oversaw county programs that dispose of and/or recycle waste tires.

**Drinking Water Regulation Program**

The budget includes no funding in FY 2012 for the Drinking Water Regulation Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

The Drinking Water Regulation line item ensured drinking water standards were met through assessments of drinking water sources, reviews of water delivery system design and construction, and tests of drinking water for contaminants.

**Surface Water Regulation Program**

The budget includes no funding for the Surface Water Regulation Program in FY 2012. Beginning in FY 2011, funding for this program was moved to the operating budget.

The Surface Water Regulation line item regulated the discharge and treatment of both domestic sewage and industrial waste derived from the manufacturing industry through a permitting process; and monitored surface water, which represented all the lakes and streams in Arizona, for compliance with the Clean Water Act.

**Underground Water Regulation Program**

The budget includes no funding for the Underground Water Regulation Program in FY 2012. Beginning in FY 2011, funding for this program was moved to the operating budget.

The Underground Water Regulation line item issued aquifer protection permits to facilities whose activities, including waste discharges, pose a threat to groundwater. This line item also issued permits for residential wastewater systems and administers the Drywell Program, which monitors water runoff that is collected and injected underground.

**WQARF Priority Site Remediation**

The budget includes \$7,000,000 from the General Fund in FY 2012 for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. Beginning in FY 2011, funding for this program was moved to the operating budget.

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.

The Environment Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 36) notwithstanding these statutory provisions and reduced the General Fund allocation to \$7,000,000. *Table 1* describes program activity for FY 2010 and FY 2011.

<b>WQARF Activity</b>		
	<b>Actual FY 2010</b>	<b>Estimated FY 2011</b>
Balance Forward	\$ 1,129,800	\$ 5,060,200
General Fund	7,000,000	7,000,000
Other Revenue	<u>4,565,300</u>	<u>4,016,000</u>
<b>Total Funds Available</b>	<b>\$12,695,100</b>	<b>\$16,076,200</b>
General Fund Expenditures	\$ 6,958,200	\$ 7,000,000
Other Funds Expended	0	4,699,100
<b>Funds Transferred</b>		
Dept. of Water Resources	\$ 300,000	\$ 300,000
Legislative Fund Transfers	<u>376,700</u>	<u>510,600</u>
<b>Year-End Fund Balance</b>	<b>\$ 5,060,200</b>	<b>\$ 3,566,500</b>

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.

**Additional Legislation**

**Underground Storage Tank Revolving Fund Cap**

The Environment BRB continues to suspend the Underground Storage Tank Revolving Fund Assurance Account administrative cap for FY 2012 to allow the department to utilize up to \$6,531,000 for program operating costs.

**Water Quality Fee Fund**

The Environment BRB suspends the requirement that monies in the Water Quality Fee Fund be held in trust.

**Waste Fees**

Laws 2011, Chapter 220 allows the Director of ADEQ to establish fees by rule that would be deposited into the Solid Waste Fee Fund. The fees allowed are: tire collection fee, excreta transportation licensure fee, general permitting fees, landfill registration fees, biohazardous medical waste licensure fee, a solid waste facility plan approval and registration fees, a special waste transportation fee, and a hazardous waste treatment permit fee. As part of the rulemaking process, ADEQ would be required to submit proposed changes for JLBC review. After September 30, 2013 fee increases would require statutory approval. Beginning in 2014, ADEQ must report revenues and expenditures related to Solid and Hazardous Waste programs to the JLBC.

This legislation replaces Laws 2010, 7<sup>th</sup> Special Session, Chapter 7, which permitted the director to increase fees in FY 2011 up to \$5,779,100. In FY 2011, the department estimates collecting only \$2,808,700, of which \$540,000 will be deposited into the Solid Waste Fee Fund, \$974,400 into the Hazardous Waste Management Fund, and \$1,294,300 into the Air Permits Administration Fund.

## Governor's Office of Equal Opportunity

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	112,300	103,500	105,300
Employee Related Expenditures	43,300	41,500	41,100
Professional and Outside Services	800	5,000	5,000
Travel - In State	100	1,200	1,200
Other Operating Expenditures	34,800	42,600	35,300
<b>AGENCY TOTAL</b>	<b>191,300</b>	<b>193,800</b>	<b>187,900<sup>1/2</sup></b>
<b>FUND SOURCES</b>			
General Fund	191,300	193,800	187,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>191,300</b>	<b>193,800</b>	<b>187,900</b>
Federal Funds	35,700	100,300	68,000
<b>TOTAL - ALL SOURCES</b>	<b>227,000</b>	<b>294,100</b>	<b>255,900</b>

**AGENCY DESCRIPTION** — The agency monitors equal opportunity plans submitted annually by each state agency and assists agencies in equal employment opportunity training and evaluation.

### Operating Budget

The budget includes \$187,900 and 4 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(8,400) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$2,500 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$4,600 GF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## State Board of Equalization

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	371,100	366,800	371,900
Employee Related Expenditures	124,000	128,200	89,700
Professional and Outside Services	30,900	27,000	27,000
Travel - In State	8,700	4,000	4,000
Other Operating Expenditures	137,300	129,200	129,000
Equipment	0	4,200	4,200
<b>AGENCY TOTAL</b>	<b>672,000</b>	<b>659,400</b>	<b>625,800<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	672,000	659,400	625,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>672,000</b>	<b>659,400</b>	<b>625,800</b>
<b>TOTAL - ALL SOURCES</b>	<b>672,000</b>	<b>659,400</b>	<b>625,800</b>

**AGENCY DESCRIPTION** — The State Board of Equalization consists of 33 members. The board hears property tax appeals for Maricopa and Pima Counties. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. Of the 33 members, the 13 gubernatorial appointments also hear appeals of centrally-valued properties and equalization orders by the Department of Revenue.

### Operating Budget

The budget includes \$625,800 and 7 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(40,500) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$6,900 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$16,400 GF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*



## Board of Executive Clemency

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	15.0	14.0	14.0
Personal Services	493,600	472,500	491,600
Employee Related Expenditures	231,700	232,500	172,700
Travel - In State	2,900	1,000	1,000
Other Operating Expenditures	149,500	151,600	119,200
Equipment	0	6,000	6,000
<b>AGENCY TOTAL</b>	<b>877,700</b>	<b>863,600</b>	<b>790,500</b> <sup>1/2</sup>
<b>FUND SOURCES</b>			
General Fund	877,700	863,600	790,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>877,700</b>	<b>863,600</b>	<b>790,500</b>
<b>TOTAL - ALL SOURCES</b>	<b>877,700</b>	<b>863,600</b>	<b>790,500</b>

**AGENCY DESCRIPTION** — The board consists of 1 full-time chairman and 4 part-time members. The board conducts home arrest, parole, or work furlough release hearings at all adult prison institutions for prisoners convicted prior to January 1, 1994. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for all prisoners convicted on or after January 1, 1994.

### Operating Budget

The budget includes \$790,500 and 14 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Annual Leave Payout

The budget includes a one-time increase of \$13,200 from the General Fund in FY 2012 for annual leave payout of a board member whose term has expired.

#### Statewide Adjustments

The budget includes a decrease of \$(93,900) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$7,600 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

### Additional Legislation

The Criminal Justice Budget Reconciliation Bill (Laws 2011, Chapter 33) continues to exclude all members of the board, except the Chairman, from working more than 30 hours and restricts them from being eligible for paid leave or any other benefits provided to state employees.

### Other Issues

#### Caseload Data

The following displays the FY 2010 Board of Executive Clemency's distribution of its 2,043 cases.

- **Phase 1 and Phase 2 Commutation (357):** 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.
- **Pardon (17):** The board may recommend that the Governor pardon an offender.
- **Absolute Discharge (8):** The board can discharge a person from imprisonment or parole supervision prior to the sentence expiration date or prior to the expiration of parole.
- **Modification (0):** The board can recommend to the Governor that an inmate's sentence be modified or commuted.
- **Reprieve (0):** The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- **Parole (297):** 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 (148):** Upon the request of offenders participating in the Community Supervision Program

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$21,600 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

who have been accused of violating the terms of community supervision, the board can place the inmate back in the program or move the inmate to a Violators Hearing.

- Violator (1,216): These hearings are conducted when an offender has violated the terms of community supervision.

## Arizona Exposition and State Fair Board

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	2,842,200	3,014,900	3,014,900
Employee Related Expenditures	762,800	833,600	797,300
Professional and Outside Services	2,818,000	3,284,800	3,284,800
Travel - Out of State	1,500	5,000	5,000
Other Operating Expenditures	7,324,400	3,884,400	3,944,200
Equipment	0	50,000	50,000
<b>AGENCY TOTAL</b>	<b>13,748,900</b>	<b>11,072,700</b>	<b>11,096,200<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	13,748,900	11,072,700	11,096,200
SUBTOTAL - Other Appropriated Funds	13,748,900	11,072,700	11,096,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>13,748,900</b>	<b>11,072,700</b>	<b>11,096,200</b>
<b>TOTAL - ALL SOURCES</b>	13,748,900	11,072,700	11,096,200

**AGENCY DESCRIPTION** — The Arizona Exposition and State Fair Board is custodian of the 96-acre State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and leases the coliseum and fairgrounds facilities for special events, including the annual Arizona National Livestock Show.

### Operating Budget

The budget includes \$11,096,200 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes an increase of \$23,500 from the Arizona Exposition and State Fair Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

### Fund Transfers

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

### Other Issues

#### Coliseum Roof Replacement

The Arizona Exposition and State Fair Board replaced the roof of the Veteran's Memorial Coliseum in FY 2009 using its own funds in addition to \$1,700,000 from the Arizona Department of Administration's Capital Outlay

Stabilization Fund. It originally planned to use American Recovery and Reinvestment Act funds as the source of the supplemental \$1,700,000 funding; however the project fell outside of federal grant guidelines.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$149,300 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Department of Financial Institutions

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	47.1	55.1	55.1
Personal Services	1,743,200	2,000,300	2,000,300
Employee Related Expenditures	747,900	852,100	753,000
Professional and Outside Services	47,400	296,300	296,300
Other Operating Expenditures	431,600	478,900	406,300
Equipment	100	57,700	4,000
<b>AGENCY TOTAL</b>	<b>2,970,200</b>	<b>3,685,300</b>	<b>3,459,900</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	2,970,200	2,894,800	2,726,600
<u>Other Appropriated Funds</u>			
Financial Services Fund	0	790,500	733,300
SUBTOTAL - Other Appropriated Funds	0	790,500	733,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,970,200</b>	<b>3,685,300</b>	<b>3,459,900</b>
Other Non-Appropriated Funds	2,467,900	1,605,700	705,700
<b>TOTAL - ALL SOURCES</b>	<b>5,438,100</b>	<b>5,291,000</b>	<b>4,165,600</b>

**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 budget includes \$3,459,900 and 55.1 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$2,726,600
Financial Services Fund	733,300

These amounts fund the following adjustments:

#### Eliminate One-Time Equipment

The budget includes a decrease of \$(53,700) from the Financial Services Fund in FY 2012 to eliminate one-time equipment funding for Information Technology.

#### Statewide Adjustments

The budget includes a decrease of \$(171,700) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(168,200)
Financial Services Fund	(3,500)

*(Please see the Agency Detail and Allocations section.)*

### Fund Transfers

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

- <sup>1/</sup> The Department of Financial Institutions shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed its expenditure from the state General Fund. (General Appropriation Act footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- <sup>3/</sup> In addition to these amounts, a total of \$75,300 GF and \$14,400 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Department of Fire, Building, and Life Safety

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	48.0	47.0	47.0
Personal Services	1,128,600	1,027,000	1,027,000
Employee Related Expenditures	598,300	525,100	371,900
Professional and Outside Services	55,300	75,000	75,000
Travel - In State	95,700	156,100	156,100
Travel - Out of State	1,600	0	0
Other Operating Expenditures	266,200	193,000	30,800
Equipment	8,500	32,500	32,500
<b>AGENCY TOTAL</b>	<b>2,154,200</b>	<b>2,008,700</b>	<b>1,693,300<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,154,200	2,008,700	1,693,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,154,200</b>	<b>2,008,700</b>	<b>1,693,300</b>
Other Non-Appropriated Funds	1,708,100	837,600	837,600
Federal Funds	125,500	176,100	176,100
<b>TOTAL - ALL SOURCES</b>	<b>3,987,800</b>	<b>3,022,400</b>	<b>2,707,000</b>

**AGENCY DESCRIPTION** — The agency enforces safety standards for manufactured homes, mobile homes, and factory-built buildings. The agency also includes the Office of the State Fire Marshal, which enforces the state fire codes and provides training and education for fire personnel and the general public. All training provided by the department must comply with safety standards prescribed by the National Fire Protection Association and the Occupational Safety and Health Administration of Arizona.

### Operating Budget

The budget includes \$1,693,300 and 47 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(315,400) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$45,300 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## State Forester

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	54.0	52.0	52.0 <sup>1/</sup>
Personal Services	1,471,000	1,464,700	1,464,700
Employee Related Expenditures	599,800	598,500	591,300
Travel - In State	26,200	26,200	26,200
Other Operating Expenditures	99,100	99,100	199,100
<b>OPERATING SUBTOTAL</b>	<b>2,196,100</b>	<b>2,188,500</b>	<b>2,281,300</b>
<b>SPECIAL LINE ITEMS</b>			
Environmental County Grants	75,000	75,000	75,000
Fire Suppression	3,000,000	3,000,000	3,000,000 <sup>2/</sup>
Inmate Fire Crews	700,000	697,600	695,700
<b>AGENCY TOTAL</b>	<b>5,971,100</b>	<b>5,961,100</b>	<b>6,052,000</b> <sup>3/4/</sup>
<b>FUND SOURCES</b>			
General Fund	2,896,100	5,961,100	6,052,000
<u>Other Appropriated Funds</u>			
State Parks Heritage Fund	3,075,000	0	0
SUBTOTAL - Other Appropriated Funds	3,075,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,971,100</b>	<b>5,961,100</b>	<b>6,052,000</b>
Other Non-Appropriated Funds	15,860,300	15,860,300	15,860,300
Federal Funds	0	1,307,500	1,307,500
<b>TOTAL - ALL SOURCES</b>	<b>21,831,400</b>	<b>23,128,900</b>	<b>23,219,800</b>

**AGENCY DESCRIPTION** — The State Forester is responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total). In FY 2010, the Forester's appropriation was originally included in the Land Department.

### Operating Budget

The budget includes \$2,281,300 and 39 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes an increase of \$92,800 from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Environmental County Grants

The budget includes \$75,000 from the General Fund in FY 2012 for Environmental County Grants. This amount is unchanged from FY 2011.

Monies in this line item have been used by Greenlee, Graham, Gila, Navajo, and Apache Counties for environmental projects that impact economic development in those counties. The State Forester's Office must approve any project prior to expenditure of the monies.

### Fire Suppression

The budget includes \$3,000,000 from the General Fund in FY 2012 for Fire Suppression. This amount is unchanged from FY 2011.

This Special Line Item funds fire suppression on state trust land and rural private land. A.R.S. § 37-623.02 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this

<sup>1/</sup> Includes 13 GF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> These monies may be spent on wildfire suppression pursuant to A.R.S. § 37-623. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>4/</sup> In addition to these amounts, a total of \$84,400 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

authorization is in permanent statute, it is not included in the General Appropriation Act.

### ***Inmate Fire Crews***

The budget includes \$695,700 and 13 FTE Positions from the General Fund in FY 2012 for Inmate Fire Crews. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(1,900) from the General Fund in FY 2012 for statewide adjustments.

### ***Fund Transfers***

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

## State Board of Funeral Directors and Embalmers

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	166,200	184,200	187,800
Employee Related Expenditures	35,100	39,800	38,300
Professional and Outside Services	49,500	58,900	58,900
Travel - In State	600	9,000	9,000
Other Operating Expenditures	38,200	50,300	44,700
Equipment	900	900	900
<b>AGENCY TOTAL</b>	<b>290,500</b>	<b>343,100</b>	<b>339,600<sup>1/2/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Funeral Directors' and Embalmers' Fund	290,500	343,100	339,600
SUBTOTAL - Other Appropriated Funds	290,500	343,100	339,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>290,500</b>	<b>343,100</b>	<b>339,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>290,500</b>	<b>343,100</b>	<b>339,600</b>

**AGENCY DESCRIPTION** — The board licenses, registers, and regulates embalmers, prearranged funeral salespersons, crematories, and funeral homes. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

### Operating Budget

The budget includes \$339,600 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(7,900) from the Board of Funeral Directors' and Embalmers' Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$4,400 from the Board of Funeral Directors' and Embalmers' Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$9,300 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*



## Arizona Game and Fish Department

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,697,900	13,233,200	13,233,200
Employee Related Expenditures	6,882,600	7,633,200	7,625,200
Professional and Outside Services	1,086,700	534,000	468,200
Travel - In State	159,200	312,100	312,100
Travel - Out of State	91,300	30,700	30,700
Other Operating Expenditures	4,885,000	11,122,600	10,710,200
Equipment	1,472,000	955,500	712,200
<b>OPERATING SUBTOTAL</b>	<b>28,274,700</b>	<b>33,821,300</b>	<b>33,091,800</b>
<b>SPECIAL LINE ITEMS</b>			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,800	346,500	346,100 <sup>1/</sup>
Pittman-Robertson/Dingell-Johnson Act	3,808,000	3,808,000	3,808,000 <sup>2/</sup>
Watercraft Grant Program	250,000	250,000	1,175,000
Watercraft Safety Education Program	1,175,000	1,175,000	250,000
<b>AGENCY TOTAL</b>	<b>34,204,500</b>	<b>39,750,800</b>	<b>39,020,900<sup>3/4/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Capital Improvement Fund	0	0	1,000,000
Game and Fish Fund	30,410,900	34,701,900	32,980,400
Game, Non-Game, Fish and Endangered Species Fund	311,600	334,700	334,700
Watercraft Licensing Fund	3,462,800	4,654,800	4,646,400
Waterfowl Conservation Fund	19,200	43,400	43,400
Wildlife Endowment Fund	0	16,000	16,000
SUBTOTAL - Other Appropriated Funds	34,204,500	39,750,800	39,020,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>34,204,500</b>	<b>39,750,800</b>	<b>39,020,900</b>
Other Non-Appropriated Funds	23,043,600	24,449,700	27,851,500
Federal Funds	33,081,000	36,449,700	33,424,500
<b>TOTAL - ALL SOURCES</b>	<b>90,329,100</b>	<b>100,650,200</b>	<b>100,296,900</b>

**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.

<sup>1/</sup> The \$300,000 from the Game and Fish Fund and \$46,100 from the Watercraft Licensing Fund in FY 2012 for the Performance Incentive Pay Program line item shall be used for Personal Services and Employee Related Expenditures associated with the department's Performance Incentive Pay Program. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote, as adjusted for statewide allocations)

<sup>2/</sup> In addition to the \$3,808,000 for the Pittman-Robertson/Dingell-Johnson Act line item, the lump sum appropriation includes \$50,000 for cooperative fish and wildlife research which may be used for the purpose of matching federal and apportionment funds. (General Appropriation Act footnote)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>4/</sup> In addition to these amounts, a total of \$56,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## **Operating Budget**

The budget includes \$33,091,800 and 273.5 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
Capital Improvement Fund	\$1,000,000
Game and Fish Fund	28,872,400
Game, Non-Game, Fish and Endangered Species Fund	334,700
Watercraft Licensing Fund	2,825,300
Waterfowl Conservation Fund	43,400
Wildlife Endowment Fund	16,000

These amounts fund the following adjustments:

### **Eliminate One-Time Funding**

The budget includes a decrease of \$(1,721,500) from the Game and Fish Fund in FY 2012 to eliminate funding for one-time projects in FY 2011.

### **Statewide Adjustments**

The budget includes an increase of \$992,000 in FY 2012 for statewide adjustments. This amount consists of:

Capital Improvement Fund	1,000,000
Watercraft Licensing Fund	(8,000)

The portion of statewide adjustments associated with the Capital Improvement Fund is appropriated for the FY 2012 lease-purchase payment for the department's headquarters. This payment had previously been made from the non-appropriated Wildlife Conservation Fund.

*(Please see the Agency Detail and Allocations section.)*

## **Lower Colorado Multispecies Conservation**

The budget includes \$350,000 from the Watercraft Licensing Fund in FY 2012 for the Lower Colorado River Multispecies Conservation Plan (MSCP). This amount is unchanged from FY 2011.

The \$350,000 payment represents the department's share of Arizona's payment for the plan. This amount funds approximately 25% of the state's annual payment. Currently, the total payment to MSCP is \$1,400,000. The Central Arizona Water Conservation District pays the remaining \$1,050,000 share of the state's obligation under the plan. The total payment, including the state share, will be adjusted for inflation in future years.

Annual payments for the plan are made to the U.S. Bureau of Reclamation. The bureau uses the monies received from state payments to implement conservation measures under the MSCP agreement.

The MSCP is an agreement between Arizona, California, Nevada, Indian Tribes, and water and utility companies to

protect species classified as threatened or endangered, and to prevent any additional species from being added to these lists. The MSCP implementation plan lasts for 50 years, is estimated to cost \$626,000,000, and is administered by the U.S. Bureau of Reclamation.

## **Performance Incentive Pay Program**

The budget includes \$346,100 in FY 2012 for the Performance Incentive Pay Program. This amount consists of:

Game and Fish Fund	300,000
Watercraft Licensing Fund	46,100

These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes a decrease of \$(400) from the Watercraft Licensing Fund in FY 2012 for statewide adjustments.

These monies fund the department's Performance Incentive Pay Program. Employee distributions are based on 50% work unit performance measures and 50% agencywide performance measures. These measures are determined by internal and external customer surveys, cycle times, and other quantifiable data.

## **Pittman-Robertson/Dingell-Johnson Act**

The budget includes \$3,808,000 from the Game and Fish Fund in FY 2012 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2011.

These monies fund the state's 25% match for federal aid matching funds for wildlife restoration projects.

## **Watercraft Grant Program**

The budget includes \$1,175,000 from the Watercraft Licensing Fund in FY 2012 for the Watercraft Grant Program Special Line Item (SLI). This amount funds the following adjustments:

### **Program Funding Swap**

The budget includes an increase of \$925,000 from the Watercraft Licensing Fund in FY 2012 to switch the appropriations for the Watercraft Grant Program and the Watercraft Safety Education Program. The appropriations were switched in order to allow the department to backfill monies that watercraft enforcement agencies would otherwise lose.

The program awards grants through a competitive grant process to Arizona watercraft enforcement agencies. These grants are used by agencies to expand Operation Under the Influence enforcement efforts, such as

purchasing equipment, paying officers' overtime, or funding prevention and education programs.

### ***Watercraft Safety Education Program***

The budget includes \$250,000 from the Watercraft Licensing Fund in FY 2012 for the Watercraft Safety Education Program SLI. This amount funds the following adjustments:

#### **Program Funding Swap**

The budget includes a decrease of \$(925,000) from the Watercraft Licensing Fund in FY 2012 to switch the appropriations for the Watercraft Grant Program and the Watercraft Safety Education Program. The appropriations were switched in order to allow the department to backfill monies that watercraft enforcement agencies would otherwise lose.

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 79% of all boaters involved in accidents have never received any formal boating education.

### ***Fund Transfers***

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

## Department of Gaming

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	123.0	123.0	123.0 <sup>1/</sup>
Personal Services	4,180,800	4,468,700	4,395,500
Employee Related Expenditures	1,565,400	1,416,300	1,393,100
Professional and Outside Services	592,300	713,300	701,600
Travel - In State	232,900	350,000	344,300
Travel - Out of State	20,700	25,000	24,600
Other Operating Expenditures	1,043,800	839,600	805,300
Equipment	89,300	320,200	315,000
<b>OPERATING SUBTOTAL</b>	<b>7,725,200</b>	<b>8,133,100</b>	<b>7,979,400</b>
<b>SPECIAL LINE ITEMS</b>			
Casino Operations Certification	1,824,700	2,003,600	1,998,300
Joint Monitoring System	126,200	0	0
Problem Gambling	1,799,100	2,102,400	1,896,500
<b>AGENCY TOTAL</b>	<b>11,475,200</b>	<b>12,239,100</b>	<b>11,874,200</b> <sup>2/3/</sup>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,350,500	9,935,500	9,575,900
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,824,700	2,003,600	1,998,300
SUBTOTAL - Other Appropriated Funds	11,475,200	12,239,100	11,874,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,475,200</b>	<b>12,239,100</b>	<b>11,874,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>11,475,200</b>	<b>12,239,100</b>	<b>11,874,200</b>

**AGENCY DESCRIPTION** — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts and Proposition 202 in 2002. 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 expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000, or 9% of state tribal gaming revenues. The budget includes \$8,000,000 for FY 2012 prior to statewide adjustments, as 9% of projected FY 2012 revenues are less 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 \$1,596,500 for FY 2012, for the Problem Gambling Special Line Item (SLI).

Gaming revenues declined by (10)% in FY 2010 due to the overall downturn in the economy to a level of \$77.9 million. In FY 2011, gaming revenues are expected to stay flat at a level of \$77.9 million. (The original FY 2011 budget assumed a revenue level of \$85.8 million.) In FY 2012, gaming revenues are forecasted to increase by 2.5% over FY 2011. (See Table 1 for more information on projected state revenues.)

### **Operating Budget**

The budget includes \$7,979,400 and 90 FTE Positions from the Arizona Benefits Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

<sup>1/</sup> Includes 33 OF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> In addition to these amounts, a total of \$299,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

### Revenue Realignment

The budget includes a decrease of \$(133,100) from the Arizona Benefits Fund in FY 2012 to realign spending with projected revenues.

### Statewide Adjustments

The budget includes a decrease of \$(20,600) from the Arizona Benefits Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

### Casino Operations Certification

The budget includes \$1,998,300 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2012 for Casino Operations Certification. These amounts fund the following adjustments:

### Statewide Adjustments

The budget includes a decrease of \$(5,300) from the Tribal-State Compact Fund in FY 2012 for Casino Operations Certification.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification SLI.

### Joint Monitoring System

The budget includes no funding from the Arizona Benefits Fund in FY 2012 for the Joint Monitoring System. This amount is unchanged from FY 2011.

The Arizona Tribal-State Gaming Compacts require the department to implement an online 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, \$2,442,100 was appropriated in FY 2009 to fund the installation of the electronic monitoring system at the 17 urban sites, and \$233,300 was appropriated in FY 2010 for ongoing operating costs. Beginning in FY 2011, ongoing operating expenses were moved to the operating budget.

### Problem Gambling

The budget includes \$1,896,500 and 5 FTE Positions in FY 2012 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	1,596,500
Lottery Fund	300,000

These amounts fund the following adjustments:

### Revenue Realignment

The budget includes a decrease of \$(205,900) from the Arizona Benefits Fund in FY 2012 to realign spending with projected revenues.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The budget includes \$1,596,500 for FY 2012 from the Arizona Benefits Fund. *(See Table 1 for more information on projected state revenues.)*

Table 1

### Tribal Gaming Distributions Pursuant to Proposition 202 <sup>1/</sup>

Recipient	Proposition 202 Formula	FY 2009 Actual <sup>1/</sup>	FY 2010 Actual <sup>1/</sup>	FY 2011 Projected	FY 2012 Projected
State Government Distribution	88% of total	\$86,496,800	\$77,893,100	\$77,893,100 <sup>2/</sup>	\$79,840,500 <sup>2/</sup>
Local Government Distribution <sup>3/</sup>	12% of total	11,037,900	11,120,900	10,621,800	10,887,300
<b>Total</b>	<b>100% of total</b>	<b>\$97,534,700</b>	<b>\$89,014,000</b>	<b>\$88,514,900</b>	<b>\$90,727,800</b>
<b>Allocation of State Government's Share</b>					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
Department of Gaming Problem Gambling	2%	1,729,900	1,557,900	1,557,900	1,596,500
Subtotal-Department of Gaming		\$ 9,729,900	\$ 9,557,900	\$ 9,557,900	\$ 9,596,500
Instructional Improvement Fund (Department of Education)	56% of remainder	42,989,400	38,267,700	38,267,700	39,336,500
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	21,494,700	19,133,900	19,133,900	19,668,200
Arizona Wildlife Conservation Fund	8% of remainder	6,141,400	5,466,800	5,466,800	5,619,500
Tourism Fund	8% of remainder	6,141,400	5,466,800	5,466,800	5,619,500
<b>Total</b>		<b>\$86,496,800</b>	<b>\$77,893,100</b>	<b>\$77,893,100</b>	<b>\$79,840,200</b>

<sup>1/</sup> The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

<sup>2/</sup> The budget projects 0% growth in FY 2011 tribal contributions to the Arizona Benefits Fund and 2.5% growth for FY 2012.

<sup>3/</sup> Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

## Arizona Geological Survey

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.3	10.3	10.3
Personal Services	415,000	418,800	422,900
Employee Related Expenditures	135,300	125,500	146,600
Professional and Outside Services	5,100	4,100	4,100
Travel - In State	600	0	0
Travel - Out of State	3,300	3,000	3,000
Other Operating Expenditures	240,500	240,500	287,800
Equipment	700	700	700
<b>AGENCY TOTAL</b>	<b>800,500</b>	<b>792,600</b>	<b>865,100</b> <sup>1/2</sup>
<b>FUND SOURCES</b>			
General Fund	800,500	792,600	865,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>800,500</b>	<b>792,600</b>	<b>865,100</b>
Other Non-Appropriated Funds	857,000	467,200	532,500
Federal Funds	652,100	8,781,300	8,781,300
<b>TOTAL - ALL SOURCES</b>	<b>2,309,600</b>	<b>10,041,100</b>	<b>10,178,900</b>

**AGENCY DESCRIPTION** — The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona. The Survey also provides staffing to the Arizona Oil and Gas Conservation Commission, which regulates the drilling and production of oil, gas and other energy resources.

### Operating Budget

The budget includes \$865,100 and 10.3 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### One-Time Digitization of Records

The budget includes an increase of \$100,000 from the General Fund in FY 2012 for the one-time digitization of records owned by the Department of Mines and Mineral Resources.

#### Statewide Adjustments

The budget includes a decrease of \$(34,000) from the General Fund in FY 2012 for statewide adjustments. (Please see the *Agency Detail and Allocations* section.)

#### Restore Furlough Reduction

The budget includes an increase of \$6,500 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the *General Provisions* section.)

### Fund Transfers

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

### Additional Legislation

#### Department of Mines and Mineral Resources Consolidation

The Consolidation Budget Reconciliation Bill (Laws 2011, Chapter 27) transfers the non-museum related functions of the Department of Mines and Mineral Resources to the Arizona Geological Survey. This also includes transferring the balance of the non-appropriated Mines and Mineral Resources Fund to the non-appropriated Geological Survey Fund, after the first \$32,200 is allocated to the Arizona Historical Society. The consolidation also removes the requirement for the director to compile an annual report and eliminates the Board of Governors of the Department of Mines and Mineral Resources.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$18,700 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the *Agency Detail and Allocations* section.)

## Government Information Technology Agency

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	23.0	23.0	0.0
Personal Services	1,032,700	1,309,100	0
Employee Related Expenditures	326,200	306,300	0
Professional and Outside Services	372,300	384,500	0
Travel - In State	1,000	3,300	0
Travel - Out of State	700	3,300	0
Other Operating Expenditures	261,700	4,166,900	0
Equipment	22,400	30,600	0
<b>OPERATING SUBTOTAL</b>	<b>2,017,000</b>	<b>6,204,000</b>	<b>0</b>
<b>SPECIAL LINE ITEMS</b>			
Public Safety Communications	488,100	740,200	0
Statewide Information Security and Privacy Office	861,500	859,000	0
<b>AGENCY TOTAL</b>	<b>3,366,600</b>	<b>7,803,200</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	488,100	740,200	0
<u>Other Appropriated Funds</u>			
Information Technology Fund	2,761,400	3,163,000	0
State Web Portal Fund	117,100	3,900,000	0
SUBTOTAL - Other Appropriated Funds	2,878,500	7,063,000	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,366,600</b>	<b>7,803,200</b>	<b>0</b>
Other Non-Appropriated Funds	18,000	187,000	0
Federal Funds	1,007,100	2,460,200	0
<b>TOTAL - ALL SOURCES</b>	<b>4,391,700</b>	<b>10,450,400</b>	<b>0</b>

**AGENCY DESCRIPTION** — The Government Information Technology Agency (GITA) was responsible for statewide information technology planning, coordinating, oversight, and consulting. Information technology projects with development costs over \$25,000 could not proceed without GITA approval. GITA could suspend expenditures on failing projects. GITA also provided staff support to the Information Technology Authorization Committee (ITAC). Information technology projects with development costs over \$1,000,000 could not proceed without ITAC approval. The GITA Information Technology Fund derives from a 0.2% charge on state agency payrolls.

The Consolidation Budget Reconciliation Bill (Laws 2011, Chapter 27) eliminates the Government Information Technology Agency and transfers the functions of the department to the Arizona Department of Administration (ADOA) beginning in FY 2012.

The following describes GITA's FY 2011 resources.

### **Operating Budget**

The FY 2011 budget included \$6,204,000 and 16 FTE Positions for the operating budget. These amounts consisted of:

	<b>FY 2011</b>
Information Technology Fund	\$2,304,000
State Web Portal Fund	3,900,000

### **Public Safety Communications**

The FY 2011 budget included \$740,200 and 4 FTE Positions from the General Fund for Public Safety Communications.

The Public Safety Communications Program designed and implemented 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.

***Statewide Information Security and Privacy Office***

The FY 2011 budget included \$859,000 and 3 FTE Positions from the Information Technology Fund for the Statewide Information Security and Privacy Office.

This office performed strategic planning, policy development, and risk assessment to protect the state's information resources.



**Office of the Governor**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	6,902,300	6,937,300	6,788,600
<b>AGENCY TOTAL</b>	<b>6,902,300</b>	<b>6,937,300</b>	<b>6,788,600</b> <sup>1/2/3/4</sup>
<b>FUND SOURCES</b>			
General Fund	6,902,300	6,937,300	6,601,900
<u>Other Appropriated Funds</u>			
Oil Overcharge Fund	0	0	186,700
SUBTOTAL - Other Appropriated Funds	0	0	186,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,902,300</b>	<b>6,937,300</b>	<b>6,788,600</b>
Other Non-Appropriated Funds	1,463,400	5,367,800	3,353,600
Federal Funds	283,446,000	86,539,700	63,609,400
<b>TOTAL - ALL SOURCES</b>	<b>291,811,700</b>	<b>98,844,800</b>	<b>73,751,600</b>

**AGENCY DESCRIPTION** — The Governor is the state’s Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office for Children, Youth and Families, Office on Aging, Office of Constituent Services, Arizona-Mexico Commission, Northern Office and Tucson Office.

**Operating Budget**

The budget includes \$6,788,600 in FY 2012 for the operating budget. This amount consists of:

	<b>FY 2012</b>
General Fund	\$6,601,900
Oil Overcharge Fund	186,700

These amounts fund the following adjustments:

**Transfer Energy Programs**

The budget includes an increase of \$186,700 from the Oil Overcharge Fund in FY 2012 to transfer administration of the oil overcharge grant and loan restitution programs from the Department of Commerce to the Office of the Governor. (See Department of Commerce narrative for more details.)

**Statewide Adjustments**

The budget includes a decrease of \$(335,400) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

**Fund Transfers**

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

1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)  
 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.  
 3/ Included in the Lump Sum appropriation of \$6,788,600 for FY 2012 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)  
 4/ In addition to these amounts, a total of \$183,600 GF and \$5,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Governor's Office of Strategic Planning and Budgeting

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	23.0	22.0	22.0
Personal Services	1,203,800	1,275,900	1,275,900
Employee Related Expenditures	389,000	347,500	332,100
Professional and Outside Services	113,800	92,500	92,500
Travel - In State	300	100	100
Travel - Out of State	1,200	0	0
Other Operating Expenditures	227,200	209,700	171,800
Equipment	0	1,800	1,800
<b>AGENCY TOTAL</b>	<b>1,935,300</b>	<b>1,927,500</b>	<b>1,874,200</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	1,935,300	1,927,500	1,874,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,935,300</b>	<b>1,927,500</b>	<b>1,874,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,935,300</b>	<b>1,927,500</b>	<b>1,874,200</b>

**AGENCY DESCRIPTION** — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

### Operating Budget

The budget includes \$1,874,200 and 22 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(53,300) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Additional Legislation

#### State Agency Fee Commission

Laws 2011, Chapter 333 establishes the State Agency Fee Commission consisting of a total of 13 members, including 6 appointed by the Governor, 3 members of the Senate appointed by the President of the Senate, 3 members of the House of Representatives appointed by the Speaker of the House of Representatives, and the director of the Governor's Office of Strategic Planning and Budgeting. The commission shall establish a fee review process of state agencies. The commission shall review all state agencies at least once in each 5-year period beginning October 1, 2011, or whenever the commission deems necessary, except for those exempted in the commission bylaws.

The commission shall issue an annual, comprehensive report that includes all of the following:

- An analysis of the fees assessed by each of the reviewed agencies, including a comparison of this state's agencies with other, similar agencies in other southwestern states as well as a comparison with nationwide trends.
- An analysis of the methods used by agencies to set fees.
- An analysis of the effects that fees currently have on regulated industries, businesses or consumer groups for each agency.
- An analysis of the long-term sustainability of the regulated program based on all fund sources.
- A list of agencies to be reviewed in the following year.
- An analysis of the effects recent budget reductions and fund transfers have had on agencies.

The commission shall submit its first annual report to the Governor, the President of the Senate, the Speaker of the House of Representatives, and a copy to the Secretary of State by December 31, 2011. The commission may use the services of the staff of the Governor's Office of Strategic Planning and Budgeting as required.

<sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)  
<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.  
<sup>3/</sup> In addition to these amounts, a total of \$56,300 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Department of Health Services

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,628.4	1,632.1	1,632.1 <sup>1/</sup>
Personal Services	56,846,100	49,783,700	51,177,400
Employee Related Expenditures	23,262,000	20,714,100	20,057,500
Professional and Outside Services	10,782,200	11,766,800	11,766,800
Travel - In State	421,500	385,600	385,600
Travel - Out of State	3,085,400	41,300	41,300
Other Operating Expenditures	32,578,000	46,846,600	45,934,500
Equipment	766,600	923,500	923,500
<b>OPERATING SUBTOTAL</b>	<b>127,741,800</b>	<b>130,461,600</b>	<b>130,286,600</b> <sup>2/3/4/5/6/7</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Public and Family Health</b>			
Arizona Biomedical Research Commission	0	0	500,000 <sup>8/</sup>
County Tuberculosis Provider Care and Control	510,500	590,700	590,700
AIDS Reporting and Surveillance	1,000,000	1,000,000	1,000,000
Renal and Nonrenal Disease Management	198,000	198,000	198,000 <sup>9/</sup>
Alzheimer's Disease Research	2,250,000	1,125,000	1,125,000 <sup>10/11/</sup>
Poison Control Centers Funding	990,000	990,000	990,000
AHCCCS-Children's Rehabilitative Services	97,795,600	106,411,900 <sup>12/13/</sup>	0
Adult Cystic Fibrosis	105,200	105,200	105,200
Breast and Cervical Cancer and Bone Density Screening	944,700	1,346,700	1,346,700
Folic Acid	338,800	400,000	400,000
High Risk Perinatal Services	1,651,400	2,543,400	2,543,400
Newborn Screening Program	5,206,800	6,262,700	6,248,200
<b>Behavioral Health</b>			
Medicaid Behavioral Health - Traditional	765,413,100	906,354,200	1,074,490,600 <sup>12/14/15/</sup>
Medicaid Behavioral Health - Proposition 204	442,603,200	308,938,900	157,361,700 <sup>12/13/14/15/</sup>
Proposition 204 Administration	6,071,000	6,446,700	6,446,700 <sup>14/</sup>
Medicare Clawback Payments	7,792,900	8,162,700	12,541,500
Medicaid Special Exemption Payments	28,501,600	28,438,900	24,639,300
Medicaid Waiver Savings	0	0	(131,662,200)
Non-Medicaid Prescription Medication	0	40,154,900	40,154,900
Supported Housing	0	5,324,800	5,324,800
Crisis Services	0	16,391,100	16,391,100
State Only Behavioral Health	104,447,200	0	0
Community Placement Treatment	0	1,130,700	1,130,700
<b>AGENCY TOTAL</b>	<b>1,593,561,800</b>	<b>1,572,778,100</b>	<b>1,352,152,900</b>
<b>FUND SOURCES</b>			
General Fund	480,024,600	436,168,700	494,294,800
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	8,687,400	11,159,500	13,807,300
Arizona State Hospital Land Earnings Fund	420,100	1,150,000	1,150,000
Capital Outlay Stabilization Fund	1,550,100	1,587,500	1,245,500
Child Fatality Review Fund	99,100	95,000	92,700
Emergency Medical Services Operating Fund	4,084,700	5,082,900	5,024,300
Environmental Laboratory Licensure Revolving Fund	690,200	921,800	907,200
Federal Child Care and Development Fund Block Grant	648,100	836,100	827,800
Health Services Licensing Fund	4,184,000	8,427,200	8,260,300
Hearing and Speech Professionals Fund	314,000	314,600	308,100
Indirect Cost Fund	7,607,400	7,730,500	7,509,000
Newborn Screening Program Fund	5,685,400	6,741,300	6,680,100
Nursing Care Institution Resident Protection Fund	28,700	38,000	438,000

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
Substance Abuse Services Fund	1,083,300	2,250,000	2,250,000
Tobacco Tax and Health Care Fund - Health Research Account	0	1,000,000	1,500,000
TTHCF Medically Needy Account	35,345,100	35,167,000	35,167,000
Vital Records Electronic Systems Fund	433,700	425,500	3,586,000
SUBTOTAL - Other Appropriated Funds	70,861,300	82,926,900	88,753,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>550,885,900</b>	<b>519,095,600</b>	<b>583,048,100</b>
<u>Expenditure Authority Funds</u>			
Federal Medicaid Authority	1,042,675,900	1,053,682,500	769,104,800
SUBTOTAL - Expenditure Authority Funds	1,042,675,900	1,053,682,500	769,104,800
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,593,561,800</b>	<b>1,572,778,100</b>	<b>1,352,152,900</b>
Other Non-Appropriated Funds	107,423,400	101,853,900	114,330,600
Federal Funds	315,482,000	313,500,000	313,500,000
<b>TOTAL - ALL SOURCES</b>	<b>2,016,467,200</b>	<b>1,988,132,000</b>	<b>1,779,983,500</b>

- 1/ Includes 1 GF and 62.2 OF FTE Positions funded from Special Line Items in FY 2012.
- 2/ In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- 3/ Contingent on federal and Joint Legislative Budget Committee approval of the use of these monies, of the monies appropriated from the Nursing Care Institution Resident Protection Revolving Fund, \$400,000 shall be used by the department to improve the operation of nursing care institutions. The funding may be used for, but is not limited to, a contract with a survey contractor or contractors to conduct surveys of selected nursing care institution facilities in Arizona over a 2-year period beginning July 1, 2011. Monies appropriated for this purpose are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2013. Any unused and unallocated monies remaining on June 30, 2013, shall revert to the Nursing Care Institution Resident Protection Revolving Fund. Up to 8% of this appropriation may be used by the department for administrative purposes. (General Appropriation Act footnote)
- 4/ 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 any behavioral health line items, the Department of Health Services shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ 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 potential shortfalls in programs, 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 total expenditure authority of the month and year-to-date for federally-matched services. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.
- 7/ In addition to these amounts, a total of \$1,448,400 GF, \$775,000 OF, and \$103,100 FMA is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- 8/ Laws 2002, Chapter 186 appropriation of \$500,000.
- 9/ The Department of Health Services may use up to 4% of the amounts appropriated for Renal and Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 10/ The Department of Health Services shall distribute the entire appropriation for Alzheimer's Disease Research to grant recipients by September 30, 2011. (General Appropriation Act footnote)
- 11/ Of the \$1,125,000 for Alzheimer's Disease Research, it is the intent of the Legislature that \$1,000,000 of that amount be Tobacco Tax and Health Care Fund monies transferred from the Arizona Biomedical Research Commission to the Department of Health Services. (General Appropriation Act footnote) The Consolidation BRB also transfers the commission to DHS in FY 2012.
- 12/ The Department of Health Services shall report to the Joint Legislative Budget Committee 30 days after the end of each calendar quarter on the progress the department is making toward settling the *Arnold v. Sarn* lawsuit. The report shall include at a minimum the department's progress towards meeting the exit criteria and whether the department is in compliance with the exit criteria schedule. (General Appropriation Act footnote)
- 13/ For FY 2011, the Department of Health Services may use monies in the IGA and ISA Fund as the state Medicaid match for behavioral health services and AHCCCS - Children's Rehabilitative Services. Before using the monies, the department shall report to the Director of the Joint Legislative Budget Committee the proposed amount of the IGA and ISA Fund monies to be used for the match, the source of those monies, including reconciliation payments and penalties, and the total amount of reconciliation payments and penalties in the fund. On or before January 8, 2012, the department also shall report to the Director of the Joint Legislative Budget Committee the total amount of reconciliation payments and penalties deposited in the fund through December 31, 2011 in FY 2012. (General Appropriation Act footnote)
- 14/ It is the intent of the Legislature that the percent attributable to administration/profit for the Regional Behavioral Health Authority in Maricopa County is 9% of the overall capitation rate. (General Appropriation Act footnote)
- 15/ The amounts included in the Proposition 204 Administration and Medicaid Behavioral Health - Proposition 204 Special Line Items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)

**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.

**Operating Budget**

The budget includes \$130,286,600 and 1,568.9 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$76,912,000
Arizona State Hospital Fund	12,676,600
ASH Land Earnings Fund	1,150,000
Capital Outlay Stabilization Fund	1,245,500
Child Fatality Review Fund	92,700
Emergency Medical Services (EMS) Operating Fund	4,574,300
Environmental Laboratory Licensure Revolving Fund	907,200
Federal Child Care and Development Fund (CCDF) Block Grant	827,800
Health Services Licensing Fund	8,260,300
Hearing and Speech Professionals Fund	308,100
Indirect Cost Fund	7,509,000
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	438,000
Vital Records Electronic Systems Fund	3,586,000
Federal Medicaid Authority (FMA)	11,367,200

These amounts fund the following adjustments:

**Vital Records Self-Funding**

The budget includes an increase of \$1,983,300 in FY 2012 to self-fund Vital Records and increase their total resources. This amount consists of:

General Fund	(1,205,600)
Vital Records Electronic Systems Fund	3,188,900

The Health Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 31) removes fee caps and allows the DHS Director to set fees, including a fee that counties must pay for access to the agency's vital records system. Prior to this change, the agency funded Vital Records with \$1,205,600 from its General Fund operating budget, in addition to an appropriation of \$426,400 from the Vital Records Electronic Systems Fund. Under permanent law, the increased fee raising authority will allow the agency to self-fund Vital Records at a cost of \$3,615,300 prior to any statewide adjustments.

**Nursing Care Institution Survey**

The budget includes an increase of \$400,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2012 to improve the operation of nursing care institutions over a 2-year period. (*See footnote 3.*)

**Shift SVP Costs from General Fund to ASH Fund**

The budget includes an increase of \$2,670,300 from the Arizona State Hospital (ASH) Fund and a corresponding decrease of \$(2,670,300) from the General Fund in FY 2012 to shift an additional 25% of Sexually Violent Persons (SVP) operating costs from the General Fund.

The Health BRB requires that all counties pay 50% of the daily cost of care for SVP patients. In previous session law, counties were required to pay 25% of daily SVP costs.

The Health BRB also continues to require that all counties pay 100% of the daily cost of care for Restoration to Competency (RTC) patients in the Arizona State Hospital. Treatment for RTC patients is funded through the agency operating budget.

**Statewide Adjustments**

The budget includes a decrease of \$(2,558,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(1,623,200)
Arizona State Hospital Fund	(22,500)
Capital Outlay Stabilization Fund	(342,000)
Child Fatality Review Fund	(2,300)
Emergency Medical Services Operating Fund	(58,600)
Environmental Laboratory Licensure Revolving Fund	(14,600)
Federal Child Care and Development Fund (CCDF) Block Grant	(8,300)
Health Services Licensing Fund	(166,900)
Hearing and Speech Professionals Fund	(6,500)
Indirect Cost Fund	(221,500)
Newborn Screening Program Fund	(46,700)
Vital Records Electronic Systems Fund	(28,400)
Federal Medicaid Authority	(16,800)

(Please see the Agency Detail and Allocations section.)

The Assurance and Licensure, Attorney General Legal Services, Arizona Statewide Immunization Information System, Laboratory Services, Loan Repayment, EMS Operations, Trauma Advisory Board, Scorpion Antivenom, Vital Records Systems Maintenance, Adult Sickle Cell Anemia, Child Fatality Review Team, Contract Compliance, Sexually Violent Persons and ASH Forensic Unit Debt Service line items have been shifted to the operating budget in FY 2012 and all years are displayed accordingly.

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**Public and Family Health**

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**Arizona Biomedical Research Commission**

The budget includes \$500,000 from the Health Research Account of the Tobacco Tax and Health Care Fund in FY 2012 for a new Arizona Biomedical Research Commission (ABRC) Special Line Item. In prior years, this amount was displayed in the Arizona Biomedical Research Commission.

The Consolidation BRB (Laws 2011, Chapter 27) transfers the functions of the Arizona Biomedical Research Commission to DHS on July 1, 2011. The authority to disburse appropriated and non-appropriated funds has been transferred to the DHS Director, but ABRC will have an advisory role within the agency. Prior year expenditures for ABRC as a separate state agency are summarized in a previous section of this report. (*Please see the Arizona Biomedical Research Commission narrative for additional information.*)

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. These amounts 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.

**County Tuberculosis Provider Care and Control**

The budget includes \$590,700 from the General Fund in FY 2012 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2011.

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.

**AIDS Reporting and Surveillance**

The budget includes \$1,000,000 from the General Fund in FY 2012 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2011.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also receives \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program, which also receives Federal Funds for the medications. The program served an average of 900 clients per month in FY 2010.

**Renal and Nonrenal Disease Management**

The budget includes \$198,000 from the General Fund in FY 2012 for Renal and Nonrenal Disease Management. This amount is unchanged from FY 2011.

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.

**Alzheimer's Disease Research**

The budget includes \$1,125,000 in FY 2012 for Alzheimer's Disease Research. This amount consists of:

General Fund	125,000
TTHCF Health Research Account	1,000,000

These amounts are unchanged from FY 2011.

Of the \$1,125,000 appropriation, the budget requires that the Arizona Biomedical Research Commission transfer \$1,000,000 from the Tobacco Tax and Health Care Fund to this Special Line Item and that the entire appropriation is distributed to Alzheimer's Disease Research grant recipients by September 30, 2011. (*See footnotes 8 and 9.*)

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.

**Poison Control Centers Funding**

The budget includes \$990,000 from the General Fund in FY 2012 for Poison Control Centers. This amount is unchanged from FY 2011.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS has allocated \$630,000 to the

University of Arizona Poison Information Center and \$360,000 to the Banner Poison Control Center.

**AHCCCS - Children's Rehabilitative Services**

The budget includes no funding in FY 2012 for AHCCCS - Children's Rehabilitative Services. This amount funds the following adjustment:

**Transfer CRS to AHCCCS**

The budget includes a decrease of \$(106,411,900) in FY 2012 to transfer Children's Rehabilitative Services (CRS) from DHS to AHCCCS. This amount consists of:

General Fund	(27,619,200)
Federal Medicaid Authority	(78,792,700)

As permanent law, the Health BRB transfers all CRS responsibilities and functions to AHCCCS effective July 1, 2011.

The CRS program offers health care to children with handicapping or potentially handicapping conditions

**Adult Cystic Fibrosis**

The budget includes \$105,200 from the General Fund in FY 2012 for Adult Cystic Fibrosis. This amount is unchanged from FY 2011.

This line item provides contracted care and treatment services through the CRS program for 20 individuals with cystic fibrosis.

**Breast and Cervical Cancer and Bone Density Screening**

The budget includes \$1,346,700 and 1 FTE Position from the General Fund in FY 2012 for the Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2011.

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.

**Folic Acid**

The budget includes \$400,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund in FY 2012 for Folic Acid. This amount is unchanged from FY 2011.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects.

In FY 2010, 21,142 low-income women of childbearing age received multivitamins and 8,000 women received folic acid education and multivitamins.

**High Risk Perinatal Services**

The budget includes \$2,543,400 in FY 2012 for High Risk Perinatal Services. This amount consists of:

General Fund	2,093,400
Emergency Medical Services Operating Fund	450,000

These amounts are unchanged from FY 2011.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

**Newborn Screening Program**

The budget includes \$6,248,200 and 62.2 FTE Positions from the Newborn Screening Program Fund in FY 2012 for the Newborn Screening Program. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(14,500) from the Newborn Screening Program Fund in FY 2012 for statewide adjustments.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders. In FY 2012, the program will provide screening for approximately 105,000 newborns. The program also provides for follow-up counseling for the parents of affected newborns. The State Health Laboratory currently holds the contract for testing.

**Behavioral Health**

These line items fund 3 types of services; 1) Serious Mental Illness, 2) Children's Behavioral Health and 3) General Mental Health and Substance Abuse. See *Table 1* and *Other Issues* for more information.

**Medicaid Behavioral Health - Traditional**

The budget includes \$1,074,490,600 in FY 2012 for Medicaid Behavioral Health - Traditional. This amount consists of:

**Table 1**

**General Fund Medicaid Behavioral Health Appropriations<sup>1/</sup>**

	<b>FY 2011 Appropriated</b>	<b>FY 2011 Revised</b>	<b>FY 2012</b>	<b>FY 2012 Above FY 2011 Revised</b>
Medicare Clawback Payments	\$ 8,581,500	\$ 8,162,700	\$ 12,541,500	\$ 4,378,800
Medicaid Special Exemption Payments	7,033,200	7,033,200	8,146,400	1,113,200
<u>State Match for Medicaid</u>				
CBH	123,806,200	120,358,000	122,380,400	2,022,400
SMI	67,610,100	60,328,100	182,412,600	122,084,500
GMH/SA <sup>2/</sup>	28,699,700	32,511,200	50,459,400	17,948,200
<u>State Match for Proposition 204</u>				
CBH	2,451,900	2,056,600	2,588,100	531,500
SMI	33,907,300	40,481,000	0	(40,481,000)
GMH/SA	43,715,800	38,900,300	49,439,600	10,539,300
Medicaid Waiver Savings	0	0	(43,530,800)	(43,530,800)
<b>Total</b>	<b>\$315,805,700</b>	<b>\$309,831,100</b>	<b>\$384,437,200</b>	<b>\$74,606,100</b>

1/ The FY 2010 and FY 2011 amounts represent spending under the enhanced FMAP provided by ARRA.

2/ Base amounts include \$3,600,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

General Fund	351,652,400
Tobacco Tax and Health Care Fund Medically Needy Account	3,600,000
Federal Medicaid Authority	719,238,200

estimated average 8.2%, or 96,424, of the eligible population will utilize services (*see Table 4*).

**Medicaid Behavioral Health - Proposition 204**

These amounts fund the following adjustments:

**Formula Growth**

The budget includes an increase of \$168,136,400 in FY 2012 for Medicaid Behavioral Health - Traditional caseload and capitation rate changes. This amount consists of:

The budget includes \$157,361,700 in FY 2012 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	52,027,700
Federal Medicaid Authority	105,334,000

General Fund	153,852,200
Federal Medicaid Authority	14,284,200

Beside the federal match rate change, described below, the formula adjustments include:

These amounts fund the following adjustments:

**Formula Growth**

The budget includes a decrease of \$(151,577,200) in FY 2012 for Medicaid Behavioral Health - Proposition 204 caseload and capitation rate changes. This amount consists of:

- No increase in capitation rates in FY 2012.
- Continuation of a (3.12)% provider rate reduction that began in April 2011.
- Reclassification of individuals receiving Proposition 204 services as eligible for Traditional services.
- 5% enrollment growth in FY 2012.

General Fund	(24,904,000)
Federal Medicaid Authority	(126,673,200)

The FY 2011 supplemental reduced \$(1,663,000) from the General Fund and \$(4,744,400) in Federal Medicaid Authority for a provider rate reduction that began April 1, 2011. The FY 2011 supplemental is incorporated into the FY 2011 figures above and continued into FY 2012.

Besides the federal match rate change, described below, the formula adjustments include:

- No increase in capitation rates in FY 2012.
- Continuation of a (3.12)% provider rate reduction that began in April 2011.
- Reclassification of individuals receiving Proposition 204 services as eligible for Traditional services.
- 5% enrollment growth in FY 2012.

This line item provides behavioral health treatment to Medicaid eligible children and adults. Prior to any changes associated with the Executive Medicaid Waiver request, there is an average of 1,177,064 eligible individuals per month. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an

The FY 2012 amounts do not include savings associated with the Executive Medicaid Waiver request, which are allocated in a separate line item. The Medicaid Waiver reduces the appropriation for Medicaid Behavioral Health - Proposition 204 by \$(42,676,500) from the General Fund



and \$(86,401,800) in Federal Medicaid Authority. *(Please see Medicaid Waiver Savings in this section and the AHCCCS narrative for additional information.)*

The FY 2011 supplemental reduced \$(635,100) from the General Fund and \$(1,811,700) in Federal Medicaid Authority for a provider rate reduction that began April 1, 2011. The FY 2011 supplemental is incorporated into the FY 2011 figures above and continued into FY 2012.

This line item provides behavioral health treatment to Medicaid eligible children and adults. Prior to any changes associated with Executive Medicaid Waiver request, there is an average of 774,993 eligible individuals per month. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated 5.4%, or 41,917, of the eligible population will utilize services *(see Table 4)*.

**Proposition 204 Administration**

The budget includes \$6,446,700 in FY 2012 for Proposition 204 Administration. This amount consists of:

General Fund	1,642,800
Federal Medicaid Authority	4,803,900

These amounts are unchanged from FY 2011.

This line item provides funding for the administrative component of the Proposition 204 population.

**Medicare Clawback Payments**

The budget includes \$12,541,500 from the General Fund in FY 2012 for Medicare Clawback Payments. This amount funds the following adjustments:

**Formula Growth**

The budget includes an increase of \$4,378,800 from the General Fund in FY 2012 for formula growth associated with Medicare Clawback Payments. A federal revision to the state’s Clawback yielded \$(418,800) in savings in FY 2011. The DHS portion of the state’s overall Clawback obligation would increase by \$4,378,800 over the revised FY 2011 for a net increase of \$3,960,000 in FY 2012.

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 80% of the estimated prescription drug cost of this population in 2012. The state’s share of 80% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

**Medicaid Special Exemption Payments**

The budget includes \$24,639,300 in FY 2012 for Medicaid Special Exemption Payments. This amount consists of:

General Fund	8,146,400
Federal Medicaid Authority	16,492,900

These amounts fund the following adjustments:

**Formula Growth**

The budget includes a decrease of \$(3,799,600) in FY 2012 for Medicaid Special Exemption Payments related to caseload growth and FMAP adjustments. *(See Other Issues for additional information on FMAP changes.)* This amount consists of:

General Fund	1,448,200
Federal Medicaid Authority	(5,247,800)

The FY 2012 amounts do not include savings associated with the Executive Medicaid Waiver request, which are allocated in a separate line item. The Medicaid Waiver reduces the appropriation for Medicaid Special Exemption Payments by \$(854,300) from the General Fund and \$(1,729,600) in Federal Medicaid Authority. *(Please see Medicaid Waiver Savings in this section and the AHCCCS narrative for additional information.)*

The FY 2011 supplemental reduced \$(54,900) from the General Fund and \$(156,600) in Federal Medicaid Authority for a provider rate reduction that began April 1, 2011. The FY 2011 supplemental is incorporated into the FY 2011 figures above and continued into FY 2012.

This line item provides 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 Regional Behavioral Health Authorities.

**Medicaid Waiver Savings**

The budget includes a reduction of \$(131,662,200) in FY 2012 for Medicaid Waiver Savings. This amount consists of:

General Fund	(43,530,800)
Federal Medicaid Authority	(88,131,400)

These amounts are allocated against the Medicaid Behavioral Health - Proposition 204 and Medicaid Special Exemption Payment line items in the General Appropriation Act. For the purpose of this report, the savings appears as a separate line item. *(Please see the AHCCCS narrative for additional information.)*

### **Non-Medicaid Prescription Medication**

The budget includes \$40,154,900 in FY 2012 for Non-Medicaid Prescription Medication. This amount consists of:

General Fund	28,453,800
Tobacco Tax and Health Care Fund	11,701,100
Medically Needy Account	

These amounts are unchanged from FY 2011.

This line item provides funding for a benefit package for Non-Medicaid SMI clients to partially cover the costs of prescription medications and associated services, such as laboratory costs and prescribing clinician costs.

### **Supported Housing**

The budget includes \$5,324,800 from the Tobacco Tax and Health Care Fund Medically Needy Account in FY 2012 for Supported Housing. This amount is unchanged from FY 2011.

This line item funds housing services that will enable individuals to live in the community. These funds may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance.

### **Crisis Services**

The budget includes \$16,391,100 in FY 2012 for Crisis Services. This amount consists of:

Substance Abuse Services	2,250,000
Tobacco Tax and Health Care Fund	14,141,100
Medically Needy Account	

These amounts are unchanged from FY 2011.

This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services. These funds serve 100% state funded recipients.

### **State Only Behavioral Health**

The budget includes no funding in FY 2012 for State Only Behavioral Health.

The FY 2011 budget reduced and reorganized Non-Medicaid behavioral health spending for both SMI and General Mental Health populations. This line item represents monies that funded Non-Medicaid line items for Children's Behavioral Health, SMI, Mental Health, and

Substance Abuse in FY 2010. These line items were replaced by new line items for Prescription Medication, Supported Housing and Crisis Services in FY 2011.

### **Community Placement Treatment**

The budget includes \$1,130,700 from the ASH Fund in FY 2012 for Community Placement Treatment. This amount is unchanged from FY 2011.

This line item provides funding for housing, transportation, clinical support, and meaningful day activities for State Hospital patients treated in the community.

The operating budget includes approximately \$66,000,000 for inpatient hospitalization services at the State Hospital for the seriously mentally ill. As of March 2011, the ASH census was 234 patients.

### **Fund Transfers**

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

### **Other Issues**

#### **Overall FY 2012 DHS Formula Changes**

The budget includes \$63,625,200 in FY 2012 for DHS formula changes as delineated by Table 2. Those changes are described in further detail below the table.

**Table 2**

#### **FY 2012 General Fund Formula Changes**

	<b>Adjustment</b>
Federal Match Rate Backfill	\$127,274,900 <sup>1/</sup>
Caseload Growth	27,316,000 <sup>1/</sup>
Medicaid Waiver Savings	(43,530,800)
Provider Rate Reduction	(11,024,300)
Shift CRS to AHCCCS	(36,410,600)
<b>Total</b>	<b>\$ 63,625,200</b>

<sup>1/</sup> The combination of these lines equals the formula change in the Statewide Detailed List of General Fund Changes by Agency.

In total, the budget includes an increase of \$154,590,900 to backfill additional monies from the increased FMAP and costs associated with caseload growth, a net decrease of \$(54,555,100) to account for savings related to the Executive Medicaid Waiver Request and April 2011 provider rate reductions, and \$(36,410,600) to shift Children's Rehabilitative Services to AHCCCS.

#### **Federal Match Rate Backfill**

Due to a reduction in the Federal Medicaid Assistance Percentage (FMAP), the budget includes \$142,810,600 to backfill the loss of Federal Funds. The FMAP is the rate at

which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. The federal government provided a 65.8% match for most Medicaid services.

The American Recovery and Reinvestment Act of 2009 (ARRA) increased the Medicaid match rate for most services to 75.93%. The FY 2011 budget assumed the continuation of that rate through the end of FY 2011. The federal government subsequently decided to phase down that match rate as of January 2011. The final blended FY 2011 FMAP is estimated to be 74.05%, which would require the state to increase its share of FY 2011 costs by \$25,528,800.

During FY 2012, the FMAP for Medicaid will decline to 66.9%, a (7.1)% decline. The rate would have otherwise returned to 65.8%, but the state's low personal income growth qualifies it for a higher rate. This better regular match rate generates savings of \$(15,535,700) to offset the \$142,810,600 backfill for a net increase of \$127,274,900.

FY 2011 Base Adjustment and  
FY 2012 Caseload Growth

The budget includes a net \$27,316,000 General Fund increase for DHS caseload changes. This consists of FY 2011 base adjustments, which are \$5,555,800 for CRS and Clawback adjustments, \$(2,570,100) for April 2011 provider rate savings, and \$(9,372,900) for BHS caseload changes. In FY 2012, caseloads are expected to grow by 2.3% at a cost of \$33,703,200.

Medicaid Waiver Savings

The budget reflects \$(43,530,800) in savings associated with the Executive request for a federal waiver to reduce Medicaid coverage. These savings are allocated against Medicaid Behavioral Health - Proposition 204 services. (Please see the Proposition 204 and Federal Waiver Request section in the AHCCCS narrative for additional information.)

FY 2012 Capitation Rate Changes

The budget reflects a net \$(11,024,300) capitation rate adjustment in FY 2012 for a Medicaid Behavioral Health provider rate reduction. Capitation rates normally reflect adjustments in utilization of service and medical inflation. As permitted by the FY 2011 Health BRB (Laws 2010, 7<sup>th</sup> Special Session, Chapter 10), AHCCCS reduced Medicaid Behavioral Health capitation payments by (3.12)% in April 2011, which yielded a savings of \$(2,570,100) for the last 3 months of the fiscal year as reflected above. A full year of savings in FY 2012 yields a savings of \$(13,594,400) for a net decrease of \$(11,024,300).

**Revised FY 2011 Budget**

The revised FY 2011 budget includes a net decrease of \$(2,570,100). While the net decrease is due to a provider rate reduction enacted in April 2011, there are numerous

technical adjustments in the FY 2011 budget that result in no net change (See Table 3.)

Federal Match Rate Backfill

Although the enhanced match rate was estimated in the original FY 2011 budget to generate \$142,810,600, the lower than anticipated rate reduced that amount at total cost of \$25,528,800.

Technical Adjustment

The revised FY 2011 budget includes a \$(7,426,400) General Fund decrease to reflect an adjustment to Behavioral Health Services' (BHS) capitation payments. The FY 2011 budget erroneously double-appropriated monies to DHS for behavioral health services for individuals with developmental disabilities.

Reconciliation Payments and Penalties

The revised FY 2011 budget includes a \$(14,285,300) decrease to use reconciliation payments and penalty fees assessed to Medicaid Behavioral Health providers to draw down federal matching monies for Medicaid Behavioral Health programs. An FY 2012 General Appropriation Act footnote requires that prior to any expenditure of these monies, DHS report to the Joint Legislative Budget Committee the proposed amount of these monies to be used for state match, the source of these monies and the total amount of revenue collected.

Caseload and Clawback Savings

The revised FY 2011 budget reflects includes a net savings of \$(3,817,100). Of this amount, \$(9,372,900) is a result of Medicaid Behavioral Health caseload savings, \$(418,800) for a federal revision to the state's Clawback obligation, and \$5,974,600 for higher than budgeted AHCCCS-CRS caseloads.

April 2011 Provider Rate Reduction

The revised FY 2011 budget includes a decrease of \$(2,570,100) for a Medicaid provider rate reduction that began on April 1, 2011.

	<u>Adjustment</u>
Federal Match Rate	\$25,528,800
Technical Adjustment	(7,426,400)
Reverse Administration Shift	(14,285,300)
Behavioral Health Caseload	(9,372,900)
Savings	
Clawback Adjustment	(418,800)
CRS Caseload Adjustment	5,974,600
April Provider Rate	
Reduction	<u>(2,570,100)</u>
<b>Total</b>	<b>\$ (2,570,100)</b>

**Projected Caseloads and Excess Capitation Funding**

The department receives a flat amount for each Medicaid individual per month, regardless of whether or not those

individuals actually receive treatment. *Table 4* summarizes projected capitation costs for Medicaid Behavioral Health Services.

Excluding Medicaid Waiver Savings and administration costs, the FY 2012 budget includes a state match appropriation of \$415,426,500 for Medicaid Behavioral Health services. The state match portion of Medicaid Behavioral Health is currently projected to total \$396,159,000. Monies appropriated for state match for

Medicaid in DHS are primarily General Fund, plus \$3,600,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund. At budgeted caseload and capitation levels, it is estimated that DHS has \$19,267,500 in excess capitation funding from the General Fund in FY 2012.

**Table 4**

**FY 2012 Medicaid Behavioral Health Caseload and Capitation Funding**

	<u>Member Years</u>	<u>Monthly Cap Rate</u>	<u>Total</u>	<u>Less Admin</u>	<u>Total Funds</u>	<u>Medicaid Authority</u>	<u>State Match</u>
CBH	618,712	\$ 34.47	\$ 255,924,200	\$ (8,471,100)	\$ 247,453,100	\$165,638,900	\$ 81,814,200
CMDP	10,083	957.31	115,831,600	(3,834,000)	111,997,600	74,968,400	37,029,200
SMI	656,244	67.03	527,856,700	(17,472,100)	510,384,600	341,638,700	168,745,900
GMH/SA	656,244	38.06	299,719,900	(9,920,700)	289,799,200	193,984,300	95,814,900
DD	10,774	114.36	14,784,700	(489,400)	14,295,300	9,568,900	4,726,400
Special Exemption					24,282,400	16,254,000	8,028,400
<b>Total</b>			<b>\$1,214,117,100</b>	<b>\$(40,187,300)</b>	<b>\$1,198,212,200</b>	<b>\$802,053,200</b>	<b>\$396,159,000</b>
<b>Appropriation Excess Capitation Funding</b>					<b>\$1,256,491,600</b>	<b>\$841,065,100</b>	<b>\$415,426,500</b>
					<b>\$58,279,400</b>	<b>\$39,011,900</b>	<b>\$19,267,500</b>

# Arizona Historical Society

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	52.9	51.9	51.9 <sup>1/</sup>
Personal Services	1,217,700	1,164,200	1,164,200
Employee Related Expenditures	532,100	517,100	514,600
Professional and Outside Services	5,000	500	500
Travel – In State	100	0	0
Other Operating Expenditures	316,700	343,800	351,800
Equipment	18,100	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,089,700</b>	<b>2,025,600</b>	<b>2,031,100</b>
<b>SPECIAL LINE ITEMS</b>			
Centennial Museum	0	589,700	589,700
Field Services & Grants	65,000	65,000	65,000
Papago Park Museum	1,907,800	3,604,700	1,465,300
<b>AGENCY TOTAL</b>	<b>4,062,500</b>	<b>6,285,000</b>	<b>4,151,100</b> <sup>2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	3,868,300	5,854,200	4,151,100
<u>Other Appropriated Funds</u>			
Capital Outlay Stabilization Fund	194,200	430,800	0
SUBTOTAL - Other Appropriated Funds	194,200	430,800	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,062,500</b>	<b>6,285,000</b>	<b>4,151,100</b>
Other Non-Appropriated Funds	935,100	1,179,100	1,061,000
Federal Funds	1,800	0	0
<b>TOTAL - ALL SOURCES</b>	<b>4,999,400</b>	<b>7,464,100</b>	<b>5,212,100</b>

**AGENCY DESCRIPTION** — The Arizona Historical Society acquires, preserves, maintains and publicly exhibits archival and museum objects pertaining to the history of Arizona, the West and the Indian tribes inhabiting the state. The Society's major museums are in Yuma, Flagstaff, Tucson, Phoenix and Tempe (Papago Park).

## Operating Budget

The budget includes \$2,031,100 and 39.3 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

### Statewide Adjustments

The budget includes an increase of \$5,500 from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

## Centennial Museum

The budget includes \$589,700 and 1 FTE Position from the General Fund in FY 2012 for the Centennial Museum. These amounts are unchanged from FY 2011.

This line item funds the operation and maintenance of the Arizona Mining and Mineral Museum as part of the Centennial Museum.

## Field Services & Grants

The budget includes \$65,000 and 1 FTE Position from the General Fund in FY 2012 for Field Services and Grants. These amounts are unchanged from FY 2011.

The line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

<sup>1/</sup> Includes 12.6 GF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> In addition to these amounts, a total of \$66,800 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

### ***Papago Park Museum***

The budget includes \$1,465,300 and 10.6 FTE Positions from the General Fund in FY 2012 for the Papago Park Museum. This amount funds the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(2,139,400) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(1,708,600)
Capital Outlay Stabilization Fund	(430,800)

### ***Fund Transfers***

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

### ***Additional Legislation***

#### ***Mines and Minerals Resources Fund***

The Consolidation Budget Reconciliation Bill (Laws 2011, Chapter 27), transfers \$32,200 from the Mines and Minerals Resources Fund to the Arizona Historical Society Revolving Fund in FY 2012 to help operate the Arizona Centennial Museum. Chapter 27 transfers the remainder of the monies to the Geological Survey Fund.

**Prescott Historical Society of Arizona**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	14.0	13.0	13.0
Personal Services	369,700	369,800	375,700
Employee Related Expenditures	207,000	209,900	188,600
Professional and Outside Services	7,200	16,000	16,000
Other Operating Expenditures	106,500	75,800	72,300
<b>AGENCY TOTAL</b>	<b>690,400</b>	<b>671,500</b>	<b>652,600<sup>1/2</sup></b>
<b>FUND SOURCES</b>			
General Fund	690,400	671,500	652,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>690,400</b>	<b>671,500</b>	<b>652,600</b>
Other Non-Appropriated Funds	941,800	759,000	759,000
<b>TOTAL - ALL SOURCES</b>	<b>1,632,200</b>	<b>1,430,500</b>	<b>1,411,600</b>

**AGENCY DESCRIPTION** — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving and publicly exhibiting archival and museum objects pertaining to the history, geological and anthropological life of Arizona and the West.

**Operating Budget**

The budget includes \$652,600 and 13 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(28,200) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

**Restore Furlough Reduction**

The budget includes an increase of \$9,300 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$16,600 GF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

***Arizona Department of Homeland Security***

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	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>FUND SOURCES</b>			
Federal Funds	55,059,200	59,083,200	59,083,200
<b>TOTAL - ALL SOURCES</b>	55,059,200	59,083,200	59,083,200

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**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.

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## ***Board of Homeopathic and Integrated Medicine Examiners***

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	52,100	63,200	64,100
Employee Related Expenditures	25,700	22,500	21,900
Professional and Outside Services	14,500	18,200	18,200
Travel - In State	900	1,300	1,300
Other Operating Expenditures	10,500	11,400	(200)
Equipment	900	0	0
<b>AGENCY TOTAL</b>	<b>104,600</b>	<b>116,600</b>	<b>105,300<sup>1/2/</sup></b>

### **FUND SOURCES**

#### Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	104,600	116,600	105,300
SUBTOTAL - Other Appropriated Funds	104,600	116,600	105,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>104,600</b>	<b>116,600</b>	<b>105,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>104,600</b>	<b>116,600</b>	<b>105,300</b>

**AGENCY DESCRIPTION** — The board licenses and regulates medical physicians who practice homeopathic and integrated medicine, a system of medical treatment based on the use of small quantities of remedies which in larger doses produce symptoms of the disease. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

#### ***Operating Budget***

The budget includes \$105,300 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### **Eliminate One-time Expenditures**

The budget includes a decrease of \$(10,300) from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2012 to eliminate a one-time annual leave payout for an employee.

#### **Statewide Adjustments**

The budget includes a decrease of \$(2,100) from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### **Restore Furlough Reduction**

The budget includes an increase of \$1,100 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

#### ***Fund Transfers***

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$3,200 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Arizona Department of Housing

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	548,300	573,400	573,400
Employee Related Expenditures	198,700	206,900	200,000
Professional and Outside Services	19,800	8,900	8,900
Travel - In State	11,500	3,800	3,800
Travel - Out of State	100	2,600	2,600
Other Operating Expenditures	141,500	119,000	119,000
Equipment	2,800	9,200	9,200
<b>AGENCY TOTAL</b>	<b>922,700</b>	<b>923,800</b>	<b>916,900</b> <sup>1/2/</sup>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Housing Trust Fund	922,700	923,800	916,900
SUBTOTAL - Other Appropriated Funds	922,700	923,800	916,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>922,700</b>	<b>923,800</b>	<b>916,900</b>
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	16,186,500	14,849,000	16,249,500
Federal Funds	126,822,500	136,419,200	89,906,500
<b>TOTAL - ALL SOURCES</b>	<b>143,931,700</b>	<b>152,192,000</b>	<b>107,072,900</b>

**AGENCY DESCRIPTION** — Through a variety of housing and community improvement programs, the department annually administers federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Housing Finance Authority.

### Operating Budget

The budget includes \$916,900 and 11 FTE Positions from the Housing Trust Fund in FY 2012 for the operating budget. These amounts fund the following the adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(6,900) from the Housing Trust Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Fund Transfers

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

### Additional Legislation

#### Department of Housing Sunset

The General Government Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 34) extends the sunset date of the Department of Housing from July 1, 2011 to July 1, 2012.

#### Housing Trust Fund Deposit Reduction

The Revenue BRB (Laws 2011, Chapter 28) reduced the annual deposit of unclaimed property revenues to the Housing Trust Fund from \$10,500,000 to \$2,500,000 beginning in FY 2012. Additionally, the Revenue BRB established the Seriously Mentally Ill Housing Trust Fund with the first \$2,000,000 in unclaimed property revenue collected annually. These monies are to be used to fund housing for the seriously mentally ill and the fund is to be administered by the Department of Health Services.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$28,400 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Independent Redistricting Commission

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	26,100	500,000	3,000,000
<b>AGENCY TOTAL</b>	<b>26,100</b>	<b>500,000<sup>1/</sup></b>	<b>3,000,000<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	26,100	500,000	3,000,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>26,100</b>	<b>500,000</b>	<b>3,000,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>26,100</b>	<b>500,000</b>	<b>3,000,000</b>

**AGENCY DESCRIPTION** — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission. The commission consists of 5 members, 4 of which are selected by the House and Senate majority and minority leadership. These 4 members then select the final member, who can not be affiliated with either of the 2 major political parties. The commission is charged with redrawing the boundaries for Arizona’s legislative and congressional districts based on the 10-year census.

### Operating Budget

The budget includes \$3,000,000 from the General Fund in FY 2012 for the operating budget. This amount funds the following adjustments:

#### Current Redistricting Cycle

The budget includes an increase of \$2,500,000 from the General Fund in FY 2012 to fund the current redistricting cycle. 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 FY 2012 budget brings the commission’s total appropriation for the redistricting cycle to \$3,500,000.

In the past redistricting cycle, the commission expended a total of \$9,554,100. Initially \$6,000,000 was appropriated in FY 2001. The commission was then appropriated an additional \$4,203,000 from the General Fund in FY 2004 to pay for the costs associated with ongoing litigation. The commission would revert any unused monies at the end of the redistricting cycle.

Table 1 details total expenditures in the last redistricting cycle:

<u>Year</u>	<u>Actual Expenditures</u>
FY 2001	\$ 246,300
FY 2002	3,339,000
FY 2003	1,857,300
FY 2004	1,962,200
FY 2005	776,800
FY 2006	423,400
FY 2007	298,900
FY 2008	367,700
FY 2009	256,400
FY 2010	26,100
<b>Total</b>	<b>\$9,554,100</b>

<sup>1/</sup> This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all monies remaining unexpended and unencumbered after payment of fees, costs and expenses of the commission revert to the state General Fund. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

## Arizona Commission of Indian Affairs

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	46,800	27,000	27,300
Employee Related Expenditures	23,200	13,600	9,200
Professional and Outside Services	5,700	4,800	4,800
Travel - In State	800	500	500
Other Operating Expenditures	37,400	17,100	12,500
Equipment	2,300	0	0
<b>AGENCY TOTAL</b>	<b>116,200</b>	<b>63,000</b>	<b>54,300<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	116,200	63,000	54,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>116,200</b>	<b>63,000</b>	<b>54,300</b>
Other Non-Appropriated Funds	4,100	12,700	12,700
<b>TOTAL - ALL SOURCES</b>	<b>120,300</b>	<b>75,700</b>	<b>67,000</b>

**AGENCY DESCRIPTION** — The agency studies policy issues affecting the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.

### Operating Budget

The budget includes \$54,300 and 3 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(9,100) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$400 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$1,200 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Industrial Commission of Arizona

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	279.0	279.0	279.0
Personal Services	8,074,200	9,624,200	9,624,200
Employee Related Expenditures	3,329,200	4,314,100	4,198,100
Professional and Outside Services	1,034,100	1,463,400	1,463,400
Travel - In State	125,100	170,800	170,800
Other Operating Expenditures	3,686,500	4,092,600	4,093,900
Equipment	422,700	0	0
<b>AGENCY TOTAL</b>	<b>16,671,800</b>	<b>19,665,100</b>	<b>19,550,400<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Industrial Commission Administrative Fund	16,671,800	19,665,100	19,550,400
SUBTOTAL - Other Appropriated Funds	16,671,800	19,665,100	19,550,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>16,671,800</b>	<b>19,665,100</b>	<b>19,550,400</b>
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	51,686,300	52,578,200	52,408,200
Federal Funds	3,843,500	4,446,200	4,446,200
<b>TOTAL - ALL SOURCES</b>	<b>72,201,600</b>	<b>76,689,500</b>	<b>76,404,800</b>

**AGENCY DESCRIPTION** — The Industrial Commission regulates the workers' compensation insurance industry. The commission is also responsible for child labor issues, occupational safety and health issues, wage claim dispute resolutions, licensing of private employment agencies and providing workers' compensation coverage for claimants of uninsured and self-insured employers or insolvent carriers.

### Operating Budget

The budget includes \$19,550,400 and 279 FTE Positions from the Industrial Commission Administrative Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(114,700) from the Industrial Commission Administrative Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$477,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Department of Insurance

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	93.5	90.5	90.5
Personal Services	3,123,200	3,070,800	3,070,800
Employee Related Expenditures	1,398,000	1,315,100	1,241,100
Professional and Outside Services	179,000	189,400	189,400
Travel - In State	21,700	23,900	23,900
Travel - Out of State	1,400	0	0
Other Operating Expenditures	798,600	824,100	652,600
Equipment	41,200	25,700	6,400
<b>AGENCY TOTAL</b>	<b>5,563,100</b>	<b>5,449,000</b>	<b>5,184,200<sup>1/2</sup></b>
<b>FUND SOURCES</b>			
General Fund	5,563,100	5,449,000	5,184,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,563,100</b>	<b>5,449,000</b>	<b>5,184,200</b>
Other Non-Appropriated Funds	7,124,500	6,851,600	6,845,000
<b>TOTAL - ALL SOURCES</b>	<b>12,687,600</b>	<b>12,300,600</b>	<b>12,029,200</b>

**AGENCY DESCRIPTION** — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers, and other insurance-related entities. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

### Operating Budget

The budget includes \$5,184,200 and 90.5 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### End of Phone Payments

The budget includes a decrease of \$(19,300) from the General Fund in FY 2012 for the termination of payments for hardware for the department's voice-over IP telephone system.

#### Statewide Adjustments

The budget includes a decrease of \$(245,500) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Fund Transfers

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

### Additional Legislation

#### Statutory Fee Revenue Requirement Suspension

The Regulation Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 35) suspends the statutory requirement that fee revenues be between 95% and 110% of the department's appropriation.

#### Reimbursement of Guaranty Funds

The Regulation BRB makes the reimbursement to the Arizona Property and Casualty Insurance Guaranty Fund and Life and Disability Insurance Guaranty Fund included in Laws 2009, Chapter 1 contingent on the monies being transferred to the General Fund.

Although the state agreed to reimburse the funds, litigation was brought to stop the original transfers to the General Fund. The courts issued a stay of action, so the transfers to the General Fund have not occurred. As a result, the Regulation BRB requires repayment only if the actual transfers are made.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$135,500 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Judiciary - Supreme Court

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	173.0	169.0	169.0 <sup>1/</sup>
Personal Services	5,784,000	5,742,400	5,742,000
Employee Related Expenditures	2,247,200	2,485,300	1,917,900
Professional and Outside Services	161,400	188,200	188,200
Travel - In State	38,000	49,100	49,100
Travel - Out of State	12,800	17,700	17,700
Other Operating Expenditures	7,997,800	9,803,000	5,535,000
Equipment	16,200	0	0
<b>OPERATING SUBTOTAL</b>	<b>16,257,400</b>	<b>18,285,700</b>	<b>13,449,900<sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
State Aid	4,733,300	5,906,600	5,800,100
County Reimbursements	187,900	187,900	187,900 <sup>3/</sup>
Automation	10,262,000	12,212,500	12,206,500 <sup>4/</sup>
Case and Cash Management System	6,393,900	3,326,500	3,326,500
Foster Care Review Board	2,432,500	3,351,100	3,332,000
Court Appointed Special Advocate	2,707,900	3,529,200	2,816,400
Model Court	442,600	447,600	447,600
Domestic Relations	527,200	645,400	640,300
Judicial Nominations and Performance Review	333,100	421,900	417,200
Commission on Judicial Conduct	415,900	511,500	506,800
Photo Radar Enforcement	1,636,400	5,325,600	0
<b>AGENCY TOTAL</b>	<b>46,330,100</b>	<b>54,151,500</b>	<b>43,131,200<sup>5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	16,956,300	19,976,200	16,153,000
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	302,200	481,700	269,400
Court Appointed Special Advocate Fund	2,605,900	3,427,200	2,714,400
Criminal Justice Enhancement Fund	2,557,200	2,961,900	2,855,600
Defensive Driving School Fund	3,203,800	5,250,100	4,860,200
Judicial Collection Enhancement Fund	16,322,300	13,784,100	13,334,100
Photo Enforcement Fund	1,636,400	5,325,600	0
State Aid to the Courts Fund	2,746,000	2,944,700	2,944,500
SUBTOTAL - Other Appropriated Funds	29,373,800	34,175,300	26,978,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>46,330,100</b>	<b>54,151,500</b>	<b>43,131,200</b>
Other Non-Appropriated Funds	13,664,300	20,897,400	20,897,400
<b>TOTAL - ALL SOURCES</b>	<b>59,994,400</b>	<b>75,048,900</b>	<b>64,028,600</b>

<sup>1/</sup> Includes 46.5 GF and 21.8 OF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

<sup>3/</sup> Of the \$187,900 appropriated for County Reimbursements, State Grand Jury is limited to \$97,900 and Capital Postconviction Relief is limited to \$90,000 (General Appropriation Act footnote)

<sup>4/</sup> By September 1, 2011, the Supreme Court shall report to the Joint Legislative Budget Committee on current and future automation projects coordinated by the Administrative Office of the Courts. The report shall include a list of court automation projects receiving or anticipated to receive state monies in the current or next 2 fiscal years as well as a description of each project, number of FTE Positions, the entities involved, and the goals and anticipated results for each automation project. The report shall be submitted in 1 summary document. The report shall indicate each project's total multi-year cost by fund source and budget line item, including any prior year, current year and any future year expenditures. (General Appropriation Act footnote)

<sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>6/</sup> In addition to these amounts, a total of \$311,600 GF and \$88,300 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

**AGENCY DESCRIPTION** — The Supreme Court consists of 5 Supreme Court Justices, judicial support staff and the Administrative Office of the Courts (AOC). The Supreme Court, as the state’s highest court, has the responsibility to review appeals and to provide rules of procedure for all the courts in Arizona. Under the direction of the Chief Justice, the AOC provides administrative supervision over the Arizona court system.

**Operating Budget**

The budget includes \$13,449,900 and 100.7 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$10,519,200
Confidential Intermediary and Fiduciary Fund	269,400
Defensive Driving School Fund	279,400
Judicial Collection Enhancement Fund (JCEF)	2,381,900

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(4,835,800) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(3,789,600)
Confidential Intermediary and Fiduciary Fund	(212,300)
Defensive Driving School Fund	(383,900)
Judicial Collection Enhancement Fund	(450,000)

*(Please see the Agency Detail and Allocations section.)*

**State Aid**

The budget includes \$5,800,100 and 3.3 FTE Positions in FY 2012 for State Aid. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	2,855,600
State Aid to the Courts Fund	2,944,500

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(106,500) in FY 2012 for statewide adjustments. This amount consists of:

CJEF	(106,300)
State Aid to Courts Fund	(200)

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) 40.97% of a 7% penalty assessment on fines, penalties, and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and 2) a portion of the monies collected by the Supreme Court and the Court of Appeals.

The AOC distributes the monies appropriated from court fines and collections to the Superior Court and the Justice Courts based on a composite index formula using Superior Court felony filings and county population. Monies appropriated from the State Aid to the Courts Fund in the State Aid line item are distributed to all counties.

**County Reimbursements**

The budget includes \$187,900 from the General Fund in FY 2012 for County Reimbursements. This amount is unchanged from FY 2011.

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. A.R.S. § 13-4041 and 21-428 require the state to pay 50% of these expenses. The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 33), however, suspends these provisions and requires that reimbursement not exceed the level in the General Appropriation Act.

**Automation**

The budget includes \$12,206,500 and 13 FTE Positions in FY 2012 for Automation. These amounts consist of:

Defensive Driving School Fund	4,441,400
JCEF	7,765,100

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(6,000) from the Defensive Driving School Fund in FY 2012 for statewide adjustments.

The Automation line item provides funding for court automation projects throughout the state.

**Case and Cash Management System**

The budget includes \$3,326,500 from the Judicial Collection Enhancement Fund in FY 2012 for the Case and Cash Management System. This amount is unchanged from FY 2011.

The Case and Cash Management System line item funds the replacement of the computer systems in the larger volume Superior and Limited Jurisdiction Courts in Pima and Maricopa Counties, as well as the case and financial



management system that is provided to approximately 145 of the 180 courts at the state, county and municipal level located throughout the state. The AOC estimates upgrading of these systems will continue through FY 2014.

#### ***Foster Care Review Board***

The budget includes \$3,332,000 and 34 FTE Positions from the General Fund in FY 2012 for the Foster Care Review Board. These amounts fund the following adjustments:

##### **Statewide Adjustments**

The budget includes a decrease of \$(19,100) from the General Fund in FY 2012 for statewide adjustments.

The Foster Care Review Board line item coordinates local volunteer review boards for foster care children in out-of-home placement.

#### ***Court Appointed Special Advocate***

The budget includes \$2,816,400 and 5.5 FTE Positions in FY 2012 for the Court Appointed Special Advocate (CASA). These amounts consist of:

General Fund	102,000
CASA Fund	2,714,400

These amounts fund the following adjustments:

##### **CASA Funding Reduction**

The budget includes a decrease of \$(500,000) from the CASA Fund in FY 2012 to reduce spending to projected revenue levels.

##### **Statewide Adjustments**

The budget includes a decrease of \$(212,800) from the Court Appointed Special Advocate Fund in FY 2012 for statewide adjustments.

The CASA line item administers and monitors a community-based volunteer advocacy program for abused and neglected children in the Juvenile Court System. In FY 2010, 995 individuals volunteered for this program.

#### ***Model Court***

The budget includes \$447,600 from the General Fund in FY 2012 for Model Court. This amount is unchanged from FY 2011.

Monies in this line item represent a pass-through to counties to improve processing of dependency cases.

#### ***Domestic Relations***

The budget includes \$640,300 and 4.9 FTE Positions from the General Fund in FY 2012 for Domestic Relations. These amounts fund the following adjustments:

##### **Statewide Adjustments**

The budget includes a decrease of \$(5,100) from the General Fund in FY 2012 for statewide adjustments.

The Domestic Relations line item provides coordination and technical support for groups formed to develop and review policies and programs related to domestic relations and child support.

#### ***Judicial Nominations and Performance Review***

The budget includes \$417,200 and 3.6 FTE Positions from the General Fund in FY 2012 for Judicial Nominations and Performance Review. These amounts fund the following adjustments:

##### **Statewide Adjustments**

The budget includes a decrease of \$(4,700) from the General Fund in FY 2012 for statewide adjustments.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa and Pima Counties, as well as evaluating the performance of all merit retention justices and judges. The results of the performance evaluations are provided to the voters before each retention election.

#### ***Commission on Judicial Conduct***

The budget includes \$506,800 and 4 FTE Positions from the General Fund in FY 2012 for Commission on Judicial Conduct. These amounts fund the following adjustments:

##### **Statewide Adjustments**

The budget includes a decrease of \$(4,700) from the General Fund in FY 2012 for statewide adjustments.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

#### ***Photo Radar Enforcement***

The budget includes no funding in FY 2012 for Photo Radar Enforcement. This funds the following adjustments:

##### **Statewide Adjustments**

The budget includes an increase of \$500 from the Photo Enforcement Fund in FY 2012 for statewide adjustments.

##### **Elimination of the Program**

The budget includes a decrease of \$(5,326,100) from the Photo Enforcement Fund in FY 2012 to account for the

elimination of the State Photo Radar Enforcement program. This reduction is due to the Department of Public Safety's decision not to extend the Photo Radar contract as of July 15, 2010.

The Photo Radar Enforcement line item funded automation improvements, court notice costs, and collection costs related to statewide photo radar enforcement. Laws 2008, Chapter 286 established the Photo Enforcement Fund that received photo citation and revenue.

### ***Fund Transfers***

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

### ***Additional Legislation***

#### ***Judicial Elected Terms***

In FY 2012 the voters will decide on S.C.R. 1001. If this Resolution passes, Supreme Court justices and intermediate appellate judges elected after January 1, 2013 will serve 8-year terms instead of the current 6-year terms. Also, Superior Court judges elected after January 1, 2013 in counties with a population larger than 250,000 will serve 8-year terms.

#### ***Suspension of Reporting Requirements***

The Criminal Justice BRB continues the FY 2011 suspension of 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.

#### ***Supreme Court Justice Travel Reimbursements***

The Criminal Justice BRB, as permanent law, allows Supreme Court justices to receive travel and per diem reimbursement if they permanently live outside of Maricopa County.

## Judiciary - Court of Appeals

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>PROGRAM BUDGET</b>			
Division I	9,738,800	10,249,900	9,591,400
Division II	4,319,200	4,447,500	4,194,900
<b>AGENCY TOTAL</b>	<b>14,058,000</b>	<b>14,697,400</b>	<b>13,786,300</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	137.8	134.8	134.8 <sup>1/</sup>
Personal Services	9,803,500	9,662,500	9,662,500
Employee Related Expenditures	2,905,400	3,175,700	3,037,500
Professional and Outside Services	13,800	15,000	15,000
Travel - In State	173,400	199,200	199,200
Travel - Out of State	7,300	6,500	6,500
Other Operating Expenditures	1,065,800	1,560,500	787,600
Equipment	88,800	78,000	78,000
<b>AGENCY TOTAL</b>	<b>14,058,000</b>	<b>14,697,400</b>	<b>13,786,300</b> <sup>2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	14,058,000	14,697,400	13,786,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>14,058,000</b>	<b>14,697,400</b>	<b>13,786,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>14,058,000</b>	<b>14,697,400</b>	<b>13,786,300</b>

**AGENCY DESCRIPTION** — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

### Operating Budget

The budget includes \$13,786,300 and 134.8 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts include \$9,591,400 and 98.3 FTE Positions for Division I and \$4,194,900 and 36.5 FTE Positions for Division II. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(911,100) from the General Fund in 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

<sup>1/</sup> Of the 134.8 FTE Positions for FY 2012, 98.3 FTE Positions are for Division I and 36.5 FTE Positions are for Division II. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

<sup>3/</sup> In addition to these amounts, a total of \$424,700 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Judiciary - Superior Court

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>SPECIAL LINE ITEMS</b>			
<i>Full Time Equivalent Positions</i>	231.5	136.5	136.5 <sup>1/</sup>
Judges Compensation	16,128,200	7,390,200	7,390,200
Adult Standard Probation	13,382,900	13,538,500	13,521,500
Adult Intensive Probation	10,579,400	10,749,100	10,737,700
Community Punishment	1,770,500	2,311,600	2,307,900
Interstate Compact	633,900	641,800	641,800
Drug Court	951,200	1,013,600	1,013,600
Probation Surcharge	3,227,900	5,029,400	5,028,900
Juvenile Standard Probation	4,780,600	4,604,400	4,598,700
Juvenile Intensive Probation	8,894,400	9,174,300	9,163,000
Juvenile Treatment Services	19,216,500	22,322,700	22,311,400 <sup>2/</sup>
Juvenile Family Counseling	638,000	660,400	660,400
Juvenile Diversion Consequences	8,886,300	9,024,900	9,024,900
Juvenile Crime Reduction	2,750,500	5,123,400	5,123,400
Special Water Master	58,200	20,000	20,000
<b>AGENCY TOTAL</b>	<b>91,898,500</b>	<b>91,604,300</b>	<b>91,543,400</b> <sup>3/4/5/6/</sup>
<b>FUND SOURCES</b>			
General Fund	84,149,600	79,139,900	79,083,200
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	4,025,100	6,935,000	6,931,300
Drug Treatment and Education Fund	495,900	500,000	500,000
Judicial Collection Enhancement Fund	3,227,900	5,029,400	5,028,900
SUBTOTAL - Other Appropriated Funds	7,748,900	12,464,400	12,460,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>91,898,500</b>	<b>91,604,300</b>	<b>91,543,400</b>
Other Non-Appropriated Funds	5,130,000	5,570,600	5,570,600
Federal Funds	3,442,200	2,262,500	2,262,500
<b>TOTAL - ALL SOURCES</b>	<b>100,470,700</b>	<b>99,437,400</b>	<b>99,376,500</b>

<sup>1/</sup> Of the 136.5 FTE Positions, 81 FTE Positions represent Superior Court judges in counties with a population of less than 2,000,000 persons. One-half of their salaries are provided by state General Fund appropriations pursuant to A.R.S. § 12-128. This is not meant to limit the counties' ability to add judges pursuant to A.R.S. § 12-121. (General Appropriation Act footnote)

<sup>2/</sup> Up to 4.6% of the amounts appropriated for Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-322, and to conduct evaluations as needed. The remaining portion of the Treatment Services and Juvenile Diversion Consequences programs shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322. (General Appropriation Act footnote)

<sup>3/</sup> Receipt of state probation monies by the counties is contingent on the county maintenance of FY 2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs. (General Appropriation Act Footnote)

<sup>4/</sup> By November 1, 2011, the Administrative Office of the Courts shall report to the Joint Legislative Budget Committee the FY 2011 actual, FY 2012 estimated and FY 2013 requested amounts for the following:

1. On a county-by-county basis, the number of authorized and filled case carrying probation positions and non-case carrying positions, distinguishing between Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive. The report shall indicate the level of state probation funding, other state funding, county funding and probation surcharge funding for those positions.
2. Total receipts and expenditures by county and fund source for the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive line items, including the amount of Personal Services expended from each revenue source of each account.
3. The amount of monies from the Adult Standard, Adult Intensive, Juvenile Standard and Juvenile Intensive line items that the office does not distribute as direct aid to counties. The report shall delineate how the office expends these monies that are not distributed as direct aid to counties. (General Appropriation Act footnote)

<sup>5/</sup> General Appropriation Act funds are appropriated as Special Line Items by Agency.

<sup>6/</sup> In addition to these amounts, a total of \$358,300 GF and \$17,100 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

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**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.

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**Judges Compensation**

The budget includes \$7,390,200 and 81 FTE Positions from the General Fund in FY 2012 for Judges Compensation. These amounts are unchanged from FY 2011.

This line item provides funding for the state’s 50% share of the salary and Employee Related Expenditures of Superior Court judges. A.R.S. § 12-128 requires the state General Fund to pay for one-half of Superior Court Judges’ salaries, except for Maricopa judges. Maricopa County is now responsible for 100% of the salary and Employee Related Expenditures of Maricopa County Superior Court Judges. The FTE count has been adjusted accordingly.

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**Probation Programs**

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The state and non-Maricopa counties share the costs of adult probation. For the intensive programs, the state pays 100% of the costs (although the counties may provide offices and other support services). For the standard programs and treatment services, the state predominantly pays for the cost of additional probation officers. Counties typically contribute through Probation Service Fee collections, outside grants, and office space. Since FY 2004, Maricopa County has assumed the state’s share of its adult probation costs.

**Adult Standard Probation**

The budget includes \$13,521,500 and 9.6 FTE Positions from the General Fund in FY 2012 for Adult Standard Probation. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(17,000) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

*Background* – This line item provides funding for community supervision services for adults placed on standard probation by the Adult Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 12-251A, an adult probation officer shall not supervise more than 65 adults on standard probation at one time. In funding caseload growth, this ratio is adjusted downward by 2% because of the distances

officers in rural counties must travel to supervise probationers.

**Adult Intensive Probation**

The budget includes \$10,737,700 and 7.8 FTE Positions from the General Fund in FY 2012 for Adult Intensive Probation. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(11,400) from the General Fund in FY 2012 for statewide adjustments.

*Background* – This line item provides funding for a sentencing alternative intended to divert serious, non-violent offenders from prison. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 13-916, 1 team shall not supervise more than 25 intensive probationers at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural counties must travel to supervise probationers.

**Community Punishment**

The budget includes \$2,307,900 and a 0.9 FTE Positions in FY 2012 for Community Punishment. These amounts consist of:

	<b>FY 2012</b>
Criminal Justice Enhancement Fund (CJEF)	\$1,807,900
Drug Treatment and Education Fund (DTEF)	500,000

These amounts fund the following adjustment:

**Statewide Adjustments**

The budget includes a decrease of \$(3,700) from the Criminal Justice Enhancement Fund in FY 2012 for statewide adjustments.

This line item provides behavioral treatment services for adult probationers and for enhanced supervision, such as electronic monitoring and specialized probation caseloads. The funding is intended to provide for diversion of offenders from prison and jail, as well as to enhance probation programs, excluding Maricopa County.

### ***Interstate Compact***

The budget includes \$641,800 and 4.8 FTE Positions from the General Fund in FY 2012 for Interstate Compact. These amounts are unchanged from FY 2011.

This line item provides funding for supervision and intervention to probationers transferring to Arizona and monitors the supervision of probationers transferred to other states from Arizona.

### ***Drug Court***

The budget includes \$1,013,600 from the General Fund in FY 2012 for Drug Court programs. This amount is unchanged from FY 2011.

This line item provides funding for juvenile and adult drug courts within the Superior Court throughout the state. It provides funding for prosecuting, adjudicating and treating drug-dependent offenders. Superior Court divisions in 10 counties have implemented or are planning the implementation of drug courts. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

### ***Probation Surcharge***

The budget includes \$5,028,900 and a 0.8 FTE Positions in FY 2012 from the Judicial Collection Enhancement Fund (JCEF) for the Probation Surcharge. These amounts fund the following adjustment:

#### **Statewide Adjustments**

The budget includes a decrease of \$(500) from the Judicial Collection Enhancement Fund in FY 2012 for statewide adjustments.

This line item consists of monies collected from a \$20 surcharge applied to various criminal offenses, civil traffic violations, and game and fish statute violations throughout the state. Monies collected from the surcharge (excluding those collected in courts located within Maricopa County) are deposited into the JCEF and redistributed by the Administrative Office of the Courts (AOC) to all counties to supplement funding for the salaries of probation and surveillance officers and for the support of programs and services of the Superior Court adult and juvenile probation departments.

### ***Juvenile Standard Probation***

The budget includes \$4,598,700 and 3.6 FTE Positions from the General Fund in FY 2012 for Juvenile Standard Probation. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(5,700) from the General Fund in FY 2012 for statewide adjustments.

*Background* – This line item provides funding for community supervision services for juveniles placed on standard probation by the Juvenile Division of the Superior Court. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-203B, a juvenile probation officer shall not supervise more than an average of 35 juveniles on standard probation at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural communities must travel to supervise probationers.

### ***Juvenile Intensive Probation***

The budget includes \$9,163,000 and 5.4 FTE Positions from the General Fund in FY 2012 for Juvenile Intensive Probation. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(11,300) from the General Fund in FY 2012 for statewide adjustments.

*Background* – This line item provides funding for a sentencing alternative to divert serious, non-violent juvenile offenders from incarceration or residential care and to provide intensive supervision for high-risk offenders already on probation. Supervision is intended to monitor compliance with the terms and conditions of probation imposed by the court. Pursuant to A.R.S. § 8-353B, 1 JIPS team shall not supervise more than an average of 25 juveniles on intensive probation at one time. In funding caseload growth, this ratio is adjusted downward by 5% because of the distances officers in rural communities must travel to supervise probationers.

### ***Juvenile Treatment Services***

The budget includes \$22,311,400 and 15.6 FTE Positions from the General Fund in FY 2012 for Juvenile Treatment Services. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(11,300) from the General Fund in FY 2012 for statewide adjustments.

This line item provides funding to the juvenile courts to meet the requirements of A.R.S. § 8-230.01 and A.R.S. § 8-230.02, relating to the assignment of youths referred for delinquency or incorrigibility to treatment programs, residential treatment centers, counseling, shelter care and other programs.

### ***Juvenile Family Counseling***

The budget includes \$660,400 from the General Fund in FY 2012 for Juvenile Family Counseling. This amount is unchanged from FY 2011.

This line item provides funding to the Juvenile Division of the Superior Court for prevention of delinquency among juvenile offenders by strengthening family relationships. These monies are predominantly for non-adjudicated juveniles and their families and require a 25% county match.

### ***Juvenile Diversion Consequences***

The budget includes \$9,024,900 from the General Fund in FY 2012 for Juvenile Diversion Consequences. This amount is unchanged from FY 2011.

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 2010, there were approximately 18,779 juveniles diverted from formal court proceedings. Monies in this line item are distributed to all counties.

### ***Juvenile Crime Reduction***

The budget includes \$5,123,400 and 7 FTE Positions from CJEF in FY 2012 for Juvenile Crime Reduction. These amounts are unchanged from FY 2011.

This line item provides funding for the design and implementation of community-based strategies for reducing juvenile crime. Strategies include prevention, early intervention, effective intermediate sanctions, and rehabilitation. Through a grant process, AOC distributes monies in this line item to approximately 20 public and private entities.

### ***Special Water Master***

The budget includes \$20,000 from the General Fund in FY 2012 for the Special Water Master line item. This amount is unchanged from FY 2011.

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 2010, about 31,300 individuals, communities, governments, and companies have filed about 95,800 water rights claims. The Special Water Master conducts

hearings for each claimant and makes recommendations to a Superior Court judge.

Pursuant to statute, the costs of the Water Master are funded from claimant fees. If claimant fees are insufficient, statute requires the state General Fund to pay for these expenses in a Special Line Item within the Superior Court budget.

### ***Fund Transfers***

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

### ***Additional Legislation***

#### ***County Non-Supplanting Provisions***

The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 33) continues the FY 2011 suspension of county non-supplanting requirements associated with funding for probation services, criminal case processing, and alternative dispute resolution programs and requires the counties to report on reductions in county funding as a result of the elimination of the non-supplanting provisions.

#### ***Probation Revocation Payment Elimination***

The Criminal Justice BRB repeals A.R.S. § 12-270, which required the Legislature to annually appropriate 40% of any cost savings related to a reduction in probation revocations. These funds were to be deposited into the Adult Probation Services Fund of each county if there was a reduction in the percentage of supervised probationers who are convicted of new felony offenses. In prior years, this provision had been suspended annually in session law.

## Department of Juvenile Corrections

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,029.7	1,001.7	1,001.7
Personal Services	38,345,300	32,989,000	30,897,400
Employee Related Expenditures	17,009,700	14,750,700	11,493,300
Professional and Outside Services	1,856,500	1,708,300	1,602,800
Travel - In State	629,400	560,800	522,900
Travel - Out of State	3,600	3,400	3,400
Other Operating Expenditures	6,974,200	6,460,400	5,439,900
Equipment	738,900	675,500	630,300
<b>AGENCY TOTAL</b>	<b>65,557,600</b>	<b>57,148,100</b>	<b>50,590,000</b> <sup>1/2/3/</sup>

### FUND SOURCES

General Fund	62,422,400	53,255,000	46,729,800
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	555,200	532,100	528,400
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600	1,098,600	1,098,600
State Education Fund for Committed Youth	1,481,400	2,262,400	2,233,200
SUBTOTAL - Other Appropriated Funds	3,135,200	3,893,100	3,860,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>65,557,600</b>	<b>57,148,100</b>	<b>50,590,000</b>
Other Non-Appropriated Funds	370,500	342,300	342,300
Federal Funds	2,728,600	2,401,900	2,401,900
<b>TOTAL - ALL SOURCES</b>	<b>68,656,700</b>	<b>59,892,300</b>	<b>53,334,200</b>

**AGENCY DESCRIPTION** — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

### Operating Budget

The budget includes \$50,590,000 and 1,001.7 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

General Fund	<b>FY 2012</b> \$46,729,800
Criminal Justice Enhancement Fund (CJEF)	528,400
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	2,233,200

These amounts fund the following adjustments:

#### Population Decline/Vacancy Savings

The budget includes a decrease of \$(3,607,800) from the General Fund as a result of a decline in the inmate

population and vacancy savings in FY 2012. The budget also continues a \$(3,607,800) decrease from the General Fund approved in the mid-year FY 2011 revisions. The total reduction relative to the original FY 2011 budget is \$(7,215,600).

#### Statewide Adjustments

The budget includes a decrease of \$(2,950,300) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(2,917,400)
CJEF	(3,700)
State Education Fund for Committed Youth	(29,200)

(Please see the Agency Detail and Allocations section.)

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the Department of Juvenile Corrections, in compliance with Section 25 of the Enabling Act and the Constitution of Arizona, to be used for the support of state juvenile institutions and reformatories. (General Appropriation Act footnote)

<sup>3/</sup> In addition to these amounts, a total of \$1,267,200 GF and \$106,100 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)



### ***Fund Transfers***

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

### ***Additional Legislation***

#### ***Department of Juvenile Corrections Sunset***

Laws 2011, Chapter 261 extends the sunset date of DJC from July 1, 2011 to July 1, 2012.

### ***Other Issues***

The current DJC population is as follows:

<b>DJC Youth Census</b>		
	<b><u>FY 2010 Youth Population</u></b>	<b><u>FY 2011 Youth Population as of April 17, 2011</u></b>
Adobe Mountain	233	257
Black Canyon	84	93
Catalina Mountain	76	75
Eagle Point	<u>60</u>	<u>0</u>
<b>Total Housed Population</b>	<b>453</b>	<b>425</b>
Parole	461	357

## State Land Department

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	153.9	152.9	152.9
Personal Services	6,444,100	6,404,500	6,778,300
Employee Related Expenditures	1,963,700	2,940,600	3,093,800
Professional and Outside Services	345,100	1,290,000	1,297,900
Travel - In State	141,500	152,200	156,400
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	12,092,900	1,475,400	2,327,100
Equipment	240,000	50,000	63,200
<b>OPERATING SUBTOTAL</b>	<b>21,227,300</b>	<b>12,314,200</b>	<b>13,718,200</b>
<b>SPECIAL LINE ITEMS</b>			
CAP User Fees	481,100	481,200	481,200 <sup>1/</sup>
Due Diligence Fund	7,000	500,000	500,000
Natural Resource Conservation Districts	561,400	650,000	650,000 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>22,276,800</b>	<b>13,945,400</b>	<b>15,349,400<sup>3/4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	13,627,300	3,297,000	1,231,800
<u>Other Appropriated Funds</u>			
Due Diligence Fund	7,000	500,000	500,000
Environmental Special Plate Fund	180,900	260,000	260,000
State Parks Heritage Fund	380,500	0	0
Trust Land Management Fund	8,081,100	9,888,400	13,357,600
SUBTOTAL - Other Appropriated Funds	8,649,500	10,648,400	14,117,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>22,276,800</b>	<b>13,945,400</b>	<b>15,349,400</b>
Other Non-Appropriated Funds	1,478,800	1,424,700	824,700
Federal Funds	129,700	623,600	623,600
<b>TOTAL - ALL SOURCES</b>	<b>23,885,300</b>	<b>15,993,700</b>	<b>16,797,700</b>

**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.

### Operating Budget

The budget includes \$13,718,200 and 152.9 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$360,600
Trust Land Management Fund	13,357,600

These amounts fund the following adjustments:

### Funding Shift

The budget includes a decrease of \$(2,060,000) from the General Fund in FY 2012 and an offsetting increase from the Trust Land Management Fund to reflect a change in fee structure.

Laws 2010, Chapter 243 allows the State Land Commissioner to set fees by rule. Previously, fee revenue was deposited in the General Fund, which offset the

- <sup>1/</sup> The appropriation includes \$481,200 for Central Arizona Project User Fees in FY 2012. For FY 2012, from municipalities that assume their allocation of Central Arizona Project water every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
- <sup>2/</sup> Of the amount appropriated for Natural Resource Conservation Districts in FY 2012, \$30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers. (General Appropriation Act footnote)
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>4/</sup> In addition to these amounts, a total of \$11,100 GF and \$322,500 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

agency's General Fund appropriation; however, fee revenue is now deposited in the Trust Land Management Fund.

**Increased Fee Authority**

The budget includes an increase of \$600,000 from the Trust Land Management Fund in FY 2012 to allow the agency to expend additional fee revenue.

The FY 2010 Environment Budget Reconciliation Bill (BRB) gave the department additional authority to raise fees by \$600,000 in FY 2011. For FY 2012, these fees will be deposited to the Trust Land Management Fund and required a corresponding appropriation to allow the department to expend the additional fee revenue.

**Statewide Adjustments**

The budget includes an increase of \$804,000 in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(5,200)
Trust Land Management Fund	809,200

*(Please see the Agency Detail and Allocations section.)*

**CAP User Fees**

The budget includes \$481,200 from the General Fund in FY 2012 for Central Arizona Project (CAP) User Fees. This amount funds the following adjustments:

**Continue CAP Fee Increase**

The budget continues a \$96,200 increase from the General Fund approved in the mid-year FY 2011 revisions.

Monies in this line item are used to pay the Central Arizona Water Conservation District (CAWCD) for the department's allocation of CAP water used on state trust lands. The CAWCD sets the rates for all CAP subcontractors and applies the capital charges to the repayment of federal construction debt.

**Due Diligence Fund**

The budget includes \$500,000 from the Due Diligence Fund in FY 2012 for this line item. This amount is unchanged from FY 2011.

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.

**Natural Resource Conservation Districts**

The budget includes \$650,000 in FY 2012 for Natural Resource Conservation Districts (NRCDS). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2011.

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 NRCDS environmental education centers. There are currently 23 education centers sponsored or co-sponsored by 30 NRCDS. The \$30,000 is divided among the 23 education centers, meaning each center receives \$1,304. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015. The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates.

**Additional Legislation**

**Risk Management Contingency Appropriation**

The Environment BRB (Laws 2011, Chapter 36) appropriates \$9,888,400 to the State Land Department from the Risk Management Fund for operating expenses if the department is required by court order to cease any expenditure from the portion of Trust Land Management Fund monies collected as commission from the sale of trust assets. The remaining \$3,469,200 appropriation comes from fees, which are unaffected by the current litigation.

In October 2010, the Superior Court of Arizona ruled in *Rumery v. Martin* that any diversion of proceeds from the Permanent Funds of State Trust beneficiaries is unconstitutional. A significant portion of the Trust Land Management Fund's revenues is from a 10% commission on the proceeds from the sale of State Trust land and natural resources that otherwise would be deposited into the Permanent Funds of State Trust beneficiaries and so is affected by this ruling. Furthermore, the department is required to refund all proceeds that have been previously diverted from the Permanent Funds of State Trust beneficiaries.

The Arizona Court of Appeals granted the Land Department a stay of the Superior Court's judgment. The stay is in effect until the end of FY 2011 or the end of the appeal process, whichever is sooner. If the appeal is unresolved at the end of FY 2011, the State Land Department's Trust Land Management Fund would lose a significant portion of its revenue.

## Law Enforcement Merit System Council

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	52,100	49,600	50,900
Employee Related Expenditures	11,900	10,000	9,800
Other Operating Expenditures	2,200	9,500	9,500
<b>AGENCY TOTAL</b>	<b>66,200</b>	<b>69,100</b>	<b>70,200<sup>1/2</sup></b>
<b>FUND SOURCES</b>			
General Fund	66,200	69,100	70,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>66,200</b>	<b>69,100</b>	<b>70,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>66,200</b>	<b>69,100</b>	<b>70,200</b>

**AGENCY DESCRIPTION** — The Law Enforcement Merit Council (LEMSC) sets the standards and qualifications for all classified positions within the Department of Public Safety (DPS). The Council provides the rules for selection, appointment, retention, separation, dismissal and retirement of DPS employees. The Council also hears appeals in connection with suspension, demotion or dismissal of classified employees.

### Operating Budget

The budget includes \$70,200 and 1 FTE Position from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(500) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$1,600 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$2,200 General Fund is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Legislature - Auditor General

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	205.4	199.4	199.4
Personal Services	10,699,800	10,065,100	10,065,100
Employee Related Expenditures	3,566,500	3,654,300	3,670,200
Professional and Outside Services	687,600	499,100	499,100
Travel - In State	50,800	290,800	290,800
Travel - Out of State	3,000	4,500	4,500
Other Operating Expenditures	1,056,400	1,324,000	1,059,000
Equipment	469,000	567,300	567,300
<b>AGENCY TOTAL</b>	<b>16,533,100</b>	<b>16,405,100</b>	<b>16,156,000</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	16,533,100	16,405,100	16,156,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>16,533,100</b>	<b>16,405,100</b>	<b>16,156,000</b>
Other Non-Appropriated Funds	750,100	750,100	750,100
<b>TOTAL - ALL SOURCES</b>	<b>17,283,200</b>	<b>17,155,200</b>	<b>16,906,100</b>

**AGENCY DESCRIPTION** — The Auditor General provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

### Operating Budget

The budget includes \$16,156,000 and 199.4 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(249,100) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

<sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>3/</sup> In addition to these amounts, a total of \$443,300 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Legislature - House of Representatives

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	12,019,600	12,824,200	12,993,700
<b>AGENCY TOTAL</b>	<b>12,019,600</b>	<b>12,824,200</b>	<b>12,993,700</b> <sup>1/2/3/4</sup>
<b>FUND SOURCES</b>			
General Fund	12,019,600	12,824,200	12,993,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>12,019,600</b>	<b>12,824,200</b>	<b>12,993,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>12,019,600</b>	<b>12,824,200</b>	<b>12,993,700</b>

**AGENCY DESCRIPTION** — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

### Operating Budget

The budget includes \$12,993,700 from the General Fund in FY 2012 for the operating budget. This amount funds the following adjustments:

#### Statewide Adjustments

The budget includes an increase of \$169,500 from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Fund Transfers

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

- <sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- <sup>3/</sup> Included in the Lump Sum appropriation of \$12,993,700 for FY 2012 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- <sup>4/</sup> In addition to these amounts, a total of \$343,100 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

**Legislature - Joint Legislative Budget Committee**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	30.0	29.0	29.0
Personal Services	1,590,200	1,714,900	1,714,900
Employee Related Expenditures	535,000	544,700	459,800
Professional and Outside Services	76,700	125,000	125,000
Travel - In State	0	500	500
Other Operating Expenditures	29,600	100,000	97,700
Equipment	0	2,000	2,000
<b>AGENCY TOTAL</b>	<b>2,231,500</b>	<b>2,487,100</b>	<b>2,399,900</b> <sup>1/2/3/</sup>

**FUND SOURCES**

General Fund	2,231,500	2,487,100	2,399,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,231,500</b>	<b>2,487,100</b>	<b>2,399,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,231,500</b>	<b>2,487,100</b>	<b>2,399,900</b>

**AGENCY DESCRIPTION** — The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.

**Operating Budget**

The budget includes \$2,399,900 and 29 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(87,200) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

<sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)  
<sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.  
<sup>3/</sup> In addition to these amounts, a total of \$75,600 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Legislature - Legislative Council

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	43.8	42.8	42.8 <sup>1/</sup>
Personal Services	2,412,700	2,413,100	2,413,100
Employee Related Expenditures	871,800	833,900	779,000
Professional and Outside Services	0	50,000	50,000
Travel - In State	0	500	500
Other Operating Expenditures	422,400	510,000	506,500
Equipment	436,800	378,000	378,000
<b>OPERATING SUBTOTAL</b>	<b>4,143,700</b>	<b>4,185,500</b>	<b>4,127,100</b> <sup>2/3/4/5/</sup>
<b>SPECIAL LINE ITEMS</b>			
Ombudsman-Citizens Aide Office	494,300	535,600	527,000
<b>AGENCY TOTAL</b>	<b>4,638,000</b>	<b>4,721,100</b>	<b>4,654,100</b>
<b>FUND SOURCES</b>			
General Fund	4,638,000	4,721,100	4,654,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,638,000</b>	<b>4,721,100</b>	<b>4,654,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>4,638,000</b>	<b>4,721,100</b>	<b>4,654,100</b>

**AGENCY DESCRIPTION** — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

### Operating Budget

The budget includes \$4,127,100 and 35.8 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(58,400) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Ombudsman-Citizens Aide Office

The budget includes \$527,000 and 7 FTE Positions from the General Fund in FY 2012 for the Ombudsman-Citizens Aide Office. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(8,600) from the General Fund in FY 2012 for statewide adjustments.

### Additional Legislation

#### Polly Rosenbaum Archives Building

The General Government Budget Reconciliation Bill (Laws 2011, Chapter 34) transfers half of unspent construction and maintenance monies previously appropriated to the Department of Administration and the Legislative Council for the Polly Rosenbaum Archives Building to the Legislative Council to be used for the alteration, renovation and repair of buildings under the control of the Legislature. This amount is approximately \$500,000. Chapter 34 transfers the other half of these monies to the Capital Outlay Stabilization Fund and appropriates it to the Department of Administration in FY 2012. (See Capital Outlay Section for more information.)

<sup>1/</sup> Includes 7 GF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>4/</sup> Dues for the Council of State Governments shall only be expended on an affirmative vote of the Legislative Council. (General Appropriation Act footnote)

<sup>5/</sup> In addition to these amounts, a total of \$122,400 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)



**Legislature - Senate**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
Lump Sum Appropriation	8,574,600	8,066,600	7,985,200
<b>AGENCY TOTAL</b>	<b>8,574,600</b>	<b>8,066,600</b>	<b>7,985,200</b> <sup>1/2/3/4</sup>
<b>FUND SOURCES</b>			
General Fund	8,574,600	8,066,600	7,985,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,574,600</b>	<b>8,066,600</b>	<b>7,985,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>8,574,600</b>	<b>8,066,600</b>	<b>7,985,200</b>

**AGENCY DESCRIPTION** — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

**Operating Budget**

The budget includes \$7,985,200 from the General Fund in FY 2012 for the operating budget. This amount funds the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(81,400) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

1/ This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)  
 2/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.  
 3/ Included in the Lump Sum appropriation of \$7,985,200 for FY 2012 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)  
 4/ In addition to these amounts, a total of \$226,900 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Department of Liquor Licenses and Control

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	42.2	42.2	45.2
Personal Services	1,396,500	1,389,800	1,512,900
Employee Related Expenditures	565,700	579,700	606,000
Professional and Outside Services	27,900	31,600	31,600
Travel - In State	99,600	154,600	186,600
Travel - Out of State	2,600	3,200	3,200
Other Operating Expenditures	519,100	499,800	475,300
Equipment	5,000	0	0
<b>AGENCY TOTAL</b>	<b>2,616,400</b>	<b>2,658,700</b>	<b>2,815,600<sup>1/2</sup></b>
<b>FUND SOURCES</b>			
General Fund	702,700	0	0
<u>Other Appropriated Funds</u>			
Liquor Licenses Fund	1,913,700	2,658,700	2,815,600
SUBTOTAL - Other Appropriated Funds	2,616,400	2,658,700	2,815,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,616,400</b>	<b>2,658,700</b>	<b>2,815,600</b>
Other Non-Appropriated Funds	702,100	872,000	872,000
Federal Funds	121,700	0	0
<b>TOTAL - ALL SOURCES</b>	<b>3,440,200</b>	<b>3,530,700</b>	<b>3,687,600</b>

**AGENCY DESCRIPTION** — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

### Operating Budget

The budget includes \$2,815,600 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Additional Investigators

The budget provides an increase of \$225,000 and 3 FTE Positions from the Liquor Licenses Fund in FY 2012 for additional investigators. Of this amount, \$10,000 is for one-time equipment costs.

#### Statewide Adjustments

The budget includes a decrease of \$(68,100) from the Liquor Licenses Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$75,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Arizona State Lottery Commission

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	104.0	104.0	104.0
Personal Services	4,238,700	4,617,300	4,617,300
Employee Related Expenditures	1,725,800	1,737,200	1,681,600
Professional and Outside Services	337,300	384,300	384,300
Travel - In State	218,600	269,800	269,800
Travel - Out of State	0	16,700	16,700
Other Operating Expenditures	520,600	1,173,900	1,156,600
Equipment	30,900	0	0
<b>OPERATING SUBTOTAL</b>	<b>7,071,900</b>	<b>8,199,200</b>	<b>8,126,300</b>
<b>SPECIAL LINE ITEMS</b>			
Advertising	12,334,000	15,500,000	15,500,000
Charitable Commissions	0	0	2,400,000 <sup>1/</sup>
Instant Tickets <sup>2/</sup>	10,848,900	13,610,100	14,608,700 <sup>3/</sup>
On-Line Vendor Fees <sup>2/</sup>	7,991,500	7,027,800	7,054,700 <sup>4/</sup>
Retailer Commissions <sup>2/</sup>	36,935,000	37,586,900	39,159,100 <sup>5/</sup>
Telecommunications	384,100	0	0
<b>AGENCY TOTAL</b>	<b>75,565,400</b>	<b>81,924,000</b>	<b>86,848,800<sup>6/7/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

State Lottery Fund	75,565,400	81,924,000	86,848,800
SUBTOTAL - Other Appropriated Funds	75,565,400	81,924,000	86,848,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>75,565,400</b>	<b>81,924,000</b>	<b>86,848,800</b>
Other Non-Appropriated Funds	336,595,400	344,338,900	361,880,200
<b>TOTAL - ALL SOURCES</b>	<b>412,160,800</b>	<b>426,262,900</b>	<b>448,729,000</b>

**AGENCY DESCRIPTION** — The Arizona Lottery is responsible for administering sanctioned games of chance. Arizona-specific games include instant tickets, the Pick, Pick 3, and Pick 5 on-line games. Arizona also participates in the multi-state Powerball on-line game.

#### **Operating Budget**

The budget includes \$8,126,300 and 104 FTE Positions from the State Lottery Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(72,900) from the State Lottery Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- <sup>1/</sup> An amount equal to 20% of tab ticket sales is appropriated for payment of sales commissions to charitable organizations. This amount is currently estimated to be \$2,400,000 in FY 2012.
- <sup>2/</sup> Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- <sup>3/</sup> 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 \$14,608,700 in FY 2012. (General Appropriation Act footnote)
- <sup>4/</sup> 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 \$7,054,700, or 3.7% of actual on-line ticket sales in FY 2012. (General Appropriation Act footnote)
- <sup>5/</sup> An amount equal to 6.5% of gross lottery game sales, less Tab Tickets, 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 \$39,159,100 in FY 2012. (General Appropriation Act footnote)
- <sup>6/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>7/</sup> In addition to these amounts, a total of \$228,800 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

The Sales Incentive Program SLI funding of \$50,000 has been shifted to the operating budget in FY 2012 and all years have been displayed accordingly.

### **Advertising**

The budget includes \$15,500,000 from the State Lottery Fund in FY 2012 for Advertising. This amount is unchanged from FY 2011.

Monies in this line item are used to promote and market Lottery games.

### **Charitable Commissions**

The budget includes \$2,400,000 from the State Lottery Fund in FY 2012 for Charitable Commissions. This amount funds the following adjustments:

#### **Charitable Commissions**

The budget includes an increase of \$2,400,000 from the State Lottery Fund in FY 2012 for a newly-created Charitable Commissions Special Line Item.

Monies in this line item are used to compensate charities for selling lottery 'Tab Tickets.' Laws 2010, Chapter 126 established a special type of instant ticket, Tab Tickets, to be sold exclusively by charitable organizations, who receive a 20% commission for selling the games. The displayed amount is derived by applying the approved percentage to the forecasted Tab Ticket sales. Chapter 126 also allows the department to collect 15% of total Tab Ticket sales for their operating budget and the department will distribute the remainder as prizes. Overall, the department's operating budget is limited to 18% of total ticket sales, including the 15% of Tab Ticket sales the department may collect. The budget does not include a new appropriation for administration of Tab Tickets as these monies will be expended as part of the department's regular budget.

### **Instant Tickets**

The budget includes \$14,608,700 from the State Lottery Fund in FY 2012 for Instant Tickets. This amount funds the following adjustments:

#### **Instant Ticket Sales Increase**

The budget includes an increase of \$998,600 from the State Lottery Fund in FY 2012 for Instant Tickets due to higher projected sales. (See Table 1 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 budget includes \$7,054,700 from the State Lottery Fund in FY 2012 for On-Line Vendor Fees. This amount funds the following adjustments:

#### **On-Line Vendor Fees Increase**

The budget includes an increase of \$26,900 from the State Lottery Fund in FY 2012 for On-Line Vendor Fees due to higher projected sales. (See Table 1 for more information.)

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, which is 3.7%.

### **Retailer Commissions**

The budget includes \$39,159,100 from the State Lottery Fund in FY 2012 for Retailer Commissions. This amount funds the following adjustments:

#### **Retailer Commissions Increase**

The budget includes an increase of \$1,572,200 from the State Lottery Fund in FY 2012 for Retailer Commissions due to higher projected sales. (See Table 1 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 non-Tab Ticket sales. Pursuant to statute, an additional 0.5% of total non-Tab 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.

### **Telecommunications**

The budget includes no funding in FY 2012 for Telecommunications. This program was shifted to the operating budget in FY 2011.

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.

## Fund Transfers

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

## Additional Legislation

### Arizona Commerce Authority Lottery Distribution

The Arizona Commerce Authority Bill (Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1) modifies the beneficiary distribution by repealing the transfer to the Commerce and Economic Development Fund. Instead, the bill directs the first \$3,500,000 of the beneficiary distribution, after all related debt service transfers, to the newly-created Arizona Competes Fund. Beginning in FY 2012, the newly-created Arizona Commerce Authority will administer grants from the Arizona Competes Fund to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state.

## Lottery Forecast and Distributions

The JLBC Staff forecasts a 3.0% increase in overall Lottery ticket sales in FY 2011, followed by a 5.0% increase in FY 2012. For FY 2011 and FY 2012, the JLBC Staff forecasts Lottery ticket sales of \$567,997,800 and \$596,464,500, respectively.

Table 1 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2010 and the JLBC Staff projected distributions for FY 2011 and FY 2012. For explanations of the distribution amounts to each beneficiary, see the Arizona State Lottery Commission pages of the *FY 2011 Appropriations Report*.

**Table 1**

### Forecast of Lottery Revenue Distribution (\$ in Millions)

Sales	FY 2010	FY 2011	FY 2012
Instant Sales	\$336.9	\$378.1	\$405.8
On-Line Sales	214.6	189.9	190.7
Total Sales	\$551.5	\$568.0	\$596.5
<i>Less:</i>			
Operating Budget <sup>1/</sup>	\$ 75.6	\$ 82.0	\$ 86.9
Fund Transfers <sup>2/</sup>	9.7	1.7	1.8
Gaming Distribution	0.3	0.3	0.3
Prizes <sup>3/</sup>	336.6	344.3	361.9
Net Profit <sup>4/</sup>	\$129.3	\$139.7	\$145.6
<b>Profit Transfers</b>			
Debt Service Fund <sup>5/</sup>	\$ 2.3	\$ 19.4	\$ 20.7
Arizona Commerce Authority <sup>6/</sup>	NA	NA	3.5
General Fund – Part 1 <sup>7/</sup>	46.6	61.3	59.9
LTAF II <sup>8/</sup>	5.1	NA	NA
LTAF <sup>8/</sup>	12.7	NA	NA
CAF <sup>8/</sup>	4.2	NA	NA
Heritage	16.1	10.0	10.0
Health and Welfare Programs	18.7	19.6	20.1
Homeless Shelters	1.0	1.0	1.0
General Fund – Part 2 <sup>7/</sup>	15.5	15.5	15.5
University Capital	0	8.8	10.0
General Fund – Part 3 <sup>7/</sup>	1.4	1.2	4.9
Economic Development <sup>9/</sup>	5.7	2.9	NA
<b>Total Transfer</b>	\$129.3	\$139.7	\$145.6

<sup>1/</sup> Of this amount, an estimated \$1,400,000 in FY 2011 and an estimated \$2,400,000 in FY 2012 will be distributed to charities.

<sup>2/</sup> Transfers in FY 2010 include an advertising fund transfer of \$4,162,700, \$1,000,000 due to a combined Fund Reduction and Transfer (FRAT) and personnel expense reduction, \$4,055,000 due to a 10% county proceeds transfer, an additional \$8,700 personnel expense reduction, and an additional FRAT of \$528,400 as enacted by Laws 2009, 5<sup>th</sup> Special Session, Chapter 1. Transfers in FY 2011 include a \$226,600 personnel expense reduction and continue a FY 2010 combined \$1,000,000 FRAT and personnel expense reduction as an Excess Balance Transfer (EBT) as well as an additional \$528,400 FRAT. Transfers in FY 2012 include a \$1,779,300 fund balance transfer.

<sup>3/</sup> Prizes are estimated by subtracting net profit and operating budget expenditures from total Lottery sales.

<sup>4/</sup> To derive the profit transfer amounts, the actual FY 2010 rate of return for each game was applied to the current budget forecast. The cumulative profit transfer rate is 25.56%.

<sup>5/</sup> Of the \$21,630,000 in debt service payments scheduled for FY 2011, \$2,255,000 was paid with profits generated in FY 2010.

<sup>6/</sup> Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1 directs the first \$3,500,000 of profit transfers, after debt service payments, to the Arizona Competes Fund beginning in FY 2012.

<sup>7/</sup> Excluding fund transfers, total distributions to the General Fund totaled \$67,808,500 in FY 2010 and are estimated to be \$77,980,500 in FY 2011 and \$80,306,400 in FY 2012. The individual FY 2010 General Fund lines are \$200,000 different due to a reconciliation issue. The FY 2011 estimate includes \$18,268,600 due to redirected distributions for Mass Transit, Local Transportation Assistance Fund (LTAF), County Assistance Fund (CAF) and the State Parks Board Heritage Fund and the FY 2012 estimate includes redirected distributions of \$49,650,000 as enacted by Laws 2010, 7<sup>th</sup> Special Session, Chapter 12.

<sup>8/</sup> Distribution cumulatively reduced by \$(4,055,000) in FY 2010 and eliminated in FY 2011 and FY 2012.

<sup>9/</sup> Dedicated funding from 2 instant ticket games. Economic Development transfer was permanently eliminated in FY 2012 by Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1.

## Arizona Medical Board

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	58.5	58.5	58.5
Personal Services	2,417,300	2,752,600	2,752,600
Employee Related Expenditures	833,100	1,033,900	1,000,700
Professional and Outside Services	626,800	999,400	999,400
Travel - In State	18,000	23,000	23,000
Travel - Out of State	16,600	14,000	14,000
Other Operating Expenditures	862,700	869,500	945,300
Equipment	164,400	64,200	64,200
<b>AGENCY TOTAL</b>	<b>4,938,900</b>	<b>5,756,600</b>	<b>5,799,200<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	4,938,900	5,756,600	5,799,200 <sup>3/</sup>
SUBTOTAL - Other Appropriated Funds	4,938,900	5,756,600	5,799,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,938,900</b>	<b>5,756,600</b>	<b>5,799,200</b>
<b>TOTAL - ALL SOURCES</b>	4,938,900	5,756,600	5,799,200

**AGENCY DESCRIPTION** — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

### Operating Budget

The budget includes \$5,799,200 and 58.5 FTE Positions from the Arizona Medical Board Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes an increase of \$42,600 from the Arizona Medical Board Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$136,400 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

<sup>3/</sup> The Arizona Medical Board may use up to 7% of the Arizona Medical Board Fund balance remaining at the end of each fiscal year for a performance based incentive program the following fiscal year based on the program established in A.R.S. § 38-618. (General Appropriation Act footnote)

## ***Board of Medical Student Loans***

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>SPECIAL LINE ITEMS</b>			
Medical Student Financial Assistance	848,900	431,900	87,200
<b>AGENCY TOTAL</b>	<b>848,900</b>	<b>431,900</b>	<b>87,200<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	801,900	402,900	67,000
<u>Other Appropriated Funds</u>			
Medical Student Loan Fund	47,000	29,000	20,200
SUBTOTAL - Other Appropriated Funds	47,000	29,000	20,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>848,900</b>	<b>431,900</b>	<b>87,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>848,900</b>	<b>431,900</b>	<b>87,200</b>

**AGENCY DESCRIPTION** — The Board of Medical Student Loans distributes financial aid to qualified resident students enrolled at the University of Arizona College of Medicine or private medical schools within Arizona. The University of Arizona College of Medicine, Midwestern University, and A.T. Still University provides the board with support services at no cost.

### ***Medical Student Financial Assistance***

The budget includes \$87,200 in FY 2012 for Medical Student Financial Assistance. This amount consists of:

	<b>FY 2012</b>
General Fund	\$67,000
Medical Student Loan Fund	20,200

These amounts fund the following adjustments:

#### **Medical Student Loan Fund Reduction**

The budget includes a decrease of \$(8,800) from the Medical Student Loan Fund in FY 2012 for the Medical Student Financial Assistance Program due to participants having fully repaid their loans.

#### **No New Student Funding**

The budget includes a decrease of \$(335,900) from the General Fund in FY 2012 for the Medical Student Financial Assistance Program to provide support for current students, but not support for new students. For FY 2012, only 1 continuing student will require funding.

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.

At the estimated FY 2012 funding level, the board plans on providing loans to 1 student. Loan amounts provide tuition plus a \$20,000 living allowance to students.

### ***Additional Legislation***

#### ***Suspension of Private Student Funding Requirement***

The board must use at least half of its appropriation to provide loans for students at private medical schools, pursuant to A.R.S. § 15-1723A. The Higher Education Budget Reconciliation Bill (Laws 2011, Chapter 30) permits the board to appropriate less than half of its appropriation to provide loans for students at private medical schools for FY 2012.

<sup>1/</sup> General Appropriation Act funds are appropriated as Special Line Items by Agency.

# State Mine Inspector

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	15.0	14.0	14.0
Personal Services	457,000	436,900	449,600
Employee Related Expenditures	201,100	220,400	249,700
Professional and Outside Services	36,000	32,100	30,400
Travel - In State	112,400	77,800	77,800
Travel - Out of State	0	6,000	6,000
Other Operating Expenditures	153,900	159,300	174,400
Equipment	23,500	9,600	9,600
<b>OPERATING SUBTOTAL</b>	<b>983,900</b>	<b>942,100</b>	<b>997,500</b>
<b>SPECIAL LINE ITEMS</b>			
Abandoned Mines Safety Fund Deposit	149,500	181,200	188,300
Aggregate Mined Land Reclamation	96,900	111,200	112,500 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>1,230,300</b>	<b>1,234,500</b>	<b>1,298,300<sup>2/3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,133,400	1,123,300	1,185,800
<u>Other Appropriated Funds</u>			
Aggregate Mining Reclamation Fund	96,900	111,200	112,500
SUBTOTAL - Other Appropriated Funds	96,900	111,200	112,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,230,300</b>	<b>1,234,500</b>	<b>1,298,300</b>
Other Non-Appropriated Funds	7,600	183,600	183,600
Federal Funds	332,900	366,000	366,000
<b>TOTAL - ALL SOURCES</b>	<b>1,570,800</b>	<b>1,784,100</b>	<b>1,847,900</b>

**AGENCY DESCRIPTION** — The State Mine Inspector is an elected constitutional officer. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

## Operating Budget

The budget includes \$997,500 and 14 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

### Eliminate One-Time Funding

The budget includes a decrease of \$(1,700) from the General Fund in FY 2012 to eliminate one-time costs. In FY 2011, \$1,700 was appropriated for an unpaid bill from FY 2005.

### Statewide Adjustments

The budget includes an increase of \$41,500 from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

### Restore Furlough Reduction

The budget includes an increase of \$15,600 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Abandoned Mines Safety Fund Deposit

The budget includes \$188,300 from the General Fund in FY 2012 for the Abandoned Mines Safety Fund Deposit

<sup>1/</sup> All Aggregate Mining Reclamation Fund receipts received by the State Mine Inspector in excess of \$112,500 in FY 2012 are appropriated to the Aggregate Mined Land Reclamation line item. Before the expenditure of any Aggregate Mining Reclamation Fund receipts in excess of \$112,500 in FY 2012, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee (General Appropriation Act footnote, as adjusted for statewide allocations.)

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> In addition to these amounts, a total of \$24,500 GF and \$100 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*



Special Line Item. This amount funds the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$4,100 from the General Fund in FY 2012 for statewide adjustments.

**Restore Furlough Reduction**

The budget includes an increase of \$3,000 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough.

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.

**Aggregate Mined Land Reclamation**

The budget includes \$112,500 from the Aggregate Mining Reclamation Fund in FY 2012 for the Aggregate Mined Land Reclamation Special Line Item. This amount funds the following adjustments:

**Restore Furlough Reduction**

The budget includes an increase of \$1,300 from the Aggregate Mining Reclamation Fund in FY 2012 for eliminating the mandatory FY 2011 furlough.

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.

**Fund Transfers**

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

## *Department of Mines and Mineral Resources*

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7.0	6.0	0.0
Personal Services	282,800	144,900	0
Employee Related Expenditures	114,300	69,900	0
Professional and Outside Services	2,900	2,900	0
Other Operating Expenditures	456,400	6,900	0
Equipment	1,800	0	0
<b>AGENCY TOTAL</b>	<b>858,200</b>	<b>224,600</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	858,200	224,600	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>858,200</b>	<b>224,600</b>	<b>0</b>
Other Non-Appropriated Funds	303,100	347,400	0
<b>TOTAL - ALL SOURCES</b>	<b>1,161,300</b>	<b>572,000</b>	<b>0</b>

**AGENCY DESCRIPTION** — The department promoted 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 Consolidation Budget Reconciliation Bill (Laws 2011, Chapter 27) eliminates the Department of Mines and Mineral Resources and transfers the functions of the department to other state agencies beginning in FY 2012. The non-museum functions of the department are transferred to the Arizona Geological Survey, except that an annual report and the Department of Mines and Mineral Resources Board of Governors were both eliminated. The museum functions of the department were transferred to the Arizona Historical Society. The balance of the non-appropriated Mines and Mineral Resources Fund is distributed between the 2 agencies, with \$32,200 going to the Arizona Historical Society and the remainder being transferred to the Arizona Geological Survey.

The following describes the department's FY 2011 resources.

### ***Operating Budget***

The FY 2011 budget included \$224,600 and 6 FTE Positions from the General Fund for the operating budget.

## Naturopathic Physicians Medical Board

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	319,400	317,000	321,200
Employee Related Expenditures	90,700	90,500	87,700
Professional and Outside Services	89,200	91,300	91,300
Travel - In State	2,000	2,000	2,000
Travel - Out of State	2,000	2,000	2,000
Other Operating Expenditures	72,600	79,000	69,700
Equipment	11,100	12,100	12,100
<b>AGENCY TOTAL</b>	<b>587,000</b>	<b>593,900</b>	<b>586,000</b> <sup>1/2</sup>

### FUND SOURCES

#### Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	587,000	593,900	586,000
SUBTOTAL - Other Appropriated Funds	587,000	593,900	586,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>587,000</b>	<b>593,900</b>	<b>586,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>587,000</b>	<b>593,900</b>	<b>586,000</b>

**AGENCY DESCRIPTION** — The board licenses and regulates naturopathic physicians, naturopathic medical assistants, and massage therapists. The board certifies physicians to dispense natural remedies, and accredits and approves naturopathic medical schools, internships, and programs. The board also investigates persons unlawfully practicing naturopathic medicine and refers them for prosecution. This board is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

### Operating Budget

The budget includes \$586,000 and 7 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(13,100) from the Naturopathic Physicians Medical Board Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$5,200 from the Naturopathic Physicians Medical Board Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$15,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## *Arizona Navigable Stream Adjudication Commission*

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	48,100	47,800	49,000
Employee Related Expenditures	25,400	25,400	22,600
Professional and Outside Services	24,400	24,400	24,400
Other Operating Expenditures	31,400	35,600	30,900
<b>AGENCY TOTAL</b>	<b>129,300</b>	<b>133,200</b>	<b>126,900<sup>1/2</sup></b>

### FUND SOURCES

General Fund	129,300	133,200	126,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>129,300</b>	<b>133,200</b>	<b>126,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>129,300</b>	<b>133,200</b>	<b>126,900</b>

**AGENCY DESCRIPTION** — The Arizona Navigable Stream Adjudication Commission is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

### *Operating Budget*

The budget includes \$126,900 and 2 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(7,800) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### **Restore Furlough Reduction**

The budget includes an increase of \$1,500 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### *Additional Legislation*

The Environment Budget Reconciliation Bill (Laws 2011, Chapter 36) allows the Arizona Navigable Stream Adjudication Commission to utilize up to \$80,000 from the Risk Management Fund for unpaid legal obligations.

As of May 1, 2011, the commission estimates that about \$70,000 of the \$80,000 appropriation to the Risk Management Fund for FY 2011 has been spent. The commission anticipates that at the end of FY 2011 the entire appropriation will be depleted.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$2,200 GF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## State Board of Nursing

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	40.2	40.2	40.2
Personal Services	2,128,800	1,994,200	1,994,200
Employee Related Expenditures	745,600	725,500	701,500
Professional and Outside Services	493,100	627,300	627,300
Travel - In State	4,300	5,000	5,000
Travel - Out of State	2,800	4,000	4,000
Other Operating Expenditures	537,100	600,700	596,900
Equipment	40,500	105,400	105,400
<b>AGENCY TOTAL</b>	<b>3,952,200</b>	<b>4,062,100</b>	<b>4,034,300<sup>1/2</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	3,952,200	4,062,100	4,034,300
SUBTOTAL - Other Appropriated Funds	3,952,200	4,062,100	4,034,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,952,200</b>	<b>4,062,100</b>	<b>4,034,300</b>
Other Non-Appropriated Funds	534,300	414,600	414,600
<b>TOTAL - ALL SOURCES</b>	<b>4,486,500</b>	<b>4,476,700</b>	<b>4,448,900</b>

**AGENCY DESCRIPTION** — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

### **Operating Budget**

The budget includes \$4,034,300 and 40.2 FTE Positions from the Board of Nursing Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(27,800) from the Board of Nursing Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

### **Fund Transfers**

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$98,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

**Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	168,400	210,600	214,300
Employee Related Expenditures	72,400	68,200	66,500
Professional and Outside Services	30,200	30,000	30,000
Travel - In State	4,900	6,000	6,000
Travel - Out of State	0	4,100	4,100
Other Operating Expenditures	50,400	52,700	40,200
Equipment	600	600	600
<b>AGENCY TOTAL</b>	<b>326,900</b>	<b>372,200</b>	<b>361,700<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	326,900	372,200	361,700
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>326,900</b>	<b>372,200</b>	<b>361,700</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>326,900</b>	<b>372,200</b>	<b>361,700</b>
<b>TOTAL - ALL SOURCES</b>	<b>326,900</b>	<b>372,200</b>	<b>361,700</b>

**AGENCY DESCRIPTION** — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

**Operating Budget**

The budget includes \$361,700 and 5 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(15,000) from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

**Restore Furlough Reduction**

The budget includes an increase of \$4,500 from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

**Fund Transfers**

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$10,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## ***Occupational Safety and Health Review Board***

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Lump Sum Appropriation	19,200	0	15,000
<b>AGENCY TOTAL</b>	<b>19,200</b>	<b>0</b>	<b>15,000</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	19,200	0	15,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>19,200</b>	<b>0</b>	<b>15,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>19,200</b>	<b>0</b>	<b>15,000</b>

**AGENCY DESCRIPTION** — The board reviews cases involving violations of the state's occupational safety and health laws. The cases start with an informal conference with the Industrial Commission's Occupational Safety and Health Division Director. If the case cannot be resolved, the employer can request a hearing before an Industrial Commission Administrative Law Judge. If either the Director of the Occupational Safety and Health Division or the employer disagrees with the ruling, it can be appealed before the Occupational Safety and Health Review Board.

### ***Operating Budget***

The budget includes \$15,000 from the General Fund in FY 2012 for the operating budget. This amount funds the following adjustments:

#### **Board Operations**

The budget includes an increase of \$15,000 from the General Fund in FY 2012 for board operations. In FY 2011 the board received no appropriation as the board planned to spend unused prior year non-lapsing appropriations. Pursuant to A.R.S. § 23-422E, General Fund appropriations to the Occupational Safety and Health Review Board are exempt from lapsing.

- <sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- <sup>3/</sup> Additional board expenses are paid for by the federal government as part of a grant. These monies are included in the non-appropriated budget of the Industrial Commission's Occupational Safety and Health Division.

## Board of Occupational Therapy Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	1.5
Personal Services	148,700	153,000	95,200
Employee Related Expenditures	43,200	44,600	26,200
Professional and Outside Services	8,300	9,400	5,000
Travel - In State	3,000	2,200	1,600
Other Operating Expenditures	38,700	51,600	33,600
<b>AGENCY TOTAL</b>	<b>241,900</b>	<b>260,800</b>	<b>161,600</b> <sup>1/2</sup>

### FUND SOURCES

#### Other Appropriated Funds

Occupational Therapy Fund	241,900	260,800	161,600
SUBTOTAL - Other Appropriated Funds	241,900	260,800	161,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>241,900</b>	<b>260,800</b>	<b>161,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>241,900</b>	<b>260,800</b>	<b>161,600</b>

**AGENCY DESCRIPTION** — The Board of Occupational Therapy Examiners examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

#### Operating Budget

The budget includes \$161,600 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Athletic Training Fund Initiation

The budget includes a decrease of \$(101,700) from the Occupational Therapy Fund in FY 2012 for a funding realignment. In FY 2011 and earlier years, expenditures for the Board of Athletic Training were made from a sub-account of the Occupational Therapy Fund. Starting with FY 2012, expenditures for the Board of Athletic Training will be made from the newly-created Athletic Training Fund. The Executive Director of the Board of Occupational Therapy also serves as the Executive Director of the Board of Athletic Training. The Board of Athletic Training is displayed as its own agency for the first time in FY 2011.

#### Statewide Adjustments

The budget includes an increase of \$(1,200) from the Occupational Therapy Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$3,700 from the Occupational Therapy Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

#### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$4,700 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)



## State Board of Dispensing Opticians

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	59,200	59,700	60,800
Employee Related Expenditures	23,900	23,900	23,400
Professional and Outside Services	20,800	23,500	23,500
Travel - In State	9,100	8,800	8,800
Other Operating Expenditures	11,800	11,800	10,100
Equipment	0	0	4,500
<b>AGENCY TOTAL</b>	<b>124,800</b>	<b>127,700</b>	<b>131,100<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<i>Other Appropriated Funds</i>			
Board of Dispensing Opticians Fund	124,800	127,700	131,100
SUBTOTAL - Other Appropriated Funds	124,800	127,700	131,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>124,800</b>	<b>127,700</b>	<b>131,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>124,800</b>	<b>127,700</b>	<b>131,100</b>

**AGENCY DESCRIPTION** — The board licenses and regulates optical establishments and opticians. An optician fits and sells optical devices such as contact lenses and eyeglasses. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

### Operating Budget

The budget includes \$131,100 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Testing Equipment

The budget includes a one-time increase of \$4,500 from the Board of Dispensing Opticians Fund in FY 2012 to replace equipment. The board needs to replace 6 obsolete lensometers used in the practical examination for dispensing optician licensees.

#### Statewide Adjustments

The budget includes a decrease of \$(2,400) from the Board of Dispensing Opticians Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$1,300 from the Board of Dispensing Opticians Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$3,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## State Board of Optometry

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	106,500	106,900	109,400
Employee Related Expenditures	38,400	39,900	39,100
Professional and Outside Services	22,000	27,000	27,000
Travel - In State	400	600	600
Travel - Out of State	1,800	3,000	3,000
Other Operating Expenditures	19,800	21,100	18,200
<b>AGENCY TOTAL</b>	<b>188,900</b>	<b>198,500</b>	<b>197,300<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Optometry Fund	188,900	198,500	197,300
SUBTOTAL - Other Appropriated Funds	188,900	198,500	197,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>188,900</b>	<b>198,500</b>	<b>197,300</b>
<b>TOTAL - ALL SOURCES</b>	188,900	198,500	197,300

**AGENCY DESCRIPTION** — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician.

### Operating Budget

The budget includes \$197,300 and 2 FTE Positions from the Board of Optometry Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(4,200) from the Board of Optometry Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$3,000 from the Board of Optometry Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$5,400 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Arizona Board of Osteopathic Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6.7	6.7	6.7
Personal Services	337,400	336,100	343,200
Employee Related Expenditures	103,900	112,200	109,600
Professional and Outside Services	54,900	92,000	92,000
Travel - In State	0	1,000	1,000
Travel - Out of State	1,500	3,000	3,000
Other Operating Expenditures	106,400	119,600	112,700
Equipment	55,000	36,800	36,800
<b>AGENCY TOTAL</b>	<b>659,100</b>	<b>700,700</b>	<b>698,300<sup>1/2/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Board of Osteopathic Examiners Fund	659,100	700,700	698,300
SUBTOTAL - Other Appropriated Funds	659,100	700,700	698,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>659,100</b>	<b>700,700</b>	<b>698,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>659,100</b>	<b>700,700</b>	<b>698,300</b>

**AGENCY DESCRIPTION** — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

#### Operating Budget

The budget includes \$698,300 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

##### Office of Administrative Hearings - One Time

The budget includes a one-time increase of \$7,500 from the Board of Osteopathic Examiners Fund in FY 2012 for cases the board sends to the Office of Administrative Hearings.

##### Statewide Adjustments

The budget includes a decrease of \$(18,600) from the Board of Osteopathic Examiners Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

##### Restore Furlough Reduction

The budget includes an increase of \$8,700 from the Board of Osteopathic Examiners Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

#### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$17,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

***Arizona Parents Commission on Drug Education and Prevention***

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	899,400	6,799,100	6,799,100
<b>TOTAL - ALL SOURCES</b>	899,400	6,799,100	6,799,100

**AGENCY DESCRIPTION** — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission does not receive an appropriation from the Legislature.

***Fund Transfers***

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

## Arizona State Parks Board

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	232.3	232.3	232.3 <sup>1/</sup>
Personal Services	3,035,600	4,622,200	5,402,500
Employee Related Expenditures	1,524,300	2,118,000	2,422,700
Professional and Outside Services	600	100,000	100,000
Travel - In State	1,400	1,300	1,300
Other Operating Expenditures	916,600	1,158,900	1,158,900
Equipment	0	28,500	28,500
<b>OPERATING SUBTOTAL</b>	<b>5,478,500</b>	<b>8,028,900</b>	<b>9,113,900<sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Growing Smarter	20,000,000	20,000,000	0
Kartchner Caverns State Park	1,969,200	2,174,500	2,160,300
<b>AGENCY TOTAL</b>	<b>27,447,700</b>	<b>30,203,400</b>	<b>11,274,200<sup>3/4/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	20,000,000	20,000,000	0
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	0	2,206,700	2,183,800 <sup>6/</sup>
Reservation Surcharge Revolving Fund	339,700	205,700	203,800 <sup>7/</sup>
State Parks Enhancement Fund	7,108,000	7,791,000	8,886,600
SUBTOTAL - Other Appropriated Funds	7,447,700	10,203,400	11,274,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>27,447,700</b>	<b>30,203,400</b>	<b>11,274,200</b>
Other Non-Appropriated Funds	28,351,600	85,037,700	79,389,800
Federal Funds	3,631,600	5,309,600	5,309,600
<b>TOTAL - ALL SOURCES</b>	<b>59,430,900</b>	<b>120,550,700</b>	<b>95,973,600</b>

**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.

<sup>1/</sup> Includes 51 OF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> 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 2012, an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Enhancement Fund to meet the revenue sharing agreement with the City of Show Low and the United States Forest Service. (General Appropriation Act footnote)

<sup>3/</sup> General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.

<sup>4/</sup> During FY 2012, 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, 2012, a report to the Joint Legislative Budget Committee on out-of-state travel activities and expenditures for that fiscal year. (General Appropriation Act footnote)

<sup>5/</sup> In addition to these amounts, a total of \$216,400 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

<sup>6/</sup> 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 2012. These monies are appropriated to the Arizona State Parks Board for the purposes established in A.R.S. § 5-383. The appropriation shall be adjusted as necessary to reflect actual final receipts credited to the Law Enforcement and Boating Safety Fund. (General Appropriation Act footnote)

<sup>7/</sup> All Reservation Surcharge Revolving Fund receipts received by the Arizona State Parks Board in excess of \$203,800 in FY 2012 are appropriated to the Reservation Surcharge Revolving Fund. Before the expenditure of any Reservation Surcharge Revolving Fund monies in excess of \$203,800 in FY 2012, the Arizona State Parks Board shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

## **Operating Budget**

The budget includes \$9,133,900 and 181.3 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
State Parks Enhancement Fund (SPEF)	\$6,726,300
Law Enforcement and Boating Safety Fund (LEBSF)	2,183,800
Reservation Surcharge Revolving Fund	203,800

These amounts fund the following adjustments:

### **Level Fund Agency Operating**

The budget includes an increase of \$1,134,600 from SPEF in FY 2012 to keep the total fund operating budget at the same level as FY 2011. This increase offsets decreases in non-appropriated fund spending.

### **Statewide Adjustments**

The budget includes a decrease of \$(49,600) in FY 2012 for statewide adjustments. This amount consists of:

State Parks Enhancement Fund (SPEF)	(24,800)
Law Enforcement and Boating Safety Fund (LEBSF)	(22,900)
Reservation Surcharge Revolving Fund	(1,900)

*(Please see the Agency Detail and Allocations section.)*

## **Growing Smarter**

The budget includes no funding in FY 2012 for deposit into the Land Conservation Fund, as prescribed by A.R.S. § 41-511.23 and mandated by a voter-passed referendum in 1998. This amount funds the following adjustments:

### **Eliminate Land Conservation Fund Deposit**

The budget includes a decrease of \$(20,000,000) from the General Fund in FY 2012 to eliminate the annual deposit into the Land Conservation Fund. Under the referendum, the last appropriation occurs in FY 2011.

## **Kartchner Caverns State Park**

The budget includes \$2,160,300 and 51 FTE Positions from the SPEF in FY 2012 for Kartchner Caverns State Park. These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes a decrease of \$(14,200) from the SPEF in FY 2012 for statewide adjustments.

This line item funds the operating costs at Kartchner Caverns State Park. This park collects the most revenue of all of the state parks.

## **Fund Transfers**

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

## **Additional Legislation**

### **Operating Funding**

The Environment Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 36) includes the following provisions affecting the State Parks Board:

- As session law, continues to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs. This continues prior year provisions allowing the agency to offset General Fund reductions taken in FY 2003.
- As session law, continues to allow SPEF monies to be used for the operation of state parks as appropriated by the Legislature or for capital needs as approved by the Joint Committee on Capital Review (JCCR).

SPEF receives revenue from park user fees and concession sales. Permanent law allocates half of SPEF as non-appropriated monies for capital purposes, less an amount sufficient to fund the lease-purchase payment for the Tonto Natural Bridge State Park. The Joint Committee on Capital Review, however, must approve the capital expenditure plan. Under permanent law, the remaining half of SPEF is appropriated and is allocated toward agency operating costs.

From FY 2004 to FY 2006, a series of session laws suspended permanent statute and required the entire fund to be used for agency operating costs, less an amount sufficient to finance the lease-purchase payment. This provision was changed for FY 2007 and allowed the use of monies for operational costs or capital needs. The Environment BRB continues the FY 2007 change and gives the State Parks Board discretion to use monies not needed for operations for capital needs as approved by JCCR.

- As session law, allows the use of all LEBSF monies, less \$750,000 for grants to La Paz County, Mohave and Yuma Counties, for operating costs.

LEBSF receives revenue as a portion of the watercraft licensing taxes. Permanent law requires the LEBSF monies be used to provide grants to county law enforcement agencies for water and boating safety programs, as distributed by the Arizona Outdoor Recreation Coordinating Commission (AORCC). The Environment BRB suspends all but \$750,000 in grants for La Paz, Mohave and Yuma, while allowing the State Parks Board to use the remaining monies for operations in FY 2012.

A similar provision in the FY 2011 Environment BRB suspended all but \$500,000 in grants for La Paz and Mohave in FY 2011. The FY 2012 Environment BRB includes an increase of \$250,000 for additional grants to Yuma in FY 2012.

***Transfer LEBSF Administration to Treasurer***

Laws 2011, Chapter 333 removes the requirement that grants are distributed by the AORCC and requires that the State Treasurer administer LEBSF monies beginning in FY 2013. The Treasurer will disburse monies in accordance with a distribution formula developed by the Game and Fish Commission.

***Other Issues***

***Status of Parks***

As of May 2011, there are 24 parks that are open to the public, 1 that is closed with an agreement in place to reopen later in June 2011 (Lyman Lake), 1 that is closed temporarily with a plan to reopen later in September 2011 (Picacho Peak), and 1 that is closed indefinitely (Oracle). Nine open parks plan to use only existing state fund sources (Buckskin Mountain, Catalina, Cattail Cover, Dead Horse Ranch, Fool Hollow, Kartchner Caverns, Lake Havasu, Patagonia Lake, and Slide Rock). The remaining parks will remain open for at least part of FY 2012, but they will either be funded through agreements between the State Parks Board and local governments or the local government will assume operational control of the park (Alamo Lake, Fort Verde, Homolovi Ruins, Jerome, Lost Dutchman, Red Rock, Riordan Mansion, Roper Lake, Tonto Natural Bridge, Boyce Thompson Arboretum, McFarland, Tombstone Courthouse, Tubac Presidio, Yuma Territorial Prison, and Yuma Quartermaster Depot).

## Personnel Board

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	103,000	98,600	100,500
Employee Related Expenditures	27,100	44,200	43,900
Professional and Outside Services	104,400	186,400	186,400
Travel - In State	1,000	2,400	2,400
Other Operating Expenditures	41,100	40,800	31,800
Equipment	2,100	200	200
<b>AGENCY TOTAL</b>	<b>278,700</b>	<b>372,600</b>	<b>365,200<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Personnel Division Fund - Personnel Board Account	278,700	372,600	365,200
SUBTOTAL - Other Appropriated Funds	278,700	372,600	365,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>278,700</b>	<b>372,600</b>	<b>365,200</b>
<b>TOTAL - ALL SOURCES</b>	278,700	372,600	365,200

**AGENCY DESCRIPTION** — The Personnel Board hears grievances for state employees in the Arizona Department of Administration Personnel System who have been dismissed, demoted, or suspended for more than 40 hours. The board also hears “whistle blower” complaints, concerning reprisals against employees who disclose information to a public body.

### Operating Budget

The budget includes \$365,200 and 3 FTE Positions from the Personnel Board Account of the Personnel Division Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(10,200) from the Personnel Board Account of the Personnel Division Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$2,800 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$5,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*



# Office of Pest Management

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	40.0	40.0	40.0
Personal Services	1,167,600	1,383,200	1,383,200
Employee Related Expenditures	504,200	502,900	486,200
Professional and Outside Services	99,400	109,400	109,400
Travel - In State	62,200	62,200	62,200
Travel - Out of State	100	5,300	5,300
Other Operating Expenditures	172,900	151,000	606,600
Equipment	6,000	47,500	47,500
<b>AGENCY TOTAL</b>	<b>2,012,400</b>	<b>2,261,500</b>	<b>2,700,400</b> <sup>1/2/</sup>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Pest Management Fund	2,012,400	2,261,500	2,700,400
SUBTOTAL - Other Appropriated Funds	2,012,400	2,261,500	2,700,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,012,400</b>	<b>2,261,500</b>	<b>2,700,400</b>
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	147,800	273,800	0
Federal Funds	122,100	114,300	114,300
<b>TOTAL - ALL SOURCES</b>	<b>2,282,300</b>	<b>2,649,600</b>	<b>2,814,700</b>

**AGENCY DESCRIPTION** — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.

### Operating Budget

The budget includes \$2,700,400 and 40 FTE Positions from the Pest Management Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Fee Increase Authority

The budget includes an increase of \$525,000 from the Pest Management Fund in FY 2012 for revenue associated with pesticide registration. The Revenues Budget Reconciliation Bill (Laws 2011, Chapter 28) continues the FY 2011 fee raising authority for the Office of Pest Management (OPM). The bill includes an intent clause that limits additional revenues to \$525,000. In previous budgets, this fee raising authority was included as Other Non-Appropriated Funds.

#### Statewide Adjustments

The budget includes a decrease of \$(86,100) from the Pest Management Fund in FY 2012 for statewide adjustments. (Please see the Agency Details and Allocations section.)

### Fund Transfers

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

### Additional Legislation

#### Office of Pest Management Relocation

Laws 2011, Chapter 20 relocates OPM into the Arizona Department of Agriculture (ADA) building on the bill's effective date, July 20, 2011. The bill also temporarily transfers OPM's administration supervision from the Department of Administration director to the ADA director from the bill's effective date through December 31, 2013.

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$68,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Arizona State Board of Pharmacy

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	18.0	18.0	18.0
Personal Services	872,900	1,098,500	1,116,100
Employee Related Expenditures	277,700	364,800	357,200
Professional and Outside Services	206,000	171,400	171,400
Travel - In State	34,600	50,000	50,000
Travel - Out of State	400	1,000	1,000
Other Operating Expenditures	350,400	257,800	222,400
<b>AGENCY TOTAL</b>	<b>1,742,000</b>	<b>1,943,500</b>	<b>1,918,100<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	1,742,000	1,943,500	1,918,100
SUBTOTAL - Other Appropriated Funds	1,742,000	1,943,500	1,918,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,742,000</b>	<b>1,943,500</b>	<b>1,918,100</b>
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	230,000	370,000	370,000
Federal Funds	0	1,500	1,500
<b>TOTAL - ALL SOURCES</b>	<b>1,972,000</b>	<b>2,315,000</b>	<b>2,289,600</b>

**AGENCY DESCRIPTION** — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

### Operating Budget

The budget includes \$1,918,100 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(48,900) from the Arizona State Board of Pharmacy Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$23,500 from the Arizona State Board of Pharmacy Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$55,300 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Board of Physical Therapy Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.8	3.8	3.8
Personal Services	158,100	156,700	160,200
Employee Related Expenditures	63,500	69,800	68,600
Professional and Outside Services	35,700	53,600	61,600
Travel - In State	3,700	7,100	7,100
Travel - Out of State	0	900	900
Other Operating Expenditures	42,900	62,100	61,000
Equipment	17,700	4,700	4,700
<b>AGENCY TOTAL</b>	<b>321,600</b>	<b>354,900</b>	<b>364,100</b> <sup>1/2</sup>

### FUND SOURCES

#### Other Appropriated Funds

Board of Physical Therapy Fund	321,600	354,900	364,100
SUBTOTAL - Other Appropriated Funds	321,600	354,900	364,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>321,600</b>	<b>354,900</b>	<b>364,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>321,600</b>	<b>354,900</b>	<b>364,100</b>

**AGENCY DESCRIPTION** — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

#### Operating Budget

The budget includes \$364,100 and 3.8 FTE Positions from the Board of Physical Therapy Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

##### Investigative Costs

The budget includes an increase of \$8,000 from the Board of Physical Therapy Fund in FY 2012 for consultant investigators. The investigators will help manage an increased workload from a growing volume of complaints.

##### Information Technology Improvements

The budget includes an increase of \$500 from the Board of Physical Therapy Fund in FY 2012 for increased website and data back-up capacity. The improvements will improve data reliability and create a system more responsive to records requests.

##### Statewide Adjustments

The budget includes a decrease of \$(3,600) from the Board of Physical Therapy Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$4,300 from the Board of Physical Therapy Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

#### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$7,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Arizona Pioneers' Home

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	115.8	115.8	115.8
Personal Services	3,391,100	3,344,800	3,638,000
Employee Related Expenditures	1,714,300	1,714,000	1,429,100
Professional and Outside Services	131,800	91,800	112,000
Travel - In State	23,000	23,000	23,000
Other Operating Expenditures	796,900	742,800	714,300
Equipment	16,300	16,300	16,300
<b>OPERATING SUBTOTAL</b>	<b>6,073,400</b>	<b>5,932,700</b>	<b>5,932,700</b>
<b>SPECIAL LINE ITEMS</b>			
Prescription Drugs	182,200	240,000	240,000
<b>AGENCY TOTAL</b>	<b>6,255,600</b>	<b>6,172,700</b>	<b>6,172,700</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	0	1,566,200	1,603,600
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	2,618,000	2,554,900	1,743,200
State Charitable Fund	3,637,600	2,051,600	2,825,900
SUBTOTAL - Other Appropriated Funds	6,255,600	4,606,500	4,569,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>6,255,600</b>	<b>6,172,700</b>	<b>6,172,700</b>
Other Non-Appropriated Funds	21,200	21,200	21,200
<b>TOTAL - ALL SOURCES</b>	<b>6,276,800</b>	<b>6,193,900</b>	<b>6,193,900</b>

**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 107 residents.

### Operating Budget

The budget includes \$5,932,700 and 115.8 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$1,603,600
Miners' Hospital Fund	1,743,200
State Charitable Fund	2,585,900

These amounts fund the following adjustments:

#### Fund Shift

The budget includes an increase of \$811,700 from the State Charitable Fund and a corresponding decrease from the Miners' Hospital Fund in FY 2012 to align agency expenditures with available funds.

### Statewide Adjustments

The budget includes a decrease of \$(13,800) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	23,600
State Charitable Fund	(37,400)

(Please see the Agency Detail and Allocations section.)

### Restore Furlough Reduction

The budget includes an increase of \$13,800 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions Section.)

- <sup>1/</sup> Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Pioneers' Home and the Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- <sup>2/</sup> General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- <sup>3/</sup> In addition to these amounts, a total of \$36,000 GF and \$139,200 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

***Prescription Drugs***

The budget includes \$240,000 from the State Charitable Fund in FY 2012 for Prescription Drugs. This amount is unchanged from FY 2011.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

## State Board of Podiatry Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	64,200	65,200	66,600
Employee Related Expenditures	18,600	18,900	18,400
Professional and Outside Services	20,800	35,100	35,100
Travel - In State	700	700	700
Other Operating Expenditures	12,600	19,700	19,400
Equipment	200	2,400	2,400
<b>AGENCY TOTAL</b>	<b>117,100</b>	<b>142,000</b>	<b>142,600<sup>1/2/</sup></b>

### FUND SOURCES

#### Other Appropriated Funds

Podiatry Fund	117,100	142,000	142,600
SUBTOTAL - Other Appropriated Funds	117,100	142,000	142,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>117,100</b>	<b>142,000</b>	<b>142,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>117,100</b>	<b>142,000</b>	<b>142,600</b>

**AGENCY DESCRIPTION** — The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

### Operating Budget

The budget includes \$142,600 and 1 FTE Position from the Podiatry Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(1,100) from the Podiatry Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$1,700 from the Podiatry Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$3,300 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Commission for Postsecondary Education

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	10.0	5.0	5.0 <sup>1/</sup>
Personal Services	68,100	209,800	218,200
Employee Related Expenditures	32,900	66,900	65,800
Professional and Outside Services	8,900	20,200	20,200
Travel - In State	500	3,000	3,000
Other Operating Expenditures	21,200	84,300	84,000
Equipment	1,700	6,000	6,000
<b>OPERATING SUBTOTAL</b>	<b>133,300</b>	<b>390,200</b>	<b>397,200</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona College and Career Guide	13,700	21,200	21,200 <sup>2/</sup>
Arizona Minority Educational Policy Analysis Center	97,100	100,000	99,900 <sup>2/</sup>
Case Managers	75,000	0	0
Family College Savings Program	151,700	149,500	148,600
Leveraging Educational Assistance Partnership	4,046,200	4,264,500	4,264,500 <sup>3/</sup>
Math and Science Teacher Initiative	0	0	176,000
Postsecondary Education Grant Program	2,421,700	0	0
Private Postsecondary Education Student Financial Assistance Program	323,900	0	0
Twelve Plus Partnership	74,200	130,500	130,500 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>7,336,800</b>	<b>5,055,900</b>	<b>5,237,900<sup>4/5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	4,041,400	1,220,800	1,396,800
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	3,295,400	3,835,100	3,841,100
SUBTOTAL - Other Appropriated Funds	3,295,400	3,835,100	3,841,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,336,800</b>	<b>5,055,900</b>	<b>5,237,900</b>
Federal Funds	0	3,168,200	3,168,200
<b>TOTAL - ALL SOURCES</b>	<b>7,336,800</b>	<b>8,224,100</b>	<b>8,406,100</b>

**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.

<sup>1/</sup> Includes 1.5 FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> 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 2012. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund. (General Appropriation Act footnote)

<sup>3/</sup> Each participating institution, public or private, in order to be eligible to receive state matching funds under the Leveraging Educational Assistance Partnership 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 Leveraging Educational Assistance Partnership. 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 2012. (General Appropriation Act footnote)

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

<sup>5/</sup> Any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2011 and all grant monies and other revenues received by the Commission for Postsecondary Education, when paid into the State Treasury, are appropriated for the explicit purposes designated by line items and for additional responsibilities prescribed in A.R.S. § 15-1851 and A.R.S. § 15-1852. (General Appropriation Act footnote)

<sup>6/</sup> In addition to these amounts, a total of \$16,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

### **Operating Budget**

The budget includes \$397,200 and 3.5 FTE Positions from the Postsecondary Education Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(3,200) from the Postsecondary Education Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### **Restore Furlough Reduction**

The budget includes an increase of \$10,200 from the Postsecondary Education Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### **Arizona College and Career Guide**

The budget includes \$21,200 from the Postsecondary Education Fund in FY 2012 for the Arizona College and Career Guide Special Line Item (SLI). This amount is unchanged from FY 2011.

The Arizona College and Career Guide is an annual publication listing Arizona public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

### **Arizona Minority Educational Policy Analysis Center**

The budget includes \$99,900 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2012 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) SLI. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(100) from the Postsecondary Education Fund in FY 2012 for statewide adjustments.

AMEPAC promotes statewide studies, debates, and discussions to improve minority students' awareness of, access to, and achievement in Arizona's postsecondary educational institutions.

### **Case Managers**

The budget includes no funding in FY 2012 for Case Managers. Monies in this line item provided funding for case managers working in conjunction with case managers in the Department of Economic Security's Independent

Living Program and were responsible for educating those in the program about postsecondary education opportunities and providing a student orientation. This SLI was eliminated in the FY 2011 budget.

### **Family and College Savings Plan**

The budget includes \$148,600 and 1 FTE Position from the Postsecondary Education Fund in FY 2012 for the Family College Savings Program (FCSP). These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(900) from the Postsecondary Education Fund in FY 2012 for statewide adjustments.

FCSP enables parents to save money for their child's college education in plans compatible with Internal Revenue Code § 529 (529 Plans). Monies in these plans grow tax-free, and withdrawals for qualified higher educational expenses are federal and state income tax free. FCSP operates from the proceeds of new account fees, which are currently \$13 per account. The plans are available to both residents and non-residents of the state. The commission oversees 3 FCSP providers, 2 of which have multiple investment offerings in their plans.

### **Leveraging Educational Assistance Partnership**

The budget includes \$4,264,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2012. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$1,220,800
Postsecondary Education Fund	3,043,700

These amounts are unchanged from FY 2011.

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).

The budget assumed the continuation of the FY 2011 federally funded portion of the LEAP SLI into FY 2012. However, these funds subsequently were eliminated in FY 2012 by Public Law 112-10, Department of Defense and Full-Year Continuing Appropriations Act, 2011. As a result, it is anticipated that the program will receive less than the \$3,043,700 budgeted amount from the Postsecondary Education Fund in FY 2012. In FY 2011,



\$1,312,500 in federal monies was appropriated to the LEAP SLI.

### ***Math and Science Teacher Initiative***

The budget includes \$176,000 from the General Fund in FY 2012 for the Math and Science Teacher Initiative. This amount funds the following adjustments:

#### **Shift Funding From ABOR**

The budget includes an increase of \$176,000 from the General Fund in FY 2012 to shift the administrative responsibilities of the Mathematics, Science and Special Education Student Loan Fund Program from the Arizona Board of Regents (ABOR) to the commission, as required by Laws 2010, Chapter 332. This shift does not affect overall expenditures from the General Fund.

The program offers loans to students pursuing a teaching degree at a postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. The legislation allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program.

### ***Postsecondary Education Grant Program***

The budget includes no funding in FY 2012 for the Postsecondary Education Grant Program.

Prior to FY 2011, the program distributed up to \$2,000 annually, for up to 4 years, to full-time and part-time students enrolled at a private baccalaureate degree granting institution, pursuant to A.R.S. § 15-1855. Students must repay the commission the entire grant amount if they do not receive a baccalaureate degree in 5 years or a good cause extension from the commission. The commission continues to be required to monitor and evaluate these repayments for students who received grants prior to FY 2011. This SLI was eliminated in the FY 2011 budget.

### ***Private Postsecondary Education Student Financial Assistance Program***

The budget includes no funding in FY 2012 for the Private Postsecondary Education Student Financial Assistance Program.

Prior to FY 2011, the program distributed up to \$2,000 annually, for up to 2 years, to qualified community college graduates who entered a private baccalaureate degree granting institution, pursuant to A.R.S. § 15-1854. Students must repay the commission the entire grant amount if they do not receive a baccalaureate degree in 3 years or a good cause extension from the commission. The commission continues to be required to monitor and

evaluate these repayments for students who received grants prior to FY 2011. This SLI was eliminated in the FY 2011 budget.

### ***Twelve Plus Partnership***

The budget includes \$130,500 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2012 for the Twelve Plus Partnership (TPP). These amounts are unchanged from FY 2011.

TPP is an early education awareness initiative with 3 components: Best Education Practices Conference and Awards Recognition, Think College, and College Goal Sunday. Approximately 70% of this line item funds College Goal Sunday, 25% of the monies go to Best Education Practices Conference and Awards Recognition, and the remaining 5% funds Think College. Private gifts, donations of service, and corporate sponsorships support TPP.

### ***Fund Transfers***

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

## *Arizona Power Authority*

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	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	37,305,100	37,230,200	37,230,200
<b>TOTAL - ALL SOURCES</b>	37,305,100	37,230,200	37,230,200

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**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.

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## State Board for Private Postsecondary Education

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	193,400	180,400	184,500
Employee Related Expenditures	86,800	70,900	69,600
Professional and Outside Services	19,200	27,400	27,400
Travel - In State	700	2,000	2,000
Other Operating Expenditures	34,200	42,800	37,300
Equipment	300	5,800	5,800
<b>AGENCY TOTAL</b>	<b>334,600</b>	<b>329,300</b>	<b>326,600<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board for Private Postsecondary Education Fund	334,600	329,300	326,600
SUBTOTAL - Other Appropriated Funds	334,600	329,300	326,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>334,600</b>	<b>329,300</b>	<b>326,600</b>
Other Non-Appropriated Funds	109,200	160,900	160,900
<b>TOTAL - ALL SOURCES</b>	<b>443,800</b>	<b>490,200</b>	<b>487,500</b>

**AGENCY DESCRIPTION** — The board licenses and regulates 242 private postsecondary education institutions that service approximately 593,900 students annually. The board processes license applications, determines compliance, investigates complaints and violations, and takes disciplinary action on all private postsecondary institutions that offer vocational and/or degree programs. However, the board does not have jurisdiction over cosmetology, barber, real estate, or professional driving schools. In addition to regulatory duties, the board administers the Student Tuition Recovery Fund, which provides restitution to students financially injured by private postsecondary institutional closures.

### Operating Budget

The budget includes \$326,600 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(7,700) from the Board for Private Postsecondary Education Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$5,000 from the Board for Private Postsecondary Education Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$9,200 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## State Board of Psychologist Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,300	189,500	193,000
Employee Related Expenditures	61,500	77,600	76,100
Professional and Outside Services	36,900	37,400	37,400
Travel - In State	6,900	7,700	7,700
Travel - Out of State	1,900	2,100	2,100
Other Operating Expenditures	47,000	44,200	27,700
<b>AGENCY TOTAL</b>	<b>324,500</b>	<b>358,500</b>	<b>344,000<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	324,500	358,500	344,000
SUBTOTAL - Other Appropriated Funds	324,500	358,500	344,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>324,500</b>	<b>358,500</b>	<b>344,000</b>
<b>TOTAL - ALL SOURCES</b>	324,500	358,500	344,000

**AGENCY DESCRIPTION** — The board licenses and regulates psychologists and behavior analysts.

### Operating Budget

The budget includes \$344,000 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(18,800) from the Board of Psychologist Examiners Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$4,300 from the Board of Psychologist Examiners Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$9,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Department of Public Safety

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,091.8	2,081.8	2,139.8 <sup>1/</sup>
Personal Services	99,924,500	95,837,300	97,965,100
Employee Related Expenditures	51,317,500	51,377,200	52,163,500
Professional and Outside Services	575,700	1,485,700	1,485,700
Travel - In State	136,700	484,200	484,200
Travel - Out of State	84,900	192,500	192,500
Other Operating Expenditures	24,326,500	29,470,600	28,617,000
Equipment	3,331,400	3,390,500	3,573,900
<b>OPERATING SUBTOTAL</b>	<b>179,697,200</b>	<b>182,238,000</b>	<b>184,481,900</b>
<b>SPECIAL LINE ITEMS</b>			
GIITEM	17,678,700	20,991,300	21,301,400 <sup>2/3/</sup>
GIITEM Subaccount	0	0	2,090,300 <sup>4/</sup>
County Assistance	0	0	1,000,000 <sup>4/</sup>
Public Safety Equipment	0	0	2,390,000 <sup>4/</sup>
Motor Vehicle Fuel	3,927,300	3,935,500	3,935,500
DNA Testing	980,000	980,000	980,000 <sup>5/</sup>
Photo Radar Enforcement	10,246,200	11,062,500	0
<b>AGENCY TOTAL</b>	<b>212,529,400</b>	<b>219,207,300</b>	<b>216,179,100<sup>6/7/8/</sup></b>
<b>FUND SOURCES</b>			
General Fund	39,862,300	43,008,700	46,526,200
<u>Other Appropriated Funds</u>			
Automated Fingerprint Identification System Fund	2,969,500	3,011,400	3,008,600
Crime Laboratory Assessment Fund	4,833,300	872,500	868,000
Crime Laboratory Operations Fund	6,514,800	11,127,200	11,030,500
Criminal Justice Enhancement Fund	2,863,100	2,886,500	2,859,300
Deoxyribonucleic Acid (DNA) Identification System Fund	2,977,000	3,981,700	3,944,600
Gang and Immigration Intelligence Team Enforcement Mission Fund Subaccount	0	0	2,090,300
Highway Patrol Fund	18,193,200	18,676,600	18,522,300
Highway User Revenue Fund	78,626,200	79,215,700	119,961,000
Motorcycle Safety Fund	205,000	205,000	205,000
Parity Compensation Fund	2,199,500	1,823,300	1,817,900
Photo Enforcement Fund	10,246,200	11,062,500	0
Public Safety Equipment Fund	0	0	2,390,000
Risk Management Fund	278,700	296,200	1,446,300
Safety Enforcement and Transportation Infrastructure Fund	1,504,600	1,518,800	1,509,100
State Highway Fund	41,256,000	41,521,200	0
SUBTOTAL - Other Appropriated Funds	172,667,100	176,198,600	169,652,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>212,529,400</b>	<b>219,207,300</b>	<b>216,179,100</b>
Other Non-Appropriated Funds	27,346,100	36,824,700	34,563,700
Federal Funds	47,869,400	54,238,900	28,597,900
<b>TOTAL - ALL SOURCES</b>	<b>287,744,900</b>	<b>310,270,900</b>	<b>279,340,700</b>

**AGENCY DESCRIPTION** — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

## Operating Budget

The budget includes \$184,481,900 and 1,986 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$20,520,600
Automated Fingerprint Identification System (AFIS) Fund	3,008,600
Crime Laboratory Assessment Fund (CLAF)	868,000
Crime Laboratory Operations Fund (CLOF)	11,030,500
Criminal Justice Enhancement Fund (CJEF)	2,859,300
Deoxyribonucleic Acid (DNA) Identification System Fund	2,964,600
Highway Patrol Fund	18,291,000
Highway User Revenue Fund (HURF)	119,961,000
Motorcycle Safety Fund	205,000
Parity Compensation Fund	1,817,900
Risk Management Fund	1,446,300
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,509,100

These amounts fund the following adjustments:

### Shift Capitol Police from ADOA

The budget includes an increase of \$3,050,800 and 58 FTE Positions in FY 2012 to shift the Capitol Police from the Department of Administration to the Department of Public Safety (DPS) and to bring the Capitol Police Officers up to the appropriate DPS pay grades. These amounts consist of:

General Fund	1,889,200
Risk Management Fund	1,161,600

This change is included in the FY 2012 Consolidation Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 27) and the General Appropriation Act.

- 1/ Includes 153.8 GF FTE Positions funded from Special Line Items in FY 2012.
- 2/ Of the \$21,301,400 appropriated to GIITEM, only \$2,603,400 shall be deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$2,603,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ Of the \$21,301,400 appropriated to GIITEM, \$9,327,000 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) strict enforcement of all federal law relating to illegal aliens and arresting illegal aliens, 2) responding to or assisting any county sheriff or attorney in investigating complaints of employment of illegal aliens, 3) enforcing Arizona's law known as the Legal Arizona Workers Act, strict enforcement of Arizona's SB 1070 Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act", investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into the country and 4) taking strict enforcement action. Any change in the GIITEM mission or allocation of monies must be approved by the Joint Legislative Budget Committee. 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. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ Laws 2011, Chapter 308 appropriation for FY 2012.
- 5/ Laws 2007, Chapter 261 appropriation for FY 2012, as reduced from \$3,520,000 to \$980,000 in Laws 2011, Chapter 33.
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ Any monies remaining in the Department of Public Safety joint account on June 30, 2012 shall revert to the funds from which they were appropriated. The reverted monies shall be returned in direct proportion to the amounts appropriated. (General Appropriation Act footnote)
- 8/ In addition to these amounts, a total of \$877,100 GF and \$4,355,200 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

### Shift Highway Funds to HURF

The budget includes an increase of \$41,521,200 from the Highway User Revenue Fund in FY 2012 and a corresponding State Highway Fund decrease. As a result, about half of the cost will be funded by monies that would otherwise have gone to local governments. The state realizes savings from the freed up State Highway Fund by redirecting \$23,588,500 of Vehicle License Tax monies to the General Fund.

### Statewide Adjustments

The budget includes a decrease of \$(806,900) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	318,200
AFIS Fund	(2,800)
CLAF	(4,500)
CLOF	(96,700)
CJEF	(27,200)
DNA Identification System Fund	(37,100)
Highway Patrol Fund	(154,300)
HURF	(775,900)
Parity Compensation Fund	(5,400)
Risk Management Fund	(11,500)
SETIF	(9,700)

(Please see the Agency Detail and Allocations section.)

## Equipment Issues

### Radio and Infrastructure Equipment Replacement

The budget continues \$677,300 for radio and infrastructure equipment replacement in FY 2012. 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 2011. The equipment to be replaced includes portable radios, mobile radios, base stations, and telecommunications infrastructure.

**GIITEM**

The budget includes \$21,301,400 and 153.8 FTE Positions from the General Fund in FY 2012 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes an increase of \$310,100 from the General Fund in FY 2012 for statewide adjustments.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) \$8,771,000 for gang enforcement, investigation, and interdiction, 2) \$9,327,000 for at least 50 sworn DPS positions to be used for immigration enforcement and border security and up to 50 DPS positions to expand GIITEM’s public awareness, investigation, and intelligence efforts, 3) \$2,603,400 for local gang and immigration enforcement grants, 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet). *Table 1* identifies the various functions, as well as their corresponding allocations.

<b>Function/Purpose</b>	<b>FY 2012</b>
Gang Enforcement & Investigation	\$ 8,771,000
DPS Immigration Personnel	9,327,000
Local Immigration Enforcement Grants	2,603,400 <sup>1/</sup>
GangNet Upgrade & Crime Analysts	600,000
<b>TOTAL</b>	<b>\$21,301,400</b>

<sup>1/</sup> DPS also has prior year non-lapsing monies available for local efforts.

The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 33) shifted language governing the GIITEM local enforcement grants from a General Appropriation Act footnote to permanent law. Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Local grants are distributed to county sheriffs and do not require further approval by the county board of supervisors. The local entity shall provide not less than 25% of the cost of services.

The bill allocates the first \$1,600,000 in local immigration enforcement grant monies to a county with more than 3 million people (Maricopa County) and the next \$500,000 to a county with less than 500,000 people but more than 300,000 people (Pinal County).

The remaining monies may be used for agreements with cities, counties, and other entities at a 3:1 match rate. The bill excludes Maricopa and Pinal County from the matching requirements and excludes Pima County officials from receiving funding. The Pima County exclusion was reversed by Laws 2011, Chapter 308.

Additionally, contracting law enforcement agencies must verify the legal status of suspected illegal aliens and gang members. The bill requires reporting to JLBC for any expenditures not identified in previous expenditure plans.

**GIITEM Subaccount**

Laws 2011, Chapter 308 appropriates \$2,090,300 from the GIITEM Fund in FY 2012 for equipment and supplies for Pinal County deputies and for border security.

Laws 2011, Chapter 308 created a \$13 criminal fee, \$4 of which is to be deposited into the GIITEM Fund Border Security and Law Enforcement Subaccount. These revenues are estimated to total \$1,390,000 in FY 2012. The monies in the GIITEM Subaccount are for border security personnel and equipment.

Additionally, Laws 2011, Chapter 308 redirected the monies normally deposited into the Arizona Criminal Justice Commission’s State Aid to Indigent Defense Fund, estimated at \$700,300, to the GIITEM Fund Border Security and Law Enforcement Subaccount in FY 2012.

These monies are to be provided directly to county sheriffs without approval by the respective Board of Supervisors. The GIITEM Subaccount is subject to legislative appropriation. (*Please see Additional Legislation for more information.*)

**County Assistance**

Laws 2011, Chapter 308 appropriates \$1,000,000 from the General Fund in FY 2012 for a county with more than 300,000 but less than 500,000 individuals (Pinal County) to purchase county sheriff equipment and supplies for border security. This is a one-time appropriation. (*Please see Additional Legislation for more information.*)

**Public Safety Equipment**

Laws 2011, Chapter 308 appropriates \$2,390,000 from the Public Safety Equipment Fund in FY 2012 for equipment and supplies for the department.

Laws 2011, Chapter 308 created a \$4 criminal fee that is to be deposited into the Public Safety Equipment Fund. These monies are to be used for safety equipment. The revenues are estimated to total \$2,390,000 in FY 2012. (*Please see Additional Legislation for more information.*)

### **Motor Vehicle Fuel**

The budget includes \$3,935,500 in FY 2012 for Motor Vehicle Fuel. This amount consists of:

General Fund	3,704,200
Highway Patrol Fund	231,300

These amounts are unchanged from FY 2011.

The Motor Vehicle Fuel Special Line Item provides and tracks monies appropriated to DPS for motor vehicle fuel.

### **DNA Testing**

The budget includes \$980,000 from the DNA Identification System Fund for DNA testing in FY 2012. This amount is unchanged from FY 2011.

*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 to \$980,000. The FY 2012 Criminal Justice BRB maintains spending at the \$980,000 level, where it has remained since FY 2009.

### **Photo Radar Enforcement**

The budget includes no funding in FY 2012 for photo radar enforcement. This amount funds the following adjustments:

#### **Statewide Adjustments**

The budget includes an increase of \$2,300 from the Photo Enforcement Fund in FY 2012 for statewide adjustments.

#### **Elimination of the Program**

The budget includes a decrease of \$(11,064,800) from the Photo Enforcement Fund in FY 2012 for the elimination of the State Photo Radar Enforcement program. This reduction is due to DPS not extending the Photo Radar contract as of July 15, 2010.

### **Fund Transfers**

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

### **Additional Legislation**

#### **HURF and State Highway Fund Cap**

The Criminal Justice BRB notwithstanding the statutory spending provisions for HURF and the State Highway Fund (A.R.S. § 28-6537 and A.R.S. § 28-6993).

#### **Public Safety Equipment Fund Uses**

The Criminal Justice BRB modifies statute to allow Public Safety Equipment Fund monies to be used for vehicles.

#### **Ch. 308 GIITEM, Public Safety Equipment Fund, and Photo Radar Changes**

Laws 2011, Chapter 308 created an additional \$13 surcharge to be assessed against all fines and penalties for criminal offenses and civil penalty imposed for a traffic violation, violation of the motor vehicle statutes, local ordinance relating to the stopping, standing or operating of a vehicle, or violation of the Game and Fish statutes in Title 17. The fees are divided amongst several beneficiaries with the Public Safety Equipment Fund receiving \$4, the GIITEM Fund Border Security and Law Enforcement Subaccount receiving \$4, the investigating authority responsible for bringing the case receiving \$4, and either the Justice Courts outside Maricopa County or the Justice Court Administration in Maricopa County receiving \$1. The fee deposits into the Public Safety Equipment Fund and the GIITEM Fund Border Security and Law Enforcement Subaccount are subject to appropriation.

The bill appropriates \$1,000,000 from the General Fund to DPS in FY 2012 for County Assistance. The monies are to be provided to Pinal County to purchase equipment and supplies for deputies for border security. Notwithstanding the new Chapter 308 allocation, the bill also stipulates that the first \$1,000,000 that would have otherwise been put into the GIITEM Fund Border Security and Law Enforcement Subaccount in FY 2012 will be diverted to the General Fund. This diversion serves to offset the General Fund appropriation.

The bill also redirects, from ACJC to the DPS GIITEM Subaccount, 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 of Appeals. These monies are subject to appropriation, are to be distributed to county sheriffs for border security and are not subject to approval by the respective Board of Supervisors. The intent of Laws 2011, Chapter 308 is to redirect only new monies generated by these fines in FY 2012 and not monies currently in the fund balance. The revenues revert to the State Aid to Indigent Defense Fund in FY 2013.

Laws 2011, Chapter 308 also eliminates the state Photo Enforcement Program and State Photo Enforcement Fund.



The bill stipulates that individuals are not required to pay their photo enforcement fines if local governments choose to notify individuals through means other than formal service or certified mail. If the local government utilizes a Notice of Violation (NOV), they are required to notify the individual that there is no obligation to identify the driver or respond and that not responding may result in official service, which may result in an additional fee.

The bill also modifies Laws 2010, Chapter 266 to extend the date within which remaining Photo Enforcement Fund monies can be transferred to the Public Safety Equipment Fund by 1 year to June 30, 2012.

## Public Safety Personnel Retirement System

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>FUND SOURCES</b>			
Other Non-Appropriated Funds	27,947,200	28,620,000	28,620,000
<b>TOTAL - ALL SOURCES</b>	<b>27,947,200</b>	<b>28,620,000</b>	<b>28,620,000</b>

**AGENCY DESCRIPTION** — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials' Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation.

### Additional Legislation

#### *Ch. 357 Retirement Systems; Plan; Plan Design*

Laws 2011, Chapter 357 contains plan design changes for members who join PSPRS, CORP or EORP on or after January 1, 2012, including the following:

For all 3 systems, Chapter 357 changes the average compensation calculation used to determine members' retirement benefits from the average of the most highly compensated 36 months in the last 120 months to the average of the most highly compensated 60 months in the final 120 months of employment. Chapter 357 also gradually increases the employee contribution rate from its previous fixed rate for new and existing members.

For EORP specifically, Chapter 357 eliminates the early retirement option and the 20 years of service normal retirement eligibility option. Chapter 357 also eliminates employer contribution refunds for members who terminate their employment and choose to withdraw their account balance. It also adds a benefit cap (80% of salary) to members upon retirement and reduces surviving spouse pensions from three-quarters to one-half.

For PSPRS specifically, Chapter 357 increases the 20 years of service or 15 years of service and age 62 normal retirement eligibility option to 25 years of service and age 52.5. Under previous law, the retiree benefit was calculated based on 20 years of service, with the monthly benefit equal to 50% of the member's average monthly compensation. For each year of service below 20 years, the benefit was reduced by (4)%, for each year over 20 years the benefit was increased by 2%, and for retirees with over 25 years of service, the benefit was increased by 2.5% for each year above 20 years of service. Under Chapter 357, the retiree benefit is calculated based on 25 years of service, with the monthly benefit equal to 62.5% of average monthly compensation. For each year of service below 25 years, the benefit is reduced by (4)%, the 2% increase for each year of service in excess of 20 years is eliminated, and for each year over 25 years the benefit is

increased by 2.5%. Chapter 357 continues to limit the maximum normal pension benefit to 80% of average monthly compensation.

Chapter 357 requires a system employer that hires a PSPRS retiree to pay an Alternate Contribution Rate into PSPRS. It also eliminates eligibility for Deferred Retirement Option Plan (DROP) for new hires, modifies the interest payment and requires a contribution for employees with fewer than 20 years of service who enter DROP.

Chapter 357 increases the level of excess investment earnings that are required in order for retirees to receive a permanent benefit increase (PBI). If the system has a funded status of 70% or less, no PBI will be provided. For a funded status between 70% and 80%, the PBI will be 25% of the average annual return over 9%. If the funded status of the system is over 80%, the PBI will be 50% of the average annual return over 9%.

For CORP specifically, Chapter 357 sets minimum retirement eligibility at 25 years of service and age 52.5, eliminating the option to retire after 20 years of service and requires a system employer that hires a CORP retiree to pay an Alternate Contribution Rate into CORP. Chapter 357 also eliminates employer contribution refunds for members who terminate their employment and choose to withdraw their account balance. Chapter 357 increases the employee contribution rate for new and existing members. It also designates levels of excess earnings and funded status of the fund that must be met before a PBI is issued. Chapter 357 allows for a PBI only if the fund has a return of more than 10.5% for the previous year, ending June 30<sup>th</sup>, and is at least 60% funded. The amount of the PBI is between 2% and 4% depending on the funded level. The PBI is limited to the amount of earnings in the fund that exceed 10.5%. Any excess earning amount that is not used for a PBI reverts back to the employer accounts.

It also adds that members need to have at least 10 years of credited service to purchase service for previous

employment with the United States government, another state within the United States, or a state political subdivision, and limits the allowable service purchase to 60 months.

Chapter 357 also appropriates \$50,000 from the PSPRS Investment and Administrative Expenses Account (as well as \$50,000 from Arizona State Retirement System [ASRS]) to the State Treasurer to fund the implementation of a committee that will study the feasibility and cost of transferring existing members of the retirement systems from the current defined benefit plan to a new defined contribution plan, as well as the costs and feasibility of providing a defined contribution plan for newly-hired public employees. The committee, comprised of current members for the State Board of Investment, as well as members of the Legislature, the Arizona State Retirement System and PSPRS, is required to provide an interim report on December 31, 2011 and a final report on December 31, 2012. The appropriation is non-lapsing until September 30, 2013.

Chapter 357 requires that PSPRS annually provide a report to the Legislature and Joint Legislative Budget Committee (JLBC) that includes the shared cost structure of employers and employees, the funded status, and rate of return.

Chapter 357 allows the Legislature, on and after December 15, 2015, to enact permanent one-time benefit increases for retirees after JLBC analysis.

PSPRS anticipates Chapter 357 will result in administrative costs and actuarial changes, but the specific impact of this legislation is yet to be determined. Chapter 357 also affects ASRS. (*Please see ASRS Additional Legislation.*)

# Arizona Department of Racing

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	41.5	40.5	40.5
Personal Services	1,153,500	1,269,300	1,285,100
Employee Related Expenditures	476,500	486,900	456,100
Professional and Outside Services	103,400	93,000	93,000
Travel - In State	77,900	47,300	47,300
Travel - Out of State	1,600	1,700	1,700
Other Operating Expenditures	220,500	180,800	153,200
Equipment	1,500	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,034,900</b>	<b>2,079,000</b>	<b>2,036,400</b>
<b>SPECIAL LINE ITEMS</b>			
Breeders' Award	246,700	0	0
County Fair Racing	340,200	0	0
County Fairs Livestock and Agricultural Promotion	1,779,500	1,779,500	1,779,500 <sup>1/</sup>
County Fairs Racing Betterment	519,400	0	0
Racing Administration	42,800	0	0
Ch. 333 Additional Appropriation	0	0	400,000 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>4,963,500</b>	<b>3,858,500</b>	<b>4,215,900<sup>3/4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	4,963,500	3,858,500	2,781,600
<u>Other Appropriated Funds</u>			
Racing Regulation Fund	0	0	1,434,300
SUBTOTAL - Other Appropriated Funds	0	0	1,434,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>4,963,500</b>	<b>3,858,500</b>	<b>4,215,900</b>
Other Non-Appropriated Funds	30,700	16,900	16,900
<b>TOTAL - ALL SOURCES</b>	<b>4,994,200</b>	<b>3,875,400</b>	<b>4,232,800</b>

**AGENCY DESCRIPTION** — The Arizona Department of Racing regulates the pari-mutuel horse and greyhound racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The Division of Boxing Regulation is responsible for licensing, investigating, and regulating professional boxing, tough man, and nontraditional fighting contests within Arizona.

## Operating Budget

The budget includes \$2,036,400 and 40.5 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$1,002,100
Racing Regulation Fund	1,034,300

These amounts fund the following adjustments:

## Shift to Self-Funding

The budget includes a decrease of \$(1,042,000) and (20) FTE Positions from the General Fund and an increase of \$1,042,000 and 20 FTE Positions from the Racing Regulation Fund in FY 2012 for the first year of a 2-year program to shift the department from the General Fund to racing industry support. Laws 2011, Chapter 333 added another \$400,000 in Racing Regulation Fund expenditure authority. (Please see Ch. 333 Additional Appropriation Special Line Item for more information.)

- <sup>1/</sup> 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. (General Appropriation Act footnote)
- <sup>2/</sup> Laws 2011, Chapter 333 appropriates \$400,000 from the Racing Regulation Fund in FY 2012.
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>4/</sup> In addition to these amounts, a total of \$28,600 GF and \$31,500 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

### Statewide Adjustments

The budget includes a decrease of \$(64,400) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(56,700)
Racing Regulation Fund	(7,700)

*(Please see the Agency Detail and Allocations section.)*

### Restore Furlough Reduction

The budget includes an increase of \$21,800 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Breeders' Award

The budget includes no funding in FY 2012 for Breeders' Award. This amount is unchanged from FY 2011. The Arizona Department of Racing eliminated funding for this program as part of its allocation of its FY 2011 lump sum reduction.

Monies in this line item were deposited in the non-appropriated Arizona Breeders Award Fund. The fund awards the breeder of every winning horse or greyhound foaled or whelped in this state.

### County Fair Racing

The budget includes no funding in FY 2012 for County Fair Racing. This amount is unchanged from FY 2011. The Arizona Department of Racing eliminated funding for this program as part of its allocation of its FY 2011 lump sum reduction.

Monies in this line item were deposited in the non-appropriated County Fair Racing Fund to provide funding for the administration of county fair racing.

### County Fairs Livestock and Agricultural Promotion

The budget includes \$1,779,500 from the General Fund in FY 2012 for County Fairs Livestock and Agricultural Promotion. This amount is unchanged from FY 2011.

Monies in this line item are deposited in the County Fairs Livestock and Agricultural Promotion Fund in the Office of the Governor. The fund is used to promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

### County Fairs Racing Betterment

The budget includes no funding in FY 2012 for County Fairs Racing Betterment. This amount is unchanged from FY 2011. The Arizona Department of Racing eliminated funding for this program as part of its allocation of its FY 2011 lump sum reduction.

Monies in this line item were deposited in the non-appropriated County Fairs Racing Betterment Fund. The fund provides grants for capital improvements to each eligible county fair association conducting a county fair racing meeting, in order to protect the health and safety of race participants.

### Racing Administration

The budget includes no funding in FY 2012 for Racing Administration. This amount is unchanged from FY 2011. The Arizona Department of Racing eliminated funding for this program as part of its allocation of its FY 2011 lump sum reduction.

Monies in this line item were deposited in the non-appropriated Racing Administration Fund. The fund was used to administer the County Fairs Racing Betterment Fund, the Arizona Breeders Award Fund, the Stallion Award Fund, the Greyhound Adoption Fund, and other racing administration programs.

### Ch. 333 Additional Appropriation

Laws 2011, Chapter 333, appropriates an additional \$400,000 from the Racing Regulation Fund in FY 2012 to the Department of Racing for general operating expenditures. Chapter 333 directs the Department of Racing to transfer \$1,000 in FY 2012 from the Racing Regulation Fund to the Arizona State Parks Board for deposit in the State Lake Improvement Fund. *(Please see Additional Legislation for more information.)*

### Fund Transfers

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

### Additional Legislation

#### Racing Regulation Fund Establishment

The Regulation Budget Reconciliation Bill (Laws 2011, Chapter 35), as permanent law, establishes the Racing Regulation Fund, which shall consist of increased or new license fees and regulatory assessments to be established by the Department of Racing and the Boxing Commission. Chapter 35 as amended by Laws 2011, Chapter 333 states that it is the intent of the Legislature that fees be in amounts sufficient to support the mission of the Department of Racing and that the additional revenue generated by any fee increases shall not exceed \$1,442,000 in FY 2012 and \$2,562,000 in FY 2013. The Department of Racing is exempt from the rule making requirements of A.R.S. Title 41, Chapter 6, for the purpose of establishing fees until July 1, 2012. *(Please see Ch. 333 Additional Appropriation Special Line Item above for more information.)*

# Radiation Regulatory Agency

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	32.0	32.0	32.5 <sup>1/</sup>
Personal Services	550,100	546,200	841,400
Employee Related Expenditures	309,100	308,300	378,400
Professional and Outside Services	6,400	6,400	10,800
Travel - In State	200	200	10,200
Other Operating Expenditures	167,000	155,400	242,500
Equipment	1,000	1,000	21,000
<b>OPERATING SUBTOTAL</b>	<b>1,033,800</b>	<b>1,017,500</b>	<b>1,504,300</b>
<b>SPECIAL LINE ITEMS</b>			
Nuclear Emergency Management Fund	635,600	639,500	716,000 <sup>2/3/</sup>
<b>AGENCY TOTAL</b>	<b>1,669,400</b>	<b>1,657,000</b>	<b>2,220,300 <sup>4/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,404,200	1,392,600	1,459,000
<u>Other Appropriated Funds</u>			
Radiation Regulatory Fee Fund	0	0	496,700
State Radiologic Technologist Certification Fund	265,200	264,400	264,600
SUBTOTAL - Other Appropriated Funds	265,200	264,400	761,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,669,400</b>	<b>1,657,000</b>	<b>2,220,300</b>
Other Non-Appropriated Funds	300,000	565,400	65,000
Federal Funds	531,600	531,600	531,600
<b>TOTAL - ALL SOURCES</b>	<b>2,501,000</b>	<b>2,754,000</b>	<b>2,816,900</b>

**AGENCY DESCRIPTION** — The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.

## Operating Budget

The budget includes \$1,504,300 and 28 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$743,000
Radiation Regulatory Fee Fund	496,700
State Radiologic Technologist Certification Fund	264,600

These amounts fund the following adjustments:

## Establishment of Radiation Regulatory Fee Fund

The budget includes an increase of \$500,000 from the Radiation Regulatory Fee Fund in FY 2012 as a result of shifting previously Non-Appropriated fee authority to the newly-established Radiation Regulatory Fee Fund. The FY 2012 Revenues Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 28) continues to allow the Radiation Regulatory Agency \$500,000 in increased fee authority and deposits those fees into the Radiation Regulatory Fee Fund, which is created by the bill. The increased fee authority was originally authorized as \$400,000 in FY 2009 by Laws 2008, Chapter 291 to offset a commensurate decrease to the General Fund. The fee authority was subsequently increased to \$500,000 in FY 2010 by Laws 2009, 4<sup>th</sup> Special Session, Chapter 3.

<sup>1/</sup> Includes 4.5 FTE Positions funded by Laws 2011, Chapter 132.

<sup>2/</sup> Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.

<sup>3/</sup> Includes \$715,952 and 4.5 FTE Positions in FY 2012 and \$675,952 and 4.5 FTE Positions in FY 2013 appropriated by Laws 2011, Chapter 132 for the Nuclear Emergency Management Fund.

<sup>4/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>5/</sup> In addition to these amounts, a total of \$20,300 GF and \$18,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

### Statewide Adjustments

The budget includes a decrease of \$(33,400) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(26,900)
Radiation Regulatory Fee Fund	(3,300)
State Radiologic Technologist Certification Fund	(3,200)

*(Please see the Agency Detail and Allocations section.)*

### Restore Furlough Reduction

The budget includes an increase of \$20,200 in FY 2012 for eliminating the mandatory FY 2011 furlough. This amount consists of:

General Fund	16,800
State Radiologic Technologist Certification Fund	3,400

*(Please see the General Provisions section.)*

### Nuclear Emergency Management Fund

The budget includes \$715,952 and 4.5 FTE Positions from the General Fund in FY 2012 for the Nuclear Emergency Management Fund (NEMF) and \$675,952 and 4.5 FTE Positions in FY 2013. These amounts fund the following adjustments:

#### NEMF Allocation Increase

Laws 2011, Chapter 132 includes an increase of \$76,500 and a 0.5 FTE Position from the General Fund in FY 2012 for the NEMF Special Line Item and an increase of \$36,500 and a 0.5 FTE Position in FY 2013. These amounts represent the increase above the FY 2011 NEMF allocation of \$639,500 and 4 FTE Positions, originally appropriated in Laws 2009, Chapter 73.

The monies in this line item are appropriated by Laws 2011, Chapter 132. As a result, these monies do not appear in the General Appropriation Act. The Radiation Regulatory Agency, Department of Emergency and Military Affairs, and Department of Agriculture receive monies from this bill. *(Please see the Department of Emergency and Military Affairs and Department of Agriculture 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.

### Fund Transfers

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

## *Arizona Rangers' Pensions*

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
Other Operating Expenditures	14,000	14,200	0
<b>AGENCY TOTAL</b>	<b>14,000</b>	<b>14,200</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	14,000	14,200	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>14,000</b>	<b>14,200</b>	<b>0</b>
<b>TOTAL - ALL SOURCES</b>	<b>14,000</b>	<b>14,200</b>	<b>0</b>

**AGENCY DESCRIPTION** — Provided a monthly benefit for the one remaining surviving spouse of an Arizona Ranger.

### *Operating Budget*

The budget includes no funding from the General Fund in FY 2012 for the operating budget. This amount funds the following adjustments:

#### **End of Program**

The budget includes a decrease of \$(14,200) from the General Fund in FY 2012 for the end of the program. The one remaining recipient died during FY 2011.



## State Real Estate Department

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	57.0	55.0	55.0
Personal Services	1,604,700	1,529,400	1,529,400
Employee Related Expenditures	835,400	832,700	656,300
Professional and Outside Services	44,300	15,300	15,300
Travel - In State	2,500	10,000	10,000
Travel - Out of State	100	2,000	2,000
Other Operating Expenditures	505,000	578,200	432,700
Equipment	15,200	11,000	11,000
<b>AGENCY TOTAL</b>	<b>3,007,200</b>	<b>2,978,600</b>	<b>2,656,700<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	3,007,200	2,978,600	2,656,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,007,200</b>	<b>2,978,600</b>	<b>2,656,700</b>
Other Non-Appropriated Funds	53,500	0	0
<b>TOTAL - ALL SOURCES</b>	<b>3,060,700</b>	<b>2,978,600</b>	<b>2,656,700</b>

**AGENCY DESCRIPTION** — The department issues licenses for real estate, cemetery, and membership campground sales. The department also regulates the real estate industry, including licensees, developers, subdividers, and real estate schools. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department's state General Fund appropriation.

### Operating Budget

The budget includes \$2,656,700 and 55 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(321,900) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$67,400 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## Residential Utility Consumer Office

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	574,800	717,400	730,100
Employee Related Expenditures	208,700	240,200	234,100
Professional and Outside Services	1,900	2,400	2,400
Travel - In State	3,100	8,600	8,600
Travel - Out of State	0	7,000	7,000
Other Operating Expenditures	155,400	162,900	161,800
Equipment	100	0	0
<b>OPERATING SUBTOTAL</b>	<b>944,000</b>	<b>1,138,500</b>	<b>1,144,000</b>
<b>SPECIAL LINE ITEMS</b>			
Professional Witnesses	252,900	145,000	145,000 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>1,196,900</b>	<b>1,283,500</b>	<b>1,289,000<sup>2/3/</sup></b>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Residential Utility Consumer Office Revolving Fund	1,196,900	1,283,500	1,289,000
SUBTOTAL - Other Appropriated Funds	1,196,900	1,283,500	1,289,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,196,900</b>	<b>1,283,500</b>	<b>1,289,000</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,196,900</b>	<b>1,283,500</b>	<b>1,289,000</b>

**AGENCY DESCRIPTION** — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission (ACC). Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.

### Operating Budget

The budget includes \$1,144,000 and 11 FTE Positions from the RUCO Revolving Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(9,900) from the RUCO Revolving Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$15,400 from the RUCO Revolving Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund in FY 2012 for Professional Witnesses. This amount is unchanged from FY 2011.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

### Fund Transfers

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

<sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> In addition to these amounts, a total of \$36,200 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## Board of Respiratory Care Examiners

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	164,600	161,800	165,400
Employee Related Expenditures	53,400	54,200	53,000
Professional and Outside Services	5,200	5,200	49,200
Travel - In State	600	800	800
Other Operating Expenditures	38,900	40,000	37,800
<b>AGENCY TOTAL</b>	<b>262,700</b>	<b>262,000</b>	<b>306,200</b> <sup>1/2</sup>

### FUND SOURCES

#### Other Appropriated Funds

Board of Respiratory Care Examiners Fund	262,700	262,000	306,200
SUBTOTAL - Other Appropriated Funds	262,700	262,000	306,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>262,700</b>	<b>262,000</b>	<b>306,200</b>
<b>TOTAL - ALL SOURCES</b>	<b>262,700</b>	<b>262,000</b>	<b>306,200</b>

**AGENCY DESCRIPTION** — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

#### Operating Budget

The budget includes \$306,200 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

##### Firewall

The budget includes an increase of \$5,000 from the Board of Respiratory Care Examiners Fund in FY 2012 for purchase of a firewall to protect the board's data. The board currently operates behind the firewall of another state agency.

##### Database Repair

The budget includes an increase of \$44,000 from the Board of Respiratory Care Examiners Fund in FY 2012 for overhaul of the board's database. The current database is no longer supported by the state contracted vendor.

##### Statewide Adjustments

The budget includes a decrease of \$(9,200) from the Board of Respiratory Care Examiners Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$4,400 from the Board of Respiratory Care Examiners Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

#### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$8,200 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

# Arizona State Retirement System

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	236.0	236.0	236.0
Personal Services	11,223,200	11,866,900	12,117,500
Employee Related Expenditures	4,255,400	4,668,500	4,720,600
Professional and Outside Services	4,231,400	3,881,800	3,881,800
Travel - In State	43,200	53,600	53,600
Travel - Out of State	31,500	25,000	25,000
Other Operating Expenditures	2,525,800	2,496,800	2,535,500
Equipment	461,700	377,500	389,500
<b>OPERATING SUBTOTAL</b>	<b>22,772,200</b>	<b>23,370,100</b>	<b>23,723,500</b>
<b>SPECIAL LINE ITEMS</b>			
ASRS Plan Design Changes	0	1,341,700	0
Contribution Rate Administration	0	100,000	600,000
Ch. 357 Retirement Systems; Plans; Plan Design	0	0	250,000
<b>AGENCY TOTAL</b>	<b>22,772,200</b>	<b>24,811,800<sup>1/</sup></b>	<b>24,573,500<sup>2/3/</sup></b>

## FUND SOURCES

### Other Appropriated Funds

Long-Term Disability Administration Account	2,788,200	2,800,000	2,800,000
State Retirement System Administration Account	19,984,000	22,011,800	21,773,500
SUBTOTAL - Other Appropriated Funds	22,772,200	24,811,800	24,573,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>22,772,200</b>	<b>24,811,800</b>	<b>24,573,500</b>
Other Non-Appropriated Funds	40,763,200	55,211,500	58,951,700
<b>TOTAL - ALL SOURCES</b>	<b>63,535,400</b>	<b>80,023,300</b>	<b>83,525,200</b>

**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, 2010 valuation, ASRS membership included approximately 213,530 active (working and contributing) members, 209,605 inactive members, 101,307 retired members and survivor beneficiaries, and 4,724 long-term disabled members. ASRS has approximately \$23.1 billion in assets (market value, includes System), \$8.7 billion in unfunded liability (includes System), and approximately \$2.1 billion in annual benefit payments. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

### Operating Budget

The budget includes \$23,723,500 and 236 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

State Retirement System Administration Account	<b>FY 2012</b> \$20,923,500
Long-Term Disability Administration Account	2,800,000

These amounts fund the following adjustments:

#### Investment Management Asset Managers

The budget includes an increase of \$302,700 from the State Retirement System Administration Account in FY 2012 to fund additional personnel to oversee and maintain asset allocations that are currently maintained by external consultants.

#### Risk Management Encryption Software

The budget includes an increase of \$12,000 from the State Retirement System Administration Account in FY 2012 to

<sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. (Laws 2011, Chapter 277)

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum by Agency.

<sup>3/</sup> In addition to these amounts, a total of \$598,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

fund operating costs of encryption software for electronic communication and records.

#### **Statewide Adjustments**

The budget includes an increase of \$38,700 from the State Retirement System Administration Account in FY 2012 for statewide adjustments. (*Please see the Agency Detail and Allocations section.*)

#### **ASRS Design Plan Changes**

The budget includes no funding in FY 2012 for the ASRS Design Plan Changes Special Line Item. This funds the following adjustments:

#### **Elimination of Design Plan Changes SLI**

The budget includes a decrease of \$(1,341,700) from the State Retirement System Administration Account in FY 2012 to eliminate one-time costs.

#### **Contribution Rate Administration**

The budget includes \$600,000 from the State Retirement System Administration Account in FY 2012 for the Contribution Rate Administration Special Line Item. This amount funds the following adjustments:

#### **Appropriation for Design Plan Changes**

The budget includes an increase of \$500,000 from the State Retirement System Administration Account in FY 2012 for implementation costs of modifications to the ASRS employer and employee contribution rates that are required by Laws 2011, Chapter 26 (*see Additional Legislation*).

The budget includes a FY 2011 supplemental of \$100,000 from the State Retirement System Administration Account to begin implementing these changes.

#### **Ch. 357 Retirement Systems; Plans; Plan Design**

Laws 2011, Chapter 357 appropriates \$250,000 from the State Retirement System Administration Account in FY 2012 for implementation costs of modifications to the ASRS employer and employee contribution rates.

Laws 2011, Chapter 357 modifies the ASRS design plan. This appropriation is non-lapsing (*see Additional Legislation*).

#### **Additional Legislation**

#### **Retirement Contribution Shift**

The Budget Procedures Budget Reconciliation Bill (Laws 2011, Chapter 26) changes the ASRS contribution proportion for the employer and employee from each contributing 50% to the employee contributing 53% and the employers contributing 47%. This modification necessitates changes to programs, calculations and

processes so that the new contribution rate split can be implemented. It also increases ASRS' liabilities, resulting in an increase in contribution rates ranging from 6 basis points in FY 2013 to 23 basis points in the long-term.

Chapter 26 also institutes a 6-month waiting period for new employee participation in ASRS. ASRS anticipates this provision will increase the contribution rate by approximately 13 basis points beginning in FY 2013.

#### **Ch. 357 Retirement Systems; Plans; Plan Design**

Laws 2011, Chapter 357 contains changes for new and existing ASRS members, including the following:

Chapter 357 removes the 85 point (age plus years of service) normal retirement eligibility option for members hired after July 1, 2011 and replaces it with 2 normal retirement eligibility options: 25 years of service and age 60 and 30 years of service and age 55. There are 2 other normal retirement eligibility options that Chapter 357 did not affect: 10 years of service and age 62 and any years of service and age 65. It also places additional restrictions on the purchase of service credit from other public service. ASRS estimates immediate changes to the contribution rate will be minimal. However, in the long-term, ASRS anticipates these provisions will reduce contribution rates by 25 basis points.

Chapter 357 also requires an employer that hires an ASRS retiree to pay an Alternate Contribution Rate (ACR) into ASRS. Chapter 357 gives guidelines for the calculation of the ACR and states that the payment of the ACR does not result in the accrual of credited service for the retired member. Based on a population of 4,000 retirees returning to work in FY 2013 and 2% growth in that population each year, ASRS estimates the provisions in Chapter 357 would reduce the contribution rate by 20 to 31 basis points through FY 2027.

Chapter 357 allows unexpended and unencumbered monies that were appropriated in FY 2011 to be used for the implementation of Chapter 357.

Chapter 357 also appropriates \$50,000 from the State Retirement System Administration Account (as well as from the Public Safety Personnel Retirement System [PSPRS]) to the State Treasurer to fund the implementation of a committee that will study the feasibility and cost of transferring existing members of all 4 state retirement systems from the current defined benefit plan to a new defined contribution plan, as well as the costs and feasibility of providing a defined contribution plan for newly-hired public employees. The committee, comprised of current members for the State Board of Investment, as well as members of the Legislature, the Arizona State Retirement System and PSPRS, is required to provide an interim report on December 31, 2011 and a final report on December 31, 2012. The appropriation is non-lapsing until September 30, 2013.

Chapter 357 also affects PSPRS. (*Please see PSPRS Additional Legislation.*)

***Ch. 277 ASRS; Amendments***

Laws 2011, Chapter 277 contains changes for new and existing ASRS members, including modifications to the long-term disability plan, including the timeline for filing claims. It also places limitations on service purchase and allows ASRS to intercept monies that would be directed to an agency if that agency is delinquent on payment to ASRS. ASRS estimates that changes to the contribution rate will be minimal.

## Department of Revenue

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	873.0	935.0	935.0 <sup>1/</sup>
Personal Services	25,919,600	32,828,400	32,828,400
Employee Related Expenditures	9,196,500	13,095,800	14,400,600
Professional and Outside Services	2,815,700	3,007,600	3,007,600
Travel - In State	207,100	304,600	304,600
Travel - Out of State	67,600	422,500	422,500
Other Operating Expenditures	10,113,300	7,897,400	5,845,400
Equipment	823,600	627,100	627,100
<b>OPERATING SUBTOTAL</b>	<b>49,143,400</b>	<b>58,183,400</b>	<b>57,436,200</b>
<b>SPECIAL LINE ITEMS</b>			
BRITS Operational Support	3,623,600	5,571,400	5,632,000
Temporary Collectors	3,000,000	2,897,400	2,873,200 <sup>2/</sup>
Unclaimed Property Administration and Audit	2,110,900	1,770,000	1,770,000 <sup>3/</sup>
<b>AGENCY TOTAL</b>	<b>57,877,900</b>	<b>68,422,200</b>	<b>67,711,400<sup>4/5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	37,515,700	43,497,600	44,129,600
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	19,336,400	23,862,500	22,532,600
Liability Setoff Fund	358,600	388,900	383,800
Tobacco Tax and Health Care Fund	667,200	673,200	665,400
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>20,362,200</b>	<b>24,924,600</b>	<b>23,581,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>57,877,900</b>	<b>68,422,200</b>	<b>67,711,400</b>
Other Non-Appropriated Funds	24,362,900	18,130,000	19,030,000
<b>TOTAL - ALL SOURCES</b>	<b>82,240,800</b>	<b>86,552,200</b>	<b>86,741,400</b>

**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 budget includes \$57,436,200 and 897 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$35,624,400
DOR Administrative Fund	20,762,600

Liability Setoff Fund	383,800
Tobacco Tax and Health Care Fund	665,400

These amounts fund the following adjustments:

### Eliminate One-Time Funding

The budget includes a decrease of \$(1,200,000) from the DOR Administrative Fund in FY 2012 to eliminate one-time

<sup>1/</sup> Includes 38 GF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> The \$2,873,200 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, 2012. (General Appropriations Act footnote, as adjusted for statewide allocations)

<sup>3/</sup> If 12.5% of the total dollar value of properties recovered by unclaimed property contract auditors exceeds \$1,770,000, the excess amount shall be transferred from the State General Fund to the DOR Administrative Fund and appropriated to the department for contract auditor fees. (General Appropriation Act footnote)

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

<sup>5/</sup> The department shall report the department's General Fund revenue enforcement goals for FY 2012 to the Joint Legislative Budget Committee by July 31, 2011. 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 2012 by July 31, 2012. The reports shall include a comparison of projected and actual General Fund revenue enforcement collections for FY 2012. (General Appropriation Act footnote)

<sup>6/</sup> In addition to these amounts, a total of \$1,106,700 GF and \$531,700 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

FY 2011 supplemental funding associated with increased expenditures. Laws 2011, Chapter 24 appropriated \$1,200,000 as a FY 2011 supplemental to pay for upgrades to the department's accounting system known as the Agency Information Management System.

#### **Statewide Adjustments**

The budget includes an increase of \$452,800 in FY 2012 for statewide adjustments. This amount consists of:

General Fund	595,600
DOR Administrative Fund	(129,900)
Liability Setoff Fund	(5,100)
Tobacco Tax and Health Care Fund	(7,800)

*(Please see the Agency Detail and Allocations section.)*

#### **Business Reengineering/Integrated Tax System (BRITS) Operational Support**

The budget includes \$5,632,000 and 38 FTE Positions from the General Fund in FY 2012 for operational support of BRITS. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes an increase of \$60,600 from the General Fund in FY 2012 for statewide adjustments.

Monies in this line item are used for annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system.

#### **Temporary Collectors**

The budget includes \$2,873,200 from the General Fund in FY 2012 for Temporary Collectors. This amount funds the following adjustment:

#### **Statewide Adjustments**

The budget includes a decrease of \$(24,200) from the General Fund in FY 2012 for statewide adjustments.

Monies in this line item are used to hire temporary collectors to assist in the collection of already established debt.

#### **Unclaimed Property Administration and Audit**

The budget includes \$1,770,000 from the DOR Administrative Fund in FY 2012 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2011.

Monies in this line item are used for the administrative costs of unclaimed or abandoned property. Contract auditors retain 12.5% of the dollar value of properties they recover. This amount is currently estimated at \$1,770,000.

#### **Fund Transfers**

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

#### **Additional Legislation**

#### **Removal of DOR Administrative Fund Non-Lapsing**

The Revenue Budget Reconciliation Bill (Laws 2011, Chapter 28) removes the non-lapsing provision from the DOR Administrative Fund. Monies unexpended at the end of the fiscal year will revert to the DOR Administrative Fund balance, and will not be available for agency use without further appropriation.



## School Facilities Board

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	18.0	17.0	17.0
Personal Services	775,500	756,900	772,000
Employee Related Expenditures	299,900	258,200	211,400
Professional and Outside Services	134,900	144,000	144,000
Travel - In State	18,500	30,000	30,000
Other Operating Expenditures	184,900	193,400	150,500
Equipment	8,700	5,700	5,700
<b>OPERATING SUBTOTAL</b>	<b>1,422,400</b>	<b>1,388,200</b>	<b>1,313,600</b>
<b>SPECIAL LINE ITEMS</b>			
Building Renewal Grants	2,667,900	2,667,900	2,667,900
New School Facilities	0	0	0
New School Facilities Debt Service	100,604,700	63,520,100	160,105,700
<b>AGENCY TOTAL</b>	<b>104,695,000</b>	<b>67,576,200</b>	<b>164,087,200</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	104,695,000	67,576,200	164,087,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>104,695,000</b>	<b>67,576,200</b>	<b>164,087,200</b>
Other Non-Appropriated Funds	100,462,900	140,820,400	123,445,300
Federal Funds	59,600	13,428,000	5,780,400
<b>TOTAL - ALL SOURCES</b>	<b>205,217,500</b>	<b>221,824,600</b>	<b>293,312,900</b>

**AGENCY DESCRIPTION** — The School Facilities Board (SFB) is composed of 9 gubernatorial appointments and the Superintendent of Education. The board administers the New School Facilities Fund, the Building Renewal Fund, the Building Renewal Grants Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts.

### Operating Budget

The budget includes \$1,313,600 and 17 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(93,000) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$18,400 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

### Building Renewal Grants

The budget includes \$2,667,900 from the General Fund in FY 2012 for Building Renewal Grants. This amount is unchanged from FY 2011.

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

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

2/ In addition to these amounts, a total of \$34,000 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

3/ Pursuant to A.R.S. § 35-142.01, any reimbursement received by or allocated to the School Facilities Board under the federal Qualified School Construction Bond program in FY 2012 shall be deposited in or revert to the state General Fund. (General Appropriation Act footnote)

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.

Since FY 2009, the Building Renewal formula has been wholly suspended, having been replaced with the Building Renewal Grants program. The FY 2012 Building Renewal Fund amount, under the suspended statutory formula, would have been \$241,593,600.

While the Building Renewal formula has been recently suspended, the Legislature recently increased the statutory limits for locally issued Class B bonds. These bonds, which are issued by local school districts, are funded with local property taxes and may be used for building renewal projects. *(Please see Additional Legislation for more information.)*

**New School Facilities**

The budget includes no funding from the General Fund in FY 2012 for New School Facilities. This amount is unchanged from FY 2011.

The FY 2012 Education Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 29) continued the FY 2009 - FY 2011 limitation on new school construction projects into FY 2012. While the prior FY 2009 - FY 2011 budget legislation generally 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, Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 authorized \$100,000,000 in lease-purchase capacity primarily supported by Federal Funds. The limitation was enacted due to declines in the state’s housing market and the state’s population growth rate.

In FY 2011, SFB entered into \$91,325,000 worth of lease-purchase transactions to be financed through a federal program known as Qualified School Construction Bonds (QSCBs). QSCBs are taxable instruments which allow the state to receive a direct interest subsidy from the federal government. This subsidy essentially leaves the state to pay approximately 20% of the traditional taxable interest rate upon each lease-purchase payment.

SFB projects new construction to cost \$51,573,200 in FY 2011. This amount is associated with the 8 projects being financed from the federally subsidized QSCB program. SFB estimates that it will spend \$34,870,700 in FY 2012 to complete these 8 projects. In total, these projects will cost \$86,443,900 to build, including land and other site conditions.

*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 limitation on new construction projects is authorized for FY 2009 - FY 2012.) 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 Joint Legislative Budget Committee (JLBC). For FY 2012, JLBC approved a 0% adjustment. *(See Table 1 for FY 2012 statutory funding guidelines.)*

<b>Type of School</b>	<b>Square Feet Per Student</b>	<b>Funding Per Square Foot <sup>1/2/</sup></b>
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

<sup>1/</sup> Increased by 5% for rural school districts.  
<sup>2/</sup> FY 2012 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. *(Please see Additional Legislation for more information.)*

A.R.S. § 15-2004 prohibits the board from entering into any new lease-purchase agreements to finance new school construction, and specifies the Legislature’s intent not to appropriate funding in the future for payments on any lease-purchase transactions entered into by the board from and after May 15, 2006. The FY 2010 and FY 2011 Education BRBs notwithstanding this statute for the \$100,000,000 authorization.

**New School Facilities Debt Service**

The budget includes \$160,105,700 from the General Fund in FY 2012 for New School Facilities Debt Service. This amount funds the following adjustments:

**Prior Lease-Purchase Payment Increase**

The budget includes an increase of \$26,464,500 from the General Fund in FY 2012 for an increased lease-purchase

payment. This change is the result of 2 factors: 1) The lease-purchase payment on the FY 2003 - FY 2005 outstanding lease-purchase agreements' increases by \$26,464,500 in FY 2012 to reflect the current payment schedule on these 15-year agreements; 2) The lease-purchase payment on the FY 2009 outstanding issuance decreases by \$(1,000) to reflect the current payment schedule. Currently, the outstanding principal from these agreements will be \$1,184,945,000 at the end of FY 2011.

#### **QSCB Lease-Purchase Payment**

The budget includes an increase of \$7,671,300 from the General Fund in FY 2012 for a new lease-purchase payment related to the FY 2011 QSCB issuance.

This increase reflects the entire debt service requirement for the QSCB issuance in FY 2012. The lease-purchase agreement associated with the QSCBs requires the state to appropriate the entire debt service amount for the payment, as opposed to deducting the expected federal subsidy from the payment. The state is expected to receive a federal subsidy of \$6,213,800 in FY 2012 related to the lease-purchase payment. These funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$1,457,500.

#### **Backfill Lease-Purchase Refinance**

The budget includes an increase of \$60,000,000 from the General Fund in FY 2012 to backfill one-time savings related to the FY 2011 refinancing of SFB's outstanding new construction lease-purchase payments. The FY 2011 Education BRB required SFB to enter into a refinancing or refunding agreement that reduced the board's FY 2011 lease-purchase obligations by up to \$60,000,000. The legislation prohibited this agreement from reducing lease-purchase payments in other years in order to prevent multi-year savings from the refinancing agreement. The refinancing was executed in early FY 2011.

#### **Lease-Purchase Refinance Payment**

The budget includes an increase of \$2,449,800 from the General Fund in FY 2012 for a new lease-purchase payment due to the FY 2011 refinance.

The FY 2011 refinance was carried out by the state issuing additional Certificates of Participation (COPs), and using these funds to pay a portion of the existing FY 2011 lease-purchase requirements, along with any transaction costs.

Because the transaction involved the issuance of additional COPs, the state will be required to make payments related to this issuance, beginning in FY 2012, and extending through FY 2020. The outstanding principal on the COPs will be paid in FY 2019 and FY 2020, where the lease-purchase payments increase to \$20,273,300 and \$41,633,400, respectively.

### ***Fund Transfers***

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

### ***Additional Legislation***

#### ***School District Bonding Limits***

Laws 2011, Chapter 344 increases the limits on Class B construction bonding from 10% to 20% of secondary Net Assessed Valuation (NAV) for unified districts and from 5% to 10% of NAV for non-unified districts for bonds that were approved by voters before April 15, 2011. Any Class B bonds approved on or after April 15, 2011 may not be issued unless total outstanding Class B bonds will not exceed the permanent limits (5% and 10% for non-unified and unified districts, respectively).

The legislation allows districts to issue bonds which were within the statutory limits at the time of approval, but due to significant declines in property values, were no longer able to be issued.

## Department of State - Secretary of State

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	145.1	139.1	139.1 <sup>1/</sup>
Personal Services	4,861,200	4,933,400	4,887,200
Employee Related Expenditures	1,980,400	2,172,900	2,011,800
Professional and Outside Services	85,900	68,200	66,900
Travel - In State	11,200	11,000	11,000
Travel - Out of State	16,200	14,200	14,100
Other Operating Expenditures	1,701,500	1,450,300	1,528,800
Equipment	100,800	88,500	87,800
<b>OPERATING SUBTOTAL</b>	<b>8,757,200</b>	<b>8,738,500</b>	<b>8,607,600<sup>2/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Election Services	799,000	4,450,400	4,437,200 <sup>3/</sup>
Help America Vote Act (HAVA)	2,486,700	8,934,200	2,934,200 <sup>4/5/</sup>
Library Grants-in-Aid	603,700	651,400	651,400
Litigation Costs	0	0	85,000
Special Election	3,762,400	0	0
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
<b>AGENCY TOTAL</b>	<b>16,506,000</b>	<b>22,871,500</b>	<b>16,812,400<sup>6/7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	13,425,100	13,270,200	13,309,400
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	2,486,700	8,934,200	2,934,200
Records Services Fund	594,200	667,100	568,800
SUBTOTAL - Other Appropriated Funds	3,080,900	9,601,300	3,503,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>16,506,000</b>	<b>22,871,500</b>	<b>16,812,400</b>
Other Non-Appropriated Funds	416,000	562,200	562,200
Federal Funds	3,622,100	5,633,900	5,633,900
<b>TOTAL - ALL SOURCES</b>	<b>20,544,100</b>	<b>29,067,600</b>	<b>23,008,500</b>

**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; 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 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.

<sup>1/</sup> Includes 11 GF and 0.7 OF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> Included in the operating lump sum appropriation of \$8,607,600 for FY 2012 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

<sup>3/</sup> Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

<sup>4/</sup> The FY 2012 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, 2013. (General Appropriation Act footnote)

<sup>5/</sup> 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, 2011 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2011 and the expected amount and purpose of expenditures from the fund for FY 2012. (General Appropriation Act footnote)

<sup>6/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>7/</sup> In addition to these amounts, a total of \$223,900 GF and \$14,300 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

## ***Operating Budget***

The budget includes \$8,607,600 and 127.4 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b><u>FY 2012</u></b>
General Fund	\$8,038,800
Record Services Fund	568,800

These amounts fund the following adjustments:

### **Expenditure Adjustment**

The budget includes a decrease of \$(95,000) from the Records Services Fund in FY 2012 in order to better align the appropriation with anticipated revenues.

### **Statewide Adjustments**

The budget includes a decrease of \$(35,900) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(32,600)
Records Services Fund	(3,300)

*(Please see the Agency Detail and Allocations section.)*

These operating budget amounts take into account the transfer of the Arizona State Library, Archives, and Public Records (ASLAPR) to the Secretary of State's office as required by Laws 2009, Chapter 114. While ASLAPR was not transferred until September 30, 2009, FY 2010 has been adjusted for comparability.

## ***Election Services***

The budget includes \$4,437,200 and 11 FTE Positions from the General Fund in FY 2012 for Election Services. These amounts fund the following adjustments:

### **Election Year Funding**

The budget includes no change in base funding from the General Fund in FY 2012 for Election Services. This amount would provide funding for the 2012 presidential preference election, which will be held in February 2012.

### **Statewide Adjustments**

The budget includes a decrease of \$(13,200) from the General Fund in FY 2012 for statewide adjustments.

This line item funds election-related activities, including voter registration and the certification of candidates, voting devices and the results of statewide elections. Funding is also used to publish the publicity pamphlet on state ballot propositions.

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 (HAVA)***

The budget includes \$2,934,200 and 0.7 FTE Positions from the Election Systems Improvement Fund in FY 2012 for the Help America Vote Act (HAVA) (P.L. 107-252). These amounts fund the following adjustments:

### **Expenditure Adjustment**

The budget includes a decrease of \$(6,000,000) from the Election Systems Improvement Fund in FY 2012 in order to better align the appropriation with planned expenditures and available funding.

HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections. Assuming the Secretary of State spends the full appropriations in FY 2011 and FY 2012, approximately \$10,900,000 in HAVA monies would be available in FY 2013.

## ***Library Grants-in-Aid***

The budget includes \$651,400 from the General Fund in FY 2012 for Library Grants-in-Aid. This amount is unchanged from FY 2011.

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.

## ***Litigation Costs***

The budget includes \$85,000 from the General Fund in FY 2012 for litigation costs associated with the *Chavez v. Brewer* case, which relates to the state's electronic voting systems.

This line item funds the state's portion of litigation costs associated with the *Chavez v. Brewer* case. The state and 13 counties are the defendants. The plaintiffs argue that the electronic voting machines violate HAVA and are not sufficiently secure to prevent voting fraud.

### ***Special Election***

The budget includes no funding in FY 2012 for a statewide special election. Funding was provided in FY 2010 to pay for the statewide special election held on May 18, 2010. The special election was held to ask voters to consider Proposition 100, a constitutional amendment to authorize a temporary increase in the Transaction Privilege Tax.

### ***Statewide Radio Reading Service for the Blind***

The budget includes \$97,000 from the General Fund in FY 2012 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2011.

Monies in this Special Line Item are used to provide information access services for blind and visually impaired individuals. Services include radio information broadcasts, a telephone and web-based news reading service, and internet radio broadcasting for individuals who are outside the range of the radio broadcast.

### ***Fund Transfers***

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

### ***Additional Legislation***

#### ***Administrative Adjustments of State Buildings***

The Consolidation Budget Reconciliation Bill (Laws 2011, Chapter 27) clarifies, as permanent law, that the State Library buildings are under the control of the Executive Branch. The bill also requires the Secretary of State's Rosenbaum Building and Records Retention Center to pay state building rent starting in FY 2013.

**State Boards' Office**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	131,200	136,700	139,600
Employee Related Expenditures	46,900	53,200	52,100
Professional and Outside Services	400	400	400
Other Operating Expenditures	29,900	29,800	19,500
<b>AGENCY TOTAL</b>	<b>208,400</b>	<b>220,100</b>	<b>211,600</b> <sup>1/2</sup>

**FUND SOURCES**

Other Appropriated Funds

Special Services Revolving Fund	208,400	220,100	211,600
SUBTOTAL - Other Appropriated Funds	208,400	220,100	211,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>208,400</b>	<b>220,100</b>	<b>211,600</b>
<b>TOTAL - ALL SOURCES</b>	<b>208,400</b>	<b>220,100</b>	<b>211,600</b>

**AGENCY DESCRIPTION** — The office serves to centralize services and pool resources of small regulatory boards. Examples of shared items include office space and equipment, as well as accounting, clerical, administrative, and telephone services. The office is under the Management Services Division of the Arizona Department of Administration, but is supported by transfers of appropriated funds from the participating boards.

**Operating Budget**

The budget includes \$211,600 and 3 FTE Positions from the Special Services Revolving Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(12,000) from the Special Services Revolving Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

**Restore Furlough Reduction**

The budget includes an increase of \$3,500 from the Special Services Revolving Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

<u>Board</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Acupuncture Board of Examiners	\$ 17,300	\$ 18,300	\$ 17,600
Board of Barbers	1,500	1,600	1,500
Funeral Directors & Embalmers, State Board of	33,600	35,500	34,100
Homeopathic and Integrated Medicine Examiners, Board of	13,300	14,000	13,500
Naturopathic Physicians Medical Board	55,500	58,700	56,300
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	23,600	24,900	24,000
Opticians, State Board of Dispensing	22,200	23,400	22,500
Optometry, State Board of	21,200	22,400	21,600
Physical Therapy Examiners, Board of	100	100	100
Podiatry Examiners, State Board of	20,100	21,200	20,400
<b>Total</b>	<b>\$208,400</b>	<b>\$220,100</b>	<b>\$211,600</b>

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$6,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

## State Board of Tax Appeals

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	165,700	167,900	170,900
Employee Related Expenditures	45,600	43,800	42,600
Professional and Outside Services	1,100	1,100	1,100
Travel - In State	100	400	400
Other Operating Expenditures	40,300	38,600	38,400
<b>AGENCY TOTAL</b>	<b>252,800</b>	<b>251,800</b>	<b>253,400</b> <sup>1/2</sup>
<b>FUND SOURCES</b>			
General Fund	252,800	251,800	253,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>252,800</b>	<b>251,800</b>	<b>253,400</b>
<b>TOTAL - ALL SOURCES</b>	<b>252,800</b>	<b>251,800</b>	<b>253,400</b>

**AGENCY DESCRIPTION** — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

### Operating Budget

The budget includes \$253,400 and 4 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(2,200) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$3,800 from the General Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. (Please see the General Provisions section.)

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$7,500 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)



## State Board of Technical Registration

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	23.0	23.0	23.0
Personal Services	759,500	809,100	826,500
Employee Related Expenditures	280,600	329,200	323,000
Professional and Outside Services	63,600	152,800	252,800
Travel - In State	6,800	12,400	12,400
Travel - Out of State	13,600	16,000	16,000
Other Operating Expenditures	336,400	382,300	381,700
Equipment	5,100	22,500	22,500
<b>AGENCY TOTAL</b>	<b>1,465,600</b>	<b>1,724,300</b>	<b>1,834,900</b> <sup>1/2</sup>
<b>FUND SOURCES</b>			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	1,465,600	1,724,300	1,834,900
SUBTOTAL - Other Appropriated Funds	1,465,600	1,724,300	1,834,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,465,600</b>	<b>1,724,300</b>	<b>1,834,900</b>
<b>TOTAL - ALL SOURCES</b>	<b>1,465,600</b>	<b>1,724,300</b>	<b>1,834,900</b>

**AGENCY DESCRIPTION** — The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, home inspectors, land surveyors, and landscape architects.

### Operating Budget

The budget includes \$1,834,900 and 23 FTE Positions from the Technical Registration Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Computer System Upgrade

The budget includes an increase of \$100,000 from the Technical Registration Fund in FY 2012 for a computer system upgrade. The board's current system is outdated and becoming hard to support.

#### Statewide Adjustments

The budget includes a decrease of \$(10,600) from the Technical Registration Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### Restore Furlough Reduction

The budget includes an increase of \$21,200 from the Technical Registration Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### Fund Transfers

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$41,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

**Office of Tourism**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	38.0	0.0	0.0
Personal Services	1,743,100	0	0
Employee Related Expenditures	543,700	0	0
Professional and Outside Services	2,571,400	0	0
Travel - In State	16,800	0	0
Travel - Out of State	85,400	0	0
Other Operating Expenditures	3,189,000	0	0
Equipment	9,100	0	0
<b>OPERATING SUBTOTAL</b>	<b>8,158,500</b>	<b>0</b>	<b>0</b>
<b>SPECIAL LINE ITEMS</b>			
Media Advertising	593,800	0	0
<b>AGENCY TOTAL</b>	<b>8,752,300</b>	<b>0</b>	<b>0<sup>1/</sup></b>
<b>FUND SOURCES</b>			
General Fund	8,752,300	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>8,752,300</b>	<b>0</b>	<b>0</b>
Other Non-Appropriated Funds	9,523,900	12,424,800	12,424,800
<b>TOTAL - ALL SOURCES</b>	<b>18,276,200</b>	<b>12,424,800</b>	<b>12,424,800</b>

**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 provided for an Arizona Office of Tourism (AOT) budget that is based on 3.5% of the gross revenues from bed taxes, 3% of the gross revenues from amusement taxes, and 2% of the gross revenues from restaurant taxes received during the previous fiscal year.

Beginning in FY 2011, the Legislature indefinitely suspended the Tourism Funding Formula and eliminated all General Fund support for AOT. To offset some of this reduction, AOT may divert 50% of monies received from the Arizona Sports and Tourism Authority (AZSTA), pursuant to A.R.S. § 5-835, to their operational and administrative expenses in FY 2011 and FY 2012. Previously, AOT was required to spend all of its AZSTA distribution, which is generated from partial allocations of 1% of the bed tax and 3.25% of the car rental tax in Maricopa County, to promote tourism in Maricopa County. In FY 2012, this 50% share is estimated to be \$3,271,200.

The Tourism Funding Formula remains in statute, but is inactive until legislative authorization is given to reactivate the formula.

**Operating Budget**

The budget includes no funding from the General Fund in FY 2012 for the operating budget. This amount is unchanged from FY 2011.

**Media Advertising**

The budget includes no funding from the General Fund in FY 2012 for Media Advertising. This amount is unchanged from FY 2011.

Monies in the Media Advertising SLI were used for a marketing contract with a private sector firm, advertisement placement in magazines, handouts, and inserts in newspapers. The Media Advertising line did not include expenditures associated with the state visitors

<sup>1/</sup> A.R.S. § 42-5029 transfers a portion of General Fund sales tax revenue to the Office of Tourism without legislative appropriation. A.R.S. § 42-5029 is inactive until legislative authorization is taken to reinstate the transfer.

guide and advertisement production expenditures, which were included in Professional and Outside Services and Other Operating Expenditures in the operating budget.

<b>Table 1</b>				
<b>Office of Tourism Revenues</b>				
<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2010 Amount</u>	<u>FY 2011 Amount</u>	<u>FY 2012 Amount</u>
<u>Tourism Formula</u>				
• 3.5% of bed tax	General Fund	\$ 4,074,100	\$ 0	\$ 0
• 3% of amusement tax		1,578,800	0	0
• 2% of restaurant tax		9,090,400	0	0
• Statewide Adjustments		0	0	0
• Suspended Formula Increase		(446,800)	0	0
• Lump Sum Reduction		<u>(3,641,300)</u>	<u>0</u>	<u>0</u>
Subtotal from Tourism Formula		\$10,655,200 <sup>1/</sup>	\$ 0 <sup>2/</sup>	\$ 0 <sup>2/</sup>
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	5,934,400	6,231,100 <sup>3/</sup>	6,542,300 <sup>3/</sup>
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>5,466,800</u>	<u>5,466,800</u> <sup>4/</sup>	<u>5,619,500</u> <sup>4/</sup>
<b>Total</b>		<b>\$22,056,400</b>	<b>\$11,697,900</b>	<b>\$12,161,800</b>
<p><sup>1/</sup> 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.</p> <p><sup>2/</sup> Laws 2010, Chapter 128 reinserts the Tourism Funding Formula into A.R.S. § 42-5029 as inactive statute until legislative authority is given to reactivate the formula.</p> <p><sup>3/</sup> Laws 2010, Chapter 128 allows the Office of Tourism to spend 50% of AZSTA monies on administrative expenses in FY 2011 and FY 2012.</p> <p><sup>4/</sup> The Tribal Gaming amounts for FY 2011 and FY 2012 are estimates from the FY 2012 enacted budget. All other figures in the table are actual amounts.</p>				

## Department of Transportation

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	4,548.0	4,548.0	4,548.0 <sup>1/</sup>
Personal Services	81,722,400	106,588,100	106,588,100
Employee Related Expenditures	36,131,700	46,199,200	46,166,400
Professional and Outside Services	1,088,100	1,195,100	1,195,100
Travel - In State	639,400	329,500	329,500
Travel - Out of State	61,400	61,600	61,600
Other Operating Expenditures	31,084,800	46,690,300	46,644,100
Equipment	508,900	447,800	447,800
<b>OPERATING SUBTOTAL</b>	<b>151,236,700</b>	<b>201,511,600</b>	<b>201,432,600</b>
<b>SPECIAL LINE ITEMS</b>			
Attorney General Legal Services	2,874,900	2,895,600	2,895,600
Fraud Investigation	341,600	753,900	753,900
Highway Maintenance	99,509,900	126,555,600	126,555,600 <sup>2/</sup>
New Third Party Funding	673,000	939,100	937,000
Vehicles and Heavy Equipment	15,345,000	27,539,700	27,416,900
<b>AGENCY TOTAL</b>	<b>269,981,100</b>	<b>360,195,500</b>	<b>359,991,600</b> <sup>3/4/5/6/7/</sup>
<b>FUND SOURCES</b>			
General Fund	57,400	54,500	50,200
<u>Other Appropriated Funds</u>			
Air Quality Fund	47,600	72,800	72,200
Driving Under the Influence Abatement Fund	145,400	148,100	146,900
Highway User Revenue Fund	566,000	624,800	86,880,400
Motor Vehicle Liability Insurance Enforcement Fund	1,081,500	1,062,000	1,052,600
Safety Enforcement and Transportation Infrastructure Fund	1,693,100	1,866,200	1,866,000
State Aviation Fund	1,719,100	1,586,800	1,577,800
State Highway Fund	247,870,400	325,794,900	239,494,200
Transportation Department Equipment Fund	15,345,000	27,539,700	27,416,900
Vehicle Inspection and Title Enforcement Fund	1,455,600	1,445,700	1,434,400
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>269,923,700</b>	<b>360,141,000</b>	<b>359,941,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>269,981,100</b>	<b>360,195,500</b>	<b>359,991,600</b>
Other Non-Appropriated Funds	38,377,000	73,268,300	73,268,300
Federal Funds	1,495,600	1,221,000	1,221,000
<b>TOTAL - ALL SOURCES</b>	<b>309,853,700</b>	<b>434,684,800</b>	<b>434,480,900</b>

<sup>1/</sup> Includes 1,212 OF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> Of the total amount appropriated, \$126,555,600 in FY 2012 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, 2012. (General Appropriation Act footnote, as adjusted for statewide allocations)

<sup>3/</sup> It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate drivers' license fees charged to the public. (General Appropriation Act footnote)

<sup>4/</sup> Of the \$359,991,600 appropriation to the Department of Transportation, the Department of Transportation shall pay \$16,773,800 in FY 2012 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote, as adjusted for statewide allocations)

<sup>5/</sup> 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, 2012 for FY 2012. (General Appropriation Act footnote)

<sup>6/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>7/</sup> In addition to these amounts, a total of \$900 GF and \$7,487,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

**AGENCY DESCRIPTION** — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

**Operating Budget**

The budget includes \$201,432,600 and 3,336 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$50,200
Air Quality Fund	72,200
Driving Under the Influence Abatement Fund	146,900
Highway User Revenue Fund	85,461,600
Motor Vehicle Liability Insurance Enforcement Fund	857,600
Safety Enforcement and Transportation Infrastructure Fund	1,303,500
State Aviation Fund	1,577,800
State Highway Fund	110,605,500
Vehicle Inspection and Title Enforcement Fund	1,357,300

These amounts fund the following adjustments:

**Motor Vehicle Division Funding Shift**

The budget includes a funding shift of \$85,091,000 and 1,491 FTE Positions from the State Highway Fund to the Highway User Revenue Fund in FY 2012. This transfer, along with those in the New Third Party Funding and Fraud Investigation Special Line Items, does not change the department's overall funding level. *(Please see Table 6 in ADOT Capital section for more information.)*

**Statewide Adjustments**

The budget includes a decrease of \$(79,000) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(4,300)
Air Quality Fund	(600)
Driving Under the Influence Abatement Fund	(1,200)
Highway User Revenue Fund	(16,300)
Motor Vehicle Liability Insurance Enforcement Fund	(7,900)
Safety Enforcement and Transportation Infrastructure Fund	(200)
State Aviation Fund	(9,000)
State Highway Fund	(28,800)
Vehicle Inspection and Title Enforcement Fund	(10,700)

*(Please see Agency Detail and Allocations section.)*

**Attorney General Legal Services**

The budget includes \$2,895,600 from the State Highway Fund in FY 2012 for Attorney General Legal Services. This amount is unchanged from FY 2011.

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.

**Fraud Investigation**

The budget includes \$753,900 and 11 FTE Positions from the Highway User Revenue Fund in FY 2012 for Fraud Investigation. These amounts fund the following adjustments:

**Motor Vehicle Division Funding Shift**

The budget includes a funding shift of \$753,900 and 11 FTE Positions from the State Highway Fund to the Highway User Revenue Fund in FY 2012.

Monies in this line item provide for investigation of fraudulent driver's license and motor vehicle documents.

**Highway Maintenance**

The budget includes \$126,555,600 and 932 FTE Positions in FY 2012 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund	562,500
State Highway Fund	125,993,100

These amounts are unchanged from FY 2011.

In addition to the \$126,555,600 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$11,900,000 available in FY 2012 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.

### ***New Third Party Funding***

The budget includes \$937,000 and 22 FTE Positions in FY 2012 for New Third Party Funding. These amounts consist of:

Highway User Revenue Fund	664,900
Motor Vehicle Liability Insurance Enforcement Fund	195,000
Vehicle Inspection and Title Enforcement Fund	77,100

These amounts fund the following adjustments:

#### **Motor Vehicle Division Funding Shift**

The budget includes a funding shift of \$427,000 and 10 FTE Positions from the State Highway Fund to the Highway User Revenue Fund in FY 2012.

#### **Statewide Adjustments**

The budget includes a decrease of \$(2,100) from the Highway User Revenue Fund in FY 2012 for statewide adjustments.

Monies in this line item provide funding to address workload backlogs and waiting lists for certain third parties.

### ***Vehicles and Heavy Equipment***

The budget includes \$27,416,900 and 247 FTE Positions from the Transportation Department Equipment fund in FY 2012 for Vehicles and Heavy Equipment. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes an increase of \$(122,800) from the Transportation Department Equipment Fund in FY 2012 for statewide adjustments.

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.

### ***Fund Transfers***

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

### ***Additional Legislation***

#### **5-Year Renewal Registration**

The Revenues Budget Reconciliation Bill (Laws 2011, Chapter 28) continues, as permanent law, 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. This provision was previously in session law.

**State Treasurer**

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	30.4	29.4	29.4
Personal Services	1,504,700	1,519,500	1,527,200
Employee Related Expenditures	556,000	587,100	570,400
Professional and Outside Services	216,800	172,000	172,000
Travel - In State	300	1,000	1,000
Travel - Out of State	100	0	0
Other Operating Expenditures	266,900	301,500	310,200
<b>OPERATING SUBTOTAL</b>	<b>2,544,800</b>	<b>2,581,100</b>	<b>2,580,800</b>
<b>SPECIAL LINE ITEMS</b>			
Justice of the Peace Salaries	1,023,000	1,115,100	1,115,100
Ch. 357 Retirement Systems; Plans; Plan Design	0	0	100,000
<b>AGENCY TOTAL</b>	<b>3,567,800</b>	<b>3,696,200</b>	<b>3,795,900</b> <sup>1/2/</sup>
<b>FUND SOURCES</b>			
General Fund	3,510,700	1,115,100	1,115,100
<u>Other Appropriated Funds</u>			
Public Safety Personnel Retirement System Investment and Administrative Expenses	0	0	50,000 <sup>3/</sup>
State Retirement System Administration Account	0	0	50,000 <sup>3/</sup>
State Treasurer's Management Fund	57,100	88,300	87,300
State Treasurer's Operating Fund	0	2,492,800	2,493,500
SUBTOTAL - Other Appropriated Funds	57,100	2,581,100	2,680,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,567,800</b>	<b>3,696,200</b>	<b>3,795,900</b>
Other Non-Appropriated Funds	5,566,500	5,566,500	5,566,500
<b>TOTAL - ALL SOURCES</b>	<b>9,134,300</b>	<b>9,262,700</b>	<b>9,362,400</b>

**AGENCY DESCRIPTION** — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

**Operating Budget**

The budget includes \$2,580,800 and 29.4 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
State Treasurer's Operating Fund	\$2,493,500
State Treasurer's Management Fund	87,300

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(9,600) in FY 2012 for statewide adjustments. This amount consists of:

State Treasurer's Operating Fund	(8,600)
State Treasurer's Management Fund	(1,000)

*(Please see the Agency Details and Allocation section.)*

**Restore Furlough Reduction**

The budget includes an increase of \$9,300 from the State Treasurer's Operating Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

<sup>1/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.  
<sup>2/</sup> In addition to these amounts, a total of \$75,500 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*  
<sup>3/</sup> This appropriation is a continuing appropriation and is exempt from the provision of A.R.S. § 35-190, relating to lapsing of appropriations.

### ***Justice of the Peace Salaries***

The budget includes \$1,115,100 from the General Fund in FY 2012 for the Justice of the Peace (JP) Salaries Special Line Item. This amount is unchanged from FY 2011.

Prior to FY 2012, A.R.S. § 22-117 required the state to pay 40% of the salary for each Justice of the Peace, with the county paying the remainder. Since FY 2003, there have been a series of annual session law provisions requiring the state to pay a lower percentage of JP salaries. The Criminal Justice Budget Reconciliation Bill (Laws 2011, Chapter 33) permanently reduced the state share of the Justice of the Peace Salaries to 19.25%.

### ***Ch. 357 Retirement Systems; Plans; Plan Design***

Laws 2011, Chapter 357 appropriates \$100,000 in FY 2012. This amount consists of:

ASRS Administration Account	50,000
PSPRS Investment and Administrative Expenses	50,000

These monies fund the implementation and staffing of the Defined Contribution and Retirement System Study Committee. The Committee is tasked with evaluating ASRS and PSPRS to determine the feasibility of making certain changes to the existing system. The Committee is required to report on its findings by December 31, 2012. The monies are exempt from A.R.S. § 35-190 relating to the lapsing of appropriations and all remaining unexpended and unencumbered monies on September 30, 2013 revert to the fund from which they were appropriated.

### ***Fund Transfers***

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



## Arizona Board of Regents

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,008,800	1,587,500	1,587,500
Employee Related Expenditures	482,500	434,100	426,100
Travel - In State	200	0	0
Other Operating Expenditures	980,600	350,600	336,700
<b>OPERATING SUBTOTAL</b>	<b>2,472,100</b>	<b>2,372,200</b>	<b>2,350,300</b>
<b>SPECIAL LINE ITEMS</b>			
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	181,500	176,000	0
Nursing Education <sup>1/</sup>	1,368,000	0	0
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	125,000	125,000	125,000
WICHE Student Subsidies	4,095,500	4,106,000	4,106,000
<b>AGENCY TOTAL</b>	<b>18,587,000</b>	<b>17,124,100</b>	<b>16,926,200<sup>2/3/4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	18,587,000	17,124,100	16,926,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>18,587,000</b>	<b>17,124,100</b>	<b>16,926,200</b>
Other Non-Appropriated Funds	6,015,200	6,720,500	6,262,300
Federal Funds	1,964,800	1,343,600	1,306,300
<b>TOTAL - ALL SOURCES</b>	<b>26,567,000</b>	<b>25,188,200</b>	<b>24,494,800</b>

**AGENCY DESCRIPTION** — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

### Operating Budget

The budget includes \$2,350,300 and 25.9 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(21,900) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2012 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2011.

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 2010, ATIP distributed

<sup>1/</sup> Includes \$1,368,000 appropriated by Laws 2005, Chapter 330 for the Arizona Partnership for the Nursing Education Demonstration Project. Chapter 330 assigned ABOR the authority to distribute the amount among the universities. This advance appropriation was through FY 2010 and was not continued in FY 2011 and FY 2012.

<sup>2/</sup> Within 10 days of the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit an expenditure plan for review to the Joint Legislative Budget Committee. The expenditure plan shall include any tuition revenue amounts that are greater than the appropriated amounts and all retained tuition and fee revenue expenditures for the current fiscal year. The additional revenue expenditure plan shall provide as much detail as the university budget requests. (General Appropriation Act footnote)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>4/</sup> In addition to these amounts, a total of \$70,100 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

\$50,000 in loans among 10 students, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

#### **Arizona Transfer Articulation Support System**

The budget includes \$213,700 from the General Fund in FY 2012 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2011.

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 \$286,600 to the system in FY 2010 and are projected to contribute \$277,200 in FY 2011 and FY 2012.

#### **Math and Science Teacher Initiative**

The budget includes no funding from the General Fund in FY 2012 for the Math and Science Teacher Initiative. This funds the following adjustment:

##### **Shift Funding to Commission For Postsecondary Education**

The budget includes a decrease of \$(176,000) to shift the administrative responsibilities of the Mathematics, Science and Special Education Student Loan Fund Program from ABOR to the Commission for Postsecondary Education per the Education Omnibus Bill (Laws 2010, Chapter 332). Monies in this line item are used to increase the number of math, science, and special education teachers in the state. The program offers loans to students pursuing a teaching degree at a postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. The legislation allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program.

#### **Nursing Education**

The budget includes no funding in FY 2012 for the Arizona Partnership for Nursing Education Demonstration Project. Laws 2005, Chapter 330, Section 16 appropriated monies in advance for this line item through FY 2010. Monies in this line item provided funding for Chapter 330's goal of doubling the state's annual nursing graduates between FY 2005 and FY 2010.

#### **Student Financial Assistance**

The budget includes \$10,041,200 from the General Fund in FY 2012 for Student Financial Assistance. This amount is unchanged from FY 2011.

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 \$43 - \$68 in FY 2011, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2012 Higher Education Budget Reconciliation Bill (BRB), (Laws 2011, Chapter 30) suspended the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2011.

AFAT retains 25% of all annual receipts as an endowment. ABOR distributes the remaining monies, proportionally to each university's respective contribution, to provide immediate assistance for needy in-state students. In FY 2010, AFAT disbursed \$14,130,800 in financial aid.

#### **Western Interstate Commission Office**

The budget includes \$125,000 from the General Fund in FY 2012 for the Western Interstate Commission Office. This amount is unchanged from FY 2011.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

#### **WICHE Student Subsidies**

The budget includes \$4,106,000 from the General Fund in FY 2012 for WICHE student subsidies. This amount is unchanged from FY 2011.

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 2011, the board is providing subsidies to 187 Arizona students, compared to 191 in FY 2010. 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.

### **Fund Transfers**

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

### **Additional Legislation**

#### **One-Time Student Deposit**

The K-12 Education BRB (Laws 2011, Chapter 29) requires each university on a one-time basis to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2011.

#### **Annual Reporting Requirement**

The Higher Education BRB requires ABOR to annually report by August 1 to the Joint Legislative Budget Committee on graduation rates by university campus during the previous fiscal year and the retention rates by university campus and class during the previous fiscal year.

#### **Funding Structure Collaboration**

The Higher Education BRB requires ABOR and the universities to collaborate and recommend a funding structure that includes performance and outcome based funding, a student centered financial aid model, and a method that addresses the issue of per student funding disparities among the three universities in the FY 2013 budget submittals.

#### **UA Healthcare Executive Order**

HB 2067, which was vetoed by the Governor, would have temporarily prohibited ABOR from exercising any authority, governance, or responsibility over any nonprofit corporation that governs a hospital affiliated with UA, which refers to UA Healthcare, for 18 months. Instead, the Governor established the Arizona Medical Education Oversight Task Force by Executive Order to provide oversight of future discussions on the issue of the relationship between UA and UA Healthcare and to facilitate better communication among the parties. The task force is to conduct a review of the current process, oversee ongoing discussions, gain input from stakeholders, conduct an analysis for the academic medical center's options, and make recommendations to the Governor regarding a future course of action.

### **Other Issues**

#### **Payment Deferral**

The budget includes \$200,000,000 from the General Fund for universitywide FY 2011 payments that were deferred until FY 2012 and includes a universitywide FY 2012 General Fund payment deferral of \$(200,000,000) until FY 2013. The payment deferral is unchanged from FY 2011. *(Please see the individual university narrative pages for more information.)*

The FY 2012 payment deferrals are allocated among the universities as follows:

ASU-Tempe/DPC	\$ (74,760,400)
ASU-East	(5,750,200)
ASU-West	<u>(10,064,800)</u>
ASU Subtotal	<u>(90,575,400)</u>
NAU	(30,494,800)
UA-Main	(62,153,100)
UA-HSC	<u>(16,776,700)</u>
UA Subtotal	<u>(78,929,800)</u>
<b>Total</b>	<b>\$(200,000,000)</b>

#### **Lump Sum Reduction**

The budget includes a reduction of \$(198,000,000) from the General Fund in FY 2012 for a universitywide lump sum reduction. *(Please see the individual university narrative pages for more information.)*

The reduction is allocated among the universities as follows:

ASU-Tempe/DPC	\$ (73,868,000)
ASU-East	(5,711,700)
ASU-West	<u>(10,375,200)</u>
ASU Subtotal	<u>(89,954,900)</u>
NAU	(30,043,600)
UA-Main	(60,706,800)
UA-HSC	<u>(17,294,700)</u>
UA Subtotal	<u>(78,001,500)</u>
<b>Total</b>	<b>\$(198,000,000)</b>

#### **System Enrollment Funding Formula**

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

**Table 1**

**FY 2012 Summary of Spending Authority**

	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund <sup>1/</sup>	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR	\$ 16,926,200	\$ 0	\$ 0	\$ 1,306,300	\$ 6,262,300	\$ 24,494,800
ASU-Tempe/DPC	247,742,900	371,241,700	0	246,151,000	736,681,400	1,601,817,000
ASU-East	19,076,800	34,635,000	2,000,000	3,154,500	14,987,300	73,853,600
ASU-West	33,159,600	26,261,700	1,600,000	4,599,500	12,769,800	78,390,600
NAU	101,861,800	86,613,200	0	65,922,800	165,086,600	419,484,400
UA-Main	208,367,000	255,188,900	0	251,157,900	747,223,300	1,461,937,100
UA-Health Sciences	55,334,300	25,381,800	0	93,924,900	136,660,100	311,301,100
<b>Total</b>	<b>\$682,468,600</b>	<b>\$799,322,300</b>	<b>\$3,600,000</b>	<b>\$666,216,900</b>	<b>\$1,819,670,800</b>	<b>\$3,971,278,600</b>

<sup>1/</sup> Excludes FY 2012 tuition increase.

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 \$71,900.

Table 1 summarizes the FY 2012 expenditure authority amounts for the Arizona University System. The Collections Fund amounts for each campus includes growth due to the enrollment funding formula described above, while the General Fund amounts do not include enrollment funding formula growth.

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, each campus's out-of-state students were not included in the above enrollment funding formula calculation.

Table 2 shows FY 2012 Arizona University System enrollment for in-state and out-of-state students. It is projected that ASU Tempe will grow by 78 FTE out-of-state students for a total of 14,141 in FY 2012, ASU DPC will grow by 216 for a total of 1,480, ASU East will grow by 39 for a total of 940, ASU West will decrease by (2) for a total of 841, NAU will grow by 492 for a total of 5,054, UA Main will decrease by (23) for a total of 11,500, and UA Health Sciences will decrease by (1) for a total of 419.

**Other University System Summary Tables**

Table 3 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2011 to FY 2012. ABOR set these amounts after the passage of the enacted budget.

Table 4 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2010. Of \$1,538,673,000 total financial aid distributions in

FY 2010, the state appropriated \$2,556,700, university institutional services provided \$523,986,800, and AFAT (made up of both state and institutional funds) accounted for \$14,130,800.

Table 5 displays total tuition collections for the Arizona University System, which equal an estimated \$1,258,243,000 in FY 2011 and \$1,486,029,400 in FY 2012. The FY 2012 amount includes \$177,067,300 that accounts for the FY 2012 approved tuition increases, which are not incorporated into the individual university narratives. The \$177,067,300 amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.

The universities annually project their expenditure needs for financial aid, facilities (plant fund), debt service, and the operating budget. A.R.S. § 15-1626 authorizes ABOR to then allocate collections between the appropriated operating budgets, under legislative control, and non-appropriated funds, locally retained by the universities.

**Table 2**

**FY 2012 Arizona University System Enrollment <sup>1/</sup>**

	In-State Students	Out-of-State Students	Total Enrollment
ASU-Tempe/DPC	39,661	15,621	55,282
ASU-East	4,183	940	5,123
ASU-West	5,101	841	5,942
NAU	16,478	5,054	21,532
UA-Main	22,082	11,500	33,582
UA-Health Sciences	<u>1,536</u>	<u>419</u>	<u>1,955</u>
<b>Total</b>	<b>89,041</b>	<b>34,375</b>	<b>123,416</b>

<sup>1/</sup> Enrollment represents student populations as calculated by the funding formula, which includes student counts for FY 2010 – FY 2012.

Table 3

**Arizona University System**  
**FY 2011 to FY 2012 Undergraduate Tuition and Fees Changes <sup>1/</sup>**

	<u>Resident <sup>2/</sup></u>				<u>Non-Resident <sup>2/</sup></u>			
	<u>FY 2011</u>	<u>FY 2012</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>\$ Change</u>	<u>% Change</u>
ASU-Tempe/DPC	\$6,942 to \$8,128	\$8,355 to \$9,716	\$1,413 to \$1,588	20.4% to 19.5%	\$20,592	\$22,315	\$1,723	8.4%
ASU-East/West	\$6,708 to \$8,128	\$8,077 to \$9,716	\$1,369 to \$1,588	20.4% to 19.5%	\$20,592	\$22,315	\$1,723	8.4%
NAU	\$5,848 to \$7,667	\$5,960 to \$8,824	\$112 to \$1,157	1.9% to 15.1%	\$16,946 to \$20,067	\$17,058 to \$20,179	\$112	0.6%
NAU-Distance Ed.	\$4,500 to \$6,131	\$4,803 to \$6,317	\$303 to \$186	6.7% to 3.0%	\$13,887 to \$17,264	\$14,283 to \$17,650	\$396 to \$386	2.9% to 2.2%
UofA-Main/HSC	\$8,237	\$10,035	\$1,798	21.8%	\$24,596	\$25,494	\$898	3.7%
UofA-South	\$6,652	\$7,941	\$1,289	19.4%	\$24,382	\$25,071	\$689	2.8%

<sup>1/</sup> 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. Mandatory fees include AFAT and student recreation charges, but do not include special class or program fees.

<sup>2/</sup> NAU provides a guaranteed tuition rate for each resident cohort. ASU and UA have no tuition guarantee.

Table 4

**FY 2010 Financial Aid Distribution by Source**  
**(\$ in Thousands) <sup>1/</sup>**

	<u>Federal</u>	<u>State <sup>2/</sup></u>	<u>Institutional <sup>3/</sup></u>	<u>Private/Other <sup>4/</sup></u>	<u>Total</u>
Grants	\$155,856.5	\$1,779.6	\$366,298.1	\$119,966.1	\$ 643,900.3
Loans	591,440.4	777.1	147.6	139,448.4	731,813.5
Employment	<u>5,418.1</u>	<u>0.0</u>	<u>157,541.1</u>	<u>0.0</u>	<u>162,959.2</u>
<b>Total</b>	<b>\$752,715.0</b>	<b>\$2,556.7</b>	<b>\$523,986.8</b>	<b>\$259,414.5</b>	<b>\$1,538,673.0</b>

<sup>1/</sup> Information provided by ABOR.

<sup>2/</sup> State sources of aid include revenues from the Commission for Postsecondary Education and the Board of Medical Student Loans.

<sup>3/</sup> Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

<sup>4/</sup> 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 2010</u> <u>Actual</u>	<u>FY 2011</u> <u>Estimate</u>	<u>FY 2012</u> <u>Estimate <sup>1/</sup></u>
<u>Appropriated</u>			
Operating Budget	\$ 682,877,000	\$ 771,774,700	\$ 799,322,200
<u>Non-Appropriated</u>			
Operating Budget	\$ 50,026,200	\$ 57,743,800	\$ 57,483,800
Financial Aid	295,157,800	329,292,200	342,098,000
Plant Fund	16,502,100	18,502,100	22,778,500
Debt Service	<u>75,845,200</u>	<u>80,930,200</u>	<u>87,279,600</u>
<i>Subtotal</i>	\$ 437,531,300	\$ 486,468,300	\$ 509,639,900
To Be Allocated	\$ 0	\$ 0	\$ 177,067,300
<b>Total</b>	<b>\$1,120,408,300</b>	<b>\$1,258,243,000</b>	<b>\$1,486,029,400</b>

<sup>1/</sup> The source for these non-appropriated amounts are the universities' FY 2012 budget requests. The appropriated amount does not account for the FY 2012 tuition increases. The \$177,067,300 amount accounts for the FY 2012 approved tuition increases, which are not incorporated into the individual university narratives. This amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.

## Arizona State University - Tempe/DPC

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	6,562.0	6,868.8 <sup>1/</sup>	6,868.8 <sup>2/</sup>
Personal Services	294,254,500	359,013,900	359,013,900
Employee Related Expenditures	100,227,200	104,353,100	101,378,100
Professional and Outside Services	33,448,900	23,231,700	23,231,700
Travel - In State	213,900	218,700	218,700
Travel - Out of State	2,644,300	2,382,500	2,382,500
Library Acquisitions	9,259,300	8,783,200	8,783,200
Other Operating Expenditures	56,500,700	67,614,400	77,164,600
Equipment	12,889,400	11,809,400	11,809,400
<b>OPERATING SUBTOTAL</b>	<b>509,438,200</b>	<b>577,406,900</b>	<b>583,982,100</b>
<b>SPECIAL LINE ITEMS</b>			
Biomedical Informatics	2,457,600	2,056,800	2,056,800
Downtown Phoenix Campus	70,798,000	86,354,300	93,258,700
Research Infrastructure Lease-Purchase Payment	13,555,000	13,555,000	13,555,000 <sup>3/</sup>
Lump Sum Reduction	0	0	(73,868,000)
<b>AGENCY TOTAL</b>	<b>596,248,800</b>	<b>679,373,000</b>	<b>618,984,600<sup>4/5/6/7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	288,211,000	326,349,100	247,742,900 <sup>8/9/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	308,037,800	353,023,900	371,241,700 <sup>10/</sup>
SUBTOTAL - Other Appropriated Funds	308,037,800	353,023,900	371,241,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>596,248,800</b>	<b>679,373,000</b>	<b>618,984,600</b>
Other Non-Appropriated Funds	598,181,000	722,063,200	736,681,400
Federal Funds	258,984,300	238,742,600	246,151,000
<b>TOTAL - ALL SOURCES</b>	<b>1,453,414,100</b>	<b>1,640,178,800</b>	<b>1,601,817,000</b>

1/ The amounts include 491.8 FTE Positions and their associated funding above the original FY 2011 amounts.

2/ Includes 782.3 GF FTE Positions funded from Special Line Items in FY 2012.

3/ Includes \$13,555,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

4/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

5/ The appropriated monies shall not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which the state is the adverse party. (General Appropriation Act footnote)

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

7/ In addition to these amounts, a total of \$17,804,100 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

8/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

9/ It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campuses is \$234,187,900. This appropriation includes a deferral of \$74,760,400 from FY 2012 to FY 2013. This deferral shall be paid as required by Section 134 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$234,187,900 plus the \$13,555,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2012 total of \$247,742,900. The \$74,760,400 deferral amount was appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1.

10/ Any unencumbered balances remaining in the collections account on June 30, 2011 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

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**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 272 Baccalaureate, Master’s, Doctoral and first professional degree programs, and 56 undergraduate and graduate certificate programs to 58,371 full- and part-time students at its Tempe Campus. The Downtown Phoenix Campus (DPC), budgeted as a unit of the Tempe Campus, offers 48 degree programs and 23 certificate programs to 13,567 full- and part-time students.

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**Operating Budget**

The budget includes \$583,982,100 and 6,086.5 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$277,117,500
University Collections Fund	306,864,600

These amounts fund the following adjustments:

**Enrollment Growth**

The budget includes an increase of \$10,945,700 from the University Collections Fund in FY 2012 for enrollment growth. The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$11,375,500. Formula enrollment is projected to grow by 1,457 full-time equivalent (FTE) students, to 33,778 FTE students for ASU-Tempe in FY 2012. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. This amount excludes projected growth of 78 out-of-state students. *(Please see ABOR for more information.)*

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues. The amount does not reflect any added revenue from a per student increase in tuition and fees in FY 2012.

**Statewide Adjustments**

The budget includes a decrease of \$(4,370,500) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

**Biomedical Informatics**

The budget includes \$2,056,800 and 15.3 FTE Positions from the General Fund in FY 2012 for the Biomedical Informatics Department. These amounts are unchanged from FY 2011.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. It was announced in February 2011 that this department will be moving from the Downtown Phoenix Campus to Mayo Clinic’s hospital in Phoenix this summer.

**Downtown Phoenix Campus**

The budget includes \$93,258,700 and 767 FTE Positions in FY 2012 for programs headquartered at the Downtown Phoenix Campus (DPC). These amounts consist of:

General Fund	28,881,600
University Collections Fund	64,377,100

These amounts fund the following adjustments:

**Enrollment Growth**

The budget includes an increase of \$7,272,100 from the University Collections Fund for enrollment growth in FY 2012. The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$7,557,600. 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 968 full-time equivalent (FTE) students, to 5,883 FTE students for ASU-DPC in FY 2012. This amount excludes projected growth of 216 out-of-state students. *(Please see ABOR for more information.)*

**Statewide Adjustments**

The budget includes a decrease of \$(367,700) from the General Fund in FY 2012 for statewide adjustments.

**Research Infrastructure Lease-Purchase Payment**

The budget includes \$13,555,000 from the General Fund in FY 2012 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2011.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, ASU-Tempe/DPC has issued \$187,200,000 in COPs.

### ***Lump Sum Reduction***

The budget includes a decrease of \$(73,868,000) from the General Fund in FY 2012 for a lump sum reduction. *(Please see ABOR for more information.)*

### ***Other Issues***

#### ***Payment Deferral***

The budget includes \$74,760,400 from the General Fund for FY 2011 payments that were deferred until FY 2012 and includes a FY 2012 General Fund payment deferral of \$(74,760,400) until FY 2013. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2012 General Fund budget is \$247,742,900. Of this amount:

- \$164,165,700 was included in ASU-Tempe/DPC's individual section of the FY 2012 General Appropriation Act.
- \$74,760,400 was appropriated in the FY 2011 General Appropriation Act (Laws 2010, 7<sup>th</sup> Special Session, Chapter 1) to reflect the deferral of FY 2011 monies to FY 2012. The \$(38,138,100) net impact of the FY 2010 payment deferral (due to the growth of the FY 2010 deferral compared to FY 2009) appears in the Professional and Outside Services line. *(Please see the summary table above.)*
- \$13,555,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$(4,738,200) was included to reflect FY 2012 statewide adjustments in the FY 2012 General Appropriation Act.



## Arizona State University - East Campus

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	541.1	526.1	526.1
Personal Services	26,855,400	28,220,500	28,220,500
Employee Related Expenditures	7,620,400	8,217,100	7,980,000
Professional and Outside Services	8,815,900	13,967,700	13,967,700
Travel - In State	17,100	42,300	42,300
Travel - Out of State	187,600	113,500	113,500
Library Acquisitions	150,100	150,100	150,100
Other Operating Expenditures	5,632,700	6,557,600	6,787,500
Equipment	1,626,800	1,244,900	1,244,900
<b>OPERATING SUBTOTAL</b>	<b>50,906,000</b>	<b>58,513,700</b>	<b>58,506,500</b>
<b>SPECIAL LINE ITEMS</b>			
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000 <sup>1/</sup>
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
Lump Sum Reduction	0	0	(5,711,700)
<b>AGENCY TOTAL</b>	<b>53,823,000</b>	<b>61,430,700</b>	<b>55,711,800<sup>2/3/4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	23,001,200	25,101,300	19,076,800 <sup>5/6/</sup>
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	2,000,000	2,000,000	2,000,000
University Collections Fund	28,821,800	34,329,400	34,635,000 <sup>7/</sup>
SUBTOTAL - Other Appropriated Funds	30,821,800	36,329,400	36,635,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>53,823,000</b>	<b>61,430,700</b>	<b>55,711,800</b>
Other Non-Appropriated Funds	9,677,500	14,736,500	14,987,300
Federal Funds	3,768,000	2,987,400	3,154,500
<b>TOTAL - ALL SOURCES</b>	<b>67,268,500</b>	<b>79,154,600</b>	<b>73,853,600</b>

**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 43 professional and technical Baccalaureate, Master's, and Doctoral degree programs and 7 undergraduate certificate programs to 9,752 full- and part-time students. ASU-East is located at the 600-acre site of the former Williams Air Force Base in southeast Mesa.

- <sup>1/</sup> Includes \$917,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.
- <sup>2/</sup> The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>4/</sup> In addition to these amounts, a total of \$1,238,700 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- <sup>5/</sup> The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- <sup>6/</sup> It is the intent of the Legislature that the General Fund base funding for Arizona State University - East Campus is \$18,159,800. This appropriation includes a deferral of \$5,750,200 from FY 2012 to FY 2013. This deferral shall be paid as required by Section 134 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$18,159,800 plus the \$917,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2012 total of \$19,076,800. The \$5,750,200 deferral amount was appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1.
- <sup>7/</sup> Any unencumbered balances remaining in the collections account on June 30, 2011 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

### **Operating Budget**

The budget includes \$58,506,500 and 526.1 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$23,871,500
University Collections Fund	34,635,000

These amounts fund the following adjustments:

#### **Enrollment Growth**

The budget includes an increase of \$305,600 from the University Collections Fund in FY 2012 for enrollment growth. The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$319,600. Formula enrollment is projected to grow by 41 full-time equivalent (FTE) students, to 4,183 FTE students in FY 2012. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. This amount excludes projected growth of 39 FTE out-of-state students. *(Please see the Arizona Board of Regents (ABOR) for more information.)*

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues. The amount does not reflect any added revenue for a per student increase in tuition and fees in FY 2012.

#### **Statewide Adjustments**

The budget includes a decrease of \$(312,800) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

### **Research Infrastructure Lease-Purchase Payment**

The budget includes \$917,000 from the General Fund in FY 2012 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2011.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, ASU-East has issued \$19,000,000 in COPs for the Interdisciplinary Science & Technology Building II, which is now complete.

### **TRIF Lease-Purchase Payment**

The budget includes \$2,000,000 from the Technology and Research Initiative Fund (TRIF) in FY 2012 for lease-purchase payment requirements. This amount is unchanged from FY 2011.

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. The payment schedule runs through FY 2021.

### **Lump Sum Reduction**

The budget includes a decrease of \$(5,711,700) from the General Fund in FY 2012 for a lump sum reduction. *(Please see ABOR for more information.)*

### **Other Issues**

#### **Payment Deferral**

The budget includes \$5,750,200 from the General Fund for FY 2011 payments that were deferred until FY 2012 and includes a FY 2012 General Fund payment deferral of \$(5,750,200) until FY 2013. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2012 General Fund budget is \$19,076,800. Of this amount:

- \$12,722,400 was included in ASU-East's individual section of the FY 2012 General Appropriation Act.
- \$5,750,200 was appropriated in the FY 2011 General Appropriation Act (Laws 2010, 7<sup>th</sup> Special Session, Chapter 1) to reflect the deferral of FY 2011 monies to FY 2012. The \$(2,100,100) net impact of the FY 2010 payment deferral (due to the growth of the FY 2010 deferral compared to FY 2009) appears in the Professional and Outside Services line. *(Please see the summary table above.)*
- \$917,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$(312,800) was included to reflect FY 2012 statewide adjustments in the FY 2012 General Appropriation Act.

## Arizona State University - West Campus

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	818.7	795.7	795.7
Personal Services	35,299,200	36,126,700	36,126,700
Employee Related Expenditures	10,303,400	10,829,600	10,526,500
Professional and Outside Services	13,692,700	20,840,300	20,840,300
Travel - In State	22,000	11,400	11,400
Travel - Out of State	215,000	131,600	131,600
Library Acquisitions	1,231,000	1,231,000	1,231,000
Other Operating Expenditures	4,887,800	3,401,200	165,300
Equipment	919,100	763,700	763,700
<b>OPERATING SUBTOTAL</b>	<b>66,570,200</b>	<b>73,335,500</b>	<b>69,796,500</b>
<b>SPECIAL LINE ITEMS</b>			
TRIF Lease-Purchase Payment	1,600,000	1,600,000	1,600,000
Lump Sum Reduction	0	0	(10,375,200)
<b>AGENCY TOTAL</b>	<b>68,170,200</b>	<b>74,935,500</b>	<b>61,021,300</b> <sup>1/2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	38,896,900	43,935,700	33,159,600 <sup>4/5/</sup>
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	1,600,000	1,600,000	1,600,000
University Collections Fund	27,673,300	29,399,800	26,261,700 <sup>6/</sup>
SUBTOTAL - Other Appropriated Funds	29,273,300	30,999,800	27,861,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>68,170,200</b>	<b>74,935,500</b>	<b>61,021,300</b>
Other Non-Appropriated Funds	8,939,400	12,632,700	12,769,800
Federal Funds	2,952,400	4,344,700	4,599,500
<b>TOTAL - ALL SOURCES</b>	<b>80,062,000</b>	<b>91,912,900</b>	<b>78,390,600</b>

**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 degree programs in the professional and liberal arts and 4 undergraduate certificate programs to 11,813 full- and part-time students. ASU-West is located at a 277-acre site in northwest Phoenix.

- 1/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 3/ In addition to these amounts, a total of \$1,585,700 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- 4/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that the General Fund base funding for Arizona State University - West Campus is \$33,159,600. This appropriation includes a deferral of \$10,064,800 from FY 2012 to FY 2013. This deferral shall be paid as required by Section 134 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The \$10,064,800 deferral amount was appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1.
- 6/ Any unencumbered balances remaining in the collections account on June 30, 2011 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

## **Operating Budget**

The budget includes \$69,796,500 and 795.7 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$43,534,800
University Collections Fund	26,261,700

These amounts fund the following adjustments:

### **Enrollment Growth**

The budget includes a decrease of \$(3,138,100) from the University Collections Fund in FY 2012 for enrollment growth. The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided a decrease of \$(3,393,500). 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 (421) full-time equivalent (FTE) students, to 5,101 FTE students in FY 2012. This amount excludes projected decline of (2) FTE out-of-state students. *(Please see the Arizona Board of Regents (ABOR) for more information.)*

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues. The amount does not reflect any added revenue for a per student increase in tuition and fees in FY 2012.

### **Statewide Adjustments**

The budget includes a decrease of \$(400,900) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

## **TRIF Lease-Purchase Payment**

The budget includes \$1,600,000 from the Technology and Research Initiative Fund (TRIF) in FY 2012 for lease-purchase payment requirements. This amount is unchanged from FY 2011.

Laws 2000, 5<sup>th</sup> 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. The payment schedule runs through FY 2021.

## **Lump Sum Reduction**

The budget includes a decrease of \$(10,375,200) from the General Fund in FY 2012 for a lump sum reduction. *(Please see ABOR for more information.)*

## **Other Issues**

### **Payment Deferral**

The budget includes \$10,064,800 from the General Fund for FY 2011 payments that were deferred until FY 2012 and includes a FY 2012 General Fund payment deferral of \$(10,064,800) until FY 2013. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2012 General Fund budget is \$33,159,600. Of this amount:

- \$23,495,700 was included in ASU-West's individual section of the FY 2012 General Appropriation Act.
- \$10,064,800 was appropriated in the FY 2011 General Appropriation Act (Laws 2010, 7th Special Session, Chapter 1) to reflect the deferral of FY 2011 monies to FY 2012. The \$(5,038,800) net impact of the FY 2010 payment deferral (due to the growth of the FY 2010 deferral compared to FY 2009) appears in the Professional and Outside Services line. *(Please see the summary table above.)*
- \$(400,900) was included to reflect FY 2012 statewide adjustments in the FY 2012 General Appropriation Act.

# Northern Arizona University

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,972.9	1,989.0 <sup>1/</sup>	1,989.0 <sup>2/</sup>
Personal Services	109,553,900	130,548,300	130,548,300
Employee Related Expenditures	37,744,200	40,406,400	39,222,500
Professional and Outside Services	6,798,100	1,893,500	1,893,500
Travel - In State	355,500	559,300	559,300
Travel - Out of State	378,300	0	0
Library Acquisitions	1,781,800	1,794,600	1,794,600
Other Operating Expenditures	22,063,400	27,362,900	32,465,900
Equipment	1,845,800	1,163,700	1,163,700
<b>OPERATING SUBTOTAL</b>	<b>180,521,000</b>	<b>203,728,700</b>	<b>207,647,800</b>
<b>SPECIAL LINE ITEMS</b>			
NAU - Yuma	2,512,000	2,999,600	2,970,800
Research Infrastructure Lease-Purchase Payment	5,900,000	5,900,000	5,900,000 <sup>3/</sup>
Teacher Training	2,000,000	2,000,000	2,000,000 <sup>4/</sup>
Lump Sum Reduction	0	0	(30,043,600)
<b>AGENCY TOTAL</b>	<b>190,933,000</b>	<b>214,628,300</b>	<b>188,475,000<sup>5/6/7/</sup></b>
<b>FUND SOURCES</b>			
General Fund	117,864,100	133,118,100	101,861,800 <sup>8/9/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	73,068,900	81,510,200	86,613,200 <sup>10/</sup>
SUBTOTAL - Other Appropriated Funds	73,068,900	81,510,200	86,613,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>190,933,000</b>	<b>214,628,300</b>	<b>188,475,000</b>
Other Non-Appropriated Funds	118,970,800	160,464,100	165,086,600
Federal Funds	76,556,200	65,270,100	65,922,800
<b>TOTAL - ALL SOURCES</b>	<b>386,460,000</b>	<b>440,362,500</b>	<b>419,484,400</b>

1/ These amounts include 75.1 FTE Positions and their associated funding above the original FY 2011 amounts.

2/ Includes 29.4 GF FTE Positions funded from Special Line Items in FY 2012.

3/ Includes \$5,900,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

4/ The appropriated amount for the Teacher Training line item shall be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the Arizona Mentor Teacher program prescribed by the State Board of Education. (General Appropriation Act footnote)

5/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

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

7/ In addition to these amounts, a total of \$5,812,500 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

8/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

9/ It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is \$95,961,800. This appropriation includes a deferral of \$30,494,800 from FY 2012 to FY 2013. This deferral shall be paid as required by Section 134 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$95,961,800 plus the \$5,900,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2012 total of \$101,861,800. The \$30,494,800 deferral amount was appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1.

10/ Any unencumbered balances remaining in the collections account on June 30, 2011 and all collections received by the university during the fiscal year, when paid into the state treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the state treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

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**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 147 degree programs and 51 certificate programs to 25,200 students in 10 colleges/divisions 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 34 instructional sites, including a Yuma Branch Campus that operates in conjunction with Arizona Western College and a recently formed partnership with Yavapai Community College.

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**Operating Budget**

The budget includes \$207,647,800 and 1,959.6 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$121,034,600
University Collections Fund	86,613,200

These amounts fund the following adjustments:

**Enrollment Growth**

The budget includes an increase of \$5,103,000 from the University Collections Fund in FY 2012 for enrollment growth. The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth were funded, it would have provided an increase of \$5,771,500. Formula enrollment is projected to grow by 746 Full-Time Equivalent (FTE) students, to 16,478 FTE students in FY 2012. These amounts would have funded the projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. This amount excludes projected growth of 492 out-of-state students. *(Please see ABOR for more information.)*

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues. The amount does not reflect any added revenue from a per student increase in tuition and fees in FY 2012.

**Statewide Adjustments**

The budget includes a decrease of \$(1,183,900) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

**NAU - Yuma**

The budget includes \$2,970,800 and 29.4 FTE Positions from the General Fund in FY 2012 for NAU-Yuma. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(28,800) from the General Fund in FY 2012 for statewide adjustments.

NAU operates this campus in conjunction with the Arizona Western College in Yuma.

**Research Infrastructure Lease-Purchase Payment**

The budget includes \$5,900,000 from the General Fund in FY 2012 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2011.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, NAU has issued \$77,475,000 in COPs.

**Teacher Training**

The budget includes \$2,000,000 from the General Fund in FY 2012 for the Teacher Training Special Line Item. This amount is unchanged from FY 2011.

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.

**Lump Sum Reduction**

The budget includes a decrease of \$(30,043,600) from the General Fund in FY 2012 for a lump sum reduction. *(Please see ABOR for more information.)*

**Other Issues**

**Payment Deferral**

The budget includes \$30,494,800 from the General Fund for FY 2011 payments that were deferred until FY 2012 and includes a FY 2012 General Fund payment deferral of \$(30,494,800) until FY 2013. These amounts constitute a portion of a \$200,000,000 university-wide payment

deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2012 General Fund budget is \$101,861,800. Of this amount:

- \$66,679,700 was included in NAU's section of the FY 2012 General Appropriation Act.
- \$30,494,800 was appropriated in the FY 2011 General Appropriation Act (Laws 2010, 7<sup>th</sup> Special Session, Chapter 1) to reflect the deferral of FY 2011 monies to FY 2012. The \$(15,254,000) net impact of the FY 2010 payment deferral (due to the growth of the FY 2010 deferral compared to FY 2009) appears in the Personal Services line. *(Please see the summary table above.)*
- \$5,900,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$(1,212,700) was included to reflect FY 2012 statewide adjustments in the FY 2012 General Appropriation Act.

## University of Arizona - Main Campus

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5,368.4	5,805.5 <sup>1/</sup>	5,805.5 <sup>2/</sup>
Personal Services	247,107,000	289,753,500	289,753,500
Employee Related Expenditures	71,718,600	83,794,900	81,407,300
Professional and Outside Services	15,677,000	12,346,200	12,346,200
Travel - In State	85,800	99,400	99,400
Travel - Out of State	409,700	96,800	96,800
Library Acquisitions	9,604,800	8,128,700	8,128,700
Other Operating Expenditures	47,905,600	54,022,100	61,429,200
Equipment	857,300	1,475,600	1,475,600
<b>OPERATING SUBTOTAL</b>	<b>393,365,800</b>	<b>449,717,200</b>	<b>454,736,700</b>
<b>SPECIAL LINE ITEMS</b>			
Agriculture	37,507,900	37,452,600	37,235,600
Arizona Cooperative Extension	12,796,900	12,923,100	12,841,700
Research Infrastructure Lease-Purchase Payment	14,253,000	14,253,000	14,253,000 <sup>3/</sup>
Sierra Vista Campus	5,136,600	5,222,800	5,195,700
Lump Sum Reduction	0	0	(60,706,800)
<b>AGENCY TOTAL</b>	<b>463,060,200</b>	<b>519,568,700</b>	<b>463,555,900</b> <sup>4/5/6/</sup>
<b>FUND SOURCES</b>			
General Fund	237,210,700	271,315,400	208,367,000 <sup>7/8/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	225,849,500	248,253,300	255,188,900 <sup>9/</sup>
SUBTOTAL - Other Appropriated Funds	225,849,500	248,253,300	255,188,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>463,060,200</b>	<b>519,568,700</b>	<b>463,555,900</b>
Other Non-Appropriated Funds	645,579,600	736,696,300	747,223,300
Federal Funds	272,784,200	247,789,300	251,157,900
<b>TOTAL - ALL SOURCES</b>	<b>1,381,424,000</b>	<b>1,504,054,300</b>	<b>1,461,937,100</b>

**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 375 degree-programs to approximately 39,000 full- and part-time students in 39 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 branch campus of the university in Sierra Vista.

<sup>1/</sup> The amounts include 587.1 FTE Positions and their associated funding above the original FY 2011 amounts.

<sup>2/</sup> Includes 942.9 GF FTE Positions funded from Special Line Items in FY 2012.

<sup>3/</sup> Includes \$14,253,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

<sup>4/</sup> The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

<sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>6/</sup> In addition to these amounts, a total of \$14,451,100 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

<sup>7/</sup> The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

<sup>8/</sup> It is the intent of the Legislature that the General Fund base funding for University of Arizona - Main Campus is \$194,114,000. This appropriation includes a deferral of \$62,153,100 from FY 2012 to FY 2013. This deferral shall be paid as required by Section 134 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$194,114,000 plus the \$14,253,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2012 total of \$208,367,000. The \$62,153,100 deferral amount was appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1.

<sup>9/</sup> Any unencumbered balances remaining in the collections account on June 30, 2011 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)



## **Operating Budget**

The budget includes \$454,736,700 and 4,862.6 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$210,110,200
University Collections Fund	244,626,500

These amounts fund the following adjustments

### **Enrollment Growth**

The budget includes an increase of \$6,935,600 from the University Collections Fund in FY 2012 for enrollment growth. The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$6,682,500. Formula enrollment is projected to grow by 842 full-time equivalent (FTE) students, to 22,082 FTE students in FY 2012. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. This amount excludes projected decline of (23) FTE out-of-state students. *(Please see ABOR for more information.)*

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues. The amount does not reflect any added revenue for a per student increase in tuition and fees in FY 2012.

### **Statewide Adjustments**

The budget includes a decrease of \$(1,916,100) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

## **Agriculture**

The budget includes \$37,235,600 and 665.1 FTE Positions in FY 2012 for the Agriculture Programs. These amounts consist of:

General Fund	30,444,900
University Collections Fund	6,790,700

These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes a decrease of \$(217,000) from the General Fund in FY 2012 for statewide adjustments.

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food

Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

## **Arizona Cooperative Extension**

The budget includes \$12,841,700 and 205.1 FTE Positions in FY 2012 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	11,141,700
University Collections Fund	1,700,000

These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes a decrease of \$(81,400) from the General Fund in FY 2012 for statewide adjustments.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

## **Research Infrastructure Lease-Purchase Payment**

The budget includes \$14,253,000 from the General Fund in FY 2012 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2011.

Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation for research infrastructure projects.

## **Sierra Vista Campus**

The budget includes \$5,195,700 and 72.7 FTE Positions in FY 2012 for the Sierra Vista Campus. These amounts consist of:

General Fund	3,124,000
University Collections Fund	2,071,700

These amounts fund the following adjustments:

### **Statewide Adjustments**

The budget includes a decrease of \$(27,100) from the General Fund in FY 2012 for statewide adjustments.

UA-South offers upper-division undergraduate programs in 16 disciplines for community college transfer students. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

#### ***Lump Sum Reduction***

The budget includes a decrease of \$(60,706,800) from the General Fund in FY 2012 for a lump sum reduction. *(Please see ABOR for more information.)*

#### ***Other Issues***

##### ***Payment Deferral***

The budget includes \$62,153,100 from the General Fund for FY 2011 payments that were deferred until FY 2012 and includes a FY 2012 General Fund payment deferral of \$(62,153,100) until FY 2013. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2012 General Fund budget is \$208,367,000. Of this amount:

- \$134,202,500 was included in UA-Main's individual section of the FY 2012 General Appropriation Act.
- \$62,153,100 was appropriated in the FY 2011 General Appropriation Act (Laws 2010, 7<sup>th</sup> Special Session, Chapter 1) to reflect the deferral of FY 2011 monies to FY 2012. The \$34,104,700 net impact of the FY 2010 payment deferral (due to the growth of the FY 2010 deferral compared to FY 2009) appears in the Other Operating Expenditures line. *(Please see the summary table above.)*
- \$14,253,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$(2,241,600) was included to reflect FY 2012 statewide adjustments in the FY 2012 General Appropriation Act.

## University of Arizona - Health Sciences Center

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	948.1	979.1 <sup>1/</sup>	979.1 <sup>2/</sup>
Personal Services	44,478,800	54,300,300	54,300,300
Employee Related Expenditures	13,303,500	13,066,600	12,618,200
Professional and Outside Services	1,150,700	1,073,200	1,073,200
Travel - In State	63,100	35,600	35,600
Travel - Out of State	168,600	7,700	7,700
Library Acquisitions	981,100	872,200	872,200
Other Operating Expenditures	3,614,800	3,109,000	3,232,600
Equipment	1,575,500	201,900	201,900
<b>OPERATING SUBTOTAL</b>	<b>65,336,100</b>	<b>72,666,500</b>	<b>72,341,700</b>
<b>SPECIAL LINE ITEMS</b>			
Clinical Rural Rotation	348,100	373,300	373,300
Clinical Teaching Support	8,551,800	8,587,000	8,526,400
Liver Research Institute	477,300	477,300	477,300
Phoenix Medical Campus	13,226,700	14,451,300	14,360,400
Telemedicine Network	1,937,700	1,937,700	1,931,700
Lump Sum Reduction	0	0	(17,294,700)
<b>AGENCY TOTAL</b>	<b>89,877,700</b>	<b>98,493,100</b>	<b>80,716,100</b> <sup>3/4/5/</sup>
<b>FUND SOURCES</b>			
General Fund	67,810,200	73,234,900	55,334,300 <sup>6/7/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	22,067,500	25,258,200	25,381,800 <sup>8/</sup>
SUBTOTAL - Other Appropriated Funds	22,067,500	25,258,200	25,381,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>89,877,700</b>	<b>98,493,100</b>	<b>80,716,100</b>
Other Non-Appropriated Funds	130,528,200	134,425,800	136,660,100
Federal Funds	91,106,000	92,503,600	93,924,900
<b>TOTAL - ALL SOURCES</b>	<b>311,511,900</b>	<b>325,422,500</b>	<b>311,301,100</b>

<sup>1/</sup> The amounts include 56 FTE Positions and their associated funding above the original FY 2011 amounts.

<sup>2/</sup> Includes 329.9 GF FTE Positions funded from Special Line Items in FY 2012, including 212 FTE Positions, all filled by students and associated with the Clinical Teaching Support Special Line Item.

<sup>3/</sup> The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

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

<sup>5/</sup> In addition to these amounts, a total of \$3,248,300 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

<sup>6/</sup> The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

<sup>7/</sup> It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$55,334,300. This appropriation includes a deferral of \$16,776,700 from FY 2012 to FY 2013. This deferral shall be paid as required by Section 134 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The \$16,776,700 deferral amount was appropriated by Laws 2010, 7<sup>th</sup> Special Session, Chapter 1.

<sup>8/</sup> Any unencumbered balances remaining in the collections account on June 30, 2011 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

**AGENCY DESCRIPTION** — 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 3,274 undergraduate and graduate students at its 48-acre campus in Tucson. UA-HSC currently operates a medical campus in Phoenix that opened in FY 2006. The Colleges of Pharmacy and Public Health also have a presence on the Phoenix Biomedical campus, and the College of Public Health admitted its first cohort of 13 Phoenix-based Master of Public Health students in fall 2010.

**Operating Budget**

The budget includes \$72,341,700 and 649.2 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$50,820,400
University Collections Fund	21,521,300

These amounts fund the following adjustments:

**Enrollment Growth**

The budget includes an increase of \$123,600 from the University Collections Fund in FY 2012 for enrollment growth. The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$118,800. Formula enrollment is projected to grow by 15 full-time equivalent (FTE) students, to 1,536 FTE students in FY 2012. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. This amount excludes projected decline of (1) FTE out-of-state student. *(Please see the Arizona Board of Regents (ABOR) for more information.)*

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues. The amount does not reflect any added revenue for a per student increase in tuition and fees in FY 2012.

**Statewide Adjustments**

The budget includes a decrease of \$(448,400) from the General Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

**Clinical Rural Rotation**

The budget includes \$373,300 and 6.1 FTE Positions from the General Fund in FY 2012 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2011.

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 budget includes \$8,526,400 and 212 FTE Positions from the General Fund in FY 2012 for Clinical Teaching Support. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(60,600) from the General Fund in FY 2012 for statewide adjustments.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions. Since participation in the program has been stable for several years, the funding summary above includes these FTE Positions.

**Liver Research Institute**

The budget includes \$477,300 and 6.5 FTE Positions from the General Fund in FY 2012 for the Liver Research Institute. These amounts are unchanged from FY 2011.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

**Phoenix Medical Campus**

The budget includes \$14,360,400 and 90.4 FTE Positions in FY 2012 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	10,499,900
University Collections Fund	3,860,500

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(90,900) from the General Fund in FY 2012 for statewide adjustments.

The Phoenix Biomedical Campus has 120 medical students. UA envisions, by FY 2025, adding at least 1,200,000 square feet to house 680 medical students, 1,660 science students, and 140 bioinformatics students.

Laws 2008, Chapter 287 as amended by Laws 2009, 1<sup>st</sup> Special Session, Chapter 6 and Laws 2009, 3<sup>rd</sup> Special Session, Chapter 9 authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which ABOR is required to allocate \$376,000,000 for the Phoenix Biomedical Campus.

The first phase of this project includes \$172,940,000 in university lottery bonding for construction of the Health Sciences and Education Building and renovation of the Arizona Biomedical Collaborative 1 Building, which was favorably reviewed by the Joint Committee on Capital Review (JCCR) in March 2010. At the March meeting, the Committee provided a favorable review of the project with the provision that for 18 months, or until September 2011, ABOR and the universities would not request additional lottery bonding authority, including the remaining \$203,060,000 available for the Phoenix Biomedical Campus. This provision was recommended by ABOR. As a result, no further medical campus expansion will occur until after August 2011. Bonds for the first phase totaling \$121,126,000 were issued by UA in June 2010 and construction is expected to be completed by the spring of 2012. *(For additional information on university lottery bonding, please see the Capital Outlay - ABOR Building System section of this report.)*

In addition to the lottery bonding funding, the universities also received a \$15,000,000 federal grant to build an animal-related research building on the Phoenix Biomedical Campus for animal-related research. Since this was a federal grant, JCCR review was not required. This project will also be complete by the spring of 2012.

### **Telemedicine Network**

The budget includes \$1,931,700 and 14.9 FTE Positions from the General Fund in FY 2012 for the Telemedicine Network. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(6,000) from the General Fund in FY 2012 for statewide adjustments.

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.

### **Lump Sum Reduction**

The budget includes a decrease of \$(17,294,700) from the General Fund in FY 2012 for a lump sum reduction. *(Please see ABOR for more information.)*

### **Other Issues**

#### **Payment Deferral**

The budget includes \$16,776,700 from the General Fund for FY 2011 payments that were deferred until FY 2012 and includes a FY 2012 General Fund payment deferral of \$(16,776,700) until FY 2013. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2012 General Fund Baseline is \$55,334,300. Of this amount:

- \$39,163,500 was included in UA-HSC's individual section of the FY 2012 General Appropriation Act.
- \$16,776,700 was appropriated in the FY 2011 General Appropriation Act (Laws 2010, 7<sup>th</sup> Special Session, Chapter 1) to reflect the deferral of FY 2011 monies to FY 2012. The \$(5,364,300) net impact of the FY 2010 payment deferral (due to the growth of the FY 2010 deferral compared to FY 2009) appears in the Personal Services line. *(Please see the summary table above.)*
- \$(605,900) was included to reflect FY 2012 statewide adjustments in the FY 2012 General Appropriation Act.

## Department of Veterans' Services

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	359.3	356.3	500.3 <sup>1/</sup>
Personal Services	1,718,800	1,791,500	1,836,500
Employee Related Expenditures	631,700	526,000	475,800
Professional and Outside Services	50,400	114,100	139,100
Travel - In State	19,500	18,000	18,000
Travel - Out of State	5,100	18,000	18,000
Other Operating Expenditures	460,600	452,100	490,500
Equipment	37,800	0	0
<b>OPERATING SUBTOTAL</b>	<b>2,923,900</b>	<b>2,919,700</b>	<b>2,977,900</b> <sup>2/3/</sup>
<b>SPECIAL LINE ITEMS</b>			
Arizona State Veterans' Homes	15,161,200	16,960,000	21,596,400
Southern Arizona Cemetery	281,300	278,900	274,800
Veterans' Benefit Counseling	2,970,600	2,933,200	2,826,700
<b>AGENCY TOTAL</b>	<b>21,337,000</b>	<b>23,091,800</b>	<b>27,675,800</b>
<b>FUND SOURCES</b>			
General Fund	6,973,200	5,374,700	7,050,700
<u>Other Appropriated Funds</u>			
Home for Veterans' Trust Fund	13,616,800	16,959,800	19,742,800
Veterans' Conservatorship Fund	747,000	757,300	882,300
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>14,363,800</b>	<b>17,717,100</b>	<b>20,625,100</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>21,337,000</b>	<b>23,091,800</b>	<b>27,675,800</b>
Other Non-Appropriated Funds	1,117,000	2,001,800	3,934,000
Federal Funds	940,200	707,600	546,200
<b>TOTAL - ALL SOURCES</b>	<b>23,394,200</b>	<b>25,801,200</b>	<b>32,156,000</b>

**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 scheduled to open in Tucson in FY 2012.

### Operating Budget

The budget includes \$2,977,900 and 54.3 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$2,095,400
Veterans' Conservatorship Fund	882,300

These amounts fund the following adjustments:

### Increase Conservatorship Fund

The budget includes an increase of \$125,000 from the Veterans' Conservatorship Fund in FY 2012 to provide additional conservatorship services for veterans.

### Statewide Adjustments

The budget includes a decrease of \$(66,800) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

<sup>1/</sup> Includes 55 GF and 391 OF FTE Positions funded from Special Line Items in FY 2012.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> In addition to these amounts, a total of \$149,400 GF and \$530,100 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

### **Arizona State Veterans' Homes**

The budget includes \$21,596,400 and 391 FTE Positions in FY 2012 for the Arizona State Veterans' Homes. These amounts consist of:

General Fund	1,853,600
Home for Veterans' Trust Fund	19,742,800

These amounts fund the following adjustments:

#### **Tucson Veterans' Home**

The budget includes an increase of \$4,599,500 and 144 FTE Positions in FY 2012 for the Tucson Veterans' Home. These amounts consist of:

General Fund	1,853,400
Veterans' Conservatorship Fund	2,746,100

The State Veterans' Home in Tucson is expected to open in October 2011. Ongoing operational costs will be paid for by Medicaid, Medicare, the Veterans' Administration, and private insurance. General Fund monies will be used for one-time start up costs such as initial operating supplies and some staff.

Although the department does not anticipate opening until October, they will be hiring employees earlier to prepare the Home for its residents.

#### **Statewide Adjustments**

The budget includes an increase of \$36,900 from the Home for Veterans' Trust Fund in FY 2012 for statewide adjustments.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes.

### **Southern Arizona Cemetery**

The budget includes \$274,800 and 2 FTE Positions from the General Fund in FY 2012 for the Southern Arizona Cemetery. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(4,100) from the General Fund in FY 2012 for statewide adjustments.

Monies in this line item are used to partially offset the operating costs at the Southern Arizona Cemetery in Sierra Vista.

### **Veterans' Benefit Counseling**

The budget includes \$2,826,700 and 53 FTE Positions from the General Fund in FY 2012 for Veterans' Benefit Counselors. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(106,500) from the General Fund in FY 2012 for statewide adjustments.

The monies in this line item are used to assist Arizona Veterans with questions about benefit eligibility, completion of benefit forms, and obtaining deserved benefits.

## *Arizona State Veterinary Medical Examining Board*

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	5.5	5.5	5.5
Personal Services	222,300	249,100	253,900
Employee Related Expenditures	83,600	87,700	85,700
Professional and Outside Services	39,200	41,900	41,900
Travel - In State	3,400	6,800	6,800
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	55,000	69,300	61,500
Equipment	1,200	4,000	4,000
<b>AGENCY TOTAL</b>	<b>404,700</b>	<b>460,300</b>	<b>455,300<sup>1/2</sup></b>

### FUND SOURCES

<i>Other Appropriated Funds</i>			
Veterinary Medical Examining Board Fund	404,700	460,300	455,300
SUBTOTAL - Other Appropriated Funds	404,700	460,300	455,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>404,700</b>	<b>460,300</b>	<b>455,300</b>
<b>TOTAL - ALL SOURCES</b>	404,700	460,300	455,300

**AGENCY DESCRIPTION** — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

### *Operating Budget*

The budget includes \$455,300 and 5.5 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(10,800) from the Veterinary Medical Examining Board Fund in FY 2012 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

#### **Restore Furlough Reduction**

The budget includes an increase of \$5,800 from the Veterinary Medical Examining Board Fund in FY 2012 for eliminating the mandatory FY 2011 furlough. *(Please see the General Provisions section.)*

### *Fund Transfers*

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

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Agency.

<sup>2/</sup> In addition to these amounts, a total of \$12,600 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*



## Department of Water Resources

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	216.7	207.2	207.2 <sup>1/</sup>
Personal Services	6,664,000	4,545,100	4,545,100
Employee Related Expenditures	2,725,200	1,417,000	1,162,600
Professional and Outside Services	521,400	532,200	532,200
Travel - In State	66,200	133,000	133,000
Travel - Out of State	9,100	31,500	31,500
Other Operating Expenditures	2,646,200	1,281,500	1,039,000
Equipment	19,400	0	0
<b>OPERATING SUBTOTAL</b>	<b>12,651,500</b>	<b>7,940,300</b>	<b>7,443,400</b>
<b>SPECIAL LINE ITEMS</b>			
Adjudication Support	1,254,500	1,241,700	1,212,900 <sup>2/</sup>
Arizona Water Protection Fund	0	0	0
Assured and Adequate Water Supply Administration	1,616,000	1,810,700	1,771,100 <sup>3/</sup>
Automated Groundwater Monitoring	345,700	405,700	401,100
Conservation and Drought Program	359,900	405,100	395,700
Rural Water Studies	765,700	1,160,900	1,139,600 <sup>4/</sup>
<b>AGENCY TOTAL</b>	<b>16,993,300</b>	<b>12,964,400</b>	<b>12,363,800<sup>5/6/</sup></b>
<b>FUND SOURCES</b>			
General Fund	16,837,700	7,034,700	5,698,300
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	155,600	266,800	265,300
Water Resources Fund	0	5,662,900	6,400,200
SUBTOTAL - Other Appropriated Funds	155,600	5,929,700	6,665,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>16,993,300</b>	<b>12,964,400</b>	<b>12,363,800</b>
Other Non-Appropriated Funds	19,423,400	9,403,800	9,403,800
Federal Funds	328,200	367,000	367,000
<b>TOTAL - ALL SOURCES</b>	<b>36,744,900</b>	<b>22,735,200</b>	<b>22,134,600</b>

**AGENCY DESCRIPTION** — The Department of Water Resources (DWR) 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 budget includes \$7,443,400 and 155.2 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

**FY 2012**  
General Fund \$1,043,200  
Water Resources Fund 6,400,200

These amounts fund the following adjustments:

- <sup>1/</sup> Includes 52 GF FTE Positions funded from Special Line Items in FY 2012.
- <sup>2/</sup> Monies in the Adjudication Support line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-256 and 45-257B4. The Department of Water Resources shall not transfer any funds into or out of the Adjudication Support line item. (General Appropriation Act footnote)
- <sup>3/</sup> Monies in the Assured and Adequate Water Supply Administration line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-108 and 45-576 through 45-579. The Department of Water Resources shall not transfer any funds into or out of the Assured and Adequate Water Supply Administration line item. (General Appropriation Act footnote)
- <sup>4/</sup> It is the intent of the Legislature that monies in the Rural Water Studies line item will only be spent to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs and not be made available for other department operating expenditures. (General Appropriation Act footnote)
- <sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>6/</sup> In addition to these amounts, a total of \$170,400 GF and \$5,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

**Shift to Fees**

The budget includes a decrease of \$(795,600) from the General Fund and a corresponding increase from the Water Resources Fund in FY 2012 to shift department expenses.

The Environment Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 36) permits the director to assess a fee on cities. The fee would be levied proportionally based upon the population of each municipality.

In addition, the bill permits the director to increase fees for services in FY 2012. The bill also states it is the intent that the combination of increased fees for services and the fee levied on municipalities shall not exceed \$7,000,000.

The FY 2011 budget permitted the department to increase fees for services up to \$5,662,900 and reduced the General Fund by a corresponding amount. The department was only able to generate a limited amount of fee revenue. As a result, the Environment BRB provided the department authority to charge cities a fee in order to backfill the lack of revenue. In total, the fees are estimated to generate an additional \$795,600 above last year's appropriation, and the General Fund has been reduced by a corresponding amount.

**Statewide Adjustments**

The budget includes a decrease of \$(496,900) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	\$(438,600)
Water Resources Fund	(58,300)

*(Please see the Agency Detail and Allocations section.)*

**Adjudication Support**

The budget includes \$1,212,900 and 14.5 FTE Positions from the General Fund in FY 2012 for Adjudication Support. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(28,800) from the General Fund in FY 2012 for statewide adjustments.

A.R.S. § 45-251 requires DWR to provide technical and administrative support to judicial proceedings involving water rights claims on the Gila and Little Colorado Rivers.

In 1953, Congress passed the McCarran Amendment, granting state courts jurisdiction over the adjudication of the tribal water rights. As part of this amendment, if the states are unsuccessful in completing the adjudications, the adjudications will be moved to federal courts.

**Arizona Water Protection Fund Deposit**

The budget includes no funding in FY 2012 for the Water Protection Fund Deposit. This is unchanged from FY 2011.

The Environment BRB includes a statutory change to A.R.S. § 45-2112 to eliminate the annual \$5,000,000 General Fund appropriation to the Water Protection Fund. This General Fund appropriation has been suspended since 2000.

The Arizona Water Protection Fund, administered by the Water Protection Fund Commission, provides grants to organizations for the preservation, enhancement, and restoration of rivers, streams, and riparian environments.

**Assured and Adequate Water Supply Administration**

The budget includes \$1,771,100 and 19.8 FTE Positions in FY 2012 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,505,800
AAWS Administration Fund	265,300

These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(39,600) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(38,100)
AAWS Administration Fund	(1,500)

All new subdivisions must receive a Certificate of Assured or Adequate Water Supply. A Certificate of Assured Water Supply is awarded to developers within the 5 Active Management Areas (AMAs) and demonstrates the availability of water for the next 100 years. New developers outside the 5 AMAs must obtain a determination of the quantity and quality of water available in the new subdivision before any lots may be sold. A Certificate of Adequate Water Supply is awarded if DWR determines the subdivision has a 100-year supply of water. If the water is determined to be inadequate, lots may still be sold, but buyers must be notified of the determination.

**Automated Groundwater Monitoring**

The budget includes \$401,100 and 2 FTE Positions from the General Fund in FY 2012 for Automated Groundwater Monitoring. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(4,600) from the General Fund in FY 2012 for statewide adjustments.

Monies in this SLI are to provide for automated measuring instruments, which provide daily measurements of groundwater levels. This information is used in determining assured and adequate water supply, recharge levels, rural water budgets, and water rights studies.

### ***Conservation and Drought Program***

The budget includes \$395,700 and 4.7 FTE Positions from the General Fund in FY 2012 for the Conservation and Drought Program Special Line Item. These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget includes a decrease of \$(9,400) from the General Fund in FY 2012 for statewide adjustments.

Monies in this SLI are used to assist local communities to assess conservation needs and assist rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs.

### ***Rural Water Studies***

The budget includes \$1,139,600 and 11 FTE Positions from the General Fund in FY 2012 for Rural Water Studies. These amounts fund the following adjustments.

#### **Statewide Adjustments**

The budget includes a decrease of \$(21,300) from the General Fund in FY 2012 for statewide adjustments.

Monies in this SLI are used to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs. The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz. These studies are administered through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance. Currently, there are 8 studies underway.

### ***Fund Transfers***

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

## Department of Weights and Measures

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>PROGRAM BUDGET</b>			
General Services	1,528,000	1,511,300	1,482,500
Oxygenated Fuel	784,000	777,300	779,400
Vapor Recovery	621,200	630,000	634,500
<b>AGENCY TOTAL</b>	<b>2,933,200</b>	<b>2,918,600</b>	<b>2,896,400</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	37.4	36.4	36.4
Personal Services	1,443,500	1,193,100	1,214,700
Employee Related Expenditures	616,000	559,900	517,400
Professional and Outside Services	131,700	439,000	439,000
Travel - In State	136,800	213,600	213,600
Travel - Out of State	4,100	12,000	12,000
Other Operating Expenditures	433,900	418,000	416,700
Equipment	167,200	83,000	83,000
<b>AGENCY TOTAL</b>	<b>2,933,200</b>	<b>2,918,600</b>	<b>2,896,400<sup>1/2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,216,100	1,195,500	1,165,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,405,200	1,407,300	1,413,900
Motor Vehicle Liability Insurance Enforcement Fund	311,900	315,800	317,500
SUBTOTAL - Other Appropriated Funds	1,717,100	1,723,100	1,731,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>2,933,200</b>	<b>2,918,600</b>	<b>2,896,400</b>
<b>TOTAL - ALL SOURCES</b>	<b>2,933,200</b>	<b>2,918,600</b>	<b>2,896,400</b>

**AGENCY DESCRIPTION** — The department regulates the determination and representation of weight and measurement in the marketplace and also maintains 2 environmentally related gasoline inspection programs. All programs investigate consumer complaints.

### Operating Budget

The budget includes \$2,896,400 and 36.4 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<b>FY 2012</b>
General Fund	\$1,165,000
Air Quality Fund	1,413,900
Motor Vehicle Liability Insurance Enforcement Fund	317,500

These amounts fund the following adjustments:

#### Statewide Adjustments

The budget includes a decrease of \$(48,700) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(40,200)
Air Quality Fund	(6,400)
Motor Vehicle Liability Insurance Enforcement Fund	(2,100)

(Please see the Agency Detail and Allocations section.)

#### Restore Furlough Reduction

The budget includes an increase of \$26,500 in FY 2012 for eliminating the mandatory FY 2011 furlough. This amount consists of:

General Fund	9,700
Air Quality Fund	13,000
Motor Vehicle Liability Fund	3,800

(Please see the General Provisions section.)

<sup>1/</sup> General Appropriation Act funds are appropriated as a Lump Sum by Program.

<sup>2/</sup> In addition to these amounts, a total of \$26,100 GF and \$30,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

***Fund Transfers***

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

**CAPITAL OUTLAY**

**Capital Outlay**  
**Summary**

	FY 2012 APPROVED
<b>BUILDING RENEWAL</b>	
ADOA Building System	11,731,800
ADOT Building System	1,050,000
ABOR Building System	0
<b>SUBTOTAL</b>	<b>12,781,800</b>
<b>INDIVIDUAL PROJECTS</b>	
ADOA Building System	1,030,000
ADOT Building System	232,278,400
ABOR Building System	0
<b>SUBTOTAL</b>	<b>233,308,400</b>
<b>LEASE-PURCHASE PAYMENTS</b>	
Leaseback Obligations	49,050,700 <sup>1/</sup>
<b>TOTALS</b>	
ADOA Building System	61,812,500
ADOT Building System	233,328,400
ABOR Building System	0
<b>TOTAL - ALL PROJECTS</b>	<b>295,140,900</b>
<b>FUND SOURCES</b>	
General Fund	49,050,700
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	6,500,000
Department of Corrections Building Renewal Fund	4,630,500
Game and Fish Fund	552,100
Game and Fish Capital Improvement Fund	1,000,000
State Aviation Fund	22,350,400
State Highway Fund	210,978,000
State Lottery Fund	79,200
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>246,090,200</b>
<b>SUBTOTAL - Appropriated Funds Less Debt and Lease-Purchase Financing Projects</b>	<b>246,090,200</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>295,140,900</b>
Other Non-Appropriated Funds	312,567,000
Federal Funds	635,722,000
<b>TOTAL - ALL SOURCES</b>	<b>1,243,429,900</b>

**DESCRIPTION** — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital stock, which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

The following amounts are one-time appropriations.

**Capital Outlay**

The budget includes a total of \$295,140,900 from Appropriated Funds in FY 2012. Of the total, \$49,050,700 is from the General Fund and \$246,090,200 is from Other

Appropriated Funds. The budget consists of 3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

<sup>1/</sup> This amount was appropriated by the General Appropriation Act (Laws 2011, Chapter 24, Section 128). All other appropriations appear in the FY 2012 Capital Outlay Bill (Laws 2011, Chapter 25).

**Building Renewal**

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by ADOA or individual agencies within the ADOA Building System that have their own funding source for building renewal, ADOT, and ABOR for their respective building systems.

The budget includes total funding of \$12,781,800 for Building Renewal in FY 2012, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$6,500,000
Capital Outlay Stabilization Fund	
@ 29% (when combined with	
ADC amount below)	
Department of Corrections Building	4,630,500
Renewal Fund @ 29% (when	
combined with ADOA amount above)	
Game and Fish Fund @ 100%	522,100
State Lottery Fund @ 100%	<u>79,200</u>
Subtotal - ADOA	\$11,731,800

Arizona Department of Transportation	
State Highway Fund @ 10.6%	\$ 1,000,000
State Aviation Fund @ 30.9%	<u>50,000</u>
Subtotal - ADOT	\$ 1,050,000

*(See the individual building systems' write-ups for more information.)*

**Individual Projects**

The budget includes a total of \$233,308,400 for individual capital projects in FY 2012, which is from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

**Lease-Purchase Payments**

The budget includes \$49,050,700 from the General Fund for interest-only lease-purchase agreement payments in FY 2012. *(See the Debt and Lease-Purchase Financing write-up for more information.)*



**Capital Outlay**  
**Arizona Department of Administration Building System**

FY 2012  
APPROVED

<b>BUILDING RENEWAL</b>	
Arizona Department of Administration <sup>1/</sup>	6,500,000
Game and Fish Department	522,100
Arizona Lottery Commission	79,200
Department of Corrections <sup>2/</sup>	4,630,500
<b>SUBTOTAL</b> <sup>3/</sup>	<b>11,731,800</b>
<b>INDIVIDUAL PROJECTS</b> <sup>4/</sup>	
<b>Game and Fish Statewide Projects</b>	
Property Maintenance	500,000
Dam Maintenance	500,000
Preventative Maintenance	30,000
<b>SUBTOTAL</b>	<b>1,030,000</b>
<b>TOTAL - ALL PROJECTS</b>	<b>12,761,800</b>
<b>FUND SOURCES</b>	
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	6,500,000
Department of Corrections Building Renewal Fund	4,630,500
Game and Fish Fund	552,100
Game and Fish Capital Improvement Fund	1,000,000
State Lottery Fund	79,200
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>12,761,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>12,761,800</b>
<b>TOTAL - ALL SOURCES</b> <sup>5/6/7/8/</sup>	<b>12,761,800</b>

- <sup>1/</sup> The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration shall be reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund. (Capital Outlay Appropriation Act footnote)
- <sup>2/</sup> The department shall allocate the amount appropriated to the State Department of Corrections for necessary building renewal and, as permitted by statute, on preventative maintenance projects. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2012 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amounts appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. Any monies appropriated for building renewal in FY 2012 that are unexpended or unencumbered on June 30, 2013 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- <sup>5/</sup> Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- <sup>6/</sup> Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- <sup>7/</sup> The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request. (Capital Outlay Appropriation Act footnote)
- <sup>8/</sup> 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 15, 2011. (Capital Outlay Appropriation Act footnote)

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**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 2012 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

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Unless otherwise specified, funding for capital projects is appropriated by Laws 2011, Chapter 25 (FY 2012 Capital Outlay Bill).

### **Building Renewal**

#### **Building Renewal**

The budget includes \$11,731,800 from Other Appropriated Funds in FY 2012 for Building Renewal within the ADOA Building System. This amount consists of:

- \$6,500,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA. In combination with the \$4,630,500 from the Department of Corrections (ADC) Building Renewal Fund (see below), the budget funds 29% of the building renewal formula. In FY 2011, the formula was funded at \$5,000,000, or 15%, of which \$4,000,000 was General Fund and \$1,000,000 was COSF.
- \$522,100 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula.
- \$79,200 from the State Lottery Fund to the Arizona State Lottery Commission to fund 100% of the building renewal formula.
- \$4,630,500 from the ADC Building Renewal Fund in FY 2012 to ADOA for ADC building renewal and preventative maintenance projects. The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 33) established the Department of Corrections Building Renewal Fund, permits up to 8% of the funds to be used on preventative maintenance, permits a new visitor's fee to be deposited into this fund, and specifies yearly transfers from 4 department funds into this fund. It is estimated that the newly-enacted visitor's fee would generate \$2,289,900 the first year and \$1,682,900 each subsequent year. The fee will be charged to all visitors 18 years or older. The following amounts will be annually transferred into this newly-created fund: \$1,000,000 from the Arizona Correctional Industries Revolving Fund, \$500,000 from the Inmate Store Proceeds Fund, \$500,000 from the Special Services Fund, and an estimated \$340,600 from a newly-created fee for any deposits made to a prisoner spendable account.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The budget continues the footnote that allows up to \$275,000 and up to 5 FTE Positions be appropriated each year from building renewal monies to ADOA for supervision and management of building renewal projects, and a

requirement that unused building renewal monies revert on June 30, 2013.

The General Government BRB (Laws 2011, Chapter 34) permanently allows ADOA to use 8% of its annual Building Renewal appropriation for routine preventative maintenance.

### **Game and Fish Department**

The budget includes \$1,030,000 from Other Appropriated Funds in FY 2012 for Arizona Game and Fish Department projects. This amount consists of:

Game and Fish Capital Improvement Fund	\$1,000,000
Game and Fish Fund	30,000

### **Game and Fish Statewide Projects**

#### **Property Maintenance**

The budget includes \$500,000 from the Game and Fish Capital Improvement Fund in FY 2012 for the maintenance of commission owned or operated properties. There are a total of 351 projects with an average cost of \$1,500. Projects will be prioritized and implemented by the Game and Fish Department.

#### **Dam Maintenance**

The budget includes \$500,000 from the Game and Fish Capital Improvement Fund in FY 2012 for maintenance, repairs, and modifications in compliance with dam safety regulations. The department operates 37 dams. Maintenance will be performed on specific problems related to 7 dams while 30 dams will receive maintenance due to leakage, vegetation, or safety concerns.

#### **Preventative Maintenance**

The budget includes \$30,000 from the Game and Fish Fund in FY 2012 to provide funding for preventative maintenance. 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.

### **Additional Legislation**

#### ***COSF Rental Rate Change & Payment Savings***

The FY 1992 lease-purchase agreement that was refinanced in FY 2002 was paid off in FY 2011. The completion of the lease-purchase payments will result in FY 2012 savings of \$(25,953,800), including \$(17,367,000) from the General Fund. The properties

associated with this lease-purchase agreement will become state-owned properties and COSF rent will begin to be paid to ADOA on the properties beginning in FY 2012. All other lease-purchase payments will decline by \$(909,600) in FY 2012, including \$(1,588,500) from the General Fund. *(Please see the Capital Outlay Debt and Lease-Purchase Financing narrative for more information.)*

In FY 2011, state agencies paid a total of \$20,126,800 to ADOA for COSF rent. The FY 2011 rental rate for state-owned space was \$21.02/square foot for office space and \$7.62/square foot for storage space.

In FY 2011, ADOA was appropriated a total of \$5,000,000 for Building Renewal, of which \$4,000,000 was from the General Fund and \$1,000,000 from COSF. The budget includes Building Renewal funding of \$6,500,000 in FY 2012, which is entirely funded from COSF. In order to fund the \$5,500,000 COSF increase for Building Renewal in FY 2012, \$1,500,000 in fund balance monies will be used and COSF collections will be increased by \$4,000,000 above the FY 2011 \$20,126,800 amount.

However, converting the FY 1992 lease-purchase agreement payments into COSF payments will begin to bring in additional rental income of \$13,493,800 in FY 2012, including \$8,582,300 from the General Fund. Since only \$4,000,000 more is needed in COSF monies to fund FY 2012 Building Renewal at \$6,500,000, the rental rate can be reduced.

The Budget Procedures BRB (Laws 2011, Chapter 26) reduced the FY 2012 COSF rental rate charged by ADOA for state-owned space from \$21.02 per square foot to \$15.08 per square foot for office space and from \$7.62 per square foot to \$5.47 per square foot for storage space. Reducing the rental rate will result in FY 2012 COSF rental collections of \$24,160,200, which is an increase of about \$4,000,000 over the FY 2011 amount. The rate reduction will save \$(9,227,700), including \$(6,220,600) from the General Fund.

The net General Fund savings from all these adjustments is \$(16,751,500). *(Please see page 265 and the Agency Detail and Allocations section.)*



**Capital Outlay**  
**Arizona Department of Transportation Building System**

FY 2012  
 APPROVED

<b>BUILDING RENEWAL</b>	
ADOT Building Renewal <sup>1/</sup>	1,050,000
<b>SUBTOTAL</b>	<b>1,050,000</b>
<b>INDIVIDUAL PROJECTS</b> <sup>2/</sup>	
Airport Planning and Development <sup>3/</sup>	22,300,400
Statewide Highway Construction <sup>4/</sup>	209,978,000
<b>SUBTOTAL</b>	<b>232,278,400</b>
<b>TOTAL - ALL PROJECTS</b> <sup>5/6/</sup>	<b>233,328,400</b>
<b>FUND SOURCES</b>	
<u>Other Appropriated Funds</u>	
State Aviation Fund	22,350,400
State Highway Fund	210,978,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>233,328,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>233,328,400</b>
Other Non-Appropriated Funds	312,567,000
Federal Funds <sup>7/</sup>	635,722,000
<b>TOTAL - ALL SOURCES</b>	<b>1,181,617,400</b>

**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.

- <sup>1/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2012 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Of the amounts appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. Any monies appropriated for building renewal in FY 2012 that are unexpended or unencumbered on June 30, 2013 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- <sup>2/</sup> Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- <sup>5/</sup> Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- <sup>6/</sup> Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- <sup>7/</sup> This amount excludes American Recovery and Reinvestment Act funds.

Unless otherwise specified, funding for capital projects is appropriated by Laws 2011, Chapter 25 (FY 2012 Capital Outlay Bill).

**Building Renewal**

The budget includes \$1,050,000 in FY 2012 for Building Renewal within the Arizona Department of Transportation (ADOT) Building System. 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 10.6% funding of the revised highways building renewal formula and 30.9% funding of the aviation building renewal formula.

**Airport Planning and Development**

The budget includes \$22,300,400 from the State Aviation Fund in FY 2012 for ADOT’s airport construction program. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of the Grand Canyon Airport.

**Statewide Highway Construction**

The budget includes \$209,978,000 from SHF in FY 2012 for controlled access and debt service on bonds. A footnote in the FY 2012 Capital Outlay Bill appropriates any additional monies in SHF above the appropriation to ADOT for highway construction (*please see Footnote 4*). The Statewide Highway Construction appropriation typically includes funding for controlled access, debt service, and new construction.

Controlled Access Highways

The budget includes \$87,859,000 from SHF in FY 2012 for the Highway User Revenue Fund (HURF) formula dedicated to the construction of urban freeways. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%. Of the \$87,859,000 amount, \$26,971,000 is unallocated. Unallocated controlled access money is available to help relieve the SHF shortfall.

Debt Service

The budget includes \$122,119,000 from SHF in FY 2012 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,900,000,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2012 debt service payments. (*See Table 3 for more information on debt service.*)

New Construction

The budget includes no new SHF available for highway construction in the FY 2012 Capital Outlay Bill. Highway construction monies represent the amount that is available for the discretionary SHF to fund the State’s Transportation Board’s 5-year plan after all other allocations have been made. Please see *Table 6* for the HURF distribution analysis, which shows that \$(30,814,000) of net SHF monies will be available for statewide highway construction in FY 2012. Since SHF cannot literally run a deficit, this \$(30,814,000) will be absorbed by other proceeds and fund balances. (*Please see the Summary of Highway Construction section and Table 6 for additional information.*)

*Table 1* shows the allocation of the enacted budget related to highway construction.

	<u>Capital Outlay Bill</u> <sup>1/</sup>
Highway Construction	\$ 0 <sup>2/</sup>
Controlled Access	87,859,000
Debt Service	<u>122,119,000</u>
<b>Total</b>	<b>\$209,978,000</b>

<sup>1/</sup> Since overall FY 2011 HURF collections have been consistent with JLBC Staff’s original FY 2011 - FY 2012 forecast, the budget estimates have not been further modified.  
<sup>2/</sup> The overall amount of new Highway Funds available for highway construction is projected to be \$(30,814,000). Since SHF cannot literally run a deficit, this amount is shown as \$0.

As noted in the HURF distribution table (*please see Table 6*), an additional amount of \$180,678,000 from unspent FY 2011 State Highway monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2012. But because of the estimated \$(30,814,000) shortfall, a total of \$149,864,000 will be available.

**Summary of Non-Appropriated Capital Funds**

*Table 2* 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 of the *FY 2012 Baseline Book*. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in *Table 2*.

Table 2

**Non-Appropriated Capital Funds**  
(\$ in Thousands)

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$ 6,011	\$ 3,665	\$ 3,665
Federal Grants	<u>610,639</u>	<u>632,057</u>	<u>632,057</u>
<b>Subtotal – Federal Funds</b>	<b>\$616,650</b>	<b>\$635,722</b>	<b>\$635,722</b>
Economic Strength Project Fund	\$ 1,005	\$ 1,005	\$ 1,005
Local Agency Deposits Fund	71,471	50,000	50,000
Maricopa Regional Area Road Fund	259,439	261,562	261,562
<b>Subtotal – Other Non-Appropriated Funds</b>	<b>\$331,915</b>	<b>\$312,567</b>	<b>\$312,567</b>
<b>Total</b>	<b>\$948,565</b>	<b>\$948,289</b>	<b>\$948,289</b>

**Summary of 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 18, 2010 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 \$1,119,781,000 for FY 2012, including \$781,620,000 for construction and maintenance projects scheduled to begin in FY 2012, and \$338,161,000 for debt service. These estimates may be further modified once a new 5-Year Highway Construction Program (FY 2012 - 2016) is adopted by the board on June 17, 2011. (Please see Table 3 for additional details.)

**Total Highway Construction Funding**

Only a small portion of the state's total highway construction funding is appropriated. Table 4 summarizes all estimated revenues and expenditures for FY 2012, on a cash flow basis as provided by ADOT. Table 3, 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 2012.

Of the revenue amounts in Table 4, 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.

Table 3

**Highway Construction Projects Beginning in FY 2012 and Debt Service Payments**  
(\$ in Thousands)

	<b>FY 2012</b> <sup>1/</sup>
Construction	\$ 63,863
Urban Controlled Access <sup>2/</sup>	409,924
Pavement Preservation Maintenance	130,000
Other <sup>3/</sup>	177,833
Debt Service <sup>4/</sup>	<u>338,161</u>
<b>Total</b>	<b>\$1,119,781</b>

<sup>1/</sup> These amounts are subject to change pending the upcoming board meeting on June 17, 2011. Data from ADOT's 2011-2015 5-Year Transportation Facilities Construction Program.

<sup>2/</sup> Includes expenditures from the HURF for controlled access and from the Maricopa Regional Area Road Fund.

<sup>3/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

<sup>4/</sup> Information provided by the department. Includes \$122,119,000 for SHF statewide construction bonds; \$33,658,000 for HURF, MAG, and PAG controlled access bonds; \$118,595,000 for Maricopa Regional Area Road Fund Bonds; and \$63,789,000 for Grant Anticipation Notes.

Table 4

**Estimated Highway Construction - Cash Basis**  
(\$ in Thousands)

	<b>FY 2012</b>
<b>Balance Forward</b> <sup>1/</sup>	<b>\$ 491,371</b>
<b>Revenues</b>	
Appropriated Statewide Highway Construction <sup>2/</sup>	\$ 0
Appropriated Controlled Access Highways (MAG & PAG)	87,859
Appropriated Debt Service	122,119
½ Cent Sales Tax	195,000
Federal Aid <sup>3/</sup>	701,006
Maricopa Regional Area Road Fund Bond Proceeds <sup>4/</sup>	400,000
Miscellaneous Income/Expenses <sup>5/</sup>	<u>3,842</u>
Subtotal - Revenues	<u>\$1,509,826</u>
<b>Total Funds Available for Construction</b>	<b>\$2,001,197</b>
<b>Debt Service Expenditures</b>	
Appropriated Debt Service	\$ 122,119
Other Debt Service (All Other) <sup>6/</sup>	<u>216,042</u>
Subtotal - Debt Service	\$ 338,161
<b>Planned Construction Expenditures</b>	
Statewide Highway Construction (including PAG)	\$ 395,000
Controlled Access Highways (MAG)	<u>902,537</u>
Subtotal - Construction Expenditures	<u>\$1,297,537</u>
<b>Total Planned Expenditures</b>	<b>\$1,635,698</b>
<b>Balance Forward</b>	<b>\$ 365,499</b>

<sup>1/</sup> Includes unexpended bond proceeds for bonds issued in prior years.

<sup>2/</sup> The overall amount of new SHF available for highway construction is projected to be \$(30,814,000). Since SHF cannot literally run a deficit, this amount is shown as \$0.

<sup>3/</sup> Includes \$16,400,000 in American Recovery and Reinvestment Act of 2009 funds.

<sup>4/</sup> Proceeds reflect a cash expenditure basis.

<sup>5/</sup> Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.

<sup>6/</sup> See footnote 4 on Table 3 for a breakdown of the Other Debt Service payments.

### 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 5* explains the formula distribution of HURF monies between state and local governments. *Table 6* presents the overall HURF distribution for FY 2010 through FY 2012. The line in *Table 6*, which shows Net SHF 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 2010 HURF collections of \$1,194,416,500 were (4.3)% below FY 2009. As of April 2011, FY 2011 HURF year-to-date collections are up 1.5% as compared to the prior year. As a result, the JLBC Staff continues to forecast a 1.5% increase in total HURF revenue collections in both FY 2011 and FY 2012.

The decline in HURF collections in FY 2010 was due to a variety of factors related to the general economic downturn. Lower population growth also contributed to fewer miles driven, as well as reduced vehicle license tax and registration fee growth. Additionally, motor carrier fees were down due to the continued trend of fewer registered commercial vehicles.

Two FY 2012 budget changes affect the HURF distribution. The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 33) and the FY 2012 General Appropriation Act increase HURF funding of the Department of Public Safety (DPS) to \$123,210,600. Prior to these changes, there were transfers of \$79,215,700 from HURF and \$41,521,200 from SHF to DPS. This shift effectively increases local funding of DPS by \$20,974,100 and frees up \$23,588,500 in SHF dollars. These freed up monies are then transferred to the General Fund via VLT. Of the \$23,588,500, \$20,533,000 is from funds that would have otherwise gone to cities and counties, and the remainder is foregone controlled access and SHF money.

The FY 2012 General Appropriation Act transfers the funding source of the Motor Vehicle Division's (MVD) operating budget of \$88,684,100 from SHF to HURF in FY 2012. Cities and counties receive 49.5% of HURF revenues. Since they benefit from MVD revenue collection, this funding shift shares MVD's operating cost with cities and counties. The foregone local revenue would be \$43,898,500.

The Revenues BRB (Laws 2011, Chapter 28), however, holds the 10 least populated counties harmless from the MVD funding shift. The bill requires ADOT to transfer \$4,090,000 from SHF in FY 2012 to the 10 least populated

counties. The transfer to the 10 least populated counties consists of:

Apache	\$ 485,900
Cochise	578,900
Coconino	686,400
Gila	274,000
Graham	176,900
Greenlee	58,800
La Paz	270,300
Navajo	584,900
Santa Cruz	213,500
Yuma	<u>760,400</u>
Total	\$4,090,000

After holding the 10 least populated counties harmless, Maricopa, Mohave, Pima, Pinal, and Yavapai Counties along with the cities are estimated to lose \$39,808,500 in HURF revenue rather than \$43,898,500. The MVD funding shift frees up \$38,614,600 in SHF dollars that will be transferred to the General Fund in FY 2012 via VLT.

**Table 5**  
**Percentage Distribution of HURF Monies**

Cities	30.5%
Counties	19.0%
Controlled Access <sup>1/</sup>	7.7%
State Highway Fund <sup>1/</sup>	<u>42.8%</u>
<b>Total</b>	<b>100.0%</b>

<sup>1/</sup> 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% = 7.7%). 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 6

**Highway User Revenue Fund (HURF) Distribution**  
(\$ in Thousands)

	<b>FY 2010</b> <b>Actual</b>	<b>FY 2011</b> <b>Estimate</b>	<b>FY 2012</b> <b>Estimate</b>
<b>Total HURF Collections</b>	\$1,194,417	\$1,212,333	\$1,230,518
Less: Economic Strength Fund <sup>1/</sup>	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program <sup>2/</sup>	617	620	670
MVD Operating Budget <sup>3/</sup>	-	-	88,684
Dept. of Public Safety Transfer from HURF <sup>4/</sup>	<u>78,626</u>	<u>79,216</u>	<u>123,211</u>
<b>Net HURF Collections</b>	1,114,174	1,131,497	1,016,953
Less: Cities <sup>5/</sup>	339,823	345,107	310,171
Counties <sup>5/</sup>	211,693	214,984	193,221
VLT Transfer to General Fund <sup>6/</sup>	43,836	43,619	105,822
VLT Transfer to Parity Compensation Fund <sup>7/</sup>	2,492	2,478	2,569
VLT Transfer to General Fund (5-Year VLT) <sup>8/</sup>	-	860	500
Distribution to 10 Least Populated Counties <sup>9/</sup>	-	-	4,090
Controlled Access <sup>10/</sup>	<u>78,482</u>	<u>79,716</u>	<u>60,888</u>
<b>Net SHF (Discretionary)</b>	437,848	444,733	339,692
Plus: Other Income <sup>11/</sup>	14,321	13,868	13,673
Less: Non-MVD Operating Budget <sup>12/</sup>	247,870 <sup>13/</sup>	325,795	243,855
Dept of Public Safety Transfer from Highway Fund	41,256	41,521	0
Operating Carryovers, Adjustments and Transfers <sup>14/</sup>	5	5	5
Capital Outlay and Building Renewal	1,000	1,000	1,000
Motor Vehicle Third Party Payments <sup>15/</sup>	16,047	16,700	17,200
Debt Service <sup>16/</sup>	<u>94,371</u>	<u>94,763</u>	<u>122,119</u>
<b>Net SHF Available for Statewide Highway Construction (5-Year Plan) <sup>17/</sup></b>	51,620	(21,183)	(30,814)
<b>SHF Adjustments</b>			
Plus: Discretionary SHF Beginning Balance	7,000	0	0
Controlled Access SHF Beginning Balance	119,000	170,000	170,000
STAN Account Beginning Balance	<u>101,413</u>	<u>55,370</u>	<u>10,678</u>
<b>Total SHF Available for Statewide Highway Construction</b>	<b>\$ 279,033</b>	<b>\$ 204,187</b>	<b>\$ 149,864</b>

<sup>1/</sup> Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.

<sup>2/</sup> The FY 2012 General Appropriation Act allocates \$669,500 from HURF for the Registration Compliance Program. This amount includes \$(300) in statewide adjustments and \$45,000 for an additional pay period.

<sup>3/</sup> The FY 2012 General Appropriation Act shifts the funding for the Motor Vehicle Division (MVD) from SHF to HURF. The \$88,684,100 amount is designated for the MVD operating budget. This amount includes \$(16,000) in statewide adjustments and \$2,428,200 for an additional pay period.

<sup>4/</sup> The FY 2012 General Appropriation Act adjusts the amount transferred to the Department of Public Safety (DPS) from HURF to \$123,210,600. This amount includes \$(775,900) in statewide adjustments and \$3,249,600 for an additional pay period.

<sup>5/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>6/</sup> In FY 2010, the \$43,835,500 Vehicle License Tax (VLT) transfer consists of: a \$28,000,000 Fund Reduction and Transfer (FRAT), a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, an \$8,390,600 VLT transfer, and a \$664,900 Safety Enforcement and Transportation Infrastructure Fund (SETIF) transfer to the General Fund, which is done via the VLT. In FY 2011, the \$43,618,600 VLT transfer consists of: a \$28,000,000 FRAT, a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, an \$8,390,600 VLT transfer, and a \$448,000 SETIF transfer to the General Fund. In FY 2012, the \$105,821,700 VLT transfer consists of: a \$28,000,000 FRAT, a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, an \$8,390,600 VLT transfer, a \$448,000 SETIF transfer to the General Fund, \$23,588,500 in DPS funding shift savings, and \$38,614,600 in MVD funding shift savings.

<sup>7/</sup> Laws 2005, Chapter 306 transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

<sup>8/</sup> Laws 2010, 7th Special Session, Chapter 12 and Laws 2011, Chapter 28 transfers SHF share of the HURF VLT to the State General Fund that is generated from the difference between a 2-year registration and a 5-year registration.

<sup>9/</sup> Laws 2011, Chapter 28 requires ADOT to transfer \$4,090,000 from SHF in FY 2012 to the 10 least populated counties to hold them harmless from the MVD funding shift.

<sup>10/</sup> 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.

<sup>11/</sup> 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 2010 only, this amount includes \$664,900,000 in transfers from SETIF to SHF and \$617,000 for the Registration Compliance Program. In FY 2011 only, this amount also includes \$448,000 in transfers from SETIF to SHF and \$620,400 for the Registration Compliance Program. In FY 2012 only, this amount also includes \$448,000 in transfers from SETIF to SHF and \$624,800 for the Registration Compliance Program.

<sup>12/</sup> In FY 2012, the non-MVD operating budget consists of \$243,855,100 of SHF (this amount includes \$(28,800) in statewide adjustments and \$4,360,900 for an additional pay period) and \$88,684,100 of HURF. (Please see footnote 2 for additional details.)

<sup>13/</sup> Excludes \$74,530,000 in federal reimbursements.

<sup>14/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

<sup>15/</sup> Statutory payments to third parties from VLT collected by third parties.

<sup>16/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>17/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction. Since SHF cannot literally run a deficit, this balance will be offset by other SHF adjustments listed below.

**Capital Outlay**  
**Arizona Board of Regents Building System**

FY 2012  
 APPROVED

**BUILDING RENEWAL**

Arizona Board of Regents

**TOTAL**

0  
 0

**FUND SOURCES**

General Fund

**TOTAL - ALL SOURCES**

0  
 0

**DESCRIPTION** — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

**Debt Financed Projects**

**University Capital Projects**

Laws 2008, Chapter 287, as amended by Laws 2009, 1<sup>st</sup> Special Session, Chapter 6 and Laws 2009, 3<sup>rd</sup> Special Session, Chapter 9, authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which not more than \$167,671,200 could be issued in FY 2009 and not more than \$400,000,000 in FY 2010. ABOR is required to allocate \$376,000,000 of the \$800,000,000 for the Phoenix Biomedical Campus. Of the remaining \$424,000,000 in proceeds, ABOR plans to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction and \$136,000,000 to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

The Joint Committee on Capital Review (JCCR) favorably reviewed \$167,671,200 for building renewal bond projects in November 2008 and February 2009, which mostly were issued in April, June, and August 2010. The University of Arizona (UA) plans on issuing \$41,585,000 at the end of May 2011 and would receive the proceeds the beginning of June 2011. At that point, \$165,420,000 of the favorably reviewed \$167,671,200 will have been issued.

The Committee also favorably reviewed \$172,940,000 for Phase I of the Phoenix Biomedical Campus in March 2010, which represents a portion of the \$376,000,000 requirement and was supposed to be a collaboration between the 3 universities. Subsequent to the March 2010 JCCR meeting, ASU withdrew its partnership altogether from the Phoenix Biomedical Campus. Because of this, ASU's \$43,235,000 portion of the \$172,940,000 will not be issued. UA issued \$122,245,000 in June 2010. Northern Arizona University (NAU) had planned on issuing \$7,685,000 in late spring 2011 but decided in March 2011 to instead pay for its \$7,685,000 portion in cash.

All of the NAU and UA bonds and 73% of the ASU bonds were issued as Build America Bonds (BABs). BABs are taxable bonds which entitle the issuing entity to a 35% interest subsidy from the federal government. This leaves the issuing entity paying the remaining 65% of interest costs, along with principal, associated with the lease-purchase agreement.

At the March 2010 meeting, JCCR favorably reviewed the Phoenix Biomedical Campus debt issuance with the provision that the universities not request authority for further lottery bonding projects for 18 months, or until September 2011. After that time, a total of \$512,335,000 in remaining authority will be available for university lottery bonding projects, including \$253,755,000 for Phoenix Biomedical Campus expansion.

Under Chapter 287, the annual debt service payments were designed to be paid from the University Capital Improvement Lease-to-Own and Bond (UCI) Fund and would be comprised of at least 80% Lottery revenues and up to 20% state university system revenues, as required by Chapter 287.

After all Lottery revenue beneficiaries received their statutory distributions, the UCI Fund receives its distribution before any remaining monies revert to the General Fund. The JLBC Staff estimates that the UCI Fund will receive \$14,851,300 in FY 2012, which is more than sufficient to pay the maximum 80% lottery portion of the debt service for the \$165,420,000 in building renewal projects and \$122,245,000 in Phoenix Biomedical Campus projects.

Chapter 287 also provided that the monies distributed from the UCI Fund would be exempt from the university debt limit calculations. However, each university is required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.

Table 1 shows the current projections for UCI Fund revenues and a summary of the payment schedule for the Phoenix Biomedical Campus and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds.

The FY 2012 – FY 2015 payments are mainly interest-only payments. The FY 2016 – FY 2030 total annual payments are approximately \$22,400,000, and the remaining FY 2031 – FY 2044 total annual payments are approximately \$7,400,000.

		<b>University Lottery Bonding Projects <sup>1/</sup></b>					
		<b><u>FY 2012</u></b>	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>
Projected Lottery Revenue to UCI Fund <sup>2/</sup>		\$14,851,300	\$23,855,200	\$31,421,400	\$39,351,000	\$47,697,600	\$56,482,000
<b>Building Renewal Projects</b>							
Lottery Debt Service	80%	\$ 5,950,500	\$ 5,311,000	\$ 5,311,000	\$ 6,815,000	\$12,025,900	\$12,025,500
University Debt Service	20%	<u>1,487,600</u>	<u>1,327,800</u>	<u>1,327,800</u>	<u>1,703,800</u>	<u>3,006,500</u>	<u>3,006,400</u>
<b>Total Debt Service for \$165.4 M <sup>3/</sup></b>		<b>\$ 7,438,100</b>	<b>\$ 6,638,800</b>	<b>\$ 6,638,800</b>	<b>\$ 8,518,800</b>	<b>\$15,032,400</b>	<b>\$15,031,900</b>
<b>Phoenix Biomedical Campus</b>							
Lottery Debt Service	80%	\$ 4,026,300	\$ 4,026,300	\$ 4,026,300	\$ 4,026,300	\$ 5,910,300	\$ 5,909,500
University Debt Service	20%	<u>1,006,600</u>	<u>1,006,600</u>	<u>1,006,600</u>	<u>1,006,600</u>	<u>1,477,600</u>	<u>1,477,400</u>
<b>Total Debt Service for \$122.2 M <sup>4/</sup></b>		<b>\$ 5,032,900</b>	<b>\$ 5,032,900</b>	<b>\$ 5,032,900</b>	<b>\$ 5,032,900</b>	<b>\$ 7,387,900</b>	<b>\$ 7,386,900</b>
Total Lottery Requirement		\$ 9,976,800	\$ 9,337,300	\$ 9,337,300	\$10,841,300	\$17,936,200	\$17,935,000
Projected Unused Lottery Revenues <sup>5/</sup>		\$ 4,874,500	\$14,517,900	\$22,084,100	\$28,509,700	\$29,761,400	\$38,547,000
Projected University Cost <sup>6/</sup>		\$ 2,494,200	\$ 2,334,400	\$ 2,334,400	\$ 2,710,400	\$ 4,484,100	\$ 4,483,800

<sup>1/</sup> Represents JCCR reviewed projects. The issued bonds are BABs, which have a 35% interest subsidy from the federal government. The displayed amounts are net of the 35% subsidy. According to ABOR, the universities will file paperwork 90 days prior to the payment date in order to receive the federal subsidy so they will not have to literally pay the 35% net interest cost.

<sup>2/</sup> Revenue estimates are based on a 5% annual increase in lottery revenues.

<sup>3/</sup> All of the building renewal bonds have been issued, except UA plans on issuing its remaining \$41,585,000 at the end of May 2011. The amounts shown here include estimates for UA's remaining issuance.

<sup>4/</sup> UA has already issued its \$122,245,000 share, NAU will be paying cash for its \$7,685,000 share, and ASU's \$43,235,000 share will not be issued as they withdrew their partnership from the Phoenix Biomedical Campus.

<sup>5/</sup> Reflects unused revenue for that year and does not represent a cumulative amount.

<sup>6/</sup> Represents the 20% university share.

**Capital Outlay**  
**Debt and Lease-Purchase Financing**

	FY 2011 ESTIMATE	FY 2012 APPROVED
<b>LEASE-PURCHASE PAYMENTS*</b>		
<b>Arizona Department of Administration</b>		
2010 Leaseback Financing	52,066,900	49,050,700
<b>TOTAL - ALL PROJECTS</b>	<b>52,066,900</b>	<b>49,050,700</b>

\* Represents only lease-purchase payments for the 2010 state building sale/lease-back. All other debt and lease-purchase payments are reflected in individual agency budgets. (Please see Table 2.)

<b>FUND SOURCES</b>		
General Fund	52,066,900	49,050,700
<b>TOTAL - ALL SOURCES</b>	<b>52,066,900</b>	<b>49,050,700</b>

**DESCRIPTION** — This section summarizes the state’s debt and lease-purchase obligations.

**Debt Financed Projects**

**2010 Leaseback Financing**

The budget includes \$49,050,700 from the General Fund in FY 2012 for lease-purchase payments related to the \$1,035,419,300 state building sale/lease-back agreements. The budget also reduced the original FY 2011 appropriation by \$(2,759,700) from \$54,826,600 to \$52,066,900 to reflect the actual payment.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6) authorized the Arizona Department of Administration (ADOA) to enter into 1 or more sale/lease-back agreements in FY 2010 for existing state-owned facilities, including prison facilities. Any lease-purchase agreements were required to result in proceeds totaling \$735,419,300 to be deposited to the General Fund in FY 2010 to subsidize state operating expenses. ADOA sold the entire issuance at an average tax-exempt interest rate of 4.57% in January 2010.

In a sale/lease-back agreement, the state sells properties to the trustee, and the trustee leases the properties back to the state. Since the properties were sold, the trustee holds the titles to the properties. The control of the properties remains with the state, but the trustee literally "holds" the titles until the obligation is fully repaid. The state reacquires its financial stake through lease-purchase agreements.

The following properties were part of the agreement: the Arizona State Prison Complexes (ASPC) 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 (DPS) headquarters, the Arizona State Hospital, the Coliseum and Exposition Center, and the Phoenix Day School for the Deaf.

Additionally, Laws 2010, 6<sup>th</sup> Special Session, Chapter 4 authorized ADOA to enter into an additional 20-year, \$300,000,000 sale/lease-back agreement for state buildings by September 30, 2010. ADOA was able to sell the entire issuance at an average tax-exempt interest rate of 4.37% in June 2010.

The FY 2012 payment of \$49,050,700 for both issuances is interest only. The payments for the remaining 18 years will be approximately \$84,100,000.

The following properties were part of the agreement: ASPC Tucson Winchester unit, AHCCCS 701 & 801 E. Jefferson buildings, DPS Tucson headquarters and forensic lab, Arizona State Schools for the Deaf and Blind (ASDB) Tucson selected buildings, ASDB Phoenix Day School, Supreme Court building, Department of Economic Security (DES) 1789 W. Jefferson building, 400 W. Congress Tucson complex, and the Tucson Arizona Historical Society.

The sale/lease-back agreements were issued as a tax-exempt deficit financing mechanism in which the proceeds were used for state operational expenses. If a state uses tax-exempt debt financing to eliminate a budget shortfall, federal regulations require the state to repay the obligation early if a state’s surplus exceeds 5% in a future year. The FY 2011 Budget Procedures BRB (Laws 2010, 7<sup>th</sup> Special Session, Chapter 3) requires ADOA to annually submit to JLBC by December 31 of each year a Working Capital Surplus Report associated with meeting the requirements for tax-exempt deficit financing concerning agreements entered into after January 1, 2009.

In January 2011, ADOA reported on the working capital surplus requirements for these deficit financing transactions and found that no working capital surplus existed for FY 2010. This means the state will not currently be required to begin paying down the outstanding balance on these agreements.

**Long-Term Financing Summary**

The state’s long-term financing consists of 3 different types of transactions.

**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.

<b>Fund Type</b>	<b>FY 2012 Payment</b>	<b>Lease Completion</b>
General Fund	\$ 3,085,800	FY 2028
Other Approp.	8,063,400	FY 2028
Non-Approp.	1,223,800	FY 2028
<b>Total</b>	<b>\$12,373,000</b>	<b>NA</b>

These payments are not included in *Table 2’s* Lease-Purchase and Bonding Summary since the debt is not held by the state.

**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. Since FY 2008, any new school construction has been done by lease-purchase financing.

The FY 2010 Education BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12) allowed SFB to enter into up to \$100,000,000 of new construction lease-purchase agreements to be financed by a federal program known as Qualified School Construction Bonds (QSCB). The lease-purchase agreement was issued for \$91,325,000 in October 2010 and will be retired in FY 2028. *(Please see the SFB budget narrative pages for more information.)*

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. The FY 2012 Revenue BRB (Laws 2011, Chapter 28) made technical changes to the state’s payment schedule to match the actual debt service schedule for the COPs. The FY 2012 payment amount of \$0 reflects that while the statutory debt service payment schedule began in FY 2010, the actual debt service on the COPs did not begin until FY 2012. As a result, the state had overpaid the debt service requirements by \$15,000,000 to date, allowing the state to not make a payment in FY 2012.

The FY 1992 lease-purchase agreement that was refinanced in FY 2002 was paid off in FY 2011. These properties included the 16<sup>th</sup> Avenue parking garage, Courts building, Historical Museum, ASDB Food Service, DES West, and Tucson building. The completion of the lease-purchase payments will result in savings of \$(25,953,300), including \$(17,367,000) from the General Fund.

The FY 1991 and 1992 lease-purchase agreements that were refinanced in FY 2001 and the FY 1993 lease-purchase agreement that was refinanced in FY 2004 will be paid off in FY 2012. These properties include ENSCO, Revenue building, DES homes, Capital Center, Records Management, Library for the Blind, ASDB projects, 1616 W. Adams, and Tonto Natural Bridge.

Once the final lease-purchase payments have been made on the properties, the agencies occupying the space will begin paying rent to ADOA. Rent payments will begin in FY 2012 for the FY 2002 refinanced lease-purchase agreement, and rent payments will begin in FY 2013 for the FY 2001 and FY 2004 refinanced lease-purchase agreements.

Beyond the \$(17,367,000) in lease-purchase savings from the FY 1992/2002 refinance, all other lease-purchase payments will decline by \$(1,588,500) from the General Fund. *(Please see the Capital Outlay ADOA Building System narrative for more information.)*

*Table 2* provides information related to current state lease-purchase agreements.

**Bonding Summary**

The Arizona Board of Regents, on behalf of the universities, the Arizona Department of Transportation, and SFB have issued bonds to renovate, acquire, and construct facilities, as well as purchase equipment.

SFB has also issued Qualified Zone Academy Bonds (QZABs). The QZAB program, enacted through federal legislation, allows state and local agencies to issue QZABs at low interest rates by providing federal tax credits to bond holders. SFB issued \$20,000,000 in QZABs in FY 2003. The debt service on QZABs is paid from Permanent State School Fund revenues.

Laws 2010, 6<sup>th</sup> Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue

bond by December 31, 2010 to be deposited into the General Fund. Payments started in FY 2011, and have been made from the Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2012 bond payment will be \$20,709,600, which is interest only. This will result in the General Fund receiving \$20,709,600 less in Lottery revenues in FY 2012.

Table 2 also provides information related to current bond issuances.

<b>Table 2</b>					
<b><u>Lease-Purchase and Bonding Summary</u></b>					
<b><u>Lease-Purchase Summary</u></b>	<b><u>Overall Balance</u></b> <sup>1/</sup>	<b><u>GF Balance</u></b> <sup>1/</sup>	<b><u>Overall FY 12 Pymt.</u></b> <sup>2/</sup>	<b><u>FY 12 GF Pymt.</u></b> <sup>2/</sup>	<b><u>Retirement FY</u></b>
<b><u>ADOA Building System</u></b>					
<b>2001 A/B Issuance/Refinance</b>					
Prisons/ENSCO	\$ 0	\$ 0	\$ 1,436,400	\$ 1,436,400	FY12
Revenue Building	0	0	552,900	541,800	FY12
DES Homes	0	0	70,700	46,000	FY12
Capital Center	0	0	411,900	367,300	FY12
<i>Subtotal</i>	\$ 0	\$ 0	\$ 2,471,900	\$ 2,391,500	
<b>2002A Issuance</b>					
Health Laboratory	\$ 19,605,000	\$ 11,174,900	\$ 2,320,400	\$ 1,323,600	FY23
<b>2004A Issuance/Refinance</b>					
Records Management	\$ 0	\$ 0	\$ 313,700	\$ 313,700	FY12
Library for the Blind	0	0	5,100	5,100	FY12
ASDB Projects <sup>3/</sup>	0	0	2,031,200	2,031,200	FY12
1616 West Adams	0	0	5,200	900	FY12
Tonto Natural Bridge	0	0	606,800	0	FY12
<i>Subtotal</i>	\$ 0	\$ 0	\$ 2,962,000	\$ 2,350,900	
<b>2004B Issuance</b>					
ADC Prison Expansions	\$ 18,640,000	\$ 18,640,000	\$ 3,191,800	\$ 3,191,800	FY19
<b>2008A Issuance</b>					
ADC 4000 Prison Beds, Water, and Wastewater	\$ 184,275,000	\$ 184,275,000	\$ 16,719,800	\$ 16,719,800	FY23, 28
DHS Forensic Hospital	26,750,000	26,750,000	3,113,700	3,113,700	FY23
<i>Subtotal</i>	\$ 211,025,000	\$ 211,025,000	\$ 19,833,500	\$ 19,833,500	
<b>2010 A/B Issuance</b>					
Sale/Leaseback	\$ 998,795,000	998,795,000	49,050,700	49,050,700	FY30
<i>Subtotal - ADOA</i>	\$1,248,065,000	\$1,239,634,900	\$ 79,830,300	\$ 78,142,000	
<b><u>School Facilities Board</u></b>					
New School Construction - FY 2003 - FY 2005	\$ 633,910,000	\$ 633,910,000	\$ 91,338,000	\$91,338,000	FY20
New School Construction - FY 2008 - FY 2009	551,035,000	551,035,000	58,646,600	58,646,600	FY24
Qualified School Construction Bonds	91,325,000	91,325,000	7,671,300 <sup>4/</sup>	7,671,300 <sup>4/</sup>	FY28
2011 Refinance	58,785,000	58,785,000	2,449,800	2,449,800	FY20
<i>Subtotal - SFB</i>	\$1,335,055,000	\$1,335,055,000	\$160,105,700	\$160,105,700	
<b><u>ABOR Building System</u></b>					
Arizona State University	\$ 295,008,000	\$ 184,745,000	\$ 26,239,000	\$ 14,472,000	FY11-FY31
Northern Arizona University	131,450,000	75,895,000	7,267,000	5,900,000	FY15-FY36
University of Arizona	475,439,000	182,325,000	43,765,000	14,253,000	FY20-FY31
<i>Subtotal - ABOR</i>	\$ 901,897,000	\$ 442,965,000	\$ 77,271,000	\$ 34,625,000	
Phoenix Convention Center <sup>5/6/</sup>	\$ 300,000,000	\$ 300,000,000	\$ 0	\$ 0	FY39
<i>TOTAL - Lease-Purchase</i>	\$3,785,017,000	\$3,317,654,900	\$317,207,000	\$272,872,700	

(Continued)

**Table 2 (Continued)**

	<b>Overall Balance</b> <sup>1/</sup>	<b>GF Balance</b> <sup>1/</sup>	<b>Overall FY 12 Pymt.</b> <sup>2/</sup>	<b>FY 12 GF Pymt.</b> <sup>2/</sup>	<b>Retirement FY</b>
<b>Bonding Summary</b>					
<b>School Facilities Board</b>					
Deficiencies Correction:					
Proposition 301	\$ 471,544,200	\$ 0	\$ 65,841,200	\$ 0	FY21
State Land Trust - FY 2004	<u>137,870,000</u>	<u>0</u>	<u>24,249,300</u>	<u>0</u>	FY18
<i>Subtotal - SFB</i>	\$ 609,414,200	\$ 0	\$ 90,090,500	\$ 0	
Department of Transportation	\$1,977,105,000 <sup>2/</sup>	\$ 0	\$219,566,000 <sup>8/</sup>	\$ 0	FY17, 26, 34
<b>ABOR Building System</b>					
Arizona State University	\$ 710,550,000	\$ 0	\$ 54,040,000	\$ 0	FY18-FY40
Northern Arizona University	295,225,000	0	24,041,000	0	FY16-FY40
University of Arizona	474,790,000	0	39,134,000	0	FY11-FY39
University Lottery Bond (SPEED)	<u>287,665,000</u> <sup>9/</sup>	<u>0</u>	<u>12,471,000</u>	<u>0</u>	FY29, 30, 44
<i>Subtotal - ABOR</i>	\$1,768,230,000	\$ 0	\$129,686,000	\$ 0	
Lottery Revenue Bond <sup>5/</sup>	\$ 425,420,000	\$ 425,420,000	\$ 20,709,600	\$ 20,709,600	FY29
<i>TOTAL - Bonding</i>	<i>\$4,780,169,200</i>	<i>\$ 425,420,000</i>	<i>\$ 460,052,100</i>	<i>\$ 20,709,600</i>	
<b>TOTAL - Lease-Purchase &amp; Bonding</b>	<b>\$8,565,186,200</b>	<b>\$3,743,074,900</b>	<b>\$777,259,100</b>	<b>\$293,582,300</b>	

<sup>1/</sup> Represents principal balances. ADOA balances are as of June 30, 2012. All other balances are as of June 30, 2010. The "GF Balance" column represents the portion of the overall balance paid from General Fund sources.

<sup>2/</sup> Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the "FY 12 GF Pymt." column.

<sup>3/</sup> ADOA will make this last lease-purchase payment in FY 2012 on behalf of ASDB pursuant to the back of the bill allocations in Laws 2011, Chapter 24, Section 137.

<sup>4/</sup> This type of financing entitles the state to an interest rate subsidy of 4.86% (out of the 6% due on the bonds), shortly after each payment. In FY 2012, this subsidy is expected to be \$6,213,800 of the \$7,671,300 payment.

<sup>5/</sup> These obligations will be repaid with foregone General Fund revenues.

<sup>6/</sup> The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000. Monies are given to the city to pay this portion of the lease-purchase payment. FY 2012 payment amount of zero reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.

<sup>7/</sup> Includes \$1,672,625,000 for HURF bonds and \$304,480,000 for GANs.

<sup>8/</sup> Future debt service schedule going forward is as follows: FY 2013 - \$217,855,000; FY 2014 - \$225,589,000; FY 2015 - \$220,906,000; FY 2016 - \$211,484,000

<sup>9/</sup> Includes \$165,420,000 for building renewal projects favorably reviewed by JCCR in November 2008 and February 2009 and \$122,245,000 for Phase I of the Phoenix Biomedical Campus favorably reviewed by JCCR in March 2010. These are the initial projects under the \$800,000,000 University Lottery bonding authority, otherwise known as SPEED, which was originally authorized by Laws 2008, Chapter 287. (Please see the Capital Outlay Arizona Board of Regents Building System narrative for more information.)

## SUMMARY OF RENT CHARGES 1/2/

	Fiscal Year 2012			Total
	General Fund	Other Fund	Non-Approp	
<b><u>BUDGET UNITS</u></b>				
Acupuncture Board of Examiners				
1400 W Washington	0	3,900	0	3,900
Administration, AZ Department of				
1300 W Washington	6,700	0	0	6,700
1400 W Washington	61,700	0	0	61,700
1510 W Adams	0	330,500	0	330,500
1520 W Adams	0	127,100	0	127,100
1522 W Jackson	0	48,400	0	48,400
1537 W Jackson	0	63,800	0	63,800
1802 W Jackson	0	0	100,100	100,100
1840 W Jackson	55,800	0	0	55,800
1850 W Jackson	16,000	0	0	16,000
1700 W Washington	172,500	48,600	0	221,100
1789 W Jefferson (DES West)	19,700	0	0	19,700
1937 W Jefferson/CDC	0	132,100	0	132,100
1801 W Madison	21,000	0	0	21,000
1805 W Madison	28,500	0	0	28,500
2910 N 44th Street	2,300	0	0	2,300
14 N 18th Avenue	12,500	19,700	3,600	35,800
400 W Congress, Tucson	51,700	24,300	0	76,000
402 W Congress, Tucson	20,200	30,200	0	50,400
416 W Congress, Tucson	2,500	0	0	2,500
Subtotal - AZ Dept of Administration	\$471,100	\$824,700	\$103,700	\$1,399,500
Administrative Hearings, Office of				
1400 W Washington	106,700	0	77,300	184,000
400 W Congress, Tucson	7,900	0	5,800	13,700
Subtotal - Office of Administrative Hearings	\$114,600	\$0	\$83,100	\$197,700
Agriculture, AZ Department of				
1520 W Adams	95,700	22,100	4,900	122,700
1624 W Adams	6,100	2,000	700	8,800
1688 W Adams	375,400	86,600	19,200	481,200
400 W Congress, Tucson	24,700	8,700	0	33,400
Subtotal - AZ Dept of Agriculture	\$501,900	\$119,400	\$24,800	\$646,100
Appraisal, State Board of				
1400 W Washington	0	26,100	0	26,100
AZ Health Care Cost Containment System				
Kingman Building	7,000	0	4,600	11,600
Arts, AZ Commission on the				
417 W Roosevelt	0	0	63,300	63,300
Attorney General - Department of Law				
1275 W Washington	1,238,600	25,300	0	1,263,900
400 W Congress, Tucson	95,500	0	0	95,500
402 W Congress, Tucson	275,500	0	0	275,500
Subtotal - Attorney General - Dept of Law	\$1,609,600	\$25,300	\$0	\$1,634,900
Auditor General				
2910 N 44th Street	321,600	0	0	321,600
Automobile Theft Authority				
1400 W Washington	0	30,000	0	30,000
Barbers, Board of				
1400 W Washington	0	10,900	0	10,900
Charter Schools, State Board for				
1700 W Washington	52,200	0	0	52,200
Commerce Authority, Arizona				



Fiscal Year 2012

	General Fund	Other Fund	Non-Approp	Total
1700 W Washington	245,100	0	0	245,100
Contractors, Registrar of				
400 W Congress, Tucson	0	45,800	0	45,800
Corporation Commission				
1200 W Washington	134,200	449,300	0	583,500
1300 W Washington	152,200	193,800	0	346,000
1400 W Washington	103,100	6,600	0	109,700
400 W Congress, Tucson	38,100	30,000	0	68,100
Subtotal - Corporation Commission	\$427,600	\$679,700	\$0	\$1,107,300
Corrections, State Department of				
1601 W Jefferson	709,200	0	0	709,200
1645 W Jefferson	576,900	0	0	576,900
1831 W Jefferson	269,700	0	0	269,700
Subtotal - State Dept of Corrections	\$1,555,800	\$0	\$0	\$1,555,800
Deaf and the Blind, Arizona State Schools for the				
Food Service Building	128,200	132,600	181,300	442,100
Deaf and the Hard of Hearing, Commission for the				
1400 W Washington	0	71,500	0	71,500
Economic Security, Department of				
1400 W Washington	0	0	11,000	11,000
1789 W Jefferson (DES West)	1,572,300	468,900	717,200	2,758,400
Kingman Building	208,800	28,700	23,500	261,000
400 W Congress, Tucson	345,100	99,400	140,400	584,900
Subtotal - Department of Economic Security	\$2,126,200	\$597,000	\$892,100	\$3,615,300
Education, Department of				
1535 W Jefferson	564,100	0	443,200	1,007,300
400 W Congress, Tucson	43,900	0	16,200	60,100
416 W Congress, Tucson	3,800	2,800	13,300	19,900
Subtotal - Department of Education	\$611,800	\$2,800	\$472,700	\$1,087,300
Environmental Quality, Department of				
400 W Congress, Tucson	0	81,900	35,100	117,000
Equal Opportunity, Governor's Office of				
1700 W Washington	15,400	0	0	15,400
Equalization, State Board of				
416 W Congress, Tucson	1,300	0	0	1,300
Executive Clemency, Board of				
1645 W Jefferson	80,100	0	0	80,100
Financial Institutions, Department of				
2910 N 44th Street	176,600	0	19,600	196,200
Fire, Building, and Life Safety, Department of				
400 W Congress, Tucson	39,800	0	0	39,800
Funeral Directors & Embalmers, State Board of				
1400 W Washington	0	13,000	0	13,000
Gaming, Department of				
400 W Congress, Tucson	0	17,000	0	17,000
Geological Survey, AZ				
402 W Congress, Tucson	5,500	0	0	5,500
416 W Congress, Tucson	138,700	0	0	138,700
1400 W Washington	10,000	0	3,300	13,300
Subtotal - AZ Geological Survey	\$154,200	\$0	\$3,300	\$157,500
Governor, Office of the				
1645 W Jefferson	600	0	0	600
1700 W Washington	612,600	0	12,500	625,100
400 W Congress, Tucson	36,300	0	0	36,300
Subtotal - Office of the Governor	\$649,500	\$0	\$12,500	\$662,000
Gov's Ofc of Strategic Planning & Budgeting				
1700 W Washington	95,100	0	0	95,100

	Fiscal Year 2012			
	General Fund	Other Fund	Non-Approp	Total
Health Services, Department of				
1740 W Adams	712,200	335,200	0	1,047,400
1818 W Adams	153,000	62,500	0	215,500
400 W Congress, Tucson	64,000	75,200	0	139,200
402 W Congress, Tucson	400	200	0	600
416 W Congress, Tucson	44,200	4,900	0	49,100
Subtotal - Department of Health Services	\$973,800	\$478,000	\$0	\$1,451,800
Historical Society, Arizona				
1502 W Washington 3/	376,400	0	0	376,400
Papago Museum	1,128,300	0	0	1,128,300
Subtotal - Arizona Historical Society	\$1,504,700	\$0	\$0	\$1,504,700
Homeland Security, AZ Dept of				
1700 W Washington	0	0	107,600	107,600
Homeopathic & Integrated Medicine Examiners, State Board of				
1400 W Washington	0	4,300	0	4,300
Independent Redistricting Commission				
1100 W Washington	27,900	0	0	27,900
Indian Affairs, AZ Commission of				
1700 W Washington	8,700	0	0	8,700
Insurance, Department of				
2910 N 44th Street	313,700	0	104,600	418,300
400 W Congress, Tucson	6,900	0	6,600	13,500
Subtotal - Department of Insurance	\$320,600	\$0	\$111,200	\$431,800
Judiciary - Court of Appeals				
400 W Congress, Tucson	460,000	0	0	460,000
Judiciary - Supreme Court				
1501 W Washington	1,912,300	923,200	461,600	3,297,100
400 W Congress, Tucson	101,400	0	0	101,400
Subtotal - Supreme Court	\$2,013,700	\$923,200	\$461,600	\$3,398,500
Subtotal - Judiciary	\$2,473,700	\$923,200	\$461,600	\$3,858,500
Juvenile Corrections, Department of				
1624 W Adams	500,700	0	0	500,700
Liquor Licenses and Control, Department of				
400 W Congress, Tucson	0	26,200	0	26,200
Medical Board, AZ				
9500 Doubletree Rd.	0	242,100	0	242,100
Mine Inspector, State				
1700 W Washington 3/	66,100	0	0	66,100
Naturopathic Physicians Medical Board				
1400 W Washington	0	25,000	0	25,000
Navigable Stream Adjudication Commission, AZ				
1700 W Washington	11,700	0	0	11,700
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.				
1400 W Washington	0	17,900	0	17,900
Opticians, State Board of Dispensing				
1400 W Washington	0	3,900	0	3,900
Optometry, State Board of				
1400 W Washington	0	6,900	0	6,900
Osteopathic Examiners, AZ Board of				
9500 Doubletree Rd.	0	35,300	0	35,300
Parks Board, AZ State				
1300 W Washington	0	0	294,100	294,100
Personnel Board				
1400 W Washington	0	22,100	0	22,100
Pest Management, Office of				
9500 Doubletree Rd. 3/	0	133,100	0	133,100

	Fiscal Year 2012			
	General Fund	Other Fund	Non-Approp	Total
400 W Congress, Tucson <u>3/</u>	0	4,300	0	4,300
Subtotal - Office of Pest Management	\$0	\$137,400	\$0	\$137,400
Pharmacy, AZ State Board of				
1700 W Washington	0	93,500	0	93,500
Podiatry Examiners, State Board of				
1400 W Washington	0	3,800	0	3,800
Private Postsecondary Education, State Board for				
1400 W Washington	0	15,200	0	15,200
Psychologist Examiners, State Board of				
1400 W Washington	0	14,700	0	14,700
Public Safety, Department of				
1700 W Washington	51,900	13,500	14,300	79,700
1937 W Jefferson/Wayland	17,600	4,600	4,900	27,100
400 W Congress, Tucson	13,100	3,400	3,600	20,100
Subtotal - Department of Public Safety	\$82,600	\$21,500	\$22,800	\$126,900
Real Estate Department, State				
2910 N 44th Street	231,700	0	0	231,700
400 W Congress, Tucson	28,800	0	0	28,800
Subtotal - State Department of Real Estate	\$260,500	\$0	\$0	\$260,500
Respiratory Care Examiners, Board of				
1400 W Washington	0	16,900	0	16,900
Revenue, Department of				
402 W Congress, Tucson	153,400	0	0	153,400
416 W Congress, Tucson	107,600	0	0	107,600
Subtotal - Department of Revenue	\$261,000	\$0	\$0	\$261,000
School Facilities Board				
1700 W Washington	104,700	0	0	104,700
Secretary of State - Dept of State				
1100 W Washington	27,100	0	0	27,100
1700 W Washington	175,600	0	0	175,600
400 W Congress, Tucson	7,100	0	0	7,100
Polly Rosenbaum Building <u>4/</u>	0	0	0	0
Subtotal - Secretary of State - Dept of State	\$209,800	\$0	\$0	\$209,800
State Boards' Office				
1400 W Washington	0	7,100	0	7,100
Transportation, Department of				
1275 W Washington <u>5/</u>	0	124,000	0	124,000
Treasurer, State				
1700 W Washington	0	130,100	0	130,100
Veterinary Medical Examining Board, AZ State				
1400 W Washington	0	18,100	0	18,100
Water Resources, Department of				
400 W Congress, Tucson	26,800	0	0	26,800
<b>GRAND TOTAL</b>	<b>\$16,218,000</b>	<b>\$5,048,800</b>	<b>\$2,893,400</b>	<b>\$24,160,200</b>

1/ Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share based on actual occupancy.

2/ The FY 2012 office square footage rental rate is \$15.08 and the storage square footage rental rate is \$5.47.

3/ Pursuant to Laws 2011, Chapter 20, the Office of Pest Management will vacate its space and will relocate to the Arizona Department of Agriculture building at 1688 W Adams on the bill's effective date of July 20, 2011. The rentals amounts shown are for the entire fiscal year, however, they will be prorated based on the agency's actual occupancy.

4/ Pursuant to Laws 2011, Chapter 27, the Secretary of State shall begin to pay rent on the Polly Rosenbaum Building, along with the Records Retention Center, in FY 2013.

5/ Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.

**LEASE-PURCHASE APPROPRIATIONS 1/  
Department of Administration Building System**

	Fiscal Year 2012			Total
	General Fund	Other Fund	Non-Approp	
<b><u>BUDGET UNITS</u></b>				
Administration, AZ Department of				
Capital Center	3,300	0	0	3,300
ENSCO	1,436,400	0	0	1,436,400
1616 W Adams	0	100	0	100
Sale/Lease-Back	49,050,700	0	0	49,050,700
Subtotal - AZ Department of Administration	<u>\$50,490,400</u>	<u>\$100</u>	<u>\$0</u>	<u>\$50,490,500</u>
Agriculture, AZ Department of				
DHS Health Lab	199,600	0	0	199,600
Attorney General - Department of Law				
Capital Center	364,000	36,000	0	400,000
Citizens Clean Elections Commission				
1616 W Adams	0	0	300	300
Corrections, Arizona Department of				
1,000 Public Prison Beds	3,191,800	0	0	3,191,800
4,000 Public Prison Beds	16,061,400	0	0	16,061,400
Water and Wastewater Projects	658,400	0	0	658,400
Subtotal - AZ Department of Corrections	<u>\$19,911,600</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,911,600</u>
Deaf and the Blind, AZ State Schools for the				
High School and Auditorium 2/	2,031,200	0	0	2,031,200
Economic Security, Department of				
DES Group Homes	46,000	0	24,700	70,700
Health Services, Department of				
Capital Center (Disease Control)	0	0	8,600	8,600
Health Lab	1,124,000	996,800	0	2,120,800
Arizona State Hospital Forensic Unit	3,113,700	0	0	3,113,700
Subtotal - Department of Health Services	<u>\$4,237,700</u>	<u>\$996,800</u>	<u>\$8,600</u>	<u>\$5,243,100</u>
Juvenile Corrections, Department of				
1616 W Adams	800	0	0	800
Land Department, State				
1616 W Adams	100	3,700	0	3,800
Parks Board, Arizona State				
1616 W Adams	0	0	200	200
Tonto Natural Bridge	0	0	606,800	606,800
Subtotal - Parks Board	<u>\$0</u>	<u>\$0</u>	<u>\$607,000</u>	<u>\$607,000</u>
Revenue, Department of				
Revenue Building	541,800	11,100	0	552,900
Secretary of State				
Library for the Blind (1030 N. 32nd St.)	5,100	0	0	5,100
Records Management Addition	313,700	0	0	313,700
Subtotal - Secretary of State	<u>\$318,800</u>	<u>\$0</u>	<u>\$0</u>	<u>\$318,800</u>
<b>GRAND TOTAL</b>	<b><u>\$78,142,000</u></b>	<b><u>\$1,047,700</u></b>	<b><u>\$640,600</u></b>	<b><u>\$79,830,300</u></b>

1/ Pursuant to A.R.S. § 41-792.01, state agencies occupying buildings being lease-purchased by the Arizona Department of Administration (ADOA) shall pay the higher of the billed amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share of the lease-purchase based on actual occupancy.

2/ ADOA will make this last lease-purchase payment in FY 2012 on behalf of the Arizona State Schools for the Deaf and the Blind pursuant to the back of the bill allocations in Laws 2011, Chapter 24, Section 137.

**PRIVATIZED LEASE-TO-OWN APPROPRIATIONS 1/**

	Fiscal Year 2012			
	General Fund	Other Fund	Non-Approp	Total
<u>Arizona Department of Administration Building</u>				
Accountancy, State Board of	0	100,000	0	100,000
Administration, Arizona Department of	1,196,200	1,646,300	83,400	2,925,900 2/
Deaf and Hard of Hearing, Commission for the	0	195,300	0	195,300 3/
Equalization, State Board of	80,100	0	0	80,100
Tax Appeals, State Board of	30,800	0	0	30,800
Subtotal - ADOA Building	<u>\$1,307,100</u>	<u>\$1,941,600</u>	<u>\$83,400</u>	<u>\$3,332,100</u>
<u>Arizona Department of Environmental Quality Building</u>				
Housing, Department of	0	458,300	0	458,300
Criminal Justice Commission, Arizona	0	37,700	133,800	171,500
Environmental Quality, Department of	0	3,555,800	677,300	4,233,100
Environmental Quality, Department of - WIFA	0	0	103,200	103,200
Fire, Building and Life Safety, Department of	183,900	0	0	183,900
Forester, State	102,300	0	0	102,300
Insurance, Department of	0	0	52,300	52,300
Racing, Arizona Department of	140,800	0	0	140,800
Residential Utility Consumer Office	0	109,400	0	109,400
Technical Registration, State Board of	0	168,800	0	168,800
Tourism, Office of	0	0	173,800	173,800
Subtotal - ADEQ Building	<u>\$427,000</u>	<u>\$4,330,000</u>	<u>\$1,140,400</u>	<u>\$5,897,400</u>
<u>Arizona Department of Health Services Building</u>				
Health Services, Department of	<u>1,351,700</u>	<u>1,791,800</u>	<u>0</u>	<u>3,143,500</u>
<b>GRAND TOTAL</b>	<u><u>\$3,085,800</u></u>	<u><u>\$8,063,400</u></u>	<u><u>\$1,223,800</u></u>	<u><u>\$12,373,000</u></u>

- 1/ Pursuant to Laws 2001, Chapter 317, the Arizona Department of Administration (ADOA) entered into 3 privatized lease-to-own (PLTO) agreements with private entities for the construction of 3 office buildings on the Capital Mall.
- 2/ Includes \$144,100 in Other Funds for space that was occupied by the Government Information Technology Agency, which is consolidated into ADOA in FY 2012 pursuant to Laws 2011, Chapter 27.
- 3/ According to ADOA, the Commission for the Deaf and the Hard of Hearing will begin to rent \$195,300 of ADOA's space in FY 2012.

# **ECONOMIC AND REVENUE FORECAST**

## GENERAL FUND REVENUE

### Summary of General Fund Forecast

The enacted April 2011 budget for FY 2012 assumes total net General Fund revenues of \$8.33 billion. This amount constitutes an increase of 4.1% compared to enacted FY 2011 General Fund revenues. The FY 2012 revenues include \$8.37 billion in ongoing revenue and \$(38.2) million in one-time revenue. The latter consists of \$294.1 million in fund transfers and other adjustments less a projected \$(332.3) million carryover shortfall from FY 2011.

Base revenues represent ongoing General Fund revenues, exclusive of tax law and revenue changes, one-time revenue adjustments, and any balance forward from the previous fiscal year. For FY 2012, base revenues are projected to increase 5.7% when compared to forecasted FY 2011 revenues. The detailed enacted budget revenue forecasts appear at the end of this section. *Table 9* compares the enacted FY 2012 forecast to the enacted FY 2011 forecast.

### General Fund Base Revenue Forecast

#### FY 2011

The original FY 2011 budget was based on total net revenues of \$8.56 billion. Excluding enacted budget legislation, one-time revenues, and balance forward from FY 2010, ongoing base revenues were projected to be \$7.26 billion in FY 2011, or 4.3% above the prior fiscal year. As a result of the January revisions for the FY 2012 JLBC Baseline, the base revenue forecast was raised to 5.2%. This increase reflected higher than expected income tax collections during the first half of FY 2011. As a result of continued strength in tax collections, the enacted April budget increased the FY 2011 base revenue forecast to 5.6%, or \$40 million above the January Baseline.

As noted, the enacted FY 2011 budget assumes a 5.6% increase in base revenues compared to FY 2010. By way of comparison, the April “four-sector” consensus forecast also predicted base revenue growth of 5.6% (*see FY 2012 section for more information on the four-sector consensus process*). See *Table 1* below for FY 2011 consensus estimates. The table includes consensus estimates from January 2011 and updated estimates from April 2011, as well as the budget forecast adopted earlier the same month.

#### FY 2012

The January FY 2012 JLBC Baseline forecasted total net revenues of \$8.31 billion for FY 2012. Excluding one-time revenues and Urban Revenue Sharing, the ongoing

**Table 1**

#### FY 2011 Quartile Forecast Percentages Base Revenue <sup>1/</sup>

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
<b>Sales Tax</b>					
January	0.8%	(2.8)%	0.0%	2.0%	0.0%
April	2.3%	(1.6)%	1.5%	2.8%	1.3%
Budget	N/A	N/A	N/A	N/A	2.6%
<b>Individual Income Tax</b>					
January	5.1%	3.1%	13.4%	5.0%	6.6%
April	7.8%	6.7%	15.7%	6.7%	9.2%
Budget	N/A	N/A	N/A	N/A	5.0%
<b>Corporate Income Tax</b>					
January	21.9%	(6.0)%	3.8%	39.6%	14.8%
April	39.2%	29.3%	48.3%	34.5%	37.8%
Budget	N/A	N/A	N/A	N/A	41.6%
<b>Overall <sup>2/</sup></b>					
January <sup>3/</sup>	3.9%	(0.7)%	5.5%	5.2%	3.3%
April	6.9%	3.7%	10.1%	6.4%	5.6%
Budget	N/A	N/A	N/A	N/A	5.7%

<sup>1/</sup> Prior to any tax law or other revenue changes.

<sup>2/</sup> Includes JLBC Staff estimates for other revenue categories.

<sup>3/</sup> January Baseline forecast was based on JLBC Staff estimate of 5.2%.

revenues were projected at \$7.78 billion. This amount reflected a base revenue increase of 5.4% compared to FY 2011. The JLBC’s FY 2012 estimated growth rates for the “Big 3” revenue categories (sales tax, individual income tax, and corporate income tax) were initially developed and revised using a four-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- The Finance Advisory Committee (FAC) panel forecast. This independent panel consists of 15 public and private sector economists that meet 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund base model. The model is a simultaneous-equation model consisting of over 100 equations which are updated on an ongoing basis to accommodate changes in the economy. The model uses over 200 variables related to Arizona’s economy and is updated quarterly.
- EBR’s conservative forecast model, and
- JLBC Staff projections.

The growth rates for the Big 3 categories used in the development of the JLBC revenue estimates from each sector of the forecast are detailed in *Table 2* below. As with the FY 2011 table in the prior section, the table includes consensus estimates from January 2011 and

updated estimates from April 2011, as well as the budget forecast enacted in April. The January 2011 four-sector consensus estimate was the basis of the January JLBC Baseline.

**Table 2**

**FY 2012 Quartile Forecast Percentages  
Base Revenue <sup>1/</sup>**

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	4.0%	3.1%	7.6%	5.0%	4.9%
April	6.1%	(1.8)%	3.1%	5.5%	3.2%
Budget	N/A	N/A	N/A	N/A	5.5%
Individual					
Income Tax					
January	6.6%	(1.1)%	5.8%	6.4%	4.4%
April	7.2%	(5.2)%	6.1%	6.4%	3.6%
Budget	N/A	N/A	N/A	N/A	4.4%
Corporate					
Income Tax					
January	17.1%	17.4%	33.1%	2.3%	17.5%
April	20.9%	22.7%	11.6%	4.8%	15.0%
Budget	N/A	N/A	N/A	N/A	18.0%
Overall <sup>2/</sup>					
January	6.1%	2.3%	8.5%	5.3%	5.4%
April	7.8%	(1.1)%	5.1%	5.8%	4.2%
Budget	N/A	N/A	N/A	N/A	5.7%

<sup>1/</sup> Prior to any tax law or other revenue changes.  
<sup>2/</sup> Includes JLBC Staff estimates for other revenue categories.

The FY 2012 estimate for the remaining revenue categories, which constitute about 10% of the total, was based on JLBC Staff estimates.

The enacted FY 2012 budget includes a General Fund base revenue estimate of \$7.83 billion. This amount reflects a base growth rate of 5.7% compared to forecasted FY 2011 revenue and is \$70.4 million above the January Baseline (including the temporary 1¢ sales tax).

Table 3 below summarizes the changing revenue picture for FY 2011 and FY 2012 through the phases of budget development. The growth rates in the table reflect ongoing base revenues.

**Table 3**

**Base Revenue Change Assumptions**

	<u>% Change</u>
<b><u>FY 2011</u></b>	
Adopted FY 2011 Budget (May 10) (compared to forecasted 10 revenues)	4.3%
JLBC Baseline (January)	5.2%
Enacted FY 2011 Budget (April)	5.6%
<b><u>FY 2012</u></b>	
4 - Sector Consensus (January)	5.4%
Enacted FY 2012 Budget (April)	5.7%

**Revenue Adjustments**

Table 11 at the end of this section provides a summary of FY 2011 and FY 2012 tax law and other revenue changes.

Table 4 below provides an overview of base revenue growth rates for FY 2011 and FY 2012 with budget legislation changes (which include a number of tax law changes and revenue adjustments described in more detail in Table 5) and one-time financing sources. The table shows the base and adjusted revenue growth rates based on the enacted FY 2012 budget.

**Table 4**

**General Fund Revenue Growth Rates  
Based on Enacted FY 2011 and FY 2012 Budget  
(\$ in Millions)**

	<u>FY 2011</u>	<u>%</u>	<u>FY 2012</u>	<u>%</u>
Base Revenue	\$7,411.7 <sup>1/</sup>	5.6%	\$7,834.2	5.7%
Ongoing Budget Legislation	N/A		58.7	
Temporary 1¢ TPT Increase	824.8		901.0	
Urban Revenue Sharing	(474.0)		(424.4)	
One-Time Financing Balance Forward	(5.7)		(332.3)	
Budget Legislation	<u>245.3</u>		<u>294.1</u>	
<b>Adjusted Revenue</b>	<b><u>\$8,002.1</u></b>	<b>2.0%</b>	<b><u>\$8,331.3</u></b>	<b>4.1%</b>

<sup>1/</sup> \$94.6 million in tax law and revenue changes from the original FY 2011 budget are included in FY 2011 base. The FY 2011 increase of 5.6% excludes these changes.

**Ongoing Budget Legislation**

Each year there are statutory tax law and other revenue changes that impact the state's revenue collection base. These may include tax rate or tax exemption changes, conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

**FY 2011**

For FY 2011, ongoing budget legislation enacted prior to the 1<sup>st</sup> Regular Session is estimated to provide additional General Fund revenues of \$94.6 million. Table 5 provides a summary of budget legislation changes with ongoing revenue impacts in FY 2011. As noted above, the FY 2011 base revenue growth of 5.6% excludes these changes. Further details on these changes can be found on page 386 of the FY 2011 Appropriations Report and page 375 of the FY 2012 Baseline Book. Since the FY 2011 Appropriations Report, the \$34.6 million in county contributions has been reclassified from one-time to ongoing.



<b>Table 5</b>	
<b>FY 2011 Budget Legislation Changes With Ongoing Revenue Impact (\$ in Millions)</b>	
<u>Prior Year Changes (Year Enacted)</u>	
Phoenix Convention Center (03)	\$ (5.0)
Contributions to Charities (09)	(0.9)
Solar Tax Credit (09)	(5.0)
BRITS Shift (09)	2.0
Treasurer's Management Fees (09)	(2.5)
Out-of-State Proportionality (10)	22.0
STO Inflation Adjustments (10)	(0.6)
STO Deadline Extension (10)	(2.5)
Refundable R&D Credit (10)	(5.0)
IRC Conformity (10)	-- <sup>1/</sup>
Subtotal	\$ 2.5
<u>Other Revenue Changes</u>	
DOR Auditors/Collectors	\$ 7.7
DOR Revenue Generating Programs	15.3
Lottery Decrease (Debt Service)	(21.6)
Lottery Distribution Change	49.6
Abandoned Vehicle Fees	6.0
Property Tax – Class 3 Reform	0.5
County Contributions	34.6
Subtotal	<u>\$ 92.1</u>
<b>Total – FY 2011 Revenue Impact</b>	<b><u>\$ 94.6</u></b>
<sup>1/</sup> Legislation is expected to have a minimal impact.	

## **FY 2012**

For FY 2012, ongoing budget legislation is expected to provide additional General Fund revenues of \$58.7 million, as described below. This estimate does not reflect any “dynamic” or secondary revenue impacts resulting from any potential change in taxpayer behavior induced by new legislation. A summary of budget legislation changes with ongoing revenue impacts in FY 2012 is shown in *Table 7*.

### Prior Year Changes

In addition to the tax law and revenue changes enacted during the 2011 legislative session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2012 revenue collections.

Phoenix Convention Center – Laws 2003, Chapter 266 established the state’s obligation to pay the debt service and related costs on \$300 million of construction bonds for the expansion of the Phoenix Convention Center. The state’s obligation was to begin in the fiscal year after the Certificate of Completion for the project was filed with the State Treasurer.

The Certificate of Completion was filed with the Treasurer on March 25, 2009. The statutory schedule was for \$5 million in the first year (FY 2010), \$10 million in the second year, \$15 million in the third year, \$20 million in the fourth year, and then followed by \$500,000 annual

increases up to a maximum of \$30 million per year until the debt service and related costs are retired. Thus, under the original legislation, the General Fund would incur a revenue loss of \$(5.0) million in FY 2012 over and above the loss in FY 2011. For FY 2012, however, the Revenue Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 28) suspends the debt service payment and thus generates a one-time savings of \$15.0 million (*for more detail, see One-Time Financing section*).

TPT Business License Fee – Laws 2010, 7<sup>th</sup> Special Session, Chapter 12 authorized the Department of Revenue (DOR) to set a one-time fee for new and renewed Transaction Privilege Tax (TPT) business licenses in FY 2011. The temporary fee is expected to generate a total of \$5.4 million in General Fund revenue in FY 2011. Since the TPT business license fee will not be imposed in FY 2012, there will be a one-time revenue offset of \$(5.4) million in FY 2012.

Renewable Energy Production Credit – Laws 2010, Chapter 312 provided a tax credit for the production of electricity using renewable energy. The new credit allows a qualified producer of renewable energy to receive an individual or corporate income tax credit of up to \$2 million per year, beginning in FY 2012. Total credits are capped at \$20 million annually. The revenue loss in FY 2012, the first year the credit is available to businesses, is estimated to be \$(10.0) million.

Land Fees – Laws 2010, Chapter 243 changed the State Land Department’s fee structure. Previously, fee revenue was deposited into the General Fund, but under Chapter 243 such revenue will be deposited in the Trust Land Management Fund instead. However, in FY 2011 only, Chapter 243 deposits the first \$2.1 million of fees into the General Fund, an amount comparable to such General Fund deposits in prior years. As a result, this statutory change is cost neutral in FY 2011. Beginning in FY 2012, however, Chapter 243 will result in a revenue loss of \$(2.1) million since Land Department fees will no longer be deposited in the General Fund. The deposit of these fees in the Trust Land Management Fund will permit the Land Department’s General Fund appropriation to be reduced by a corresponding \$(2.1) million.

QSCB Revenue – Laws 2010, 7<sup>th</sup> Special Session, Chapter 8 authorized the School Facilities Board (SFB) to enter into a maximum of \$100 million worth of lease-purchase transactions through the end of FY 2011, to be financed through a federal bonding program known as Qualified School Construction Bonds (QSCB). The program provides a direct federal interest subsidy based on a rate determined by the U.S. Department of Treasury. SFB issued \$91.3 million worth of QSCBs at an annual interest rate of 6.0%, with a federal subsidy of 4.86%. The FY 2012 QSCB revenue of \$6.2 million reflects the federal subsidy for interest due for the FY 2012 debt service payment.

Current Year Changes

In the 2011 Session, the Legislature enacted the following ongoing tax law and revenue changes.

Arizona Commerce Authority – Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1 created the Arizona Commerce Authority (ACA) and made several changes to individual and corporate income taxes, as well as property taxes, over the next few years (*for more detail, see Table 10*). The ACA legislation is estimated to reduce General Fund revenues by \$(6.7) million in FY 2012, including:

- \$(4.0) million related to the expansion of the existing small business investment credit.
- \$(6.7) million related to the creation of the new job tax credit.
- \$4.0 million savings related to the repeal of the state’s Enterprise Zone program.

In addition, Chapter 1 diverts \$(31.5) million in individual income tax withholding to ACA for operating expenses. These monies are displayed as expenditures in the *Appropriations Report*.

Internal Revenue Code Conformity – Federal adjusted gross income is the starting point for calculating Arizona state income tax. Changes to the federal tax code affect the state’s income tax collections. Laws 2011, Chapter 4 conforms Arizona Revised Statutes to the federal Internal Revenue Code in effect as of January 1, 2011. This act is estimated to increase individual and corporate income tax collections by \$9.2 million in FY 2012.

County Contributions – The enacted budget provides \$66.2 million in new revenues from higher local contributions, for total county contributions of \$100.8 million in FY 2012, as shown in *Table 6* below. In *Table 9*, the \$34.6 million base contribution is part of the Transfers and Reimbursements line while the \$66.2 million is part of the Budget Legislation line.

<u>Cash Contribution By County</u>	<u>FY 2011</u>	<u>FY 2012</u>
Maricopa	\$ 28.6	\$ 26.4
Pima	6.0	6.8
Pinal	0.0	2.6
Yavapai	0.0	1.5
Mohave	<u>0.0</u>	<u>1.4</u>
Subtotal	\$ 34.6	\$ 38.6
DPS Funding Shift Resulting in Increased County Contributions	\$ 0.0	\$ 23.6
MVD Funding Shift Resulting in Increased County Contributions	\$ <u>0.0</u>	\$ <u>38.6</u>
<b>Total – County Contributions</b>	<b><u>\$ 34.6</u></b>	<b><u>\$ 100.8</u></b>

The new revenues in FY 2012 include:

- \$23.6 million related to shifting the Department of Public Safety’s (DPS) funding from the State Highway Fund (SHF) to the Highway User Revenue Fund (HURF). These monies are transferred to the General Fund via the Vehicle License Tax.
- \$38.6 million related to shifting the Motor Vehicle Division funding from SHF to HURF. These monies are transferred to the General Fund via the Vehicle License Tax.
- \$4.0 million as a result of increased cash contributions by counties from \$34.6 million in FY 2011 to \$38.6 million in FY 2012.

Housing Trust Fund Redirect – The Revenue BRB reduced the annual deposit of unclaimed property revenues to the Housing Trust Fund (HTF) from \$10.5 million to \$2.5 million, beginning in FY 2012. Additionally, the Revenue BRB established the Seriously Mentally Ill Housing Trust Fund with the first \$2.0 million in unclaimed property revenue collected annually. The remaining \$6.0 million in the HTF deposit reduction is redirected to the General Fund. These monies were previously used to provide affordable housing opportunities to low and moderate income families.

Agricultural Fees – The Environment Budget Reconciliation Bill (Laws 2011, Chapter 36) permits the director of the Arizona Department of Agriculture, upon recommendation from the Agricultural Advisory Council, to continue prior fee increases in FY 2012 with the intent that the additional fee revenues will not exceed \$218,000 to the General Fund.

<u>Prior Year Changes (Year Enacted)</u>	
Phoenix Convention Center (03)	\$ (5.0)
TPT Business License Fee (10)	(5.4)
Renewable Energy Production Credit (10)	(10.0)
Land Fees (10)	(2.0)
QSCB Revenue (10)	<u>6.2</u>
Subtotal	\$ (16.2)
<u>Current Year Changes</u>	
Arizona Commerce Authority	\$ (6.7)
Internal Revenue Code Conformity	9.2
County Contributions	66.2
Housing Trust Fund Redirect	6.0
Agricultural Fees	<u>0.2</u>
Subtotal	\$ <u>74.9</u>
<b>Total – FY 2012 Revenue Impact</b>	<b><u>\$ 58.7</u></b>

### **Temporary 1-Cent TPT Increase**

At the May 2010 Special Election, voters approved a 1-cent increase of the TPT (sales tax) for 3 years. As shown in *Table 4*, the temporary TPT increase is estimated to generate additional General Fund revenues of \$824.8 million in FY 2011 and \$901.0 million in FY 2012. Under the budget enacted in March 2010, it was estimated that the 1-cent tax would generate \$918.0 million in FY 2011 (*for more detail, see page 388 of the FY 2011 Appropriations Report*).

### **Urban Revenue Sharing**

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. As indicated in *Table 4*, total URS distributions will decline from \$474.0 million in FY 2011 to \$424.4 million in FY 2012. These amounts are significantly below the URS distribution of \$628.6 million in FY 2010.

### **One-Time Financing**

As shown in *Table 4*, one-time financing sources have been used to help provide a balanced budget. The following is a discussion of one-time financing sources included in the budget for FY 2011 and FY 2012. *Table 8* provides the one-time detail.

#### **FY 2011**

The \$239.6 million in one-time financing sources for FY 2011 includes:

**Balance Forward** – The FY 2011 General Fund balance forward had a deficit of \$(5.7) million.

**Budget Legislation** – One-time net revenues of \$(2.0) million, which include:

- **Unclaimed Property Acceleration** – Laws 2009, 4<sup>th</sup> Special Session, Chapter 3 accelerated the timeframe for unclaimed traveler's checks from 15 years to 3 years. Laws 2010, Chapter 119 reverted the presumption of abandonment schedule for such unclaimed property back to 15 years, which is expected to result in a revenue reduction of \$(2.4) million in FY 2011.
- **Teacher Certification Repayment** – Laws 2010, Chapter 306 established a new Teacher Certification Fund and appropriated \$429,700 to it from the General Fund as a temporary intra-year loan in order to fund expenses incurred during the early part of the year (since the fund had no beginning balance going into FY 2011). The Arizona Department of Education will transfer the fees paid by teachers and other

certification applicants back to the General Fund by June 30, 2011. These certification fees will result in net new General Fund revenues of \$429,700 in FY 2011. (There will be no net impact on the General Fund, however, since the appropriation will be paid for by the fees collected during FY 2011.)

**Fund Transfers** – Laws 2010, 7<sup>th</sup> Special Session, Chapter 1 provides for a total of \$195.3 million in fund transfers in FY 2011 (*for more detail, see the FY 2011 Appropriations Report, General Provisions section*). The enacted FY 2012 budget authorizes an additional \$52.0 million in fund transfers, thereby bringing total FY 2011 transfers to \$247.3 million (*for more detail, see the Agency Detail and Allocations section*).

#### **FY 2012**

The \$(38.2) million net reduction in one-time financing sources for FY 2012 includes (*see Table 8*):

**Balance Forward** – The FY 2012 General Fund balance forward is estimated to have a deficit of \$(332.3) million. All other one-time financing totals \$294.1 million, as described below.

**Tax Recovery** – The Revenue BRB (Laws 2011, Chapter 28) establishes a tax recovery program for the month of September 2011. This tax recovery program, which applies to all taxes administered or collected by the Department of Revenue except estate and property taxes, is expected to generate \$22.0 million in General Fund revenues in FY 2012. The most recent tax amnesty program was implemented in May 2009 and generated additional collections of \$31.8 million in FY 2009. The FY 2004 tax amnesty program resulted in additional General Fund revenues of \$47.1 million.

**Phoenix Convention Center** – To match the actual debt service schedule, the Revenue BRB changes the FY 2012 Phoenix Convention Center debt payment from \$15.0 million to \$0, which results in a one-time savings of \$15.0 million. (*For additional information on the Phoenix Convention Center debt service schedule, see the Ongoing Budget Legislation section.*)

**DPS GIITEM Backfill** – Laws 2011, Chapter 308 appropriates \$1.0 million from the General Fund to the DPS in FY 2012 for County Assistance. These monies are to be provided to Pinal County for purposes of purchasing equipment and supplies related to border security. Chapter 308 also allocated a portion of a new fee to the Gang and Immigration Intelligence Team Enforcement (GIITEM) Fund. Notwithstanding the new Chapter 308 allocation, the act also stipulates that the first \$1.0 million that otherwise would have been put into the GIITEM Fund in FY 2012 be diverted to the General Fund. For this reason, Chapter 308 provides a one-time revenue increase of \$1.0 million in FY 2012.

Fund Transfers – The enacted FY 2012 budget provides for a total of \$256.1 million in fund transfers, which is \$171.5 million above the amount included in the January Baseline (*for more detail, see the Agency Detail and Allocations section*).

<b>FY 2011 and FY 2012 One-Time Financing Sources</b>		
<b>(\$ in Millions)</b>		
	<u><b>FY 2011</b></u>	<u><b>FY 2012</b></u>
Balance Forward	\$(5.7)	\$(332.3)
Budget Legislation		
Unclaimed Property	(2.4)	
Teacher Certification	0.4	
Tax Recovery		22.0
Phoenix Convention Center		15.0
DPS GITEM Backfill		1.0
Subtotal	(2.0)	38.0
Fund Transfers	247.3	256.1
<b>Total One-Time Financing</b>	<b><u>\$239.6</u></b>	<b><u>\$(38.2)</u></b>

**Tax Law Changes – FY 2013 and Beyond**

In addition to the tax law and revenue changes that impact FY 2012, as noted above, there were tax law changes enacted in 2011 that will not have a revenue impact until FY 2013 or later.

Credit for Qualified Health Insurance Plans – Laws 2011, Chapter 287 establishes a new individual and corporate income tax credit for employers that provide qualified health insurance plans for their employees. The credit amount is \$360 per employee and is limited to employers that have between 2 and 50 employees. The credit is available from tax year 2012 through 2014. The fiscal impact of the credit cannot be determined in advance.

Arizona Commerce Authority – Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1 created the Arizona Commerce Authority and provided a number of business tax incentives phased in over several years, beginning in FY 2012. The income and property tax provisions contained in the “Jobs Bill” and their associated General Fund impact are summarized in *Table 10*. (*For more detail, see the fiscal note for HB 2001 (2<sup>nd</sup> Special Session) released February 15, 2011.*)

Table 9

## GENERAL FUND REVENUE - FY 2011-FY 2012

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2010	% CHANGE PRIOR YR	FORECAST FY 2011	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2012	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
<b>Taxes:</b>								
Sales and Use	3,377,528.5	-10.1%	3,476,312.3	2.9%	98,783.8	3,666,498.1	5.5%	190,185.8
Income	2,416,296.3	-5.9%	2,558,853.9	5.9%	142,557.6	2,671,443.4	4.4%	112,589.5
-Individual	413,193.3	-30.2%	581,953.4	40.8%	168,760.1	686,807.8	18.0%	104,854.4
-Corporate	20,269.6	11.1%	20,000.0	-1.3%	(269.6)	20,000.0	0.0%	0.0
Property	25,810.4	-13.4%	25,881.0	0.3%	70.6	25,881.0	0.0%	0.0
Luxury	29,541.8	2.4%	28,994.9	-1.9%	(546.9)	28,994.9	0.0%	0.0
-Tobacco	405,616.6	-1.4%	412,600.0	1.7%	6,983.4	420,000.0	1.8%	7,400.0
-Liquor	363.8	72.9%	500.0	37.5%	136.2	0.0	-100.0%	(500.0)
Insurance Premium	1,447.9	24.2%	1,500.0	3.6%	52.1	1,500.0	0.0%	0.0
Estate	6,690,068.2	-9.7%	7,106,595.5	6.2%	416,527.3	7,521,125.2	5.8%	414,529.7
Other Taxes								
Sub-Total - Taxes								
<b>Other Non-Tax Revenues:</b>								
Lottery	67,808.5	118.7%	77,900.9	14.9%	10,092.4	80,309.6	3.1%	2,408.7
Licenses, Fees and Permits	27,022.9	-21.7%	25,000.0	-7.5%	(2,022.9)	26,000.0	4.0%	1,000.0
Interest	211.4	-98.9%	4,000.0	1792.1%	3,788.6	6,000.0	50.0%	2,000.0
Sales and Services	34,451.7	-28.6%	24,507.6	-28.9%	(9,944.1)	27,000.0	10.2%	2,492.4
Other Miscellaneous	53,276.9	-0.8%	42,500.0	-20.2%	(10,776.9)	45,700.0	7.5%	3,200.0
Transfers and Reimbursements	34,330.3	1.7%	69,600.0	102.7%	35,269.7	75,600.0	8.6%	6,000.0
Disproportionate Share Revenue	18,722.2	-72.3%	61,592.3	229.0%	42,870.1	52,489.0	-14.8%	(9,103.3)
Sub-Total - Other Non-Tax	235,823.9	-18.3%	305,100.8	29.4%	69,276.9	313,098.6	2.6%	7,997.8
<b>Subtotal On-Going Revenue</b>	<b>6,925,892.1</b>	<b>-10.0%</b> <sup>1/</sup>	<b>7,411,696.3</b>	<b>7.0%</b> <sup>2/</sup>	<b>485,804.2</b>	<b>7,834,223.8</b>	<b>5.7%</b>	<b>422,527.5</b>
TPT Increase - May Ballot	0.0	N/A	824,756.3	N/A	824,756.3	901,024.5	9.2%	76,268.2
Budget Legislation	0.0	N/A	0.0	N/A	0.0	58,690.9	N/A	58,690.9
<b>Subtotal w/Tax Law Changes</b>	<b>6,925,892.1</b>	<b>-10.0%</b>	<b>8,236,452.6</b>	<b>18.9%</b>	<b>1,310,560.5</b>	<b>8,793,939.2</b>	<b>6.8%</b>	<b>557,486.6</b>
Urban Revenue Sharing (URS)	(628,644.6)	-13.6%	(474,006.5)	-24.6%	154,638.1	(424,423.4)	-10.5%	49,583.1
<b>Subtotal w/Tax Law Changes/URS</b>	<b>6,297,247.5</b>	<b>-9.6%</b>	<b>7,762,446.1</b>	<b>23.3%</b>	<b>1,465,198.6</b>	<b>8,369,515.8</b>	<b>7.8%</b>	<b>607,069.7</b>
<b>One-Time Financing Sources:</b>								
Budget Legislation	154,720.0	30.1%	(1,956.0)	-101.3%	(156,676.0)	38,000.0	-2042.7%	39,956.0
Fund Transfers	387,085.5	-42.0%	247,291.8	-36.1%	(139,793.7)	256,074.6	3.6%	8,782.8
State Asset Leaseback/Lottery	1,485,419.3	N/A	0.0	-100.0%	(1,485,419.3)	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	2,027,224.8	58.3%	245,335.8	-87.9%	(1,781,889.0)	294,074.6	19.9%	48,738.8
<b>Subtotal - Revenues</b>	<b>8,324,472.3</b>	<b>0.9%</b>	<b>8,007,781.9</b>	<b>-3.8%</b>	<b>(316,690.4)</b>	<b>8,663,590.4</b>	<b>8.2%</b>	<b>655,808.5</b>
Balance Forward	(480,713.0)	N/A	(5,723.0)	N/A	474,990.0	(332,260.3)	N/A	(326,537.3)
<b>Total - Resources</b>	<b>7,843,759.3</b>	<b>-4.9%</b>	<b>8,002,058.9</b>	<b>2.0%</b>	<b>158,299.6</b>	<b>8,331,330.1</b>	<b>4.1%</b>	<b>329,271.2</b>

<sup>1/</sup> The (10.0)% FY 2010 decline includes \$21.5 million in tax law and other revenue changes. Adjusting for these changes, the base FY 2010 decline is (10.3)%.

<sup>2/</sup> The 7.0% FY 2011 increase includes \$94.6 million in tax law and other revenue changes. Adjusting for these changes, the base FY 2011 increase is 5.6%.

Table 10

**General Fund Impact of Tax Provisions in Laws 2011, 2<sup>nd</sup> Special Session, Chapter 1 (“Jobs Bill”) 1/2/**  
**(\$ in Millions)**

Description of Provision	Tax	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Phases down Class 1 (commercial) property assessment ratio from 20% to 18% over 4 years, beginning in TY 2013	Property <u>3/</u>			(3.4)	(7.2)	(11.6)	(16.5)	(17.4)
Reduces Class 2 (agricultural) property assessment ratio from 16% to 15% in TY 2016	Property <u>3/</u>						(2.4)	(2.7)
Reduce Homeowner Rebate costs by limiting to primary residence & requiring affidavits	Property <u>3/</u>		39.0	39.0	39.0	39.0	39.0	39.0
Increases Homeowner Rebate % to offset Class 3 tax shift due to Class 1 & 2 assessment ratio reductions, beginning in FY 2014	Property <u>3/</u>			(15.6)	(34.1)	(55.7)	(93.0)	(100.5)
Reimburses County Assessor' Costs for Implementation of Homeowner Rebate changes, beginning in FY 2013	Other <u>4/</u>		(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Changes personal property exemption inflation factor to cost employment index	Property <u>3/</u>		-	-	-	-	-	-
Increases depreciation of business personal property, beginning in TY 2012	Property <u>3/</u>	-	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)
Increases small businesses eligibility for 30% "Angel" investment credit from \$2m to \$10m in assets	Individual Income	(4.0)	(4.0)	(4.0)	(4.5)	-	-	-
Eliminates capital gains on income derived from small businesses, beginning in TY 2014	Individual Income	-	-	-	(11.6)	(12.3)	(12.9)	(13.6)
Phases down corporate tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014	Corporate Income	-	-	-	(53.8)	(116.0)	(183.5)	(269.6)
Phases in corporate sales factor from 80% to 100% over 4 years, beginning in TY 2014	Corporate Income	-	-	-	(24.6)	(47.3)	(67.8)	(84.0)
Increases university-related R&D credit by 10%, beginning in TY 2012	Corporate & Individual Income	-	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Creates annual \$3,000 3-year new job credit with conditions	Corporate / Individual Income & Insurance Premium	(6.7)	(13.4)	(29.8)	(47.7)	(52.7)	(53.7)	(50.9)
Eliminates Enterprise Zone Program	Corporate / Individual Income & Property	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>SUBTOTAL</b>		<b>(\$6.7)</b>	<b>\$14.8</b>	<b>(\$20.6)</b>	<b>(\$151.3)</b>	<b>(\$263.4)</b>	<b>(\$397.6)</b>	<b>(\$506.5)</b>
Diverts withholding tax to Arizona Commerce Authority, beginning in FY 2012	Individual Income <u>5/6/</u>	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)
<b>Total General Fund Impact</b>		<b>(\$38.2)</b>	<b>(\$16.7)</b>	<b>(\$52.1)</b>	<b>(\$182.8)</b>	<b>(\$294.9)</b>	<b>(\$429.1)</b>	<b>(\$538.0)</b>

Notes:

1/ Cost to General Fund appears as a negative and savings appears as a positive.

2/ Property tax changes are estimated after truth-in-taxation adjustments.

3/ Impact will be displayed as a change in state expenditures due to change in funding requirements for K-12 Basic State Aid and Additional State Aid.

4/ This is a non-tax provision that requires the Legislature to reimburse counties for their costs of administering the new Homeowner’s Rebate affidavit process.

5/ Plus \$3.5 million of lottery proceeds previously designated for Department of Commerce.

6/ Displayed as expenditure in Appropriations Report Tables.

Table 11

**BASE REVENUE ADJUSTMENTS BY CATEGORY**

(\$ in Thousands)

<b>Summary By Category:</b>	<b><u>FY 2011</u></b> <sup>1/</sup>	<b><u>FY 2012</u></b> <sup>1/</sup>
<b>Tax Law Changes</b>		
Individual Income Tax	13,000.0	3,100.0
Corporate Income Tax	(5,000.0)	(10,600.0)
Transaction Privilege Tax	819,756.3	71,268.2
Subtotal - Tax Law Changes	<u>827,756.3</u>	<u>63,768.2</u>
<b>Other Revenue Adjustments</b>		
Other Revenues	91,630.0	71,190.9
Subtotal - Other Revenue Adjustments	<u>91,630.0</u>	<u>71,190.9</u>
<b>TOTAL REVENUE CHANGES</b>	<b><u>\$ 919,386.3</u></b>	<b><u>\$ 134,959.1</u></b>

**ADJUSTMENTS BY INDIVIDUAL PROVISION**

<b><u>Ch.</u></b>	<b><u>Reference Title</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>	<b><u>Revenue Category</u></b>
<u>50th Legislature - 2nd Regular Session:</u>				
4	IRS Conformity	0.0	3,100.0	Individual
		<u>0.0</u>	<u>6,100.0</u>	Corporate
	Subtotal - IRS Conformity	0.0	9,200.0	
24	County Contributions and Shifts	0.0	66,203.1	Other
28	Housing Trust Fund Deposit Decrease	0.0	6,000.0	Other
36	Agricultural Fees	0.0	218.0	Other
	Subtotal - Revenue Changes	<u>0.0</u>	<u>72,421.1</u>	
	<b>Session Total</b>	<b><u>0.0</u></b>	<b><u>81,621.1</u></b>	
<u>50th Legislature - 2nd Special Session:</u>				
1	Small Business Investment ("Angel") Credit Increase	0.0	(4,000.0)	Individual
1	Eliminated Enterprise Zones	0.0	4,000.0	Individual
1	Job Creation Credit	0.0	(6,700.0) <sup>2/</sup>	Corporate
	Subtotal - Revenue Changes	<u>0.0</u>	<u>(6,700.0)</u>	
	<b>Session Total</b>	<b><u>0.0</u></b>	<b><u>(6,700.0)</u></b>	
<u>49th Legislature - 2nd Regular Session:</u>				
188	STO Contribution Deadline Extension	(2,500.0)	0.0	Individual
243	Land Fees Redirect	0.0	(2,060.0)	Other
293	STO Maximum Credit Inflation Adjustment	(600.0)	0.0	Individual
312	Research and Development Refundable Credit	(5,000.0)	0.0	Individual
	Subtotal - Revenue Changes	<u>(8,100.0)</u>	<u>(2,060.0)</u>	
	<b>Session Total</b>	<b><u>(8,100.0)</u></b>	<b><u>(2,060.0)</u></b>	

## ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Revenue Category</u>
<u>49th Legislature - 7th Special Session:</u>				
8	QSCB Bonds - Federal Interest Reimbursement	0.0	6,213.8	Other
12	County Contributions	34,600.0	0.0	Other
12	Lottery Distribution Change - Beneficiary Elimination	49,650.0 <sup>3/</sup>	0.0	Other
12	DOR Revenue Generation Plan	15,267.3 <sup>4/</sup>	(5,384.0) <sup>4/</sup>	Other
12	Abandoned Vehicle Fees	6,000.0 <sup>5/</sup>	0.0	Other
	DOR Auditors/Collections Staff	7,705.1 <sup>4/</sup>	0.0	Other
	Class 3 Property Tax - Increased Enforcement	500.0	0.0	Other
	Subtotal - Revenue Changes	113,722.4	829.8	
	<b>Session Total</b>	<b>113,722.4</b>	<b>829.8</b>	
<u>49th Legislature - 6th Special Session:</u>				
SCR 1001	TPT Increase - May Election	824,756.3 <sup>5/</sup>	76,268.2	TPT
3	Out-of-State Filers Proportionality	22,000.0	0.0	Individual
4	Lottery Distribution Reduction - Debt Service	(21,600.0)	0.0	Other
	Subtotal - Revenue Changes	825,156.3	76,268.2	
	<b>Session Total</b>	<b>825,156.3</b>	<b>76,268.2</b>	
<u>49th Legislature - 4th Special Session:</u>				
3	BRITS Shift	2,000.0	0.0	Other
	Subtotal - Revenue Changes	2,000.0	0.0	
	<b>Session Total</b>	<b>2,000.0</b>	<b>0.0</b>	
<u>49th Legislature - 1st Regular Session:</u>				
80	Contributions to Charitable Organizations	(900.0)	0.0	Individual
89	Treasurer's Management Fees	(2,492.4)	0.0	Other
96	Renewable Energy Tax Credit	(5,000.0)	(10,000.0)	Corporate
	Subtotal - Revenue Changes	(8,392.4)	(10,000.0)	
	<b>Session Total</b>	<b>(8,392.4)</b>	<b>(10,000.0)</b>	
<u>Statutory Adjustments</u>				
	Phoenix Convention Center	(5,000.0)	(5,000.0) <sup>6/</sup>	TPT
	<b>Statutory Total</b>	<b>(5,000.0)</b>	<b>(5,000.0)</b>	
	<b>TOTAL - All Adjustments</b>	<b>\$ 919,386.3</b>	<b>\$ 134,959.1</b>	

<sup>1/</sup> Adjustments for FY 2011 reflect estimated change from FY 2010 and adjustments for FY 2012 reflect estimated change from FY 2011, unless otherwise noted.

<sup>2/</sup> These adjustments may impact both Individual and Corporate Income Taxes.

<sup>3/</sup> The \$49,650,000 FY 2011 adjustment includes a continuation of the FY 2010 increase of \$18,800,700 plus an additional increase of \$30,849,300.

<sup>4/</sup> These adjustments will be allocated to Individual and Corporate Income Taxes and TPT.

<sup>5/</sup> Adjustment reflect current forecast. The Abandoned Vehicle Fees was originally forecast to generate \$12,061,200 and the 1¢ TPT increase \$918,000,000 in FY 2011.

<sup>6/</sup> Laws 2011, Chapter 28 altered the debt service schedule, eliminating the FY 2011 payment and providing a one-time \$15,000,000 savings.



## BUDGET STABILIZATION FUND

### Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth.

### The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of inflation-adjusted total state personal income, the trend growth rate over the past 7 years, and the calculated appropriation to or transfer from the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has infrequently been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into or withdrawal from the BSF for a given fiscal year is determined by comparing the annual growth rate of inflation adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to the trend growth rate of inflation adjusted AZPI for the most recent 7 years.
- Adjusted personal income in the BSF formula is defined as total Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.

- If the annual growth rate of Arizona personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.
- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- The BSF's total balance cannot be larger than 7.0% of the current year's General Fund revenues, excluding the beginning balance.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities.

### Deposits/Withdrawals

#### FY 2010

Arizona real adjusted personal income declined by (7.19)% in CY 2009. Since this was both less than 2.0% and the trend growth rate of 4.68%, the formula recommended a BSF withdrawal of \$(768.7) million in FY 2010. This recommendation could not be implemented, however, since the remaining BSF balance of \$2.8 million was used to help balance the FY 2010 budget.

#### FY 2011

Arizona real adjusted personal income is estimated to decline by (0.58)% in CY 2010. Since this is both less than 2.0% and the trend growth rate of 1.80%, the BSF formula is expected to recommend a BSF withdrawal of \$(149.8) million in FY 2011. The EEC will issue a formal recommendation based on the BSF formula in the first week of June. Regardless of the amount recommended by EEC, the recommendation cannot be implemented, however, since the fund was depleted in the spring of 2010 when Laws 2010, 7<sup>th</sup> Special Session, Chapter 1 authorized the transfer of the remaining BSF balance of \$2.8 million to the General Fund.

#### FY 2012

Arizona real adjusted personal income is forecast to increase by 1.96% in CY 2011. Since this is 0.76% above the expected trend growth rate of 1.19%, the formula is projected to recommend a BSF deposit of \$59.0 million in FY 2012. Under Laws 2011, Chapter 28, the Legislature is not required to make any BSF deposits in FY 2012.

Table 1

**Budget Stabilization Fund <sup>1/</sup>**  
**(\$ in Thousands)**

	<b>Actual FY 2009</b>	<b>Actual FY 2010</b>	<b>Estimate FY 2011</b>	<b>Estimate FY 2012</b>
<b>General Fund Revenues</b>				
Adjusted Revenues	\$6,966,898.5	\$6,297,247.5	\$7,762,446.1	\$8,369,515.8
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	487,682.9	440,807.3	543,371.2	585,866.1
<b>Arizona Personal Income in Prior CY</b>				
Real Adjusted Annual Income Growth	(0.98)%	(7.19)%	(0.58)%	1.96%
7-Year Average Income Growth	<u>3.22%</u>	<u>4.68%</u>	<u>1.80%</u>	<u>1.19%</u>
Annual Difference	(4.20)%	(11.87)%	(2.38)%	0.76%
<b>BSF Transactions</b>				
Beginning BSF Balance	218,640.5	2,767.1	0.0	0.0
BSF Formula Recommendation	(369,161.5)	(768,687.6)	(149,817.7)	58,994.6
<i>Actual Transfer In</i>	0.0	0.0	0.0	0.0
<i>Actual Transfer Out</i>				
Conditional Transfer – L'08, Ch. 53 <sup>2/</sup>	(73,000.0)	0.0	0.0	0.0
Fund Transfer to General Fund – L'08, Ch. 285 <sup>3/</sup>	(20,000.0)	0.0	0.0	0.0
Fund Transfer to General Fund – L'09, 1 <sup>st</sup> SS., Ch. 1 <sup>4/</sup>	(130,000.0)	0.0	0.0	0.0
Fund Transfer to General Fund – L'10, 7 <sup>th</sup> SS., Ch. 1 <sup>5/</sup>	<u>0.0</u>	<u>(2,767.1)</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(223,000.0)	(2,767.1)	0.0	0.0
Balance	(4,359.5)	0.0	0.0	0.0
Interest Earnings & Equity Gains/Losses	7,126.6	0.0	0.0	0.0
<b>Ending BSF Balance</b>	<b>\$ 2,767.1</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>
<b>Percent of Revenues</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

<sup>1/</sup> BSF history prior to FY 2009 can be found on the JLBC website.

<sup>2/</sup> Laws 2008, Chapter 53 provided that if the FY 2008 General Fund ending balance were less than \$0, the Treasurer would be required to transfer an amount equal to the negative ending balance plus \$1.0 million. The amount of transfer was determined to be \$(73.0) million. Actual BSF withdrawal was made in FY 2009.

<sup>3/</sup> Laws 2008, Chapter 285 authorized a transfer of \$(20.0) million to the General Fund to help balance the FY 2009 budget.

<sup>4/</sup> Laws 2009, 1<sup>st</sup> Special Session, Chapter 1 authorized a transfer of \$(130.0) million to the General Fund to help balance the FY 2009 budget. This transfer brought the BSF balance to \$2.8 million.

<sup>5/</sup> Laws 2010, 7<sup>th</sup> Special Session, Chapter 1 authorized a transfer of \$(2.8) million to the General Fund to help balance the FY 2010 budget. This transfer brought the BSF balance to \$0.

**GENERAL PROVISIONS OF THE  
GENERAL APPROPRIATION ACT  
AND OTHER OVERALL ISSUES**

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\* Budget Procedures Budget Reconciliation Bill (Laws 2011, Chapter 26)

# GENERAL PROVISIONS OF THE GENERAL APPROPRIATION ACT AND OTHER OVERALL ISSUES

In addition to the specific appropriations to agencies, departments and institutions, the General Appropriation Act (Laws 2011, Chapter 24) provides direction with regard to several general provisions. The Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 26) also makes changes affecting all state agencies.

## General Provisions

**Statewide Adjustments** — Each individual agency narrative refers to the allocation of statewide adjustments. The *Agency Detail and Allocations* section includes the specific adjustments for each agency. The adjustments are as follows:

Section 137 of the General Appropriation Act appropriates a net \$58,330,400 from the General Fund and \$20,376,800 from Other Appropriated Funds in FY 2012 for changes in 4 areas:

- **State Lease-Purchase and Rental Rates:** Ex-appropriations of \$(16,751,500) General Fund and \$(3,771,200) Other Appropriated Funds for adjustments in agency or department lease-purchase charges, including eliminating payments for lease-purchase transactions completed in FY 2011, charging rent for those properties, and lowering the rental for all agencies pursuant to the Budget Procedures BRB. (*Please see the Capital Outlay section for more details on lease-purchase charges.*)
- **State Employee Health Insurance:** Section 137 does not appropriate any money for changes, but permits JLBC Staff to allocate changes to agency budgets for the elimination of the General Fund employer share health insurance sweep and conversion to actual costs as mandated by the Health BRB (Laws 2011, Chapter 31). Since prior year appropriation transfer amounts may not have been comparable to actual costs, Section 137 increases health insurance funding for some agencies and reduces it for others. The net impact is no overall General Fund change.
- **State Employee 27<sup>th</sup> Pay Period:** \$79,000,000 General Fund and \$25,000,000 Other Appropriated Funds for the Personal Services and Employee Related Expenditures for the one-time cost of a 27<sup>th</sup> pay period for employees in FY 2012. Because of the one-time nature of this appropriation, the amount allocated to each agency is not displayed in their *Appropriations Report* narrative table.
- **Risk Management:** \$(3,918,100) General Fund and \$(852,000) Other Appropriated Funds for adjustments in agency risk management charges.

Section 137 states that the JLBC Staff shall determine and the Arizona Department of Administration (ADOA) shall allocate to each agency or department an amount for each adjustment. (*Please see the Crosswalk section for details on the amounts allocated to each agency.*)

There were 4 other adjustments regarding employee pay and benefits:

- **Uncaptured Pay Savings:** Laws 2010, 7<sup>th</sup> Special Session, Chapter 1 (the FY 2011 General Appropriation Act) took \$(45,000,000) from state agencies' General Funds, Other Appropriated Funds, and non-federal non-appropriated funds in FY 2011 for personnel expenses for a 6-day furlough and other salary adjustments. The actual savings were greater than \$(45,000,000) and Section 129 captures those additional savings of \$(5,340,400) in both FY 2011 and FY 2012. In both years, that amount includes reductions of \$(3,560,800) from General Fund budgets and transfers of \$(907,600) from Other Appropriated Funds and \$(872,000) from non-appropriated funds.

These savings were calculated separately from the impact of the Budget Procedures BRB, which modified the original FY 2011 budget provisions and eliminated one of the 6 furlough days in FY 2011 and all 6 scheduled furlough days in FY 2012. With the exception of small agencies in FY 2012, there was no funding restoration associated with the elimination of the furlough.

- **Delayed Employee Benefits:** Section 138 and the Budget Procedures BRB included \$(10,000,000) in savings by requiring that employees work regularly for at least 90 days to be eligible for state employee benefits and 6 months to become a member of the Arizona State Retirement System (ASRS). The \$(10,000,000) includes reductions of \$(8,632,600) from General Fund budgets and transfers of \$(1,033,900) from Other Appropriated Funds and \$(333,500) from non-appropriated funds.
- **Retirement Adjustment:** The Budget Procedures BRB generated savings by changing the allocation of total ASRS contributions from 50/50 employee/employer to 53/47 employee/employer. The Budget Procedures BRB did not specify a particular figure; however, the budget estimated savings is \$(40,000,000). Actual savings are \$(41,266,900). This amount includes reductions of \$(6,602,900) from General Fund operating budgets and \$(32,714,800) from K-12 Basic State Aid and transfers of \$(1,454,200) from Other Appropriated Funds and \$(495,000) from non-appropriated funds.

- **Enhanced Health Savings Accounts:** Section 139 requires that ADOA offer state employees an enhanced Health Savings Accounts for the plan year beginning January 1, 2012. This provision is estimated to save \$(12,000,000) from state agencies' General Funds, Other Appropriated Funds, and non-federal non-appropriated funds in FY 2012. These savings have not yet been allocated to individual agencies; Section 139 requires ADOA to submit a report to JLBC by January 31, 2012 on the savings associated with this option.

In addition to these changes, Section 144 adds the Arizona Arts Trust Fund, Photo Enforcement Fund, and State Treasurer's Operating Fund as funds eligible to receive funding for the FY 2011 non-University state employee health insurance adjustments authorized by the FY 2011 General Appropriation Act.

**Expenditure Reporting** — Section 140 states that it is the intent of the Legislature that all budget units receiving appropriations continue to report actual, estimated and requested expenditures by budget programs and classes in a format similar to the one used for budgetary purposes in prior years. The purpose of this section is to ensure stability and consistency in expenditure reporting regardless of yearly changes in appropriation formats. A different format may be used if agreed to by the Director of the JLBC and incorporated into the budget instructions issued by the Governor's Office of Strategic Planning and Budgeting.

**FTE Position Reporting** — Section 141 states that the Full Time Equivalent (FTE) Positions contained in the General Appropriation Act are subject to appropriation. The section directs the Director of ADOA to account for the utilization of all appropriated FTE Positions, excluding FTE Positions in the Department of Economic Security (DES), Universities, and Department of Environmental Quality (DEQ). The Director shall submit the FY 2012 report by October 1, 2012 to the Director of the JLBC.

The reports shall compare the level of FTE Position usage in each fiscal year to the appropriated level. This section defines FTE Positions as the total number of hours worked, including both regular and overtime hours as well as hours taken as leave, divided by the number of hours in a work year. The ADOA Director shall notify the director of each budget unit if the budget unit has exceeded its number of appropriated FTE Positions. DES, the Universities, and DEQ shall report to the Director of the

JLBC in a manner comparable to the ADOA report.

**Filled FTE Position Reporting** — Section 142 states that by October 1, 2011 each agency, including the Judiciary and the Universities, shall submit a report to the JLBC Director on the number of filled, appropriated FTE Positions by Fund Source. The report shall reflect the number of filled, appropriated FTE Positions as of September 1, 2011.

**Transfer Authority** — Section 143 requires ADOA to provide a monthly report to the JLBC Staff on agency transfers of spending authority from one expenditure class to another or between programs.

**Interim Reporting Requirements** — Section 145 requires the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2011 General Fund ending balance by September 15, 2011 and a preliminary estimate of the FY 2012 General Fund ending balance by September 15, 2012. Based on this information, JLBC Staff shall report to JLBC by October 15 of 2011 and 2012 as to whether that fiscal year's revenues and ending balance are expected to change by more than \$50,000,000 from the budgeted projections. Excluding the beginning balance and including one-time revenues, Section 145 states the revenues are forecasted to be \$8,005,995,900 for FY 2011 and \$8,648,294,200 for FY 2012.

**Expenditure Authority** — Section 147 states that for 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** — Section 148 states that for purposes of the General Appropriation Act, "review by the Joint Legislative Budget Committee" means a review by a vote of a majority of a quorum of the members.

**Statewide Standard Changes**

In addition to the adjustments to agency budgets and general provisions outlined previously, the FY 2012 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency's individual appropriation in the FY 2012 General Appropriation Act. Statewide adjustment amounts are mentioned in any relevant agency narrative, but do not have additional discussion.

<b>Table 1</b>							
<b>FY 2012 Estimated State Employee Health/Dental Insurance</b>							
	<b>General Fund</b>	<b>Other Fund</b>	<b>Non-Approp.</b>	<b>Total Employer</b>	<b>Employee Premiums</b>	<b>Retiree Premiums</b>	<b>Total</b>
Health	330,847,000	150,388,000	120,308,000	601,540,000	75,826,000	71,800,000	749,166,000
Dental	3,018,000	1,372,000	1,097,000	5,487,000	30,290,000	3,800,000	39,577,000
<b>Total</b>	<b>333,865,000</b>	<b>151,760,000</b>	<b>121,405,000</b>	<b>607,027,000</b>	<b>106,116,000</b>	<b>75,600,000</b>	<b>788,743,000</b>

<b>Table 2</b>		
<b>Health Insurance State Employee and Employer Monthly Contributions</b>		
	<b>State Employee Contribution 1/1/11 Contract</b>	<b>Employer Contribution 1/1/11 Contract</b>
<u>Exclusive Provider Organization (EPO)</u>		
Employee	\$ 40.00	\$ 550.00
Employee Plus One Adult	119.00	1,113.00
Employee Plus One Child	101.00	1,078.00
Family	221.00	1,405.00
<u>Preferred Provider Organization (PPO)</u>		
Employee	153.00	741.00
Employee Plus One Adult	330.00	1,506.00
Employee Plus One Child	331.00	1,447.00
Family	486.00	1,929.00
<u>Health Spending Account (HSA) Option</u>		
Employee	26.00	503.00
Employee Plus One Adult	102.00	1,010.00
Employee Plus One Child	81.00	977.00
Family	193.00	1,265.00

**Employee Related Expenditures**

**Health Insurance** — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state employees and pays health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

Employees have a choice between an Exclusive Provider Organization (EPO, which is the self-insured equivalent of an HMO), a Preferred Provider Organization (PPO) and a Health Savings Account (HSA) Option. Contracts for CY 2012, which begins on January 1, 2012, have not yet been signed. Additional information on the current plan design can be found on page 481 of the *FY 2010 Appropriations Report*.

As noted above, Section 139 of the General Appropriation Act requires that ADOA offer state employees an enhanced Health Savings Accounts for the plan year beginning January 1, 2012. Section 139 requires ADOA to submit a report to JLBC by January 31, 2012 on the savings associated with this option.

The Health BRB continues a session law provision prohibiting implementation of a differentiated health insurance premium based on the integrated or non-integrated status of the provider.

Estimated FY 2011 health and dental costs are shown in *Table 1*. State employee and employer premiums for the CY 2011 plan year are shown in *Table 2*. The FY 2012 budget assumed employer premiums for the plan year starting January 1, 2012 would remain the same; however, official rates have not yet been released.

**Dental Insurance** — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Employee and employer premiums based on the CY 2011 plan year are shown in *Table 3*. Rates for the upcoming play year have not yet been released.

<b>Table 3</b>		
<b>Dental Insurance State Employee and Employer Monthly Contributions</b>		
	<b>State Employee Contribution 1/1/11 Contract</b>	<b>Employer Contribution 1/1/11 Contract</b>
<u>DHMO</u>		
Employee	\$5.00	\$4.96
Employee Plus One	9.00	9.92
Family	14.00	13.70
<u>PPO</u>		
Employee	30.98	4.96
Employee Plus One	70.87	9.92
Family	123.12	13.70

As noted above, the Health BRB changes how General Fund agencies pay for health insurance. Prior to FY 2012, for most General Fund agencies, the health and dental insurance contribution was the amount designated in the *Appropriations Report*. These monies were transferred or “swept” from agency General Fund budgets at the beginning of the year and were not charged to agencies on a payroll by payroll basis. The changes in the Health BRB mean that agencies will pay actuals for all health insurance charges.

JLBC Staff estimates the net total increase in medical and dental insurance costs in FY 2012 to be approximately \$60 million in total funds, reflecting 7.5% growth. The budget

assumes that this increase will be funded by drawdowns of the Health Insurance Trust Fund balance. As of April 30, this balance was approximately \$242 million.

In addition to health and dental insurance, the following items are components of an agency's Employee Related Expenditures.

**Employer Contribution Rates** — *Table 4* provides a list of budgeted state employer contribution rates for state employee benefits during FY 2012. These rates may be different from actual funded charges (e.g., the Social Security FICA maximum may increase.) Except for life insurance, rates are calculated as a percent of Personal Services. Except as noted, the budget does not include funding for the changes in rates.

**Life Insurance** — \$23.40 per employee per year, a decrease of \$16.90 from the FY 2011 rate of \$40.30.

**Unemployment Insurance** — 0.650% of Personal Services for each agency, unchanged from the rate effective since fall of 2010. Agencies were budgeted at a 0.412% rate for FY 2011.

**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 2011 rate. The ADOA Human Resources Division budget is funded from an assessment on the payroll of agencies in the ADOA personnel system.

**Disability Insurance** — For Arizona State Retirement System (ASRS) employees the total rate is 0.50% for employers and employees combined, unchanged from the FY 2011 rate. The shift to a 53/47 employee/employer share, however, reduces the employer share of this rate to 0.23%. For non-ASRS employees the employer rate is 0.36%, unchanged from FY 2010.

**Information Technology Planning** — 0.20% of Personal Services for each agency, unchanged from the FY 2011 rate. The government information technology review function in the ADOA budget is funded from an assessment on the payroll of all state agencies except the Universities.

**Retiree Accumulated Sick Leave** — 0.40% of Personal Services for each agency, unchanged from the FY 2011 rate. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies.

**Attorney General Pro Rata** — 0.675% of the Personal Services base for each agency not specifically excluded from the charge, unchanged from FY 2011. A portion of the Attorney General's budget is funded from this charge.

**Workers' Compensation** — The rates vary by individual agency. The rates as determined by ADOA have changed from FY 2011. Monies are deposited into the Risk

**Table 4**

**FY 2012 Employer Contribution Rates**

<u>Category</u>	<u>Rate</u>		
Life Insurance (per FTE Position)	\$23.40		
Unemployment Insurance	0.650%		
Personnel Division Pro Rata	1.07%		
Disability (Arizona State Retirement System)	0.23%		
Disability (Non-State Retirement System)	0.36%		
Information Technology Planning	0.20%		
Retiree Accumulated Sick Leave	0.40%		
Attorney General Pro Rata	0.675%		
Workers' Compensation	Varies		
<u>Federal Insurance Contributions Act (FICA)</u>			
Social Security (salary max \$106,800)	6.20%		
Medicare (no salary cap)	1.45%		
<u>Retirement System</u>			
	<u>Employer</u>		<u>Employee</u>
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2012 <sup>1/</sup></u>
<i>Arizona State Retirement System</i>	9.60	9.87	11.13
<u>Correctional Officers Ret. Plan</u>			
Correctional Officers - ADC	8.37	9.15	8.41
Correctional Officers - DJC	7.46	9.92	8.41
DPS Dispatchers <sup>2/</sup>	6.51	7.50	8.41
Probation Officers	11.64	13.13	8.41
<i>Elected Official Retirement Plan</i>	17.42	17.96	7.00
<i>University Optional</i>	7.00	7.00	7.00
<u>Public Safety Personnel Retirement</u>			
Liquor License Investigators	31.03	38.77	7.65
Department of Public Safety <sup>2/</sup>	33.82	38.30	2.65
Northern Arizona University Police	30.51	29.40	7.65
University of Arizona Police	20.50	21.24	7.65
Arizona State University Police	18.70	20.48	7.65
Game and Fish Department	40.63	43.35	7.65
Attorney General Investigators	81.75	90.08	7.65
DEMA Firefighters	16.92	17.76	7.65
ADOA Capitol Police	12.86	12.93	7.65
Parks Police	14.66	18.50	7.65

<sup>1/</sup> FY 2012 retirement employee rates are unchanged from FY 2011 except for Arizona State Retirement System, which increased from 9.60% to 10.50% for actuarial changes and then is further adjusted to 11.13% for the new 53/47 employee/employer split.

<sup>2/</sup> The displayed rates reflect that 5% of the DPS member contribution of 7.65% is paid by the state.

Management Fund for payment of costs associated with Workers' Compensation losses. ADOA estimates that the average statewide rate would increase from 0.90% in FY 2011 to 1.03% in FY 2012.

**Federal Insurance Contributions Act (FICA)** — Social Security taxes are applied at a rate of 6.20% up to \$106,800 of an employee's salary, unchanged from the FY 2011 budgeted maximum (and actual January 1, 2011 rate set by the federal government). In addition, Medicare taxes are applied at a rate of 1.45% on the full level of an employee's salary. Both the FICA and Medicare rates are unchanged from FY 2011.



**State Retirement Systems** — There are 4 state employee retirement systems -- ASRS, the Public Safety Personnel Retirement System (PSPRS), the Corrections Officers Retirement Plan (CORP), and the Elected Officials Retirement Plan. In addition, the Universities operate their own defined contribution plan. For ASRS, the total contribution for employees and employers combined increased from 19.2% in FY 2011 to 21.0% in FY 2012.

This increase would normally have increased the employer's share of costs from 9.60% to 10.50%. No change in agencies' budgets was made for this adjustment in rates. As noted above, however, the Budget Procedures BRB changes the split between the employee and employer from 50/50 to 53/47. This provision reduced the employer's share of the 21.0% total contribution from 10.50% to 9.87%. The budget took savings associated with this change.

Table 5 lists ASRS contribution rates since FY 1983.

For PSPRS, CORP and EORP only the employer contribution rate changed, as the employee contribution rates which are set in statute remain unchanged for FY 2012.

As noted above, Section 138 of the General Appropriation Act included \$(10,000,000) in savings by requiring that employees work regularly for at least 90 days to be eligible for state employee benefits and 6 months to become a member of the Arizona State Retirement System (ASRS).

**Other Operating Expenditures**

The following items are included in agency's Other Operating Expenditures.

**Building Payments** — The Other Operating Expenditures line of individual agency budgets includes rental charges, lease-purchase, and privatized lease-to-own (PLTO) payments for certain buildings. Rent charges in state-owned office space will decrease from \$21.02/square foot to \$15.08/square foot, with the charge for state-owned storage space decrease from \$7.62/square foot to \$5.47/square foot. The budget took savings associated with this change.

Funding is also included in budgets for all agencies housed in buildings acquired by lease-purchase or PLTO, including changes to those payments. (Please see the State Lease-Purchase discussion above and the Rent, Lease-Purchase, and PLTO schedules in the Capital Outlay section for more details.)

**Risk Management** — Individual agency budgets' Other Operating Expenditures include the Risk Management charges to be billed by the ADOA Risk Management Program. The billings vary by individual agency. The budgeted rates changed from FY 2011 and are estimated to generate total General Fund savings of \$(3,918,100) and

<u>Fiscal Year</u>	<u>Rate</u> <sup>1/</sup>	<u>Fiscal</u>	<u>Rate</u> <sup>1/</sup>
FY 1983	7.00	FY 1998	3.05
FY 1984	7.00	FY 1999	2.85
FY 1985	6.27	FY 2000	2.17
FY 1986	5.67	FY 2001	2.17
FY 1987	5.53	FY 2002	2.00
FY 1988	4.00	FY 2003	2.00
FY 1989 <sup>2/</sup>	4.78	FY 2004	5.20
FY 1990 <sup>2/</sup>	1.29	FY 2005	5.20
FY 1991 <sup>2/</sup>	3.37	FY 2006	6.90
FY 1992 <sup>2/</sup>	3.17	FY 2007	8.60
FY 1993 <sup>2/</sup>	3.10	FY 2008	9.10
FY 1994 <sup>2/</sup>	2.65	FY 2009	8.95
FY 1995 <sup>2/</sup>	3.26	FY 2010	9.00
FY 1996	3.36	FY 2011	9.60
FY 1997	3.20	FY 2012 <sup>3/</sup>	11.13/9.87

1/ Employee and employer each pay this rate except for FY 2012.  
2/ Long Term Disability not broken out of the contribution rate from FY 1989 - FY 1995. Rates for these years reflect amounts estimated to be attributable solely to retirement component.  
3/ Also includes impact of the budget shift from 50/50 employee/employer share to 53/47.

Other Appropriated Fund savings of \$(852,000). (See *Statewide Adjustments narrative above for more details.*) Monies are deposited into an ADOA fund for payment of costs associated with Risk Management losses. The state self-insures for Risk Management services by assessing agencies charges based on actuarial projections and paying claims against the state. (Please see the *Summary of Risk Management Charges in the Agency Detail and Allocations section for these charges.*)

**Other Budget Issues**

The FY 2012 Budget Procedures BRB (Laws 2011, Chapter 26) includes the following statewide provisions:

**Furlough Elimination** – The BRB eliminates 1 of 6 furlough days in FY 2011 and all 6 furlough days in FY 2012. These furlough days were originally authorized by the FY 2011 Budget Procedures BRB (Laws 2010, 7<sup>th</sup> Special Session, Chapter 3). Although the furlough days were eliminated, the savings associated with these furlough days remained in most agencies' budgets. A total of \$453,600 was added to small agencies' budgets in FY 2012 to restore savings from the furlough. This change impacted the General Fund, either by adding General Fund directly to budgets, or by adding Other Funds and reducing a fund transfer associated with the furlough elimination. The increases in agency budgets for this issue are part of agencies' base budgets and are discussed in their narratives.

**Furlough Implementation** – The BRB continues to allow agencies to implement a furlough for FY 2012 and directs ADOA to prescribe implementation procedures and exempts them from rulemaking requirements for the purpose of prescribing the procedures. This provision

would permit agencies to continue to implement furloughs to achieve the savings incorporated in their budget after the elimination of the mandatory furlough.

**Administrative Adjustments** — The budget assumes that state agencies will have expenditures totaling \$73,388,300 in FY 2012 for FY 2011 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2011 but for which the state was unbilled until FY 2012. An agency's administrative adjustments cannot exceed its prior year reversion, or unused appropriation authority. The \$73,388,300 is a decrease of \$(4,611,700) from the FY 2011 total of \$78,000,000. The FY 2012 amount is 65% of prior-year reversion. This amount reflects a percentage close to the historical average. Administrative adjustments as a percentage of prior year's reversion vary widely from year to year, however, from below 30% to above 70%.

In addition to the FY 2012 increase above FY 2011, the budget assumes an increase of \$4,393,000 from originally-budgeted FY 2011 administrative adjustment total of \$73,607,000. This amount is approximately 65% of reported FY 2010 reversion and is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies' historical trends.

**Reversions** — The budget assumes that state agencies will revert \$(111,256,400) of FY 2012 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 2013. This amount is an increase of \$1,648,700 from the FY 2011 total of \$(112,905,100). The FY 2012 amount reflects 1.2% of total spending, a percentage based on historical averages in years which the economy slows down.

In addition to the FY 2012 increase above FY 2011, the budget assumes no revision to the originally-budgeted FY 2012 reversion total of \$(112,905,100). This amount is approximately 1.2% of FY 2011 estimated spending.

In addition to these reversion, the FY 2012 budget also continues to modify the accounting of non-lapsing General Fund monies, which are not usually included in the General Fund ending balance. The Budget Procedures BRB requires that any monies appropriated from the General Fund that are non-lapsing and unexpended at the end of FY 2012 shall be treated as if these funds are part of the FY 2012 ending balance. This accounting method is not anticipated to generate any additional statutory reversion savings in FY 2012. These amounts were originally estimated to be \$50,000,000 when originally enacted in FY 2009. These monies remain non-lapsing and continue to be available to the agencies in FY 2013.

**Budget Format** — The format governs how an agency's appropriation appears in the General Appropriation Act. A

less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

**Lump Sum** — The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review.

**Lump Sum with Special Line Items** — The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are permitted to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review, though footnotes may place additional restrictions or notifications upon the agency prior to or associated with transfers between special line items or to or from the operating budget.

**90/10 Agencies** — The following 29 regulatory agencies are called "90/10" agencies for the fact that these agencies retain 90% of their revenues deposit the other 10% into the General Fund:

Arizona State Board of Accountancy  
Acupuncture Board of Examiners  
State Board of Appraisal  
Board of Athletic Training  
Board of Barbers  
Board of Behavioral Health Examiners  
State Board of Chiropractic Examiners  
Registrar of Contractors  
Board of Cosmetology  
State Board of Dental Examiners  
State Board of Funeral Directors and Embalmers  
Board of Homeopathic and Integrated Medicine Examiners  
Arizona Medical Board  
Naturopathic Physicians Medical Board  
State Board of Nursing  
Board of Examiners of Nursing Care Institution  
Administrators and Assisted Living Facility Managers  
Board of Occupational Therapy Examiners  
State Board of Dispensing Opticians  
State Board of Optometry  
Arizona Board of Osteopathic Examiners  
Office of Pest Management  
Arizona State Board of Pharmacy  
Board of Physical Therapy Examiners  
State Board of Podiatry Examiners  
State Board for Private Postsecondary Education  
State Board of Psychologist Examiners  
Board of Respiratory Care Examiners  
State Board of Technical Registration  
Arizona State Veterinary Medical Examining Board

**SALARY ADJUSTMENTS FOR STATE EMPLOYEES SINCE FY 2003**  
**(Shown in Nominal General Fund Dollars)**

Fiscal Year	General Salary Adjustments					Additional Increases for Selected Classes		
	Dollars	Effective	Annual	% Salary	% Performance	Dollars	Effective	Annual
	Appropriated	Date	Cost	Adjustment	Adjustment	Appropriated	Date	Cost
FY 2003	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2004	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2005	\$42,136,200	July 1	\$42,136,200	\$1,000/FTE <u>1/</u>	-0-	\$1,878,700	July 1	\$1,878,700 <u>2/</u>
FY 2006	\$26,992,200	July 2	\$26,992,200	1.7%	-0-	\$15,633,100	July 2	\$15,633,100 <u>3/4/</u>
FY 2007	\$129,686,700 <u>5/</u>	July 1	\$129,686,700 <u>6/</u>	\$1,650/FTE <u>7/</u>	2.50%	\$31,761,600	July 1	\$31,761,600 <u>8/9/</u>
FY 2008	\$68,755,000	July 1	\$68,755,000 <u>10/</u>	3.0%	0.25%	\$9,149,200	July 1	\$9,149,200 <u>11/</u>
FY 2009	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2010	\$0	NA	\$0	-0-	-0-	-0-	NA	-0-
FY 2011	\$(33,464,400) <u>12/</u>	July 1	\$(33,464,400)	-2.30% <u>13/</u>	-2.75% <u>13/</u>	-0-	NA	-0-
FY 2012	\$(3,390,700) <u>14/</u>	July 1	\$(3,390,700)	-0- <u>14/</u>	-0-	-0-	NA	-0-

- 1/ Equates to approximately 2.6%. Universities may determine how to delineate salary funding, there is no \$1,000 guarantee
- 2/ Funds additional adjustments above \$1,000 for state-employed nurses and for sworn officers in the Arizona Department of Public Safety (DPS)
- 3/ Funds additional adjustments above 1.7% for sworn officers in DPS and Assistant Attorneys General
- 4/ Funds \$1,410 adjustment for correctional officers in the Arizona Department of Corrections (ADC) and the Arizona Department of Juvenile Corrections (DJC) in lieu of the 1.7% general salary adjustment
- 5/ Salary Adjustment went into effect on March 11, 2006. \$39,854,000 was appropriated for the FY 2006 adjustments.
- 6/ Laws 2006, Chapter 1 originally appropriated \$130,241,800 for the salary adjustments. Laws 2006, Chapter 261 reduced the appropriation by \$(555,100).
- 7/ Equates to approximately 3.8%.
- 8/ Funds additional adjustments above the \$1,650 per FTE and 2.5% performance adjustment for the Auditor General's Office, state employed nurses and corrections officers in ADC and DJC
- 9/ Includes \$17 million that was reallocated from the ADC's Overtime Special Line Item for Salary Adjustments
- 10/ Provides funding for the equivalent of a 3.0% adjustment to the Personal Services Base in the FY 2008 JLBC Baseline
- 11/ Funds additional adjustments above the 3.0% pay adjustment and 0.25% performance adjustment for the General Accounting Office, Assistant Attorney Generals, supervisor correctional officers at ADC, security officers at the Arizona State Hospital, officers at DJC, and sworn officers at DPS.

- 12/ Represents General Fund savings from the pay reduction that were budgeted in FY 2011, along with uncaptured furlough savings realized in FY 2011 during the FY 2012 budget process.
- 13/ Represents 6 furlough days (2.3%) except for certain exempted positions and a (2.75%) pay reduction. Where possible, the (2.75)% reduction was intended to eliminate the FY 2007 and FY 2008 Performance Adjustments. The furlough was originally authorized for FY 2011 and FY 2012 only, while the salary reduction was permanent
- 14/ Represents General Fund savings from the prior enacted mandatory 6 day furlough, less additional funding to restore the furlough for several smaller agencies. The FY 2011 General Appropriation Act assumed a fixed level of General Fund savings associated with the furlough - savings were actually \$3.5 million greater and were reflected in the FY 2012 budget. Laws 2011, Chapter 26 eliminated one of the 6 mandatory furlough days in FY 2011 and all furlough days in FY 2012, but the budget did not restore any of the associated funding except for \$158,800 from the General Fund to several smaller agencies in FY 2012

**STATE OF ARIZONA  
ELECTED OFFICIALS' SALARIES**

	<u>Jan. 1, 2001</u>	<u>Jan. 1, 2002</u>	<u>Jan. 1, 2007</u> *	<u>Jan. 1, 2009</u> *
Governor	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
Secretary of State	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Treasurer	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Attorney General	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
Superintendent of Public Instruction	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Corporation Commissioners	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500
Mine Inspector	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Supreme Court Chief Justice	\$ 129,150	\$ 129,150	\$ 145,294	\$ 160,000
Other Supreme Court Justices	\$ 126,525	\$ 126,525	\$ 142,341	\$ 155,000
Appellate Judges	\$ 123,900	\$ 123,900	\$ 139,388	\$ 150,000
Superior Court Judges	\$ 120,750	\$ 120,750	\$ 135,844	\$ 145,000
Legislators	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000

\* There were no changes in elected officials' salaries between January 1, 2002 and January 1, 2007, January 1, 2007 and January 1, 2009, or January 1, 2009 and the present.

## BUDGET CYCLE

Under A.R.S. § 35-113, the state has a “bifurcated” budget system in which most state agencies submit a biennial budget request each odd-numbered year, requesting a separate appropriation for each of the next 2 fiscal years. Larger state agencies make an annual budget request. These “annual budget units” are:

- Arizona Department of Administration (ADOA)
- Arizona Health Care Cost Containment System (AHCCCS)
- Arizona Community Colleges
- Department of Corrections (ADC)
- Department of Economic Security (DES)
- Arizona Department of Education (ADE)
- Department of Health Services (DHS)
- Judiciary
- Department of Juvenile Corrections (DJC)
- School Facilities Board (SFB)

- Arizona Department of Transportation (ADOT)
- Universities, including:
  - Arizona Board of Regents
  - Arizona State University - Tempe/DPC, East, and West
  - University of Arizona
  - Northern Arizona University

In addition to these agencies, the FY 2012 General Appropriation Act appropriated annual budgets to all other agencies. As a result, all agencies will also need to have an FY 2013 budget approved in the 2012 legislative session.

The table below provides additional detail on how the budget cycle has changed for state agencies since FY 2008. See the *FY 2010 Appropriations Report* for the history since FY 1992.

<b>Biennium</b>	<b>Changes in Biennial Budgeting</b>
FY 2008 - FY 2009	No changes in statutorily-mandated annual agencies from previous biennium. In addition to statutory annual budgets, the Department of Financial Institutions, State Mine Inspector, Arizona Navigable Streams Adjudication Commission, Department of Public Safety, and the State Treasurer received an annual budget. All other agencies received biennial budgets for FY 2008 and FY 2009.
FY 2010 - FY 2011	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget for FY 2010 in 2009 and an annual budget for FY 2011 in 2010.
FY 2012	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget.

## STRATEGIC PROGRAM AREA REVIEWS (SPARs)

A.R.S. § 41-1275 establishes the Strategic Program Area Review (SPAR) process. The SPARs provide an opportunity for the Governor and the Legislature to evaluate the effectiveness and efficiency of programs crossing state agency lines. These reviews by Joint Legislative Budget Committee (JLBC) Staff and the Governor’s Office of Strategic Planning and Budgeting (OSPB) are a permanent part of the biennial budget process and result in decisions to retain, eliminate, or modify particular programs.

A.R.S. § 41-1275 requires JLBC Staff, in consultation with OSPB, to recommend to the JLBC, program areas for SPAR by January 1 of every odd-numbered year. Because the SPAR process was viewed as duplicating the efforts to review the effectiveness and efficiency of programs that cross state agency lines during session, no programs were subject to SPAR in the current cycle.

## SUMMARY OF BALLOT REFERRALS

Bill Number	Reference Title	Description of Ballot Measures
<u>Fiftieth Legislature - First Regular Session</u>		
SCR 1001	Judicial Selection; Procedure	<p>If approved by the voters at the November 2012 General Election, SCR 1001 would make the following changes to judicial selection and judicial procedures:</p> <ul style="list-style-type: none"> <li>- For terms beginning after January 1, 2013, all Judges and Justices will serve 8-year terms (as opposed to the current term of 4 years for Superior Court judges and 6 years for Court of Appeals/Supreme Court justices).</li> <li>- Raises the mandatory retirement age for Judges and Justices from 70 to 75.</li> <li>- Changes the composition of the Commission on Appellate Court Appointments (CACA) and the Commissions on Trial Court Appointments (CTCA) as follows: 1) 4 of the 5 attorney commission members will be selected by the Governor, and 1 will be appointed by the President of the State Bar; 2) With the vacancy of an attorney member of the commission, the State Bar must forward the Governor all applications for the appointment along with recommendations; 3) Attorney members of the commission must be members of the State Bar for 10 years (increased from 5) and must have no record of formal discipline from the State Bar.</li> <li>- Requires both the CACA and CTCA to submit at least 8 persons to fill a judicial vacancy (or 6 in the case of multiple vacancies).</li> <li>- Requires the Supreme Court to make every written opinion or order issued by a Judge or Justice (that is not sealed according to law) electronically accessible to the public through the Supreme Court's website.</li> <li>- Requires that 60 days before the state's primary election date, the Supreme Court shall transmit a copy of the Judicial Performance Review of any Judge or Justice that is up for retention to the Speaker of the House of Representatives and the President of the Senate. No later than 60 days before the General Election, a Joint Legislative Committee may meet and take testimony on the Judges and Justices who are up for retention.</li> </ul>
SCR 1020	Crime Victims; Protection from Liability	<p>If approved by the voters at the November 2012 General Election, SCR 1020 would prohibit a crime victim from being subject to a claim for damages by a person who is harmed while either: 1) attempting to commit a felony; 2) committing a felony; or 3) fleeing after having committed or attempted to commit a felony.</p>
SCR 1025	Public Funds; Political Candidates; Ban	<p>If approved by the voters at the November 2012 General Election, SCR 1025 would prohibit the state or its political subdivisions from using public funds for political campaigns. In addition, SCR 1025 would prohibit these entities from offering tax credits/deductions or assessing any surcharge associated with the public financing of campaigns.</p> <p>The Citizens Clean Elections Commission currently receives its funding from an income tax check off box and fine surcharge. Any unexpended Clean Elections funds would be transferred to the General Fund.</p>

## **AGENCY DETAIL AND ALLOCATIONS**

## Detailed List of General Fund Changes by Agency 1/

	FY 2011 GF <u>2/</u> Baseline	FY 2011 Change to Base	FY 2011 GF Revised	FY 12 Baseline <u>3/</u> Above FY 11	FY 2012 Change to Base	FY 2012 GF Enacted
<b>OPERATING SPENDING CHANGES</b>						
<b>DOA - Arizona Department of Administration</b>	\$17,734,300		17,756,900			14,858,600
DOA - Statewide Adjustments		(46,100)			(1,335,700)	
DOA - Named Claimants		68,700				
DOA - Telecommunications Lease Payment				(425,900)		
DOA - Move Capitol Police to DPS					(1,889,200)	
DOA - Move GITA Functions to ADOA					542,000	
DOA - Move Office of Economic Research from Commerce					233,100	
<b>OAH - Office of Administrative Hearings</b>	\$908,200		905,100			811,100
OAH - Statewide Adjustments		(3,100)			(97,100)	
<b>AGR - Department of Agriculture</b>	\$8,434,300		8,412,300			7,909,400
AGR - Statewide Adjustments		(22,000)			(835,000)	
AGR - Nuclear Emergency Management					92,100	
AGR - Technical Fee Adjustment (Revenue Offset)					218,000	
<b>AXS - AHCCCS</b>	\$1,376,901,300		1,314,973,600			1,363,735,000
AXS - Statewide Adjustments		(160,800)			(1,967,000)	
AXS - Formula Changes	\$6,040,600	(50,000,000)		493,425,000		
AXS - Annualize 4/1 5% Rate Reduction		(12,807,500)			(62,172,600)	
AXS - Transfer CRS from Dept. of Health Services					36,410,600	
AXS - Proposition 204 Savings/Waiver Request		(5,000,000)			(478,902,900)	
AXS - Eligibility Verification					(6,000,000)	
<b>ART - Arizona Commission on the Arts</b>	\$665,600		663,400			0
ART - Statewide Adjustments		(2,200)				
ART - Eliminate GF Support					(665,600)	
<b>ATT - Attorney General</b>	\$17,536,100		17,478,700			16,931,500
ATT - Statewide Adjustments		(57,400)			(604,600)	
<b>CPD - State Capital Postconviction Public Defender Office</b>	\$635,800		633,800			688,900
CPD - Statewide Adjustments		(2,000)			6,900	
CPD - AG Pro Rata Exemption					(2,500)	
CPD - Funding Shift					40,000	
CPD - Restore Furlough Reduction					8,700	
<b>CHA - State Board for Charter Schools</b>	\$802,600		800,100			750,600
CHA - Statewide Adjustments		(2,500)			(62,900)	
CHA - Restore Furlough Reduction					10,900	
<b>COM - Department of Commerce</b>	\$1,466,500		1,463,800			0
COM - Statewide Adjustments		(2,700)				
COM - Shift to Commerce Authority					(1,466,500)	
<b>COM - Commerce Authority</b>	\$0		0			31,500,000
COM - Commerce Authority (\$31.5 M in Diverted Revenue) <u>4/</u>				31,500,000		
<b>CCO - Arizona Community Colleges</b>	\$135,344,300		135,344,300			71,089,000
CCO - Formula Changes				9,015,200		
CCO - Tribal College Funding				(255,100)		
CCO - Operating Aid Reduction					(72,864,200)	
CCO - Eliminate Santa Cruz Rural Out of County Reimbursement Subsidy				(151,200)		
<b>COR - Corporation Commission</b>	\$622,200		620,100			316,400
COR - Statewide Adjustments		(2,100)			(305,800)	
<b>DOC - Department of Corrections</b>	\$948,692,900		936,637,400			948,188,600
DOC - Statewide Adjustments		(2,055,500)			(3,220,700)	
DOC - New State Beds		(10,000,000)		4,242,000		
DOC - Private Beds Lower Cost				(3,166,000)		
DOC - Eliminate Provisional Beds				(8,359,600)		
DOC - Marginal Costs - Public Beds					9,199,900	
DOC - Leap Year Costs					800,100	
<b>SDB - AZ State Schools for the Deaf and the Blind</b>	\$22,045,400		22,022,500			20,686,300
SDB - Statewide Adjustments		(22,900)			(1,359,100)	



	FY 2011 GF 2/ Baseline	FY 2011 Change to Base	FY 2011 GF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 GF Enacted
<b>DES - Department of Economic Security</b>	\$594,103,900		550,548,800			602,603,300
DES - Statewide Adjustments		(72,900)			(5,304,100)	
DES - DD Caseload Growth	\$12,487,000			80,139,700		
DES - TANF Caseload Decline	(\$24,969,200)			(3,416,400)		
DES - Additional TANF Drawdown		(15,000,000)			(15,000,000)	
DES - Reduce TANF Cash Benefit Level - 24 Months					(8,600,000)	
DES - Eliminate GF Child Care Subsidy					(13,771,300)	
DES - Maintain Child Care Wait List		(10,000,000)			(10,000,000)	
DES - Other Federal Funds Backfill					4,500,000	
DES - Shift Adult Services to SSBG		(6,000,000)			(6,000,000)	
DES - Waiver Plan Savings					(1,566,300)	
<b>ADE - Arizona Department of Education</b>	\$3,491,223,400		3,493,050,500			3,436,528,700
ADE - Statewide Adjustments		(38,000)			(826,900)	
ADE - Retirement Shift Adjustment					(32,714,800)	
ADE - Formula Changes/Backfill of Federal Funds				143,162,200	0	
ADE - For Profit Charter School Supplemental		1,865,100				
ADE - SAIS Replacement					5,000,000	
ADE - Soft Capital Suspension					(23,000,000)	
ADE - CORL/Add'l Assistance Reduction					(71,520,800)	
ADE - JTED QTR Offset					4,485,700	
ADE - 9th Grade JTED					(29,780,100)	
ADE - Career Ladder					(14,500,000)	
ADE - Federal Funds Cut/Backfill - EDUJobs					(35,000,000)	
<b>EMA - Department of Emergency &amp; Military Affairs</b>	\$12,545,600		12,534,200			8,815,300
EMA - Statewide Adjustments		(11,400)			(215,600)	
EMA - Military Installation Fund Reduction					(2,025,000)	
EMA - Eliminate Project Challenge					(1,564,500)	
EMA - Nuclear Emergency Management - Separate Bill				(929,500)	1,004,300	
<b>DEQ - Department of Environmental Quality</b>	\$7,000,000		7,000,000			7,000,000
<b>OEO - Governor's Office of Equal Opportunity</b>	\$194,400		193,800			187,900
OEO - Statewide Adjustments		(600)			(9,000)	
OEO - Restore Furlough Reduction					2,500	
<b>EQU - State Board of Equalization</b>	\$661,000		659,400			625,800
EQU - Statewide Adjustments		(1,600)			(42,100)	
EQU - Restore Furlough Reduction					6,900	
<b>EXE - Board of Executive Clemency</b>	\$865,400		863,600			790,500
EXE - Statewide Adjustments		(1,800)			(95,700)	
EXE - Annual Leave Payout					13,200	
EXE - Restore Furlough Reduction					7,600	
<b>DFI - Dept of Financial Institutions</b>	\$2,903,100		2,894,800			2,726,600
DFI - Statewide Adjustments		(8,300)			(176,500)	
<b>BFS - Department of Fire, Building &amp; Life Safety</b>	\$2,014,400		2,008,700			1,693,300
BFS - Statewide Adjustments		(5,700)			(321,100)	
<b>FOR - State Forester's Office</b>	\$5,971,100		5,961,100			6,052,000
FOR - Statewide Adjustments		(10,000)			80,900	
<b>GEO - Arizona Geological Survey</b>	\$794,100		792,600			865,100
GEO - Statewide Adjustments		(1,500)			(35,500)	
GEO - One-time Digitization of Records					100,000	
GEO - Restore Furlough Reduction					6,500	
<b>GTA - Government Information Technology Agy</b>	\$742,000		740,200			0
GTA - Statewide Adjustments		(1,800)			(742,000)	
GTA - Move Functions to ADOA						
<b>GOV - Office of the Governor</b>	\$6,960,900		6,937,300			6,601,900
GOV - Statewide Adjustments		(23,600)			(359,000)	
<b>OSP - Gov's Ofc of Strategic Planning &amp; Budgeting</b>	\$1,936,400		1,927,500			1,874,200
OSP - Statewide Adjustments		(8,900)			(62,200)	
<b>DHS - Department of Health Services</b>	\$438,939,000		436,168,700			494,294,800
DHS - Statewide Adjustments		(200,200)			(1,823,400)	
DHS - Formula Changes				154,590,900	0	

	FY 2011 GF 2/ Baseline	FY 2011 Change to Base	FY 2011 GF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 GF Enacted
DHS - 4/1 5% Rate Reduction		(2,570,100)			(13,594,400)	
DHS - Counties Pay 50% of SVP Cost (new fees)					(2,670,300)	
DHS - Proposition 204 Savings/Waiver Request					(43,530,800)	
DHS - Move CRS program to AHCCCS					(36,410,600)	
DHS - Fund Vital Records Through New Fees					(1,205,600)	
<b>AZH - Arizona Historical Society</b>	\$5,861,400		5,854,200			4,151,100
AZH - Statewide Adjustments		(7,200)			(1,710,300)	
<b>PAZ - Prescott Historical Society</b>	\$673,700		671,500			652,600
PAZ - Statewide Adjustments		(2,200)			(30,400)	
PAZ - Restore Furlough Reduction					9,300	
<b>IND - Independent Redistricting Commission</b>	\$500,000		500,000			3,000,000
IND - New Redistricting Cycle					2,500,000	
<b>CIA - Arizona Commission of Indian Affairs</b>	\$63,100		63,000			54,300
CIA - Statewide Adjustments		(100)			(9,200)	
CIA - Restore Furlough Reduction					400	
<b>INS - Department of Insurance</b>	\$5,468,800		5,449,000			5,184,200
INS - Statewide Adjustments		(19,800)			(265,300)	
INS - End of Phone Payments					(19,300)	
<b>SPA - Judiciary - Supreme Court</b>	\$20,017,900		19,976,200			16,153,000
SPA - Statewide Adjustments		(41,700)			(3,864,900)	
<b>COA - Judiciary - Court of Appeals</b>	\$14,712,700		14,697,400			13,786,300
COA - Statewide Adjustments		(15,300)			(926,400)	
<b>SUP - Judiciary - Superior Court</b>	\$79,155,900		79,139,900			79,083,200
SUP - Statewide Adjustments		(16,000)			(72,700)	
<b>DJC - Department of Juvenile Corrections</b>	\$57,008,100		53,255,000			46,729,800
DJC - Statewide Adjustments		(145,300)			(3,062,700)	
DJC - Population Decline		(3,607,800)			(7,215,600)	
<b>LAN - State Land Department</b>	\$3,212,300		3,297,000			1,231,800
LAN - Statewide Adjustments		(11,500)			(16,700)	
LAN - CAP Water Payment		96,200			96,200	
LAN - Funding Shift Due to Existing Fees				(2,060,000)		
<b>LEM - Law Enforcement Merit System Council</b>	\$69,500		69,100			70,200
LEM - Statewide Adjustments		(400)			(900)	
LEM - Restore Furlough Reduction					1,600	
<b>Legislature</b>						
<b>AUD - Auditor General</b>	\$16,447,200		16,405,100			16,156,000
AUD - Statewide Adjustments		(42,100)			(291,200)	
<b>HOU - House of Representatives</b>	\$12,864,900		12,824,200			12,993,700
HOU - Statewide Adjustments		(40,700)			128,800	
<b>JLBC - Joint Legislative Budget Committee</b>	\$2,496,700		2,487,100			2,399,900
JLBC - Statewide Adjustments		(9,600)			(96,800)	
<b>LEG - Legislative Council</b>	\$4,738,800		4,721,100			4,654,100
LEG - Statewide Adjustments		(17,700)			(84,700)	
<b>SEN - Senate</b>	\$8,097,600		8,066,600			7,985,200
SEN - Statewide Adjustments		(31,000)			(112,400)	
<b>MSL - Board of Medical Student Loans</b>	\$402,900		402,900			67,000
MSL - Fund Continuing Students Only					(335,900)	
<b>MIN - State Mine Inspector</b>	\$1,127,600		1,123,300			1,185,800
MIN - Statewide Adjustments		(4,300)			41,300	
MIN - One-Time Named Claimants Funds				(1,700)		
MIN - Restore Furlough Reduction					18,600	
<b>MMR - Department of Mines &amp; Mineral Resources</b>	\$226,100		224,600			0
MMR - Statewide Adjustments		(1,500)				
MMR - Move Functions to Geological Survey & AZ Historical Society					(226,100)	

	FY 2011 GF 2/ Baseline	FY 2011 Change to Base	FY 2011 GF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 GF Enacted
<b>NAV - AZ Navigable Steam Adjudication Comm.</b>	\$133,500		133,200			126,900
NAV - Statewide Adjustments		(300)			(8,100)	
NAV - Restore Furlough Reduction					1,500	
<b>OSH - Occupational Safety &amp; Health Review Board</b>	\$0		0			15,000
OSH - Operating Costs				15,000		
<b>SPB - Arizona State Parks Board</b>	\$20,000,000		20,000,000			0
SPB - Statutory End of Land Conservation Funds				(20,000,000)		
<b>PIO - Arizona Pioneers' Home</b>	\$1,570,900		1,566,200			1,603,600
PIO - Statewide Adjustments		(4,700)			18,900	
PIO - Restore Furlough Reduction					13,800	
<b>POS - Commission for Postsecondary Education</b>	\$1,220,800		1,220,800			1,396,800
POS - Shift of Math/Science Program from ABOR				176,000		
<b>DPS - Department of Public Safety</b>	\$43,070,300		43,008,700			46,526,200
DPS - Statewide Adjustments		(61,600)			566,700	
DPS - County Assistance Grant (Pinal) - Revenue Offset					1,000,000	
DPS - Move Capitol Police From ADOA					1,889,200	
<b>RAC - Arizona Department of Racing</b>	\$3,863,600		3,858,500			2,781,600
RAC - Statewide Adjustments		(5,100)			(61,800)	
RAC - New Fee - Shift to Self-Funding					(1,042,000)	
RAC - Restore Furlough Reduction					21,800	
<b>RAD - Radiation Regulatory Agency</b>	\$1,396,500		1,392,600			1,459,000
RAD - Statewide Adjustments		(3,900)			(30,800)	
RAD - Nuclear Emergency Management - Separate Bill				(639,500)	716,000	
RAD - Restore Furlough Reduction					16,800	
<b>ARP - Arizona Rangers' Pensions</b>	\$14,200		14,200			0
ARP - End of Program				(14,200)		
<b>REA - State Real Estate Department</b>	\$2,987,300		2,978,600			2,656,700
REA - Statewide Adjustments		(8,700)			(330,600)	
<b>REV - Department of Revenue</b>	\$43,709,000		43,497,600			44,129,600
REV - Statewide Adjustments		(211,400)			420,600	
<b>SFB - School Facilities Board</b>	\$67,580,500		67,576,200			164,087,200
SFB - Statewide Adjustments		(4,300)			(97,300)	
SFB - New School Debt Service Change				36,585,600		
SFB - Restore One-Time Debt Service Savings				60,000,000		
SFB - Restore Furlough Reduction					18,400	
<b>SOS - Secretary of State</b>	\$13,301,800		13,270,200			13,309,400
SOS - Statewide Adjustments		(31,600)			(77,400)	
SOS - Litigation Costs (Chavez v. Brewer)					85,000	
<b>TAX - State Board of Tax Appeals</b>	\$252,700		251,800			253,400
TAX - Statewide Adjustments		(900)			(3,100)	
TAX - Restore Furlough Reduction					3,800	
<b>DOT - Department of Transportation</b>	\$54,600		54,500			50,200
DOT - Statewide Adjustments		(100)			(4,400)	
<b>TRE - State Treasurer</b>	\$1,115,100		1,115,100			1,115,100
<b>UNI - Universities</b>						
<b>UNI - Arizona Board of Regents</b>	\$17,135,400		17,124,100			16,926,200
UNI - Statewide Adjustments		(11,300)			(33,200)	
UNI - Shift of Math/Science Program to CPSE				(176,000)	0	
<b>UNI - ASU - Tempe/DPC</b>	\$326,349,100		326,349,100			247,742,900
UNI - Statewide Adjustments					(4,738,200)	
UNI - Lump Sum Reduction					(73,868,000)	
<b>UNI - ASU - East Campus</b>	\$25,101,300		25,101,300			19,076,800
UNI - Statewide Adjustments					(312,800)	
UNI - Lump Sum Reduction					(5,711,700)	

	FY 2011 GF <u>2/</u> Baseline	FY 2011 Change to Base	FY 2011 GF Revised	FY 12 Baseline <u>3/</u> Above FY 11	FY 2012 Change to Base	FY 2012 GF Enacted
<b>UNI - ASU - West Campus</b>	\$43,935,700		43,935,700			33,159,600
UNI - Statewide Adjustments					(400,900)	
UNI - Lump Sum Reduction					(10,375,200)	
<b>UNI - Northern Arizona University</b>	\$133,118,100		133,118,100			101,861,800
UNI - Statewide Adjustments					(1,212,700)	
UNI - Lump Sum Reduction					(30,043,600)	
<b>UNI - UA - Main Campus</b>	\$271,315,400		271,315,400			208,367,000
UNI - Statewide Adjustments					(2,241,600)	
UNI - Lump Sum Reduction					(60,706,800)	
<b>UNI - UA - Health Sciences Center</b>	\$73,234,900		73,234,900			55,334,300
UNI - Statewide Adjustments					(605,900)	
UNI - Lump Sum Reduction					(17,294,700)	
<b>VSC - Department of Veterans' Services</b>	\$5,392,700		5,374,700			7,050,700
VSC - Statewide Adjustments		(18,000)			(195,400)	
VSC - One-Time Veterans' Home Start-up				1,853,400	0	
<b>WAT - Department of Water Resources</b>	\$7,052,900		7,034,700			5,698,300
WAT - Statewide Adjustments		(18,200)			(559,000)	
WAT - Shift to New City Fees					(795,600)	
<b>WEI - Department of Weights &amp; Measures</b>	\$1,197,800		1,195,500			1,165,000
WEI - Statewide Adjustments		(2,300)			(42,500)	
WEI - Restore Furlough Reduction					9,700	
<b>OTH - Other</b>						
OTH - Sale/Lease-Back Payment	54,826,600	(2,759,700)	52,066,900	(5,775,900)		49,050,700
OTH - Unallocated Lease-Purchase and Rent Adjustments	0		0	(16,509,100)	16,351,400	(157,700)
OTH - Unallocated Statewide Risk Management Adjustment	0		0		(1,700)	(1,700)
OTH - Unallocated Uncaptured Pay Reduction Savings	0		0		(11,300)	(11,300)
OTH - Additional Pay Period	0		0	80,000,000	(1,000,000)	79,000,000
OTH - Health Savings Account Enhancements					(12,000,000)	(12,000,000)
OTH - Psychologist Examiners Backfill	25,000		25,000	(25,000)		0
OTH - Administrative Adjustments	78,000,000		78,000,000	(4,611,700)		73,388,300
OTH - Reversions	(112,905,100)		(112,905,100)	1,648,700		(111,256,400)
OTH - Unallocated FY 11 Lease-Purchase Adjustments	190,300		190,300	(190,300)		0
<b>TOTAL - OPERATING SPENDING CHANGES</b>	<b>\$8,449,588,700</b>	<b>(119,269,500)</b>	<b>8,330,319,200</b>	<b>1,029,646,600</b>	<b>(1,161,667,100)</b>	<b>8,317,568,200</b>
<b>CAPITAL SPENDING</b>						
ADOA - Building Renewal Shift	4,000,000		4,000,000	(4,000,000)		0
<b>TOTAL - CAPITAL SPENDING</b>	<b>\$4,000,000</b>	<b>0</b>	<b>4,000,000</b>	<b>(4,000,000)</b>	<b>0</b>	<b>0</b>
<b>TOTAL - OPERATING &amp; CAPITAL SPENDING</b>	<b>\$8,453,588,700</b>	<b>(119,269,500)</b>	<b>8,334,319,200</b>	<b>1,025,646,600</b>	<b>(1,161,667,100)</b>	<b>8,317,568,200</b>
<b>TOTAL - ALL SPENDING <u>5/</u></b>	<b>\$8,453,588,700</b>	<b>(119,269,500)</b>	<b>8,334,319,200</b>	<b>1,025,646,600</b>	<b>(1,161,667,100)</b>	<b>8,317,568,200</b>
<b>FUND TRANSFERS <u>6/</u></b>						
<b>SBA - State Board of Accountancy</b>						
SBA - Board of Accountancy (OF)		(3,800)	(3,800)	(31,600)	4,600	(27,000)
<b>ACU - Acupuncture Board of Examiners</b>						
ACU - Acupuncture Board of Examiners (OF)		(500)	(500)	(3,900)	600	(3,300)
<b>DOA - Arizona Department of Administration</b>						
DOA - AFIS II Collections (NA)		(2,200)	(2,200)		(448,500)	(448,500)
DOA - Air Quality (OF)					(136,000)	(136,000)
DOA - Automation Operations (OF)		(40,000)	(40,000)	(837,300)	(112,600)	(949,900)
DOA - Capital Outlay Stabilization (OF)		(11,600)	(11,600)	(97,600)	(26,600)	(124,200)
DOA - Capitol Police Administrative Towing (NA)		(100)	(100)			
DOA - Construction Insurance (NA)		(1,100)	(1,100)	(201,600)	(3,200)	(204,800)
DOA - Co-Op State Purchasing Agreement (NA)		(900)	(900)		(10,500)	(10,500)
DOA - Corrections (OF)		(1,200)	(1,200)		(4,200)	(4,200)
DOA - Emergency Telecommunication Services Revolving (NA)		(1,600)	(1,600)		(2,213,700)	(2,213,700)
DOA - IGA and ISA (NA)		(6,800)	(6,800)	(57,400)	(18,000)	(75,400)
DOA - Information Technology (OF)					(109,600)	(109,600)
DOA - Motor Vehicle Pool Revolving (OF)		(3,200)	(3,200)		(37,600)	(37,600)

	FY 2011 GF 2/ Baseline	FY 2011 Change to Base	FY 2011 GF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 GF Enacted
DOA - Personnel Division (OF)		(26,500)	(26,500)	(223,000)	(337,200)	(560,200)
DOA - Risk Management Revolving (OF)		(5,026,300)	(5,026,300)		(16,155,400)	(16,155,400)
DOA - Special Employee Health Insurance Trust (OF)		(10,100)	(10,100)	(335,800)	(40,033,400)	(40,369,200)
DOA - Special Events (NA)		(200)	(200)	(2,100)	(400)	(2,500)
DOA - Special Services Revolving (NA)					(200)	(200)
DOA - State Employee Travel Reduction (NA)		(1,200)	(1,200)		(49,800)	(49,800)
DOA - State Surplus Materials Revolving (OF)		(2,200)	(2,200)		(20,900)	(20,900)
DOA - Statewide Payroll (NA)		(300,000)	(300,000)		(150,000)	(150,000)
DOA - Telecommunications (OF)					(4,700)	(4,700)
DOA - Traffic and Parking Control (NA)				(400)		(400)
DOA - State Web Portal (OF)				(1,100,000)	(5,400,000)	(6,500,000)
<b>OAH - Office of Administrative Hearings</b>						
OAH - IGA and ISA (NA)		(3,700)	(3,700)	(31,400)	(10,300)	(41,700)
<b>AGR - Department of Agriculture</b>						
AGR - Administrative Support (NA)		(200)	(200)	(1,300)	(500)	(1,800)
AGR - Citrus, Fruit & Vegetable Revolving (OF)		(1,900)	(1,900)		(4,000)	(4,000)
AGR - Commercial Feed (OF)		(700)	(700)	(5,800)	(2,400)	(8,200)
AGR - Dangerous Plants, Pests and Diseases (OF)					(500)	(500)
AGR - Designated (NA)		(1,100)	(1,100)	(9,000)	(3,100)	(12,100)
AGR - Fertilizer Materials (OF)		(1,000)	(1,000)	(8,100)	(3,000)	(11,100)
AGR - Pesticide (OF)		(900)	(900)	(7,700)	(3,400)	(11,100)
AGR - Protected Native Plant (OF)		(200)	(200)		(600)	(600)
AGR - Seed Law (OF)		(100)	(100)	(1,100)	(300)	(1,400)
<b>AXS - AHCCCS</b>						
AXS - Healthcare Group (PA)		(9,700)	(9,700)	(443,400)	(32,000)	(475,400)
AXS - IGA and ISA (NA)					(12,900)	(12,900)
AXS - Intergovernmental Services (NA)					(662,000)	(662,000)
AXS - Third Party Collections (NA)					(608,200)	(608,200)
<b>APP - State Board of Appraisal</b>						
APP - Board of Appraisal (OF)		(1,300)	(1,300)	(10,800)	700	(10,100)
<b>ART - Arizona Commission on the Arts</b>						
ART - Arts Trust (NA)				(115,400)		(115,400)
<b>BAT - Board of Athletic Training</b>						
BAT - Board of Athletic Training (OF)					(700)	(700)
<b>ATT - Attorney General</b>						
ATT - Anti-Racketeering Revolving (NA)					(28,400)	(28,400)
ATT - Antitrust Revolving (OF)		(500)	(500)	(3,900)	(2,100)	(6,000)
ATT - CJEF Distributions (NA)					(334,500)	(334,500)
ATT - Collection Enforcement Revolving (OF)		(4,800)	(4,800)		(68,600)	(68,600)
ATT - Consumer Fraud Revolving (OF)		(8,100)	(8,100)		(546,600)	(546,600)
ATT - Criminal Case Processing (NA)		(300)	(300)	(2,700)	(1,000)	(3,700)
ATT - Interagency Service Agreements (OF)		(45,600)	(45,600)		(535,300)	(535,300)
ATT - Intergovernmental Agreements (NA)		(5,900)	(5,900)		(69,500)	(69,500)
ATT - Legal Services Cost Allocation (OF)		(26,200)	(26,200)	(220,600)	(75,800)	(296,400)
ATT - Risk Management Revolving (OF)		(30,600)	(30,600)		(1,146,800)	(1,146,800)
ATT - Victims Rights (OF)		(1,400)	(1,400)	(44,400)	(4,400)	(48,800)
ATT - Victim Witness (NA)		(200)	(200)	(1,800)	(500)	(2,300)
<b>ATA - Automobile Theft Authority</b>						
ATA - Automobile Theft Authority (OF)		(1,400)	(1,400)		(892,700)	(892,700)
<b>BAR - Board of Barbers</b>						
BAR - Board of Barbers (OF)		(1,000)	(1,000)	(8,100)	900	(7,200)
<b>BHE - Board of Behavioral Health Examiners</b>						
BHE - Board of Behavioral Health Examiners (OF)		(3,600)	(3,600)	(30,400)	3,900	(26,500)
<b>CPD - State Capital Postconviction Public Defender Office</b>						
CPD - Capital Postconviction Public Defender Office (OF)					(1,400)	(1,400)
<b>BCE - State Board of Chiropractic Examiners</b>						
BCE - Board of Chiropractic Examiners (OF)		(1,600)	(1,600)	(13,100)	2,100	(11,000)
<b>CCE - Citizens Clean Elections Commission</b>						
CCE - Citizens Clean Elections Commission (NA)					(20,000,000)	(20,000,000)

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<b>COM - Arizona Commerce Authority</b>						
COM - CEDC (PA)		(2,100)	(2,100)	(323,200)	323,200	0
COM - Commerce Workshops (NA)		(300)	(300)	(2,900)		(2,900)
COM - GADA Revolving (NA)		(500)	(500)			
COM - IGA and ISA (NA)		(2,300)	(2,300)			
COM - Arizona Job Training (NA)		(600)	(600)	(5,000)		(5,000)
COM - Lottery (OF)		(600)	(600)			
COM - Nursing Education Demonstration Project (NA)					(1,993,800)	(1,993,800)
<b>CNA - Constable Ethics Standards &amp; Training Board</b>						
CNA - Constable Ethics Standards & Training (NA)		(100,000)	(100,000)		(60,000)	(60,000)
<b>ROC - Registrar of Contractors</b>						
ROC - Registrar of Contractors (OF)		(26,300)	(26,300)		(92,800)	(92,800)
ROC - Residential Contractors' Recovery (NA)		(2,500)	(2,500)		(6,200)	(6,200)
<b>COR - Corporation Commission</b>						
COR - Arizona Arts Trust (OF)		(200)	(200)	(1,500)	(500)	(2,000)
COR - Investment Management Regulatory & Enf. (OF)		(2,900)	(2,900)	(248,200)	(8,600)	(256,800)
COR - Public Access (OF)		(17,600)	(17,600)	(148,700)	(55,200)	(203,900)
COR - Securities Regulatory & Enforcement (OF)		(16,100)	(16,100)	(135,500)	(46,600)	(182,100)
COR - Utility Regulation Revolving (OF)		(50,000)	(50,000)		(1,696,700)	(1,696,700)
<b>DOC - Department of Corrections</b>						
DOC - AZ Correctional Industry Revolving (NA)		(34,800)	(34,800)		(407,600)	(407,600)
DOC - Community Corrections Enhancement (NA)					(500,000)	(500,000)
DOC - Indirect Cost Recovery (NA)		(100)	(100)	(800)	(300)	(1,100)
DOC - Interagency Service Agreement (NA)		(300)	(300)	(2,500)	(800)	(3,300)
DOC - State DOC Revolving (NA)					(2,000,000)	(2,000,000)
DOC - State Education Fund for Correctional Education (OF)		(500)	(500)	(4,400)	(754,900)	(759,300)
<b>COS - Board of Cosmetology</b>						
COS - Board of Cosmetology (OF)		(4,100)	(4,100)	(34,800)	4,400	(30,400)
<b>JUS - Arizona Criminal Justice Commission</b>						
JUS - Criminal Justice Enhancement (OF)		(2,600)	(2,600)		(177,900)	(177,900)
JUS - DUI Abatement (NA)					(762,000)	(762,000)
JUS - Drug & Gang Enforcement (NA)				(489,500)	(5,000)	(494,500)
JUS - Drug & Gang Prevention Resource Center (OF)				(67,200)	(200,500)	(267,700)
JUS - State Aid to Indigent Defense (OF)				(74,900)	(325,100)	(400,000)
JUS - Victims Compensation & Assistance (OF)				(307,500)		(307,500)
<b>SDB - AZ State Schools for the Deaf and the Blind</b>						
SDB - Enterprise (NA)		(100)	(100)	(600)	(400)	(1,000)
SDB - Regional Cooperatives (NA)		(30,100)	(30,100)	(253,500)	(144,600)	(398,100)
SDB - Schools for the Deaf and the Blind (OF)		(26,200)	(26,200)	(220,600)	(124,800)	(345,400)
<b>HEA - Commission for the Deaf and the Hard of Hearing</b>						
HEA - Telecommunication Fund for the Deaf (OF) FRAT		(200,000)	(200,000)		(182,000)	(182,000)
HEA - Telecommunication Fund for the Deaf (OF)		(4,200)	(4,200)	(1,405,300)	(12,100)	(1,417,400)
<b>DEN - Board of Dental Examiners</b>						
DEN - Dental Board (OF)		(2,500)	(2,500)	(21,000)	1,900	(19,100)
<b>DES - Department of Economic Security</b>						
DES - Child Abuse Prevention (OF)					(118,300)	(118,300)
DES - Child Support Enforcement Administration (OF)					(91,100)	(91,100)
DES - Children and Family Services Training (OF)		(300)	(300)		(4,300)	(4,300)
DES - Industries for the Blind (NA)		(29,000)	(29,000)	(244,100)	(29,000)	(273,100)
DES - Arizona Job Training (NA)					(5,300)	(5,300)
DES - Long Term Care System (OF)		(30,000,000)	(30,000,000)		(30,000,800)	(30,000,800)
DES - Public Assistance Collections (OF)					(96,000)	(96,000)
DES - Special Administration (OF)				(439,100)		(439,100)
DES - Spinal and Head Injuries Trust (OF)		(700)	(700)	(452,400)	(4,400)	(456,800)
<b>ADE - Arizona Department of Education</b>						
ADE - Education Commodity (NA)		(300)	(300)	(2,900)	(1,100)	(4,000)
ADE - IGA and ISA (NA)					(5,700)	(5,700)
ADE - Indirect Cost Recovery (NA)		(16,200)	(16,200)		(238,700)	(238,700)
ADE - Internal Services (NA)		(400)	(400)		(798,500)	(798,500)
ADE - Production Revolving (NA)		(1,800)	(1,800)		(376,500)	(376,500)
ADE - Special Education (NA)		(2,700,000)	(2,700,000)			
ADE - Teacher Certification (OF)					(15,800)	(15,800)

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<b>EMA - Department of Emergency &amp; Military Affairs</b>						
EMA - Emergency Response					(132,700)	(132,700)
EMA - Nuclear Emergency Management (NA)		(2,000)	(2,000)	(16,600)	(2,000)	(18,600)
<b>DEQ - Department of Environmental Quality</b>						
DEQ - Air Permits Administration (OF)		(14,900)	(14,900)	(894,500)	(49,900)	(944,400)
DEQ - Air Quality (OF)		(10,100)	(10,100)		(635,600)	(635,600)
DEQ - Emissions Inspection (OF) FRAT					(7,520,100)	(7,520,100)
DEQ - Emissions Inspection (OF)		(6,400)	(6,400)	(503,800)	(30,400)	(534,200)
DEQ - GADA Revolving (NA)					(1,000)	(1,000)
DEQ - Hazardous Waste Mgmt (OF)		(300)	(300)		(69,800)	(69,800)
DEQ - IGA and ISA (NA)		(2,100)	(2,100)		(28,600)	(28,600)
DEQ - Indirect Cost Recovery (OF)		(20,500)	(20,500)		(2,664,600)	(2,664,600)
DEQ - Institutional & Eng. Control (NA)				(300)		(300)
DEQ - Monitoring Assistance (NA)		(500)	(500)	(134,300)	(1,500)	(135,800)
DEQ - Recycling (OF)					(1,517,900)	(1,517,900)
DEQ - Solid Waste Fee (OF)		(2,700)	(2,700)		(382,400)	(382,400)
DEQ - Specific Site Judgment Fund (NA)				(80,000)		(80,000)
DEQ - Underground Storage Tank Revolving (PA)		(18,300)	(18,300)	(4,776,100)	(1,424,600)	(6,200,700)
DEQ - Voluntary Remediation (NA)		(500)	(500)	(25,500)	(1,000)	(26,500)
DEQ - Voluntary Vehicle Repair & Retrofit Program (NA)				(747,200)		(747,200)
DEQ - Water Quality Assurance Revolving (NA)		(16,500)	(16,500)	(510,600)	(39,600)	(550,200)
DEQ - Water Quality Fee (OF)		(9,400)	(9,400)		(841,000)	(841,000)
<b>COL - Arizona Exposition and State Fair Board</b>						
COL - Arizona Exposition and State Fair (OF)		(12,600)	(12,600)		(155,100)	(155,100)
<b>DFI - Dept of Financial Institutions</b>						
DFI - Financial Services (OF)		(2,200)	(2,200)	(18,500)	(1,005,700)	(1,024,200)
DFI - IGA and ISA (NA)		(300)	(300)		(900)	(900)
DFI - Revolving (NA)		(700)	(700)	(5,500)	(700)	(6,200)
<b>BFS - Department of Fire, Building &amp; Life Safety</b>						
BFS - Building & Fire Safety (NA)		(1,000)	(1,000)	(8,200)	(1,000)	(9,200)
<b>FOR - State Forester's Office</b>						
FOR - Cooperative Forestry (NA)				(45,400)	(6,900)	(52,300)
FOR - Fire Suppression (NA)				(280,100)	(16,500)	(296,600)
<b>EMB - Board of Funeral Directors and Embalmers</b>						
EMB - Board of Funeral Directors & Embalmers (OF)		(1,000)	(1,000)	(8,600)	1,100	(7,500)
<b>FIS - Arizona Game and Fish Department</b>						
FIS - Heritage (NA)		(14,900)	(14,900)	(125,500)	(51,300)	(176,800)
FIS - Off-Highway Vehicle Recreation (NA)		(2,900)	(2,900)		(11,700)	(11,700)
FIS - Watercraft Licensing (OF)		(5,800)	(5,800)	(49,200)	(514,200)	(563,400)
<b>GEO - Arizona Geological Survey</b>						
GEO - Geological Survey (NA)		(3,100)	(3,100)	(26,300)	7,600	(18,700)
<b>GTA - Government Information Technology Agy</b>						
GTA - Information Technology (OF)		(9,300)	(9,300)			
<b>GOV - Office of the Governor</b>						
GOV - IGA and ISA (NA)		(1,900)	(1,900)	(15,800)	(7,200)	(23,000)
GOV - Indirect Cost Recovery (NA)		(1,400)	(1,400)	(11,600)	(6,300)	(17,900)
<b>DHS - Department of Health Services</b>						
DHS - Arizona State Hospital (OF)					(22,500)	(22,500)
DHS - Child Fatality Review (OF)		(400)	(400)	(3,700)	(1,200)	(4,900)
DHS - Disease Control Research (NA)					(2,000)	(2,000)
DHS - Emergency Medical Services Operating (OF)		(10,300)	(10,300)	(86,500)	(1,033,500)	(1,120,000)
DHS - Environmental Laboratory Licensure Revolving (OF)		(2,200)	(2,200)		(66,400)	(66,400)
DHS - Health Services Licensing (OF)		(36,100)	(36,100)		(395,200)	(395,200)
DHS - Hearing and Speech Professionals (OF)		(1,100)	(1,100)	(30,500)	(3,100)	(33,600)
DHS - IGA and ISA (NA)		(76,200)	(76,200)	(642,000)	(76,200)	(718,200)
DHS - Indirect Cost (OF)		(16,200)	(16,200)	(1,426,500)	(47,700)	(1,474,200)
DHS - Newborn Screening Program (OF)		(8,600)	(8,600)	(72,300)	(23,100)	(95,400)
DHS - Oral Health (NA)					(1,400)	(1,400)
DHS - Risk Assessment (NA)		(100)	(100)	(500)	(100)	(600)
DHS - Substance Abuse Services (OF)					(800,000)	(800,000)
DHS - Tobacco Tax & Health Care (NA)		(9,600)	(9,600)		(22,300)	(22,300)

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DHS - Vital Records Electronic Systems (OF)		(900)	(900)	(7,300)	(29,300)	(36,600)
<b>AZH - Arizona Historical Society</b>						
AZH - Permanent AZ Historical Society Revolving (NA)		(200)	(200)	(2,100)	(800)	(2,900)
<b>HOM - Board of Homeopathic &amp; Integrated Medicine Examiners</b>						
HOM - Board of Homeopathic & Integrated Medicine Examiners (OF)		(300)	(300)	(2,200)		(2,200)
<b>HOU - Department of Housing</b>						
HOU - Housing Program (NA)		(9,100)	(9,100)	(1,040,600)	(1,242,600)	(2,283,200)
HOU - Housing Trust (PA) - See Revenue Section		(3,400)	(3,400)	(1,487,400)	1,477,100	(10,300)
HOU - IGA and ISA (NA)		(900)	(900)	(258,900)	(2,400)	(261,300)
<b>IND - Industrial Commission</b>						
IND - Industrial Commission Administrative (OF)		(50,600)	(50,600)	(426,700)	(166,600)	(593,300)
<b>INS - Department of Insurance</b>						
INS - Assessment Fund for Voluntary Plans (NA)		(30,500)	(30,500)	(4,600)	(33,500)	(38,100)
INS - Captive Insurance Regulatory/Supervision (NA)		(600)	(600)		(72,000)	(72,000)
INS - Financial Surveillance (NA)		(1,700)	(1,700)		(50,300)	(50,300)
INS - Health Care Appeals (NA)		(25,600)	(25,600)	(5,400)	(31,600)	(37,000)
INS - Insurance Examiners' Revolving (NA)		(5,200)	(5,200)		(14,200)	(14,200)
INS - Receivership Liquidation (NA)					(300)	(300)
<b>SPA - Judiciary - Supreme Court</b>						
SPA - Alternative Dispute Resolution (NA)		(400)	(400)		(79,100)	(79,100)
SPA - AZ Arizona Lengthy Trial (NA)				(400)	(100)	(500)
SPA - Certified Reporters (NA)		(500)	(500)	(3,900)	(1,400)	(5,300)
SPA - Confidential Intermediary and Fiduciary (OF)		(1,300)	(1,300)	(11,000)	(4,200)	(15,200)
SPA - Court Appointed Special Advocate (OF)		(2,500)	(2,500)	(21,100)	(5,900)	(27,000)
SPA - Criminal Justice Enhancement (OF)		(8,100)	(8,100)	(85,500)	(9,700)	(95,200)
SPA - Defensive Driving School (OF)		(9,100)	(9,100)	(143,400)	(15,100)	(158,500)
SPA - Judicial Collection Enhancement (OF)		(24,600)	(24,600)		(32,400)	(32,400)
SPA - Photo Enforcement (OF)		(1,400,500)	(1,400,500)			
SPA - Public Defender Training (NA)				(71,400)		(71,400)
SPA - State Aid to the Courts (OF)		(100)	(100)		(300)	(300)
<b>SUP - Judiciary - Superior Court</b>						
SUP - Criminal Justice Enhancement (OF)		(4,700)	(4,700)	(85,100)	(8,400)	(93,500)
SUP - Drug Treatment and Education (NA)		(1,500)	(1,500)	(43,600)	(5,000)	(48,600)
SUP - Judicial Collection Enhancement (OF)		(300)	(300)	(2,400)	(208,500)	(210,900)
SUP - Juvenile Delinquent Reduction (NA)		(3,400)	(3,400)		(532,000)	(532,000)
<b>DJC - Department of Juvenile Corrections</b>						
DJC - Criminal Justice Enhancement (OF)		(2,500)	(2,500)	(152,000)	(6,200)	(158,200)
DJC - Department of Juvenile Corrections (NA)		(200)	(200)	(1,800)	(500)	(2,300)
DJC - State Ed Fund for Committed Youth (OF)		(4,500)	(4,500)	(38,100)	(11,900)	(50,000)
<b>LAN - State Land Department</b>						
LAN - Interagency Agreements (NA)					(100)	(100)
<b>Legislature</b>						
<b>HOU - House of Representatives</b>						
HOU - Non-Lapsing Fund Balance (NA)					(2,000,000)	(2,000,000)
<b>LIQ - Department of Liquor Licenses &amp; Control</b>						
LIQ - Audit Surcharge (NA)					(1,800)	(1,800)
LIQ - Enforcement Surcharge-Enforcement Unit (NA)		(3,100)	(3,100)	(26,000)	(5,300)	(31,300)
LIQ - Enforcement Surcharge-Multiple Complaints (NA)					(1,800)	(1,800)
LIQ - Liquor Licenses (OF)		(8,500)	(8,500)		(308,100)	(308,100)
<b>LOT - Arizona State Lottery Commission</b>						
LOT - State Lottery (PA)		(26,900)	(26,900)	(1,755,000)	(106,800)	(1,861,800)
<b>MED - Arizona Medical Board</b>						
MED - Arizona Medical Board (OF)		(14,500)	(14,500)	(122,100)	(47,700)	(169,800)
<b>MIN - State Mine Inspector</b>						
MIN - Aggregate Mining Reclamation (OF)		(300)	(300)	(2,500)	1,000	(1,500)
<b>MMR - Department of Mines &amp; Mineral Resources</b>						
MMR - Mines and Mineral Resources (NA)		(700)	(700)			



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<b>NAT - Naturopathic Physicians Medical Board</b>						
NAT - Naturopathic Physicians Medical Board (OF)		(1,200)	(1,200)	(10,300)	200	(10,100)
<b>NUR - Nursing Board</b>						
NUR - Board of Nursing (OF)		(12,300)	(12,300)	(104,000)	(36,300)	(140,300)
<b>NCI - Nursing Care Inst. Administrators Board</b>						
NCI - Nursing Care Inst. Administrators Board (OF)		(1,000)	(1,000)	(8,800)	1,000	(7,800)
<b>OCC - Board of Occupational Therapy Examiners</b>						
OCC - Occupational Therapy (OF)		(900)	(900)	(7,200)	1,600	(5,600)
<b>DIS - State Board of Dispensing Opticians</b>						
DIS - Board of Dispensing Opticians (OF)		(300)	(300)	(2,500)	300	(2,200)
<b>OPT - State Board of Optometry</b>						
OPT - Board of Optometry (OF)		(700)	(700)	(5,800)	1,000	(4,800)
<b>OST - Arizona Board of Osteopathic Examiners</b>						
OST - Board of Osteopathic Examiners (OF)		(2,000)	(2,000)	(17,100)	2,500	(14,600)
<b>PAR - Parents Commission on Drug Ed &amp; Prevention</b>						
PAR - Drug Treatment and Education (NA)		(1,000)	(1,000)	(645,100)	3,400	(641,700)
<b>SPB - Arizona State Parks Board</b>						
SPB - Law Enforcement Boating & Safety (OF)					(22,900)	(22,900)
SPB - Off-Highway Vehicle Recreation (NA)		(1,900)	(1,900)	(133,000)	(7,100)	(140,100)
SPB - Partnerships (NA)		(200)	(200)		(200)	(200)
SPB - Publications and Souvenir Revolving (NA)		(900)	(900)	(67,700)	(1,400)	(69,100)
SPB - Reservation Surcharge Revolving (OF)		(700)	(700)	(102,400)	(2,600)	(105,000)
SPB - State Lake Improvement (NA)		(1,501,400)	(1,501,400)		(32,100)	(32,100)
SPB - State Parks Enhancement (OF)		(16,000)	(16,000)	(2,090,000)	(55,000)	(2,145,000)
<b>PER - Personnel Board</b>						
PER - Personnel Division - Personnel Board Account (OF)		(600)	(600)	(5,400)	1,000	(4,400)
<b>PES - Office of Pest Management</b>						
PES - Pest Management (OF)		(7,400)	(7,400)	(62,600)	(24,100)	(86,700)
<b>PHA - Arizona State Board of Pharmacy</b>						
PHA - AZ State Board of Pharmacy (OF)		(5,500)	(5,500)	(46,000)	4,500	(41,500)
<b>PHY - Board of Physical Therapy Examiners</b>						
PHY - Board of Physical Therapy (OF)		(1,000)	(1,000)	(8,400)	1,300	(7,100)
<b>POD - State Board of Podiatry Examiners</b>						
POD - Board of Podiatry (OF)		(400)	(400)	(3,200)	500	(2,700)
<b>POS - Commission for Postsecondary Education</b>						
POS - Early Graduation Scholarship (NA)		(291,800)	(291,800)			
POS - Postsecondary Education (OF)		(2,400)	(2,400)	(20,000)	3,900	(16,100)
POS - Postsecondary Education Grant (NA)					(28,300)	(28,300)
<b>PRI - Board for Private Postsecondary Education</b>						
PRI - Private Postsecondary Education (OF)		(1,200)	(1,200)	(9,800)	1,600	(8,200)
PRI - Student Tuition Recovery (NA)					(500)	(500)
<b>PSY - State Board of Psychologist Examiners</b>						
PSY - State Board of Psychologist Examiners (OF)		(1,000)	(1,000)	(8,400)	1,000	(7,400)
<b>DPS - Department of Public Safety</b>						
DPS - Anti-Racketeering (NA)		(200)	(200)	(528,400)	(3,095,100)	(3,623,500)
DPS - Auto Fingerprint Identification (OF)		(1,300)	(1,300)	(11,000)	(3,000)	(14,000)
DPS - Capitol Police Administrative Towing (NA)				(600)	(800)	(1,400)
DPS - Crime Laboratory Assessment (OF)		(250,000)	(250,000)		(203,200)	(203,200)
DPS - Crime Laboratory Operations (OF)				(3,554,700)	(68,100)	(3,622,800)
DPS - Criminal Justice Enhancement (OF)		(450,000)	(450,000)		(468,200)	(468,200)
DPS - DNA Identification System (OF)		(5,800)	(5,800)	(49,100)	(2,571,900)	(2,621,000)
DPS - DPS Administration (NA)		(5,500)	(5,500)		(264,600)	(264,600)
DPS - DPS Joint Fund Control (NA)		(456,900)	(456,900)	(3,850,400)	(459,200)	(4,309,600)
DPS - DPS Licensing (NA)		(3,300)	(3,300)	(191,200)	(10,000)	(201,200)
DPS - Fingerprint Clearance Card (NA)		(1,508,500)	(1,508,500)	(475,800)	(731,000)	(1,206,800)
DPS - Board of Fingerprinting (NA)		(101,600)	(101,600)		(107,300)	(107,300)

	FY 2011 GF 2/ Baseline	FY 2011 Change to Base	FY 2011 GF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 GF Enacted
DPS - Highway Patrol (OF)		(2,400)	(2,400)		(1,965,900)	(1,965,900)
DPS - IGA and ISA (NA)		(17,000)	(17,000)	(143,100)	(55,700)	(198,800)
DPS - Indirect Cost Recovery (NA)				(183,500)	(5,300)	(188,800)
DPS - Motorcycle Safety (NA)		(50,000)	(50,000)		(31,900)	(31,900)
DPS - Parity Compensation (OF)		(1,000,000)	(1,000,000)		(605,400)	(605,400)
DPS - Peace Officers' Training (NA)		(9,100)	(9,100)		(892,300)	(892,300)
DPS - Photo Enforcement (OF)		(2,300)	(2,300)			
DPS - Records Processing (NA)		(78,300)	(78,300)	(27,500)	(84,600)	(112,100)
DPS - Risk Management (OF)					(11,500)	(11,500)
DPS - SETIF (OF)				(122,000)		(122,000)
<b>RAC - Arizona Department of Racing</b>						
RAC - Arizona Breeders Award (NA)					(1,500)	(1,500)
RAC - County Fairs Racing Betterment (NA)					(56,300)	(56,300)
RAC - Racing Regulation (OF)					(7,700)	(7,700)
RAC - Stallion Award (NA)					(6,600)	(6,600)
<b>RAD - Radiation Regulatory Agency</b>						
RAD - Laser Safety (NA)					(300)	(300)
RAD - Nuclear Emergency Management (NA)		(1,400)	(1,400)	(11,400)	4,400	(7,000)
RAD - State Radiologic Technologist Certification (OF)		(800)	(800)		(26,500)	(26,500)
RAD - Radiation Regulatory Fee (OF)					(294,400)	(294,400)
<b>REA - State Real Estate Department</b>						
REA - Education Revolving (NA)		(500)	(500)	(4,000)	(500)	(4,500)
<b>RUC - Residential Utility Consumer Office</b>						
RUC - RUCO (OF)		(3,600)	(3,600)	(30,300)	3,000	(27,300)
<b>RES - Board of Respiratory Care Examiners</b>						
RES - Board of Respiratory Care Examiners (OF)		(1,000)	(1,000)	(8,600)	1,400	(7,200)
<b>REV - Department of Revenue</b>						
REV - DOR Administrative (OF)		(2,000,000)	(2,000,000)	(1,837,500)	(123,700)	(1,961,200)
REV - Liability Set-off Fund (OF)		(1,700)	(1,700)	(38,000)	(3,800)	(41,800)
REV - Tobacco Tax and Health Care (OF)					(3,500)	(3,500)
<b>SFB - School Facilities Board</b>						
SFB - Arizona Energy and Water Savings (NA)		(1,800)	(1,800)		(1,800)	(1,800)
SFB - Interest Earnings (NA)					(960,000)	(960,000)
<b>SOS - Secretary of State</b>						
SOS - Data Processing Acquisition (NA)		(500)	(500)	(4,500)	(1,100)	(5,600)
SOS - Gift Shop Revolving (NA)		(200)	(200)	(1,900)	(700)	(2,600)
SOS - Notary Bond (NA)		(400)	(400)	(3,500)	(900)	(4,400)
SOS - Records Services (OF)		(1,600)	(1,600)		(18,800)	(18,800)
<b>SBO - State Boards' Office</b>						
SBO - Special Services Revolving (OF)		(800)	(800)		(2,500)	(2,500)
<b>TEC - State Board of Technical Registration</b>						
TEC - Technical Registration (OF)		(4,900)	(4,900)	(41,600)	6,300	(35,300)
<b>TOU - Office of Tourism</b>						
TOU - Tourism (NA)					(15,900)	(15,900)
<b>DOT - Department of Transportation</b>						
DOT - Air Quality (OF)		(100)	(100)	(1,100)	(700)	(1,800)
DOT - Arizona Highways Magazine (NA)		(7,500)	(7,500)		(21,600)	(21,600)
DOT - DUI Abatement (OF)					(1,200)	(1,200)
DOT - Economic Strength Project (NA)				(100,000)		(100,000)
DOT - Highway Expansion and Extension Loan Program (NA)					(1,200)	(1,200)
DOT - Maricopa Regional Area Road Fund (NA)					(36,200)	(36,200)
DOT - Motor Vehicle Liability Insurance Enforcement (OF)		(4,400)	(4,400)		(13,400)	(13,400)
DOT - SETIF (OF)				(326,000)		(326,000)
DOT - State Aviation (OF)		(3,205,900)	(3,205,900)	(717,700)	(14,700)	(732,400)
DOT - Transportation Department Equipment (OF) FRAT					(2,552,600)	(2,552,600)
DOT - Transportation Department Equipment (OF)		(52,300)	(52,300)		(172,400)	(172,400)
DOT - Vehicle Inspection and Title Enforcement (OF)		(3,500)	(3,500)		(14,500)	(14,500)
DOT - Suspend Highway Patrol Vehicle Replacement VLT				(6,780,000)		(6,780,000)
DOT - Continue Prior Year VLT				(8,390,600)		(8,390,600)
DOT - Prior Yr ADOT Operating Reduction/VLT				(28,000,000)		(28,000,000)

	FY 2011 GF <u>2/</u> Baseline	FY 2011 Change to Base	FY 2011 GF Revised	FY 12 Baseline <u>3/</u> Above FY 11	FY 2012 Change to Base	FY 2012 GF Enacted
<b>TRE - State Treasurer</b>						
TRE - State Treasurer's Operating (OF)		(2,200)	(2,200)	(18,200)	(10,200)	(28,400)
TRE - State Treasurer's Management (OF)					(1,000)	(1,000)
<b>UNI - Arizona Board of Regents</b>						
UNI - AZ Board of Regents Local Funds (NA)		(4,400)	(4,400)		(281,800)	(281,800)
<b>VME - Veterinary Medical Examining Board</b>						
VME - Veterinary Medical Examining Board (OF)		(1,400)	(1,400)	(11,400)	1,400	(10,000)
<b>WAT - Department of Water Resources</b>						
WAT - Arizona Water Banking (NA)		(1,200)	(1,200)	(312,000)	(3,800)	(315,800)
WAT - Arizona Water Protection (NA)		(1,400)	(1,400)	(53,300)	(4,100)	(57,400)
WAT - Arizona Water Quality (NA)		(500)	(500)	(92,500)	(1,500)	(94,000)
WAT - Assured and Adequate Water Supply (OF)		(1,500)	(1,500)	(12,300)	(3,000)	(15,300)
WAT - Augmentation & Conservation Assistance (NA)		(6,200)	(6,200)	(52,400)	(9,700)	(62,100)
WAT - Indirect Cost Recovery (NA)		(2,300)	(2,300)		(383,400)	(383,400)
WAT - ISA (NA)					(500)	(500)
WAT - Water Resources Cost Recovery (OF)					(43,300)	(43,300)
WAT - Well Administration & Enforcement (NA)				(123,000)	(1,200)	(124,200)
<b>WEI - Department of Weights &amp; Measures</b>						
WEI - Air Quality (OF)		(3,000)	(3,000)		(129,900)	(129,900)
WEI - Motor Vehicle Liability Insurance Enforcement (OF)		(900)	(900)		(2,700)	(2,700)
<b>SUBTOTAL - FRATs</b>	0	(200,000)	(200,000)	0	(10,254,700)	(10,254,700)
<b>SUBTOTAL - EBTs</b>	0	(51,748,900)	(51,748,900)	(84,548,700)	(161,271,200)	(245,819,900)
<b>TOTAL - FUND TRANSFERS <u>7/</u></b>	(195,342,900)	(51,948,900)	(247,291,800)	110,794,200	(171,525,900)	(256,074,600)
<b>REVENUE CHANGES</b>						
REV - Ongoing Revenue	7,722,446,100	40,000,000	7,762,446,100	467,148,600	70,400,000	8,384,515,800
REV - One-Time Revenue	(7,679,000)		(7,679,000)	7,679,000		(309,260,300)
<b>REV - Ongoing Changes</b>						
REV - County Contributions				34,600,000	4,000,000	
REV - Added County Contributions - MVD					38,614,600	
REV - Added County Contributions - DPS					23,588,500	
REV - Conform Civic Center Payments to Schedule					15,000,000	
REV - Commerce Authority Enacted Tax Cuts				(6,700,000)		
REV - IRS Conformity					9,200,000	
REV - Dept. of Agriculture Fee Adjustment (Spending Offset)					218,000	
REV - Reduce Unclaimed Property Deposit to Housing Trust Fund					6,000,000	
<b>SUBTOTAL - Ongoing Changes</b>		0		27,900,000	96,621,100	
<b>REV - One-Time Changes</b>						
REV - Beginning Balance Forward					(332,260,300)	
REV - Tax Recovery					22,000,000	
REV - GIITEM Subaccount Diversion (Pinal Co. Assistance Offset)					1,000,000	
<b>SUBTOTAL - One-Time Changes</b>		0		0	(309,260,300)	
<b>TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS) <u>8/</u></b>	7,910,110,000	91,948,900	8,002,058,900	391,933,400	29,286,700	8,331,330,100
<b>TOTAL - SOLUTIONS</b>		211,218,400			1,190,953,800	
<b>ENDING BALANCE</b>	(\$543,478,700)	(332,260,300)	(332,260,300)	(1,177,191,900)	13,761,900	13,761,900

1/ Statewide Adjustments are explained further in the *Agency Detail and Allocations* section.

2/ Represents original FY 2011 appropriations adjusted for funding formula revisions.

3/ The FY 2012 Baseline is relative to the FY 2011 Baseline and does not include the "FY 2011 Change to Base."

4/ Laws 2011, 2nd Special Session, Chapter 1 enacted prior to FY 2012 budget.

5/ After adjusting for mid-year baseline adjustments of \$(50,000,000) for AHCCCS and \$(10,000,000) for ADC, the FY 2012 baseline growth is \$1,084,916,100. After adjusting for mid-year baseline reductions, the FY 2012 reduction equals \$1,101,667,100.

6/ The FY 2011 transfers reflect new mid-year transfers approved during the 1st Regular Session and do not include transfers enacted as part of the original FY 2011 budget.

The FY 2012 Baseline transfers represents the continuation of transfers associated with prior year Fund Reduction and Transfer (FRAT) and the Salary Lump Sum Reduction (LSR). The FRATs/LSRs were reductions in agency non-General Fund spending authority, in which the savings are transferred to the General Fund. Since the transfers have not been permanently authorized, they are reenacted annually. Unless otherwise labeled, the transfer does not include a new FRAT reduction. All additional FRATs are labeled as such.

OF = Other Appropriated Funds

PA = Partially-Appropriated Funds

NA = Non-Appropriated Funds

FY 2011 GF <u>2/</u>	FY 2011	FY 2011 GF	FY 12 Baseline 3/	FY 2012	FY 2012 GF
Baseline	Change to Base	Revised	Above FY 11	Change to Base	Enacted

7/ In FY 2011, the budget included \$195,342,900 in transfers. Of that amount, the FY 2012 Baseline continued \$84,548,700 where permanent spending reductions were made. The remaining \$110,794,200 of transfers were not continued in the Baseline.

8/ Represents all revenue changes, including fund transfers. Fund Transfers appear as negative numbers (savings) in the Fund Transfer section, but are reflected as positive numbers (revenue) in the total.

## Detailed List of Other Fund Changes by Agency 1/

	FY 2011 OF <u>2/</u> Baseline	FY 2011 Change to Base	FY 2011 OF Revised	FY 12 Baseline <u>3/</u> Above FY 11	FY 2012 Change to Base	FY 2012 OF Total
<b>OPERATING SPENDING CHANGES</b>						
<b>SBA - State Board of Accountancy</b>	1,884,000		1,880,200			1,887,800
SBA - Statewide Adjustments		(3,800)			(12,300)	
SBA - Furlough Restoration					16,100	
<b>ACU - Acupuncture Board of Examiners</b>	126,400		125,900			125,300
ACU - Statewide Adjustments		(500)			(3,100)	
ACU - Furlough Restoration					2,000	
<b>DOA - Arizona Department of Administration</b>	164,329,200		164,208,100			165,781,200
DOA - Statewide Adjustments		(121,100)			(1,366,400)	
DOA - Risk Management/Workers Comp Losses				(1,383,200)		
DOA - Personnel Division Funding for HRIS Payment					800,900	
DOA - Transfer Capitol Police to DPS					(521,600)	
DOA - GITA Consolidation					3,422,300	
DOA - Rosenbaum COSF Appropriation					500,000	
<b>OAH - Office of Administrative Hearings</b>	14,500		14,500			14,500
<b>AGR - Department of Agriculture</b>	3,381,400		3,376,600			2,851,300
AGR - Statewide Adjustments		(4,800)			(74,400)	
AGR - Technical Fee Adjustment					139,000	
AGR - Livestock Investigations					40,600	
AGR - Citrus, Fruit & Veg. Fewer Inspections					(530,600)	
AGR - Native Plant Fund Less Revenue					(104,700)	
<b>AXS - AHCCCS</b>	106,787,300		116,777,600			114,467,000
AXS - Statewide Adjustments		(9,700)			(54,400)	
AXS - Budget Neutrality Statutory Adjustment				43,800		
AXS - KidsCare Formula Adjustments				(10,778,100)		
AXS - Healthcare Group Admin				(1,646,100)		
AXS - New Prescription Drug Rebate		10,000,000			20,114,500	
<b>APP - State Board of Appraisal</b>	616,600		615,300			755,500
APP - Statewide Adjustments		(1,300)			(15,500)	
APP - Compliance Officer					148,900	
APP - Furlough Restoration					5,500	
<b>BAT - Board of Athletic Training</b>	101,700		101,700			101,200
BAT - Statewide Adjustments					(500)	
<b>ATT - Attorney General</b>	37,721,900		37,604,700			39,378,600
ATT - Statewide Adjustments		(117,200)			(343,300)	
ATT - Increase Collection Enforcement Revolving Fund					2,000,000	
<b>ATA - Automobile Theft Authority</b>	5,134,800		5,133,400			4,273,600
ATA - Statewide Adjustments		(1,400)			(17,600)	
ATA - Appropriation Alignment					(849,800)	
ATA - Furlough Restoration					6,200	
<b>BAR - Board of Barbers</b>	345,100		344,100			320,700
BAR - Statewide Adjustments		(1,000)			(7,600)	
BAR - Eliminate One-Time Expenditures				(21,000)		
BAR - Furlough Restoration					4,200	
<b>BHE - Board of Behavioral Health Examiners</b>	1,437,700		1,434,100			1,458,700
BHE - Statewide Adjustments		(3,600)			(13,200)	
BHE - Meeting Security					11,200	
BHE - Postage					7,500	
BHE - Furlough Restoration					15,500	
<b>BIO - Biomedical Research Commission</b>	500,000		500,000			0
BIO - Shift to DHS					(500,000)	
<b>CPD - State Capital Postconviction Public Defender Office</b>	0		148,000			161,000
CPD - Statewide Adjustments					(1,400)	
CPD - Ongoing Staff/County Funding		148,000			162,400	
<b>BCE - State Board of Chiropractic Examiners</b>	442,400		440,800			449,300

	FY 2011 OF 2/ Baseline	FY 2011 Change to Base	FY 2011 OF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 OF Total
BCE - Statewide Adjustments		(1,600)			(5,200)	
BCE - Computer Equipment					3,000	
BCE - ADOA IT Contract					2,400	
BCE - Furlough Restoration					6,700	
<b>COM - Department of Commerce</b>	4,357,400		4,354,700			0
COM - Statewide Adjustments		(2,700)				
COM - Elimination of Dept of Commerce					(4,357,400)	
<b>ROC - Registrar of Contractors</b>	12,181,000		12,154,700			12,002,700
ROC - Statewide Adjustments		(26,300)			(178,300)	
<b>COR - Corporation Commission</b>	24,146,700		24,059,900			23,555,700
COR - Statewide Adjustments		(86,800)			(591,000)	
<b>DOC - Department of Corrections</b>	43,654,000		43,653,500			50,649,100
DOC - Statewide Adjustments		(500)			(4,900)	
DOC - Private Beds Lower Cost				(1,500,000)		
DOC - Building Renewal and Preventative Maintenance (See Capital Section)					Capital	
DOC - Narrowband Radio Conversion					5,750,000	
DOC - Additional Operating Authority					2,750,000	
<b>COS - Board of Cosmetology</b>	1,739,800		1,735,700			1,742,100
COS - Statewide Adjustments		(4,100)			(15,400)	
COS - Furlough Restoration					17,700	
<b>JUS - Arizona Criminal Justice Commission</b>	6,323,200		6,320,600			5,625,500
JUS - Statewide Adjustments		(2,600)			(8,500)	
JUS - Furlough Restoration					11,100	
JUS - Shift Indigent Defense Fund Revenue to DPS					(700,300)	
<b>SDB - AZ State Schools for the Deaf and the Blind</b>	14,729,500		14,703,300			12,725,500
SDB - Statewide Adjustments		(26,200)			(4,000)	
SDB - ASDB Fund Less Revenue				(2,000,000)		
<b>HEA - Comm for the Deaf &amp; the Hard of Hearing</b>	3,972,400		3,768,200			3,745,700
HEA - Statewide Adjustments		(4,200)			(44,700)	
HEA - Fund Reduction and Transfer (FRAT)		(200,000)			(200,000)	
HEA - Furlough Restoration					18,000	
<b>DEN - Board of Dental Examiners</b>	1,150,100		1,147,600			1,183,800
DEN - Statewide Adjustments		(2,500)			(9,500)	
DEN - Eliminate One-Time Equipment				(7,000)		
DEN - Furlough Restoration					10,700	
DEN - Investigations					39,500	
<b>PRC - Drug &amp; Gang Prevention Resource Center</b>	344,400		0			0
PRC - Elimination of Agency		(344,400)		(344,400)		
<b>DES - Department of Economic Security</b>	470,996,000		482,434,000			481,257,900
DES - Statewide Adjustments		(1,000)			(1,177,100)	
DES - TANF Contingency Fund Increase		15,000,000			15,000,000	
DES - Reed Act Fund - Less Revenue		(3,561,000)			(3,561,000)	
<b>ADE - Arizona Department of Education</b>	55,776,200		55,776,200			56,959,300
ADE - Statewide Adjustments					(16,900)	
ADE - SAIS Replacement					1,200,000	
<b>EMA - Department of Emergency &amp; Military Affairs</b>	132,700		132,700			132,700
<b>DEQ - Department of Environmental Quality</b>	74,053,600		73,989,300			64,926,700
DEQ - Statewide Adjustments		(64,300)			(501,000)	
DEQ - Emissions Inspection FRAT					(7,520,100)	
DEQ - Solid Waste Fee Fund FRAT					(369,500)	
DEQ - Clean Water Transfer to Water Quality					(5,000,000)	
DEQ - Water Quality Increase Revenue					4,263,700	
<b>COL - Arizona Exposition and State Fair Board</b>	11,085,300		11,072,700			11,096,200
COL - Statewide Adjustments		(12,600)			10,900	
<b>DFI - Dept of Financial Institutions</b>	792,700		790,500			733,300
DFI - Statewide Adjustments		(2,200)			(5,700)	

	FY 2011 OF 2/ Baseline	FY 2011 Change to Base	FY 2011 OF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 OF Total
DFI - Eliminate One-Time Equipment				(53,700)		
<b>EMB - Board of Funeral Directors and Embalmers</b>	344,100		343,100			339,600
EMB - Statewide Adjustments		(1,000)			(8,900)	
EMB - Furlough Restoration					4,400	
<b>FIS - Arizona Game and Fish Department</b>	39,756,600		39,750,800			39,020,900
FIS - Statewide Adjustments		(5,800)			985,800	
FIS - Eliminate One-time Funding					(1,721,500)	
<b>GAM - Department of Gaming</b>	12,239,100		12,239,100			11,874,200
GAM - Statewide Adjustments					(25,900)	
GAM - Revenue Realignment				(339,000)		
<b>GTA - Government Information Technology Agy</b>	7,072,300		7,063,000			0
GTA - Statewide Adjustments		(9,300)				
GTA - Transfer to ADOA					(3,422,300)	
GTA - State Web Portal Reduction				(3,100,000)	(550,000)	
<b>GOV - Office of the Governor</b>	0		0			186,700
GOV - Transfer Energy Programs from Commerce					186,700	
<b>DHS - Department of Health Services</b>	83,002,700		82,926,900			88,753,300
DHS - Statewide Adjustments		(75,800)			(1,008,600)	
DHS - Vital Records Self-Funding (new fees)					3,188,900	
DHS - 50% County SVP Cost Sharing (new fees)					2,670,300	
DHS - Transfer Biomedical Research to DHS					500,000	
DHS - Nursing Care Survey					400,000	
<b>AZH - Arizona Historical Society</b>	430,800		430,800			0
AZH - Statewide Adjustments					(430,800)	
<b>HOM - Board of Homeopathic &amp; Integrated Medicine Examiners</b>	116,900		116,600			105,300
HOM - Statewide Adjustments		(300)			(2,400)	
HOM - Eliminate One-Time Expenditures				(10,300)		
HOM - Furlough Restoration					1,100	
<b>HOU - Department of Housing</b>	927,200		923,800			916,900
HOU - Statewide Adjustments		(3,400)			(10,300)	
<b>IND - Industrial Commission</b>	19,715,700		19,665,100			19,550,400
IND - Statewide Adjustments		(50,600)			(165,300)	
<b>SPA - Judiciary - Supreme Court</b>	34,221,500		34,175,300			26,978,200
SPA - Statewide Adjustments		(46,200)			(1,417,200)	
SPA - CASA Revenue Alignment				(500,000)		
SPA - Photo Radar Enforcement Program				(5,326,100)		
<b>SUP - Judiciary - Superior Court</b>	12,469,400		12,464,400			12,460,200
SUP - Statewide Adjustments		(5,000)			(9,200)	
<b>DJC - Department of Juvenile Corrections</b>	3,900,100		3,893,100			3,860,200
DJC - Statewide Adjustments		(7,000)			(39,900)	
<b>LAN - State Land Department</b>	10,648,400		10,648,400			14,117,600
LAN - Statewide Adjustments					809,200	
LAN - Funding Shift Due to Existing Fees				2,660,000		
<b>LIQ - Department of Liquor Licenses &amp; Control</b>	2,667,200		2,658,700			2,815,600
LIQ - Statewide Adjustments		(8,500)			(76,600)	
LIQ - Investigator					225,000	
<b>LOT - Arizona State Lottery Commission</b>	81,950,900		81,924,000			86,848,800
LOT - Statewide Adjustments		(26,900)			(99,800)	
LOT - Enacted Charitable Commissions Legislation				2,400,000		
LOT - Instant Ticket Sales Increase				998,600		
LOT - On-Line Vendor Fees Increase				26,900		
LOT - Retailer Commissions Increase				1,572,200		
<b>MED - Arizona Medical Board</b>	5,771,100		5,756,600			5,799,200
MED - Statewide Adjustments		(14,500)			28,100	

	FY 2011 OF 2/ Baseline	FY 2011 Change to Base	FY 2011 OF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 OF Total
<b>MSL - Board of Medical Student Loans</b>	29,000		29,000			20,200
MSL - Medical Student Loan Fund Reduction				(8,800)		
<b>MIN - State Mine Inspector</b>	111,500		111,200			112,500
MIN - Statewide Adjustments		(300)			(300)	
MIN - Furlough Restoration					1,300	
<b>NAT - Naturopathic Physicians Medical Board</b>	595,100		593,900			586,000
NAT - Statewide Adjustments		(1,200)			(14,300)	
NAT - Furlough Restoration					5,200	
<b>NUR - State Board of Nursing</b>	4,074,400		4,062,100			4,034,300
NUR - Statewide Adjustments		(12,300)			(40,100)	
<b>NCI - Nursing Care Inst. Administrators Board</b>	373,200		372,200			361,700
NCI - Statewide Adjustments		(1,000)			(16,000)	
NCI - Furlough Restoration					4,500	
<b>OCC - Board of Occupational Therapy Examiners</b>	261,700		260,800			161,600
OCC - Statewide Adjustments		(900)			(2,100)	
OCC - Furlough Restoration					3,700	
OCC - Shift to Board of Athletic Training				(101,700)		
<b>DIS - State Board of Dispensing Opticians</b>	128,000		127,700			131,100
DIS - Statewide Adjustments		(300)			(2,700)	
DIS - Equipment					4,500	
DIS - Furlough Restoration					1,300	
<b>OPT - State Board of Optometry</b>	199,200		198,500			197,300
OPT - Statewide Adjustments		(700)			(4,900)	
OPT - Furlough Restoration					3,000	
<b>OST - Arizona Board of Osteopathic Examiners</b>	702,700		700,700			698,300
OST - Statewide Adjustments		(2,000)			(20,600)	
OST - Furlough Restoration					8,700	
OST - OAH Hearings - One-time					7,500	
<b>SPB - Arizona State Parks Board</b>	10,220,100		10,203,400			11,274,200
SPB - Statewide Adjustments		(16,700)			(80,500)	
SPF - Enhancement Fund					1,134,600	
<b>PER - Personnel Board</b>	373,200		372,600			365,200
PER - Statewide Adjustments		(600)			(10,800)	
PER - Furlough Restoration					2,800	
<b>PES - Office of Pest Management</b>	2,268,900		2,261,500			2,700,400
PES - Statewide Adjustments		(7,400)			(93,500)	
PES - Ongoing Service Fee Adjustment					525,000	
<b>PHA - Arizona State Board of Pharmacy</b>	1,949,000		1,943,500			1,918,100
PHA - Statewide Adjustments		(5,500)			(54,400)	
PHA - Furlough Restoration					23,500	
<b>PHY - Board of Physical Therapy Examiners</b>	355,900		354,900			364,100
PHY - Statewide Adjustments		(1,000)			(4,600)	
PHY - Investigation					8,000	
PHY - Furlough Restoration					4,300	
PHY - Technology					500	
<b>PIO - Arizona Pioneers' Home</b>	4,606,500		4,606,500			4,569,100
PIO - Statewide Adjustments					(37,400)	
<b>POD - State Board of Podiatry Examiners</b>	142,400		142,000			142,600
POD - Statewide Adjustments		(400)			(1,500)	
POD - Furlough Restoration					1,700	
<b>POS - Commission for Postsecondary Education</b>	3,837,500		3,835,100			3,841,100
POS - Statewide Adjustments		(2,400)			(6,600)	
POS - Furlough Restoration					10,200	
<b>PRI - Board for Private Postsecondary Education</b>	330,500		329,300			326,600
PRI - Statewide Adjustments		(1,200)			(8,900)	



	FY 2011 OF 2/ Baseline	FY 2011 Change to Base	FY 2011 OF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 OF Total
PRI - Furlough Restoration					5,000	
<b>PSY - State Board of Psychologist Examiners</b>	359,500		358,500			344,000
PSY - Statewide Adjustments		(1,000)			(19,800)	
PSY - Furlough Restoration					4,300	
<b>DPS - Department of Public Safety</b>	176,210,400		176,198,600			169,652,900
DPS - Statewide Adjustments		(11,800)			(1,134,600)	
DPS - Photo Radar Enforcement Program				(11,064,800)		
DPS - Transfer of Capitol Police to DPS					1,161,600	
DPS - Shift Patrol from SFH to HURF					yes	
DPS - Public Safety Equipment					2,390,000	
DPS - GIITEM Subaccount Grants - Including ACJC Transfer					2,090,300	
<b>RAC - Arizona Department of Racing</b>	0		0			1,434,300
RAC - Statewide Adjustments					(7,700)	
RAC - Create Racing Regulation Fund (new fee)					1,442,000	
<b>RAD - Radiation Regulatory Agency</b>	265,200		264,400			761,300
RAD - Statewide Adjustments		(800)			(7,300)	
RAD - Furlough Restoration					3,400	
RAD - Fee Authority					500,000	
<b>RUC - Residential Utility Consumer Office</b>	1,287,100		1,283,500			1,289,000
RUC - Statewide Adjustments		(3,600)			(13,500)	
RUC - Furlough Restoration					15,400	
<b>RES - Board of Respiratory Care Examiners</b>	263,000		262,000			306,200
RES - Statewide Adjustments		(1,000)			(10,200)	
RES - Firewall					5,000	
RES - Furlough Restoration					4,400	
RES - Database					44,000	
<b>RET - Arizona State Retirement System</b>	24,711,800		24,811,800			24,573,500
RET - Statewide Adjustments					38,700	
RET - Investment Management Program					302,700	
RET - Risk Management Strategies					12,000	
RET - Design Plan Change					(1,341,700)	
RET - Contribution Rate Change Administrative Costs		100,000			600,000	
RET - Plan Design Changes					250,000	
<b>REV - Department of Revenue</b>	23,726,300		24,924,600			23,581,800
REV - Statewide Adjustments		(1,700)			(144,500)	
REV - Additional Operating		1,200,000				
<b>SOS - Secretary of State</b>	9,602,900		9,601,300			3,503,000
SOS - Statewide Adjustments		(1,600)			(4,900)	
SOS - Record Service Less Revenue					(95,000)	
SOS - Election Systems Improvement Less Revenue					(6,000,000)	
<b>SBO - State Boards' Office</b>	220,900		220,100			211,600
SBO - Statewide Adjustments		(800)			(12,800)	
SBO - Furlough Restoration					3,500	
<b>TEC - State Board of Technical Registration</b>	1,729,200		1,724,300			1,834,900
TEC - Statewide Adjustments		(4,900)			(15,500)	
TEC - Furlough Restoration					21,200	
TEC - Computer System					100,000	
<b>DOT - Department of Transportation</b>	360,207,200		360,141,000			359,941,400
DOT - Statewide Adjustments		(66,200)			(265,800)	
DOT - Shift MVD to HURF (\$38.6M Local Shift/No Small Counties)					Yes	
<b>TRE - State Treasurer</b>	2,583,300		2,581,100			2,680,800
TRE - Statewide Adjustments		(2,200)			(11,800)	
TRE - Furlough Restoration					9,300	
TRE - Retirement Study					100,000	
<b>UNI - Universities</b>						
UNI - ASU - Tempe/DPC	353,023,900		353,023,900			371,241,700
UNI - ASU Main - Enrollment Growth				18,217,800		

	FY 2011 OF 2/ Baseline	FY 2011 Change to Base	FY 2011 OF Revised	FY 12 Baseline 3/ Above FY 11	FY 2012 Change to Base	FY 2012 OF Total
UNI - ASU - East Campus	36,329,400		36,329,400			36,635,000
UNI - ASU East - Enrollment Growth				305,600		
UNI - ASU - West Campus	30,999,800		30,999,800			27,861,700
UNI - ASU West - Enrollment Growth				(3,138,100)		
UNI - Northern Arizona University	81,510,200		81,510,200			86,613,200
UNI - NAU - Enrollment Growth				5,103,000		
UNI - UA - Main Campus	248,253,300		248,253,300			255,188,900
UNI - UA Main - Enrollment Growth				6,935,600		
UNI - UA - Health Sciences Center	25,258,200		25,258,200			25,381,800
UNI - UA - HSC - Enrollment Growth				123,600		
VSC - Department of Veterans' Services	17,717,100		17,717,100			20,625,100
VSC - Statewide Adjustments					36,900	
VSC - New Tucson Veterans' Home				4,678,300	(1,932,200)	
VSC - Conservatorship Program					125,000	
VME - Veterinary Medical Examining Board	461,700		460,300			455,300
VME - Statewide Adjustments		(1,400)			(12,200)	
VME - Furlough Restoration					5,800	
WAT - Department of Water Resources	5,931,200		5,929,700			6,665,500
WAT - Statewide Adjustments		(1,500)			(61,300)	
WAT - New City Fees of \$7M/Offset FY 11 Fee Shortfall					795,600	
WEI - Department of Weights & Measures	1,727,000		1,723,100			1,731,400
WEI - Statewide Adjustments		(3,900)			(12,400)	
WEI - Furlough Restoration					16,800	
OTH - Other						
OTH - Unallocated '11 Adjustments	186,900		186,900	(186,900)		0
OTH - Additional Pay Period	0		0	25,000,000		25,000,000
OTH - Unallocated Lease-Purchase and Rent Adjustments	0		0	(3,680,900)	3,655,700	(25,200)
OTH - Unallocated Risk Statewide Adjustments	0		0		(3,000)	(3,000)
<b>TOTAL - OPERATING SPENDING CHANGES</b>	<b>\$2,796,616,300</b>	<b>21,430,000</b>	<b>2,818,046,300</b>	<b>22,875,300</b>	<b>31,787,900</b>	<b>2,851,279,500</b>
<b>CAPITAL SPENDING CHANGES</b>						
<b>Building Renewal</b>						
Arizona Department of Administration	1,000,000		1,000,000	4,000,000	1,500,000	6,500,000
ADC Building Renewal and Preventative Maintenance (new fee)			0		4,630,500	4,630,500
Game & Fish Department	506,800		506,800	15,300	0	522,100
Arizona Lottery Commission	75,600		75,600	3,600	0	79,200
Arizona Department of Transportation	1,050,000		1,050,000	0	0	1,050,000
<b>New Projects</b>						
ADOT '11/'12 Controlled Access Highways	85,831,000		85,831,000	2,028,000	0	87,859,000
ADOT '11/'12 Debt Service	94,763,000		94,763,000	27,356,000	0	122,119,000
ADOT '11/'12 Airport Planning & Development	22,477,700		22,477,700	(177,300)	0	22,300,400
Game & Fish '12 Property Maintenance	0		0	500,000	0	500,000
Game & Fish '12 Dam Maintenance	0		0	500,000	0	500,000
Game & Fish One-Time '11 Projects	2,410,000		2,410,000	(2,410,000)	0	0
Game & Fish '10/'11 Preventative Maintenance	30,000		30,000	0	0	30,000
<b>TOTAL - CAPITAL SPENDING CHANGES</b>	<b>\$208,144,100</b>	<b>0</b>	<b>208,144,100</b>	<b>31,815,600</b>	<b>6,130,500</b>	<b>246,090,200</b>
<b>TOTAL - ALL OTHER FUND CHANGES</b>	<b>\$3,004,760,400</b>	<b>21,430,000</b>	<b>3,026,190,400</b>	<b>54,690,900</b>	<b>37,918,400</b>	<b>3,097,369,700</b>

1/ Statewide Adjustments are explained further in the *Agency Detail and Allocations* section.

2/ Represents original FY 2011 appropriations adjusted for funding formula revisions.

3/ The FY 2012 Baseline is relative to the FY 2011 Baseline and does not include the "FY 2011 Change to Base."



	General	Health	Risk	Delayed	Uncaptured	Retirement	FY 2012	FY 2012	Prior Year	FY 2012	Additional	FY 2012	Statewide Adj.	
	Appropriation Act - Individual Agency	Insurance Adjustment <sup>2/</sup>	Lease-Purchase Adjustment <sup>2/</sup>	Management Adjustment <sup>2/</sup>	Benefits <sup>3/</sup>	Pay Savings <sup>4/</sup>	Adjustment <sup>5/</sup>	Total Statewide Adjustments <sup>6/</sup>	Additional Appropriations <sup>7/</sup>	Statutory Appropriations <sup>8/</sup>	Approp Rpt Total	Pay Period <sup>9/</sup>	Total Resources	Above FY 2011 <sup>10/</sup>
Arizona State University - Tempe/DPC	164,165,700	0	0	(1,395,500)	(1,945,600)	0	(1,397,100)	(4,738,200)	88,315,400	247,742,900	17,804,100	265,547,000	(4,738,200)	
Arizona State University - East Campus	12,722,400	0	0	(75,700)	(135,300)	0	(101,800)	(312,800)	6,667,200	19,076,800	1,238,700	20,315,500	(312,800)	
Arizona State University - West Campus	23,495,700	0	0	(97,800)	(173,300)	0	(129,800)	(400,900)	10,064,800	33,159,600	1,585,700	34,745,300	(400,900)	
Northern Arizona University	66,679,700	0	0	0	(635,100)	0	(577,600)	(1,212,700)	36,394,800	101,861,800	5,812,500	107,674,300	(1,212,700)	
Board of Regents	16,959,400	0	0	(13,900)	(7,700)	(11,300)	(300)	(33,200)	0	16,926,200	70,100	16,996,300	(21,900)	
University of Arizona - Main Campus	134,202,500	0	0	471,500	(1,579,200)	0	(1,133,900)	(2,241,600)	76,406,100	208,367,000	14,451,100	222,818,100	(2,241,600)	
University of Arizona - Health Sciences Center	39,163,500	0	0	0	(354,900)	0	(251,000)	(605,900)	0	16,776,700	55,334,300	58,582,600	(605,900)	
<b>SUBTOTAL - Universities</b>	<b>457,388,900</b>	<b>0</b>	<b>0</b>	<b>(1,111,400)</b>	<b>(4,831,100)</b>	<b>(11,300)</b>	<b>(3,591,500)</b>	<b>(9,545,300)</b>	<b>0</b>	<b>234,625,000</b>	<b>682,468,600</b>	<b>44,210,500</b>	<b>726,679,100</b>	<b>(9,534,000)</b>
Veterans' Services, Department of	7,246,100	(136,600)	0	0	(16,300)	0	(18,000)	(24,500)	0	7,050,700	149,400	7,200,100	(177,400)	
Water Resources, Department of	6,257,300	(266,800)	(227,500)	0	(18,600)	0	(18,200)	(27,900)	0	5,698,300	170,400	5,868,700	(540,800)	
Weights and Measures, Department of	1,207,500	(32,800)	0	(300)	(2,800)	(2,300)	(4,300)	(42,500)	0	1,165,000	26,100	1,191,100	(40,200)	
<b>OPERATING BUDGET TOTAL</b>	<b>6,954,075,100</b>	<b>\$0</b>	<b>(\$16,593,800)</b>	<b>(\$3,916,400)</b>	<b>(\$8,632,600)</b>	<b>(\$3,549,500)</b>	<b>(\$39,317,700)</b>	<b>(\$72,010,000)</b>	<b>\$5,897,400</b>	<b>\$1,351,593,800</b>	<b>\$8,239,556,300</b>	<b>\$79,000,000</b>	<b>\$8,318,556,300</b>	<b>(\$68,455,600)</b>
Health Savings Account Enhancement	(12,000,000)	0	0	0	0	0	0	0	0	(12,000,000)	0	(12,000,000)	0	
Delayed Benefits	(8,632,600)	0	0	0	8,632,600	0	0	8,632,600	0	0	0	0	0	
Retirement Rate Shift	(39,317,700)	0	0	0	0	0	39,317,700	39,317,700	0	0	0	0	0	
Uncaptured Pay Savings	(3,560,800)	0	0	0	0	3,549,500	0	3,549,500	0	(11,300)	0	(11,300)	0	
Additional Pay Period	79,000,000	0	0	0	0	0	0	0	0	79,000,000	(79,000,000)	0	0	
Asset Sale and Lease-Back Debt Service	49,050,700	0	0	0	0	0	0	0	0	49,050,700	0	49,050,700	0	
Risk Management Adjustments	(3,918,100)	0	0	3,916,400	0	0	0	3,916,400	0	(1,700)	0	(1,700)	0	
Lease-Purchase and Rent Adjustments	(16,751,500)	0	16,593,800	0	0	0	0	16,593,800	0	(157,700)	0	(157,700)	0	
Capital	0	0	0	0	0	0	0	0	0	0	0	0	0	
Administrative Adjustments	73,388,300	0	0	0	0	0	0	0	0	73,388,300	0	73,388,300	0	
Reversions	(111,256,400)	0	0	0	0	0	0	0	0	(111,256,400)	0	(111,256,400)	0	
<b>GRAND TOTAL</b>	<b>\$6,960,077,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,897,400</b>	<b>\$1,351,593,800</b>	<b>\$8,317,568,200</b>	<b>\$0</b>	<b>\$8,317,568,200</b>	<b>(\$68,455,600)</b>	

<sup>1/</sup> This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2011, Chapter 24 and the individual agency amount as it appears in the Appropriations Report.

<sup>2/</sup> Section 137 of the General Appropriation Act appropriates statewide lump sum adjustments for each of these amounts. Section 137 requires JLBC Staff to determine the agency-by-agency distribution of these funds. Of the 3 adjustments, Section 137 included a net change of \$0 for health insurance adjustments. General Fund agencies will no longer have their employee health insurance appropriation transferred to the Health Insurance Trust Fund at the beginning of the fiscal year. Each agency will instead pay actual costs of their employer contribution with each pay period. Since prior year appropriation transfer amounts may not have been comparable to actual costs, Section 137 increases health insurance funding for some agencies and reduces it for others. The net impact is no overall General Fund change. Section 137 also included a reduction of \$(16,751,500) for adjustments to lease-purchase payments and a lower state-owned rental rate and a reduction of \$(3,918,100) for adjustments to risk management payments.

<sup>3/</sup> Section 138 of the General Appropriation Act included a \$(10,000,000) reduction due to requiring that state employees work regularly for at least 90 days to be eligible for health benefits and 6 months to become a member of the Arizona State Retirement System. Section 138 requires JLBC Staff to determine the agency-by-agency distribution of these funds. The General Fund share of the savings is \$(8,632,600).

<sup>4/</sup> Section 129 of the General Appropriation Act includes a reduction of \$(5,340,400) to capture all of the savings associated with the personnel expense reductions authorized by Section 7 of Laws 2010, 7th Special Session, Chapter 3 for both FY 2011 and FY 2012. The FY 2011 budget included a savings of \$(45,000,000) for a 6 day furlough and other salary adjustments. The actual savings were greater than the \$45,000,000 and Section 129 captures those additional pay savings. The General Fund share of the savings is \$(3,560,800). These savings do not account for the elimination of the furlough in FY 2012. The General Fund share of the savings is \$(39,317,700).

<sup>5/</sup> Section 8 of the Budget Procedures Budget Reconciliation Bill (Laws 2011, Chapter 26) included a \$(41,266,900) reduction due to increasing the employee share of Arizona State Retirement System (ASRS) contributions from 50% to 53%. The General Fund share of the savings is \$(39,317,700).

<sup>6/</sup> The FY 2012 Total Statewide Adjustments column is the sum of the following back of the bill adjustments: Health Insurance Adjustment, Lease-Purchase Adjustment, Risk Management Adjustment Delayed Benefits, Uncaptured Pay Savings, and Retirement Adjustments. See footnote 10.

<sup>7/</sup> Appropriations separate from the General Appropriation Act (Laws 2011, Chapter 24). Individual bill detail appears in the "Budget Detail" section.

<sup>8/</sup> Represents ongoing statutory appropriations or appropriations enacted prior to the 1st Regular Session.

<sup>9/</sup> Section 137 of the General Appropriation Act appropriated \$79,000,000 from the General Fund for the cost of a 27th pay period in FY 2012. Because of the one-time nature of this appropriation, the amount allocated to each agency is not displayed in their Appropriations Report narrative table.

<sup>10/</sup> This column matches the statewide adjustments amount found in the individual agency narrative and represents the increase in new statewide adjustments above the revised FY 2011 budget. The adjustment for uncaptured pay savings (see footnote 4) occurs in both the revised FY 2011 budget and the FY 2012 budget. The difference between the FY 2012 Total Statewide Adjustments column (see footnote 6) and this column is the dollar value of the uncaptured pay savings.

**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS  
OTHER FUNDS - FY 2012 <sup>1/</sup>**

General Appropriation Act - Individual Agency	Lease-Purchase Adjustment <sup>2/</sup>	Risk Management Adjustment <sup>2/</sup>	Delayed Benefits <sup>3/</sup>	Uncaptured Pay Savings <sup>4/</sup>	Retirement Adjustment <sup>5/</sup>	FY 2012 Total Statewide Adjustments <sup>6/</sup>	FY 2012 Additional Appropriations <sup>7/</sup>	Prior Year Statutory Appropriations <sup>8/</sup>	FY 2012 Approp Rpt Total	Additional Pay Period <sup>9/</sup>	FY 2012 Total Resources	Statewide Adj. Above FY 2011 <sup>10</sup>
<b>BUDGET UNITS</b>												
Accountancy, State Board of												
Board of Accountancy Func	\$1,900,100	\$0	(\$800)	(\$3,100)	(\$3,800)	(\$4,600)			\$1,887,800	\$31,400	\$1,919,200	(8,500)
Acupuncture Board of Examiners:												
Acupuncture Board of Examiners Func	128,400	(1,600)	(100)	(400)	(500)	(500)	(3,100)		125,300	3,600	128,900	(2,600)
Administration, AZ Department of												
Air Quality Fund	714,100	0		0	0	0	0		714,100	0	714,100	0
Automation Operations Fund	18,944,200	(153,000)	(6,200)	(29,000)	(40,000)	(43,600)	(271,800)		18,672,400	298,800	18,971,200	(231,800)
Capital Outlay Stabilization Fund	17,348,200	(29,200)	(1,900)	(6,000)	(11,600)	(9,000)	(57,700)	500,000	17,790,500	61,800	17,852,300	(46,100)
Corrections Fund	564,000	(7,000)	(300)	(1,200)	(1,200)	(1,800)	(11,500)		552,500	12,700	565,200	(10,300)
Information Technology Fund	3,172,300	(19,100)	(1,700)	(8,700)	(9,300)	(13,000)	(51,800)		3,120,500	89,100	3,209,600	(51,800)
Motor Vehicle Pool Revolving Fund	10,515,200	(19,100)	(446,400)	(3,000)	(3,200)	(4,600)	(476,300)		10,038,900	31,300	10,070,200	(473,100)
Personnel Division Fund	14,776,000	(124,900)	(3,700)	(22,400)	(26,500)	(33,700)	(211,200)		14,564,800	230,600	14,795,400	(184,700)
Risk Management Revolving Fund	90,484,300	(84,500)	(4,500)	(18,900)	(26,300)	(28,300)	(162,500)		90,321,800	194,300	90,516,100	(136,200)
Special Employee Health Insurance Trust Fund	5,182,700	(39,200)	(1,800)	(9,300)	(10,100)	(14,000)	(74,400)		5,108,300	96,200	5,204,500	(64,300)
State Surplus Materials Revolving Fund and Federal Surplus Materials Revolving Fund	2,856,300	(23,100)	(800)	0	(2,200)	0	(26,100)		2,830,200	34,700	2,864,900	(23,900)
State Web Portal Fund	250,000	0	0	0	0	0	0		250,000	0	250,000	0
Telecommunications Func	1,840,300	(18,100)	(300)	(1,900)	0	(2,800)	(23,100)		1,817,200	19,100	1,836,300	(23,100)
Total - AZ Department of Administrator	166,647,600	(517,200)	(467,600)	(100,400)	(130,400)	(150,800)	(1,366,400)	500,000	165,781,200	1,068,600	166,849,800	(1,245,300)
Administrative Hearings, Office of												
Healthcare Group Fund	14,500	0	0	0	0	0	0		14,500	0	14,500	0
Agriculture, AZ Department of												
Aquaculture Fund	9,200	0	0	0	0	0	0		9,200 <sup>11/</sup>	0	9,200	0
Citrus, Fruit and Vegetable Revolving Fund	500,000	(14,300)	(1,300)	(800)	(1,900)	(1,300)	(19,600)		480,400 <sup>11/</sup>	8,700	489,100	(17,700)
Commercial Feed Fund	300,300	(4,300)	(200)	(700)	(700)	(1,000)	(6,900)		293,400 <sup>11/</sup>	6,800	300,200	(6,200)
Dangerous Plants, Pests and Diseases Fund	126,000	0	0	(200)	0	(300)	(500)		125,500 <sup>11/</sup>	0	125,500	(500)
Egg Inspection Fund	919,000	(21,400)	(1,000)	0	0	0	(22,400)		896,600 <sup>11/</sup>	27,200	923,800	(22,400)
Fertilizer Materials Fund	303,800	(5,700)	(200)	(800)	(1,000)	(1,200)	(8,900)		294,900 <sup>11/</sup>	8,100	303,000	(7,900)
Livestock Custody Fund	120,000	0	0	0	0	0	0		120,000 <sup>11/</sup>	0	120,000	0
Pesticide Fund	498,500	(5,700)	(300)	(1,000)	(900)	(1,500)	(9,400)		489,100 <sup>11/</sup>	10,500	499,600	(8,500)
Arizona Protected Native Plant Fund	95,000	(4,300)	(100)	(200)	(200)	(200)	(5,000)		90,000 <sup>11/</sup>	1,600	91,600	(4,800)
Seed Law Fund	53,900	(1,400)	0	(100)	(100)	(100)	(1,700)		52,200 <sup>11/</sup>	1,000	53,200	(1,600)
Total - AZ Department of Agriculture	2,925,700	(57,100)	(3,100)	(3,800)	(4,800)	(5,600)	(74,400)	0	2,851,300	63,900	2,915,200	(69,600)
AHCCCS												
Budget Neutrality Compliance Fund	3,161,100	0	0	0	0	0	0		3,161,100	0	3,161,100	0
Children's Health Insurance Program Func	30,189,500	0	(13,100)	0	0	0	(13,100)		30,176,400	46,000	30,222,400	(13,100)
Healthcare Group Fund	3,537,600	0	(9,300)	(8,900)	(9,700)	(13,400)	(41,300)		3,496,300	91,600	3,587,900	(31,600)
Prescription Drug Rebate Fund	20,114,500	0	0	0	0	0	0		20,114,500	0	20,114,500	0
Tobacco Products Tax Fund												
Emergency Health Services Account	19,222,900	0	0	0	0	0	0		19,222,900	0	19,222,900	0
Tobacco Tax and Health Care Fund												
Medically Needy Account	38,295,800	0	0	0	0	0	0		38,295,800	0	38,295,800	0
Total - AHCCCS	114,521,400	0	(22,400)	(8,900)	(9,700)	(13,400)	(54,400)	0	114,467,000	137,600	114,604,600	(44,700)
Appraisal, State Board of												
Board of Appraisal Fund	771,000	(10,300)	(400)	(1,400)	(1,300)	(2,100)	(15,500)		755,500	14,100	769,600	(14,200)
Athletic Training, Board of												
Athletic Training Fund	101,700	0	200	(300)	0	(400)	(500)		101,200	3,000	104,200	(500)
Attorney General - Department of Law												
Antitrust Enforcement Revolving Fund	242,600	(100)	800	(600)	(500)	(1,000)	(1,400)		241,200	6,600	247,800	(900)
Attorney Gen'l Legal Svcs Cost Allocation Fund	5,474,200	(1,300)	0	(19,800)	(26,200)	(29,800)	(77,100)		5,397,100	204,100	5,601,200	(50,900)
Collection Enforcement Revolving Fund	5,313,400	(700)	7,800	(9,500)	(4,800)	(14,300)	(21,500)		5,291,900	98,000	5,389,900	(16,700)
Consumer Protection-Consumer Fraud Rev. Fund	3,463,800	(500)	5,700	(8,700)	(8,100)	(12,400)	(24,000)		3,439,800	89,800	3,529,600	(15,900)
Interagency Service Agreements Fund	13,135,800	(2,000)	21,400	(42,200)	(45,600)	(63,400)	(131,800)		13,004,000	434,600	13,438,600	(86,200)
Risk Management Revolving Fund	8,850,400	(1,600)	17,000	(27,700)	(30,600)	(41,600)	(84,500)		8,765,900	285,100	9,051,000	(53,900)
Victims' Rights Fund	3,241,700	(100)	1,500	(1,200)	(1,400)	(1,800)	(3,000)		3,238,700	12,500	3,251,200	(1,600)
Total - Attorney General - Department of Law	39,721,900	(6,300)	54,200	(109,700)	(117,200)	(164,300)	(343,300)	0	39,378,600	1,130,700	40,509,300	(226,100)
Automobile Theft Authority												
Automobile Theft Authority Fund	4,291,200	(11,800)	(700)	(1,500)	(1,400)	(2,200)	(17,600)		4,273,600	15,300	4,288,900	(16,200)
Barbers, Board of												
Board of Barbers Fund	328,300	(4,300)	0	(900)	(1,000)	(1,400)	(7,600)		320,700	9,300	330,000	(6,600)
Behavioral Health Examiners, Board of												
Board of Behavioral Health Examiners Func	1,471,900	0	(1,600)	(3,200)	(3,600)	(4,800)	(13,200)		1,458,700	33,100	1,491,800	(9,600)
Capital Postconviction Public Defender Office, Stat												
Capital Postconviction Public Defender Office Func	162,400	0	0	(600)	0	(800)	(1,400)		161,000	5,700	166,700	(1,400)
Chiropractic Examiners, State Board of												
Board of Chiropractic Examiners Func	454,500	0	(600)	(1,200)	(1,600)	(1,800)	(5,200)		449,300	12,500	461,800	(3,600)



General Appropriation Act - Individual Agency	Risk						FY 2012 Total Statewide Adjustments 6/	FY 2012 Additional Appropriations 7/	Prior Year Statutory Appropriations 8/	FY 2012 Approp Rpt Total	Additional Pay Period 9/	FY 2012 Total Resources	Statewide Adj. Above FY 2011 10
	Lease-Purchase Adjustment 2/	Management Adjustment 2/	Delayed Benefits 3/	Uncaptured Pay Savings 4/	Retirement Adjustment 5/								
Air Quality Fund	5,386,500	(4,400)	0	(2,400)	(10,100)	(3,600)	(20,500)			5,366,000	24,600	5,390,600	(10,400)
Clean Water Revolving Fund	0	0	0	0	0	0	0			0	0	0	0
Emissions Inspection Fund	25,566,500	(17,800)	0	(9,600)	(6,400)	(14,400)	(48,200)			25,518,300	98,900	25,617,200	(41,800)
Hazardous Waste Management Fund	1,719,600	(5,200)	0	(2,900)	(300)	(4,300)	(12,700)			1,706,900	29,700	1,736,600	(12,400)
Indirect Cost Recovery Fund	13,200,000	(39,000)	(125,000)	(21,700)	(20,500)	(32,500)	(238,700)			12,961,300	223,100	13,184,400	(218,200)
Solid Waste Fee Fund	1,930,400	(10,100)	0	(4,100)	(2,700)	(6,100)	(23,000)			1,907,400	42,100	1,949,500	(20,300)
Underground Storage Tank Func	22,000	0	0	0	0	0	0			22,000	0	22,000	0
Used Oil Fund	138,900	0	0	0	0	0	0			138,900	0	138,900	0
Water Quality Fee Fund	10,405,300	(31,200)	0	(19,200)	(9,400)	(28,800)	(88,600)			10,316,700	197,400	10,514,100	(79,200)
Total - Department of Environmental Quality Exposition and State Fair Board, AZ	65,427,700	(127,100)	(125,000)	(73,900)	(64,300)	(110,700)	(501,000)	0	0	64,926,700	759,900	65,686,600	(436,700)
Arizona Exposition and State Fair Fund	11,085,300	0	59,800	(14,500)	(12,600)	(21,800)	10,900			11,096,200	149,300	11,245,500	23,500
Financial Institutions, Department of Financial Services Fund	739,000	0	0	(1,400)	(2,200)	(2,100)	(5,700)			733,300	14,400	747,700	(3,500)
Funeral Directors and Embalmers, Board of Board of Funeral Directors & Embalmers Func	348,500	(5,100)	(500)	(900)	(1,000)	(1,400)	(8,900)			339,600	9,300	348,900	(7,900)
Game and Fish Department, AZ Capital Improvement Plan	0	1,000,000	0	0	0	0	1,000,000			1,000,000	0	1,000,000	1,000,000
Game and Fish Fund	32,980,400	0	0	0	0	0	0			32,980,400	0	32,980,400	0
Game, Nongame, Fish and Endangerec Species Fund	334,700	0	0	0	0	0	0			334,700	8,700	343,400	0
Watercraft Licensing Fund	4,660,600	0	0	(4,700)	(5,800)	(3,700)	(14,200)			4,646,400	47,900	4,694,300	(8,400)
Waterfowl Conservation Fund	43,400	0	0	0	0	0	0			43,400	0	43,400	0
Wildlife Endowment Fund	16,000	0	0	0	0	0	0			16,000	0	16,000	0
Total - AZ Game and Fish Department Gaming, Department of	38,035,100	1,000,000	0	(4,700)	(5,800)	(3,700)	985,800	0	0	39,020,900	56,600	39,077,500	991,600
Tribal-State Compact Fund	2,003,600	(5,300)	0	0	0	0	(5,300)			1,998,300	69,500	2,067,800	(5,300)
State Lottery Fund	300,000	0	0	0	0	0	0			300,000	0	300,000	0
Arizona Benefits Fund	9,596,500	(17,800)	(2,800)	0	0	0	(20,600)			9,575,900	230,400	9,806,300	(20,600)
Total - Department of Gaming Government Information Tech. Agenc	11,900,100	(23,100)	(2,800)	0	0	0	(25,900)	0	0	11,874,200	299,900	12,174,100	(25,900)
Information Technology Func	0	0	0	0	0	0	0			0	0	0	9,300
State Web Portal Fund	0	0	0	0	0	0	0			0	0	0	0
Total - Government Information Technology Agenc Governor, Office of the	0	0	0	0	0	0	0	0	0	0	0	0	9,300
Oil Overcharge Fund	186,700	0	0	0	0	0	0			186,700	5,600	192,300	0
Health Services, Department of Arizona State Hospital Fund	13,829,800	0	0	(9,000)	0	(13,500)	(22,500)			13,807,300	92,600	13,899,900	(22,500)
ASH Land Earnings Fund	1,150,000	0	0	0	0	0	0			1,150,000	0	1,150,000	0
Health Services Licensing Fund	8,463,300	(110,100)	(1,700)	(22,000)	(36,100)	(33,100)	(203,000)			8,260,300	226,600	8,486,900	(166,900)
Capital Outlay Stabilization Fund	1,587,500	(342,000)	0	0	0	0	(342,000)			1,245,500	0	1,245,500	(342,000)
Child Fatality Review Fund	95,400	(1,500)	0	(300)	(400)	(500)	(2,700)			92,700	3,300	96,000	(2,300)
Emergency Medical Services Operating Func Environmental Laboratory Licensure Revolving Fund	5,093,200	(29,400)	(6,000)	(9,300)	(10,300)	(13,900)	(68,900)			5,024,300	95,300	5,119,600	(58,600)
Federal Child Care and Development Func Block Grant	924,000	(10,600)	0	(1,600)	(2,200)	(2,400)	(16,800)			907,200	16,700	923,900	(14,600)
Hearing and Speech Professionals Func	836,100	(8,300)	0	0	0	0	(8,300)			827,800	26,300	854,100	(8,300)
Indirect Cost Fund	315,700	(4,500)	0	(800)	(1,100)	(1,200)	(7,600)			308,100	8,300	316,400	(6,500)
Newborn Screening Program Func	7,746,700	(65,600)	(124,400)	(12,600)	(16,200)	(18,900)	(237,700)			7,509,000	129,600	7,638,600	(221,500)
Nursing Care Institution Resident Protector Fund	6,749,900	(46,700)	0	(5,800)	(8,600)	(8,700)	(69,800)			6,680,100	59,500	6,739,600	(61,200)
Substance Abuse Services Func	438,000	0	0	0	0	0	0			438,000	0	438,000	0
Tobacco Tax and Health Care Fund Health Research Account	2,250,000	0	0	0	0	0	0			2,250,000	0	2,250,000	0
Tobacco Tax and Health Care Fund Medically Needy Account	1,000,000	0	0	0	0	0	0	500,000		1,500,000	0	1,500,000	0
Vital Records Electronic System Func	35,167,000	0	0	0	0	0	0			35,167,000	0	35,167,000	0
Total - Department of Health Services Historical Society, Arizona	3,615,300	0	0	(11,400)	(900)	(17,000)	(29,300)			3,586,000	116,800	3,702,800	(28,400)
Capital Outlay Stabilization Fund	89,261,900	(618,700)	(132,100)	(72,800)	(75,800)	(109,200)	(1,008,600)	0	500,000	88,753,300	775,000	89,528,300	(932,800)
Homeopathic & Integrated Medicine Examiners, Bd o Bd of Homeopathic & Integrated Medicine Exmnr's Func	430,800	(430,800)	0	0	0	0	(430,800)			0	0	0	(430,800)
Housing, Department of Housing Trust Fund	107,700	(1,700)	400	(300)	(300)	(500)	(2,400)			105,300	3,200	108,500	(2,100)
Industrial Commission of AZ Industrial Commission Administrative Func	927,200	0	0	(2,800)	(3,400)	(4,100)	(10,300)	0	0	916,900	28,400	945,300	(6,900)
Judiciary - Supreme Court Confidential Intermediary and Fiduciary Func	927,200	0	0	(2,800)	(3,400)	(4,100)	(10,300)			916,900	28,400	945,300	(6,900)
Court Appointed Special Advocate Func	19,715,700	0	1,300	(46,400)	(50,600)	(69,600)	(165,300)			19,550,400	477,000	20,027,400	(114,700)
Criminal Justice Enhancement Fund	483,000	(209,400)	0	(1,200)	(1,300)	(1,700)	(213,600)			269,400	11,800	281,200	(212,300)
Defensive Driving School Fund	2,929,700	(209,400)	0	(1,400)	(2,500)	(2,000)	(215,300)			2,714,400	13,900	2,728,300	(212,800)
	2,970,000	(104,700)	0	(600)	(8,100)	(1,000)	(114,400)			2,855,600	6,700	2,862,300	(106,300)
	5,259,200	(383,900)	0	(2,400)	(9,100)	(3,600)	(399,000)			4,860,200	24,700	4,884,900	(389,900)







General Appropriation Act - Individual Agency	Lease-Purchase Adjustment		Risk Management Adjustment		Delayed Benefits	Uncaptured Pay Savings	Retirement Adjustment	FY 2012 Total Statewide Adjustments	FY 2012 Additional Appropriations	Prior Year Statutory Appropriations	FY 2012 Approp Rpt Total	Additional Pay Period	FY 2012 Total Resources	Statewide Adj. Above FY 2011
	2/	2/	2/	2/										
University Collections Func	371,241,700				0	0	0	0	0	0	371,241,700	0	371,241,700	0
Total - Arizona State University - Tempe/DPC	371,241,700	0	0	0	0	0	0	0	0	0	371,241,700	0	371,241,700	0
Arizona State University - East Campus														
University Collections Func	34,635,000	0	0	0	0	0	0	0	0	0	34,635,000	0	34,635,000	0
Technology and Research Initiative Func	2,000,000	0	0	0	0	0	0	0	0	0	2,000,000	0	2,000,000	0
Total - Arizona State University - East Campus	36,635,000	0	0	0	0	0	0	0	0	0	36,635,000	0	36,635,000	0
Arizona State University - West Campus														
University Collections Func	26,261,700	0	0	0	0	0	0	0	0	0	26,261,700	0	26,261,700	0
Technology and Research Initiative Func	1,600,000	0	0	0	0	0	0	0	0	0	1,600,000	0	1,600,000	0
Total - Arizona State University - West Campus	27,861,700	0	0	0	0	0	0	0	0	0	27,861,700	0	27,861,700	0
Northern Arizona University														
University Collections Func	86,613,200	0	0	0	0	0	0	0	0	0	86,613,200	0	86,613,200	0
University of Arizona - Main Campus														
University Collections Func	255,188,900	0	0	0	0	0	0	0	0	0	255,188,900	0	255,188,900	0
University of Arizona - Health Sciences Center														
University Collections Func	25,381,800	0	0	0	0	0	0	0	0	0	25,381,800	0	25,381,800	0
SUBTOTAL - Universities	802,922,300	0	0	0	0	0	0	0	0	0	802,922,300	0	802,922,300	0
Veterans' Services, Department of														
State Veterans' Conservatorship Func	882,300	0	0	0	0	0	0	0	0	0	882,300	21,100	903,400	0
State Home for Veterans' Trust Func	19,705,900	0	36,900	0	0	0	36,900	0	0	0	19,742,800	509,000	20,251,800	36,900
Total - Department of Veterans' Services	20,588,200	0	36,900	0	0	0	36,900	0	0	0	20,625,100	530,100	21,155,200	36,900
Veterinary Medical Examining Board														
Veterinary Medical Examining Board Func	467,500	(7,100)	(700)	(1,200)	(1,400)	(1,800)	(12,200)	0	0	0	455,300	12,600	467,900	(10,800)
Water Resources, Department of														
Assured and Adequate Water Supply Admin Func	268,300	0	0	(600)	(1,500)	(900)	(3,000)	0	0	0	265,300	5,900	271,200	(1,500)
Water Resources Fund	6,458,500	0	(15,000)	(17,300)	0	(26,000)	(58,300)	0	0	0	6,400,200	0	6,400,200	(58,300)
Water Banking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total - Department of Water Resources	6,726,800	0	(15,000)	(17,900)	(1,500)	(26,900)	(61,300)	0	0	0	6,665,500	5,900	6,671,400	(59,800)
Weights and Measures, Department of														
Air Quality Fund	1,423,300	0	(700)	(2,300)	(3,000)	(3,400)	(9,400)	0	0	0	1,413,900	23,300	1,437,200	(6,400)
Motor Vehicle Liability Insurance Enf. Func	320,500	0	(300)	(700)	(900)	(1,100)	(3,000)	0	0	0	317,500	7,600	325,100	(2,100)
Total - Department of Weights and Measure	1,743,800	0	(1,000)	(3,000)	(3,900)	(4,500)	(12,400)	0	0	0	1,731,400	30,900	1,762,300	(8,500)
<b>OPERATING BUDGET TOTAL</b>	<b>\$2,826,588,400</b>	<b>(3,746,000)</b>	<b>(849,000)</b>	<b>(1,033,900)</b>	<b>(\$907,600)</b>	<b>(1,454,200)</b>	<b>(7,990,700)</b>	<b>6,230,000</b>	<b>1,480,000</b>	<b>2,826,307,700</b>	<b>25,000,000</b>	<b>2,851,307,700</b>	<b>(7,078,100)</b>	
Additional Pay Period	25,000,000	0	0	0	0	0	0	0	0	0	25,000,000	(25,000,000)	0	
Risk Management Adjustments	(852,000)	0	849,000	0	0	0	849,000	0	0	0	(3,000)	0	(3,000)	
Delayed Benefits	(1,033,900)	0	0	1,033,900	0	0	1,033,900	0	0	0	0	0	0	
Uncaptured Pay Savings	(907,600)	0	0	0	907,600	0	907,600	0	0	0	0	0	0	
Retirement Rate Shift	(1,454,200)	0	0	0	0	1,454,200	1,454,200	0	0	0	0	0	0	
Lease-Purchase and Rent Adjustments	(3,771,200)	3,746,000	0	0	0	0	3,746,000	0	0	0	(25,200)	0	(25,200)	
Capital	246,090,200	0	0	0	0	0	0	0	0	0	246,090,200	0	246,090,200	
<b>GRAND TOTAL</b>	<b>3,089,659,700</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,230,000</b>	<b>\$1,480,000</b>	<b>\$3,097,369,700</b>	<b>\$0</b>	<b>\$3,097,369,700</b>	<b>(\$7,078,100)</b>	

- 1/ This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2011, Chapter 24) and the individual agency amount as it appears in the Appropriations Report
- 2/ Section 137 of the General Appropriation Act appropriates statewide lump sum adjustments for each of these amounts. Section 137 requires JLBC Staff to determine the agency-by-agency distribution of these funds. Section 137 included a reduction of \$(3,771,200) for adjustments to lease-purchase payments and a 1c state-owned rental rate and a reduction of \$(852,000) for adjustments to risk management payments.
- 3/ Section 138 of the General Appropriation Act included a \$(10) million reduction due to requiring that state employees work regularly for at least 90 days to be eligible for health benefits and 6 months to become a member of the Arizona State Retirement System. Section 138 requires JLBC Staff to determine the agency-by-ag distribution of these funds. The Other Fund share of the savings is \$(1,033,900)
- 4/ Section 129 of the General Appropriation Act includes a reduction of \$(5,340,400) to capture all of the savings associated with the personnel expense reductions authorized by Section 7 of Laws 2010, 7th Special Session, Chapter 3 for both FY 2011 and FY 2012. The FY 2011 budget included a savings of \$(45,000,000) for 6 day furlough and other salary adjustments. The actual savings were greater than the \$45,000,000 and Section 129 captures those additional pay savings. The Other Fund share of the savings is \$(907,600). These savings do not account for the elimination of the furlough in FY 201
- 5/ Section 8 of the Budget Procedures Budget Reconciliation Bill (Laws 2011, Chapter 26) included a reduction due to increasing the employee share of Arizona State Retirement System (ASRS) contributions from 50% to 53%, which is estimated to be \$(41,266,900). The Other Fund share of the savings is \$(1,454,200)
- 6/ The FY 2012 Total Statewide Adjustments column is the sum of the following back of the bill adjustments: Lease-Purchase Adjustment, Risk Management Adjustment Delayed Benefits, Uncaptured Pay Savings, and Retirement Adjustments. See footnote 10.
- 7/ Appropriations separate from the General Appropriation Act (Laws 2011, Chapter 24) enacted in the 1st Regular Session. Individual bill detail appears in the "Budget Detail" section
- 8/ Represents ongoing statutory appropriations or appropriations enacted prior to the 1st Regular Session
- 9/ Section 137 of the General Appropriation Act appropriated \$25 million from the General Fund for the cost of a 27th pay period in FY 2012. Because of the one-time nature of this appropriation, the amount allocated to each agency is not displayed in their Appropriations Report individual agency
- 10/ This column matches the statewide adjustments amount found in the individual agency narrative and represents the increase in new statewide adjustments above the revised FY 2011 budget. The adjustment for uncaptured pay savings (see footnote 4) occurs in both the revised FY 2011 budget and the FY 2012 budget. difference between the FY 2012 Total Statewide Adjustments column (see footnote 6) and this column is the dollar value of the uncaptured pay saving
- 11/ The General Appropriation Act contained appropriations for all these funds. Laws 2011, Chapter 281 converts these funds to non-appropriated status as of the bill's effective date, July 20, 201

### CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS FEDERAL EXPENDITURE AUTHORITY - FY 2012

AHCCCS	\$3,730,334,400	\$0	\$0	\$0	\$0	(\$113,700)	(\$113,700)	\$226,656,600	\$0	\$3,956,877,300	\$693,100	\$3,957,570,400	(113,700)
Economic Security, Department of	681,206,400	0	0	0	0	(298,600)	(298,600)	0	0	680,907,800	1,820,000	682,727,800	(298,600)
Health Services, Department of	769,121,600	0	0	0	0	(16,800)	(16,800)	0	0	769,104,800	103,100	769,207,900	(16,800)
<b>GRAND TOTAL</b>	<b>\$5,180,662,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$429,100)</b>	<b>(\$429,100)</b>	<b>\$226,656,600</b>	<b>\$0</b>	<b>\$5,406,889,900</b>	<b>\$2,616,200</b>	<b>\$5,409,506,100</b>	<b>(\$429,100)</b>

**Detailed List of General Fund Transfers by Agency 1/  
Summary of FY 2011 and FY 2012**

	New FY 2011 Transfers	Uncaptured Pay Transfers 2/	Total 2011 Transfers 3/	New FY 2012 Transfers	Uncaptured Pay Transfers 2/	Delayed Benefits Transfers 4/	Retirement Transfers 5/	Total FY 2012 New Transfers
<b>SBA - State Board of Accountancy</b>								
SBA - Board of Accountancy (OF)		(3,800)	(3,800)	(15,500)	(3,800)	(3,100)	(4,600)	(27,000)
<b>ACU - Acupuncture Board of Examiners</b>								
ACU - Acupuncture Board of Examiners (OF)		(500)	(500)	(1,900)	(500)	(400)	(500)	(3,300)
<b>DOA - Arizona Department of Administration</b>								
DOA - AFIS II Collections (NA)		(2,200)	(2,200)	(442,200)	(2,200)	(1,600)	(2,500)	(448,500)
DOA - Air Quality (OF)				(136,000)				(136,000)
DOA - Automation Operations (OF)		(40,000)	(40,000)	(837,300)	(40,000)	(29,000)	(43,600)	(949,900)
DOA - Capital Outlay Stabilization (OF)		(11,600)	(11,600)	(97,600)	(11,600)	(6,000)	(9,000)	(124,200)
DOA - Capitol Police Administrative Towing (NA)		(100)	(100)					
DOA - Construction Insurance (NA)		(1,100)	(1,100)	(201,600)	(1,100)	(800)	(1,300)	(204,800)
DOA - Co-Op State Purchasing Agreement (NA)		(900)	(900)	(7,900)	(900)	(700)	(1,000)	(10,500)
DOA - Corrections (OF)		(1,200)	(1,200)		(1,200)	(1,200)	(1,800)	(4,200)
DOA - Emergency Telecommunication Services Revolving (NA)		(1,600)	(1,600)	(2,212,100)	(1,600)			(2,213,700)
DOA - IGA and ISA (NA)		(6,800)	(6,800)	(57,400)	(6,800)	(4,500)	(6,700)	(75,400)
DOA - Information Technology (OF)				(78,600)	(9,300)	(8,700)	(13,000)	(109,600)
DOA - Motor Vehicle Pool Revolving (OF)		(3,200)	(3,200)	(26,800)	(3,200)	(3,000)	(4,600)	(37,600)
DOA - Personnel Division (OF)		(26,500)	(26,500)	(477,600)	(26,500)	(22,400)	(33,700)	(560,200)
DOA - Risk Management Revolving (OF)	(5,000,000)	(26,300)	(5,026,300)	(16,081,900)	(26,300)	(18,900)	(28,300)	(16,155,400)
DOA - Special Employee Health Insurance Trust (OF)		(10,100)	(10,100)	(40,335,800)	(10,100)	(9,300)	(14,000)	(40,369,200)
DOA - Special Events (NA)		(200)	(200)	(2,100)	(200)	(100)	(100)	(2,500)
DOA - Special Services Revolving (NA)						(100)	(100)	(200)
DOA - State Employee Travel Reduction (NA)		(1,200)	(1,200)	(45,900)	(1,200)	(1,100)	(1,600)	(49,800)
DOA - State Surplus Materials Revolving (OF)		(2,200)	(2,200)	(18,700)	(2,200)			(20,900)
DOA - Statewide Payroll (NA)	(300,000)		(300,000)	(150,000)				(150,000)
DOA - Telecommunications (OF)						(1,900)	(2,800)	(4,700)
DOA - Traffic and Parking Control (NA)				(400)				(400)
DOA - State Web Portal (OF)				(6,500,000)				(6,500,000)
<b>OAH - Office of Administrative Hearings</b>								
OAH - IGA and ISA (NA)		(3,700)	(3,700)	(31,400)	(3,700)	(2,600)	(4,000)	(41,700)
<b>AGR - Department of Agriculture</b>								
AGR - Administrative Support (NA)		(200)	(200)	(1,300)	(200)	(100)	(200)	(1,800)
AGR - Citrus, Fruit & Vegetable Revolving (OF)		(1,900)	(1,900)		(1,900)	(800)	(1,300)	(4,000)
AGR - Commercial Feed (OF)		(700)	(700)	(5,800)	(700)	(700)	(1,000)	(8,200)
AGR - Dangerous Plants, Pests and Diseases Fund (OF)						(200)	(300)	(500)
AGR - Designated (NA)		(1,100)	(1,100)	(9,000)	(1,100)	(800)	(1,200)	(12,100)
AGR - Fertilizer Materials (OF)		(1,000)	(1,000)	(8,100)	(1,000)	(800)	(1,200)	(11,100)
AGR - Pesticide (OF)		(900)	(900)	(7,700)	(900)	(1,000)	(1,500)	(11,100)

	New FY 2011 Transfers	Uncaptured Pay Transfers <u>2/</u>	Total 2011 Transfers <u>3/</u>	New FY 2012 Transfers	Uncaptured Pay Transfers <u>2/</u>	Delayed Benefits Transfers <u>4/</u>	Retirement Transfers <u>5/</u>	Total FY 2012 New Transfers
AGR - Protected Native Plant (OF)		(200)	(200)		(200)	(200)	(200)	(600)
AGR - Seed Law (OF)		(100)	(100)	(1,100)	(100)	(100)	(100)	(1,400)
<b>AXS - AHCCCS</b>								
AXS - Healthcare Group (PA)		(9,700)	(9,700)	(443,400)	(9,700)	(8,900)	(13,400)	(475,400)
AXS - IGA and ISA (NA)						(5,200)	(7,700)	(12,900)
AXS - Intergovernmental Services (NA)				(635,500)		(10,600)	(15,900)	(662,000)
AXS - Third Party Collections (NA)				(608,200)				(608,200)
<b>APP - State Board of Appraisal</b>								
APP - Board of Appraisal (OF)		(1,300)	(1,300)	(5,300)	(1,300)	(1,400)	(2,100)	(10,100)
<b>ART - Arizona Commission on the Arts</b>								
ART - Arts Trust (NA)				(115,400)				(115,400)
<b>BAT - Board of Athletic Training</b>								
BAT - Board of Athletic Training (OF)						(300)	(400)	(700)
<b>ATT - Attorney General</b>								
ATT - Anti-Racketeering Revolving (NA)						(11,600)	(16,800)	(28,400)
ATT - Antitrust Revolving (OF)		(500)	(500)	(3,900)	(500)	(600)	(1,000)	(6,000)
ATT - CJEF Distributions (NA)				(334,500)				(334,500)
ATT - Collection Enforcement Revolving (OF)		(4,800)	(4,800)	(40,000)	(4,800)	(9,500)	(14,300)	(68,600)
ATT - Consumer Fraud Revolving (OF)		(8,100)	(8,100)	(517,400)	(8,100)	(8,700)	(12,400)	(546,600)
ATT - Criminal Case Processing (NA)		(300)	(300)	(2,700)	(300)	(300)	(400)	(3,700)
ATT - Interagency Service Agreements (OF)		(45,600)	(45,600)	(384,100)	(45,600)	(42,200)	(63,400)	(535,300)
ATT - Intergovernmental Agreements (NA)		(5,900)	(5,900)	(49,900)	(5,900)	(5,500)	(8,200)	(69,500)
ATT - Legal Services Cost Allocation (OF)		(26,200)	(26,200)	(220,600)	(26,200)	(19,800)	(29,800)	(296,400)
ATT - Risk Management Revolving (OF)		(30,600)	(30,600)	(1,046,900)	(30,600)	(27,700)	(41,600)	(1,146,800)
ATT - Victims Rights (OF)		(1,400)	(1,400)	(44,400)	(1,400)	(1,200)	(1,800)	(48,800)
ATT - Victim Witness (NA)		(200)	(200)	(1,800)	(200)	(100)	(200)	(2,300)
<b>ATA - Automobile Theft Authority</b>								
ATA - Automobile Theft Authority (OF)		(1,400)	(1,400)	(887,600)	(1,400)	(1,500)	(2,200)	(892,700)
<b>BAR - Board of Barbers</b>								
BAR - Board of Barbers (OF)		(1,000)	(1,000)	(3,900)	(1,000)	(900)	(1,400)	(7,200)
<b>BHE - Board of Behavioral Health Examiners</b>								
BHE - Board of Behavioral Health Examiners (OF)		(3,600)	(3,600)	(14,900)	(3,600)	(3,200)	(4,800)	(26,500)
<b>CPD - State Capital Postconviction Public Defender Office</b>								
CPD - Capital Postconviction Public Defender Office (OF)						(600)	(800)	(1,400)
<b>BCE - State Board of Chiropractic Examiners</b>								
BCE - Board of Chiropractic Examiners (OF)		(1,600)	(1,600)	(6,400)	(1,600)	(1,200)	(1,800)	(11,000)

	New FY 2011 Transfers	Uncaptured Pay Transfers <u>2/</u>	Total 2011 Transfers <u>3/</u>		New FY 2012 Transfers	Uncaptured Pay Transfers <u>2/</u>	Delayed Benefits Transfers <u>4/</u>	Retirement Transfers <u>5/</u>	Total FY 2012 New Transfers
<b>CCE - Citizens Clean Elections Commission</b>									
CCE - Citizens Clean Elections Commission (NA)					(20,000,000)				(20,000,000)
<b>COM - Arizona Commerce Authority</b>									
COM - CEDC (PA)		(2,100)	(2,100)						
COM - Commerce Workshops (NA)		(300)	(300)		(2,900)				(2,900)
COM - GADA Revolving (NA)		(500)	(500)						
COM - IGA and ISA (NA)		(2,300)	(2,300)						
COM - Arizona Job Training (NA)		(600)	(600)		(5,000)				(5,000)
COM - Lottery (OF)		(600)	(600)						
COM - Nursing Education Demonstration Project (NA)					(1,993,800)				(1,993,800)
<b>CNA - Constable Ethics Standards &amp; Training Board</b>									
CNA - Constable Ethics Standards & Training (NA)	(100,000)		(100,000)		(60,000)				(60,000)
<b>ROC - Registrar of Contractors</b>									
ROC - Registrar of Contractors (OF)		(26,300)	(26,300)			(26,300)	(26,600)	(39,900)	(92,800)
ROC - Residential Contractors' Recovery (NA)		(2,500)	(2,500)			(2,500)	(1,500)	(2,200)	(6,200)
<b>COR - Corporation Commission</b>									
COR - Arizona Arts Trust (OF)		(200)	(200)		(1,500)	(200)	(100)	(200)	(2,000)
COR - Investment Management Regulatory & Enf. (OF)		(2,900)	(2,900)		(248,200)	(2,900)	(2,300)	(3,400)	(256,800)
COR - Public Access (OF)		(17,600)	(17,600)		(148,700)	(17,600)	(15,000)	(22,600)	(203,900)
COR - Securities Regulatory & Enforcement (OF)		(16,100)	(16,100)		(135,500)	(16,100)	(12,200)	(18,300)	(182,100)
COR - Utility Regulation Revolving (OF)		(50,000)	(50,000)		(1,551,700)	(50,000)	(39,100)	(55,900)	(1,696,700)
<b>DOC - Department of Corrections</b>									
DOC - AZ Correctional Industry Revolving (NA)		(34,800)	(34,800)		(293,500)	(34,800)	(31,700)	(47,600)	(407,600)
DOC - Community Corrections Enhancement (NA)					(500,000)				(500,000)
DOC - Indirect Cost Recovery (NA)		(100)	(100)		(800)	(100)	(100)	(100)	(1,100)
DOC - Interagency Service Agreement (NA)		(300)	(300)		(2,500)	(300)	(200)	(300)	(3,300)
DOC - State DOC Revolving (NA)					(2,000,000)				(2,000,000)
DOC - State Education Fund for Correctional Education (OF)		(500)	(500)		(754,400)	(500)	(1,800)	(2,600)	(759,300)
<b>COS - Board of Cosmetology</b>									
COS - Board of Cosmetology (OF)		(4,100)	(4,100)		(17,100)	(4,100)	(3,700)	(5,500)	(30,400)
<b>JUS - Arizona Criminal Justice Commission</b>									
JUS - Criminal Justice Enhancement (OF)		(2,600)	(2,600)		(170,300)	(2,600)	(2,000)	(3,000)	(177,900)
JUS - DUI Abatement (NA)					(761,700)		(100)	(200)	(762,000)
JUS - Drug & Gang Enforcement (NA)					(489,500)		(2,000)	(3,000)	(494,500)
JUS - Drug & Gang Prevention Resource Center (OF)					(267,200)		(200)	(300)	(267,700)
JUS - State Aid to Indigent Defense (OF)					(400,000)				(400,000)
JUS - Victims Compensation & Assistance (OF)					(307,500)				(307,500)

	New FY 2011 Transfers	Uncaptured Pay Transfers <u>2/</u>	Total 2011 Transfers <u>3/</u>	New FY 2012 Transfers	Uncaptured Pay Transfers <u>2/</u>	Delayed Benefits Transfers <u>4/</u>	Retirement Transfers <u>5/</u>	Total FY 2012 New Transfers
<b>SDB - AZ State Schools for the Deaf and the Blind</b>								
SDB - Enterprise (NA)		(100)	(100)	(600)	(100)	(100)	(200)	(1,000)
SDB - Regional Cooperatives (NA)		(30,100)	(30,100)	(253,500)	(30,100)	(45,800)	(68,700)	(398,100)
SDB - Schools for the Deaf and the Blind (OF)		(26,200)	(26,200)	(220,600)	(26,200)	(39,400)	(59,200)	(345,400)
<b>HEA - Commission for the Deaf and the Hard of Hearing</b>								
HEA - Telecommunication Fund for the Deaf (OF)	(200,000)	(4,200)	(204,200)	(1,587,300)	(4,200)	(3,200)	(4,700)	(1,599,400)
<b>DEN - Board of Dental Examiners</b>								
DEN - Dental Board (OF)		(2,500)	(2,500)	(10,300)	(2,500)	(2,500)	(3,800)	(19,100)
<b>DES - Department of Economic Security</b>								
DES - Child Abuse Prevention (OF)				(118,300)				(118,300)
DES - Child Support Enforcement Administration (OF)						(36,400)	(54,700)	(91,100)
DES - Children and Family Services Training (OF)		(300)	(300)	(2,500)	(300)	(600)	(900)	(4,300)
DES - Industries for the Blind (NA)		(29,000)	(29,000)	(244,100)	(29,000)			(273,100)
DES - Arizona Job Training (NA)						(2,100)	(3,200)	(5,300)
DES - Long Term Care System (OF)	(30,000,000)		(30,000,000)	(30,000,000)		(300)	(500)	(30,000,800)
DES - Public Assistance Collections (OF)				(92,200)		(1,500)	(2,300)	(96,000)
DES - Special Administration (OF)				(439,100)				(439,100)
DES - Spinal and Head Injuries Trust (OF)		(700)	(700)	(452,400)	(700)	(1,500)	(2,200)	(456,800)
<b>ADE - Arizona Department of Education</b>								
ADE - Education Commodity (NA)		(300)	(300)	(2,900)	(300)	(300)	(500)	(4,000)
ADE - IGA and ISA (NA)						(2,300)	(3,400)	(5,700)
ADE - Indirect Cost Recovery (NA)		(16,200)	(16,200)	(193,000)	(16,200)	(11,800)	(17,700)	(238,700)
ADE - Internal Services (NA)		(400)	(400)	(795,400)	(400)	(1,100)	(1,600)	(798,500)
ADE - Production Revolving (NA)		(1,800)	(1,800)	(371,200)	(1,800)	(1,400)	(2,100)	(376,500)
ADE - Special Education (NA)	(2,700,000)		(2,700,000)					
ADE - Teacher Certification (OF)						(6,300)	(9,500)	(15,800)
<b>EMA - Department of Emergency &amp; Military Affairs</b>								
EMA - Emergency Response (OF)				(132,700)				(132,700)
EMA - Nuclear Emergency Management (NA)		(2,000)	(2,000)	(16,600)	(2,000)			(18,600)
<b>DEQ - Department of Environmental Quality</b>								
DEQ - Air Permits Administration (OF)		(14,900)	(14,900)	(894,500)	(14,900)	(14,000)	(21,000)	(944,400)
DEQ - Air Quality (OF)		(10,100)	(10,100)	(619,500)	(10,100)	(2,400)	(3,600)	(635,600)
DEQ - Emissions Inspection (OF)		(6,400)	(6,400)	(8,023,900)	(6,400)	(9,600)	(14,400)	(8,054,300)
DEQ - GADA Revolving (NA)						(400)	(600)	(1,000)
DEQ - Hazardous Waste Mgmt (OF)		(300)	(300)	(62,300)	(300)	(2,900)	(4,300)	(69,800)
DEQ - IGA and ISA (NA)		(2,100)	(2,100)		(2,100)	(10,600)	(15,900)	(28,600)
DEQ - Indirect Cost Recovery (OF)		(20,500)	(20,500)	(2,589,900)	(20,500)	(21,700)	(32,500)	(2,664,600)
DEQ - Institutional & Eng. Control (NA)				(300)				(300)
DEQ - Monitoring Assistance (NA)		(500)	(500)	(134,300)	(500)	(400)	(600)	(135,800)
DEQ - Recycling (OF)				(1,517,900)				(1,517,900)

	New FY 2011 Transfers	Uncaptured Pay Transfers <u>2/</u>	Total 2011 Transfers <u>3/</u>	New FY 2012 Transfers	Uncaptured Pay Transfers <u>2/</u>	Delayed Benefits Transfers <u>4/</u>	Retirement Transfers <u>5/</u>	Total FY 2012 New Transfers
DEQ - Solid Waste Fee (OF)		(2,700)	(2,700)	(369,500)	(2,700)	(4,100)	(6,100)	(382,400)
DEQ - Specific Site Judgment (NA)				(80,000)				(80,000)
DEQ - Underground Storage Tank Revolving (PA)		(18,300)	(18,300)	(6,154,400)	(18,300)	(11,200)	(16,800)	(6,200,700)
DEQ - Voluntary Remediation (NA)		(500)	(500)	(25,500)	(500)	(200)	(300)	(26,500)
DEQ - Voluntary Vehicle Repair & Retrofit Program (NA)				(747,200)				(747,200)
DEQ - Water Quality Assurance Revolving (NA)		(16,500)	(16,500)	(510,600)	(16,500)	(9,200)	(13,900)	(550,200)
DEQ - Water Quality Fee (OF)		(9,400)	(9,400)	(783,600)	(9,400)	(19,200)	(28,800)	(841,000)
<b>COL - Arizona Exposition and State Fair Board</b>								
COL - Arizona Exposition and State Fair (OF)		(12,600)	(12,600)	(106,200)	(12,600)	(14,500)	(21,800)	(155,100)
<b>DFI - Dept of Financial Institutions</b>								
DFI - Financial Services (OF)		(2,200)	(2,200)	(1,018,500)	(2,200)	(1,400)	(2,100)	(1,024,200)
DFI - IGA and ISA (NA)		(300)	(300)		(300)	(200)	(400)	(900)
DFI - Revolving (NA)		(700)	(700)	(5,500)	(700)			(6,200)
<b>BFS - Department of Fire, Building &amp; Life Safety</b>								
BFS - Building & Fire Safety (NA)		(1,000)	(1,000)	(8,200)	(1,000)			(9,200)
<b>FOR - State Forester's Office</b>								
FOR - Cooperative Forestry (NA)				(45,400)		(2,800)	(4,100)	(52,300)
FOR - Fire Suppression (NA)				(280,100)		(6,600)	(9,900)	(296,600)
<b>EMB - Board of Funeral Directors and Embalmers</b>								
EMB - Board of Funeral Directors & Embalmers (OF)		(1,000)	(1,000)	(4,200)	(1,000)	(900)	(1,400)	(7,500)
<b>FIS - Arizona Game and Fish Department</b>								
FIS - Heritage (NA)		(14,900)	(14,900)	(125,500)	(14,900)	(16,400)	(20,000)	(176,800)
FIS - Off-Highway Vehicle Recreation (NA)		(2,900)	(2,900)		(2,900)	(3,500)	(5,300)	(11,700)
FIS - Watercraft Licensing (OF)		(5,800)	(5,800)	(549,200)	(5,800)	(4,700)	(3,700)	(563,400)
<b>GEO - Arizona Geological Survey</b>								
GEO - Geological Survey (NA)		(3,100)	(3,100)	(12,900)	(3,800)	(800)	(1,200)	(18,700)
<b>GTA - Government Information Technology Agy</b>								
GTA - Information Technology (OF)		(9,300)	(9,300)					
<b>GOV - Office of the Governor</b>								
GOV - IGA and ISA (NA)		(1,900)	(1,900)	(15,800)	(1,900)	(2,100)	(3,200)	(23,000)
GOV - Indirect Cost Recovery (NA)		(1,400)	(1,400)	(11,600)	(1,400)	(2,000)	(2,900)	(17,900)
<b>DHS - Department of Health Services</b>								
DHS - Arizona State Hospital Fund (OF)						(9,000)	(13,500)	(22,500)
DHS - Child Fatality Review (OF)		(400)	(400)	(3,700)	(400)	(300)	(500)	(4,900)
DHS - Disease Control Research (NA)						(800)	(1,200)	(2,000)
DHS - Emergency Medical Services Operating (OF)		(10,300)	(10,300)	(1,086,500)	(10,300)	(9,300)	(13,900)	(1,120,000)

	New FY 2011 Transfers	Uncaptured Pay Transfers 2/	Total 2011 Transfers 3/	New FY 2012 Transfers	Uncaptured Pay Transfers 2/	Delayed Benefits Transfers 4/	Retirement Transfers 5/	Total FY 2012 New Transfers
DHS - Environmental Laboratory Licensure Revolving (OF)		(2,200)	(2,200)	(60,200)	(2,200)	(1,600)	(2,400)	(66,400)
DHS - Health Services Licensing (OF)		(36,100)	(36,100)	(304,000)	(36,100)	(22,000)	(33,100)	(395,200)
DHS - Hearing and Speech Professionals (OF)		(1,100)	(1,100)	(30,500)	(1,100)	(800)	(1,200)	(33,600)
DHS - IGA and ISA (NA)		(76,200)	(76,200)	(642,000)	(76,200)			(718,200)
DHS - Indirect Cost (OF)		(16,200)	(16,200)	(1,426,500)	(16,200)	(12,600)	(18,900)	(1,474,200)
DHS - Newborn Screening Program (OF)		(8,600)	(8,600)	(72,300)	(8,600)	(5,800)	(8,700)	(95,400)
DHS - Oral Health (NA)						(600)	(800)	(1,400)
DHS - Risk Assessment (NA)		(100)	(100)	(500)	(100)			(600)
DHS - Substance Abuse Services (OF)				(800,000)				(800,000)
DHS - Tobacco Tax & Health Care (NA)		(9,600)	(9,600)		(9,600)	(5,100)	(7,600)	(22,300)
DHS - Vital Records Electronic Systems (OF)		(900)	(900)	(7,300)	(900)	(11,400)	(17,000)	(36,600)
<b>AZH - Arizona Historical Society</b>								
AZH - Permanent AZ Historical Society Revolving (NA)		(200)	(200)	(2,100)	(200)	(200)	(400)	(2,900)
<b>HOM - Board of Homeopathic &amp; Integrated Medicine Examiners</b>								
HOM - Board of Homeopathic & Integrated Medicine Examiners (OF)		(300)	(300)	(1,100)	(300)	(300)	(500)	(2,200)
<b>HOU - Department of Housing</b>								
HOU - Housing Program (NA)		(9,100)	(9,100)	(2,257,500)	(9,100)	(6,600)	(10,000)	(2,283,200)
HOU - Housing Trust (PA)		(3,400)	(3,400)		(3,400)	(2,800)	(4,100)	(10,300)
HOU - IGA and ISA (NA)		(900)	(900)	(258,900)	(900)	(600)	(900)	(261,300)
<b>IND - Industrial Commission</b>								
IND - Industrial Commission Administrative (OF)		(50,600)	(50,600)	(426,700)	(50,600)	(46,400)	(69,600)	(593,300)
<b>INS - Department of Insurance</b>								
INS - Assessment Fund for Voluntary Plans (NA)	(30,000)	(500)	(30,500)	(36,600)	(500)	(400)	(600)	(38,100)
INS - Captive Insurance Regulatory/Supervision (NA)		(600)	(600)	(70,600)	(600)	(300)	(500)	(72,000)
INS - Financial Surveillance (NA)		(1,700)	(1,700)	(45,700)	(1,700)	(1,200)	(1,700)	(50,300)
INS - Health Care Appeals (NA)	(25,000)	(600)	(25,600)	(35,400)	(600)	(400)	(600)	(37,000)
INS - Insurance Examiners' Revolving (NA)		(5,200)	(5,200)		(5,200)	(3,600)	(5,400)	(14,200)
INS - Receivership Liquidation (NA)						(100)	(200)	(300)
<b>SPA - Judiciary - Supreme Court</b>								
SPA - Alternative Dispute Resolution (NA)		(400)	(400)	(77,900)	(400)	(300)	(500)	(79,100)
SPA - AZ Arizona Lengthy Trial (NA)				(400)			(100)	(500)
SPA - Certified Reporters (NA)		(500)	(500)	(3,900)	(500)	(400)	(500)	(5,300)
SPA - Confidential Intermediary and Fiduciary (OF)		(1,300)	(1,300)	(11,000)	(1,300)	(1,200)	(1,700)	(15,200)
SPA - Court Appointed Special Advocate (OF)		(2,500)	(2,500)	(21,100)	(2,500)	(1,400)	(2,000)	(27,000)
SPA - Criminal Justice Enhancement (OF)		(8,100)	(8,100)	(85,500)	(8,100)	(600)	(1,000)	(95,200)
SPA - Defensive Driving School (OF)		(9,100)	(9,100)	(143,400)	(9,100)	(2,400)	(3,600)	(158,500)
SPA - Judicial Collection Enhancement (OF)		(24,600)	(24,600)		(25,100)	(2,900)	(4,400)	(32,400)
SPA - Photo Enforcement (OF)	(1,400,000)	(500)	(1,400,500)					
SPA - Public Defender Training (NA)				(71,400)				(71,400)
SPA - State Aid to the Courts (OF)		(100)	(100)		(100)	(100)	(100)	(300)



	New FY 2011 Transfers	Uncaptured Pay Transfers <u>2/</u>	Total 2011 Transfers <u>3/</u>	New FY 2012 Transfers	Uncaptured Pay Transfers <u>2/</u>	Delayed Benefits Transfers <u>4/</u>	Retirement Transfers <u>5/</u>	Total FY 2012 New Transfers
<b>SUP - Judiciary - Superior Court</b>								
SUP - Criminal Justice Enhancement (OF)		(4,700)	(4,700)	(85,100)	(4,700)	(1,500)	(2,200)	(93,500)
SUP - Drug Treatment and Education (NA)		(1,500)	(1,500)	(43,600)	(1,500)	(1,400)	(2,100)	(48,600)
SUP - Judicial Collection Enhancement (OF)		(300)	(300)	(210,100)	(300)	(200)	(300)	(210,900)
SUP - Juvenile Delinquent Reduction (NA)		(3,400)	(3,400)	(528,300)	(3,400)	(100)	(200)	(532,000)
<b>DJC - Department of Juvenile Corrections</b>								
DJC - Criminal Justice Enhancement (OF)		(2,500)	(2,500)	(152,000)	(2,500)	(1,500)	(2,200)	(158,200)
DJC - Department of Juvenile Corrections (NA)		(200)	(200)	(1,800)	(200)	(100)	(200)	(2,300)
DJC - State Ed Fund for Committed Youth (OF)		(4,500)	(4,500)	(38,100)	(4,500)	(7,400)		(50,000)
<b>LAN - State Land Department</b>								
LAN - Interagency Agreements (NA)							(100)	(100)
<b>Legislature</b>								
<b>HOU - House of Representatives</b>								
HOU - Non-Lapsing Fund Balance (NA)				(2,000,000)				(2,000,000)
<b>LIQ - Department of Liquor Licenses &amp; Control</b>								
LIQ - Audit Surcharge (NA)						(700)	(1,100)	(1,800)
LIQ - Enforcement Surcharge-Enforcement Unit (NA)		(3,100)	(3,100)	(26,000)	(3,100)	(900)	(1,300)	(31,300)
LIQ - Enforcement Surcharge-Multiple Complaints (NA)						(700)	(1,100)	(1,800)
LIQ - Liquor Licenses (OF)		(8,500)	(8,500)	(286,600)	(8,500)	(7,300)	(5,700)	(308,100)
<b>LOT - Arizona State Lottery Commission</b>								
LOT - State Lottery (PA)		(26,900)	(26,900)	(1,779,300)	(26,900)	(22,200)	(33,400)	(1,861,800)
<b>MED - Arizona Medical Board</b>								
MED - Arizona Medical Board (OF)		(14,500)	(14,500)	(122,100)	(14,500)	(13,300)	(19,900)	(169,800)
<b>MIN - State Mine Inspector</b>								
MIN - Aggregate Mining Reclamation (OF)		(300)	(300)	(1,200)	(300)			(1,500)
<b>MMR - Department of Mines &amp; Mineral Resources</b>								
MMR - Mines and Mineral Resources (NA)		(700)	(700)					
<b>NAT - Naturopathic Physicians Medical Board</b>								
NAT - Naturopathic Physicians Medical Board (OF)		(1,200)	(1,200)	(5,100)	(1,200)	(1,500)	(2,300)	(10,100)
<b>NUR - Nursing Board</b>								
NUR - Board of Nursing (OF)		(12,300)	(12,300)	(104,000)	(12,300)	(9,600)	(14,400)	(140,300)
<b>NCI - Nursing Care Inst. Administrators Board</b>								
NCI - Nursing Care Inst. Administrators Board (OF)		(1,000)	(1,000)	(4,300)	(1,000)	(1,000)	(1,500)	(7,800)

	New FY 2011 Transfers	Uncaptured Pay Transfers <u>2/</u>	Total 2011 Transfers <u>3/</u>	New FY 2012 Transfers	Uncaptured Pay Transfers <u>2/</u>	Delayed Benefits Transfers <u>4/</u>	Retirement Transfers <u>5/</u>	Total FY 2012 New Transfers
<b>OCC - Board of Occupational Therapy Examiners</b>								
OCC - Occupational Therapy (OF)		(900)	(900)	(3,500)	(900)	(500)	(700)	(5,600)
<b>DIS - State Board of Dispensing Opticians</b>								
DIS - Board of Dispensing Opticians (OF)		(300)	(300)	(1,200)	(300)	(300)	(400)	(2,200)
<b>OPT - State Board of Optometry</b>								
OPT - Board of Optometry (OF)		(700)	(700)	(2,800)	(700)	(500)	(800)	(4,800)
<b>OST - Arizona Board of Osteopathic Examiners</b>								
OST - Board of Osteopathic Examiners (OF)		(2,000)	(2,000)	(8,400)	(2,000)	(1,700)	(2,500)	(14,600)
<b>PAR - Parents Commission on Drug Ed &amp; Prevention</b>								
PAR - Drug Treatment and Education (NA)		(1,000)	(1,000)	(640,700)	(1,000)			(641,700)
<b>SPB - Arizona State Parks Board</b>								
SPB - Law Enforcement Boating and Safety (OF)						(11,000)	(11,900)	(22,900)
SPB - Off-Highway Vehicle Recreation (NA)		(1,900)	(1,900)	(133,000)	(1,900)	(2,300)	(2,900)	(140,100)
SPB - Partnerships (NA)		(200)	(200)		(200)			(200)
SPB - Publications and Souvenir Revolving (NA)		(900)	(900)	(67,700)	(900)	(200)	(300)	(69,100)
SPB - Reservation Surcharge Revolving (OF)		(700)	(700)	(102,400)	(700)	(800)	(1,100)	(105,000)
SPB - State Lake Improvement (NA)	(1,491,100)	(10,300)	(1,501,400)		(10,300)	(8,700)	(13,100)	(32,100)
SPB - State Parks Enhancement (OF)		(16,000)	(16,000)	(2,090,000)	(16,000)	(20,300)	(18,700)	(2,145,000)
<b>PER - Personnel Board</b>								
PER - Personnel Division - Personnel Board Account (OF)		(600)	(600)	(2,600)	(600)	(500)	(700)	(4,400)
<b>PES - Office of Pest Management</b>								
PES - Pest Management (OF)		(7,400)	(7,400)	(62,600)	(7,400)	(6,700)	(10,000)	(86,700)
<b>PHA - Arizona State Board of Pharmacy</b>								
PHA - AZ State Board of Pharmacy (OF)		(5,500)	(5,500)	(22,500)	(5,500)	(5,400)	(8,100)	(41,500)
<b>PHY - Board of Physical Therapy Examiners</b>								
PHY - Board of Physical Therapy (OF)		(1,000)	(1,000)	(4,100)	(1,000)	(800)	(1,200)	(7,100)
<b>POD - State Board of Podiatry Examiners</b>								
POD - Board of Podiatry (OF)		(400)	(400)	(1,500)	(400)	(300)	(500)	(2,700)
<b>POS - Commission for Postsecondary Education</b>								
POS - Early Graduation Scholarship (NA)	(291,800)		(291,800)					
POS - Postsecondary Education (OF)		(2,400)	(2,400)	(9,800)	(2,400)	(1,600)	(2,300)	(16,100)
POS - Postsecondary Education Grant (NA)				(28,300)				(28,300)
<b>PRI - Board for Private Postsecondary Education</b>								
PRI - Private Postsecondary Education (OF)		(1,200)	(1,200)	(4,800)	(1,200)	(900)	(1,300)	(8,200)

	New FY 2011 Transfers	Uncaptured Pay Transfers <u>2/</u>	Total 2011 Transfers <u>3/</u>	New FY 2012 Transfers	Uncaptured Pay Transfers <u>2/</u>	Delayed Benefits Transfers <u>4/</u>	Retirement Transfers <u>5/</u>	Total FY 2012 New Transfers
PRI - Student Tuition Recovery (NA)						(200)	(300)	(500)
<b>PSY - State Board of Psychologist Examiners</b>								
PSY - State Board of Psychologist Examiners (OF)		(1,000)	(1,000)	(4,100)	(1,000)	(900)	(1,400)	(7,400)
<b>DPS - Department of Public Safety</b>								
DPS - Anti-Racketeering (NA)		(200)	(200)	(3,617,100)	(200)	(2,500)	(3,700)	(3,623,500)
DPS - Auto Fingerprint Identification (OF)		(1,300)	(1,300)	(11,000)	(1,300)	(700)	(1,000)	(14,000)
DPS - Capitol Police Administrative Towing (NA)				(600)	(100)	(300)	(400)	(1,400)
DPS - Crime Laboratory Assessment (OF)	(250,000)		(250,000)	(200,000)		(1,300)	(1,900)	(203,200)
DPS - Crime Laboratory Operations (OF)				(3,554,700)		(27,400)	(40,700)	(3,622,800)
DPS - Criminal Justice Enhancement (OF)	(450,000)		(450,000)	(450,000)		(7,300)	(10,900)	(468,200)
DPS - DNA Identification System (OF)		(5,800)	(5,800)	(2,589,100)	(5,800)	(10,500)	(15,600)	(2,621,000)
DPS - DPS Administration (NA)		(5,500)	(5,500)	(252,300)	(5,500)	(2,700)	(4,100)	(264,600)
DPS - DPS Joint Fund Control (NA)		(456,900)	(456,900)	(3,850,400)	(459,200)			(4,309,600)
DPS - DPS Licensing (NA)		(3,300)	(3,300)	(191,200)	(3,300)	(2,700)	(4,000)	(201,200)
DPS - Fingerprint Clearance Card (NA)	(1,500,000)	(8,500)	(1,508,500)	(1,175,800)	(8,500)	(9,000)	(13,500)	(1,206,800)
DPS - Board of Fingerprinting (NA)	(100,000)	(1,600)	(101,600)	(103,200)	(1,600)	(1,000)	(1,500)	(107,300)
DPS - Highway Patrol (OF)		(2,400)	(2,400)	(1,897,000)	(2,400)	(46,100)	(20,400)	(1,965,900)
DPS - IGA and ISA (NA)		(17,000)	(17,000)	(143,100)	(17,000)	(15,500)	(23,200)	(198,800)
DPS - Indirect Cost Recovery (NA)				(183,500)		(2,100)	(3,200)	(188,800)
DPS - Motorcycle Safety (NA)	(50,000)		(50,000)	(31,900)				(31,900)
DPS - Parity Compensation (OF)	(1,000,000)		(1,000,000)	(600,000)		(5,400)		(605,400)
DPS - Peace Officers' Training (NA)		(9,100)	(9,100)	(863,800)	(9,100)	(7,800)	(11,600)	(892,300)
DPS - Photo Enforcement (OF)		(2,300)	(2,300)					
DPS - Records Processing (NA)	(75,000)	(3,300)	(78,300)	(102,500)	(3,300)	(2,500)	(3,800)	(112,100)
DPS - Risk Management (OF)						(4,600)	(6,900)	(11,500)
DPS - SETIF (OF)				(122,000)				(122,000)
<b>RAC - Arizona Department of Racing</b>								
RAC - Arizona Breeders Award (NA)				(1,500)				(1,500)
RAC - County Fairs Racing Betterment (NA)				(56,300)				(56,300)
RAC - Racing Regulation (OF)						(3,100)	(4,600)	(7,700)
RAC - Stallion Award (NA)				(6,600)				(6,600)
<b>RAD - Radiation Regulatory Agency</b>								
RAD - Laser Safety (NA)						(100)	(200)	(300)
RAD - Nuclear Emergency Management (NA)		(1,400)	(1,400)	(5,600)	(1,400)			(7,000)
RAD - State Radiologic Technologist Certification (OF)		(800)	(800)	(24,400)	(800)	(500)	(800)	(26,500)
RAD - Radiation Regulatory Fee (OF)				(291,100)		(1,300)	(2,000)	(294,400)
<b>REA - State Real Estate Department</b>								
REA - Education Revolving (NA)		(500)	(500)	(4,000)	(500)			(4,500)
<b>RUC - Residential Utility Consumer Office</b>								
RUC - RUCO (OF)		(3,600)	(3,600)	(14,900)	(3,600)	(3,500)	(5,300)	(27,300)

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<b>RES - Board of Respiratory Care Examiners</b>								
RES - Board of Respiratory Care Examiners (OF)		(1,000)	(1,000)	(4,200)	(1,000)	(800)	(1,200)	(7,200)
<b>REV - Department of Revenue</b>								
REV - DOR Administrative (OF)	(2,000,000)		(2,000,000)	(1,837,500)		(49,500)	(74,200)	(1,961,200)
REV - Liability Setoff (OF)		(1,700)	(1,700)	(38,000)	(1,700)	(800)	(1,300)	(41,800)
REV - Tobacco Tax and Health Care (OF)						(1,400)	(2,100)	(3,500)
<b>SFB - School Facilities Board</b>								
SFB - Arizona Energy and Water Savings (NA)		(1,800)	(1,800)		(1,800)			(1,800)
SFB - Interest Earnings (NA)				(960,000)				(960,000)
<b>SOS - Secretary of State</b>								
SOS - Data Processing Acquisition (NA)		(500)	(500)	(4,500)	(500)	(200)	(400)	(5,600)
SOS - Gift Shop Revolving (NA)		(200)	(200)	(1,900)	(200)	(200)	(300)	(2,600)
SOS - Notary Bond (NA)		(400)	(400)	(3,500)	(400)	(200)	(300)	(4,400)
SOS - Records Services (OF)		(1,600)	(1,600)	(13,900)	(1,600)	(1,300)	(2,000)	(18,800)
<b>SBO - State Boards' Office</b>								
SBO - Special Services Revolving (OF)		(800)	(800)		(800)	(700)	(1,000)	(2,500)
<b>TEC - State Board of Technical Registration</b>								
TEC - Technical Registration (OF)		(4,900)	(4,900)	(20,400)	(4,900)	(4,000)	(6,000)	(35,300)
<b>TOU - Office of Tourism</b>								
TOU - Tourism (NA)						(6,400)	(9,500)	(15,900)
<b>DOT - Department of Transportation</b>								
DOT - Air Quality (OF)		(100)	(100)	(1,100)	(100)	(200)	(400)	(1,800)
DOT - Arizona Highways Magazine (NA)		(7,500)	(7,500)		(7,500)	(5,600)	(8,500)	(21,600)
DOT - DUI Abatement (OF)						(500)	(700)	(1,200)
DOT - Economic Strength Project (NA)				(100,000)				(100,000)
DOT - Highway Expansion and Extension Loan Program (NA)						(500)	(700)	(1,200)
DOT - Maricopa Regional Area Road (NA)						(14,500)	(21,700)	(36,200)
DOT - Motor Vehicle Liability Insurance Enforcement (OF)		(4,400)	(4,400)		(4,400)	(3,600)	(5,400)	(13,400)
DOT - SETIF (OF)				(326,000)				(326,000)
DOT - State Aviation (OF)	(3,200,000)	(5,900)	(3,205,900)	(717,700)	(5,900)	(3,500)	(5,300)	(732,400)
DOT - Transportation Department Equipment (OF)		(52,300)	(52,300)	(2,552,600)	(52,300)	(48,000)	(72,100)	(2,725,000)
DOT - Vehicle Inspection and Title Enforcement (OF)		(3,500)	(3,500)		(3,500)	(4,400)	(6,600)	(14,500)
DOT - Suspend Highway Patrol Vehicle Replacement VLT				(6,780,000)				(6,780,000)
DOT - Continue Prior Year VLT				(8,390,600)				(8,390,600)
DOT - Prior Yr ADOT Operating Reduction/VLT				(28,000,000)				(28,000,000)
<b>TRE - State Treasurer</b>								
TRE - State Treasurer's Operating (OF)		(2,200)	(2,200)	(8,900)	(2,200)	(6,900)	(10,400)	(28,400)

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TRE - State Treasurer's Management (OF)						(400)	(600)	(1,000)
<b>UNI - Arizona Board of Regents</b>								
UNI - AZ Board of Regents Local (NA)		(4,400)	(4,400)	(265,400)	(4,400)	(4,800)	(7,200)	(281,800)
<b>VME - Veterinary Medical Examining Board</b>								
VME - Veterinary Medical Examining Board (OF)		(1,400)	(1,400)	(5,600)	(1,400)	(1,200)	(1,800)	(10,000)
<b>WAT - Department of Water Resources</b>								
WAT - Arizona Water Banking (NA)		(1,200)	(1,200)	(312,000)	(1,200)	(1,000)	(1,600)	(315,800)
WAT - Arizona Water Protection (NA)		(1,400)	(1,400)	(53,300)	(1,400)	(1,100)	(1,600)	(57,400)
WAT - Arizona Water Quality (NA)		(500)	(500)	(92,500)	(500)	(400)	(600)	(94,000)
WAT - Assured and Adequate Water Supply (OF)		(1,500)	(1,500)	(12,300)	(1,500)	(600)	(900)	(15,300)
WAT - Augmentation & Conservation Assistance (NA)		(6,200)	(6,200)	(52,400)	(6,200)	(1,400)	(2,100)	(62,100)
WAT - Indirect Cost Recovery (NA)		(2,300)	(2,300)	(376,500)	(2,300)	(1,800)	(2,800)	(383,400)
WAT - ISA (NA)						(200)	(300)	(500)
WAT - Water Resources Cost Recovery (OF)						(17,300)	(26,000)	(43,300)
WAT - Well Administration & Enforcement (NA)				(123,000)		(500)	(700)	(124,200)
<b>WEI - Department of Weights &amp; Measures</b>								
WEI - Air Quality (OF)		(3,000)	(3,000)	(121,200)	(3,000)	(2,300)	(3,400)	(129,900)
WEI - Motor Vehicle Liability Insurance Enforcement (OF)		(900)	(900)		(900)	(700)	(1,100)	(2,700)
<b>TOTAL - FUND TRANSFERS</b>	<b>(50,162,900)</b>	<b>(1,786,000)</b>	<b>(51,948,900)</b>	<b>(84,548,700)</b>	<b>(1,779,600)</b>	<b>(1,367,400)</b>	<b>(1,949,200)</b>	<b>(256,074,600)</b>

1/ Fund transfers made pursuant to the FY 2012 General Appropriation Act (Laws 2011, Chapter 24).

2/ Section 129 of the General Appropriation Act includes a reduction of \$(5,340,400) to capture all of the savings associated with the personnel expense reductions authorized by Section 7 of Laws 2010, 7th Special Session, Chapter 3 for both FY 2011 and FY 2012. The FY 2011 budget included a savings of \$(45,000,000) for a 6 day furlough and other salary adjustments. The actual savings were greater than the \$45,000,000 and Section 129 captures those additional pay savings. Section 129 requires JLBC Staff to determine the agency-by-agency distribution of these funds, including transfers from non-General Fund monies.

3/ This amount is over and above the original FY 2011 transfers approved in 2010.

4/ Section 138 of the General Appropriation Act included a \$(10,000,000) reduction due to requiring that state employees work regularly for at least 90 days to be eligible for health benefits and 6 months to become a member of the Arizona State Retirement System. Section 138 requires JLBC Staff to determine the agency-by-agency distribution of these funds, including transfers of non-General Fund monies.

5/ Section 8 of the Budget Procedures Budget Reconciliation Bill (Laws 2011, Chapter 26) included a \$(41,266,900) reduction due to increasing the employer share of Arizona State Retirement System contributions from 50% to 53%. Statute requires JLBC Staff to determine the agency-by-agency distribution of these funds, including transfers from non-General Fund monies.

## SUMMARY OF RISK MANAGEMENT CHARGES I/

Agency	FY 2012			Total
	General Fund	Other Appropriated Funds	Non-Appropriated Funds	
Accountancy, Arizona State Board of	\$0	\$3,800	\$0	\$3,800
Acupuncture Board of Examiners	0	1,300	0	1,300
Administration, Arizona Department of	302,900	1,339,700	116,000	1,758,600
Administrative Hearings, Office of	0	0	6,900	6,900
Agriculture, Arizona Department of	54,000	12,800	95,400	162,200
AHCCCS	197,400	21,500	193,400	412,300
Appraisal, State Board of	0	2,100	0	2,100
Arts, Arizona Commission on the	6,400	0	0	6,400
Athletic Training, Board of	0	1,000	0	1,000
Attorney General - Department of Law	339,600	152,100	32,200	523,900
Automobile Theft Authority	0	2,800	0	2,800
Barbers, Board of	0	1,700	0	1,700
Behavioral Health Examiners, Board of	0	5,500	0	5,500
Capital Postconviction Public Defender Ofc., State	1,400	0	0	1,400
Charter Schools, State Board for	4,800	0	0	4,800
Chiropractic Examiners, State Board of	0	1,700	0	1,700
Citizens Clean Election Commission	0	0	5,500	5,500
Commerce Authority, Arizona	0	0	40,700	40,700
Constable Ethics Standards and Training Board	0	0	1,000	1,000
Contractors, Registrar of	0	42,900	2,700	45,600
Corporation Commission	1,200	64,200	0	65,400
Corrections, State Department of	5,851,000	0	0	5,851,000
Cosmetology, Board of	0	5,900	0	5,900
Criminal Justice Commission, AZ	0	1,500	7,600	9,100
Deaf & the Blind, AZ State Schools for the	244,200	0	120,900	365,100
Deaf and the Hard of Hearing, Commission for the	0	5,300	0	5,300
Dental Examiners, State Board of	0	3,600	0	3,600
Early Childhood Development & Health, AZ	0	0	45,700	45,700
Economic Security, Department of	1,980,400	633,300	2,723,000	5,336,700
Education, Department of	92,700	6,900	110,300	209,900
Emergency and Military Affairs, Department of	259,500	0	153,600	413,100
Environmental Quality, Department of	0	162,600	5,400	168,000
Equal Opportunity, Governor's Office of	1,300	0	0	1,300
Equalization, State Board of	3,400	0	0	3,400
Executive Clemency, Board of	4,000	0	0	4,000
Exposition & State Fair Board, AZ	0	218,400	0	218,400
Financial Institutions, Department of	13,200	0	0	13,200
Fire, Building, and Life Safety, Department of	18,300	0	0	18,300
Forester, State	0	0	36,300	36,300
Funeral Directors & Embalmers, State Board of	0	1,700	0	1,700
Game and Fish Department, Arizona	0	226,500	679,600	906,100
Gaming, Department of	0	23,800	0	23,800
Geological Survey, Arizona	0	0	11,100	11,100
Governor, Office of the	74,300	0	0	74,300
Governor's Office of Strategic Planning & Budgeting	6,100	0	0	6,100
Health Services, Department of	883,600	392,300	2,700	1,278,600
Historical Society, Arizona	82,100	0	0	82,100
Historical Society of AZ, Prescott	17,000	0	0	17,000
Homeland Security, AZ Department of	0	0	10,800	10,800
Homeopathic and Integrated Medicine Examiners, Board of	0	1,500	0	1,500
Housing, Arizona Department of	0	3,200	15,700	18,900
Independent Redistricting Commission	1,000	0	0	1,000
Indian Affairs, AZ Commission of	1,700	0	0	1,700
Industrial Commission of Arizona	0	13,000	105,600	118,600
Insurance, Department of	7,700	0	0	7,700
Judiciary - Supreme Court	5,800	5,900	164,700	176,400
Judiciary - Court of Appeals, Division I	35,200	0	0	35,200
Judiciary - Court of Appeals, Division II	10,200	0	0	10,200
Judiciary - Superior Court	68,200	69,800	1,889,600	2,027,600
Juvenile Corrections, Department of	505,600	26,000	0	531,600
Land Department, State	0	1,147,500	0	1,147,500
Law Enforcement Merit System Council	1,000	0	0	1,000
Legislature - Auditor General	51,400	0	0	51,400

FY 2012

Agency	General Fund	Other Appropriated Funds	Non-Appropriated Funds	Total
Legislature - House of Representatives	103,300	0	0	103,300
Legislature - Joint Legislative Budget Committee	7,800	0	0	7,800
Legislature - Legislative Council	10,900	0	0	10,900
Legislature - Senate	40,000	0	0	40,000
Liquor Licenses & Control, Department of	0	13,300	3,500	16,800
Lottery Commission, Arizona State	0	40,000	0	40,000
Medical Board, Arizona	0	213,800	0	213,800
Mine Inspector, State	36,900	0	10,600	47,500
Naturopathic Physicians Medical Board	0	3,200	0	3,200
Navigable Stream Adjudication Commission, AZ	1,000	0	0	1,000
Nursing, State Board of	0	12,900	0	12,900
Nursing Care Institution of Administrators and Assisted Living Facility Managers, Board of Examiners of	0	5,700	0	5,700
Occupational Therapy Examiners, Board of	0	1,500	0	1,500
Opticians, State Board of Dispensing	0	1,100	0	1,100
Optometry, State Board of	0	1,500	0	1,500
Osteopathic Examiners, AZ Board of	0	2,100	0	2,100
Parks Board, Arizona State	0	0	333,300	333,300
Personnel Board	0	1,100	0	1,100
Pest Management, Office of	0	9,100	0	9,100
Pharmacy, AZ State Board of	0	7,600	0	7,600
Physical Therapy Examiners, Board of	0	1,500	0	1,500
Pioneers' Home, AZ	0	78,000	0	78,000
Podiatry Examiners, State Board of	0	1,100	0	1,100
Postsecondary Education, Commission for	0	4,000	0	4,000
Power Authority, Arizona	0	0	17,200	17,200
Private Postsecondary Education, State Board for	0	2,400	0	2,400
Psychologist Examiners, State Board of	0	2,100	0	2,100
Public Safety, Department of	775,300	3,868,400	432,600	5,076,300
Public Safety Retirement System	0	10,600	0	10,600
Racing, Arizona Department of	13,800	0	0	13,800
Radiation Regulatory Agency	4,400	1,000	1,200	6,600
Real Estate Department, State	38,500	0	0	38,500
Residential Utility Consumer Office	0	2,300	0	2,300
Respiratory Care Examiners, Board of	0	1,700	0	1,700
Retirement System, Arizona State	0	195,700	0	195,700
Revenue, Department of	197,100	2,600	0	199,700
School Facilities Board	5,000	0	0	5,000
Secretary of State, Department of State	157,600	0	0	157,600
Tax Appeals, State Board of	1,300	0	0	1,300
Technical Registration, State Board of	0	7,200	0	7,200
Tourism, Office of	0	0	9,400	9,400
Transportation, Department of <sup>2/</sup>	0	16,753,200	20,600	16,773,800
Treasurer, State	0	19,000	0	19,000
Universities - Regents, Arizona Board of	0	0	9,600	9,600
University - Arizona State University - Tempe/DPC	2,275,400	2,545,100	2,675,500	7,496,000
University - Arizona State University - East Campus	152,600	216,700	62,900	432,200
University - Arizona State University - West Campus	334,500	223,900	44,900	603,300
University - Northern Arizona University	1,046,900	681,100	1,012,300	2,740,300
University - University of Arizona - Main Campus	2,553,100	2,292,300	4,473,900	9,319,300
University - University of Arizona - Health Sciences Center	637,500	179,700	1,616,500	2,433,700
Veterans' Services, Department of	46,200	339,300	3,100	388,600
Veterinary Medical Examining Board, AZ. State	0	2,100	0	2,100
Water Resources, Department of	0	70,300	0	70,300
Weights and Measures, Department of	3,400	10,300	0	13,700
<b>GRAND TOTAL</b>	<b>\$19,569,100</b>	<b>\$32,426,300</b>	<b>\$17,303,500</b>	<b>\$69,298,900</b>

<sup>1/</sup> Total charges reflect the Arizona Department of Administration billed amounts with the exception of the Arizona Department of Transportation (ADOT).

<sup>2/</sup> A General Appropriation Act footnote requires ADOT to pay risk management charges of \$16,773,800.

**BUDGET RECONCILIATION BILLS**



## **FY 2012 BUDGET RECONCILIATION BILLS (BRB)**

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## FY 2012 BUDGET RECONCILIATION BILLS (BRB)

### CONSOLIDATION - CHAPTER 27 (SB 1615)

	<u>Section</u>
1. As permanent law, transfer the functions of the Government Information Technology Agency to the Arizona Department of Administration (ADOA).	2,3,4,15, 23,27,38, 39,41-55, 57
2. As permanent law, transfer the non-museum functions of the Department of Mines and Minerals into the Arizona Geological Survey and delete an annual report. Eliminate the Department of Mines and Mineral Resources Board of Governors.	7-13,24, 33,40,42, 58
3. As session law, transfer \$32,200 from the Mines and Minerals Fund to the Arizona Historical Society Revolving Fund to help operate the Arizona Centennial Museum. Transfer remaining monies to Geological Survey Fund.	60
4. As permanent law, transfer the functions of ADOA Capitol Police to the Department of Public Safety.	1,5,6,14, 25,26,28, 31,32, 34-37,56
5. As permanent law, clarify that the State Library buildings are under the control of the Executive Branch. Requires Secretary of State Rosenbaum Building and Records Retention Center to pay state building rent starting in FY 2013.	29,30,35
6. As permanent law, transfer the functions of the Biomedical Research Commission to the Department of Health Services (DHS). Transfer the powers and duties of the Commission to DHS.	16-22,59
7. Makes bill effective retroactive to from and after June 30, 2011.	61

### BUDGET PROCEDURES - CHAPTER 26 (SB 1614)

#### Statewide

8. As session law, require the Governor's Office of Economic Recovery to report quarterly on the use of discretionary funds from the American Recovery and Reinvestment Act (ARRA). Requires the report to outline allocations made to several commerce, education and public safety programs.	9
9. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.	10
10. As permanent law, continue to allow agencies to implement a furlough and direct ADOA to prescribe implementation procedures. As session law, exempt ADOA from rulemaking requirements for the purpose of prescribing furlough procedures.	6,14
11. As session law, eliminate 1 of 6 previously enacted furlough days in FY 2011, and eliminate all 6 furlough days that were scheduled to occur in FY 2012.	7
12. As session law, notwithstanding A.R.S. § 35-121 to permit annual budgets for all departments.	12
13. As session law, continue to require that any non-lapsing monies appropriated from the General Fund that remain unexpended or unencumbered at the close of FY 2012 to be counted as part of the closing General Fund balance.	13
14. As session law, change the FY 2012 Capital Outlay Stabilization Fund (COSF) rental rate charged by ADOA from \$21.02/square foot to \$15.08/square foot for office space and from \$7.62/square foot to \$5.47/square foot for storage space.	11
15. As permanent law, change the employee/employer contribution split for the Arizona State Retirement System from 50/50 to 53/47. As session law, transfer to the General Fund the savings from the reduction in the employer share of retirement costs for all state, university, school district and charter school employees.	2-5,8
16. As permanent law, require that state employees hired after the effective date must work regularly for at least 90 days to be eligible for state employee benefits, and must work regularly for at least 6 months to become a member of the Arizona State Retirement System.	1

## CRIMINAL JUSTICE - CHAPTER 33 (SB 1621)

### Attorney General - Department of Law

17. As session law, raise the non-lapsing cap for the Collections Enforcement Fund from \$100,000 to \$500,000. 31

### State Capital Postconviction Public Defender Office

18. As permanent law, exempt the agency from the Attorney General Pro Rata charge. 12

### State Department of Corrections

19. As session law, continue to require the department to report actual FY 2011, estimated FY 2012, and requested FY 2013 expenditures as delineated in the prior year when the department submits its FY 2013 budget request pursuant to A.R.S. § 35-113. 22
20. As permanent law, establish new Building Renewal Fund in the Department of Corrections (ADC). Permit up to 8% of the funds to be used for preventative maintenance. Permit the ADC Director to charge an inmate visitor's fee to all visitors 18 years or older and to set a fee for deposits into inmates' personal accounts and to direct those revenues into the new fund. Specify yearly transfers from 4 department funds into the new fund. 11,13,14, 15,16,18
21. As permanent law, require that persons convicted of a crime after July 1, 2012 and receiving a sentence of less than 1 year at the department to serve that sentence in county jails. If convicted prior to July 2012, that category of inmates would serve the remainder of their term at ADC and counties would reimburse the state for those costs. As session law, require county sheriffs to notify the department by February 1, 2012 if they plan to house prisoners. As session law, require department to present plan on FY 2013 budget savings from reduced bed usage and marginal costs to JLBC by March 1, 2012. 1,5,7, 8,9,10, 17,25,29, 32
22. As session law, allow 3 ADC special funds to be used for general operations. 30

### Board of Executive Clemency

23. As session law, continue to limit members of the Board of Executive Clemency, excluding the Chairman, from working more than 30 hours per week and restrict them from being eligible for paid leave or any other benefits provided to state employees. 26

### Judiciary

24. 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. 24
25. As permanent law, repeal A.R.S. § 12-270, which requires the Legislature to annually appropriate 40% of any cost savings related to a reduction in probation revocations, to be deposited in the Adult Probation Services Fund of each county if there is a reduction in the percentage of supervised probationers who are convicted of new felony offenses. In prior years, this provision had been suspended annually in session law. 3,4
26. 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. 25
27. As session law, suspend the requirement of 50% reimbursement to counties for grand jury expenses and for state-funded representation of indigent defendants in first-time capital post conviction relief proceedings and reimburse only the amount provided in the General Appropriation Act. 27
28. As permanent law, allow Supreme Court justices to receive travel and per diem reimbursement if they permanently live outside of Maricopa County. 2

### Department of Public Safety

29. As session law, continue to suspend the schedule established by A.R.S. § 28-6537 and A.R.S. § 28-6993 governing the level of Highway User Revenue Fund and State Highway Fund revenues available to fund DPS's Highway Patrol costs. 23
30. As session law, continue to reduce the Laws 2007, Chapter 261 advance appropriation of \$3,520,000 from the DNA Identification System Fund to \$980,000 in FY 2012. These monies were originally appropriated to fund the operating costs of expanded testing provisions and the design and construction of an expanded crime lab in Phoenix. 21
31. Shift language governing the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) local enforcement grants from a General Appropriation Act footnote to permanent law. Monies deposited in 20

the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Allocates the first \$1,600,000 to the Maricopa County Sheriff's Office and the next \$500,000 to the Pinal County Sheriff's Office. Monies given to Sheriffs' Offices do not require further approval by the county board of supervisors. Remaining monies may be used for agreements with cities, counties and other entities at a 3:1 match rate. Excludes Maricopa and Pinal Counties from the matching requirements. Excludes Pima County officials from receiving funding. (This Pima exclusion was repealed in Laws 2011, Chapter 308). Requires contracting law enforcement agencies to verify legal status of suspected illegal aliens and gang members. Requires expenditure reporting to JLBC for any expenditures not previously identified.

- 32. As permanent law, allow the Public Safety Equipment Fund to be used for vehicles. 19

**State Treasurer**

- 33. As permanent law, fund the state share of Justice of the Peace salaries at 19.25% in FY 2012. In prior years, this provision had been suspended annually in session law. 6

**ENVIRONMENT - CHAPTER 36 (SB 1624)**

**Arizona Department of Agriculture**

- 34. As session law, permit the Director, upon recommendation from the Agricultural Advisory Council, to continue to allow special fee authority in FY 2012. The bill includes an intent clause that limits additional revenues up to \$218,000 to the General Fund, \$113,000 to the Pesticide Fund and \$26,000 to the Dangerous Plants, Pests and Diseases Fund. 6

**Department of Environmental Quality**

- 35. As session law, continue to suspend the Underground Storage Tank Revolving Fund Assurance Account administrative cap for FY 2012 to allow the department to utilize up to \$6,531,000 for program operating costs. 5
- 36. As session law, continue to decrease the General Fund appropriation to the Water Quality Assurance Revolving Fund from \$15,000,000 to \$7,000,000. 12
- 37. As session law, suspend the requirement that monies in the Water Quality Fee Fund be held in trust. 11
- 38. As permanent law, correct a cross reference relating to federal regulations on emergency hazardous substances. 1

**State Land Department**

- 39. As session law, allow \$9,888,400 be appropriated to the State Land Department from Risk Management if, by court order, the department is required to cease any expenditures from the Trust Land Management Fund. 10

**AZ Navigable Stream Adjudication Commission**

- 40. As session law, allow up to \$80,000 from the Risk Management Revolving Fund to be spent for the commission's unpaid legal obligations. 10

**Arizona State Parks Board**

- 41. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs. 4
- 42. As session law, continue to allow State Parks Enhancement Fund monies to be used for the operation of state parks as appropriated by the Legislature or for capital needs as approved by the Joint Committee on Capital Review in FY 2012. 9
- 43. As session law, allow the use of Law Enforcement Boating Safety Fund monies for Parks Board operations and \$750,000 for law enforcement grants in Mohave, La Paz and Yuma Counties in FY 2012. 8

**Department of Water Resources**

- 44. As permanent law, eliminate the statutory \$5,000,000 transfer from the General Fund to the Water Protection Fund. In prior years, this provision had been suspended annually in session law. 3
- 45. As permanent law, continue to allow the department special user fee authority and to establish a new fee on cities. The bill adds an intent clause that limits additional revenues to \$7,000,000. 2,7

## GENERAL GOVERNMENT - CHAPTER 34 (SB 1622)

### Arizona Department of Administration

46. As permanent law, allow ADOA to use 8% of its annual building renewal appropriation for routine preventative maintenance. 3,4
47. As permanent law, shift the Office of Employment and Population Statistics from the Department of Commerce to the Department of Administration and create the office in statute. 2

### Department of Emergency and Military Affairs

48. As permanent law, eliminate the \$4,825,000 General Fund appropriation to the Military Installation Fund. In prior years, this reduction was set at \$2,800,000 and was suspended annually in session law. 1
49. As session law, continue the \$(1,100,000) reduction to the Governor's Emergency Fund deposit in FY 2012. 7

### Department of Housing

50. As permanent law, extends the termination date for the Department of Housing by 1 year to July 1, 2012. 5,6,9

### Legislature - Legislative Council

51. As session law, allow half of unspent Rosenbaum building appropriation monies to be used for the maintenance, repair, and operation of legislative buildings and allow other half to be deposited into the Capital Outlay Stabilization Fund. 8

## HEALTH - CHAPTER 31 (SB 1619)

### Arizona Department of Administration

52. As session law, continue to prohibit implementation of a differentiated health insurance premium in FY 2012 based on the integrated or non-integrated status of the provider. 22
53. As permanent law, eliminate the requirement that state agencies transfer all their state employee health insurance appropriation to the ADOA self-insurance pool at the beginning of the fiscal year. Agencies will instead pay their actual costs throughout the year. 16

### AHCCCS

#### *Rates and Services*

54. As permanent law, eliminates the requirement to make outlier payments for inpatient hospital services. 11
55. As session law, prohibit increases in institutional and non-institutional provider rates in the contract year beginning October 1, 2011. Allow Arizona Health Care Cost Containment System (AHCCCS) to reduce institutional and non-institutional rates up to 5% in contract year beginning October 1, 2011. 31,32
56. As session law, set AHCCCS ambulance reimbursement rates at 72.2% of the DHS approved rates from April 1, 2011 to September 30, 2011. Allow AHCCCS to reduce these rates an additional (5)% from October 1, 2011 to September 30, 2012. Prohibit AHCCCS from recognizing DHS rate increases from July 2, 2011 to September 30, 2011. 29
57. As session law, continue the FY 2010 risk contingency rate reduction for all managed care organizations. Continue to impose a reduction on funding for all managed care organizations administrative funding levels. 30
58. As permanent law, eliminate non-emergency transportation as a covered service, except for stretcher vans and ambulances, subject to the approval of the federal government. 13

#### *Counties*

59. As session law, set FY 2012 county Arizona Long Term Care System (ALTCS) contributions at \$251,732,900. 19
60. As session law, revise FY 2011 County ALTCS contributions to \$192,878,000. 18
61. As session law, require counties to contribute proportionally if the cost of the ALTCS program is greater than \$1,242,309,200 in FY 2011 or greater than the amount specified in the General Appropriation Act in FY 2012. 18,19
62. As session law, set the County Acute Care contribution at \$48,605,300. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328. 26
63. As session law, require AHCCCS to transfer any excess monies back to the counties by December 31, 2012 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act. 24

64.	As session law, require the collection of \$2,646,200 in the Disproportionate Uncompensated Care pool contributions from counties other than Maricopa. Exclude these contributions from county expenditure limitations.	27
65.	As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations.	28
<i>Hospitals</i>		
66.	As session law, continue to permit local governments, tribal governments, and universities to contribute state match monies for disproportionate share hospital payments in FY 2011 and FY 2012.	23
67.	As session law, establish FY 2012 disproportionate share distributions to the Maricopa County Hospital District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center.	23
<i>Available Funding</i>		
68.	Notwithstanding any other law, AHCCCS is authorized to adopt rules necessary to implement a program within the available appropriation including changes to services, eligibility, and rates.	34
69.	If the federal government does not approve the state's Section 1115 waiver, it is the intent of the legislature that AHCCCS will implement a program within its available appropriation. Further directs AHCCCS to implement prescribed copays, premiums, and non-emergency transportation provisions included in this act.	38
70.	As session law, state that it is legislative intent that transplant coverage eliminated on October 1, 2010 be funded.	38
<i>Erroneous Payments</i>		
71.	As session law, continue to state that it is the intent of the Legislature that AHCCCS comply with the Federal False Claims Act, achieve the maximum savings as possible under the federal act, and continue to consider best available technologies to consider fraud.	36
72.	As session law, require AHCCCS to release a Request for Information (RFI) by August 1, 2011 to reduce erroneous and fraudulent payments. The proposal may address improving the verification of provider and applicant identification. Based on the responses, AHCCCS shall issue an RFP by October 1, 2011. Before release, the RFP shall be reviewed by the JLBC. AHCCCS shall award the contract by January 1, 2012.	25
73.	As session law, permit AHCCCS to recover erroneous Medicare payments made due to errors by the federal Social Security Administration. Any credits received may be used to pay for the AHCCCS program in the year they are received.	33
<i>Cost Sharing</i>		
74.	As permanent law, subject to the approval of the federal government, implement the following cost sharing measures for AHCCCS recipients beginning on July 1, 2011: <ul style="list-style-type: none"> <li>• A monthly premium of \$15 (not to exceed \$60 per household)</li> <li>• \$5 co-pay for a physician visit</li> <li>• \$10 co-pay for an urgent care visit</li> <li>• \$30 co-pay for an emergency department visit</li> </ul>	11
<i>Other</i>		
75.	As permanent law, establish the Prescription Drug Rebate Fund as a partially-appropriated fund. The fund will be used for program administration and the state share of prescription drug rebates. Retroactive to March 1, 2011.	14,40
76.	As permanent law, transfer the Children's Rehabilitative Services program from DHS to AHCCCS on July 1, 2011.	1-6,8-9, 12,15,17, 39,40
77.	As permanent law, clarify that AHCCCS redeterminations shall occur at least annually.	10
<b>Department of Health Services</b>		
78.	As session law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment in FY 2012. Allows counties to use any source of county revenue to make the transfers.	21
79.	As session law, require counties to pay 50% (rather than 25%) of the cost of treatment and confinement for sexually violent persons. Allows counties to use any source of county revenue to make the transfers and exempts county contributions from county expenditure limitations.	20
80.	As permanent law, make the following revisions to the Vital Records program: <ul style="list-style-type: none"> <li>• Remove existing fee caps and allow the DHS Director to set fees, including a fee that counties must pay for access to the agency's vital records electronic system. Include an intent clause that limits total revenues to \$4,539,000;</li> <li>• Requires that for the first \$4,000,000 of revenue, 85% will be deposited into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund;</li> <li>• Requires that for any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic</li> </ul>	7,35,37

- System Fund and 60% will be deposited into the General Fund;
- Exempts DHS from rulemaking requirements to make these changes.

## HIGHER EDUCATION - CHAPTER 30 (SB 1618)

### Arizona Community Colleges

- |  |   |
|--|---|
| 81. As session law, continue to suspend capital outlay funding for FY 2012.  | 5 |
| 82. As session law, continue to notwithstanding the 20% cap to the community college districts' ability to use capital outlay monies for operating.  | 6 |
| 83. As permanent law, allow a community college district board to delegate the authority to execute leases exceeding \$100,000 per year.   | 1 |
| 84. As permanent law, eliminates the annual requirement to submit a workforce development plan to the Department of Commerce.  | 2 |
| 85. As permanent law, eliminate the annual reporting requirements submitted to the Center for Vocational Education.  | 4 |
| 86. As session law, notwithstanding the operating state aid formula in FY 2012, and specify that the appropriations for operating state aid shall be as provided in the General Appropriation Act. | 7 |

### Board of Medical Student Loans

- |  |   |
|--|---|
| 87. As session law, continue to suspend the requirement that at least 50% of loan monies be apportioned for students attending private medical schools retroactive to June 30, 2011. | 8 |
|--|---|

### Universities

- |   |    |
|---|----|
| 88. As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into Arizona Financial Aid Trust (AFAT).  | 9  |
| 89. As permanent law, require the universities to annually report graduation rates and retention rates by campus.   | 3  |
| 90. As session law, require the Arizona Board of Regents and the 3 public universities to collaborate and recommend a funding structure that includes performance and outcome based funding, a student centered financial aid model and a method that addresses the issue of per student funding disparities. | 10 |

## K-12 EDUCATION - CHAPTER 29 (SB 1617)

### Department of Education

#### Formula Requirements

- |   |        |
|---|--------|
| 91. As permanent law, increase by 0.9% the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school "Additional Assistance amounts prescribed in A.R.S. § 15-185B4. | 1,2,17 |
| 92. As permanent law, maintain at \$3,267.72 for FY 2012 the per pupil "base level" amount prescribed in A.R.S. § 15-901B2 (unchanged from FY 2011).  | 10,11  |

#### Funding Formula Changes

- |  |          |
|--|----------|
| 93. As session law, reduce school districts' Soft Capital funding by \$188,120,700, which is \$23,000,000 above the FY 2011 reduction of \$165,120,700. As session law, reduce Soft Capital funding to school districts that do not receive state aid for FY 2012 by the amount that would be reduced if they did qualify for state aid for FY 2012. | 23       |
| 94. As session law, continue to reduce charter school Additional Assistance funding below the level that otherwise would be funded pursuant to A.R.S. § 15-185B4. (The FY 2012 reduction is \$7,656,000 more than the FY 2011 reduction of \$10,000,000.)  | 21       |
| 95. As session law, reduce school district's Capital Outlay Revenue Limit (CORL) funding by \$(63,864,800). As session law, reduce CORL funding to school districts that do not receive state aid for FY 2012 by the amount that would be reduced if they did qualify for state aid for FY 2012.   | 28       |
| 96. As session law, cap total combined Soft Capital and CORL reductions for school districts with a student count of fewer than 1,100 pupils at \$5,000,000.   | 29       |
| 97. As permanent law, phase out Career Ladder funding over 5 years starting in FY 2012 (phasing out state funding first) and continue to limit the program only to teachers who participated in the prior year.  | 14,31,32 |
| 98. As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2012 at 91% of the formula requirement.   | 22       |
| 99. As permanent law, prohibit JTEDs from including 9 <sup>th</sup> graders in their Average Daily Membership (ADM) counts.  | 7,8      |

100. As permanent law, repeal the “Utilities Cost” funding formula. In prior years, this provision had been suspended annually in session law.	12,13,15, 16,18,19
101. As permanent law, repeal the teacher performance pay system in A.R.S. § 15-977G3. <i>Education Learning and Accountability Fund</i>	20
102. As permanent law, establish an Education Learning and Accountability Fund to receive monies for information technology improvements authorized by A.R.S. § 15-249 and make those monies subject to JLBC review requirements prescribed by that law.	6
103. As session law, require community colleges and universities to transfer \$6 per pupil on a one-time basis to ADE by December 1, 2011 for deposit into the fund.	30
104. As permanent law, replace current language regarding information technology improvements. <i>Other</i>	4,5
105. As session law, continue to suspend new funding for the early graduation program, but continue to fund existing students with available fund balances.	24
106. As session law, continue to suspend the annual AIMS Intervention and Dropout Prevention performance audit for FY 2012.	25
107. As permanent law, repeal the biennial Special Education Cost Study.	3,9

**School Facilities Board**

108. As session law, continue to prohibit the School Facilities Board (SFB) from authorizing or awarding funding for the design or construction of any new school facility or for school site acquisition. Continue to require school districts to submit capital plans during FY 2012 and permit SFB to review and award new school facilities, subject to future appropriations.	26
109. As session law, continue to suspend the Building Renewal Fund formula for FY 2012.	27

**REGULATION - CHAPTER 35 (SB I623)**

**Office of Administrative Hearings**

110. As session law, continue to suspend the requirement that the office hear appealed actions and contested cases within 60 days of the filing.	9
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**Registrar of Contractors**

111. As session law, continue to allow 14% of prior fiscal year revenues from the Residential Contractors’ Recovery Fund to be used for employee and contracted services, equipment, and for operational costs, rather than 10% of the fund balance.	8
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**Department of Insurance**

112. As session law, continue to notwithstanding the requirement for the Department of Insurance to recover at least 95% but not more than 110% of the department’s appropriated budget.	7
113. As session law, amend Laws 2009, 1 <sup>st</sup> Regular Session, Chapter 1 to make the appropriation of \$4,659,666 to the Arizona Property and Casualty Insurance Guaranty Fund and \$5,204,466 to the Life and Disability Guaranty Fund in each of FY 2012 - 2014 contingent upon the \$13,991,900 and \$15,620,200 transfers from those funds to the General Fund authorized by Laws 2009, 1 <sup>st</sup> Special Session, Chapter 1 occurring.	6

**Department of Racing**

114. As permanent law, establish a Racing Regulation Fund, which shall consist of increased or new fees and assessments of the Department of Racing and the Boxing Commission. The assessments may be paid from pari-mutuel deposits. The bill adds an intent clause that fees be sufficient to support the mission of the Department of Racing up to \$1,042,000 in FY 2012 and \$2,062,000 beginning in FY 2013.	1-5,10
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**REVENUES - CHAPTER 28 (SB I616)**

**Arizona Department of Housing**

115. As permanent law, revise deposit of \$10,500,000 in unclaimed property revenues to the Housing Trust Fund to \$4,500,000. Of that amount, \$2,000,000 is deposited to DHS Seriously Mentally Ill housing projects. The remaining \$6,000,000 would instead be deposited to the General Fund.	4,6
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**Radiation Regulatory Agency**

116. As permanent law, create the appropriated Radiation Regulatory Fee Authority Fund, and deposit the \$500,000 of increased fees previously authorized by the Legislature. 3

**Department of Revenue**

117. As permanent law, remove the exemption from lapsing from the Administrative Services Fund. 5

**Department of Transportation**

118. As permanent 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. 2

119. As session law, hold 10 smallest counties harmless for the shift of Motor Vehicle Division (MVD) funding from State Highway Fund to Highway User Revenue Fund (HURF) in FY 2012. 10

**Revenues**

120. As session law, continue the FY 2011 fee raising authority in FY 2012 for the Radiation Regulatory Agency and the Office of Pest Management. The bill adds an intent clause that limits additional revenues to \$500,000 for the Radiation Regulatory Agency, and \$525,000 for the Office of Pest Management. 7

121. As session law, require Maricopa County to transfer \$26,384,500, Pima County to transfer \$6,775,700, Pinal County to transfer \$2,597,400, Mohave to transfer \$1,383,700, and Yavapai County to transfer \$1,458,700 into the General Fund, for a total transfer of \$38,600,000. Exempt these contributions from county expenditure limitations. Allows counties to use any source of county revenue to make the transfers. 8

122. As permanent law, change the state’s payment of debt service on the Phoenix Civic Center to match the actual debt service schedule. 1

123. As session law, notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund. 9

124. Authorizes a tax recovery program in September 2011. 11

**WELFARE - CHAPTER 32 (SB 1620)**

**Department of Economic Security**

125. As session law, continue to require recipients of Temporary Assistance for Needy Families (TANF) Cash Benefits to pass a drug test in order to be eligible for benefits if the Department of Economic Security (DES) has reasonable cause to believe that the recipient uses illegal drugs. 3

126. As permanent law, reduce the maximum period of eligibility for TANF Cash Benefits from 3 years to 2 years. 1

127. As session law, continue to permit DES to reduce income eligibility levels for all child care programs. Require DES to report to JLBC within 15 days of any change in levels. 2

**GENERAL APPROPRIATION ACT PROVISIONS - CHAPTER 24 (SB 1612)**

**Department of Administration**

128. As session law, includes an intent statement that the department offer an enhanced Health Savings Account (HSA) option to state employees and report on the employer contribution savings associated with the HSA option. 139

129. Authorize ADOA to pay the federal government for any obligations related to the transfer of Health Insurance Trust Fund monies to the General Fund. 131

**AHCCCS**

130. As session law, continue to defer \$344,201,700 in capitation payments for FY 2012 until FY 2013. Appropriate \$344,344,800 in FY 2013 for these deferred payments, including interest. Allow AHCCCS to pay the health plans no later than July 31, 2012. 130

**Department of Economic Security**

131. As session law, reduce the FY 2011 payment deferral to providers from \$42,000,000 to \$35,000,000 as part of the reduction in overall child care spending. 1

132. As session law, continue the FY 2011 \$35,000,000 payment deferral to providers from FY 2012 to FY 2013. Appropriate \$35,000,000 in FY 2013 for these deferred payments. 132

**Department of Education**

- 133. As session law, continue to defer \$952,627,700 in Basic State Aid payments for FY 2012 until FY 2013. 133  
Appropriate \$952,627,700 in FY 2013 for these deferred Basic State Aid payments. Allow the State Board of Education to make the rollover payment no later than August 29, 2012.
- 134. As session law, continue to require school districts to include in the FY 2012 revenue estimates that they use 133  
for computing their FY 2012 tax rates the rollover monies that they will receive for FY 2012 in July or August 2012.
- 135. As session law, require ADE to reduce Basic State Aid funding to school districts and charter schools on a 124  
pro rata basis for FY 2011 in order to offset any FY 2011 state aid shortfall and reduce school district budget limits accordingly. As session law, permit school districts and charter schools to use federal Education Jobs Fund monies in order to offset this reduction.
- 136. As session law, reduce CORL funding to school districts by an additional \$35,000,000 and allow school 125  
districts to use federal Education Jobs Fund monies in order to offset this reduction.

**Department of Health Services**

- 137. As session law, appropriate \$400,000 from the Nursing Care Institution Resident Protection Fund in 45  
FY 2012 for improving operations of licensed participating nursing care institution facilities, subject to JLBC approval.

**Universities**

- 138. As session law, continue the FY 2011 \$200,000,000 universitywide payment deferral to the universities 134  
from FY 2012 to FY 2013. Appropriate \$200,000,000 in FY 2013 for these deferred payments.

**FY 2011  
GENERAL FUND ADJUSTMENTS**

## FY 2011 GENERAL FUND ADJUSTMENTS

	<u>FY 2010 Actual</u>	<u>FY 2011 Original</u>	<u>1/</u> <u>Baseline Adjustments</u>	<u>2/</u> <u>FY 2011 JLBC Baseline</u>	<u>Session Changes</u>	<u>FY 2011 Enacted</u>
<b>REVENUES</b>						
Ongoing Revenues	\$6,925,892,100	\$7,330,000,900	\$51,695,400	\$7,381,696,300	\$30,000,000	\$7,411,696,300
1¢ Sales Tax		918,000,000	(103,243,700)	814,756,300	10,000,000	824,756,300
First Things First Redirect - Nov. Ballot		60,000,000	3/ (60,000,000)			
Urban Revenue Sharing	(628,644,600)	(473,986,800)	(19,700)	(474,006,500)		(474,006,500)
Net On-going Revenues	\$6,297,247,500	\$7,834,014,100	(\$111,568,000)	\$7,722,446,100	\$40,000,000	\$7,762,446,100
One-time Financing Sources						
Balance Forward	(\$480,713,000)	\$48,317,600	(\$54,040,600)	(\$5,723,000)		(5,723,000)
Budget Legislation Changes	154,720,000	32,644,000	(34,600,000) 4/	(1,956,000)		(1,956,000)
State Asset Leaseback/Lottery	1,485,419,300					
Fund Transfers - November Ballot		448,538,600	3/ (448,538,600)			
Fund Transfers	387,085,500	195,342,900		195,342,900	51,948,900	247,291,800
Subtotal One-time Revenues	\$1,546,511,800	\$724,843,100	(\$537,179,200)	\$187,663,900	\$51,948,900	\$239,612,800
<b>Total Revenues</b>	<b>\$7,843,759,300</b>	<b>\$8,558,857,200</b>	<b>(\$648,747,200)</b>	<b>\$7,910,110,000</b>	<b>\$91,948,900</b>	<b>\$8,002,058,900</b>
<b>EXPENDITURES</b>						
Operating Budget Appropriations	\$9,778,462,700	\$9,524,317,500	3,100	9,524,320,600	(119,269,500)	9,405,051,100
FY 2011 Baseline Adjustments			(6,441,600)	(6,441,600)		(6,441,600)
First Things First/DES Redirect - Nov. Ballot		40,000,000	3/ (40,000,000)			
Administrative Adjustments	38,692,000	73,607,000	4,393,000	78,000,000		78,000,000
Reversions	(118,635,200)	(112,905,100)		(112,905,100)		(112,905,100)
Subtotal Ongoing Expenditures	\$9,698,519,500	\$9,525,019,400	(\$42,045,500)	\$9,482,973,900	(\$119,269,500)	\$9,363,704,400
One-time Expenditures						
Capital Outlay	\$10,400,000	\$4,000,000		4,000,000		4,000,000
Capital Outlay Prior Year Reversions	(450,000)					
Statutory Reversions	(6,735,400)					
Temporary Federal Assistance	(1,339,189,500)	(973,385,200)		(973,385,200)		(973,385,200)
SFB Debt Refinance		(60,000,000)		(60,000,000)		(60,000,000)
New Payment Deferrals	(584,889,100)					
Subtotal One-time Expenditures	(\$1,920,864,000)	(\$1,029,385,200)	\$0	(\$1,029,385,200)	\$0	(\$1,029,385,200)
<b>Total Expenditures</b>	<b>\$7,777,655,500</b>	<b>\$8,495,634,200</b>	<b>(\$42,045,500)</b>	<b>\$8,453,588,700</b>	<b>(\$119,269,500)</b>	<b>\$8,334,319,200</b>
<b>Adjustments</b>	<b>(71,826,800)</b>					
<b>Ending Balance 2/</b>	<b>(\$5,723,000)</b>	<b>\$63,223,000</b>	<b>(\$606,701,700)</b>	<b>(\$543,478,700)</b>	<b>\$211,218,400</b>	<b>(\$332,260,300)</b>
Structural Balance (with 1¢ TPT Increase) 5/	(\$3,401,272,000)	(\$1,691,005,300)	(\$69,522,500)	(\$1,760,527,800)	\$159,269,500	(\$1,601,258,300)
Structural Balance (without 1¢ TPT Increase) 5/	(\$3,401,272,000)	(\$2,609,005,300)	\$33,721,200	(\$2,575,284,100)	\$149,269,500	(\$2,426,014,600)

1/ Reflects the FY 2011 budget as published in the *FY 2011 Appropriations Report*.

2/ Reflects forecast adjustments to revenue, failure of ballot propositions and other technical adjustments.

3/ Net impact of \$468,538,600.

4/ The \$34.6 million in county cash contributions has been shifted to ongoing revenues.

5/ This calculation reflects the difference between ongoing total revenues and total expenditures.

## FY 2011 GENERAL FUND ADJUSTMENTS

**FY 2011 Budget Revision** — The preceding chart illustrates the changes to the FY 2011 budget from the publication of the *FY 2011 Appropriations Report* in May 2010 (incorporating changes through the 49<sup>th</sup> Legislature, 8th Special Session) to the current estimate in this *FY 2012 Appropriations Report*. The chart includes the projected FY 2011 mid-year budget shortfall and the changes from the passage of bills in the 1<sup>st</sup> Regular Session of the 50<sup>th</sup> Legislature addressing the FY 2011 budget.

**Original Budget Estimate** — At the time of the publication of the *FY 2011 Appropriations Report* in May 2010, the FY 2011 budget was expected to have a \$63 million surplus.

**November General Election** — The enacted FY 2011 budget presumed the passage at the November 2010 general election of 2 ballot measures that would have transferred fund balances from the Early Childhood Development and Health Board and the Land Conservation Fund to the General Fund. The failure of the 2 measures created a \$(469) million shortfall.

**Mid-Year Shortfall** — The failure of the budget measures along with other changes led to the state’s projected FY 2011 \$63 million budget surplus becoming a shortfall of \$(543) million. The components of this \$(607) million shift were as follows:

	<u>(\$ in M)</u>
• November Election Ballot Measures	\$(469)
• Decline in FY 2011 Revenues	(86)
• Decline in FY 2010 Carry-Forward	(54)
• Estimated Net Spending Decline	6
• Technical Adjustments	<u>(4)</u>
<b>Total</b>	<b><u>\$(607)</u></b>

While the revenue declines of previous years ended in FY 2011 as compared to FY 2010, revenue growth was not as strong as originally budgeted. While the enacted FY 2011 budget was based on a 5.1% base revenue increase and the revised baseline increased that to 5.2%, the base growth rate did not include the 1-cent sales tax proceeds approved by the voters in May 2010. Those collections had not generated as much as anticipated; the enacted budget projected \$918 million of revenues while the revised forecast projected revenues of \$815 million (later revised to \$825 million). That decline, offset by the small base revenue adjustment yielded the net \$(86) million forecasted revenue decline.

In addition, rather than a \$48 million surplus, the final FY 2010 carry-forward ended up being a \$(6) million shortfall, or \$(54) million less than originally budgeted.

The estimated net spending decline of \$6 million was the result of a \$(6) million Arizona Health Care Cost Containment System (AHCCCS) projected shortfall and a \$12 million Department of Economic Security (DES) projected surplus.

These adjustments are comparable to the \$(531) million shortfall discussed in the *FY 2012 Baseline Book*, which was restated to shift \$13 million of savings associated with an April 1, 2011 Medicaid provider rate reduction out of the Baseline.

**1<sup>st</sup> Regular Session** — Laws 2010, Chapter 246 appropriated \$68,700 from the General Fund to the Arizona Department of Administration for “named claimants” legislation, which pays bills submitted to state agencies after the administrative adjustments period.

The solutions generated in the 1<sup>st</sup> Regular Session totaled \$211 million, allocated as follows:

<u>Mid-Year FY 2011 Solutions</u>	<u>(\$ in M)</u>
• Higher Revenue Estimates	\$40
• New Fund Transfers	52
• New Budget Reductions	<u>119</u>
<b>Total</b>	<b><u>\$211</u></b>

The final FY 2011 budget further revised the base revenue growth from 5.2% to 5.6%, or \$40 million above the January forecast (*please see the General Fund Revenue section*). The revised budget also added \$52 million in new fund transfers, the largest of which was \$30 million from the DES Long Term Care System Fund (*please see the Fund Transfers section*). Finally, the budget added \$(119) million in new budget reductions, including \$(68) million in AHCCCS, \$(31) million in DES, and \$(10) million in the Department of Corrections (*see individual agency narratives and Detailed List of General Fund Changes by Agency*).

The \$(543) million shortfall figure exceeds these \$211 million of solutions by \$332 million. As a result, the projected FY 2011 carry-forward shortfall into FY 2012 is \$(332) million. This shortfall is addressed as part of the FY 2012 budget; after addressing both the FY 2011 carry-forward shortfall and the new FY 2012 shortfall, the FY 2012 budget assumes an ending balance of \$14 million.

**Final Summary** — Subsequent to the publication of the *FY 2011 Appropriations Report*, the JLBC Staff published a Comprehensive Budget Solutions document which outlined \$2.7 billion in budget solutions for the FY 2011 budget. These solutions addressed the original Baseline FY 2011 shortfall of \$(2.6) billion, and with other changes produced the \$63 million surplus described above. A

summary of the solutions as presented in the Comprehensive Budget Solutions document is as follows:

<b><u>Full Year FY 2011 Solutions</u></b>	<b><u>(\$ in M)</u></b>
<b><u>Permanent Changes</u></b>	
• Reduced Ongoing Expenditures	\$ 427
• Increased Permanent Revenues	140
• 1-cent Sales Tax	918
<b><u>One-Time Changes</u></b>	
• Temporary Federal Assistance	495
• Debt and Lease-Purchase Financing	60
• Fund Transfers	644
• Other One-Time Revenues	<u>29</u>
<b>Total</b>	<b>\$2,714</b>

The total solution set was subsequently revised in 2 ways: 1) some solutions did not generate as much money as originally anticipated when enacted, and 2) the mid-year revisions added new solutions.

*Revisions to originally-enacted solutions:*

- Ballot measures: Loss of \$(469) million in net solutions from the failure of the 2 ballot measures. This amount included a reduction of \$(449) million in fund transfers and \$(60) million in permanent revenue. Spending was also \$40 million lower as one ballot proposition would have dedicated that amount of new revenue to DES.
- 1-cent sales tax: Loss of \$(93) million as the tax generated less money than anticipated (\$825 million assumed in the FY 2011 mid-year budget compared to \$918 million in the original FY 2011 budget).
- Temporary Federal Assistance: Loss of \$(158) million from a lower-than-anticipated enhanced federal Medicaid match

*New mid-year solutions:*

- Spending reductions: Gain of \$119 million.
- Fund transfers: Gain of \$52 million.

The net change of \$(549) million in reduced solutions produced an estimated revised FY 2011 solution set as follows:

<b><u>Full Year FY 2011 Solutions</u></b>	<b><u>(\$ in M)</u></b>
<b><u>Permanent Changes</u></b>	
• Reduced Ongoing Expenditures	\$ 587
• Increased Permanent Revenues	80
• 1-cent Sales Tax	825
<b><u>One-Time Changes</u></b>	
• Temporary Federal Assistance	337
• Debt and Lease-Purchase Financing	60
• Fund Transfers	247
• Other One-Time Revenues	<u>29</u>
<b>Total</b>	<b>\$2,165</b>

After applying the \$2.2 billion in solutions to a revised FY 2011 total shortfall of \$(2.5) billion, the estimated FY 2011 shortfall is \$(332) million. The overall shortfall declined due, in part, to lower-than-anticipated Medicaid and other base expenditures.

**FY 2011 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/**

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Revised Baseline 2/	FY 2011 Mid-Year Solutions 3/4/	FY 2011 Uncaptured Pay Savings 5/	FY 2011 Additional Appropriations 6/	Enacted FY 2011
<b><u>BUDGET UNITS</u></b>							
Administration, AZ Department of	\$17,734,300				(\$46,100)	\$68,700	\$17,756,900
Administrative Hearings, Office of	908,200				(3,100)		905,100
Agriculture, AZ Department of	8,434,300				(22,000)		8,412,300
AHCCCS	1,376,901,300		6,040,600	(67,807,500)	(160,800)		1,314,973,600
Arts, Arizona Commission on the	665,600				(2,200)		663,400
Attorney General - Department of Law	17,548,000	(11,900) 7/			(57,400)		17,478,700
Capital Postconviction Public Defender Ofc, State	635,800				(2,000)		633,800
Charter Schools, State Board for	802,600				(2,500)		800,100
Commerce, Department of	3,566,500	(2,100,000) 7/			(2,700)		1,463,800
Community Colleges, Arizona	135,344,300				0		135,344,300
Corporation Commission	622,200				(2,100)		620,100
Corrections, State Department of	948,692,900			(10,000,000)	(2,055,500)		936,637,400
Deaf and the Blind, Schools for the	22,045,400				(22,900)		22,022,500
Economic Security, Department of	634,103,900	(40,000,000) 8/	(12,482,200)	(31,000,000)	(72,900)		550,548,800
Education, Department of	3,491,223,400			1,865,100	(38,000)		3,493,050,500
Emergency & Military Affairs, Dept of	10,430,600	2,115,000 7/			(11,400)		12,534,200
Environmental Quality, Department of	7,000,000				0		7,000,000
Equal Opportunity, Governor's Office of	194,400				(600)		193,800
Equalization, State Board of	661,000				(1,600)		659,400
Executive Clemency, Board of	865,400				(1,800)		863,600
Financial Institutions, State Department of	2,903,100				(8,300)		2,894,800
Fire, Building and Life Safety, Department of	2,014,400				(5,700)		2,008,700
Forester, State	5,971,100				(10,000)		5,961,100
Geological Survey, Arizona	794,100				(1,500)		792,600
Government Information Tech. Agency	742,000				(1,800)		740,200
Governor, Office of the	6,960,900				(23,600)		6,937,300
Gov's Ofc of Strategic Planning & Budgeting	1,936,400				(8,900)		1,927,500
Health Services, Department of	438,939,000			(2,570,100)	(200,200)		436,168,700
Historical Society, Arizona	5,861,400				(7,200)		5,854,200
Historical Society, Prescott	673,700				(2,200)		671,500
Independent Redistricting Commissior	500,000				0		500,000
Indian Affairs, AZ Commission of	63,100				(100)		63,000
Insurance, Department of	5,468,800				(19,800)		5,449,000
Judiciary							
Supreme Court	20,017,900				(41,700)		19,976,200
Court of Appeals	14,712,700				(15,300)		14,697,400
Superior Court	79,155,900				(16,000)		79,139,900
SUBTOTAL - Judiciary	113,886,500	0	0	0	(73,000)	0	113,813,500
Juvenile Corrections, Department of	57,008,100			(3,607,800)	(145,300)		53,255,000
Land Department, State	3,212,300			96,200	(11,500)		3,297,000
Law Enforcement Merit System Council	69,500				(400)		69,100
Legislature							
Auditor General	16,447,200				(42,100)		16,405,100
House of Representatives	12,864,900				(40,700)		12,824,200
Joint Legislative Budget Committee	2,496,700				(9,600)		2,487,100
Legislative Council	4,738,800				(17,700)		4,721,100
Senate	8,097,600				(31,000)		8,066,600
SUBTOTAL - Legislature	44,645,200	0	0	0	(141,100)	0	44,504,100
Medical Student Loans, Board of	402,900				0		402,900

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Revised Baseline <sup>2/</sup>	FY 2011 Mid-Year Solutions <sup>3/4/</sup>	FY 2011 Uncaptured Pay Savings <sup>5/</sup>	FY 2011 Additional Appropriations <sup>6/</sup>	Enacted FY 2011
Mine Inspector, State	1,127,600				(4,300)		1,123,300
Mines & Mineral Resources, Department of	226,100				(1,500)		224,600
Navigable Stream Adjudication Commissior	133,500				(300)		133,200
Parks Board, Arizona State	20,000,000				0		20,000,000
Pioneers' Home, AZ	1,570,900				(4,700)		1,566,200
Postsecondary Education, Commission for	1,220,800				0		1,220,800
Public Safety, Department of	43,070,300				(61,600)		43,008,700
Racing, Arizona Department of	3,863,600				(5,100)		3,858,500
Radiation Regulatory Agency	1,396,500				(3,900)		1,392,600
Rangers' Pensions, Arizona	14,200				0		14,200
Real Estate Department, State	2,987,300				(8,700)		2,978,600
Revenue, Department of	43,709,000				(211,400)		43,497,600
School Facilities Board	67,580,500				(4,300)		67,576,200
Secretary of State	13,301,800				(31,600)		13,270,200
Tax Appeals, State Board of	252,700				(900)		251,800
Transportation, Department of	54,600				(100)		54,500
Treasurer, State	1,115,100				0		1,115,100
Universities							
Arizona State University - Tempe/DPC	326,349,100				0		326,349,100
Arizona State University - East Campus	25,101,300				0		25,101,300
Arizona State University - West Campus	43,935,700				0		43,935,700
Northern Arizona University	133,118,100				0		133,118,100
Board of Regents	17,135,400				(11,300)		17,124,100
University of Arizona - Main Campus	271,315,400				0		271,315,400
University of Arizona - Health Sciences Center	73,234,900				0		73,234,900
SUBTOTAL - Universities	890,189,900	0	0	0	(11,300)	0	890,178,600
Veterans' Services, Department of	5,392,700				(18,000)		5,374,700
Water Resources, Department of	7,052,900				(18,200)		7,034,700
Weights and Measures, Department of	1,197,800				(2,300)		1,195,500
<b>OPERATING BUDGET TOTAL</b>	<b>8,475,890,400</b>	<b>(39,996,900)</b>	<b>(6,441,600)</b>	<b>(113,024,100)</b>	<b>(3,554,400)</b>	<b>68,700</b>	<b>8,312,942,100</b>
Uncaptured Pay Savings	0			(3,554,400)	3,554,400		0
Psychologist Examiners Backfil	25,000						25,000
Asset Sale and Lease-Back Debt Service	54,826,600			(2,759,700)			52,066,900 <sup>7/</sup>
Unallocated FY 2011 Lease-Purchase Adjustments	190,300						190,300
Capital	4,000,000						4,000,000
Administrative Adjustments	78,000,000						78,000,000
Revertments	(112,905,100)						(112,905,100)
<b>GRAND TOTAL</b>	<b>\$8,495,634,200</b>	<b>(\$39,996,900)</b>	<b>(\$6,441,600)</b>	<b>(\$119,338,200)</b>	<b>\$0</b>	<b>\$68,700</b>	<b>\$8,334,319,200</b>

<sup>1/</sup> This chart provides a crosswalk between an agency's original appropriation in the *FY 2011 Appropriations Report* and its final FY 2011 appropriation, excluding capital appropriations

<sup>2/</sup> Reflects mid-year adjustments as part of Baseline.

<sup>3/</sup> Reflects net solution as contained in the General Appropriation Act (Laws 2011, Chapter 24). Chapter 24 also included the FY 2011 Revised Baseline column changes

<sup>4/</sup> Total net solutions of \$(119,269,500) include impact of \$68,700 in Additional Appropriations. *See footnote 6.*

<sup>5/</sup> Section 129 of the General Appropriation Act includes a reduction of \$(5,340,400) to capture all of the savings associated with the personnel expense reductions authorized by Section 7 of Laws 2010, 7th Special Session, Chapter 3 for both FY 2011 and FY 2012. The FY 2011 budget included a savings of \$(45,000,000) for a 6 day furlough and other salary adjustments. The actual savings were greater than the \$45,000,000 and Section 129 captures those additional pay savings. The General Fund share of the savings is \$(3,554,400). These savings do not account for the elimination of one day of the furloughs in FY 2011. Another \$(1,786,000) in savings is through transfers of non-General Fund monies to the General Fund.

<sup>6/</sup> Appropriations separate from the General Appropriation Act (Laws 2011, Chapter 24) enacted in 1st Regular Session. Individual bill detail appears in the "Budget Detail" sector

<sup>7/</sup> Adjusted for Laws 2010, Chapter 208, which shifts the administration of the Military Installation Fund from the Department of Commerce to the Department of Emergency and Military Affairs beginning on January 1, 2011.



**FY 2011 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/**

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Supplementals 2/	FY 2011 Reductions 2/	FY 2011 Uncaptured Pay Savings 3/	Enacted FY 2011
<b><u>BUDGET UNITS</u></b>						
Accountancy, State Board of						
Board of Accountancy Fund	\$1,884,000				(\$3,800)	\$1,880,200
Acupuncture Board of Examiners						
Acupuncture Board of Examiners Fund	126,400				(500)	125,900
Administration, AZ Department of						
Air Quality Fund	714,100				0	714,100
Automation Operations Fund	18,944,200				(40,000)	18,904,200
Capital Outlay Stabilization Fund	17,348,200				(11,600)	17,336,600
Corrections Fund	564,000				(1,200)	562,800
Information Technology Fund	0				0	0
Motor Vehicle Pool Revolving Fund	10,515,200				(3,200)	10,512,000
Personnel Division Fund	13,975,100				(26,500)	13,948,600
Risk Management Revolving Fund	92,389,100				(26,300)	92,362,800
Special Employee Health Insurance Trust Fund	5,182,700				(10,100)	5,172,600
State Surplus Materials Revolving Fund and Federal Surplus Materials Revolving Fund	2,856,300				(2,200)	2,854,100
Telecommunications Fund	1,840,300				0	1,840,300
<b>Total - AZ Department of Administration</b>	<b>164,329,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(121,100)</b>	<b>164,208,100</b>
Administrative Hearings, Office of						
Healthcare Group Fund	14,500				0	14,500
Agriculture, AZ Department of						
Aquaculture Fund	9,200				0	9,200
Citrus, Fruit and Vegetable Revolving Fund	1,030,600				(1,900)	1,028,700
Commercial Feed Fund	300,300				(700)	299,600
Dangerous Plants, Pests and Diseases Fund	100,000				0	100,000
Egg Inspection Fund	919,000				0	919,000
Fertilizer Materials Fund	303,800				(1,000)	302,800
Livestock Custody Fund	79,400				0	79,400
Pesticide Fund	385,500				(900)	384,600
Arizona Protected Native Plant Fund	199,700				(200)	199,500
Seed Law Fund	53,900				(100)	53,800
<b>Total - AZ Department of Agriculture</b>	<b>3,381,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,800)</b>	<b>3,376,600</b>
AHCCCS						
Budget Neutrality Compliance Fund	3,117,300				0	3,117,300
Children's Health Insurance Program Fund	40,967,600				0	40,967,600
Healthcare Group Fund	5,183,700				(9,700)	5,174,000
Prescription Drug Rebate Fund	0		10,000,000		0	10,000,000
Tobacco Products Tax Fund						
Emergency Health Services Account	19,222,900				0	19,222,900
Tobacco Tax and Health Care Fund						
Medically Needy Account	38,295,800				0	38,295,800
<b>Total - AHCCCS</b>	<b>106,787,300</b>	<b>0</b>	<b>10,000,000</b>	<b>0</b>	<b>(9,700)</b>	<b>116,777,600</b>
Appraisal, State Board of						
Board of Appraisal Fund	616,600				(1,300)	615,300
Athletic Training, Board of						
Athletic Training Fund	0		101,700		0	101,700
Attorney General - Department of Law						
Antitrust Enforcement Revolving Fund	242,600				(500)	242,100

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Supplementals 2/	FY 2011 Reductions 2/	FY 2011 Uncaptured Pay Savings 3/	Enacted FY 2011
Attorney Gen'l Legal Svcs Cost Allocation Func	5,474,200				(26,200)	5,448,000
Collection Enforcement Revolving Fund	3,313,400				(4,800)	3,308,600
Consumer Protection-Consumer Fraud Rev. Fund	3,463,800				(8,100)	3,455,700
Interagency Service Agreements Fund	13,135,800				(45,600)	13,090,200
Risk Management Revolving Fund	8,850,400				(30,600)	8,819,800
Victims' Rights Fund	3,241,700				(1,400)	3,240,300
<b>Total - Attorney General - Department of Law</b>	<b>37,721,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(117,200)</b>	<b>37,604,700</b>
Automobile Theft Authority						
Automobile Theft Authority Fund	5,134,800				(1,400)	5,133,400
Barbers, Board of						
Board of Barbers Fund	345,100				(1,000)	344,100
Behavioral Health Examiners, Board of						
Board of Behavioral Health Examiners Fund	1,437,700				(3,600)	1,434,100
Biomedical Research Commission, Arizona						
Tobacco Tax and Health Care Fund						
Health Research Account	500,000				0	500,000
Capital Postconviction Public Defender Office, State						
Capital Postconviction Public Defender Office Fund	0		148,000		0	148,000
Chiropractic Examiners, State Board of						
Board of Chiropractic Examiners Fund	442,400				(1,600)	440,800
Commerce, Department of						
CEDC Fund	3,759,300				(2,100)	3,757,200
Commerce Development Bond Fund	146,300				0	146,300
Oil Overcharge Fund	186,700				0	186,700
State Lottery Fund	265,100				(600)	264,500
<b>Total - Department of Commerce</b>	<b>4,357,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,700)</b>	<b>4,354,700</b>
Contractors, Registrar of						
Registrar of Contractors Fund	12,181,000				(26,300)	12,154,700
Corporation Commission						
Arizona Arts Trust Fund	51,200				(200)	51,000
Investment Management Regulatory and Enforcement Fund	697,200				(2,900)	694,300
Public Access Fund	5,964,400				(17,600)	5,946,800
Securities Regulatory and Enforcement Fund	4,298,400				(16,100)	4,282,300
Utility Regulation Revolving Fund	13,135,500				(50,000)	13,085,500
<b>Total - Corporation Commission</b>	<b>24,146,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(86,800)</b>	<b>24,059,900</b>
Corrections, State Department of						
Alcohol Abuse Treatment Fund	554,400				0	554,400
Corrections Fund	29,017,600				0	29,017,600
Penitentiary Land Fund	979,200				0	979,200
Prison Construction and Operations Fund	11,499,400				0	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000				0	360,000
State Education Fund for Correctional Education	508,400				(500)	507,900
Transition Program Fund	180,000				0	180,000
Transition Services Fund	555,000				0	555,000
<b>Total - State Department of Corrections</b>	<b>43,654,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(500)</b>	<b>43,653,500</b>
Cosmetology, Board of						
Board of Cosmetology Fund	1,739,800				(4,100)	1,735,700
Criminal Justice Commission, Arizona						
Criminal Justice Enhancement Fund	621,600				(2,600)	619,000
Drug and Gang Prevention Resource Center Fund	235,200				0	235,200
State Aid to County Attorneys Fund	973,600				0	973,600

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Supplementals 2/	FY 2011 Reductions 2/	FY 2011 Uncaptured Pay Savings 3/	Enacted FY 2011
State Aid to Indigent Defense Fund	700,300				0	700,300
Victim Compensation and Assistance Fund	3,792,500				0	3,792,500
Total - Arizona Criminal Justice Commission Deaf and the Blind, AZ Schools for the Schools for the Deaf and the Blind Fund	6,323,200	0	0	0	(2,600)	6,320,600
Total - AZ Schools for the Deaf and the Blind Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	14,729,500	0	0	0	(26,200)	14,703,300
Dental Examiners, State Board of Dental Board Fund	3,972,400			(200,000)	(4,200)	3,768,200
Drug & Gang Prevention Resource Center Intergovernmental Agreements and Grants	1,150,100				(2,500)	1,147,600
Total - Drug & Gang Prevention Resource Center	344,400	0	0	(344,400)	0	0
Economic Security, Department of Child Abuse Prevention Fund	1,459,800				0	1,459,800
Child Support Enforcement Administration Fund	16,785,200				0	16,785,200
Children and Family Services Training Program Fund	207,100				(300)	206,800
Domestic Violence Shelter Fund	2,220,000				0	2,220,000
Federal Child Care and Development Fund Block Grant	130,688,200				0	130,688,200
Federal Reed Act Grant	3,561,000			(3,561,000)	0	0
Federal Temporary Assistance for Needy Families Block Grant	225,060,600		15,000,000		0	240,060,600
Long Term Care System Fund	30,520,500				0	30,520,500
Public Assistance Collections Fund	431,700				0	431,700
Special Administration Fund	1,135,300				0	1,135,300
Spinal and Head Injuries Trust Fund	1,874,500				(700)	1,873,800
Statewide Cost Allocation Plan Fund	1,000,000				0	1,000,000
Workforce Investment Act Grant	56,052,100				0	56,052,100
Total - Department of Economic Security	470,996,000	0	15,000,000	(3,561,000)	(1,000)	482,434,000
Education, Department of Permanent State School Fund	46,475,500				0	46,475,500
Proposition 301 Fund	7,000,000		0		0	7,000,000
Teacher Certification Fund	2,300,700				0	2,300,700
Total - Department of Education	55,776,200	0	0	0	0	55,776,200
Emergency & Military Affairs, Dept of Emergency Response Fund	132,700				0	132,700
Environmental Quality, Department of Air Permits Administration Fund	5,164,200	1,894,300			(14,900)	7,043,600
Air Quality Fund	4,725,400	661,100			(10,100)	5,376,400
Clean Water Revolving Fund	5,000,000				0	5,000,000
Emissions Inspection Fund	33,086,600				(6,400)	33,080,200
Hazardous Waste Management Fund	745,200	974,400			(300)	1,719,300
Indirect Cost Recovery Fund	10,417,500	2,782,500			(20,500)	13,179,500
Solid Waste Fee Fund	1,026,000	1,273,900			(2,700)	2,297,200
Underground Storage Tank Fund	22,000				0	22,000
Used Oil Fund	138,900				0	138,900
Water Quality Fee Fund	5,166,200	975,400			(9,400)	6,132,200
Total - Department of Environmental Quality Exposition and State Fair Board, AZ	65,492,000	8,561,600 4/	0	0	(64,300)	73,989,300
Arizona Exposition and State Fair Fund	11,085,300				(12,600)	11,072,700
Financial Institutions, Department of						

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Supplementals 2/	FY 2011 Reductions 2/	FY 2011 Uncaptured Pay Savings 3/	Enacted FY 2011
Financial Services Fund	792,700				(2,200)	790,500
Funeral Directors and Embalmers, Board of Board of Funeral Directors & Embalmers Fund	344,100				(1,000)	343,100
Game and Fish Department, AZ						
Game and Fish Fund	34,701,900				0	34,701,900
Game, Nongame, Fish and Endangered Species Fund	334,700				0	334,700
Watercraft Licensing Fund	4,660,600				(5,800)	4,654,800
Waterfowl Conservation Fund	43,400				0	43,400
Wildlife Endowment Fund	16,000				0	16,000
Total - AZ Game and Fish Department	39,756,600	0	0	0	(5,800)	39,750,800
Gaming, Department of						
Tribal-State Compact Fund	2,003,600				0	2,003,600
State Lottery Fund	300,000				0	300,000
Arizona Benefits Fund	9,935,500				0	9,935,500
Total - Department of Gaming	12,239,100	0	0	0	0	12,239,100
Government Information Tech. Agency						
Information Technology Fund	3,172,300				(9,300)	3,163,000
State Web Portal Fund	3,900,000				0	3,900,000
Total - Government Information Technology Agency	7,072,300	0	0	0	(9,300)	7,063,000
Health Services, Department of						
Arizona State Hospital Fund	11,159,500				0	11,159,500
ASH Land Earnings Fund	1,150,000				0	1,150,000
Health Services Licensing Fund	8,463,300				(36,100)	8,427,200
Capital Outlay Stabilization Fund	1,587,500				0	1,587,500
Child Fatality Review Fund	95,400				(400)	95,000
Emergency Medical Services Operating Fund	5,093,200				(10,300)	5,082,900
Environmental Laboratory Licensure Revolving Fund	924,000				(2,200)	921,800
Federal Child Care and Development Fund Block Grant	836,100				0	836,100
Hearing and Speech Professionals Fund	315,700				(1,100)	314,600
Indirect Cost Fund	7,746,700				(16,200)	7,730,500
Newborn Screening Program Fund	6,749,900				(8,600)	6,741,300
Nursing Care Institution Resident Protection Fund	38,000				0	38,000
Substance Abuse Services Fund	2,250,000				0	2,250,000
Tobacco Tax and Health Care Fund Health Research Account	1,000,000				0	1,000,000
Tobacco Tax and Health Care Fund Medically Needy Account	35,167,000				0	35,167,000
Vital Records Electronic System Fund	426,400				(900)	425,500
Total - Department of Health Services	83,002,700	0	0	0	(75,800)	82,926,900
Historical Society, Arizona						
Capital Outlay Stabilization Fund	430,800				0	430,800
Homeopathic & Integrated Medicine Examiners, Bd of Bd of Homeopathic & Integrated Medicine Exmnr's' Fund	116,900				(300)	116,600
Housing, Department of						
Housing Trust Fund	927,200				(3,400)	923,800
Total - Department of Housing	927,200	0	0	0	(3,400)	923,800
Industrial Commission of AZ						
Industrial Commission Administrative Fund	19,715,700				(50,600)	19,665,100
Judiciary - Supreme Court						
Confidential Intermediary and Fiduciary Fund	483,000				(1,300)	481,700

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Supplementals 2/	FY 2011 Reductions 2/	FY 2011 Uncaptured Pay Savings 3/	Enacted FY 2011
Court Appointed Special Advocate Fund	3,429,700				(2,500)	3,427,200
Criminal Justice Enhancement Fund	2,970,000				(8,100)	2,961,900
Defensive Driving School Fund	5,259,200				(9,100)	5,250,100
Judicial Collection Enhancement Fund	13,808,700				(24,600)	13,784,100
Photo Enforcement Fund	5,326,100				(500)	5,325,600
State Aid to the Courts Fund	2,944,800				(100)	2,944,700
<b>Total - Supreme Court</b>	<b>34,221,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(46,200)</b>	<b>34,175,300</b>
Judiciary - Superior Court						
Criminal Justice Enhancement Fund	6,939,700				(4,700)	6,935,000
Judicial Collection Enhancement Fund	5,029,700				(300)	5,029,400
Drug Treatment and Education Fund	500,000				0	500,000
<b>Total - Superior Court</b>	<b>12,469,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,000)</b>	<b>12,464,400</b>
<b>SUBTOTAL - Judiciary</b>	<b>46,690,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(51,200)</b>	<b>46,639,700</b>
Juvenile Corrections, Department of						
Criminal Justice Enhancement Fund	534,600				(2,500)	532,100
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600				0	1,098,600
State Education Fund for Committed Youth	2,266,900				(4,500)	2,262,400
<b>Total - Department of Juvenile Corrections</b>	<b>3,900,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,000)</b>	<b>3,893,100</b>
Land Department, State						
Due Diligence Fund	500,000				0	500,000
Environmental Special Plate Fund	260,000				0	260,000
Trust Land Management Fund	9,888,400				0	9,888,400
<b>Total - State Land Department</b>	<b>10,648,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,648,400</b>
Liquor Licenses & Control, Department of						
Liquor Licenses Fund	2,667,200				(8,500)	2,658,700
Lottery Commission, AZ State						
State Lottery Fund	81,041,200	909,700 5/			(26,900)	81,924,000
Medical Board, Arizona						
Arizona Medical Board Fund	5,771,100				(14,500)	5,756,600
Medical Student Loans, Board of						
Medical Student Loan Fund	29,000				0	29,000
Mine Inspector, State						
Aggregate Mining Reclamation Fund	111,500				(300)	111,200
<b>Total - State Mine Inspector</b>	<b>111,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(300)</b>	<b>111,200</b>
Naturopathic Physicians Medical Board						
Naturopathic Physicians Medical Board Fund	595,100				(1,200)	593,900
Nursing, State Board of						
Board of Nursing Fund	4,074,400				(12,300)	4,062,100
Nursing Care Institution Administrators Board						
Nursing Care Institution Administrators' Licensing & Assisted Living Facility Managers' Certification Fund	373,200				(1,000)	372,200
Occupational Therapy Examiners, Board of						
Occupational Therapy Fund	261,700				(900)	260,800
Opticians, State Board of Dispensing						
Board of Dispensing Opticians Fund	128,000				(300)	127,700
Optometry, State Board of						
Board of Optometry Fund	199,200				(700)	198,500
Osteopathic Examiners, AZ Board of						
Board of Osteopathic Examiners Fund	702,700				(2,000)	700,700
Parks Board, Arizona State						
Law Enforcement and Boating Safety Fund	1,092,700	1,114,000 6/			0	2,206,700
State Parks Enhancement Fund	7,807,000				(16,000)	7,791,000

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Supplementals 2/	FY 2011 Reductions 2/	FY 2011 Uncaptured Pay Savings 3/	Enacted FY 2011
Reservation Surcharge Fund	206,400				(700)	205,700
Total - Arizona State Parks Board	9,106,100	1,114,000	0	0	(16,700)	10,203,400
Personnel Board						
Personnel Board Account of the Personnel Division Fund	373,200				(600)	372,600
Pest Management, Office of						
Pest Management Fund	2,268,900				(7,400)	2,261,500
Pharmacy, AZ State Board of						
Board of Pharmacy Fund	1,949,000				(5,500)	1,943,500
Physical Therapy Examiners, Board of						
Board of Physical Therapy Fund	355,900				(1,000)	354,900
Pioneers' Home, AZ						
Miners' Hospital Fund	2,554,900				0	2,554,900
State Charitable Fund	2,051,600				0	2,051,600
Total - AZ Pioneers' Home	4,606,500	0	0	0	0	4,606,500
Podiatry Examiners, State Board of						
Podiatry Fund	142,400				(400)	142,000
Postsecondary Education, Commission for						
Postsecondary Education Fund	3,837,500				(2,400)	3,835,100
Private Postsecondary Education, Board for						
Board for Private Postsecondary Education Fund	330,500				(1,200)	329,300
Psychologist Examiners, State Board of						
Board of Psychologist Examiners Fund	359,500				(1,000)	358,500
Public Safety, Department of						
Arizona Deoxyribonucleic Acid Identification System Fund	3,987,500				(5,800)	3,981,700
Arizona Highway Patrol Fund	18,679,000				(2,400)	18,676,600
Automated Fingerprint Identification System Fund	3,012,700				(1,300)	3,011,400
Crime Laboratory Assessment Fund	872,500				0	872,500
Crime Laboratory Operations Fund	11,127,200				0	11,127,200
Criminal Justice Enhancement Fund	2,886,500				0	2,886,500
Highway User Revenue Fund	79,215,700				0	79,215,700
Motorcycle Safety Fund	205,000				0	205,000
Parity Compensation Fund	1,823,300				0	1,823,300
Photo Enforcement Fund	11,064,800				(2,300)	11,062,500
Public Safety Equipment Fund	0				0	0
Risk Management Fund	296,200				0	296,200
Safety Enforcement and Transportation Infrastructure Fund	1,518,800				0	1,518,800
State Highway Fund	41,521,200				0	41,521,200
Total - Department of Public Safety	176,210,400	0	0	0	(11,800)	176,198,600
Racing, Arizona Department of						
Racing Regulation Fund	0				0	0
Radiation Regulatory Agency						
State Radiologic Technologist Certificatior Fund	265,200				(800)	264,400
Total - Radiation Regulatory Agency	265,200	0	0	0	(800)	264,400
Residential Utility Consumer Office						
Residential Utility Consumer Office Revolving Fund	1,287,100				(3,600)	1,283,500
Respiratory Care Examiners, Board of						
Board of Respiratory Care Examiners' Fund	263,000				(1,000)	262,000
Retirement System, Arizona State						

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Supplementals 2/	FY 2011 Reductions 2/	FY 2011 Uncaptured Pay Savings 3/	Enacted FY 2011
Long-Term Disability Administration Account	2,800,000				0	2,800,000
State Retirement System Administration Account	21,911,800		100,000		0	22,011,800
Total - Arizona State Retirement System	24,711,800	0	100,000	0	0	24,811,800
Revenue, Department of						
Department of Revenue Administrative Fund	22,662,500		1,200,000			23,862,500
Liability Setoff Fund	390,600				(1,700)	388,900
Tobacco Tax and Health Care Fund	673,200				0	673,200
Total - Department of Revenue	23,726,300	0	1,200,000	0	(1,700)	24,924,600
Secretary of State						
Election Systems Improvement Fund	8,934,200				0	8,934,200
Records Services Fund	668,700				(1,600)	667,100
Total - Secretary of State	9,602,900	0	0	0	(1,600)	9,601,300
State Boards' Office						
Special Services Revolving Fund	220,900				(800)	220,100
Technical Registration, State Board of						
Technical Registration Fund	1,729,200				(4,900)	1,724,300
Transportation, Department of						
Air Quality Fund	72,900				(100)	72,800
Driving Under the Influence Abatement Fund	148,100				0	148,100
Highway User Revenue Fund	624,800				0	624,800
Motor Vehicle Liability Insurance Enforcement Fund	1,066,400				(4,400)	1,062,000
Safety Enforcement and Transportation Infrastructure Fund	1,866,200				0	1,866,200
State Aviation Fund	1,592,700				(5,900)	1,586,800
State Highway Fund	325,794,900				0	325,794,900
Transportation Department Equipment Fund	27,592,000				(52,300)	27,539,700
Vehicle Inspection & Title Enforcement Fund	1,449,200				(3,500)	1,445,700
Total - Department of Transportation	360,207,200	0	0	0	(66,200)	360,141,000
Treasurer, State						
State Treasurer's Operating Fund	2,495,000				(2,200)	2,492,800
State Treasurer's Management Fund	88,300				0	88,300
Total - State Treasurer	2,583,300	0	0	0	(2,200)	2,581,100
Universities						
Arizona State University - Tempe/DPC						
University Collections Fund	334,243,300	18,780,600 7/	0	0	0	353,023,900
Total - Arizona State University - Tempe/DPC	334,243,300	18,780,600	0	0	0	353,023,900
Arizona State University - East Campus						
University Collections Fund	30,792,200	3,537,200 7/	0	0	0	34,329,400
Technology and Research Initiative Fund	2,000,000				0	2,000,000
Total - Arizona State University - East Campus	32,792,200	3,537,200	0	0	0	36,329,400
Arizona State University - West Campus						
University Collections Fund	26,906,800	2,493,000 7/	0	0	0	29,399,800
Technology and Research Initiative Fund	1,600,000				0	1,600,000
Total - Arizona State University - West Campus	28,506,800	2,493,000	0	0	0	30,999,800
Northern Arizona University						
University Collections Fund	78,308,200	3,202,000 7/	0	0	0	81,510,200
University of Arizona - Main Campus						
University Collections Fund	219,265,500	28,987,800 7/	0	0	0	248,253,300
University of Arizona - Health Sciences Center						
University Collections Fund	22,259,200	2,999,000 7/	0	0	0	25,258,200
SUBTOTAL - Universities	715,375,200	59,999,600	0	0	0	775,374,800
Veterans' Services, Department of						

	FY 2011 Approp Rpt May 10	Adjustments	FY 2011 Supplementals <sup>2/</sup>	FY 2011 Reductions <sup>2/</sup>	FY 2011 Uncaptured Pay Savings <sup>3/</sup>	Enacted FY 2011
State Veterans' Conservatorship Fund	757,300				0	757,300
State Home for Veterans' Trust Fund	16,959,800				0	16,959,800
Total - Department of Veterans' Services	17,717,100	0	0	0	0	17,717,100
Veterinary Medical Examining Board						
Veterinary Medical Examining Board Fund	461,700				(1,400)	460,300
Water Resources, Department of						
Assured and Adequate Water Supply Admin Fund	268,300				(1,500)	266,800
Water Resources Fund	0	5,662,900 <sup>4/</sup>			0	5,662,900
Water Banking Fund	0				0	0
Total - Department of Water Resources	268,300	5,662,900	0	0	(1,500)	5,929,700
Weights and Measures, Department of						
Air Quality Fund	1,410,300				(3,000)	1,407,300
Motor Vehicle Liability Insurance Enf. Fund	316,700				(900)	315,800
Total - Department of Weights and Measures	1,727,000	0	0	0	(3,900)	1,723,100
State Employee Health Insurance - FY 11 - Unallocated	186,900				0	186,900
<b>OPERATING BUDGET TOTAL</b>	<b>\$2,720,266,800</b>	<b>\$76,247,800</b>	<b>\$26,549,700</b>	<b>(\$4,105,400)</b>	<b>(\$912,600)</b>	<b>\$2,818,046,300</b>
Capital	208,144,100				0	208,144,100
<b>GRAND TOTAL</b>	<b>\$2,928,410,900</b>	<b>\$76,247,800</b>	<b>\$26,549,700</b>	<b>(\$4,105,400)</b>	<b>(\$912,600)</b>	<b>\$3,026,190,400</b>

<sup>1/</sup> This chart provides a crosswalk between an agency's original appropriation in the FY 2011 Appropriations Report and its final FY 2011 appropriation, excluding capital appropriations.

<sup>2/</sup> Reflects changes from the General Appropriation Act (Laws 2011, Chapter 24)

<sup>3/</sup> Section 129 of the General Appropriation Act includes a reduction of \$(5,340,400) to capture all of the savings associated with the personnel expense reductions authorized by Section 7 of Laws 2010, 7th Special Session, Chapter 3 for both FY 2011 and FY 2012. The FY 2011 budget included a savings of \$(45,000,000) for a 6 day furlough and other salary adjustments. The actual savings were greater than the \$45,000,000 and Section 129 captures those additional pay savings. The Other Fund share of the savings is \$(912,600). These savings do not account for the elimination of one day of the furloughs in FY 2011.

<sup>4/</sup> Includes adjustments for fee increase authority.

<sup>5/</sup> Revised Lottery forecast.

<sup>6/</sup> Adjusted for final receipts credited to the Parks Board - Law Enforcement and Boating Safety Fund.

<sup>7/</sup> Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2011. A footnote in the FY 2011 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

### CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS FEDERAL EXPENDITURE AUTHORITY - FY 2011

AHCCCS	\$5,821,980,500	\$0	\$0	(\$179,690,100)	\$0	\$5,642,290,400
Economic Security, Department of	740,217,800	0	0	0	0	740,217,800
Health Services, Department of	1,061,014,500	0	0	(7,332,000)	0	1,053,682,500
<b>GRAND TOTAL</b>	<b>\$7,623,212,800</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$187,022,100)</b>	<b>\$0</b>	<b>\$7,436,190,700</b>