

STATE OF ARIZONA

FY 2013

Appropriations Report

June 2012

JLBC

FY 2013 APPROPRIATIONS REPORT

INTRODUCTION

This annual *Appropriations Report* provides detailed information on FY 2013 appropriations, as provided in the General Appropriation Act (Laws 2012, Chapter 294) 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 50th Legislature:

Representative John Kavanagh Chairman 2011	Senator Don Shooter Chairman 2012
Representative Lela Alston	Senator Andy Biggs
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 Linda Lopez
Representative Russ Jones	Senator Rick Murphy
Representative Anna Tovar	Senator Steven B. Yarbrough

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
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Email: 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 50th Legislature:

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

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 revenue 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
Second Regular Session

SENATE

Don Shooter, Chairman
 Ron Gould, Vice-Chairman
 Paula Aboud
 Sylvia Allen
 Andy Biggs
 Olivia Cajero Bedford
 Rich Crandall
 Lori Klein
 Jerry Lewis
 Linda Lopez
 David Lujan
 Al Melvin
 Rick Murphy

HOUSE

John Kavanagh, Chairman
 Justin Olson, Vice-Chairman
 Lela Alston
 Chad Campbell
 John Fillmore
 Tom Forese
 Matt Heinz
 Russ Jones
 Nancy McLain
 Anna Tovar
 Michelle Ugenti
 Steve Urie
 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 Economist..... Tim Everill
- Principal Fiscal Analysts Jack Brown
 Bob Hull
 Amy Upston
- Senior Fiscal Analysts Eric Billings
 Steve Grunig
 Art Smith
 Marge Zylla
- Fiscal Analysts James Alcantar
 Benjamin Beutler
 Breanne Bushu
 Brett Searle
 Jon Stall
- Administrative Assistant/JLBC and JCCR Clerk Alanna Carabott

**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 Gonzalez [Director]	602-542-3095
Administration, Arizona Department of	Brett Searle	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/Jon Stall	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	Jon Stall	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	Breanne Bushu	DeAnna Rowe [Executive Director]	602-364-3080
Chiropractic Examiners, State Board of	Steve Grunig	Patrice Pritzl [Executive Director]	602-864-5088
Citizens Clean Elections Commission	Brett Searle	Todd Lang [Executive Director]	602-364-3477
Commerce Authority, Arizona	Eric Billings	Sandra Watson [Acting 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	Jon Stall	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	Jon Stall	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	Breanne Bushu	Robert Hill [Superintendent]	520-770-3704
Deaf and the Hard of Hearing, Commission for the	Breanne Bushu	Sherri L. Collins [Executive 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	Breanne Bushu	Rhian Allvin [Executive Director]	602-771-5100
Economic Security, Department of	Ben Beutler/Amy Upston	Clarence H. Carter [Director]	602-542-5678
Education, Department of	Steve Schimpp/ Breanne Bushu	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 [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	Jesse Hernandez [Chairman/Executive Director]	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	Jon Stall	Gene Palma [Director]	602-364-1003
Forester, State	Brett Searle	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	Jon Stall	Larry Voyles [Director]	602-942-3000
Gaming, Department of	Jon Stall	Mark Brnovich [Director]	602-771-4263
Geological Survey, Arizona	Brett Searle	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 Traylor (Director)	602-771-1035
Independent Redistricting Commission	Brett Searle	Ray Bladine [Executive Director]	602-542-5221
Indian Affairs, Arizona Commission of	Bob Hull	Kristine FireThunder [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	Breanne Bushu	Charles Flanagan [Director]	602-364-4051
Land Department, State	Brett Searle	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	Jon Stall	Jeff Hatch-Miller [Executive Director]	480-921-4505
Medical Board, Arizona	Breanne Bushu	Lisa Wynn [Executive Director]	480-551-2700
Medical Student Loans, Board of	Steve Grunig	Carol Q. Galper [Chairperson]	520-626-7145
Mine Inspector, State	Brett Searle	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	Brett Searle	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	Jenna Jones [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	Bryan Martyn [Executive Director]	602-542-4174
Personnel Board, State	Bob Hull	Laurie Barcelona [Executive Director]	602-542-3888
Pest Management, Office of	Brett Searle	Jack Peterson [Acting Director]	602-542-3575
Pharmacy, Arizona State Board of	Bob Hull	Hal Wand [Executive Director]	602-771-2740
Physical Therapy, Board of	Steve Grunig	Charles Brown [Executive Director]	602-542-8157
Pioneers' Home, Arizona	Breanne Bushu	Ted Ihrman [Superintendent]	928-445-2181
Podiatry Examiners, State Board of	Steve Grunig	Sarah Penttinen [Executive Director]	602-542-8151
Postsecondary Education, Commission for	Breanne Bushu	April L. Osborn [Executive Director]	602-258-2435
Power Authority, Arizona	James Alcantar	Joseph W. Mulholland [Executive Director]	602-368-4265
Private Postsecondary Education, State Board for	Breanne Bushu	Teri R. Stanfill [Executive Director]	602-542-2399
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	Jon Stall	Bill Walsh [Director]	602-364-1730
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, Ph.D. [President]	602-229-2500
Residential Utility Consumer Office	Jon Stall	Jodi Jerich [Director]	602-364-4835
Respiratory Care Examiners, Board of	Steve Grunig	Jack Confer Director]	602-542-5995
Retirement System, Arizona State	Marge Zylla	Paul Matson [Director]	602-240-2031
Revenue, Department of	Eric Billings	John Greene [Director]	602-716-6090
School Facilities Board	Jack Brown	Dean Gray [Executive Director]	602-542-6501
Secretary of State, Department of State	Brett Searle	Honorable Ken Bennett [Secretary of State]	602-542-4285
Senate	Bob Hull	Honorable Steve Pierce [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	Jon Stall	Sherry Henry [Director]	602-364-3717
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
Brett Searle
Ben Beutler

AGENCY/DEPARTMENT HEADS

Honorable Doug Ducey [State Treasurer]
Ann Weaver Hart, Ph.D. [President]
Colonel Joey Strickland [Director]
Victoria Whitmore [Executive Director]
Sandra A. Fabritz-Whitney [Director]
Kevin Tyne [Director]

TELEPHONE
NUMBER

602-604-7800
520-621-5511
602-234-8415
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
Jack Brown
Jon Stall
Stefan Shepherd
Stefan Shepherd

Federal/Non-Appropriated Funds
Fiscal Note Manager

[] Denotes Title for Information Purposes

BUDGET HIGHLIGHTS

HIGHLIGHTS OF THE FY 2013 BUDGET

The FY 2013 budget is based primarily upon the actions of the 50th Legislature's 2nd Regular Session. On May 7, 2012, the Governor signed into law the FY 2013 budget for the year beginning July 1, 2012.

The state's FY 2013 General Fund budget is \$8.57 billion. After accounting for non-General Fund monies, the state's "all funds" budget is \$27.8 billion. (*See the Summary of Appropriated Funds and Summary of Total Spending Authority for more details.*)

Revised FY 2012 Budget – At the time of publication of the *FY 2012 Appropriations Report* in May 2011 after the 50th Legislature's 1st Regular Session, the FY 2011 ending balance was forecasted to have a shortfall of \$(332) million. Beyond funding normal caseload growth, the FY 2012 budget would then pay off that amount and end the year with a balance of \$14 million. By January 2012, however, the projected FY 2012 balance had grown to an estimated \$583 million. The primary adjustments included:

- No longer having to divert \$332 million for FY 2011 expenses as strong year-end FY 2011 growth added \$336 million in revenue and eliminated the projected shortfall.
- Increased FY 2012 revenue of \$251 million.
- Loss of \$(21) million in savings from the tax amnesty program and enhanced Health Savings Accounts.

As part of the FY 2013 budget, the Legislature approved \$461 million of FY 2012 changes, including a Budget Stabilization Fund ("Rainy Day Fund") deposit (\$250 million) and reduced fund transfers (\$12 million). The Legislature also ended the accounting procedure of counting non-lapsing funds toward the ending balance (\$30 million) and the AHCCCS rollover (\$113 million). The Legislature also added \$56 million in supplemental spending, which primarily consisted of \$39 million to reverse the change to a 53/47 employee/employer shift of Arizona State Retirement System premiums enacted in the original FY 2012 budget.

These adjustments resulted in a projected FY 2012 ending balance of \$122 million. (*See FY 2012 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 2013 spending based on existing statutory funding formulas and other technical requirements. The projected spending level was \$8.36 billion.

In comparison, the January Baseline Revenues were based on the 4-sector consensus projections. Excluding enacted statutory changes and one-time adjustments, base revenues were forecast to grow 5.3% in FY 2012 and 5.1% in FY

2013. After adjusting for \$(39) million in enacted tax law changes, total General Fund revenues were anticipated to be \$8.79 billion in FY 2013. Under the JLBC Baseline, the FY 2013 budget was projected to have a \$431 million ending balance.

The Legislature adopted these January Baseline revenue growth rates as part of the final budget. The Legislature also made subsequent revisions to the Baseline spending level, which resulted in a final FY 2013 budget of \$8.57 billion. These changes to the Baseline included the following:

- \$59 million in new K-12 education spending, including \$40 million for a new K-3 reading program, and \$15 million in Capital Outlay Revenue Limit (CORL) monies.
- \$39 million for Seriously Mentally Ill services in the Department of Health Services (DHS).
- \$21 million in increased University funding.
- \$17 million for automation projects.

(*See FY 2013 State General Fund Budget - A Narrative Summary and the General Provisions section for further details on FY 2013 changes.*)

Comparison to the FY 2012 Budget – General Fund revenues, including one-time monies, are projected to increase from \$8.65 billion in FY 2012 to \$8.82 billion in FY 2013. Base ongoing revenues are projected to increase by \$415 million, from \$8.07 billion in FY 2012 to \$8.48 billion in FY 2013. After technical adjustments, the projected base growth is 5.1%, which will be further modified by the following revenue changes (*see the General Fund Revenue section*):

- \$18 million gain from the temporary 1-cent sales tax; projected revenues are forecast to increase from \$894 million to \$913 million.
- \$(39) million net loss from previously-enacted budget legislation.
- \$6 million net gain from budget legislation enacted in the 2012 Legislative Session.
- \$(89) million loss due to increased contributions to Urban Revenue Sharing based on state income tax collections from 2 years prior.

The FY 2013 budget also has a net \$(24) million in one-time revenues. This amount reflects \$106 million in fund transfers, including \$50 million from the National Mortgage Settlement and \$30 million from the state's Health Insurance Trust Fund. In addition, there will be a loss of \$(52) million associated with the end of the 3-year authorization to require early June sales tax payments for businesses with annual sales tax liability between \$100,000 and \$1 million.

The net one-time revenues also include a \$122 million projected carry-forward balance from FY 2012. Finally, there is also a transfer out of \$(200) million to the Budget Stabilization Fund (BSF). In combination with the \$(250) million transfer out in FY 2012, total BSF resources would be \$450 million.

General Fund spending is projected to increase from \$8.52 billion in FY 2012 to \$8.57 billion in FY 2013, which is an increase of \$48 million, or 0.6%.

The FY 2013 budget reflects ongoing spending of \$8.54 billion and \$234 million in expenditure increases, including:

- \$26 million in AHCCCS caseload increases.
- \$40 million for a new K-3 reading program and \$15 million in CORL monies for K-12 education, partially offset by a net \$(31) million reduction due to changes pursuant to current caseloads and formulas. The budget also includes \$3 million for innovative education program grants.
- \$39 million for Seriously Mentally Ill services in DHS.
- \$21 million in increased University funding.
- \$7 million for tourism promotion.
- \$6 million to reverse a shift of Department of Water Resources funding to city fees enacted in the FY 2012 budget.
- \$4 million for Child Protective Services in the Department of Economic Security (DES). (The budget also includes \$44 million from the Long-Term Care System Fund that will help backfill the loss of Federal Funds.)
- \$4 million for new correctional officers in the Department of Corrections.

Excluding one-time adjustments, the permanent spending increase of \$234 million is 2.8% above FY 2012.

One-time FY 2013 spending would be \$36 million, which includes:

- \$(8) million net for one-time employee changes, including \$(25) million from a one-time health insurance premium holiday and \$17 million for one-time retention payments.
- \$20 million for constructing 500 maximum-security beds, with an additional \$30 million in FY 2014.
- \$17 million for automation projects.
- \$2 million for the White Mountain Apache water settlement.

(See FY 2013 State General Fund Budget - A Narrative Summary for a more detailed list of changes.)

General Fund Balance – The FY 2013 General Fund cash balance is projected to be \$249 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 \$309 million in FY 2013. Excluding the 1-cent sales tax, ongoing revenues are projected to be less than ongoing spending by \$(604) million in FY 2012.

Long-Term Projections – Discussions on the FY 2013 budget also included analyzing the impact of budget decisions on estimated FY 2014 and FY 2015 spending. The *Statement of General Fund Revenues and Expenditures* on page BH-5 incorporates the FY 2014 and FY 2015 estimates, which are based upon Baseline revenue projections and existing statutory funding requirements. Based on legislative guidance, the FY 2014 and FY 2015 estimates also include the continuation of FY 2013 initiatives which were considered to be ongoing. (See 4-Year Analysis on page BH-7.)

The FY 2014 budget is estimated to spend \$8.83 billion. The spending includes statutory formula caseload growth plus \$40 million of Federal health care costs associated with the Federal Affordable Care Act (ACA). Effective January 1, 2014, ACA will expand the number of persons eligible for Medicaid health care coverage (including childless adults currently frozen from coverage) while partially offsetting the costs with higher Federal matching rates.

FY 2014 ongoing revenues are estimated to be \$8.44 billion, primarily based on a 4-sector consensus growth rate of 6.9%. Ongoing FY 2014 revenues are actually lower than in FY 2013 due to the expiration of the \$913 million 1-cent sales tax in May 2013.

In part, that loss would be offset by a projected \$249 million FY 2013 carry-forward along with \$6 million of fund transfers. Total FY 2014 revenues would be \$8.69 billion, which would leave the projected FY 2014 budget with a \$(132) million shortfall. The Legislature tentatively allocated \$132 million of the \$450 million BSF reserve for planning purposes to balance the FY 2014 budget, but there was no formal appropriation of those monies.

The FY 2015 budget is estimated to have statutory funding formula requirements of \$9.21 billion compared to revenues of \$8.72 billion. The ongoing spending includes caseload growth plus \$210 million of Federal health care costs associated with the Affordable Care Act. The revenues of \$8.72 billion reflect base revenue growth of 5.0%, plus \$(155) million in enacted tax reductions.

The FY 2015 budget is projected to have a shortfall of \$(486) million. If \$132 million of the original \$450 million of BSF deposits is used to balance the FY 2014 budget, there would be a total of \$318 million left in the BSF to help address the \$(486) million shortfall.

Given the multiple years involved in these calculations, long-run estimates are especially sensitive to small percent changes in revenue and spending growth. For example, a 2% change in the growth rate of either revenue or spending in FY 2013 through FY 2015 would change the ending balance calculations by \$500 million in the third year. As a result, these projections are subject to considerable change.

In particular, there is considerable uncertainty regarding the costs of the Affordable Care Act upon Medicaid eligibility (especially given the pending U.S. Supreme Court decision). Should the Affordable Care Act be struck down, the 4-year analysis assumed that the \$40 million of FY 2014 and \$42 million of FY 2015 Affordable Care Act costs would be dedicated to replacing the FY 2013 use of the Long-Term Care System Fund to offset loss of Federal Funds in DES.

Laws 2012, Chapter 244 requires that the General Appropriation Act delineate the revenue and expenditure estimates for the following 3 years. The expenditure estimates are to be based on existing statutory funding requirements. Chapter 244 requires the Legislature to discuss the estimates in a public hearing before the adoption of the General Appropriation Act. This provision will take effect for the FY 2014 budget.

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

	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Estimate	FY 2015 Estimate
REVENUES				
Ongoing Revenues	\$8,065,262,800	\$8,479,910,300	\$9,030,924,300	\$9,461,600,500
Previously Enacted Changes <u>2/3/</u>		(39,265,400)	(16,400,000)	(108,400,000)
2nd Regular Session Legislation Changes <u>2/3/</u>		6,008,000	(24,492,000)	(46,592,000)
1¢ Sales Tax	894,332,700	912,794,900		
Urban Revenue Sharing	(424,423,400)	(513,584,100)	(551,392,700)	(583,043,600)
Net On-going Revenues	\$8,535,172,100	\$8,845,863,700	\$8,438,639,600	\$8,723,564,900
One-time Financing Sources				
Balance Forward	3,243,000	122,420,300	249,005,500	574,900
County Contributions	38,600,000			
Previously Enacted Changes <u>4/</u>		(52,000,000)		
Budget Stabilization Fund Transfer	(250,000,000)	(200,000,000)	132,000,000	
Fund Transfers <u>2/5/</u>	306,403,500	106,000,000	6,000,000	
Subtotal One-time Revenues	\$112,113,900	(\$23,579,700)	\$387,005,500	\$574,900
Total Revenues	\$8,647,286,000	\$8,822,284,000	\$8,825,645,100	\$8,724,139,800
EXPENDITURES				
Operating Budget Appropriations	\$8,295,663,700 <u>6/</u>	\$8,488,414,300	\$8,729,002,800	\$9,153,007,500
Administrative Adjustments	57,694,100	64,384,900	64,913,000	66,914,400
Reversions	(99,053,700)	(99,998,300)	(102,945,200)	(114,052,200)
Asset Sale/Lease-Back Debt Service	49,050,700	84,119,800	84,099,600	84,103,700
Subtotal Ongoing Expenditures	\$8,303,354,800	\$8,536,920,700	\$8,775,070,200	\$9,189,973,400
One-time Expenditures				
Capital Outlay <u>2/</u>		\$20,252,000	\$30,000,000	
Statutory Reversions	29,910,200			
Additional (27th) Pay Period	79,000,000			
Employee Retention Payments <u>7/</u>		\$16,633,400		
Health Insurance Premium Holiday <u>7/</u>		(\$25,000,000)		
Automation Projects <u>2/</u>		\$16,800,000	\$20,000,000	\$20,000,000
White Mtn. Apache Water Settlement		\$2,000,000		
Eliminate AHCCCS Payment Deferrals	112,600,700	\$5,672,400		
Subtotal One-time Expenditures	\$221,510,900	\$36,357,800	\$50,000,000	\$20,000,000
Total Expenditures	\$8,524,865,700	\$8,573,278,500	\$8,825,070,200	\$9,209,973,400
Ending Balance <u>8/</u>	\$122,420,300	\$249,005,500	\$574,900	(\$485,833,600) <u>9/</u>
<i>Structural Balance (with 1¢ TPT Increase) <u>10/</u></i>	<i>\$231,817,300</i>	<i>\$308,943,000</i>	<i>(\$336,430,600)</i>	<i>(\$466,408,500)</i>
<i>Available Reserves</i>	<i>\$250,000,000</i>	<i>\$450,000,000</i>	<i>\$318,000,000</i>	<i>\$318,000,000</i>

1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures. FY 2014 and FY 2015 represent estimates and have not been enacted into law, unless otherwise noted.

2/ FY 2014 and/or FY 2015 provisions have been enacted.

3/ See page 293 for details.

4/ See page 295 for details.

5/ See page 322 for details.

6/ Includes FY 2012 supplementals. See page 356 for changes since original enactment.

7/ These amounts will be distributed to agencies at a later date.

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

9/ \$318 million in Budget Stabilization Fund reserves available to offset shortfall.

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

SPENDING ESTIMATES BY MAJOR BUDGET UNITS

	<u>FY 2012 Enacted</u>	<u>FY 2013 Enacted</u>	<u>FY 2014 Estimate</u>	<u>FY 2015 Estimate</u>
EXPENDITURES				
Operating Budget				
-- Department of Administration	\$ 15,100,500	\$ 11,430,300 <u>1/</u>	\$ 11,430,300 <u>1/</u>	\$ 11,430,300 <u>1/</u>
-- AHCCCS	1,363,848,700 <u>2/</u>	1,391,934,900 <u>2/</u>	1,473,634,200 <u>3/</u>	1,739,316,900 <u>3/</u>
-- Attorney General	16,997,300	23,049,900	21,849,900	21,849,900
-- Department of Commerce	31,500,000	31,500,000	31,500,000	31,500,000
-- Community Colleges	71,176,100	65,942,600	71,863,100	78,368,300
-- Department of Corrections	948,939,200	956,404,200	961,404,200	985,404,200
-- Department of Economic Security	591,125,000	612,296,200	692,519,900 <u>3/</u>	721,853,800 <u>3/</u>
-- Department of Education	3,469,297,000	3,496,900,300	3,528,118,500	3,560,782,600
-- Department of Environmental Quality	7,000,000	7,000,000	7,000,000	7,000,000
-- Department of Health Services	509,332,400	587,120,700	651,330,800	719,842,100
-- Judiciary	108,917,900	108,596,000	108,596,000	108,596,000
-- Department of Juvenile Corrections	46,755,200	43,428,400	43,428,400	43,428,400
-- State Land Department	1,233,600	1,258,600	1,258,600	1,258,600
-- Department of Public Safety	46,557,300	45,524,000	45,524,000	45,524,000
-- Department of Revenue	44,129,600	45,442,100	45,309,900	45,309,900
-- School Facilities Board	175,592,800	173,708,300	178,443,600	178,234,600
-- Office of Tourism		7,000,000	7,000,000	7,000,000
-- Universities	686,060,100	707,333,800	707,333,800	707,333,800
-- Department of Water Resources	5,726,200	12,033,300	12,033,300	12,033,300
-- All Other Budgets	156,503,200	154,900,300	148,975,300	148,975,300
-- Civic Center Payment		5,595,000	20,449,000	20,449,000
-- Unallocated Adjustments	(128,400)	15,400		
-- Health Insurance Premium Holiday		(25,000,000)		
-- Employee Retention Payments		16,633,400		
-- Federal Health Care Repeal <u>3/</u>			(40,000,000)	(42,483,500)
Total - Operating Budget	<u>\$ 8,295,663,700</u>	<u>\$ 8,480,047,700 <u>4/</u></u>	<u>\$ 8,729,002,800</u>	<u>\$ 9,153,007,500</u>
-- Capital Outlay		20,252,000	30,000,000	
-- Additional Pay Period	79,000,000			
-- Administrative Adjustments	57,694,100	64,384,900	64,913,000	66,914,400
-- Revertments	(99,053,700)	(99,998,300)	(102,945,200)	(114,052,200)
-- Statutory Reversions	29,910,200			
-- Debt Service	49,050,700	84,119,800	84,099,600	84,103,700
-- Payment Deferrals	112,600,700	5,672,400		
-- White Mtn Apache Water Settlement		2,000,000		
-- Automation Projects		16,800,000	20,000,000	20,000,000
Total Spending	<u>\$ 8,524,865,700</u>	<u>\$ 8,573,278,500</u>	<u>\$ 8,825,070,200</u>	<u>\$ 9,209,973,400</u>

1/ Excludes White Mountain Apache Water Settlement and Automation Projects, which are listed separately below the Operating Budget section.

2/ Excludes the Payment Deferral repayment amount, which is listed separately below the Operating Budget section.

3/ If Federal Health Care requirements are repealed or overturned, the AHCCCS estimates would be reduced by \$40 million in FY 2014 and \$42.5 million in FY 2015 and would be used to offset DES spending.

4/ Operating budget on prior page lists employee retention payments and health insurance premium holiday as one-time

ENACTED BUDGET CHANGES - 4-YEAR ANALYSIS

	\$ in Millions			
	FY 2012	FY 2013	FY 2014	FY 2015
<u>Changes to Baseline Spending</u> ^{1/}				
End Accounting of Non-Lapsing \$	30			
Automation Projects	-	17 ^{2/}	20	20
Retain Executive Elimination of AHCCCS Rollover	113	6		
AHCCCS - Caseload		(18)	(18)	
AHCCCS - Breast Cancer Treatment		2	2	2
AHCCCS - Rural Hospitals (\$300K)		0	0	0
AHCCCS - Lower Baseline Growth Rate (5% to 3%)			(35) ^{3/}	(61) ^{3/}
AHCCCS - IT Security		ADOA ^{2/}		
Attorney General - Eliminate Pro Rata		0 ^{4/}	0	0
Attorney General - Border Prosecution Federal Backfill		1		
Corrections - 500 Maximum Beds Construction		20	30	13
Corrections - Additional Private Beds			5 ^{5/}	(31) ^{5/}
Corrections - Correctional Officers		4 ^{6/}	4	4
DES - Child Protective Services		4	4	4
DES - TANF Backfill Issues		LTC ^{7/}	25 ^{8/}	25 ^{8/}
DES - DD Provider Rate Increase		LTC ^{9/}	7	7
DES - Adoption		LTC ^{7/}	17 ^{8/}	17 ^{8/}
ADE - Reading Programs		40 ^{10/}	40	40
ADE - CORL/Additional Assistance		15	15	15
ADE - Matching Competitiveness Grants		3		
ADE - Teacher Certification		1	1	1
ADE - Data System		5 ^{11/}		
ADE - Caseload Re-estimation (includes TNT)		(8)	(8)	(8)
Forester - Fire Suppression		1	1	1
DHS - Seriously Mentally Ill		39	39	39
DHS - State Hospital	3	3 ^{12/}	3	3
DHS - Provider Rate Increase		LTC ^{9/}	6	6
IRC - Continued Funding		1		
Auditor General - Audits		1		
Legislative Automation Project		3		

	\$ in Millions			
	FY 2012	FY 2013	FY 2014	FY 2015
DPS - Retirement		13/ ^{13/}		
DPS - Vehicles		13/ ^{13/}		
DOR - Automation Projects		ADOA ^{2/13/}		
SFB - Building Renewal	12 ^{14/}			
SFB - Additional Staff (\$300K)		0	0	0
SFB - Defer New Construction to FY 2016				(56) ^{15/}
Office of Tourism/Repeal Formula		7	7	7
Universities - Performance Funding		- ^{16/}		
Universities - Parity/Course Redesign/Capital		15 ^{17/}	15	15
Universities - Medical School		6	6	6
Dept of Water Resources - Eliminate City Fee		6	6	6
Indian Water Rights Settlement		2		
Federal Health Care ^{8/}			(40) ^{8/}	(42) ^{8/}
Retirement Shift (53/47 to 50/50)	41	39	39	39
Employer Retirement Rate Increases		9	9	9
Health Insurance (Premium Holiday)		(25)		
Employee Pay		17 ^{18/}		-
Other Issues	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Spending Changes to Baseline	200	217	200	81
<u>Changes to Baseline Revenue ^{1/}</u>				
Economic Development			(20) ^{19/}	(40) ^{19/}
Clean Elections Reversion	(10)	10	10	10
Reflow Commerce Lottery Distribution		4	4	4
Rainy Day Fund - Transfer Out	(250)	(200)	132	
Deposit Mortgage Settlement		50		
VEI Transfer + Rate Reduction		10		
Judicial Transfers		6	6	
HITF Transfer		<u>30</u>		
Total Revenue Changes to Baseline	(260)	(91)	131	(27)

^{1/} Represents changes to JLBC January Baseline. FY 2015 represents January JLBC Baseline adjusted for 5% revenue growth, \$56 million for new school construction, \$47 million for 2,000 prison beds, and \$210 million for Federal Health Care.

^{2/} JLBC review of Automation Fund withdrawals and \$11 million of Other Funds. Includes \$23 million in FY 2016. AHCCCS

\$ in Millions

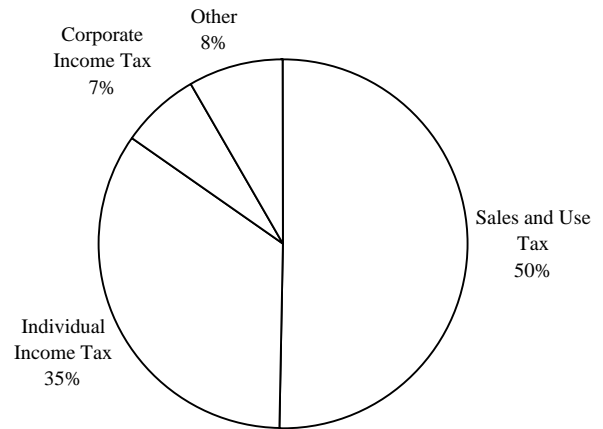
FY 2012 **FY 2013** **FY 2014** **FY 2015**

and DOR projects could potentially be funded from this allocation.

- 3/ Intent language to not increase capitation rates above 3%.
- 4/ \$4.0 million GF appropriation offset by \$3.9 million Pro Rata elimination.
- 5/ Funding for 500 private beds beginning January 1, 2014 and an additional 500 private beds beginning January 1, 2015. FY 2015 would reduce the baseline estimate from \$47 million to \$16 million.
- 6/ 62 officers plus 41 additional officers from overtime funding.
- 7/ TANF Backfill/Adoption - \$34 million from Long Term Care (LTC) Fund Balance and \$9 million from DSH revenues in FY 2013. Shift to GF in FY 2014 (*see footnote 8*). FY 2013 monies are not literally appropriated from the LTC Fund to these programs. This funding requires internal fund shifts.
- 8/ Contingent on the overturn/repeal of Federal Health Care. \$167 million would also be available to offset ending balance shortfall.
- 9/ April 1 start date. FY 2013 monies are not literally appropriated from the LTC Fund to these programs. This funding requires internal fund shifts. Shift to GF in FY 2014.
- 10/ Represents K-3 reading weights with reporting requirements.
- 11/ Plus an additional \$1.2 million from University/Community Colleges Fee. Would require quarterly progress reports.
- 12/ Includes \$2.6 million plus an additional \$1.3 million from Indirect Cost Fund.
- 13/ Partially funded from other sources.
- 14/ \$11.5 million for supplemental emergency grants.
- 15/ Intent to readdress SFB long-term funding requirements on receipt of additional demographic data and other information.
- 16/ \$5 million from shift from base. Statutory language requiring budget request based on performance budgeting.
- 17/ Intent language with a goal that parity be achieved by FY 2017.
- 18/ One-time payment for all uncovered, non-university employees, including employees converting by September 29. Unused monies revert.
- 19/ Represents budgeted amount. Actual enacted tax law changes total \$24 million in FY 2014 and \$47 million in FY 2015. (*See Revenue Section for additional detail.*)

FY 2013 General Fund Revenue - Where it Comes From

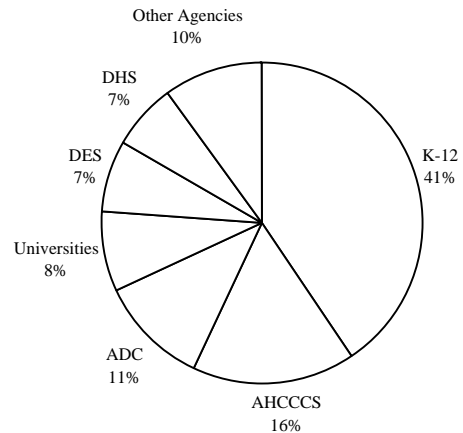
<u>Source</u>	<u>Revenue (Millions)</u>
Sales and Use Tax	\$ 4,697.9
Individual Income Tax	3,233.1
Corporate Income Tax	656.5
Other	771.9
TOTAL REVENUE	<u><u>\$ 9,359.4</u></u> ^{1/}



^{1/} Includes all legislative revenue changes, but does not include beginning balance of \$122 million, urban revenue sharing, or other one-time revenue adjustments.

FY 2013 General Fund Appropriations - Where it Goes

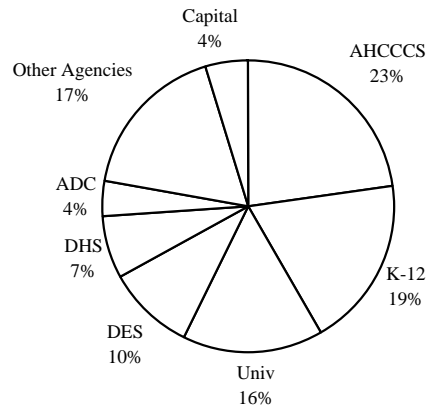
<u>Budget Unit</u>	<u>Appropriation (Millions)</u>
Education (K-12)	\$ 3,496.9
AHCCCS	1,397.6
Corrections	956.4
Universities	707.3
Economic Security	612.3
Health Services	587.1
Other Agencies	851.3
TOTAL BUDGET	<u><u>\$ 8,608.9</u></u> ^{1/}



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

FY 2013 Total Spending - All Sources ^{1/}

<u>Budget Unit</u>	<u>Spending (Millions)</u>
AHCCCS	\$ 6,379.9
Education (K-12)	5,209.7
Universities	4,346.1
Economic Security	2,732.6
Health Services	1,927.5
Corrections	1,059.3
Other Agencies	4,903.4
Capital	1,294.3
TOTAL	<u>\$ 27,852.8 ^{2/}</u>

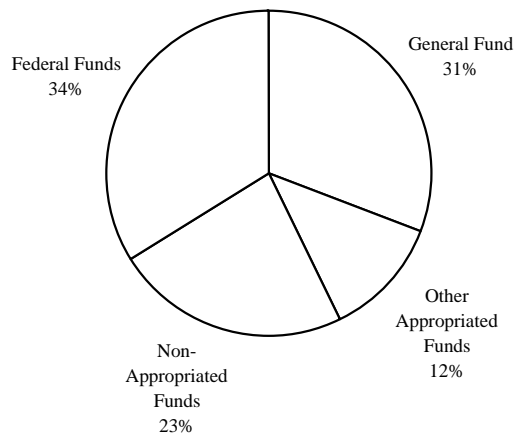


^{1/} Does not include administrative adjustments and revertsments.

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

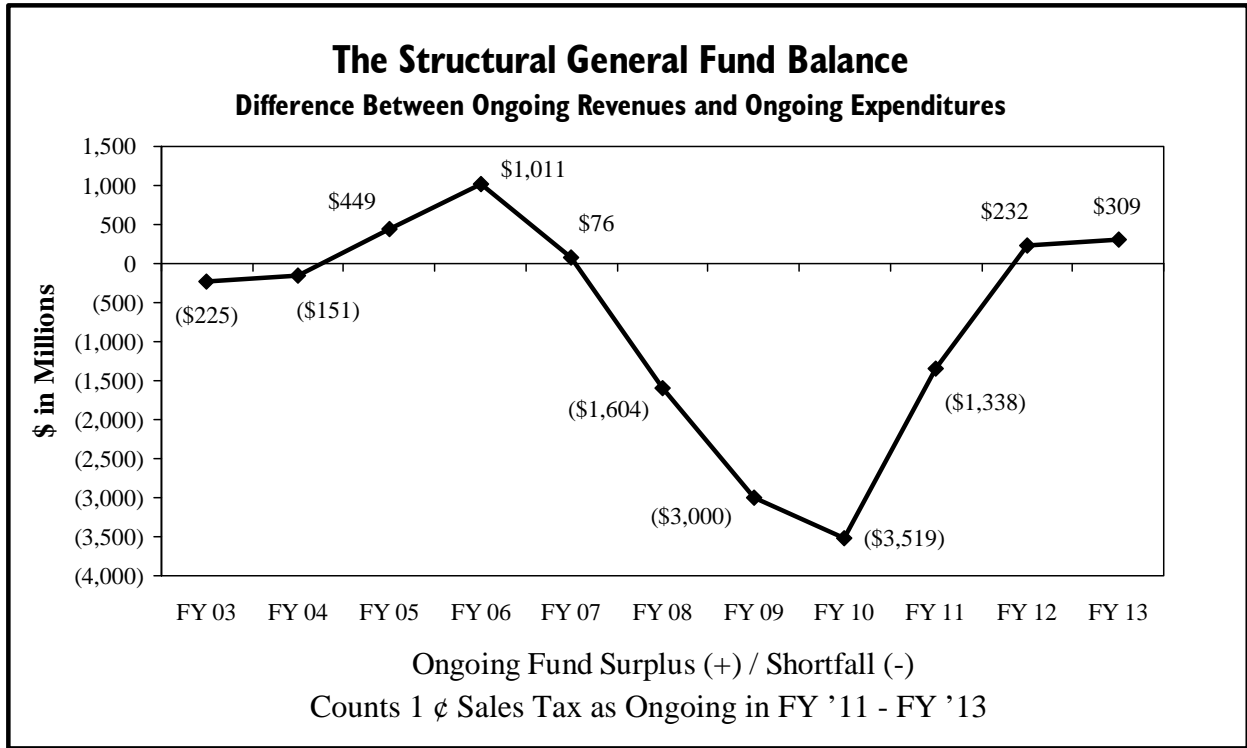
FY 2013 Total Spending by Fund Source ^{1/}

<u>Fund Source</u>	<u>Spending (Millions)</u>
General Fund	\$ 8,608.9
Other Appropriated Funds	3,330.1
Non-Appropriated Funds	6,440.6
Federal Funds	9,473.2
TOTAL	<u>\$ 27,852.8 ^{2/}</u>



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

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

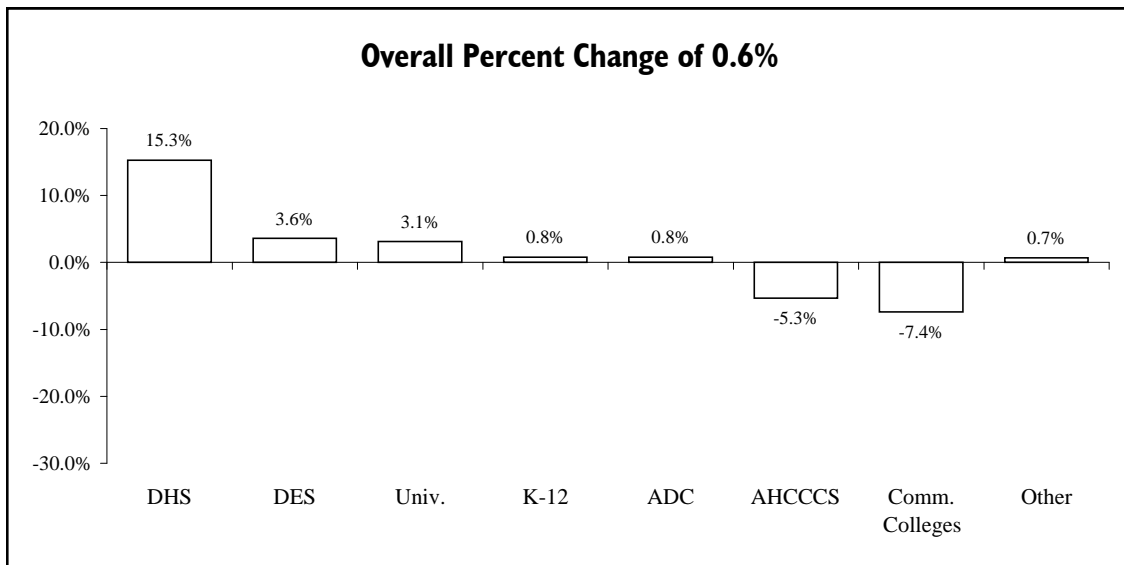
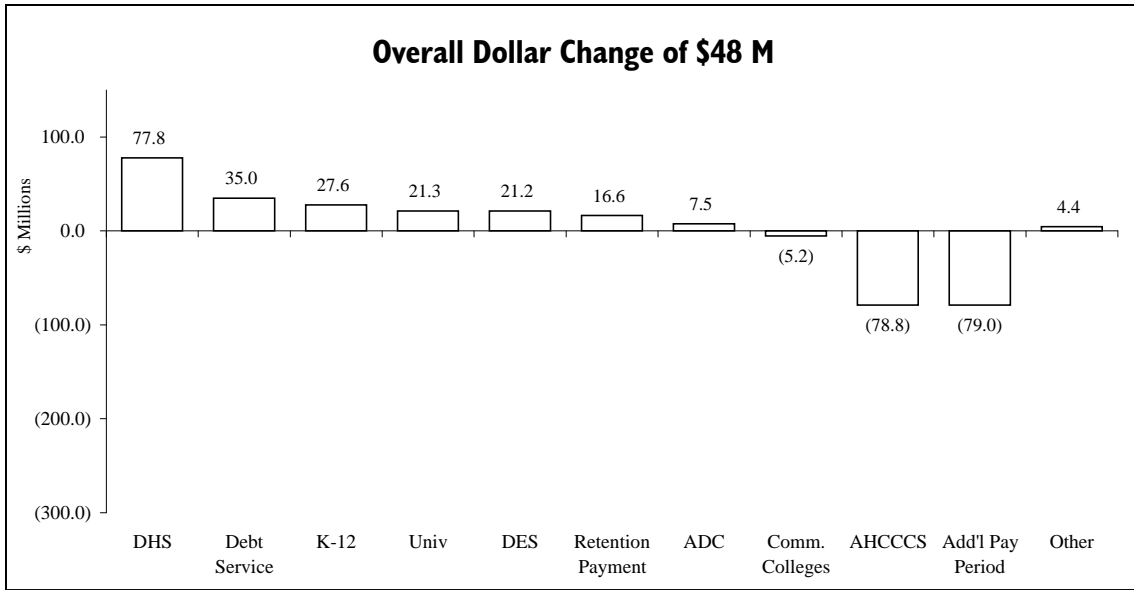


Recent History of Ongoing General Fund Balance ^{1/}
(\$ in Millions)

Fiscal Year	Ongoing Revenues	Ongoing Expenditures	Surplus/ (Shortfall)
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	8,056 ^{2/}	9,394	(1,338)
2012	8,535 ^{2/}	8,303	232
2013	8,846 ^{2/}	8,537	309

^{1/} Excludes one-time revenues and expenditures.
^{2/} Includes the 1-cent sales tax increase from Proposition 100 as ongoing revenue. Without the 1-cent tax, there is a projected \$(604) million structural shortfall in FY 2013.

Changes to Major Agencies' General Fund Budget ^{1/} FY 2012 to FY 2013



^{1/} Represents change in total General Fund spending from FY 2012 (including supplementals and ex-appropriations) to FY 2013. See page BD-5.

FY 2013 STATE GENERAL FUND BUDGET – A NARRATIVE SUMMARY

General Fund Balances

- Given forecasted FY 2012 revenues of \$8.65 billion and spending of \$8.52 billion, the budget has a projected FY 2012 ending balance of \$122 million.
- In terms of FY 2013, the budget revenue estimate is \$8.82 billion, compared to spending of \$8.57 billion. The budget would have an ending cash balance of \$249 million.
- The budget deposited \$250 million in FY 2012 and \$200 million in FY 2013 into the Budget Stabilization Fund (BSF) for a total of \$450 million.
- In the process of adopting the current budget, the Legislature made long-term projections regarding the state's General Fund balance. The state is projected to have an ending balance of \$574,900 in FY 2014, assuming the transfer of \$132 million from the BSF.
- The FY 2015 budget has a projected shortfall of \$(486) million, which could be partially offset by \$318 million of available reserves in the BSF.

General Fund Revenues

- The FY 2012 and FY 2013 base revenue growth rates reflect the January 4-sector consensus forecast.
- FY 2012 base revenues are projected to increase by 5.3%, excluding tax law changes. Including one-time revenues, projected FY 2012 revenues would be \$8.65 billion after the transfer of \$250 million to the BSF.
- In FY 2013, base revenues are projected to increase by 5.1%, excluding tax law and other statutory changes. In total, FY 2013 General Fund revenues are forecast to be \$8.82 billion after the transfer of \$200 million to the BSF.
- The Urban Revenue Sharing (URS) distributions for FY 2013 will total \$513.6 million. By statute, URS is based on 15% of income tax collections 2 years prior. This amount is an increase of \$89 million compared to FY 2012, due to a substantial increase in income tax revenues.
- The FY 2013 budget assumes one-time revenues of \$122 million from the FY 2012 carry-forward balance.
- The budget includes a one-time revenue loss of \$(52) million related to the temporary reduction in the threshold for estimated sales tax payments ending.
- The budget includes \$106 million of fund transfers including:
 - ⇒ \$50 million – Mortgage Settlement Fund.
 - ⇒ \$30 million – State Employee Health Insurance Trust Fund.
 - ⇒ \$10 million – Emissions Inspection Fund.
 - ⇒ \$10 million – Citizens Clean Elections Fund reversion.
 - ⇒ \$6 million – Judiciary transfers.
- The Legislature enacted a new package of tax reductions which will have an eventual annual cost of \$(107.8) million by 2019. In the next several years, these Chapter 343 tax law changes are estimated to reduce General Fund revenues by \$(28.4) million in FY 2014 and \$(53.0) million in FY 2015.
- The expiration of the temporary 1-cent sales tax increase enacted by Proposition 100 will reduce FY 2014 General Fund revenues by \$(912.8) million in FY 2014.

General Fund Spending

- Due to funding formula adjustments, FY 2013 ongoing spending would increase \$233.6 million. This increase is offset by the elimination of one-time spending in the prior year of \$(185.2) million. In total, spending would increase by \$48.4 million, or 0.6% above the FY 2012 budget.
- The entire state budget for FY 2013, including both appropriated and non-appropriated funds, is projected to be approximately \$28 billion.

Education

Department of Education

- ADE spending increases by \$27.6 million, or 0.8%. The \$27.6 million adjustment consists of 3 elements.
- \$58.7 million in new spending increases, including:
 - ⇒ \$40.0 million for new K-3 Reading “Group B” weight.
 - ⇒ \$15.0 million for increased CORL and Additional Assistance funding.
 - ⇒ \$3.0 million for new Innovative Education Program Grants.
- \$(31.1) million in baseline formula changes, including:
 - ⇒ \$(57.9) million to annualize the FY 2012 funding surplus.
 - ⇒ \$48.1 million for an increase of 4,500 students, or 0.4%, for a total of 1,045,100.
 - ⇒ \$(37.0) million for net savings from limiting the 40% subsidy of homeowner property taxes to “primary residences.” This change was enacted last year.
 - ⇒ \$35.0 million to offset loss of one-time federal “EduJobs” monies.

- ⇒ \$(29.4) million net decrease for 1.4% new property growth.
- ⇒ \$8.9 million for a 2.0% 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 \$87.5 million.
- ⇒ \$(8.1) million for a continued Career Ladder phase out.

School Facilities Board

- SFB spending decreases by \$(1.9) million, or (1.1)%. The \$(1.9) million adjustment includes:
 - ⇒ \$9.3 million due to increase debt service associated with past lease-purchase agreements.
 - ⇒ \$(11.5) million to eliminate a one-time Building Renewal Grant supplemental from FY 2012.
 - ⇒ \$300,000 for personnel and operating costs associated with the backfill of Federal Funds.
- The budget assumes no additional new construction is authorized in FY 2013.

Universities

- The Universities’ General Fund spending increases by \$21.3 million, or 3.1%, including:
 - ⇒ \$15.3 million for Course Redesign Technology and Capital funding in order to align Arizona State University’s and Northern Arizona University’s General Fund per student funding to that of the higher University of Arizona (UA) amount.
 - ⇒ \$6.0 million for UA’s Phoenix Biomedical Campus.
- Total university enrollment is projected to be 127,601 full-time equivalent students in FY 2013, representing a comparable increase of 2,700 in-state students, or 3.1% above FY 2012. University enrollment growth is not part of a statutorily-required formula. Enrollment growth from the General Fund would have cost \$21.8 million.

Community Colleges

- Community College General Fund spending decreases by \$(5.2) million, or (7.4)%, primarily due to changes in property values which reduced the equalization aid formula level.
- FY 2013 formula enrollment would increase by 9,681 full-time equivalent students, or 7.1%, for a total enrollment of 145,470.

Health and Welfare

AHCCCS

- AHCCCS’ General Fund spending decreases by \$(78.8) million, or (5.3)%. The \$(78.8) million includes:
 - ⇒ \$26.0 million for formula adjustments.
 - ⇒ \$(106.9) million for the elimination of a one-time FY 2012 payment to end the payment deferral.
 - ⇒ \$2.0 million for an expansion of breast and cervical cancer coverage.

Department of Health Services

- DHS’ General Fund spending increases by \$77.8 million, or 15.3%. The budget includes:
 - ⇒ \$38.7 million for additional Non-Medicaid Seriously Mentally Ill Services.
 - ⇒ \$7.6 million for Medicaid caseload growth.
 - ⇒ \$33.9 million to backfill a one-time other fund appropriation for FY 2012 caseload growth.
 - ⇒ \$1.4 million for a 2% Behavioral Health provider rate increase beginning on April 1, 2013.

Department of Economic Security

- DES General Fund spending increases by \$21.2 million, or 3.6%. The \$21.2 million includes:
 - ⇒ \$3.7 million in the operating budget for Child Protective Services (CPS) funding.
 - ⇒ \$17.1 million for an increase of 1,253 clients, or 5.0%, in the Medicaid Developmental Disabilities Long Term Care program. Total caseloads would equal 26,307.
- In addition to the increases in General Fund monies, the budget includes an increase of \$44.2 million from a balance in the Long Term Care System Fund (LTCSF) in FY 2013 to free up additional General Fund monies.
- This frees up an equivalent amount of General Fund monies which are redirected for the following purposes:
 - ⇒ \$1.7 million for a 2% Developmental Disabilities provider rate increase beginning on April 1, 2013.
 - ⇒ \$18.5 million for the backfill of reduced Federal TANF Block Grant revenues.
 - ⇒ \$4.5 million for the backfill of child support enforcement monies.
 - ⇒ \$2.4 million for permanent guardianship due to declining TANF Cash Benefit recipients.
 - ⇒ \$17.1 million for adoption services caseload growth and the backfill of Federal Funds.

Criminal Justice

Department of Corrections

- ADC General Fund spending increases by \$7.5 million, or 0.8%, including:
 - ⇒ \$3.8 million to help fund 103 new correctional officers.
 - ⇒ \$4.5 million for statewide adjustments.
 - ⇒ \$(0.8) million to remove one-time leap year funding.
- Assuming flat caseloads through the end of FY 2013, ADC is expected to have a 1,280 “funded” bed shortfall.
- The budget appropriates \$20 million in FY 2013 and \$30 million in FY 2014 to construct 500 state-run male maximum-security beds. The budget also requires the department to issue a contract for up to 500 male, medium-security private beds to open on January 1, 2014 and up to another 500 similar beds to open on January 1, 2015.
- The budget repeals the requirement from the FY 2012 budget that would require counties to house prisoners sentenced less than a year or pay ADC to do so on their behalf, effective July 1, 2012.

General Government

- The budget appropriates \$16.8 million from the General Fund and \$11.3 million from Other Appropriated Funds in FY 2013 to the Automation Projects Fund for information technology projects. In future years, the budget appropriates \$20 million from the General Fund in both FY 2014 and FY 2015, and \$23 million from the General Fund in FY 2016 to the fund.
- The budget includes \$7.0 million for the Office of Tourism for administrative costs and statewide tourism promotion.
- The budget includes \$6.3 million for the Department of Water Resources to offset the elimination of the municipality fees enacted as part of the FY 2012 budget.

Financing and Payment Deferral

- The budget includes an increase of \$50.0 million from the General Fund for debt and lease-purchase payments in FY 2013. This increase includes:
 - ⇒ \$35.1 million for the full annual payment for the \$1.0 billion state building sale/lease-back issuance. The prior payment in FY 2012 was interest only.
 - ⇒ \$9.3 million due to increased debt service associated with past SFB new construction lease-purchase agreements.
 - ⇒ \$5.6 million related to financing payments for the expansion of the Phoenix Convention Center.
- Increased debt service requirements would also reduce General Fund revenues by \$(18.7) million:
 - ⇒ \$(16.8) million for the full annual payment on the \$450 million of lottery revenue bonds issued in FY 2010. The prior payment was interest only.
 - ⇒ \$(1.9) million for an increase in University SPEED bond debt service, which is funded by lottery profits which would have otherwise gone to the General Fund.
- The budget eliminated the existing AHCCCS payment deferrals at a total cost of \$119 million. The budget continued to defer \$1.2 billion in General Fund spending from FY 2013 to FY 2014, including:
 - ⇒ \$953 million of school district payments.
 - ⇒ \$200 million of payments to the University system.
 - ⇒ \$35 million of DES payments.

State Employee Issues

FTE Positions

- The budget funds a total net decrease of (2,797.1) Full-Time Equivalent (FTE) Positions in FY 2013. This includes a decrease of (2,541.4) FTE Positions due to the elimination of unfunded and unfilled vacant FTE Positions.
- These adjustments would bring total appropriated FTE Positions to 49,278.4.

Employee Salary and Benefit Issues

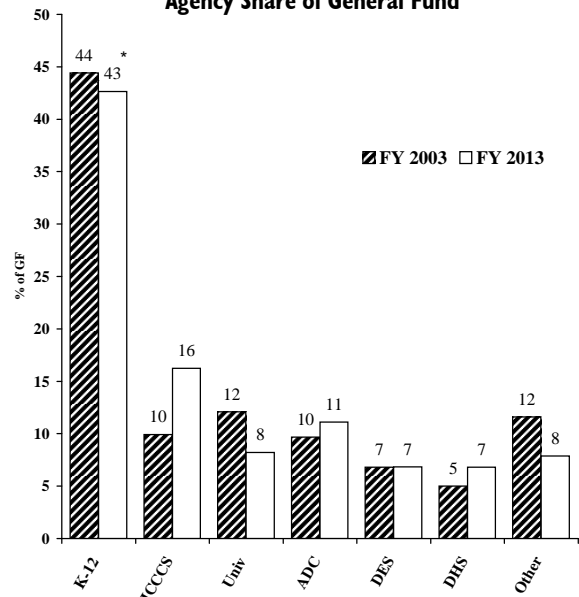
- The budget includes a decrease of \$(79) million related to one-time funding for an additional employee payday in the prior year. There were 27 scheduled pay periods in FY 2012, as opposed to the 26 that typically occur in other fiscal years.
- The budget includes \$16.6 million from the General Fund and \$11.7 million from Other Appropriated Funds in FY 2013 to fund a one-time retention payment for all non-university state employees who are uncovered as of September 28, 2012. On September 29th, each state employee paycheck will increase 5%, for the equivalent increase of 3.75% of the employee’s annual salary level for the entire fiscal year.
- The budget includes \$39.3 million in FY 2013 to reverse the policy change made in the FY 2012 budget which increased the employee share of ASRS contributions from 50% to 53%.
- The budget includes \$9.2 million to fund a separate increase in employer retirement rates.
- The budget requires ADOA to forego collecting health insurance premiums, including employer, employee and retiree contributions, so as to generate \$25 million in General Fund employer contribution savings.

"THEN AND NOW" - FY 2003 vs. FY 2013 General Fund Spending

Comparison of 10 Largest General Fund Operating Budgets 1/
(\$ in Millions)

	FY 03 Actuals	FY 13 Approp.	\$ Change FY 03-13	% Change FY 03-13
Education (K-12)	\$ 2,598.2	\$ 3,496.9	\$ 898.7	34.6
AHCCCS	588.9	1,397.6	808.7	137.3
Corrections	574.5	956.4	381.9	66.5
Universities	746.8	707.3	(39.5)	(5.3)
Economic Security	404.8	612.3	207.5	51.3
Health Services	297.4	587.1	289.7	97.4
Judiciary	134.0	108.6	(25.4)	(19.0)
Community Colleges	132.6	65.9	(66.7)	(50.3)
School Facilities Board	39.8	173.7	133.9	NA
Public Safety	31.8	45.5	13.7	43.1
Other	390.5	457.6	67.1	17.2
TOTAL	\$ 5,939.3	\$ 8,608.9	\$ 2,669.6	44.9%

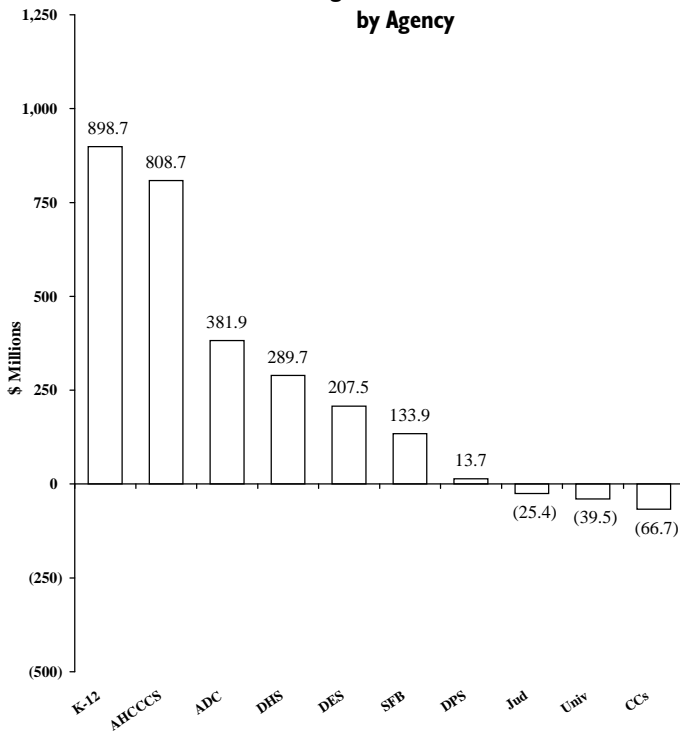
Agency Share of General Fund



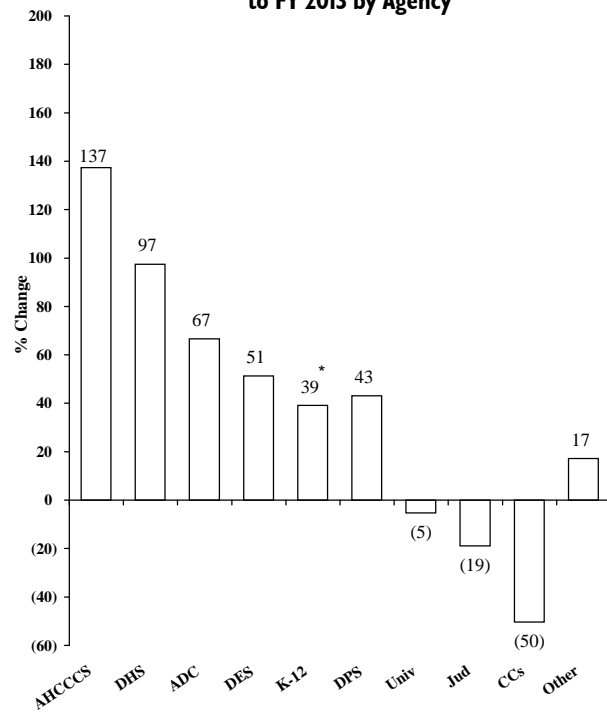
1/ Represents individual agency General Fund spending only. Excludes administrative adjustments and revertsments.

* K-12 includes School Facilities Board spending.

Dollar Change from FY 2003 to FY 2013
by Agency



Percent Change from FY 2003
to FY 2013 by Agency



* K-12 includes School Facilities Board spending.

"THEN AND NOW" - FY 2003 vs. FY 2013 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
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	7,845.8	7,851.5	(5.7)	-0.1%
2011	8,374.8	8,371.6	3.2	0.0%
2012	8,647.3	8,524.9	122.4	1.4%
2013	8,822.3	8,573.3	249.0	2.8%

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

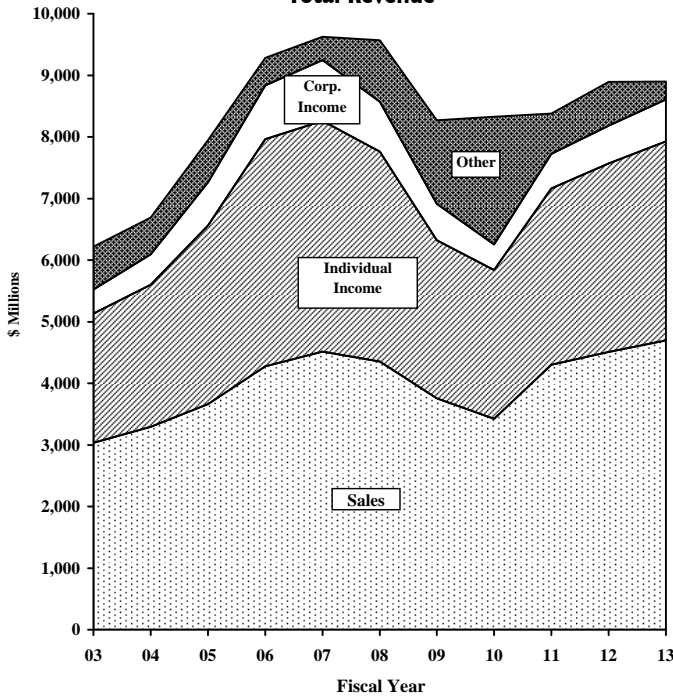
Fiscal Year	Sales	Individual Income	Corporate Income	Other
2003	48.8%	33.7%	6.3%	11.2%
2004	49.2%	34.5%	7.4%	8.9%
2005	46.1%	36.4%	8.8%	8.7%
2006	46.0%	39.7%	9.4%	4.8%
2007	46.9%	38.9%	10.2%	3.9%
2008	45.5%	35.6%	8.5%	10.4%
2009	45.4%	31.0%	7.2%	16.4%
2010	41.1%	29.0%	5.0%	24.9%
2011	51.3%	34.2%	6.7%	7.8%
2012 ^{2/}	50.7%	34.4%	6.9%	8.0%
2013 ^{2/}	52.8%	36.3%	7.6%	3.3% ^{3/}

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

^{2/} Excludes transfers out to Budget Stabilization Fund.

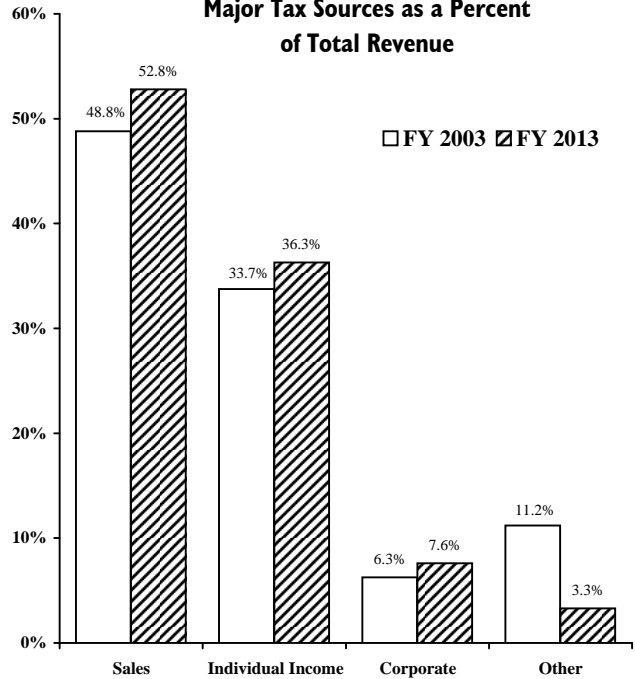
^{3/} Includes \$54.0 million in FY 2013 one-time revenue adjustments (excluding FY 2012 carry-forward balance and BSF). See prior Appropriations Reports for earlier years.

General Fund Major Tax Sources as a Share of Total Revenue



FY 2003 vs. FY 2013

Major Tax Sources as a Percent of Total Revenue



BUDGET DETAIL

SUMMARY OF GENERAL FUND APPROPRIATIONS
By Individual Chapter
For Fiscal Years 2012 - 2014 1/2/3/

Chap. Bill No. Number Reference Title	FY 2012 General Fund	FY 2013 General Fund	FY 2014 General Fund
Fiftieth Legislature - Second Regular Session (2012)			
108 HB 2862 Supplemental Appropriation; Independent Redistricting Commission	\$ 700,000		
176 HB 2438 Government Land; Private Land; Study		\$ 132,200	
291 SB 1274 Appropriations; Named Claimants	198,300		
294 SB 1524 General Appropriations; 2012-2013*	140,575,700	7,200,204,200	\$ 1,207,627,700 4/
295 SB 1525 Capital Outlay; 2012-2013		20,000,000 C	30,000,000 C
298 SB 1527 Government Budget Reconciliation; 2012-2013		(1,100,000) 13/	
303 SB 1532 Environment; Budget Reconciliation; 2012-2013		(8,000,000) 15/	
304 HB 2264 ASRS; Employee; Employer Contributions; Rate	39,317,700		
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION	180,791,700	7,211,236,400	1,237,627,700
Fiftieth Legislature - First Regular Session (2011)			
24 SB 1612 2011-2012; General Appropriations	6,998,762,800	1,300,228,400 5/	
26 SB 1614 State Budget Procedures; 2011-2012	(39,317,700) 6/		
34 SB 1622 General Government BRB	(1,100,000) 13/		
35 SB 1623 Budget Reconciliation; Regulation; 2011-2012	(9,864,200) 7/	(9,864,200) 7/	(9,864,200) 7/
36 SB 1624 Budget Reconciliation; Environment; 2011-2012	(8,000,000) 15/		
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	6,943,293,300	1,292,146,300	(9,864,200)
Forty-Ninth Legislature - Seventh Special Session (2010)			
1 HB 2001 General Appropriations; 2009-2010; 2010-2011	1,312,315,900 8/	0	
SUBTOTAL APPROPRIATIONS - 7th SPECIAL SESSION	1,312,315,900	0	0
Forty-Ninth Legislature - Third Special Session (2009)			
10 HB 2013 Health and Welfare; Budget Reconciliation	(1,000,000) 9/		
SUBTOTAL APPROPRIATIONS - 3rd SPECIAL SESSION	(1,000,000)	0	0
Forty-Ninth Legislature - First Regular Session (2009)			
1 HB 2051 2008-2009; Appropriations; Budget Revisions	9,864,200 7/	9,864,200 7/	9,864,200 7/
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION	9,864,200	9,864,200	9,864,200
Forty-Eighth Legislature - First Regular Session (2007)			
263 HB 2789 Budget Reconciliation; Health and Welfare	1,000,000 9/		
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION	1,000,000	0	0
Permanent General Fund Appropriations and Allocations 10/ *			
9-602 Phoenix Convention Center Financing	0	5,595,000	20,449,000
15-1670 University Research Infrastructure Financing 11/	34,625,000	34,625,000	34,625,000
35-192 General Emergency Authority 12/13/	4,000,000	4,000,000	4,000,000
37-623 Wild Land Fire Emergency 12/	3,000,000	3,000,000	3,000,000
42-5031.01 Indian Tribal Postsecondary Educational Institutions	1,750,000	1,750,000	1,750,000
43-409 Arizona Commerce Authority/Income Tax Withholding	31,500,000	31,500,000	31,500,000
49-282 WQARF Priority Site Remediation 14/	15,000,000	15,000,000	15,000,000
L '04, Ch. 235 Military Airport Planning; Appropriation 15/	175,000	175,000	175,000
SUBTOTAL APPROPRIATIONS - PERMANENT	90,050,000	95,645,000	110,499,000
TOTAL APPROPRIATIONS	\$ 8,536,315,100	\$ 8,608,891,900	\$ 1,348,126,700

- * Appropriation beyond FY 2014.
- C Designates a capital appropriation. All other appropriations are operating appropriations.
- 1/ For FY 2012 - FY 2014, this table summarizes all General Fund appropriations enacted in any session. Equals total spending less administrative adjustments and revertsments, and in FY 2012, excludes "Midnight Reversion" payoff.
- 2/ All appropriations have been rounded to the nearest \$100.
- 3/ Excludes administrative adjustments, revertsments, and statutory revertsments.
- 4/ Laws 2012, Chapter 294 appropriates \$1,187,627,700 for the payment of FY 2013 payment deferrals into FY 2014 as follows: Department of Economic Security (DES) - \$35,000,000; Arizona Department of Education (ADE) - \$952,627,700; Universities - \$200,000,000. The legislation also includes \$20,000,000 appropriation to ADOA for automation projects.
- 5/ 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.
- 6/ Represents the General Fund savings associated with the shift of employee/employer Arizona State Retirement System contributions from 50/50 to 53/47. This change was repealed by Laws 2012, Chapter 304.
- 7/ 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 FY 2012 - 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 - FY 2014 repayments are shown as zero because as of writing, the actual transfers have not occurred.
- 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 2007, Chapter 263 appropriates \$1,000,000 annually, through FY 2012, to the Arizona Biomedical Research Commission for a repository to store human stem cells of non-embryonic origin. Laws 2009, 3rd Special Session, Chapter 10 eliminates the appropriation in FY 2010 through FY 2012.
- 10/ Permanent law authorizes these appropriations and allocations.
- 11/ 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.
- 12/ In an emergency, the Governor can order the withdrawal of these monies from the General Fund without specific appropriation authority.

- 13/ Laws 2011, Chapter 34 and Laws 2012, Chapter 298 reduce the appropriation by \$1,100,000 for FY 2012 and FY 2013, respectively.
- 14/ 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 2011, Chapter 36 and Laws 2012, Chapter 303 reduce the appropriations by \$8,000,000 for FY 2012 and FY 2013, respectively.
- 15/ \$90,000 to DEMA and \$85,000 to the Attorney General.

SUMMARY OF OTHER FUND APPROPRIATIONS
By Individual Chapter
For Fiscal Years 2012 and 2013 1/2/3/

Chap. Bill No. Number	Reference Title	FY 2012 Other Fund	FY 2013 Other Fund
<u>Fiftieth Legislature - Second Regular Session (2012)</u>			
88 SB 1119	ASRS; Spousal Consent		\$ 200,000
294 SB 1524	General Appropriations; 2012-2013	\$ 95,879,000	3,064,709,500
295 SB 1525	Capital Outlay; 2012-2013		264,579,800 C
303 SB 1532	Environment; Budget Reconciliation; 2012-2013		350,000
304 HB 2264	ASRS; Employee; Employer Contributions; Rate	1,454,200	
360 HB 2622	School Rankings; Display; Time Period		200,000
362 HB 2745	PSPRS; Employer Contributions		47,000
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION		97,333,200	3,330,086,300
<u>Fiftieth Legislature - First Regular Session (2011)</u>			
24 SB 1612	2011-2012; General Appropriations	2,950,679,200 <u>4/</u>	
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	613,300	
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	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		3,200,572,700	0
<u>Forty-Eighth Legislature - First Regular Session (2007)</u>			
261 HB 2787	Budget Reconciliation; Criminal Justice	3,520,000 <u>5/</u>	
SUBTOTAL APPROPRIATIONS - 1st REGULAR SESSION		3,520,000	0
<u>Forty-Fifth Legislature - Second Regular Session (2002)</u>			
186 SB 1270	Biotechnology Research	500,000 <u>6/</u>	
SUBTOTAL APPROPRIATIONS - 2nd REGULAR SESSION		500,000	0
TOTAL APPROPRIATIONS		\$ 3,301,925,900	\$ 3,330,086,300

- C Designates a capital appropriation. All other appropriations are operating appropriations.
- 1/ For FY 2012 and FY 2013, 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 \$107,109,700 for FY 2012 adjustments. See page 362 for details, which also includes a \$113,300 adjustment in Laws 2011, Chapter 34.
- 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 - Second Regular Session

<u>Chapter/Bill No.</u>	<u>Reference Title</u>	<u>Description of Vetoed Bill</u>
SB 1275	state budget; appropriation limitation; hearing	Would establish spending targets based on population and inflation growth. Allows a joint legislative hearing if the Legislature proposes appropriations that exceed those estimates, and outline public notice requirements.
HB 2362	state parks revenue fund	Would establish non-appropriated State Parks Revenue Fund consisting of retail sales, appropriations, gifts, donations, user fees, concession fees and other revenue generating activities. Fund was subsequently established in Laws 2012, Chapter 303, the Environment Budget Reconciliation Bill, but made appropriated.
HB 2469	revenue allocation districts	Would establish revenue allocation districts and allow capture of incremental local property tax revenues and local sales tax revenues to fund development projects.

SUMMARY OF APPROPRIATED FUNDS
By Agency For Fiscal Years 2012 and 2013 !/

	Fiscal Year 2012			Fiscal Year 2013		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
<u>BUDGET UNITS</u>						
Accountancy, State Board of	\$0	\$1,892,400	\$1,892,400	\$0	\$1,897,700	\$1,897,700
Acupuncture Examiners, Board of	0	125,800	125,800	0	125,800	125,800
Administration, AZ Department of	15,100,500	176,599,300	191,699,800	30,230,300	178,725,500	208,955,800
Administrative Hearings, Office of	815,100	14,500	829,600	808,100	13,300	821,400
Agriculture, AZ Department of	7,941,200	0	7,941,200	7,927,100	0	7,927,100
AHCCCS	1,476,449,400	165,980,400	1,642,429,800	1,397,607,300	151,097,500	1,548,704,800
Appraisal, State Board of	0	757,600	757,600	0	756,500	756,500
Athletic Training, Board of	0	101,600	101,600	0	101,800	101,800
Attorney General - Department of Law	16,997,300	39,542,900	56,540,200	23,049,900	36,574,500	59,624,400
Automobile Theft Authority	0	4,275,800	4,275,800	0	4,274,500	4,274,500
Barbers, Board of	0	322,100	322,100	0	321,900	321,900
Behavioral Health Examiners, Board of	0	1,463,500	1,463,500	0	1,611,100	1,611,100
Capital Postconviction Public Defender Ofc, State	691,800	161,800	853,600	0	0	0
Charter Schools, State Board for	753,700	0	753,700	748,100	0	748,100
Chiropractic Examiners, State Board of	0	451,100	451,100	0	454,800	454,800
Commerce Authority, Arizona	31,500,000	0	31,500,000	31,500,000	0	31,500,000
Community Colleges, Arizona	71,176,100	0	71,176,100	65,942,600	0	65,942,600
Contractors, Registrar of	0	12,042,600	12,042,600	0	12,059,800	12,059,800
Corporation Commission	588,600	23,386,100	23,974,700	589,100	25,307,300	25,896,400
Corrections, State Department of	948,939,200	50,651,700	999,590,900	956,404,200	44,907,700	1,001,311,900
Cosmetology, Board of	0	1,747,600	1,747,600	0	1,750,300	1,750,300
Criminal Justice Commission, Arizona	0	5,628,800	5,628,800	0	5,630,700	5,630,700
Deaf and the Blind, Schools for the	20,746,900	12,784,700	33,531,600	20,586,100	13,296,100	33,882,200
Deaf and the Hard of Hearing, Comm. for the	0	3,750,400	3,750,400	0	3,749,000	3,749,000
Dental Examiners, State Board of	0	1,187,600	1,187,600	0	1,189,600	1,189,600
Economic Security, Department of	591,125,000	481,318,500	1,072,443,500	612,296,200	507,362,700	1,119,658,900
Education, Department of	3,469,297,000	56,968,800	3,526,265,800	3,496,900,300	57,167,700	3,554,068,000
Emergency & Military Affairs, Dept of	8,831,100	132,700	8,963,800	8,834,300	132,700	8,967,000
Environmental Quality, Department of	7,000,000	65,037,400	72,037,400	7,000,000	68,481,200	75,481,200
Equal Opportunity, Governor's Office of	188,700	0	188,700	187,100	0	187,100
Equalization, State Board of	628,500	0	628,500	629,500	0	629,500
Executive Clemency, Board of	794,000	0	794,000	821,500	0	821,500
Exposition and State Fair Board, AZ	0	11,118,000	11,118,000	0	11,131,200	11,131,200
Financial Institutions, Department of	2,739,000	735,400	3,474,400	2,920,800	922,900	3,843,700
Fire, Building and Life Safety, Department of	1,700,700	0	1,700,700	1,699,100	0	1,699,100
Forester, State	6,065,800	0	6,065,800	7,062,400	0	7,062,400
Funeral Directors and Embalmers, Board of	0	341,000	341,000	0	340,600	340,600
Game and Fish Department, AZ	0	39,024,600	39,024,600	0	39,179,300	39,179,300
Gaming, Department of	0	11,874,200	11,874,200	0	12,087,800	12,087,800
Geological Survey, Arizona	868,200	0	868,200	853,600	0	853,600
Governor, Office of the	6,632,000	186,700	6,818,700	6,586,600	0	6,586,600
Gov's Ofc of Strategic Planning & Budgeting	1,883,400	0	1,883,400	1,871,700	0	1,871,700
Health Services, Department of	509,332,400	122,762,500	632,094,900	587,120,700	88,817,300	675,938,000
Historical Society, Arizona	4,162,000	0	4,162,000	3,042,100	0	3,042,100

	Fiscal Year 2012			Fiscal Year 2013		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Historical Society, Prescott	655,300	0	655,300	654,200	0	654,200
Homeopathic & Integrated Medicine Examiners, Board of	0	105,800	105,800	0	107,600	107,600
Housing, AZ Department of	0	921,000	921,000	0	304,600	304,600
Independent Redistricting Commission	3,700,000	0	3,700,000	1,445,300	0	1,445,300
Indian Affairs, AZ Commission of	54,500	0	54,500	53,700	0	53,700
Industrial Commission of AZ	0	19,620,000	19,620,000	0	19,656,400	19,656,400
Insurance, Department of	5,206,400	0	5,206,400	5,169,600	0	5,169,600
Judiciary						
Supreme Court	15,961,200	27,228,300	43,189,500	15,677,700	27,228,300	42,906,000
Court of Appeals	13,856,000	0	13,856,000	13,817,600	0	13,817,600
Superior Court	79,100,700	12,462,700	91,563,400	79,100,700	12,462,700	91,563,400
SUBTOTAL - Judiciary	108,917,900	39,691,000	148,608,900	108,596,000	39,691,000	148,287,000
Juvenile Corrections, Department of	46,755,200	3,862,400	50,617,600	43,428,400	3,890,900	47,319,300
Land Department, State	1,233,600	14,117,600	15,351,200	1,258,600	14,976,600	16,235,200
Law Enforcement Merit System Council	70,600	0	70,600	70,500	0	70,500
Legislature						
Auditor General	16,228,700	0	16,228,700	17,240,100	0	17,240,100
House of Representatives	13,039,600	0	13,039,600	13,067,100	0	13,067,100
Joint Legislative Budget Committee	2,412,300	0	2,412,300	2,418,800	0	2,418,800
Legislative Council	4,674,200	0	4,674,200	7,884,700	0	7,884,700
Senate	8,017,200	0	8,017,200	8,036,300	0	8,036,300
SUBTOTAL - Legislature	44,372,000	0	44,372,000	48,647,000	0	48,647,000
Liquor Licenses & Control, Department of	0	2,821,300	2,821,300	0	2,850,400	2,850,400
Lottery Commission, AZ State	0	85,685,400	85,685,400	0	87,592,600	87,592,600
Medical Board, Arizona	0	5,819,100	5,819,100	0	5,809,400	5,809,400
Medical Student Loans, Board of	67,000	20,200	87,200	0	0	0
Mine Inspector, State	1,189,500	112,500	1,302,000	1,183,600	112,500	1,296,100
Naturopathic Physicians Medical Board	0	588,300	588,300	0	587,500	587,500
Navigable Stream Adjudication Commission	127,300	0	127,300	126,200	0	126,200
Nursing, State Board of	0	4,048,700	4,048,700	0	4,056,000	4,056,000
Nursing Care Institution Administrators Board <u>2</u> /	0	363,200	363,200	0	426,700	426,700
Occupational Safety & Health Review Board	15,000	0	15,000	0	0	0
Occupational Therapy Examiners, Board of	0	162,300	162,300	0	162,700	162,700
Opticians, State Board of Dispensing	0	131,500	131,500	0	131,300	131,300
Optometry, State Board of	0	198,100	198,100	0	197,800	197,800
Osteopathic Examiners, AZ Board of	0	700,800	700,800	0	699,200	699,200
Parks Board, Arizona State	0	11,602,100	11,602,100	0	12,649,500	12,649,500
Personnel Board, State	0	365,900	365,900	0	364,500	364,500
Pest Management, Office of	0	2,710,400	2,710,400	0	1,999,700	1,999,700
Pharmacy, AZ State Board of	0	1,926,200	1,926,200	0	1,921,900	1,921,900
Physical Therapy, Board of	0	365,300	365,300	0	365,900	365,900
Pioneers' Home, AZ	1,609,500	4,569,100	6,178,600	1,604,800	4,600,700	6,205,500
Podiatry Examiners, State Board of	0	143,100	143,100	0	143,000	143,000
Postsecondary Education, Commission for	1,396,800	3,843,400	5,240,200	1,396,800	1,742,700	3,139,500
Private Postsecondary Education, Board for	0	327,900	327,900	0	327,500	327,500
Psychologist Examiners, State Board of	0	345,400	345,400	0	344,900	344,900
Public Safety, Department of	46,557,300	169,750,300	216,307,600	45,524,000	182,715,400	228,239,400
Racing, Arizona Department of	2,786,300	1,438,900	4,225,200	2,029,500	2,831,200	4,860,700
Radiation Regulatory Agency	1,462,300	764,100	2,226,400	1,420,800	829,800	2,250,600
Real Estate Department, State	2,667,800	0	2,667,800	2,902,200	0	2,902,200
Residential Utility Consumer Office	0	1,294,300	1,294,300	0	1,299,900	1,299,900

	Fiscal Year 2012			Fiscal Year 2013		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Respiratory Care Examiners, Board of	0	307,400	307,400	0	257,600	257,600
Retirement System, Arizona State	0	24,573,500	24,573,500	0	24,016,500	24,016,500
Revenue, Department of	44,311,100	23,659,400	67,970,500	45,442,100	26,742,000	72,184,100
School Facilities Board	175,592,800	0	175,592,800	173,708,300	0	173,708,300
Secretary of State	15,246,100	3,505,000	18,751,100	14,923,200	3,507,400	18,430,600
State Boards' Office	0	212,600	212,600	0	212,500	212,500
Tax Appeals, State Board of	254,600	0	254,600	254,800	0	254,800
Technical Registration, State Board of	0	1,840,900	1,840,900	0	1,848,300	1,848,300
Tourism, Office of	0	0	0	7,000,000	0	7,000,000
Transportation, Department of	50,400	360,031,900	360,082,300	50,500	359,671,600	359,722,100
Treasurer, State	1,115,100	2,691,800	3,806,900	1,115,100	4,874,800	5,989,900
Universities						
Arizona State University - Tempe/DPC	249,140,000	453,894,300	703,034,300	247,110,000	468,010,300	715,120,300
Arizona State University - East Campus	19,178,600	39,572,700	58,751,300	19,022,300	39,924,800	58,947,100
Arizona State University - West Campus	33,289,400	33,878,700	67,168,100	33,017,700	32,930,800	65,948,500
Northern Arizona University	102,439,400	97,738,900	200,178,300	101,604,800	99,660,700	201,265,500
Board of Regents	16,926,500	0	16,926,500	37,200,200	0	37,200,200
University of Arizona - Main Campus	209,500,900	247,503,000	457,003,900	207,793,500	256,404,000	464,197,500
University of Arizona - Health Sciences Center	55,585,300	41,154,000	96,739,300	61,585,300	41,786,200	103,371,500
SUBTOTAL - Universities	686,060,100	913,741,600	1,599,801,700	707,333,800	938,716,800	1,646,050,600
Veterans' Services, Department of	7,075,200	20,625,100	27,700,300	5,212,800	28,498,800	33,711,600
Veterinary Medical Examining Board	0	457,100	457,100	0	456,600	456,600
Water Resources, Department of	5,726,200	6,692,400	12,418,600	12,033,300	407,200	12,440,500
Weights and Measures, Department of	1,169,300	1,735,900	2,905,200	1,472,500	1,738,300	3,210,800
OPERATING BUDGET SUBTOTAL	\$8,408,392,800	\$3,030,858,300	\$11,439,251,100	\$8,507,276,300	\$3,053,807,000	\$11,561,083,300
OPERATING BUDGET APPROPRIATIONS	\$8,408,392,800	\$3,030,858,300	\$11,439,251,100	\$8,507,276,300	\$3,053,807,000	\$11,561,083,300
Debt Service Payments	49,050,700	0	49,050,700	84,119,800	0	84,119,800
Civic Center Debt Service	0	0	0	5,595,000	0	5,595,000
Health Insurance - One-time Holiday <u>1/</u>	0	0	0	(25,000,000)	0	(25,000,000)
Building Renewal Transfer	0	0	0	252,000	0	252,000
Employee Pay - One-time Retention <u>1/</u>	0	0	0	16,633,400	11,695,200	28,328,600
Additional Pay Period	79,000,000	25,000,000	104,000,000	0	0	0
Unallocated FY 2012 Uncaptured Pay Savings	(11,300)	0	(11,300)	0	0	0
Unallocated FY 2012 Risk Management Adjustments	(1,700)	(3,000)	(4,700)	0	0	0
Unallocated FY 2012 Lease-Purchase/Rent Adjustments	(115,400)	(25,200)	(140,600)	0	0	0
Unallocated FY 2013 Reverse ASRS 47/53 Split	0	5,600	5,600	7,600	1,700	9,300
Unallocated FY 2013 Retirement Rate Increase	0	0	0	4,100	2,600	6,700
Unallocated FY 2013 Lease-Purchase/Rent Adj.	0	0	0	3,700	0	3,700
Capital	0	246,090,200	246,090,200	20,000,000	264,579,800	284,579,800
Statutory Revertments	29,910,200	0	29,910,200	0	0	0
Administrative Adjustments	57,694,100	0	57,694,100	64,384,900	0	64,384,900
Revertments	(99,053,700)	0	(99,053,700)	(99,998,300)	0	(99,998,300)
GRAND TOTAL	\$8,524,865,700	\$3,301,925,900	\$11,826,791,600	\$8,573,278,500	\$3,330,086,300	\$11,903,364,800

1/ This table summarizes FY 2012 and FY 2013 appropriations from the 2nd Regular Session of the 50th Legislature and all prior sessions. The FY 2013 General Appropriation Act included one-time adjustments for Employee Retention Payments and a Health Insurance Premium Holiday Adjustment, which will be allocated by agency at a later time.

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

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

	FY 2012		FY 2013	
	General Fund	Other Funds	General Fund	Other Funds
ARIZONA DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM				
Administration, Arizona Department of				
Building Renewal for ADOA System (excluding Corrections) 4/5/6/		6,500,000		10,372,600 7/
Corrections, State Department of				
Building Renewal for Corrections Facilities 8/		4,630,500		4,630,500
500 Maximum Security Beds 9/			20,000,000	
Subtotal - State Department of Corrections	\$0	\$4,630,500	\$20,000,000	\$4,630,500
Game and Fish Department, Arizona				
Building Renewal 10/		522,100		523,300
Statewide Preventative Maintenance		30,000		30,000
Property Maintenance		500,000		500,000
Dam Maintenance		500,000		500,000
Subtotal - Arizona Game and Fish Department	\$0	\$1,552,100	\$0	\$1,553,300
Lottery Commission, Arizona State				
Building Renewal 10/		79,200		85,200
Fire Alarm Replacement				156,300
Subtotal - Arizona State Lottery Commission	\$0	\$79,200	\$0	\$241,500
SUBTOTAL - ADOA BUILDING SYSTEM	\$0	\$12,761,800	\$20,000,000	\$16,797,900
ARIZONA DEPARTMENT OF TRANSPORTATION BUILDING SYSTEM				
Arizona Department of Transportation				
Building Renewal 11/		1,050,000		1,050,000
Airport Planning and Development 12/		22,300,400		21,924,900
Highway Construction 13/ 14/		209,978,000		224,807,000
SUBTOTAL - ADOT BUILDING SYSTEM	\$0	\$233,328,400	\$0	\$247,781,900
GRAND TOTAL - ALL APPROPRIATIONS	\$0	\$246,090,200	\$20,000,000	\$264,579,800
SUMMARY OF CAPITAL APPROPRIATIONS BY SESSION				
Laws 2012, 2nd Regular Session			\$20,000,000	\$264,579,800
Laws 2011, 1st Regular Session	\$0	\$246,090,200		

1/ This table summarizes all capital appropriations for FY 2012 and FY 2013 from the 1st and 2nd Regular Sessions 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 266 of this report.

2/ FY 2012 amounts represent appropriations from the FY 2012 Capital Outlay Bill (Laws 2011, Chapter 25), while FY 2013 amounts represent appropriations from the FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295).

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 2013 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 2013 that are unexpended or unencumbered on June 30, 2014 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)

5/ ADOA shall allocate \$1,700,000 (of the FY 2013 appropriation) for the purchase of a generator at the Arizona State Hospital. ADOA shall allocate the remaining 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 2012 appropriation represents 26% of the non-Department of Corrections (ADC) building renewal formula, while the FY 2013 appropriation represents 39%.

7/ Not charging the Secretary of State rent for the Library for the Blind, which had its last lease-purchase payment in FY 2012, will result in General Fund savings of \$(252,000). This amount is allocated to ADOA for building renewal pursuant to Laws 2012, Chapter 294, Section 132. ADOA's total building renewal allocation in FY 2013 is \$10,372,600, which includes this \$252,000 allocation.

- 8/ ADC shall report monthly to the Joint Legislative Budget Committee Staff on the status of the projects funded under this section. The department may not spend any of this appropriation on Personal Services or overhead expenses related to the management of the funded projects. (Capital Outlay Appropriation Act footnote)
- 9/ The FY 2013 Capital Outlay Bill also appropriates \$30,000,000 to ADC from the General Fund in FY 2014 for the construction of the 500 maximum security prison beds.
- 10/ Both the FY 2012 and FY 2013 appropriations represent 100% funding of the building renewal formula.
- 11/ Includes \$1,000,000 from the State Highway Fund (SHF) to fund 11% of the portion of the revised building renewal formula in FY 2012 and 9.9% in FY 2013. Also includes \$50,000 from the State Aviation Fund to fund 31% in FY 2012 and 28.4% in FY 2013.
- 12/ The amount is appropriated from the State Aviation Fund for the planning, construction, development, and improvement of state, county, city, or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- 13/ The amount appropriated for highway construction is from the SHF for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the SHF in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- 14/ The Department of Transportation shall annually report on or before September 1, 2012 to JCCR on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report shall delineate expenditures by each individual fund source. (Capital Outlay Appropriation Act footnote)

**SUMMARY OF ADDITIONAL OPERATING AND STATUTORY APPROPRIATIONS 1/ 2/
(Other Than FY 2012/FY 2013 Changes in All General Appropriation Acts
and All Capital Outlay Appropriations)**

GENERAL FUND

	FY 2012	FY 2013
Administration, Arizona Department of Laws 2012, Ch. 291 (SB 1274) Appropriations; Named Claimants	198,300	
Agriculture, Department of Laws 2011, Ch.132 (SB 1135) Nuclear Emergency Appropriation and Assessment	92,100	92,100
Attorney General - Department of Law 23-263 - Military Airport Planning; Appropriation	85,000	85,000
Biomedical Research Commission, Arizona Laws 2009, 3rd Special Session, Ch. 10 (HB 2013) Health and Welfare BRB Laws 2007, Ch. 263 (HB 2789) Budget Reconciliation; Health and Welfare	(1,000,000) 1,000,000	
Commerce Authority, Arizona 43-409 - Arizona Commerce Authority Income Tax Withholding	31,500,000	31,500,000
Community Colleges 42-5031.01 - Indian Tribal Postsecondary Educational Institutions	1,750,000	1,750,000
Education, Department of Laws 2012, Ch.304 (HB 2264) ASRS; Employee; Employer Contributions; Rate Laws 2011, Ch. 26 (SB 1614) State Budget Procedures BRB	32,714,800 (32,714,800)	
Emergency and Military Affairs, Department of 23-263 - Military Airport Planning; Appropriation	90,000	90,000
Laws 2011, Ch.132 (SB 1135) Nuclear Emergency Appropriation and Assessment	1,004,300	1,013,900
35-192 - Governor's Emergency Authority Laws 2012, Ch. 298 (SB 1527) Government BRB Laws 2011, Ch. 34 (SB 1622) General Government BRB	4,000,000 (1,100,000)	4,000,000 (1,100,000)
Subtotal	2,900,000	2,900,000
Subtotal - Department of Emergency and Military Affairs	3,994,300	4,003,900
Environmental Quality, Department of 49-282 - WQARF Priority Site Remediation Laws 2012, Ch. 303 (SB 1532) Environment BRB Laws 2011, Ch. 35 (SB 1624) Environment BRB	15,000,000 (8,000,000)	15,000,000 (8,000,000)
Subtotal - Department of Environmental Quality	7,000,000	7,000,000
Forester, State 37-623 - Wild Land Fire Emergency	3,000,000	3,000,000
Insurance, Department of Laws 2011, Ch. 35 (SB 1623) Budget Reconciliation; Regulation Laws 2009, Ch. 1 (HB 2051) 2008-2009; Appropriations; Budget Revisions	(9,864,200) 9,864,200	
Independent Redistricting Commission Laws 2012, Ch. 108 (HB 2862) Supplemental Appropriation; Independent Redistricting Commission	700,000	
Public Safety, Department of Laws 2011, Ch. 308 (SB 1398) Moving Violations; Assessment; Equipment; Enforcement	1,000,000	
Radiation Regulatory Agency Laws 2011, Ch.132 (SB 1135) Nuclear Emergency Appropriation and Assessment	716,000	676,000
Department of Revenue Laws 2012, Ch.176 (HB 2438) Government Land; Private Land; Study		132,200
Arizona State University - Tempe/DPC 15-1670 - University Research Infrastructure Financing	13,555,000	13,555,000
Arizona State University - West Campus 15-1670 - University Research Infrastructure Financing	917,000	917,000
Northern Arizona University 15-1670 - University Research Infrastructure Financing	5,900,000	5,900,000

University of Arizona - Main Campus		
15-1670 - University Research Infrastructure Financing	14,253,000	14,253,000
Retirement		
Laws 2012, Ch.304 (HB 2264) ASRS; Employee; Employer Contributions; Rate ^{3/}	6,602,900	
Laws 2011, Ch. 26 (SB 1614) Budget Procedures BRB	(6,602,900)	
Other		
9-602 - Phoenix Convention Center Financing		5,595,000
GENERAL FUND TOTAL	\$ 84,660,700	\$ 88,459,200

OTHER FUNDS

	FY 2012	FY 2013
Administration, Arizona Department of		
Laws 2011, Ch. 34 (SB 1622) General Government BRB	613,300	
Biomedical Research Commission, Arizona		
Laws 2011, Ch. 27 (SB 1615) Consolidation BRB	(500,000)	
Laws 2002, Ch. 186 (SB 1270) Biotechnology Research	500,000	
Criminal Justice Commission, Arizona		
Laws 2011, Ch. 308 (SB 1398) Moving Violations; Assessment; Equipment; Enforcement	(700,300)	
Education, Department of		
Laws 2012, Ch. 360 (HB 2622) School Rankings; Display; Time Period		200,000
Laws 2011, Ch. 29 (SB 1617) K-12 Education BRB	1,200,000	
Health Services, Department of		
Laws 2011, Ch. 27 (SB 1615) Consolidation BRB	500,000	
Environmental Quality, Department of		
Laws 2012, Ch. 303 (SB 1532) Environment BRB		350,000
Public Safety, Department of		
Laws 2011, Ch. 308 (SB 1398) Moving Violations; Assessment; Equipment; Enforcement	4,480,300	
Laws 2007, Ch. 261 (HB 2787) Criminal Justice BRB	3,520,000	
Laws 2011, Ch. 33, (SB 1621) Criminal Justice BRB	(2,540,000)	
Subtotal	980,000	
Subtotal - Department of Public Safety	5,460,300	
Racing, Arizona Department of		
Laws 2011, Ch. 333 (HB 2314) Boating Safety; Fees; Fund	400,000	
Retirement System, Arizona State		
Laws 2012, Ch. 88 (SB 1119) ASRS; Spousal Consent		200,000
Laws 2012, Ch. 362 (HB 2745) PSPRS; Employer Contributions		47,000
Laws 2011, Ch. 357 (SB 1609) Retirement Systems; Plans; Plan Design	250,000	
Treasurer, State		
Laws 2011, Ch. 357 (SB 1609) Retirement Systems; Plans; Plan Designs	100,000	
Unallocated		
Laws 2012, Ch.304 (HB 2264) ASRS; Employee; Employer Contributions; Rate ^{3/}	1,454,200	
OTHER FUNDS TOTAL	\$ 9,277,500	\$ 797,000

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

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

^{3/} Chapter 304 requires JLBC to determine and the Arizona Department of Administration to allocate the non-Department of Education portion of the 53%/47% retirement rate reversal to individual agencies.

**SUMMARY OF TOTAL SPENDING AUTHORITY
(APPROPRIATED AND NON-APPROPRIATED FUNDS)
For Fiscal Years 2012 and 2013 1/**

	Fiscal Year 2012			Fiscal Year 2013		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds 2/		General and Other Funds	Federal and Other Funds 2/	
BUDGET UNITS						
Accountancy, State Board of	\$1,892,400	\$0	\$1,892,400	\$1,897,700	\$0	\$1,897,700
Acupuncture Examiners, Board of	125,800	0	125,800	125,800	0	125,800
Administration, AZ Department of	191,699,800	849,909,000	1,041,608,800	208,955,800	862,346,700	1,071,302,500
Administrative Hearings, Office of	829,600	936,300	1,765,900	821,400	936,300	1,757,700
Agriculture, AZ Department of	7,941,200	16,735,700	24,676,900	7,927,100	16,735,700	24,662,800
AHCCCS	1,642,429,800	5,271,198,300	6,913,628,100	1,548,704,800	4,831,238,000	6,379,942,800
Appraisal, State Board of	757,600	0	757,600	756,500	0	756,500
Arts, Arizona Commission on the	0	2,550,700	2,550,700	0	2,558,000	2,558,000
Athletic Training, Board of	101,600	0	101,600	101,800	0	101,800
Attorney General - Department of Law	56,540,200	44,436,600	100,976,800	59,624,400	43,133,000	102,757,400
Automobile Theft Authority	4,275,800	0	4,275,800	4,274,500	0	4,274,500
Barbers, Board of	322,100	0	322,100	321,900	0	321,900
Behavioral Health Examiners, Board of	1,463,500	0	1,463,500	1,611,100	0	1,611,100
Capital Postconviction Public Defender Ofc, State	853,600	0	853,600	0	0	0
Charter Schools, State Board for	753,700	36,000	789,700	748,100	36,000	784,100
Chiropractic Examiners, State Board of	451,100	0	451,100	454,800	0	454,800
Citizens Clean Elections Commission	0	8,964,900	8,964,900	0	8,964,900	8,964,900
Commerce Authority, Arizona	31,500,000	22,747,000	54,247,000	31,500,000	10,440,900	41,940,900
Community Colleges, Arizona	71,176,100	14,979,900	86,156,000	65,942,600	14,979,900	80,922,500
Compensation Fund, State	0	245,100,000	245,100,000	0	131,650,000	131,650,000
Constable Ethics Standards & Training Board	0	245,300	245,300	0	245,300	245,300
Contractors, Registrar of	12,042,600	4,952,200	16,994,800	12,059,800	10,952,200	23,012,000
Corporation Commission	23,974,700	940,300	24,915,000	25,896,400	901,600	26,798,000
Corrections, State Department of	999,590,900	65,090,000	1,064,680,900	1,001,311,900	57,948,000	1,059,259,900
Cosmetology, Board of	1,747,600	0	1,747,600	1,750,300	0	1,750,300
Criminal Justice Commission, Arizona	5,628,800	22,207,800	27,836,600	5,630,700	16,278,500	21,909,200
Deaf and the Blind, Schools for the	33,531,600	22,315,900	55,847,500	33,882,200	22,315,900	56,198,100
Deaf and the Hard of Hearing, Comm. for the	3,750,400	0	3,750,400	3,749,000	0	3,749,000
Dental Examiners, State Board of	1,187,600	0	1,187,600	1,189,600	0	1,189,600
Early Childhood Development & Health Board, AZ	0	151,581,800	151,581,800	0	149,370,000	149,370,000
Economic Security, Department of	1,072,443,500	2,102,349,500	3,174,793,000	1,119,658,900	1,612,980,500	2,732,639,400
Education, Department of	3,526,265,800	1,667,105,300	5,193,371,100	3,554,068,000	1,655,621,000	5,209,689,000
Emergency & Military Affairs, Dept of	8,963,800	47,135,600	56,099,400	8,967,000	39,344,400	48,311,400
Environmental Quality, Department of	72,037,400	280,013,900	352,051,300	75,481,200	280,013,900	355,495,100
Equal Opportunity, Governor's Office of	188,700	68,000	256,700	187,100	68,000	255,100
Equalization, State Board of	628,500	0	628,500	629,500	0	629,500
Executive Clemency, Board of	794,000	0	794,000	821,500	0	821,500
Exposition and State Fair Board, AZ	11,118,000	0	11,118,000	11,131,200	0	11,131,200
Financial Institutions, Department of	3,474,400	1,495,000	4,969,400	3,843,700	576,000	4,419,700

	Fiscal Year 2012			Fiscal Year 2013		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
Fire, Building and Life Safety, Department of Forester, State	1,700,700	755,900	2,456,600	1,699,100	755,900	2,455,000
Funeral Directors and Embalmers, Board of	341,000	0	341,000	340,600	0	340,600
Game and Fish Department, AZ	39,024,600	61,250,500	100,275,100	39,179,300	59,639,500	98,818,800
Gaming, Department of	11,874,200	0	11,874,200	12,087,800	0	12,087,800
Geological Survey, Arizona	868,200	6,560,200	7,428,400	853,600	6,560,200	7,413,800
Governor, Office of the	6,818,700	217,630,600	224,449,300	6,586,600	26,878,100	33,464,700
Gov's Ofc of Strategic Planning & Budgeting	1,883,400	0	1,883,400	1,871,700	0	1,871,700
Health Services, Department of	632,094,900	1,273,585,600	1,905,680,500	675,938,000	1,251,601,300	1,927,539,300
Historical Society, Arizona	4,162,000	1,257,000	5,419,000	3,042,100	1,255,800	4,297,900
Historical Society, Prescott	655,300	1,760,100	2,415,400	654,200	1,760,100	2,414,300
Homeland Security, AZ Department of	0	50,836,900	50,836,900	0	50,785,900	50,785,900
Homeopathic & Integrated Medicine Examiners, Board of	105,800	0	105,800	107,600	0	107,600
Housing, AZ Department of	921,000	96,975,000	97,896,000	304,600	48,843,600	49,148,200
Independent Redistricting Commission	3,700,000	0	3,700,000	1,445,300	0	1,445,300
Indian Affairs, AZ Commission of	54,500	0	54,500	53,700	0	53,700
Industrial Commission of AZ	19,620,000	55,485,500	75,105,500	19,656,400	55,485,500	75,141,900
Insurance, Department of	5,206,400	8,325,700	13,532,100	5,169,600	7,982,400	13,152,000
Judiciary						
Supreme Court	43,189,500	24,410,200	67,599,700	42,906,000	22,083,400	64,989,400
Court of Appeals	13,856,000	0	13,856,000	13,817,600	0	13,817,600
Superior Court	91,563,400	7,680,700	99,244,100	91,563,400	7,680,700	99,244,100
SUBTOTAL - Judiciary	148,608,900	32,090,900	180,699,800	148,287,000	29,764,100	178,051,100
Juvenile Corrections, Department of	50,617,600	2,000,800	52,618,400	47,319,300	2,000,800	49,320,100
Land Department, State	15,351,200	1,860,300	17,211,500	16,235,200	1,860,300	18,095,500
Law Enforcement Merit System Council	70,600	0	70,600	70,500	0	70,500
Legislature						
Auditor General	16,228,700	1,984,700	18,213,400	17,240,100	1,984,700	19,224,800
House of Representatives	13,039,600	0	13,039,600	13,067,100	0	13,067,100
Joint Legislative Budget Committee	2,412,300	0	2,412,300	2,418,800	0	2,418,800
Legislative Council	4,674,200	0	4,674,200	7,884,700	0	7,884,700
Senate	8,017,200	0	8,017,200	8,036,300	0	8,036,300
SUBTOTAL - Legislature	44,372,000	1,984,700	46,356,700	48,647,000	1,984,700	50,631,700
Liquor Licenses & Control, Department of	2,821,300	1,021,500	3,842,800	2,850,400	1,021,500	3,871,900
Lottery Commission, AZ State	85,685,400	378,450,800	464,136,200	87,592,600	392,360,700	479,953,300
Medical Board, Arizona	5,819,100	0	5,819,100	5,809,400	0	5,809,400
Medical Student Loans, Board of	87,200	0	87,200	0	0	0
Mine Inspector, State	1,302,000	452,200	1,754,200	1,296,100	452,200	1,748,300
Naturopathic Physicians Medical Board	588,300	0	588,300	587,500	0	587,500
Navigable Stream Adjudication Commission	127,300	0	127,300	126,200	0	126,200
Nursing, State Board of	4,048,700	598,700	4,647,400	4,056,000	598,700	4,654,700
Nursing Care Institution Administrators Board <u>3/</u>	363,200	0	363,200	426,700	0	426,700
Occupational Safety & Health Review Board	15,000	0	15,000	0	0	0
Occupational Therapy Examiners, Board of	162,300	0	162,300	162,700	0	162,700
Opticians, State Board of Dispensing	131,500	0	131,500	131,300	0	131,300

	Fiscal Year 2012			Fiscal Year 2013		
	Appropriated	Non-	Total	Appropriated	Non-	Total
	General and Other Funds	Appropriated Federal and Other Funds <u>2/</u>		General and Other Funds	Appropriated Federal and Other Funds <u>2/</u>	
Optometry, State Board of	198,100	0	198,100	197,800	0	197,800
Osteopathic Examiners, AZ Board of	700,800	0	700,800	699,200	0	699,200
Parents Commission on Drug Educ. & Prev., AZ	0	4,780,200	4,780,200	0	4,780,200	4,780,200
Parks Board, Arizona State	11,602,100	54,861,700	66,463,800	12,649,500	55,034,800	67,684,300
Personnel Board, State	365,900	0	365,900	364,500	0	364,500
Pest Management, Office of	2,710,400	109,500	2,819,900	1,999,700	109,500	2,109,200
Pharmacy, AZ State Board of	1,926,200	155,600	2,081,800	1,921,900	155,600	2,077,500
Physical Therapy, Board of	365,300	0	365,300	365,900	0	365,900
Pioneers' Home, AZ	6,178,600	60,700	6,239,300	6,205,500	60,700	6,266,200
Podiatry Examiners, State Board of	143,100	0	143,100	143,000	0	143,000
Postsecondary Education, Commission for	5,240,200	1,604,200	6,844,400	3,139,500	1,604,200	4,743,700
Power Authority, Arizona	0	39,165,600	39,165,600	0	39,165,600	39,165,600
Private Postsecondary Education, Board for	327,900	92,500	420,400	327,500	92,500	420,000
Psychologist Examiners, State Board of	345,400	0	345,400	344,900	0	344,900
Public Safety, Department of	216,307,600	84,332,900	300,640,500	228,239,400	71,155,700	299,395,100
Public Safety Personnel Retirement System	0	29,471,000	29,471,000	0	30,423,000	30,423,000
Racing, Arizona Department of	4,225,200	16,900	4,242,100	4,860,700	16,900	4,877,600
Radiation Regulatory Agency	2,226,400	249,000	2,475,400	2,250,600	249,000	2,499,600
Real Estate Department, State	2,667,800	87,800	2,755,600	2,902,200	87,800	2,990,000
Residential Utility Consumer Office	1,294,300	0	1,294,300	1,299,900	0	1,299,900
Respiratory Care Examiners, Board of	307,400	0	307,400	257,600	0	257,600
Retirement System, Arizona State	24,573,500	72,371,000	96,944,500	24,016,500	77,058,000	101,074,500
Revenue, Department of	67,970,500	27,867,000	95,837,500	72,184,100	27,867,000	100,051,100
School Facilities Board	175,592,800	169,898,300	345,491,100	173,708,300	93,953,800	267,662,100
Secretary of State	18,751,100	6,819,200	25,570,300	18,430,600	6,971,400	25,402,000
State Boards' Office	212,600	0	212,600	212,500	0	212,500
Tax Appeals, State Board of	254,600	0	254,600	254,800	0	254,800
Technical Registration, State Board of	1,840,900	0	1,840,900	1,848,300	0	1,848,300
Tourism, Office of	0	14,887,000	14,887,000	7,000,000	14,887,000	21,887,000
Transportation, Department of	360,082,300	31,989,400	392,071,700	359,722,100	31,989,400	391,711,500
Treasurer, State	3,806,900	5,141,100	8,948,000	5,989,900	5,141,100	11,131,000
Universities						
Arizona State University - Tempe/DPC	703,034,300	983,006,600	1,686,040,900	715,120,300	1,000,376,000	1,715,496,300
Arizona State University - East Campus	58,751,300	21,319,700	80,071,000	58,947,100	21,811,000	80,758,100
Arizona State University - West Campus	67,168,100	19,825,500	86,993,600	65,948,500	20,196,000	86,144,500
Northern Arizona University	200,178,300	273,002,500	473,180,800	201,265,500	277,483,900	478,749,400
Board of Regents	16,926,500	8,990,500	25,917,000	37,200,200	6,245,800	43,446,000
University of Arizona - Main Campus	457,003,900	1,092,001,300	1,549,005,200	464,197,500	1,106,630,800	1,570,828,300
University of Arizona - Health Sciences Center	96,739,300	263,235,800	359,975,100	103,371,500	267,321,000	370,692,500
SUBTOTAL - Universities	1,599,801,700	2,661,381,900	4,261,183,600	1,646,050,600	2,700,064,500	4,346,115,100
Veterans' Services, Department of	27,700,300	4,081,700	31,782,000	33,711,600	2,699,200	36,410,800
Veterinary Medical Examining Board	457,100	0	457,100	456,600	0	456,600
Water Resources, Department of	12,418,600	8,332,700	20,751,300	12,440,500	8,332,700	20,773,200
Weights and Measures, Department of	2,905,200	0	2,905,200	3,210,800	0	3,210,800
OPERATING BUDGET SUBTOTAL	\$11,439,251,100	\$16,274,697,400	\$27,713,948,500	\$11,561,083,300	\$14,904,088,200	\$26,465,171,500

	Fiscal Year 2012			Fiscal Year 2013		
	Appropriated	Non-Appropriated	Total	Appropriated	Non-Appropriated	Total
	General and Other Funds	Federal and Other Funds <u>2/</u>		General and Other Funds	Federal and Other Funds <u>2/</u>	
OPERATING BUDGET APPROPRIATIONS	\$11,439,251,100	\$16,274,697,400	\$27,713,948,500	\$11,561,083,300	\$14,904,088,200	\$26,465,171,500
Debt Service Payments	49,050,700	0	49,050,700	84,119,800	0	84,119,800
Civic Center Debt Service	0	0	0	5,595,000	0	5,595,000
Health Insurance - One-time Holiday <u>1/</u>	0	0	0	(25,000,000)	0	(25,000,000)
Building Renewal Transfer	0	0	0	252,000	0	252,000
Employee Pay - One-time Retention <u>1/</u>	0	0	0	28,328,600	0	28,328,600
Additional Pay Period	104,000,000	0	104,000,000	0	0	0
Unallocated FY 2012 Uncaptured Pay Savings	(11,300)	0	(11,300)	0	0	0
Unallocated FY 2012 Risk Management Adjustments	(4,700)	0	(4,700)	0	0	0
Unallocated FY 2012 Lease-Purchase/Rent Adjustments	(140,600)	0	(140,600)	0	0	0
Unallocated FY 2013 Reverse ASRS 47/53 Split	5,600	0	5,600	9,300	0	9,300
Unallocated FY 2013 Retirement Rate Increase	0	0	0	6,700	0	6,700
Unallocated FY 2013 Lease-Purchase/Rent Adj.	0	0	0	3,700	0	3,700
Capital	246,090,200	1,004,685,000	1,250,775,200	284,579,800	1,009,685,000	1,294,264,800
Statutory Revertments	29,910,200	0	29,910,200	0	0	0
Administrative Adjustments	57,694,100	0	57,694,100	64,384,900	0	64,384,900
Revertments	(99,053,700)	0	(99,053,700)	(99,998,300)	0	(99,998,300)
GRAND TOTAL	<u>\$11,826,791,600</u>	<u>\$17,279,382,400</u>	<u>\$29,106,174,000</u>	<u>\$11,903,364,800</u>	<u>\$15,913,773,200</u>	<u>\$27,817,138,000</u>

1/ This table summarizes FY 2012 and FY 2013 appropriations from the 2nd Regular Session of the 50th Legislature and all prior sessions. The FY 2013 General Appropriation Act included one-time adjustments for Employee Retention Payments and a Health Insurance Premium Holiday Adjustment, which will be allocated by agency at a later time.

2/ The amounts shown are generally based on estimates published in the JLBC Staff's Baseline Book (January 2012), but may have been updated for later information.

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

STATE PERSONNEL SUMMARY
Full-Time Equivalent Positions by Agency for Fiscal Years 2012 and 2013 1/

BUDGET UNITS	Fiscal Year 2012			Fiscal Year 2013		
	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	175.8	513.9	689.7	133.6	394.5	528.1 <u>2/</u>
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	0.0	166.7	161.0	0.0	161.0 <u>2/</u>
AHCCCS	500.9	874.7	1,375.6	424.2	608.1	1,032.3
AHCCCS - DES Eligibility	<u>742.4</u>	<u>857.4</u>	<u>1,599.8</u>	<u>564.0</u>	<u>621.0</u>	<u>1,185.0</u>
SUBTOTAL - AHCCCS <u>3/</u>	1,243.3	1,732.1	2,975.4	988.2	1,229.1	2,217.3 <u>2/</u>
Appraisal, State Board of	0.0	5.5	5.5	0.0	5.5	5.5
Arts, Arizona Commission on the	0.0	0.0	0.0	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	222.2	325.7	547.9 <u>2/</u>
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
Capital Postconviction Public Defender Office, State	7.0	0.0	7.0	0.0	0.0	0.0
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 Authority, Arizona <u>4/</u>	0.0	0.0	0.0	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	105.6	105.6 <u>2/</u>
Corporation Commission	6.0	302.3	308.3	5.6	292.3	297.9 <u>2/</u>
Corrections, State Department of	10,009.2	6.0	10,015.2	10,112.2	6.0	10,118.2
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	263.8	277.4	541.2 <u>2/</u>
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 <u>5/</u>	2,352.6	3,120.8	5,473.4	2,232.4	3,221.1	5,453.5 <u>2/</u>
Education, Department of	157.5	35.0	192.5	140.4	31.0	171.4 <u>2/</u>
Emergency and Military Affairs, Department of <u>6/7/</u>	78.1	0.0	78.1	61.1	0.0	61.1
Environmental Quality, Department of	0.0	467.4	467.4	0.0	322.0	322.0 <u>2/</u>
Equal Opportunity, Governor's Office of	4.0	0.0	4.0	4.0	0.0	4.0

BUDGET UNITS	Fiscal Year 2012			Fiscal Year 2013		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
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	12.0	58.1
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	115.3	115.3 <u>2/</u>
Geological Survey, Arizona	10.3	0.0	10.3	10.3	0.0	10.3
Governor's Office of Strategic Planning & Budgeting	22.0	0.0	22.0	22.0	0.0	22.0
Health Services, Department of <u>8/</u>	1,146.8	366.5	1,513.3	757.0	419.7	1,176.7 <u>2/</u>
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	3.0	3.0
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	235.6	235.6 <u>2/</u>
Insurance, Department of	90.5	0.0	90.5	90.5	0.0	90.5
Judiciary						
Supreme Court	128.5	40.5	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	391.1	49.2	440.3	391.1	49.2	440.3
Juvenile Corrections, Department of	936.7	65.0	1,001.7	692.5	46.0	738.5 <u>2/</u>
Land Department, State	4.0	148.9	152.9	4.0	121.7	125.7 <u>2/</u>
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	184.8	0.0	184.8 <u>2/</u>
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	256.6	0.0	256.6
Liquor Licenses & Control, Department of	0.0	45.2	45.2	0.0	45.2	45.2
Lottery Commission, Arizona State	0.0	104.0	104.0	0.0	97.8	97.8 <u>2/</u>
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 2012			Fiscal Year 2013		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
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	6.0	6.0
Occupational Safety & Health Review Board	0.0	0.0	0.0	0.0	0.0	0.0
Occupational Therapy Examiners, Board of	0.0	1.5	1.5	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	163.0	163.0 <u>2/</u>
Personnel Board, State	0.0	3.0	3.0	0.0	3.0	3.0
Pest Management, Office of	0.0	40.0	40.0	0.0	30.0	30.0
Pharmacy, AZ State Board of	0.0	18.0	18.0	0.0	18.0	18.0
Physical Therapy, Board of	0.0	3.8	3.8	0.0	3.8	3.8
Pioneers' Home, AZ	0.0	115.8	115.8	27.0	79.3	106.3 <u>2/</u>
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	389.8	1,750.0	2,139.8	346.8	1,556.9	1,903.7 <u>2/</u>
Racing, Arizona Department of	20.5	20.0	40.5	0.0	40.5	40.5
Radiation Regulatory Agency <u>6/</u>	23.0	5.0	28.0	23.0	6.0	29.0
Real Estate Department, State	55.0	0.0	55.0	59.0	0.0	59.0
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	233.9	233.9 <u>2/</u>
Revenue, Department of	907.0	28.0	935.0	818.1	42.2	860.3 <u>2/</u>
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 <u>9/</u>	0.0	0.0	0.0	25.0	0.0	25.0
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	30.4	30.4
Universities <u>10/</u>						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9

BUDGET UNITS	Fiscal Year 2012			Fiscal Year 2013		
	General Fund	Other Fund	Total	General Fund	Other Fund	Total
Arizona State University - Tempe/DPC Campus	6,097.9	0.0	6,097.9	6,097.9	0.0	6,097.9
Arizona State University - East Campus	424.0	0.0	424.0	416.6	0.0	416.6 <u>2/</u>
Arizona State University - West Campus	562.9	0.0	562.9	562.9	0.0	562.9
Northern Arizona University	2,057.2	0.0	2,057.2	2,057.2	0.0	2,057.2
University of Arizona - Main Campus	5,805.5	0.0	5,805.5	5,365.0	0.0	5,365.0 <u>2/</u>
University of Arizona - Health Sciences Center	979.1	0.0	979.1	979.1	0.0	979.1
SUBTOTAL - Universities	15,952.5	0.0	15,952.5	15,504.6	0.0	15,504.6
Veterans' Services, Department of	88.3	412.0	500.3	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	88.0	2.0	90.0 <u>2/</u>
Weights and Measures, Department of	19.4	17.0	36.4	19.4	17.0	36.4
TOTAL APPROPRIATED FUNDS	<u>35,496.7</u>	<u>16,578.8</u>	<u>52,075.5</u>	<u>33,973.6</u>	<u>15,304.8</u>	<u>49,278.4</u>

- 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 2012 and FY 2013 can be found in the individual agency pages.
- 2/ The General Appropriation Act reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions.
- 3/ Includes 1,568.1 FTE Positions in the FY 2012 and 1,174.9 FTE Positions in the FY 2013 Other Fund FTE columns funded from Medicaid Federal Expenditure Authority.
- 4/ Laws 2011, 2nd Special Session, Chapter 1 transfers most of the functions of the Department of Commerce to the Arizona Commerce Authority.
- 5/ Includes 1,747.4 FTE Positions in FY 2012 and 1,743.5 in FY 2013 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 and FY 2013 appropriated by Laws 2011, Chapter 132.
- 7/ Excludes 1.0 General Fund FTE Positions in the Department of Emergency and Military Affairs for the administration of the Military Installation Fund per A.R.S. 26-263.
- 8/ Includes 118.8 FTE Positions in FY 2012 and FY 2013 Other Fund FTE columns funded from Medicaid Federal Expenditure Authority.
- 9/ The agency does not appear in the FY 2012 General Appropriation Act.
- 10/ All university FTE Positions are attributed to the General Fund, although the universities fund these positions from Other Appropriated Funds as well.

BUDGET UNITS

Arizona State Board of Accountancy

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	570,800	704,400	704,400
Employee Related Expenditures	273,100	331,900	334,600
Professional and Outside Services	362,800	435,100	435,100
Travel - In State	3,900	6,700	6,700
Travel - Out of State	3,500	10,100	10,100
Other Operating Expenditures	189,600	391,000	393,600
Equipment	31,100	13,200	13,200
AGENCY TOTAL	1,434,800	1,892,400^{1/}	1,897,700^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Accountancy Fund	1,434,800	1,892,400	1,897,700
SUBTOTAL - Other Appropriated Funds	1,434,800	1,892,400	1,897,700
SUBTOTAL - Appropriated Funds	1,434,800	1,892,400	1,897,700
TOTAL - ALL SOURCES	1,434,800	1,892,400	1,897,700

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 \$1,897,700 and 13 FTE Positions from the Board of Accountancy Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,300 from the Board of Accountancy Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Acupuncture Board of Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	72,100	75,300	75,300
Employee Related Expenditures	13,600	16,500	16,800
Professional and Outside Services	19,500	20,500	20,500
Travel - In State	500	1,200	1,200
Travel - Out of State	0	1,000	1,000
Other Operating Expenditures	15,100	11,300	11,000
AGENCY TOTAL	120,800	125,800^{1/}	125,800^{2/3/}

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	120,800	125,800	125,800
SUBTOTAL - Other Appropriated Funds	120,800	125,800	125,800
SUBTOTAL - Appropriated Funds	120,800	125,800	125,800
TOTAL - ALL SOURCES	120,800	125,800	125,800

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 \$125,800 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes no net change from the Acupuncture Board of Examiners Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona Department of Administration

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	689.7	689.7	528.1 ^{1/}
Personal Services	23,552,300	29,100,200	30,421,000
Employee Related Expenditures	10,339,800	11,437,700	9,984,900
Professional and Outside Services	3,925,900	4,121,300	4,251,300
Travel - In State	257,500	294,700	294,700
Travel - Out of State	17,800	30,100	30,100
Other Operating Expenditures	28,815,200	30,170,000	30,357,900
Equipment	4,325,200	3,665,700	3,665,700
OPERATING SUBTOTAL	71,233,700	78,819,700	79,005,600 ^{2/}
SPECIAL LINE ITEMS			
Facilities Management			
Utilities	7,326,200	7,975,600	8,275,600
Financial Services			
County Attorney Immigration Enforcement	1,213,200	1,213,200	1,213,200 ^{3/}
ENSCO	2,862,800	1,436,400	0
Named Claimants	68,700	198,300	0
White Mountain Apache Water Rights Settlement	0	0	2,000,000 ^{4/}
Human Resources			
Human Resources Information Solution COP	4,749,700	5,550,600	3,319,600
Information Technology Services			
Automation Projects	0	0	28,100,000
Public Safety Communications	586,700	529,600	531,500
Statewide Information Security and Privacy Office	708,400	856,600	857,800
Telecommunications Lease Payment	381,400	0	0
Risk Management			
Federal Transfer Payment	0	10,400,000	0
Risk Management Administrative Expenses	6,696,200	8,746,100	8,746,100
Risk Management Losses and Premiums	34,192,800	43,480,200	44,691,200
Workers' Compensation Losses and Premiums	24,886,100	30,620,200	30,955,200
Support Services			
State Surplus Property Sales Proceeds	1,152,900	1,260,000	1,260,000 ^{5/}
Other			
Ch. 34 One-Time COSF	0	613,300	0
AGENCY TOTAL	156,058,800	191,699,800 ^{6/}	208,955,800 ^{7/8/}
FUND SOURCES			
General Fund	16,678,000	15,100,500	30,230,300
<u>Other Appropriated Funds</u>			
Air Quality Fund	596,500	714,100	714,100 ^{9/}
Automation Operations Fund	17,414,800	18,716,000	22,930,100 ^{10/}
Capital Outlay Stabilization Fund	15,843,700	17,912,800	17,878,700
Corrections Fund	442,100	554,300	558,300
Federal Surplus Materials Revolving Fund	96,400	451,400	451,600
Information Technology Fund	2,487,600	3,133,500	4,644,500
Motor Vehicle Pool Revolving Fund	8,639,800	10,043,500	10,041,300 ^{11/}
Personnel Division Fund	13,865,000	14,752,500	14,420,800
Risk Management Revolving Fund	72,152,200	100,750,100	91,919,200
Special Employee Health Insurance Trust Fund	3,897,400	5,122,300	5,136,700
State Surplus Materials Revolving Fund	2,070,200	2,378,800	2,375,000
State Web Portal Fund	250,500	250,000	5,850,000

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
Telecommunications Fund	1,624,600	1,820,000	1,805,200
SUBTOTAL - Other Appropriated Funds	139,380,800	176,599,300	178,725,500
SUBTOTAL - Appropriated Funds	156,058,800	191,699,800	208,955,800
Other Non-Appropriated Funds	878,454,700	835,477,800	855,971,000
Federal Funds	6,457,500	14,431,200	6,375,700
TOTAL - ALL SOURCES	1,040,971,000	1,041,608,800	1,071,302,500

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 \$79,005,600 and 521.1 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$9,059,900
Air Quality Fund	714,100
Automation Operations Fund	18,730,100
Capital Outlay Stabilization Fund (COSF)	10,228,800
Corrections Fund	558,300
Federal Surplus Materials Revolving Fund	451,600
Information Technology Fund	2,286,700
Motor Vehicle Pool Revolving Fund	10,041,300

Personnel Division Fund	11,101,200
Risk Management Revolving Fund	7,526,700
Special Employee Health Insurance Trust Fund	5,136,700
State Surplus Materials Revolving Fund	1,115,000
State Web Portal Fund	250,000
Telecommunications Fund	1,805,200

These amounts fund the following adjustments:

State Personnel System Implementation Costs

The budget includes an increase of \$1,846,000 from the Personnel Division Fund in FY 2013 for costs associated with the implementation of the new state personnel system. Laws 2012, Chapter 294, Section 106 includes a FY 2012 supplemental appropriation of \$154,000 for costs

- 1/ Includes 4 GF and 3 OF FTE Positions funded from Special Line Items in FY 2013.
- 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/ This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 5/ 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 2013 are appropriated to the department. Before the expenditure of State Surplus Materials Revolving Fund receipts in excess of \$1,260,000 in FY 2013, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 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/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)
- 9/ 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)
- 10/ The appropriation for the Automation Operations Fund is an estimate representing all monies, including balance forward, revenue and transfers during FY 2013. 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 \$18,730,100 in FY 2013, 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)
- 11/ 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)

associated with the implementation of the new state personnel system.

Laws 2012, Chapter 321 establishes the State Personnel System, which is an expansion of the Arizona Department of Administration (ADOA) Personnel System. *(Please see the Additional Legislation section for more information.)*

Secretary of State Building Operating Costs

The budget includes an increase of \$300,000 from COSF in FY 2013 for the operation and maintenance expenses of the Polly Rosenbaum Archives Building and the Records Management Center. *(Please see the Department of Administration Capital Outlay section for more information.)*

Laws 2009, Chapter 114 transferred control of the Arizona State Library, Archives and Public Records (ASLAPR) functions from the Legislature to the Secretary of State. However, even with this transfer, ASLAPR facilities remained under the control of the Legislature. The Consolidation Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 27) transferred control of ASLAPR facilities, including the Polly Rosenbaum Archives Building and the Records Management Center, to the Secretary of State, thereby making the Department of Administration responsible for maintenance of the buildings.

Because the materials in these buildings need to be stored at specific environmental conditions in order to ensure proper preservation, this funding will be used to provide maintenance to advanced heating, ventilation, and air conditioning (HVAC) systems, as well as other technical document preservation systems.

Statewide Adjustments

The budget includes a decrease of \$(1,960,100) in FY 2013 for statewide adjustments.

This amount consists of:

General Fund	(2,037,400)
Automation Operations Fund	14,100
COSF	(20,800)
Corrections Fund	4,000
Federal Surplus Materials Revolving Fund	200
Information Technology Fund	9,800
Motor Vehicle Pool Revolving Fund	(2,200)
Personnel Division Fund	53,300
Risk Management Revolving Fund	23,100
Special Employee Health Insurance Trust Fund	14,400
State Surplus Materials Revolving Fund	(3,800)
Telecommunications Fund	(14,800)

Of these amounts, a decrease of \$(2,031,200) from the General Fund in FY 2013 is to eliminate funding for ADOA to make the lease-purchase payment for the Arizona State Schools for the Deaf and the Blind high school/auditorium. The final lease-purchase payment was

made in FY 2012. *(Please see the Agency Detail and Allocations section for more information.)*

Facilities Management

Utilities

The budget includes \$8,275,600 in FY 2013 for Utilities.

This amount consists of:

General Fund	625,700
COSF	7,649,900

These amounts fund the following adjustments:

Secretary of State Building Utilities Costs

The budget includes an increase of \$300,000 from COSF in FY 2013 for the utility expenses of the Polly Rosenbaum Archives Building and the Records Management Center. The materials in these buildings need to be stored at specific environmental conditions in order to ensure proper preservation, which results in increased utility costs. *(Please see the Department of Administration Capital Outlay section for more information.)*

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

Financial Services

Named Claimants

Laws 2012, Chapter 291 appropriates \$198,343.16 from the General Fund in FY 2012 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 2011, Chapter 120 included \$68,687.30 in FY 2011 for prior year unpaid claims. All \$68,687.30 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 \$198,343.16, the General Fund will receive \$16,724.06 from the Risk Management Revolving Fund and \$5,000 from the Emergency Medical Services Operating Fund. The total of \$21,724.06 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 2013 for County Attorney Immigration Enforcement. This amount is unchanged from FY 2012.

This line item is for distribution to county attorneys and county sheriffs for the purpose of enforcement of Title 23, Chapter 2, Article 2, Arizona Revised Statutes which prohibits an employer from knowingly employing unauthorized immigrants and general enforcement of immigration related matters. A footnote specifies the allocation of these funds.

Laws 2012, Chapter 346 states that monies distributed to the Apache County Attorney’s Office shall be used to represent the interests of the people of Arizona and Apache County for legal action against the United States Forest Service for the destruction of endangered species habitat in Arizona caused by the lack of forest thinning and forage fuel removal activities.

ENSCO

The budget includes no funding from the General Fund in FY 2013 for ENSCO. This amount funds the following adjustments:

Funding Elimination

The budget includes a decrease of \$(1,436,400) from the General Fund in FY 2013 for funding elimination. The lease-purchase payments for the ENSCO site ended in FY 2012.

Monies in this line item were 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.

White Mountain Apache Settlement

Section 119 of the FY 2013 General Appropriation Act includes \$2,000,000 from the General Fund in FY 2013 to comply with this state’s obligation relating to the settlement of the White Mountain Apache Tribe’s water rights claims. The monies are exempt from lapsing requirements.

This line item funds a one-time obligation which becomes effective on receipt of notice by the Executive Director of the Arizona Legislative Council from the Department of

Water Resources that the Secretary of the United States Department of Interior has issued a Record of Decision approving the construction of the White Mountain Apache Tribe rural water system.

Human Resources

Human Resources Information Solution COP

The budget includes \$3,319,600 from the Personnel Division Fund in FY 2013 for the Human Resources Information Solution (HRIS) Certificate of Participation (COP). This amount funds the following adjustments:

Lease-Purchase Payment Decrease

The budget includes a decrease of \$(2,231,000) from the Personnel Division Fund in FY 2013 for a decreased HRIS lease-purchase payment.

This line item funds semi-annual payments made on the \$35,000,000 12-year COP issued to fund HRIS. The COP will be paid off in FY 2013.

Information Technology Services

Automation Projects

The budget includes \$28,100,000 in FY 2013 for Automation Projects. This amount consists of:

General Fund	16,800,000
Automation Operations Fund	4,200,000
Information Technology Fund	1,500,000
State Web Portal Fund	5,600,000

These monies are deposited into the Automation Projects Fund, which is administered by the department.

In addition to the FY 2013 funding, the General Appropriation Act appropriates the following amounts from the General Fund in future years to the Automation Projects Fund: \$20,000,000 in FY 2014, \$20,000,000 in FY 2015, and \$23,000,000 in FY 2016.

The Government BRB (Laws 2012, Chapter 298) established the Automation Project Fund, which consists of monies appropriated by the Legislature. Once deposited into the fund, the monies are not subject to further appropriation. The fund is exempt from lapsing.

Monies in the fund are to be used to implement, upgrade or maintain automation and information technology projects for any state agency. The primary project is expected to be the replacement of the state’s financial accounting system.

Public Safety Communications

The budget includes \$531,500 and 4 FTE Positions from the General Fund in FY 2013 for Public Safety Communications. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,900 from the General Fund in FY 2013 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.

This program was previously a function of the Government Information Technology Agency (GITA). The Consolidation BRB (Laws 2011, Chapter 27) transferred the functions of GITA to the Department of Administration beginning in FY 2012. FY 2011 expenditures for GITA are reflected in the Department of Administration's expenditure information.

Statewide Information Security and Privacy Office

The budget includes \$857,800 and 3 FTE Positions from the Information Technology Fund in FY 2013 for the Statewide Information Security and Privacy Office. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,200 from the Information Technology Fund in FY 2013 for statewide adjustments.

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

This program was previously a function of GITA. The FY 2012 Consolidation BRB (Laws 2011, Chapter 27) transferred the functions of GITA to the Department of Administration beginning in FY 2012. FY 2011 expenditures for GITA are reflected in the Department of Administration's expenditure information.

Risk Management

Federal Transfer Payment

The budget includes a decrease of \$(10,400,000) from the Risk Management Fund in FY 2013 to eliminate the one-time FY 2012 payment to the federal government. Laws

2012, Chapter 294, Section 107 included a FY 2012 supplemental appropriation to refund a portion of certain fund balances to the federal government. In prior fiscal years, the state had transferred the balances of certain funds to the General Fund. If federal monies had been deposited into these funds, the federal government requires that they receive their own proportional share of fund transfers. The \$10,400,000 is intended to cover the state's obligation for FY 2010 and FY 2011 transfers. Of this amount, \$5,921,900 was expended in May 2012 for the FY 2010 portion of the state's obligation.

Risk Management Administrative Expenses

The budget includes \$8,746,100 from the Risk Management Revolving Fund in FY 2013 for Risk Management Administrative Expenses. This amount is unchanged from FY 2012.

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 \$44,691,200 from the Risk Management Revolving Fund in FY 2013 for Risk Management Losses and Premiums. This amount funds the following adjustments:

Risk Management Losses

The budget includes an increase of \$1,211,000 from the Risk Management Revolving Fund in FY 2013 for an estimated increase in Risk Management Losses and Premiums. This increase 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 \$30,955,200 from the Risk Management Revolving Fund in FY 2013 for Workers' Compensation Losses and Premiums. This amount funds the following adjustments:

Losses and Premiums Increase

The budget includes an increase of \$335,000 from the Risk Management Revolving Fund in FY 2013 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 2013 for State Surplus Property Sales Proceeds. This amount is unchanged from FY 2012.

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.

Other

Ch. 34 One-Time COSF

Laws 2011, Chapter 34 included a one-time appropriation of 50% of the balance of a completed capital project to be used by the Department of Administration for the operating and utility expenses for the Polly Rosenbaum Archives Building. The FY 2012 appropriation was \$613,300.

In FY 2013, funding now appears in the Operating Budget and Utilities Special Line Item.

Additional Legislation

Differentiated Health Insurance Premium

The Health and Welfare BRB (Laws 2012, Chapter 299) continues to prohibit ADOA from implementing a differentiated health insurance premium in FY 2013 based on the integrated or non-integrated status of the provider.

Dental Self-Insurance

The Health and Welfare BRB clarifies that ADOA must submit a dental self-insurance plan to JLBC for review prior to switching to self-insurance.

Health Insurance Trust Monies

The General Appropriation Act (Laws 2012, Chapter 294, Section 2) expands ADOA's authorization to pay the federal government for any obligations related to the FY 2012 transfer of Health Insurance Trust Fund monies to the General Fund. While 2011 legislation originally authorized this payment to occur in FY 2012, Chapter 294

now permits the payment of this FY 2012 obligation to also occur in FY 2013.

State Personnel System

Laws 2012, Chapter 321 expands the ADOA Personnel System, creating the State Personnel System, which includes 8 new agencies that have traditionally maintained their own personnel systems. ADOA's Human Resources Division will continue oversight of the personnel system.

Chapter 321 outlines the transition of a majority of the state's covered workforce to uncovered and at-will status. In addition to employees that voluntarily elect to be uncovered, any covered employees who accept a change of assignment will become uncovered. Covered employees currently in supervisor, attorney, and information technology positions, as well as those in grade 19 and higher positions, will automatically convert to uncovered status. Going forward, all new hires will also be uncovered.

The legislation also restructures the grievance and appeal process. All employees can still submit a complaint regarding unlawful discrimination or harassment. However, the State Personnel Board, which remains for covered employees, no longer has the authority to overturn or modify disciplinary actions made by agencies.

Chapter 321 also makes changes to other human resources practices such as administrative leave, overtime and compensatory leave, workers' compensation, and hiring procedures.

The legislation becomes effective September 28, 2012.

Prepaid Wireless 911 Excise Tax

Laws 2012, Chapter 198 establishes the prepaid wireless telecommunications 911 excise tax. The tax is equal to 0.8% of the gross income derived from the retail sale of prepaid wireless telecommunications services. The revenue generated from the tax will be deposited in the Emergency Telecommunications Services Revolving Fund. The tax becomes effective December 31, 2013.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Department of Administration includes a reduction of 42.2 General Fund FTE Positions and 119.4 Other Fund FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB, revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriation Act. Section 134 of the General Appropriation Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Administration's share of this Non-General Fund charge will be \$127,700. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Office of Administrative Hearings

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	12.0	12.0	12.0
Personal Services	554,700	527,500	527,500
Employee Related Expenditures	253,900	223,400	221,800
Other Operating Expenditures	111,000	78,700	72,100
AGENCY TOTAL	919,600	829,600^{1/}	821,400^{2/3/}
FUND SOURCES			
General Fund	905,100	815,100	808,100
<u>Other Appropriated Funds</u>			
Healthcare Group Fund	14,500	14,500	13,300
SUBTOTAL - Other Appropriated Funds	14,500	14,500	13,300
SUBTOTAL - Appropriated Funds	919,600	829,600	821,400
Other Non-Appropriated Funds	945,100	936,300	936,300
TOTAL - ALL SOURCES	1,864,700	1,765,900	1,757,700

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 \$821,400 and 12 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$808,100
Healthcare Group Fund	13,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(8,200) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(7,000)
Healthcare Group Fund	(1,200)

(Please see the Agency Detail and Allocations section.)

Additional Legislation

Prompt Hearings

The Government BRB (Laws 2012, Chapter 298) continues to suspend the requirement that the office hear appealed actions and contested cases within 60 days of the filing in FY 2013. The office would hold the hearings as soon as reasonably possible.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Office of Administrative Hearings' share of this Non-General Fund charge will be \$3,000. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Arizona Department of Agriculture

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	217.2	166.7	161.0
Personal Services	5,233,600	4,370,700	4,370,700
Employee Related Expenditures	3,002,700	1,973,100	1,990,200
Professional and Outside Services	345,800	48,500	107,700
Travel - In State	379,400	337,000	281,300
Travel - Out of State	13,100	500	(2,800)
Other Operating Expenditures	1,379,700	870,300	838,900
Equipment	248,000	9,000	9,000
OPERATING SUBTOTAL	10,602,300	7,609,100	7,595,000
SPECIAL LINE ITEMS			
Agricultural Consulting and Training Pari-Mutuel	128,500	128,500	128,500
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Nuclear Emergency Management Fund	0	92,100	92,100 ^{1/}
Red Imported Fire Ant	23,200	23,200	23,200
AGENCY TOTAL	10,842,300	7,941,200^{2/}	7,927,100^{3/4/}
FUND SOURCES			
General Fund	8,391,700	7,941,200	7,927,100
<u>Other Appropriated Funds</u>			
Aquaculture Fund	9,200	0	0
Citrus, Fruit and Vegetable Revolving Fund	354,800	0	0
Commercial Feed Fund	298,200	0	0
Dangerous Plants, Pests and Diseases Fund	100,000	0	0
Egg Inspection Fund	795,600	0	0
Fertilizer Materials Fund	302,700	0	0
Livestock Custody Fund	69,100	0	0
Pesticide Fund	347,000	0	0
Protected Native Plant Fund	120,200	0	0
Seed Law Fund	53,800	0	0
SUBTOTAL - Other Appropriated Funds	2,450,600	0	0
SUBTOTAL - Appropriated Funds	10,842,300	7,941,200	7,927,100
Other Non-Appropriated Funds	9,003,100	10,736,700	10,736,700
Federal Funds	5,659,300	5,999,000	5,999,000
TOTAL - ALL SOURCES	25,504,700	24,676,900	24,662,800

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

^{1/} 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.)

^{2/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} Includes \$92,113 in both FY 2012 and FY 2013 appropriated by Laws 2011, Chapter 132 for Nuclear Emergency Management Fund.

Operating Budget

The budget includes \$7,595,000 and 161.0 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustment:

Statewide Adjustments

The budget includes a decrease of \$(14,100) from the General Fund in FY 2013 for statewide adjustments. (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 2013 for the Agricultural Consulting and Training Pari-Mutuel line item. This amount is unchanged from FY 2012.

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 2013 for the Agricultural Employment Relations Board line item. This amount is unchanged from FY 2012.

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 2013 for the Animal Damage Control line item. This amount is unchanged from FY 2012.

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

The budget includes \$92,100 from the General Fund in FY 2013 for the Nuclear Emergency Management Fund (NEMF). This amount is unchanged from FY 2012.

Laws 2011, Chapter 132 appropriated \$92,113 from the General Fund in both FY 2012 and FY 2013 for off-site nuclear emergency response plans. 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 2013 for the Red Imported Fire Ant line item. This amount is unchanged from FY 2012.

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.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Arizona Department of Agriculture includes a reduction of (5.7) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Fee Use Authority

The FY 2013 Environment Budget Reconciliation Bill (Laws 2012, Chapter 303) permits the director, upon recommendation from the Agricultural Advisory Council,

to continue to increase fees in FY 2013 with the intent that the additional fee revenues would not generate more than \$218,000 to the General Fund, \$113,000 to the Pesticide Trust Fund, and \$26,000 to the Dangerous Plants, Pests, and Diseases Trust Fund.

Agricultural Trust Funds

Laws 2011, Chapter 281 converted the following appropriated funds into non-appropriated trust funds on the bill's effective date (July 20, 2011) through December 30, 2012: Aquaculture Fund, Citrus, Fruit, and Vegetable Revolving Fund, Commercial Feed Fund, Dangerous Plants, Pests, and Diseases Fund, Egg Inspection Fund, Fertilizer Materials Fund, Livestock Custody Fund, Pesticide Fund, Protected Native Plant Fund, and Seed Law Fund.

Chapter 281 also classified the following non-appropriated funds as trust funds on July 20, 2011 through December 30, 2012: Agricultural Consulting and Training Fund, Citrus Research Council Fund, Grain Research and Promotion Council Fund, and Iceberg Lettuce Research Council Fund.

The bill also required the State Treasurer to account for these funds' monies separately and to hold them in trust. Language in the bill stipulated 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.

Chapter 281 restored all of these funds to their original statutory form on December 31, 2012. However, Laws 2012, Chapter 248 removed the December 31, 2012 expiration date from Chapter 281. Therefore, all of the funds listed above have permanently been made into non-appropriated trust funds.

Arizona Health Care Cost Containment System

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,983.4	2,975.4	2,217.3 ^{1/}
Personal Services	30,695,900	41,568,400	40,920,900
Employee Related Expenditures	14,089,200	18,735,800	18,541,000
Professional and Outside Services	2,814,700	3,519,300	3,427,100
Travel - In State	63,900	84,500	84,400
Travel - Out of State	17,800	21,700	21,700
Other Operating Expenditures	17,352,500	13,286,100	13,040,900
Equipment	854,700	1,993,100	1,993,100
OPERATING SUBTOTAL	65,888,700	79,208,900	78,029,100
SPECIAL LINE ITEMS			
Administration			
DES Eligibility	36,959,000	53,752,900	53,799,300 ^{2/}
Proposition 204 - AHCCCS Administration	8,030,500	6,632,200	6,635,800
Proposition 204 - DES Eligibility	34,754,300	37,761,000	37,793,600
Medical Services			
Traditional Medicaid Services	3,405,194,000	3,345,721,000 ^{3/}	3,420,887,100 ^{4/}
Proposition 204 Services	2,203,204,700	1,497,856,000	1,166,614,700 ^{5/}
Children's Rehabilitative Services	0	110,126,600	128,599,100
KidsCare Services	52,521,000	36,067,800	21,622,300
ALTCS Services	1,438,128,900	1,229,251,600	1,177,910,000 ^{6/7/}
Payments to Hospitals			
Disproportionate Share Payments	4,202,300	13,487,100	13,487,100 ^{8/}
DSH Payments - Voluntary Match	0	0	28,457,100 ^{9/}
Rural Hospitals	13,871,500	13,858,100	13,858,100
Graduate Medical Education	0	0	90,977,300 ^{10/}
AGENCY TOTAL	7,262,754,900	6,423,723,200^{11/}	6,238,670,600^{12/13/14/15/16/17/}
FUND SOURCES			
General Fund	1,301,689,300	1,476,449,400	1,397,607,300
Other Appropriated Funds			
Budget Neutrality Compliance Fund	2,338,000	3,161,100	3,221,100
Children's Health Insurance Program Fund	43,659,700	30,176,400	18,126,400
Healthcare Group Fund	1,773,700	3,509,700	2,281,300
Prescription Drug Rebate Fund - State	10,000,000	71,614,500	69,950,000
TPTF Emergency Health Services Account	19,910,300	19,222,900	19,222,900
TTHCF Medically Needy Account	38,295,800	38,295,800	38,295,800
SUBTOTAL - Other Appropriated Funds	115,977,500	165,980,400	151,097,500
SUBTOTAL - Appropriated Funds	1,417,666,800	1,642,429,800	1,548,704,800
Expenditure Authority Funds			
County Funds	238,236,700	302,984,400	294,122,200
Federal Medicaid Authority	5,465,202,100	4,329,535,100	4,049,365,700
Political Subdivision Funds	0	0	40,523,000
Prescription Drug Rebate Fund - Federal	0	0	165,392,300
Third Party Collections Fund	0	194,700	194,700
Tobacco Litigation Settlement Fund	99,161,600	108,211,300	100,000,000
TPTF Proposition 204 Protection Account	42,487,700	40,367,900	40,367,900
SUBTOTAL - Expenditure Authority Funds	5,845,088,100	4,781,293,400	4,689,965,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	7,262,754,900	6,423,723,200	6,238,670,600

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
Other Non-Appropriated Funds	116,646,500	94,254,100	55,750,900
Federal Funds	293,292,400	395,650,800	85,521,300
TOTAL - ALL SOURCES	7,672,693,800	6,913,628,100	6,379,942,800

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.

- 1/ Includes 618.7 GF and 694.4 EA FTE Positions funded from Special Line Items in FY 2013.
- 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/ The Arizona Health Care Cost Containment System shall transfer up to \$1,364,300 from the Traditional Medicaid Services line item for FY 2012 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 4/ The Arizona Health Care Cost Containment System shall transfer up to \$1,200,000 from the Traditional Medicaid Services line item for FY 2013 to the Attorney General for costs associated with tobacco settlement litigation. (General Appropriation Act footnote)
- 5/ 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)
- 6/ 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)
- 7/ The county portion of the FY 2013 nonfederal portion of the costs of providing long-term care system services is included in the Expenditure Authority fund source. (General Appropriation Act footnote)
- 8/ The \$13,487,100 appropriation for Disproportionate Share Payments for FY 2013 made pursuant to A.R.S. § 36-2903.01O 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/ Any monies received for Disproportionate Share Payments from political subdivisions of this state, tribal governments and any university under the jurisdiction of the Arizona Board of Regents, and any federal monies used to match those payments, that are received in FY 2013 by the Arizona Health Care Cost Containment System administration in excess of \$28,457,100 are appropriated to the administration in FY 2013. Before the expenditure of these increased monies, the administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 10/ Any monies for Graduate Medical Education received in FY 2013, including any federal matching monies, by the Arizona Health Care Cost Containment System in excess of \$90,977,300 are appropriated to the administration in FY 2013. Before the expenditure of these increased monies, the administration shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of monies that will be expended under this provision. (General Appropriation Act footnote)
- 11/ 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.)
- 12/ The non-appropriated portion of the Prescription Drug Rebate Fund is included in the federal portion of the Expenditure Authority fund source. (General Appropriation Act footnote)
- 13/ 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)
- 14/ The Arizona Health Care Cost Containment System Administration shall report to the Joint Legislative Budget Committee by March 1 of each year on the 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)
- 15/ On or before January 7, 2013, the Arizona Health Care Cost Containment System administration and the Department of Health Services shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received by that date since July 1, 2012. On June 30, 2013, the administration and department shall report the same information for all of FY 2013. (General Appropriation Act footnote)
- 16/ General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Agency.
- 17/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

AHCCCS' General Fund spending decreases by \$(78,842,100) or (5.3)%. The \$(78,842,100) includes:

- \$26,022,400 for formula adjustments.
- \$(106,928,300) for the elimination of a one-time FY 2012 payment to end the payment deferral.
- \$2,000,000 for an expansion of breast and cervical cancer coverage.
- \$63,800 for statewide adjustments.

FY 2012 Adjustments

Due to the revisions of the original Medicaid Waiver Plan (see page 25 of the FY 2013 Baseline Book for additional information), AHCCCS was estimated to have a General Fund shortfall of \$(223,758,400) in FY 2012. The shortfall was addressed by \$59,657,700 in FY 2012 formula savings, \$51,500,000 in prescription drug savings, and \$112,600,700 from the General Fund in reallocated savings as described in more detail below. An additional \$140,800,000 in Federal Medicaid Authority was added due to a Federal Medicaid Authority shortfall.

Formula Savings

Additional savings of \$(59,657,700) are expected due to lower than budgeted capitation rates, (not associated with provider rate reductions), reconciliation payments, and lower than budgeted caseload growth. These savings will be used to offset the FY 2012 shortfall.

Prescription Drug Rebate Surplus

The FY 2012 budget appropriated \$20,114,500 from the Prescription Drug Rebate Fund (PDRF) to offset AHCCCS expenses. Due to higher than anticipated rebates, an additional \$51,500,000 PDRF supplemental was appropriated and is used to offset a General Fund shortfall.

General Fund Reallocation

The budget reallocated \$112,600,700 from the General Fund and \$231,744,100 from Federal Medicaid Authority in FY 2012. These monies were originally intended to pay the FY 2011 payment deferral obligation at the beginning of the FY 2012. When AHCCCS paid off the FY 2011 payment deferral early, \$112,600,700 from the General Fund became available to offset the FY 2012 shortfalls. In FY 2011, AHCCCS did not defer June capitation payments as they had sufficient funds to cover that cost.

Elimination of Rollover

While AHCCCS paid off the FY 2011 rollover early, the FY 2012 budget had already enacted a rollover of \$344,344,800 in total funds (\$117,688,200 in General Fund) payments from FY 2012 to FY 2013. This rollover has been in place since 2009.

The FY 2013 budget includes a \$112,600,700 General Fund appropriation in FY 2012 to prevent rolling over FY 2012 payments into FY 2013. The remaining amount of

\$5,672,400 is appropriated from the General Fund in FY 2013 as a result of technical timing differences. The difference between the \$112,600,700 FY 2012 payment and the \$5,672,400 FY 2013 payment represents the one-time reduction of \$(106,928,300) in the FY 2013 budget.

Federal Medicaid Authority Supplemental

The revised FY 2012 budget includes an increase of \$140,800,000 from Federal Medicaid Authority due to a shortfall. The shortfall is due primarily to higher expenditure trends in Indian Health Services and other tribal facilities which are 100% federally funded.

FY 2013 Formula Adjustments

Formula adjustments are comprised of changes to caseloads, provider rate increases, and changes to the Federal Medical Assistance Percentage (FMAP). The budget includes no provider rate increases but adjustments are made for both caseloads and the FMAP.

The FMAP is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. Typically the federal government provides an approximate 2:1 match for most Medicaid services and a 3:1 match for KidsCare. During FY 2013, the blended FMAP for Medicaid will decline to 66.09% (0.85% decline). The KidsCare rate will decline to 76.26% (0.59% decline). The formula adjustments include an increase in General Fund spending to offset the federal rate decline.

Operating Budget

The budget includes \$78,029,100 and 904.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	<u>FY 2013</u>
General Fund	\$28,047,100
Healthcare Group Fund	2,281,300
Children's Health Insurance Program (CHIP) Fund	1,636,700
Prescription Drug Rebate Fund (PDRF) - State	114,800
Federal Medicaid Authority	45,949,200

These amounts fund the following adjustments:

Healthcare Group Administrative Decrease

The budget includes an agency-requested decrease of \$(1,235,400) from the Healthcare Group Fund in FY 2013 for decreased administrative expenses in Healthcare Group. AHCCCS forecasts enrollment of 5,600 in healthcare insurance in June 2013 compared to 8,300 in June 2011. Healthcare Group's contract limits administrative expenses to 7% of total premium revenues.

Statewide Adjustments

The budget includes an increase of \$55,600 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	22,500
Healthcare Group Fund	7,000
CHIP Fund	3,300
PDRF - State	300
Federal Medicaid Authority	22,500

(Please see the Agency Detail and Allocations section.)

Administration

DES Eligibility

The budget includes \$53,799,300 and 885 FTE Positions in FY 2013 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

General Fund	24,993,300
Federal Medicaid Authority	28,806,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$46,400 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	23,200
Federal Medicaid Authority	23,200

Through an Intergovernmental Agreement, DES performs eligibility determinations.

Proposition 204 - AHCCCS Administration

The budget includes \$6,635,800 and 128.1 FTE Positions in FY 2013 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

General Fund	2,215,300
Federal Medicaid Authority	4,420,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,600 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	1,800
Federal Medicaid Authority	1,800

Proposition 204 expanded AHCCCS eligibility. This line item contains funding for AHCCCS' administration costs of the Proposition 204 program.

Proposition 204 - DES Eligibility

The budget includes \$37,793,600 and 300 FTE Positions in FY 2013 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,239,400
Budget Neutrality Compliance Fund	3,221,100
Federal Medicaid Authority	17,333,100

These amounts fund the following adjustments:

Statutory Adjustment

The budget includes a decrease of \$(60,000) from the General Fund and a corresponding increase from the Budget Neutrality Compliance Fund (BNCF) in FY 2013 to reflect a statutorily-required increase of county contributions in FY 2013 (A.R.S. § 11-292O). (Please see Table 2 for contributions by county.)

Statewide Adjustments

The budget includes an increase of \$32,600 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	16,300
Federal Medicaid Authority	16,300

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.

This line item contains funding for eligibility costs in DES for the Proposition 204 program.

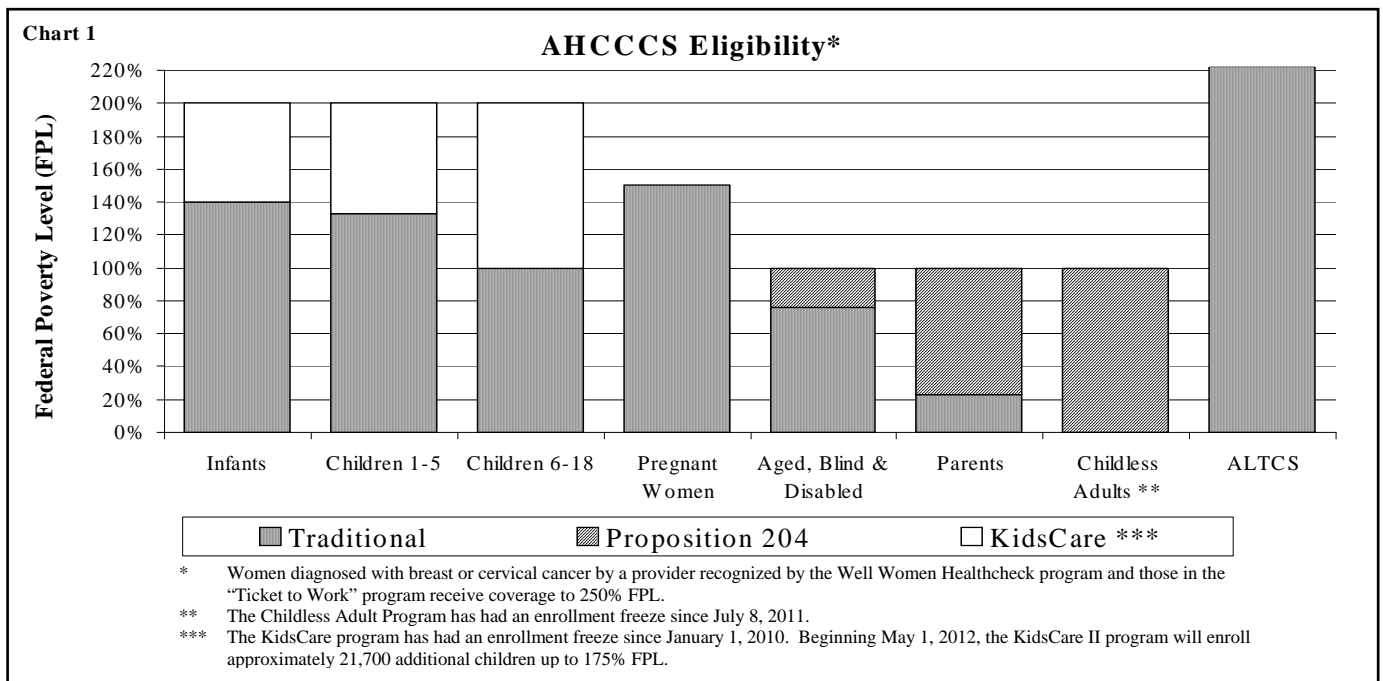
Medical Services

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 \$3,420,887,100 in FY 2013 for Traditional Medicaid Services. This amount consists of:

General Fund	914,805,100
County Funds	50,901,700
PDRF - State	63,741,300
TTHCF Medically Needy Account	38,295,800
Third Party Collections	194,700
Federal Medicaid Authority	2,201,515,400
PDRF - Federal	151,433,100



These amounts fund the following adjustments:

Formula Adjustment

The budget includes an increase of \$66,185,500 in FY 2013 for formula adjustments. This amount consists of:

General Fund	40,472,200
County Funds	(349,800)
PDRF - State	1,715,600
Federal Medicaid Authority	24,347,500

Prescription Drug Rebates

The budget includes an increase of \$151,433,100 from the federal portion of the PDRF and a corresponding decrease from Federal Medicaid Authority in FY 2013. In previous budgets, the federal portion was non-appropriated. The budget changes the federal portion to Expenditure Authority beginning in FY 2013.

Breast and Cervical Cancer Coverage Expansion

The budget includes an increase of \$8,980,600 in FY 2013 to expand the number who are eligible for breast and cervical cancer coverage. This amount consists of:

General Fund	2,000,000
Federal Medicaid Authority	6,980,600

The Breast and Cervical Cancer program provides AHCCCS coverage for women up to 250% FPL (\$57,600 for a family of 4) who are diagnosed with breast or cervical cancer. Previously, women were only eligible for coverage if they were screened through DHS' Well Women Healthcheck program. The Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 299) expands eligibility to all women up to 250% FPL who are diagnosed with breast or cervical cancer by a

provider or entity recognized by the Well Woman Healthcheck program.

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 with breast or cervical cancer by a provider recognized by DHS' Well Women Healthcheck program up to 250% FPL
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL ("Ticket to Work")

Proposition 204 Services

The budget includes \$1,166,614,700 in FY 2013 for Proposition 204 Services. This amount consists of:

General Fund	191,023,200
Tobacco Settlement Fund	100,000,000
TPTF Proposition 204 Protection Account	40,367,900
Emergency Health Services Account	19,222,900
Federal Medicaid Authority	816,000,700

These amounts fund the following adjustments:

Formula Adjustment

The budget includes a decrease of \$(331,241,300) in FY 2013 for formula adjustments due to the childless adult enrollment freeze (see below). This amount consists of:

General Fund	(147,920,900)
Federal Medicaid Authority	(183,320,400)

Tobacco Settlement Shift

The budget includes an increase of \$8,211,300 from the General Fund and a corresponding decrease from the Tobacco Settlement Fund in FY 2013 to offset declining Tobacco Settlement funds.

Prescription Drug Rebates

The budget includes an increase of \$8,005,500 from the General Fund and a corresponding decrease from the PDRF in FY 2013. The PDRF funding source has been shifted to the Traditional Medicaid Services line item.

Background – The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population, but are below 100% FPL (see Chart 1). Although not technically a Proposition 204 program, in the past, monies for the “spend-down” program have been included in Proposition 204 line items. The “spend-down” program was phased out between May 1 and September 30, 2011. Additionally, the Childless Adult program has had an enrollment freeze since July 2011. The childless adult freeze is expected to end on January 1, 2014 due to requirements in Federal health care legislation. The legislation will not restore the Medicaid “spend-down” program.

Children’s Rehabilitative Services

The budget includes \$128,599,100 in FY 2013 for Children’s Rehabilitative Services (CRS). This amount consists of:

General Fund	43,614,400
Federal Medicaid Authority	84,984,700

These amounts fund the following adjustments:

Formula Adjustment

The budget includes an increase of \$18,472,500 in FY 2013 for formula adjustments. This amount consists of:

General Fund	7,203,800
Federal Medicaid Authority	11,268,700

The formula adjustments assume an enrollment increase, a reduction in the FMAP, and the annualization of provider rate reductions. The appropriation would fund 26,245 members in June 2013, a 10.1% annualized increase above May 2012 enrollment.

The CRS program offers health care to children with handicapping or potentially handicapping conditions.

KidsCare Services

The budget includes \$21,622,300 in FY 2013 for KidsCare Services. This amount consists of:

General Fund	5,132,600
CHIP Fund	16,489,700

These amounts fund the following adjustments:

Formula Adjustment

The budget includes a decrease of \$(14,445,500) in FY 2013 for formula adjustments. This amount consists of:

General Fund	(2,392,200)
CHIP Fund	(12,053,300)

The formula adjustments assume an enrollment decline, a reduction in the FMAP, and the annualization of provider rate reductions. The KidsCare program has had an enrollment freeze since January 2010. The appropriation would fund 7,200 members in June 2013, a (29.3)% annualized decrease below May 2012 enrollment.

In addition to the KidsCare services funded in this line item, approximately 21,700 children will receive services from May 1, 2012 to December 31, 2013 through the KidsCare II program. KidsCare II will be funded by voluntary payments made by political subdivisions. The voluntary payments will be matched by Federal Funds. The majority of the payments will be used for the Safety Net Care Pool (see the Safety Net Care Pool section) with some of the monies being used for KidsCare II. KidsCare II is only open to children from 100% to 175% FPL. Monies for KidsCare II are non-appropriated and do not appear in this line item.

While Federal health care legislation will not completely eliminate the freeze, it expands coverage in the Traditional program to 133% FPL beginning on January 1, 2014. This will require a shift of existing enrollees between 100%-133% FPL from KidsCare to Traditional Medicaid Services beginning on January 1, 2014.

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 \$1,177,910,000 in FY 2013 for Arizona Long Term Care System (ALTCS) expenditures. This amount consists of:

General Fund	162,594,300
County Contributions	243,220,500
PDRF - State	6,093,900
Federal Medicaid Authority	752,042,100
PDRF - Federal	13,959,200

These amounts fund the following adjustments:

Formula Adjustment

The budget includes a decrease of \$(51,341,600) in FY 2013 for formula adjustments. This amount consists of:

General Fund	7,135,300
County Contributions	(5,663,100)
Federal Medicaid Authority	(52,813,800)

The formula adjustments assume an enrollment increase, a reduction in the FMAP, and the annualization of provider rate reductions. The appropriation would fund 28,800 members in June 2013, a 3.9% annualized increase above May 2012 enrollment. (See *County Contributions* section for additional information.)

Prescription Drug Rebates Increase

The budget includes an increase of \$4,625,100 from the appropriated portion of the PDRF and a corresponding decrease from other sources in FY 2013 to reflect increased prescription drug rebates. This amount consists of:

General Fund	(1,775,800)
PDRF - State	4,625,100
County Contributions	(2,849,300)

Prescription Drug Rebates Shift

The budget includes an increase of \$13,637,300 from the federal portion of the PDRF and a corresponding decrease from Federal Medicaid Authority in FY 2013. In previous budgets, the federal portion was non-appropriated. The budget changes the federal portion to Expenditure Authority beginning in FY 2013.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$24,797 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 \$8,042 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 2011, AHCCCS estimates that client contributions paid for 6.8% 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 2013 for Disproportionate Share Hospital (DSH) Payments. This amount consists of:

General Fund	3,186,500
Federal Medicaid Authority	10,300,600

These amounts fund the following adjustments:

Formula Adjustment

The budget includes a decrease of \$(71,800) from the General Fund and a corresponding increase from Federal Medicaid Authority in FY 2013 due to a change in the federal match rate.

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

<u>Eligible Funding</u>	<u>FY 2012</u>	<u>FY 2013</u>
Public Hospitals	\$ 89,877,700	\$ 89,877,700
Arizona State Hospital (ASH)	28,474,900	28,474,900
Private Hospitals	9,284,800	9,284,800
Total Allocations	\$127,637,400	\$127,637,400
<i>Distribution of Funding</i>		
Federal DSH to GF (Maricopa)	\$ 56,285,400	\$ 54,829,400
Federal DSH to GF (ASH)	19,163,600	18,702,300
Federal DSH to LTCSF	8,541,500	0
Subtotal	\$ 83,990,500	\$ 73,531,700
County-Operated Hospitals	4,202,300	4,202,300
Private Hospitals	9,284,800	9,284,800
Total	\$ 97,477,600	\$ 87,018,800

The state only appropriates General Fund dollars for DSH payments to private hospitals (\$9,284,800 in total funds in FY 2013). 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). Typically AHCCCS deposits all of the Federal Funds in the General Fund. In FY 2012, the FY 2013 Health and Welfare BRB requires

AHCCCS to deposit \$8,541,500 from Federal Funds into DES' Long Term Care System Fund.

The Health and Welfare BRB also limits the DSH payment attributed to MIHS in FY 2012 and FY 2013 to \$89,877,700. This limitation allows MIHS to use monies they spend on uncompensated care as a match for the Safety Net Care Pool and KidsCare II programs and results in the loss of some federal funding which would have otherwise been distributed to the General Fund.

DSH Payments - Voluntary Match

The budget includes \$28,457,100 in FY 2013 for DSH Payments - Voluntary Match. This amount consists of:

Political Subdivision Funds	9,299,600
Federal Medicaid Authority	19,157,500

These amounts fund the following adjustments:

Change to Appropriated Funds

The budget includes an increase of \$28,457,100 in FY 2013 for DSH Payments – Voluntary Match. This amount consists of:

Political Subdivision Funds	9,299,600
Federal Medicaid Authority	19,157,500

In prior budgets, all monies received by AHCCCS from political subdivisions for DSH - Voluntary Match have been non-appropriated. The FY 2013 budget converts the Voluntary Match payments to the regular budget structure. A General Appropriation Act footnote appropriates any monies in excess of \$28,457,100 in FY 2013 to AHCCCS. Before expending any of these monies, AHCCCS is required to notify JLBC and the Governor’s Office of Strategic Planning and Budgeting (OSPB).

Background – Beginning in FY 2010, the Health BRB has allowed local governments, tribal governments and universities to provide voluntary DSH payments in order to receive a federal match. In FY 2011, 4 hospitals contributed the state match for \$10,104,665 in DSH payments.

Rural Hospitals

The budget includes \$13,858,100 in FY 2013 for Rural Hospitals. This amount consists of:

General Fund	4,756,100
Federal Medicaid Authority	9,102,000

These amounts fund the following adjustments:

Formula Adjustment

The budget includes an increase of \$143,100 from the General Fund and a corresponding decrease from Federal

Medicaid Authority in FY 2013 due to a change in the federal match rate.

Background – This line item is comprised of 2 programs. The Rural Hospital Reimbursement program 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 2011, 19 hospitals qualified for funding from Rural Hospital Reimbursement and 10 from Critical Access Hospitals.

Graduate Medical Education

The budget includes \$90,977,300 in FY 2013 for Graduate Medical Education (GME) expenditures. This amount consists of:

Political Subdivision Funds	31,223,400
Federal Medicaid Authority	59,753,900

These amounts fund the following adjustments:

Change to Appropriated Funds

The budget includes an increase of \$90,977,300 in FY 2013 for GME. This amount consists of:

Political Subdivision Funds	31,223,400
Federal Medicaid Authority	59,753,900

In the FY 2012 budget, all monies received by AHCCCS from political subdivisions for GME have been appropriated to AHCCCS via a footnote that permitted AHCCCS to spend whatever was received. The FY 2013 budget converts the Voluntary Match payments to the regular budget structure. A General Appropriation Act footnote appropriates any monies in excess of \$90,987,300 in FY 2013 to AHCCCS. Before expending any of these monies, AHCCCS is required to notify JLBC and OSPB.

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. While AHCCCS no longer provides any General Fund monies to this program, 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. In 2011, 5 hospitals received a total of \$90,977,300 for Graduate Medical Education.

Other Information

Safety Net Care Pool

In April 2012, AHCCCS received federal approval to establish a Safety Net Care Pool (SNCP) to fund unreimbursed costs incurred by hospitals in caring for the uninsured and AHCCCS recipients through December 31, 2013. SNCP uses voluntary monies from political subdivisions to draw down federal matching monies at a 2:1 match. The funds are then distributed to participating hospitals. As a federal condition of participating in the program, some of the monies must be used to expand KidsCare (*see KidsCare II discussion in the KidsCare line item for more details*). At the time of this writing AHCCCS anticipates that Maricopa Medical Center, Phoenix Children's Hospital and University Medical Center will receive approximately \$332,000,000 in total funds annually through SNCP for uncompensated care. Another \$48,821,700 in total funds in FY 2013 will be used for the KidsCare II program. Monies for SNCP and KidsCare II are non-appropriated and do not appear in the table.

Originally AHCCCS had proposed the creation of the Arizona Health System Improvement Pool (AHSIP), which would have allowed some monies to be used for the expansion of electronic health records and the expansion of trauma centers and emergency departments. The original proposal would have provided \$343,042,000 for the 3 programs, of which \$124,745,000 would have been used for AHSIP, \$173,645,400 for the Safety Net Care Pool, and \$44,651,600 for KidsCare II. Of the \$343,042,000, political subdivisions would have contributed \$113,134,700 and receive a \$229,907,300 federal match. AHSIP was not approved as part of the SNCP. At the time of this writing, AHCCCS is pursuing AHSIP as a separate waiver amendment.

Proposition 202 – Trauma and Emergency Services Fund

In April 2012, AHCCCS received federal approval to obtain a federal match for Proposition 202 - Trauma and Emergency Services Fund. This fund consists of tribal gaming monies received from the Arizona Benefits Fund. Currently, hospitals receive approximately \$20,000,000 annually from this fund. AHCCCS distributes 90% to trauma facilities and 10% to emergency departments. The additional federal match is expected to generate approximately \$13,300,000 annually through December 31, 2013. AHCCCS intends to distribute 40% of the additional money to rural hospitals, 30% to trauma centers, and 30% to emergency departments.

Health and Welfare BRB

The FY 2013 Health and Welfare BRB includes the following provisions:

Changes to Rates

Administrative Costs

Section 21 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 18 continues to set ambulance payments at 68.59% of the DHS-set rate from October 1, 2012 to September 30, 2013.

Section 3, as permanent law, eliminates the requirement that AHCCCS reimburse ambulance providers in proportion to DHS-set rate. Section 25 exempts AHCCCS from rule making procedures through December 31, 2012 to revise AHCCCS ambulance provider rates.

Outpatient Hospital Fee Schedules

Section 19 allows AHCCCS to not adjust outpatient hospital fee schedules by inflation in the contract year beginning October 1, 2012. Section 34 states that it is the intent of the Legislature that AHCCCS revise its rules to eliminate adjustments to outpatient hospital fee schedules by an inflation index. While statute does not require rates to be adjusted by inflation, currently AHCCCS rules contain this requirement.

Institutional and Noninstitutional Services

Section 20 allows AHCCCS to continue the prior year 5% reduction in payments to institutional and noninstitutional services in the contract year beginning October 1, 2012.

Capitation Rates

Section 35 states that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2014 and FY 2015.

Services

As permanent law, Section 4 expands AHCCCS coverage to all women under age 65 with an income at or below 250% of the federal poverty level who are diagnosed with breast or cervical cancer by a provider recognized by the Well Women Healthcheck program. Previously only women who were screened through the Well Women Healthcheck program qualified for coverage.

Section 31 requires AHCCCS to monitor contractor compliance and performance requirements in the provision of covered dental services to eligible members.

Erroneous Payments

Section 22 continues to permit 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.

Additionally, Section 33 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.

Available Funding

Section 7 repeals Section 34 of the FY 2012 Health BRB (Laws 2011, Chapter 31) on August 1, 2012. Section 34 allowed AHCCCS to notwithstanding any other law and exempts AHCCCS from rule making authority to implement a program within its available funding. Section 8 requires that any provision enacted using the authority provided in Section 34 of the FY 2102 Health BRB to be permanently authorized by December 31, 2013 in order for the provision to continue beyond that date.

Section 23 authorizes AHCCCS to apply for additional federal funding through December 31, 2013 for trauma centers, emergency departments, and rural hospitals and provides a rulemaking exemption for this through October 1, 2012.

Section 24 provides a rulemaking exemption through October 1, 2012 for the reimbursement methodology for community health center prescription drug costs.

Section 32 continues to state that it is the intent of the Legislature that AHCCCS implement a program within its available appropriation.

Reconciliation Payments

Section 1, as permanent law, requires AHCCCS to deposit reconciliation payments or penalties against program contractors or health plans into the General Fund or the fund from which the appropriation was currently made. It also prohibits these payments or penalties from being credited against future payments to the program or health plan.

Additional Legislation

Skilled Nursing Home Provider Assessments

Laws 2012, Chapter 213 requires AHCCCS to charge a provider assessment on health care items and services provided by nursing facilities beginning on October 1, 2012. The assessment will be used to obtain federal matching monies and used for supplemental payments to nursing facilities for covered AHCCCS expenditures.

Inpatient Hospital Service Payment Methodology

Laws 2012, Chapter 122 eliminates the requirement that AHCCCS reimburse inpatient hospital services using a tiered per diem methodology beginning October 1, 2013. The law further requires that AHCCCS obtain legislative approval prior to adopting a different method of reimbursement.

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for AHCCCS includes a reduction of (255.1) GF, (109.8) OF, and (393.2) EA FTE Positions in FY 2013 for this policy, incorporated into the figures above.

County Contributions

County governments make 4 different payments to defray the AHCCCS budget's costs, as summarized in *Table 2*.

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:

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 2011 ALTCS utilization.
3. Each county's contribution is then limited to 90¢ per \$100 of net assessed property value. In FY 2013, this provision provides 1 county with a total of \$2,317,400 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 2013, this provision provides 3 counties with a total of \$16,159,700 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 2013 no counties qualify for this relief.
6. The state pays for county costs above the average statewide per capita (\$40.07 in FY 2013). In FY 2013, this provision provides 6 counties with a total of \$13,296,800 in relief.

In FY 2013, provisions 3 through 6 of the ALTCS formula result in the state providing a total of \$31,773,900 in relief to 9 counties.

The FY 2013 Health and Welfare BRB includes a provision requiring AHCCCS to distribute any excess funding in the ALTCS program in FY 2013 proportionally between the counties and state.

Table 2

County Contributions

County	FY 2012				FY 2013			
	BNCF	Acute	DUC	ALTCS	BNCF	Acute	DUC	ALTCS
Apache	\$ 104,200	\$ 268,800	\$ 87,300	\$ 631,800	\$ 106,200	\$ 268,800	\$ 87,300	\$ 611,200
Cochise	194,300	2,214,800	162,700	5,309,100	198,000	2,214,800	162,700	5,266,800
Coconino	191,700	742,900	160,500	1,896,300	195,400	742,900	160,500	1,834,500
Gila	78,700	1,413,200	65,900	2,113,600	80,200	1,413,200	65,900	2,146,400
Graham	56,000	536,200	46,800	1,430,800	57,000	536,200	46,800	1,434,200
Greenlee	14,400	190,700	12,000	162,300	14,700	190,700	12,000	192,800
La Paz	29,800	212,100	24,900	827,500	30,400	212,100	24,900	625,200
Maricopa	0	20,575,000	0	154,518,900	0	20,225,200	0	148,533,600
Mohave	223,800	1,237,700	187,400	7,335,500	228,000	1,237,700	187,400	8,000,100
Navajo	146,700	310,800	122,800	2,614,500	149,500	310,800	122,800	2,529,300
Pima	1,333,000	14,951,800	1,115,900	39,653,400	1,358,300	14,951,800	1,115,900	39,316,400
Pinal	260,800	2,715,600	218,300	15,702,000	265,800	2,715,600	218,300	15,081,500
Santa Cruz	61,600	482,800	51,600	1,933,300	62,800	482,800	51,600	1,904,900
Yavapai	246,400	1,427,800	206,200	9,586,200	251,000	1,427,800	206,200	8,450,900
Yuma	219,700	1,325,100	183,900	8,017,700	223,800	1,325,100	183,900	7,292,700
Subtotal	\$3,161,100	\$48,605,300	\$2,646,200	\$251,732,900	\$3,221,100	\$48,255,500	\$2,646,200	\$243,220,500
Total				\$306,145,500				\$297,343,300

The FY 2013 Health and Welfare BRB also includes a provision that if the cost of the ALTCS program exceeds the amount specified in the General Appropriation Act in FY 2013 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 2013, the average capitation rate is expected to be approximately \$292 per member per month (or \$3,507 annually). Of that amount, \$99 is from state match and \$193 from Federal Medicaid Authority.

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 (78.3% in 2013) of the estimated drug costs.

Tobacco Tax Allocation

Table 3 is a summary of the tobacco tax allocations.

Table 3

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

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Medically Needy Account			
<u>Funds Available</u>			
Balance Forward	\$ 2,836,800	\$ 5,994,500	\$ 6,352,300
Transfer In - Tobacco Tax and Health Care Fund	49,130,000	47,869,700	47,869,700
Transfer In - Tobacco Products Tax Fund	26,883,600	25,950,900	25,950,900
Interest & Refunds	15,500	0	0
Total Funds Available	\$ 78,865,900	\$ 79,815,100	\$ 80,172,900
<u>Allocations</u>			
<i>AHCCCS</i>			
Traditional Medicaid State Match Appropriation	\$ 38,295,800	\$ 38,295,800	\$ 38,295,800
Total AHCCCS Allocations	\$ 38,295,800	\$ 38,295,800	\$ 38,295,800
<i>DHS</i>			
Behavioral Health GF Offset	\$ 34,393,500	\$ 34,767,000	\$ 34,767,000
Folic Acid	182,100	400,000	400,000
Total DHS Allocations	\$ 34,575,600	\$ 35,167,000	\$ 35,167,000
Balance Forward	\$ 5,994,500	\$ 6,352,300	\$ 6,710,100
AHCCCS Proposition 204 Protection Account			
<u>Funds Available</u>			
Balance Forward	\$ 262,800	\$ 19,600	\$ 28,900
Transfer In - Tobacco Products Tax Fund	42,506,400	40,367,900	40,367,900
Transfer In - Emergency Health Services Account ^{1/}	3,900	9,300	0
Interest	900	0	0
Total Funds Available	\$ 42,774,000	\$ 40,396,800	\$ 40,396,800
<u>Allocations</u>			
AHCCCS State Match	\$ 42,487,700	\$ 40,367,900	\$ 40,367,900
Administrative Adjustments	266,700	0	0
Balance Forward	\$ 19,600	\$ 28,900	\$ 28,900
AHCCCS Emergency Health Services Account			
<u>Funds Available</u>			
Balance Forward	\$ -	\$ -	\$ -
Transfer In - Tobacco Products Tax Fund	19,913,800	19,222,900	19,222,900
Interest	5,800	0	0
Total Funds Available	\$ 19,919,600	\$ 19,222,900	\$ 19,222,900
<u>Allocations</u>			
AHCCCS State Match Appropriation	\$ 19,222,900	\$ 19,222,900	\$ 19,222,900
Administrative Adjustments	687,400	0	0
Balance Forward ^{1/}	\$ 9,300	\$ -	\$ -
DHS Health Education Account			
<u>Funds Available</u>			
Balance Forward	\$ 6,310,900	\$ 8,406,100	\$ 6,976,100
Transfer In - Tobacco Tax and Health Care Fund	16,225,400	15,654,000	15,654,000
Transfer In - Tobacco Products Tax Fund	1,991,400	1,916,000	1,916,000
Total Funds Available	\$ 24,527,700	\$ 25,976,100	\$ 24,546,100
<u>Allocations</u>			
Tobacco Education and Prevention Program	\$ 14,601,600	\$ 17,000,000	\$ 17,000,000
Leading Causes of Death - Prevention and Detection	1,520,000	2,000,000	2,000,000
Balance Forward	\$ 8,406,100	\$ 6,976,100	\$ 5,546,100
Health Research Account			
<u>Funds Available</u>			
Balance Forward	\$ 2,429,200	\$ 3,457,600	\$ 2,955,000
Transfer In - Tobacco Tax and Health Care Fund	3,513,600	3,419,200	3,419,200
Transfer In - Tobacco Products Tax Fund	4,984,600	4,805,700	4,805,700
Total Funds Available	\$ 10,927,400	\$ 11,682,500	\$ 11,179,900
<u>Allocations</u>			
Biomedical Research	\$ 7,469,800	\$ 7,227,500	\$ 7,227,500
Alzheimer's Disease Research	0	1,000,000	1,000,000
Biotechnology (Laws 2002, Ch. 186)	0	500,000	0
Balance Forward	\$ 3,457,600	\$ 2,955,000	\$ 2,952,400

^{1/} 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 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.5	5.5	5.5
Personal Services	235,700	298,900	298,900
Employee Related Expenditures	98,900	127,200	128,300
Professional and Outside Services	150,400	221,600	221,600
Travel - In State	8,100	8,000	8,000
Travel - Out of State	7,000	17,000	17,000
Other Operating Expenditures	76,300	79,400	77,200
Equipment	19,800	5,500	5,500
AGENCY TOTAL	596,200	757,600^{1/}	756,500^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	596,200	757,600	756,500
SUBTOTAL - Other Appropriated Funds	596,200	757,600	756,500
SUBTOTAL - Appropriated Funds	596,200	757,600	756,500
TOTAL - ALL SOURCES	596,200	757,600	756,500

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

Operating Budget

The budget includes \$756,500 and 5.5 FTE Positions from the Board of Appraisal Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,100) from the Board of Appraisal Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} 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.)
^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Arizona Commission on the Arts

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.5	0.0	0.0
Personal Services	316,700	0	0
Employee Related Expenditures	143,600	0	0
Professional and Outside Services	18,500	0	0
Travel - In State	2,300	0	0
Travel - Out of State	1,900	0	0
Other Operating Expenditures	165,400	0	0
Equipment	3,600	0	0
AGENCY TOTAL	652,000	0	0
FUND SOURCES			
General Fund	652,000	0	0
SUBTOTAL - Appropriated Funds	652,000	0	0
Other Non-Appropriated Funds	1,140,200	1,651,200	1,651,200
Federal Funds	964,900	899,500	906,800
TOTAL - ALL SOURCES	2,757,100	2,550,700	2,558,000

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 in FY 2013 for the operating budget. This amount is unchanged from FY 2012.

General Fund support for the operating budget was eliminated in FY 2012.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Arizona Commission on the Arts' share of this Non-General Fund charge will be \$3,100. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Board of Athletic Training

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	65,900	63,100	63,100
Employee Related Expenditures	17,400	18,300	18,500
Professional and Outside Services	3,400	4,400	4,400
Travel - In State	500	600	600
Other Operating Expenditures	14,500	15,200	15,200
AGENCY TOTAL	101,700	101,600^{1/}	101,800^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Athletic Training Fund	101,700	101,600	101,800
SUBTOTAL - Other Appropriated Funds	101,700	101,600	101,800
SUBTOTAL - Appropriated Funds	101,700	101,600	101,800
TOTAL - ALL SOURCES	101,700	101,600	101,800

AGENCY DESCRIPTION — The board examines and licenses athletic trainers, investigates complaints, and holds hearings to enforce standards of practice.

Operating Budget

The budget includes \$101,800 and 1.5 FTE Positions from the Athletic Training Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the Athletic Training Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Attorney General - Department of Law

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	550.8	592.9	547.9 ^{1/}
Personal Services	24,164,800	25,503,500	25,503,500
Employee Related Expenditures	8,624,900	9,175,300	9,411,900
Professional and Outside Services	927,000	3,417,600	3,417,600
Travel - In State	78,400	89,300	89,300
Travel - Out of State	87,600	131,300	131,300
Other Operating Expenditures	5,185,900	5,215,600	7,686,500
Equipment	774,500	697,300	697,300
OPERATING SUBTOTAL	39,843,100	44,229,900	46,937,400
SPECIAL LINE ITEMS			
Military Airport Planning	84,900	85,300	85,800 ^{2/}
Risk Management ISA	7,622,200	8,807,500	9,183,500
State Grand Jury	175,200	177,000	177,500
Victims' Rights	3,151,800	3,240,500	3,240,200
AGENCY TOTAL	50,877,200	56,540,200^{3/}	59,624,400^{4/5/6/}
FUND SOURCES			
General Fund	17,237,400	16,997,300	23,049,900
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	146,600	242,200	242,800
Attorney General Legal Services Cost Allocation Fund	5,447,800	5,426,900	2,026,900
Collection Enforcement Revolving Fund	3,297,500	5,306,200	5,313,900
Consumer Protection - Consumer Fraud Revolving Fund	2,020,500	3,452,200	3,450,300
Interagency Service Agreements Fund	11,953,400	13,067,400	13,116,900 ^{7/}
Risk Management Revolving Fund	7,622,200	8,807,500	9,183,500
Victims' Rights Fund	3,151,800	3,240,500	3,240,200
SUBTOTAL - Other Appropriated Funds	33,639,800	39,542,900	36,574,500
SUBTOTAL - Appropriated Funds	50,877,200	56,540,200	59,624,400
Other Non-Appropriated Funds	44,287,800	38,024,800	38,095,800
Federal Funds	7,235,200	6,411,800	5,037,200
TOTAL - ALL SOURCES	102,400,200	100,976,800	102,757,400

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.

- ^{1/} Includes 99 OF FTE Positions and 2.6 GF FTE Positions funded from Special Line Items in FY 2013.
- ^{2/} Includes \$85,900 from the General Fund appropriated by A.R.S. § 26-263 for Military Airport Planning, as adjusted for statewide allocations.
- ^{3/} 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.)
- ^{4/} 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)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{6/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)
- ^{7/} In addition to the \$13,116,900 appropriated from the Interagency Service Agreements Fund in FY 2013, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2013 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 \$46,937,400 and 446.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$22,786,600
Antitrust Enforcement Revolving Fund	242,800
Attorney General Legal Services Cost Allocation Fund	2,026,900
Collection Enforcement Revolving Fund	5,313,900
Consumer Fraud Revolving Fund	3,450,300
Interagency Service Agreements Fund	13,116,900

These amount funds the following adjustments:

Legal Services Costs

The budget includes an increase of \$4,000,000 from the General Fund and a decrease of \$(3,400,000) from the Attorney General Legal Services Cost Allocation Fund in FY 2013 to reflect the elimination of the Attorney General pro rata charge. (*See Other Issues section for more detail.*)

Federal Grant Backfill

The budget includes an increase of \$1,200,000 from the General Fund in FY 2013 to backfill expiring funding from a Federal Recovery Act Cross Border Grant that supports prosecutions within the Criminal Division.

Statewide Adjustments

The budget includes an increase of \$907,500 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	\$851,600
Antitrust Enforcement Revolving Fund	600
Collection Enforcement Revolving Fund	7,700
Consumer Fraud Revolving Fund	(1,900)
Interagency Service Agreements Fund	49,500

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

Military Airport Planning

The budget includes \$85,800 and 1 FTE Position from the General Fund in FY 2013 for Military Airport Planning. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$500 from the General Fund in FY 2013 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 \$9,183,500 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2013 for the Risk Management ISA. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$376,000 from the Risk Management Revolving Fund in FY 2013 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 \$177,500 and 1.6 FTE Positions from the General Fund in FY 2013 for the State Grand Jury. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$500 from the General Fund in FY 2013 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 \$3,240,200 and 6 FTE Positions from the Victims' Rights Fund in FY 2013 for Victims' Rights. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(300) from the Victims' Rights Fund in FY 2013 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.

Additional Legislation

AHCCCS Funding for Tobacco Settlement Litigation Costs

The General Appropriation Act (Laws 2012, Chapter 294) requires the Arizona Health Care Cost Containment System to transfer up to \$1,364,300 in FY 2012 (Section

109) and up to \$1,200,000 from the Traditional Medicaid Services line item in FY 2013 (Section 10) to the Attorney General for costs associated with tobacco settlement litigation.

National Mortgage Settlement Fund Distribution

The General Appropriation Act (Section 128) requires the Attorney General to direct \$50 million of the monies received from the National Mortgage Settlement to the General Fund. The settlement is a result of an agreement between 5 loan servicers and 49 attorneys general and states.

The settlement requires Arizona to use the funds received from the settlement “for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, and to compensate the State for costs resulting from the alleged unlawful conduct of the Defendants.” Section 128 directs monies to the General Fund “to compensate the State for costs resulting from the alleged unlawful conduct of the Defendants.”

Section 128 states that it is the intent of the Legislature that the \$50 million be “used in current state General Fund efforts in areas covered by the National Mortgage Settlement, including agencies such as the State Real Estate Department, Department of Insurance and Attorney General - Department of Law, and for other areas impacted by the alleged unlawful conduct of the defendants in the National Mortgage Settlement.”

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Attorney General – Department of Law includes a reduction of (45) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department’s expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the 0.675% prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

In FY 2012 the Attorney General Legal Services Cost Allocation Fund was estimated to receive approximately \$6.4 million, including approximately \$4 million from General Fund monies, \$1.5 million in Other Appropriated Fund monies, \$500,000 in non-appropriated monies and \$500,000 from Federal Funds annually.

The Criminal Justice BRB and Section 134 of the General Appropriations Act continue to provide a total of \$6.4 million. The budget replaces the prorata charge with a \$4.6 million General Fund appropriation to the Attorney General and \$1.9 million from a flat dollar amount charge to agencies' Non-General Fund monies. (*See Agency Detail and Allocations section for these charges.*)

Automobile Theft Authority

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.0	6.0	6.0
Personal Services	215,100	312,200	312,200
Employee Related Expenditures	83,500	120,300	121,500
Professional and Outside Services	13,200	16,500	16,500
Travel - In State	2,900	8,000	8,000
Travel - Out of State	2,000	6,000	6,000
Other Operating Expenditures	115,100	145,600	143,100
Equipment	600	9,500	9,500
OPERATING SUBTOTAL	432,400	618,100	616,800
SPECIAL LINE ITEMS			
Automobile Theft Authority Grants	3,837,000	3,607,700	3,607,700 ^{1/2/}
Reimbursable Programs	0	50,000	50,000 ^{3/}
AGENCY TOTAL	4,269,400	4,275,800^{4/}	4,274,500^{5/6/}

FUND SOURCES

Other Appropriated Funds

Automobile Theft Authority Fund	4,269,400	4,275,800	4,274,500
SUBTOTAL - Other Appropriated Funds	4,269,400	4,275,800	4,274,500
SUBTOTAL - Appropriated Funds	4,269,400	4,275,800	4,274,500
Federal Funds	2,300	0	0
TOTAL - ALL SOURCES	4,271,700	4,275,800	4,274,500

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 \$616,800 and 6 FTE Positions from the ATA Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,300) from the ATA Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Automobile Theft Authority Grants

The budget includes \$3,607,700 from the ATA Fund in FY 2013 for ATA Grants. This amount is unchanged from FY 2012.

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

- ^{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/} 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.)*
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{6/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Reimbursable Programs

The budget includes \$50,000 from the ATA Fund in FY 2013 for Reimbursable Programs. This amount is unchanged from FY 2012.

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.

Additional Legislation

Automobile Theft Authority Sunset

Laws 2012, Chapter 34 extends the sunset date of the Automobile Theft Authority from July 1, 2012 to July 1, 2022.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department’s expenses. This prorata charge was separate from any funding arrangement contained in an agency’s intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency’s General Fund appropriation will no longer be charged for Attorney General services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Automobile Theft Authority share of this Non-General Fund charge will be \$1,400. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Board of Barbers

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	147,100	187,500	187,500
Employee Related Expenditures	47,200	66,500	67,200
Professional and Outside Services	4,600	5,100	5,100
Travel - In State	15,900	23,600	23,600
Travel - Out of State	3,700	4,000	4,000
Other Operating Expenditures	31,900	34,300	33,400
Equipment	100	1,100	1,100
AGENCY TOTAL	250,500	322,100^{1/}	321,900^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Barbers Fund	250,500	322,100	321,900
SUBTOTAL - Other Appropriated Funds	250,500	322,100	321,900
SUBTOTAL - Appropriated Funds	250,500	322,100	321,900
TOTAL - ALL SOURCES	250,500	322,100	321,900

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 \$321,900 and 4 FTE Positions from the Board of Barbers Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(200) from the Board of Barbers Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Board of Behavioral Health Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	531,300	667,100	667,100
Employee Related Expenditures	261,000	360,300	362,800
Professional and Outside Services	229,700	244,300	333,800
Travel - In State	2,400	10,000	10,000
Travel - Out of State	0	8,300	8,300
Other Operating Expenditures	152,900	170,400	170,400
Equipment	25,800	3,100	58,700
AGENCY TOTAL	1,203,100	1,463,500^{1/}	1,611,100^{2/3/}

FUND SOURCES

Other Appropriated Funds

Board of Behavioral Health Examiners Fund	1,203,100	1,463,500	1,611,100
SUBTOTAL - Other Appropriated Funds	1,203,100	1,463,500	1,611,100
SUBTOTAL - Appropriated Funds	1,203,100	1,463,500	1,611,100
TOTAL - ALL SOURCES	1,203,100	1,463,500	1,611,100

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 \$1,611,100 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Counseling Curriculum Review

The budget includes an increase of \$24,000 from the Board of Behavioral Health Examiners Fund in FY 2013 for curriculum reviews of counseling programs.

IT Upgrades

The budget includes an increase of \$105,600 from the Board of Behavioral Health Examiners Fund in FY 2013 for the first half of information technology upgrades. It is expected that the second part of the upgrades will occur in FY 2014.

Legal Services

The budget includes an increase of \$15,500 from the Board of Behavioral Health Examiners Fund in FY 2013 for Attorney General services.

Statewide Adjustments

The budget includes an increase of \$2,500 from the Board of Behavioral Health Examiners Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

State Capital Postconviction Public Defender Office

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	0.0
Personal Services	437,700	464,000	0
Employee Related Expenditures	167,300	189,700	0
Professional and Outside Services	67,500	108,900	0
Travel - In State	3,300	6,000	0
Travel - Out of State	3,000	6,000	0
Other Operating Expenditures	57,600	65,500	0
Equipment	300	13,500	0
AGENCY TOTAL	736,700	853,600^{1/}	0
FUND SOURCES			
General Fund	633,800	691,800	0
<u>Other Appropriated Funds</u>			
Capital Postconviction Public Defender Office Fund	102,900	161,800	0
SUBTOTAL - Other Appropriated Funds	102,900	161,800	0
SUBTOTAL - Appropriated Funds	736,700	853,600	0
TOTAL - ALL SOURCES	736,700	853,600	0

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

Operating Budget

The budget includes no funding in FY 2013 for the operating budget. This amount funds the following adjustments:

Elimination of Office

The budget includes a decrease of \$(849,900) in FY 2013 for the elimination of the office. This amount consists of:

FY 2013	
General Fund	\$(688,900)
Capital Postconviction Public Defender Office Fund	(161,000)

The FY 2013 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 302) repeals the Capital Postconviction Public Defender Office on August 2, 2012, which will return these responsibilities to the counties. The BRB also requires any monies remaining in the Capital Postconviction Public Defender Office Fund after June 30, 2012 to be transferred to the General Fund.

Statewide Adjustments

The budget includes an decrease of \$(3,700) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(2,900)
Capital Postconviction Public Defender Office Fund	(800)

(Please see the Agency Detail and Allocations section.)

^{1/} 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 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9.0	9.0	9.0
Personal Services	321,400	416,600	416,600
Employee Related Expenditures	162,700	184,100	184,100
Professional and Outside Services	60,200	31,500	31,500
Travel - In State	1,300	3,100	3,100
Travel - Out of State	900	3,200	3,200
Other Operating Expenditures	151,900	113,200	107,600
Equipment	16,700	2,000	2,000
AGENCY TOTAL	715,100	753,700^{1/}	748,100^{2/3/}
FUND SOURCES			
General Fund	715,100	753,700	748,100
SUBTOTAL - Appropriated Funds	715,100	753,700	748,100
Other Non-Appropriated Funds	48,000	36,000	36,000
TOTAL - ALL SOURCES	763,100	789,700	784,100

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 516 charter schools.

Operating Budget

The budget includes \$748,100 and 9 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustment:

Statewide Adjustment

The budget includes a decrease of \$(5,600) from the General Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

New Charter Application Processing Fund

Laws 2012, Chapter 155 establishes a New Charter Application Processing Fund pursuant to A.R.S. § 15-183.01. Chapter 155 authorizes the State Board for Charter Schools to charge a processing fee for new applications, which is to be deposited into the new fund. Monies in the fund are to be used to process applications submitted for new charters and are non-appropriated.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

State Board of Chiropractic Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	222,000	248,600	248,600
Employee Related Expenditures	69,900	85,900	86,800
Professional and Outside Services	14,900	31,400	31,400
Travel - In State	7,200	5,000	5,000
Travel - Out of State	1,200	0	0
Other Operating Expenditures	72,900	77,200	80,000
Equipment	1,600	3,000	3,000
AGENCY TOTAL	389,700	451,100^{1/}	454,800^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	389,700	451,100	454,800
SUBTOTAL - Other Appropriated Funds	389,700	451,100	454,800
SUBTOTAL - Appropriated Funds	389,700	451,100	454,800
TOTAL - ALL SOURCES	389,700	451,100	454,800

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 \$454,800 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Private Rent Increase

The budget includes an increase of \$2,800 from the Board of Chiropractic Examiners Fund in FY 2013 for a rent increase.

Statewide Adjustments

The budget includes an increase of \$900 from the Board of Chiropractic Examiners Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Citizens Clean Elections Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	11,873,400	8,964,900	8,964,900
TOTAL - ALL SOURCES	11,873,400	8,964,900	8,964,900

AGENCY DESCRIPTION — As authorized by a 1998 ballot initiative, the Citizens Clean Elections Commission (CCEC) 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 2011 <u>Actual</u>	FY 2012 <u>Estimate</u>
Funds Available		
Balance Forward	\$32,098,900	\$16,744,100
Revenue:		
Fine Surcharge	\$10,162,600	\$11,000,000
Civil Penalties (election related)	7,400	5,000
Qualifying Contributions	121,600	100,000
\$5 Check Off Box	6,112,600	6,100,000
Donations/Tax Credits	114,000	110,000
Other	400	0
Total Revenue	\$16,518,600	\$17,315,000
Total Funds Available	\$48,617,500	\$34,059,100
Expenditures:		
Personal Services	\$ 423,600	\$ 423,600
Employee Related Expenditures	158,200	158,200
Professional & Outside Services	3,244,600	3,244,600
Travel - In State	5,300	6,000
Travel - Out of State	2,500	2,500
Candidate Funding	5,303,200	2,300,000
Other Operating Expenses	2,707,500	2,800,000
Capital Equipment	0	0
Non-Capital Equipment	28,500	30,000
Total Funds Expended	\$11,873,400	\$ 8,964,900
Transfer to General Fund	\$20,000,000	\$10,000,000
Year-End Fund Balance	\$16,744,100	\$15,094,200

Fund Transfers

The budget assumes a transfer of \$(10,000,000) from the Citizens Clean Election Fund to the General Fund in FY 2013. 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.

Additional Legislation

Clean Elections Tax Credit Elimination

Laws 2012, Chapter 257 eliminates the Clean Elections tax credits and voluntary contributions and the associated revenue for the commission. The 1998 ballot proposition which created the commission:

1. Allowed taxpayers to designate a \$5 voluntary contribution to the Citizens Clean Elections Fund by marking an optional check-off box on a state income tax form. This provision redirected \$6.1 million of General Fund income tax collections to CCEC.
2. Allowed a taxpayer who checked this box to receive a \$5 reduction in the amount of tax they were required to pay. This provision also resulted in a \$6.1 million loss to the General Fund by reducing the taxpayer's liability.
3. Allowed taxpayers to make a voluntary donation by making a payment directly to the Clean Elections Fund. Any taxpayer making such a donation would receive a dollar-for-dollar tax credit not to exceed 20% of the tax amount on the return or \$670 per taxpayer, whichever was higher. This provision resulted in a \$110,000 loss to the General Fund.

Now that Chapter 257 has eliminated these credits and contributions, General Fund revenues are projected to increase by \$12.3 million.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement

contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The CCEC's share of this Non-General Fund charge will be \$2,700. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Arizona Commerce Authority

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET	1,151,300	10,000,000	10,000,000 ^{1/}
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	0	21,500,000	21,500,000 ^{1/}
Advertising and Promotion	461,500	0	0
Apprenticeship Services	184,000	0	0
Arizona Trade Office in Sonora	25,000	0	0
CEDC Commission	181,400	0	0
Economic Development Matching Funds	104,000	0	0
International Trade Offices	1,536,800	0	0
Main Street	128,200	0	0
Minority and Women Owned Business	88,300	0	0
National Law Center/Free Trade	150,000	0	0
REDI Matching Grants	45,000	0	0
Rural Economic Development	337,700	0	0
Small Business Advocate	119,300	0	0
AGENCY TOTAL	4,512,500	31,500,000	31,500,000
FUND SOURCES			
General Fund	1,240,400	31,500,000	31,500,000
<u>Other Appropriated Funds</u>			
CEDC Fund	3,090,100	0	0
Commerce Development Bond Fund	600	0	0
State Lottery Fund	181,400	0	0
SUBTOTAL - Other Appropriated Funds	3,272,100	0	0
SUBTOTAL - Appropriated Funds	4,512,500	31,500,000	31,500,000
Other Non-Appropriated Funds	3,333,700	21,483,200	9,498,800
Federal Funds ^{2/}	3,682,600	1,263,800	942,100
TOTAL - ALL SOURCES	11,528,800	54,247,000	41,940,900

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

Creation of Arizona Commerce Authority

Laws 2011, 2nd 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, ACA is responsible for the following 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 21st Century Fund Administration and Fund
- Job Training Program and Fund

^{1/} In accordance with A.R.S. § 43-409, \$31,500,000 of state General Fund withholding tax revenue is allocated in FY 2013 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)

^{2/} Excludes most remaining American Recovery and Reinvestment Act monies allocated to the ACA.

- Governor’s Council on Workforce Policy Member
- Ecological Restoration Workforce Training Tax Credit
- Quality Jobs Tax Credit

program and report to the Governor on their findings by December 15, 2012.

ACA receives \$31,500,000 in income tax withholding from the General Fund. Of that amount, \$10,000,000 is deposited into the Arizona Commerce Authority Fund for ACA operational expenses and \$21,500,000 is deposited into the Arizona Competes Fund. In accordance with statute, the General Appropriation Act allocates these monies to ACA.

Additionally, ACA receives an annual deposit of \$3,500,000 in lottery revenues to the Arizona Competes Fund. Combining General Fund and lottery revenues, ACA will have \$25,000,000 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 in FY 2012, which is estimated to be approximately \$3,500,000.

Both funds are non-appropriated.

Additional Legislation

Lottery Revenues Distribution

The Revenue Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 297) resolved a statutory conflict regarding lottery funding for ACA. This change clarified that ACA will receive an annual \$3,500,000 distribution from the lottery revenues instead of the proceeds from 2 specified scratcher games. In addition, it moves the distribution to ACA after the second distribution to the General Fund. *(Please see the Arizona State Lottery Commission narrative for more information.)*

Ecological Restoration Workforce Tax Credit

Laws 2012, Chapter 331 establishes the ACA administered Ecological Restoration Workforce individual and corporate income tax credit for the costs of training new workers in ecological restoration. The bill also extended the Healthy Forest Enterprise Incentives Program until December 31, 2024 and lowered the requirements to qualify for the associated tax incentives.

New Tax Credits and Job Training Review Committee

Laws 2012, Chapter 343 establishes the ACA administered, new, refundable, individual and corporate income tax credit for qualifying investments in, and new employment positions created through, expanding or locating a qualified headquarters, manufacturing, or research facility to Arizona. The bill also creates the Employer-Funded Job Training Program Study Committee to evaluate ways to improve the existing Job Training

Arizona Community Colleges

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	7,488,700	5,572,000	5,784,600
Coconino	2,679,400	1,836,000	1,847,900
Gila	658,400	428,100	410,000
Graham	4,243,900	2,260,000	2,373,200
Maricopa	45,327,400	6,891,200	8,315,700
Mohave	3,682,900	1,792,200	1,785,600
Navajo	3,590,000	1,730,100	1,689,700
Pima	15,942,100	7,146,400	7,353,500
Pinal	4,935,100	2,086,200	2,107,800
Santa Cruz	0	0	63,500
Yavapai	4,196,000	899,200	957,600
Yuma/La Paz	4,812,900	2,683,000	2,802,600
<i>Subtotal - Operating State Aid</i>	<i>97,556,800</i>	<i>33,324,400</i>	<i>35,491,700</i>
Capital Outlay State Aid	0	0	0
Equalization Aid			
Cochise	7,841,800	8,048,900	5,614,700
Graham	17,465,400	19,345,700	16,867,300
Navajo	6,624,000	6,451,700	5,370,100
Yuma/La Paz	2,938,300	1,406,600	0
<i>Subtotal - Equalization Aid</i>	<i>34,869,500</i>	<i>35,252,900</i>	<i>27,852,100</i>
Rural County Allocation	2,494,800	0	0
Rural County Reimbursement Subsidy	1,000,000	848,800	848,800 ^{1/}
Tribal Community Colleges	1,750,000	1,750,000	1,750,000 ^{2/}
AGENCY TOTAL	137,671,100	71,176,100	65,942,600^{3/}
FUND SOURCES			
General Fund	137,671,100	71,176,100	65,942,600
SUBTOTAL - Appropriated Funds	137,671,100	71,176,100	65,942,600
Other Non-Appropriated Funds	14,199,200	14,979,900	14,979,900
TOTAL - ALL SOURCES	151,870,300	86,156,000	80,922,500

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 \$35,491,700 from the General Fund in FY 2013 for Operating State Aid. This amount funds the following adjustments:

Enrollment Growth

The budget includes an increase of \$2,167,300 from the General Fund in FY 2013 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a 9,681 (7.1%) increase in Full Time Student Equivalent (FTSE) students in community colleges statewide (*see Table 1*). The 9,681 net FTSE increase consists of a 9,240 FTSE increase for non-dual enrollment students (including 277 FTSE for Santa Cruz for the first year this provisional district receives Operating State Aid based on statutory requirements) and a 441 FTSE increase 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

- ^{1/} Of the \$848,800 appropriated to the Rural County Allocation Subsidy line item, Apache County will receive \$466,000 and Greenlee County \$382,800. (General Appropriation Act footnote)
- ^{2/} A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax revenues collected from sources located on the reservation, or \$1,750,000, whichever is less.
- ^{3/} General Appropriation Act funds are appropriated as District-by-District Special Line Items.

who are enrolled in community college courses for both high school and community college credit.

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 2013, the last actual FTSE data was from FY 2011.)

<u>District</u>	<u>FY 2010 FTSE</u>	<u>FY 2011 FTSE</u>	<u>Percentage Change</u>
Cochise	8,586	9,511	10.8%
Coconino	2,361	2,399	1.6%
Gila	1,050	964	(8.2)%
Graham	3,013	3,512	16.6%
Maricopa	78,149	84,544	8.2%
Mohave	3,953	3,975	0.6%
Navajo	2,396	2,219	(7.4)%
Pima	22,021	22,907	4.0%
Pinal	5,036	5,129	1.8%
Santa Cruz	-	277	-
Yavapai	3,920	4,205	7.3%
Yuma/La Paz	<u>5,304</u>	<u>5,828</u>	<u>9.9%</u>
Total	135,789	145,470	7.1%

Capital Outlay State Aid

The budget includes no funding from the General Fund in FY 2013 for Capital Outlay State Aid. This amount is unchanged from FY 2012.

The budget continues to suspend Capital Outlay State Aid for FY 2013. This forgoes \$23,708,400 in formula costs for capital outlay state aid for FY 2013, which includes \$22,155,200 already suspended for FY 2012 plus \$1,553,200 in foregone formula growth for the formula in FY 2013. The suspension of Capital Outlay State Aid for FY 2013 is pursuant to the Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301).

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 year’s 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 \$27,852,100 from the General Fund in FY 2013 for Equalization Aid. This amount funds the following adjustments:

Formula Decreases

The budget includes a decrease of \$(7,400,800) from the General Fund in FY 2013 to reflect reduced formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in Table 2.

<u>District</u>	<u>FY 2012</u>	<u>Year-over- Year Change</u>	<u>FY 2013</u>
Cochise	\$ 8,048,900	\$(2,434,200)	\$ 5,614,700
Graham	19,345,700	\$(2,478,400)	16,867,300
Navajo	6,451,700	\$(1,081,600)	5,370,100
Yuma/LaPaz	<u>1,406,600</u>	<u>\$(1,406,600)</u>	<u>0</u>
Total	\$35,252,900	\$(7,400,800)	\$27,852,100

As noted in Table 3, the average rural district assessed value declined by (10.4)%. In comparison, Cochise grew by 0.7% and Graham grew by 5.1%. Navajo’s assessed value declined by (3.1)%. By growing faster (or not declining as much) as the average districts, these 3 districts qualify for less aid.

Yuma/La Paz no longer qualifies for any equalization aid in FY 2013 as the district’s assessed valuation now exceeds the threshold that a district must be below in order to qualify for equalization funding.

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 revised by the average change in actual assessed valuation for the most recent year for all rural districts with populations of less than 500,000 persons. For the FY 2013 Equalization Aid formula calculation, the minimum assessed valuation decreased (10.4)% to \$1.46 billion. (See Table 3 for the calculation of the growth rate.)

Table 3**Equalization Growth Factor
for Tax Years (TY) 2010-2011**

District	TY 2010 Primary AV	TY 2011 Primary AV	TY 2010- 2011 % Growth
Cochise*	\$ 1,042,041,200	\$ 1,049,827,400	0.7%
Graham*	217,455,200	228,474,100	5.1%
Navajo*	1,059,004,900	1,026,137,100	(3.1)%
Coconino	1,920,050,800	1,808,850,500	(5.8)%
Mohave	2,321,464,600	1,932,681,700	(16.7)%
Pinal	2,562,246,100	2,160,151,200	(15.7)%
Yavapai	3,187,577,700	2,712,177,900	(14.9)%
Yuma/LaPaz	<u>1,526,888,600</u>	<u>1,473,877,600</u>	<u>(3.5)%</u>
Total	\$13,836,729,100	\$12,392,177,500	(10.4)%

* 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.

In any one year, a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.46 billion in FY 2013) and 2) whether the district's change in assessed value was less than the rural districts' average.

Rural County Allocation

The Rural County Allocation Special Line Item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost. The FY 2011 expenditure of \$2,494,800 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 2012 and FY 2013 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 2013 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2012.

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 2013 budget allocates \$466,000 to Apache and \$382,800 to Greenlee.

Tribal Community Colleges

The budget includes \$1,750,000 from the General Fund in FY 2013 for Tribal Community Colleges. This amount is unchanged from FY 2012.

Background – A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the Transaction Privilege Tax (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 2013 will depend on FY 2013 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 \$1,750,000 will be distributed to Diné College in FY 2013. This amount represents 10% of the estimated TPT revenues collected in the Navajo reservation in FY 2013, up to \$1,750,000. This estimate is revised each year based on the most recent actual TPT revenues. The most recent actual distribution in FY 2011 was \$1,750,000.

Previously, statute permitted other tribes with community colleges to receive this funding, as well. However, the Higher Education BRB limits the distribution to those tribes that have entered into a compact prior to September 1, 2012. Tohono O'odham Community College would be eligible to receive funding in FY 2013 contingent upon completion of a compact with the Executive. A compact has not been finalized as of this writing.

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 4% of their revenues from state aid.

For FY 2012, base operating revenues from all sources are estimated to be \$1,757,439,800, an increase of 4% from FY 2011. (See Table 4 for a summary of FY 2012 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 42% of their revenues.

Table 4

Total Estimated Community College Revenues – FY 2012

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u> ^{1/}	<u>FY 2012 Total</u> ^{2/}	<u>FY 2011 Total</u> ^{3/}	<u>% Change from FY 2011</u>
Cochise	\$13,620,900	\$ 9,057,300	\$ 17,487,000	\$ 16,099,500	\$ 6,106,400	\$ 62,371,100	\$ 61,113,500	2.1%
Coconino	1,836,000	7,995,500	8,596,400	13,267,500	847,000	32,542,400	31,730,900	2.6%
Gila ^{4/}	428,100	-	3,538,100	116,000	475,000	4,557,200	4,340,600	5.0%
Graham	21,605,700	9,025,500	4,899,600	12,000,000	8,362,100	55,892,900	47,989,400	16.5%
Maricopa	6,891,200	275,052,200	465,590,800	223,029,400	66,521,800	1,037,085,400	992,572,800	4.5%
Mohave	1,792,200	13,048,200	18,899,700	15,999,300	388,100	50,127,500	49,286,600	1.7%
Navajo	8,181,800	4,200,000	12,710,800	5,200,000	1,950,000	32,242,600	34,221,300	(5.8)%
Pima	7,146,400	53,797,000	92,226,000	93,498,000	6,127,000	252,794,400	235,866,400	7.2%
Pinal	2,086,200	12,400,000	38,059,600	22,356,000	14,879,800	89,781,600	79,556,800	12.9%
Santa Cruz ^{4/}	-	-	267,500	-	87,900	355,400	379,100	(6.3)%
Yavapai	899,200	10,889,400	43,948,800	12,638,000	2,270,200	70,645,600	75,390,200	(6.3)%
Yuma/La Paz	<u>4,089,600</u>	<u>12,916,600</u>	<u>28,944,500</u>	<u>20,000,000</u>	<u>3,093,000</u>	<u>69,043,700</u>	<u>81,249,900</u>	<u>(15.0)%</u>
Total	\$68,577,300	\$408,381,700	\$735,168,800	\$434,203,700	\$111,108,300	\$1,757,439,800	\$1,693,697,500	3.8%

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

2/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,288,942,600 for FY 2012.

3/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,946,202,900 for FY 2011.

4/ 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. Santa Cruz Provisional Community College contracts with Cochise County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Cochise according to their contract agreement.

There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Each community college district determines its primary and secondary property tax rates. (See Table 5 for

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 31% 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.

Table 5

Community College Tax Rates – FY 2012

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change in Combined Rate from FY 2011</u>
Cochise	\$1.67	\$0.00	\$1.67	4.4%
Coconino	0.36	0.11	0.47	9.3%
Gila	0.68	0.00	0.68	13.3%
Graham	2.14	0.00	2.14	0.0%
Maricopa	1.01	0.20	1.21	24.7%
Mohave	0.98	0.00	0.98	24.1%
Navajo	1.24	0.00	1.24	9.7%
Pima	1.08	0.02	1.10	0.9%
Pinal	1.47	0.12	1.59	0.0%
Santa Cruz	0.07	0.00	0.07	N/A
Yavapai	1.43	0.19	1.62	18.2%
Yuma/La Paz	1.62	0.33	1.95	8.3%

a summary of FY 2012 property tax rates.)

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 23% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2012 weighted average tuition was \$2,167, an increase of 8% from FY 2011. Full-time annual tuition costs range from \$1,600 at Graham, to \$2,640 at Coconino. (See Table 6 for FY 2012 resident tuition and fee rates.)

Total Community College Expenditures

Table 7 shows total budgeted FY 2012 community college expenditures. In FY 2012, total budgeted expenditures are \$2,238,863,000. As mentioned previously, base operating revenues for FY 2012 are \$1,757,439,800; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,288,942,600. Of the total \$2,238,863,000 in expenditures, \$1,546,894,800, or 69%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$516,882,700, or 23%, for instruction and \$237,979,900, or 11%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$115,409,800, or 5% of the total. Plant Fund expenditures, which generally include capital costs, are \$467,638,800, or 21% of the total. The remaining \$108,919,600 is for debt service.

expenditures, excluding expenditures for general obligation bond debt service.

Table 6
Community College Resident Tuition and Fees – FY 2012

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost</u> ^{1/}	<u>% Change from FY 2011</u>
Cochise	\$66	\$1,970	16.6%
Cocoonino	88	2,640	3.5%
Gila	70	2,112	6.9%
Graham	53	1,600	5.3%
Maricopa	76	2,280	7.0%
Mohave	82	2,460	6.5%
Navajo	62	1,870	6.9%
Pima	64	1,910	9.1%
Pinal	70	2,100	7.7%
Santa Cruz ^{2/}			
Yavapai	67	2,010	8.1%
Yuma/La Paz	70	2,100	16.7%
Weighted Average	\$72	\$2,167	8.1%

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

2/ Santa Cruz did not submit tuition and fees data for FY 2012.

Table 7
Community Colleges - FY 2012 Budgeted Expenditures

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 516,882,700	23%
Public Service	24,897,800	1%
Academic Support	135,031,900	6%
Student Services	281,484,000	13%
Administrative Support	237,979,900	11%
Operation & Maintenance	88,071,000	4%
Scholarships/Grants	186,813,400	8%
Contingency	75,734,100	3%
Subtotal	\$1,546,894,800	69%
Auxiliary Enterprises Fund	\$ 115,409,800	5%
Plant Fund	467,638,800	21%
Debt Service	108,919,600	5%
Total	\$2,238,863,000	100%

Additional Legislation

Higher Education BRB

The Higher Education BRB (Laws 2012, Chapter 301) continues to notwithstanding the 20% cap to the districts' ability to use capital outlay monies for operating purposes. The Higher Education BRB also permanently eliminates the requirement that districts present quarterly funding requests to the Department of Administration. Additionally, the Higher Education BRB permanently allows provisional districts to directly receive Proposition 301 Workforce Development monies.

Bonding Limitations

Laws 2012, Chapter 253 removes the cap that required community college districts to limit bonding for classroom space to 25% of their total bond issuances or \$1 million. Chapter 253 also limits the annual revenue bond debt service amount to 8% of a district's total current

Administrative Requirements

Laws 2012, Chapter 103 removes the requirement that the districts submit project proposals to the Joint Committee on Capital Review (JCCR) prior to issuing general obligation bonds (which require voter approval). Chapter 103 clarifies that community college districts are required to submit project proposals to JCCR for review before issuing revenue bonds. Chapter 103 also removes reporting requirements for students under the age of 18 and tracking requirements for dual enrollment participants and exempts community college buildings from solar energy requirements.

K-12 Education BRB

The FY 2012 K-12 Education BRB (Laws 2011, Chapter 29) required each university and community college to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2011. The FY 2013 K-12 Education BRB (Laws 2012, Chapter 300) requires each university and community college to deposit \$6 per each full-time student into the fund again by December 31, 2012. This assessment is expected to generate approximately \$765,600 from the universities and \$872,800 from the community colleges.

State Compensation Fund

	CY 2010*	CY 2011*	CY 2012*
	ACTUAL	ACTUAL	ESTIMATE
BUDGET			
Operating Budget	113,900,000	103,900,000	101,500,000
Dividends and Claims	207,500,000	144,500,000	143,600,000
TOTAL	321,400,000	248,400,000	245,100,000
FUND SOURCES			
Other Non-Appropriated Funds	321,400,000	248,400,000	245,100,000

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.

Constable Ethics Standards and Training Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	188,600	245,300	245,300
TOTAL - ALL SOURCES	188,600	245,300	245,300

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.

Registrar of Contractors

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	144.8	144.8	105.6
Personal Services	3,850,000	5,519,200	5,519,200
Employee Related Expenditures	1,726,300	2,314,400	2,335,400
Professional and Outside Services	102,500	405,300	405,300
Travel - In State	171,200	505,100	505,100
Travel - Out of State	0	11,800	11,800
Other Operating Expenditures	1,440,000	2,168,900	2,165,100
Equipment	79,700	100,300	100,300
OPERATING SUBTOTAL	7,369,700	11,025,000	11,042,200
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	534,500	1,017,600	1,017,600 ^{1/}
AGENCY TOTAL	7,904,200	12,042,600^{2/}	12,059,800^{3/4/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Registrar of Contractors Fund	7,904,200	12,042,600	12,059,800
SUBTOTAL - Other Appropriated Funds	7,904,200	12,042,600	12,059,800
SUBTOTAL - Appropriated Funds	7,904,200	12,042,600	12,059,800
Other Non-Appropriated Funds	6,160,400	4,952,200	10,952,200
TOTAL - ALL SOURCES	14,064,600	16,994,800	23,012,000

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

Operating Budget

The budget includes \$11,042,200 and 105.6 FTE Positions from the Registrar of Contractors Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$17,200 from the Registrar of Contractors Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Office of Administrative Hearings Costs

The budget includes \$1,017,600 from the Registrar of Contractors Fund in FY 2013 for Office of Administrative

Hearings (OAH) Costs. This amount is unchanged from FY 2012.

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

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Registrar of Contractors includes a reduction of

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

^{2/} 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.)*

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

(39.2) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

<i>Additional Legislation</i>

Recovery Fund Administration Expenses

The Revenue Budget Reconciliation Bill (Laws 2012, Chapter 297) 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 2013, rather than 10% of the fund balance.

Corporation Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	308.3	308.3	297.9 ^{1/}
Personal Services	14,068,400	14,326,600	15,509,600
Employee Related Expenditures	5,613,000	5,913,500	6,213,300
Professional and Outside Services	685,800	190,000	190,000
Travel - In State	129,100	129,900	129,900
Travel - Out of State	69,200	67,500	67,500
Other Operating Expenditures	2,891,900	2,366,800	2,565,700
Equipment	289,800	200,000	440,000
OPERATING SUBTOTAL	23,747,200	23,194,300	25,116,000
SPECIAL LINE ITEMS			
Corporation Filings, Same Day Service	0	400,400	400,400 ^{2/}
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 ^{3/}
AGENCY TOTAL	23,747,200	23,974,700^{4/}	25,896,400^{5/6/}

FUND SOURCES			
General Fund	610,800	588,600	589,100
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	51,000	50,100	50,200
Investment Management Regulatory and Enforcement Fund	694,000	682,100	684,300
Public Access Fund	5,494,500	5,789,700	6,414,200
Securities Regulatory and Enforcement Fund	4,219,800	4,210,700	4,625,900
Utility Regulation Revolving Fund	12,677,100	12,653,500	13,532,700
SUBTOTAL - Other Appropriated Funds	23,136,400	23,386,100	25,307,300
SUBTOTAL - Appropriated Funds	23,747,200	23,974,700	25,896,400
Other Non-Appropriated Funds	35,900	0	0
Federal Funds	1,166,400	940,300	901,600
TOTAL - ALL SOURCES	24,949,500	24,915,000	26,798,000

AGENCY DESCRIPTION — The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 5 statewide elected Commissioners, each serving 4-year terms. The commission has 3 primary responsibilities. The Corporations Division provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers. The Utilities Division monitors approximately 500 public service corporations operating in Arizona and establishes public utility rates. Other functions of the commission include inspecting gas pipelines and railroad track.

^{1/} Includes 2 OF FTE Positions funded from Special Line Items in FY 2013.

^{2/} The \$400,400 appropriated from the Public Access Fund for the Corporation Filings, Same Day Service line item shall revert to the Public Access Fund at the end of FY 2013 if the commission cannot process all expedited services within 5 business days and all regular services within 30 business days in accordance with A.R.S. § 10-122, 10-3122, and 29-851. (General Appropriation Act footnote)

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

^{4/} 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.)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{6/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Operating Budget

The budget includes \$25,116,000 and 295.9 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	<u>FY 2013</u>
General Fund	\$589,100
Arizona Arts Trust Fund	50,200
Investment Management Regulatory and Enforcement Fund	684,300
Public Access Fund	6,013,800
Securities Regulatory and Enforcement Fund	4,625,900
Utility Regulation Revolving Fund	13,152,700

These amounts fund the following adjustments:

Hearing Room and Staff

The budget includes an increase of \$1,955,200 from the Utilities Regulation Revolving Fund in FY 2013 for constructing and staffing an additional large rate case hearing room. Of this amount, there are one-time costs of \$110,000 for construction and \$240,000 for equipment. \$1,605,200 of the total is an ongoing cost to fill 14 vacant FTE Positions to staff the hearing room.

Administrative Cost Re-Allocation

The budget includes a shift of \$1,054,200 in administrative costs from the Utility Regulation Revolving Fund to the Public Access Fund and the Securities Regulatory and Enforcement Fund in FY 2013. This amount funds the following adjustments:

Utility Regulation Revolving Fund	(1,054,200)
Public Access Fund	632,500
Securities Regulatory and Enforcement Fund	421,700

Health Cost Realignment

The budget continues a shift of \$75,000 in health insurance costs from the Public Access Fund and the Securities Regulatory and Enforcement Fund to the General Fund in FY 2013 to realign the appropriation with actual expenses. This continues an FY 2012 supplemental cost realignment and funds the following adjustments:

General Fund	75,000
Public Access Fund	(50,000)
Securities Regulatory and Enforcement Fund	(25,000)

Statewide Adjustments

The budget includes a decrease of \$(33,500) in FY 2013 for statewide adjustments. This amount funds the following adjustments:

General Fund	500
Arizona Arts Trust Fund	100
Investment Management Regulatory and Enforcement Fund	2,200
Public Access Fund	(8,000)

Securities Regulatory and Enforcement Fund	(6,500)
Utility Regulation Revolving Fund	(21,800)

(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 2013 for Corporation Filings, Same Day Service. These amounts are unchanged from FY 2012.

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 2011, 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 2013 for Utilities Audits, Studies, Investigations & Hearings. This amount is unchanged from FY 2012.

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

Other Issues**Reduce Vacant FTE Positions**

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Corporation Commission includes a reduction of (10.4) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Fund Transfers

The budget includes the following FY 2012 transfers from this agency's funds to the General Fund for realigning health costs:

Public Access Fund	50,000
Securities Regulatory and Enforcement Fund	25,000

(Please see the agency's Operating Budget section.)

State Department of Corrections

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10,015.2	10,015.2	10,118.2
Correctional Officer Personal Services	275,488,900	313,933,900	317,703,900
Health Care Personal Services	33,936,100	39,751,300	39,751,300
All Other Personal Services	54,423,400	62,458,500	62,458,500
Personal Services Subtotal	363,848,400	416,143,700	419,913,700
Employee Related Expenditures	169,963,800	195,779,400	202,053,600
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	28,293,800	16,862,400	15,022,300
Health Care All Other Operating Expenditures			
Professional and Outside Services	9,817,200	12,441,300	12,441,300
Travel - In State	16,700	21,200	21,200
Other Operating Expenditures	49,700,000	64,980,300	64,980,300
Equipment	447,300	566,800	566,800
Health Care Operating Subtotal	59,981,200	78,009,600	78,009,600
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	4,377,300	5,900,100	5,900,100
Travel - In State	118,100	137,800	137,800
Travel - Out of State	57,000	66,600	66,600
Food	43,621,600	47,500,000	47,500,000
Other Operating Expenditures	74,153,900	99,104,600	99,045,800
Equipment	10,543,100	5,900,000	6,025,800
Non-Health Care Operating Subtotal	132,871,000	158,609,100	158,676,100
OPERATING SUBTOTAL	754,958,200	865,404,200	873,675,300
SPECIAL LINE ITEMS			
New State Prison Beds	55,381,900	0	0
Private Prison Per Diem	112,356,100	127,636,600	127,636,600
Provisional Beds	8,359,600	0	0
Leap Year Costs	0	800,100	0
Narrowband Radio Conversion	0	5,750,000	0
AGENCY TOTAL	931,055,800	999,590,900 ^{1/}	1,001,311,900 ^{2/3/4/5/} _{6/7/}
FUND SOURCES			
General Fund	899,401,700	948,939,200	956,404,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	0	554,400	554,400
Corrections Fund	23,010,700	27,517,600	27,517,600
Penitentiary Land Fund	0	1,979,200	979,200 ^{8/}
Prison Construction and Operations Fund	7,499,400	13,249,400	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	0	3,360,000	360,000 ^{9/}
State Education Fund for Correctional Education	409,000	506,100	512,100 ^{10/}
Transition Program Fund	180,000	930,000	3,485,000
Transition Services Fund	555,000	2,555,000	0
SUBTOTAL - Other Appropriated Funds	31,654,100	50,651,700	44,907,700
SUBTOTAL - Appropriated Funds	931,055,800	999,590,900	1,001,311,900
Other Non-Appropriated Funds	38,062,800	47,314,800	47,237,200
Federal Funds	12,011,100	17,775,200	10,710,800
TOTAL - ALL SOURCES	981,129,700	1,064,680,900	1,059,259,900

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 \$873,679,300 and 10,118.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$857,268,400
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	512,100
Transition Program Fund	3,485,000

These amounts fund the following adjustments:

Additional Correctional Officers

The budget includes an increase of \$3,766,100 and 103 FTE Positions from the General Fund in FY 2013 for additional Correctional Officers. In addition to the \$3,766,100 in new funding, the agency will also redirect \$2,233,900 of monies from the overtime component of the agency's budget. The combined \$6,000,000 in funding will be sufficient to hire 103 correctional officers. The officers will be used to fill security posts inside prisons and to provide coverage when correctional officers need to leave their regular duty posts to provide transportation for inmates moved outside prisons for medical care. The

approved amount includes \$125,800 in one-time equipment funding.

Consolidate Transition Funds

The budget includes a shift of \$2,555,000 from the Transition Services Fund to the Transition Program Fund in FY 2013 to reflect the merging of the Transition Services Fund into the Transition Program Fund. Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), eliminates the Transition Services Fund and transfers its remaining balances into the Transition Program Fund. Both the eliminated Transition Services Fund and the remaining Transition Program Fund provide transition services to nonviolent offenders.

The FY 2013 Criminal Justice BRB also permits the department to use the Transition Program Fund and the non-appropriated Inmate Store Proceeds Fund for department operating expenses in FY 2013.

Statewide Adjustments

The budget includes an increase of \$4,509,000 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	4,503,000
State Education Fund for Correctional Education	6,000

(Please see the Agency Detail and Allocations section.)

- 1/ 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.)*
- 2/ 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)
- 3/ 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)
- 4/ 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)
- 5/ The appropriation provides for 38,706 ongoing funded beds. The State Department of Corrections shall provide a report on bed capacity to the Joint Legislative Budget Committee for its review by August 1 annually. The report shall reflect the bed capacity for each security classification at each state-run and private institution, divided by funded, rated and total beds, for June 30 of the previous fiscal year and June 30 of the current fiscal year, and the reasons for any change within that time period. Within the total bed count, the department shall provide the number of temporary and special use beds. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 7/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*
- 8/ One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 9/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the State Department of Corrections in compliance with the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 10/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$512,100, 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)

Private Prison Per Diem

The budget includes \$127,636,600 in FY 2013 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 are unchanged from FY 2012.

On December 22, 2011, the department, citing flat caseload growth in FY 2010 and FY 2011, announced the withdrawal of an RFP soliciting bids for 5,000 private prison beds as authorized by Laws 2009, 3rd Special Session, Chapter 6. The FY 2013 Criminal Justice BRB repealed that authorization and instead required the department to award a contract for up to 500 male, medium-security private beds to open on January 1, 2014 and up to 500 more male, medium-security beds to open on January 1, 2015. (*Please see "Bed Capacity" below for further details on the department's bed plan.*)

Background – Monies in this line item are paid to private prison contractors for housing Arizona inmates in 6,458 beds currently under contract. Private prison beds are permanent beds the department typically owns on average after a period of 20 years. ADC will own the facilities after a specified amount of time because the per diem rate includes a portion of the facilities' purchasing cost. Administrative expenses related to private prison contracts are included in the department's operating budget.

Leap Year Costs

The budget includes no funding in FY 2013 for leap year costs. This amount funds the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(800,100) from the General Fund in FY 2013 to eliminate one-time FY 2012 costs. Because FY 2012 includes 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 increased by 1 day in FY 2012 and will decrease again in FY 2013.

Narrowband Radio Conversion

The budget includes no funding in FY 2013 for Narrowband Radio Conversion costs. This amount funds the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(5,750,000) in FY 2013 to eliminate one-time FY 2012 costs. 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)

One-time monies were used in FY 2012 to convert department radios and other equipment to narrowband frequency by January 2013 as mandated by the Federal Communications Commission.

Additional Legislation

Sentences of Less Than a Year and County Jails

The FY 2013 Criminal Justice BRB repealed the provisions of the FY 2012 Criminal Justice BRB (Laws 2011, Chapter 33) which required 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 or be housed at ADC with their costs reimbursed by the county.

Budget Structure

The FY 2013 Criminal Justice BRB requires the department to report FY 2012 actual expenditures, FY 2013 estimated expenditures, and FY 2014 requested expenditure amounts for each line item as delineated in the prior year when the department submits its FY 2014 budget request pursuant to A.R.S. § 35-113.

Quality and Cost Review of Private Prison Contracts

The FY 2013 Criminal Justice BRB eliminates the requirement that the department complete a cost review comparison of private prison contracts with similar state-run facilities every 5 years and a quality comparison every 2 years.

Department of Corrections Building Renewal Fund

The FY 2013 General Appropriation Act transfers \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This transfer ensures a sufficient balance in the Department of Corrections Building Renewal Fund to fund its FY 2013 capital appropriation.

In addition, the FY 2013 Criminal Justice BRB transfers administration of this fund from the Director of the Arizona Department of Administration (ADOA) to the ADC Director. The FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295) makes the conforming change in switching the appropriation from ADOA to ADC. (*Please see the Capital Budget - ADOA narrative for more information.*)

Other Issues

Bed Capacity

The FY 2013 budget provides direction to the department regarding new bed capacity.

The department has 38,706 “funded” beds in FY 2013. This figure is based upon a calculation JLBC Staff has used for many years to evaluate the department’s need for additional beds. There are 2 other ways of defining bed capacity:

- “Rated” beds: beds originally designed for housing prisoners. This amount is 37,109 in public and private prisons as of April 30, 2012.
- All beds: “Rated” beds plus temporary beds established, for example, in areas not originally intended for housing prisoners or double-bunked beds in areas intended for single-bunked beds. They also include special use beds, which are used for disciplinary isolation, investigative detention, maximum behavior control, mental health observation, or medical inpatient care. The number of non-rated beds in public and private prisons is 6,456 as of April 30, 2012.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification), which further complicates the count of bed surpluses and shortfalls. As a result, the FY 2013 budget includes a footnote requiring the department to provide a report to JLBC for its review regarding bed counts and reasons for changes in the number or classification of beds. (See the Footnotes section.)

Inmate Growth Rate

There is uncertainty regarding inmate growth. The inmate population has been essentially flat or shown a slight decline over the past 36 months. That compares with monthly inmate growth rates that have averaged 106 over the past 10 years and have approached 200 inmates per month. Given the fluctuation in population, the JLBC Staff projects that the inmate population will remain flat at the April 30, 2012 level of 39,986 through the end of FY 2013.

FY 2013 Bed Surplus/Shortfall

In FY 2011, the ADC bed shortfall compared to the funded bed level was (1,485) as shown in Table 1. ADC addresses these shortfalls by placing prisoners in temporary beds as discussed above. This funded bed shortfall has reached levels of more than (3,700) in the past.

Table 1

Fiscal Year-End “Funded” Bed Count

	FY 2011 Actual	FY 2012 Year End	FY 2013 Year End
State:			
Douglas	2,270	2,270	2,270
Eyman	4,210	4,210	4,210
Florence	3,372	3,372	3,372
Perryville	4,510	4,510	4,510
Phoenix	822	822	822
Lewis	4,270	4,270	4,270
Safford	1,548	1,548	1,548
Tucson	4,890	4,890	4,890
Winslow	1,666	1,666	1,666
Yuma	4,690	4,690	4,690
Subtotal ^{1/2/}	32,248	32,248	32,248
Private (Per Diem):			
Kingman (\$62.16)	3,400	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
Subtotal ^{3/}	6,458	6,458	6,458
Total – All Beds	38,706	38,706	38,706
Population ^{4/}	40,191	39,986	39,986
Bed Surplus / (Shortfall) (June)	(1,485)	(1,280)	(1,280)
Bed Surplus / (Shortfall) (% of Beds)	(4.6)%	(4.0)%	(4.0)%

^{1/} Reflects ADC adding 5,000 (as opposed to the 4,000) public prison beds authorized by Laws 2007, Chapter 261.

^{2/} Another 500 maximum security beds are scheduled to open in FY 2015.

^{3/} Another 500 medium-security beds are scheduled to open in both FY 2014 and FY 2015 (for a total of 1,000).

^{4/} Assumes no population growth in the last 2 months of FY 2012 and all of FY 2013.

Assuming the population remains flat through the end of FY 2013, the ADC bed shortfall is expected to be (1,280). In addition, bed shortfall estimates may vary by level of security (e.g. minimum, medium, or maximum). The department's largest shortfalls are in male medium- and maximum-security beds.

Additional Future Beds

The FY 2013 Capital Outlay Bill appropriates \$20,000,000 from the General Fund in FY 2013 and \$30,000,000 from the General Fund in FY 2014 to construct 500 male maximum-security beds. These beds will be operated by the department and are expected to open by FY 2015. *(Please see the Capital Section.)*

The FY 2013 Criminal Justice BRB also repeals the requirement in the FY 2010 Criminal Justice BRB (Laws 2009, 3rd Special Session, Chapter 6) that the department issue and award a Request for Proposals (RFP) for 5,000 private beds. That requirement is replaced with a mandate that the department award private prison contracts for up to 500 male medium-security beds to open on January 1, 2014 and up to 500 more male medium-security beds to open on January 1, 2015. These contracts would be awarded by September 1, 2012 from the 2000-bed RFP issued by the department in February 2012. The Criminal Justice BRB prohibits the department from awarding the remainder of the 2,000 beds without legislative authorization.

Health Care Contract

Laws 2011, Chapter 278 required the department to issue a Request for Information regarding privatization of its correctional health care services and then, within 90 days of JLBC review of that information, issue an RFP for which the contract shall be awarded to the best qualified bidder. The department issued the RFP on October 21, 2011, and on April 2, 2012, awarded a contract to Wexford Health Sources, Inc. to privatize the department's health care services. Wexford bid a total of \$116.3 million to provide services under the terms of the contract, which will be fully operational by June 30, 2012.

Funding to reimburse Wexford will be redirected from Health Care Personal Services, Employee Related Expenditures, and Health Care All Other Operating Expenditures as ADC will only provide supervisory and administrative health care functions. The department has flexibility in its budget structure to shift these payments, but the agency's FY 2014 budget will need to be realigned to reflect the new budgetary arrangement.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide

allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Corrections' share of this Non-General Fund charge will be \$2,000. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Board of Cosmetology

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	24.5	24.5	24.5
Personal Services	621,400	647,100	647,100
Employee Related Expenditures	288,700	305,000	307,700
Professional and Outside Services	218,400	217,900	217,900
Travel - In State	45,700	41,400	41,400
Travel - Out of State	10,500	10,500	10,500
Other Operating Expenditures	487,700	525,700	525,700
Equipment	26,300	0	0
AGENCY TOTAL	1,698,700	1,747,600^{1/}	1,750,300^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Cosmetology Fund	1,698,700	1,747,600	1,750,300
SUBTOTAL - Other Appropriated Funds	1,698,700	1,747,600	1,750,300
SUBTOTAL - Appropriated Funds	1,698,700	1,747,600	1,750,300
TOTAL - ALL SOURCES	1,698,700	1,747,600	1,750,300

AGENCY DESCRIPTION — The board administers licensing examinations and licenses; inspects salons and schools; and investigates violations of sanitation requirements and procedures. It conducts hearings and imposes enforcement actions where appropriate.

Operating Budget

The budget includes \$1,750,300 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2013 for the operating budget. These amounts fund the following adjustments.

Statewide Adjustments

The budget includes an increase of \$2,700 from the Board of Cosmetology Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona Criminal Justice Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	8.0	8.0	8.0
Personal Services	396,500	430,600	430,600
Employee Related Expenditures	161,700	148,900	150,500
Professional and Outside Services	81,500	184,800	184,800
Travel - In State	6,200	8,100	8,100
Travel - Out of State	4,600	6,400	6,400
Other Operating Expenditures	40,100	56,500	56,800
Equipment	15,500	27,400	27,400
OPERATING SUBTOTAL	706,100	862,700	864,600
SPECIAL LINE ITEMS			
State Aid to County Attorneys	973,600	973,600	973,600
State Aid to Indigent Defense	700,300	0	0
Victim Compensation and Assistance	3,093,500	3,792,500	3,792,500
AGENCY TOTAL	5,473,500	5,628,800^{1/}	5,630,700^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	577,600	627,700	629,100
Drug and Gang Prevention Resource Center Fund	128,500	235,000	235,500
State Aid to County Attorneys Fund	973,600	973,600	973,600 ^{4/}
State Aid to Indigent Defense Fund	700,300	0	0
Victim Compensation and Assistance Fund	3,093,500	3,792,500	3,792,500 ^{5/}
SUBTOTAL - Other Appropriated Funds	5,473,500	5,628,800	5,630,700
SUBTOTAL - Appropriated Funds	5,473,500	5,628,800	5,630,700
Other Non-Appropriated Funds	4,036,900	3,941,800	5,537,700
Federal Funds	15,237,400	18,266,000	10,740,800
TOTAL - ALL SOURCES	24,747,800	27,836,600	21,909,200

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.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

^{4/} All State Aid to the County Attorneys Fund receipts received by the Arizona Criminal Justice Commission in excess of \$973,600 in FY 2013 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)

^{5/} All Victim Compensation and Assistance receipts received by the Arizona Criminal Justice Commission in excess of \$3,792,500 in FY 2013 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 2013, 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 \$864,600 and 8 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	<u>FY 2013</u>
CJEF	\$629,100
Drug and Gang Prevention Resource Center Fund	235,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,900 in FY 2013 for statewide adjustments. This amount consists of:

Criminal Justice Enhancement Fund	1,400
Drug and Gang Prevention Resource Center Fund	500

(Please see the Agency Detail and Allocations section.)

State Aid to County Attorneys

The budget includes \$973,600 from the State Aid to County Attorneys Fund in FY 2013 for State Aid to County Attorneys. This amount is unchanged from FY 2012.

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. The Arizona Criminal Justice Commission (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 2013 for State Aid to Indigent Defense. This amount is unchanged from FY 2012.

This line item provided 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 received 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 was required to distribute the monies to each county based on a composite index formula using Superior Court felony filings and county population.

Subsequent to the passage of the FY 2012 General Appropriation Act, Laws 2011, Chapter 308 transferred these monies in FY 2012 to the Department of Public Safety's (DPS) Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement subaccount. Chapter 308 intended the use of these monies in DPS as one-time. The FY 2013 budget does not restore the monies to ACJC. As a result, these monies will remain in the fund balance.

Victim Compensation and Assistance

The budget includes \$3,792,500 from the Victim Compensation and Assistance Fund in FY 2013 for Victim Compensation and Assistance. This amount is unchanged from FY 2012.

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.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Arizona Criminal Justice Commission's share of this Non-General Fund charge will be \$8,700. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Arizona State Schools for the Deaf and the Blind

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
PROGRAM BUDGET			
Administration/Statewide Programs	4,138,400	3,603,700	3,538,800
Phoenix Day School for the Deaf	8,547,500	9,639,000	10,273,100
Preschool/Outreach Programs	4,034,800	5,426,900	5,438,300
Regional Cooperatives	848,700	801,200	803,500
Tucson Campus	16,336,200	14,060,800	13,828,500
AGENCY TOTAL	33,905,600	33,531,600	33,882,200
OPERATING BUDGET			
Full Time Equivalent Positions	572.2	572.2	541.2
Personal Services	17,838,000	17,578,200	17,578,200
Employee Related Expenditures	8,055,200	9,188,600	9,260,100
Professional and Outside Services	1,770,000	1,665,500	1,665,500
Travel - In State	21,900	20,400	20,400
Travel - Out of State	40,100	39,700	39,700
Food	121,800	79,800	79,800
Other Operating Expenditures	4,259,200	2,984,400	2,649,100
Equipment	1,061,400	1,237,000	1,237,000
OPERATING SUBTOTAL	33,167,600	32,793,600	32,529,800
SPECIAL LINE ITEMS			
School Bus Replacement	738,000	738,000	738,000
Voucher Fund Adjustment	0	0	614,400
AGENCY TOTAL	33,905,600	33,531,600^{1/}	33,882,200^{2/3/}
FUND SOURCES			
General Fund	21,511,200	20,746,900	20,586,100
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	12,394,400	12,784,700	13,296,100 ^{4/}
SUBTOTAL - Other Appropriated Funds	12,394,400	12,784,700	13,296,100
SUBTOTAL - Appropriated Funds	33,905,600	33,531,600	33,882,200
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	18,112,400	18,646,500	18,646,500
Federal Funds	2,688,100	3,669,400	3,669,400
TOTAL - ALL SOURCES	54,706,100	55,847,500	56,198,100

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provide 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 2,111 children: 561 students in the K-12 programs (212 in Tucson and 349 in Phoenix), 63 children in preschools, 257 infant/toddlers in regional areas, and 1,230 children through the 5 existing regional cooperatives.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

^{4/} Before the expenditure of any Arizona State Schools for the Deaf and the Blind Fund monies in excess of \$13,296,100 in FY 2013, 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 \$32,529,800 and 541.2 FTE Positions in FY 2013 for the operating budget. This amount consists of:

	FY 2013
General Fund	\$19,848,100
Schools for the Deaf and the Blind Fund	12,681,700

These amounts fund the following adjustments:

Assistive Technology Devices

The budget includes no change in funding from the General Fund in FY 2013 for assistive technology devices. The budget includes a total of \$253,100 from the General Fund in FY 2013 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 2013 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

Statewide Adjustments

The budget includes a decrease of \$(263,800) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(160,800)
Schools for the Deaf and the Blind Fund	(103,000)

(Please see the Agency Detail and Allocations section.)

School Bus Replacement

The budget includes \$738,000 from the General Fund in FY 2013 for School Bus Replacement. This amount is unchanged from FY 2012.

Monies in this line item are used for the purchase of new school buses. According to the School Facilities Board rules for the Arizona State Schools for the Deaf and the Blind (ASDB), a gasoline powered bus should be replaced after 10 years or 150,000 miles.

Voucher Fund Adjustment

The budget includes \$614,400 from the Schools for the Deaf and the Blind Fund in FY 2013 for a Voucher Fund Adjustment. This amount funds the following adjustments:

Enrollment Growth

The budget includes an increase of \$614,400 from the ASDB Fund in FY 2013 for enrollment growth. This assumes that ASDB would receive \$13,339,900 in special education voucher funding for FY 2013 under current JLBC Staff enrollment projections, apart from statewide adjustments, which would be \$614,400 above the currently appropriated level.

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.

Additional Legislation

Rent Exemption

The Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 296) exempts ASDB from paying Capital Outlay Stabilization Fund (COSF) rent to the Arizona Department of Administration. *(See "Capital Outlay" section of this report for more information.)*

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for ASDB includes a reduction of (15.5) GF FTE Positions and (15.5) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department’s expenses. This prorata charge was separate from any funding arrangement contained in an agency’s intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency’s General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. ASDB’s share of this Non-General Fund charge will be \$100,200. Agencies will pay this charge from their

appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Commission for the Deaf and the Hard of Hearing

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	15.0	15.0	15.0
Personal Services	622,100	692,900	692,900
Employee Related Expenditures	255,100	282,800	285,400
Professional and Outside Services	325,200	385,800	385,800
Travel - In State	9,900	61,500	61,500
Travel - Out of State	5,500	4,900	4,900
Other Operating Expenditures	1,856,000	2,103,100	2,099,100
Equipment	169,700	219,400	219,400
AGENCY TOTAL	3,243,500	3,750,400^{1/}	3,749,000^{2/3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Telecommunication Fund for the Deaf	3,243,500	3,750,400	3,749,000
SUBTOTAL - Other Appropriated Funds	3,243,500	3,750,400	3,749,000
SUBTOTAL - Appropriated Funds	3,243,500	3,750,400	3,749,000
TOTAL - ALL SOURCES	3,243,500	3,750,400	3,749,000

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 the Telecommunication Devices for the Deaf (TDD) Relay Program, a statewide telephone access 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 \$3,749,000 and 15 FTE Positions from the Telecommunication Fund for the Deaf in FY 2013 for the operating budget. These amounts fund the following adjustment:

Statewide Adjustments

The budget includes a decrease of \$(1,400) from the Telecommunication Fund for the Deaf in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata

charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Commission for the Deaf and Hard of Hearing's share of this Non-General Fund charge will be \$4,100. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

State Board of Dental Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	400,800	525,300	525,300
Employee Related Expenditures	166,700	148,200	150,200
Professional and Outside Services	191,000	299,200	299,200
Travel - In State	2,600	3,200	3,200
Travel - Out of State	1,700	5,500	5,500
Other Operating Expenditures	160,000	182,500	182,500
Equipment	81,400	23,700	23,700
AGENCY TOTAL	1,004,200	1,187,600^{1/}	1,189,600^{2/3/}

FUND SOURCES

Other Appropriated Funds

Dental Board Fund	1,004,200	1,187,600	1,189,600
SUBTOTAL - Other Appropriated Funds	1,004,200	1,187,600	1,189,600
SUBTOTAL - Appropriated Funds	1,004,200	1,187,600	1,189,600
TOTAL - ALL SOURCES	1,004,200	1,187,600	1,189,600

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

Operating Budget

The budget includes \$1,189,600 and 11 FTE Positions from the Dental Board Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,000 from the Dental Board Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Arizona Early Childhood Development and Health Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	113,840,200	151,581,800	149,370,000
TOTAL - ALL SOURCES	113,840,200	151,581,800	149,370,000

AGENCY DESCRIPTION — As authorized by a 2006 ballot initiative, the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents per 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 2011, the board's revenues were \$134,879,000 and expenditures were \$113,840,200. In FY 2012, the board expects to collect \$131,079,200 in revenues and expend \$151,581,800. Of this FY 2012 spending amount, \$135,870,000 and \$14,232,600 will be from the Program Account and the Administrative Account, respectively.

The above expenditures leave the fund with a projected balance of \$421,933,400 at the end of FY 2012. 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 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,473.4	5,473.4	5,453.5 ^{1/}
Personal Services	108,523,900	126,398,700	133,026,300
Employee Related Expenditures	51,265,500	60,416,600	62,207,500
Professional and Outside Services	20,177,700	22,971,000	22,971,000
Travel - In State	1,413,800	1,741,300	1,741,300
Travel - Out of State	16,900	17,500	17,500
Other Operating Expenditures	61,400,600	63,679,400	64,571,100
Equipment	8,731,200	8,548,700	8,548,700
OPERATING SUBTOTAL	251,529,600	283,773,200	293,083,400 ^{2/3/4/5/6/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	18,577,500	21,426,800	21,474,400
Aging and Community Services			
Adult Services	6,772,000	6,924,100	6,924,100
Community and Emergency Services	2,583,400	3,724,000	3,724,000
Coordinated Homeless	2,264,900	2,522,600	2,522,600
Coordinated Hunger	1,934,800	1,754,600	1,754,600
Domestic Violence Prevention	11,062,800	12,123,700	12,123,700 ^{7/8/}
Benefits and Medical Eligibility			
TANF Cash Benefits	66,347,500	44,999,400	44,999,400 ^{9/}
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	6,758,500	8,600,200	8,600,200
Children, Youth and Families			
Children Support Services	64,324,900	79,167,600	79,167,600 ^{10/}
CPS Emergency and Residential Placement	23,718,100	24,001,700	24,001,700 ^{10/}
Foster Care Placement	21,132,200	23,112,600	23,112,600 ^{10/}
Independent Living Maintenance	2,369,500	2,719,300	2,719,300
Permanent Guardianship Subsidy	11,202,500	8,815,300	11,215,300
Adoption Services	59,680,800	57,744,600	74,772,000
Developmental Disabilities ^{11/12/13/14/}			
Case Management - Medicaid	38,246,300	38,089,600	38,372,100
Home and Community Based Services - Medicaid	587,484,900	697,844,700	710,307,300
Institutional Services - Medicaid	17,362,600	19,330,500	19,365,300
Medical Services - Medicaid	120,582,800	138,950,500	138,961,000
Arizona Training Program at Coolidge - Medicaid	15,823,600	15,689,000	15,711,700
Medicare Clawback Payments	1,766,300	2,496,900	2,848,400
Case Management - State Only	3,484,000	3,869,500	3,877,900
Home and Community Based Services - State Only	16,091,500	32,615,300	32,615,300
State-Funded Long-Term Care Services	21,860,800	26,528,600	26,528,600
Employment and Rehabilitation Services			
JOBS			
Day Care Subsidy	130,520,200	121,396,600	121,396,600 ^{15/}
Rehabilitation Services	3,384,200	6,088,500	4,799,100
Independent Living Rehabilitation Services	0	0	1,289,400
Workforce Investment Act Services	43,992,100	51,654,600	51,654,600 ^{16/}
AGENCY TOTAL	1,565,234,500	1,753,649,900 ^{17/}	1,795,608,100 ^{18/19/20/} _{21/}

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
FUND SOURCES			
General Fund	506,166,600	591,125,000	612,296,200 ^{22/}
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Child Support Enforcement Administration Fund	10,327,000	16,589,600	16,601,100 ^{4/}
Children and Family Services Training Program Fund	34,900	206,200	206,600
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000 ^{7/}
Federal CCDF Block Grant	117,577,000	130,567,500	130,567,500
Federal TANF Block Grant	229,252,600	239,304,400	220,775,800 ^{23/}
Long-Term Care System Fund (Non-Federal Matched)	21,860,800	30,518,900	75,075,300 ^{23/24/}
Public Assistance Collections Fund	126,200	426,200	427,100
Special Administration Fund	9,200	1,129,900	1,129,900
Spinal and Head Injuries Trust Fund	1,642,000	1,866,900	1,867,600
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	47,168,800	56,029,800	56,032,700 ^{16/}
SUBTOTAL - Other Appropriated Funds	430,218,500	481,318,500	507,362,700
SUBTOTAL - Appropriated Funds	936,385,100	1,072,443,500	1,119,658,900
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	37,123,800	40,320,200	40,397,800
Long-Term Care System Fund (Federal Match)	591,725,600	640,886,200	635,551,400 ^{24/}
SUBTOTAL - Expenditure Authority Funds	628,849,400	681,206,400	675,949,200
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,565,234,500	1,753,649,900	1,795,608,100
Other Non-Appropriated Funds	667,371,600	406,015,400	263,314,300
Federal Funds	1,699,132,900	1,015,127,700	673,717,000
TOTAL - ALL SOURCES	3,931,739,000	3,174,793,000	2,732,639,400

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 570.5 GF, 192.1 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2013.
- 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 \$16,601,100 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 Department of Economic Security 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, 2012. 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)

Summary

The Department of Economic Security's (DES) FY 2013 General Fund spending increases by \$21,171,200, or 3.6% above FY 2012. These changes include:

- An increase of \$3,710,000 in the operating budget for Child Protective Services (CPS) funding.

- \$17,044,200 for an increase of 1,253 clients, or 5.0%, in the Medicaid Developmental Disabilities Long-Term Care program. Total caseloads would equal 26,307.
- \$417,000 in statewide adjustments.

In addition to the increases in General Fund monies, the budget includes an increase of \$44,217,300 from a balance in the Long-Term Care System Fund (LTCSF) in FY 2013 to free up additional General Fund monies. Monies from the LTCSF have been added to the following line items:

- 10/ Of the amounts appropriated for Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement, the department may transfer up to 10% of the total amount of Federal Temporary Assistance for Needy Families Block Grant monies appropriated to the Department of Economic Security to the Social Services Block Grant for use in the following line items in the Division of Children, Youth and Families: Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement. Before transferring Federal Temporary Assistance for Needy Families Block Grant monies to the Social Services Block Grant, the department shall report the proposed amount of the transfer to the Director of the Joint Legislative Budget Committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)
- 11/ It is the intent of the Legislature that the Department of Economic Security increase developmental disabilities provider rates by 2% beginning April 1, 2013. (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 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 2013 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, 2013. (General Appropriation Act footnote)
- 15/ Of the \$121,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2014, \$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 \$56,032,700 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 \$56,032,700 to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 17/ 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.)
- 18/ 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)
- 19/ 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)
- 20/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 21/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)
- 22/ Laws 2011, Chapter 24 appropriated \$35,000,000 from the General Fund in FY 2013 to account for the deferral of FY 2012 payments into FY 2013, so that \$35,000,000 does not appear in the FY 2013 General Appropriation Act. Laws 2012, Chapter 294 appropriates \$35,000,000 in FY 2014 to reflect the deferral of FY 2013 payments to FY 2014.
- 23/ Any Federal Temporary Assistance for Needy Families Block Grant monies received in FY 2013, including the beginning balance, by the Department of Economic Security in excess of \$220,775,800 is appropriated to the department in FY 2013. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2013 in excess of the \$220,775,800 appropriated, there shall be a corresponding dollar reduction in the department's Long-Term Care System Fund appropriation. On or before June 30, 2013, the department shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of Long-Term Care System Fund monies, if any, that will not be expended under this provision. (General Appropriation Act footnote)
- 24/ All monies in the Long-Term Care System Fund unexpended and unencumbered at the end of FY 2013 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System administration. (General Appropriation Act footnote)

- \$13,941,100 for the Operating Budget.
- \$28,625,000 for Home and Community Based Services - State Only.
- \$1,651,200 for Medicare Clawback Payments.

This frees up an equivalent amount of General Fund monies which are redirected for the following purposes:

- \$1,733,800 for a 2% Developmental Disabilities provider rate increase beginning on April 1, 2013.
- \$18,528,600 for the backfill of reduced Federal TANF Block Grant revenues.
- \$4,527,500 for the backfill of Federal child support enforcement monies.
- \$2,400,000 for permanent guardianship due to declining TANF Cash Benefit recipients.
- \$17,027,400 for adoption services caseload growth and the backfill of Federal Funds.

Operating Budget

The budget includes \$293,083,400 and 3,570.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$118,480,900
Child Support Enforcement Administration Fund	12,921,600
Child Support Enforcement Administration Fund (EA)	26,504,300
Children and Family Services Training Program Fund	206,600
Federal Temporary Assistance for Needy Families (TANF) Block Grant	78,780,000
Federal Child Care and Development Fund (CCDF) Block Grant	11,871,300
Long-Term Care System Fund	14,280,200
Long-Term Care System Fund (EA)	25,766,300
Public Assistance Collections Fund	335,600
Special Administration Fund	19,000
Spinal and Head Injuries Trust Fund	539,500
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,378,100

These amounts fund the following adjustments:

Funding Shift

The budget includes an increase of \$13,941,100 from the Long-Term Care System Fund and a decrease of \$(13,941,100) from the General Fund in FY 2013 to make available General Fund monies for the backfill of lost Federal Funds. *(Please see the Summary above for additional information.)*

The Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 299) allows, as session law, DES use of the LTCSF for any DES operational or programmatic expenses in FY 2013.

Replace Loss of TANF Cash Payments

The budget includes an increase of \$4,527,500 from the General Fund in FY 2013 for child support enforcement to backfill one-time Federal Funds and replace State Share of Retained Earnings funding, which requires replacement because of declining TANF Cash Benefit recipients.

CPS Funding

The budget includes an increase of \$3,710,000 and 25.6 FTE Positions from the General Fund in FY 2013 to fund enhanced CPS responsibilities. The funding will make available Federal Funds for 6.4 additional FTE Positions, or 32 total. This funding includes:

- \$412,400 for a Special Advisor for Investigations, a Manager of Intake and Hotline Operations, a Manager of Quality Case Management, and a Manager for Community Partnerships.
- \$1,030,200 to reclassify 175 CPS staff from the CPS Specialist III position to the newly created CPS IV position, under which these employees receive increased responsibilities and move from an average CPS Specialist III salary of \$39,400 to a CPS Specialist IV base starting salary of \$44,800.
- \$2,267,400 to add 28 positions (4 supervising investigators, 23 investigators, and 1 administrative assistant) for the new Office of Child Welfare Investigations. The office's specialized function is to investigate criminal conduct allegations as defined in A.R.S. § 8-801.

Statewide Adjustments

The budget includes an increase of \$1,072,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	333,500
Child Support Enforcement Administration Fund	5,600
Child Support Enforcement Administration Fund (EA)	66,100
Children and Family Services Training Program Fund	400
Long-Term Care System Fund	339,100
Long-Term Care System Fund (EA)	323,700
Public Assistance Collections Fund	700
Spinal and Head Injuries Trust Fund	700
Workforce Investment Act Grant	2,900

(Please see the Agency Detail and Allocations section.)

Administration

Attorney General Legal Services

The budget includes \$21,474,400 and 311.2 FTE Positions in FY 2013 for Attorney General Legal Services. These amounts consist of:

General Fund	12,170,000
Child Support Enforcement Administration Fund	2,340,400
Federal TANF Block Grant	222,700
Federal CCDF Block Grant	17,400
Federal Expenditure Authority	6,632,400
Public Assistance Collections Fund	91,500

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$47,600 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	30,000
Child Support Enforcement Administration Fund	5,900
Federal Expenditure Authority	11,500
Public Assistance Collections Fund	200

Monies in this line item fund all Attorney General Legal Services for the department.

Aging and Community Services

Adult Services

The budget includes \$6,924,100 from the General Fund in FY 2013 for Adult Services. This amount is unchanged from FY 2012.

This line item provides an array of independent living support to elderly persons, distributed as shown in *Table 1*.

Table 1	
Independent Living Support	
Services	FY 2013
Adult Protective Contracted Services	\$ 295,100
Supplemental Payments	140,300
Home Care	2,162,200
Older Americans Act	1,824,100
Assessments and Case Management	2,040,400
Respite Care	462,000
Total	\$6,924,100

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2013 for Community and Emergency Services. This amount is unchanged from FY 2012.

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 2011, this line item provided short-term crisis services to 1,868 households, energy assistance to 49,627 households, and 29,139 households participated in telephone discount programs.

Coordinated Homeless

The budget includes \$2,522,600 in FY 2013 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 2012.

In FY 2011, this line item provided emergency shelter services to 15,841 individuals and transitional shelter services to 2,149 individuals.

Coordinated Hunger

The budget includes \$1,754,600 in FY 2013 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 2012.

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 2011, the USDA Commodities Food Program served 338,806 households quarterly.

Domestic Violence Prevention

The budget includes \$12,123,700 in FY 2013 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 2012.

In FY 2011, this line item, along with non-appropriated funds, served approximately 9,809 women and children in emergency shelters, 513 women and children in transitional housing, and 9,359 victims with legal and lay legal advocacy.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$44,999,400 from the Federal TANF Block Grant in FY 2013 for TANF Cash Benefits. This amount is unchanged from FY 2012.

The appropriation funds a regular TANF Cash Benefits caseload of approximately 36,230 recipients each month at a cost of \$90 per recipient and a monthly Grant Diversion caseload of 568 at a cost of \$788 per case. As of March 2012, the program had a TANF Cash Benefits caseload of 39,222 individual recipients at an average cost of about \$90 per recipient and a Grant Diversion caseload of 568 at an average cost of \$788 per case. The TANF Grant Diversion Program's purpose is to divert applicants from receiving long-term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis.

The FY 2013 Health and Welfare BRB includes a session law provision continuing to require 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 2013 for Tribal Pass-Through Funding. This amount is unchanged from FY 2012.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. When originally implemented, program funding was designed to be roughly equivalent to what the state was spending on the population when 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.

Table 2	
FY 2013 CSEA Fund Sources and Uses	
<i>Sources</i>	
Balance Forward	\$ 5,051,000
State Share of Retained Earnings	6,100,000
Federal Incentive Payments	6,140,200
Fees	<u>1,632,800</u>
Total	\$18,924,000
<i>Uses</i>	
DCSE Administration	\$16,601,100
Administration (Non-Appropriated)	<u>2,322,900</u>
Total	\$18,924,000

County Participation

The budget includes \$8,600,200 in FY 2013 for County Participation. This amount consists of:

CSEA Fund	1,339,100
Federal Expenditure Authority	7,261,100

These amounts are unchanged from FY 2012.

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.

Children, Youth and Families

The budget provides funding for Children Services in 3 separate line items (see Table 3).

Of the \$126,281,900 in appropriated funds, \$68,650,200 is from the TANF Block Grant. DES deposits TANF 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%. A footnote in the General Appropriation Act allows DES to make this transfer of TANF monies in the Children Support Services, CPS Emergency and Residential Placement, and Foster Care Placement line items to the SSBG. This amount is estimated at \$20,014,100 in FY 2013. The transfer to SSBG provides additional funding flexibility to DES.

Table 3

FY 2013 Children Services Funding

	Appropriated Funds	Non- Appropriated Funds	Total
Children Support Services	\$ 79,167,600	\$38,220,000	\$117,387,600
CPS Emergency & Residential Placement	24,001,700	27,534,200	51,535,900
Foster Care Placement	23,112,600	14,248,200	37,360,800
TOTAL	\$126,281,900	\$80,002,400	\$206,284,300

Children Support Services

The budget includes \$79,167,600 and 1 FTE Position in FY 2013 for Children Support Services. These amounts consist of:

General Fund	35,904,900
Federal TANF Block Grant	41,803,600
Child Abuse Prevention Fund	1,459,100

These amounts fund the following adjustments:

Federal TANF Block Grant Backfill

The budget includes an increase of \$3,450,500 from the General Fund and a corresponding decrease of \$(3,450,500) from the Federal TANF Block Grant in FY 2013 for the backfill of Federal TANF Block Grant monies.

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 February 2012, the department reported 12,203 out-of-home clients and 5,431 in-home cases. In addition, these funds will pay for services to approximately 5,000 parents, guardians, or custodians in FY 2012 whose substance abuse is a significant barrier to preserving the family.

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).

The budget also includes \$10,300,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$35,904,500 would consist of \$10,300,000 from Chapter 24 and \$25,604,500 from the FY 2013 General Appropriation Act.

CPS Emergency and Residential Placement

The budget includes \$24,001,700 in FY 2013 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 2012.

The CPS Emergency and Residential Placement line provides funding for 1) short-term placement until a more permanent placement can be arranged and 2) behavioral or other therapeutic residential treatment.

In February 2012, 322 children were reported in emergency placements at an average monthly cost of \$3,634 per child, while 1,334 children were reported in residential placements at an average monthly cost of \$3,734 per child.

The budget also includes \$1,800,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$7,578,700 would consist of \$1,800,000 from Chapter 24 and \$5,778,700 from the FY 2013 General Appropriation Act.

Foster Care Placement

The budget includes \$23,112,600 in FY 2013 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 2012.

The Foster Care Placement line 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 2012, 9,642 children were reported in foster care. Of that number, 4,192 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 5,450 children were in licensed foster care at an average monthly cost of \$640 per child.

The budget also includes \$1,900,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$16,139,500 would consist of \$1,900,000 from Chapter 24 and \$14,239,500 from the FY 2013 General Appropriation Act.

Independent Living Maintenance

The budget includes \$2,719,300 from the General Fund in FY 2013 for Independent Living Maintenance. This amount is unchanged from FY 2012.

The Independent Living Maintenance program provided stipends to 306 former foster youth between 18 and 21 in February 2012. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Permanent Guardianship Subsidy

The budget includes \$11,215,300 in FY 2013 for Permanent Guardianship Subsidy. This amount consists of:

General Fund	9,472,300
Federal TANF Block Grant	1,743,000

These amounts fund the following adjustments:

Replace Loss of TANF Cash Payments

The budget includes an increase of \$2,400,000 from the General Fund in FY 2013 to replace the loss of TANF cash payments. If a child in a permanent guardianship family qualifies for a TANF cash payment, that funding is diverted to the Permanent Guardianship program to help pay the subsidy. Fewer individuals overall are receiving TANF cash payments, so the amount of diverted payments has declined.

The Guardianship Subsidy program supports permanent placements for children who cannot return home and for whom adoption is not an option. The guardianship subsidy is intended to be only a partial reimbursement for expenses involved in the care of the child. In February 2012, 2,436 clients received permanent guardianship subsidies.

Adoption Services

The budget includes \$74,772,000 in FY 2013 for Adoption Services. This amount consists of:

General Fund	70,047,700
Federal TANF Block Grant	4,724,300

These amounts fund the following adjustments:

Caseload Growth and Backfill

The budget includes an increase of \$17,027,400 from the General Fund in FY 2013 for caseload growth (\$3,527,400) and the backfill of Federal Funds (\$13,500,000). DES estimates an Adoption Services caseload of over 16,000 in FY 2013, an increase of 5.5% from August 2011. The Federal Funds backfill will address the cessation of enhanced federal Title IV-E

payments, which expired at the end of FY 2011, and vacancy savings from DES' operating budget that are no longer available that had been used to offset a portion of the shortfall in Adoption Services.

Federal TANF Block Grant Backfill

The budget includes an increase of \$15,078,100 from the General Fund and a corresponding decrease of \$(15,078,100) from the Federal TANF Block Grant in FY 2013 for the backfill of Federal TANF Block Grant monies. (Please see the Summary for additional information.)

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 February 2012, 16,233 clients received adoption subsidies. In addition, this line item is estimated to receive \$72,222,500 from Federal Grants in FY 2013.

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 FPL, 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 May 2012, the Division of Developmental Disabilities serves 32,090 clients, which includes 24,489 clients in the LTC program and 7,601 clients in the state-only portion. The primary disabilities of these clients are shown in Table 4.

Table 4

Primary Disability of Clients Served

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	14,000	44%
At Risk	8,583	27%
Autism	5,044	16%
Cerebral Palsy	3,040	9%
Epilepsy	1,356	4%
Not Indicated	67	<1%

The LTC program is funded from 2 sources: the General Fund and the Long-Term Care System Fund.

Overall DES Formula Adjustments

The budget includes \$17,044,200 from the General Fund in FY 2013 for DES formula changes. Changes are described in further detail below.

As the AHCCCS-authorized provider of DD services, DES receives federal monies through prepaid monthly capitation payments based on rates for types of clients.

FMAP Adjustments

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. During FY 2013, the blended FMAP for Medicaid will decline to 66.09% (0.85% decline). The reduced FMAP results in additional General Fund costs of \$7,744,000 in FY 2013.

FY 2013 Caseload Growth

The budget includes a net increase of \$13,381,100 from the General Fund in FY 2013 for the DES caseload changes. From FY 2012 to FY 2013, caseloads are expected to grow by 5.0% to a level of 26,307 in June 2013.

Table 5 summarizes the average monthly caseload estimates for the Special Line Items (SLIs). All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	22,939
Institutional Services	104
Arizona Training Program at Coolidge	124 ^{1/}
Subtotal	23,167
Case Management/Medical Services only	3,140
Total	26,307

^{1/} Represents the budgeted client caseload.

Changes to the Medicaid Waiver

The caseload growth is offset by a decrease of \$(4,080,900) from the General Fund for the annualization of the FY 2012 Medicaid Waiver Plan changes. The FY 2012 budget included Waiver Savings of \$(12,242,800) in DES savings as a component of a \$(524,000,000) reduction across the 3 Medicaid agencies.

The FY 2012 waiver savings of \$(12,242,800) is projected to grow to \$(16,323,700) in FY 2013 due to full year annualization of the waiver plan adjustments, primarily the (5)% rate reduction.

Provider Rate Adjustments

The budget includes a 2% provider rate increase for DD providers beginning April 1, 2013. The state portion of the cost is \$1,733,800.

FY 2012 Savings Transfer

In FY 2012, DES' waiver savings is estimated to be \$(10,676,400) higher than originally budgeted. In addition, DES identified an additional \$(1,623,600) in non-Medicaid reform plan savings due to lower than budgeted capitation rates (not associated with provider rate reductions).

The combination of these 2 issues results in FY 2012 DES savings of \$(12,300,000). The budget ex-appropriates \$(12,300,000) in FY 2012 from the DES budget and shifts it to the Department of Health Services to offset their expected supplemental need.

Case Management - Medicaid

The budget includes \$38,372,100 and 755.5 FTE Positions in FY 2013 for Medicaid Case Management. These amounts consist of:

General Fund	13,011,100
Long-Term Care System Fund	25,361,000

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$1,895,700 from the General Fund and a corresponding decrease from the Long-Term Care System Fund in FY 2013 for Formula Growth. This formula adjustment consists of the federal match rate change.

Provider Rate Increase

The budget includes an increase of \$214,700 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. (Please see the Summary for additional information.) This amount consists of:

General Fund	72,800
Long-Term Care System Fund	141,900

Statewide Adjustments

The budget includes an increase of \$67,800 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	23,000
Long-Term Care System Fund	44,800

Background – In addition to providing case management services to an estimated 23,167 clients receiving direct services, this line item also provides case management services only to another 3,140 clients.

Home and Community Based Services - Medicaid

The budget includes \$710,307,300 and 94.5 FTE Positions in FY 2013 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	240,899,700
Long-Term Care System Fund	469,407,600

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$8,429,900 in FY 2013 for Formula Growth. This amount consists of:

General Fund	4,741,300
Long-Term Care System Fund	3,688,600

Provider Rate Increase

The budget includes an increase of \$4,005,000 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. (Please see the Summary for additional information.) This amount consists of:

General Fund	1,358,300
Long-Term Care System Fund	2,646,700

Statewide Adjustments

The budget includes an increase of \$27,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	9,400
Long-Term Care System Fund	18,300

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). Approximately 22,939 individuals are expected to receive Medicaid home and community based services in FY 2013.

Of the \$710,307,300 in this line item, \$698,474,400 funds HCBS services to clients enrolled in the LTC program; the other \$11,832,900 funds program staff.

The budget also includes \$20,000,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$240,899,700 would consist of \$20,000,000 from Chapter 24 and \$220,899,700 from the FY 2013 General Appropriation Act.

Institutional Services - Medicaid

The budget includes \$19,365,300 and 74 FTE Positions in FY 2013 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,567,500
Long-Term Care System Fund	12,797,800

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(82,200) in FY 2013 for Formula Growth. This amount consists of:

General Fund	1,168,600
Long-Term Care System Fund	(1,250,800)

Provider Rate Increase

The budget includes an increase of \$109,000 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. (Please see the Summary for additional information.) This amount consists of:

General Fund	37,000
Long-Term Care System Fund	72,000

Statewide Adjustments

The budget includes an increase of \$8,000 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	2,700
Long-Term Care System Fund	5,300

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. Approximately 104 individuals are expected to receive Medicaid institutional services in FY 2013.

Of the \$19,365,300 in this line item, \$13,958,700 funds Institutional Services to clients enrolled in the LTC program; the other \$5,406,600 funds program staff.

Medical Services - Medicaid

The budget includes \$138,961,000 and 35.4 FTE Positions in FY 2013 for Medical Services. These amounts consist of:

General Fund	47,128,400
Long-Term Care System Fund	91,832,600

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(779,800) in FY 2013 for Formula Growth. This amount consists of:

General Fund	8,301,800
Long-Term Care System Fund	(9,081,600)

Provider Rate Increase

The budget includes an increase of \$783,500 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. (Please see the Summary for additional information.) This amount consists of:

General Fund	265,700
Long-Term Care System Fund	517,800

Statewide Adjustments

The budget includes an increase of \$6,800 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	2,300
Long-Term Care System Fund	4,500

Background – Of the \$138,961,000 in this line item, \$134,630,700 funds Acute Care services to clients enrolled in the LTC program; the other \$4,330,300 funds the staff of the division’s Managed Care unit.

Arizona Training Program at Coolidge - Medicaid

The budget includes \$15,711,700 and 383.7 FTE Positions in FY 2013 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,325,600
Long-Term Care System Fund	10,386,100

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$585,300 from the General Fund in FY 2013 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 an increase of \$22,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	7,700
Long-Term Care System Fund	15,000

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF/MRs or state-operated group homes (SOGHs). The budget funds a caseload of 124 clients, but the June 2013 caseload is estimated at 108 (87 in ICF/MRs

and 21 in state-operated group homes). At that caseload, the blended cost per DD client at ATP-C will be \$144,500.

Medicare Clawback Payments

The budget includes \$2,848,400 in FY 2013 for Medicare Clawback Payments. This amount consists of:

General Fund	1,197,200
Long-Term Care System Fund	1,651,200

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$351,500 from the General Fund in FY 2013 for formula growth associated with Medicare Clawback Payments.

Funding Shift

The budget includes an increase of \$1,651,200 from the Long-Term Care System Fund and a corresponding decrease from the General Fund in FY 2013 to make available General Fund monies for the backfill of Federal Funds. (Please see the Summary section for additional information.)

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 (78.3% in 2013) of the estimated drug costs.

Case Management - State-Only

The budget includes \$3,877,900 and 79.3 FTE Positions from the General Fund in FY 2013 for state-only case management. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$8,400 from the General Fund in FY 2013 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program. As of May 2012, there are approximately 7,601 clients in the state-only program.

Home and Community Based Services - State-Only

The budget includes \$32,615,300 and 53.6 FTE Positions from the Long-Term Care System Fund in FY 2013 for state-only Home and Community Based Services. These amounts fund the following adjustments:

Funding Shift

The budget includes an increase of \$28,625,000 and 53.6 FTE Positions from the Long-Term Care System Fund and

a corresponding decrease of \$(28,625,000) and (53.6) FTE Positions from the General Fund in FY 2013 to make available General Fund monies for the backfill of Federal Funds. (Please see the Summary section for additional information.)

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.

State-Funded Long-Term Care Services

The budget includes \$26,528,600 and 2 FTE Positions from the Long-Term Care System Fund in FY 2013 for State-Funded Long-Term Care Services. These amounts are unchanged from FY 2012.

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 \$26,528,600 in this line item, \$26,466,800 funds State-Funded Long-Term Care Services to clients enrolled in the DD program; the other \$61,800 funds program staff.

Employment and Rehabilitation Services

JOBS

The budget includes \$13,005,600 and 93 FTE Positions for JOBS in FY 2013. 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 2012.

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 6 highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,789,600
Job Training	1,317,900
FLSA Supplement	80,400
Work-Related Transportation	1,427,700
Job Search Stipends	<u>390,000</u>
Total	\$13,005,600

Day Care Subsidy

The budget includes \$121,396,600 in FY 2013 for Day Care Subsidy. This amount consists of:

Federal CCDF Block Grant	118,678,800
Federal TANF Block Grant	2,717,800

These amounts are unchanged from FY 2012.

The Health and Welfare Budget Reconciliation Bill (Laws 2012, Chapter 299) includes a session law 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 FPL, and children in the Child Protective Services (CPS) program.

This line item 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 \$356 per month in FY 2013. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$26.60 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 FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$26.60 Maricopa rate, this \$2.00

co-payment would account for 7.5% of the total cost of care (with the state paying the other 92.5%). 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 37.6% of the child's day care costs.

Caseloads – The estimated average number of children receiving child care services in FY 2013 is projected to be 24,500 (see Table 7). 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.

Children Served	
Category	Estimated FY 2013 ^{1/}
TANF	4,100
CPS	8,500
Low-Income Working	5,500
Transitional Child Care SLI	6,400
Total Served	24,500

^{1/} Represents projected average caseload.

Rehabilitation Services

The budget includes \$4,799,100 in FY 2013 for Rehabilitation Services. This amount consists of:

General Fund	4,594,400
Spinal and Head Injuries Trust Fund	204,700

These amounts fund the following adjustments:

Independent Living Rehabilitation Services

The budget includes a decrease of \$(1,289,400) in FY 2013 to show Independent Living Rehabilitation Services, which was previously part of the Rehabilitation Services line item, as its own line item. This amount consists of:

General Fund	(166,000)
Spinal and Head Injuries Trust Fund	(1,123,400)

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. The program is expected to serve up to 8,000 clients at an average Total Funds cost of \$8,700 per client. Administrative expenditures and local match draw down additional Federal match.

The budget also includes \$1,000,000 in deferred FY 2012 General Fund payments appropriated in FY 2013 by Laws 2011, Chapter 24 and it defers the same amount for FY 2013 to FY 2014. As a result, the FY 2013 General Fund amount of \$4,594,400 would consist of \$1,000,000 from Chapter 24 and \$3,594,400 from the FY 2013 General Appropriation Act.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2013 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

The Independent Living Rehabilitation Services program is expected to serve up to 900 clients at an average total cost of \$5,300.

In addition to these clients, the division is also expected to serve 550 clients at an average annual cost of \$3,700 per client, using federal Social Services Block Grant.

Monies in this line item were previously included in the Rehabilitation Services line item.

The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

Workforce Investment Act Services

The budget includes \$51,654,600 from the Workforce Investment Act (WIA) Grant in FY 2013 for the Workforce Investment Act Services line item. This amount is unchanged from FY 2012.

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.

The allocation of the WIA Grant for workforce related programs in FY 2013 is shown in Table 8.

FY 2013 WIA Grant Allocations	
Category	Amount
WIA SLI	\$51,654,600
Administration	2,378,100 ^{1/}
JOBS	2,000,000 ^{2/}
Total	\$56,032,700

^{1/} This funding is included in the operating budget.
^{2/} This funding is included in the JOBS line item.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for

agencies with more than 100 FTE Positions. The budget for DES includes a reduction of (8) GF FTE Positions, (33.6) OF FTE Positions, and (3.9) expenditure authority FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Payment Deferral

The budget continues the \$35,000,000 payment deferral from FY 2013 to FY 2014. DES plans to defer a total of \$35,000,000 in payments from the Special Line Items specified below:

Children Support Services	10,300,000
Emergency and Residential Placement	1,800,000
Foster Care Placement	1,900,000
Home and Community Based Services - Medicaid	20,000,000
Rehabilitation Services	1,000,000

The \$35,000,000 in FY 2013 to pay the amount deferred from FY 2012 to FY 2013 was appropriated in Laws 2011, Chapter 24, so this adjustment does not appear in the General Appropriation Act; however, the amount is included in the General Fund amount for DES in this section. As a result, the FY 2013 General Fund amount of \$612,296,200 would consist of \$35,000,000 from the deferral appropriation and \$577,296,200 from the General Appropriation Act.

TANF Block Grant

The budget appropriates \$220,775,800 of the state's federal TANF Block Grant allocation in FY 2013. *Table 9* provides detailed information on TANF expenditures and appropriations. The table shows that for FY 2013 the appropriation is within the amount that the beginning balance and TANF base revenues make available.

Contingency Fund and Emergency Contingency Fund revenues are not included in the permanent revenue calculation.

Total available TANF revenues are expected to decline from \$264,640,900 in FY 2012 to \$220,775,800 in FY 2013. DES was appropriated \$18,528,600 from LTCSF to offset that loss. In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$220,775,800 in FY 2013, including the beginning balance.

FY 2012 Ex-Appropriation

The FY 2012 supplemental includes an ex-appropriation of \$(12,300,000) from the General Fund in DES. This money will then be appropriated in the Department of Health Services resulting in no net statewide General Fund increase. (*Please see Changes to the Federal Waiver in the AHCCCS narrative.*)

Table 9

TANF Block Grant Spending

<u>Special Line Item</u>	<u>Actual FY 2011</u>	<u>Estimated FY 2012</u>	<u>Approved FY 2013</u>
Operating	\$ 62,971,000	\$ 78,780,000	\$ 78,780,000
Administration			
Attorney General Legal Services	\$ 177,900	\$ 222,700	\$ 222,700
Aging and Community Services			
Community and Emergency Services	\$ 2,583,400	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,458,100	1,649,500	1,649,500
Coordinated Hunger Program	730,100	500,000	500,000
Domestic Violence Prevention	5,705,300	6,620,700	6,620,700
Total - Aging and Community Services	\$ 10,476,900	\$ 12,494,200	\$ 12,494,200
Benefits and Medical Eligibility			
TANF Cash Benefits	\$ 62,931,100	\$ 44,999,400	\$ 44,999,400
Children, Youth and Families			
Children Support Services <u>1/</u>	\$ 32,262,600	\$ 45,254,100	\$ 41,803,600
CPS Emergency and Residential Placement	16,139,400	16,423,000	16,423,000
Foster Care Placement	6,597,400	6,973,100	6,973,100
Permanent Guardianship Subsidy	4,231,600	1,743,000	1,743,000
Adoption Services <u>1/</u>	22,386,700	19,802,400	4,724,300
Total - Children, Youth and Families	\$ 81,617,700	\$ 90,195,600	\$ 71,667,000
Employment and Rehabilitation Services			
JOBS	\$ 8,360,200	\$ 9,894,700	\$ 9,894,700
Day Care Subsidy	2,717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	\$ 11,078,000	\$ 12,612,500	\$ 12,612,500
SUBTOTAL	\$ 229,252,600	\$ 239,304,400	\$ 220,775,800
Administrative Adjustments	4,466,600	241,100	0
Non-Lapsing Authority from Prior Years	0	2,300,000	0
Appropriated 27th Pay Period	0	2,058,900	0
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 233,719,200	\$ 243,904,400	\$ 220,775,800
Beginning Balance	\$ 44,396,800	\$ 47,090,500	\$ 20,736,500
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Population Supplemental Revenues	21,807,900	0	0
TANF Contingency Fund Revenues	10,007,100	17,409,100	0
TANF Stimulus Revenues	4,456,600	0	0
Total TANF Available	280,809,700	264,640,900	220,877,800
Ending Balance	\$ 47,090,500	\$ 20,736,500	\$ 102,000
Permanent Revenues vs Expenditures <u>2/</u>	\$ (29,111,300)	\$ (39,163,100)	\$ (20,634,500)

1/ \$3,450,500 of TANF from Children Support Services and \$15,078,100 of TANF from Adoption Services was shifted to the General Fund in FY 2013.

2/ Difference between Base Revenues and Expenditure Subtotal. Contingency Fund Revenues and Stimulus Revenues are not included in Permanent Revenues.

Department of Education

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	192.5	192.5	171.4 ^{1/}
Personal Services	4,529,400	4,486,700	4,586,700
Employee Related Expenditures	1,988,500	1,998,800	1,992,000
Professional and Outside Services	179,900	1,374,200	184,200
Travel - In State	7,800	7,100	12,100
Travel - Out of State	7,800	7,800	7,800
Other Operating Expenditures	1,637,300	1,020,800	1,039,600
Equipment	101,900	72,900	82,900
OPERATING SUBTOTAL	8,452,600	8,968,300	7,905,300 ^{2/3/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	3,032,088,200	3,094,391,400	3,121,705,000 ^{4-/8/}
K-3 Reading	0	0	40,000,000 ^{9/}
Additional State Aid	414,716,400	351,525,000	303,188,200
Special Education Fund	35,242,100	33,242,100	33,242,100
Other State Aid to Districts	588,700	983,900	983,900
Non-Formula Programs			
Accountability and Achievement Testing	7,254,600	10,218,300	10,218,400 ^{10/}
Arizona Structured English Immersion Fund	8,790,400	4,791,400	8,791,400 ^{11/}
Education Learning and Accountability System	0	0	6,200,000 ^{12/}
English Learner Administration	4,063,900	7,966,500	3,967,700 ^{13/}
Innovative Education Program Grants	0	0	3,000,000 ^{14/}
School Safety Program	1,291,500	0	0
State Block Grant - Vocational Education	11,503,900	11,492,700	11,494,500
Teacher Certification	1,798,100	1,790,700	1,787,700
State Board of Education			
State Board of Education	907,500	895,500	1,583,800 ^{15/}
AGENCY TOTAL	3,526,697,900	3,526,265,800 ^{16/}	3,554,068,000 ^{17/-19/}
FUND SOURCES			
General Fund	3,487,765,200	3,469,297,000	3,496,900,300
Other Appropriated Funds			
Department of Education Empowerment Scholarship Account Fund	0	0	200,000
Education Learning and Accountability Fund	0	1,200,000	1,200,000
Permanent State School Fund	32,497,100	46,475,500	46,475,500
Proposition 301 Fund	4,134,900	7,000,000	7,000,000
Teacher Certification Fund	2,300,700	2,293,300	2,292,200
SUBTOTAL - Other Appropriated Funds	38,932,700	56,968,800	57,167,700
SUBTOTAL - Appropriated Funds	3,526,697,900	3,526,265,800	3,554,068,000
Other Non-Appropriated Funds			
Other Non-Appropriated Funds	432,504,500	467,671,900	456,187,600
Federal Funds	1,325,216,000	1,199,433,400	1,199,433,400
TOTAL - ALL SOURCES	5,284,418,400	5,193,371,100	5,209,689,000

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2013 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 \$7,905,300 and 86.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$7,571,000
Department of Education Empowerment	
Scholarship Account Fund	200,000
Teacher Certification Fund	134,300

These amounts fund the following adjustments:

- 1/ Includes 85 FTE Positions funded from Special Line Items in FY 2013.
- 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 2012, Chapter 360 appropriates an estimated \$200,000 in monies transferred from Arizona Empowerment Scholarship Accounts for administration of the Arizona Empowerment Scholarship Accounts program. These monies are displayed as part of the Operating Subtotal.
- 4/ Includes K-12 rollover appropriation of \$952,627,700 from Laws 2011, Chapter 24. Laws 2012, Chapter 294 appropriates \$952,627,700 in FY 2014 to reflect the deferral of FY 2013 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 2013. (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 \$15,656,000 reduction. (General Appropriation Act footnote)
- 7/ Receipts derived from the Permanent State School Fund and any other nonstate 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)
- 8/ 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)
- 9/ The appropriated amount is for funding costs of the K-3 reading weight established in A.R.S. § 15-943, except that the State Board of Education may use up to \$1,500,000 of the appropriated amount on technical assistance and state level administration of the K-3 reading program. The appropriated amount includes 2 FTE positions. (General Appropriation Act footnote)
- 10/ 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)
- 11/ The department may use a portion of the appropriated amount to fund a new English language proficiency assessment. (General Appropriation Act footnote)
- 12/ For FY 2013, the State Board of Education, in collaboration with the department, shall report quarterly by the last day of each calendar quarter on its progress in implementing the Education Learning and Accountability System and other related projects that may be funded through the Education Learning and Accountability Fund 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. The quarterly report shall include an assessment of progress from an independent third party that is not affiliated with state government. (General Appropriation Act footnote)
- 13/ 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)
- 14/ The State Board of Education shall use the appropriated one-time amount to fund innovative educational programs in public schools. The State Board of Education shall award program funding on a competitive grant basis. Grants shall be awarded only for use in school districts and charter schools for innovative education programs that have a proven track record of success in improving student achievement and on related technology, instructional delivery and materials. Each grantee shall be required to match its state grant with an equal or greater amount of private sector funding. Grantees shall submit a report on program results to the State Board of Education on or before October 1, 2013. (General Appropriation Act footnote)
- 15/ 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)
- 16/ 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.)
- 17/ 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)
- 18/ 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)
- 19/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Move Data System Funding

The budget includes a decrease of \$(1,200,000) from the Education Learning and Accountability Fund in FY 2013 in order to move funding for the Education Learning and Accountability System (ELAS) from the department's operating budget to a separate special line item (see "Education Learning and Accountability System" special line item narrative below for more information).

Empowerment Scholarship Account Administration

Laws 2012, Chapter 360 appropriates \$200,000 from the Department of Education Empowerment Scholarship Account Fund (which it also establishes) in FY 2013 to fund administration of the program authorized in A.R.S. § 15-2402. Chapter 360 authorizes the department to transfer into the new Department of Education Empowerment Scholarship Account Fund up to 5% of amounts transferred from Basic State Aid to students' empowerment accounts pursuant to A.R.S. § 15-2402C. The appropriated amount will be funded from such transfers. Monies in the Department of Education Empowerment Scholarship Account Fund are non-lapsing. The appropriated amount is being displayed as part of the department's operating budget for FY 2013. (See the "Additional Legislation" section for more information on changes to Empowerment Scholarships Accounts made by Chapter 360.)

Statewide Adjustments

The budget includes a decrease of \$(63,000) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(63,400)
Teacher Certification Fund	400

(Please see the Agency Detail and Allocations section.)

Formula Programs

Basic State Aid

The budget includes \$3,121,705,000 in FY 2013 for Basic State Aid. This amount consists of:

General Fund	3,075,229,500
Permanent State School Fund	46,475,500

The \$3,121,705,000 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 2013 because those monies are non-appropriated (see Table 1). It also excludes local property taxes that will help fund K-12 formula costs for FY 2013, as they also are non-appropriated. In addition, it excludes \$40,000,000 appropriated in FY 2013 for costs of a new K-3 Reading weight in the Basic State Aid formula, as those monies are appropriated to a separate special line item (see narrative for "K-3 Reading" special line item below).

The \$3,121,705,000 appropriated total includes a net General Fund increase of \$27,313,600 and no change from the Permanent State School Fund for FY 2013. FY 2013 adjustments are as follows:

Table 1

FY 2013 Basic State Aid Formula Summary

General Fund	
FY 2012 Appropriation ^{1/}	\$3,047,915,900
Base Adjustment	(44,445,700)
Enrollment Growth @ 0.9%	48,118,800
CORL (replace "EduJobs" monies)	35,000,000
Property Taxes - New Construction	(29,390,500)
CORL & Additional Assistance Increases	15,000,000
2.0% Inflation	8,864,700
Career Ladder Phase Out	(8,102,300)
Move Data System Funding	(5,000,000)
Property Taxes - Business Personal Property	4,800,000
JTED QTR Offset	<u>2,468,600</u>
FY 2013 budget	3,075,229,500
K-3 Reading Program (separate Special Line Item)	40,000,000
Permanent State School Fund (no change)	46,475,500
Prop 301 Sales Tax (no change) ^{2/}	86,280,500
Local Property Taxes ^{2/}	
FY 2012 Base	2,300,246,300
Property Taxes from New Construction	<u>29,390,500</u>
FY 2013 Estimated ^{3/}	2,329,636,800
Grand Total (all sources) ^{4/}	\$5,577,622,300

^{1/} Includes FY 2012 supplemental of \$32,714,800 for reversing the state retirement system fund shift included in the original FY 2012 budget.

^{2/} Non-appropriated, so excluded from appropriated totals.

^{3/} An estimated \$294,325,200 of this total will be funded by the state through the Homeowner's Rebate.

^{4/} Statutory formula cost would be approximately \$260,000,000 higher without the Soft Capital, CORL, charter school Additional Assistance and JTED reductions that are continued in the budget on a session law basis.

Retirement Shift

The budget continues funding from the General Fund in FY 2013 to reverse a state retirement fund shift included in the original FY 2012 budget. This maintains for FY 2013 the \$32,714,800 in supplemental General Fund funding that was appropriated in FY 2012 by Laws 2012, Chapter 304 to reverse the fund shift. The shift was originally required by Laws 2011, Chapter 26 and would have reduced employee benefit costs for public schools by an estimated \$(32,714,800) in FY 2012. Chapter 304 repealed the shift prior to the end of FY 2012.

Base Adjustment

The budget includes a decrease of \$(44,445,700) from the General Fund in FY 2013 in order to adjust the program's base budget for a projected FY 2012 surplus due to lower than projected enrollment growth from FY 2011. Payment data from the department indicate a (1.2)% decline in the statewide ADM count for FY 2011. (On a "weighted" ADM basis, the statewide count declined by (0.8)%, with the difference being due to growth in special education "Group B" counts.) That decline affected formula costs for non-growing districts for FY 2012, since their formula costs are based on prior year ADM. The FY 2012 budget assumed 0.9% (positive) ADM growth for FY 2011.

Enrollment Growth

The budget includes an increase of \$48,118,800 from the General Fund in FY 2013 for enrollment growth. This assumes that total K-12 formula costs will increase by approximately 0.9% in FY 2013 due to 0.4% ADM growth for K-12 students as a whole (*see Table 2*) and 3.7% 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.

Table 2

Fiscal Year	K-12 ADM (unweighted) ^{1/}				
	Districts	Charters	Total	Change	% Change
2008	947,396	93,851	1,041,247	15,542	1.5%
2009	941,138	101,145	1,042,283	1,036	0.1%
2010	935,845	110,821	1,046,666	4,383	0.4%
2011	913,781	120,173	1,033,954	(12,712)	(1.2)%
2012 est	907,828	132,779	1,040,608	6,654	0.6%
2013 est	903,895	141,172	1,045,067	4,460	0.4%

^{1/} Actuals for FY 2008 through FY 2011 are from ADE payment data.

Table 3

Fiscal Year	Special Education ADM (unweighted) ^{1/}				
	Districts	Charters	Total	Change	% Change
2008	14,383	498	14,881	930	6.7%
2009	15,182	588	15,770	889	6.0%
2010	15,461	734	16,195	425	2.7%
2011	16,244	928	17,172	977	6.0%
2012 est	16,804	1,068	17,872	700	4.1%
2013 est	17,359	1,175	18,534	662	3.7%

^{1/} Actuals for FY 2008 through FY 2011 are from ADE payment data. Excludes “Group B” category that only receives funding weight of 0.003 (100,264 additional students for FY 2011).

CORL/EduJobs

The budget includes an increase of \$35,000,000 from the General Fund in FY 2013 in order to replace one-time federal “EduJobs” monies that are no longer available to help fund Capital Outlay Revenue Limit (CORL) formula costs for FY 2013. The General Appropriation Act for FY 2012 (Laws 2011, Chapter 24) reduced CORL funding to school districts by \$(35,000,000) in FY 2012, but authorized school districts to use a portion of their one-time federal “EduJobs” monies in order to offset the reduction. This adjustment restores the associated \$35,000,000 in state CORL funding for FY 2013. The federal “EduJobs” law was enacted into law in August 2010 and provided states with \$10 billion in assistance to save or create education jobs for the 2010-2011 school year. (*See “Federal Funds Cut/Backfill” narrative on page 87 of the FY 2012 Appropriations Report for more information.*)

Property Taxes from New Construction

The budget includes a decrease of \$(29,390,500) from the General Fund in FY 2013 due to a projected 1.43% increase in statewide Net Assessed Value (NAV) from

new construction in FY 2013. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated \$29,390,500 in FY 2013. It also will decrease state costs by \$(29,390,500), 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 (9.72)% in FY 2013, resulting in a net (8.29)% NAV decline for new construction and existing property combined for FY 2013.

The projected (9.72)% NAV decline for existing property will not affect net QTR or SETR collections in FY 2013, 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 \$3.92 (from \$3.54 currently) and the SETR will increase to \$0.47 (from \$0.43 currently) in FY 2013 in order to offset the estimated (9.72)% NAV decrease for existing property (*see Table 4*).

Table 4

Tax Rate	TNT Tax Rates	
	FY 2012	FY 2013
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.7682	\$1.9585
• Unified districts and elementary districts not located within a high school district	\$3.5364	\$3.9170
• State Equalization Tax Rate (SETR)	\$0.4259	\$0.4717

CORL and Additional Assistance

The budget includes an increase of \$15,000,000 from the General Fund in FY 2013 for increases in CORL and Additional Assistance funding. This amount includes a \$13,000,000 CORL increase and \$2,000,000 Additional Assistance increase for FY 2013. Both increases will be implemented by reducing formula suspensions continued from FY 2012. The \$2,000,000 Additional Assistance increase will reduce the Additional Assistance suspension from \$(17,656,000) in FY 2012 to \$(15,656,000) in FY 2013. The \$13,000,000 CORL increase will reduce the CORL suspension from \$(63,864,800) in FY 2012 to \$(50,864,800) in FY 2013.

The actual CORL suspension for FY 2013, however, will be \$(80,864,800) because \$(30,000,000) of the continued Soft Capital suspension from FY 2012 is being shifted to CORL due to declining Soft Capital allocations. The Soft Capital funding suspension for FY 2013 will be \$(158,120,700) versus \$(188,120,700) for FY 2012 because of this funding shift. The shift will have no practical effect on school districts because they can spend both CORL and Soft Capital funding on the same items.

The required formula suspensions for CORL, Soft Capital and Additional Assistance for FY 2013 are all authorized by the K-12 Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 300). The K-12 Education BRB also continues for FY 2013 a \$5,000,000 cap on the sum of Soft Capital and CORL reductions for school districts with a student count of fewer than 1,100 pupils.

2.0% Inflation Adjustment

The budget includes an increase of \$8,864,700 from the General Fund in FY 2013 for a 2.0% 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 2.0% increase in the “base level” prescribed in A.R.S. § 15-901B2, which the K-12 Education BRB keeps at the FY 2012 level of \$3,267.72 for FY 2013. Funding a 2.0% increase in the base level for FY 2013 would have cost an additional estimated \$87,515,800 for a total estimated inflation adjustment cost of \$96,380,500.

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 budgeted FY 2013 adjustment is 2.0%, which is slightly lower than the currently reported 2.1% GDP price deflator for calendar year 2011. 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 and FY 2012, only the latter 2 items were increased for inflation. The FY 2013 budget continues the policy of the prior 2 years.

A lawsuit was 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 currently remains under appeal.

Career Ladder Phase Out

The budget includes a decrease of \$(8,102,300) from the General Fund in FY 2013 for the second year of a 5-year phase out of Career Ladder funding required by Laws 2011, Chapter 29. Chapter 29 phases out existing Career Ladder funding over 5 fiscal years, starting in FY 2012, 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 budgeted \$(8,102,300) decrease will provide Career

Ladder districts with an estimated \$42,643,300 in total program funding for FY 2013. That total includes an estimated \$7,232,800 in state funding and \$35,410,500 from local property taxes. A total of 28 school districts participate in the Career Ladder program.

Move Data System Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2013 in order to move General Fund funding for the new Education Learning and Accountability System (ELAS) from Basic State Aid to a separate special line item. (See “Education Learning and Accountability System” special line item narrative below for more information.)

Business Personal Property

The budget includes an increase of \$4,800,000 from the General Fund in FY 2013 in order to offset an anticipated reduction in K-12 QTR tax collections for FY 2013 due to tax law changes pertaining to business personal property. Laws 2011, 2nd Special Session, Chapter 1 modifies the depreciation schedule for business personal property in a manner that will decrease that taxable value of such property starting in FY 2013. This change is expected to reduce K-12 QTR revenues by an estimated \$(4,800,000) in FY 2013. This will increase state costs under the K-12 formula by an estimated \$4,800,000, since QTR revenues offset state K-12 formula costs on a dollar for dollar basis.

JTED QTR Offset

The budget includes an increase of \$2,468,600 from the General Fund in FY 2013 in order to offset a reduction in QTR revenues that Joint Technical Education Districts (JTEDs) otherwise would experience in FY 2013 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 \$(2,468,600) in FY 2013 due to the anticipated (8.29)% decline in statewide property values for the budget year. Unlike school districts’ “main” QTR, the JTED QTR is set at a flat 5¢ and does not change annually along with property values. The FY 2012 budget included first-time funding for this issue.

On a related note, the K-12 Education BRB continues to fund state aid for JTEDs at 91% of the amount that otherwise would be provided by law. It also amends A.R.S. § 393D5b to allow JTEDs to fund JTED courses for 8th Graders using its local 5¢ QTR monies.

Endowment Earnings

The budget includes no change from the Permanent State School Fund in FY 2013 for endowment earnings funding for Basic State Aid. This assumes no change in 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, which would remain at \$25,787,500 for FY 2013. This

leaves the amount of land trust monies available to fund Basic State Aid in FY 2012 at \$46,475,500 (unchanged). A.R.S. § 37-521 caps the amount of K-12 endowment earnings that may be used for SFB debt service and Basic State Aid combined at the FY 2001 level of endowment earnings, which was \$72,263,000.

Endowment Earnings consist of interest and other gains 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 2013 for the K-12 rollover. This continues to defer through the General Appropriation Act \$952,627,700 of current year (now FY 2013) state aid payments until the following fiscal year (now FY 2014). As a result, the 12 monthly payments that school districts will receive in FY 2013 under the budget will again consist of approximately 4.5 months of deferred payments from the prior year and 7.5 (rather than 12) payments from the current year. Laws 2011, Chapter 24 advance appropriated \$952,627,700 from the General Fund in FY 2013 in order to fund the \$952,627,700 deferred obligation from FY 2012. Those monies therefore do not appear in the FY 2013 General Appropriation Act. The Act, however, advance appropriates \$952,627,700 from the General Fund in FY 2014 in order to fund the deferred FY 2013 obligation. The General Appropriation Act for FY 2013 also continues to require school districts to include in the FY 2013 revenue estimates that they use for computing their FY 2013 tax rates the rollover monies that they will receive for FY 2013 in July or August 2013.

As a result of existing rollovers, the budget continues to include a total deferred obligation of \$952,627,700 for FY 2013. 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.

Early Graduation Scholarship Program

The budget includes no change from the General Fund in FY 2013 for the Early Graduation Scholarship program authorized in A.R.S. § 15-105. The K-12 Education BRB continues to suspend new funding for the program, but allow current participants to continue to receive scholarships to the extent permitted by existing fund balances.

K-3 Reading

The budget includes \$40,000,000 and 2 FTE Positions from the General Fund in FY 2013 for a new K-3 Reading program. These amounts fund the following adjustments:

New Program

The budget includes an increase of \$40,000,000 and 2 FTE Positions from the General Fund in FY 2013 for a new K-3 reading program. The K-12 Education BRB requires the State Board of Education, in collaboration with the department, to establish a program to improve the reading proficiency of pupils in Grades K-3. It also establishes a new K-3 Reading "Group B" weight in A.R.S. § 15-943 to provide formula funding for the program. The General Appropriation Act appropriates \$40,000,000 and 2 FTE Positions from the General Fund to a new Special Line Item in FY 2013 to fund the new weight and program. It stipulates that the State Board of Education may use up to \$1,500,000 of the appropriated amount on technical assistance and state level program administration.

A.R.S. § 15-211, as added by the K-12 Education BRB, requires school districts and charter schools to submit to the State Board of Education by October 1, 2012 a plan for improving the reading proficiency of their K-3 pupils. The plan shall include baseline data and a budget for spending monies from both the current K-3 weight and the new K-3 Reading weight established in A.R.S. § 15-943. A.R.S. § 15-211 also stipulates that each school district and charter school that is assigned a letter grade of "C," "D," or "F" pursuant to A.R.S. § 15-241, Subsection H, or that has more than 10% of its 3rd Grade pupils reading "far below" the 3rd Grade level on the AIMS Reading test shall receive monies from the new K-3 Reading "Group B" weight only after the State Board of Education has approved its K-3 Reading program plan. Beginning in FY 2014, A.R.S. § 15-211 requires each school district and charter school to submit to the State Board of Education by October 1 an updated K-3 Reading program plan that includes data on program expenditures and results.

Additional State Aid

The budget includes \$303,188,200 from the General Fund in FY 2013 for Additional State Aid (ASA). This amount funds the following adjustments:

Base Adjustment

The budget includes a decrease of \$(13,382,100) from the General Fund in FY 2013 in order to adjust the program's base budget to align with actual reported costs for FY 2012. The program is projected to be overfunded in FY 2012 due to higher than assumed savings for statutory changes that limit the Homeowner's Rebate to QTR funding only starting in FY 2012 and other technical factors.

1% Cap

The budget includes an increase of \$2,045,300 from the General Fund in FY 2013 for projected changes in “1% Cap” costs. This pertains to Article IX, Section 18 of the State Constitution, which limits Class 3 primary property taxes to no more than 1% of a home’s full cash value. State costs for funding homeowners’ primary property taxes above the 1% cap are expected to increase by \$2,045,300 in FY 2013 to a total of \$8,863,000 under current JLBC Staff estimates due to a rising QTR (see Table 4) and declining property values.

New Restrictions

The budget includes a decrease of \$(39,000,000) from the General Fund in FY 2013 for new restrictions on Homeowner’s Rebate funding that were scheduled to take effect in FY 2013 pursuant to Laws 2011, 2nd Special Session, Chapter 1. Chapter 1 limited the Homeowners’ Rebate to primary residences only and required all homeowners to submit an affidavit that a home is their primary residence. These changes were estimated to reduce program costs by approximately \$(39,000,000) in FY 2013. Laws 2012, Chapter 350, however, replaces the affidavit process from Chapter 1 with an expanded review of only those properties considered most likely to be misclassified. This includes properties where the owner 1) has a mailing address outside the county where home is located, 2) has a mailing address different than the home’s location, 3) has the same mailing address for multiple homes, or 4) appears to be a business entity. The budget assumes that Chapter 350 will result in the same \$(39,000,000) decrease in Homeowner’s Rebate costs in FY 2013 that was assumed to occur under Chapter 1.

Reimburse Counties

The budget includes an increase of \$2,000,000 from the General Fund in FY 2013 for county reimbursements associated with Laws 2011, 2nd Special Session, Chapter 1. That law requires the state to reimburse in FY 2013 the costs incurred by county assessors in FY 2012 in reclassifying residential property as Class 4 if it is not the owner’s primary residence, as required by that Act. At the time of enactment, those costs were estimated at \$2,000,000. Laws 2011, 2nd Special Session, Chapter 1 required the Department of Revenue to prescribe record keeping and reporting requirements for counties for this issue in order to establish required reimbursement amounts. The final cost of county reimbursements for this issue, if any, is unknown at the time of publication.

Special Education Fund

The budget includes \$33,242,100 and 1 FTE Position from the General Fund in FY 2013 for the Special Education Fund Special Line Item. These amounts are unchanged from FY 2012.

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) programs for the developmentally disabled 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.

Other State Aid to Districts

The budget includes \$983,900 from the General Fund in FY 2013 for Other State Aid to Districts. This amount is unchanged from FY 2012.

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.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes \$10,218,400 and 2 FTE Positions in FY 2013 for Accountability and Achievement Testing. These amounts consist of:

General Fund	3,218,400
Proposition 301 Fund	7,000,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a increase of \$100 from the General Fund in FY 2013 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.

<u>Fiscal Year</u>	<u>Contract Cost</u>
FY 2010	\$11,833,200
FY 2011	13,487,600
FY 2012	15,001,000
FY 2013	13,652,300
FY 2014	14,243,100
Total	\$68,217,200

Arizona Structured English Immersion Fund

The budget includes \$8,791,400 from the General Fund in FY 2013 for the Arizona Structured English Immersion Fund. This amount funds the following adjustments:

Reverse One-Time Fund Shift

The budget includes an increase of \$4,000,000 from the General Fund in FY 2013 to reverse a one-time fund shift that occurred during FY 2012. In October 2012 the department shifted \$4,000,000 of the Arizona Structured English Immersion Fund appropriation for FY 2012 to the English Learner Administration program in order to help fund replacement of the English language proficiency (“AzELLA”) test for English Learners. The FY 2013 budget reverses that fund shift, but includes a General Appropriation Act footnote authorizing the department to use a portion of the program’s FY 2013 appropriation for AzELLA replacement. The department indicates that it will cost a total of \$9,500,000 over 2 years to replace the AzELLA test.

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.

Education Learning and Accountability System

The budget includes \$6,200,000 for the Education Learning and Accountability System (ELAS) in FY 2013. This amount consists of:

General Fund	5,000,000
Education Learning and Accountability Fund	1,200,000

These amounts are unchanged from FY 2012. For FY 2013, however, they are moved into a separate Education Learning and Accountability System Special Line Item from other areas of the agency budget. (For FY 2012, the \$5,000,000 General Fund amount was included in the department’s Basic State Aid appropriation and the \$1,200,000 Education Learning and Accountability Fund amount was included in the department’s operating budget.)

The \$1,200,000 appropriation from the Education Learning and Accountability Fund for FY 2013 is from continuation of a \$6 per Full Time Student Equivalent (FTSE) fee that the K-12 Education BRB requires community colleges and universities to transfer into the fund for FY 2013. The K-12 Education BRB also amends the law establishing the Education Learning and Accountability Fund (A.R.S. § 15-249) to clarify that the fund is subject to appropriation other than General Fund monies deposited into the fund.

The ELAS is intended 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.

English Learner Administration

The budget includes \$3,967,700 and 19 FTE Positions from the General Fund in FY 2013 for English Learner Programs. These amounts fund the following adjustments:

Reverse One-Time Fund Shift

The budget includes a decrease of \$(4,000,000) from the General Fund in FY 2013 to reverse a one-time fund shift that occurred during FY 2012. (*Please see Arizona Structured English Immersion Fund special line item narrative for more information.*)

Statewide Adjustments

The budget includes an increase of \$1,200 from the General Fund in FY 2013 for statewide adjustments.

The English Learner Administration 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 publication. (*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.

Innovative Education Program Grants

The budget includes \$3,000,000 from the General Fund in FY 2013 for Innovative Education Program Grants. This amount funds the following adjustments:

New Program

The budget includes an increase of \$3,000,000 from the General Fund in FY 2013 to provide one-time funding for innovative educational programs in public schools. A footnote in the General Appropriation Act requires the State Board of Education to award program funding on a competitive grant basis. It also limits awards to innovative education programs with a proven track record of success in improving student achievement and on related technology, instructional delivery and materials. Grantees are required to match their state grant with an equal or greater amount of private sector funding and are required to report program results by October 1, 2013.

School Safety Program

The budget includes no funding in FY 2013 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 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, but some carry forward General Fund monies were spent by the program in FY 2011.

State Block Grant for Vocational Education

The budget includes \$11,494,500 and 28 FTE Positions from the General Fund in FY 2013 for the State Block Grant for Vocational Education. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a increase of \$1,800 from the General Fund in FY 2013 for statewide adjustments.

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 \$25,000,000 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.

Teacher Certification

The budget includes \$1,787,700 and 23 FTE Positions from the Teacher Certification Fund in FY 2013 for Teacher Certification. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,000) from the General Fund in FY 2013 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.

State Board of Education

State Board of Education

The budget includes \$1,583,800 and 10 FTE Positions in FY 2013 for the State Board of Education. These amounts consist of:

General Fund	1,213,600
Teacher Certification Fund	370,200

These amounts fund the following adjustments:

Certification Investigations

The budget includes an increase of \$686,600 and 2 FTE Positions from the General Fund in FY 2013 for investigations of alleged immoral or unprofessional conduct against certificated school personnel. The increase includes \$500,000 in one-time funding to finalize development of a related database.

Statewide Adjustments

The budget includes an increase of \$1,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	200
Teacher Certification Fund	1,500

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.

Additional Legislation

School Finance Revisions

Laws 2012, Chapter 357 repeals a provision in Laws 2010, Chapter 318 that otherwise would have required ADM to be counted on 4 specific days rather than over the first 100 days of the school year starting in FY 2013. It also limits ADE audits to 3 years after an audit begins, gives ADE 3 years to correct budget errors (versus 1 year currently), authorizes increased transportation funding if a school district has a 200 day calendar (which is rare), and permits a JTED student to continue to count as 1.75 ADM for FY 2013 only if they are enrolled in JTED courses taught in a facility leased and operated by a JTED.

Empowerment Scholarships Accounts

Laws 2012, Chapter 360 expands the Empowerment Scholarship Account program authorized in A.R.S. § 15-2401 to include 1) students attending a school district that has been assigned a letter grade of "D" or "F" pursuant to A.R.S. § 15-241, 2) a child of a parent who is a member of

the United States armed forces and who is on active duty, 3) a child who is a ward of the juvenile court and who is residing with a prospective permanent placement, and 4) a child who was a ward of the juvenile court and who has been adopted or gained permanent guardianship. The program establishes for each eligible student an Empowerment Scholarship Account (ESA) that the student can use to attend private school or fund other educational expenses, such as textbooks and tutoring. ESAs are funded with a portion of the Basic State Aid monies that a school district or charter school otherwise would have received for the student if they had remained in public school. Prior to Chapter 360 only students with disabilities were eligible for ESAs. Approximately 140 students received ESA funding during FY 2012. (See the "Operating Budget" section above for additional information.)

School Tuition Organizations

Laws 2012, Chapter 4 establishes a new individual income tax credit of up to \$500 per single filer and \$1,000 for married couples filing jointly for contributions to a School Tuition Organization (STO). The new credit is allowed only if the filer already has claimed the maximum credit allowed under the existing STO Tax Credit program for individuals authorized by A.R.S. § 43-1089, which also is \$500 per single filer and \$1,000 per married couple filing jointly. Scholarship monies generated by the new credit would be available only to students who either 1) attended public school full-time for at least 90 days in the prior year and transferred to private school, 2) are the dependent of a member of the armed forces, 3) are entering Kindergarten, or 4) received a STO scholarship (individual or corporate) in the prior year under the first 3 criteria.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Department of Education includes a reduction of (21.1) General Fund and (4) Other Fund FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Education's share of this Non-General Fund charge will be \$132,000. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Department of Emergency and Military Affairs

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
PROGRAM BUDGET			
Administration	1,626,700	1,717,500	1,706,000
Emergency Management	3,217,000	4,744,900	4,756,500
Military Affairs	4,234,200	2,501,400	2,504,500
AGENCY TOTAL	9,077,900	8,963,800	8,967,000
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	83.6	83.6	66.6 ^{1/2/}
Personal Services	1,659,000	1,702,700	1,702,700
Employee Related Expenditures	675,900	662,000	670,200
Professional and Outside Services	83,500	79,900	79,900
Travel - In State	72,500	72,200	72,200
Travel - Out of State	12,700	13,800	13,800
Other Operating Expenditures	2,372,200	2,307,600	2,293,000
Equipment	131,700	131,300	131,300
OPERATING SUBTOTAL	5,007,500	4,969,500	4,963,100
SPECIAL LINE ITEMS			
Governor's Emergency Fund	1,532,200	2,900,000	2,900,000 ^{3/}
Military Airport Planning	46,000	90,000	90,000 ^{4/}
Nuclear Emergency Management Fund	929,500	1,004,300	1,013,900 ^{5/6/}
Project Challenge	1,562,700	0	0
AGENCY TOTAL	9,077,900	8,963,800 ^{7/}	8,967,000 ^{8/9/10/}
FUND SOURCES			
General Fund	9,070,500	8,831,100	8,834,300
<u>Other Appropriated Funds</u>			
Emergency Response Fund	7,400	132,700	132,700
SUBTOTAL - Other Appropriated Funds	7,400	132,700	132,700
SUBTOTAL - Appropriated Funds	9,077,900	8,963,800	8,967,000
Other Non-Appropriated Funds	966,300	1,131,500	1,131,500
Federal Funds	75,621,700	46,004,100	38,212,900
TOTAL - ALL SOURCES	85,665,900	56,099,400	48,311,400

1/ Includes 4.5 FTE Positions in FY 2013 appropriated by Laws 2011, Chapter 132.

2/ Includes 1 FTE Position funded from Special Line Items in FY 2013.

3/ Includes expenditures authorized by A.R.S. § 35-192, which states that up to \$4,000,000 may be spent on disaster prevention and mitigation. This amount is not included in the General Appropriation Act. The budget includes total funding of \$2,900,000 for a reduction of \$(1,100,000) as a part of Laws 2012, Chapter 298.

4/ Appropriated by A.R.S. § 26-263 for the administration of the Military Installation Fund.

5/ 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.

6/ 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.

7/ 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.)

8/ 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 2013 monies remaining unexpended and unencumbered on October 31, 2013, revert to the state General Fund. (General Appropriation Act footnote)

9/ General Appropriation Act funds are appropriated as a Lump Sum by Program.

10/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

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, the Military Installation Fund Program and Project Challenge, an educational program for at-risk youth.

Operating Budget

The budget includes \$4,963,100 and 60.1 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$4,830,400
Emergency Response Fund	132,700

These amounts fund the following adjustments:

FTE Reduction

The budget includes a decrease of (17) FTE Positions from the General Fund in FY 2013 as a result of the elimination of funding for the Project Challenge Program in FY 2012.

Statewide Adjustments

The budget includes a decrease of \$(6,400) from the General Fund in FY 2013 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 2013 for the Governor's Emergency Fund. This amount is unchanged from FY 2012.

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 2013 Government Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 298) 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 2013 for Military Airport Planning. This amount is unchanged from FY 2012.

The FY 2012 General Government BRB eliminated 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 \$1,013,963 and 4.5 FTE Positions from the General Fund in FY 2013 for the Nuclear Emergency Management Fund (NEMF). This amount funds the following adjustments:

NEMF Increase

The budget includes an increase of \$9,600 from the General Fund in FY 2013 for the NEMF Special Line Item.

Laws 2011, Chapter 132 appropriated \$1,004,355 and 4.5 FTE Positions in FY 2012 and \$1,013,963 and 4.5 FTE Positions in FY 2013. Since the monies in this line item are appropriated by Laws 2011, Chapter 132, 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.)*

Additional Legislation

Governor's Emergency Fund Authorization

Laws 2012, Chapter 307 allows the Governor to reallocate previously obligated Governor's Emergency Fund monies to an outstanding balance for another declared emergency or disaster. The reallocated monies do not count toward the annual authorization cap and are available for expenditure so long as the emergency or disaster has an outstanding obligation.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Emergency and Military Affairs' share of this Non-General Fund charge will be \$115,300. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Department of Environmental Quality

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	467.4	467.4	322.0
Personal Services	12,545,100	15,572,300	17,496,100
Employee Related Expenditures	5,328,700	6,927,300	7,362,500
Professional and Outside Services	1,349,200	5,561,600	5,561,600
Travel - In State	269,900	437,200	437,200
Travel - Out of State	3,300	43,300	43,300
Other Operating Expenditures	12,821,200	16,048,300	16,133,100
Equipment	474,800	327,900	327,900
OPERATING SUBTOTAL	32,792,200	44,917,900	47,361,700
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	20,832,800	20,119,500	21,119,500
WQARF Priority Site Remediation	7,000,000	7,000,000	7,000,000 ^{1/2/3/}
AGENCY TOTAL	60,625,000	72,037,400 ^{4/}	75,481,200 ^{5/6/}
FUND SOURCES			
General Fund	7,000,000	7,000,000	7,000,000
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	4,962,900	7,029,600	7,038,800 ^{7/}
Air Quality Fund	2,262,500	5,374,000	5,379,100
Clean Water Revolving Fund	4,162,500	0	0
Emissions Inspection Fund	24,039,800	25,550,500	28,354,300
Hazardous Waste Management Fund	942,600	1,716,400	1,718,900
Indirect Cost Recovery Fund	11,705,500	12,905,700	13,008,700 ^{8/}
Recycling Fund	0	0	1,200,000
Solid Waste Fee Fund	1,147,000	1,923,600	1,226,600
Underground Storage Tank Revolving Fund	0	22,000	22,000
Used Oil Fund	13,200	138,900	138,900
Water Quality Fee Fund	4,389,000	10,376,700	10,393,900
SUBTOTAL - Other Appropriated Funds	53,625,000	65,037,400	68,481,200
SUBTOTAL - Appropriated Funds	60,625,000	72,037,400	75,481,200
Other Non-Appropriated Funds	288,558,100	259,442,300	259,442,300
Federal Funds	35,601,900	20,571,600	20,571,600
TOTAL - ALL SOURCES	384,785,000	352,051,300	355,495,100

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.

^{1/} A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure. Laws 2012, Chapter 303 reduced this transfer to \$7,000,000 in FY 2013.

^{2/} The Department of Environmental Quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. This report shall also include a budget for the WQARF program that is developed in consultation with the WQARF Advisory Board. The FY 2013 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2012. This budget shall specify the monies budgeted for each listed site during FY 2013. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, by October 2, 2012, 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 2012, whether the current stage of remediation is anticipated to be completed in FY 2013, and the anticipated stage of remediation at each listed site at the end of FY 2013, assuming FY 2013 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)

Operating Budget

The budget includes \$47,361,700 and 322 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
Air Permits Administration Fund	\$7,038,800
Air Quality Fund	5,379,100
Emissions Inspection Fund	7,234,800
Hazardous Waste Management Fund	1,718,900
Indirect Cost Recovery Fund	13,008,700
Recycling Fund	1,200,000
Solid Waste Fee Fund	1,226,600
Underground Storage Tank Revolving Fund	22,000
Used Oil Fund	138,900
Water Quality Fee Fund	10,393,900

These amounts fund the following adjustments:

Solid Waste Program Adjustments

The budget includes an increase of \$500,000 and 22.8 FTE Positions in FY 2013 for Solid Waste Program adjustments. These amounts fund the following adjustments:

Recycling Fund	1,200,000
Solid Waste Fee Fund	(700,000)

Laws 2011, Chapter 220 authorized the Director of ADEQ to establish fees by rule that would be deposited into the Solid Waste Fee Fund. ADEQ will lower the Solid Waste program fees. This loss of revenue is being offset by use of Recycling Program fees. Chapter 220 also authorized ADEQ to use Recycling Fund monies for the Solid Waste Program. In FY 2010 the Recycling Fund appropriation was eliminated, which frees up the use of these monies for the Solid Waste program.

Emission Inspection Operating Increase

The budget includes an increase of \$1,800,000 from the Emissions Inspection Fund in FY 2013 for the Safe Drinking Water program. The Environment Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 303) authorizes ADEQ to use up to \$1,800,000 from the Emissions Inspection Fund for this purpose. The operating increase is supplanting the use of Water Infrastructure

Financing Authority (WIFA) monies for the Safe Drinking Water program, which frees up the use of WIFA monies for low interest public water systems loans.

Statewide Adjustments

The budget includes an increase of \$143,800 in FY 2013 for statewide adjustments. This amount consists of:

Air Permits Administration Fund	9,200
Air Quality Fund	5,100
Emissions Inspection Fund	3,800
Hazardous Waste Management Fund	2,500
Indirect Cost Recovery Fund	103,000
Solid Waste Fee Fund	3,000
Water Quality Fee Fund	17,200

(Please see the Agency Detail and Allocations section.)

Emissions Control Contractor Payment

The budget includes \$21,119,500 from the Emissions Inspection Fund in FY 2013 for the Emissions Control Contractor Payment. This amount funds the following adjustments:

Emissions Payment Increase

The budget includes an increase of \$1,000,000 from the Emissions Inspection Fund in FY 2013 for additional emissions costs. ADEQ projects an increase in the number of vehicles requiring inspections in FY 2013.

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.

^{3/} Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2013 budget for the Water Quality Assurance Revolving Fund before September 1, 2012, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)

^{4/} 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.)*

^{5/} General Appropriation Act funds are appropriated by Operating Lump Sum with Special Line Items by Agency.

^{6/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

^{7/} All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$7,038,800 in FY 2013 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$7,038,800 in FY 2013, 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)

^{8/} All Indirect Cost Fund Recovery revenues received by the Department of Environmental Quality in excess of \$13,308,700 in FY 2013 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$13,308,700 in FY 2013, 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)

The Environment BRB requires the State Agency Fee Commission (SAFC) to recommend reductions to Emission Inspection fees by December 31, 2012, along with any proposed changes to the statutory usage of monies from the Emissions Inspection Fund.

WQARF Priority Site Remediation

The budget includes \$7,000,000 from the General Fund in FY 2013 for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. This amount is unchanged from FY 2012.

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 BRB notwithstanding these statutory provisions and reduces the General Fund allocation to \$7,000,000. *Table 1* describes program activity for FY 2011 and FY 2012.

WQARF Activity		
	Actual FY 2011	Estimated FY 2012
Balance Forward	\$ 5,060,200	\$ 3,502,300
General Fund	7,000,000	7,000,000
Other Revenue	<u>3,910,000</u>	<u>4,085,500</u>
Total Funds Available	\$15,970,200	\$14,587,800
General Fund Expenditures	\$ 6,958,200	\$ 7,000,000
Other Funds Expended	4,699,100	1,142,800
Funds Transferred		
Dept. of Water Resources	\$ 300,000	\$ 300,000
Legislative Fund Transfers	<u>510,600</u>	<u>536,200</u>
Year-End Fund Balance	\$ 3,502,300	\$ 5,608,800

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 suspends the Underground Storage Tank (UST) Revolving Fund Assurance Account administrative cap for FY 2013 and allows the department to utilize up to a combined \$6,531,000 from the UST Revolving Fund Assurance Account and the Regulated Substance Fund (RSF) for administrative costs.

The UST fund receives revenues from a 1 cent per gallon gas tax. These monies are expended for the clean up of regulated USTs from the UST Assurance Account. The deadline to make a claim against the Assurance Account was June 30, 2010.

If there are any funds remaining in the Assurance Account, they are to be deposited into the Regulated Substance Fund (RSF) which was established for cleanup of existing and future UST releases. The excise tax sunsets upon the RSF receiving \$60 million, or December 31, 2013, whichever occurs first.

Wastewater Permits

The Environment BRB requires ADEQ to transfer the ownership of all wastewater permits to a municipality that is assuming ownership of a wastewater plant from a county.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for ADEQ includes a reduction of (168.2) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

The Department's 322 FTE ceiling is allocated as follows:

Fund	FTE
Air Permits Administration Fund	45
Air Quality Fee Fund	27
Emissions Inspection Fund	26
Hazardous Waste Management Fund	18
Indirect Cost Recovery Fund	94
Recycling Fund	5
Solid Waste Fee Fund	19
Water Quality Fee Fund	88

As of March 31, 2012, the department had 230 filled appropriated FTE Positions (plus 120 non-appropriated and 128 federal FTE Positions). The department plans to fill 69 FTE Positions and transfer in FTE Positions for a total of 322 appropriated FTE Positions.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB, revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation

will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. ADEQ's share of this Non-General Fund charge will be \$135,600. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

<i>Fund Transfers</i>

The budget includes the following FY 2013 transfer from this agency's fund to the General Fund:

Emissions Inspection Fund	10,000,000
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Governor's Office of Equal Opportunity

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	95,000	100,700	100,700
Employee Related Expenditures	31,000	41,100	40,800
Professional and Outside Services	2,000	5,000	5,000
Travel - In State	300	1,200	1,200
Travel - Out of State	65,300	40,700	40,700
Other Operating Expenditures	0	0	(1,300)
AGENCY TOTAL	193,600	188,700^{1/}	187,100^{2/3/}
FUND SOURCES			
General Fund	193,600	188,700	187,100
SUBTOTAL - Appropriated Funds	193,600	188,700	187,100
Federal Funds	68,000	68,000	68,000
TOTAL - ALL SOURCES	261,600	256,700	255,100

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 \$187,100 and 4 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,600) from the General Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Governor's Office of Equal Opportunity's share of this Non-General Fund charge will be \$100. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

State Board of Equalization

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	296,400	325,800	325,800
Employee Related Expenditures	109,200	116,200	115,200
Professional and Outside Services	14,300	29,500	29,500
Travel - In State	12,800	15,000	15,000
Other Operating Expenditures	132,600	142,000	144,000
AGENCY TOTAL	565,300	628,500^{1/}	629,500^{2/3/}
FUND SOURCES			
General Fund	565,300	628,500	629,500
SUBTOTAL - Appropriated Funds	565,300	628,500	629,500
TOTAL - ALL SOURCES	565,300	628,500	629,500

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 \$629,500 and 7 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,000 from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Board of Executive Clemency

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	422,500	486,800	524,700
Employee Related Expenditures	214,100	175,800	175,400
Professional and Outside Services	4,800	5,100	5,100
Travel - In State	900	1,500	1,500
Other Operating Expenditures	168,800	122,000	112,000
Equipment	42,900	2,800	2,800
AGENCY TOTAL	854,000	794,000^{1/}	821,500^{2/3/}

FUND SOURCES			
General Fund	854,000	794,000	821,500
SUBTOTAL - Appropriated Funds	854,000	794,000	821,500
TOTAL - ALL SOURCES	854,000	794,000	821,500

AGENCY DESCRIPTION — The board consists of 1 full-time chairman and 4 full-time members. The board conducts home arrest, parole, or work furlough release hearings at all adult prison institutions for prisoners convicted prior to January 1, 1994. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for all prisoners convicted on or after January 1, 1994.

Operating Budget

The budget includes \$821,500 and 14 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Annual Leave Payout

The budget includes a decrease of \$(13,200) from the General Fund in FY 2013 for one-time annual leave payout of a board member whose term had expired in FY 2012.

Board Member Hourly Pay

The budget includes an increase of \$48,900 from the General Fund in FY 2013 for the hourly compensation of the board members. The FY 2013 Criminal Justice Budget Reconciliation Bill (Laws 2012, Chapter 302) requires members of the board to be compensated on an hourly basis without paid leave or other benefits provided to state employees in FY 2013. Previously, all members of the Board except the Chairman were excluded from working more than 30 hours and receiving paid leave or other state employee benefits.

Statewide Adjustments

The budget includes a decrease of \$(8,200) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

Caseload Data

The following displays the FY 2011 Board of Executive Clemency's distribution of its 3,205 cases.

- **Phases 1 and 2 Commutation (290):** 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.

^{1/} 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.)

^{2/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

- Pardon (64): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (22): 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 (3): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (313): 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 (107): Upon the request of offenders participating in the Community Supervision Program 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 (2,406): These hearings are conducted when an offender has violated the terms of community supervision.

Arizona Exposition and State Fair Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	184.0	184.0	184.0
Personal Services	2,876,000	3,466,100	3,466,100
Employee Related Expenditures	766,500	871,800	885,000
Professional and Outside Services	2,941,500	3,073,800	3,073,800
Travel - In State	1,900	1,000	1,000
Travel - Out of State	3,500	4,000	4,000
Other Operating Expenditures	2,851,400	3,701,300	3,701,300
Equipment	4,700	0	0
AGENCY TOTAL	9,445,500	11,118,000^{1/}	11,131,200^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Exposition and State Fair Fund	9,445,500	11,118,000	11,131,200
SUBTOTAL - Other Appropriated Funds	9,445,500	11,118,000	11,131,200
SUBTOTAL - Appropriated Funds	9,445,500	11,118,000	11,131,200
TOTAL - ALL SOURCES	9,445,500	11,118,000	11,131,200

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 \$11,131,200 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$13,200 from the Arizona Exposition and State Fair Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement

contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Arizona Exposition and State Fair Board's share of this Non-General Fund charge will be \$20,900. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Department of Financial Institutions

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.1	55.1	58.1
Personal Services	1,657,600	1,941,400	2,193,400
Employee Related Expenditures	773,800	851,100	946,100
Professional and Outside Services	173,300	294,900	294,900
Travel - In State	500	500	12,200
Travel - Out of State	3,800	1,000	4,000
Other Operating Expenditures	470,100	379,000	370,600
Equipment	128,000	6,500	22,500
AGENCY TOTAL	3,207,100	3,474,400^{1/}	3,843,700^{2/3/4/}
FUND SOURCES			
General Fund	2,794,900	2,739,000	2,920,800
<u>Other Appropriated Funds</u>			
Financial Services Fund	412,200	735,400	922,900
SUBTOTAL - Other Appropriated Funds	412,200	735,400	922,900
SUBTOTAL - Appropriated Funds	3,207,100	3,474,400	3,843,700
Other Non-Appropriated Funds	1,752,200	1,495,000	576,000
TOTAL - ALL SOURCES	4,959,300	4,969,400	4,419,700

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 \$3,843,700 and 58.1 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$2,920,800
Financial Services Fund	922,900

These amounts fund the following adjustments:

Bank, Credit Union and Trust Examiners

The budget includes an increase of \$200,400 from the General Fund in FY 2013 to fund 3 financial institution examiners specializing in banks, credit unions, and trust companies. Of this amount, \$8,000 represents one-time equipment costs for the new examiners.

Loan Originator/Mortgage Examiners

The budget includes an increase of \$189,100 and 3 FTE Positions from the Financial Services Fund in FY 2013 to fund 3 new financial institution examiners specializing in mortgage broker, mortgage banker, and loan originator examinations. Of this amount, \$8,000 represents one-time equipment costs for the new examiners.

Statewide Adjustments

The budget includes a decrease of \$(20,200) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(18,600)
Financial Services Fund	(1,600)

(Please see the Agency Detail and Allocations section.)

- 1/ 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.)*
- 2/ 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)
- 3/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- 4/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Department of Financial Institutions' share of this Non-General Fund charge will be \$1,900. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Department of Fire, Building, and Life Safety

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	47.0	47.0	47.0
Personal Services	944,400	959,200	959,200
Employee Related Expenditures	469,400	433,700	437,300
Professional and Outside Services	23,200	12,900	12,900
Travel - In State	165,100	143,000	143,000
Travel - Out of State	100	0	0
Other Operating Expenditures	367,200	149,900	144,700
Equipment	20,400	2,000	2,000
AGENCY TOTAL	1,989,800	1,700,700^{1/}	1,699,100^{2/3/}
FUND SOURCES			
General Fund	1,989,800	1,700,700	1,699,100
SUBTOTAL - Appropriated Funds	1,989,800	1,700,700	1,699,100
Other Non-Appropriated Funds	1,017,400	523,500	523,500
Federal Funds	206,300	232,400	232,400
TOTAL - ALL SOURCES	3,213,500	2,456,600	2,455,000

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 \$1,699,100 and 47 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,600) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement

contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Fire, Building, and Life Safety's share of this Non-General Fund charge will be \$2,500. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

State Forester

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	52.0	52.0	52.0 ^{1/}
Personal Services	1,497,600	1,464,700	1,464,700
Employee Related Expenditures	572,800	601,900	594,100
Travel - In State	26,200	26,200	26,200
Other Operating Expenditures	91,900	199,100	1,201,700
OPERATING SUBTOTAL	2,188,500	2,291,900	3,286,700
SPECIAL LINE ITEMS			
Environmental County Grants	75,000	75,000	75,000
Fire Suppression	3,000,000	3,000,000	3,000,000 ^{2/}
Inmate Fire Crews	697,600	698,900	700,700
AGENCY TOTAL	5,961,100	6,065,800^{3/}	7,062,400^{4/5/}
FUND SOURCES			
General Fund	5,961,100	6,065,800	7,062,400
SUBTOTAL - Appropriated Funds	5,961,100	6,065,800	7,062,400
Other Non-Appropriated Funds	12,024,600	19,746,600	19,746,600
Federal Funds	98,800	1,216,000	1,216,000
TOTAL - ALL SOURCES	18,084,500	27,028,400	28,025,000

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).

Operating Budget

The budget includes \$3,286,700 and 39 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Fire Suppression Expenses

The budget includes an increase of \$1,000,000 from the General Fund to fund the State Forester’s fire suppression activities.

Statewide Adjustments

The budget includes a decrease of \$(5,200) from the General Fund in FY 2013 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 2013 for Environmental County Grants. This amount is unchanged from FY 2012.

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 2013 for Fire Suppression. This amount is unchanged from FY 2012.

1/ Includes 13 GF FTE Positions funded from Special Line Items in FY 2013.
 2/ These monies may be spent on wildfire suppression pursuant to A.R.S. § 37-623. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.
 3/ 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.)
 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
 5/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

This Special Line Item funds fire suppression on state trust land and rural private land. A.R.S. § 37-623.02 provides an annual appropriation of up to \$3,000,000 from the General Fund for fire suppression. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.

Inmate Fire Crews

The budget includes \$700,700 and 13 FTE Positions from the General Fund in FY 2013 for Inmate Fire Crews. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,800 from the General Fund in FY 2013 for statewide adjustments.

These monies provide fire-fighting training for 12 inmate fire crews. The crews act as first responders and are used for fuel treatment and fire suppression.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The State Forester's share of this Non-General Fund charge will be \$12,100. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

State Board of Funeral Directors and Embalmers

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	159,900	180,000	180,000
Employee Related Expenditures	35,000	39,400	40,100
Professional and Outside Services	43,000	55,300	55,300
Travel - In State	1,600	5,000	5,000
Other Operating Expenditures	51,300	57,800	56,700
Equipment	3,500	3,500	3,500
AGENCY TOTAL	294,300	341,000^{1/}	340,600^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Funeral Directors' and Embalmers' Fund	294,300	341,000	340,600
SUBTOTAL - Other Appropriated Funds	294,300	341,000	340,600
SUBTOTAL - Appropriated Funds	294,300	341,000	340,600
TOTAL - ALL SOURCES	294,300	341,000	340,600

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 \$340,600 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(400) from the Board of Funeral Directors' and Embalmers' Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona Game and Fish Department

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	273.5	273.5	273.5
Personal Services	13,438,800	14,469,800	14,469,800
Employee Related Expenditures	7,110,200	7,601,000	7,930,700
Professional and Outside Services	602,700	543,300	543,300
Travel - In State	217,200	279,900	279,900
Travel - Out of State	96,100	4,500	4,500
Other Operating Expenditures	5,083,700	10,013,000	10,013,000
Equipment	1,138,400	184,000	184,000
OPERATING SUBTOTAL	27,687,100	33,095,500	33,425,200
SPECIAL LINE ITEMS			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,500	346,100	346,100 ^{1/}
Pittman-Robertson/Dingell-Johnson Act	3,417,000	3,808,000	3,808,000 ^{2/}
Watercraft Grant Program	250,000	1,175,000	1,000,000
Watercraft Safety Education Program	1,175,000	250,000	250,000
AGENCY TOTAL	33,225,600	39,024,600^{3/}	39,179,300^{4/5/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Capital Improvement Fund	0	1,000,000	1,000,000
Game and Fish Fund	29,826,400	32,980,400	33,277,100
Game, Non-Game, Fish and Endangered Species Fund	227,600	334,700	338,600
Watercraft Licensing Fund	3,152,500	4,650,100	4,504,200
Waterfowl Conservation Fund	19,100	43,400	43,400
Wildlife Endowment Fund	0	16,000	16,000
SUBTOTAL - Other Appropriated Funds	33,225,600	39,024,600	39,179,300
SUBTOTAL - Appropriated Funds	33,225,600	39,024,600	39,179,300
Other Non-Appropriated Funds	24,030,600	26,354,600	26,354,600
Federal Funds	35,400,300	34,895,900	33,284,900
TOTAL - ALL SOURCES	92,656,500	100,275,100	98,818,800

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

- ^{1/} The \$300,000 from the Game and Fish Fund and \$46,100 from the Watercraft Licensing Fund in FY 2013 for the Performance Incentive Pay Program line item shall be used for Personal Services and Employee Related Expenditures associated with the department's Performance Incentive Pay Program. This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{2/} In addition to the \$3,808,000 for the Pittman-Robertson/Dingell-Johnson Act line item, the lump sum appropriation includes \$50,000 for cooperative fish and wildlife research, which may be used for the purpose of matching federal and apportionment funds. (General Appropriation Act footnote)
- ^{3/} 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.)
- ^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{5/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Operating Budget

The budget includes \$33,425,200 and 273.5 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
Capital Improvement Fund	\$1,000,000
Game and Fish Fund	29,169,100
Game, Non-Game, Fish and Endangered Species Fund	338,600
Watercraft Licensing Fund	2,858,100
Waterfowl Conservation Fund	43,400
Wildlife Endowment Fund	16,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$329,700 in FY 2013 for statewide adjustments. This amount consists of:

Game and Fish Fund	296,700
Game, Non-Game, Fish and Endangered Species Fund	3,900
Watercraft Licensing Fund	29,100

(Please see the Agency Detail and Allocations section.)

Lower Colorado Multispecies Conservation

The budget includes \$350,000 from the Watercraft Licensing Fund in FY 2013 for the Lower Colorado River Multispecies Conservation Plan (MSCP). This amount is unchanged from FY 2012.

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 2013 for the Performance Incentive Pay Program. This amount consists of:

Game and Fish Fund	300,000
Watercraft Licensing Fund	46,100

These amounts are unchanged from FY 2012.

These monies fund the department's Performance Incentive Pay Program. Employee distributions are based on 50% work unit performance measures and 50% on agencywide performance measures. These measures are determined by internal and external customer surveys, cycle times, and other quantifiable data.

Pittman-Robertson/Dingell-Johnson Act

The budget includes \$3,808,000 from the Game and Fish Fund in FY 2013 for the Pittman-Robertson/Dingell-Johnson Act. This amount is unchanged from FY 2012.

These monies fund the state's 25% match for federal aid matching funds for wildlife restoration projects.

Watercraft Grant Program

The budget includes \$1,000,000 from the Watercraft Licensing Fund in FY 2013 for the Watercraft Grant Program Special Line Item (SLI). This amount funds the following adjustment:

Revenue Realignment

The budget provides a decrease of \$(175,000) from the Watercraft Licensing Fund in FY 2013 to realign spending with projected revenues, as requested by the agency.

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 2013 for the Watercraft Safety Education Program SLI. This amount is unchanged from FY 2012.

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.

Department of Gaming

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	123.0	123.0	115.3 ^{1/}
Personal Services	4,167,900	4,849,100	4,861,600
Employee Related Expenditures	1,640,000	1,800,000	1,823,000
Professional and Outside Services	307,400	481,000	482,200
Travel - In State	247,400	250,000	250,600
Travel - Out of State	52,900	60,000	60,200
Other Operating Expenditures	1,392,900	378,000	392,200
Equipment	280,700	161,300	161,700
OPERATING SUBTOTAL	8,089,200	7,979,400	8,031,500
SPECIAL LINE ITEMS			
Casino Operations Certification	1,592,700	1,998,300	2,003,800
Problem Gambling	1,875,500	1,896,500	2,052,500
AGENCY TOTAL	11,557,400	11,874,200^{2/}	12,087,800^{3/4/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Arizona Benefits Fund	9,664,700	9,575,900	9,784,000
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,592,700	1,998,300	2,003,800
SUBTOTAL - Other Appropriated Funds	11,557,400	11,874,200	12,087,800
SUBTOTAL - Appropriated Funds	11,557,400	11,874,200	12,087,800
TOTAL - ALL SOURCES	11,557,400	11,874,200	12,087,800

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal State Compact Fund through casino employee and vendor certification application fees.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, the department's administration 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. Though 9% of projected FY 2013 revenues (\$88,600,000) are less than \$8,000,000, the budget includes \$8,031,500 for FY 2013 due to statewide adjustments. The department will only be able to expend any funding above \$8,000,000 if revenue collections exceed \$88,900,000. 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 \$1,752,500 for

FY 2013, for the Problem Gambling Special Line Item (SLI).

Gaming revenues were not largely changed from FY 2010 to FY 2011, increasing by 1.2% to \$78,800,000. In FY 2012, gaming revenues are expected to grow by 7% to a level of \$84,400,000. (The original FY 2012 budget assumed a revenue level of \$79,800,000.) In FY 2013, gaming revenues are forecasted to increase by 5% over FY 2012 to \$88,600,000. (See Table 1 for more information on projected state revenues.)

^{1/} Includes 33 OF FTE Positions funded from Special Line Items in FY 2013.

^{2/} 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.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Operating Budget

The budget includes \$8,031,500 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Revenue Realignment

The budget includes an increase of \$20,600 from the Arizona Benefits Fund in FY 2013 to realign spending with projected revenues.

Statewide Adjustments

The budget includes an increase of \$31,500 from the Arizona Benefits Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Casino Operations Certification

The budget includes \$2,003,800 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2013 for Casino Operations Certification. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,500 from the Tribal-State Compact Fund in FY 2013 for statewide adjustments.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification SLI.

Problem Gambling

The budget includes \$2,052,500 and 5 FTE Positions in FY 2013 for Problem Gambling. These amounts consist of:

	FY 2013
Arizona Benefits Fund	\$1,752,500
Lottery Fund	300,000

These amounts fund the following adjustments:

Revenue Realignment

The budget includes an increase of \$154,800 from the Arizona Benefits Fund in FY 2013 to realign spending with projected revenues.

Statewide Adjustments

The budget includes an increase of \$1,200 from the Arizona Benefits Fund in FY 2013 for statewide adjustments.

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 \$1,752,500 for FY 2013 from the Arizona Benefits Fund. *(See Table 1 for more information on projected state revenues.)*

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Department of Gaming includes a reduction of (7.7) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Gaming's share of this Non-General Fund charge will be \$35,000. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

<u>Recipient</u>	<u>Proposition 202 Formula</u>	<u>FY 2010 Actual</u> ^{1/}	<u>FY 2011 Actual</u> ^{1/}	<u>FY 2012 Projected</u>	<u>FY 2013 Projected</u>
State Government Distribution	88% of total	\$77,893,100	\$78,840,200	\$84,359,100 ^{2/}	\$88,577,000 ^{2/}
Local Government Distribution ^{3/}	12% of total	<u>11,120,900</u>	<u>10,621,800</u>	<u>11,503,500</u>	<u>12,078,700</u>
Total	100% of total	\$89,014,000	\$89,462,000	\$95,862,600	\$100,655,700
<u>Allocation of State Government's Share</u>					
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%	<u>1,557,900</u>	<u>1,576,800</u>	<u>1,687,200</u>	<u>1,771,500</u>
Subtotal-Department of Gaming		\$ 9,557,900	\$ 9,576,800	\$ 9,687,200	\$ 9,771,500
Instructional Improvement Fund (Department of Education)	56% of remainder	38,267,700	38,787,400	41,816,200	44,131,200
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	19,133,900	19,393,800	20,908,100	22,065,500
Arizona Wildlife Conservation Fund	8% of remainder	5,466,800	5,541,100	5,973,800	6,304,400
Tourism Fund	8% of remainder	<u>5,466,800</u>	<u>5,541,100</u>	<u>5,973,800</u>	<u>6,304,400</u>
Total		\$77,893,100	\$78,840,200	\$84,359,100	\$88,577,000

^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{2/} The budget projects 7% growth in FY 2012 tribal contributions to the Arizona Benefits Fund and 5% growth in FY 2013.

^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

Arizona Geological Survey

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10.3	10.3	10.3
Personal Services	559,400	467,000	467,000
Employee Related Expenditures	225,500	183,100	181,700
Professional and Outside Services	7,500	4,600	4,600
Travel - In State	3,300	3,300	3,300
Travel - Out of State	3,500	3,500	3,500
Other Operating Expenditures	213,000	205,700	192,500
Equipment	1,400	1,000	1,000
AGENCY TOTAL	1,013,600	868,200^{1/}	853,600^{2/3/}
FUND SOURCES			
General Fund	1,013,600	868,200	853,600
SUBTOTAL - Appropriated Funds	1,013,600	868,200	853,600
Other Non-Appropriated Funds	1,197,900	1,026,000	1,026,000
Federal Funds	4,036,700	5,534,200	5,534,200
TOTAL - ALL SOURCES	6,248,200	7,428,400	7,413,800

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 \$853,600 and 10.3 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(14,600) from the General Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department’s expenses. This prorata charge was separate from any funding arrangement

contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Geological Survey’s share of this Non-General Fund charge will be \$6,800. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Office of the Governor

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	5,807,700	6,818,700	6,586,600
AGENCY TOTAL	5,807,700	6,818,700^{1/}	6,586,600^{2/3/4/5/}
FUND SOURCES			
General Fund	5,807,700	6,632,000	6,586,600
<u>Other Appropriated Funds</u>			
Oil Overcharge Fund	0	186,700	0
SUBTOTAL - Other Appropriated Funds	0	186,700	0
SUBTOTAL - Appropriated Funds	5,807,700	6,818,700	6,586,600
Other Non-Appropriated Funds			
Federal Funds	275,960,100	187,699,500	8,522,500
TOTAL - ALL SOURCES	301,561,000	224,449,300	33,464,700

AGENCY DESCRIPTION — The Governor is the state's Chief Executive Officer and is responsible for the execution of state laws. The Office of the Governor includes the Office for Children, Youth, and Families, the Office on Aging, the Office of Constituent Services, the Arizona-Mexico Commission, the Northern Office, and the Tucson Office.

Operating Budget

The budget includes \$6,586,600 from the General Fund in FY 2013 for the operating budget. This amount funds the following adjustments:

Eliminate Oil Overcharge Administration

The budget includes a decrease of \$(186,700) from the Oil Overcharge Fund in FY 2013 for elimination of oil overcharge administration. The administration of the program has been covered by the nonappropriated portion of the Fund for the last five years. No money has been expended from the appropriations.

Statewide Adjustments

The budget includes a decrease of \$(45,400) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} 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.)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{4/} Included in the Lump Sum appropriation of \$6,586,600 for FY 2013 is \$10,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{5/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Governor's Office of Strategic Planning and Budgeting

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	22.0	22.0	22.0
Personal Services	1,132,500	1,275,900	1,275,900
Employee Related Expenditures	389,800	341,300	337,500
Professional and Outside Services	118,300	92,500	92,500
Travel - In State	600	100	100
Travel - Out of State	500	0	0
Other Operating Expenditures	211,900	171,800	163,900
Equipment	0	1,800	1,800
AGENCY TOTAL	1,853,600	1,883,400^{1/}	1,871,700^{2/3/4/}
FUND SOURCES			
General Fund	1,853,600	1,883,400	1,871,700
SUBTOTAL - Appropriated Funds	1,853,600	1,883,400	1,871,700
TOTAL - ALL SOURCES	1,853,600	1,883,400	1,871,700

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 \$1,871,700 and 22 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(11,700) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

- ^{1/} 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.)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Department of Health Services

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,632.1	1,632.1	1,176.7 ^{1/}
Personal Services	51,422,500	52,311,100	52,311,100
Employee Related Expenditures	21,900,800	21,671,100	21,602,800
Professional and Outside Services	10,990,800	12,874,000	12,874,000
Travel - In State	408,600	485,000	485,000
Travel - Out of State	53,100	67,400	67,400
Other Operating Expenditures	37,595,200	45,102,300	44,195,300
Equipment	970,500	617,700	617,700
OPERATING SUBTOTAL	123,341,500	133,128,600^{2/}	132,153,300^{3/4/5/6/7/}
SPECIAL LINE ITEMS			
Behavioral Health			
Medicaid Behavioral Health - Traditional	771,649,800	1,085,072,200 ^{8/}	1,085,236,200 ^{9/10/11/}
Medicaid Behavioral Health - Proposition 204	483,899,500	154,696,100 ^{8/}	137,985,600 ^{9/10/11/12/}
Proposition 204 Administration	5,635,700	6,446,700	6,446,700 ^{12/}
Medicare Clawback Payments	8,581,500	12,541,500	13,838,800
Medicaid Special Exemption Payments	24,827,400	24,795,500	24,383,000
Non-Medicaid Seriously Mentally Ill Services	0	0	95,238,000
Non-Medicaid Prescription Medication	34,472,300	40,154,900	0
Supported Housing	5,019,700	5,324,800	5,324,800
Crisis Services	16,858,200	16,391,100	0
Community Placement Treatment	0	1,130,700	1,130,700
Public and Family Health			
Adult Cystic Fibrosis	52,600	105,200	105,200
AHCCCS - Children's Rehabilitative Services	70,254,100	0	0
AIDS Reporting and Surveillance	895,500	1,000,000	1,000,000
Alzheimer's Disease Research	0	1,125,000	1,125,000 ^{13/}
Biomedical Research	0	500,000	0
Breast and Cervical Cancer and Bone Density Screening	1,013,800	1,346,700	1,346,700
County Tuberculosis Provider Care and Control	503,700	590,700	590,700
Emergency and Trauma Services	0	0	300,000
Folic Acid	182,100	400,000	400,000
High Risk Perinatal Services	1,910,400	2,543,400	2,543,400
Newborn Screening Program	4,950,500	6,256,900	6,260,700
Poison Control Centers Funding	666,300	990,000	990,000
Renal and Nonrenal Disease Management	110,000	198,000	198,000 ^{14/}
AGENCY TOTAL	1,554,824,600	1,494,738,000	1,516,596,800
FUND SOURCES			
General Fund	428,305,800	509,332,400	587,120,700
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	8,088,300	13,820,800	12,507,400
ASH Land Earnings Fund	169,100	1,150,000	650,000
Capital Outlay Stabilization Fund	1,587,100	1,245,500	1,146,500
Child Fatality Review Fund	95,000	93,200	93,400
Emergency Medical Services Operating Fund	3,894,700	5,038,200	5,044,100
Environmental Laboratory Licensure Revolving Fund	650,000	909,600	910,800
Federal Child Care and Development Fund Block Grant	820,700	827,800	829,400
Health Services Licensing Fund	7,623,600	8,293,400	7,904,300
Hearing and Speech Professionals Fund	309,700	309,300	309,900
Indirect Cost Fund	7,655,200	7,527,900	8,886,700
Long Term Care System Fund	0	0	1,379,600
Newborn Screening Program Fund	4,950,500	6,688,800	6,692,600
Nursing Care Institution Resident Protection Fund	0	438,000	438,100

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
Prescription Drug Rebate Fund	0	33,900,000	0
Substance Abuse Services Fund	2,250,000	2,250,000	2,250,000
TTHCF Health Research Account	0	1,500,000	1,000,000
TTHCF Medically Needy Account	34,575,600	35,167,000	35,167,000
Vital Records Electronic Systems Fund	166,800	3,603,000	3,607,500
SUBTOTAL - Other Appropriated Funds	72,836,300	122,762,500	88,817,300
SUBTOTAL - Appropriated Funds	501,142,100	632,094,900	675,938,000
<u>Expenditure Authority Funds</u>			
Federal Medicaid Services	1,053,682,500	862,643,100	840,658,800
SUBTOTAL - Expenditure Authority Funds	1,053,682,500	862,643,100	840,658,800
SUBTOTAL - Appropriated\Expenditure Authority Funds	1,554,824,600	1,494,738,000	1,516,596,800
Other Non-Appropriated Funds	112,749,500	115,854,200	115,854,200
Federal Funds	297,293,200	295,088,300	295,088,300
TOTAL - ALL SOURCES	1,964,867,300	1,905,680,500	1,927,539,300

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.

- 1/ Includes 1 GF and 24.1 OF FTE Positions funded from Special Line Items in FY 2013.
- 2/ 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.)
- 3/ 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)
- 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 an Operating Lump Sum with Special Line Items by Agency.
- 7/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)
- 8/ For FY 2012, the Department of Health Services may use monies in the IGA and ISA Fund as the state Medicaid match for behavioral health 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. (General Appropriation Act footnote)
- 9/ On or before January 7, 2013, the Arizona Health Care Cost Containment System administration and the Department of Health Services shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received by that date since July 1, 2012. On June 30, 2013, the administration and department shall report the same information for all of FY 2013. (General Appropriation Act footnote)
- 10/ 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)
- 11/ 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)
- 12/ 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)
- 13/ Of the \$1,125,000 for Alzheimer's Disease Research, \$1,000,000 of that amount is from the Tobacco Tax and Health Care Fund - Health Research Account. (General Appropriation Act footnote)
- 14/ 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)

Summary

DHS' FY 2013 General Fund spending would increase by \$77,788,300, or 15.3%. The budget includes:

- An increase of \$100,000 for additional Arizona State Hospital (ASH) operating funding.
- An increase of \$4,944,800 for Medicaid caseload growth.
- An increase of \$33,900,000 to backfill a one-time other fund appropriation for FY 2012 caseload growth.
- An increase of \$38,692,000 for additional Non-Medicaid Seriously Mentally Ill Services.
- An increase of \$300,000 for maintaining emergency and trauma services in La Paz County.
- A decrease of \$(148,500) for statewide adjustments.

(See the Behavioral Health section for additional information.)

Operating Budget

The budget includes \$132,153,300 and 1,151.6 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$77,732,900
Arizona State Hospital Fund	11,376,700
ASH Land Earnings Fund	650,000
Capital Outlay Stabilization Fund	1,146,500
Child Fatality Review Fund	93,400
Emergency Medical Services (EMS) Operating Fund	4,594,100
Environmental Laboratory Licensure Revolving Fund	910,800
Federal Child Care and Development Fund (CCDF) Block Grant	829,400
Health Services Licensing Fund	7,904,300
Hearing and Speech Professionals Fund	309,900
Indirect Cost Fund	8,886,700
Long-Term Care System Fund	1,379,600
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	438,100
Vital Records Electronic Systems Fund	3,607,500
Federal Medicaid Authority (FMA)	11,861,500

These amounts fund the following adjustments:

BHS General Fund Shift

The budget includes an increase of \$1,379,600 from the Long-Term Care System Fund and a corresponding decrease of \$(1,379,600) from the General Fund in FY 2013 to provide monies eligible for state match to fund a 2% provider rate increase in Medicaid behavioral health services.

ASH Operating Shift

The budget includes an increase of \$1,320,200 from the Indirect Cost Fund and a corresponding decrease of \$(1,320,200) from the ASH Fund in FY 2013 to shift operating costs from the ASH Fund to other appropriated funds due to declining revenues.

Additional ASH Operating Funding

The budget includes an increase of \$100,000 from the General Fund in FY 2013 to provide additional funding for ASH operating costs. The budget also continues an FY 2012 supplemental increase of \$2,500,000 from the General Fund in FY 2013.

Align Spending with Revenues

The budget includes a decrease of \$(902,600) in FY 2013 to align spending from other appropriated funds with revenues. This amount consists of:

ASH Land Earnings Fund	(500,000)
Health Services Licensing Fund	(402,600)

Statewide Adjustments

The budget includes a decrease of \$(172,700) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(148,500)
Arizona State Hospital Fund	6,800
Capital Outlay Stabilization Fund	(99,000)
Child Fatality Review Fund	200
Emergency Medical Services (EMS) Operating Fund	5,900
Environmental Laboratory Licensure Revolving Fund	1,200
Federal Child Care and Development Fund (CCDF) Block Grant	1,600
Health Services Licensing Fund	13,500
Hearing and Speech Professionals Fund	600
Indirect Cost Fund	38,600
Nursing Care Institution Resident Protection Revolving Fund	100
Vital Records Electronic Systems Fund	4,500
Federal Medicaid Authority (FMA)	1,800

(Please see the Agency Detail and Allocations section.)

The Health Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 299) continues to require that all counties pay 50% of the daily cost of care of Sexually Violent Persons (SVP) in the ASH. Treatment for SVP patients is funded through the agency operating budget.

The Health BRB also continues to require that all counties pay 100% of the daily cost of care for Restoration to Competency (RTC) patients at ASH. Treatment for RTC patients is funded through the agency operating budget.

Table 1

General Fund Medicaid Behavioral Health Appropriations

	FY 2012 Appropriated	FY 2012 Revised	FY 2013	FY 2013 Above FY 2012 Revised
Medicare Clawback Payments	\$ 12,541,500	\$ 12,541,500	\$ 13,838,800	\$ 1,297,300
Medicaid Special Exemption Payments	7,292,100	8,198,000	8,269,500	71,500
<u>State Match for Medicaid ^{1/2/}</u>				
CBH	117,332,200	132,747,300	144,232,600	11,485,300
SMI	182,412,600	180,947,700	175,911,800	(5,035,900)
GMH/SA	26,480,100	45,056,300	47,911,300	2,855,000
<u>State Match for Proposition 204</u>				
CBH	2,588,100	1,645,000	1,652,800	7,800
GMH/SA	35,790,600	49,501,400	45,144,800	(4,356,600)
Total	\$384,437,200	\$430,637,200	\$436,961,600	\$ 6,324,400

^{1/} Base amounts include \$34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

^{2/} FY 2012 Revised amounts include \$33,900,000 from the Prescription Drug Rebate Fund.

Behavioral Health

These line items fund 3 types of services; 1) Serious Mental Illness (SMI), 2) Children’s Behavioral Health (CBH) and 3) General Mental Health and Substance Abuse (GMH/SA). (See Table 1 for more information.)

Formula Adjustments

Formula adjustments are comprised of changes to caseloads, provider rate increases, and changes to the Federal Medical Assistance Percentage (FMAP). The budget includes no provider rate increases but adjustments are made for both caseloads and the FMAP.

The FMAP is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. Typically the federal government provides an approximate 2:1 match for most Medicaid services. The formula adjustments include an increase in General Fund spending to offset the federal rate decline.

Medicaid Behavioral Health - Traditional

The budget includes \$1,085,236,200 in FY 2013 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	333,288,700
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	717,180,500

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(3,449,000) in FY 2013 for Medicaid Behavioral Health - Traditional

caseload and capitation rate changes. This amount consists of:

General Fund	8,080,400
Federal Medicaid Authority	(11,529,400)

Provider Rate Increase

The budget includes an increase of \$3,613,000 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. This amount consists of:

General Fund	1,224,000
Federal Medicaid Authority	2,389,000

Backfill One-Time Appropriation

The budget includes an increase of \$33,900,000 from the General Fund and a corresponding decrease of \$(33,900,000) from the Prescription Drug Rebate Fund in FY 2013 to backfill a one-time other fund appropriation. The revised FY 2012 budget included a supplemental appropriation of \$33,900,000 in one-time Prescription Drug Rebate Fund monies for caseload costs.

The FY 2012 supplemental added \$33,900,000 from the Prescription Drug Rebate Fund and \$68,633,100 from Federal Medicaid Authority for additional caseload growth in FY 2012. The FY 2012 supplemental is incorporated into the FY 2012 figures in the table above.

This line item provides behavioral health treatment to Medicaid eligible children and adults. There is an average of 1,196,228 eligible individuals per month in FY 2012. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated 10.2%, or 122,015, will utilize services.

Medicaid Behavioral Health - Proposition 204

The budget includes \$137,985,600 in FY 2013 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	46,797,600
Federal Medicaid Authority	91,188,000

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(17,169,900) in FY 2013 for Medicaid Behavioral Health – Proposition 204 caseload and capitation rate changes as a result of a decline in the amount of childless adults receiving these services due to a freeze on new childless adults receiving services. This amount consists of:

General Fund	(4,504,400)
Federal Medicaid Authority	(12,665,500)

Provider Rate Increase

The budget includes an increase of \$459,400 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. This amount consists of:

General Fund	155,600
Federal Medicaid Authority	303,800

The FY 2012 supplemental added \$12,300,000 from the General Fund and \$24,902,300 from Federal Medicaid Authority for additional caseload growth in FY 2012. The FY 2012 supplemental is incorporated into the FY 2012 figures in the table above.

This line item provides behavioral health treatment to Medicaid eligible children and adults. There is an average of 321,811 eligible individuals per month in FY 2012. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated 10.2%, or 32,825, will utilize services.

Proposition 204 Administration

The budget includes \$6,446,700 in FY 2013 for Proposition 204 Administration. This amount consists of:

General Fund	2,131,400
Federal Medicaid Authority	4,315,300

These amounts are unchanged from FY 2012.

This line item provides funding for the administrative component of the Proposition 204 population.

Medicare Clawback Payments

The budget includes \$13,838,800 from the General Fund in FY 2013 for Medicare Clawback Payments. This amount funds the following adjustments:

Formula Growth

The budget includes an increase of \$1,297,300 from the General Fund in FY 2013 for formula growth associated with Medicare Clawback Payments.

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, DHS is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DHS is required to make “Clawback” payments to Medicare based on 78.7% of the estimated prescription drug cost of this population in 2013. The state’s share of 78.7% 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 \$24,383,000 in FY 2013 for Medicaid Special Exemption Payments. This amount consists of:

General Fund	8,269,500
Federal Medicaid Authority	16,113,500

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(412,500) in FY 2013 for Medicaid Special Exemption Payments related to caseload growth and FMAP adjustments. This amount consists of:

General Fund	71,500
Federal Medicaid Authority	(484,000)

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.

Non-Medicaid Seriously Mentally Ill Services

The budget includes \$95,238,000 in FY 2013 for a new Non-Medicaid Seriously Mentally Ill (SMI) Services Special Line Item (SLI). This amount consists of:

General Fund	92,988,000
Tobacco Tax and Health Care Fund	2,250,000
Medically Needy Account	

These amounts fund the following adjustments:

Consolidate Non-Medicaid Prescription Medication and Crisis Services

The budget shifts \$56,546,000 in FY 2013 from the Non-Medicaid Prescription Medication and Crisis Services line items to a new Non-Medicaid Seriously Mentally Ill Services line item. This amount consists of:

General Fund	54,296,000
Tobacco Tax and Health Care Fund	2,250,000
Medically Needy Account	

Additional Non-Medicaid Services

The budget includes an increase of \$38,692,000 from the General Fund in FY 2013 to provide additional resources for Non-Medicaid SMI Services.

Background – This line item provides funding for a benefit package for Non-Medicaid Seriously Mentally Ill clients. The state has been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. Due to the state’s fiscal condition, the plaintiffs and the state agreed in March 2010 to suspend the lawsuit for 2 years due to lack of funding. As part of the suspension, the FY 2011 budget reduced Non-Medicaid behavioral health spending by \$(41,754,000). The FY 2013 budget restores the majority of this reduction. In accordance with the May 2012 agreement to end the suspension, the state has agreed to utilize the restored funding to provide *Arnold* class members with access to name-brand prescription medication, additional crisis services, and expanded support services. Additionally, the agreement requires that the amount of class members receiving treatment at the Arizona State Hospital is capped at 55, in order to encourage greater use of community-based treatment and living arrangements.

Non-Medicaid Prescription Medication

The budget shifts funding in FY 2013 for Non-Medicaid Prescription Medication. This amount funds the following adjustments:

Consolidate Non-Medicaid Prescription Medication

The budget shifts \$(40,154,900) from the General Fund in FY 2013 from this line item to a new Non-Medicaid Seriously Mentally Ill Services line item.

This line item provided 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 General Fund in FY 2013 for Supported Housing. This amount is unchanged from FY 2012.

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 shifts funding in FY 2013 for Crisis Services. This amount funds the following adjustments:

Consolidate Crisis Services

The budget shifts \$(16,391,100) in FY 2013 from this line item to a new Non-Medicaid Seriously Mentally Ill Services line item. This amount consists of:

General Fund	(14,141,100)
Tobacco Tax and Health Care Fund	(2,250,000)
Medically Needy Account	

This line item provided 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.

Community Placement Treatment

The budget includes \$1,130,700 from the ASH Fund in FY 2013 for Community Placement Treatment. This amount is unchanged from FY 2012.

This line item provides funding for housing, transportation, clinical support, and meaningful day activities for State Hospital patients treated in the community.

The budget includes approximately \$66,000,000 for inpatient hospitalization services at the State Hospital for the seriously mentally ill. As of March 2012, the ASH census was 240 patients.

Public and Family Health

Adult Cystic Fibrosis

The budget includes \$105,200 from the General Fund in FY 2013 for Adult Cystic Fibrosis. This amount is unchanged from FY 2012.

This line item provides contracted care and treatment services through Phoenix Children’s Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the General Fund in FY 2013 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2012.

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 1,100 clients per month in FY 2011.

Alzheimer’s Disease Research

The budget includes \$1,125,000 in FY 2013 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 2012.

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.

Biomedical Research

The budget includes no funding from the Health Research Account of the Tobacco Tax and Health Care Fund in FY 2013 for the Arizona Biomedical Research Commission (ABRC). This amount funds the following adjustments:

Eliminate ABRC Health Research Fund Appropriation

The budget includes a decrease of \$(500,000) from the Health Research Account of the Tobacco Tax and Health Care Fund in FY 2013. Laws 2002, Chapter 186 appropriated \$500,000 from the Health Research Fund annually from FY 2003 to FY 2012 for biotechnology.

The FY 2012 Consolidation BRB (Laws 2011, Chapter 27) transferred 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. The non-appropriated level of funding is \$9,217,700.

Breast and Cervical Cancer and Bone Density Screening

The budget includes \$1,346,700 and 1 FTE Position from the General Fund in FY 2013 for the Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2012.

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.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2013 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2012.

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.

Emergency and Trauma Services

The budget includes \$300,000 from the General Fund in FY 2013 to provide additional funding for the purpose of maintaining essential emergency department and Level IV trauma services. A hospital must be located in a county with a population of less than 500,000 persons; be licensed to operate 25 or fewer beds; not be designated as a critical access hospital as of January 1, 2012, pursuant to 42 § 485, F; and located within 25 miles of a hospital operated by the Indian Health Service. La Paz Regional Hospital meets these criteria.

Folic Acid

The budget includes \$400,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund in FY 2013 for Folic Acid. This amount is unchanged from FY 2012.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2011, 7,875 low-income women of childbearing age received multivitamins and 12,000 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,543,400 in FY 2013 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 2012.

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 \$6,260,700 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2013 for the Newborn Screening Program. These amounts fund the following adjustments.

Statewide Adjustments

The budget includes an increase of \$3,800 from the Newborn Screening Program Fund in FY 2013 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 2013, the program will provide screening for approximately 79,950 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.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2013 for Poison Control Centers. This amount is unchanged from FY 2012.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2012.

Laws 2012, Chapter 317 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative.

Renal and Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2013 for Renal and Nonrenal Disease Management. This amount is unchanged from FY 2012.

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.

Other Issues

FY 2012 Supplementals

Formula Changes

The revised FY 2012 budget included \$46,200,000 for DHS formula changes, as delineated by *Table 2*.

Table 2

FY 2012 Budget Changes

<u>Funding Issue</u>	<u>Adjustment</u>
Caseload and Capitation Adjustment	\$41,117,200
Lower Level of Medicaid Waiver Savings	5,082,800
Total	\$46,200,000
<u>Fund Source</u>	<u>Amount</u>
General Fund	\$12,300,000
Prescription Drug Rebate Fund	33,900,000
Total	\$46,200,000

DHS' actual capitation rates were higher than budgeted, resulting in \$41,117,200 of additional Medicaid costs. The Medicaid Waiver plan for Proposition 204 enacted in FY 2012 resulted in a cost of \$5,082,800 above budgeted savings.

These additional costs were covered through 2 adjustments. First, DHS' FY 2012 General Fund appropriation was increased by a \$12,300,000 supplemental. An amount of \$(12,300,000) was ex-appropriated from the Department of Economic Security (DES) resulting in no net statewide General Fund increase. Second, the remaining \$33,900,000 was appropriated from the balance of the Prescription Drug Rebate Fund.

Additional ASH Funding

The revised FY 2012 budget included an increase of \$2,500,000 from the General Fund for additional Arizona State Hospital funding.

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE positions. The budget for the Department of Health Services includes a reduction of (389.8) GF FTE Positions and (65.6) OF FTE positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General pro rata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This pro rata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the pro rata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The pro rata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. State Parks Board's share of this Non-General Fund charge will be \$170,000. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Arizona Historical Society

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	51.9	51.9	51.9 ^{1/}
Personal Services	1,169,000	1,184,300	1,184,300
Employee Related Expenditures	538,000	571,000	564,900
Professional and Outside Services	1,100	1,000	1,000
Other Operating Expenditures	316,100	283,600	283,600
OPERATING SUBTOTAL	2,024,200	2,039,900	2,033,800
SPECIAL LINE ITEMS			
Arizona Experience Museum	589,700	589,700	410,500
Field Services and Grants	65,000	65,000	65,100
Papago Park Museum	3,606,100	1,467,400	532,700
AGENCY TOTAL	6,285,000	4,162,000^{2/}	3,042,100^{3/4/}
FUND SOURCES			
General Fund	5,854,200	4,162,000	3,042,100
<u>Other Appropriated Funds</u>			
Capital Outlay Stabilization Fund	430,800	0	0
SUBTOTAL - Other Appropriated Funds	430,800	0	0
SUBTOTAL - Appropriated Funds	6,285,000	4,162,000	3,042,100
Other Non-Appropriated Funds	952,000	1,257,000	1,255,800
TOTAL - ALL SOURCES	7,237,000	5,419,000	4,297,900

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 \$2,033,800 and 39.5 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,100) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Experience Museum

The budget includes \$410,500 and 3 FTE Positions from the General Fund in FY 2013 for the Arizona Experience Museum. These amounts fund the following adjustments:

Rent

The budget includes a decrease of \$(148,300) from the General Fund in FY 2013 to redistribute monies for rent from the Arizona Experience Museum to the Papago Park Museum.

Statewide Adjustments

The budget includes a decrease of \$(30,900) from the General Fund in FY 2013 for statewide adjustments.

This line item funds personnel and rent of the Arizona Experience Museum, previously called the Centennial Museum. This facility was formerly the Arizona Mining and Mineral Museum on the Capitol Mall. The museum closed May 1, 2011 for renovations. The Arizona Historical Society does not currently have an estimated re-opening date.

^{1/} Includes 12.4 GF FTE Positions funded from Special Line Items in FY 2013.

^{2/} 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.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Field Services and Grants

The budget includes \$65,100 and 0.4 FTE Position from the General Fund in FY 2013 for Field Services and Grants. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the General Fund in FY 2013 for statewide adjustments.

This line item funds contracts with certified county historical societies for services to be performed for the benefit of the state.

Papago Park Museum

The budget includes \$532,700 and 9 FTE Positions from the General Fund in FY 2013 for the Papago Park Museum. These amounts fund the following adjustments:

Rent

The budget includes an increase of \$148,300 from the General Fund in FY 2013 to redistribute monies for rent from the Arizona Experience Museum to the Papago Park Museum.

Statewide Adjustments

The budget includes a decrease of \$(1,083,000) from the General Fund in FY 2013 for statewide adjustments. The decrease of \$(1,083,000) includes a decrease of \$(1,083,900) to eliminate the payment of rent to the Arizona Department of Administration (ADOA) and an increase of \$900 for retirement. The FY 2013 Budget Procedures BRB (BRB) (Laws 2012, Chapter 296) includes a provision that exempts the Arizona State Schools for the Deaf and the Blind (ASDB) and the Arizona Historical Society's Papago Park Museum from paying Capital Outlay Stabilization Fund (COSF) rent to ADOA since these facilities are not managed or maintained by ADOA.

This line item funds the operation and maintenance of the Papago Park Museum.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

Prescott Historical Society of Arizona

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	13.0	13.0	13.0
Personal Services	364,500	375,700	375,700
Employee Related Expenditures	208,900	191,300	190,200
Professional and Outside Services	1,900	16,000	16,000
Travel - In State	100	0	0
Other Operating Expenditures	43,000	72,300	72,300
AGENCY TOTAL	618,400	655,300^{1/}	654,200^{2/3/}
FUND SOURCES			
General Fund	618,400	655,300	654,200
SUBTOTAL - Appropriated Funds	618,400	655,300	654,200
Other Non-Appropriated Funds	803,600	1,760,100	1,760,100
TOTAL - ALL SOURCES	1,422,000	2,415,400	2,414,300

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 \$654,200 and 13 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,100) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Arizona Department of Homeland Security

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
FUND SOURCES			
Federal Funds	45,741,900	50,836,900	50,785,900
TOTAL - ALL SOURCES	45,741,900	50,836,900	50,785,900

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.

Board of Homeopathic and Integrated Medicine Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	49,100	52,800	52,800
Employee Related Expenditures	26,300	28,900	29,100
Professional and Outside Services	14,700	1,000	3,000
Travel - In State	900	1,200	1,200
Other Operating Expenditures	9,500	21,900	21,500
AGENCY TOTAL	100,500	105,800^{1/}	107,600^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Homeopathic and Integrated Medicine Examiners' Fund	100,500	105,800	107,600
SUBTOTAL - Other Appropriated Funds	100,500	105,800	107,600
SUBTOTAL - Appropriated Funds	100,500	105,800	107,600
TOTAL - ALL SOURCES	100,500	105,800	107,600

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 \$107,600 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Exam Development

The budget includes an increase of \$2,000 from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2013 to fund development of an examination for applicants to be licensed as Doctors of Homeopathy.

Statewide Adjustments

The budget includes a decrease of \$(200) from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona Department of Housing

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	3.0
Personal Services	549,700	593,100	176,400
Employee Related Expenditures	202,400	240,200	73,400
Professional and Outside Services	18,900	5,100	3,300
Travel - In State	12,600	6,800	7,000
Travel - Out of State	200	400	1,600
Other Operating Expenditures	107,800	71,200	40,600
Equipment	3,700	4,200	2,300
AGENCY TOTAL	895,300	921,000^{1/}	304,600^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Housing Trust Fund	895,300	921,000	304,600
SUBTOTAL - Other Appropriated Funds	895,300	921,000	304,600
SUBTOTAL - Appropriated Funds	895,300	921,000	304,600
Other Non-Appropriated Funds	10,026,400	13,805,400	15,657,700
Federal Funds	136,096,400	83,169,600	33,185,900
TOTAL - ALL SOURCES	147,018,100	97,896,000	49,148,200

AGENCY DESCRIPTION — Through a variety of housing and community improvement programs, the department annually administers approximately \$49 million in federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Housing Finance Authority.

Operating Budget

The budget includes \$304,600 and 3 FTE Positions from the Housing Trust Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Operating Reduction

The budget includes a decrease of \$(619,400) and (8) FTE Positions from the Housing Trust Fund in FY 2013 as requested by the agency. This reduction would bring the operating appropriation in line with operating resources.

Statewide Adjustments

The budget includes an increase of \$3,000 from the Housing Trust Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Additional Legislation

Department of Housing Sunset

Laws 2012, Chapter 20 extends the sunset date of the Department of Housing from July 1, 2012 to July 1, 2017.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Housing share of this Non-General Fund charge will be \$18,100. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Independent Redistricting Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	106,100	3,700,000	1,445,300
AGENCY TOTAL	106,100	3,700,000 ^{1/}	1,445,300 ^{2/3/4/5/}
FUND SOURCES			
General Fund	106,100	3,700,000	1,445,300
SUBTOTAL - Appropriated Funds	106,100	3,700,000	1,445,300
TOTAL - ALL SOURCES	106,100	3,700,000	1,445,300

AGENCY DESCRIPTION — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission (IRC). 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 \$1,445,300 from the General Fund in FY 2013 for the operating budget. This amount funds the following adjustments:

Current Redistricting Cycle

The budget includes a decrease of \$(2,250,000) from the General Fund in FY 2013 due to the completion of the map development and U.S. Department of Justice review process. The General Appropriation Act specifies these monies may be used for the payment of obligations incurred in FY 2012.

Statewide Adjustments

The budget includes a decrease of \$(4,700) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

IRC Funding

For the first year of the current cycle, the Legislature appropriated \$500,000 from the General Fund in FY 2011 for start-up expenses. In FY 2012, the Legislature appropriated \$3,000,000 from the General Fund. Given the commission's legal expenses, these appropriations were insufficient.

Laws 2012, Chapter 108 provided the commission with a FY 2012 supplemental General Fund appropriation of \$700,000, which is non-lapsing until the end of FY 2013. Chapter 108 requires the Auditor General, within 90 days of the effective date of the bill, to submit a report to the Governor, President of the Senate, and Speaker of the House regarding the commission's FY 2011 and FY 2012 revenues and expenditures. Additionally, the Department of Administration is required to provide monthly reports to the Appropriations Committee Chairpersons of the Senate and House of Representatives as to whether the expenditures made by the commission are necessary and lawful.

The FY 2013 appropriation brings total funding for the current redistricting cycle to \$5,645,300.

The total appropriations for the current redistricting cycle are as follows:

Fiscal Year	Appropriation
FY 2011	\$ 500,000
FY 2012	3,000,000
FY 2012 Supplemental	700,000
FY 2013	1,445,300
Total	\$ 5,645,300

^{1/} The original \$3,000,000 FY 2012 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. Laws 2012, Chapter 108 provided a supplemental appropriation of \$700,000, which is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that any monies remaining unspent on June 30, 2013 shall revert to the state General Fund.

^{2/} This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all monies remaining unexpended and unencumbered after payment of fees, costs and expenses of the commission revert to the state General Fund. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{4/} General Appropriation Act specifies that this appropriation may be used for the payment of obligations incurred in FY 2012.

^{5/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

Arizona Commission of Indian Affairs

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	25,900	27,000	27,000
Employee Related Expenditures	10,300	12,400	12,300
Professional and Outside Services	10,000	0	0
Travel - In State	400	300	300
Other Operating Expenditures	16,300	14,800	14,100
Equipment	100	0	0
AGENCY TOTAL	63,000	54,500^{1/}	53,700^{2/3/}
FUND SOURCES			
General Fund	63,000	54,500	53,700
SUBTOTAL - Appropriated Funds	63,000	54,500	53,700
TOTAL - ALL SOURCES	63,000	54,500	53,700

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 \$53,700 and 3 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(800) from the General Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Industrial Commission of Arizona

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	279.0	279.0	235.6
Personal Services	7,440,100	9,590,300	9,590,300
Employee Related Expenditures	3,212,200	4,440,300	4,476,700
Professional and Outside Services	1,219,400	1,189,400	1,189,400
Travel - In State	106,700	107,600	107,600
Travel - Out of State	100	0	0
Other Operating Expenditures	3,463,100	4,274,200	4,274,200
Equipment	20,000	18,200	18,200
AGENCY TOTAL	15,461,600	19,620,000^{1/}	19,656,400^{2/3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Industrial Commission Administrative Fund	15,461,600	19,620,000	19,656,400
SUBTOTAL - Other Appropriated Funds	15,461,600	19,620,000	19,656,400
SUBTOTAL - Appropriated Funds	15,461,600	19,620,000	19,656,400
<i>Other Non-Appropriated Funds</i>			
Federal Funds	42,925,000	50,052,900	50,052,900
TOTAL - ALL SOURCES	63,046,900	75,105,500	75,141,900

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 \$19,656,400 and 235.6 FTE Positions from the Industrial Commission Administrative Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$36,400 from the Industrial Commission Administrative Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for

agencies with more than 100 FTE Positions. The budget for the Industrial Commission of Arizona includes a reduction of (43.4) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Department of Insurance

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	90.5	90.5	90.5
Personal Services	2,985,300	3,070,800	3,070,800
Employee Related Expenditures	1,372,400	1,263,300	1,274,500
Professional and Outside Services	190,000	189,400	189,400
Travel - In State	21,600	23,900	23,900
Travel - Out of State	3,800	0	0
Other Operating Expenditures	756,900	652,600	604,600
Equipment	95,800	6,400	6,400
AGENCY TOTAL	5,425,800	5,206,400^{1/}	5,169,600^{2/3/}
FUND SOURCES			
General Fund	5,425,800	5,206,400	5,169,600
SUBTOTAL - Appropriated Funds	5,425,800	5,206,400	5,169,600
Other Non-Appropriated Funds	7,698,700	7,984,700	7,982,400
Federal Funds	245,300	341,000	0
TOTAL - ALL SOURCES	13,369,800	13,532,100	13,152,000

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 \$5,169,600 and 90.5 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(36,800) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Additional Legislation

Statutory Fee Revenue Requirement Suspension

The Revenue Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 297) continues to suspend the statutory requirement that fee revenues be between 95% and 110% of the department's appropriation.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Judiciary - Supreme Court

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	169.0	169.0	169.0 ^{1/}
Personal Services	5,718,600	5,713,300	5,713,300
Employee Related Expenditures	2,431,700	2,157,800	2,157,800
Professional and Outside Services	521,900	240,400	240,400
Travel - In State	23,600	105,500	105,500
Travel - Out of State	6,600	12,800	12,800
Other Operating Expenditures	8,963,300	6,085,100	5,801,600
Equipment	100,700	0	0
OPERATING SUBTOTAL	17,766,400	14,314,900	14,031,400^{2/}
SPECIAL LINE ITEMS			
State Aid	4,388,000	5,905,900	5,905,900
County Reimbursements	187,900	187,900	187,900 ^{3/}
Automation	8,551,400	11,082,600	11,082,600 ^{4/}
Case and Cash Management System	2,941,900	3,326,500	3,326,500
Foster Care Review Board	3,236,500	3,332,000	3,332,000
Court Appointed Special Advocate	2,562,700	3,027,800	3,027,800
Model Court	447,600	447,600	447,600
Domestic Relations	632,200	640,300	640,300
Judicial Nominations and Performance Review	423,100	417,200	417,200
Commission on Judicial Conduct	508,000	506,800	506,800
Photo Radar Enforcement	2,688,500	0	0
AGENCY TOTAL	44,334,200	43,189,500^{5/}	42,906,000^{6/7/}
FUND SOURCES			
General Fund	19,798,000	15,961,200	15,677,700
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	309,600	480,500	480,500
Court Appointed Special Advocate Fund	1,860,700	2,925,800	2,925,800
Criminal Justice Enhancement Fund	2,338,400	2,961,300	2,961,300
Defensive Driving School Fund	1,954,100	4,123,800	4,123,800
Judicial Collection Enhancement Fund	12,735,300	13,792,300	13,792,300
Photo Enforcement Fund	2,688,500	0	0
State Aid to the Courts Fund	2,649,600	2,944,600	2,944,600
SUBTOTAL - Other Appropriated Funds	24,536,200	27,228,300	27,228,300
SUBTOTAL - Appropriated Funds	44,334,200	43,189,500	42,906,000
Other Non-Appropriated Funds	14,721,800	24,410,200	22,083,400
TOTAL - ALL SOURCES	59,056,000	67,599,700	64,989,400

1/ Includes 46.5 GF and 8.8 OF FTE Positions funded from Special Line Items in FY 2013.

2/ Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote)

3/ 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)

4/ By September 1, 2012, 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)

5/ 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.)

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

7/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions 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 \$14,031,400 and 100.7 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$10,043,900
Confidential Intermediary and Fiduciary Fund	480,500
Defensive Driving School Fund	651,800
Judicial Collection Enhancement Fund (JCEF)	2,855,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(283,500) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

State Aid

The budget includes \$5,905,900 and 3.3 FTE Positions in FY 2013 for State Aid. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	2,961,300
State Aid to the Courts Fund	2,944,600

These amounts are unchanged from FY 2012.

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 2013 for County Reimbursements. This amount is unchanged from FY 2012.

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 (Laws 2012, Chapter 302) continues the FY 2012 suspension of the requirement of this 50% reimbursement, however, and requires that reimbursement not exceed the level in the General Appropriation Act.

Automation

The budget includes \$11,082,600 and 13 FTE Positions in FY 2013 for Automation. These amounts consist of:

Defensive Driving School Fund	3,332,600
JCEF	7,750,000

These amounts are unchanged from FY 2012.

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 2013 for the Case and Cash Management System. This amount consists of:

Defensive Driving School Fund	139,400
JCEF	3,187,100

These amounts are unchanged from FY 2012.

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 156 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 2013 for the Foster Care

Review Board. These amounts are unchanged from FY 2012.

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 \$3,027,800 and 5.5 FTE Positions in FY 2013 for the Court Appointed Special Advocate (CASA). These amounts consist of:

General Fund	102,000
CASA Fund	2,925,800

These amounts are unchanged from FY 2012.

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 2011, 939 individuals volunteered for this program.

Model Court

The budget includes \$447,600 from the General Fund in FY 2013 for Model Court. This amount is unchanged from FY 2012.

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 2013 for Domestic Relations. These amounts are unchanged from FY 2012.

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 2013 for Judicial Nominations and Performance Review. These amounts are unchanged from FY 2012.

This line item funds administrative costs to oversee the nominations for the Supreme Court, the Court of Appeals, and the Superior Court in Maricopa, Pima, and Pinal 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 2013 for Commission on Judicial Conduct. These amounts are unchanged from FY 2012.

The Commission on Judicial Conduct investigates and resolves all complaints of judicial misconduct.

Additional Legislation

The Criminal Justice BRB continues the FY 2012 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 Child Support Committee Report, and the Annual Domestic Relations Committee Report.

Fund Transfers

The budget includes the following FY 2013 transfers from this agency's funds to the General Fund:

Alternative Dispute Resolution Fund	200,000
Arizona Lengthy Trial Fund	100,000
Public Defender Training Fund	25,000
State Aid to the Courts Fund	50,000

In addition, the budget requires the identical transfers in FY 2014.

Judiciary - Court of Appeals

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
PROGRAM BUDGET			
Division I	10,242,500	9,640,000	9,601,600
Division II	4,452,100	4,216,000	4,216,000
AGENCY TOTAL	14,694,600	13,856,000	13,817,600
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	134.8	134.8	134.8 ^{1/}
Personal Services	9,510,500	9,515,800	9,515,800
Employee Related Expenditures	3,076,800	3,212,300	3,212,300
Professional and Outside Services	10,000	6,000	6,000
Travel - In State	178,900	179,600	179,600
Travel - Out of State	8,700	10,100	10,100
Other Operating Expenditures	1,895,400	932,200	893,800
Equipment	14,300	0	0
AGENCY TOTAL	14,694,600	13,856,000^{2/}	13,817,600^{3/4/}
FUND SOURCES			
General Fund	14,694,600	13,856,000	13,817,600
SUBTOTAL - Appropriated Funds	14,694,600	13,856,000	13,817,600
TOTAL - ALL SOURCES	14,694,600	13,856,000	13,817,600

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, the 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 \$13,817,600 and 134.8 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts include \$9,601,600 and 98.3 FTE Positions for Division I and \$4,216,000 and 36.5 FTE Positions for Division II. These amounts fund the following adjustments.

Statewide Adjustments

The budget includes a decrease of \$(38,400) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} Of the 134.8 FTE Positions for FY 2013, 98.3 FTE Positions are for Division I and 36.5 FTE Positions are for Division II. (General Appropriation Act footnote)

^{2/} 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.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Subprogram.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Judiciary - Superior Court

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
SPECIAL LINE ITEMS			
<i>Full Time Equivalent Positions</i>	136.5	136.5	136.5 ^{1/}
Judges Compensation	7,337,300	7,390,200	7,390,200
Adult Standard Probation	13,459,100	13,526,700	13,526,700
Adult Intensive Probation	10,723,400	10,741,200	10,741,200
Community Punishment	1,432,000	2,310,100	2,310,100
Interstate Compact	639,800	641,800	641,800
Drug Court	1,013,600	1,013,600	1,013,600
Probation Surcharge	3,487,700	5,029,200	5,029,200
Juvenile Standard Probation	4,862,500	4,600,500	4,600,500
Juvenile Intensive Probation	8,759,700	9,166,500	9,166,500
Juvenile Treatment Services	18,205,300	22,314,900	22,314,900
Juvenile Family Counseling	656,400	660,400	660,400
Juvenile Diversion Consequences	8,371,000	9,024,900	9,024,900 ^{2/}
Juvenile Crime Reduction	3,023,800	5,123,400	5,123,400
Special Water Master	20,000	20,000	20,000
AGENCY TOTAL	81,991,600	91,563,400^{3/}	91,563,400^{4/5/6/7/}
FUND SOURCES			
General Fund	74,048,100	79,100,700	79,100,700
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	3,955,800	6,933,500	6,933,500
Drug Treatment and Education Fund	500,000	500,000	500,000
Judicial Collection Enhancement Fund	3,487,700	5,029,200	5,029,200
SUBTOTAL - Other Appropriated Funds	7,943,500	12,462,700	12,462,700
SUBTOTAL - Appropriated Funds	81,991,600	91,563,400	91,563,400
Other Non-Appropriated Funds	5,042,500	5,577,400	5,577,400
Federal Funds	2,551,800	2,103,300	2,103,300
TOTAL - ALL SOURCES	89,585,900	99,244,100	99,244,100

^{1/} 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)

^{2/} Up to 4.6% of the amounts appropriated for Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-322, and to conduct evaluations as needed. The remaining portion of the Treatment Services and Juvenile Diversion Consequences programs shall be deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322. (General Appropriation Act footnote)

^{3/} 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.)

^{4/} General Appropriation Act funds are appropriated as Special Line Items by Agency.

^{5/} 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)

^{6/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

^{7/} By November 1, 2012, the Administrative Office of the Courts shall report to the Joint Legislative Budget Committee the FY 2012 actual, FY 2013 estimated and FY 2014 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)

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 with the Superior Court.

Judges Compensation

The budget includes \$7,390,200 and 81 FTE Positions from the General Fund in FY 2013 for Judges Compensation. These amounts are unchanged from FY 2012.

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.

Probation Programs

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 \$13,526,700 and 9.6 FTE Positions from the General Fund in FY 2013 for Adult Standard Probation. These amounts are unchanged from FY 2012.

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 \$10,741,200 and 7.8 FTE Positions from the General Fund in FY 2013 for Adult Intensive Probation. These amounts are unchanged from FY 2012.

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 \$2,310,100 and a 0.9 FTE Positions in FY 2013 for Community Punishment. These amounts consist of:

	<u>FY 2013</u>
Criminal Justice Enhancement Fund (CJEF)	\$1,810,100
Drug Treatment and Education Fund (DTEF)	500,000

These amounts are unchanged from FY 2012.

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 2013 for Interstate Compact. These amounts are unchanged from FY 2012.

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 2013 for Drug Court programs. This amount is unchanged from FY 2012.

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 12 counties have implemented or are planning the implementation of drug courts. These programs utilize drug education, intensive therapy, parent support, case management, socialization alternatives, aftercare and compliance monitoring for drug abstinence.

Probation Surcharge

The budget includes \$5,029,200 and a 0.8 FTE Positions from the Judicial Collection Enhancement Fund (JCEF) in FY 2013 for the Probation Surcharge. These amounts are unchanged from FY 2012.

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 \$4,600,500 and 3.6 FTE Positions from the General Fund in FY 2013 for Juvenile Standard Probation. These amounts are unchanged from FY 2012.

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 \$9,166,500 and 5.4 FTE Positions from the General Fund in FY 2013 for Juvenile Intensive Probation. These amounts are unchanged from FY 2012.

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 \$22,314,900 and 15.6 FTE Positions from the General Fund in FY 2013 for Juvenile Treatment Services. These amounts are unchanged from FY 2012.

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 2013 for Juvenile Family Counseling. This amount is unchanged from FY 2012.

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 2013 for Juvenile Diversion Consequences. This amount is unchanged from FY 2012.

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 2011, there were approximately 17,054 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 2013 for Juvenile Crime Reduction. These amounts are unchanged from FY 2012.

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 26 public and private entities.

Special Water Master

The budget includes \$20,000 from the General Fund in FY 2013 for the Special Water Master line item. This amount is unchanged from FY 2012.

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. In FY 2011, 546 individuals, communities, governments, and companies filed about 500 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.

Additional Legislation

County Non-Supplanting Provisions

The Criminal Justice Budget Reconciliation Bill (Laws 2012, Chapter 302) continues the FY 2012 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.

Fund Transfers

The budget includes the following FY 2013 transfers from this agency's funds to the General Fund:

Criminal Justice Enhancement Fund	75,000
Drug Treatment and Education Fund	150,000
Judicial Collection Enhancement Fund	400,000
Juvenile Probation Services Fund	5,000,000

In addition, the budget requires the identical transfers in FY 2014.

Department of Juvenile Corrections

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,001.7	1,001.7	738.5
Personal Services	29,349,700	27,044,700	24,791,800
Employee Related Expenditures	14,964,600	13,374,800	12,711,300
Professional and Outside Services	2,131,200	2,263,900	2,263,900
Travel - In State	618,600	569,700	569,700
Travel - Out of State	3,500	3,200	3,200
Other Operating Expenditures	6,832,000	6,360,400	5,978,500
Equipment	1,033,900	1,000,900	1,000,900
AGENCY TOTAL	54,933,500	50,617,600^{1/}	47,319,300^{2/3/4/}
FUND SOURCES			
General Fund	51,179,000	46,755,200	43,428,400
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	527,700	530,600	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600	1,098,600	1,098,600
State Education Fund for Committed Youth	2,128,200	2,233,200	2,261,700
SUBTOTAL - Other Appropriated Funds	3,754,500	3,862,400	3,890,900
SUBTOTAL - Appropriated Funds	54,933,500	50,617,600	47,319,300
Other Non-Appropriated Funds	173,400	177,600	177,600
Federal Funds	1,885,700	1,823,200	1,823,200
TOTAL - ALL SOURCES	56,992,600	52,618,400	49,320,100

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

Operating Budget

The budget includes \$47,319,300 and 738.5 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$43,428,400
Criminal Justice Enhancement Fund (CJEF)	530,600
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	2,261,700

These amounts fund the following adjustments:

Catalina Mountain School Closure

The budget includes a decrease of \$(3,800,000) and (56) FTE Positions from the General Fund in FY 2013 for the annualization of the Catalina Mountain School closure.

Catalina Mountain School (CMS) in Tucson was closed as of September 20, 2011. All youth from CMS were relocated to Adobe Mountain School (AMS) in Phoenix. The department closed CMS in order to reduce the operating costs of DJC as well as improve the quality of youth programs and services by centralizing staff, facilities, and resources.

A total of 70 FTE Positions from CMS were transferred to AMS and 56 FTE Positions from CMS were eliminated.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} 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)

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

As a result of this shift, the department will reduce their expenses by \$(3,800,000). This estimate includes \$(2,252,900) savings in Personal Services, \$(1,009,300) savings in Employee Related Expenditures, and \$(537,800) savings in Other Operating Expenditures.

Statewide Adjustment

The budget includes an increase of \$501,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	473,200
State Education Fund for Committed Youth	28,500

(Please see the Agency Detail and Allocations section.)

Other Issues

Reduced Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for DJC includes a reduction of (207.2) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. DJC's share of this Non-General Fund charge will be \$9,400. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

State Land Department

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	152.9	152.9	125.7
Personal Services	5,393,500	6,596,700	6,596,700
Employee Related Expenditures	2,189,000	2,799,700	2,824,700
Professional and Outside Services	900,600	1,626,400	1,626,400
Travel - In State	141,000	140,200	140,200
Travel - Out of State	1,000	13,900	13,900
Other Operating Expenditures	1,772,000	2,410,100	3,269,100
Equipment	254,000	133,000	133,000
OPERATING SUBTOTAL	10,651,100	13,720,000	14,604,000
SPECIAL LINE ITEMS			
CAP User Fees	481,100	481,200	481,200 ^{1/}
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	563,500	650,000	650,000 ^{2/}
AGENCY TOTAL	11,695,700	15,351,200^{3/}	16,235,200^{4/5/}
FUND SOURCES			
General Fund	3,276,100	1,233,600	1,258,600
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	172,500	260,000	260,000
Risk Management Revolving Fund	0	9,888,400	10,747,400
Trust Land Management Fund	8,247,100	3,469,200	3,469,200
SUBTOTAL - Other Appropriated Funds	8,419,600	14,117,600	14,976,600
SUBTOTAL - Appropriated Funds	11,695,700	15,351,200	16,235,200
Other Non-Appropriated Funds	1,265,800	993,100	993,100
Federal Funds	498,500	867,200	867,200
TOTAL - ALL SOURCES	13,460,000	17,211,500	18,095,500

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 \$14,604,000 and 125.7 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$387,400
Risk Management Revolving Fund	10,747,400
Trust Land Management Fund	3,469,200

^{1/} The appropriation includes \$481,200 for Central Arizona Project User Fees in FY 2013. For FY 2013, from municipalities that assume their allocation of Central Arizona Project water every dollar received as reimbursement to the state for past Central Arizona Water Conservation District payments, \$1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)

^{2/} Of the amount appropriated for Natural Resource Conservation Districts in FY 2013, \$30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers. (General Appropriation Act footnote)

^{3/} 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.)

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

^{5/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$884,000 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	25,000
Risk Management Revolving Fund	859,000

(Please see the Agency Detail and Allocations section.)

CAP User Fees

The budget includes \$481,200 from the General Fund in FY 2013 for Central Arizona Project (CAP) User Fees. This amount is unchanged from FY 2012.

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 2013 for this line item. This amount is unchanged from FY 2012.

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 2013 for Natural Resource Conservation Districts (NRCs). This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2012.

Monies in this line item are used to provide for natural resource research, scholarships, and staff at the state's 32 NRCs. 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 NRC 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 NRCs be used to provide grants to NRC environmental

education centers. There are currently 23 education centers sponsored or co-sponsored by 30 NRCs. 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

The Environment Budget Reconciliation Bill (Laws 2012, Chapter 303) allows the State Land Commissioner, before June 30, 2013, to grant an additional extension of up to 5 years for payment of certificates of purchase for State Trust land auctioned between January 1, 2004 and December 31, 2007.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the State Land Department includes a reduction of (27.2) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The State Land Department's share of this Non-General Fund charge will be \$2,100. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Status of Legal Challenge

The FY 2010 budget created the Trust Land Management Fund, which received revenue from a 10% commission on the proceeds from the sale of State Trust land and natural resources. In FY 2010, \$9,820,400 of the Land Department's operating budget was shifted from the General Fund to the Trust Land Management Fund. The state was subsequently sued for using monies that would have otherwise been deposited into the Permanent Funds of State Trust beneficiaries to fund the department's operations. In October 2010, the Superior Court of Arizona ruled in *Rumery v. Martin* that any diversion of proceeds raised by the sale of State Trust land from the Permanent Funds of State Trust beneficiaries is unconstitutional. Furthermore, the department is required to refund all proceeds that have been previously diverted from the Permanent Funds of State Trust beneficiaries to the Trust Land Management Fund. Since the establishment of the Trust Land Management Fund, the total amount of proceeds from sales deposited into the fund is \$24,024,400. Only \$7,630,400 remains in the fund, so an additional \$16,394,000 would be needed to repay all the proceeds that were diverted to the fund.

The Arizona Court of Appeals granted the Land Department a stay of the Superior Court's judgment through FY 2011. On June 30, 2011, the Court of Appeals stay extension was denied. As a result, the State Land Department's Trust Land Management Fund lost a significant portion of its revenue.

The FY 2012 Environment Budget Reconciliation Bill (Laws 2011, Chapter 36) appropriated \$9,888,400 to the State Land Department from the Risk Management Fund for operating expenses in FY 2012 if the department was 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, which it was. The remaining \$3,469,200 appropriation comes from fees, which are unaffected by the current litigation.

In November 2011, the Arizona Court of Appeals upheld the Superior Court's judgment. The Land Department subsequently filed an appeal with the Arizona Supreme Court. In May 2012, the Arizona Supreme Court decided to hear this case on appeal. Since litigation is ongoing, FY 2013 operating expenses were again appropriated from the Risk Management Fund. If the judgment stands, the Legislature will need to establish a permanent funding source.

Law Enforcement Merit System Council

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	47,100	37,000	37,000
Employee Related Expenditures	9,800	22,600	22,700
Other Operating Expenditures	8,800	11,000	10,800
Equipment	1,400	0	0
AGENCY TOTAL	67,100	70,600^{1/}	70,500^{2/3/}
FUND SOURCES			
General Fund	67,100	70,600	70,500
SUBTOTAL - Appropriated Funds	67,100	70,600	70,500
TOTAL - ALL SOURCES	67,100	70,600	70,500

AGENCY DESCRIPTION — The Law Enforcement Merit Council (LEMSC) sets the standards and qualifications for all classified positions within the Department of Public Safety (DPS). The Council provides the rules for selection, appointment, retention, separation, dismissal, and retirement of DPS employees. The Council also hears appeals in connection with suspension, demotion, or dismissal of classified employees.

Operating Budget

The budget includes \$70,500 and 1 FTE Position from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(100) from the General Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

Personnel Reform

Laws 2012, Chapter 321 altered the structure and function of the Law Enforcement Merit System Council (LEMSC). The bill increases LEMSC membership from 3 to 5 members, changes member compensation to \$100 per meeting, and lowers the term of office from 6 to 3 years. Additionally, the bill modifies LEMSC authority by restricting it to Sworn Officers and preventing it from rescinding the DPS' Director's disciplinary decisions. LEMSC may provide a recommendation that DPS modify its disciplinary action, which the Director is to accept unless it is found to be arbitrary or without reasonable justification. However, the Director will make the final decision as to the suitability of the LEMSC recommendation and the disciplinary action.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services.

^{1/} In addition to these amounts, a total of \$2,200 from the General Fund is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Legislature - Auditor General

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	199.4	199.4	184.8
Personal Services	10,065,100	10,065,100	10,065,100
Employee Related Expenditures	3,654,300	3,742,900	3,781,100
Professional and Outside Services	499,100	499,100	1,499,100
Travel - In State	290,800	290,800	290,800
Travel - Out of State	4,500	4,500	4,500
Other Operating Expenditures	1,324,000	1,059,000	1,032,200
Equipment	567,300	567,300	567,300
AGENCY TOTAL	16,405,100	16,228,700^{1/}	17,240,100^{2/3/4/}

FUND SOURCES

General Fund	16,405,100	16,228,700	17,240,100
SUBTOTAL - Appropriated Funds	16,405,100	16,228,700	17,240,100
Other Non-Appropriated Funds	1,984,700	1,984,700	1,984,700
TOTAL - ALL SOURCES	18,389,800	18,213,400	19,224,800

AGENCY DESCRIPTION — The Auditor General (AG) provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

Operating Budget

The budget includes \$17,240,100 and 184.8 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Additional Audits

The budget includes a one-time increase of \$1,000,000 from the General Fund in FY 2013 to provide for additional audits.

Statewide Adjustments

The budget includes an increase of \$11,400 from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Reduce Vacant Full-Time FTE Positions

The FY 2013 budget included a general policy of reducing FTE Position ceilings for agencies with more than 100 FTE Positions to a level not exceeding a 10% vacancy rate. The budget for the Auditor General includes a reduction of

(14.6) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Additional Legislation

The following bills from the 2012 Legislative Session require the Auditor General to perform the following audits:

- Laws 2012, Chapter 108: Report on the FY 2011 and FY 2012 revenues and all expenditures incurred by the Independent Redistricting Commission. Due by October 31, 2012.
- Laws 2012, Chapter 120: Special audit of the 1997, 2004 and 2006 Pima County general obligation bond programs. Due by February 2, 2013.
- Laws 2012, Chapter 209: Performance audit of the Administrative Office of the Courts at the request of the Joint Legislative Audit Committee. Limited to administration, operation, and funds of the Supreme Court.
- Laws 2012, Chapter 283: Performance audit of the Arizona Game and Fish Department, its Director, and the Arizona Game and Fish Commission. Due by December 1, 2013.

^{1/} 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.)

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Legislature - House of Representatives

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	11,621,300	13,039,600	13,067,100
AGENCY TOTAL	11,621,300	13,039,600^{1/}	13,067,100^{2/3/4/5/}
FUND SOURCES			
General Fund	11,621,300	13,039,600	13,067,100
SUBTOTAL - Appropriated Funds	11,621,300	13,039,600	13,067,100
TOTAL - ALL SOURCES	11,621,300	13,039,600	13,067,100

AGENCY DESCRIPTION — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

Operating Budget

The budget includes \$13,067,100 from the General Fund in FY 2013 for the operating budget. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$27,500 from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} 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.)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{4/} Included in the Lump Sum appropriation of \$13,067,100 for FY 2013 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{5/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Legislature - Joint Legislative Budget Committee

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0
Personal Services	1,330,100	1,616,900	1,600,200
Employee Related Expenditures	518,200	570,200	593,400
Professional and Outside Services	80,200	125,000	125,000
Travel - In State	200	500	500
Other Operating Expenditures	27,700	97,700	97,700
Equipment	100	2,000	2,000
AGENCY TOTAL	1,956,500	2,412,300^{1/}	2,418,800^{2/3/4/}
FUND SOURCES			
General Fund	1,956,500	2,412,300	2,418,800
SUBTOTAL - Appropriated Funds	1,956,500	2,412,300	2,418,800
TOTAL - ALL SOURCES	1,956,500	2,412,300	2,418,800

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 \$2,418,800 and 29 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,500 from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} 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.)
- ^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- ^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Legislature - Legislative Council

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.8	42.8	42.8 ^{1/}
Personal Services	2,239,100	2,400,000	2,400,000
Employee Related Expenditures	893,800	817,500	826,600
Professional and Outside Services	25,700	30,000	3,230,000
Travel - In State	300	400	400
Other Operating Expenditures	306,900	316,700	316,700
Equipment	562,800	580,000	580,000
OPERATING SUBTOTAL	4,028,600	4,144,600	7,353,700
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	496,900	529,600	531,000
AGENCY TOTAL	4,525,500	4,674,200^{2/}	7,884,700^{3/4/5/6/}
FUND SOURCES			
General Fund	4,525,500	4,674,200	7,884,700
SUBTOTAL - Appropriated Funds	4,525,500	4,674,200	7,884,700
TOTAL - ALL SOURCES	4,525,500	4,674,200	7,884,700

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 \$7,353,700 and 35.8 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Legislative Information Technology Projects

The budget includes a one-time increase of \$3,200,000 from the General Fund in FY 2013 for legislative information technology projects.

Statewide Adjustments

The budget includes an increase of \$9,100 from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Ombudsman-Citizens Aide Office

The budget includes \$531,000 and 7 FTE Positions from the General Fund in FY 2013 for the Ombudsman-Citizens Aide Office. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,400 from the General Fund in FY 2013 for statewide adjustments.

^{1/} Includes 7 GF FTE Positions funded from Special Line Items in FY 2013.

^{2/} 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.)

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

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

^{5/} Dues for the Council of State Governments shall be expended only on an affirmative vote of the Legislative Council. (General Appropriation Act footnote)

^{6/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Legislature - Senate

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
Lump Sum Appropriation	8,217,500	8,017,200	8,036,300
AGENCY TOTAL	8,217,500	8,017,200^{1/}	8,036,300^{2/3/4/5/}
FUND SOURCES			
General Fund	8,217,500	8,017,200	8,036,300
SUBTOTAL - Appropriated Funds	8,217,500	8,017,200	8,036,300
TOTAL - ALL SOURCES	8,217,500	8,017,200	8,036,300

AGENCY DESCRIPTION — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

Operating Budget

The budget includes \$8,036,300 from the General Fund in FY 2013 for the operating budget. This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$19,100 from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} 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.)

^{2/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{4/} Included in the Lump Sum appropriation of \$8,036,300 for FY 2013 is \$1,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{5/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Department of Liquor Licenses and Control

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.2	45.2	45.2
Personal Services	1,290,200	1,454,800	1,454,800
Employee Related Expenditures	579,700	686,100	717,400
Professional and Outside Services	40,400	40,400	40,400
Travel - In State	106,700	110,400	110,400
Travel - Out of State	2,300	3,300	3,300
Other Operating Expenditures	603,700	496,300	494,100
Equipment	35,700	30,000	30,000
AGENCY TOTAL	2,658,700	2,821,300^{1/}	2,850,400^{2/3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Liquor Licenses Fund	2,658,700	2,821,300	2,850,400
SUBTOTAL - Other Appropriated Funds	2,658,700	2,821,300	2,850,400
SUBTOTAL - Appropriated Funds	2,658,700	2,821,300	2,850,400
<i>Other Non-Appropriated Funds</i>			
Federal Funds	792,200	976,100	976,100
TOTAL - ALL SOURCES	3,562,300	3,842,800	3,871,900

AGENCY DESCRIPTION — The department licenses, investigates, and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

Operating Budget

The budget includes \$2,850,400 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$29,100 from the Liquor Licenses Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide

allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$11,906,400 for Attorney General services. Department of Liquor Licenses and Control's share of this Non-General Fund charge will be \$11,400. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona State Lottery Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	104.0	104.0	97.8
Personal Services	3,976,700	4,617,300	4,617,300
Employee Related Expenditures	1,721,600	1,715,000	1,732,500
Professional and Outside Services	326,100	384,300	384,300
Travel - In State	212,400	269,800	269,800
Travel - Out of State	5,100	16,700	16,700
Other Operating Expenditures	914,200	1,156,600	1,156,600
Equipment	37,700	0	0
OPERATING SUBTOTAL	7,193,800	8,159,700	8,177,200
SPECIAL LINE ITEMS			
Advertising	14,486,300	15,500,000	15,500,000
Charitable Commissions	0	556,400	567,500 ^{1/}
Instant Tickets ^{2/}	9,286,700	13,678,900	14,359,800 ^{3/}
On-Line Vendor Fees ^{2/}	7,735,700	8,011,500	7,988,100 ^{4/}
Retailer Commissions ^{2/}	38,954,100	39,778,900	41,000,000 ^{5/}
AGENCY TOTAL	77,656,600	85,685,400^{6/}	87,592,600^{7/8/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	77,656,600	85,685,400	87,592,600
SUBTOTAL - Other Appropriated Funds	77,656,600	85,685,400	87,592,600
SUBTOTAL - Appropriated Funds	77,656,600	85,685,400	87,592,600
Other Non-Appropriated Funds	361,933,100	364,386,600	376,282,500
TOTAL - ALL SOURCES	439,589,700	450,072,000	463,875,100

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 multi-state Powerball and Mega-Millions on-line games.

Operating Budget

The budget includes \$8,177,200 and 97.8 FTE Positions from the State Lottery Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$17,500 from the State Lottery Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} 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 \$567,500 in FY 2013. (General Appropriation Act footnote)
- ^{2/} 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.
- ^{3/} 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 \$14,359,800 in FY 2013. (General Appropriation Act footnote)
- ^{4/} 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 \$7,988,100, or 3.7% of actual on-line ticket sales in FY 2013. (General Appropriation Act footnote)
- ^{5/} 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 \$41,000,000 in FY 2013. (General Appropriation Act footnote)
- ^{6/} 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.)
- ^{7/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{8/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Advertising

The budget includes \$15,500,000 from the State Lottery Fund in FY 2013 for Advertising. This amount is unchanged from FY 2012.

Monies in this line item are used to promote and market Lottery games.

Charitable Commissions

The budget includes \$567,500 from the State Lottery Fund in FY 2013 for Charitable Commissions. This amount funds the following adjustments:

Tab Ticket Increase

The budget includes an increase of \$11,100 from the State Lottery Fund in FY 2013 to realign spending with projected revenues.

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, 20%, to the forecasted Tab Ticket sales. A.R.S. § 5-505 and 5-555 also allow the department to collect up to 35% of total Tab Ticket sales for their operating budget and the department will distribute the remainder as prizes. A.R.S. § 5-555 does not become effective until July 1, 2012 and supplants language in A.R.S. § 5-505.

Instant Tickets

The budget includes \$14,359,800 from the State Lottery Fund in FY 2013 for Instant Tickets. This amount funds the following adjustments:

Instant Ticket Sales Increase

The budget includes an increase of \$680,900 from the State Lottery Fund in FY 2013 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 \$7,988,100 from the State Lottery Fund in FY 2013 for On-Line Vendor Fees. This amount funds the following adjustments:

On-Line Vendor Fees Decrease

The budget includes a decrease of \$(23,400) from the State Lottery Fund in FY 2013 for On-Line Vendor Fees due to lower 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 \$41,000,000 from the State Lottery Fund in FY 2013 for Retailer Commissions. This amount funds the following adjustments:

Retailer Commissions Increase

The budget includes an increase of \$1,221,100 from the State Lottery Fund in FY 2013 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.

Lottery Forecast and Distributions

The JLBC Staff forecasts a 2.2% increase in overall Lottery ticket sales in FY 2012, followed by a 3.1% increase in FY 2013. For FY 2012 and FY 2013, the JLBC Staff forecasts Lottery ticket sales of \$596,496,900 and \$614,778,700, respectively.

Sources and Uses of Lottery Profit Distribution

Table 1 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2011 and the JLBC Staff projected distributions for FY 2012 and FY 2013. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-522, 5-534 and 5-572. The latter section does not become effective until July 1, 2012 and supplants language in A.R.S. § 5-522.

State Lottery Revenue Bond Debt Service Payment Fund
Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a 20-year, \$450,000,000 Lottery revenue bond by December

31, 2010 to be deposited into the General Fund. The payments are made from Lottery revenues that would have otherwise been deposited into the General Fund. The FY 2011 bond payment was \$21,445,900, which is interest only. The interest-only bond payment in FY 2012 is expected to be \$20,709,600 and the principal and interest payment for FY 2013 is expected to be \$37,499,600. Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Payment Fund.

Maricopa County Mass Transit

A U.S. District Court has recently ruled that the state must spend a certain portion of Lottery revenues annually for mass transit in Maricopa County. This decision restores Lottery distributions for mass transit in Maricopa County based on legislation passed in 1993.

Laws 1993, 6th Special Session, Chapter 1 allocated not less than 31.5% of multi-state Powerball revenues to public transportation programs, otherwise known as Local Transportation Assistance Fund (LTAF) II. This allocation was capped at \$18,000,000 and was contingent upon the General Fund receiving \$45,000,000 in Lottery revenues.

These monies were allocated to political subdivisions. Maricopa County's share was part of the state's implementation plan to ensure compliance with the federal Clean Air Act.

Laws 2010, 7th Special Session, Chapter 12 redirected these monies to the General Fund. In September 2011, the U.S. District Court in the case of *Paisley v. Darwin* ruled that the Arizona Legislature must restore the distribution of mass transit monies to Maricopa County because the distribution was part of the state implementation plan to ensure compliance with the Clean Air Act.

The District Court reinstated the 1993 formula relative to Maricopa County. As a result, the state must calculate Maricopa County's share of 31.5% of statewide Powerball proceeds and distribute those monies to the county. For purposes of this calculation, the dollar level of statewide proceeds is not to exceed \$18,000,000. The Maricopa County distribution is contingent upon the General Fund receiving \$45,000,000 in Lottery revenues. The court order does not restore mass transit funding to any other local entity.

The projected annual distribution of Powerball proceeds to the Maricopa Public Transportation Fund is \$11,200,000 in FY 2012 and \$11,312,000 in FY 2013. Adding these distributions is likewise projected to reduce total transfers to the General Fund by \$(3,832,400) in FY 2012 and \$(5,685,600) in FY 2013. The University Capital Improvement (UCI) Fund distribution would absorb the remainder of the impact. These amounts are based upon

the Lottery Commission interpreting the court order to have a full year fiscal impact in FY 2012.

General Fund - Part 1

The statutory distribution requires the General Fund to receive up to \$84,150,000. As permanent law beginning in FY 2013, the FY 2013 Revenues Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 297) modified the beneficiary distribution by increasing the General Fund - Part 1 distribution requirements by \$3,500,000, from the \$80,650,000 requirement in FY 2012. The General Fund - Part 2 would receive up to an additional \$15,490,000 (for a total of \$99,640,000) after the statutory funding obligations have been met through the Homeless Shelters distribution. After all other statutory obligations have been met, the General Fund - Part 3 would receive all remaining revenues.

The profit distributions in FY 2012 and FY 2013 are forecasted to fulfill requirements for General Fund - Part 1 and Part 2. It is assumed that Lottery revenue bond payments of \$20,709,600 in FY 2012 and \$37,499,600 in FY 2013 count towards the \$84,150,000 General Fund - Part 1 requirement. General Fund distributions, net of bond payments, are therefore projected to be \$75,430,400 in FY 2012 and \$62,140,400 in FY 2013.

Heritage Fund

Statute caps annual distributions to the Arizona Game and Fish Commission's Heritage Fund at \$10,000,000. The funds are used to promote wildlife habitat and education programs and to rehabilitate historic buildings. In FY 2012 and FY 2013, the fund is projected to receive its entire allocation.

Health and Welfare Programs

Statute requires annual inflation adjustments for the Health and Welfare distribution. The revised allocation cap is \$19,592,400 in FY 2012 and \$20,436,200 in FY 2013. These amounts are distributed among the following agencies:

- 29.4% to the Department of Economic Security (DES) for the Healthy Families program.
- 23.5% to the Arizona Board of Regents (ABOR) for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to DHS for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2012 and FY 2013.

Homeless Shelters

Under the statutory distribution, DES would receive up to \$1,000,000 for Homeless Shelters. The department shall

use the funding to distribute grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and related support services. The fund is estimated to receive its full allocation in both FY 2012 and FY 2013.

General Fund - Part 2

As noted above, the General Fund would receive up to an additional \$15,490,000 after all prior allocations have been met. In FY 2012 and FY 2013, the General Fund is estimated to receive its entire allocation of \$15,490,000.

Arizona Competes Fund

Statute caps annual distributions to the Arizona Competes Fund at \$3,500,000. The FY 2013 Revenues BRB, as permanent law, modified the beneficiary distribution by moving the Arizona Competes Fund distribution after the General Fund – Part 2 distribution. Laws 2011, 2nd Special Session, Chapter 1 previously directed the first \$3,500,000 of the beneficiary distribution, after all related debt service transfers, to the Arizona Competes Fund. Allotments to this fund are used for administering grants to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state. This fund is estimated to receive its full allocation in both FY 2012 and FY 2013.

University Capital Improvement Fund

This fund serves as the source for up to 80% of the annual debt service associated with \$800,000,000 of University Capital construction lease-purchase. This fund received \$5,963,900 in FY 2011, which was 80% of the annual debt service payments. The UCI Fund is expected to receive \$2,864,200 in FY 2012 and \$4,766,200 in FY 2013, which is less than 80% of the expected debt service payment for each year. The full 80% would have generated revenues to the fund of \$10,231,900 in FY 2012 and \$10,392,700 in FY 2013. *(Please see the FY 2013 ABOR Capital Outlay section for more details.)*

General Fund - Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. In FY 2012 and FY 2013, the General Fund is estimated to receive \$0.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Lottery Commission includes a reduction of (6.2) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB, revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Lottery Commission's share of this Non-General Fund charge will be \$24,800. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Table 1

**Forecast of Lottery Revenue Distribution
(\$ in Millions)**

<u>Sales</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Instant Sales	\$374.5	\$380.0	\$398.9
On-Line Sales	<u>209.0</u>	<u>216.5</u>	<u>215.9</u>
Total Sales	\$583.5	\$596.5	\$614.8
<i>Less:</i>			
Operating Budget ^{1/}	\$ 77.7	\$ 85.6	\$ 87.6
Fund Transfers ^{2/}	1.8	1.9	0.0
Gaming Distribution	0.3	0.3	0.3
Prizes ^{3/}	<u>361.9</u>	<u>364.4</u>	<u>376.3</u>
Net Profit ^{4/}	\$141.8	\$144.3	\$150.6
<u>Profit Transfers</u>			
Debt Service Fund ^{5/}	\$ 21.4	\$ 20.7	\$ 37.5
Maricopa County Mass Transit ^{6/}	N/A	11.2	11.3
General Fund - Part 1 ^{7/}	65.9	59.9	46.6
Heritage	10.0	10.0	10.0
Health and Welfare Programs	18.8	19.6	20.4
Homeless Shelters	1.0	1.0	1.0
General Fund - Part 2 ^{7/}	15.5	15.5	15.5
Arizona Commerce Authority ^{8/}	N/A	3.5	3.5
University Capital	6.0	2.9	4.8
General Fund - Part 3 ^{7/}	0.0	0.0	0.0
Economic Development ^{9/}	<u>3.2</u>	<u>N/A</u>	<u>N/A</u>
Total Transfer	\$141.8	\$144.3	\$150.6

- ^{1/} Of this amount, an estimated \$556,400 in FY 2012 and an estimated \$567,500 in FY 2013 will be distributed to charities.
- ^{2/} Transfers in FY 2011 include a \$1,328,100 continued Fund Reduction and Transfer (FRAT) and a \$453,800 pay/benefit reduction. In FY 2012, there is a \$1,352,400 continued FRAT and a \$509,400 pay/benefit reduction.
- ^{3/} Prizes are estimated by subtracting net profit and operating budget expenditures from total Lottery sales.
- ^{4/} To derive the profit transfer amounts, the actual FY 2011 rate of return for each game was applied to the current budget forecast. The cumulative profit transfer rate is 24.67%.
- ^{5/} Of the \$21,445,900 in debt service payments for FY 2011, \$2,255,000 was paid with profits generated in FY 2010.
- ^{6/} As a result of a federal court order, Maricopa County's share of Local Transportation Assistance Fund II monies was reinstated starting September 2011. (*See Lottery Forecast and Distributions for more information.*)
- ^{7/} Excluding fund transfers, total distributions to the General Fund totaled \$81,440,500 in FY 2011 and are estimated to be \$75,430,400 in FY 2012 and \$62,140,400 in FY 2013.
- ^{8/} Laws 2012, Chapter 297 moves the Arizona Competes Fund distribution from before General Fund – Part 1 to after General Fund – Part 2, beginning in FY 2013.
- ^{9/} Dedicated funding from 2 instant ticket games. Economic Development transfer was permanently eliminated in FY 2012 by Laws 2011, 2nd Special Session, Chapter 1.

Arizona Medical Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	58.5	58.5	58.5
Personal Services	2,194,200	2,752,600	2,752,600
Employee Related Expenditures	810,900	1,020,600	1,031,100
Professional and Outside Services	621,000	999,400	999,400
Travel - In State	16,900	23,000	23,000
Travel - Out of State	13,200	14,000	14,000
Other Operating Expenditures	860,800	945,300	925,100
Equipment	269,600	64,200	64,200
AGENCY TOTAL	4,786,600	5,819,100^{1/}	5,809,400^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona Medical Board Fund	4,786,600	5,819,100	5,809,400 ^{4/}
SUBTOTAL - Other Appropriated Funds	4,786,600	5,819,100	5,809,400
SUBTOTAL - Appropriated Funds	4,786,600	5,819,100	5,809,400
TOTAL - ALL SOURCES	4,786,600	5,819,100	5,809,400

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

Operating Budget

The budget includes \$5,809,400 and 58.5 FTE Positions from the Arizona Medical Board Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(9,700) from the Arizona Medical Board Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

^{4/} 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 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
SPECIAL LINE ITEMS			
Medical Student Financial Assistance	360,700	87,200	0
AGENCY TOTAL	360,700	87,200	0
FUND SOURCES			
General Fund	360,700	67,000	0
<u>Other Appropriated Funds</u>			
Medical Student Loan Fund	0	20,200	0
SUBTOTAL - Other Appropriated Funds	0	20,200	0
SUBTOTAL - Appropriated Funds	360,700	87,200	0
TOTAL - ALL SOURCES	360,700	87,200	0

AGENCY DESCRIPTION — The Board of Medical Student Loans distributes financial aid to qualified resident students enrolled at the University of Arizona College of Medicine or private medical schools within Arizona. The University of Arizona College of Medicine, Midwestern University, and A.T. Still University provide the board with support services at no cost.

Medical Student Financial Assistance

The budget includes no funding in FY 2013 for Medical Student Financial Assistance. This amount consists of:

	<u>FY 2013</u>
General Fund	\$0
Medical Student Loan Fund	0

These amounts fund the following adjustments:

Program End

The budget includes a decrease of \$(87,200) in FY 2013 for program termination. This amount consists of:

General Fund	(67,000)
Medical Student Loan Fund	(20,200)

The final remaining medical student will graduate from A.T. Still University in May 2012. The board has asked that the program be discontinued after the final student graduates.

Other Issues

Medical Student Loan Fund

Laws 2012, Chapter 301, the FY 2013 Higher Education Budget Reconciliation Bill, requires the Department of Health Services to administer the Medical Student Loan Fund. All monies in the fund are to be used for the Primary Care Provider Loan Repayment Program.

State Mine Inspector

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	430,200	446,900	446,900
Employee Related Expenditures	200,700	200,300	197,000
Professional and Outside Services	28,300	12,800	12,800
Travel - In State	64,200	89,000	89,000
Travel - Out of State	5,500	20,000	20,000
Other Operating Expenditures	155,900	225,000	222,400
Equipment	52,200	6,500	6,500
OPERATING SUBTOTAL	937,000	1,000,500	994,600
SPECIAL LINE ITEMS			
Abandoned Mines Safety Fund Deposit	167,600	189,000	189,000
Aggregate Mined Land Reclamation	24,400	112,500	112,500 ^{1/}
AGENCY TOTAL	1,129,000	1,302,000^{2/}	1,296,100^{3/4/}
FUND SOURCES			
General Fund	1,104,600	1,189,500	1,183,600
Other Appropriated Funds			
Aggregate Mining Reclamation Fund	24,400	112,500	112,500
SUBTOTAL - Other Appropriated Funds	24,400	112,500	112,500
SUBTOTAL - Appropriated Funds	1,129,000	1,302,000	1,296,100
Other Non-Appropriated Funds	15,300	169,000	169,000
Federal Funds	439,700	283,200	283,200
TOTAL - ALL SOURCES	1,584,000	1,754,200	1,748,300

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 \$994,600 and 14 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(5,900) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Abandoned Mines Safety Fund Deposit

The budget includes \$189,000 from the General Fund in FY 2013 for the Abandoned Mines Safety Fund Deposit Special Line Item. This amount is unchanged from FY 2012.

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

^{1/} All Aggregate Mining Reclamation Fund receipts received by the State Mine Inspector in excess of \$112,500 in FY 2013 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 2013, the State Mine Inspector shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations.)

^{2/} 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.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

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 2013 for the Aggregate Mined Land Reclamation Special Line Item. This amount is unchanged from FY 2012.

Monies in this 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.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302 the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Mine Inspector's share of this Non-General Fund charge will be \$1,200. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Naturopathic Physicians Medical Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	310,800	347,300	347,300
Employee Related Expenditures	92,400	104,700	106,000
Professional and Outside Services	92,700	70,000	70,000
Travel - In State	1,800	1,800	1,800
Travel - Out of State	1,700	0	0
Other Operating Expenditures	86,400	60,000	57,900
Equipment	4,100	4,500	4,500
AGENCY TOTAL	589,900	588,300^{1/}	587,500^{2/3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Naturopathic Physicians Medical Board Fund	589,900	588,300	587,500
SUBTOTAL - Other Appropriated Funds	589,900	588,300	587,500
SUBTOTAL - Appropriated Funds	589,900	588,300	587,500
TOTAL - ALL SOURCES	589,900	588,300	587,500

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 \$587,500 and 7 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(800) from the Naturopathic Physicians Medical Board Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona Navigable Stream Adjudication Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	49,800	51,300	51,300
Employee Related Expenditures	26,400	26,800	26,700
Professional and Outside Services	102,900	30,600	30,600
Travel - In State	0	1,800	1,800
Other Operating Expenditures	18,800	16,800	15,800
Equipment	4,700	0	0
AGENCY TOTAL	202,600	127,300^{1/}	126,200^{2/3/}

FUND SOURCES

General Fund	122,600	127,300	126,200
<u>Other Appropriated Funds</u>			
Risk Management Revolving Fund	80,000	0	0
SUBTOTAL - Other Appropriated Funds	80,000	0	0
SUBTOTAL - Appropriated Funds	202,600	127,300	126,200
TOTAL - ALL SOURCES	202,600	127,300	126,200

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 \$126,200 and 2 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,100) from the General Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

The Environment Budget Reconciliation Bill (Laws 2012, Chapter 303) allows the Arizona Navigable Stream Adjudication Commission (ANSAC) to utilize up to \$80,000 from the Risk Management Fund for unpaid legal obligations.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302 the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

Litigation

As noted in the Agency Description, the commission is responsible for determining the navigability of state watercourses at the time of statehood. If navigable, the watercourses are considered State Trust Land and any related proceeds from the waterbeds would be deposited in

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

the Riparian Trust Fund, pursuant to A.R.S. § 37-1156. The monies in this fund are primarily used to acquire and maintain land adjacent to the waterbeds for conservation purposes.

As of May 2006, the Arizona Navigable Stream Adjudication Commission had determined all watercourses in Arizona to be non-navigable at the time of statehood. In June 2006, the first appeal was filed against the commission by the Arizona Center for Law in the Public Interest and the State Land Department regarding the commission's determination for the Lower Salt River. Five other appeals have been filed and stayed pending the completion of the Lower Salt River case.

In August 2007, the Maricopa County Superior Court affirmed the commission's determination. The Superior Court decision was appealed to the Arizona Court of Appeals. A decision by the Arizona Court of Appeals in May 2010 did not overturn the commission's determination concerning the Lower Salt River. Instead, the Court of Appeals set aside the Superior Court's original decision, and remanded the Lower Salt River case to the Maricopa County Superior Court to determine the "ordinary and natural condition" of the watercourses by considering navigability in the period prior to statehood.

In October 2011, the Maricopa County Superior Court remanded the 4 cases appealed in Maricopa County back to the commission to address issues raised by the May 2010 Arizona Court of Appeals opinion. The 2 cases appealed in Pima County were also returned to the commission to address the same issues. The commission will make a determination based on prior evidence as well as new evidence put forth by the interested parties.

Since FY 2011, the budget has allowed the commission to utilize up to \$80,000 from the Risk Management Fund for unpaid legal expenses. This provision was included for FY 2013 in the Environment BRB (Laws 2012, Chapter 303). In FY 2011, the commission expended the entire appropriation. By the end of FY 2012, the commission anticipates that the \$80,000 appropriation will be expended.

State Board of Nursing

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.2	40.2	40.2
Personal Services	2,042,800	1,925,600	1,925,600
Employee Related Expenditures	759,900	812,500	819,800
Professional and Outside Services	581,800	574,500	574,500
Travel - In State	5,400	6,000	6,000
Travel - Out of State	4,400	5,000	5,000
Other Operating Expenditures	547,300	635,100	635,100
Equipment	111,800	90,000	90,000
AGENCY TOTAL	4,053,400	4,048,700^{1/}	4,056,000^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Nursing Fund	4,053,400	4,048,700	4,056,000
SUBTOTAL - Other Appropriated Funds	4,053,400	4,048,700	4,056,000
SUBTOTAL - Appropriated Funds	4,053,400	4,048,700	4,056,000
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	122,000	134,100	134,100
Federal Funds	481,900	464,600	464,600
TOTAL - ALL SOURCES	4,657,300	4,647,400	4,654,700

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

Operating Budget

The budget includes \$4,056,000 and 40.2 FTE Positions from the Board of Nursing Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$7,300 from the Board of Nursing Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	6.0
Personal Services	170,900	194,000	225,400
Employee Related Expenditures	71,500	81,500	90,000
Professional and Outside Services	30,000	37,000	37,000
Travel - In State	3,500	6,000	7,000
Travel - Out of State	1,100	4,000	4,000
Other Operating Expenditures	51,400	40,200	62,800
Equipment	500	500	500
AGENCY TOTAL	328,900	363,200^{1/}	426,700^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	328,900	363,200	426,700
SUBTOTAL - Other Appropriated Funds	328,900	363,200	426,700
SUBTOTAL - Appropriated Funds	328,900	363,200	426,700
TOTAL - ALL SOURCES	328,900	363,200	426,700

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

Operating Budget

The budget includes \$426,700 and 6 FTE Positions from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Training Programs Oversight

The budget includes an increase of \$64,300 and 1 FTE Position from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2013 to fund a new examiner position responsible for approving and licensing assisted living facility training programs.

Statewide Adjustments

The budget includes a decrease of \$(800) from the Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Occupational Safety and Health Review Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
Other Operating Expenditures	0	15,000	0
AGENCY TOTAL	0	15,000	0^{1/}
FUND SOURCES			
General Fund	0	15,000	0
SUBTOTAL - Appropriated Funds	0	15,000	0
TOTAL - ALL SOURCES	0	15,000	0

AGENCY DESCRIPTION — The board reviews cases involving violations of the state's occupational safety and health laws. The cases start with an informal conference with the Industrial Commission's Occupational Safety and Health Division Director. If the case cannot be resolved, the employer can request a hearing before an Industrial Commission Administrative Law Judge. If either the Director of the Occupational Safety and Health Division or the employer disagrees with the ruling, it can be appealed before the Occupational Safety and Health Review Board.

Operating Budget

The budget includes no funding from the General Fund in FY 2013 for the operating budget. This amount funds the following adjustments:

Board Operations

The budget includes a decrease of \$(15,000) from the General Fund in FY 2013 for board operations. In FY 2012 the board received a one-time, non-lapsing appropriation of \$15,000. Pursuant to A.R.S. § 23-422E, General Fund appropriations to the Occupational Safety and Health Review Board are exempt from lapsing. The board expects to have an ending balance of \$10,000 to \$15,000 in FY 2012, which would be available for expenditure in FY 2013.

^{1/} Additional board expenses are paid for by the federal government as part of a grant. These monies are included in the non-appropriated budget of the Industrial Commission's Occupational Safety and Health Division.

Board of Occupational Therapy Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.5	1.5	1.5
Personal Services	78,300	95,200	95,200
Employee Related Expenditures	29,800	26,900	27,300
Professional and Outside Services	4,900	5,000	5,000
Travel - In State	1,000	1,600	1,600
Other Operating Expenditures	19,100	33,600	33,600
AGENCY TOTAL	133,100	162,300^{1/}	162,700^{2/3/}

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	133,100	162,300	162,700
SUBTOTAL - Other Appropriated Funds	133,100	162,300	162,700
SUBTOTAL - Appropriated Funds	133,100	162,300	162,700
TOTAL - ALL SOURCES	133,100	162,300	162,700

AGENCY DESCRIPTION — The board examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

Operating Budget

The budget includes \$162,700 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$400 from the Occupational Therapy Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

State Board of Dispensing Opticians

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	59,800	61,900	61,900
Employee Related Expenditures	25,200	27,300	27,500
Professional and Outside Services	24,000	500	500
Travel - In State	6,700	4,200	4,200
Travel - Out of State	200	0	0
Other Operating Expenditures	11,200	33,100	32,700
Equipment	0	4,500	4,500
AGENCY TOTAL	127,100	131,500^{1/}	131,300^{2/3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Board of Dispensing Opticians Fund	127,100	131,500	131,300
SUBTOTAL - Other Appropriated Funds	127,100	131,500	131,300
SUBTOTAL - Appropriated Funds	127,100	131,500	131,300
TOTAL - ALL SOURCES	127,100	131,500	131,300

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 \$131,300 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(200) from the Board of Dispensing Opticians Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

State Board of Optometry

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2.0	2.0	2.0
Personal Services	105,000	108,000	108,000
Employee Related Expenditures	38,900	40,800	41,200
Professional and Outside Services	22,600	24,000	24,000
Travel - In State	700	2,000	2,000
Travel - Out of State	300	5,000	5,000
Other Operating Expenditures	24,500	18,300	17,600
AGENCY TOTAL	192,000	198,100^{1/}	197,800^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Optometry Fund	192,000	198,100	197,800
SUBTOTAL - Other Appropriated Funds	192,000	198,100	197,800
SUBTOTAL - Appropriated Funds	192,000	198,100	197,800
TOTAL - ALL SOURCES	192,000	198,100	197,800

AGENCY DESCRIPTION — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician.

Operating Budget

The budget includes \$197,800 and 2 FTE Positions from the Board of Optometry Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(300) from the Board of Optometry Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Arizona Board of Osteopathic Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6.7	6.7	6.7
Personal Services	297,900	335,700	335,700
Employee Related Expenditures	104,200	110,900	112,200
Professional and Outside Services	93,700	99,000	99,000
Travel - In State	0	1,000	1,000
Travel - Out of State	800	3,000	3,000
Other Operating Expenditures	113,500	115,200	112,300
Equipment	30,600	36,000	36,000
AGENCY TOTAL	640,700	700,800^{1/}	699,200^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Osteopathic Examiners Fund	640,700	700,800	699,200
SUBTOTAL - Other Appropriated Funds	640,700	700,800	699,200
SUBTOTAL - Appropriated Funds	640,700	700,800	699,200
TOTAL - ALL SOURCES	640,700	700,800	699,200

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 \$699,200 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,600) from the Board of Osteopathic Examiners Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona Parents Commission on Drug Education and Prevention

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	4,833,300	4,780,200	4,780,200
TOTAL - ALL SOURCES	4,833,300	4,780,200	4,780,200

AGENCY DESCRIPTION — The commission funds programs that increase and enhance parental involvement and education regarding the serious risks and public health problems caused by the abuse of alcohol and controlled substances. The commission does not receive an appropriation from the Legislature.

Arizona State Parks Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	232.3	232.3	163.0 ^{1/}
Personal Services	3,065,900	3,893,900	5,254,900
Employee Related Expenditures	1,492,800	1,920,600	2,652,700
Professional and Outside Services	1,000	0	15,900
Travel - In State	1,400	15,200	21,100
Other Operating Expenditures	2,163,000	3,483,000	2,392,000
Equipment	259,100	104,300	115,200
OPERATING SUBTOTAL	6,983,200	9,417,000	10,451,800^{2/}
SPECIAL LINE ITEMS			
Growing Smarter	20,000,000	0	0
Kartchner Caverns State Park	2,256,000	2,185,100	2,197,700
AGENCY TOTAL	29,239,200	11,602,100^{3/}	12,649,500^{4/5/6/}
FUND SOURCES			
General Fund	20,000,000	0	0
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	3,611,200	2,195,700	0
Reservation Surcharge Revolving Fund	278,200	501,100	0 ^{7/}
State Parks Enhancement Fund	5,349,800	8,905,300	0
State Parks Revenue Fund	0	0	12,649,500
SUBTOTAL - Other Appropriated Funds	9,239,200	11,602,100	12,649,500
SUBTOTAL - Appropriated Funds	29,239,200	11,602,100	12,649,500
Other Non-Appropriated Funds	61,677,200	50,504,600	50,357,900
Federal Funds	2,003,000	4,357,100	4,357,100
TOTAL - ALL SOURCES	92,919,400	66,463,800	67,364,500

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.

^{1/} Includes 35.8 OF FTE Positions funded from Special Line Items in FY 2013.

^{2/} All Other Operating Expenditures include \$26,000 from the State Parks Enhancement Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$260,000 in FY 2013, an additional 10% of this increase of Fool Hollow receipts is appropriated from the State Parks Enhancement Fund to meet the revenue sharing agreement with the City of Show Low and the United States Forest Service. (General Appropriation Act footnote)

^{3/} 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.)

^{4/} General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.

^{5/} During FY 2013, no more than \$5,000 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, 2013, a report to the Joint Legislative Budget Committee on out-of-state travel activities and expenditures for that fiscal year. (General Appropriation Act footnote)

^{6/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

^{7/} All Reservation Surcharge Revolving Fund receipts received by the Arizona State Parks Board in excess of \$502,300 in FY 2013 are appropriated to the Reservation Surcharge Revolving Fund. Before the expenditure of any Reservation Surcharge Revolving Fund monies in excess of \$502,300 in FY 2013, 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 \$10,451,800 and 127.2 FTE Positions from the State Parks Revenue Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Additional Revenues for Operating

The budget includes an increase of \$2,820,400 from the State Parks Revenue Fund in FY 2013 to allow the agency to use more of its gate fee and concession fee revenue for agency operations.

Appropriate Publications and Souvenir Revenue

The budget includes an increase of \$350,000 from the State Parks Revenue Fund in FY 2013 to reflect that revenues generated from the sale of publications and souvenirs are now appropriated for operating costs. Prior to FY 2013 and the establishment of the State Parks Revenue Fund, these revenues were deposited into a non-appropriated Publications and Souvenir Revolving Fund. (Please see *Additional Legislation for more information.*)

Reservation Surcharge Adjustment

Pursuant to an FY 2012 General Appropriation Act footnote, the expenditure of revenues generated by the Reservation Surcharge Fund in excess of the appropriated \$203,800 is permitted, but must be reported to the Joint Legislative Budget Committee (JLBC). The State Parks Board has notified JLBC Staff that the fund was expected to generate \$500,000 in FY 2012 and that the agency intends to spend the entire amount. The budget adjusts the FY 2012 appropriation to align Reservation Surcharge Revolving Fund expenditures with proceeds and continues this adjustment in FY 2013.

Transfer LEBSF Administration to Treasurer

The budget includes a decrease of \$(2,183,800) from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2013 to shift the administration of LEBSF from the Arizona Outdoor Recreation Coordinating Commission (AORCC) to the State Treasurer.

Laws 2011, Chapter 333 removes the requirement that grants are distributed by AORCC and requires that the State Treasurer administer LEBSF monies beginning in FY 2013. The Treasurer will disburse monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with a distribution formula developed by the Game and Fish Commission.

Prior to Laws 2011, Chapter 333 the State Parks Board utilized the first \$750,000 in revenues for grants to county law enforcement agencies in La Paz, Mohave, and Yuma counties. The remaining monies were used for the operating costs of the agency.

Statewide Adjustments

The budget includes an increase of \$48,200 from the State Parks Revenue Fund in FY 2013 for statewide adjustments. (Please see the *Agency Detail and Allocations section.*)

Kartchner Caverns State Park

The budget includes \$2,197,700 and 35.8 FTE Positions from State Parks Revenue Fund in FY 2013 for Kartchner Caverns State Park. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$12,600 from the State Parks Revenue Fund in FY 2013 for statewide adjustments.

Additional Legislation

Operating Funding

The Environment Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 303) 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.
- As permanent law, eliminate the State Parks Enhancement Fund (SPEF), the Reservation Surcharge Revolving Fund, and the Publications and Souvenir Revolving Fund, and consolidate their revenue sources into a new appropriated State Parks Revenue Fund.

SPEF receives revenue from park user fees and concession sales. The majority of SPEF monies are appropriated for agency operating costs while a non-appropriated portion of these monies could be used for capital purposes approved by the Joint Committee on Capital Review (JCCR).

The Reservation Surcharge Revolving Fund receives revenue from reservations made using the agency's automated reservation system. Revenues into the fund are appropriated for the reservation system's operating costs.

The Publications and Souvenir Revolving Fund receives revenue from the sale of publications and souvenir items at state parks, as well as the operation of the lodge and restaurant at Tonto Natural Bridge. Proceeds from these sales are used for agency operations and to purchase souvenir items for sale at state parks. This fund is non-appropriated.

The establishment of the State Parks Revenue Fund will go into effect approximately 1 month into FY 2013. The budget table and the agency narrative reflect the agency's budget after the State Parks Revenue Fund goes into effect. The Environment BRB includes a provision that allows the

State Parks Board to spend up to \$12,557,000 from the State Parks Revenue Fund, SPEF, and Reservation Surcharge Revolving Fund in FY 2013, or \$12,649,500 after including statewide adjustments. This provision enables the State Parks Board to spend the total amount appropriated in its operating budget and the Kartchner Caverns Special Line Item, in addition to \$350,000 in publications and souvenir revenue that is projected by the agency. In addition to operating costs, the State Parks Board may also use monies from the State Parks Revenue Fund for capital projects approved by the JCCR.

The \$12,649,500 includes \$92,500 from the State Parks Revenue Fund in FY 2013 for statewide adjustments. Of this amount, \$31,700 continues a statewide adjustment enacted in FY 2012 for a net adjustment of \$60,800, as described in the narrative above. (*Please see the Agency Detail and Allocations section.*)

Other Issues

Status of Parks

As of May 2012, there are 25 parks that are open to the public, 1 that is closed with an agreement in place to reopen on a limited basis in September 2012 (Oracle), and 1 that is closed with an agreement in place to reopen in June 2012 (Lyman Lake). Thirteen open parks plan to use only existing state fund sources (Alamo Lake, Buckskin Mountain, Catalina, Cattail Cove, Dead Horse Ranch, Fool Hollow, Kartchner Caverns, Lake Havasu, Lost Dutchman, Patagonia Lake, Picacho Peak, Slide Rock, and Tonto Natural Bridge). The remaining parks will remain open for at least part of FY 2013, 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 (Fort Verde, Homolovi Ruins, Jerome, Red Rock, Riordan Mansion, Roper Lake, Boyce Thompson Arboretum, McFarland, Tombstone Courthouse, Tubac Presidio, Yuma Territorial Prison, and Yuma Quartermaster Depot).

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE positions. The budget for the State Parks Board includes a reduction of (69.3) OF FTE positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General pro rata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This pro rata charge was separate from any funding

arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the pro rata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The pro rata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. State Parks Board's share of this Non-General Fund charge will be \$45,800. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

State Personnel Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	96,200	100,500	100,500
Employee Related Expenditures	30,300	44,600	45,000
Professional and Outside Services	165,700	186,400	186,400
Travel - In State	1,600	2,400	2,400
Other Operating Expenditures	43,300	31,800	30,000
Equipment	100	200	200
AGENCY TOTAL	337,200	365,900^{1/}	364,500^{2/3/}

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund - Personnel Board Account	337,200	365,900	364,500
SUBTOTAL - Other Appropriated Funds	337,200	365,900	364,500
SUBTOTAL - Appropriated Funds	337,200	365,900	364,500
TOTAL - ALL SOURCES	337,200	365,900	364,500

AGENCY DESCRIPTION — The State Personnel Board hears grievances for state employees in the State Personnel System who have been dismissed, demoted, or suspended for more than 80 hours. The board also hears “whistleblower” complaints, concerning reprisals against employees who disclose information to a public body.

Operating Budget

The budget includes \$364,500 and 3 FTE Positions from the Personnel Board Account of the Personnel Division Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,400) from the Personnel Board Account of the Personnel Division Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department’s expenses. This prorata charge was separate from any funding arrangement

contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Personnel Board’s share of this Non-General Fund charge will be \$600. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Additional Legislation

State Personnel System

Laws 2012, Chapter 321 expands the ADOA Personnel System to include 9 new agencies, creating the State Personnel System. Chapter 321 outlines the transition of a majority of the state’s covered workforce to uncovered and

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

at-will status, restructures the grievance and appeal process, and updates other human resources practices. The law becomes effective September 28, 2012.

The State Personnel Board will continue to be available to grandfathered, covered employees in the ADOA Personnel System; will review appeals of suspensions greater than 80 hours (previously greater than 40 hours), demotions, and dismissals; cannot modify or overturn decisions made by the agency (previously the board could modify or overturn agency decisions); compensate board members up to \$100 per day (previously compensation was up to \$30 per day); and continue to hear whistleblower complaints.

Office of Pest Management

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.0	40.0	30.0
Personal Services	1,051,200	888,400	888,400
Employee Related Expenditures	485,700	442,100	445,500
Professional and Outside Services	13,400	79,900	79,900
Travel - In State	29,800	15,000	15,000
Travel - Out of State	700	0	0
Other Operating Expenditures	76,000	1,257,600	543,500
Equipment	0	27,400	27,400
AGENCY TOTAL	1,656,800	2,710,400^{1/}	1,999,700^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Pest Management Fund	1,656,800	2,710,400	1,999,700
SUBTOTAL - Other Appropriated Funds	1,656,800	2,710,400	1,999,700
SUBTOTAL - Appropriated Funds	1,656,800	2,710,400	1,999,700
Other Non-Appropriated Funds	341,800	0	0
Federal Funds	81,700	109,500	109,500
TOTAL - ALL SOURCES	2,080,300	2,819,900	2,109,200

AGENCY DESCRIPTION — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.

Operating Budget

The budget includes \$1,999,700 and 30 FTE Positions from the Pest Management Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Budget Realignment

The budget includes a decrease of \$(700,400) and (10) FTE Positions from the Pest Management Fund in FY 2013 to more accurately represent the projected revenues and expenditures for the Office of Pest Management. As requested by the agency, this budget realignment is due in part to reduced revenues from the general economic downturn and decreased expenditures resulting from the relocation of the Office of Pest Management to the Department of Agriculture.

Statewide Adjustments

The budget includes a decrease of \$(10,300) from the Pest Management Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Additional Legislation

Fee Increase Authority

The Revenues Budget Reconciliation Bill (Laws 2012, Chapter 297) continues the FY 2012 fee raising authority for the Office of Pest Management, depositing the increased fee revenue in the appropriated Pest Management Fund. The bill adds an intent clause that limits additional revenues to \$525,000.

Office of Pest Management Relocation

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

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Arizona State Board of Pharmacy

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	18.0	18.0	18.0
Personal Services	920,100	921,800	921,800
Employee Related Expenditures	309,000	323,300	326,800
Professional and Outside Services	61,300	71,000	71,000
Travel - In State	39,500	22,000	22,000
Travel - Out of State	1,000	1,000	1,000
Other Operating Expenditures	298,300	565,100	557,300
Equipment	20,700	22,000	22,000
AGENCY TOTAL	1,649,900	1,926,200^{1/}	1,921,900^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Arizona State Board of Pharmacy Fund	1,649,900	1,926,200	1,921,900
SUBTOTAL - Other Appropriated Funds	1,649,900	1,926,200	1,921,900
SUBTOTAL - Appropriated Funds	1,649,900	1,926,200	1,921,900
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	232,900	155,600	155,600
Federal Funds	3,400	0	0
TOTAL - ALL SOURCES	1,886,200	2,081,800	2,077,500

AGENCY DESCRIPTION — The board licenses, regulates, and conducts examinations of pharmacists and issues permits to distributors of approved medications. The board also educates pharmacists and the general public on the proper distribution and use of these medications.

Operating Budget

The budget includes \$1,921,900 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(4,300) from the Arizona State Board of Pharmacy Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Legislation

Arizona Poison and Drug Information Center Transfer

Laws 2012, Chapter 317 allows the Executive Director of the Arizona State Board of Pharmacy to transfer up to \$1,000,000 annually from the Arizona State Board of Pharmacy Fund to the Arizona Poison and Drug Information Center. The monies are to supplement, and

not supplant, any State General Fund appropriation for poison prevention, data collection, education, management of poisoned persons, and drug information services. The Pharmacy Board reports that such transfers for a similar purpose were previously made in 1994 and 2006.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Board of Physical Therapy

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.8	3.8	3.8
Personal Services	156,000	161,900	161,900
Employee Related Expenditures	70,500	79,500	80,100
Professional and Outside Services	43,500	49,500	49,500
Travel - In State	3,400	5,500	5,500
Travel - Out of State	1,000	0	0
Other Operating Expenditures	61,500	66,500	66,500
Equipment	5,200	2,400	2,400
AGENCY TOTAL	341,100	365,300^{1/}	365,900^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Physical Therapy Fund	341,100	365,300	365,900
SUBTOTAL - Other Appropriated Funds	341,100	365,300	365,900
SUBTOTAL - Appropriated Funds	341,100	365,300	365,900
TOTAL - ALL SOURCES	341,100	365,300	365,900

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

The budget includes \$365,900 and 3.8 FTE Positions from the Board of Physical Therapy Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$600 from the Board of Physical Therapy Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona Pioneers' Home

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	115.8	115.8	106.3
Personal Services	3,166,800	3,316,800	3,316,800
Employee Related Expenditures	1,777,400	1,863,300	1,865,100
Professional and Outside Services	101,500	105,200	105,200
Travel - In State	26,200	26,200	26,200
Other Operating Expenditures	729,200	599,200	599,200
Equipment	54,600	27,900	53,000
OPERATING SUBTOTAL	5,855,700	5,938,600	5,965,500
SPECIAL LINE ITEMS			
Prescription Drugs	126,900	240,000	240,000
AGENCY TOTAL	5,982,600	6,178,600^{1/}	6,205,500^{2/3/4/}
FUND SOURCES			
General Fund	1,565,900	1,609,500	1,604,800
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	2,526,100	1,743,200	1,501,500
State Charitable Fund	1,890,600	2,825,900	3,099,200
SUBTOTAL - Other Appropriated Funds	4,416,700	4,569,100	4,600,700
SUBTOTAL - Appropriated Funds	5,982,600	6,178,600	6,205,500
Other Non-Appropriated Funds	36,300	60,700	60,700
TOTAL - ALL SOURCES	6,018,900	6,239,300	6,266,200

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 105 residents.

Operating Budget

The budget includes \$5,965,500 and 106.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$1,604,800
Miners' Hospital Fund	1,501,500
State Charitable Fund	2,859,200

These amounts fund the following adjustments:

Fund Shift

The budget includes an increase of \$243,200 from the State Charitable Fund and a corresponding decrease from

the Miners' Hospital Fund in FY 2013 to align agency expenditures with available funds.

Medical Equipment Needs

The budget includes an increase of \$25,100 from the State Charitable Fund in FY 2012 for one-time medical equipment purchases.

Statewide Adjustments

The budget includes an increase of \$1,800 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(4,700)
Miners' Hospital Fund	1,500
State Charitable Fund	5,000

(Please see the Agency Detail and Allocations section.)

- 1/ 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.)
- 2/ 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)
- 3/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 4/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Prescription Drugs

The budget includes \$240,000 from the State Charitable Fund in FY 2013 for Prescription Drugs. This amount is unchanged from FY 2012.

Monies in this line item provide funding for prescription drugs used by residents at the Arizona Pioneers' Home.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for Arizona Pioneers' Home includes a reduction of (9.5) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. Arizona Pioneers' Home's share of this Non-General Fund charge will be \$12,100. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

State Board of Podiatry Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1.0	1.0	1.0
Personal Services	66,600	64,900	64,900
Employee Related Expenditures	18,800	21,300	21,500
Professional and Outside Services	23,300	42,300	42,300
Travel - In State	1,300	2,900	2,900
Other Operating Expenditures	9,500	10,600	10,300
Equipment	100	1,100	1,100
AGENCY TOTAL	119,600	143,100^{1/}	143,000^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Podiatry Fund	119,600	143,100	143,000
SUBTOTAL - Other Appropriated Funds	119,600	143,100	143,000
SUBTOTAL - Appropriated Funds	119,600	143,100	143,000
TOTAL - ALL SOURCES	119,600	143,100	143,000

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 \$143,000 and 1 FTE Position from the Podiatry Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(100) from the Podiatry Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Commission for Postsecondary Education

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0 ^{1/}
Personal Services	110,700	126,700	115,700
Employee Related Expenditures	51,000	60,900	55,700
Professional and Outside Services	51,200	5,900	5,900
Travel - In State	1,000	1,100	1,000
Other Operating Expenditures	151,200	204,300	64,800
OPERATING SUBTOTAL	365,100	398,900	243,100
SPECIAL LINE ITEMS			
Arizona College and Career Guide	100	21,200	21,300 ^{2/}
Arizona Minority Educational Policy Analysis Center	13,500	100,000	100,000 ^{2/}
Family College Savings Program	153,000	149,100	149,100
Leveraging Educational Assistance Partnership	3,613,000	4,264,500	2,319,500 ^{3/}
Math and Science Teacher Initiative	0	176,000	176,000
Twelve Plus Partnership	28,700	130,500	130,500 ^{2/}
AGENCY TOTAL	4,173,400	5,240,200^{4/}	3,139,500^{5/6/7/}
FUND SOURCES			
General Fund	1,220,800	1,396,800	1,396,800
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	2,952,600	3,843,400	1,742,700
SUBTOTAL - Other Appropriated Funds	2,952,600	3,843,400	1,742,700
SUBTOTAL - Appropriated Funds	4,173,400	5,240,200	3,139,500
Other Non-Appropriated Funds	149,600	404,200	404,200
Federal Funds	125,300	1,200,000	1,200,000
TOTAL - ALL SOURCES	4,448,300	6,844,400	4,743,700

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

- ^{1/} Includes 1.5 FTE Positions funded from Special Line Items in FY 2013.
- ^{2/} The appropriations for Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to this fund, including balance forward, revenue and transfers, during FY 2013. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund. (General Appropriation Act footnote)
- ^{3/} Each participating institution, public or private, in order to be eligible to receive state matching funds under the 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 2013. (General Appropriation Act footnote)
- ^{4/} 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.)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{6/} Any unencumbered balance remaining in the Postsecondary Education Fund on June 30, 2012 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)
- ^{7/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Operating Budget

The budget includes \$243,100 and 3.5 FTE Positions from the Postsecondary Education Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Loss of Federal LEAP Funds

The budget includes a decrease of \$(23,200) from the Postsecondary Education Fund in FY 2013 due to the elimination of federal Leveraging Educational Assistance Partnership (LEAP) funding, a portion of which was used to fund the agency's operating budget.

Align Revenue and Expenditures

The budget includes a decrease of \$(133,100) from the Postsecondary Education Fund in FY 2013 to align the agency's appropriated operating budget with available appropriated funds.

Statewide Adjustments

The budget includes an increase of \$500 from the Postsecondary Education Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Arizona College and Career Guide

The budget includes \$21,300 from the Postsecondary Education Fund in FY 2013 for the Arizona College and Career Guide Special Line Item (SLI). This amount funds the following adjustments:

Statewide Adjustments

The budget includes an increase of \$100 from the Postsecondary Education Fund in FY 2013 for statewide adjustments.

The Arizona College and Career Guide is an annual publication listing Arizona public and private postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The budget includes \$100,000 and a 0.2 FTE Position from the Postsecondary Education Fund in FY 2013 for the Arizona Minority Educational Policy Analysis Center (AMEPAC) SLI. These amounts are unchanged from FY 2012.

AMEPAC promotes statewide studies, debates, and discussions to improve minority students' awareness of, access to, and achievement in Arizona's postsecondary educational institutions.

Family College Savings Program

The budget includes \$149,100 and 1 FTE Position from the Postsecondary Education Fund in FY 2013 for the Family College Savings Program (FCSP). These amounts are unchanged from FY 2012.

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 \$2,319,500 for the LEAP program in FY 2013. This amount consists of:

	FY 2013
General Fund	\$1,220,800
Postsecondary Education Fund	1,098,700

These amounts fund the following adjustment:

Loss of Federal LEAP Funds

The budget includes a decrease of \$(1,945,000) from the Postsecondary Education Fund in FY 2013 due to the elimination of federal funding for LEAP. The federal portion of these funds was eliminated in FY 2012.

LEAP 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). With the loss of federal LEAP funds, the program continues to operate with state and institutional funding only.

Math and Science Teacher Initiative

The budget includes \$176,000 from the General Fund in FY 2013 for the Math and Science Teacher Initiative. This amount is unchanged from FY 2012.

The program offers forgivable 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.

Twelve Plus Partnership

The budget includes \$130,500 and a 0.3 FTE Position from the Postsecondary Education Fund in FY 2013 for the Twelve Plus Partnership (TPP). These amounts are unchanged from FY 2012.

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.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134, of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Commission for Postsecondary Education's share of this Non-General Fund charge will be \$1,800. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Arizona Power Authority

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	37,521,600	39,165,600	39,165,600
TOTAL - ALL SOURCES	37,521,600	39,165,600	39,165,600

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.

State Board for Private Postsecondary Education

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	176,500	184,500	184,500
Employee Related Expenditures	80,800	70,900	70,500
Professional and Outside Services	17,400	27,400	27,400
Travel - In State	300	2,000	2,000
Other Operating Expenditures	42,900	37,300	37,300
Equipment	500	5,800	5,800
AGENCY TOTAL	318,400	327,900^{1/}	327,500^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board for Private Postsecondary Education Fund	318,400	327,900	327,500
SUBTOTAL - Other Appropriated Funds	318,400	327,900	327,500
SUBTOTAL - Appropriated Funds	318,400	327,900	327,500
Other Non-Appropriated Funds	89,400	92,500	92,500
TOTAL - ALL SOURCES	407,800	420,400	420,000

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 \$327,500 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(400) from the Board for Private Postsecondary Education Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

State Board of Psychologist Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	170,100	180,100	180,100
Employee Related Expenditures	72,100	74,500	75,200
Professional and Outside Services	23,700	34,000	34,000
Travel - In State	3,200	4,500	4,500
Travel - Out of State	300	6,000	6,000
Other Operating Expenditures	43,700	40,600	39,400
Equipment	2,500	5,700	5,700
AGENCY TOTAL	315,600	345,400^{1/}	344,900^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	315,600	345,400	344,900
SUBTOTAL - Other Appropriated Funds	315,600	345,400	344,900
SUBTOTAL - Appropriated Funds	315,600	345,400	344,900
TOTAL - ALL SOURCES	315,600	345,400	344,900

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts.

Operating Budget

The budget includes \$344,900 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(500) from the Board of Psychologist Examiners Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Department of Public Safety

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,081.8	2,139.8	1,903.7 ^{1/}
Personal Services	93,404,900	94,407,700	96,066,100
Employee Related Expenditures	49,294,300	53,377,500	63,463,200
Professional and Outside Services	664,600	1,390,400	1,390,400
Travel - In State	256,000	483,800	483,800
Travel - Out of State	144,000	192,500	192,500
Other Operating Expenditures	31,564,600	30,353,300	30,212,000
Equipment	6,132,700	4,390,100	6,345,300
OPERATING SUBTOTAL	181,461,100	184,595,300	198,153,300
SPECIAL LINE ITEMS			
GIITEM	18,359,600	21,316,500	21,370,600 ^{2/3/}
GIITEM Subaccount	0	2,090,300 ^{4/}	2,390,000
County Assistance	0	1,000,000 ^{4/}	0
Public Safety Equipment	0	2,390,000 ^{4/}	2,390,000
Motor Vehicle Fuel	3,908,900	3,935,500	3,935,500
DNA Testing	980,000	980,000 ^{5/}	0
Photo Radar Enforcement	3,761,000	0	0
AGENCY TOTAL	208,470,600	216,307,600^{6/}	228,239,400^{7/8/9/}
FUND SOURCES			
General Fund	42,000,100	46,557,300	45,524,000
<u>Other Appropriated Funds</u>			
Automated Fingerprint Identification System Fund	2,699,300	3,009,600	3,009,700
Crime Laboratory Assessment Fund	664,100	869,900	870,300
Crime Laboratory Operations Fund	10,098,600	11,071,200	14,702,100
Criminal Justice Enhancement Fund	2,886,500	2,870,200	2,872,200
Deoxyribonucleic Acid (DNA) Identification System Fund	3,981,700	3,960,200	5,470,800
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subac	0	2,090,300	2,390,000
Highway Patrol Fund	17,785,900	18,542,700	19,282,500
Highway User Revenue Fund	79,215,700	119,961,000	119,961,000
Motorcycle Safety Fund	20,400	205,000	205,000
Parity Compensation Fund	1,485,300	1,817,900	1,819,300
Photo Enforcement Fund	3,761,000	0	0
Public Safety Equipment Fund	0	2,390,000	2,390,000
Risk Management Fund	832,000	1,453,200	1,452,300
Safety Enforcement and Transportation Infrastructure Fund	1,518,800	1,509,100	1,510,200
State Highway Fund	41,521,200	0	6,780,000
SUBTOTAL - Other Appropriated Funds	166,470,500	169,750,300	182,715,400
SUBTOTAL - Appropriated Funds	208,470,600	216,307,600	228,239,400
Other Non-Appropriated Funds	34,463,200	38,655,600	37,509,100
Federal Funds	46,709,400	45,677,300	33,646,600
TOTAL - ALL SOURCES	289,643,200	300,640,500	299,395,100

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 \$198,153,300 and 1,766.9 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$20,449,200
Automated Fingerprint Identification System (AFIS) Fund	3,009,700
Crime Laboratory Assessment Fund (CLAF)	870,300
Crime Laboratory Operations Fund (CLOF)	14,702,100
Criminal Justice Enhancement Fund (CJEF)	2,872,200
Deoxyribonucleic Acid (DNA) Identification System Fund	5,470,800
Highway Patrol Fund	19,051,200
Highway User Revenue Fund (HURF)	119,961,000
Motorcycle Safety Fund	205,000
Parity Compensation Fund	1,819,300
Risk Management Fund	1,452,300
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,510,200
State Highway Fund	6,780,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(59,400) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(87,400)
AFIS Fund	100
CLAF	400
CLOF	8,100
CJEF	2,000
DNA Identification System Fund	3,000
Highway Patrol Fund	12,800
Parity Compensation Fund	1,400
Risk Management Fund	(900)
SETIF	1,100

^{1/} Includes 136.8 GF FTE Positions funded from Special Line Items in FY 2013.

^{2/} Of the \$21,370,600 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 \$21,370,600 appropriated to GIITEM, \$9,362,700 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/} 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.)

^{7/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{8/} Any monies remaining in the Department of Public Safety joint account on June 30, 2013 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)

^{9/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

(Please see the Agency Detail and Allocations section.)

DNA Testing Backlog

The budget includes an increase of \$2,487,600 from the DNA Identification System Fund in FY 2013 for the operational costs of the DPS Crime Lab. These monies will allow DPS to fill vacant Crime Lab positions and to reduce the current case backlog.

FTE Reduction

The budget includes a decrease of (219.1) unfunded FTE Positions in FY 2013. This amount consists of:

General Fund	(26.0)
AFIS Fund	(0.5)
CLAF	(0.6)
CLOF	(11.8)
CJEF	(3.6)
DNA Identification System Fund	(4.5)
Highway Patrol Fund	(23.5)
HURF	(142.8)
Parity Compensation Fund	(2.4)
Risk Management Fund	(1.3)
SETIF	(2.1)

(Please see Other Issues for more information.)

Officer Retirement

The budget includes an increase of \$9,174,600 in FY 2013 to offset an increase in the employer contribution rate for the Public Safety Personnel Retirement System (PSPRS). This amount consists of:

CLOF	3,622,800
Highway Patrol Fund	727,000
State Highway Fund	4,824,800

Highway Patrol Vehicle Replacement

The budget includes an increase of \$1,955,200 from the State Highway Fund in FY 2013 for the replacement of Highway Patrol vehicles. This amount is estimated to allow DPS to purchase up to 39 new vehicles at a cost of \$50,100 per vehicle or 56 used vehicles at a cost of \$34,900 per vehicle.

This amount is in addition to \$1,352,700 from the State Highway Fund in FY 2013 already included in the budget. This amount is estimated to allow DPS to purchase 27 new vehicles.

Radio and Infrastructure Equipment Replacement

The budget continues \$677,300 for radio and infrastructure equipment replacement in FY 2013. 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 2012. The equipment to be replaced includes portable radios, mobile radios, base stations, and telecommunications infrastructure.

GIITEM

The budget includes \$21,370,600 and 136.8 FTE Positions from the General Fund in FY 2013 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$54,100 from the General Fund in FY 2013 for statewide adjustments.

FTE Reduction

The budget includes a decrease of (17) unfunded FTE Positions from the General Fund in FY 2013.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) \$8,804,500 for gang enforcement, investigation, and interdiction, 2) \$9,362,700 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.

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 provides at least 25% of the cost of services.

<u>Function/Purpose</u>	<u>FY 2013</u>
Gang Enforcement & Investigation	\$ 8,804,500
DPS Immigration Personnel	9,362,700
Local Immigration Enforcement Grants	2,603,400 ^{1/}
GangNet Upgrade & Crime Analysts	600,000
TOTAL	\$21,370,600

^{1/} DPS also has prior year non-lapsing monies available for local efforts.

Current statute allocates the first \$1,600,000 in local immigration enforcement grant monies to a county with more than 3,000,000 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. Maricopa and Pinal County are excluded from the matching requirements.

GIITEM Subaccount

The budget includes \$2,390,000 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2013 for the GIITEM Subaccount for equipment and supplies for border security. This amount funds the following adjustments:

Elimination of One-Time Changes

The budget includes an increase of \$299,700 from the GIITEM Border Security and Law Enforcement Subaccount in FY 2013 for an estimated increase in revenues to the GIITEM Border Security and Law Enforcement Subaccount.

In FY 2012, there was a one-time transfer of the first \$1,000,000 of revenues from the Subaccount to the General Fund to offset \$1,000,000 of County Assistance spending. The elimination of this transfer will increase revenues to the Subaccount by \$1,000,000 annually. Additionally, in FY 2012 the Subaccount received a one-time deposit of \$700,300 from monies that are normally deposited into the Arizona Criminal Justice Commission’s State Aid to Indigent Defense Fund. Due to their one-time nature, these transfers are not continued in FY 2013 resulting in a net increase of \$299,700 in new revenues to the Subaccount in FY 2013.

The GIITEM Border Security and Law Enforcement Subaccount receives \$4 of a \$13 criminal fee. These revenues are estimated to total \$2,390,000 in FY 2013. The monies in the GIITEM Subaccount are for border security personnel and equipment. The monies are to be

provided directly to county sheriffs without approval by the respective Board of Supervisors.

The Criminal Justice BRB (Laws 2012, Chapter 302) clarifies that all appropriated monies in the GIITEM Border Security and Law Enforcement Subaccount are to be distributed to local entities by the end of the fiscal year.

County Assistance

The budget includes no funding in FY 2013 for County Assistance. These amounts fund the following adjustments:

Elimination of One-Time Funding

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2013 for the elimination of one-time funding.

Laws 2011, Chapter 308 appropriated \$1,000,000 from the General Fund to DPS in FY 2012 for County Assistance. The monies were provided to Pinal County to purchase equipment and supplies for deputies for border security. The bill also directed the first \$1,000,000 that would have otherwise been put into the GIITEM Border Security and Law Enforcement Subaccount in FY 2012 to the General Fund. This diversion served to offset the General Fund appropriation.

Public Safety Equipment

The budget includes \$2,390,000 from the Public Safety Equipment Fund in FY 2013 for Public Safety Equipment. This amount is unchanged from FY 2012.

The Public Safety Equipment Fund receives \$4 of a \$13 criminal fee. These monies are to be used for safety equipment. The revenues are estimated to total \$2,390,000 in FY 2013.

The Criminal Justice BRB permanently allows appropriated monies from the Public Safety Equipment Fund monies to be used for vehicles. Previously, only non-appropriated monies in the fund could be used to purchase vehicles.

Motor Vehicle Fuel

The budget includes \$3,935,500 in FY 2013 for Motor Vehicle Fuel. This amount consists of:

General Fund	3,704,200
Highway Patrol Fund	231,300

These amounts are unchanged from FY 2012.

The Motor Vehicle Fuel Special Line Item provides and tracks monies appropriated to DPS for motor vehicle fuel.

DNA Testing

The budget includes no funding in FY 2013 for DNA testing. This funds the following adjustment:

Elimination of Funding

The budget includes a decrease of \$(980,000) from the Arizona DNA Identification System Fund in FY 2013 for the expiration of funding included in Laws 2007, Chapter 261.

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. Each year since FY 2009, budget legislation maintained spending at the \$980,000 level.

Additional Legislation

CLOF Uses

The Criminal Justice BRB permanently allows CLOF monies to be used for operational costs of DPS.

Department of Public Safety Sunset

Laws 2012, Chapter 315 extends the sunset date of the DPS from July 1, 2012 to July 1, 2022.

HURF Cap

The Criminal Justice BRB notwithstanding the statutory spending provisions for HURF, allowing DPS to spend more than the statutory cap of \$10,000,000.

Photo Enforcement Fund Distribution

The Criminal Justice BRB requires that any remaining Photo Enforcement Fund balance after July 1, 2012 be deposited into the General Fund.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Department of Public Safety includes a reduction of (43) GF and (193.1) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Public Safety share of this Non-General Fund charge will be \$677,400. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Public Safety Personnel Retirement System

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 ESTIMATE
FUND SOURCES			
Other Non-Appropriated Funds	28,546,000	29,471,000	30,423,000
TOTAL - ALL SOURCES	28,546,000	29,471,000	30,423,000

AGENCY DESCRIPTION — The Public Safety Personnel Retirement System (PSPRS) provides retirement, survivors, health, and disability benefits to public employees who work in a public safety capacity, such as law enforcement officials and firefighters. In addition, PSPRS staff administers the Correctional Officers Retirement Plan (CORP) and the Elected Officials' Retirement Plan (EORP), which provide the same benefits to specified populations at the state and local level. PSPRS is not subject to appropriation.

As of the June 30, 2011 valuation, there were 49,235 active, retired, and Deferred Retirement Option Plan (DROP) members in the 3 plans administered by PSPRS. *Table 1* shows membership by plan. Members of the DROP agree to retire at a specified time (within 5 years of the agreement). During the DROP period, members make no contributions and their retirement benefits are paid to a separate account, which provides a lump sum payment to members at retirement.

Table 1 shows each plan's assets and liabilities. To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. *Table 1* reflects current market values for assets and not the actuarial value. *Table 1* also shows the contribution rates for PSPRS and CORP in aggregate, as there is significant contribution rate variation between individual employers. The employee contribution rate remains essentially unchanged regardless of individual employer.

	PSPRS Valuation Data					
	PSPRS		CORP		EORP	
Membership	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
Active (working and contributing)	19,468	18,638	14,319	14,565	827	845
Retired Members and Survivor Beneficiaries	8,954	9,522	2,908	3,256	921	990
DROP	1,093	1,419	N/A	N/A	N/A	N/A
Funding Status (dollar values in millions) ^{1/}	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
Market Value of Assets	\$4,311	\$5,048	\$1,094	\$1,304	\$273	\$315
Total Actuarial Liability	\$8,492	\$9,365	\$1,722	\$2,009	\$536	\$590
Unfunded Actuarial Liability ^{2/}	\$2,901	\$3,569	\$340	\$542	\$178	\$224
Funded Status	65.8%	61.9%	80.3%	73.0%	66.7%	62.1%
Aggregate Contribution Rates	FY 2012 ^{3/}	FY 2013 ^{4/}	FY 2012 ^{3/}	FY 2013 ^{4/}	FY 2012 ^{3/}	FY 2013 ^{4/}
Employer	22.68%	27.18%	9.50%	11.31%	17.96%	20.87%
Employee	<u>8.65%</u>	<u>9.55%</u>	<u>8.41%</u>	<u>8.41%</u>	<u>10.00%</u>	<u>11.50%</u>
Total	31.33%	36.73%	17.91%	19.72%	27.96%	32.37%
^{1/} Represents aggregate information for PSPRS and CORP. These 2 systems consist of separate employer groups. Each group has their own actuarial status. As a result, the funded status may vary for each employer group. ^{2/} Calculated on actuarial, not market, value of assets. ^{3/} Based on June 30, 2010 valuation. ^{4/} Based on June 30, 2011 valuation.						

Additional Legislation

Pension Buyback Payments

Laws 2012, Chapter 348 credits DROP participants' contributions to their DROP accounts for distribution to the member upon their termination from the DROP. Previously, these contributions were retained by the system. PSPRS anticipates this provision will increase contribution rates by 17 basis points.

Chapter 348 also allows members to purchase service credits on an installment basis. PSPRS anticipates some administrative costs associated with implementing the installment plan for the service purchases.

Employee Contributions

Laws 2012, Chapter 362 eliminates the requirement that the employer of a return-to-work retired PSPRS member pay an alternate contribution rate if that employee is now contributing to the Arizona State Retirement System. PSPRS expects that the loss in contributions will be negligible.

Arizona Department of Racing

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.5	40.5	40.5
Personal Services	1,065,200	1,434,400	1,592,700
Employee Related Expenditures	492,100	609,300	681,000
Professional and Outside Services	105,500	235,300	289,000
Travel - In State	76,600	21,000	78,700
Travel - Out of State	5,800	4,900	5,700
Other Operating Expenditures	255,400	140,800	184,100
Equipment	37,200	0	0
OPERATING SUBTOTAL	2,037,800	2,445,700	2,831,200
SPECIAL LINE ITEMS			
Arizona Breeders' Award	2,600	0	250,000
County Fairs Livestock and Agricultural Promotion	1,779,500	1,779,500	1,779,500 ^{1/}
AGENCY TOTAL	3,819,900	4,225,200^{2/}	4,860,700^{3/4/}
FUND SOURCES			
General Fund	3,819,900	2,786,300	2,029,500
<u>Other Appropriated Funds</u>			
Racing Regulation Fund	0	1,438,900	2,831,200
SUBTOTAL - Other Appropriated Funds	0	1,438,900	2,831,200
SUBTOTAL - Appropriated Funds	3,819,900	4,225,200	4,860,700
Other Non-Appropriated Funds	21,900	16,900	16,900
TOTAL - ALL SOURCES	3,841,800	4,242,100	4,877,600

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, Toughman, and nontraditional fighting contests within Arizona.

Operating Budget

The budget includes \$2,831,200 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Conversion to Self-Funding

The budget includes an increase of \$100,000 in FY 2013 for completing a conversion to self-funding (with the exception of County Fairs Livestock and Agricultural Promotion and the Arizona Breeders' Award). This includes a decrease of \$(1,002,100) from the General Fund and a corresponding increase of \$1,002,100 from the

Racing Regulation Fund, pursuant to Laws 2011, Chapter 35. The department deposits monies from racing licenses, permits, and regulatory assessments to the Racing Regulation Fund. Budget funding also includes an additional increase of \$100,000 from the Racing Regulation Fund, pursuant to Laws 2011, Chapter 333.

Retention of Fee and Permit Collections

The budget includes an increase of \$280,000 from the Racing Regulation Fund in FY 2013 for agency operations. The Revenue Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 297), as permanent law, deposits pari-mutuel taxes from wagering at horse and dog racing

^{1/} The amount appropriated to the County Fairs Livestock and Agricultural Promotion line item is for deposit in the County Fairs Livestock and Agricultural Promotion Fund administered by the Office of the Governor. (General Appropriation Act footnote)

^{2/} 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 Agency Detail and Allocations section.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

facilities into the Racing Regulation Fund instead of the General Fund.

Statewide Adjustments

The budget includes an increase of \$5,500 from the Racing Regulation Fund in FY 2013 for statewide adjustments. This amount consists of:

	<u>FY 2013</u>
General Fund	\$(4,700)
Racing Regulation Fund	10,200

(Please see the Agency Detail and Allocations section.)

Arizona Breeders' Award

The budget includes \$250,000 from the General Fund in FY 2013 for the Arizona Breeders' Award. This amount funds the following adjustments:

Increase in Racing Awards

The budget includes an increase of \$250,000 from the General Fund in FY 2013 to increase racing awards.

Monies in this line item are deposited in the non-appropriated Arizona Breeders' Award Fund. The fund awards the breeder of every winning horse or greyhound foaled or whelped in this state.

County Fairs Livestock and Agricultural Promotion

The budget includes \$1,779,500 from the General Fund in FY 2013 for County Fairs Livestock and Agricultural Promotion. This amount is unchanged from FY 2012.

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.

Additional Legislation

Acceptance of Gifts and Donations

The Revenue BRB (Laws 2012, Chapter 297), as permanent law, permits the agency to accept grants or donations for deposit into the Racing Regulation Fund. As with all other deposits into this fund, monies from gifts and donations are subject to legislative appropriation.

Exemption from Rule-Making Requirements

The Revenue BRB (Laws 2012, Chapter 297), as session law, extends the Department of Racing's exemption from the rulemaking requirements of A.R.S. Title 41, Chapter 6, for the purpose of establishing fees until July 1, 2013. Laws 2011, Chapter 35 previously exempted the department from rulemaking requirements through July 1, 2012.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB, revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Racing's share of this Non-General Fund charge will be \$2,300. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Radiation Regulatory Agency

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	32.0	32.5	33.5 ^{1/}
Personal Services	617,400	850,400	886,600
Employee Related Expenditures	261,800	376,500	397,900
Professional and Outside Services	6,000	5,900	5,900
Travel - In State	300	10,300	10,300
Travel - Out of State	0	4,300	4,300
Other Operating Expenditures	107,100	189,400	196,000
Equipment	1,200	73,600	73,600
OPERATING SUBTOTAL	993,800	1,510,400	1,574,600
SPECIAL LINE ITEMS			
Nuclear Emergency Management Fund	658,200	716,000	676,000 ^{2/3/}
AGENCY TOTAL	1,652,000	2,226,400 ^{4/}	2,250,600 ^{5/6/}
FUND SOURCES			
General Fund	1,411,300	1,462,300	1,420,800
<u>Other Appropriated Funds</u>			
Radiation Regulatory Fee Fund	0	498,700	563,800
State Radiologic Technologist Certification Fund	240,700	265,400	266,000
SUBTOTAL - Other Appropriated Funds	240,700	764,100	829,800
SUBTOTAL - Appropriated Funds	1,652,000	2,226,400	2,250,600
Other Non-Appropriated Funds	476,200	0	0
Federal Funds	249,000	249,000	249,000
TOTAL - ALL SOURCES	2,377,200	2,475,400	2,499,600

AGENCY DESCRIPTION — The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.

Operating Budget

The budget includes \$1,574,600 and 29 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$744,800
Radiation Regulatory Fee Fund	563,800
State Radiologic Technologist Certification Fund	266,000

These amounts fund the following adjustments:

- 1/ Includes 4.5 FTE Positions funded by Laws 2011, Chapter 132.
- 2/ Pursuant to A.R.S. § 26-306.02, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations; however, any unexpended monies shall be used to reduce the assessment and appropriation in future years.
- 3/ Includes \$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.
- 4/ 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.)
- 5/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.
- 6/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

X-Ray Inspector

The budget includes an increase of \$54,300 and 1 FTE Position from the Radiation Regulatory Fee Fund in FY 2013 for a X-Ray Inspector. The Inspector will help the agency to alleviate the current backlog of x-ray inspections.

Revenue Authority

The budget includes an increase of \$10,000 from the Radiation Regulatory Fee Fund in FY 2013 as a result of increased fee authority.

Statewide Adjustments

The budget includes a decrease of \$(100) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(1,500)
Radiation Regulatory Fee Fund	800
State Radiologic Technologist Certification Fund	600

(Please see the Agency Detail and Allocations section.)

Nuclear Emergency Management Fund

The budget includes \$675,952 and 4.5 FTE Positions from the General Fund in FY 2013 for the Nuclear Emergency Management Fund (NEMF).

NEMF Decrease

The budget includes a decrease of \$(40,000) from the General Fund in FY 2013 for the NEMF Special Line Item.

Laws 2011, Chapter 132 appropriated \$715,952 and 4.5 FTE Positions in FY 2012 and \$675,952 and 4.5 FTE Positions in FY 2013. Since the monies in this line item are appropriated by Laws 2011, Chapter 132, these monies will 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.

Additional Legislation

The Revenue Budget Reconciliation Bill (Laws 2012, Chapter 297) increased the fee authority for the Radiation Regulatory Agency from \$500,000 to \$561,000 in FY 2013 as a result of the addition of a X-Ray Inspector to the

Radiation Regulatory Agency's budget. The increased fee authority was originally authorized as \$400,000 in FY 2009 by Laws 2008, Chapter 291 and was subsequently increased to \$500,000 in FY 2010 by Laws 2009, 4th Special Session, Chapter 3. This increase was continued in FY 2011 and FY 2012.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Radiation Regulatory Agency share of this Non-General Fund charge will be \$3,800. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

State Real Estate Department

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	55.0	59.0
Personal Services	1,253,900	1,529,400	1,674,700
Employee Related Expenditures	766,600	667,400	728,100
Professional and Outside Services	97,100	15,300	65,400
Travel - In State	2,000	10,000	10,000
Travel - Out of State	1,300	2,000	2,000
Other Operating Expenditures	576,500	432,700	411,000
Equipment	114,600	11,000	11,000
AGENCY TOTAL	2,812,000	2,667,800^{1/}	2,902,200^{2/3/}
FUND SOURCES			
General Fund	2,812,000	2,667,800	2,902,200
SUBTOTAL - Appropriated Funds	2,812,000	2,667,800	2,902,200
Other Non-Appropriated Funds	113,500	87,800	87,800
TOTAL - ALL SOURCES	2,925,500	2,755,600	2,990,000

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 \$2,902,200 and 59 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Auditing and Investigation Staff

The budget includes an increase of \$210,500 and 4 FTE Positions from the General Fund in FY 2013 to fund 2 new auditors, a new investigator, and a new administrative assistant to handle complaints and collect civil fines.

Attorney General ISA

The budget includes an increase of \$50,100 from the General Fund in FY 2013 to reduce a hearing backlog by adding an in-house attorney from the Attorney General.

Statewide Adjustments

The budget includes a decrease of \$(26,200) from the General Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Additional Legislation

Real Estate Education Provider Fees

The Revenue Budget Reconciliation Bill (Laws 2012, Chapter 297) allows the State Real Estate Commissioner to set and charge fees for the following: certificates of approval or renewal for operating a real estate school; instructor or school official approval and renewal; live classroom continuing education course approval or renewal; live classroom pre-licensure education course approval or renewal; and continuing education distance learning course approval or renewal. It also exempts the department from rule-making requirements.

Residential Utility Consumer Office

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	11.0	11.0	11.0
Personal Services	549,200	730,100	730,100
Employee Related Expenditures	213,100	239,400	245,000
Professional and Outside Services	1,900	2,400	2,400
Travel - In State	3,400	8,600	8,600
Travel - Out of State	0	7,000	7,000
Other Operating Expenditures	157,300	161,800	161,800
OPERATING SUBTOTAL	924,900	1,149,300	1,154,900
SPECIAL LINE ITEMS			
Professional Witnesses	5,700	145,000	145,000 ^{1/}
AGENCY TOTAL	930,600	1,294,300^{2/}	1,299,900^{3/4/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Residential Utility Consumer Office Revolving Fund	930,600	1,294,300	1,299,900
SUBTOTAL - Other Appropriated Funds	930,600	1,294,300	1,299,900
SUBTOTAL - Appropriated Funds	930,600	1,294,300	1,299,900
TOTAL - ALL SOURCES	930,600	1,294,300	1,299,900

AGENCY DESCRIPTION — The Residential Utility Consumer Office (RUCO) serves as an advocate for residential customers of public utilities in rate hearings held before the Arizona Corporation Commission. Through its technical staff and expert consultants, RUCO analyzes utility company data to determine appropriate positions to take and present on behalf of residential ratepayers. The RUCO Director is appointed by the Governor.

Operating Budget

The budget includes \$1,154,900 and 11 FTE Positions from the RUCO Revolving Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,600 from the RUCO Revolving Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Professional Witnesses

The budget includes \$145,000 from the RUCO Revolving Fund in FY 2013 for Professional Witnesses. This amount is unchanged from FY 2012.

Monies in this line item are used to fund expert witness testimony at utility rate hearings.

^{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/} 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.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Board of Respiratory Care Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	139,600	162,600	162,600
Employee Related Expenditures	47,300	55,600	56,200
Professional and Outside Services	14,400	44,600	600
Travel - In State	1,500	1,500	1,500
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	45,500	41,600	35,200
Equipment	9,100	0	0
AGENCY TOTAL	257,400	307,400^{1/}	257,600^{2/3/}

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	257,400	307,400	257,600
SUBTOTAL - Other Appropriated Funds	257,400	307,400	257,600
SUBTOTAL - Appropriated Funds	257,400	307,400	257,600
TOTAL - ALL SOURCES	257,400	307,400	257,600

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 \$257,600 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Eliminate One-time Funding

The budget includes a decrease of \$(49,000) from the Board of Respiratory Care Examiners Fund in FY 2013 to eliminate one-time funding for purchase of a firewall and database upgrade.

Statewide Adjustments

The budget includes a decrease of \$(800) from the Board of Respiratory Care Examiners Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Arizona State Retirement System

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	236.0	236.0	233.9
Personal Services	10,908,000	12,117,500	12,117,500
Employee Related Expenditures	4,210,400	4,720,600	4,766,600
Professional and Outside Services	4,373,700	3,881,800	3,881,800
Travel - In State	49,000	53,600	53,600
Travel - Out of State	43,700	25,000	25,000
Other Operating Expenditures	2,166,400	2,535,500	2,535,500
Equipment	725,300	389,500	389,500
OPERATING SUBTOTAL	22,476,500	23,723,500	23,769,500
SPECIAL LINE ITEMS			
ASRS Plan Design Changes	11,100	0	0
Divestments; Terrorism Countries; Contract Prohibition	14,000	0	0
Laws 2011, Ch. 26 Rate Change Administration Procedures	100,000	600,000 ^{1/}	0
Laws 2011, Ch. 357 Plan Changes	0	250,000 ^{1/}	0
Laws 2012, Ch. 362 PSPRS; Employer Contributions	0	0	47,000 ^{1/}
Laws 2012, Ch. 88 ASRS; Spousal Consent	0	0	200,000 ^{1/}
AGENCY TOTAL	22,601,600^{1/}	24,573,500^{2/}	24,016,500^{3/4/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Long-Term Disability Administration Account	2,676,000	2,800,000	2,800,000
State Retirement System Administration Account	19,925,600	21,773,500	21,216,500
SUBTOTAL - Other Appropriated Funds	22,601,600	24,573,500	24,016,500
SUBTOTAL - Appropriated Funds	22,601,600	24,573,500	24,016,500
Other Non-Appropriated Funds	65,825,600	72,371,000	77,058,000
TOTAL - ALL SOURCES	88,427,200	96,944,500	101,074,500

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. 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	Long-Term Disability (LTD) Administration Account	2,800,000
The budget includes \$23,769,500 and 233.9 FTE Positions in FY 2013 for the operating budget. These amounts consist of:	These amounts fund the following adjustments:	
State Retirement System Administration Account	Statewide Adjustments	
FY 2013 \$20,969,500	The budget includes an increase of \$46,000 from the State Retirement System Administration Account in FY 2013	

^{1/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.
^{2/} 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.)
^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum by Agency.
^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Laws 2011, Ch. 26 Rate Change Administration Procedures

The budget includes no funding in FY 2013 from the State Retirement System Administration Account for the Laws 2011, Chapter 26 Rate Change Administration Procedures Special Line Item. This amount funds the following adjustments:

Elimination of One-time Costs

The budget includes a decrease of \$(600,000) from the State Retirement System Administration Account in FY 2013 to eliminate one-time implementation costs of modifications to the ASRS employer and employee contribution rates as authorized by Laws 2011, Chapter 26.

Laws 2011, Ch. 357 Plan Changes

The budget includes no funding in FY 2013 from the State Retirement System Administration Account for the Laws 2011, Chapter 357 Plan Changes Special Line Item. This amount funds the following adjustments:

Elimination of One-time Costs

The budget includes a decrease of \$(250,000) from the State Retirement System Administration Account in FY 2013 to eliminate one-time implementation costs of modifications to the ASRS plan design as authorized by Laws 2011, Chapter 357.

Laws 2012, Ch. 88 ASRS; Spousal Consent

The budget includes \$200,000 from the State Retirement System Administration Account in FY 2013 for the Laws 2012, Chapter 88 ASRS; Spousal Consent Special Line Item. This amount funds the following adjustments:

Appropriation for Spousal Consent Changes

The budget includes an increase of \$200,000 from the State Retirement System Administration Account in FY 2013 for implementation costs of modifications to employer contribution rates as authorized by Laws 2012, Chapter 88.

Chapter 88 requires married ASRS members to name their spouses as beneficiaries in order for the spouses to receive at least 50% of the members' accounts. Also, ASRS members who retire on or after July 1, 2013 must elect a joint and survivor annuity with their spouse or the spouse must submit a waiver in order to receive benefits.

Laws 2012, Ch. 362 PSPRS; Employer Contributions

The budget includes \$47,000 from the State Retirement System Administration Account in FY 2013 for the PSPRS; Employer Contributions Special Line Item. This amount funds the following adjustments:

Appropriation for Employer Contribution Changes

The budget includes an increase of \$47,000 from the State Retirement System Administration Account in FY 2013 for implementation costs of modifications to employer contribution rates as authorized by Laws 2012, Chapter 362.

Laws 2012, Chapter 362 makes changes to requirements and procedures for ASRS investments and for credited service purchases.

For new retirees, Chapter 362 ceases payment of the Health Benefit Supplement for those covered under an active employee insurance plan if the premium is subsidized by the employer.

Chapter 362 caps the LTD benefit disability earnings at 100% of the member's salary prior to the disability and requires and defines the medical evidence needed to establish a LTD claim.

ASRS anticipates some provisions of Chapter 362 will result in modest actuarial savings. Chapter 362 also affects PSPRS. (Please see PSPRS Additional Legislation.)

Additional Legislation

Ch. 79 Retirement; ASRS; Nonparticipatory Employer; Liabilities

Laws 2012, Chapter 79 requires ASRS to allocate a liability to employers that are no longer participating in ASRS because they have changed from a public to private entity, filed for bankruptcy or dissolved or otherwise ceased to participate and allows ASRS to determine the schedule and method of payment of the liability amount. ASRS does not anticipate Chapter 79 will result in administrative costs and any potential impact from actuarial changes is yet to be determined.

Ch. 273 ASRS; Employees; Election; Enrollment

Laws 2012, Chapter 273 allows employees hired by an ASRS participating employer after the employees have turned age 65 to elect not to participate in ASRS. The employee must not be an active, inactive, retired or disabled ASRS member and must notify ASRS within 30 days of employment.

Chapter 273 requires ASRS to provide a report with the number of employees who chose not to participate in ASRS under this provision along with the actuarial and

administrative impact to ASRS to the legislature by December 31, 2014.

Ch. 304 ASRS; Employee; Employer Contributions; Rate
Laws 2012, Chapter 304 returns the ASRS employer and ASRS member contributions to an even proportion by increasing the employer's contribution from 47% to 50% and decreasing the employee's contribution from 53% to 50%.

Chapter 304 also requires employers to return previously paid employee contributions that exceeded 50%. It appropriates \$6,602,900 in General Fund monies and \$1,454,200 in Other Appropriated Fund monies to state agencies and \$32,714,800 in General Fund monies to the Department of Education to fulfill the reimbursement requirement for FY 2013. Chapter 304 appropriates \$1,949,200 of General Fund monies to fulfill the reimbursement requirements for FY 2012.

ASRS does not anticipate any actuarial impact from this legislation.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Arizona State Retirement System includes a reduction of (2.1) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

ASRS Membership and Actuarial Data

As of the June 30, 2011 valuation, ASRS membership included 525,904 members. See *Table 1* for membership data detail. ASRS has approximately \$28.0 billion in assets, \$9.7 billion in unfunded liability, and approximately \$2.4 billion in annual benefit payments.

Table 1 also shows each plan's assets and liabilities. To calculate the unfunded liability of each plan, actuaries use a modified amount for asset values to reflect certain plan assumptions. *Table 1* reflects current market values for assets and not the actuarial value. ASRS has forecasted contribution rates for the retirement plan, excluding the LTD Plan rate, beyond those shown in *Table 1*. The rates, which are based on the June 30, 2011 valuation, peak at 22.04% in FY 2018 and decrease to 14.42% in FY 2041.

Table 1			
ASRS Valuation Data			
Membership			
	June 30, 2010	June 30, 2011	
Active (working and contributing)	213,530	208,939	
Inactive	209,605	208,969	
Retired Members and Survivor			
Beneficiaries	101,307	107,996	
Total	524,442	525,904	
Funding Status			
	June 30, 2010	June 30, 2011	
Market Value of Assets	\$23,142	\$28,033	
Total Actuarial Liability	\$37,558	\$38,942	
Unfunded Liability ^{1/}	\$ 8,735	\$ 9,711	
Funded Status	77%	75%	
(includes System)			
Contribution Rates			
	FY 2012 ^{2/}	FY 2013 ^{3/}	
Retirement Plan	21.00%	21.80%	
LTD Plan	.49%	.49%	
Total	21.49%	22.29%	
Employer	10.10%	10.48%	
Employee	11.39%	11.81%	
^{1/}	Calculated on actuarial, not market value, of assets.		
^{2/}	Based on June 30, 2010 valuation.		
^{3/}	Based on June 30, 2011 valuation.		

Department of Revenue

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	935.0	935.0	860.3 ^{1/}
Personal Services	28,539,100	31,770,500	31,770,500
Employee Related Expenditures	11,542,100	13,865,200	13,988,000
Professional and Outside Services	5,619,400	3,865,100	3,865,100
Travel - In State	269,600	273,700	273,700
Travel - Out of State	364,400	342,800	342,800
Other Operating Expenditures	8,282,600	6,995,600	8,449,500
Equipment	3,103,100	562,400	1,252,400
OPERATING SUBTOTAL	57,720,300	57,675,300	59,942,000
SPECIAL LINE ITEMS			
BRITS Operational Support	5,580,600	5,637,500	7,452,200
Ch. 176 Government Land; Private Land; Study	0	0	132,200
Temporary Collectors	2,924,500	2,887,700	2,887,700 ^{2/}
Unclaimed Property Administration and Audit	469,800	1,770,000	1,770,000 ^{3/}
AGENCY TOTAL	66,695,200	67,970,500 ^{4/}	72,184,100 ^{5/6/7/}
FUND SOURCES			
General Fund	43,249,600	44,311,100	45,442,100
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	22,488,500	22,606,800	24,990,700
Liability Setoff Fund	284,000	385,100	1,080,100
Tobacco Tax and Health Care Fund	673,100	667,500	671,200
SUBTOTAL - Other Appropriated Funds	23,445,600	23,659,400	26,742,000
SUBTOTAL - Appropriated Funds	66,695,200	67,970,500	72,184,100
Other Non-Appropriated Funds	35,305,300	27,867,000	27,867,000
TOTAL - ALL SOURCES	102,000,500	95,837,500	100,051,100

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury, and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

^{1/} Includes 38.0 GF FTE Positions funded from Special Line Items in FY 2013.

^{2/} The \$2,887,700 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, 2013. (General Appropriations Act footnote, as adjusted for statewide allocations)

^{3/} 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)

^{4/} 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.)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{6/} The department shall report the department's General Fund revenue enforcement goals for FY 2013 to the Joint Legislative Budget Committee by July 31, 2012. 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 2013 by July 31, 2013. The reports shall include a comparison of projected and actual General Fund revenue enforcement collections for FY 2013. (General Appropriation Act footnote)

^{7/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Operating Budget

The budget includes \$59,942,000 and 805.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$36,771,200
DOR Administrative Fund	21,419,500
Liability Setoff Fund	1,080,100
Tobacco Tax and Health Care Fund	671,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,576,700 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	985,300
DOR Administrative Fund	582,700
Liability Setoff Fund	5,000
Tobacco Tax and Health Care Fund	3,700

(Please see the Agency Detail and Allocations section.)

FTE Reduction

The budget includes a decrease of (91.7) FTE Positions from the General Fund in FY 2013. *(Please see Other Issues.)*

Liability Setoff Software

The budget includes an increase of \$690,000 from the Liability Setoff Fund in FY 2013 for a new Debt Setoff computer program. The new program would allow DOR to utilize income tax refunds to offset debts owed to the courts, political subdivisions, the state, or the federal government.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The budget includes \$7,452,200 and 55.0 FTE Positions in FY 2013 for operational support of BRITS. These amounts consist of:

General Fund	5,651,000
DOR Administrative Fund	1,801,200

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$13,500 from the General Fund in FY 2013 for statewide adjustments.

BRITS Upgrades

The budget includes an increase of \$1,801,200 from the DOR Administrative Fund in FY 2013 for BRITS upgrades. In addition, monies appropriated to the

Department of Administration Automation Upgrade Fund may be used for this project.

FTE Authority Increase

The budget includes an increase of 17 FTE Positions from the DOR Administrative Fund in FY 2013 for increased FTE authority.

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. BRITS is the state's computer system for collecting and processing tax data.

Ch. 176 Government Land; Private Land; Study

The budget includes \$132,213 from the General Fund in FY 2013 for distribution to county assessors for a Property Status Study Report. This amount funds the following adjustments:

Property Status Study

The budget includes an increase of \$132,213 from the General Fund in FY 2013 for DOR to contract with each of the 15 county assessors for a Property Status Study Report.

Laws 2012, Chapter 176 requires DOR to enter into a contract with each of the county assessors for the purpose of conducting a property status study report. The report will identify the total amount of private property, private property that is tax exempt, private property that is in conservation status, federally held lands in conservation areas, and municipal and county held lands in conservation areas within each county. DOR is to report the results of the study to the Governor and Legislature by December 31, 2013. The monies are to be used to help defray the costs for county assessors.

To offset the appropriation, the bill reverts the \$132,213 remaining from the FY 2008 appropriation to the Arizona Department of Water Resources for the Upper San Pedro Water District technical assistance line item.

Temporary Collectors

The budget includes \$2,887,200 from the General Fund in FY 2013 for Temporary Collectors. This amount is unchanged from FY 2012.

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 2013 for Unclaimed Property Administration and Audit. This amount is unchanged from FY 2012.

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.

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Department of Revenue includes a reduction of (88.9) GF and (2.8) OF FTE Positions in FY 2013 for this policy, incorporated into the figures above. Of the (91.7) FTE Position reduction, (88.0) have been allocated to the operating budget and (3.7) to the BRITS Special Line Item.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Revenue share of this Non-General Fund charge will be \$4,900. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

School Facilities Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	607,000	772,000	1,017,600
Employee Related Expenditures	263,900	284,700	336,800
Professional and Outside Services	144,000	153,700	153,700
Travel - In State	24,000	11,200	11,200
Other Operating Expenditures	206,400	97,600	91,400
Equipment	64,600	0	0
OPERATING SUBTOTAL	1,309,900	1,319,200	1,610,700
SPECIAL LINE ITEMS			
Building Renewal Grants	2,667,900	14,167,900	2,667,900
New School Facilities	0	0	0
New School Facilities Debt Service	63,459,100	160,105,700	169,429,700
AGENCY TOTAL	67,436,900	175,592,800^{1/}	173,708,300^{2/3/4/}
FUND SOURCES			
General Fund	67,436,900	175,592,800	173,708,300
SUBTOTAL - Appropriated Funds	67,436,900	175,592,800	173,708,300
Other Non-Appropriated Funds	108,360,900	153,120,300	93,953,800
Federal Funds	8,356,800	16,778,000	0
TOTAL - ALL SOURCES	184,154,600	345,491,100	267,662,100

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 \$1,610,700 and 17 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Administrative Costs

The budget includes an increase of \$300,000 from the General Fund in FY 2013 for personnel and operating costs associated with the backfill of Federal Funds.

Statewide Adjustments

The budget includes a decrease of \$(8,500) from the General Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Building Renewal Grants

The budget includes \$2,667,900 from the General Fund in FY 2013 for Building Renewal Grants. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget includes a decrease of \$(11,500,000) from the General Fund in FY 2013 to eliminate one-time funding associated with supplemental Building Renewal Grants funding added in FY 2012. This one-time supplemental appropriation of \$11,500,000 for the Building Renewal Grants program was intended to allow SFB to address emergency school facilities repairs

The Building Renewal Grants Fund was created in FY 2009 to provide grant-based funding for building

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{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 2013 shall be deposited in or revert to the state General Fund. (General Appropriation Act footnote)

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

renewal projects. The fund consists of legislative appropriations and is administered by SFB.

SFB distributes 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 can provide a match of monies provided by the fund. Primary building renewal projects are defined to include necessary projects that are for buildings owned by the school district and are required to meet the minimum school facility adequacy guidelines.

Since FY 2009, the Building Renewal formula has been wholly suspended, having been replaced with the Building Renewal Grants program. The FY 2013 Building Renewal Fund amount, under the suspended statutory formula, would be \$248,897,300.

In addition to the Building Renewal Grants funding, pursuant to A.R.S. § 15-2022, SFB expects to transfer \$4,038,400 from the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund in FY 2012. Statute requires SFB to transfer excess funds in the NSF Fund to the EDC Fund to the extent that the transfer does not affect or disrupt any approved new construction projects. The EDC Fund is used in a similar manner as the Building Renewal Grants program, where districts apply to SFB for funding to correct facilities emergencies that pose health or safety concerns. If there are insufficient monies in the EDC Fund for district requests, A.R.S. § 15-907 allows a district to levy an additional primary property tax to fund the repairs, with the approval of the respective County Board of Supervisors.

The NSF Fund is projected to have excess funding available for transfer due to: 1) several recent SFB projects had their design fees paid for with prior General Fund appropriations and these design fees are now being reimbursed with lease-purchase proceeds; and 2) the receipt of additional State Land Trust revenues, because as SFB pays for state trust leases for new construction, the Land Department reimburses SFB the same amount of funds, since SFB is considered to be a beneficiary of state school trust land proceeds.

New School Facilities

The budget includes no funding from the General Fund in FY 2013 for New School Facilities. This amount is unchanged from FY 2012.

The FY 2013 K-12 Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 300) continues the FY 2009 - FY 2012 limitation on new school construction projects into FY 2013. In addition, it includes legislative intent to evaluate long-term funding for the New School Facilities program on review of additional demographic data submitted by school districts in their FY 2013 capital plans.

While the FY 2009 - FY 2013 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, 3rd 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 bonding program known as Qualified School Construction Bonds (QSCBs). QSCBs are taxable instruments that 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 expects to finish construction on all 8 projects financed with QSCB proceeds by the end of FY 2013. SFB estimates new construction will cost \$5,505,200 in FY 2013 to complete these projects. In total, the 8 projects cost \$85,026,900 to build, including land and other site conditions. Pursuant to the lease-purchase agreements, any excess proceeds above and beyond projected new construction costs will be used to retire the outstanding principal on the agreements.

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 2013.) 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). As of this writing, JLBC has not adopted an adjustment for FY 2013. (See Table 1 for FY 2012 statutory funding guidelines.)

Type of School	Square Feet Per Student	Funding Per Square Foot ^{1/2/}
K-6	90	\$136.66
7-8	100	\$144.27
9-12 (<1,800 pupils)	134	\$167.05
9-12 (≥1,800 pupils)	125	\$167.05

^{1/} Increased by 5% for rural school districts.
^{2/} FY 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, 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.

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 K-12 Education BRBs notwithstanding this statute for the \$100,000,000 authorization.

New School Facilities Debt Service

The budget includes \$169,429,700 from the General Fund in FY 2013 for New School Facilities Debt Service. This amount funds the following adjustments:

Prior Lease-Purchase Payment Increase

The budget includes an increase of \$5,808,000 from the General Fund in FY 2013 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 \$5,807,100 in FY 2013 to reflect the current payment schedule on these 15-year agreements; and 2) the lease-purchase payment on the FY 2009 outstanding issuance increases by \$900 to reflect the current payment schedule. Currently, the outstanding principal from these agreements will be \$990,495,000 at the end of FY 2013. The total non-QSCB lease-purchase payment will be \$158,242,400.

QSCB Lease-Purchase Payment Increase

The budget includes an increase of \$3,516,000 from the General Fund in FY 2013 for an increased lease-purchase payment related to the QSCB issuance. This increase reflects the result of 2 factors: 1) the state will begin making principal payments on the QSCB issuance in FY 2013; and 2) the interest due on the lease-purchase payment will decline from FY 2012, as last year's payment included interest which accrued from the issuance in early FY 2011.

The budgeted amount of \$11,187,300 includes the entire debt service requirement for the QSCB issuance in FY 2013. 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 \$4,438,400 in FY 2013 related to the lease-purchase payment. Pursuant to A.R.S. § 35-142.01, these funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$6,748,900.

Additional Legislation

New School Facilities Formula

The K-12 Education BRB revises the calculation for the New School Facilities funding formula by instructing SFB to include square footage leased to another entity, including a district-sponsored charter school, when computing whether a district has a space deficiency and qualifies for new construction funding.

In addition, Laws 2012, Chapter 306 makes 2 changes relating to new school construction: 1) clarifies the funding formula's existing exclusion of certain Class B funded square footage; and 2) requires proceeds from the sale of buildings funded in whole or in part with SFB monies to be returned to the New School Facilities Fund on a proportional basis, as statute previously had this requirement for land sales only.

Building Renewal Grants Program

The K-12 Education BRB prohibits the use of building renewal grant funding for projects in a building, or part of a building, that is being leased to another entity, including a district-sponsored charter school.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB, revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that Department's expenses. This prorata change was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriation Act. Section 134 of the General Appropriation Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The School Facilities Board share of this Non-General Fund charge will be \$2,400. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific fund used.

Department of State - Secretary of State

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	139.1	139.1	139.1 ^{1/}
Personal Services	4,757,700	5,078,500	5,078,500
Employee Related Expenditures	2,160,900	2,380,100	2,373,700
Professional and Outside Services	61,300	61,300	61,300
Travel - In State	11,300	12,900	12,900
Travel - Out of State	17,400	17,400	17,400
Other Operating Expenditures	1,416,800	930,100	2,598,000
Equipment	94,400	162,600	162,600
OPERATING SUBTOTAL	8,519,800	8,642,900	10,304,400^{2/}
SPECIAL LINE ITEMS			
Election Services	3,661,900	4,440,600	4,443,300 ^{3/}
Help America Vote Act (HAVA)	1,610,000	2,934,200	2,934,500 ^{4/5/}
Library Grants-in-Aid	476,100	651,400 ^{6/}	651,400 ^{6/}
Litigation Costs	0	85,000	0
Special Election	0	1,900,000	0
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	14,364,800	18,751,100^{7/}	18,430,600^{8/9/}
FUND SOURCES			
General Fund	12,307,900	15,246,100	14,923,200
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	1,610,000	2,934,200	2,934,500
Records Services Fund	446,900	570,800	572,900
SUBTOTAL - Other Appropriated Funds	2,056,900	3,505,000	3,507,400
SUBTOTAL - Appropriated Funds	14,364,800	18,751,100	18,430,600
Other Non-Appropriated Funds	652,300	724,800	877,000
Federal Funds	5,583,100	6,094,400	6,094,400
TOTAL - ALL SOURCES	20,600,200	25,570,300	25,402,000

^{1/} Includes 11 GF and 0.7 OF FTE Positions funded from Special Line Items in FY 2013.

^{2/} Included in the operating lump sum appropriation of \$10,304,400 for FY 2013 is \$5,000 for the purchase of mementos and items for visiting officials. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{3/} 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)

^{4/} The FY 2013 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)

^{5/} 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, 2012 the actual amount and purpose of expenditures from the Election Systems Improvement Fund in FY 2012 and the expected amount and purpose of expenditures from the fund for FY 2013. (General Appropriation Act footnote)

^{6/} 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)

^{7/} 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.)

^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{9/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

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.

Operating Budget

The budget includes \$10,304,400 and 127.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$9,731,500
Records Services Fund	572,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,661,500 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	1,659,400
Records Services Fund	2,100

Of these amounts, \$1,690,200 is for rent payments on the Polly Rosenbaum Archives Building and the Records Management Center. Laws 2011, Chapter 27 requires the Secretary of State to begin to pay rent on these buildings in FY 2013.

(Please see the Agency Detail and Allocation section.)

Election Services

The budget includes \$4,443,300 and 11 FTE Positions from the General Fund in FY 2013 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 2013 for Election Services. This amount would provide funding for primary elections held in August 2012 and the general election held in November 2012. This level of Election Services funding would be similar to the amount allocated for the 2010 election cycle.

Statewide Adjustments

The budget includes an increase of \$2,700 from the General Fund in FY 2013 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 \$2,934,500 and 0.7 FTE Positions from the Election Systems Improvement Fund in FY 2013 for the Help America Vote Act (HAVA) (P.L. 107-252). These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$300 from the Election Systems Improvement Fund in FY 2013 for statewide adjustments.

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 2012 and FY 2013, approximately \$15,290,000 in HAVA monies would be available in FY 2014.

Library Grants-in-Aid

The budget includes \$651,400 from the General Fund in FY 2013 for Library Grants-in-Aid. This amount is unchanged from FY 2012.

Monies in this Special Line Item (SLI) 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. Beginning with FY 2012 funding, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Litigation Costs

The budget includes no funding in FY 2013 from the General Fund for Litigation Costs. This amount funds the following adjustments:

Funding Elimination

The budget includes a decrease of \$(85,000) from the General Fund in FY 2013 to eliminate funding for Litigation Costs.

This line item funded the state's litigation costs associated with the *Chavez v. Brewer* case, which dealt with the adequacy of the state's electronic voting machines. The case was dismissed without prejudice.

Special Election

The budget eliminates funding in FY 2013 from the General Fund for the one-time costs of the 8th Congressional District special election.

Statewide Radio Reading Service for the Blind

The budget includes \$97,000 from the General Fund in FY 2013 for Statewide Radio Reading Service for the Blind. This amount is unchanged from FY 2012.

Monies in this SLI 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.

Additional Legislation

Electronic Reporting Database

Subject to a legislative appropriation or transfer of monies, Laws 2012, Chapter 361, Section 23 requires the Secretary of State to develop an electronic database for financial disclosures and lobbyist reporting requirements for state government, as well as for local governments that may elect to use the system.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Secretary of State's share of this Non-General Fund charge will be \$1,800. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

State Boards' Office

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	119,100	127,600	127,600
Employee Related Expenditures	45,500	55,500	56,000
Professional and Outside Services	400	400	400
Other Operating Expenditures	31,800	29,100	28,500
Equipment	9,000	0	0
AGENCY TOTAL	205,800	212,600^{1/}	212,500^{2/3/}

FUND SOURCES

Other Appropriated Funds

Special Services Revolving Fund	205,800	212,600	212,500
SUBTOTAL - Other Appropriated Funds	205,800	212,600	212,500
SUBTOTAL - Appropriated Funds	205,800	212,600	212,500
TOTAL - ALL SOURCES	205,800	212,600	212,500

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 \$212,500 and 3 FTE Positions from the Special Services Revolving Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(100) from the Special Services Revolving Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

The breakdown of the FY 2013 State Boards' Office charges by agency is reflected in Table 1.

Table 1

Total State Boards' Office Budget by Agency Contribution

Board	FY 2011	FY 2012	FY 2013
Acupuncture Board of Examiners	\$ 17,100	\$ 17,700	\$ 17,700
Board of Barbers	1,500	1,500	1,500
Funeral Directors & Embalmers, State Board of	33,200	34,200	34,200
Homeopathic and Integrated Medicine Examiners, Board of	13,100	13,600	13,600
Naturopathic Physicians Medical Board	54,900	56,600	56,500
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	23,300	24,100	24,100
Opticians, State Board of Dispensing	21,900	22,600	22,600
Optometry, State Board of	20,900	21,700	21,700
Physical Therapy, Board of	100	100	100
Podiatry Examiners, State Board of	19,800	20,500	20,500
Total	\$205,800	\$212,600	\$212,500

^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

State Board of Tax Appeals

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4.0	4.0	4.0
Personal Services	160,500	170,900	170,900
Employee Related Expenditures	46,100	43,800	43,200
Professional and Outside Services	1,100	1,100	1,100
Travel - In State	300	400	400
Other Operating Expenditures	41,600	38,400	39,200
AGENCY TOTAL	249,600	254,600^{1/}	254,800^{2/3/}
FUND SOURCES			
General Fund	249,600	254,600	254,800
SUBTOTAL - Appropriated Funds	249,600	254,600	254,800
TOTAL - ALL SOURCES	249,600	254,600	254,800

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 \$254,800 and 4 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services.

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

State Board of Technical Registration

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	23.0	23.0	23.0
Personal Services	740,400	826,500	826,500
Employee Related Expenditures	293,800	329,000	332,100
Professional and Outside Services	56,800	67,100	67,100
Travel - In State	4,500	12,400	12,400
Travel - Out of State	6,100	16,000	16,000
Other Operating Expenditures	403,700	585,000	589,300
Equipment	31,900	4,900	4,900
AGENCY TOTAL	1,537,200	1,840,900^{1/}	1,848,300^{2/3/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Technical Registration Fund	1,537,200	1,840,900	1,848,300
SUBTOTAL - Other Appropriated Funds	1,537,200	1,840,900	1,848,300
SUBTOTAL - Appropriated Funds	1,537,200	1,840,900	1,848,300
TOTAL - ALL SOURCES	1,537,200	1,840,900	1,848,300

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 \$1,848,300 and 23 FTE Positions from the Technical Registration Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$7,400 from the Technical Registration Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Office of Tourism

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	25.0
Personal Services	0	0	1,229,700
Employee Related Expenditures	0	0	379,100
Professional and Outside Services	0	0	1,519,700
Travel - In State	0	0	6,900
Travel - Out of State	0	0	31,900
Other Operating Expenditures	0	0	3,823,200
Equipment	0	0	9,500
AGENCY TOTAL	0	0^{1/}	7,000,000^{1/2/3/}
FUND SOURCES			
General Fund	0	0	7,000,000
SUBTOTAL - Appropriated Funds	0	0	7,000,000
Other Non-Appropriated Funds	10,712,300	14,887,000	14,887,000
TOTAL - ALL SOURCES	10,712,300	14,887,000	21,887,000

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 agency receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), a portion of tribal gaming contributions, and General Fund appropriations to the Tourism Fund.

Operating Budget

The budget includes \$7,000,000 and 25 FTE Positions from the General Fund for the operating budget in FY 2013. These amounts fund the following adjustments:

Operating Budget Restoration

The budget includes an increase of \$7,000,000 and 25 FTE Positions from the General Fund for Arizona Office of Tourism (AOT) administration and statewide tourism promotion. These funds will be used to attract visitors from select domestic and international markets to destinations throughout the state. The FY 2013 Revenue Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 297) eliminated the agency's inactive funding formula (*see below*).

Additional Legislation

Elimination of the Tourism Funding Formula

The FY 2013 Revenue BRB eliminates the Tourism Funding Formula in A.R.S. § 42-5029. The funding formula gave AOT 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. While still in statute, the formula was made inactive by Laws 2010, Chapter 128.

Arizona Sports and Tourism Authority Diversion

Laws 2010, Chapter 128 permitted AOT to divert 50% of monies received from the Arizona Sports and Tourism Authority (AZSTA), pursuant to A.R.S. § 5-835, to fund 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. Given the new \$7,000,000 General Fund appropriation, this provision was not

^{1/} A.R.S. § 42-5029 previously transferred a portion of General Fund sales tax revenue to the Office of Tourism without legislative appropriation. A.R.S. § 42-5029 was made inactive until legislative authorization is taken to reinstate the transfer. Laws 2012, Chapter 297 eliminated the funding formula, beginning in FY 2013.

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (*Please see the General Provisions section.*)

continued in the FY 2013 budget. The AZSTA monies will be entirely spent on Maricopa County Tourism promotion. (For further details on AOT revenues, please see Table 1.)

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice BRB, revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department’s expenses. This prorata charge was separate from any funding arrangement contained in an agency’s intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriation Act. Section 134 of the General Appropriation Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. AOT’s share of this Non-General Fund charge will be \$8,100. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Office of Tourism Revenues				
<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2011 Amount</u>	<u>FY 2012 Amount</u>	<u>FY 2013 Amount</u>
<u>Tourism Formula</u>				
• 3.5% of bed tax	General Fund	\$ 0	\$ 0	\$ 0
• 3% of amusement tax		0	0	0
• 2% of restaurant tax		0	0	0
• Statewide Adjustments		0	0	0
• Suspended Formula Increase		0	0	0
• Lump Sum Reduction		0	0	0
Subtotal from Tourism Formula		\$ 0 ^{1/}	\$ 0 ^{1/}	\$ 0 ^{1/}
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism.	General Fund	0	0	7,000,000
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	6,231,100 ^{2/}	6,542,300 ^{2/}	6,869,400
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	5,541,100	5,973,800 ^{3/}	6,304,400 ^{3/}
Total		\$11,772,200	\$12,516,100 ^{4/}	\$20,173,800 ^{4/}

^{1/} Laws 2010, Chapter 128, made the tourism funding formula inactive during FY 2011 and FY 2012 while, beginning in FY 2013, Laws 2012, Chapter 297, eliminated the formula from A.R.S. § 42-5029.
^{2/} Laws 2010, Chapter 128, allowed the Office of Tourism to spend 50% of AZSTA monies on administrative expenses in FY 2011 and FY 2012.
^{3/} The Tribal Gaming amounts for FY 2012 and FY 2013 are JLBC estimates. All other figures in the table are actual amounts.
^{4/} The revenue estimates do not match the expenditure estimates on the prior page due to the availability of fund balances.

Department of Transportation

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,548.0	4,548.0	4,548.0 ^{1/}
Personal Services	72,477,300	86,148,800	86,148,800
Employee Related Expenditures	35,059,400	44,697,900	45,006,100
Professional and Outside Services	6,498,200	6,040,000	6,040,000
Travel - In State	553,700	608,400	608,400
Travel - Out of State	118,000	79,300	79,300
Other Operating Expenditures	81,514,100	61,653,200	61,642,800
Equipment	10,421,200	2,219,200	2,219,200
OPERATING SUBTOTAL	206,641,900	201,446,800	201,744,600
SPECIAL LINE ITEMS			
Attorney General Legal Services	2,170,000	2,895,600	2,895,600
Fraud Investigation	398,900	753,900	755,400
Highway Maintenance	120,515,900	126,555,600	126,680,600 ^{2/}
New Third Party Funding	497,100	941,400	943,700
Vehicles and Heavy Equipment	18,933,100	27,489,000	26,702,200
AGENCY TOTAL	349,156,900	360,082,300 ^{3/}	359,722,100 ^{4/5/6/7/8/}
FUND SOURCES			
General Fund	44,500	50,400	50,500
<u>Other Appropriated Funds</u>			
Air Quality Fund	26,400	72,600	72,800
Driving Under the Influence Abatement Fund	148,100	147,600	148,000
Highway User Revenue Fund	338,600	86,880,400	625,600
Motor Vehicle Liability Insurance Enforcement Fund	835,400	1,058,000	1,060,600
Safety Enforcement and Transportation Infrastructure Fund	1,647,800	1,866,000	1,868,900
State Aviation Fund	1,585,400	1,583,100	1,585,600
State Highway Fund	325,527,100	239,494,200	326,163,600
Transportation Department Equipment Fund	18,933,100	27,489,000	26,702,200
Vehicle Inspection and Title Enforcement Fund	70,500	1,441,000	1,444,300
SUBTOTAL - Other Appropriated Funds	349,112,400	360,031,900	359,671,600
SUBTOTAL - Appropriated Funds	349,156,900	360,082,300	359,722,100
Other Non-Appropriated Funds	35,054,100	30,656,000	30,656,000
Federal Funds	1,397,500	1,333,400	1,333,400
TOTAL - ALL SOURCES	385,608,500	392,071,700	391,711,500

^{1/} Includes 1,210 OF FTE Positions funded from Special Line Items in FY 2013.

^{2/} Of the total amount appropriated, \$126,680,600 in FY 2013 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, 2013. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{3/} 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.)

^{4/} It is the intent of the Legislature that the department not include any administrative overhead expenditures in duplicate drivers' license fees charged to the public. (General Appropriation Act footnote)

^{5/} Of the \$359,722,100 appropriation to the Department of Transportation, the Department of Transportation shall pay \$16,773,800 in FY 2013 from all funds to the Department of Administration for its Risk Management payment. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{6/} 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, 2013 for FY 2013. (General Appropriation Act footnote)

^{7/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{8/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions 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 \$201,744,600 and 3,338 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	<u>FY 2013</u>
General Fund	\$50,500
Air Quality Fund	72,800
Driving Under the Influence Abatement Fund	148,000
Highway User Revenue Fund	387,100
Motor Vehicle Liability Insurance Enforcement Fund	860,400
Safety Enforcement and Transportation Infrastructure Fund	1,306,400
State Aviation Fund	1,585,600
State Highway Fund	195,968,800
Vehicle Inspection & Title Enforcement Fund	1,365,000

These amounts fund the following adjustments:

Motor Vehicle Division Funding Shift

The budget includes a funding shift of \$85,077,000 and 1,384 FTE Positions from the Highway User Revenue Fund to the State Highway Fund in FY 2013. 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. Before FY 2012, the Motor Vehicle Division (MVD) was funded from the State Highway Fund. The FY 2012 budget shifted the funding source for MVD to the Highway User Revenue Fund. The FY 2013 budget returns the funding source for MVD to the State Highway Fund. *(Please see Table 6 in ADOT Capital section for more information.)*

Statewide Adjustments

The budget includes an increase of \$297,800 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	100
Air Quality Fund	200
Driving Under the Influence Abatement Fund	400
Highway User Revenue Fund	200
Motor Vehicle Liability Insurance Enforcement Fund	2,100
Safety Enforcement and Transportation Infrastructure Fund	2,900
State Aviation Fund	2,500
State Highway Fund	286,300
Vehicle Inspection & Title Enforcement Fund	3,100

(Please see the Agency Detail and Allocations section.)

Attorney General Legal Services

The budget includes \$2,895,600 from the State Highway Fund in FY 2013 for Attorney General Legal Services. This amount is unchanged from FY 2012.

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 \$755,400 and 10 FTE Positions from the State Highway Fund in FY 2013 for Fraud Investigation. These amounts fund the following adjustments:

Motor Vehicle Division Funding Shift

The budget includes a funding shift of \$753,900 and 10 FTE Positions from the Highway User Revenue Fund to the State Highway Fund in FY 2013.

Statewide Adjustments

The budget includes an increase of \$1,500 from the State Highway Fund in FY 2013 for statewide adjustments.

Monies in this line item provide for investigation of fraudulent driver's license and motor vehicle documents.

Highway Maintenance

The budget includes \$126,680,600 and 932 FTE Positions in FY 2013 for Highway Maintenance. These amounts consist of:

Safety Enforcement and Transportation Infrastructure Fund	562,500
State Highway Fund	126,118,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$125,000 from the State Highway Fund in FY 2013 for statewide adjustments.

In addition to the \$126,680,600 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$11,900,000 available in FY 2013 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.

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.

New Third Party Funding

The budget includes \$943,700 and 21 FTE Positions in FY 2013 for New Third Party Funding. These amounts consist of:

Highway User Revenue Fund	238,500
Motor Vehicle Liability Insurance Enforcement Fund	200,200
State Highway Fund	425,700
Vehicle Inspection & Title Enforcement Fund	79,300

These amounts fund the following adjustments:

Motor Vehicle Division Funding Shift

The budget includes a funding shift of \$424,700 and 10 FTE Positions from the Highway User Revenue Fund to the State Highway Fund in FY 2013.

Statewide Adjustments

The budget includes an increase of \$2,300 in FY 2013 for statewide adjustments. This amount consists of:

Highway User Revenue Fund	600
Motor Vehicle Liability Insurance Enforcement Fund	500
State Highway Fund	1,000
Vehicle Inspection & Title Enforcement Fund	200

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 \$26,702,200 and 247 FTE Positions from the Transportation Department Equipment Fund in FY 2013 for Vehicles and Heavy Equipment. These amounts fund the following adjustments:

Expenditure Adjustment

The budget includes a decrease of \$(825,200) from the Transportation Department Equipment Fund in FY 2013 in order to better align the appropriation with planned expenditures and available funding.

Statewide Adjustments

The budget includes an increase of \$38,400 from the Transportation Department Equipment Fund in FY 2013 for statewide adjustments.

State Treasurer

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.4	29.4	30.4
Personal Services	1,477,700	1,537,700	1,611,100
Employee Related Expenditures	535,100	591,200	627,900
Professional and Outside Services	189,500	190,700	190,700
Travel - In State	700	2,000	2,000
Travel - Out of State	3,700	0	0
Other Operating Expenditures	274,700	270,200	259,300
OPERATING SUBTOTAL	2,481,400	2,591,800	2,691,000
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	1,083,100	1,115,100	1,115,100
Law Enforcement/Boating Safety Fund Grants	0	0	2,183,800
Retirement System Study Committee	0	100,000	0
AGENCY TOTAL	3,564,500	3,806,900^{1/}	5,989,900^{2/3/}

FUND SOURCES			
General Fund	1,083,100	1,115,100	1,115,100
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	0	0	2,183,800
Public Safety Personnel Retirement System Investment and Administrative Expenses	0	50,000 ^{4/}	0
State Retirement System Administration Account	0	50,000 ^{4/}	0
State Treasurer Empowerment Scholarship Account Fund	0	0	0
State Treasurer's Management Fund	44,700	87,900	198,000
State Treasurer's Operating Fund	2,436,700	2,503,900	2,493,000
SUBTOTAL - Other Appropriated Funds	2,481,400	2,691,800	4,874,800
SUBTOTAL - Appropriated Funds	3,564,500	3,806,900	5,989,900
Other Non-Appropriated Funds	5,141,100	5,141,100	5,141,100
TOTAL - ALL SOURCES	8,705,600	8,948,000	11,131,000

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 \$2,691,000 and 30.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
State Treasurer's Operating Fund	\$2,493,000
State Treasurer's Management Fund	198,000

These amounts fund the following adjustments:

Investment Analyst

The budget includes an increase of \$110,100 and 1 FTE Position from the State Treasurer's Management Fund in FY 2013 for an investment analyst to evaluate potential new credit programs in which to invest.

^{1/} 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.)
^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)
^{4/} This appropriation is a continuing appropriation and is exempt from the provision of A.R.S. § 35-190, relating to lapsing of appropriations.

Statewide Adjustments

The budget includes a decrease of \$(10,900) from the State Treasurer's Operating Fund in FY 2013 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Justice of the Peace Salaries

The budget includes \$1,115,100 from the General Fund in FY 2013 for the Justice of the Peace (JP) Salaries Special Line Item. This amount is unchanged from FY 2012.

A.R.S. § 22-117 requires the state to pay 19.25% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to Maricopa County, which pays 100% of its JP costs.

Law Enforcement/Boating Safety Fund Grants

The budget includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2013 for the administration of the Law Enforcement and Boating Safety Fund. These amounts fund the following adjustments:

Transfer LEBSF Administration to Treasurer

The budget includes an increase of \$2,183,800 from LEBSF in FY 2013 to shift the administration of the LEBSF from the Arizona Outdoor Recreation Coordinating Commission (AORCC) in the State Parks Board budget to the Treasurer.

Laws 2011, Chapter 333 removed the requirement that grants be distributed by the AORCC and required that the State Treasurer administer LEBSF monies beginning in FY 2013. The Treasurer will disburse monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with a distribution formula developed by the Game and Fish Commission.

Retirement System Study Committee

The budget includes no funding in FY 2013 for the Retirement System Study Committee. These amounts fund the following adjustments:

Elimination of One-Time Funding

The budget includes a decrease of \$(100,000) in FY 2013 for the elimination of one-time funding for the committee.

This amount consists of:

ASRS Administration Account	(50,000)
PSPRS Investment and Administrative Expenses	(50,000)

Laws 2011, Chapter 357 appropriated \$100,000 in FY 2012 to fund the implementation and staffing of the Defined Contribution and Retirement System Study Committee. The Committee is tasked with evaluating

Arizona State Retirement System and Public Safety Personnel Retirement System 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.

Additional Legislation

State Treasurer Empowerment Scholarship Account Fund

Laws 2012, Chapter 360 establishes the State Treasurer Empowerment Scholarship Account Fund consisting of 1% of the base support level for each student with an Empowerment Scholarship Account. The Arizona Empowerment Scholarship Accounts program allows qualified students with disabilities to receive 90% of the base level of support that would otherwise have been allocated for that student at a public school. The monies received by the fund will be used by the Treasurer to defray the costs of administering the Empowerment Scholarship Accounts. The fund is subject to legislative appropriation and is non-lapsing.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The State Treasurer share of this Non-General Fund charge will be \$9,200. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Arizona Board of Regents

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,436,800	1,436,000	1,436,000
Employee Related Expenditures	520,500	521,600	521,600
Professional and Outside Services	62,400	62,400	62,400
Other Operating Expenditures	351,700	330,600	330,600
OPERATING SUBTOTAL	2,371,400	2,350,600	2,350,600
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Course Redesign Technology & Capital	0	0	15,273,700 ^{1/}
Math and Science Teacher Initiative	132,000	0	0
Performance Funding	0	0	5,000,000 ^{2/}
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	4,096,700	4,106,000	4,106,000
AGENCY TOTAL	17,070,000	16,926,500^{3/}	37,200,200^{4/5/}
FUND SOURCES			
General Fund	17,070,000	16,926,500	37,200,200
SUBTOTAL - Appropriated Funds	17,070,000	16,926,500	37,200,200
Other Non-Appropriated Funds	4,803,400	7,632,800	4,939,500
Federal Funds	837,200	1,357,700	1,306,300
TOTAL - ALL SOURCES	22,710,600	25,917,000	43,446,000

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.

- ^{1/} The Course Redesign Technology and Capital appropriation shall become available for use by Arizona State University and Northern Arizona University after the Arizona Board of Regents approves an expenditure plan. The Arizona Board of Regents shall review the expenditure plan before October 1, 2012. The monies must be used for innovative course redesign technologies and capital improvements that will maintain or improve learning outcomes and decrease per student costs for large enrollment or high failure rate classes. Of this amount, \$11,971,100 shall be distributed to the Arizona State University campuses and \$3,302,600 shall be distributed to Northern Arizona University. The Arizona Board of Regents shall notify the Joint Legislative Budget Committee Staff of the amounts allocated to each Arizona State University campus. It is the intent of the Legislature that these monies be budgeted to the individual campuses beginning in FY 2014. It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University in FY 2014 through FY 2017 with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents at the beginning of FY 2017. (General Appropriation Act footnote)
- ^{2/} The following amounts have been allocated from the university campuses to the Arizona Board of Regents for Performance Funding: \$2,030,000 from Arizona State University - Tempe and Downtown Phoenix Campuses, \$156,300 from Arizona State University - East, \$271,700 from Arizona State University - West, \$834,600 from Northern Arizona University, and \$1,707,400 from the University of Arizona - Main campus. The performance funding formula shall be as prescribed by law. The Arizona Board of Regents shall report the final allocation of performance funding to the Joint Legislative Budget Committee on or before July 1, 2012. (General Appropriation Act footnote)
- ^{3/} 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.)
- ^{4/} 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)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,350,600 and 25.9 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2013 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2012.

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 2011, ATIP distributed \$50,000 in loans among 10 students, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The budget includes \$213,700 from the General Fund in FY 2013 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2012.

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 \$277,200 to the system in FY 2011 and are projected to also contribute \$277,200 in both FY 2012 and FY 2013.

Course Redesign Technology and Capital

The budget includes \$15,273,700 from the General Fund in FY 2013 for the newly created Course Redesign Technology and Capital Special Line Item (SLI). This amount funds the following adjustment:

Parity Funding

The budget includes an increase of \$15,273,700 from the General Fund in FY 2013 in order to align ASU's and NAU's General Fund per student funding to that of the higher UA amount. Of this amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU, which will be allocated by October 1, 2012 once ABOR reviews an expenditure plan.

ABOR is to notify the JLBC Staff on the amounts allocated to each ASU campus. These monies shall be budgeted to the individual campuses beginning in FY 2014 with the goal that per student funding parity is achieved among the universities by the beginning of FY 2017.

These monies shall be used by ASU and NAU for innovative course redesign technologies and capital improvements that will maintain or improve learning outcomes and decrease per-student costs for large enrollment or high-failure rate classes.

Performance Funding

The budget includes \$5,000,000 from the General Fund in FY 2013 for the newly created Performance Funding SLI. This amount funds the following adjustment:

Performance Funding Reallocation

The budget includes an increase of \$5,000,000 from the General Fund in FY 2013 for a performance-based funding model. The following amounts were reallocated from the university budgets to ABOR to fund this adjustment: \$2,030,000 from ASU - Tempe/Downtown Phoenix, \$156,300 from ASU - East, \$271,700 from ASU - West, \$834,600 from NAU, and \$1,707,400 from UA - Main.

According to the FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301), ABOR and the universities are to adopt a performance funding model by July 1, 2012. The model is to use performance metrics that include the increase in degrees awarded, the increase in completed student credit hours, and the increase in externally generated research and public service funding. The formula may give added weight to degrees related to science, technology, engineering, mathematics, and other high-value degrees that are in short supply or that are essential to the state's long-term economic development strategy. The universities are to submit their annual budget requests based on this funding model.

Student Financial Assistance

The budget includes \$10,041,200 from the General Fund in FY 2013 for Student Financial Assistance. This amount is unchanged from FY 2012.

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 \$46 - \$91 in FY 2012, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2013 Higher Education BRB suspended the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2012.

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 2011, AFAT disbursed \$16,230,100 in financial aid.

Western Interstate Commission Office

The budget includes \$125,000 from the General Fund in FY 2013 for the Western Interstate Commission Office. This amount is unchanged from FY 2012.

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 2013 for WICHE student subsidies. This amount is unchanged from FY 2012.

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 2012, the board is providing subsidies to 187 Arizona students, which is the same as FY 2011. 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.

Additional Legislation

ABOR Continuation

Laws 2012, Chapter 119 extends the termination date for ABOR from July 1, 2012 to July 1, 2022.

Continued Student Deposit

The FY 2012 K-12 Education BRB (Laws 2011, Chapter 29) required each university and community college to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2011. The FY 2013 K-12 Education BRB (Laws 2012, Chapter 300) requires each university and community college to deposit \$6 per each full-time student into the fund again by December 31, 2012. This assessment is expected to generate \$765,600 from the universities and \$872,800 from the community colleges.

Other Issues

Payment Deferral

The budget includes \$200,000,000 from the General Fund for universitywide FY 2012 payments that were deferred until FY 2013 and includes a universitywide FY 2013 General Fund payment deferral of \$(200,000,000) until FY 2014. The payment deferral is unchanged from FY 2011. (Please see the individual university narrative pages for more information.)

The FY 2013 payment deferrals are allocated among the universities as follows:

ASU-Tempe/DPC	\$ (74,760,400)
ASU-East	(5,750,200)
ASU-West	(10,064,800)
ASU Subtotal	(90,575,400)
NAU	(30,494,800)
UA-Main	(62,153,100)
UA-HSC	(16,776,700)
UA Subtotal	(78,929,800)
Total	\$(200,000,000)

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:

Academic Level	Credit Hours/FTE
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years.

The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE Position is \$73,800.

Table 1 summarizes the FY 2013 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. Table 2 summarizes the unfunded General Fund enrollment amounts and the funded Collections Fund enrollment amounts for each campus in FY 2013.

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

Table 1

FY 2013 Summary of Spending Authority						
	<u>Appropriated Funds</u>			<u>Non-Appropriated Funds</u>		
	<u>General Fund</u>	<u>Collections Fund ^{1/}</u>	<u>Tech & Research Fund (TRIF)</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total</u>
ABOR	\$ 37,200,200	\$ 0	\$ 0	\$ 1,306,300	\$ 4,939,500	\$ 43,446,000
ASU-Tempe/DPC	247,110,000	468,010,300	0	294,312,000	706,064,000	1,715,496,300
ASU-East	19,022,300	37,924,800	2,000,000	6,097,000	15,714,000	80,758,100
ASU-West	33,017,700	31,330,800	1,600,000	4,046,000	16,150,000	86,144,500
NAU	101,604,800	99,660,700	0	77,483,000	200,000,900	478,749,400
UA-Main	207,793,500	256,404,000	0	264,659,200	841,971,600	1,570,828,300
UA-Health Sciences	61,585,300	41,786,200	0	105,561,500	161,759,500	370,692,500
Total	\$707,333,800	\$935,116,800	\$3,600,000	\$753,465,000	\$1,946,599,500	\$4,346,115,100

^{1/} Excludes FY 2013 tuition increase.

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 3 shows FY 2013 Arizona University System enrollment for in-state and out-of-state students. It is projected that ASU-Tempe will grow by 313 FTE out-of-state students for a total of 15,038 in FY 2013, ASU DPC will grow by 205 for a total of 1,841, ASU East will grow by 51 for a total of 1,010, ASU West will grow by 27 for a total of 1,050, NAU will grow by 264 for a total of 5,403, UA Main will grow by 175 for a total of 11,849, and UA Health Sciences will grow by 8 for a total of 435.

Other University System Summary Tables

Table 4 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2012 to FY 2013.

Table 5 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2011. Of \$1,734,603,600 total financial aid distributions in FY 2011, the state appropriated \$2,414,700, university institutional services provided \$558,394,600, and AFAT (made up of both state and institutional funds) accounted for \$16,230,100.

Table 6 displays total tuition collections for the Arizona University System, which equal an estimated \$1,487,268,500 in FY 2012 and \$1,618,775,700 in FY 2013. The FY 2013 amount includes \$89,362,200 that accounts for the FY 2013 approved tuition increases, which are not incorporated into the individual university narratives. The \$89,362,200 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 2013 Arizona University System Enrollment Growth Funding		
	<u>Unfunded - General Fund ^{1/}</u>	<u>Funded - Other Fund ^{2/}</u>
ASU-Tempe/DPC	\$12,535,100	\$14,116,000
ASU-East	313,900	352,100
ASU-West	(873,600)	(947,900)
NAU	2,104,600	1,921,800
UA-Main	7,209,900	8,901,000
UA-Health Sciences	511,200	632,200
Total	\$21,801,100	\$24,975,200

^{1/} If funded, these amounts would have funded projected growth for in-state student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula.
^{2/} These amounts fund projected enrollment growth for in-state students.

Table 3

FY 2013 Arizona University System Enrollment			
	<u>In-State Students</u> ^{1/}	<u>Out-of-State Students</u>	<u>Total Enrollment</u>
ASU-Tempe/ DPC	40,481	16,879	57,360
ASU-East	4,099	1,010	5,109
ASU-West	5,121	1,050	6,171
NAU	16,574	5,403	21,977
UA-Main	23,064	11,849	34,913
UA-Health Sciences	1,636	435	2,071
Total	90,975	36,626	127,601

^{1/} Enrollment represents student populations as calculated by the funding formula, which includes student counts for FY 2011 – FY 2013.

Table 4

Arizona University System
FY 2012 to FY 2013 Undergraduate Tuition and Fees Changes ^{1/}

	<u>Resident ^{2/}</u>				<u>Non-Resident ^{2/}</u>			
	<u>FY 2012</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
ASU	\$8,736 to \$9,716	\$8,740 to \$9,720	\$4	0.0004%	\$22,315	\$22,973	\$658	2.9%
ASU-Distance Ed.	N/A	\$6,490	N/A	N/A	N/A	\$9,490	N/A	N/A
NAU	\$5,960 to \$8,824	\$6,909 to \$9,271	\$447 to \$949	5.1% to 15.9%	\$17,058 to \$21,179	\$18,136 to \$21,626	\$447 to \$1,078	2.1% to 6.3%
NAU-Distance Ed.	\$4,803 to \$6,317	\$4,948 to \$6,508	\$145 to \$191	3.0%	\$14,283 to \$17,650	\$14,715 to \$18,190	\$432 to \$540	3.0%
UofA-Main/HSC	\$10,035	\$10,035	\$0	0%	\$25,494	\$26,231	\$737	2.9%
UofA-South	\$7,941	\$7,941	\$0	0%	\$25,071	\$25,808	\$737	2.9%

^{1/} The amounts represent combined full-time tuition for fall and spring semesters, as well as mandatory fees. Undergraduates must take at least 12 credit hours to qualify for full-time status. Mandatory fees include AFAT and student recreation charges, but do not include special class or program fees.

^{2/} NAU provides a guaranteed tuition rate for each incoming class. ASU previously had a tuition commitment rate for each incoming class, however, both ASU and UA currently do not have tuition guarantees.

Table 5

FY 2011 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	<u>Federal</u>	<u>State ^{2/}</u>	<u>Institutional ^{3/}</u>	<u>Private/Other ^{4/}</u>	<u>Total</u>
Grants	\$203,961.0	\$1,768.5	\$391,433.7	\$140,356.4	\$ 737,519.6
Loans	653,263.7	646.2	0.0	170,296.1	824,206.0
Employment	<u>5,917.1</u>	<u>0.0</u>	<u>166,960.9</u>	<u>0.0</u>	<u>172,878.0</u>
Total	\$863,141.8	\$2,414.7	\$558,394.6	\$310,652.5	\$1,734,603.6

^{1/} Information provided by ABOR.

^{2/} State sources of aid include revenues from the Commission for Postsecondary Education and the Board of Medical Student Loans.

^{3/} Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 6

Tuition Revenue Allocation

	<u>FY 2011</u> <u>Actual</u>	<u>FY 2012</u> <u>Estimate</u>	<u>FY 2013</u> <u>Estimate ^{1/}</u>
<u>Appropriated</u>			
Operating Budget	\$ 771,922,500	\$ 910,141,600	\$ 935,116,800
<u>Non-Appropriated</u>			
Operating Budget	\$ 57,999,900	\$ 92,351,000	\$ 92,551,000
Financial Aid	330,458,000	380,172,100	394,841,900
Plant Fund	18,502,100	22,008,100	23,808,100
Debt Service	<u>80,930,200</u>	<u>82,595,700</u>	<u>83,095,700</u>
<i>Subtotal</i>	\$ 487,890,200	\$ 577,126,900	\$ 594,296,700
To Be Allocated	\$ 0	\$ 0	\$ 89,362,200
Total	\$1,259,812,700	\$1,487,268,500	\$1,618,775,700

^{1/} The source for these non-appropriated amounts are the universities' FY 2013 budget requests. The appropriated amount does not account for the FY 2013 tuition increases. The \$89,362,200 amount accounts for the FY 2013 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 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,868.8	6,097.9 ^{1/}	6,097.9 ^{2/}
Personal Services	356,517,700	345,445,100	345,445,100
Employee Related Expenditures	108,542,400	112,461,000	112,461,000
Professional and Outside Services	43,171,400	52,854,800	52,854,800
Travel - In State	198,700	434,400	434,400
Travel - Out of State	3,285,500	2,933,000	2,933,000
Other Operating Expenditures	41,747,700	56,198,600	65,050,800
Equipment	23,877,000	21,325,100	21,325,100
OPERATING SUBTOTAL	577,340,400	591,652,000	600,504,200
SPECIAL LINE ITEMS			
Biomedical Informatics	1,921,900	1,955,200	1,955,200
Downtown Phoenix Campus	85,073,600	95,872,100	99,105,900
Research Infrastructure Lease-Purchase Payment	13,555,000	13,555,000	13,555,000 ^{3/}
AGENCY TOTAL	677,890,900	703,034,300^{4/}	715,120,300^{5/6/7/8/}
FUND SOURCES			
General Fund	326,349,100	249,140,000	247,110,000 ^{9/10/}
<u>Other Appropriated Funds</u>			
University Collections Fund	351,541,800	453,894,300	468,010,300 ^{11/}
SUBTOTAL - Other Appropriated Funds	351,541,800	453,894,300	468,010,300
SUBTOTAL - Appropriated Funds	677,890,900	703,034,300	715,120,300
Other Non-Appropriated Funds	606,723,900	698,983,200	706,064,000
Federal Funds	261,111,400	284,023,400	294,312,000
TOTAL - ALL SOURCES	1,545,726,200	1,686,040,900	1,715,496,300

^{1/} The amounts include 770.9 FTE Positions and their associated funding above the original FY 2012 amounts.

^{2/} Includes 804.2 GF FTE Positions funded from Special Line Items in FY 2013.

^{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/} 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.*)

^{5/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

^{6/} The appropriated monies shall not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which the state is the adverse party. (General Appropriation Act footnote)

^{7/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday. This specific adjustment will be allocated to individual agencies at a later time. (*Please see the General Provisions section.*)

^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{9/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{10/} It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campuses is \$233,555,000. This appropriation includes a deferral of \$74,760,400 from FY 2013 to FY 2014. This deferral shall be paid as required by Section 131 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$233,555,000 plus the \$13,555,000 in Laws 2003, Chapter 267 lease-purchase appropriations equals the FY 2013 total of \$247,110,000. The \$74,760,400 deferral amount was appropriated by Laws 2011, Chapter 24.

^{11/} Any unencumbered balances remaining in the collections account on June 30, 2012 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established 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 287 Baccalaureate, Master’s, Doctoral and first professional degree programs, and 61 undergraduate and graduate certificate programs to 59,794 full- and part-time students at its Tempe Campus. The Downtown Phoenix Campus (DPC), budgeted as a unit of the Tempe Campus, offers 50 degree programs and 24 certificate programs to 17,151 full- and part-time students.

Operating Budget

The budget includes \$600,504,200 and 5,293.7 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$209,184,900
University Collections Fund	391,319,300

These amounts fund the following adjustments:

Enrollment Growth

The budget includes an increase of \$10,882,200 from the University Collections Fund in FY 2013 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 \$9,663,400. Formula enrollment is projected to grow by 1,198 full-time equivalent (FTE) students, to 34,456 FTE students for ASU-Tempe in FY 2013. 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 313 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.

Performance Funding Reallocation

The budget includes a decrease of \$(2,030,000) from the General Fund in FY 2013 for performance funding. This amount was reallocated to ABOR to contribute to the funding of a performance-based funding model. *(Please see ABOR for more information.)*

Statewide Adjustments

The budget includes no net change in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Biomedical Informatics

The budget includes \$1,955,200 and 14.2 FTE Positions from the General Fund in FY 2013 for the Biomedical Informatics Department. These amounts are unchanged from FY 2012.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. This department moved from the Downtown Phoenix Campus to Mayo Clinic’s hospital in Phoenix last year.

Downtown Phoenix Campus

The budget includes \$99,105,900 and 790 FTE Positions in FY 2013 for programs headquartered at the Downtown Phoenix Campus (DPC). These amounts consist of:

General Fund	22,414,900
University Collections Fund	76,691,000

These amounts fund the following adjustments:

Enrollment Growth

The budget includes an increase of \$3,233,800 from the University Collections Fund in FY 2013 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 \$2,871,700. 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 356 full-time equivalent (FTE) students, to 6,025 FTE students for ASU-DPC in FY 2013. This amount excludes projected growth of 205 out-of-state students. *(Please see ABOR for more information.)*

Research Infrastructure Lease-Purchase Payment

The budget includes \$13,555,000 from the General Fund in FY 2013 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2012.

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.

Other Issues

Course Redesign Technology and Capital/Parity

In order to align ASU's and Northern Arizona University's (NAU) General Fund per student funding to that of the higher University of Arizona amount, ABOR is appropriated \$15,273,700 from the General Fund in FY 2013. Of this amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU, which will be allocated by October 1, 2012 once ABOR reviews an expenditure plan.

These monies are to be used by ASU and NAU for innovative course redesign technologies and capital improvements that will maintain or improve learning outcomes and decrease per-student costs for large enrollment or high-failure rate classes.

ABOR is to notify the JLBC Staff on the amounts allocated to each ASU campus. These monies shall be budgeted to the individual campuses beginning in FY 2014 with the goal that per student funding parity is achieved among the universities at the beginning of FY 2017. *(Please see ABOR for more information.)*

Payment Deferral

The budget includes \$74,760,400 from the General Fund for FY 2012 payments that were deferred until FY 2013 and includes a FY 2013 General Fund payment deferral of \$(74,760,400) until FY 2014. 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 2013 General Fund budget is \$247,110,000. Of this amount:

- \$157,397,500 was included in ASU-Tempe/DPC's individual section of the FY 2013 General Appropriation Act.
- \$74,760,400 was appropriated in the FY 2012 General Appropriation Act (Laws 2011, Chapter 24) to reflect the deferral of FY 2012 monies to FY 2013.
- \$13,555,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$1,397,100 was included to reflect FY 2013 statewide adjustments in the FY 2013 General Appropriation Act.

Arizona State University - East Campus

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	526.1	424.0	416.6
Personal Services	28,345,400	24,665,100	24,665,100
Employee Related Expenditures	7,972,900	8,096,100	8,096,100
Professional and Outside Services	14,505,800	16,850,800	16,850,800
Travel - In State	18,700	8,000	8,000
Travel - Out of State	192,700	140,000	140,000
Other Operating Expenditures	5,698,300	5,260,100	5,455,900
Equipment	963,900	814,200	814,200
OPERATING SUBTOTAL	57,697,700	55,834,300	56,030,100
SPECIAL LINE ITEMS			
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000 ^{1/}
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	60,614,700	58,751,300 ^{2/}	58,947,100 ^{3/4/5/}
FUND SOURCES			
General Fund	25,101,300	19,178,600	19,022,300 ^{6/7/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	2,000,000	2,000,000	2,000,000
University Collections Fund	33,513,400	37,572,700	37,924,800 ^{8/}
SUBTOTAL - Other Appropriated Funds	35,513,400	39,572,700	39,924,800
SUBTOTAL - Appropriated Funds	60,614,700	58,751,300	58,947,100
Other Non-Appropriated Funds	10,884,000	15,534,800	15,714,000
Federal Funds	5,379,600	5,784,900	6,097,000
TOTAL - ALL SOURCES	76,878,300	80,071,000	80,758,100

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 44 professional and technical Baccalaureate, Master's, and Doctoral degree programs and 3 undergraduate certificate programs to 10,521 full- and part-time students. ASU-East is located at the 600-acre site of the former Williams Air Force Base in southeast Mesa.

- ^{1/} Includes \$917,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.
- ^{2/} 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.*)
- ^{3/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday. This specific adjustment will be allocated to individual agencies at a later time. (*Please see the General Provisions section.*)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{6/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- ^{7/} It is the intent of the Legislature that the General Fund base funding for Arizona State University - East Campus is \$18,105,300. This appropriation includes a deferral of \$5,750,200 from FY 2013 to FY 2014. This deferral shall be paid as required by Section 131 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$18,105,300 plus the \$917,000 in Laws 2003, Chapter 267, lease-purchase appropriations equals the FY 2013 total of \$19,022,300. The \$5,750,200 deferral amount was appropriated by Laws 2011, Chapter 24.
- ^{8/} 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 \$56,030,100 and 416.6 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$18,105,300
University Collections Fund	37,924,800

These amounts fund the following adjustments:

Enrollment Growth

The budget includes an increase of \$352,100 from the University Collections Fund in FY 2013 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 \$313,900. Formula enrollment is projected to grow by 39 full-time equivalent (FTE) students, to 4,099 FTE students in FY 2013. 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 51 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.

Performance Funding Reallocation

The budget includes a decrease of \$(156,300) from the General Fund in FY 2013 for performance funding. This amount was reallocated to ABOR to contribute to the funding of a performance-based funding model. *(Please see ABOR for more information.)*

Statewide Adjustments

The budget includes no net change in FY 2013 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 2013 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2012.

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 2013 for lease-purchase payment requirements. This amount is unchanged from FY 2012.

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.

Other Issues

Course Redesign Technology and Capital/Parity

In order to align ASU's and Northern Arizona University's (NAU) General Fund per student funding to that of the higher University of Arizona amount, ABOR is appropriated \$15,273,700 from the General Fund in FY 2013. Of this amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU, which will be allocated by October 1, 2012 once ABOR reviews an expenditure plan.

These monies are to be used by ASU and NAU for innovative course redesign technologies and capital improvements that will maintain or improve learning outcomes and decrease per-student costs for large enrollment or high-failure rate classes.

ABOR is to notify the JLBC Staff on the amounts allocated to each ASU campus. These monies shall be budgeted to the individual campuses beginning in FY 2014 with the goal that per student funding parity is achieved among the universities by the beginning of FY 2017. *(Please see ABOR for more information.)*

Payment Deferral

The budget includes \$5,750,200 from the General Fund for FY 2012 payments that were deferred until FY 2013 and includes a FY 2013 General Fund payment deferral of \$(5,750,200) until FY 2014. 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 2013 General Fund budget is \$19,022,300. Of this amount:

- \$12,253,300 was included in ASU-East's individual section of the FY 2013 General Appropriation Act.

- \$5,750,200 was appropriated in the FY 2012 General Appropriation Act (Laws 2011, Chapter 24) to reflect the deferral of FY 2012 monies to FY 2013.
- \$917,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$101,800 was included to reflect FY 2013 statewide adjustments in the FY 2013 General Appropriation Act.

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for ASU-East includes a reduction of (7.4) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

Arizona State University - West Campus

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	795.7	562.9	562.9
Personal Services	35,055,200	32,650,500	32,650,500
Employee Related Expenditures	12,027,500	10,953,900	10,953,900
Professional and Outside Services	20,437,600	15,962,700	15,962,700
Travel - In State	56,000	40,300	40,300
Travel - Out of State	140,800	124,200	124,200
Other Operating Expenditures	3,655,300	4,037,500	2,817,900
Equipment	1,984,400	1,799,000	1,799,000
OPERATING SUBTOTAL	73,356,800	65,568,100	64,348,500
SPECIAL LINE ITEMS			
TRIF Lease-Purchase Payment	1,600,000	1,600,000	1,600,000
AGENCY TOTAL	74,956,800	67,168,100^{1/}	65,948,500^{2/3/4/}
FUND SOURCES			
General Fund	43,935,700	33,289,400	33,017,700 ^{5/6/}
<u>Other Appropriated Funds</u>			
Technology and Research Initiative Fund	1,600,000	1,600,000	1,600,000
University Collections Fund	29,421,100	32,278,700	31,330,800 ^{7/}
SUBTOTAL - Other Appropriated Funds	31,021,100	33,878,700	32,930,800
SUBTOTAL - Appropriated Funds	74,956,800	67,168,100	65,948,500
Other Non-Appropriated Funds	17,522,200	15,986,200	16,150,000
Federal Funds	3,627,200	3,839,300	4,046,000
TOTAL - ALL SOURCES	96,106,200	86,993,600	86,144,500

AGENCY DESCRIPTION — Established as a separate budget unit in 1984, Arizona State University - West Campus (ASU-West) currently offers 44 Baccalaureate, selective Master's, and Doctoral degree programs in the professional and liberal arts and 7 undergraduate certificate programs to 12,272 full- and part-time students. ASU-West is located at a 277-acre site in northwest Phoenix.

Operating Budget

The budget includes \$64,348,500 and 562.9 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$33,017,700
University Collections Fund	31,330,800

These amounts fund the following adjustments:

- 1/ 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.*)
- 2/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 3/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday. This specific adjustment will be allocated to individual agencies at a later time. (*Please see the General Provisions section.*)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 5/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- 6/ It is the intent of the Legislature that the General Fund base funding for Arizona State University - West Campus is \$33,017,700. This appropriation includes a deferral of \$10,064,800 from FY 2013 to FY 2014. This deferral shall be paid as required by Section 131 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The \$10,064,800 deferral amount was appropriated by Laws 2011, Chapter 24.
- 7/ 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)

Enrollment Growth

The budget includes a decrease of \$(947,900) from the University Collections Fund in FY 2013 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 \$(873,600). 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 (105) full-time equivalent (FTE) students, to 5,121 FTE students in FY 2013. This amount excludes projected growth of 27 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.

Performance Funding Reallocation

The budget includes a decrease of \$(271,700) from the General Fund in FY 2013 for performance funding. This amount was reallocated to ABOR to contribute to the funding of a performance-based funding model. *(Please see ABOR for more information.)*

Statewide Adjustments

The budget includes no net change in FY 2013 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 2013 for lease-purchase payment requirements. This amount is unchanged from FY 2012.

Laws 2000, 5th Special Session, Chapter 1 appropriated \$1,100,000 from TRIF to make the initial lease-purchase payment in FY 2002 on \$21,600,000 in infrastructure development at ASU-West. The payment schedule runs through FY 2021.

Other Issues

Course Redesign Technology and Capital/Parity

In order to align ASU's and Northern Arizona University's (NAU) General Fund per student funding to that of the higher University of Arizona amount, ABOR is appropriated \$15,273,700 from the General Fund in FY 2013. Of this amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU, which will be allocated by October 1, 2012 once ABOR reviews an expenditure plan.

These monies are to be used by ASU and NAU for innovative course redesign technologies and capital improvements that will maintain or improve learning

outcomes and decrease per-student costs for large enrollment or high-failure rate classes.

ABOR is to notify the JLBC Staff on the amounts allocated to each ASU campus. These monies shall be budgeted to the individual campuses beginning in FY 2014 with the goal that per student funding parity is achieved among the universities at the beginning of FY 2007. *(Please see ABOR for more information.)*

Payment Deferral

The budget includes \$10,064,800 from the General Fund for FY 2012 payments that were deferred until FY 2013 and includes a FY 2013 General Fund payment deferral of \$(10,064,800) until FY 2014. 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 2013 General Fund budget is \$33,017,700. Of this amount:

- \$22,823,100 was included in ASU-West's individual section of the FY 2013 General Appropriation Act.
- \$10,064,800 was appropriated in the FY 2012 General Appropriation Act (Laws 2011, Chapter 124) to reflect the deferral of FY 2012 monies to FY 2013.
- \$129,800 was included to reflect FY 2013 statewide adjustments in the FY 2013 General Appropriation Act.

Northern Arizona University

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,966.3	2,057.2 ^{1/}	2,057.2 ^{2/}
Personal Services	127,554,900	124,426,200	124,426,200
Employee Related Expenditures	41,264,800	42,705,400	42,705,400
Professional and Outside Services	4,654,400	1,958,000	1,958,000
Travel - In State	424,500	431,500	431,500
Travel - Out of State	630,200	0	0
Other Operating Expenditures	27,460,200	18,732,900	19,820,100
Equipment	1,605,300	1,039,800	1,039,800
OPERATING SUBTOTAL	203,594,300	189,293,800	190,381,000
SPECIAL LINE ITEMS			
NAU - Yuma	3,133,900	2,984,500	2,984,500
Research Infrastructure Lease-Purchase Payment	5,900,000	5,900,000	5,900,000 ^{3/}
Teacher Training	2,000,000	2,000,000	2,000,000 ^{4/}
AGENCY TOTAL	214,628,200	200,178,300 ^{5/}	201,265,500 ^{6/7/8/}
FUND SOURCES			
General Fund	133,118,100	102,439,400	101,604,800 ^{9/10/}
<u>Other Appropriated Funds</u>			
University Collections Fund	81,510,100	97,738,900	99,660,700 ^{11/}
SUBTOTAL - Other Appropriated Funds	81,510,100	97,738,900	99,660,700
SUBTOTAL - Appropriated Funds	214,628,200	200,178,300	201,265,500
Other Non-Appropriated Funds	174,829,200	196,286,600	200,000,900
Federal Funds	76,247,900	76,715,900	77,483,000
TOTAL - ALL SOURCES	465,705,300	473,180,800	478,749,400

1/ The amounts include 68.2 FTE Positions and their associated funding above the original FY 2012 amounts.

2/ Includes 29.4 GF FTE Positions funded from Special Line Items in FY 2013.

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/ 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.)

6/ The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

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

8/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday. This specific adjustment will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

9/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

10/ It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is \$95,127,200. This appropriation includes a deferral of \$30,494,800 from FY 2013 to FY 2014. This deferral shall be paid as required by Section 131 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$95,704,800 plus the \$5,900,000 in Laws 2003, Chapter 267, lease-purchase appropriations equals the FY 2013 total of \$101,604,800. The \$30,494,800 deferral amount was appropriated by Laws 2011, Chapter 24.

11/ Any unencumbered balances remaining in the collections account on June 30, 2012 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay, and fixed charges. Earnings on state lands and interest on the investment of the permanent land funds are appropriated in compliance with the enabling act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established 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 136 degree programs and 63 certificate programs to 25,364 students in 9 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 35 instructional sites, including a Yuma Branch Campus that operates in conjunction with Arizona Western College and NAU Yavapai, a partnership with Yavapai Community College.

Operating Budget

The budget includes \$190,381,000 and 2,027.8 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$90,720,300
University Collections Fund	99,660,700

These amounts fund the following adjustments:

Enrollment Growth

The budget includes an increase of \$1,921,800 from the University Collections Fund in FY 2013 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 \$2,104,600. Formula enrollment is projected to grow by 262 Full-Time Equivalent (FTE) students, to 16,574 FTE students in FY 2013. 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 264 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.

Performance Funding Reallocation

The budget includes a decrease of \$(834,600) from the General Fund in FY 2013 for performance funding. This amount was reallocated to ABOR to contribute to the funding of a performance-based funding model. *(Please see the Other Issues section for more information.)*

Statewide Adjustments

The budget includes no net change in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

NAU - Yuma

The budget includes \$2,984,500 and 29.4 FTE Positions from the General Fund in FY 2013 for NAU-Yuma. This amount is unchanged from FY 2012.

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 2013 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2012.

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 2013 for the Teacher Training Special Line Item. This amount is unchanged from FY 2012.

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.

Other Issues

Course Redesign Technology and Capital/Parity

In order to align Arizona State University’s (ASU) and NAU’s General Fund per student funding to that of the higher University of Arizona amount, ABOR is appropriated \$15,273,700 from the General Fund in FY 2013. Of this amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU, which will be allocated by October 1, 2012 once ABOR reviews an expenditure plan.

These monies are to be used by ASU and NAU for innovative course redesign technologies and capital improvements that will maintain or improve learning outcomes and decrease per-student costs for large enrollment or high-failure rate classes.

ABOR is to notify the JLBC Staff on the amounts allocated to each ASU campus. These monies shall be budgeted to the individual campuses beginning in FY 2014 with the goal that per student funding parity is achieved among the universities at the beginning of FY 2017. *(Please see ABOR for more information.)*

Payment Deferral

The budget includes \$30,494,800 from the General Fund for FY 2012 payments that were deferred until FY 2013 and includes a FY 2013 General Fund payment deferral of \$(30,494,800) until FY 2014. 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 2013 General Fund budget is \$101,604,800. Of this amount:

- \$64,632,400 was included in NAU's section of the FY 2013 General Appropriation Act.
- \$30,494,800 was appropriated in the FY 2012 General Appropriation Act (Laws 2011, Chapter 24) to reflect the deferral of FY 2012 monies to FY 2013.
- \$5,900,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$577,600 was included to reflect FY 2013 statewide adjustments in the FY 2013 General Appropriation Act.

University of Arizona - Main Campus

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,805.5	5,805.5	5,365.0 ^{1/}
Personal Services	274,574,300	226,586,600	226,586,600
Employee Related Expenditures	84,576,900	87,750,800	87,750,800
Professional and Outside Services	16,054,100	15,120,900	15,120,900
Travel - In State	118,700	99,400	99,400
Travel - Out of State	607,500	96,800	96,800
Other Operating Expenditures	65,271,200	55,930,200	63,123,800
Equipment	8,732,500	1,475,600	1,475,600
OPERATING SUBTOTAL	449,935,200	387,060,300	394,253,900
SPECIAL LINE ITEMS			
Agriculture	40,300,200	37,045,600	37,045,600
Arizona Cooperative Extension	13,082,300	12,494,400	12,494,400
Research Infrastructure Lease-Purchase Payment	14,253,000	14,253,000	14,253,000 ^{2/}
Sierra Vista Campus	7,290,000	6,150,600	6,150,600
AGENCY TOTAL	524,860,700	457,003,900^{3/}	464,197,500^{4/5/6/}
FUND SOURCES			
General Fund	273,580,400	209,500,900	207,793,500 ^{7/8/}
Other Appropriated Funds			
University Collections Fund	251,280,300	247,503,000	256,404,000 ^{9/}
SUBTOTAL - Other Appropriated Funds	251,280,300	247,503,000	256,404,000
SUBTOTAL - Appropriated Funds	524,860,700	457,003,900	464,197,500
Other Non-Appropriated Funds	707,689,200	831,416,100	841,971,600
Federal Funds	257,335,400	260,585,200	264,659,200
TOTAL - ALL SOURCES	1,489,885,300	1,549,005,200	1,570,828,300

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 370 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.

^{1/} Includes 942.9 GF FTE Positions funded from Special Line Items in FY 2013.

^{2/} Includes \$14,253,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

^{3/} 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.*)

^{4/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)

^{5/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday. This specific adjustment will be allocated to individual agencies at a later time. (*Please see the General Provisions section.*)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{8/} It is the intent of the Legislature that the General Fund base funding for University of Arizona - Main Campus is \$193,540,500. This appropriation includes a deferral of \$62,153,100 from FY 2013 to FY 2014. This deferral shall be paid as required by Section 131 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The General Fund base funding of \$193,540,500 plus the \$14,253,000 in Laws 2003, Chapter 267, lease-purchase appropriations equals the FY 2013 total of \$207,793,500. The \$62,153,100 deferral amount was appropriated by Laws 2011, Chapter 24.

^{9/} 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 \$394,253,900 and 4,422.1 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$150,708,700
University Collections Fund	243,545,200

These amounts fund the following adjustments:

Enrollment Growth

The budget includes an increase of \$8,901,000 from the University Collections Fund in FY 2013 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 \$7,209,900. Formula enrollment is projected to grow by 887 full-time equivalent (FTE) students, to 23,064 FTE students in FY 2013. 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 175 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.

Performance Funding Reallocation

The budget includes a decrease of \$(1,707,400) from the General Fund in FY 2013 for performance funding. This amount was reallocated to ABOR to contribute to the funding of a performance-based funding model. *(Please see ABOR for more information.)*

Statewide Adjustments

The budget includes no net change in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Agriculture

The budget includes \$37,045,600 and 665.1 FTE Positions in FY 2013 for the Agriculture Programs. These amounts consist of:

General Fund	29,118,700
University Collections Fund	7,926,900

These amounts are unchanged from FY 2012.

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 \$12,494,400 and 205.1 FTE Positions in FY 2013 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	10,794,400
University Collections Fund	1,700,000

These amounts are unchanged from FY 2012.

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 2013 for the Research Infrastructure Lease-Purchase Payment Special Line Item. This amount is unchanged from FY 2012.

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 \$6,150,600 and 72.7 FTE Positions in FY 2013 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,918,700
University Collections Fund	3,231,900

These amounts are unchanged from FY 2012.

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.

Other Issues

Course Redesign Technology and Capital/Parity

In order to align Arizona State University's (ASU) and Northern Arizona University's (NAU) General Fund per student funding to that of the higher UA amount, ABOR is appropriated \$15,273,700 from the General Fund in FY 2013. Of this amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU, which will be allocated by October 1, 2012 once ABOR reviews an expenditure plan. *(Please see ABOR for more information.)*

Payment Deferral

The budget includes \$62,153,100 from the General Fund for FY 2012 payments that were deferred until FY 2013 and includes a FY 2013 General Fund payment deferral of \$(62,153,100) until FY 2014. 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 2013 General Fund budget is \$207,793,500. Of this amount:

- \$130,253,500 was included in UA-Main's individual section of the FY 2013 General Appropriation Act.
- \$62,153,100 was appropriated in the FY 2012 General Appropriation Act (Laws 2011, Chapter 24) to reflect the deferral of FY 2012 monies to FY 2013.
- \$14,253,000 was appropriated in Laws 2003, Chapter 267 for a lease-purchase payment.
- \$1,133,900 was included to reflect FY 2013 statewide adjustments in the FY 2013 General Appropriation Act.

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for UA-Main includes a reduction of (440.5) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above.

University of Arizona - Health Sciences Center

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	979.1	979.1	979.1 ^{1/}
Personal Services	49,036,300	53,186,600	53,186,600
Employee Related Expenditures	13,749,400	12,959,500	12,959,500
Professional and Outside Services	2,273,700	1,030,500	1,030,500
Travel - In State	46,900	43,200	43,200
Travel - Out of State	142,700	7,700	7,700
Other Operating Expenditures	6,842,100	3,676,800	4,309,000
Equipment	1,263,300	186,800	186,800
OPERATING SUBTOTAL	73,354,400	71,091,100	71,723,300
SPECIAL LINE ITEMS			
Clinical Rural Rotation	418,000	357,600	357,600
Clinical Teaching Support	8,622,200	8,122,100	8,122,100
Liver Research Institute	467,900	458,500	458,500
Phoenix Medical Campus	21,163,200	14,859,600	20,859,600
Telemedicine Network	1,899,900	1,850,400	1,850,400
AGENCY TOTAL	105,925,600	96,739,300^{2/}	103,371,500^{3/4/5/}
FUND SOURCES			
General Fund	81,079,100	55,585,300	61,585,300 ^{6/7/}
<u>Other Appropriated Funds</u>			
University Collections Fund	24,846,500	41,154,000	41,786,200 ^{8/}
SUBTOTAL - Other Appropriated Funds	24,846,500	41,154,000	41,786,200
SUBTOTAL - Appropriated Funds	105,925,600	96,739,300	103,371,500
Other Non-Appropriated Funds	146,541,800	159,252,600	161,759,500
Federal Funds	102,430,800	103,983,200	105,561,500
TOTAL - ALL SOURCES	354,898,200	359,975,100	370,692,500

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 3,300 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, which has increased its enrollment to 234 medical and Master of Public Health students.

- ^{1/} Includes 349.9 GF FTE Positions funded from Special Line Items in FY 2013, including 212 FTE Positions, all filled by students and associated with the Clinical Teaching Support Special Line Item.
- ^{2/} 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.*)
- ^{3/} The appropriated monies shall not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday. This specific adjustment will be allocated to individual agencies at a later time. (*Please see the General Provisions section.*)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{6/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- ^{7/} It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$61,585,300. This appropriation includes a deferral of \$16,776,700 from FY 2013 to FY 2014. This deferral shall be paid as required by Section 131 of this act. (General Appropriation Act footnote, as adjusted for statewide allocations) The \$16,776,700 deferral amount was appropriated by Laws 2011, Chapter 24.
- ^{8/} Any unencumbered balances remaining in the collections account on June 30, 2012 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 \$71,723,300 and 629.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$34,851,400
University Collections Fund	36,871,900

These amounts fund the following adjustments:

Enrollment Growth

The budget includes an increase of \$632,200 from the University Collections Fund in FY 2013 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 \$511,200. Formula enrollment is projected to grow by 63 full-time equivalent (FTE) students, to 1,636 FTE students in FY 2013. 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 8 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.

Statewide Adjustments

The budget includes no net change in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Clinical Rural Rotation

The budget includes \$357,600 and 6.1 FTE Positions from the General Fund in FY 2013 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2012.

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 \$8,122,100 and 212 FTE Positions from the General Fund in FY 2013 for Clinical Teaching Support. These amounts are unchanged from FY 2012.

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 \$458,500 and 6.5 FTE Positions from the General Fund in FY 2013 for the Liver Research Institute. These amounts are unchanged from FY 2012.

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 \$20,859,600 and 110.4 FTE Positions in FY 2013 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	15,945,300
University Collections Fund	4,914,300

These amounts fund the following adjustments:

Phoenix Medical Campus Funding Increase

The budget includes an increase of \$6,000,000 from the General Fund in FY 2013 for increased funding at the Phoenix Biomedical Campus due to student and program growth.

The Phoenix Biomedical Campus has 195 medical students. By FY 2025, UA envisions developing a campus of approximately 1,200,000 square feet incorporating research, instruction, and clinical facilities to serve a planned population of 480 medical students, 250 graduate students, and 1,660 science students.

Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd 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. 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 \$1,850,400 and 14.9 FTE Positions from the General Fund in FY 2013 for the Telemedicine Network. These amounts are unchanged from FY 2012.

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

Other Issues

Course Redesign Technology and Capital/Parity

In order to align Arizona State University's (ASU) and Northern Arizona University's (NAU) General Fund per student funding to that of the higher UA amount, ABOR is appropriated \$15,273,700 from the General Fund in FY 2013. Of this amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU, which will be allocated by October 1, 2012 once ABOR reviews an expenditure plan. *(Please see ABOR for more information.)*

Payment Deferral

The budget includes \$16,776,700 from the General Fund for FY 2012 payments that were deferred until FY 2013 and includes a FY 2013 General Fund payment deferral of \$(16,776,700) until FY 2014. 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 2013 General Fund Baseline is \$61,585,300. Of this amount:

- \$44,557,600 was included in UA-HSC's individual section of the FY 2013 General Appropriation Act.
- \$16,776,700 was appropriated in the FY 2012 General Appropriation Act (Laws 2011, Chapter 24) to reflect the deferral of FY 2012 monies to FY 2013.
- \$251,000 was included to reflect FY 2013 statewide adjustments in the FY 2013 General Appropriation Act.

Department of Veterans' Services

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	356.3	500.3	500.3 ^{1/}
Personal Services	1,411,100	1,662,600	1,662,600
Employee Related Expenditures	725,400	706,900	713,200
Professional and Outside Services	68,500	42,900	42,900
Travel - In State	24,400	25,900	25,900
Travel - Out of State	12,800	12,100	12,100
Other Operating Expenditures	442,900	438,500	418,300
Equipment	66,500	98,200	98,200
OPERATING SUBTOTAL	2,751,600	2,987,100	2,973,200
SPECIAL LINE ITEMS			
Arizona State Veterans' Homes	15,298,900	21,596,400	27,614,700
Southern Arizona Cemetery	280,000	275,400	275,600
Veterans' Benefit Counseling	2,886,000	2,841,400	2,848,100
AGENCY TOTAL	21,216,500	27,700,300 ^{2/}	33,711,600 ^{3/4/}
FUND SOURCES			
General Fund	5,309,900	7,075,200	5,212,800
<u>Other Appropriated Funds</u>			
Home for Veterans' Trust Fund	15,298,900	19,742,800	27,614,700
Veterans' Conservatorship Fund	607,700	882,300	884,100
SUBTOTAL - Other Appropriated Funds	15,906,600	20,625,100	28,498,800
SUBTOTAL - Appropriated Funds	21,216,500	27,700,300	33,711,600
Other Non-Appropriated Funds	1,090,300	3,532,700	2,189,900
Federal Funds	555,100	549,000	509,300
TOTAL - ALL SOURCES	22,861,900	31,782,000	36,410,800

AGENCY DESCRIPTION — The agency supervises and operates 2 skilled nursing homes for Arizona veterans in Phoenix and Tucson, assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families, and operates the Southern Arizona Veterans' Memorial Cemetery.

Operating Budget

The budget includes \$2,973,200 and 54.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$2,089,100
Veterans' Conservatorship Fund	884,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(13,900) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(15,700)
Veterans' Conservatorship Fund	1,800

(Please see the Agency Detail and Allocations section.)

Arizona State Veterans' Homes

The budget includes \$27,614,700 and 391 FTE Positions from the Home for Veterans' Trust Fund in FY 2013 for

^{1/} Includes 55 GF and 391 OF FTE Positions funded from Special Line Items in FY 2013.

^{2/} 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.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

the Arizona State Veterans' Homes. These amounts fund the following adjustments:

Eliminate One-Time Start Up Monies

The budget includes a decrease of \$(1,853,600) from the General Fund in FY 2013 for one-time start up costs.

Operating Costs at the Tucson Home

The budget includes an increase of \$7,831,900 from the Home for Veterans' Trust Fund in FY 2013 for operating costs at the Tucson Home. The Tucson Home opened in January 2012. The department estimates the Home will have 36 patients at the end of FY 2012, increasing to 114 by the end of FY 2013.

Statewide Adjustments

The budget includes an increase of \$40,000 from the Home for Veterans' Trust Fund in FY 2013 for statewide adjustments.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes in Phoenix and Tucson.

Southern Arizona Cemetery

The budget includes \$275,600 and 2 FTE Positions from the General Fund in FY 2013 for the Southern Arizona Cemetery. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$200 from the General Fund in FY 2013 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 \$2,848,100 and 53 FTE Positions from the General Fund in FY 2013 for Veterans' Benefit Counselors. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,700 from the General Fund in FY 2013 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.

Additional Legislation

Department of Veterans' Services Sunset

Laws 2012, Chapter 13 extends the sunset date of the Department of Veterans' Services from July 1, 2012 to July 1, 2022.

Other Issues

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriation Act. Section 134 of the General Appropriation Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Veterans' Services share of this Non-General Fund charge will be \$52,700. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

Arizona State Veterinary Medical Examining Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.5	5.5	5.5
Personal Services	238,600	253,900	253,900
Employee Related Expenditures	86,000	87,500	88,500
Professional and Outside Services	35,700	41,900	41,900
Travel - In State	4,300	6,800	6,800
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	70,000	61,500	60,000
Equipment	14,000	4,000	4,000
AGENCY TOTAL	448,600	457,100^{1/}	456,600^{2/3/}
FUND SOURCES			
<i>Other Appropriated Funds</i>			
Veterinary Medical Examining Board Fund	448,600	457,100	456,600
SUBTOTAL - Other Appropriated Funds	448,600	457,100	456,600
SUBTOTAL - Appropriated Funds	448,600	457,100	456,600
TOTAL - ALL SOURCES	448,600	457,100	456,600

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

Operating Budget

The budget includes \$456,600 and 5.5 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2013 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(500) from the Veterinary Medical Examining Board Fund in FY 2013 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

^{1/} 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.)*

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*

Department of Water Resources

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	207.2	207.2	90.0 ^{1/}
Personal Services	969,500	4,474,600	4,474,600
Employee Related Expenditures	363,700	1,265,200	1,282,800
Professional and Outside Services	36,000	64,400	64,400
Travel - In State	20,200	87,000	87,000
Travel - Out of State	11,400	24,900	24,900
Other Operating Expenditures	794,900	1,458,100	1,451,400
Equipment	2,800	102,000	102,000
OPERATING SUBTOTAL	2,198,500	7,476,200	7,487,100
SPECIAL LINE ITEMS			
Adjudication Support	1,251,800	1,219,000	1,222,000 ^{2/}
Assured and Adequate Water Supply Administration	1,821,800	1,779,500	1,783,800 ^{3/}
Automated Groundwater Monitoring	416,000	402,300	402,900
Conservation and Drought Program	404,700	397,700	398,700
Rural Water Studies	886,900	1,143,900	1,146,000 ^{4/}
AGENCY TOTAL	6,979,700	12,418,600^{5/}	12,440,500^{6/7/}
FUND SOURCES			
General Fund	6,719,100	5,726,200	12,033,300
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	260,600	266,200	266,800
Water Resources Fund	0	6,426,200	140,400
SUBTOTAL - Other Appropriated Funds	260,600	6,692,400	407,200
SUBTOTAL - Appropriated Funds	6,979,700	12,418,600	12,440,500
Other Non-Appropriated Funds	9,833,900	8,134,400	8,134,400
Federal Funds	386,800	198,300	198,300
TOTAL - ALL SOURCES	17,200,400	20,751,300	20,773,200

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

^{1/} Includes 52 GF FTE Positions funded from Special Line Items in FY 2013.

^{2/} 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)

^{3/} 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)

^{4/} 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)

^{5/} 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.)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Operating Budget

The budget includes \$7,487,100 and 38 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$7,346,700
Water Resources Fund	140,400

These amounts fund the following adjustments:

Funding Shift

The budget includes a decrease of \$(6,300,000) from the Water Resources Fund and an offsetting increase from the General Fund to reflect the elimination of the municipality fees in the FY 2013 Environment Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 303). *(Please see the Additional Legislation section.)*

Statewide Adjustments

The budget includes an increase of \$10,900 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(3,300)
Water Resources Fund	14,200

(Please see the Agency Detail and Allocations section.)

Adjudication Support

The budget includes \$1,222,000 and 14.5 FTE Positions from the General Fund in FY 2013 for Adjudication Support. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$3,000 from the General Fund in FY 2013 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.

Assured and Adequate Water Supply Administration

The budget includes \$1,783,800 and 19.8 FTE Positions in FY 2013 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,517,000
AAWS Administration Fund	266,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,300 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	3,700
AAWS Administration Fund	600

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 \$402,900 and 2 FTE Positions from the General Fund in FY 2013 for Automated Groundwater Monitoring. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$600 from the General Fund in FY 2013 for statewide adjustments.

Monies in this Special Line Item (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 \$398,700 and 4.7 FTE Positions from the General Fund in FY 2013 for the Conservation and Drought Program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,000 from the General Fund in FY 2013 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 \$1,146,000 and 11 FTE Positions from the General Fund in FY 2013 for Rural Water Studies. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$2,100 from the General Fund in FY 2013 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. The department is currently involved in 9 studies.

Additional Legislation

Water Protection Fund Administrative Costs

The Environment Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 303) permits the Arizona Water Protection Fund Commission to grant up to \$336,000 of the unobligated balance in the Arizona Water Protection Fund to the Department of Water Resources to pay for cost of administering the Water Protection Fund in FY 2013.

Fee Revenue

The Environment BRB (Laws 2012, Chapter 303) repeals the municipality special fee authority and continues to allow the director to increase fees for services in FY 2013. The bill specifies that the fee revenue be deposited in the Water Resources Fund with the intent that it shall not exceed \$100,200. After applying statewide adjustments, the Water Resources Fund appropriation is \$140,400.

White Mountain Apache Settlement

The General Appropriation Act (Laws 2012, Chapter 294, Section 119) appropriates \$2,000,000 to the Arizona Department of Administration for the state's obligation in the White Mountain Apache Water Rights Settlement. *(Please see the Department of Administration section.)*

Other Issues

Reduce Vacant FTE Positions

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. The budget for the Department of Water Resources includes a

reduction of (117.2) GF FTE Positions in FY 2013 for this policy, incorporated into the figures above. The entire FTE reduction has been applied to the General Fund portion of the operating budget.

Department of Weights and Measures

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
PROGRAM BUDGET			
General Services	1,508,000	1,487,900	1,791,700
Oxygenated Fuel	719,300	782,000	783,000
Vapor Recovery	577,100	635,300	636,100
AGENCY TOTAL	2,804,400	2,905,200	3,210,800
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	36.5	36.4	36.4
Personal Services	1,185,700	1,231,800	1,231,800
Employee Related Expenditures	562,900	522,400	523,000
Professional and Outside Services	290,100	433,400	433,400
Travel - In State	150,600	213,600	213,600
Travel - Out of State	13,700	12,000	12,000
Other Operating Expenditures	396,700	413,700	443,700
Equipment	204,700	78,300	353,300
AGENCY TOTAL	2,804,400	2,905,200^{1/}	3,210,800^{2/3/}
FUND SOURCES			
General Fund	1,194,100	1,169,300	1,472,500
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,296,400	1,417,300	1,419,100
Motor Vehicle Liability Insurance Enforcement Fund	313,900	318,600	319,200
SUBTOTAL - Other Appropriated Funds	1,610,300	1,735,900	1,738,300
SUBTOTAL - Appropriated Funds	2,804,400	2,905,200	3,210,800
TOTAL - ALL SOURCES	2,804,400	2,905,200	3,210,800

AGENCY DESCRIPTION — The department regulates the determination and representation of weight and measurement in the marketplace and also maintains 2 environmentally related gasoline inspection programs. All programs investigate consumer complaints.

Operating Budget

The budget includes \$3,210,800 and 36.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$1,472,500
Air Quality Fund	1,419,100
Motor Vehicle Liability Insurance Enforcement Fund	319,200

These amounts fund the following adjustments:

One Time Vehicle Replacement

The budget includes a one-time increase of \$275,000 from the General Fund in FY 2013 to purchase a replacement vehicle, for testing all truck, contractor, freight, and other commercial scales.

Ongoing Vehicle Replacement Funding

The budget includes an increase of \$30,000 from the General Fund in FY 2013 to add replacement funding for 6 trucks, which are utilized for gas station inspections.

Statewide Adjustments

The budget includes an increase of \$600 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(1,800)
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^{1/} 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.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum by Program.

^{3/} In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)

Air Quality Fund	1,800
Motor Vehicle Liability Insurance Enforcement Fund	600

(Please see the Agency Detail and Allocations section.)

<i>Other Issues</i>

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Weights and Measures' share of this Non-General Fund charge will be \$4,200. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.

CAPITAL OUTLAY

Capital Outlay
Summary

	FY 2013 APPROVED
BUILDING RENEWAL	
ADOA Building System	15,611,600
ADOT Building System	1,050,000
ABOR Building System	0
SUBTOTAL	16,661,600
INDIVIDUAL PROJECTS	
ADOA Building System	21,186,300
ADOT Building System	246,731,900
ABOR Building System	0
SUBTOTAL	267,918,200
LEASE-PURCHASE PAYMENTS	
Leaseback Obligations	89,714,800 ^{1/}
TOTALS	
ADOA Building System	126,512,700
ADOT Building System	247,781,900
ABOR Building System	0
TOTAL - ALL PROJECTS	374,294,600
FUND SOURCES	
General Fund	109,714,800
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	10,372,600
Department of Corrections Building Renewal Fund	4,630,500
Game and Fish Fund	553,300
Game and Fish Capital Improvement Fund	1,000,000
State Aviation Fund	21,974,900
State Highway Fund	225,807,000
State Lottery Fund	241,500
SUBTOTAL - Other Appropriated Funds	264,579,800
SUBTOTAL - Appropriated Funds	374,294,600
Other Non-Appropriated Funds	381,005,000
Federal Funds	628,680,000
TOTAL - ALL SOURCES	1,383,979,600

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:

3 main categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

Capital Outlay

The budget includes a total of \$374,294,600 from Appropriated Funds in FY 2013. Of the total, \$109,714,800 is from the General Fund and \$264,579,800 is from Other Appropriated Funds. The budget consists of

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

^{1/} This amount was appropriated by the General Appropriation Act (Laws 2012, Chapter 294, Section 125). All other appropriations appear in the FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295).

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.

Committee consists of 6 non-voting members and 10 voting members, including 6 gubernatorial appointments and 4 county sheriffs.

The budget includes total funding of \$16,661,600 in FY 2013 for Building Renewal, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$10,372,600
Capital Outlay Stabilization Fund	
@ 39% (non -ADC buildings)	
Department of Corrections Building	4,630,500
Renewal Fund @ 33% (ADC-only	
buildings)	
Game and Fish Fund @ 100%	523,300
State Lottery Fund @ 100%	<u>85,200</u>
Subtotal - ADOA	\$15,611,600
Arizona Department of Transportation	
State Highway Fund @ 9.9%	\$ 1,000,000
State Aviation Fund @ 28.4%	<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 \$267,918,200 from Appropriated Funds in FY 2013 for individual capital projects. Of this amount, \$20,000,000 is from the General Fund and \$247,918,200 is from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

Lease-Purchase Payments

The budget includes \$89,714,800 from the General Fund in FY 2013 for lease-purchase agreement payments. *(See the Debt and Lease-Purchase Financing write-up for more information.)*

Joint Border Security Advisory Committee

Laws 2012, Chapter 247 appropriates the monies received in FY 2012 and FY 2013 by the Border Security Trust Fund, established in A.R.S. § 41-108, to the Joint Border Security Advisory Committee for the purpose of administering and managing the construction and maintenance of a fence along the Mexican border. The State Treasurer is statutorily mandated to be the administrator and trustee of the appropriated Border Security Trust Fund which receives revenues from private and public donations and has a balance of \$273,000 as of May 2012. The Committee is tasked with analyzing border crossing and crime statistics, making recommendations to the Governor designed to increase border security, and administering and managing the construction and maintenance of a border fence. The

Capital Outlay
Arizona Department of Administration Building System

FY 2013
 APPROVED

BUILDING RENEWAL	
Department of Administration ^{1/}	10,372,600
Game and Fish Department	523,300
Arizona Lottery Commission	85,200
Department of Corrections ^{2/}	4,630,500
SUBTOTAL ^{3/}	15,611,600
INDIVIDUAL PROJECTS ^{4/}	
Department of Administration	
Maximum Security Prison Beds	20,000,000
Game and Fish Department	
Property Maintenance	500,000
Dam Maintenance	500,000
Preventative Maintenance	30,000
Lottery Commission	
Fire Alarm Replacement	156,300
SUBTOTAL	21,186,300
TOTAL - ALL PROJECTS	36,797,900
FUND SOURCES	
General Fund	20,000,000
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	10,372,600
Department of Corrections Building Renewal Fund	4,630,500
Game and Fish Fund	553,300
Game and Fish Capital Improvement Fund	1,000,000
State Lottery Fund	241,500
SUBTOTAL - Other Appropriated Funds	16,797,900
SUBTOTAL - Appropriated Funds	36,797,900
TOTAL - ALL SOURCES ^{5/6/7/8/}	36,797,900

AGENCY 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 the 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 2013 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Appropriated Funds.

^{1/} The Department of Administration shall allocate \$1,700,000 for the purchase of a generator at the Arizona State Hospital. The Department of Administration shall allocate the remaining monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration shall be reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund. (Capital Outlay Appropriation Act footnote)

^{2/} The State Department of Corrections shall report monthly to the Joint Legislative Budget Committee Staff on the status of the projects funded under this section. The department may not spend any of this appropriation on Personal Services or overhead expenses related to the management of the funded projects. (Capital Outlay Appropriation Act footnote)

^{3/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2013 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 2013 that are unexpended or unencumbered on June 30, 2014 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2012, Chapter 295 (FY 2013 Capital Outlay Bill).

Building Renewal

The budget includes \$15,611,600 from Other Appropriated Funds in FY 2013 for Building Renewal within the ADOA Building System. This amount consists of:

- \$10,372,600 from the Capital Outlay Stabilization Fund (COSF) to ADOA, of which \$1,700,000 shall be used to purchase a generator for the Arizona State Hospital. This funds 39% of the non- Department of Corrections (ADC) building renewal formula. In FY 2012, the non-ADC formula was funded at \$6,500,000 from COSF, or 26%. A portion of the \$3,872,600 COSF increase is in part due to funding decisions made during the prior legislative session. *(Please see the Additional Legislation section for more information.)*
- \$523,300 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula.
- \$85,200 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 to ADC for ADC building renewal and preventative maintenance projects. This funds 33% of the ADC-only building renewal formula. The same amount was funded in FY 2012, which represented 35% of the ADC-only formula.

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, 2014.

Individual Projects

Department of Administration

Maximum Security Prison Beds

The budget includes \$20,000,000 from the General Fund in FY 2013 and \$30,000,000 from the General Fund in FY 2014 to ADOA for the construction of 500 male, state-run, maximum security prison beds. The beds are scheduled to open in FY 2015. *(Please see the ADC agency write-up for more information.)*

Game and Fish Department

The budget includes \$1,030,000 from Other Appropriated Funds in FY 2013 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 2013 for the maintenance of commission owned or operated properties. This project was also funded at \$500,000 in FY 2012. Of the \$500,000 amount, \$250,500 will provide maintenance to supplement the base operational budgets for over 20 actively managed wildlife areas and administrative properties across the state. The remaining \$249,500 will be used to fund proposed projects on these properties that have to be annually reviewed by the department's Lands Council, which gives priority to health/life safety projects, facilities and habitat restoration, and preservation of assets, respectfully.

Dam Maintenance

The budget includes \$500,000 from the Game and Fish Capital Improvement Fund in FY 2013 for maintenance, repairs, and modifications in compliance with dam safety regulations. This project was also funded at \$500,000 in FY 2012. The department operates 38 dams. Maintenance will be performed on specific problems related to 7 dams while 31 dams will receive maintenance due to leakage, vegetation, or safety concerns.

- ^{4/} 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)
- ^{5/} Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- ^{6/} Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- ^{7/} 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)
- ^{8/} The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided that funding for the FTE Positions is cost allocated among the projects receiving benefit. The Department of Administration shall report any FTE Position reallocations to the Joint Committee on Capital Review by December 31, 2012. (Capital Outlay Appropriation Act footnote)

Preventative Maintenance

The budget includes \$30,000 from the Game and Fish Fund in FY 2013 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.

Lottery Commission

Fire Alarm Replacement

The budget includes \$156,300 from the State Lottery Fund in FY 2013 to replace the commission's original fire alarm system. The monies will also be used to complete the conversion of the fire suppression system in their computer room.

Additional Legislation

COSF Rental Rate Change & Payment Adjustments

The budget includes \$0 net General Fund changes in all lease-purchase and rental charges. In total funds, the net increase is \$701,200 (see page 272). The lease-purchase and rent changes include the following adjustments:

	<u>General Fund</u>	<u>Total Funds</u>
• Retired Lease-Purchase	\$(3,021,500)	\$(3,997,500)
• Convert Space to Rent	3,671,500	6,467,900
• Secretary of State & Other Adjustments	895,900	788,400
• Rent Rate Reduction	<u>(1,545,900)</u>	<u>(2,557,600)</u>
	\$ 0	\$ 701,200

Retired Lease-Purchase

The FY 1991 and FY 1992 lease-purchase agreements that were refinanced in FY 2001 and FY 2004 were paid off in FY 2012. The completion of the lease-purchase payments will result in FY 2013 savings of \$(3,997,500), including \$(3,021,500) from the General Fund. The properties associated with these lease-purchase agreements will become state-owned properties and COSF rent will begin to be paid to ADOA on the properties beginning in FY 2013.

Convert Space to Rent

Converting the FY 1991 and FY 1992 lease-purchase agreement payments into COSF payments will begin to bring in additional rental income of \$6,467,900 in FY 2013, including \$3,671,500 from the General Fund.

Secretary of State & Other Adjustments

The \$895,900 in General Fund adjustments and \$43,400 in Other Fund adjustments consist of 4 main changes.

1. During the prior legislative session, the decision was made to fund the Secretary of State's (SOS) Polly Rosenbaum and Records Management buildings

beginning in FY 2013. Rent for Polly Rosenbaum would have been \$1,836,500, and rent for the Records Management building would have been \$349,900. Based on the rental rates at that time, the combined rent for both buildings would have been \$2,186,400. (The actual rental charges will vary since statewide rental rates will decline in FY 2013, as discussed below.) Of the \$2,186,400, \$600,000 is appropriated in ADOA's operating budget for operating and utility costs associated with the Polly Rosenbaum building.

2. The FY 2013 Budget Procedures Bill (BRB) (Laws 2012, Chapter 296) includes a provision that exempts the Arizona State Schools for the Deaf and the Blind (ASDB) and the Arizona Historical Society's Papago Park Museum from paying COSF rent to ADOA since these facilities are not managed or maintained by ADOA. No longer charging rent for these facilities will result in General Fund savings of \$(1,212,200), of which \$(128,200) is from ASDB and \$(1,083,900) is from the Historical Society.
3. The SOS's Library for the Blind facility had its last lease-purchase payment in FY 2012, which means it would convert to COSF rental space beginning in FY 2013. However, since SOS and not ADOA will continue to manage and maintain this space, SOS will not pay ADOA rent for the library. Not charging SOS COSF rent for this location will result in General Fund savings of \$(252,000). This savings amount is allocated to ADOA for Building Renewal by the General Appropriation Act (Laws 2012, Chapter 294, Section 132). ADOA's FY 2013 Building Renewal appropriation of \$10,372,500 includes this \$252,000 allocation.
4. Adjustments were also made for changes in Privatized Lease-to-Own and lease-purchase payments.

Rent Rate Reduction

The prior adjustments result in a \$1,545,900 increase in the General Fund lease-purchase and rent payment. To offset that increase, the state rental rate was adjusted downward accordingly.

In order for all these adjustments to have a net General Fund impact of \$0, the office space rental rate is reduced from \$15.08/square foot to \$13.82/square foot and the storage space rental rate from \$5.47/square foot to \$5.01/square foot, which was included in the FY 2013 Budget Procedures BRB. This will result in FY 2013 COSF rental collections of \$27,975,400, which is an increase of \$4,230,800 over the FY 2012 amount.

COSF Uses

COSF rental income is used to pay for the following:

- ADOA Operating \$17,278,700
- SOS Rosenbaum/
Records Operating 600,000
- DHS Rent 1,146,500
- ADOA Building Renewal 10,372,600
\$29,397,800

With revenues of \$27,975,400 and total appropriations of \$29,397,800, ADOA may have to reduce its Building Renewal allocation as required by Section 1B of the Capital Outlay Bill.

Other COSF Related Legislation

Several agencies are moving from state-owned space into other state-owned space in the Executive Tower, Land Department, and Juvenile Corrections buildings. The rent plan starting on page 284 does not reflect those agencies. Statute requires agencies occupying state-owned buildings to pay the higher of the amount reported by the Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based upon actual occupancy. To hold agencies harmless from these adjustments, the FY 2013 Budget Procedures BRB notwithstanding statute and requires state agencies to pay the amount included in each agency's FY 2013 annual operating budget as reported by the JLBC Staff.

The FY 2013 Budget Procedures BRB includes a legislative intent statement that the rental rates will be converted from usable square feet to rentable square feet in FY 2014 if there is no General Fund impact. Also included in the BRB is legislation that conforms the JLBC building status to other legislative buildings.

The General Appropriation Act includes a legislative intent statement that the Auditor General not be charged rent for its state-owned space at the Sun State Building beginning in FY 2014 if this space still continues to be maintained by ADOA and still qualifies for ADOA Building Renewal monies. Since statute exempts legislative agencies from paying rent on state-owned space, this provision would clarify that the Auditor General should not be paying COSF rent for its state-owned space at the Sun State Building. The bill also includes a legislative intent statement that the Department of Health Services pays no more than \$908,900 for rent of their state-owned space in FY 2013.

Lease-Purchase and Rent Adjustments - Detail by Agency

	FY 2012 Lease-Purchase Retirement				Convert Lease-Purchase Payments to Rent				Other Lease-Purchase PLTO Adjustments 1/				Reduction in COSF Rent Rate				Total Adjustments			
	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total	GF	OF	NA	Total
Accountancy, AZ State Board of																				
Acupuncture Board of Examiners																				
Administration, AZ Dept. of	(2,031,200)	(3,400)	0	(2,034,600)	0	38,900	0	38,900	19,700	50,500	5,300	75,500	0	(300)	0	(300)	0	2,600	0	2,600
Administrative Hearings, Office of													(9,300)	(101,300)	(6,000)	(116,600)	(2,020,800)	(15,300)	(700)	(2,036,800)
Agriculture, AZ Dept. of													(5,400)	(1,200)	(10,000)	(16,600)	(5,400)	(1,200)	(10,000)	(16,600)
Appraisal, State Board of													(31,200)	(8,700)	(11,600)	(51,500)	(31,200)	(8,700)	(11,600)	(51,500)
AZ Health Care Cost Containment System													(600)	(2,200)	0	(2,200)	(600)	(2,200)	0	(2,200)
Arts, AZ Commission on the													(600)	0	(700)	(1,300)	(600)	0	(700)	(1,300)
Attorney General - Dept. of Law	(225,000)	(79,000)	0	(304,000)	1,115,700	392,000	0	1,507,700					0	0	(5,300)	(5,300)	0	0	(5,300)	(5,300)
Auditor General													(153,000)	(69,600)	(35,000)	(257,600)	737,700	243,400	(35,000)	946,100
Automobile Theft Authority													(26,800)	0	0	(26,800)	(26,800)	0	0	(26,800)
Barbers, Board of													0	(2,500)	0	(2,500)	0	(2,500)	0	(2,500)
Charter Schools, State Board for													0	(900)	0	(900)	0	(900)	0	(900)
Citizens Clean Election Commission	0	0	(300)	(300)	0	0	61,000	61,000					(4,400)	0	0	(4,400)	(4,400)	0	0	(4,400)
Contractors, Registrar of													0	0	(5,100)	(5,100)	0	0	55,600	55,600
Corporation Commission													0	(3,800)	0	(3,800)	0	(3,800)	0	(3,800)
Corrections, State Dept. of													(600)	(91,600)	(300)	(92,500)	(600)	(91,600)	(300)	(92,500)
Criminal Justice Commission, AZ													(129,900)	0	0	(129,900)	(129,900)	0	0	(129,900)
Deaf & the Blind, AZ State Schools for the													0	300	4,200	4,500	0	300	4,200	4,500
Deaf & Hard of Hearing, Commission for the													(128,200)	(132,600)	(181,300)	(442,100)	(128,200)	(132,600)	(181,300)	(442,100)
Economic Security, Dept. of	(80,800)	(56,100)	(29,800)	(166,700)	398,400	311,100	129,500	839,000	0	5,100	0	5,100	0	0	0	0	(128,200)	(132,600)	(181,300)	(442,100)
Education, Dept. of													(204,200)	(9,100)	0	(213,300)	(204,200)	(9,100)	0	(213,300)
Environmental Quality, Dept. of													(26,200)	(10,200)	(54,400)	(90,800)	(26,200)	(10,200)	(54,400)	(90,800)
Environmental Quality, Dept. of - WIFA													0	(9,800)	0	(9,800)	0	(9,800)	0	(9,800)
Equal Opportunity, Governor's Office of													0	0	0	0	0	0	0	0
Equalization, State Board of													(1,300)	0	0	(1,300)	(1,300)	0	0	(1,300)
Executive Clemency, Board of													2,100	0	0	2,100	2,100	0	0	2,100
Financial Institutions, Dept. of													(100)	0	0	(100)	2,000	0	0	2,000
Fire, Building, & Life Safety, Dept. of													(6,700)	0	0	(6,700)	(6,700)	0	0	(6,700)
Forester, State													(13,700)	(2,700)	0	(16,400)	(13,700)	(2,700)	0	(16,400)
Funeral Directors & Embalmers, State Board of													3,400	0	1,300	4,700	(2,100)	0	(1,200)	(3,300)
Gaming, Dept. of													2,600	0	0	2,600	2,600	0	0	2,600
Geological Survey, AZ													0	(1,100)	0	(1,100)	0	(1,100)	0	(1,100)
Governor, Office of the													0	(1,400)	0	(1,400)	0	(1,400)	0	(1,400)
Gov's Ofc of Strategic Planning & Budgeting													(13,200)	0	0	(13,200)	(13,200)	0	0	(13,200)
Health Services, Dept. of	0	(8,600)	0	(8,600)	0	37,700	0	37,700	(9,700)	500	0	(9,200)	(45,400)	0	(9,900)	(55,300)	(45,400)	0	(9,900)	(55,300)
Historical Society, AZ													(7,900)	0	0	(7,900)	(7,900)	0	0	(7,900)
Homeland Security, AZ Dept. of													(25,300)	(99,000)	0	(124,300)	(35,000)	(69,400)	0	(104,400)
Homeopathic & Integ. Med. Exam., St. Bd. of													(1,083,900)	0	0	(1,083,900)	(31,400)	0	0	(31,400)
Housing, Dept. of													0	0	(9,000)	(9,000)	0	0	(9,000)	(9,000)
Independent Redistricting Commission													0	(400)	0	(400)	0	(400)	0	(400)
Indian Affairs, AZ Commission of													0	700	11,100	11,800	0	700	11,100	11,800
Insurance, Dept. of													(2,300)	0	0	(2,300)	(2,300)	0	0	(2,300)
Judiciary - Court of Appeals													(700)	0	0	(700)	(700)	0	0	(700)
Judiciary - Supreme Court													0	0	1,300	1,300	(27,300)	0	(8,500)	(35,800)
Juvenile Corrections, Dept. of	(800)	0	0	(800)	216,600	0	0	216,600	(38,400)	0	0	(38,400)	(283,500)	0	0	(283,500)	(283,500)	0	0	(283,500)
Land Dept., State	0	(3,800)	0	(3,800)	0	941,400	0	941,400	(59,900)	0	0	(59,900)	(59,900)	0	0	(59,900)	155,900	0	0	155,900
Liquor License & Control, Dept. of													0	(78,600)	0	(78,600)	0	859,000	0	859,000
Medical Board, AZ													0	(2,200)	0	(2,200)	0	(2,200)	0	(2,200)
Mine Inspector, State													0	(20,200)	0	(20,200)	0	(20,200)	0	(20,200)
Naturopathic Physicians Medical Board													(5,800)	0	0	(5,800)	(2,600)	0	0	(2,600)
Navigable Streams Adjudication Comm., AZ													0	(2,100)	0	(2,100)	0	(2,100)	0	(2,100)
Nursing Care Inst. Adm. & Ast. Liv. Fac. Mgr.													(1,000)	0	0	(1,000)	(1,000)	0	0	(1,000)
Opticians, State Board of Dispensing													0	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)
Optometry, State Board of													0	(400)	0	(400)	0	(400)	0	(400)
Osteopathic Examiners, AZ Board of													0	(700)	0	(700)	0	(700)	0	(700)
Parks Board, AZ State	0	0	(607,000)	(607,000)	0	0	66,900	66,900	0	(2,900)	0	(2,900)	0	0	0	0	0	(2,900)	0	(2,900)
Personnel Board													0	0	(30,100)	(30,100)	0	0	(570,200)	(570,200)
Pest Management, Office of													0	(1,800)	0	(1,800)	0	(1,800)	0	(1,800)
Pharmacy, AZ State Board of													0	(13,700)	0	(13,700)	0	(13,700)	0	(13,700)
Podiatry Examiners, State Board of													0	(7,800)	0	(7,800)	0	(7,800)	0	(7,800)
Private Postsecondary Ed., State Board for													0	(300)	0	(300)	0	(300)	0	(300)
Psychologist Examiners, State Board of													0	(1,100)	(300)	(1,400)	0	(1,100)	(300)	(1,400)
Public Safety, Dept. of													0	(1,200)	0	(1,200)	0	(1,200)	0	(1,200)
Racing, AZ Dept. of													(7,000)	(1,800)	(1,900)	(10,700)	(7,000)	(1,800)	(1,900)	(10,700)
Real Estate Dept., State													3,700	0	0	3,700	3,700	0	0	3,700
Residential Utility Consumer Office													(21,700)	0	0	(21,700)	(21,700)	0	0	(21,700)
Respiratory Care Examiners, Board of													0	(2,800)	0	(2,800)	0	2,800	0	2,800
Revenue, Dept. of	(364,900)	(188,000)	0	(552,900)	1,587,700	817,900	0	2,405,600	0	(1,400)	0	(1,400)	0	(1,400)	0	(1,400)	1,075,800	554,300	0	1,630,100
Rio Nuevo													(147,000)	(75,600)	0	(222,600)	0	0	0	0
School Facilities Board													0	0	1,200	1,200	0	0	1,200	1,200
Secretary of State - Dept. of State	(318,800)	0	0	(318,800)	349,900	0	0	349,900	(6,200)	0	(2,500)	(8,700)	(6,200)	0	(2,500)	(8,700)	(6,200)	0	(2,500)	(8,700)
State Boards' Office													(199,700)	0	0	(199,700)	1,667,900	0	0	1,667,900
Tax Appeals, State Board of													0	(600)	0	(600)	0	(600)	0	(600)
Technical Registration, State Board of													800	0	0	800	800	0	0	800
Tourism, Office of													0	4,300	0	4,300	0	4,300	0	4,300
Transportation, Dept. of													0	0	4,500	4,500	0	0	4,500	4,500
Treasurer, State													0	(10,400)	0	(10,400)	0	(10,400)	0	(10,400)
Veterinary Medical Examiners Board, AZ State													0	(10,900)	0	(10,900)	0	(10,900)	0	(10,900)
Water Resources, Dept. of													0	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)
ADOA Building Renewal 2/													(6,700)	0	0	(6,700)	(6,700)	0	0	(6,700)
TOTAL	(\$3,021,500)	(\$338,900)	(\$637,100)	(\$3,997,500)	\$3,671,500	\$2,539,000	\$257,400	\$6,467,900 </												

Capital Outlay
Arizona Department of Transportation Building System

FY 2013
 APPROVED

BUILDING RENEWAL	
ADOT Building Renewal ^{1/}	1,050,000
SUBTOTAL	<u>1,050,000</u>
INDIVIDUAL PROJECTS ^{2/}	
Airport Planning and Development ^{3/}	21,924,900
Statewide Highway Construction ^{4/5/}	224,807,000
SUBTOTAL	<u>246,731,900</u>
TOTAL - ALL PROJECTS ^{6/7/}	<u>247,781,900</u>
<hr/>	
FUND SOURCES	
<u>Other Appropriated Funds</u>	
State Aviation Fund	21,974,900
State Highway Fund	225,807,000
SUBTOTAL - Other Appropriated Funds	<u>247,781,900</u>
SUBTOTAL - Appropriated Funds	<u>247,781,900</u>
Other Non-Appropriated Funds	381,005,000
Federal Funds	628,680,000
TOTAL - ALL SOURCES	<u>1,257,466,900</u>

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.

- ^{1/} Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2013 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 2013 that are unexpended or unencumbered on June 30, 2014 shall revert to the fund from which the monies were appropriated. (Capital Outlay Appropriation Act footnote)
- ^{2/} Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose and estimated cost of a new capital project that has an estimated cost of more than \$250,000. (Capital Outlay Appropriation Act footnote)
- ^{3/} The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- ^{4/} The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- ^{5/} The Department of Transportation shall annually report on or before September 1 to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources, including appropriated monies, federal monies, local agency monies, state highway monies, bond proceeds and regional area road monies. The report shall delineate expenditures by each individual fund source. (Capital Outlay Appropriation Act footnote)
- ^{6/} 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)
- ^{7/} 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)

Unless otherwise specified, funding for capital projects is appropriated by Laws 2012, Chapter 295 (FY 2013 Capital Outlay Bill).

Building Renewal

The budget includes \$1,050,000 in FY 2013 for Building Renewal within ADOT’s 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 9.9% funding of the revised highways building renewal formula and 28.4% funding of the aviation building renewal formula.

Airport Planning and Development

The budget includes \$21,924,900 from the State Aviation Fund in FY 2013 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 \$224,807,000 from SHF in FY 2013 for controlled access, debt service on bonds, and new construction. A footnote in the FY 2013 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 an estimated urban freeway controlled access funding level of \$84,554,000 from SHF in FY 2013. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

Debt Service

The budget includes \$121,803,000 from SHF in FY 2013 for the appropriated portion of the debt service on bonds. ADOT has approximately \$2,800,000,000 in outstanding bonds and other long-term debt. The amount represents the appropriated portion of FY 2013 debt service payments. (*See Table 3 for more information on debt service.*)

New Construction

The budget includes \$18,450,000 from SHF in FY 2013 for highway construction. Highway construction monies represent the amount that is available for the discretionary SHF to fund the State 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 after implementing statewide adjustments \$18,038,000 of net SHF monies will be available for statewide highway construction in FY 2013 rather than \$18,450,000. (*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.

Table 1	
FY 2013 Highway Construction & Debt Service	
	<u>Capital Outlay Bill</u>
Controlled Access	\$ 84,554,000
Debt Service	121,803,000
Highway Construction	<u>18,450,000</u>
Total	\$224,807,000

As noted in the HURF distribution table (*please see Table 6*), an additional amount of \$228,000,000 from unspent FY 2012 State Highway monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2013.

Summary of Non-Appropriated Capital Funds

Table 2 provides a summary of non-appropriated capital fund expenditures. For further background information regarding the funds, please see the ADOT Summary of Funds in the ADOT operating budget section of the *FY 2013 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)			
	FY 2011	FY 2012	FY 2013
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Aviation Federal Funds	\$ 5,695	\$ 4,680	\$ 4,680
Federal Grants	<u>624,000</u>	<u>624,000</u>	<u>624,000</u>
Subtotal – Federal Funds	\$629,695	\$ 628,680	\$ 628,680
Economic Strength Project Fund	\$ 1,005	\$ 1,005	\$ 1,005
Local Agency Deposits Fund	50,000	50,000	50,000
Maricopa Regional Area Road Fund	317,900	325,000	330,000
Subtotal – Other Non-Appropriated Funds	\$368,905	\$ 376,005	\$ 381,005
Total	\$998,600	\$1,004,685	\$1,009,685

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 17, 2011 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 \$1,343,736,000 for FY 2013, including \$989,517,000 for construction and maintenance projects scheduled to begin in FY 2013, and \$354,219,000 for debt service. These estimates may be further modified once a new 5-Year Highway Construction Program (FY 2013 - 2017) is adopted by the board on June 15, 2012. (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 2013, 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 2013.

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 2013 and Debt Service Payments (\$ in Thousands)

	<u>FY 2013</u> ^{1/}
Construction	\$ 183,780
Urban Controlled Access ^{2/}	502,674
Pavement Preservation Maintenance	219,695
Other ^{3/}	83,368
Debt Service ^{4/}	<u>354,219</u>
Total	\$1,343,736

^{1/} These amounts are subject to change pending the upcoming board meeting on June 15, 2012. Data from ADOT's 2012-2016 5-Year Transportation Facilities Construction Program.

^{2/} Includes expenditures from HURF for controlled access and from the Maricopa Regional Area Road Fund.

^{3/} Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.

^{4/} Information provided by the department. Includes \$121,803,000 for SHF statewide construction bonds; \$34,015,000 for HURF, MAG, and PAG controlled access bonds; \$135,879,000 for Maricopa Regional Area Road Fund Bonds; and \$62,522,000 for Grant Anticipation Notes as of November 1, 2011.

Table 4

Estimated Highway Construction - Cash Basis (\$ in Thousands)

	<u>FY 2013</u>
Balance Forward ^{1/}	\$ 469,127
Revenues	
Appropriated Statewide Highway Construction	\$ 18,450
Appropriated Controlled Access Highways (MAG & PAG)	84,554
Appropriated Debt Service	121,803
½ Cent Sales Tax	183,900
Federal Aid	828,665
Maricopa Regional Area Road Fund Bond Proceeds ^{2/}	90,000
Miscellaneous Income/Expenses ^{3/}	<u>8,673</u>
Subtotal - Revenues	<u>\$1,336,045</u>
Total Funds Available for Construction	\$1,805,172
Debt Service Expenditures	
Appropriated Debt Service	\$ 121,803
Other Debt Service (All Other) ^{4/}	<u>232,416</u>
Subtotal - Debt Service	\$ 354,219
Planned Construction Expenditures	
Statewide Highway Construction (including PAG)	\$ 634,798
Controlled Access Highways (MAG)	<u>754,809</u>
Subtotal - Construction Expenditures	<u>\$1,389,607</u>
Total Planned Expenditures	\$1,743,826
Balance Forward	\$ 61,346

^{1/} Includes unexpended bond proceeds for bonds issued in prior years.

^{2/} Proceeds reflect a cash expenditure basis.

^{3/} 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.

^{4/} 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 (VLT), 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 2011 through FY 2013. 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 2011 HURF collections of \$1,205,073,100 were 0.9% above FY 2010. The budget assumes a 0.9% increase in total HURF revenue collections in FY 2012 followed by a 1.2% increase in FY 2013. As of April 2012, however, HURF year-to-date collections are up 0.2% as compared to the prior year.

The increase in HURF collections in FY 2011 was due to growth in all major HURF revenue categories with the exception of VLT. Overall, registered vehicles in Arizona are depreciating because fewer people are buying newer cars; hence, VLT revenue decreased (2.4)% from FY 2010. Gas tax collections were virtually flat at an increase of 0.2% over the prior fiscal year and registration revenues increased 2.6%. Increased commercial trucking led to growth in the use fuel tax (diesel) and the motor carrier fee in FY 2011.

The FY 2013 General Appropriation Act transfers the funding source of the Motor Vehicle Division’s (MVD) operating budget of \$86,255,600 from HURF back to SHF in FY 2013. Subsequently, the 10 least populated counties will no longer receive \$4,090,000 to hold them harmless from the MVD funding shift.

Cities and counties receive 49.5% of HURF revenues. As a result of the MVD funding shift in FY 2013, counties will receive increased HURF revenues of \$16,388,600, and cities and towns will receive increased HURF revenues of \$26,307,900. This shift increases HURF revenues to SHF by \$43,559,100, but SHF will absorb the cost of the MVD operating budget, resulting in a net negative impact on SHF of \$(42,696,500).

The FY 2013 General Appropriation Act also discontinues a \$105,821,700 transfer of the SHF share of HURF VLT to the General Fund. Since controlled access highways’ 15.2% of SHF is calculated after the VLT transfer, the combined result of the MVD funding shift, the discontinued VLT transfer, and the discontinued transfer to the 10 least populated counties results in an increase of \$23,327,600 for controlled access highways. The remainder of controlled access highways’ increase from FY 2012 to FY 2013 is due to the projected increase of HURF revenue in FY 2013.

A new footnote in the Capital Outlay Bill requires ADOT to report annually to the Joint Committee on Capital Review on its actual prior year, estimated current year and upcoming budget year highway construction expenses from all pertinent funds.

Cities	30.5%
Counties	19.0%
Controlled Access ^{1/}	7.7%
State Highway Fund ^{1/}	<u>42.8%</u>
Total	100.0%

^{1/} A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (50.5% of 15.2% = 7.7%). 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)

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Total HURF Collections	\$1,205,073	\$1,216,300	\$1,230,900
Less: Economic Strength Fund ^{1/}	1,000	1,000	1,000
ADOT - MVD Registration Compliance Program ^{2/}	620	670	626
MVD Operating Budget ^{3/}	0	88,684	0
Dept. of Public Safety Transfer from HURF ^{4/}	<u>79,216</u>	<u>123,211</u>	<u>119,961</u>
Net HURF Collections	1,124,237	1,002,735	1,109,313
Less: Cities ^{5/}	342,892	305,834	338,340
Counties ^{5/}	213,605	190,520	210,769
VLT Transfer to General Fund ^{6/}	43,619	105,822	0
VLT Transfer to Parity Compensation Fund ^{7/}	2,399	2,399	2,481
VLT Transfer to General Fund (5-Year VLT) ^{8/}	944	500	500
VLT Transfer to General Fund (Abandoned Vehicle) ^{9/}	77	946	946
Distribution to 10 Least Populated Counties ^{10/}	0	4,090	0
Controlled Access ^{11/}	<u>79,147</u>	<u>59,679</u>	<u>84,554</u>
Net SHF (Discretionary)	441,554	332,945	471,723
Plus: Other Income ^{12/}	19,246	19,618	19,426
Less: Operating Budget ^{13/}	325,795	243,855	326,164
Dept of Public Safety Transfer from Highway Fund	41,256	0	6,780
Operating Carryovers, Adjustments and Transfers ^{14/}	5	5	5
Capital Outlay and Building Renewal	1,000	1,000	1,000
Motor Vehicle Third Party Payments ^{15/}	17,436	17,150	17,359
Debt Service ^{16/}	<u>94,763</u>	<u>122,119</u>	<u>121,803</u>
Net SHF Available for Statewide Highway Construction (5-Year Plan) ^{17/}	(19,455)	(31,566)	18,038
SHF Adjustments			
Plus: Controlled Access SHF Beginning Balance	180,100	185,400	190,000
STAN Account Beginning Balance	<u>55,370</u>	<u>38,341</u>	<u>38,000</u>
Total SHF Available for Statewide Highway Construction	\$ 216,015	\$ 192,175	\$ 246,038

- ^{1/} Provides monies for economic strength highway projects recommended by the Commerce Authority and approved by the State Transportation Board.
- ^{2/} The FY 2012 General Appropriation Act allocates \$669,500 from HURF for the Registration Compliance Program in FY 2012. This amount includes \$(300) in statewide adjustments and \$45,000 for an additional pay period. The FY 2013 General Appropriation Act amount of \$625,600 discontinues the additional pay period funding, but it includes \$800 for statewide adjustments.
- ^{3/} The FY 2012 General Appropriation Act shifted 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. The FY 2013 General Appropriations Act shifts the funding for MVD back to SHF.
- ^{4/} The FY 2012 General Appropriation Act adjusted 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. The FY 2013 General Appropriation Act amount of \$119,961,000 continues the FY 2012 statewide adjustments.
- ^{5/} A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.
- ^{6/} In FY 2011, the \$43,618,600 VLT transfer consists of: a \$28,000,000 continued 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. The FY 2013 General Appropriation Act discontinues these VLT transfers to the General Fund.
- ^{7/} Laws 2005, Chapter 306 transfers 1.51% of VLT for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.
- ^{8/} 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.
- ^{9/} Laws 2010, 7th Special Session, Chapter 12 and Laws 2011, Chapter 28 also transfers SHF share of the HURF VLT to the State General Fund that is equal to 90% of the fees collected under A.R.S. § 28-4801A and 60% of the fees collected under A.R.S. § 28-4802B to the state General Fund.
- ^{10/} 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. The FY 2013 General Appropriation Act discontinues this transfer.
- ^{11/} 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.
- ^{12/} 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 2011 only, this amount includes \$18,177,500 in miscellaneous revenue, \$448,000 in transfers from SETIF to SHF, and \$620,400 for the Registration Compliance Program. In FY 2012 only, this amount includes \$18,500,000 in miscellaneous revenue, \$448,000 in transfers from SETIF to SHF, and \$669,500 for the Registration Compliance Program. The FY 2013 General Appropriation Act discontinues the \$448,000 transfer from SETIF to SHF, but the FY 2013 estimate of \$19,425,600 includes \$18,800,000 in miscellaneous revenue and \$625,600 for the Registration Compliance program.
- ^{13/} In FY 2012, the 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 excludes MVD, which is funded from HURF. The FY 2013 General Appropriation Act amount of \$326,163,600 includes \$413,800 in statewide adjustments and includes MVD.
- ^{14/} Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.
- ^{15/} Statutory payments to third parties from VLT collected by third parties.
- ^{16/} Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.
- ^{17/} 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 2013
 APPROVED

BUILDING RENEWAL

Arizona Board of Regents	0
TOTAL	0

FUND SOURCES

General Fund	0
TOTAL - ALL SOURCES	0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

Debt Financed Projects

University Capital Projects

Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd 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 were issued in April, June, and August 2010, as well as in May 2011. To date \$163,430,000 of the favorably reviewed \$167,671,200 has been issued. In September 2011, the Committee favorably reviewed \$32,390,000 for ASU building renewal projects, of which \$30,915,000 was issued in November 2011.

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 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. As a result, ASU's \$43,235,000 portion of the \$172,940,000 will not be issued. The University of Arizona (UA) issued \$122,245,000 in June 2010. Northern Arizona University (NAU) planned to issue \$7,685,000 in late spring 2011 but decided in March 2011 to pay for its \$7,685,000 portion in cash.

All of the NAU and UA bonds and 73% of the ASU bonds that were issued prior to December 2010 were issued as Build America Bonds (BABs). BABs, which expired December 2010, were taxable bonds which entitled the issuing entity to a 35% interest subsidy from the federal government. This left the issuing entity paying the remaining 65% of interest costs, together with principal, associated with the lease-purchase agreement.

Between the Phoenix Biomedical Campus and building renewal projects, \$316,590,000 of the Chapter 287 authority has been issued. At this time, a total of \$483,410,000 in remaining authority is available for university lottery bonding projects, including \$253,755,000 for Phoenix Biomedical Campus expansion. See *Table 1* for the statutory distribution amounts, the actual issuances, and the remaining bonding authority by university.

Under Chapter 287, the annual debt service payments were designed to be paid from the University Capital Improvement Lease-to-Own and Bond (UCI) Fund and would be comprised of at least 80% Lottery revenues and up to 20% state university system revenues, as required by Chapter 287. The \$316,590,000 of issuances will result in a total debt service payment of \$12,990,800 in FY 2013.

After all Lottery revenue beneficiaries receive 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 \$4,766,200 in FY 2013, which would not cover the \$10,392,700 maximum 80% Lottery portion of the debt service. This results in the universities backfilling the Lottery shortfall of \$(5,626,500) and also covering their minimum 20% share of the payment, which is \$2,598,100, for a total university payment of \$8,224,600 in FY 2013.

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 2 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.

University Issuances				
Purpose	Statutory Distribution	Actual Issuance	Remaining Authority	University
Phoenix Biomedical Campus	\$376,000,000	\$122,245,000	\$253,755,000	UA
ASU's School of Construction	16,000,000	0	16,000,000	ASU
Building Renewal/ New Construction	136,000,000	64,735,000	71,265,000	ASU
	136,000,000	64,785,000	71,215,000	NAU
	<u>136,000,000</u>	<u>64,825,000</u>	<u>71,175,000</u>	UA
TOTAL	\$800,000,000	\$316,590,000	\$483,410,000	

University Lottery Bonding Projects ^{1/}							
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Projected Lottery Revenue to UCI Fund ^{2/}		\$ 2,864,200	\$ 4,766,200	\$11,919,300	\$19,672,700	\$27,520,400	\$35,785,700
Building Renewal Projects							
Lottery Debt Service	80%	\$ 6,205,600	\$ 6,366,400	\$ 6,366,300	\$ 6,366,300	\$14,434,400	\$14,435,800
University Debt Service	20%	<u>1,551,300</u>	<u>1,591,500</u>	<u>1,591,600</u>	<u>1,591,600</u>	<u>3,608,600</u>	<u>3,608,900</u>
Total Debt Service for \$194.3 M ^{3/}		\$ 7,756,900	\$ 7,957,900	\$ 7,957,900	\$ 7,957,900	\$18,043,000	\$18,044,700
Phoenix Biomedical Campus							
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>
Total Debt Service for \$122.2 M ^{4/}		\$ 5,032,900	\$ 5,032,900	\$ 5,032,900	\$ 5,032,900	\$ 7,387,900	\$ 7,386,900
Total Lottery Share at 80%		\$10,231,900	\$10,392,700	\$10,392,600	\$10,392,600	\$20,344,700	\$20,345,300
Projected Deficit/Unused Lottery Revenues ^{5/}		\$ (7,367,700)	\$(5,626,500)	\$ 1,526,700	\$ 9,280,100	\$ 7,175,700	\$15,440,400
Projected University Cost ^{6/}		\$ 9,925,600	\$ 8,224,600	\$ 2,598,200	\$ 2,598,200	\$ 5,086,200	\$ 5,086,300

^{1/} Represents JCCR reviewed projects. Does not reflect projects not yet reviewed by JCCR.
^{2/} Revenue estimates are based on a 5% annual increase in Lottery revenues.
^{3/} All of the building renewal bonds have been issued.
^{4/} 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 a result of the withdrawal of their partnership from the Phoenix Biomedical Campus.
^{5/} Represents the difference between projected Lottery revenues and an 80% Lottery contribution to debt service. A negative amount represents a shortfall in available Lottery revenues, while a positive amount reflects unused Lottery revenue for that year and does not represent a cumulative amount.
^{6/} Represents the 20% university share. In FY 2012 and FY 2013 this amount includes the backfill due to a Lottery revenue shortfall.

Capital Outlay

Debt and Lease-Purchase Financing

FY 2013
APPROVED

LEASE-PURCHASE PAYMENTS*

Arizona Department of Administration - 2010 Leaseback Financing	84,119,800
Phoenix Convention Center	5,595,000
TOTAL - ALL PROJECTS	89,714,800

* Represents only General Fund lease-purchase payments not included in individual agency budgets. All other debt and lease-purchase payments are reflected in individual agency budgets. (Please see Table 2.)

FUND SOURCES

General Fund	89,714,800
TOTAL - ALL SOURCES	89,714,800

DESCRIPTION — This section summarizes the state's debt and lease-purchase obligations.

Debt Financed Projects

2010 Leaseback Financing

The budget includes \$84,119,800 from the General Fund in FY 2013 for lease-purchase payments related to the \$1,035,419,300 state building sale/lease-back agreements. This FY 2013 amount reflects a payment for both principal and interest, as payments in prior years were interest only. The FY 2012 payment totaled \$49,050,700.

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 6) authorized the Arizona Department of Administration (ADOA) to enter into 1 or more sale/lease-back agreements in FY 2010 for existing state-owned facilities, including prison facilities. 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 series of issuances at an average tax-exempt interest rate of 4.57% in January 2010. These issuances range up to 20 years in period of time.

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 by making the lease-purchase payments outlined in the agreements. Unless the state exceeds its working capital reserve (see below), the certificates are not subject to early repayment until FY 2020.

The following properties were part of the agreement: the Arizona State Prison Complex (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 selected buildings at the Arizona State Schools for the Deaf and the Blind (ASDB) in Phoenix.

Additionally, Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to enter into an additional 20-year, \$300,000,000 sale/lease-back agreement for state buildings by September 30, 2010. ADOA sold the entire series of issuances at an average tax-exempt interest rate of 4.37% in June 2010.

The following properties were part of the agreement: ASPC Tucson Winchester unit, AHCCCS 701 & 801 E. Jefferson buildings, DPS Tucson headquarters and forensic lab, ASDB Tucson and Phoenix selected buildings, 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. In this circumstance, the federal government essentially requires the state to set aside any cash reserves above certain thresholds. At the current time, these set aside requirements would be triggered if the state's General Fund balance, along with any monies in the Budget Stabilization Fund, exceeds 5% of General Fund spending.

In FY 2012, the enacted budget has a projected balance of \$372 million, which would be below the threshold of \$426 million. In FY 2013, the budget assumed a balance of \$699 million, which would be \$270 million above the updated 5% threshold based on FY 2013 spending.

If this threshold is ultimately met between now and FY 2014, the state is required to purchase tax-exempt securities to the extent that the balance exceeds 5%. The Treasurer may be able to meet this requirement as part of its ongoing investment of the state's operating fund balance. If these payments can be addressed as part of the state's regular investments, these funds may not need to be appropriated for this specific purpose.

The state could divest itself of these securities if the balance subsequently fell below 5%. Under current projections, the state would not have a balance in FY 2014 with the expiration of the 1-cent sales tax.

Beyond FY 2014, the state is required to commence early payback of these issuances if its balance exceeds 5%. Once having commenced early payback, that process is irrevocable.

The FY 2011 Budget Procedures BRB (Laws 2010, 7th Special Session, Chapter 3) requires ADOA to annually submit to JLBC by December 31 of each year a Working Capital Surplus Report associated with meeting the requirements for tax-exempt deficit financing concerning agreements entered into after January 1, 2009. In December 2011, ADOA reported that no working capital surplus existed for FY 2011.

Phoenix Convention Center

The budget includes \$5,595,000 from the General Fund in FY 2013 related to the state participating in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. The City of Phoenix issued \$600,000,000 in Certificates of Participation (COPs) in FY 2005. The project was completed in January 2009.

Laws 2003, Chapter 266 initially enacted a debt service schedule related to this issuance, which was later modified by the FY 2012 Revenue BRB (Laws 2011, Chapter 28). The FY 2013 payment amount reflects this new payment schedule.

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.

Fund Type	FY 2013 Payment	Lease Completion
General Fund	\$ 3,017,100	FY 2028
Other Approp.	8,378,400	FY 2028
Non-Approp.	1,206,100	FY 2028
Total	\$12,601,600	NA

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 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, 3rd 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.)*

Several lease-purchase agreements entered into during FY 1991 and FY 1992 had their final scheduled payments in FY 2012. These properties include ENSCO, Revenue building, DES group homes, Capital Center, Records Management, Library for the Blind, ASDB projects, 1616 W. Adams, and Tonto Natural Bridge.

The budget includes \$(3,021,500) from the General Fund in lease-purchase savings from the retirement of these lease-purchase agreements.

In addition, all other lease-purchase payments and PLTO payments that are made from the General Fund are budgeted to increase by \$895,900 from the General Fund in FY 2013. *(Please see the Capital Outlay ADOA Building System narrative for more information.)*

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 2013 for these retired lease-purchase agreements.

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 to 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 a total of \$26,350,000 in QZABs through 2 issuances in FY 2001 and FY 2003. The debt service on QZABs is paid from Proposition 301 sales tax revenues and Permanent State School Fund revenues.

Laws 2010, 6th Special Session, Chapter 4 authorized ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. 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 2013 bond payment will be \$37,499,600, which includes principal and interest. This will result in the General Fund receiving \$37,499,600 less in Lottery revenues in FY 2013.

The federal requirements pertaining to setting aside any cash reserves above a certain threshold also apply to the Lottery Revenue Bonds. *(Please see the 2010 Leaseback Financing section in the earlier part of this narrative for more information on these requirements.)*

Table 2					
<u>Lease-Purchase and Bonding Summary</u>					
<u>Lease-Purchase Summary</u>	<u>Overall Balance</u> ^{1/}	<u>GF Balance</u> ^{1/}	<u>Overall FY 13 Pymt.</u> ^{2/}	<u>FY 13 GF Pymt.</u> ^{2/}	<u>Retirement FY</u>
<u>ADOA Building System</u>					
2002A Issuance					
Health Laboratory	\$ 18,245,000	\$ 0	\$ 2,317,000	\$ 0	FY23
2004B Issuance					
ADC Prison Expansions	\$ 16,380,000	\$ 16,380,000	\$ 3,179,300	\$ 3,179,300	FY19
2008A Issuance					
ADC 4000 Prison Beds, Water, and Wastewater	\$ 176,085,000	\$ 176,085,000	\$ 16,710,700	\$ 16,710,700	FY23, 28
DHS Forensic Hospital	<u>24,810,000</u>	<u>24,810,000</u>	<u>3,112,700</u>	<u>3,112,700</u>	FY23
<i>Subtotal</i>	\$ 200,895,000	\$ 200,895,000	\$ 19,823,400	\$ 19,823,400	
2010 A/B Issuance					
Sale/Leaseback	<u>\$ 960,995,000</u>	<u>\$ 960,995,000</u>	<u>\$ 84,119,800</u>	<u>\$ 84,119,800</u>	FY30
<i>Subtotal - ADOA</i>	\$1,196,515,000	\$1,178,270,000	\$ 109,439,500	\$107,122,500	
<u>School Facilities Board</u>					
New School Construction - FY 2003 - FY 2005	\$ 501,920,000	\$ 501,920,000	\$ 97,145,200	\$ 97,145,200	FY20
New School Construction - FY 2008 - FY 2009	488,575,000	488,575,000	58,647,400	58,647,400	FY24
Qualified School Construction Bonds	91,325,000	91,325,000	11,187,300 ^{3/}	11,187,300 ^{3/}	FY28
2011 Refinance	<u>58,785,000</u>	<u>58,785,000</u>	<u>2,449,800</u>	<u>2,449,800</u>	FY20
<i>Subtotal - SFB</i>	\$1,140,605,000	\$1,140,605,000	\$169,429,700	\$169,429,700	
<u>ABOR Building System</u>					
Arizona State University	\$ 335,748,000	\$ 172,935,000	\$ 31,046,000	\$ 14,429,000	FY14-FY31
Northern Arizona University	78,260,000	66,519,500	6,769,400	5,544,200	FY15-FY36
University of Arizona	<u>449,341,000</u>	<u>170,690,000</u>	<u>48,280,000</u>	<u>14,253,000</u>	FY14-FY31
<i>Subtotal - ABOR</i>	\$ 863,349,000	\$ 410,144,500	\$ 86,095,400	\$ 34,226,200	
Phoenix Convention Center ^{4/5/}	<u>\$ 300,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 5,595,000</u>	<u>\$ 5,595,000</u>	FY44
<i>TOTAL - Lease-Purchase</i>	<i>\$3,500,469,000</i>	<i>\$3,029,019,500</i>	<i>\$370,559,600</i>	<i>\$316,373,400</i>	
<u>Bonding Summary</u>					
<u>School Facilities Board</u>					
Deficiencies Correction:					
Proposition 301	\$ 383,382,300	\$ 0	\$ 65,739,400	\$ 0	FY21
State Land Trust - FY 2004	<u>102,155,000</u>	<u>0</u>	<u>24,247,700</u>	<u>0</u>	FY18
<i>Subtotal - SFB</i>	\$ 485,537,300	\$ 0	\$ 89,987,100	\$ 0	
Department of Transportation	\$1,862,695,000 ^{6/}	\$ 0	\$201,517,000 ^{7/}	\$ 0	FY17 – 34

(Continued)

Table 2 (Continued)

Lease-Purchase Summary	Overall Balance ^{1/}	GF Balance ^{1/}	Overall FY 13 Pymt. ^{2/}	FY 13 GF Pymt. ^{2/}	Retirement FY
ABOR Building System					
Arizona State University	\$ 817,630,000	\$ 0	\$ 74,475,000	\$ 0	FY18-FY43
Northern Arizona University	334,545,000	0	17,638,600	0	FY16-FY40
University of Arizona	483,830,000	0	47,730,000	0	FY16-FY40
University Lottery Bond (SPEED)	<u>316,590,000 ^{8/}</u>	<u>253,272,000 ^{9/}</u>	<u>12,990,800</u>	<u>4,766,300 ^{9/}</u>	FY32
<i>Subtotal - ABOR</i>	\$1,952,595,000	\$ 253,272,000	\$152,834,400	\$ 4,766,300	
Lottery Revenue Bond ^{4/}	\$ 408,630,000	\$ 408,630,000	\$ 37,499,600	\$ 37,499,600	FY30
<i>TOTAL – Bonding</i>	\$4,709,457,300	\$ 661,902,000	\$481,838,100	\$ 42,265,900	
TOTAL - Lease-Purchase & Bonding	\$8,209,926,300	\$3,690,921,500	\$852,397,700	\$358,639,300	

^{1/} Represents principal balances as of June 30, 2013. The “GF Balance” column represents the portion of the overall balance paid from General Fund sources.

^{2/} Represents lease-purchase or debt service payments, including the portion paid from a General Fund source, which is represented in the “FY 13 GF Pymt.” column.

^{3/} 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 2013, this subsidy is expected to be \$4,438,400 of the \$11,187,300 payment.

^{4/} These obligations will be repaid with foregone General Fund revenues.

^{5/} 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. The FY 2013 payment amount reflects the changes to the payment schedule enacted by Laws 2011, Chapter 28.

^{6/} Includes \$1,559,425,000 for Highway User Revenue Fund bonds and \$303,270,000 for Grant Anticipation Notes.

^{7/} Future debt service schedule going forward is as follows: FY 2014 - \$149,998,000; FY 2015 - \$149,997,000; FY 2016 - \$163,485,000; FY 2017 - \$163,485,000.

^{8/} Includes \$194,345,000 for building renewal projects favorably reviewed by JCCR in November 2008, February 2009, and September 2011 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.*)

^{9/} Outstanding General Fund balance of University SPEED bonding is assumed to be 80% of the total balance, as lottery proceeds which will service these outstanding balances would have otherwise gone to the State General Fund. (Please see the *Capital Outlay Arizona Board of Regents Building System narrative for more information.*) The FY 2013 General Fund payment amount is based on current lottery revenue projections. (Please see the *State Lottery Commission budget narrative pages for more information.*)

SUMMARY OF RENT CHARGES 1/2/

	Fiscal Year 2013			
	General Fund	Other Fund	Non-Approp	Total
<u>BUDGET UNITS</u>				
Acupuncture Board of Examiners				
1400 W Washington	0	3,600	0	3,600
Administration, AZ Department of				
1300 W Washington	0	6,100	0	6,100
1400 W Washington	48,900	45,600	0	94,500
1510 W Adams	0	302,900	0	302,900
1520 W Adams	0	116,500	0	116,500
1522 W Jackson	0	44,400	0	44,400
1537 W Jackson	0	58,500	0	58,500
1616 W Adams	0	35,700	0	35,700
1802 W Jackson	0	26,300	65,500	91,800
1840 W Jackson	0	51,100	0	51,100
1850 W Jackson	0	14,700	0	14,700
1700 W Washington	59,200	143,400	0	202,600
1789 W Jefferson (DES West)	0	18,100	0	18,100
1937 W Jefferson/CDC	0	121,100	0	121,100
1801 W Madison	0	19,200	0	19,200
1805 W Madison	0	26,100	0	26,100
2910 N 44th Street	0	2,100	0	2,100
14 N 18th Avenue	32,800	0	0	32,800
400 W Congress, Tucson	0	69,700	0	69,700
402 W Congress, Tucson	0	46,100	0	46,100
416 W Congress, Tucson	0	2,300	0	2,300
Subtotal - AZ Dept of Administration	\$140,900	\$1,149,900	\$65,500	\$1,356,300
Administrative Hearings, Office of				
1400 W Washington	58,800	700	109,000	168,500
400 W Congress, Tucson	0	12,600	0	12,600
Subtotal - Office of Administrative Hearings	\$58,800	\$13,300	\$109,000	\$181,100
Agriculture, AZ Department of <u>3/</u>				
1520 W Adams	112,500	0	0	112,500
1624 W Adams	2,700	1,400	4,100	8,200
1688 W Adams	184,300	70,600	137,300	392,200
400 W Congress, Tucson	20,700	9,900	0	30,600
Subtotal - AZ Dept of Agriculture	\$320,200	\$81,900	\$141,400	\$543,500
Appraisal, State Board of				
1400 W Washington	0	23,900	0	23,900
AZ Health Care Cost Containment System				
Kingman Building	7,100	0	7,000	14,100
Arts, AZ Commission on the				
417 W Roosevelt	0	0	58,000	58,000
Attorney General - Department of Law <u>4/</u>				
1275 W Washington	537,600	308,100	312,800	1,158,500
400 W Congress, Tucson	47,300	37,100	27,700	112,100
402 W Congress, Tucson	106,700	83,800	62,000	252,500
Capital Center	1,022,600	359,300	0	1,381,900
Subtotal - Attorney General - Dept of Law	\$1,714,200	\$788,300	\$402,500	\$2,905,000
Automobile Theft Authority				
1400 W Washington	0	27,500	0	27,500
Barbers, Board of				
1400 W Washington	0	10,000	0	10,000

	Fiscal Year 2013			
	General Fund	Other Fund	Non-Approp	Total
Charter Schools, State Board for				
1700 W Washington	47,800	0	0	47,800
Citizens Clean Election Commission				
1616 W Adams	0	0	55,900	55,900
Contractors, Registrar of				
400 W Congress, Tucson	0	42,000	0	42,000
1700 W Washington	0	466,300	0	466,300
Subtotal - Registrar of Contractors	\$0	\$508,300	\$0	\$508,300
Corporation Commission				
1200 W Washington	0	534,800	0	534,800
1300 W Washington	0	317,100	0	317,100
1400 W Washington	0	100,500	0	100,500
400 W Congress, Tucson	6,200	52,700	3,500	62,400
Subtotal - Corporation Commission	\$6,200	\$1,005,100	\$3,500	\$1,014,800
Corrections, State Department of				
1601 W Jefferson	650,000	0	0	650,000
1645 W Jefferson	528,700	0	0	528,700
1831 W Jefferson	247,200	0	0	247,200
Subtotal - State Dept of Corrections	\$1,425,900	\$0	\$0	\$1,425,900
Deaf and the Hard of Hearing, Commission for the				
1400 W Washington	0	27,900	0	27,900
Economic Security, Department of				
1400 W Washington	0	0	10,100	10,100
1789 W Jefferson (DES West)	1,600,400	398,800	529,100	2,528,300
Kingman Building	54,000	110,700	74,500	239,200
400 W Congress, Tucson	223,900	210,800	101,400	536,100
DES Group Homes	158,300	227,700	0	386,000
Capital Center	206,900	57,500	118,700	383,100
Subtotal - Department of Economic Security	\$2,243,500	\$1,005,500	\$833,800	\$4,082,800
Education, Department of				
1535 W Jefferson	288,100	98,600	536,500	923,200
400 W Congress, Tucson	0	12,100	43,000	55,100
416 W Congress, Tucson	0	700	17,500	18,200
Subtotal - Department of Education	\$288,100	\$111,400	\$597,000	\$996,500
Environmental Quality, Department of				
400 W Congress, Tucson	0	107,200	0	107,200
Equal Opportunity, Governor's Office of				
1700 W Washington	14,100	0	0	14,100
Equalization, State Board of				
416 W Congress, Tucson	1,200	0	0	1,200
Executive Clemency, Board of				
1645 W Jefferson	73,400	0	0	73,400
Financial Institutions, Department of				
2910 N 44th Street	150,500	29,300	0	179,800
Fire, Building, and Life Safety, Department of				
400 W Congress, Tucson	22,700	0	13,800	36,500
Funeral Directors & Embalmers, State Board of				
1400 W Washington	0	11,900	0	11,900
Gaming, Department of				
400 W Congress, Tucson	0	15,600	0	15,600
Geological Survey, AZ				
402 W Congress, Tucson	5,000	0	0	5,000
416 W Congress, Tucson	127,100	0	0	127,100

Fiscal Year 2013				
	General Fund	Other Fund	Non-Approp	Total
1400 W Washington	12,200	0	0	12,200
Subtotal - AZ Geological Survey	\$144,300	\$0	\$0	\$144,300
Governor, Office of the				
1645 W Jefferson	500	0	0	500
1700 W Washington	463,800	0	109,100	572,900
400 W Congress, Tucson	33,300	0	0	33,300
Subtotal - Office of the Governor	\$497,600	\$0	\$109,100	\$606,700
Gov's Ofc of Strategic Planning & Budgeting				
1700 W Washington	87,200	0	0	87,200
Health Services, Department of				
1740 W Adams	0	639,100	0	639,100
1818 W Adams	131,500	0	0	131,500
400 W Congress, Tucson	53,200	31,800	0	85,000
402 W Congress, Tucson	0	300	0	300
416 W Congress, Tucson	0	30,000	0	30,000
Capital Center (Disease Control)	0	23,000	0	23,000
Subtotal - Department of Health Services	\$184,700	\$724,200	\$0	\$908,900 <u>5/</u>
Historical Society, Arizona				
1502 W Washington	345,000	0	0	345,000
Subtotal - Arizona Historical Society				
Homeland Security, AZ Dept of				
1700 W Washington	0	0	98,600	98,600
Homeopathic & Integrated Medicine Examiners, State Board of				
1400 W Washington	0	3,900	0	3,900
Independent Redistricting Commission				
1100 W Washington	24,700	0	0	24,700
Indian Affairs, AZ Commission of				
1700 W Washington	8,000	0	0	8,000
Insurance, Department of				
2910 N 44th Street	287,500	0	95,900	383,400
Subtotal - Department of Insurance				
Judiciary - Court of Appeals				
400 W Congress, Tucson	421,600	0	0	421,600
Judiciary - Supreme Court				
1501 W Washington	3,022,100	0	0	3,022,100
400 W Congress, Tucson	92,900	0	0	92,900
Subtotal - Supreme Court	\$3,115,000	\$0	\$0	\$3,115,000
Subtotal - Judiciary	\$3,536,600	\$0	\$0	\$3,536,600
Juvenile Corrections, Department of				
1616 W Adams	198,500	0	0	198,500
1624 W Adams	458,900	0	0	458,900
Subtotal - Dept. of Juvenile Corrections	\$657,400	\$0	\$0	\$657,400
Land Department, State				
1616 W Adams	0	862,800	0	862,800
Legislature - Auditor General				
2910 N 44th Street <u>6/</u>	294,800	0	0	294,800
Liquor Licenses and Control, Department of				
400 W Congress, Tucson	0	24,000	0	24,000
Medical Board, AZ				
9500 Doubletree Rd.	0	221,900	0	221,900
Mine Inspector, State				
1616 W Adams	2,900	0	0	2,900

	Fiscal Year 2013			
	General Fund	Other Fund	Non-Approp	Total
1700 W Washington	60,600	0	0	60,600
Subtotal - State Mine Inspector	\$63,500	\$0	\$0	\$63,500
Naturopathic Physicians Medical Board				
1400 W Washington	0	22,900	0	22,900
Navigable Stream Adjudication Commission, AZ				
1700 W Washington	10,700	0	0	10,700
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.				
1400 W Washington	0	16,400	0	16,400
Opticians, State Board of Dispensing				
1400 W Washington	0	4,000	0	4,000
Optometry, State Board of				
1400 W Washington	0	7,200	0	7,200
Osteopathic Examiners, AZ Board of				
9500 Doubletree Rd.	0	32,400	0	32,400
Parks Board, AZ State 7/				
1300 W Washington	0	0	269,600	269,600
1616 W Adams	0	0	61,300	61,300
Subtotal - AZ State Parks Board	\$0	\$0	\$330,900	\$330,900
Personnel Board				
1400 W Washington	0	20,300	0	20,300
Pest Management, Office of				
1688 W Adams	0	48,900	0	48,900
Pharmacy, AZ State Board of				
1700 W Washington	0	85,700	0	85,700
Podiatry Examiners, State Board of				
1400 W Washington	0	3,500	0	3,500
Private Postsecondary Education, State Board for				
1400 W Washington	0	11,100	2,700	13,800
Psychologist Examiners, State Board of				
1400 W Washington	0	13,500	0	13,500
Public Safety, Department of				
1700 W Washington	47,500	12,400	13,100	73,000
1937 W Jefferson/Wayland	16,100	4,200	4,500	24,800
400 W Congress, Tucson	12,000	3,100	3,300	18,400
Subtotal - Department of Public Safety	\$75,600	\$19,700	\$20,900	\$116,200
Real Estate Department, State				
2910 N 44th Street	212,400	0	0	212,400
400 W Congress, Tucson	26,400	0	0	26,400
Subtotal - State Department of Real Estate	\$238,800	\$0	\$0	\$238,800
Respiratory Care Examiners, Board of				
1400 W Washington	0	15,500	0	15,500
Revenue, Department of				
402 W Congress, Tucson	93,200	47,400	0	140,600
416 W Congress, Tucson	65,300	33,300	0	98,600
1600 W Monroe	1,455,200	749,600	0	2,204,800
Subtotal - Department of Revenue	\$1,613,700	\$830,300	\$0	\$2,444,000
Rio Nuevo				
400 W Congress, Tucson	0	0	12,500	12,500
School Facilities Board				
1700 W Washington	68,100	0	27,900	96,000
Secretary of State - Dept of State				
1100 W Washington	24,800	0	0	24,800
1700 W Washington	160,900	0	0	160,900

	Fiscal Year 2013			
	General Fund	Other Fund	Non-Approp	Total
400 W Congress, Tucson	2,400	0	0	2,400
Records Management Addition	320,700	0	0	320,700
Polly Rosenbaum Building	1,683,200	0	0	1,683,200
Subtotal - Secretary of State - Dept of State	\$2,192,000	\$0	\$0	\$2,192,000
State Boards' Office				
1400 W Washington	0	6,500	0	6,500
Transportation, Department of				
1275 W Washington <u>8/</u>	0	113,600	0	113,600
Treasurer, State				
1700 W Washington	0	119,200	0	119,200
Veterinary Medical Examining Board, AZ State				
1400 W Washington	0	16,600	0	16,600
GRAND TOTAL	\$16,844,800	\$8,144,700	\$2,985,900	\$27,975,400

- 1/ Pursuant to Laws 2012, Chapter 296, Section 8, the rental amount charged for state agencies occupying state-owned buildings shall be the amount included in each state agency's FY 2013 annual operating budget as reported by the JLBC Staff.
- 2/ The FY 2013 office square footage rental rate is \$13.82 and the storage square footage rental rate is \$5.01.
- 3/ The department's funding allocation reflects the statewide back of the bill adjustments pursuant to Laws 2012, Chapter 294, Section 132. Since Laws 2012, Chapter 248 permanently converted all of the department's Other Appropriated Funds into Non-Appropriated Funds, the Other Appropriated Fund expenditures would be paid with General Fund or Non-Appropriated Fund monies.
- 4/ The agency's funding allocation reflects the statewide back of the bill adjustments pursuant to Laws 2012, Chapter 294, Section 132. Since the Attorney General prorata charge was eliminated in FY 2013, the agency may shift a portion of its Other Appropriated Fund charges to General Fund or Non-Appropriated Fund monies.
- 5/ Pursuant to Laws 2012, Chapter 294, Section 132, the Department of Health Services will not pay any more than \$908,900 for rent in FY 2013.
- 6/ Pursuant to Laws 2012, Chapter 294, Section 132, it is the intent of the Legislature that the Auditor General will not be charged rent for its state-owned space at the Sun State Building beginning in FY 2014 as long as this space still continues to be maintained by ADOA and still qualifies for ADOA Building Renewal monies.
- 7/ The agency's funding allocation reflects the statewide back of the bill adjustments pursuant to Laws 2012, Chapter 294, Section 132. Since 3 of the agency's funds were permanently consolidated into a new Other Appropriated Fund, the agency may shift a portion of its Non-Appropriated Fund charges to Other Appropriated Fund monies.
- 8/ 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 2013			Total
	General Fund	Other Fund	Non-Approp	
<u>BUDGET UNITS</u>				
Administration, AZ Department of Sale/Lease-Back	84,119,800	0	0	84,119,800
Corrections, Arizona Department of 1,000 Public Prison Beds	3,189,300	0	0	3,189,300
4,000 Public Prison Beds	16,059,400	0	0	16,059,400
Water and Wastewater Projects	659,800	0	0	659,800
Subtotal - AZ Department of Corrections	<u>\$19,908,500</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,908,500</u>
Health Services, Department of Health Lab	0	2,320,200	0	2,320,200
Arizona State Hospital Forensic Unit	3,114,300	0	0	3,114,300
Subtotal - Department of Health Services	<u>\$3,114,300</u>	<u>\$2,320,200</u>	<u>\$0</u>	<u>\$5,434,500</u>
GRAND TOTAL	<u><u>\$107,142,600</u></u>	<u><u>\$2,320,200</u></u>	<u><u>\$0</u></u>	<u><u>\$109,462,800</u></u>

^{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.

PRIVATIZED LEASE-TO-OWN APPROPRIATIONS ^{1/}

	Fiscal Year 2013			
	General Fund	Other Fund	Non-Approp	Total
<u>Arizona Department of Administration Building</u>				
Accountancy, State Board of	0	102,600	0	102,600
Administration, Arizona Department of	780,400	2,010,900	210,100	3,001,400
Deaf and Hard of Hearing, Commission for the	0	200,400	0	200,400
Equalization, State Board of	82,200	0	0	82,200
Tax Appeals, State Board of	31,600	0	0	31,600
Subtotal - ADOA Building	\$894,200	\$2,313,900	\$210,100	\$3,418,200
<u>Arizona Department of Environmental Quality Building</u>				
Criminal Justice Commission, Arizona	0	10,600	165,400	176,000
Environmental Quality, Department of	0	3,763,700	0	3,763,700
Environmental Quality, Department of - WIFA	0	0	105,900	105,900
Fire, Building and Life Safety, Department of	137,700	0	50,900	188,600
Forester, State	104,900	0	0	104,900
Gaming, Department of	0	578,600	0	578,600
Housing, Department of	0	28,200	441,900	470,100
Insurance, Department of	0	0	53,600	53,600
Racing, Arizona Department of	0	144,500	0	144,500
Residential Utility Consumer Office	0	112,200	0	112,200
Technical Registration, State Board of	0	173,100	0	173,100
Tourism, Office of ^{2/}	0	0	178,300	178,300
Subtotal - ADEQ Building	\$242,600	\$4,810,900	\$996,000	\$6,049,500
<u>Arizona Department of Health Services Building</u>				
Health Services, Department of	1,880,300	1,253,600	0	3,133,900
GRAND TOTAL	\$3,017,100	\$8,378,400	\$1,206,100	\$12,601,600

^{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 Capitol Mall. At the end of the lease period, the state will take possession of these buildings.

^{2/} The agency's funding allocation reflects the statewide back of the bill adjustments pursuant to Laws 2012, Chapter 294, Section 132. Since the agency received a General Fund appropriation in FY 2013, the agency may shift its Non-Appropriated Fund charges to General Fund monies.

ECONOMIC AND REVENUE FORECAST

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted May 2012 budget for FY 2013 assumes total net General Fund revenues of \$8.82 billion. This amount is an increase of 2.0% compared to enacted FY 2012 General Fund revenues.

Base revenues represent ongoing General Fund revenues, exclusive of tax law and revenue changes, one-time revenue adjustments, and any balance forward from the previous fiscal year. For FY 2013, base revenues are projected to increase 5.1% when compared to forecasted FY 2012 revenues. The detailed enacted budget revenue forecasts appear at the end of this section. *Table 11* compares the enacted FY 2013 forecast to the enacted FY 2012 forecast.

General Fund Base Revenue Forecast

FY 2012

The original FY 2012 budget was based on total net revenues of \$8.33 billion. Excluding enacted budget legislation, one-time revenues, and balance forward from FY 2011, ongoing base revenues were projected to be \$7.83 billion in FY 2012, or 5.7% above the prior fiscal year. As a result of the January revisions for the FY 2013 JLBC Baseline, the base revenue forecast was adjusted to 5.3%. Despite the lower percentage increase, the ongoing base revenue in the January Baseline was \$231 million higher than in the April 2011 enacted budget. The reason for this is that the actual FY 2011 base revenue was significantly higher than the estimate used in the April 2011 enacted budget.

The May 2012 enacted budget uses the same revenue forecast as the FY 2013 JLBC Baseline released in January 2012. As noted, the enacted FY 2012 budget assumes a 5.3% increase in base revenues compared to FY 2011. By way of comparison, the April “four-sector” consensus predicted base revenue growth of 5.6% (*see FY 2013 section for more information on the four-sector consensus process*). *Table 1* includes consensus estimates from January 2012 and updated estimates from April 2012.

FY 2013

The January FY 2013 JLBC Baseline forecasted total net revenues of \$8.79 billion for FY 2013. Excluding one-time revenues and Urban Revenue Sharing, the ongoing revenues were projected at \$8.48 billion. This amount reflected a base revenue increase of 5.1% compared to FY 2012. The JLBC’s FY 2013 estimated growth rates for the “Big 3” revenue categories (sales tax, individual income tax, and corporate income tax) were initially developed

Table 1

4-Sector Estimates FY 2012 Forecast Percentages Base Revenue ^{1/}

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	6.9%	2.1%	5.8%	5.1%	5.0%
April	5.4%	5.2%	7.0%	5.7%	5.8%
Individual Income Tax					
January	8.2%	0.2%	10.1%	8.8%	6.8%
April	5.1%	4.2%	9.6%	5.8%	6.2%
Corporate Income Tax					
January	15.9%	2.0%	17.8%	10.0%	11.4%
April	21.1%	1.2%	8.5%	25.0%	14.0%
Overall ^{2/}					
January	8.2%	1.3%	8.6%	7.0%	5.3%
April	6.6%	4.5%	8.2%	7.3%	5.6%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories. The enacted May 2012 budget revisions for FY 2012 utilized the January 4-Sector estimates.

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 2012 table in the prior section, *Table 2* includes consensus estimates from January 2012 and updated estimates from April 2012. The January 2012 four-sector consensus estimate was the basis of the January JLBC Baseline and the enacted FY 2013 budget.

Table 2

**4-Sector Estimates
FY 2013 Forecast Percentages
Base Revenue ^{1/}**

	FAC	UA Low	UA Base	JLBC	Avg
Sales Tax					
January	6.8%	1.2%	5.8%	5.0%	4.7%
April	6.7%	0.2%	4.5%	5.2%	4.2%
Individual Income Tax					
January	7.7%	1.6%	7.9%	5.0%	5.6%
April	6.2%	(4.9)%	3.9%	6.4%	2.9%
Corporate Income Tax					
January	14.2%	2.2%	16.1%	4.9%	9.7%
April	11.0%	(7.4)%	6.8%	3.7%	3.9%
Overall ^{2/}					
January	7.8%	1.4%	7.6%	5.0%	5.1%
April	6.9%	(2.5)%	4.4%	5.6%	3.4%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories. The enacted May 2012 budget for FY 2013 utilized the January 4-Sector estimates.

The FY 2013 estimate for the remaining revenue categories, which constitute about 10% of the total, was based on JLBC Staff estimates.

Under the January 2012 forecast, the enacted FY 2013 budget assumes a 5.1% increase in base revenues compared to FY 2012, as shown in *Table 2*. This translates into a General Fund base revenue estimate of \$8.48 billion for FY 2013.

Table 3 below summarizes the changing revenue picture for FY 2012 and FY 2013 through the phases of budget development. The growth rates in the table reflect ongoing base revenues.

Table 3

Base Revenue Change Assumptions

	% Change
FY 2012	
Adopted FY 2012 Budget (April 2011) <i>(compared to forecasted 11 revenues)</i>	5.7%
JLBC Baseline (January)	5.3%
Enacted FY 2012 Budget (May)	5.3%
FY 2013	
4 - Sector Consensus (January)	5.1%
Enacted FY 2013 Budget (May)	5.1%

Revenue Adjustments

Table 4 below provides an overview of base revenue growth rates for FY 2012 and FY 2013 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 2013 budget.

Table 4

**General Fund Revenue Growth Rates
Based on Enacted FY 2012 and FY 2013 Budget
(\$ in Millions)**

	FY 2012	%	FY 2013	%
Base Revenue	\$8,065.3 ^{1/}	5.3%	\$8,479.9	5.1%
Ongoing Budget Legislation	N/A		(33.3)	
Temporary 1¢ TPT Increase	894.3		912.8	
Urban Revenue Sharing	(424.4)		(513.6)	
One-Time Financing				
Balance Forward	3.2		122.4	
Budget Legislation	13.9		(52.0)	
Fund Transfers	306.4		106.0	
BSF Transfer	(250.0)		(200.0)	
County Contrib.	<u>38.6</u>		<u>0.0</u>	
Subtotal	108.9		(146.0)	
Adjusted Revenue	<u>\$8,647.3</u>	3.2%	<u>\$8,822.3</u>	2.0%

^{1/} \$(2.5) million in tax law and revenue changes from the original FY 2012 budget are included in FY 2012 base. The FY 2012 increase of 5.3% 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 2012

For FY 2012, ongoing budget legislation enacted prior to the 1st Regular Session is estimated to reduce General Fund revenues by \$(2.5) million. *Table 5* provides a summary of budget legislation changes with ongoing revenue impacts in FY 2012. As noted above, the FY 2012 base revenue growth of 5.3% excludes these changes. Further details on these changes can be found on page 392 of the *FY 2013 Baseline Book*.

Table 5

**FY 2012 Budget Legislation Changes
With Ongoing Revenue Impact
(\$ in Millions)**

<u>Prior Year Changes (Year Enacted)</u>	
TPT Business License Fee (2010)	\$ (5.4)
Renewable Energy Production Credit (2010)	(10.0)
Land Fees (2010)	(2.0)
QSCB Revenue (2010)	<u>6.2</u>
Subtotal	\$ (11.2)
<u>2011 Tax Law and Revenue Changes</u>	
Arizona Commerce Authority	\$ (6.7)
Internal Revenue Code Conformity	9.2
Housing Trust Fund Redirect	6.0
Agricultural Fees	<u>0.2</u>
Subtotal	\$ 8.7
Total – FY 2012 Revenue Impact	<u>\$ (2.5)</u>

FY 2013

For FY 2013, previously enacted tax law changes are estimated to reduce General Fund revenues by \$(39.3) million. Tax law changes enacted during the 2012 legislative session are expected to offset \$6.0 million of the \$(39.3) million revenue loss from prior legislation. This reduces the FY 2013 ongoing net revenue impact to \$(33.3) million. This estimate does not reflect “dynamic” revenue impacts resulting from any potential change in taxpayer behavior induced by tax law changes. A summary of previously and newly enacted budget legislation changes with ongoing revenue impacts in FY 2013 is shown in *Table 6*.

Prior Year Changes

In addition to the tax law and revenue changes enacted during the 2012 legislative session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2013 revenue collections.

Renewable Energy Production Credit – Laws 2010, Chapter 312 provided a tax credit for the production of electricity using renewable energy. The 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. The revenue loss in FY 2013 is expected to increase an additional \$(10.0) million, to a total of \$(20.0) million.

Arizona Commerce Authority – Laws 2011, 2nd Special Session, Chapter 1 created the Arizona Commerce Authority (ACA) and enacted several changes to individual and corporate income taxes, as well as property taxes, phased in between FY 2012 and FY 2018 (*for more detail, see page 291 of the FY 2012 Appropriations Report*). The ACA legislation is estimated to reduce

General Fund revenues by \$(10.7) million in FY 2013. This amount includes \$(4.0) million for the 10% increase of the university-related research and development tax credit and \$(6.7) million for the FY 2013 incremental cost of further phasing in the \$3,000 new job tax credit.

QSCB Revenue – Laws 2010, 7th 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 2013 QSCB revenue of \$4.4 million reflects the federal subsidy for interest due for the FY 2013 debt service payment. This is a decline of \$(1.8) million from the prior year, as last year’s payment included interest that accrued from the issuance in early FY 2011.

Lottery Decrease (Debt Service) – Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a 20-year, \$450 million lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments are made from Lottery revenues that otherwise would have been deposited into the General Fund. The FY 2011 bond payment was \$21.4 million, which was interest only. The interest-only bond payment in FY 2012 is expected to be \$20.7 million and the principal and interest payment for FY 2013 is expected to be \$37.5 million. This will result in the General Fund receiving \$(16.8) million less in lottery revenues in FY 2013.

Current Year Changes

In the 2012 Session, the Legislature enacted the following ongoing tax law and revenue changes.

New STO Tax Credit – Laws 2012, Chapter 4 created a new individual income tax credit of up to \$500 for single persons and \$1,000 for married couples for contributions to a School Tuition Organization (STO). The credit is only available if the filer has already claimed the maximum credit allowed under the existing STO tax credit program for individuals. Scholarship monies generated by the new credit are available only to students who either: (1) attended public school full-time for at least 90 days in the prior year and transferred to private school, (2) are the dependent of a member of the armed forces, (3) are entering Kindergarten, or (4) received a STO scholarship in the prior year under 1 of the first 3 criteria. The revenue loss in FY 2013, the first year the credit is available to individuals, is estimated to be \$(4.0) million.

Clean Elections Tax Credit Elimination – Laws 2012, Chapter 257 eliminated the Clean Elections check-off box and tax credits enacted by Proposition 200, approved by

voters in 1998. The eliminated provisions previously allowed individual income tax filers to: (1) mark an optional check-off box that would reduce the taxpayer's liability by \$5, and transfer \$5 of the taxes paid to the Clean Elections Fund (for a total net General Fund impact of \$10) and (2) make a voluntary donation to the Clean Elections Fund and receive a tax credit not to exceed 20% of liability or \$670 per taxpayer, whichever was greater. The elimination of these provisions is estimated to increase General Fund revenues by \$12.8 million in FY 2013.

Long-Term Care Insurance – Laws 2012, Chapter 351 provided a deduction from taxable income for long-term care insurance premiums paid by individuals who do not itemize their deductions. (Itemizers may already claim this expense as a deduction.) This provision is estimated to reduce General Fund revenues by \$(4.1) million in FY 2013. The legislation also allows tax filers to deduct from their taxable income an amount equal to their annual deposits into long-term care saving accounts, a provision estimated to reduce revenues by an additional \$(52,000) in FY 2013.

Healthy Forest – Laws 2012, Chapter 331 extended existing tax incentives under the Healthy Forest program from 2014 through 2024. In addition, Chapter 331 also eased program qualification requirements and established new tax incentives for certified Healthy Forest Enterprises (HFE). Among the new incentives is an income tax credit for forest restoration training that is estimated to reduce General Fund revenues by \$(110,000) in FY 2013. The fiscal impact of other incentives included in the act is unknown.

Lottery Distribution – The Revenue Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 297) modified the beneficiary distribution by increasing the General Fund distribution by \$3.5 million.

Pari-Mutuel Tax Redirect – The Revenue BRB required pari-mutuel taxes from wagering at horse and dog racing facilities to be deposited into the Racing Regulation Fund instead of the General Fund. Beginning in FY 2013, monies in the Racing Regulation Fund will fully finance the Department of Racing's operating budget. This provision is expected to redirect \$(280,000) in pari-mutuel taxes from the General Fund to the Racing Regulation Fund in FY 2013.

Use Tax Declaration Repeal – Laws 2012, Chapter 323 repealed the use tax declaration requirement on the individual income tax return enacted by Laws 2011, Chapter 128. Chapter 323 does not repeal the individual's responsibility to pay the use tax on out-of-state purchases. The repeal, which is effective retroactively from January 1, 2012, is expected to reduce General Fund revenues by \$(1.8) million in FY 2013.

Table 6	
FY 2013 Budget Legislation Changes With Ongoing Revenue Impact (\$ in Millions)	
<u>Prior Year Changes (Year Enacted)</u>	
Renewable Energy Production Credit (2010)	\$ (10.0)
Arizona Commerce Authority (2010)	(10.7)
QSCB Revenue (2010)	(1.8)
Lottery Decrease (Debt Service) (2010)	<u>(16.8)</u>
Subtotal	\$ (39.3)
<u>Current Year Changes</u>	
New STO Tax Credit	\$ (4.0)
Clean Elections Tax Credit Elimination	12.8
Long-Term Care Insurance	(4.1)
Healthy Forest	(0.1)
Lottery Distribution	3.5
Pari-Mutuel Tax Redirect	(0.3)
Use Tax Declaration Repeal	<u>(1.8)</u>
Subtotal	\$ 6.0
Total – FY 2013 Revenue Impact	<u>\$ (33.3)</u>

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 \$894.3 million in FY 2012 and \$912.8 million in FY 2013. Under the budget enacted in April 2011, it was estimated that the 1-cent tax would generate \$901.0 million in FY 2012.

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 increase from \$424.4 million in FY 2012 to \$513.6 million in FY 2013. The URS program reduces net General Fund revenues by an additional \$(89.2) million in FY 2013.

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 2012 and FY 2013. *Table 8* provides the one-time detail.

FY 2012

The \$112.1 million in one-time financing sources for FY 2012 includes:

Budget Legislation – One-time net revenues of \$13.9 million, which include:

- Tax Recovery – Laws 2011, Chapter 28 established a tax recovery program for September 2011. The program, which applied to all taxes administered or collected by the Department of Revenue (DOR) except estate and property taxes, was originally estimated to generate \$22.0 million in new General Fund revenues in FY 2012. The actual amount generated by the tax recovery program was \$(9.1) million less, or \$12.9 million.
- DPS GIITEM Backfill – Laws 2011, Chapter 308 appropriated \$1.0 million from the General Fund to the Department of Public Safety (DPS) in FY 2012 for County Assistance. These monies were 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 stipulated 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 – Laws 2011, Chapter 24 provided for a total of \$318.3 million in fund transfers in FY 2012. In addition to the \$256.1 million of fund transfers shown in the *FY 2012 Appropriations Report (see pages 337-347)*, this amount included 2 transfers totaling \$62.2 million from the Vehicle License Tax (VLT) associated with the shift of funding for the Arizona Department of Transportation’s (ADOT) Motor Vehicle Division (MVD) and Department of Public Safety’s (DPS) Highway Patrol to the Highway User Revenue Fund (HURF).

The enacted May budget reduced total FY 2012 fund transfers by \$(11.9) million, from \$318.3 million to \$306.4 million. This change was due to: (1) re-estimation of the annual Clean Elections transfer from \$20.0 million to \$10.0 million, (2) elimination of \$1.9 million of transfers related to the 53/47 change in state retirement, and (3) new transfers of \$50,000 from the Public Access Fund, and \$25,000 from the Securities Regulatory and Enforcement Fund to offset a health insurance shift for the Arizona Corporation Commission (*for more detail, see the Detailed List of General Fund Transfers by Agency on page 322.*)

County Contributions – Laws 2011, Chapter 28 required the 5 largest counties to make cash contributions to the state General Fund totaling \$38.6 million, as shown in *Table 7* below. These cash contributions were discontinued in FY 2013.

Budget Stabilization Fund Transfer – Laws 2012, Chapter 294 appropriates \$250.0 million from the General Fund to the Budget Stabilization Fund in FY 2012. This appropriation has been displayed as a deduction from

<u>Cash Contribution By County</u>	<u>FY 2012</u>
Maricopa	\$ 26.4
Pima	6.8
Pinal	2.6
Yavapai	1.5
Mohave	1.4
Total - County Contributions	\$ 38.6

revenue (*for more detail, see Budget Stabilization Fund section*).

Balance Forward – The FY 2011 General Fund ending balance carry forward into FY 2012 was \$3.2 million.

FY 2013

The loss of \$(23.6) million in one-time financing sources in FY 2013 includes:

TPT Estimated Payment – Laws 2010, 7th Special Session, Chapter 12 reduced the threshold for estimated Transaction Privilege Tax (TPT) payments from \$1.0 million in annual TPT liability to \$100,000 for FY 2010 through FY 2012. Chapter 12 generated an estimated one-time General Fund revenue gain of \$48.0 million in FY 2010 and is expected to result in a one-time revenue loss of \$(52.0) million in FY 2013 when the estimated payment threshold reverts to \$1.0 million.

Fund Transfers – The enacted FY 2013 budget provides for a total of \$106.0 million in fund transfers. The January Baseline did not include any fund transfers (*for more detail, see the Detailed List of General Fund Transfers by Agency section*).

Budget Stabilization Fund Transfer – Laws 2012, Chapter 294 appropriates \$200.0 million from the General Fund to the Budget Stabilization Fund in FY 2013. This appropriation has been displayed as a deduction from revenue (*for more detail, see Budget Stabilization Fund section*).

Balance Forward – The FY 2012 General Fund ending balance carry forward into FY 2013 is estimated to be \$122.4 million.

Long-Term Projections

The FY 2013 budget also incorporated revenue planning estimates for FY 2014 and FY 2015. The January 2012 four-sector consensus estimate, which was the basis of the JLBC Baseline, also served as the basis for FY 2014 base revenue growth estimate of 6.9%, as shown in *Table 9* below.

Table 8

FY 2012 and FY 2013 One-Time Financing Sources
(\$ in Millions)

	<u>FY 2012</u>	<u>FY 2013</u>
Balance Forward	\$3.2	\$122.4
Budget Legislation		
Tax Recovery	12.9	
DPS GIITEM Backfill	1.0	
TPT Estimated Payment		<u>(52.0)</u>
Subtotal	<u>13.9</u>	<u>(52.0)</u>
County Contributions	38.6	
Budget Stabilization Fund Deposit	(250.0)	(200.0)
Fund Transfers	<u>306.4</u>	<u>106.0</u>
Total One-Time Financing	<u>\$112.1</u>	<u>\$(23.6)</u>

Under the January 2012 four-sector consensus estimate, base revenue would increase by 7.9% in FY 2015, as shown in *Table 10* below. Since projections usually become more cautious in the “out years,” FY 2015 base revenue growth was capped at 5.0%.

Table 9

4-Sector Estimates
FY 2014 Forecast Percentages
Base Revenue ^{1/}

	<u>FAC</u>	<u>UA</u> <u>Low</u>	<u>UA</u> <u>Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	6.5%	4.9%	6.6%	7.1%	6.3%
April	5.1%	3.7%	6.3%	6.8%	5.5%
Individual Income Tax					
January	7.0%	3.9%	5.5%	6.9%	5.9%
April	5.2%	3.9%	5.6%	7.0%	5.5%
Corporate Income Tax					
January	9.8%	21.7%	21.9%	7.1%	15.1%
April	10.8%	22.5%	24.5%	4.8%	14.8%
Overall ^{2/}					
January	7.0%	5.8%	7.5%	7.0%	6.9%
April	5.7%	5.1%	7.5%	6.7%	6.3%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories.

Table 10

4-Sector Estimates
FY 2015 Forecast Percentages
Base Revenue ^{1/}

	<u>FAC</u>	<u>UA</u> <u>Low</u>	<u>UA</u> <u>Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	6.2%	9.3%	9.5%	7.3%	8.0%
April	6.1%	8.1%	8.7%	7.2%	7.5%
Individual Income Tax					
January	7.0%	6.9%	7.4%	7.5%	7.2%
April	5.9%	6.0%	6.8%	7.0%	6.5%
Corporate Income Tax					
January	7.0%	17.0%	12.8%	2.4%	10.0%
April	6.0%	15.9%	13.5%	3.0%	9.3%
Overall ^{2/}					
January	6.6%	9.0%	9.0%	7.0%	7.9%
April	6.0%	7.9%	8.3%	6.8%	7.2%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories.

Tax Law Changes – FY 2014 and Beyond

In addition to the tax law and revenue changes affecting FY 2013, as noted above, there were tax law changes enacted in 2012 that will not have a revenue impact until FY 2014 or later.

Corporate Sales Factor for Service-Providers – Laws 2012, Chapter 2 allows multi-state service-providing companies to reduce their Arizona corporate income tax liability through a change in the calculation of the sales factor. To be eligible for the change, a company is required to derive at least 85% of its sales of services from out-of-state customers. The change in the calculation of the sales factor is phased in between TY 2014 and TY 2017. The General Fund revenue reduction is estimated to be \$(3.0) million in FY 2014, \$(3.5) million in FY 2015, \$(3.9) million in FY 2016, and \$(4.4) million in FY 2017.

Capital Gains and Other Business Tax Reductions – Laws 2012, Chapter 343 reduces income taxes paid on long-term capital gains derived from assets purchased after 2011. Chapter 343 includes several other income and property tax reductions as well. The fiscal impact is phased in over several years, beginning in FY 2014. The tax provisions included in Chapter 343 and their associated General Fund impact are summarized in *Table 12*. (For more detail, see the fiscal note for the Senate Engrossed version of HB 2815.)

Table 11

GENERAL FUND REVENUE - FY 2011-FY 2013

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2011	% CHANGE PRIOR YR	FORECAST FY 2012	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2013	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Taxes:								
Sales and Use	3,448,017.0	1.9%	3,613,884.5	4.8%	165,867.5	3,785,118.1	4.7%	171,233.6
Income - Individual	2,863,658.0	18.5%	3,058,262.3	6.8%	194,604.3	3,230,320.7	5.6%	172,058.4
- Corporate	560,235.7	35.6%	617,689.3	10.3%	57,453.6	677,336.8	9.7%	59,647.5
Property	20,333.5	0.3%	20,000.0	-1.6%	(333.5)	20,000.0	0.0%	0.0
Luxury - Tobacco	25,066.9	-2.9%	24,665.8	-1.6%	(401.1)	25,000.0	1.4%	334.2
- Liquor	28,532.6	-3.4%	28,994.9	1.6%	462.3	30,000.0	3.5%	1,005.1
Insurance Premium	413,742.5	2.0%	400,000.0	-3.3%	(13,742.5)	406,000.0	1.5%	6,000.0
Estate	437.4	20.2%	200.8	-54.1%	(236.6)	0.0	-100.0%	(200.8)
Other Taxes	4,197.3	189.9%	4,500.0	7.2%	302.7	5,000.0	11.1%	500.0
Sub-Total - Taxes	7,364,220.9	10.0%	7,768,197.6	5.5%	403,976.7	8,178,775.6	5.3%	410,578.0
Other Non-Tax Revenues:								
Lottery	81,440.0	20.1%	75,430.4	-7.4%	(6,009.6)	75,103.0	-0.4%	(327.4)
Licenses, Fees and Permits	28,228.9	4.5%	28,972.0	2.6%	743.1	31,000.0	7.0%	2,028.0
Interest	4,557.5	2055.9%	5,000.0	9.7%	442.5	5,500.0	10.0%	500.0
Sales and Services	37,311.6	8.3%	38,000.0	1.8%	688.4	40,000.0	5.3%	2,000.0
Other Miscellaneous	33,573.6	7.3%	41,000.0	22.1%	7,426.4	42,000.0	2.4%	1,000.0
Transfers and Reimbursements	26,516.5	-22.8%	33,213.8	25.3%	6,697.3	34,000.0	2.4%	786.2
Disproportionate Share Revenue	87,578.6	367.8%	75,449.0	-13.8%	(12,129.6)	73,531.7	-2.5%	(1,917.3)
Sub-Total - Other Non-Tax	299,206.6	39.9%	297,065.2	-0.7%	(2,141.4)	301,134.7	1.4%	4,069.5
Subtotal On-Going Revenue	7,663,427.5	10.9% ^{1/}	8,065,262.8	5.2% ^{2/}	401,835.3	8,479,910.3	5.1%	414,647.5
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(39,265.4)	N/A	(39,265.4)
Budget Legislation	0.0	N/A	0.0	N/A	0.0	6,008.0	N/A	6,008.0
3-Year 1¢ TPT Increase	864,501.7	N/A	894,332.7	3.5%	29,831.0	912,794.9	2.1%	18,462.2
Subtotal w/Tax Law Changes	8,527,929.2	23.4%	8,959,595.5	5.1%	431,666.3	9,359,447.8	4.5%	399,852.3
Urban Revenue Sharing (URS)	(474,006.5)	-24.6%	(424,423.4)	-10.5%	49,583.1	(513,584.1)	21.0%	(89,160.7)
Subtotal w/Tax Law Changes/URS	8,053,922.7	28.2%	8,535,172.1	6.0%	481,249.4	8,845,863.7	3.6%	310,691.6
One-Time Financing Sources:								
Budget Legislation	38,000.0	-75.4%	13,867.4	-63.5%	(24,132.6)	(52,000.0)	-475.0%	(65,867.4)
Fund Transfers	257,181.1	-33.6%	306,403.5	19.1%	49,222.4	106,000.0	-65.4%	(200,403.5)
BSF Transfer	0.0	N/A	(250,000.0)	N/A	(250,000.0)	(200,000.0)	-20.0%	50,000.0
County Contributions	34,600.0	57.3%	38,600.0	11.6%	4,000.0	0.0	-100.0%	(38,600.0)
Sub-Total - One-Time Financing Sources	329,781.1	-83.9%	108,870.9	-67.0%	(220,910.2)	(146,000.0)	-234.1%	(254,870.9)
Subtotal - Revenues	8,383,703.8	0.7%	8,644,043.0	3.1%	260,339.2	8,699,863.7	0.6%	55,820.7
Balance Forward	(5,723.0)	-98.8%	3,243.0	-156.7%	8,966.0	122,420.3	3674.9%	119,177.3
Total - Resources	8,377,980.8	6.7%	8,647,286.0	3.2%	269,305.2	8,822,284.0	2.0%	174,998.0

^{1/} The 10.9% FY 2011 increase included \$59.3 million in tax law and other revenue changes. Adjusting for these changes, the base FY 2011 increase is 10.1%.

^{2/} The 5.2% FY 2012 increase includes \$(2.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2012 increase is 5.3%.

Table 12

General Fund Impact of Tax Provisions in Laws 2012, Chapter 343 (HB 2815) (\$ in Millions)

<u>Description (Effective Date)</u>	<u>Tax</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>
Phases in (over 3 years) a 25% reduction of long-term capital gains on assets purchased after CY 2011 (TY 2013) ^{1/}	Individual Income	(17.5)	(40.5)	(56.5)	(61.4)	(65.6)	(69.3)
Extends the net operating loss (NOL) carry forward from 5 years to 20 years (TY 2012)	Corporate Income	0.0	0.0	0.0	0.0	0.0	(12.2)
Amends calculation of the index used to determine the annual business personal property exemption amount (TY 2013)	Property	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Provides income tax deduction equal to 10% of federal bonus depreciation for assets placed in service in CY 2012 (TY 2013) ^{2/}	Individual Income	(4.2)					
Creates a new income tax credit for capital investments in new or expanded manufacturing facilities, commercial headquarters, or research facilities (TY 2013) ^{3/}	Individual & Corporate Income	(4.0)	(8.0)	(12.0)	(16.0)	(20.0)	(20.0)
Eliminates individual company cap of 400 credit-eligible new employees for purposes of claiming the \$3,000 job tax credit (TY 2013)	Individual & Corporate Income	(1.8)	(3.6)	(5.4)	(5.4)	(5.4)	(5.4)
Total General Fund Impact ^{4/}		\$ (28.4)	\$ (53.0)	\$ (74.8)	\$ (83.7)	\$ (91.9)	\$(107.8)

Notes:

^{1/} Reduction, which is 10% in FY 2014, 20% in FY 2015, and 25% in FY 2016 and thereafter, applies to long-term capital gains.

^{2/} Revenue impact after FY 2014 will depend upon whether federal bonus depreciation is extended.

^{3/} Estimate assumes new capital investments totaling \$200 million each year. Credit must be claimed in equal installments over 5 years.

^{4/} Does not include an estimate of "dynamic" revenue impacts.

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 BSF is also known as the “Rainy Day Fund.”

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 2011

Arizona real adjusted personal income declined by (0.42)% in CY 2010. Since this was both less than 2.0% and the trend growth rate of 1.92%, the formula recommended a BSF withdrawal of \$(163.9) million in FY 2011. This recommendation could not be implemented, however, since the fund was depleted in the spring of 2010 when Laws 2010, 7th Special Session, Chapter 1 authorized the transfer of the remaining BSF balance of \$2.8 million to the General Fund.

FY 2012

Arizona real adjusted personal income increased by 3.42% in CY 2011. Since this was 2.07% above the trend growth rate of 1.35%, the BSF formula recommends a BSF deposit of \$167.4 million in FY 2012. This amount, which is based on EEC's May 2012 calculation, is less than the \$250.0 million BSF deposit authorized by Laws 2012, Chapter 294.

FY 2013

The University of Arizona's Economic and Business Research Center (EBR) projects Arizona real adjusted personal income to increase by 3.91% in CY 2012. Since this would be 3.00% above the estimated trend growth rate of 0.91%, the formula is expected to recommend a BSF deposit of \$256.1 million in FY 2013. This amount, which is based on EBR's current growth projections, would be greater than the \$200.0 million BSF deposit authorized by Laws 2012, Chapter 294.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2010	Actual FY 2011	Estimate FY 2012	Estimate FY 2013
General Fund Revenues				
Adjusted Revenues	\$6,297,247.5	\$8,053,922.7	\$8,535,172.1	\$8,845,863.7
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	440,807.3	563,774.6	597,462.0	619,210.5
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	(7.19)%	(0.42)%	3.42%	3.91%
7-Year Average Income Growth	<u>4.68%</u>	<u>1.92%</u>	<u>1.35%</u>	<u>0.91%</u>
Annual Difference	(11.87)%	(2.34)%	2.07%	3.00%
BSF Transactions				
Beginning BSF Balance	2,767.1	0.0	0.0	250,875.0
BSF Formula Recommendation	(768,687.6)	(163,903.8)	167,370.3	256,055.2
Actual Transfer In				
Actual Appropriation – L'12, Ch. 294 ^{2/}	0.0	0.0	250,000.0	200,000.0
Actual Transfer Out				
Fund Transfer to General Fund – L'10, 7 th SS., Ch. 1 ^{3/}	<u>(2,767.1)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Balance	0.0	0.0	250,000.0	450,875.0
Interest Earnings & Equity Gains/Losses ^{4/}	0.0	0.0	0.0	0.0
Ending BSF Balance	\$ 0.0	\$ 0.0	\$ 250,000.0	\$ 450,000.0
Percent of Revenues	0.0%	0.0%	2.9%	5.1%

^{1/} BSF history prior to FY 2010 can be found on the JLBC website.

^{2/} Laws 2012, Chapter 294 authorized the transfer of \$250.0 million in FY 2012 and \$200.0 million in FY 2013 from the General Fund to the BSF.

^{3/} Laws 2010, 7th Special Session, Chapter 1 authorized a transfer of \$(2.8) million to the General Fund to help balance the FY 2010 budget. This transfer brought the BSF balance to \$0.

^{4/} To be determined.

**GENERAL PROVISIONS OF THE
GENERAL APPROPRIATION ACT
AND OTHER OVERALL ISSUES**

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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 2012, Chapter 294) provides direction with regard to several general provisions.

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 132 of the General Appropriation Act makes statewide adjustments totaling \$(13,182,100) from the General Fund and \$4,947,500 from Other Appropriated Funds in FY 2013 for changes in 5 areas:

- **State Lease-Purchase and Rental Rates:** \$1,499,600 Other Appropriated Funds for adjustments in agency lease-purchase charges, including eliminating payments for lease-purchase transactions completed in FY 2012, charging rent for those properties, and lowering the rental for all agencies pursuant to the Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 296). *(Please see the Capital Outlay section for more details on lease-purchase and rent charges.)*
- **Retirement Rates (ASRS 53/47):** \$6,602,900 General Fund and \$1,454,200 Other Appropriated Funds for returning the employee/employer ratio of Arizona State Retirement System contributions to 50/50 from the 53/47 ratio required by the FY 2012 Budget Procedures BRB (Laws 2011, Chapter 26). Laws 2012, Chapter 304 repeals the Chapter 26 change and appropriates monies for FY 2012; this Chapter 294 appropriation is for FY 2013 adjustments. Funding to address the FY 2013 cost to local school districts is incorporated into the Arizona Department of Education budget.
- **Attorney General Pro Rata:** Ex-appropriation of \$(3,987,800) General Fund associated with the elimination of the Attorney General Pro Rata charge in the Criminal Justice BRB (Laws 2012, Chapter 302). This charge was a 0.675% pro rata charge on the Personal Services base of all state agencies except those specifically exempted by statute. *(Please see the Attorney General narrative for details.)*

The pro rata is being replaced by a flat dollar amount charge to non-General Fund accounts. Section 134 lists the \$1,906,400 in non-General Fund charges to agencies for Attorney General services. *(Please see the Agency Detail and Allocations section for agency charges.)*

- **FY 2013 Retirement Rates:** \$9,202,800 General Fund and \$1,993,700 Other Appropriated Funds for FY 2013 adjustments in agency retirement rates. Chapter 294 excluded the Universities and the Judicial Branch from receiving this funding.
- **Health Insurance Premium Holiday:** Ex-appropriation of \$(25,000,000) General Fund for a one-time “premium holiday” for employers, employees, and retirees’ health care contributions. Section 135 requires the Arizona Department of Administration (ADOA) to not collect health insurance premiums for sufficient pay periods to generate \$(25,000,000) of General Fund savings. The specific adjustments by agency will be determined at a later date and are not incorporated into individual agency narrative tables for FY 2013. *(Please see the Health Insurance discussion below for more details.)*
- In addition to the changes in Section 132, Section 133 of the General Appropriation Act appropriates \$16,633,400 General Fund and \$11,695,200 Other Appropriated Funds for one-time critical retention payments. Section 133 states that subject to available monies, the director of each state agency shall award to employees uncovered as of September 29, 2012 payments equal to 5% of the employee’s annual salary level, prorated for and distributed evenly throughout the remainder of FY 2013; this is equivalent to a 3.75% annualized payment. The specific adjustments by agency will be determined at a later date and are not incorporated into individual agency narrative tables for FY 2013. The funding level assumes Universities will not be eligible for these payments. *(Please see the Personnel Bill discussion below.)*
- According to ADOA, retention payments for employees in non-ASRS retirement systems will not be considered salary adjustments and therefore will not be charged retirement contributions based on statutes for those retirement systems.

Sections 132 and 133 both state that the JLBC Staff shall determine and 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.)*

Section 136 of the General Appropriation adds the Drug and Gang Prevention Resource Center Fund, Children and Family Services Training Program Fund, Arizona State Hospital Fund, Aggregate Mining Reclamation Fund, Radiation Regulatory Fee Fund, State Treasurer’s Management Fund, Water Resources Fund, and Capital Improvement Fund as funds eligible to receive FY 2012 statewide adjustments authorized by Section 137 of the FY 2012 General Appropriation Act.

Expenditure Reporting — Section 137 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 138 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 2013 report by October 1, 2013 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.

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE Positions. *(Please see the State Personnel Summary for which agencies are affected by the policy and individual agency narratives for the specific reductions by agency.)*

Filled FTE Position Reporting — Section 139 states that by October 1, 2012 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, 2012.

Transfer Authority — Section 140 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 141 requires the Executive Branch to provide to the JLBC a preliminary estimate of the FY 2012 General Fund ending balance by September 15, 2012 and a preliminary estimate of the FY 2013 General Fund ending balance by September 15, 2013. Based on this information, JLBC Staff shall report to JLBC by October 15 of 2012 and 2013 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 141 states the revenues are forecasted to be \$8,645,992,200 for FY 2012 and \$8,693,355,700 for FY 2013.

Expenditure Authority — Section 143 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 144 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 2013 budget reflects the adoption of technical assumptions. These technical assumptions are incorporated into each agency's individual appropriation in the FY 2013 General Appropriation Act. Statewide adjustment amounts are mentioned in any relevant agency narrative, but do not have additional discussion.

Employee Related Expenditures

Health Insurance — The state continues to self-insure state employee health benefits. Under self-insurance, the state assumes the risk of providing health coverage to state employees and pays health claims directly. Therefore, if the costs of employee health coverage exceed estimates, the state will be responsible for those losses. Similarly, if the costs are less than estimated, the state will retain the savings.

	General Fund	Other Fund	Non-Approp.	Total Employer	Employee Premiums	Retiree Premiums	Total
Health ^{1/}	295.7	196.4	163.7	655.8	79.0	59.3	794.1
Dental	2.5	1.6	1.4	5.4	30.3	7.9	43.6
Total	298.2	198.0	65.1	661.2	109.3	67.2	837.7

^{1/} Excludes \$68 million of savings from the premium holiday.

Table 2

**Health Insurance
State Employee and Employer Monthly Contributions
Calendar Year 2012**

	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<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

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. Employee rates for FY 2013 have not yet been determined. Additional information on the current plan design can be found on page 481 of the *FY 2010 Appropriations Report*.

Laws 2011, Chapter 24, Section 139 intended for ADOA to offer state employees enhanced Health Savings Accounts for the plan year beginning January 1, 2012. This provision was originally assumed to generate \$(12,000,000) of savings, but the program generated minimal savings. These savings were never allocated to individual agency budgets. Section 3 of the General Appropriation Act eliminates these FY 2012 estimated savings.

Section 2 of the General Appropriation Act expands ADOA's authorization to pay the federal government for any obligations related to the FY 2012 transfer of Health Insurance Trust Fund monies to the General Fund. While 2011 legislation originally authorized this payment to occur in FY 2012, Chapter 294 now permits the payment of this FY 2012 obligation to also occur in FY 2013.

The Health and Welfare 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 2013 health and dental costs are shown in *Table 1*. State employee and employer premiums for the CY 2012 plan year are shown in *Table 2*. The FY 2013 budget assumed employer premiums for the plan year starting January 1, 2013 would remain the same; however,

rates for the upcoming plan year have not yet been released.

The FY 2013 budget requires ADOA to implement a "premium holiday" during which agencies, employees, and retirees will not be charged health insurance premiums for approximately 2 pay periods. (*Please see the discussion following Table 3 for details.*)

Dental Insurance — Employees have a choice between one Dental PPO plan and one Dental HMO plan. Employee and employer premiums based on the CY 2012 plan year are shown in *Table 3*. Rates for the upcoming plan year have not yet been released.

Table 3

**Dental Insurance
State Employee and Employer Monthly Contributions**

	<u>State Employee Contribution</u>	<u>Employer Contribution</u>
<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 of April 30, the balance in the Health Insurance Trust Fund was approximately \$303 million. The balance is anticipated to be reduced below what it would otherwise be in FY 2013 for the following 2 items:

- JLBC Staff estimates the net total increase in health and dental insurance costs in FY 2013 to be approximately \$46 million in total funds, reflecting 6.3% growth. The budget assumes that this increase will be funded by existing premiums.
- As noted above, Section 135 of the General Appropriation Act requires ADOA to not collect premiums for the health insurance program for sufficient pay periods to generate \$(25) million of General Fund savings. The “premium holiday” is expected to be for approximately 2 pay periods and will apply to all premiums, including employer, employee and retiree contributions. Employees and retirees are estimated to save \$12 million. In addition to the \$(25) million of General Fund savings (which will be reduced from agencies’ budgets), the premium holiday is also estimated to reduce agencies’ Other Appropriated Fund spending by \$(17) million. These non-General Fund savings will not be reduced from agencies’ budgets. Including Non-Appropriated savings of \$(14) million, the premium holiday is estimated to reduce the Health Insurance Trust Fund balance by \$(68) million.

The FY 2012 Health BRB (Laws 2011, Chapter 31) changed how General Fund agencies paid for health insurance so that instead of set amounts being “swept” from agency General Fund budgets at the beginning of the year and not charged on a payroll-by-payroll basis, agencies pay actuals for all health and dental insurance charges.

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 2013. 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, unchanged from the FY 2012 rate.

Unemployment Insurance - 0.15% of Personal Services for each agency, unchanged from the FY 2012 rate.

Personnel Division Pro Rata - 1.10% of Personal Services for each agency in the State Personnel System, unchanged from the FY 2012 rate. Of this amount, 1.07% is used to fund the ADOA Human Resources Division while the other 0.03% is used to fund the State Personnel Board.

Laws 2012, Chapter 321 expands the ADOA Personnel System, creating the State Personnel System, which includes 9 new agencies that have traditionally maintained their own personnel systems. ADOA’s Human Resource Division will continue oversight of the personnel system. No additional money was appropriated to the 9 agencies who will be required to pay the pro rata charge upon the effective date of Chapter 321.

Disability Insurance - For Arizona State Retirement Systems (ASRS) employees the employer pays 0.25% of Personal Services for disability insurance, an increase of 0.02% from the FY 2012 rate. The employee will pay 0.25%, a decrease of (0.02)%. This change is the result of reversing the 53/47 split of retirement costs (*see above*).

For non-ASRS employees the rate is 0.25% of Personal Services, unchanged from the FY 2012 rate.

Information Technology Planning - 0.20% of Personal Services for each agency, unchanged from the FY 2012 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 2012 rate. The Retiree Accumulated Sick Leave Fund is funded from an assessment on the payroll of all state agencies.

Attorney General Pro Rata - As noted above, this charge, which represented 0.675% of the Personal Services base for each agency not specifically excluded from the charge, was eliminated by the FY 2013 Criminal Justice BRB. A portion of the Attorney General’s budget was funded from this charge; the FY 2013 budget replaced the lost revenues with a direct appropriation to the Attorney General’s office and direct non-General Fund charges as outlined in Section 134 of the General Appropriation Act.

Workers’ Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2012 workers’ compensation rates. Monies are deposited into the Risk Management Fund for payment of costs associated with Workers’ Compensation losses. The average statewide rate would remain at the 1.03% FY 2012 rate.

Federal Insurance Contributions Act (FICA) - Social Security taxes are paid at a rate of 6.20% up to \$110,100 of an employee’s salary beginning January 1, 2012. In addition, Medicare taxes are applied at a rate of 1.45% on the full level of an employee’s salary. Both the FICA and Medicare percentage rates are unchanged from FY 2012.

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 21.0% in FY 2012 to 21.5% in FY 2013.

As previously noted, in addition to this increase, Laws 2012, Chapter 304 also repealed 53/47 employee/employer contribution split required by the FY 2012 budget. Combined with the increase from 21.0% to 21.5% for the total contribution, the employer's share of the contribution will rise from 9.87% as originally budgeted for FY 2012 to 10.75%. The employee's share will decrease from the originally-budgeted 11.13% to 10.75%. Chapter 304 refunds FY 2012 contributions in excess of the 50/50 split back to employees.

Table 5 lists ASRS contribution rates since FY 1983.

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 \$15.08/square foot to \$13.82/square foot, with the charge for state-owned storage space decrease from \$5.47/square foot to

Table 4

FY 2013 Employer Contribution Rates

<u>Category</u>	<u>Rate</u>		
Life Insurance (per FTE Position)	\$23.40		
Unemployment Insurance	0.15%		
Personnel Division Pro Rata	1.10%		
Disability (Arizona State Retirement System)	0.25%		
Disability (Non-State Retirement System)	0.25%		
Information Technology Planning	0.20%		
Retiree Accumulated Sick Leave	0.40%		
Attorney General Pro Rata	--		
Workers' Compensation	Varies		
<u>Federal Insurance Contributions Act (FICA)</u>			
Social Security (salary max \$110,100)	6.20%		
Medicare (no salary cap)	1.45%		
<u>Retirement System</u>			
	<u>Employer</u>		<u>Employee</u>
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2013</u> ^{1/}
<i>Arizona State Retirement System</i>	9.87	10.75	10.75
<u>Correctional Officers Ret. Plan</u>			
Correctional Officers - ADC	9.15	11.14	8.41
Correctional Officers - DJC	9.92	12.30	8.41
DPS Dispatchers ^{2/}	7.50	7.90	8.41
Probation Officers	13.13	13.12	8.41
<i>Elected Official Retirement Plan</i>	17.96	20.87	11.50
<i>University Optional</i>	7.00	7.00	7.00
<u>Public Safety Personnel Retirement</u>			
Liquor License Investigators	38.77	46.99	9.55
Department of Public Safety ^{2/}	38.30	48.71	4.55
Northern Arizona University Police	29.40	36.81	9.55
University of Arizona Police	21.24	25.54	9.55
Arizona State University Police	20.48	24.42	9.55
Game and Fish Department	43.35	50.54	9.55
Attorney General Investigators	90.08	136.04	9.55
DEMA Firefighters	17.76	20.54	9.55
ADOA Capitol Police	12.93	12.22	9.55
Parks Police	18.50	25.16	9.55

^{1/} Only Correctional Officers Retirement Plan and University Optional Plan employee contributions are unchanged from FY 2012. Arizona State Retirement System employee rates decreased from 11.13%, Elected Officials Retirement Plan rates increased from 10.0%, and Public Safety Personnel Retirement Plan rates increased from 8.65% (3.65% for DPS).
^{2/} The displayed rates reflect that 5% of the DPS member contribution of 9.55% is paid by the state.

Table 5

ASRS Contribution Rates

<u>Fiscal Year</u>	<u>Rate</u> ^{1/}	<u>Fiscal</u>	<u>Rate</u> ^{1/}
FY 1983	7.00	FY 1999	2.85
FY 1984	7.00	FY 2000	2.17
FY 1985	6.27	FY 2001	2.17
FY 1986	5.67	FY 2002	2.00
FY 1987	5.53	FY 2003	2.00
FY 1988	4.00	FY 2004	5.20
FY 1989 ^{2/}	4.78	FY 2005	5.20
FY 1990 ^{2/}	1.29	FY 2006	6.90
FY 1991 ^{2/}	3.37	FY 2007	8.60
FY 1992 ^{2/}	3.17	FY 2008	9.10
FY 1993 ^{2/}	3.10	FY 2009	8.95
FY 1994 ^{2/}	2.65	FY 2010	9.00
FY 1995 ^{2/}	3.26	FY 2011	9.60
FY 1996	3.36	FY 2012	10.50
FY 1997	3.20	FY 2013	10.75
FY 1998	3.05		

^{1/} Employee and employer each pay this rate except for FY 2012, when employers paid 9.87% and employees 11.13%. This non-50/50 split was repealed by Laws 2012, Chapter 304, which refunded excess contributions to employees.
^{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.

\$5.01/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 are unchanged from FY 2012. 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.

Section 107 of the General Appropriation Act includes a FY 2012 supplemental appropriation of \$10,400,000 from the Risk Management Fund to refund a portion of certain fund balances to the federal government. In prior fiscal years, the state had transferred the balances of certain funds to the General Fund. If federal monies had been deposited into these funds, the federal government requires that they receive their own proportional share of fund transfers. The \$10,400,000 is intended to cover the state's obligation for FY 2010 and FY 2011 transfers. Of this amount, \$5,921,900 was expended in May 2012 for the FY 2010 portion of the state's obligation.

Other Budget Issues

Administrative Adjustments — The budget assumes that state agencies will have expenditures totaling \$64,384,900 in FY 2013 for FY 2012 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2012 but for which the state was unbilled until FY 2013. An agency's administrative adjustments cannot exceed its prior year reversionment, or unused appropriation authority. The \$64,384,900 is an increase of \$6,690,800 from the FY 2012 total of \$57,694,100. The FY 2012 amount is 65% of prior-year reversionments. This amount reflects a percentage close to the historical average. Administrative adjustments as a percentage of prior year's reversionments vary widely from year to year, however, from below 30% to above 70%.

The FY 2012 estimate of \$57,694,100 was a \$(15,694,200) decrease from the originally-budgeted administrative adjustment total of \$73,388,300 for FY 2012. This amount is 65% of reported FY 2011 reversionments and is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies' historical trends.

Reversionments — The budget assumes that state agencies will revert \$(99,998,300) of FY 2013 appropriations back to the General Fund because the agencies will not spend their entire appropriation. This amount is a decrease of \$944,600 from the FY 2012 total of \$(99,053,700). The FY 2013 amount reflects 1.2% of total spending, a percentage based on historical averages.

The FY 2012 estimate of \$(99,053,700) was an increase of \$12,202,700 above the originally-budgeted FY 2012 reversionment total of \$(111,256,400). This amount is approximately 1.2% of FY 2012 estimated spending.

In addition to these reversionments, the revised FY 2012 budget ends the practice of requiring any monies appropriated from the General Fund that are non-lapsing and unexpended at the end of one fiscal year to be treated as if these funds are part of that year's ending balance. These amounts were originally estimated to be \$50,000,000 when originally enacted in FY 2009 but had declined as balances were gradually spent down. The Budget Procedures BRB repealed the FY 2012 provision requiring this treatment, which is projected to have a one-time cost of \$29,910,200 in FY 2012.

Budget Format — The format governs how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum — The appropriation for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items — The appropriation for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include FTE Positions. Agencies are permitted to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review, though footnotes may place additional restrictions or notifications upon the agency prior to or associated with transfers between special line items or to or from the operating budget.

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
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 Appropriated	Effective Date	Annual Cost	% Salary Adjustment	% Performance Adjustment	Dollars Appropriated	Effective Date	Annual 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-
FY 2013	\$16,633,400 <u>15/</u>	Sept 29	N/A	3.75% <u>15/</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.
- 15/ Represents a one-time critical retention payment to state employees in FY 2013. The payments will be made to non-university state employees who are uncovered on the effective date of September 29, 2012, and are equal to 5% of an employee's annual salary level prorated for the remainder of the fiscal year. Given that the payments were enacted for 9 months of the fiscal year, the adjustment would total 3.75% of an employee's annual salary level. The payments will be made to eligible state employees in equal installments from the effective date through the remainder of the fiscal year.

STATE OF ARIZONA
ELECTED OFFICIALS' SALARIES

	Jan. 1, 2001	Jan. 1, 2002	Jan. 1, 2007 *	Jan. 1, 2009 *
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 also received FY 2013 budgets 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.

Biennium	Changes in Biennial Budgeting
FY 2008 - FY 2009	No changes in statutorily-mandated annual agencies from previous biennium. In addition to statutory annual budgets, the Department of Financial Institutions, State Mine Inspector, Arizona Navigable Streams Adjudication Commission, Department of Public Safety, and the State Treasurer received an annual budget. All other agencies received biennial budgets for FY 2008 and FY 2009.
FY 2010 - FY 2011	No changes in statutorily-mandated annual agencies from previous biennium. All agencies received an annual budget for FY 2010 in 2009 and an annual budget for FY 2011 in 2010.
FY 2012 - FY 2013	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"> - 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). - Raises the mandatory retirement age for Judges and Justices from 70 to 75. - 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. - 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). - Requires the Supreme Court to make every written opinion or order issued by a Judge or Justice (that is not sealed by law) electronically accessible to the public through the Supreme Court's website. - 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.
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>
<u>Fiftieth Legislature - Second Regular Session</u>		
SCR 1001	Military Preservation; Land Exchanges	<p>If approved by the voters at the November 2012 General Election, SCR 1001 would require the Legislature to provide a process to exchange State Trust land for: 1) military installation preservation purposes; or 2) trust land management purposes related to sale, lease or conversion to public use.</p> <p>The measure also establishes the following terms and conditions for the exchange of State Trust land:</p> <ul style="list-style-type: none"> -The exchange must be in the best interest of the beneficiaries of the trust. -Notice to the public is required before any exchange. The public notice must include full disclosure of the details of the transaction, such as ownership (including independent and ancillary parties), legal description, location, and appraised value of all the parcels subject to exchange - Two public hearings must be held to provide an opportunity for public comment. The hearings are to be in a location of general accessibility in the vicinity of the lands subject to exchange and another at the State Capitol. -Two independent appraisals must verify that the value of the land under consideration for exchange equals or exceeds the value of the land to be conveyed by the state. -Two independent analyses must determine: 1) the income to the trust before and after the proposed exchange; 2) the fiscal impact of the exchange on each county, city, town and school district located within the lands subject to the proposed exchange; and 3) the physical, economic and natural resource impacts on the surrounding or adjacent communities; and 4) the impacts on local land uses and land use plans. -Voters must approve each land exchange at a regular general election.

SCR 1012	Personal Property Tax Exemption Amount	If approved by the voters at the November 2012 General Election, SCR 1012 would increase the tax exemption for personal property used for agricultural, trade or business purposes from \$68,079 to an amount equal to the annual earnings of 50 workers in the state, in accordance with a designated national measure of earnings per employee (which is estimated to be \$2.4 million). This exemption would apply to property initially acquired during or after Tax Year (TY) 2013. Any property acquired before TY 2013 would be subject to the lower exemption of \$68,079.
SCR 1025	Property Tax Assessed Valuation; Limitation	If approved by the voters at the November 2012 General Election, SCR 1025 would limit the annual growth of real property value to the lesser of the full cash value (FCV) or an amount 5% greater than the value of property determined for the prior year, beginning in TY 2015.
HCR 2004	State Sovereignty	<p data-bbox="761 556 1477 716">If approved by the voters at the November 2012 General Election, HCR 2004 would declare state sovereignty over all lands and resources within the boundaries of Arizona. The measure would establish exclusive authority and jurisdiction over the air, water, public lands, minerals, wildlife and other natural resources within the state boundaries, except essentially on Indian reservations and military installations.</p> <p data-bbox="761 745 1477 850">The measure would also remove language from the Arizona Constitution referencing the state abandoning title to public lands within the state and acceptance of portions of the 1910 Enabling Act relating to the terms of accepting state trust lands.</p>
HCR 2056	Permanent State Land Fund; Distribution	If approved by the voters at the November 2012 General Election, HCR 2056 would amend the annual distribution from the Permanent Fund to 2.5% of the average monthly market value of the fund for the immediately preceding 5 calendar years. This distribution formula would apply from FY 2013 through FY 2021. After FY 2021, the distribution would revert to the existing formula, which is determined by the average total rate of return in the previous 5 fiscal years, less the average annual change in the GDP price deflator for the previous 5 fiscal years, with the inflation-adjusted rate of return being multiplied by the average market value over the previous 5 years.

AGENCY DETAIL AND ALLOCATIONS

DETAILED LIST OF GENERAL FUND CHANGES BY AGENCY 1/

	FY 2012 GF 2/ Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline 3/ Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
OPERATING SPENDING CHANGES						
DOA - Arizona Department of Administration	14,858,600		15,100,500			30,230,300
DOA - Statewide Adjustments		43,600			(1,991,900)	
DOA - Named Claimants		198,300				
DOA - ENSCO Lease-Purchase				(1,436,400)		
DOA - Automation Projects					16,800,000	
DOA - White Mountain Apache Settlement					2,000,000	
OAH - Office of Administrative Hearings	811,100		815,100			808,100
OAH - Statewide Adjustments		4,000			(3,000)	
AGR - Department of Agriculture	7,909,400		7,941,200			7,927,100
AGR - Statewide Adjustments		31,800			17,700	
AXS - AHCCCS	1,363,735,000		1,476,449,400			1,397,607,300
AXS - Statewide Adjustments		113,700			177,500	
AXS - Formula Changes				43,522,400	(17,500,000)	
AXS - Eliminate Rollover		112,600,700			5,672,400	
AXS - Breast Cancer Treatment					2,000,000	
ATT - Attorney General	16,931,500		16,997,300			23,049,900
ATT - Statewide Adjustments		65,800			918,400	
ATT - Pro Rata Elimination/Direct Funding					4,000,000	
ATT - Cross-Border Prosecutions Backfill					1,200,000	
CPD - State Capital Postconviction Public Defender Office	688,900		691,800			0
CPD - Statewide Adjustments		2,900				
CPD - Eliminate Office					(688,900)	
CHA - State Board for Charter Schools	750,600		753,700			748,100
CHA - Statewide Adjustments		3,100			(2,500)	
COM - Arizona Commerce Authority	31,500,000		31,500,000			31,500,000
CCO - Arizona Community Colleges	71,176,100		71,176,100			65,942,600
CCO - Formula Changes				(5,233,500)		
COR - Corporation Commission	511,400		588,600			589,100
COR - Statewide Adjustments		2,200			2,700	
COR - Shift Health Insurance Costs		75,000		75,000		
DOC - Department of Corrections	948,188,600		948,939,200			956,404,200
DOC - Statewide Adjustments		750,600			5,249,600	
DOC - Eliminate One-time Leap Year Costs				(800,100)		
DOC - Additional Correctional Officers					3,766,100	
SDB - AZ State Schools for the Deaf and the Blind	20,686,300		20,746,900			20,586,100
SDB - Statewide Adjustments		60,600			(100,200)	
DES - Department of Economic Security	602,603,300		591,125,000			612,296,200
DES - Supplemental		(12,300,000)				
DES - Statewide Adjustments		821,700			1,238,700	
DES - DD Formula Changes				4,744,200		
DES - CPS Funding					3,710,000	
DES - DD Provider Rates					1,733,800	
DES - LTC Funding Shift					(44,217,300)	
DES - TANF Backfill/Child Support/Perm. Guardianship					18,528,600	
DES - Child Support Funding - Backfill Lost TANF Cash Assistance					4,527,500	
DES - Permanent Guardianship - Backfill lost TANF Cash Assistance					2,400,000	
DES - Adoption Services Caseload					17,027,400	
ADE - Arizona Department of Education	3,436,528,700		3,469,297,000			3,496,900,300
ADE - Statewide Adjustments		53,500			(6,600)	
ADE - Formula Changes				(27,823,800)	(8,199,400)	
ADE - Competitive Grants					3,000,000	
ADE - K-3 Reading					40,000,000	
ADE - CORL/Add'l Assistance Increase					15,000,000	
ADE - Teacher Certification					686,600	
ADE - Data System					5,000,000	
ADE - Retirement Shift Adjustment		32,714,800			32,714,800	
EMA - Department of Emergency & Military Affairs	8,815,300		8,831,100			8,834,300
EMA - Statewide Adjustments		15,800			9,400	

	FY 2012 GF <u>2/</u> Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3/</u> Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
EMA - Nuclear Emergency Management - Previously Enacted				9,600		
DEQ - Department of Environmental Quality	7,000,000		7,000,000			7,000,000
OEO - Governor's Office of Equal Opportunity	187,900		188,700			187,100
OEO - Statewide Adjustments		800			(800)	
EQU - State Board of Equalization	625,800		628,500			629,500
EQU - Statewide Adjustments		2,700			3,700	
EXE - Board of Executive Clemency	790,500		794,000			821,500
EXE - Statewide Adjustments		3,500			(4,700)	
EXE - Eliminate One-Time Annual Leave Payout				(13,200)		
EXE - Hourly Pay for Board					48,900	
DFI - Dept of Financial Institutions	2,726,600		2,739,000			2,920,800
DFI - Statewide Adjustments		12,400			(6,200)	
DFI - 3 Examiner FTE Positions					200,400	
BFS - Department of Fire, Building & Life Safety	1,693,300		1,700,700			1,699,100
BFS - Statewide Adjustments		7,400			5,800	
FOR - State Forester	6,052,000		6,065,800			7,062,400
FOR - Statewide Adjustments		13,800			10,400	
FOR - Additional Fire Suppression					1,000,000	
GEO - Arizona Geological Survey	865,100		868,200			853,600
GEO - Statewide Adjustments		3,100			(11,500)	
GOV - Office of the Governor	6,601,900		6,632,000			6,586,600
GOV - Statewide Adjustments		30,100			(15,300)	
OSP - Gov's Ofc of Strategic Planning & Budgeting	1,874,200		1,883,400			1,871,700
OSP - Statewide Adjustments		9,200			(2,500)	
DHS - Department of Health Services	494,294,800		509,332,400			587,120,700
DHS - Statewide Adjustments		237,600			89,100	
DHS - Supplemental		12,300,000				
DHS - State Hospital Funding		2,500,000			2,600,000	
DHS - Formula Changes				51,144,800		
DHS - SMI Services					38,692,000	
DHS - Rural Hospitals					300,000	
DHS - LTC Funding Shift					(1,379,600)	
DHS - Provider Rate Adjustment					1,379,600	
AZH - Arizona Historical Society	4,151,100		4,162,000			3,042,100
AZH - Statewide Adjustments		10,900			(1,109,000)	
PAZ - Prescott Historical Society	652,600		655,300			654,200
PAZ - Statewide Adjustments		2,700			1,600	
IND - Independent Redistricting Commission	3,000,000		3,700,000			1,445,300
IND - Statewide Adjustments					(4,700)	
IND - Additional Funding		700,000		(3,000,000)	1,450,000	
CIA - Arizona Commission of Indian Affairs	54,300		54,500			53,700
CIA - Statewide Adjustments		200			(600)	
INS - Department of Insurance	5,184,200		5,206,400			5,169,600
INS - Statewide Adjustments		22,200			(14,600)	
SPA - Judiciary - Supreme Court	15,915,700		15,961,200			15,677,700
SPA - Statewide Adjustments		45,500			(238,000)	
COA - Judiciary - Court of Appeals	13,786,300		13,856,000			13,817,600
COA - Statewide Adjustments		69,700			31,300	
SUP - Judiciary - Superior Court	79,083,200		79,100,700			79,100,700
SUP - Statewide Adjustments		17,500			17,500	
DJC - Department of Juvenile Corrections	46,729,800		46,755,200			43,428,400
DJC - Statewide Adjustments		25,400			498,600	
DJC - Population Decline/Catalina Closure				(3,800,000)		

	FY 2012 GF <u>2/</u> Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3/</u> Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
LAN - State Land Department	1,231,800		1,233,600			1,258,600
LAN - Statewide Adjustments		1,800			26,800	
LEM - Law Enforcement Merit System Council	70,200		70,600			70,500
LEM - Statewide Adjustments		400			300	
Legislature						
AUD - Auditor General	16,156,000		16,228,700			17,240,100
AUD - Statewide Adjustments		72,700			84,100	
AUD - Increased Audits					1,000,000	
HOU - House of Representatives	12,993,700		13,039,600			13,067,100
HOU - Statewide Adjustments		45,900			73,400	
JLBC - Joint Legislative Budget Committee	2,399,900		2,412,300			2,418,800
JLBC - Statewide Adjustments		12,400			18,900	
LEG - Legislative Council	4,654,100		4,674,200			7,884,700
LEG - Statewide Adjustments		20,100			30,600	
LEG - Legislative Automation Projects					3,200,000	
SEN - Senate	7,985,200		8,017,200			8,036,300
SEN - Statewide Adjustments		32,000			51,100	
MSL - Board of Medical Student Loans	67,000		67,000			0
MSL - End of Program				(67,000)		
MIN - State Mine Inspector	1,185,800		1,189,500			1,183,600
MIN - Statewide Adjustments		3,700			(2,200)	
NAV - AZ Navigable Steam Adjudication Comm.	126,900		127,300			126,200
NAV - Statewide Adjustments		400			(700)	
OSH - Occupational Safety & Health Review Board	15,000		15,000			0
OSH - Eliminate One-time Costs				(15,000)		
PIO - Arizona Pioneers' Home	1,603,600		1,609,500			1,604,800
PIO - Statewide Adjustments		5,900			1,200	
POS - Commission for Postsecondary Education	1,396,800		1,396,800			1,396,800
DPS - Department of Public Safety	46,526,200		46,557,300			45,524,000
DPS - Statewide Adjustments		31,100			(2,200)	
DPS - Eliminate One-Time County Assistance Grant				(1,000,000)		
DPS - Prior Year (FY 12) Retirement Increase					Other Funds	
DPS - Replace Highway Patrol Vehicles					Other Funds	
RAC - Arizona Department of Racing	2,781,600		2,786,300			2,029,500
RAC - Statewide Adjustments		4,700				
RAC - Shift to Self-Funding - Previously Enacted				(1,002,100)		
RAC - Breeders' Award Funding					250,000	
RAD - Radiation Regulatory Agency	1,459,000		1,462,300			1,420,800
RAD - Statewide Adjustments		3,300			1,800	
RAD - Nuclear Emergency Management - Previously Enacted				(40,000)		
REA - State Real Estate Department	2,656,700		2,667,800			2,902,200
REA - Statewide Adjustments		11,100			(15,100)	
REA - Audit and Investigation Staff					210,500	
REA - Hearing Attorney Staff					50,100	
REV - Department of Revenue	44,129,600		44,311,100			45,442,100
REV - Statewide Adjustments		181,500			1,180,300	
REV - Property Status Study Report					132,200	
SFB - School Facilities Board	164,087,200		175,592,800			173,708,300
SFB - Statewide Adjustments		5,600			(2,900)	
SFB - Administrative Costs					300,000	
SFB - New School Debt Service Change				9,324,000		
SFB - New Building Renewal Grants		11,500,000				
SOS - Secretary of State	13,309,400		15,246,100			14,923,200
SOS - Statewide Adjustments		36,700			1,698,800	
SOS - Eliminate One-Time Litigation Costs				(85,000)		
SOS - CD8 Special Election		1,900,000				

	FY 2012 GF <u>2</u> / Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3</u> / Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
TAX - State Board of Tax Appeals	253,400		254,600			254,800
TAX - Statewide Adjustments		1,200			1,400	
TOU - Office of Tourism	0		0			7,000,000
TOU - Tourism Funding					7,000,000	
DOT - Department of Transportation	50,200		50,400			50,500
DOT - Statewide Adjustments		200			300	
TRE - State Treasurer	1,115,100		1,115,100			1,115,100
UNI - Universities						
UNI - Arizona Board of Regents	16,926,200		16,926,500			37,200,200
UNI - Statewide Adjustments		300			300	
UNI - Performance Funding					5,000,000	
UNI - Parity Funding/Course Redesign and Capital Improvements					15,273,700	
UNI - ASU - Tempe/DPC	247,742,900		249,140,000			247,110,000
UNI - Statewide Adjustments		1,397,100			1,397,100	
UNI - Shift to ABOR Performance Funding					(2,030,000)	
UNI - ASU - East Campus	19,076,800		19,178,600			19,022,300
UNI - Statewide Adjustments		101,800			101,800	
UNI - Shift to ABOR Performance Funding					(156,300)	
UNI - ASU - West Campus	33,159,600		33,289,400			33,017,700
UNI - Statewide Adjustments		129,800			129,800	
UNI - Shift to ABOR Performance Funding					(271,700)	
UNI - Northern Arizona University	101,861,800		102,439,400			101,604,800
UNI - Statewide Adjustments		577,600			577,600	
UNI - Shift to ABOR Performance Funding					(834,600)	
UNI - UA - Main Campus	208,367,000		209,500,900			207,793,500
UNI - Statewide Adjustments		1,133,900			1,133,900	
UNI - Shift to ABOR Performance Funding					(1,707,400)	
UNI - UA - Health Sciences Center	55,334,300		55,585,300			61,585,300
UNI - Statewide Adjustments		251,000			251,000	
UNI - Medical Center Funding					6,000,000	
VSC - Department of Veterans' Services	7,050,700		7,075,200			5,212,800
VSC - Statewide Adjustments		24,500			15,700	
VSC - One-Time Veterans' Home Start-up				(1,853,600)		
WAT - Department of Water Resources	5,698,300		5,726,200			12,033,300
WAT - Statewide Adjustments		27,900			35,000	
WAT - White Mountain Apache Settlement					See ADOA	
WAT - Reverse Shift to New City Fees					6,300,000	
WEI - Department of Weights & Measures	1,165,000		1,169,300			1,472,500
WEI - Statewide Adjustments		4,300			2,500	
WEI - Test Truck					275,000	
WEI - Ongoing Vehicle Replacement Funding					30,000	
OTH - Other						
OTH - DES Ex-Appropriation	(12,300,000)	12,300,000	0	12,300,000		0
OTH - DHS Supplemental	12,300,000	(12,300,000)	0	(12,300,000)		0
OTH - Corp Comm Health Insurance Shift (Fund Transfer Offset)	75,000	(75,000)	0	(75,000)		0
OTH - IRC Supplemental	700,000	(700,000)	0	(700,000)		0
OTH - Debt Service Payments	49,050,700		49,050,700	35,069,100		84,119,800
OTH - Civic Center Debt Service	0		0	5,595,000		5,595,000
OTH - Additional Pay Period	79,000,000		79,000,000	(79,000,000)		0
OTH - Unallocated Statewide Risk Management Adjustments	(1,700)		(1,700)	1,700		0
OTH - Unallocated Uncaptured Pay Savings	(11,300)		(11,300)	11,300		0
OTH - Unallocated Lease-Purchase and Rent Adjustments	(115,400)		(115,400)	115,400	3,700	3,700
OTH - Unallocated Reverse ASRS 47/53 Split	0		0		7,600	7,600
OTH - Unallocated Retirement Rate Increase	0		0		4,100	4,100
OTH - Health Insurance Premium Holiday - One-Time	0		0		(25,000,000)	(25,000,000)
OTH - Employee Retention Payment - One-Time	0		0		16,633,400	16,633,400
OTH - Administrative Adjustments	57,694,100		57,694,100	6,690,800		64,384,900
OTH - Revertments	(99,053,700)		(99,053,700)	(812,400)	(132,200)	(99,998,300)
OTH - Statutory Revertments (Eliminate Midnight Reversion)	0	29,910,200	29,910,200			0

	FY 2012 GF <u>2/</u> Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3/</u> Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
TOTAL - OPERATING SPENDING CHANGES	8,326,938,800	197,926,900	8,524,865,700	29,546,200	196,541,500	8,553,026,500
CAPITAL SPENDING						
ADOA - Building Renewal Transfer	0		0		252,000	252,000
ADOA - 500 Maximum Security ADC Beds (Approp to ADOA)	0		0		20,000,000	20,000,000
TOTAL - CAPITAL SPENDING	0	0	0	0	20,252,000	20,252,000
TOTAL - ALL SPENDING	8,326,938,800	197,926,900	8,524,865,700	29,546,200	216,793,500	8,573,278,500
FUND TRANSFERS <u>4/</u>						
SBA - State Board of Accountancy						
SBA - Board of Accountancy (OF)		4,600	4,600			0
ACU - Acupuncture Board of Examiners						
ACU - Acupuncture Board of Examiners (OF)		500	500			0
DOA - Arizona Department of Administration						
DOA - AFIS II Collections (NA)		2,500	2,500			
DOA - Automation Operations (OF)		43,600	43,600			
DOA - Capital Outlay Stabilization (OF)		9,000	9,000			
DOA - Construction Insurance (NA)		1,300	1,300			
DOA - Co-Op State Purchasing Agreement (NA)		1,000	1,000			
DOA - Corrections (OF)		1,800	1,800			
DOA - IGA and ISA (NA)		6,700	6,700			
DOA - Information Technology (OF)		13,000	13,000			
DOA - Motor Vehicle Pool Revolving (OF)		4,600	4,600			
DOA - Personnel Division (OF)		33,700	33,700			
DOA - Risk Management Revolving (OF)		28,300	28,300			
DOA - Special Employee Health Insurance Trust (OF)		14,000	14,000		(30,000,000)	(30,000,000)
DOA - Special Events (NA)		100	100			
DOA - Special Services Revolving (NA)		100	100			
DOA - State Employee Travel Reduction (NA)		1,600	1,600			
DOA - Telecommunications (OF)		2,800	2,800			
OAH - Office of Administrative Hearings						
OAH - IGA and ISA (NA)		4,000	4,000			
AGR - Department of Agriculture						
AGR - Administrative Support (NA)		200	200			
AGR - Citrus, Fruit & Vegetable Revolving (OF)		1,300	1,300			
AGR - Commercial Feed (OF)		1,000	1,000			
AGR - Dangerous Plants, Pests and Diseases (OF)		300	300			
AGR - Designated (NA)		1,200	1,200			
AGR - Fertilizer Materials (OF)		1,200	1,200			
AGR - Pesticide (OF)		1,500	1,500			
AGR - Protected Native Plant (OF)		200	200			
AGR - Seed Law (OF)		100	100			
AXS - AHCCCS						
AXS - Healthcare Group (PA)		13,400	13,400			
AXS - IGA and ISA (NA)		7,700	7,700			
AXS - Intergovernmental Services (NA)		15,900	15,900			
APP - State Board of Appraisal						
APP - Board of Appraisal (OF)		2,100	2,100			
BAT - Board of Athletic Training						
BAT - Board of Athletic Training (OF)		400	400			
ATT - Attorney General						
ATT - Anti-Racketeering Revolving (NA)		16,800	16,800			
ATT - Antitrust Revolving (OF)		1,000	1,000			
ATT - Collection Enforcement Revolving (OF)		14,300	14,300			
ATT - Consumer Fraud Revolving (OF)		12,400	12,400			
ATT - Criminal Case Processing (NA)		400	400			
ATT - Interagency Service Agreements (OF)		63,400	63,400			
ATT - Intergovernmental Agreements (NA)		8,200	8,200			
ATT - Legal Services Cost Allocation (OF)		29,800	29,800			
ATT - Mortgage Settlement (NA)					(50,000,000)	(50,000,000)
ATT - Risk Management Revolving (OF)		41,600	41,600			
ATT - Victims Rights (OF)		1,800	1,800			
ATT - Victim Witness (NA)		200	200			

	FY 2012 GF <u>2</u> / Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3</u> / Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
ATA - Automobile Theft Authority						
ATA - Automobile Theft Authority (OF)		2,200	2,200			
BAR - Board of Barbers						
BAR - Board of Barbers (OF)		1,400	1,400			
BHE - Board of Behavioral Health Examiners						
BHE - Board of Behavioral Health Examiners (OF)		4,800	4,800			
CPD - State Capital Postconviction Public Defender Office						
CPD - Capital Postconviction Public Defender Office (OF)		800	800			
BCE - State Board of Chiropractic Examiners						
BCE - Board of Chiropractic Examiners (OF)		1,800	1,800			
CCE - Citizens Clean Elections Commission						
CCE - Citizens Clean Elections Commission (NA)		10,000,000	10,000,000		(10,000,000)	(10,000,000)
ROC - Registrar of Contractors						
ROC - Registrar of Contractors (OF)		39,900	39,900			
ROC - Residential Contractors' Recovery (NA)		2,200	2,200			
COR - Corporation Commission						
COR - Arizona Arts Trust (OF)		200	200			
COR - Investment Management Regulatory & Enf. (OF)		3,400	3,400			
COR - Public Access (OF)		(27,400)	(27,400)			
COR - Securities Regulatory & Enforcement (OF)		(6,700)	(6,700)			
COR - Utility Regulation Revolving (OF)		55,900	55,900			
DOC - Department of Corrections						
DOC - AZ Correctional Industry Revolving (NA)		47,600	47,600			
DOC - Indirect Cost Recovery (NA)		100	100			
DOC - Interagency Service Agreement (NA)		300	300			
DOC - State Education Fund for Correctional Education (OF)		2,600	2,600			
COS - Board of Cosmetology						
COS - Board of Cosmetology (OF)		5,500	5,500			
JUS - Arizona Criminal Justice Commission						
JUS - Criminal Justice Enhancement (OF)		3,000	3,000			
JUS - DUI Abatement (NA)		200	200			
JUS - Drug & Gang Enforcement (NA)		3,000	3,000			
JUS - Drug & Gang Prevention Resource Center (OF)		300	300			
SDB - AZ State Schools for the Deaf and the Blind						
SDB - Enterprise (NA)		200	200			
SDB - Regional Cooperatives (NA)		68,700	68,700			
SDB - Schools for the Deaf and the Blind (OF)		59,200	59,200			
HEA - Commission for the Deaf and the Hard of Hearing						
HEA - Telecommunication Fund for the Deaf (OF)		4,700	4,700			
DEN - Board of Dental Examiners						
DEN - Dental Board (OF)		3,800	3,800			
DES - Department of Economic Security						
DES - Child Support Enforcement Administration (OF)		54,700	54,700			
DES - Children and Family Services Training (OF)		900	900			
DES - Arizona Job Training (NA)		3,200	3,200			
DES - Long Term Care System (OF)		500	500			
DES - Public Assistance Collections (OF)		2,300	2,300			
DES - Spinal and Head Injuries Trust (OF)		2,200	2,200			
ADE - Arizona Department of Education						
ADE - Education Commodity (NA)		500	500			
ADE - IGA and ISA (NA)		3,400	3,400			
ADE - Indirect Cost Recovery (NA)		17,700	17,700			
ADE - Internal Services (NA)		1,600	1,600			
ADE - Production Revolving (NA)		2,100	2,100			
ADE - Teacher Certification (OF)		9,500	9,500			
DEQ - Department of Environmental Quality						
DEQ - Air Permits Administration (OF)		21,000	21,000			
DEQ - Air Quality (OF)		3,600	3,600			
DEQ - Emissions Inspection (OF)		14,400	14,400		(10,000,000)	(10,000,000)

	FY 2012 GF <u>2/</u> Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3/</u> Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
DEQ - GADA Revolving (NA)		600	600			
DEQ - Hazardous Waste Mgmt (OF)		4,300	4,300			
DEQ - IGA and ISA (NA)		15,900	15,900			
DEQ - Indirect Cost Recovery (OF)		32,500	32,500			
DEQ - Monitoring Assistance (NA)		600	600			
DEQ - Solid Waste Fee (OF)		6,100	6,100			
DEQ - Underground Storage Tank Revolving (PA)		16,800	16,800			
DEQ - Voluntary Remediation (NA)		300	300			
DEQ - Water Quality Assurance Revolving (NA)		13,900	13,900			
DEQ - Water Quality Fee (OF)		28,800	28,800			
COL - Arizona Exposition and State Fair Board						
COL - Arizona Exposition and State Fair (OF)		21,800	21,800			
DFI - Dept of Financial Institutions						
DFI - Financial Services (OF)		2,100	2,100			
DFI - IGA and ISA (NA)		400	400			
FOR - State Forester's Office						
FOR - Cooperative Forestry (NA)		4,100	4,100			
FOR - Fire Suppression (NA)		9,900	9,900			
EMB - Board of Funeral Directors and Embalmers						
EMB - Board of Funeral Directors & Embalmers (OF)		1,400	1,400			
FIS - Arizona Game and Fish Department						
FIS - Heritage (NA)		20,000	20,000			
FIS - Off-Highway Vehicle Recreation (NA)		5,300	5,300			
FIS - Watercraft Licensing (OF)		3,700	3,700			
GEO - Arizona Geological Survey						
GEO - Geological Survey (NA)		1,200	1,200			
GOV - Office of the Governor						
GOV - IGA and ISA (NA)		3,200	3,200			
GOV - Indirect Cost Recovery (NA)		2,900	2,900			
DHS - Department of Health Services						
DHS - Arizona State Hospital (OF)		13,500	13,500			
DHS - Child Fatality Review (OF)		500	500			
DHS - Disease Control Research (NA)		1,200	1,200			
DHS - Emergency Medical Services Operating (OF)		13,900	13,900			
DHS - Environmental Laboratory Licensure Revolving (OF)		2,400	2,400			
DHS - Health Services Licensing (OF)		33,100	33,100			
DHS - Hearing and Speech Professionals (OF)		1,200	1,200			
DHS - Indirect Cost (OF)		18,900	18,900			
DHS - Newborn Screening Program (OF)		8,700	8,700			
DHS - Oral Health (NA)		800	800			
DHS - Tobacco Tax & Health Care - Health Research Account (NA)		7,600	7,600			
DHS - Vital Records Electronic Systems (OF)		17,000	17,000			
AZH - Arizona Historical Society						
AZH - Permanent AZ Historical Society Revolving (NA)		400	400			
HOM - Board of Homeopathic & Integrated Medicine Examiners						
HOM - Board of Homeopathic & Integrated Medicine Examiners (OF)		500	500			
HOU - Department of Housing						
HOU - Housing Program (NA)		10,000	10,000			
HOU - Housing Trust (PA)		4,100	4,100			
HOU - IGA and ISA (NA)		900	900			
IND - Industrial Commission						
IND - Industrial Commission Administrative (OF)		69,600	69,600			
INS - Department of Insurance						
INS - Assessment Fund for Voluntary Plans (NA)		600	600			
INS - Captive Insurance Regulatory/Supervision (NA)		500	500			
INS - Financial Surveillance (NA)		1,700	1,700			
INS - Health Care Appeals (NA)		600	600			
INS - Insurance Examiners' Revolving (NA)		5,400	5,400			
INS - Receivership Liquidation (NA)		200	200			
SPA - Judiciary - Supreme Court						
SPA - Alternative Dispute Resolution (NA)		500	500		(200,000)	(200,000)

	FY 2012 GF <u>2/</u> Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3/</u> Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
SPA - AZ Arizona Lengthy Trial (NA)		100	100		(100,000)	(100,000)
SPA - Certified Reporters (NA)		500	500			
SPA - Confidential Intermediary and Fiduciary (OF)		1,700	1,700			
SPA - Court Appointed Special Advocate (OF)		2,000	2,000			
SPA - Criminal Justice Enhancement (OF)		1,000	1,000			
SPA - Defensive Driving School (OF)		3,600	3,600			
SPA - Judicial Collection Enhancement (OF)		4,400	4,400			
SPA - Public Defender Training (NA)			0		(25,000)	(25,000)
SPA - State Aid to the Courts (OF)		100	100		(50,000)	(50,000)
SUP - Judiciary - Superior Court						
SUP - Criminal Justice Enhancement (OF)		2,200	2,200		(75,000)	(75,000)
SUP - Drug Treatment and Education (PA)		2,100	2,100		(150,000)	(150,000)
SUP - Judicial Collection Enhancement (OF)		300	300		(400,000)	(400,000)
SUP - Juvenile Probation Services (NA)		200	200		(5,000,000)	(5,000,000)
DJC - Department of Juvenile Corrections						
DJC - Criminal Justice Enhancement (OF)		2,200	2,200			
DJC - Department of Juvenile Corrections (NA)		200	200			
LAN - State Land Department						
LAN - Interagency Agreements (NA)		100	100			
LIQ - Department of Liquor Licenses & Control						
LIQ - Audit Surcharge (NA)		1,100	1,100			
LIQ - Enforcement Surcharge-Enforcement Unit (NA)		1,300	1,300			
LIQ - Enforcement Surcharge-Multiple Complaints (NA)		1,100	1,100			
LIQ - Liquor Licenses (OF)		5,700	5,700			
LOT - Arizona State Lottery Commission						
LOT - State Lottery (PA)		33,400	33,400			
MED - Arizona Medical Board						
MED - Arizona Medical Board (OF)		19,900	19,900			
NAT - Naturopathic Physicians Medical Board						
NAT - Naturopathic Physicians Medical Board (OF)		2,300	2,300			
NUR - Nursing Board						
NUR - Board of Nursing (OF)		14,400	14,400			
NCI - Nursing Care Inst. Administrators Board						
NCI - Nursing Care Inst. Administrators Board (OF)		1,500	1,500			
OCC - Board of Occupational Therapy Examiners						
OCC - Occupational Therapy (OF)		700	700			
DIS - State Board of Dispensing Opticians						
DIS - Board of Dispensing Opticians (OF)		400	400			
OPT - State Board of Optometry						
OPT - Board of Optometry (OF)		800	800			
OST - Arizona Board of Osteopathic Examiners						
OST - Board of Osteopathic Examiners (OF)		2,500	2,500			
SPB - Arizona State Parks Board						
SPB - Law Enforcement Boating & Safety (OF)		11,900	11,900			
SPB - Off-Highway Vehicle Recreation (NA)		2,900	2,900			
SPB - Publications and Souvenir Revolving (NA)		300	300			
SPB - Reservation Surcharge Revolving (OF)		1,100	1,100			
SPB - State Lake Improvement (NA)		13,100	13,100			
SPB - State Parks Enhancement (PA)		18,700	18,700			
PER - Personnel Board						
PER - Personnel Division - Personnel Board Account (OF)		700	700			
PES - Office of Pest Management						
PES - Pest Management (OF)		10,000	10,000			
PHA - Arizona State Board of Pharmacy						
PHA - AZ State Board of Pharmacy (OF)		8,100	8,100			
PHY - Board of Physical Therapy Examiners						
PHY - Board of Physical Therapy (OF)		1,200	1,200			

	FY 2012 GF <u>2</u> / Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3</u> / Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
POD - State Board of Podiatry Examiners						
POD - Board of Podiatry (OF)		500	500			
POS - Commission for Postsecondary Education						
POS - Postsecondary Education (OF)		2,300	2,300			
PRI - Board for Private Postsecondary Education						
PRI - Private Postsecondary Education (OF)		1,300	1,300			
PRI - Student Tuition Recovery (NA)		300	300			
PSY - State Board of Psychologist Examiners						
PSY - State Board of Psychologist Examiners (OF)		1,400	1,400			
DPS - Department of Public Safety						
DPS - Anti-Racketeering (NA)		3,700	3,700			
DPS - Auto Fingerprint Identification (OF)		1,000	1,000			
DPS - Capitol Police Administrative Towing (NA)		400	400			
DPS - Crime Laboratory Assessment (OF)		1,900	1,900			
DPS - Crime Laboratory Operations (OF)		40,700	40,700			
DPS - Criminal Justice Enhancement (OF)		10,900	10,900			
DPS - DNA Identification System (OF)		15,600	15,600			
DPS - DPS Administration (NA)		4,100	4,100			
DPS - DPS Licensing (NA)		4,000	4,000			
DPS - Fingerprint Clearance Card (NA)		13,500	13,500			
DPS - Board of Fingerprinting (NA)		1,500	1,500			
DPS - Highway Patrol (OF)		20,400	20,400			
DPS - IGA and ISA (NA)		23,200	23,200			
DPS - Indirect Cost Recovery (NA)		3,200	3,200			
DPS - Peace Officers' Training (NA)		11,600	11,600			
DPS - Records Processing (NA)		3,800	3,800			
DPS - Risk Management (OF)		6,900	6,900			
RAC - Arizona Department of Racing						
RAC - Racing Regulation (OF)		4,600	4,600			
RAD - Radiation Regulatory Agency						
RAD - Laser Safety (NA)		200	200			
RAD - State Radiologic Technologist Certification (OF)		800	800			
RAD - Radiation Regulatory Fee (OF)		2,000	2,000			
RUC - Residential Utility Consumer Office						
RUC - RUCO (OF)		5,300	5,300			
RES - Board of Respiratory Care Examiners						
RES - Board of Respiratory Care Examiners (OF)		1,200	1,200			
REV - Department of Revenue						
REV - DOR Administrative (OF)		74,200	74,200			
REV - Liability Set-off Fund (OF)		1,300	1,300			
REV - Tobacco Tax and Health Care (OF)		2,100	2,100			
SOS - Secretary of State						
SOS - Data Processing Acquisition (NA)		400	400			
SOS - Gift Shop Revolving (NA)		300	300			
SOS - Notary Bond (NA)		300	300			
SOS - Records Services (OF)		2,000	2,000			
SBO - State Boards' Office						
SBO - Special Services Revolving (OF)		1,000	1,000			
TEC - State Board of Technical Registration						
TEC - Technical Registration (OF)		6,000	6,000			
TOU - Office of Tourism						
TOU - Tourism (NA)		9,500	9,500			
DOT - Department of Transportation						
DOT - Air Quality (OF)		400	400			
DOT - Arizona Highways Magazine (NA)		8,500	8,500			
DOT - DUI Abatement (OF)		700	700			
DOT - Highway Expansion and Extension Loan Program (NA)		700	700			
DOT - Maricopa Regional Area Road Fund (NA)		21,700	21,700			
DOT - Motor Vehicle Liability Insurance Enforcement (PA)		5,400	5,400			
DOT - State Aviation (PA)		5,300	5,300			

	FY 2012 GF <u>2/</u> Baseline	FY 2012 Change to Base	FY 2012 GF Revised	FY 13 Baseline <u>3/</u> Above FY 12	FY 2013 Change to Base	FY 2013 GF Enacted
DOT - Transportation Department Equipment (OF)		72,100	72,100			
DOT - Vehicle Inspection and Title Enforcement (OF)		6,600	6,600			
TRE - State Treasurer						
TRE - State Treasurer's Operating (OF)		10,400	10,400			
TRE - State Treasurer's Management (OF)		600	600			
UNI - Arizona Board of Regents						
UNI - AZ Board of Regents Local Funds (NA)		7,200	7,200			
VME - Veterinary Medical Examining Board						
VME - Veterinary Medical Examining Board (OF)		1,800	1,800			
WAT - Department of Water Resources						
WAT - Arizona Water Banking (NA)		1,600	1,600			
WAT - Arizona Water Protection (NA)		1,600	1,600			
WAT - Arizona Water Quality (NA)		600	600			
WAT - Assured and Adequate Water Supply (OF)		900	900			
WAT - Augmentation & Conservation Assistance (NA)		2,100	2,100			
WAT - Indirect Cost Recovery (NA)		2,800	2,800			
WAT - Interagency Service Agreement (NA)		300	300			
WAT - Water Resources (OF)		26,000	26,000			
WAT - Well Administration & Enforcement (NA)		700	700			
WEI - Department of Weights & Measures						
WEI - Air Quality (OF)		3,400	3,400			
WEI - Motor Vehicle Liability Insurance Enforcement (OF)		1,100	1,100			
OTH - FY 12 Enacted Fund Transfers	(318,277,700)		(318,277,700)	318,277,700		
TOTAL - FUND TRANSFERS	(318,277,700)	11,874,200	(306,403,500)	318,277,700	(106,000,000)	(106,000,000)
REVENUE CHANGES						
REV - Ongoing Revenue	8,535,172,100	0	8,535,172,100	304,683,600		8,845,863,700
REV - One-Time Revenue	55,710,400	0	(194,289,600)	(107,710,400)		(129,579,700)
REV - Ongoing Changes						
REV - STO Credit					(4,000,000)	
REV - Additional Lottery Revenues					3,500,000	
REV - Shift Pari-Mutuel Tax to Racing					(280,000)	
REV - Eliminate Clean Elections Credits					12,800,000	
REV - Health Forest Credit Expansion					(110,000)	
REV - Repeal Use Tax Line on Income Tax Form					(1,750,000)	
REV - LTC Premium Subtraction					(4,152,000)	
SUBTOTAL - Ongoing Changes		0		0	6,008,000	
REV - One-Time Changes						
REV - Beginning Balance Forward					122,420,300	
REV - Rainy Day Fund Deposit		(250,000,000)			(200,000,000)	
SUBTOTAL - One-Time Changes		(250,000,000)		0	(77,579,700)	
TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS) <u>5/</u>	8,909,160,200	(261,874,200)	8,647,286,000	(121,304,500)	34,428,300	8,822,284,000
ENDING BALANCE	582,221,400	122,420,300	122,420,300	431,370,700	249,005,500	249,005,500

1/ Statewide Adjustments are explained further in the *Agency Detail and Allocations* section.

2/ Represents original FY 2012 appropriations adjusted for funding formula revisions.

3/ The FY 2013 Baseline is relative to the FY 2012 Baseline and does not include the "FY 2012 Change to Base."

4/ The FY 2012 transfers reflect changes approved during the 2nd Regular Session and do not include transfers enacted as part of the original FY 2012 budget. FY 2012 changes include the elimination of \$1.9 million in transfers previously enacted to realize savings from shifting the employer share of retirement contributions from 50% to 47%, a \$10 million lower estimate in the annual Clean Elections Commission transfer and an additional \$75,000 in transfers from the Corporation Commission to offset an additional General Fund appropriation for health insurance costs. OF = Other Appropriated Funds, PA = Partially-Appropriated Funds, NA = Non-Appropriated Funds

5/ 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 2012 OF 2/ Baseline	FY 2012 Change to Base	FY 2012 OF Revised	FY 13 Baseline 3/ Above FY 12	FY 2013 Change to Base	FY 2013 OF Enacted
OPERATING SPENDING CHANGES						
SBA - State Board of Accountancy	1,887,800		1,892,400			1,897,700
SBA - Statewide Adjustments		4,600			9,900	
ACU - Acupuncture Board of Examiners	125,300		125,800			125,800
ACU - Statewide Adjustments		500			500	
DOA - Arizona Department of Administration	165,894,500		176,599,300			178,725,500
DOA - Statewide Adjustments		150,800			229,300	
DOA - HRIS COP Payment - Personnel Division Fund				(595,800)	(1,635,200)	
DOA - One-time COSF from Rosenbaum Construction				(613,300)		
DOA - Rosenbaum COSF Appropriation				600,000		
DOA - Federal Participation Repayment (Transfers)		10,400,000				
DOA - Automation Projects					11,300,000	
DOA - Personnel Reform		154,000			2,000,000	
DOA - Risk Management Claims					1,546,000	
OAH - Office of Administrative Hearings	14,500		14,500			13,300
OAH - Statewide Adjustments					(1,200)	
AGR - Department of Agriculture	0		0			0
AGR - Non-Appropriated Status (L. 12, Ch. 248)				1,424,900	(1,424,900)	
AXS - AHCCCS	114,467,000		165,980,400			151,097,500
AXS - Supplemental		51,500,000				
AXS - Statewide Adjustments		13,400			24,000	
AXS - Formula Changes				37,841,900		
AXS - Healthcare Group Administration				(1,235,400)		
APP - State Board of Appraisal	755,500		757,600			756,500
APP - Statewide Adjustments		2,100			1,000	
BAT - Board of Athletic Training	101,200		101,600			101,800
BAT - Statewide Adjustments		400			600	
ATT - Attorney General	39,378,600		39,542,900			36,574,500
ATT - Statewide Adjustments		164,300			595,900	
ATT - Pro Rata Elimination/Direct Funding					(3,400,000)	
ATA - Automobile Theft Authority	4,273,600		4,275,800			4,274,500
ATA - Statewide Adjustments		2,200			900	
BAR - Board of Barbers	320,700		322,100			321,900
BAR - Statewide Adjustments		1,400			1,200	
BHE - Board of Behavioral Health Examiners	1,458,700		1,463,500			1,611,100
BHE - Statewide Adjustments		4,800			7,300	
BHE - Curriculum Review					24,000	
BHE - IT Upgrades					105,600	
BHE - AG Legal Services					15,500	
CPD - State Capital Postconviction Public Defender Office	161,000		161,800			0
CPD - Statewide Adjustments		800				
CPD - Eliminate Office					(161,000)	
BCE - State Board of Chiropractic Examiners	449,300		451,100			454,800
BCE - Statewide Adjustments		1,800			2,700	
BCE - Private Rent Increase					2,800	
ROC - Registrar of Contractors	12,002,700		12,042,600			12,059,800
ROC - Statewide Adjustments		39,900			57,100	
COR - Corporation Commission	23,360,700		23,386,100			25,307,300
COR - Statewide Adjustments		100,400			66,400	
COR - Health Insurance Shift		(75,000)		(75,000)		
COR - Utility Rate Hearing Costs					901,000	
COR - Securities/Public Access Shift					1,054,200	
DOC - Department of Corrections	50,649,100		50,651,700			44,907,700
DOC - Statewide Adjustments		2,600			8,600	
DOC - Eliminate One-Time Radio Conversion Cost				(5,750,000)		
COS - Board of Cosmetology	1,742,100		1,747,600			1,750,300

	FY 2012 OF 2/ Baseline	FY 2012 Change to Base	FY 2012 OF Revised	FY 13 Baseline 3/ Above FY 12	FY 2013 Change to Base	FY 2013 OF Enacted
COS - Statewide Adjustments		5,500			8,200	
JUS - Arizona Criminal Justice Commission	5,625,500		5,628,800			5,630,700
JUS - Statewide Adjustments		3,300			5,200	
SDB - AZ State Schools for the Deaf and the Blind	12,725,500		12,784,700			13,296,100
SDB - Statewide Adjustments		59,200			(43,800)	
SDB - Formula Changes				614,400		
HEA - Comm for the Deaf & the Hard of Hearing	3,745,700		3,750,400			3,749,000
HEA - Statewide Adjustments		4,700			3,300	
DEN - Board of Dental Examiners	1,183,800		1,187,600			1,189,600
DEN - Statewide Adjustments		3,800			5,800	
DES - Department of Economic Security	481,257,900		481,318,500			507,362,700
DES - Statewide Adjustments		60,600			416,100	
DES - LTC Funding Shift					44,217,300	
DES - TANF Revenue Loss					(18,528,600)	
ADE - Arizona Department of Education	56,959,300		56,968,800			57,167,700
ADE - Statewide Adjustments		9,500			8,400	
ADE - Data System Cost				(1,200,000)	1,200,000	
ADE - Empowerment Accounts					200,000	
EMA - Department of Emergency & Military Affairs	132,700		132,700			132,700
DEQ - Department of Environmental Quality	64,926,700		65,037,400			68,481,200
DEQ - Statewide Adjustments		110,700			254,500	
DEQ - Emissions Contract Costs					1,000,000	
DEQ - Use VEI Fund for Safe Drinking Water Program					1,800,000	
DEQ - Shift Waste Program from Solid Waste Fees					(700,000)	
DEQ - Shift Waste Program to Recycling Fund					1,200,000	
COL - Arizona Exposition and State Fair Board	11,096,200		11,118,000			11,131,200
COL - Statewide Adjustments		21,800			35,000	
DFI - Dept of Financial Institutions	733,300		735,400			922,900
DFI - Statewide Adjustments		2,100			500	
DFI - 3 New Loan and Mortgage Examiners					189,100	
EMB - Board of Funeral Directors and Embalmers	339,600		341,000			340,600
EMB - Statewide Adjustments		1,400			1,000	
FIS - Arizona Game and Fish Department	39,020,900		39,024,600			39,179,300
FIS - Statewide Adjustments		3,700			333,400	
FIS - Watercraft Licensing Revenue Realignment				(175,000)		
GAM - Department of Gaming	11,874,200		11,874,200			12,087,800
GAM - Statewide Adjustments					38,200	
GAM - Revenue Realignment				121,100	54,300	
GOV - Office of the Governor	186,700		186,700			0
GOV - Eliminate Oil Overcharge Administration Appropriation					(186,700)	
DHS - Department of Health Services	88,753,300		122,762,500			88,817,300
DHS - Supplemental		33,900,000				
DHS - Statewide Adjustments		109,200			87,000	
DHS - End of Statutory Biotechnology Funding				(500,000)		
DHS - LTC Funding Shift					1,379,600	
DHS - Align Land Fund Expenditures with Revenue					(500,000)	
DHS - Align Licensing Expenditures with Revenue					(402,600)	
DHS - State Hospital (Shift from ASH Fund)					(1,320,200)	
DHS - State Hospital (Shift to Indirect Cost Fund)					1,320,200	
HOM - Board of Homeopathic & Integrated Medicine Examiners	105,300		105,800			107,600
HOM - Statewide Adjustments		500			300	
HOM - Licensing Exam Development					2,000	
HOU - Department of Housing	916,900		921,000			304,600
HOU - Statewide Adjustments		4,100			7,100	
HOU - Revenue Realignment				(619,400)		
IND - Industrial Commission	19,550,400		19,620,000			19,656,400
IND - Statewide Adjustments		69,600			106,000	

	FY 2012 OF 2/ Baseline	FY 2012 Change to Base	FY 2012 OF Revised	FY 13 Baseline 3/ Above FY 12	FY 2013 Change to Base	FY 2013 OF Enacted
SPA - Judiciary - Supreme Court	27,215,500		27,228,300			27,228,300
SPA - Statewide Adjustments		12,800			12,800	
SUP - Judiciary - Superior Court	12,460,200		12,462,700			12,462,700
SUP - Statewide Adjustments		2,500			2,500	
DJC - Department of Juvenile Corrections	3,860,200		3,862,400			3,890,900
DJC - Statewide Adjustments		2,200			30,700	
LAN - State Land Department	14,117,600		14,117,600			14,976,600
LAN - Statewide Adjustments					859,000	
LIQ - Department of Liquor Licenses & Control	2,815,600		2,821,300			2,850,400
LIQ - Statewide Adjustments		5,700			34,800	
LOT - Arizona State Lottery Commission	85,652,000		85,685,400			87,592,600
LOT - Statewide Adjustments		33,400			50,900	
LOT - Adjusted Revenue Estimate				1,889,700		
MED - Arizona Medical Board	5,799,200		5,819,100			5,809,400
MED - Statewide Adjustments		19,900			10,200	
MSL - Board of Medical Student Loans	20,200		20,200			0
MSL - End of Program				(20,200)		
MIN - State Mine Inspector	112,500		112,500			112,500
NAT - Naturopathic Physicians Medical Board	586,000		588,300			587,500
NAT - Statewide Adjustments		2,300			1,500	
NUR - State Board of Nursing	4,034,300		4,048,700			4,056,000
NUR - Statewide Adjustments		14,400			21,700	
NCI - Nursing Care Inst. Administrators Board	361,700		363,200			426,700
NCI - Statewide Adjustments		1,500			700	
NCI - Training Program Licensing					64,300	
OCC - Board of Occupational Therapy Examiners	161,600		162,300			162,700
OCC - Statewide Adjustments		700			1,100	
DIS - State Board of Dispensing Opticians	131,100		131,500			131,300
DIS - Statewide Adjustments		400			200	
OPT - State Board of Optometry	197,300		198,100			197,800
OPT - Statewide Adjustments		800			500	
OST - Arizona Board of Osteopathic Examiners	698,300		700,800			699,200
OST - Statewide Adjustments		2,500			900	
SPB - Arizona State Parks Board	11,570,400		11,602,100			12,649,500
SPB - Statewide Adjustments		31,700			92,500	
SPB - Move LEBSF to Treasurer - Previously Enacted				(2,183,800)		
SPB - Increase SPEF					2,820,400	
SPB - Net Revenue Fund Change					350,000	
PER - Personnel Board	365,200		365,900			364,500
PER - Statewide Adjustments		700			(700)	
PES - Office of Pest Management	2,700,400		2,710,400			1,999,700
PES - Statewide Adjustments		10,000			(300)	
PES - Revenue Realignment				(700,400)		
PHA - Arizona State Board of Pharmacy	1,918,100		1,926,200			1,921,900
PHA - Statewide Adjustments		8,100			3,800	
PHY - Board of Physical Therapy Examiners	364,100		365,300			365,900
PHY - Statewide Adjustments		1,200			1,800	
PIO - Arizona Pioneers' Home	4,569,100		4,569,100			4,600,700
PIO - Statewide Adjustments					6,500	
PIO - One-Time Medical Equipment Replacement					25,100	
PIO - Shift Between Miners' and Charitable Funds (\$243,200)					Yes	
POD - State Board of Podiatry Examiners	142,600		143,100			143,000

	FY 2012 OF 2/ Baseline	FY 2012 Change to Base	FY 2012 OF Revised	FY 13 Baseline 3/ Above FY 12	FY 2013 Change to Base	FY 2013 OF Enacted
POD - Statewide Adjustments		500			400	
POS - Commission for Postsecondary Education	3,841,100		3,843,400			1,742,700
POS - Statewide Adjustments		2,300			2,900	
POS - Reduced Federal Funding					(2,101,300)	
PRI - Board for Private Postsecondary Education	326,600		327,900			327,500
PRI - Statewide Adjustments		1,300			900	
PSY - State Board of Psychologist Examiners	344,000		345,400			344,900
PSY - Statewide Adjustments		1,400			900	
DPS - Department of Public Safety	169,652,900		169,750,300			182,715,400
DPS - Statewide Adjustments		97,400			125,400	
DPS - GIITEM Subaccount Grants - Including ACJC Transfer				299,700		
DPS - End of Statutory DNA Identification System Appropriation				(980,000)		
DPS - Vehicle Replacement					1,955,200	
DPS - Officer Retirement					9,174,600	
DPS - DNA Testing					2,487,600	
RAC - Arizona Department of Racing	1,434,300		1,438,900			2,831,200
RAC - Statewide Adjustments		4,600			14,800	
RAC - Shift to Self-Funding - Previously Enacted				1,102,100		
RAC - Shift Pari-Mutuel Tax to Racing Regulatory Fund					280,000	
RAD - Radiation Regulatory Agency	761,300		764,100			829,800
RAD - Statewide Adjustments		2,800			4,200	
RAD - Revenue Authority					10,000	
RAD - Additional X-Ray Inspector					54,300	
RUC - Residential Utility Consumer Office	1,289,000		1,294,300			1,299,900
RUC - Statewide Adjustments		5,300			10,900	
RES - Board of Respiratory Care Examiners	306,200		307,400			257,600
RES - Statewide Adjustments		1,200			400	
RES - Eliminate One-Time Equipment Funding					(49,000)	
RET - Arizona State Retirement System	24,573,500		24,573,500			24,016,500
RET - Statewide Adjustments					46,000	
RET - Eliminate One-Time Plan Design Costs				(850,000)		
RET - New One-time Plan Design Changes					247,000	
REV - Department of Revenue	23,581,800		23,659,400			26,742,000
REV - Statewide Adjustments		77,600			669,000	
REV - BRITS Upgrades					1,801,200	
REV - Liability Setoff Software					690,000	
SOS - Secretary of State	3,503,000		3,505,000			3,507,400
SOS - Statewide Adjustments		2,000			4,400	
SBO - State Boards' Office	211,600		212,600			212,500
SBO - Statewide Adjustments		1,000			900	
TEC - State Board of Technical Registration	1,834,900		1,840,900			1,848,300
TEC - Statewide Adjustments		6,000			13,400	
DOT - Department of Transportation	359,941,400		360,031,900			359,671,600
DOT - Statewide Adjustments		90,500			555,400	
DOT - Revenue Realignment					(825,200)	
DPS - Shift MVD from HURF to State Highway					Yes	
TRE - State Treasurer	2,680,800		2,691,800			4,874,800
TRE - Statewide Adjustments		11,000			100	
TRE - Shift LEBSF from Parks				2,183,800		
TRE - Eliminate One-Time Retirement Study Costs				(100,000)		
TRE - Investment Analyst					110,100	
UNI - Universities						
UNI - ASU - Tempe/DPC	453,894,300		453,894,300			468,010,300
UNI - ASU Main - Enrollment Growth				14,116,000		
UNI - ASU - East Campus	39,572,700		39,572,700			39,924,800
UNI - ASU East - Enrollment Growth				352,100		
UNI - ASU - West Campus	33,878,700		33,878,700			32,930,800

	FY 2012 OF ^{2/} Baseline	FY 2012 Change to Base	FY 2012 OF Revised	FY 13 Baseline ^{3/} Above FY 12	FY 2013 Change to Base	FY 2013 OF Enacted
UNI - ASU West - Enrollment Growth				(947,900)		
UNI - Northern Arizona University	97,738,900		97,738,900			99,660,700
UNI - NAU - Enrollment Growth				1,921,800		
UNI - UA - Main Campus	247,503,000		247,503,000			256,404,000
UNI - UA Main - Enrollment Growth				8,901,000		
UNI - UA - Health Sciences Center	41,154,000		41,154,000			41,786,200
UNI - UA - HSC - Enrollment Growth				632,200		
VSC - Department of Veterans' Services	20,625,100		20,625,100			28,498,800
VSC - Statewide Adjustments					41,800	
VSC - New Tucson Veterans' Home Operating Costs				7,831,900		
VME - Veterinary Medical Examining Board	455,300		457,100			456,600
VME - Statewide Adjustments		1,800			1,300	
WAT - Department of Water Resources	6,665,500		6,692,400			407,200
WAT - Statewide Adjustments		26,900			41,700	
WAT - Eliminate City Fee					(6,300,000)	
WEI - Department of Weights & Measures	1,731,400		1,735,900			1,738,300
WEI - Statewide Adjustments		4,500			6,900	
OTH - Other						
OTH - AHCCCS Supplemental	51,500,000	(51,500,000)	0	(51,500,000)		0
OTH - DHS Supplemental	33,900,000	(33,900,000)	0	(33,900,000)		0
OTH - Corp Comm Health Insurance Shift	(75,000)	75,000	0	75,000		0
OTH - Additional Pay Period	25,000,000		25,000,000	(25,000,000)		0
OTH - Unallocated Risk Management Adjustments	(3,000)		(3,000)	3,000		0
OTH - Unallocated Lease-Purchase and Rent Adjustments	(25,200)		(25,200)	25,200		0
OTH - Lease Purchase and Rent Adjustments	0		0	1,352,800	(1,352,800)	0
OTH - Unallocated Reverse ASRS 47/53 Split	0	5,600	5,600		1,700	1,700
OTH - Unallocated Retirement Rate Increases	0		0		2,600	2,600
OTH - Employee Retention Payment - One-Time	0		0		11,695,200	11,695,200
TOTAL - OPERATING SPENDING CHANGES	\$3,043,827,500	\$12,008,200	\$3,055,835,700	(\$45,657,600)	\$67,336,600	\$3,065,506,500
CAPITAL SPENDING CHANGES						
Building Renewal						
Arizona Department of Administration	6,500,000		6,500,000	4,175,100	(302,500)	10,372,600
ADC Building Renewal and Preventative Maintenance	4,630,500		4,630,500			4,630,500
ADC Building Renewal \$2.5 M Transfer from Corrections Fund	0		0		Yes	0
Game & Fish Department	522,100		522,100	1,200		523,300
Arizona Lottery Commission	79,200		79,200	6,000		85,200
Arizona Department of Transportation	1,050,000		1,050,000			1,050,000
New Projects						
ADOT '12/'13 Statewide Highway Construction				71,080,000	(52,630,000)	18,450,000
ADOT '12/'13 Controlled Access Highways	87,859,000		87,859,000	(10,548,000)	7,243,000	84,554,000
ADOT '12/'13 Debt Service	122,119,000		122,119,000	(316,000)		121,803,000
ADOT '12/'13 Airport Planning & Development	22,300,400		22,300,400	(375,500)		21,924,900
Game & Fish '12/'13 Property Maintenance	500,000		500,000			500,000
Game & Fish '12/'13 Dam Maintenance	500,000		500,000			500,000
Game & Fish '12/'13 Preventative Maintenance	30,000		30,000			30,000
Lottery '13 Fire Alarm Replacement	0		0		156,300	156,300
TOTAL - CAPITAL SPENDING CHANGES	\$246,090,200	\$0	\$246,090,200	\$64,022,800	(\$45,533,200)	\$264,579,800
TOTAL - ALL OTHER FUND CHANGES	\$3,289,917,700	\$12,008,200	\$3,301,925,900	\$18,365,200	\$21,803,400	\$3,330,086,300

^{1/} Statewide Adjustments are explained further in the *Agency Detail and Allocations* section.

^{2/} Represents original FY 2012 appropriations adjusted for funding formula revisions.

^{3/} The FY 2013 Baseline is relative to the FY 2012 Baseline and does not include the "FY 2012 Change to Base."

**CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS
GENERAL FUND - FY 2013 1/**

General Appropriation Act - Individual Agency	Retirement Rate Reversal	Annual Retirement Contribution 2/ Rate Adjustment 3/	Lease-Purchase Adjustment 4/	Dept of Law Pro Rata Adjustment 5/	FY 2013 Total Statewide Adjustments 6/	FY 2013 Additional Appropriations 7/	Prior Year Statutory Appropriations 8/	FY 2013 Approp Rpt Total	Statewide Adj. Above FY 2012 9/
BUDGET UNITS									
Administration, AZ Department of	\$32,222,200 10/	\$43,600	\$19,000	(\$2,020,800)	(\$33,700)	(\$1,991,900)		\$30,230,300	(\$2,035,500)
Administrative Hearings, Office of	811,100	4,000	2,000	(5,400)	(3,600)	(3,000)		808,100	(7,000)
Agriculture, AZ Department of	7,817,300	31,800	17,100	(31,200)	0	17,700	92,100	7,927,100	(14,100)
AHCCCS	1,397,429,800	113,700	64,400	(600)	0	177,500	0	1,397,607,300	63,800
Attorney General - Department of Law	22,046,500	65,800	114,900	737,700	0	918,400	85,000	23,049,900	852,600
Capital Postconviction Public Defender Ofc, State	0	0	0	0	0	0		0	(2,900)
Charter Schools, State Board for	750,600	3,100	1,600	(4,400)	(2,800)	(2,500)		748,100	(5,600)
Commerce Authority, Arizona	31,500,000 11/	0	0	0	0	0		31,500,000	0
Community Colleges, Arizona	64,192,600	0	0	0	0	0	1,750,000	65,942,600	0
Corporation Commission	586,400	2,200	1,100	(600)	0	2,700		589,100	500
Corrections, State Department of	951,154,600	750,600	7,525,100	(133,000)	(2,893,100)	5,249,600		956,404,200	4,499,000
Deaf and the Blind, Schools for the	20,686,300	60,600	41,900	(128,200)	(74,500)	(100,200)		20,586,100	(160,800)
Economic Security, Department of	576,057,500	821,700	303,600	113,400	0	1,238,700	35,000,000	612,296,200	417,000
Education, Department of	2,544,279,200	53,500	9,300	(26,200)	(43,200)	(6,600)	952,627,700	3,496,900,300	(32,774,900)
Emergency & Military Affairs, Dept of	4,821,000	15,800	8,200	0	(14,600)	9,400	4,003,900	8,834,300	(6,400)
Environmental Quality, Department of	0	0	0	0	0	0	7,000,000	7,000,000	0
Equal Opportunity, Governor's Office of	187,900	800	400	(1,300)	(700)	(800)		187,100	(1,600)
Equalization, State Board of	625,800	2,700	1,200	2,000	(2,200)	3,700		629,500	1,000
Executive Clemency, Board of	826,200	3,500	1,800	(6,700)	(3,300)	(4,700)		821,500	(8,200)
Financial Institutions, State Department of	2,927,000	12,400	6,300	(13,700)	(11,200)	(6,200)		2,920,800	(18,600)
Fire, Building and Life Safety, Department of	1,693,300	7,400	3,600	1,300	(6,500)	5,800		1,699,100	(1,600)
Forester, State	4,052,000	13,800	7,700	2,600	(13,700)	10,400	3,000,000	7,062,400	(3,400)
Geological Survey, Arizona	865,100	3,100	1,800	(13,200)	(3,200)	(11,500)		853,600	(14,600)
Governor, Office of the	6,601,900	30,100	0	(45,400)	0	(15,300)		6,586,600	(45,400)
Gov's Ofc of Strategic Planning & Budgeting	1,874,200	9,200	4,800	(7,900)	(8,600)	(2,500)		1,871,700	(11,700)
Health Services, Department of	587,031,600 12/	237,600	146,300	(35,000)	(259,800)	89,100		587,120,700	(148,500)
Historical Society, Arizona	4,151,100	10,900	6,000	(1,115,300)	(10,600)	(1,109,000)		3,042,100	(1,119,900)
Historical Society, Prescott	652,600	2,700	1,400	0	(2,500)	1,600		654,200	(1,100)
Independent Redistricting Commission	1,450,000 13/	0	700	(2,300)	(3,100)	(4,700)		1,445,300	(4,700)
Indian Affairs, AZ Commission of	54,300	200	100	(700)	(200)	(600)		53,700	(800)
Insurance, Department of	5,184,200	22,200	11,200	(27,300)	(20,700)	(14,600)		5,169,600	(36,800)
Judiciary									
Supreme Court	15,915,700	45,500	0	(283,500)	0	(238,000)		15,677,700	(283,500)
Court of Appeals	13,786,300	69,700	0	(38,400)	0	31,300		13,817,600	(38,400)
Superior Court	79,083,200	17,500	0	0	0	17,500		79,100,700	0
SUBTOTAL - Judiciary	108,785,200	132,700	0	(321,900)	0	(189,200)	0	108,596,000	(321,900)
Juvenile Corrections, Department of	42,929,800	25,400	489,800	155,900	(172,500)	498,600		43,428,400	473,200
Land Department, State	1,231,800	1,800	25,000	0	0	26,800		1,258,600	25,000
Law Enforcement Merit System Council	70,200	400	100	0	(200)	300		70,500	(100)
Legislature									
Auditor General	17,156,000	72,700	38,200	(26,800)	0	84,100		17,240,100	11,400
House of Representatives	12,993,700	45,900	27,500	0	0	73,400		13,067,100	27,500
Joint Legislative Budget Committee	2,399,900	12,400	6,500	0	0	18,900		2,418,800	6,500
Legislative Council	7,854,100	20,100	10,500	0	0	30,600		7,884,700	10,500
Senate	7,985,200	32,000	19,100	0	0	51,100		8,036,300	19,100
SUBTOTAL - Legislature	48,388,900	183,100	101,800	(26,800)	0	258,100	0	48,647,000	75,000
Medical Student Loans, Board of	0	0	0	0	0	0		0	0
Mine Inspector, State	1,185,800	3,700	400	(2,600)	(3,700)	(2,200)		1,183,600	(5,900)
Navigable Stream Adjudication Commission	126,900	400	200	(1,000)	(300)	(700)		126,200	(1,100)
Occupational Safety & Health Review Board	0	0	0	0	0	0		0	0
Pioneers' Home, AZ	1,603,600	5,900	6,100	0	(10,800)	1,200		1,604,800	(4,700)
Postsecondary Education, Commission for	1,396,800	0	0	0	0	0		1,396,800	0
Public Safety, Department of	45,526,200	31,100	106,200	(7,000)	(132,500)	(2,200)		45,524,000	(33,300)
Racing, Arizona Department of	2,029,500	0	0	0	0	0		2,029,500	(4,700)
Radiation Regulatory Agency	743,000	3,300	1,900	0	(3,400)	1,800	676,000	1,420,800	(1,500)
Real Estate Department, State	2,917,300	11,100	5,800	(21,700)	(10,300)	(15,100)		2,902,200	(26,200)
Revenue, Department of	44,129,600	181,500	99,200	1,075,800	(176,200)	1,180,300	132,200	45,442,100	998,800

	General		Annual		Dept of Law Pro Rata	FY 2013 Total Statewide	FY 2013 Additional	Prior Year Statutory	FY 2013 Approp Rpt Total	Statewide Adj. Above FY 2012
	Appropriation Act - Individual Agency	Retirement Rate Reversal	Retirement Contribution Rate Adjustment	Lease-Purchase Adjustment						
School Facilities Board	173,711,200	5,600	2,900	(6,200)	(5,200)	(2,900)			173,708,300	(8,500)
Secretary of State	13,224,400	36,700	29,600	1,667,900	(35,400)	1,698,800			14,923,200	1,662,100
Tax Appeals, State Board of	253,400	1,200	600	800	(1,200)	1,400			254,800	200
Tourism, Office of	7,000,000	0	0	0	0	0			7,000,000	0
Transportation, Department of	50,200	200	100	0	0	300			50,500	100
Treasurer, State	1,115,100	0	0	0	0	0			1,115,100	0
Universities										
Arizona State University - Tempe/DPC	157,397,500	1,397,100	0	0	0	1,397,100		88,315,400	247,110,000	0
Arizona State University - East Campus	12,253,300	101,800	0	0	0	101,800		6,667,200	19,022,300	0
Arizona State University - West Campus	22,823,100	129,800	0	0	0	129,800		10,064,800	33,017,700	0
Northern Arizona University	64,632,400	577,600	0	0	0	577,600		36,394,800	101,604,800	0
Board of Regents	37,199,900	300	0	0	0	300			37,200,200	0
University of Arizona - Main Campus	130,253,500	1,133,900	0	0	0	1,133,900		76,406,100	207,793,500	0
University of Arizona - Health Sciences Center	44,557,600	251,000	0	0	0	251,000		16,776,700	61,585,300	0
SUBTOTAL - Universities	469,117,300	3,591,500	0	0	0	3,591,500	0	234,625,000	707,333,800	0
Veterans' Services, Department of	5,197,100	24,500	11,400	0	(20,200)	15,700			5,212,800	(8,800)
Water Resources, Department of	11,998,300	27,900	13,800	(6,700)	0	35,000			12,033,300	7,100
Weights and Measures, Department of	1,470,000	4,300	2,300	0	(4,100)	2,500			1,472,500	(1,800)
OPERATING BUDGET TOTAL	7,256,733,900	\$6,595,300	\$9,198,700	(\$255,700)	(\$3,987,800)	\$11,550,500	\$132,200	\$1,238,859,700	\$8,507,276,300	(\$27,767,200)
Debt Service Payments	84,119,800	14/ 0	0	0	0	0	0	0	84,119,800	0
Reverse ASRS 47/53 Split	6,602,900	(6,595,300)	0	0	0	(6,595,300)	0	0	7,600	32,722,400
Civic Center Debt Service	0	0	0	0	0	0	0	5,595,000	5,595,000	0
Retirement Rate Increase	9,202,800	0	(9,198,700)	0	0	(9,198,700)	0	0	4,100	(9,198,700)
Health Insurance Holiday 15/	(25,000,000)	0	0	0	0	0	0	0	(25,000,000)	0
AG Pro Rata Change	(3,987,800)	0	0	0	3,987,800	3,987,800	0	0	0	3,987,800
Employee Retention Payments 16/	16,633,400	0	0	0	0	0	0	0	16,633,400	0
Lease-Purchase and Rent Adjustments	0	0	0	3,700	0	3,700	0	0	3,700	3,700
Building Renewal Transfer	0	0	0	252,000	0	252,000	0	0	252,000	252,000
Capital	20,000,000	0	0	0	0	0	0	0	20,000,000	0
Administrative Adjustments	64,384,900	0	0	0	0	0	0	0	64,384,900	0
Revertments	(99,866,100)	0	0	0	0	0	(132,200)	0	(99,998,300)	0
GRAND TOTAL	\$7,328,823,800	\$0	\$0	\$0	\$0	\$0	\$0	\$1,244,454,700	\$8,573,278,500	\$0

- 1/ This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2012, Chapter 294) and the individual agency amount as it appears in the Appropriations Report.
- 2/ Section 132 of the General Appropriation Act (Laws 2012, Chapter 294) appropriates funding in FY 2013 to return the ASRS employer/employee retirement share to 50/50. The FY 2013 funding for the Arizona Department of Education is included in the ADE section of the bill. Section 132 requires JLBC Staff to determine the agency-by-agency distribution of these funds.
- 3/ Section 132 of the General Appropriation Act (Laws 2012, Chapter 294) appropriates \$9,202,800 from the General Fund and \$1,993,700 from Other Appropriated Funds in FY 2013 to fund annual retirement contribution rate adjustments. Section 132 requires JLBC Staff to determine the agency-by-agency distribution of these funds.
- 4/ Section 132 of the General Appropriation Act (Laws 2012, Chapter 294) provides for adjustments in state lease-purchase and rental rate payments. As part of the allocation process, some agencies will receive additional funding while others receive less. In terms of individual agencies, the net impact is a reduction of \$(252,000). The sum of \$252,000 will be allocated to the Arizona Department of Administration (ADOA) for Building Renewal so the total net General Fund impact is \$0. Section 132 requires JLBC Staff to determine the agency-by-agency distribution of these funds.
- 5/ Section 132 of the General Appropriation Act (Laws 2012, Chapter 294) ex-appropriates (reduces) funding in FY 2013 to eliminate the General Fund portion of the Attorney General pro rata adjustment. Section 132 requires JLBC Staff to determine the agency-by-agency distribution of these funds.
- 6/ The FY 2013 Total Statewide Adjustments column is the sum of the following back of the bill adjustments: Retirement Rate Reversal, Dept of Law Pro Rata Adjustment, Annual Retirement Contribution Rate Adjustment, and Lease-Purchase Adjustment.
- 7/ Appropriations separate from the General Appropriation Act (Laws 2012, Chapter 294). Individual bill detail appears in the "Budget Detail" section.
- 8/ Represents ongoing statutory appropriations or appropriations enacted prior to the 2nd Regular Session.
- 9/ 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 2012 budget. The adjustment for the retirement rate reversal (see footnote 2) occurs in both the revised FY 2012 budget and the FY 2013 budget. The difference between the FY 2013 Total Statewide Adjustments column (see footnote 6) and this column is the dollar value of the retirement rate reversal.
- 10/ Includes \$2,000,000 from Section 119 and \$16,800,000 from Section 124.
- 11/ Section 120.
- 12/ Includes \$300,000 from Section 121.
- 13/ Section 123.
- 14/ Section 125.
- 15/ Section 133 of the General Appropriation Act (Laws 2012, Chapter 294) appropriates \$16,633,400 from the General Fund and \$11,695,200 from Other Appropriated Funds in FY 2013 to fund one-time retention payments for all state employees who are uncovered as of September 29, 2012. Allocation will be determined at a later date by JLBC Staff based on a report from ADOA to JLBC by October 15, 2012 on the number of employees awarded a retention payment by fund source. Requires any non-distributed retention payments to revert to the fund of origin.
- 16/ Section 132 of the General Appropriation Act (Laws 2012, Chapter 294) ex-appropriates \$(25,000,000) for one-time Health Insurance Premium Holiday Adjustments. Section 135 requires ADOA to not collect premiums for the self-insured State Employee Health Insurance Program for sufficient pay periods during FY 2013 to generate \$25,000,000 of state General Fund savings. ADOA may determine which pay periods will not have a premium charged. On or before September 1, 2012, ADOA shall report to the JLBC on its plans for implementing the premium holiday. Allocation by agency will be determined at a later date.

	General Appropriation Act - Individual Agency	Retirement Rate Reversal	Annual Retirement Contribution Rate Adjustment	Lease-Purchase Adjustment	FY 2013 Total Statewide Adjustments	FY 2013 Additional Appropriations	Prior Year Statutory Appropriations	FY 2013 Approp Rpt Total	Statewide Adj. Above FY 2012
		^{2/}	^{3/}		^{4/}	^{5/}	^{6/}	^{7/}	^{8/}
Capital Postconviction Public Defender Office Fund	0	0	0	0	0			0	(800)
Chiropractic Examiners, State Board of Board of Chiropractic Examiners Fund	452,100	1,800	900	0	2,700			454,800	900
Contractors, Registrar of Registrar of Contractors Fund	12,002,700	39,900	21,000	(3,800)	57,100			12,059,800	17,200
Corporation Commission Arizona Arts Trust Fund	49,900	200	100	0	300			50,200	100
Investment Management Regulatory and Enforcement Fund	678,700	3,400	2,200	0	5,600			684,300	2,200
Public Access Fund	6,399,600	22,600	14,900	(22,900)	14,600			6,414,200	(8,000)
Securities Regulatory and Enforcement Fund	4,614,100	18,300	11,800	(18,300)	11,800			4,625,900	(6,500)
Utility Regulation Revolving Fund	13,498,600	55,900	28,600	(50,400)	34,100			13,532,700	(21,800)
Total - Corporation Commission	25,240,900	100,400	57,600	(91,600)	66,400	0	0	25,307,300	(34,000)
Corrections, State Department of Alcohol Abuse Treatment Fund	554,400	0	0	0	0			554,400	0
Corrections Fund	27,517,600	0	0	0	0			27,517,600	0
Penitentiary Land Fund	979,200	0	0	0	0			979,200	0
Prison Construction and Operations Fund	11,499,400	0	0	0	0			11,499,400	0
State Charitable, Penal and Reformatory Institutions Land Fund	360,000	0	0	0	0			360,000	0
State Education Fund for Correctional Education	503,500	2,600	6,000	0	8,600			512,100	6,000
Transition Program Fund	3,485,000	0	0	0	0			3,485,000	0
Total - State Department of Corrections	44,899,100	2,600	6,000	0	8,600	0	0	44,907,700	6,000
Cosmetology, Board of Board of Cosmetology Fund	1,742,100	5,500	2,700	0	8,200			1,750,300	2,700
Criminal Justice Commission, Arizona Criminal Justice Enhancement Fund	624,700	3,000	1,400	0	4,400			629,100	1,400
Drug and Gang Prevention Resource Center Fund	234,700	300	200	300	800			235,500	500
State Aid to County Attorneys Fund	973,600	0	0	0	0			973,600	0
Victim Compensation and Assistance Fund	3,792,500	0	0	0	0			3,792,500	0
Total - Arizona Criminal Justice Commission	5,625,500	3,300	1,600	300	5,200	0	0	5,630,700	1,900
Deaf and the Blind, AZ Schools for the Schools for the Deaf and the Blind Fund	13,339,900	59,200	29,600	(132,600)	(43,800)			13,296,100	(103,000)
Deaf and the Hard of Hearing, Comm. for the Telecommunication Fund for the Deaf	3,745,700	4,700	2,600	(4,000)	3,300			3,749,000	(1,400)
Dental Examiners, State Board of Dental Board Fund	1,183,800	3,800	2,000	0	5,800			1,189,600	2,000
Economic Security, Department of Child Abuse Prevention Fund	1,459,100	0	0	0	0			1,459,100	0
Child Support Enforcement Administration Fund	16,534,900	54,700	22,500	(11,000)	66,200			16,601,100	11,500
Children and Family Services Training Program Fund	205,300	900	400	0	1,300			206,600	400
Domestic Violence Shelter Fund	2,220,000	0	0	0	0			2,220,000	0
Federal Child Care and Development Fund Block Grant	130,567,500	0	0	0	0			130,567,500	0
Federal Temporary Assistance for Needy Families Block Grant	220,775,800	0	0	0	0			220,775,800	0
Long Term Care System Fund	74,735,700	500	173,200	165,900	339,600			75,075,300	339,100
Public Assistance Collections Fund	423,900	2,300	900	0	3,200			427,100	900
Special Administration Fund	1,129,900	0	0	0	0			1,129,900	0
Spinal and Head Injuries Trust Fund	1,864,700	2,200	700	0	2,900			1,867,600	700
Statewide Cost Allocation Plan Fund	1,000,000	0	0	0	0			1,000,000	0
Workforce Investment Act Grant	56,029,800	0	2,900	0	2,900			56,032,700	2,900
Total - Department of Economic Security	506,946,600	60,600	200,600	154,900	416,100	0	0	507,362,700	355,500
Education, Department of Department of Education Empowerment Scholarship Account Fund	0	0	0	0	0	200,000		200,000	0

	General	Annual			FY 2013		FY 2013	Prior Year	FY 2013	Statewide Adj.
	Appropriation Act - Individual Agency	Retirement Rate Reversal ^{2/}	Retirement Contribution Rate Adjustment ^{3/}	Lease-Purchase Adjustment ^{4/}	Total Statewide Adjustments ^{5/}	Additional Appropriations ^{6/}	Statutory Appropriations ^{7/}	Approp Rpt Total	Above FY 2012 ^{8/}	
Education Learning and Accountability Fund	1,200,000	0	0	0	0			1,200,000	0	
Permanent State School Fund	46,475,500	0	0	0	0			46,475,500	0	
Proposition 301 Fund	7,000,000	0	0	0	0			7,000,000	0	
Teacher Certification Fund	2,283,800	9,500	9,100	(10,200)	8,400			2,292,200	(1,100)	
Total - Department of Education	56,959,300	9,500	9,100	(10,200)	8,400	200,000	0	57,167,700	(1,100)	
Emergency & Military Affairs, Dept of Emergency Response Fund	132,700	0	0	0	0			132,700	0	
Environmental Quality, Department of									0	
Air Permits Administration Fund	7,008,600	21,000	9,200	0	30,200			7,038,800	9,200	
Air Quality Fund	5,370,400	3,600	5,100	0	8,700			5,379,100	5,100	
Emissions Inspection Fund	28,336,100	14,400	3,800	0	18,200			28,354,300	3,800	
Hazardous Waste Management Fund	1,712,100	4,300	2,500	0	6,800			1,718,900	2,500	
Indirect Cost Recovery Fund	12,873,200	32,500	18,200	84,800	135,500			13,008,700	103,000	
Recycling Fund	1,200,000	0	0	0	0			1,200,000	0	
Solid Waste Fee Fund	1,217,500	6,100	3,000	0	9,100			1,226,600	3,000	
Underground Storage Tank Fund	22,000	0	0	0	0			22,000	0	
Used Oil Fund	138,900	0	0	0	0			138,900	0	
Water Quality Fee Fund	10,347,900	28,800	17,200	0	46,000			10,393,900	17,200	
Total - Department of Environmental Quality Exposition and State Fair Board, AZ	68,226,700	110,700	59,000	84,800	254,500	0	0	68,481,200	143,800	
Arizona Exposition and State Fair Fund	11,096,200	21,800	13,200	0	35,000			11,131,200	13,200	
Financial Institutions, Department of Financial Services Fund	922,400	2,100	1,100	(2,700)	500			922,900	(1,600)	
Funeral Directors and Embalmers, Board of Board of Funeral Directors & Embalmers Fund	339,600	1,400	700	(1,100)	1,000			340,600	(400)	
Game and Fish Department, AZ										
Capital Improvement Plan	1,000,000	0	0	0	0			1,000,000	0	
Game and Fish Fund	32,980,400	0	296,700	0	296,700			33,277,100	296,700	
Game, Nongame, Fish and Endangered Species Fund	334,700	0	3,900	0	3,900			338,600	3,900	
Watercraft Licensing Fund	4,471,400	3,700	29,100	0	32,800			4,504,200	29,100	
Waterfowl Conservation Fund	43,400	0	0	0	0			43,400	0	
Wildlife Endowment Fund	16,000	0	0	0	0			16,000	0	
Total - AZ Game and Fish Department	38,845,900	3,700	329,700	0	333,400	0	0	39,179,300	329,700	
Gaming, Department of										
Tribal-State Compact Fund	1,998,300	0	5,500	0	5,500			2,003,800	5,500	
State Lottery Fund	300,000	0	0	0	0			300,000	0	
Arizona Benefits Fund	9,751,300	0	19,500	13,200	32,700			9,784,000	32,700	
Total - Department of Gaming	12,049,600	0	25,000	13,200	38,200	0	0	12,087,800	38,200	
Governor, Office of the Oil Overcharge Fund	0	0	0	0	0			0	0	
Health Services, Department of										
Arizona State Hospital Fund	12,487,100	13,500	6,800	0	20,300			12,507,400	6,800	
ASH Land Earnings Fund	650,000	0	0	0	0			650,000	0	
Health Services Licensing Fund	7,857,700	33,100	13,500	0	46,600			7,904,300	13,500	
Capital Outlay Stabilization Fund	1,245,500	0	0	(99,000)	(99,000)			1,146,500	(99,000)	
Child Fatality Review Fund	92,700	500	200	0	700			93,400	200	
Emergency Medical Services Operating Fund	5,024,300	13,900	5,800	100	19,800			5,044,100	5,900	
Environmental Laboratory Licensure Revolving Fund	907,200	2,400	1,200	0	3,600			910,800	1,200	
Federal Child Care and Development Fund Block Grant	827,800	0	1,600	0	1,600			829,400	1,600	
Hearing and Speech Professionals Fund	308,100	1,200	600	0	1,800			309,900	600	
Indirect Cost Fund	8,829,200	18,900	9,100	29,500	57,500			8,886,700	38,600	
Long-Term Care System Fund	1,379,600 ^{11/}	0	0	0	0			1,379,600	0	
Newborn Screening Program Fund	6,680,100	8,700	3,800	0	12,500			6,692,600	3,800	
Nursing Care Institution Resident Protection Fund	438,000	0	100	0	100			438,100	100	
Prescription Drug Rebate Fund	0	0	0	0	0			0	0	

	General	Retirement	Annual	Lease-Purchase	FY 2013	FY 2013	Prior Year	FY 2013	Statewide Adj.
	Appropriation Act - Individual Agency	Rate Reversal	Retirement Contribution Rate Adjustment		Total Statewide	Additional	Statutory	Approp Rpt	Above
		2/	3/	4/	5/	6/	7/	Total	FY 2012
				Adjustment	Adjustments	Appropriations	Appropriations		8/
Substance Abuse Services Fund	2,250,000	0	0	0	0			2,250,000	0
Tobacco Tax and Health Care Fund									
Health Research Account	1,000,000	0	0	0	0			1,000,000	0
Tobacco Tax and Health Care Fund									
Medically Needy Account	35,167,000	0	0	0	0			35,167,000	0
Vital Records Electronic System Fund	3,586,000	17,000	4,500	0	21,500			3,607,500	4,500
Total - Department of Health Services	88,730,300	109,200	47,200	(69,400)	87,000	0	0	88,817,300	(22,200)
Homeopathic & Integrated Medicine Examiners, Bd of									
Bd of Homeopathic & Integrated Medicine Exmnr's Fund	107,300	500	200	(400)	300			107,600	(200)
Housing, Department of									
Housing Trust Fund	297,500	4,100	2,300	700	7,100			304,600	3,000
Industrial Commission of AZ									
Industrial Commission Administrative Fund	19,550,400	69,600	36,400	0	106,000			19,656,400	36,400
Judiciary - Supreme Court									
Confidential Intermediary and Fiduciary Fund	478,800	1,700	0	0	1,700			480,500	0
Court Appointed Special Advocate Fund	2,923,800	2,000	0	0	2,000			2,925,800	0
Criminal Justice Enhancement Fund	2,960,300	1,000	0	0	1,000			2,961,300	0
Defensive Driving School Fund	4,120,200	3,600	0	0	3,600			4,123,800	0
Judicial Collection Enhancement Fund	13,787,900	4,400	0	0	4,400			13,792,300	0
State Aid to the Courts Fund	2,944,500	100	0	0	100			2,944,600	0
Total - Supreme Court	27,215,500	12,800	0	0	12,800	0	0	27,228,300	0
Judiciary - Superior Court									
Criminal Justice Enhancement Fund	6,931,300	2,200	0	0	2,200			6,933,500	0
Judicial Collection Enhancement Fund	5,028,900	300	0	0	300			5,029,200	0
Drug Treatment and Education Fund	500,000	0	0	0	0			500,000	0
Total - Superior Court	12,460,200	2,500	0	0	2,500	0	0	12,462,700	0
SUBTOTAL - Judiciary	39,675,700	15,300	0	0	15,300	0	0	39,691,000	0
Juvenile Corrections, Department of									
Criminal Justice Enhancement Fund	528,400	2,200	0	0	2,200			530,600	0
State Charitable, Penal and Reformatory									
Institutions Land Fund	1,098,600	0	0	0	0			1,098,600	0
State Education Fund for Committed Youth	2,233,200	0	28,500	0	28,500			2,261,700	28,500
Total - Department of Juvenile Corrections	3,860,200	2,200	28,500	0	30,700	0	0	3,890,900	28,500
Land Department, State									
Due Diligence Fund	500,000	0	0	0	0			500,000	0
Environmental Special Plate Fund	260,000	0	0	0	0			260,000	0
Risk Management Revolving Fund	9,888,400	0	0	859,000	859,000			10,747,400	859,000
Trust Land Management Fund	3,469,200	0	0	0	0			3,469,200	0
Total - State Land Department	14,117,600	0	0	859,000	859,000	0	0	14,976,600	859,000
Liquor Licenses & Control, Department of									
Liquor Licenses Fund	2,815,600	5,700	31,300	(2,200)	34,800			2,850,400	29,100
Lottery Commission, AZ State									
State Lottery Fund	87,541,700	33,400	17,500	0	50,900			87,592,600	17,500
Medical Board, Arizona									
Arizona Medical Board Fund	5,799,200	19,900	10,500	(20,200)	10,200			5,809,400	(9,700)
Mine Inspector, State									
Aggregate Mining Reclamation Fund	112,500	0	0	0	0			112,500	0
Naturopathic Physicians Medical Board									
Naturopathic Physicians Medical Board Fund	586,000	2,300	1,300	(2,100)	1,500			587,500	(800)
Nursing, State Board of									
Board of Nursing Fund	4,034,300	14,400	7,300	0	21,700			4,056,000	7,300
Nursing Care Institution Administrators Board									
Nursing Care Institution Administrators									
Licensing & Assisted Living Facility									
Managers' Certification Fund	426,000	1,500	700	(1,500)	700			426,700	(800)
Occupational Therapy Examiners, Board of									
Occupational Therapy Fund	161,600	700	400	0	1,100			162,700	400
Opticians, State Board of Dispensing									
Board of Dispensing Opticians Fund	131,100	400	200	(400)	200			131,300	(200)

	General	Retirement Rate Reversal	Annual	Lease-Purchase Adjustment	FY 2013	FY 2013	Prior Year	FY 2013	Statewide Adj.
	Appropriation Act - Individual Agency		Retirement Contribution Rate Adjustment		Total Statewide Adjustments	Additional Appropriations	Statutory Appropriations	Approp Rpt Total	Above FY 2012
State Veterans' Conservatorship Fund	882,300	0	1,800	0	1,800			884,100	1,800
State Home for Veterans' Trust Fund	27,574,700	0	40,000	0	40,000			27,614,700	40,000
Total - Department of Veterans' Services	28,457,000	0	41,800	0	41,800	0	0	28,498,800	41,800
Veterinary Medical Examining Board									
Veterinary Medical Examining Board Fund	455,300	1,800	1,000	(1,500)	1,300			456,600	(500)
Water Resources, Department of									
Assured and Adequate Water Supply Admin Fund	265,300	900	600	0	1,500			266,800	600
Water Resources Fund	100,200	26,000	14,200	0	40,200			140,400	14,200
Total - Department of Water Resources	365,500	26,900	14,800	0	41,700	0	0	407,200	14,800
Weights and Measures, Department of									
Air Quality Fund	1,413,900	3,400	1,800	0	5,200			1,419,100	1,800
Motor Vehicle Liability Insurance Enf. Fund	317,500	1,100	600	0	1,700			319,200	600
Total - Department of Weights and Measures	1,731,400	4,500	2,400	0	6,900	0	0	1,738,300	2,400
OPERATING BUDGET TOTAL	\$3,048,066,800	1,452,500	1,991,100	1,499,600	4,943,200	797,000	0	3,053,807,000	3,497,000
Retirement Increases	1,993,700	0	(1,991,100)	0	(1,991,100)			2,600	(1,991,100)
Employee Retention Payments 12/	11,695,200	0	0	0	0			11,695,200	0
Reverse ASRS 47/53 Split	1,454,200	(1,452,500)	0	0	(1,452,500)			1,700	(3,900)
Lease-Purchase and Rent Adjustments	1,499,600	0	0	(1,499,600)	(1,499,600)			0	(1,499,600)
Capital	264,579,800	0	0	0	0			264,579,800	0
GRAND TOTAL	3,329,289,300	\$0	\$0	\$0	\$0	\$797,000	\$0	\$3,330,086,300	\$2,400

1/ This chart provides a crosswalk between an agency's appropriation in the General Appropriation Act (Laws 2012, Chapter 294) and the individual agency amount as it appears in the Appropriations Report

2/ Section 132 of the General Appropriation Act (Laws 2012, Chapter 294) appropriates funding in FY 2013 to return the ASRS employer/employee retirement share to 50/50. The FY 2013 funding for the Arizona Department of Education is included in the ADE section of the bill. Section 132 requires JLBC Staff to determine the agency-by-agency distribution of these funds

3/ Section 132 of the General Appropriation Act (Laws 2012, Chapter 294) appropriates \$9,202,800 from the General Fund and \$1,993,700 from Other Appropriated Funds in FY 2013 to fund annual retirement contribution rate adjustments. Section 132 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

4/ Section 132 of the General Appropriation Act (Laws 2012, Chapter 294) appropriates \$1,499,600 from Other Appropriated Funds in FY 2013 to fund state lease-purchase and rental rate adjustments. Section 132 requires JLBC Staff to determine the agency-by-agency distribution of these funds.

5/ The FY 2013 Total Statewide Adjustments column is the sum of the following back of the bill adjustments: Retirement Rate Reversal, Annual Retirement Contribution Rate Adjustment, and Lease-Purchase Adjustment

6/ Appropriations separate from the General Appropriation Act (Laws 2012, Chapter 294). Individual bill detail appears in the "Budget Detail" section

7/ Represents ongoing statutory appropriations or appropriations enacted prior to the 2nd Regular Session

8/ 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 2012 budget. The adjustment for the retirement rate reversal (see footnote 2) occurs in both the revised FY 2012 budget and the FY 2013 budget. The difference between the FY 2013 Total Statewide Adjustments column (see footnote 5) and this column is the dollar value of the retirement rate reversal

9/ Includes funding from Section 124.

10/ Includes \$2,000,000 from Section 106.

11/ Section 122.

12/ Section 133 of the General Appropriation Act (Laws 2012, Chapter 294) appropriates \$16,633,400 from the General Fund and \$11,695,200 from Other Appropriated Funds in FY 2013 to fund one-time retention payment for all state employees who are uncovered as of September 29, 2012. Allocation will be determined at a later date by JLBC Staff based on a report from ADOA to JLBC by October 15, 2012 on the number of employees awarded a retention payments by fund source. Requires any non-distributed retention payments to revert to the fund of origin.

CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS EXPENDITURE AUTHORITY - FY 2013

AHCCCS	4,689,788,300	\$113,700	\$64,400	(\$600)	\$177,500	\$0	\$0	\$4,689,965,800	177,500
Economic Security, Department of	675,161,400	298,600	187,300	301,900	787,800	0	0	675,949,200	787,800
Health Services, Department of	837,961,300	2,900	1,800	0	4,700	2,692,800	0	840,658,800	4,700
GRAND TOTAL	\$6,202,911,000	\$415,200	\$253,500	\$301,300	\$970,000	\$2,692,800	\$0	\$6,206,573,800	\$970,000

RISK MANAGEMENT CHARGES

The Risk Management charges for individual agencies are unchanged from FY 2012. *See page 348 of the FY 2012 Appropriations Report for more detail.*

SUMMARY OF ATTORNEY GENERAL LEGAL SERVICES CHARGES ^{1/}

<u>Agency</u>	<u>FY 2013</u>
Administration, Arizona Department of	\$127,700
Administrative Hearings, Office of	3,000
Arts, Arizona Commission on the	3,100
Automobile Theft Authority	1,400
Citizens Clean Election Commission	2,700
Corrections, State Department of	2,000
Criminal Justice Commission, AZ	8,700
Deaf & the Blind, AZ State Schools for the	100,200
Deaf and the Hard of Hearing, Commission for the	4,100
Early Childhood Development & Health, AZ	47,100
Education, Department of	132,000
Emergency and Military Affairs, Department of	115,300
Environmental Quality, Department of	135,600
Equal Opportunity, Governor's Office of	100
Exposition & State Fair Board, AZ	20,900
Financial Institutions, Department of	1,900
Fire, Building, and Life Safety, Department of	2,500
Forester, State	12,100
Gaming, Department of	35,000
Geological Survey, Arizona	6,800
Health Services, Department of	170,000
Historical Society, Arizona	700
Housing, Arizona Department of	18,100
Insurance, Department of	10,500
Juvenile Corrections, Department of	9,400
Land Department, State	2,100
Liquor Licenses & Control, Department of	11,400
Lottery Commission, Arizona State	24,800
Mine Inspector, State	1,200
Parks Board, Arizona State	45,800
Personnel Board	600
Pioneers' Home, AZ	12,100
Postsecondary Education, Commission for	1,800
Public Safety, Department of	677,400
Racing, Arizona Department of	2,300
Radiation Regulatory Agency	3,800
Retirement System, Arizona State	69,100
Revenue, Department of	4,900
School Facilities Board	2,400
Secretary of State, Department of State	1,800
Tourism, Office of	8,100
Treasurer, State	9,200
Veterans' Services, Department of	52,700
Weights and Measures, Department of	4,200
GRAND TOTAL	\$1,906,600

^{1/} Charges are pursuant to the General Appropriation Act. Pursuant to the Criminal Justice BRB (Laws 2012, Chapter 302), the funding sources for the charges may not include General Fund monies, Federal Funds, or other funds that are legally restricted from making such payments.

BUDGET RECONCILIATION BILLS

FY 2013 BUDGET RECONCILIATION BILLS (BRBs)

	<u>Page</u>
State Budget Procedures BRB - Chapter 296 (SB 1525)	347
Criminal Justice BRB - Chapter 302 (SB 1531)	347
Environment BRB - Chapter 303 (SB 1532)	348
Government BRB - Chapter 298 (SB 1527)	349
Health and Welfare BRB - Chapter 299 (SB 1528)	349
Higher Education BRB - Chapter 301 (SB 1528)	351
K-12 Education BRB - Chapter 300 (SB 1529)	352
Revenue BRB - Chapter 297 (SB 1526)	353

FY 2013 BUDGET RECONCILIATION BILLS (BRB) PROVISIONS

STATE BUDGET PROCEDURES - CHAPTER 296 (SB 1525)

Statewide	Section
1. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.	7
2. As session law, notwithstanding A.R.S. § 35-121 to permit annual budgets for all departments.	10
3. As session law, change the FY 2013 Capital Outlay Stabilization Fund (COSF) rental rate charged by the Arizona Department of Administration (ADOA) from \$15.08/square foot to \$13.82/square foot for office space and from \$5.47/square foot to \$5.01/square foot for storage space.	8
4. As session law, notwithstanding A.R.S. § 41-792.01 to require agencies to pay rent for state-owned space based on the budgeted amounts. Includes an intent statement that rental payment calculations in FY 2014 be based on rentable square footage if there is no General Fund impact.	8
5. As permanent law, conform JLBC building status to other legislative buildings.	1,2,4,5
6. As permanent law, exempt the Arizona State Schools for the Deaf and the Blind and the Arizona Historical Society's Papago Park Museum from paying COSF rent to ADOA.	1-3, 11
7. As session law, repeal the FY 2012 provision requiring that any unexpended non-lapsing General Fund monies at the close of FY 2012 be counted as part of the General Fund balance. Provision is retroactive to June 29, 2012. Elimination of this accounting mechanism would have a projected one-time cost of \$29,910,200 in FY 2012.	6
8. As session law, require all Executive Branch agencies to submit a 5-year strategic plan with their regularly scheduled FY 2014 budget request.	9

CRIMINAL JUSTICE - CHAPTER 302 (SB 1531)

Attorney General - Department of Law

9. As session law, continue to raise the non-lapsing cap for the Collections Enforcement Fund from \$100,000 to \$500,000.	23
10. As permanent law, eliminate the Attorney General (AG) Pro Rata charge. Allow the AG to bill agencies up to a total of \$1,906,400 from non-General Fund and non-Federal Fund sources for legal services costs.	6

Capital Postconviction Public Defender Office

11. As permanent law, eliminate the Capital Postconviction Public Defender Office, returning the responsibility to the counties.	1, 2, 6, 12, 13, 24
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State Department of Corrections

12. As permanent law, repeal the requirement scheduled to begin in July 2012 that counties pay for the incarceration of prisoners sentenced to less than 1 year at ADC or to incarcerate them in county facilities.	14, 28
13. As permanent law, eliminate the requirement for a quality and cost review of private prison contracts.	8
14. As permanent law, merge the Transition Services Fund into the Transition Program Fund.	3-5, 26
15. As session law, repeal the requirement from the FY 2010 budget that the department issue and award a Request for Proposals (RFP) for 5,000 private beds.	15
16. As session law, require the department to award contracts by September 1, 2012 for up to 500 male medium-security beds to open on January 1, 2014 and up to 500 additional male medium-security beds to open on January 1, 2015 from the 2,000-bed RFP issued by the department on February 2, 2012. Permit department to award contracts for remainder of 2,000 beds only with legislative authorization.	27
17. As session law, continue to require the department to report actual FY 2012, estimated FY 2013, and requested FY 2014 expenditures as delineated in the prior year when the department submits its FY 2014 budget request pursuant to A.R.S. § 35-113.	16
18. As session law, continue to allow 2 ADC special funds to be used for general operations.	17

19. As permanent law, transfer administration of the Department of Corrections Building Renewal Fund from the ADOA Director to the ADC Director 7

Board of Executive Clemency

20. As session law, specify that members of the Board of Executive Clemency, excluding the Chairman, are paid on an hourly basis and restrict them from being eligible for paid leave or any other benefits provided to state employees. 18

Judiciary

21. As session law, continue to suspend the reporting requirements for the Annual Juvenile Intensive Probation Report, the Community Punishment Program Report, the Emancipation of Minors Report, the Annual Drug Treatment and Education Fund Report, the Annual Child Support Committee Report, and the Annual Domestic Relations Committee Report. 20
22. 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. 21
23. As session law, continue to 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. 22

Department of Public Safety

24. As permanent law, allow monies in the Public Safety Equipment Fund from any source to be used to purchase vehicles. 9
25. As permanent law, allow monies in the Crime Lab Operations Fund to be used for any department operations. 11
26. As permanent law, clarify that all GIITEM subaccount monies are to be distributed to local law enforcement agencies. 10
27. As session law, continue to suspend the schedule established by A.R.S. § 28-6537 governing the level of Highway User Revenue Fund (HURF) revenues available to fund DPS's Highway Patrol costs. 19
28. As session law, after July 1, 2012 deposit any monies remaining in the Photo Enforcement Fund and any new revenues in the General Fund. 25

ENVIRONMENT - CHAPTER 303 (SB 1532)

Arizona Department of Agriculture

29. As session law, permit the Director, upon recommendation from the Agricultural Advisory Council, to continue to allow special fee authority in FY 2013. The bill includes an intent clause that limits additional revenues up to \$218,000 to the General Fund, \$113,000 to the Pesticide Trust Fund and \$26,000 to the Dangerous Plants, Pests and Diseases Trust Fund. 15

Department of Environmental Quality

30. As session law, allow the department to utilize up to \$6,531,000 from a combination of the Underground Storage Tank (UST) Fund and the Regulated Substance Fund in FY 2013 for department administrative expenses. 14
31. 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. 18
32. As session law, require the department to transfer all permits relating to the ownership and operation of a wastewater plant to the applicable city or town. 12
33. As session law, allow \$1,800,000 of the department's Emissions Inspection Fund monies to be spent on the Safe Drinking Water Program in FY 2013. 9
34. As session law, require the State Agency Fee Commission to review the department's Vehicle Emissions Inspection fees and include a recommendation on a fee reduction and other fund uses in the December 31, 2012 report to the Governor, Speaker, and President. 20

State Land Department

35. As session law, allow the State Land Commissioner before June 30, 2013 to grant an additional extension of up to 5 years for payment of certificates of purchase for state trust land auctioned between January 1, 2004 and December 31, 2007. 11

Arizona Navigable Stream Adjudication Commission

36. As session law, continue to allow up to \$80,000 from the Risk Management Revolving Fund to be spent for the commission's unpaid legal obligations. 17

Arizona State Parks Board

37. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs. 13
38. As permanent law, eliminate the State Parks Enhancement Fund, the Reservation Surcharge Revolving Fund, and the Publications and Souvenir Revolving Fund, and consolidate their revenue sources into a new appropriated State Parks Revenue Fund. Specifies monies in the fund shall not be used in a manner inconsistent with deed or lease restrictions. 1-7, 19

Department of Water Resources

39. As permanent law, repeal the municipality special fee authority. As session law, continue to allow the department non-municipality special fee authority, including an intent clause that limits additional revenue up to \$100,200. 8, 16
40. As session law, allow the department's Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2013. 10

GOVERNMENT - CHAPTER 298 (SB 1527)

Statewide

41. As permanent law, remove the November 1 biennial reporting requirement that JLBC report on eliminating state funds and converting more funds to appropriated status and replace with annual report by December 1 from JLBC on statutorily deleted and newly created funds and funds that changed appropriated status from the prior fiscal year. 2
42. As permanent law, establish the Automation Projects Fund which consists of monies appropriated by the Legislature. (The General Appropriation Act appropriates \$16,800,000 from the General Fund and \$11,300,000 from other state funds to the Automation Projects Fund in FY 2013 and a total of \$63,000,000 from the General Fund in FY 2014 through FY 2016.) Monies in the fund shall be used to implement information technology improvements, upon review of JLBC. 1

Office of Administrative Hearings

43. As session law, continue to suspend the requirement that the office hear appealed actions and contested cases within 60 days of the filing. 4

Department of Emergency and Military Affairs

44. As session law, continue the \$(1,100,000) reduction to the Governor's Emergency Fund deposit in FY 2013. 1

HEALTH AND WELFARE - CHAPTER 299 (SB 1528)

Arizona Department of Administration

45. As session law, continue to prohibit implementation of a differentiated health insurance premium in FY 2013 based on the integrated or non-integrated status of the provider. 12
46. As session law, clarify that ADOA must submit a dental self-insurance plan to the JLBC for review prior to switching to self-insurance. 30

AHCCCS

Rates and Services

47. As session law, continue to set AHCCCS ambulance reimbursement rates at 68.59% of the Department of Health Services (DHS) approved rates from October 1, 2012 to September 30, 2013. 18
48. As permanent law, eliminate requirement that AHCCCS reimburse ambulance providers in proportion to DHS-set rates. 3
49. 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. 21
50. As session law, allow AHCCCS not to adjust outpatient hospital fee schedules by inflation in the contract year beginning October 1, 2012. 19
51. As session law, allow AHCCCS to continue the 5% reduction in payments for institutional and noninstitutional services in the contract year beginning October 1, 2012. 20
52. As session law, state that it is the intent of the Legislature that AHCCCS not increase capitation rates more than 3% in FY 2014 and FY 2015. 35
53. As session law, state that it is the intent of the Legislature that AHCCCS revise its rules to eliminate adjustments to outpatient hospital fee schedule rates by any inflation index. 34
54. As permanent law, expand AHCCCS coverage to all women under age 65 with an income at or below 250% of the federal poverty level who are diagnosed with breast or cervical cancer by a provider recognized by Well Women Healthcheck program. 4
55. As session law, require AHCCCS to monitor contractor compliance and performance requirements in the provision of covered dental services to eligible members. 31

Counties

56. As session law, set FY 2013 county Arizona Long Term Care System (ALTCs) contributions at \$243,220,500. 9
57. As session law, set the County Acute Care contribution at \$48,225,500. This amount includes an inflation indexing of the Maricopa County contribution as required by Laws 2005, Chapter 328. 15
58. As session law, require AHCCCS to transfer any excess monies back to the counties by December 31, 2013 if the counties' proportion of state match exceeds the proportion allowed in order to comply with the Federal Affordable Care Act. 14
59. 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. 16
60. As session law, continue to exclude Proposition 204 administration costs from county expenditure limitations. 17

Hospitals

61. As session law, establish FY 2013 disproportionate share distributions to the Maricopa County Hospital District, the Arizona State Hospital, private qualifying disproportionate share hospitals, and Yuma Regional Medical Center. 13
62. As session law, continue to permit local governments, tribal governments, and universities to contribute state match monies for disproportionate share hospital payments in FY 2013. 13
63. As session law, require AHCCCS to deposit \$8,541,400 into DES' Long Term Care System Fund if Maricopa County Hospital District certifies more than \$55,507,900 for disproportionate share hospital expenses in FY 2012. Retroactive to May 31, 2012. 6
64. As session law, limit the disproportionate share payment attributed to Maricopa County Special Health District in FY 2012 and FY 2013 to \$89,877,700. 6, 13

Erroneous Payments

65. 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. 33
66. As session law, permit AHCCCS to recover erroneous Medicare payments made due to errors by the federal Social Security Administration. Subject to legislative appropriation, any credits received may be used to pay for the AHCCCS program in the year they are received. 22

Available Funding

67. As session law, continue to state that it is the intent of the Legislature that AHCCCS implement a program within its available funding. 32
68. As session law, repeal Section 34 of the FY 2012 Health BRB (Laws 2011, Chapter 31) which allows AHCCCS to notwithstanding any other law and exempts AHCCCS from rule making authority to implement a program within its available funding through the effective date of the act. Requires any 7, 8

	provisions enacted using the authority provided in section 34 of the FY 2012 Health BRB be permanently authorized by December 31, 2013 in order for the provisions to continue beyond that date.	
69.	As session law, authorize AHCCCS to apply for additional federal funding through January 1, 2014 for trauma centers, emergency departments, and rural hospitals. Provides a rule making exemption for this provision through October 1, 2012.	23
70.	As session law, exempt AHCCCS from rule making procedures through October 1, 2012 for the reimbursement methodology for community health centers prescription drug costs.	24
71.	As session law, exempt AHCCCS from rule making procedures through December 31, 2012 to revise AHCCCS ambulance provider rates.	25
<i>Reconciliation Payments</i>		
72.	As permanent law, require AHCCCS to deposit reconciliation payments or penalties against program contractors or health plans into the General Fund or the fund from which the appropriation was originally made. Prohibit these payments or penalties from being credited against future payments to the program contractor or health plan.	1

Department of Economic Security

73.	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.	29
74.	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.	28
75.	As session law, allow use of Long Term Care System Fund for any DES operational or programmatic expenses in FY 2013.	27

Department of Health Services

76.	As session law, continue to require all cities and counties to pay 100% of cost of Restoration to Competency treatment in FY 2013. Allows counties to use any source of county revenue to make the transfers.	11
77.	As session law, continue to require counties to pay 50% of the cost of treatment and confinement for sexually violent persons. Allow counties to use any source of county revenue to make the transfers and exempt county contributions from county expenditure limitations.	10
78.	As permanent law, require DHS to deposit reconciliation payments or penalties against program contractors or health plans into the General Fund or the fund from which the appropriation was originally made. Prohibit these payments or penalties from being credited against future payments to the program contractor or health plan.	1
79.	As permanent law, require DHS to report annually on behavioral health demographics, utilization and expenditures beginning October 1, 2013. Require that the Directors of the JLBC and OSPB agree to the content of the report by August 1, 2012.	5
80.	As session law, notwithstanding A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health Care Fund - Health Research Account for Alzheimer's disease research.	26
81.	As permanent law, remove the \$40 cap for the second test administered by the Newborn Screening Program.	2

HIGHER EDUCATION - CHAPTER 301 (SB 1530)

Arizona Community Colleges

82.	As session law, continue to suspend capital outlay funding for FY 2013.	7
83.	As session law, continue to notwithstanding the 20% cap to the community college districts' ability to use capital outlay monies for operating.	8
84.	As permanent law, eliminate the requirement that community college districts present quarterly appropriated funding requests to the Department of Administration.	1
85.	As permanent law, allow provisional community college districts to receive Proposition 301 Workforce Development monies directly without having their shares flow through non-provisional districts.	2, 5
86.	As permanent law, limits tribal community college districts that are able to receive 10%, up to \$1,750,000, of Transaction Privilege Tax revenues to those in a tribe that enters into an initial compact with the Governor prior to September 1, 2012.	6

Universities

- 87. 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
- 88. As permanent law, require the Arizona Board of Regents and the universities to adopt a performance funding model by July 1, 2012 and require the universities to base their annual budget requests on the adopted performance funding model. 3

Board of Medical Student Loans

- 89. As permanent law, transfer all Medical Student Loan Fund balances and revenues to the Primary Care Loan Repayment Program, which is administered by the Department of Health Services. 4

K-12 EDUCATION - CHAPTER 300 (SB I529)

Department of Education

Formula Requirements

- 90. As permanent law, increase by 2.0% 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, 7
- 91. As permanent law, maintain at \$3,267.72 for FY 2013 the per pupil “base level” amount prescribed in A.R.S. § 15-901B2 (unchanged from FY 2012). 5

Funding Formula Changes

- 92. As session law, reduce school districts’ Soft Capital funding by \$158,120,700. (In FY 2012, Soft Capital funding was reduced by \$188,120,700, but \$30,000,000 of that reduction is being shifted to the Capital Outlay Revenue Limit (CORL) for FY 2013 because of declining Soft Capital formula totals.) As session law, reduce Soft Capital funding to school districts that do not receive state aid for FY 2013 by the amount that would be reduced if they did qualify for state aid for FY 2013. 13
- 93. As session law, reduce charter school Additional Assistance funding by \$15,656,000 below the level that otherwise would be funded pursuant to A.R.S. § 15-185B4. This reduction is \$2,000,000 less than last year. 11
- 94. As session law, reduce school district’s CORL funding by \$80,864,800. (In FY 2012, CORL funding was reduced by \$63,864,800, but that amount is being increased by \$30,000,000 for FY 2013 in order to offset a corresponding decrease in the Soft Capital reduction for FY 2013, as described above. This adjustment was then adjusted downward by \$13,000,000 to increase state aid.) As session law, continue to reduce CORL funding to school districts that do not receive state aid for FY 2013 by the amount that would be reduced if they did qualify for state aid for FY 2013. 17
- 95. As session law, continue to 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. 18
- 96. As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2013 at 91% of the formula requirement. 12

K-3 Reading

- 97. As permanent law, establish a K-3 reading program and new K-3 reading formula funding weight to improve the reading proficiency of pupils in grades K-3. Requires all school districts and charter schools to 1) submit a plan and data for their K-3 reading program to the State Board of Education annually by October 1, and 2) use monies generated by the new K-3 reading formula funding weight only on K-3 reading programs. Also requires school districts and charter schools with a letter grade of “C, D or F” or with more than 10% of their 3rd graders reading “far below” the 3rd grade level to receive State Board of Education approval of their program plan before receiving program funding. 2, 5, 6

Other

- 98. As session law, continue to suspend new funding for the Early Graduation program, but continue to fund existing students with available fund balances. 14
- 99. As session law, continue to require community colleges and universities to transfer \$6 per pupil to the Arizona Department of Education (ADE) by December 1, 2012 for deposit into the Education Learning and Accountability Fund. 19
- 100. As permanent law, make the Education Learning and Accountability Fund subject to appropriation only for non-state General Fund monies. 3
- 101. As permanent law, allow JTEDs to fund 8th grade pupils with monies generated by the 5¢ JTED Qualifying Tax Rate. 4

School Facilities Board

102. As permanent law, include district-owned space that is leased to another entity, including a district-sponsored charter school, in the total square footage used when computing whether a district has a space deficiency and whether it is entitled to New School Facilities Fund funding. 8, 10
103. As permanent law, prohibit a school district from using building renewal grant funding on any project in a building, or part of a building, that is being leased to another entity, including a district-sponsored charter school. 9
104. 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 in FY 2013. Continue to require school districts to submit capital plans annually in FY 2013 and permit SFB to review and award new school facilities, subject to future appropriations. Includes legislative intent to evaluate long-term funding for new school facilities on review of additional demographic and other information submitted in school district capital plans. 15
105. As session law, continue to suspend the Building Renewal Fund formula for FY 2013. 16

REVENUE - CHAPTER 297 (SB I526)**Registrar of Contractors**

106. 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. 27

Department of Insurance

107. As session law, continue to notwithstanding the provision that fees collected by the department fall between 95% and 110% of the department's appropriation. 28

Arizona State Lottery Commission

108. As permanent law, eliminate outdated references to a distribution to the Arizona Commerce Authority, conforming to the intent of the 2011 Jobs Bill (Laws 2011, 1st Special Session, Chapter 1). 3-5
109. As permanent law, reorganize the annual distribution of \$3,500,000 made from the Lottery Fund to the Arizona Competes Fund, so that the distribution occurs after the General Fund has received its statutory limit. 6
110. As permanent law, conform statutory references to new State Lottery Commission section numbers that become effective July 1, 2012. 7, 8, 10, 11, 13, 14, 17-22

Office of Pest Management

111. As session law, continue the FY 2012 fee raising authority in FY 2013 for the Office of Pest Management. The bill would add an intent clause that limits additional revenues to \$525,000. 24

Department of Racing

112. As permanent law, the Department of Racing is authorized to accept donations and grants for deposit into the Racing Regulation Fund. 2
113. As permanent law, deposit pari-mutuel taxes from wagering at horse and dog racing facilities into the Racing Regulation Fund instead of the General Fund. 1, 2
114. As session law, continue the FY 2012 rulemaking exemption relating to establishing fees for the Department of Racing until the end of FY 2013. 23

Radiation Regulatory Agency

115. As session law, continue the FY 2012 fee raising authority in FY 2013 for the Radiation Regulatory Agency. The bill would add an intent clause that limits additional revenues to \$561,000. 24

Department of Real Estate

116. As permanent law, allow the Department of Real Estate to set fees for licensing real estate school and instructors by rule. Exempts the department from rulemaking related to these fees in FY 2013. 12, 29

Office of Tourism

117. As permanent law, eliminate the Tourism Funding Formula in A.R.S. § 42-5029. Statute currently contains the formula, but specifies it is inactive until legislative authorization is given to reactivate the formula. 9, 15, 16

Revenues

118. As session law, notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund through FY 2015. 25
119. As session law, allow counties to use any source of county revenue to meet a county fiscal obligation for FY 2013. Requires counties using this authority to report to the Director of JLBC on the intended amount and sources of funds by October 1, 2012. 26

**FY 2012
GENERAL FUND ADJUSTMENTS**

FY 2012 GENERAL FUND ADJUSTMENTS

	FY 2011 Actual	FY 2012 Original ^{1/}	Baseline Adjustments ^{2/}	FY 2012 JLBC Baseline	Session Changes	FY 2012 Enacted
REVENUES						
Ongoing Revenues	\$7,665,383,500	\$7,807,111,600	\$258,151,200	\$8,065,262,800		\$8,065,262,800
1¢ Sales Tax	864,501,700	901,024,500	(\$6,691,800)	894,332,700		894,332,700
Urban Revenue Sharing	(474,006,500)	(424,423,400)		(424,423,400)		(424,423,400)
Net On-going Revenues	\$8,055,878,700	\$8,283,712,700	\$251,459,400	\$8,535,172,100	\$0	\$8,535,172,100
One-time Financing Sources						
Balance Forward	(5,723,000)	(332,260,300)	335,503,300	3,243,000		3,243,000
County Contributions	34,600,000	38,600,000 ^{3/}		38,600,000		38,600,000
Budget Legislation Changes	36,044,000	23,000,000	(9,132,600)	13,867,400		13,867,400
Budget Stabilization Fund Transfer					(250,000,000)	(250,000,000)
Fund Transfers	257,181,100	318,277,700 ^{3/}		318,277,700	(11,874,200)	306,403,500
Subtotal One-time Revenues	\$322,102,100	\$47,617,400	\$326,370,700	\$373,988,100	(\$261,874,200)	\$112,113,900
Total Revenues	\$8,377,980,800	\$8,331,330,100	\$577,830,100	\$8,909,160,200	(\$261,874,200)	\$8,647,286,000
EXPENDITURES						
Operating Budget Appropriations	\$9,356,542,600	\$8,227,385,600	\$12,087,100	\$8,239,472,700	\$56,191,000	\$8,295,663,700
Administrative Adjustments	74,488,500	73,388,300	(15,694,200)	57,694,100		57,694,100
Reversions	(88,760,100)	(111,256,400)	12,202,700	(99,053,700)		(99,053,700)
Asset Sale/Lease-Back Debt Service	52,066,900	49,050,700		49,050,700		49,050,700
Subtotal Ongoing Expenditures	\$9,394,337,900	\$8,238,568,200	\$8,595,600	\$8,247,163,800	\$56,191,000	\$8,303,354,800
One-time Expenditures						
Capital Outlay	\$4,000,000					
Temporary Federal Assistance	(973,385,200)					
SFB Debt Refinance	(60,000,000)					
Additional (27th) Pay Period		79,000,000		79,000,000		79,000,000
Statutory Reversions					29,910,200	29,910,200
Eliminate AHCCCS Payment Deferrals					112,600,700	112,600,700
Subtotal One-time Expenditures	(\$1,029,385,200)	\$79,000,000	\$0	\$79,000,000	\$142,510,900	\$221,510,900
Total Expenditures	\$8,364,952,700	\$8,317,568,200	\$8,595,600	\$8,326,163,800	\$198,701,900	\$8,524,865,700
Ending Balance	\$3,243,000	\$13,761,900	\$569,234,500	\$582,996,400	(\$460,576,100)	\$122,420,300
<i>Structural Balance (with 1¢ TPT Increase) ^{4/}</i>	<i>(\$1,338,459,200)</i>	<i>\$45,144,500</i>	<i>\$242,863,800</i>	<i>\$288,008,300</i>	<i>(\$56,191,000)</i>	<i>\$231,817,300</i>

^{1/} Reflects the FY 2012 budget as published in the *FY 2012 Appropriations Report*.

^{2/} Reflect forecast adjustments to revenue and other technical adjustments.

^{3/} The \$100.8 million in county contributions has been shifted from ongoing revenues to one-time revenues (\$38.6 million) and fund transfers (\$62.2 million).

^{4/} This calculation reflects the difference between ongoing revenues and expenditures.

FY 2012 GENERAL FUND ADJUSTMENTS

FY 2012 Budget Revision — The preceding chart illustrates the changes to the FY 2012 budget from the publication of the *FY 2012 Appropriations Report* in May 2011 (incorporating changes through the 50th Legislature, 1st Regular Session) to the current estimate in this *FY 2013 Appropriations Report*. The chart includes the projected FY 2012 mid-year budget surplus and the changes from the passage of bills in the 2nd Regular Session of the 50th Legislature addressing the FY 2012 budget.

Original Budget Estimate — At the time of the publication of the *FY 2012 Appropriations Report* in May 2011, the FY 2012 budget was expected to have a \$14 million surplus.

Mid-Year Surplus — As estimated in January 2012, higher-than-expected revenues together with other changes led to the state’s projected FY 2012 ending balance growing from \$14 million to \$583 million. The components of this \$569 million shift were as follows:

	(\$ in M)
• Elimination of FY 2011 Shortfall	336
• Increase in FY 2012 Revenues	251
• Lower Tax Amnesty Receipts	(9)
• No Enhanced Health Savings	(12)
• Technical Adjustments	3
Total	\$569

As enacted in April 2011, the original FY 2012 budget included \$332 million to pay off an anticipated FY 2011 shortfall. The FY 2011 revenue growth at the end of the year, however, was stronger than originally budgeted. The state ran a slight balance, thereby freeing up \$336 million in the FY 2012 budget.

This stronger revenue growth was estimated to continue into FY 2012. Although the enacted FY 2012 budget’s 5.6% base revenue increase was revised down to 5.3% in the January 2012 estimates, the higher FY 2011 revenue base meant \$255 million of additional FY 2012 collections.

These higher revenues were offset slightly by lower-than-budgeted savings from 2 FY 2012 adjustments:

- \$(9) million in fewer receipts from the September 2011 tax amnesty program, which generated only \$12.9 million in revenues instead of the \$22 million budgeted.
- \$(12) million from the lack of savings associated with the implementation of enhanced Health Savings Accounts by the Arizona Department of Administration; the FY 2012 budget budgeted \$12 million in operating budget savings from these enhanced accounts.

Technical re-estimations of administrative adjustments and revertments added a net \$4 million to the surplus.

2nd Regular Session — Laws 2012, Chapter 294, the General Appropriation Act, also made a series of changes to the FY 2012 budget that reduced the projected ending balance of \$583 million by \$461 million, allocated as follows:

Mid-Year FY 2012 Changes	(\$ in M)
• Budget Stabilization Fund Deposit	\$250
• Reduced Fund Transfers	12
• Supplemental Spending	56
• End use of Non-Lapsing Funds	30
• Eliminate AHCCCS Rollover	113
Total	\$461

The final FY 2012 budget deposited \$250 million into the Budget Stabilization Fund in FY 2012; the FY 2013 budget deposited an additional \$200 million (*please see the Budget Stabilization Fund section*). The revised budget also reduced fund transfer revenue by \$(12) million, primarily the result of reducing the estimated fund transfer from the Citizens Clean Elections Fund by \$(10) million. The budget also transferred \$(1.9) million back to non-General Fund accounts to reflect the reversal of the 53/47 employee/employer split of Arizona State Retirement System (ASRS) premiums. (*Please see the Fund Transfers discussion on page 296.*)

The budget added \$56 million in new FY 2012 spending, including \$39 million for the return to a 50/50 employee/employer split of Arizona State Retirement System premiums, \$11.5 million in School Facilities Board building renewal monies, \$2.5 million for Arizona State Hospital funding in the Department of Health Services, \$1.9 million for the costs of Congressional special elections, \$700,000 for the Independent Redistricting Commission, and \$75,000 for the Corporation Commission. Additionally, Laws 2012, Chapter 291 appropriated \$198,300 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. (*See individual agency narratives and Detailed List of General Fund Changes by Agency.*)

In addition to these changes, the final FY 2012 budget ends 2 “rollovers” with one-time costs as follows:

- \$30 million for ending the accounting procedure of temporarily counting non-lapsing funds toward the ending balance, also known as the “Midnight Reversion” (*see the General Provisions section*).
- \$113 million for ending AHCCCS’ rollover of 1 to 2 months of capitation payments to large vendors (*see AHCCCS narrative*).

With an estimated January FY 2012 ending balance of \$583 million and \$461 million in subsequent changes, the FY 2012 budget was estimated to have an ending balance of \$122 million.

Other Fund — The FY 2012 revisions included \$97.3 million in Other Fund supplementals. This amount included \$85 million from the Prescription Drug Rebate Fund to AHCCCS and the Department of Health Services to pay regular program expenses. The Arizona Department of Administration also received \$10 million from the Risk Management Fund to refund a portion of certain fund balances to the federal government.

The FY 2012 revisions also included \$1.5 million to increase other appropriated expenditure authority for the reversal of the 53/47 ASRS retirement split.

FY 2012 GENERAL FUND CROSSWALK - ORIGINAL TO FINAL ESTIMATES !/

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals 2/	Retirement Rate Reversal 3/	FY 2012 Additional Appropriations 4/	Enacted FY 2012
<u>BUDGET UNITS</u>						
Administration, AZ Department of	\$14,858,600			\$43,600	\$198,300	\$15,100,500
Administrative Hearings, Office of	811,100			4,000		815,100
Agriculture, AZ Department of	7,909,400			31,800		7,941,200
AHCCCS	1,363,735,000		112,600,700	113,700		1,476,449,400
Attorney General - Department of Law	16,931,500			65,800		16,997,300
Capital Postconviction Public Defender Ofc, State	688,900			2,900		691,800
Charter Schools, State Board for	750,600			3,100		753,700
Commerce Authority, Arizona	31,500,000			0		31,500,000
Community Colleges, Arizona	71,089,000	87,100 5/		0		71,176,100
Corporation Commission	316,400	195,000 6/	75,000	2,200		588,600
Corrections, State Department of	948,188,600			750,600		948,939,200
Deaf and the Blind, Schools for the	20,686,300			60,600		20,746,900
Economic Security, Department of	602,603,300		(12,300,000)	821,700		591,125,000
Education, Department of	3,436,528,700			32,768,300		3,469,297,000
Emergency & Military Affairs, Dept of	8,815,300			15,800		8,831,100
Environmental Quality, Department of	7,000,000			0		7,000,000
Equal Opportunity, Governor's Office of	187,900			800		188,700
Equalization, State Board of	625,800			2,700		628,500
Executive Clemency, Board of	790,500			3,500		794,000
Financial Institutions, State Department of	2,726,600			12,400		2,739,000
Fire, Building and Life Safety, Department of	1,693,300			7,400		1,700,700
Forester, State	6,052,000			13,800		6,065,800
Geological Survey, Arizona	865,100			3,100		868,200
Governor, Office of the	6,601,900			30,100		6,632,000
Gov's Ofc of Strategic Planning & Budgeting	1,874,200			9,200		1,883,400
Health Services, Department of	494,294,800		14,800,000	237,600		509,332,400
Historical Society, Arizona	4,151,100			10,900		4,162,000
Historical Society, Prescott	652,600			2,700		655,300
Independent Redistricting Commission	3,000,000			0	700,000	3,700,000
Indian Affairs, AZ Commission of	54,300			200		54,500
Insurance, Department of	5,184,200			22,200		5,206,400
Judiciary						
Supreme Court	16,153,000	(237,300) 6/		45,500		15,961,200
Court of Appeals	13,786,300			69,700		13,856,000
Superior Court	79,083,200			17,500		79,100,700
SUBTOTAL - Judiciary	109,022,500	(237,300)	0	132,700	0	108,917,900
Juvenile Corrections, Department of	46,729,800			25,400		46,755,200
Land Department, State	1,231,800			1,800		1,233,600
Law Enforcement Merit System Council	70,200			400		70,600
Legislature						
Auditor General	16,156,000			72,700		16,228,700
House of Representatives	12,993,700			45,900		13,039,600

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals ^{2/}	Retirement Rate Reversal ^{3/}	FY 2012 Additional Appropriations ^{4/}	Enacted FY 2012
Joint Legislative Budget Committee	2,399,900			12,400		2,412,300
Legislative Council	4,654,100			20,100		4,674,200
Senate	7,985,200			32,000		8,017,200
SUBTOTAL - Legislature	44,188,900	0	0	183,100	0	44,372,000
Medical Student Loans, Board of	67,000			0		67,000
Mine Inspector, State	1,185,800			3,700		1,189,500
Navigable Stream Adjudication Commission	126,900			400		127,300
Occupational Safety & Health Review Board	15,000			0		15,000
Pioneers' Home, AZ	1,603,600			5,900		1,609,500
Postsecondary Education, Commission for	1,396,800			0		1,396,800
Public Safety, Department of	46,526,200			31,100		46,557,300
Racing, Arizona Department of	2,781,600			4,700		2,786,300
Radiation Regulatory Agency	1,459,000			3,300		1,462,300
Real Estate Department, State	2,656,700			11,100		2,667,800
Revenue, Department of	44,129,600			181,500		44,311,100
School Facilities Board	164,087,200		11,500,000	5,600		175,592,800
Secretary of State	13,309,400		1,900,000	36,700		15,246,100
Tax Appeals, State Board of	253,400			1,200		254,600
Tourism, Office of	0			0		0
Transportation, Department of	50,200			200		50,400
Treasurer, State	1,115,100			0		1,115,100
Universities						
Arizona State University - Tempe/DPC	247,742,900			1,397,100		249,140,000
Arizona State University - East Campus	19,076,800			101,800		19,178,600
Arizona State University - West Campus	33,159,600			129,800		33,289,400
Northern Arizona University	101,861,800			577,600		102,439,400
Board of Regents	16,926,200			300		16,926,500
University of Arizona - Main Campus	208,367,000			1,133,900		209,500,900
University of Arizona - Health Sciences Center	55,334,300			251,000		55,585,300
SUBTOTAL - Universities	682,468,600	0	0	3,591,500	0	686,060,100
Veterans' Services, Department of	7,050,700			24,500		7,075,200
Water Resources, Department of	5,698,300			27,900		5,726,200
Weights and Measures, Department of	1,165,000			4,300		1,169,300
OPERATING BUDGET TOTAL	\$8,239,556,300	\$44,800	\$128,575,700	\$39,317,700	\$898,300	\$8,408,392,800
Health Savings Account Enhancements	(12,000,000)	12,000,000 ^{7/}		0		0
Unallocated Uncaptured Pay Savings	(11,300)			0		(11,300)
Additional Pay Period	79,000,000			0		79,000,000
Debt Service Payments	49,050,700			0		49,050,700
Reverse ASRS 47/53 Split	0		39,317,700	(39,317,700)		0
Unallocated Risk Management Adjustments	(1,700)			0		(1,700)
Unallocated Lease-Purchase/Rent Adjustments	(157,700)	42,300		0		(115,400)
Capital	0			0		0
Administrative Adjustments	73,388,300	(15,694,200)		0		57,694,100
Statutory Revertments ^{8/}	0		29,910,200	0		29,910,200
Revertments	(111,256,400)	12,202,700		0		(99,053,700)

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals	2/ Retirement Rate Reversal	3/ FY 2012 Additional Appropriations	4/ Enacted FY 2012
GRAND TOTAL	\$8,317,568,200	\$8,595,600	\$197,803,600	\$0	\$898,300	\$8,524,865,700

1/ This chart provides a crosswalk between an agency's original appropriation in the *FY 2012 Appropriations Report* and its final FY 2012 appropriation, excluding capital appropriations.

2/ Reflects changes from the General Appropriation Act (Laws 2012, Chapter 294)

3/ Laws 2012, Chapter 304 (HB 2264) appropriates funding in FY 2012 to return the ASRS employer/employee retirement share to 50/50. The FY 2012 funding for the Arizona Department of Education is included in the ADE section of the bill. In addition, \$1.9 million of non-General Fund transfers to the General Fund were reversed and are displayed as revenue.

4/ Appropriations separate from the General Appropriation Act (Laws 2012, Chapter 294) enacted in 2nd Regular Session. Individual bill detail appears in the "Budget Detail" section.

5/ Adjusted to reflect the most recent actual tax collections that are distributed to Tribal Community Colleges

6/ These amounts reflect revised State Lease-Purchase and Rental Rate Adjustments.

7/ The Baseline restores \$12,000,000 in General Fund savings taken in the FY 2012 budget for implementation of enhanced Health Savings Account (HSA) for the plan year beginning January 1, 2012. There was minimal HSA participation in the Open Enrollment period for the 2012 plan year; as a result, the budget restores the savings, which were not allocated to individual agencies in the original budget

8/ Laws 2012, Chapter 296, Section 6 repeals the accounting practice of counting non-lapsing appropriations toward the ending balance

FY 2012 OTHER FUNDS CROSSWALK - ORIGINAL TO FINAL ESTIMATES 1/

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals <u>2/</u>	Retirement Rate Reversal <u>3/</u>	Enacted FY 2012
<u>BUDGET UNITS</u>					
Accountancy, State Board of					
Board of Accountancy Fund	\$1,887,800			\$4,600	\$1,892,400
Acupuncture Board of Examiners					
Acupuncture Board of Examiners Fund	125,300			500	125,800
Administration, AZ Department of					
Air Quality Fund	714,100			0	714,100
Automation Operations Fund	18,672,400			43,600	18,716,000
Capital Outlay Stabilization Fund	17,790,500	113,300 <u>4/</u>		9,000	17,912,800
Corrections Fund	552,500			1,800	554,300
Federal Surplus Materials Revolving Fund	451,400			0	451,400
Information Technology Fund	3,120,500			13,000	3,133,500
Motor Vehicle Pool Revolving Fund	10,038,900			4,600	10,043,500
Personnel Division Fund	14,564,800		154,000	33,700	14,752,500
Risk Management Revolving Fund	90,321,800		10,400,000	28,300	100,750,100
Special Employee Health Insurance Trust Fund	5,108,300			14,000	5,122,300
State Surplus Materials Revolving Fund	2,378,800			0	2,378,800
State Web Portal Fund	250,000			0	250,000
Telecommunications Fund	1,817,200			2,800	1,820,000
Total - AZ Department of Administration	165,781,200	113,300	10,554,000	150,800	176,599,300
Administrative Hearings, Office of					
Healthcare Group Fund	14,500			0	14,500
Agriculture, AZ Department of					
Aquaculture Fund	9,200	(9,200)		0	0
Citrus, Fruit and Vegetable Revolving Fund	480,400	(480,400)		0	0
Commercial Feed Fund	293,400	(293,400)		0	0
Dangerous Plants, Pests and Diseases Fund	125,500	(125,500)		0	0
Egg Inspection Fund	896,600	(896,600)		0	0
Fertilizer Materials Fund	294,900	(294,900)		0	0
Livestock Custody Fund	120,000	(120,000)		0	0
Pesticide Fund	489,100	(489,100)		0	0
Arizona Protected Native Plant Fund	90,000	(90,000)		0	0
Seed Law Fund	52,200	(52,200)		0	0
Total - AZ Department of Agriculture	2,851,300	(2,851,300) <u>5/</u>	0	0	0
AHCCCS					
Budget Neutrality Compliance Fund	3,161,100			0	3,161,100
Children's Health Insurance Program Fund	30,176,400			0	30,176,400
Healthcare Group Fund	3,496,300			13,400	3,509,700
Prescription Drug Rebate Fund	20,114,500		51,500,000	0	71,614,500
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

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals 2/	Retirement Rate Reversal 3/	Enacted FY 2012
Total - AHCCCS	114,467,000	0	51,500,000	13,400	165,980,400
Appraisal, State Board of					
Board of Appraisal Fund	755,500			2,100	757,600
Athletic Training, Board of					
Athletic Training Fund	101,200			400	101,600
Attorney General - Department of Law					
Antitrust Enforcement Revolving Fund	241,200			1,000	242,200
Attorney Gen'l Legal Svcs Cost Allocation Func	5,397,100			29,800	5,426,900
Collection Enforcement Revolving Fund	5,291,900			14,300	5,306,200
Consumer Protection-Consumer Fraud Rev. Fund	3,439,800			12,400	3,452,200
Interagency Service Agreements Fund	13,004,000			63,400	13,067,400
Risk Management Revolving Fund	8,765,900			41,600	8,807,500
Victims' Rights Fund	3,238,700			1,800	3,240,500
Total - Attorney General - Department of Law	39,378,600	0	0	164,300	39,542,900
Automobile Theft Authority					
Automobile Theft Authority Fund	4,273,600			2,200	4,275,800
Barbers, Board of					
Board of Barbers Fund	320,700			1,400	322,100
Behavioral Health Examiners, Board of					
Board of Behavioral Health Examiners Fund	1,458,700			4,800	1,463,500
Capital Postconviction Public Defender Office, State					
Capital Postconviction Public Defender Office Fund	161,000			800	161,800
Chiropractic Examiners, State Board of					
Board of Chiropractic Examiners Fund	449,300			1,800	451,100
Contractors, Registrar of					
Registrar of Contractors Fund	12,002,700			39,900	12,042,600
Corporation Commission					
Arizona Arts Trust Fund	49,900			200	50,100
Investment Management Regulatory and Enforcement Fund	678,700			3,400	682,100
Public Access Fund	5,842,100	(25,000) 6/	(50,000)	22,600	5,789,700
Securities Regulatory and Enforcement Fund	4,217,400		(25,000)	18,300	4,210,700
Utility Regulation Revolving Fund	12,767,600	(170,000) 6/		55,900	12,653,500
Total - Corporation Commission	23,555,700	(195,000)	(75,000)	100,400	23,386,100
Corrections, State Department of					
Alcohol Abuse Treatment Fund	554,400			0	554,400
Corrections Fund	27,517,600			0	27,517,600
Penitentiary Land Fund	1,979,200			0	1,979,200
Prison Construction and Operations Fund	13,249,400			0	13,249,400
State Charitable, Penal and Reformatory Institutions Land Fund	3,360,000			0	3,360,000
State Education Fund for Correctional Education	503,500			2,600	506,100
Transition Program Fund	930,000			0	930,000
Transition Services Fund	2,555,000			0	2,555,000
Total - State Department of Corrections	50,649,100	0	0	2,600	50,651,700
Cosmetology, Board of					
Board of Cosmetology Fund	1,742,100			5,500	1,747,600

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals 2/	Retirement Rate Reversal 3/	Enacted FY 2012
Criminal Justice Commission, Arizona					
Criminal Justice Enhancement Fund	624,700			3,000	627,700
Drug and Gang Prevention Resource Center Fund	234,700			300	235,000
State Aid to County Attorneys Fund	973,600			0	973,600
Victim Compensation and Assistance Fund	3,792,500			0	3,792,500
Total - Arizona Criminal Justice Commission	5,625,500	0	0	3,300	5,628,800
Deaf and the Blind, AZ Schools for the					
Schools for the Deaf and the Blind Fund	12,725,500			59,200	12,784,700
Deaf and the Hard of Hearing, Comm. for the					
Telecommunication Fund for the Deaf	3,745,700			4,700	3,750,400
Dental Examiners, State Board of					
Dental Board Fund	1,183,800			3,800	1,187,600
Economic Security, Department of					
Child Abuse Prevention Fund	1,459,100			0	1,459,100
Child Support Enforcement Administration Fund	16,534,900			54,700	16,589,600
Children and Family Services Training Program Fund	205,300			900	206,200
Domestic Violence Shelter Fund	2,220,000			0	2,220,000
Federal Child Care and Development Fund Block Grant	130,567,500			0	130,567,500
Federal Temporary Assistance for Needy Families Block Grant	239,304,400			0	239,304,400
Long Term Care System Fund	30,518,400			500	30,518,900
Public Assistance Collections Fund	423,900			2,300	426,200
Special Administration Fund	1,129,900			0	1,129,900
Spinal and Head Injuries Trust Fund	1,864,700			2,200	1,866,900
Statewide Cost Allocation Plan Fund	1,000,000			0	1,000,000
Workforce Investment Act Grant	56,029,800			0	56,029,800
Total - Department of Economic Security	481,257,900	0	0	60,600	481,318,500
Education, Department of					
Department of Education Empowerment Scholarship Account Fund	0			0	0
Education Learning and Accountability Fund	1,200,000			0	1,200,000
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	2,283,800			9,500	2,293,300
Total - Department of Education	56,959,300	0	0	9,500	56,968,800
Emergency & Military Affairs, Dept of					
Emergency Response Fund	132,700			0	132,700
Environmental Quality, Department of					
Air Permits Administration Fund	6,989,200	19,400 6/		21,000	7,029,600
Air Quality Fund	5,366,000	4,400 6/		3,600	5,374,000
Emissions Inspection Fund	25,518,300	17,800 6/		14,400	25,550,500
Hazardous Waste Management Fund	1,706,900	5,200 6/		4,300	1,716,400
Indirect Cost Recovery Fund	12,961,300	(88,100) 6/		32,500	12,905,700
Recycling Fund	0			0	0
Solid Waste Fee Fund	1,907,400	10,100 6/		6,100	1,923,600

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals 2/	Retirement Rate Reversal 3/	Enacted FY 2012
Underground Storage Tank Fund	22,000			0	22,000
Used Oil Fund	138,900			0	138,900
Water Quality Fee Fund	10,316,700	31,200 6/		28,800	10,376,700
Total - Department of Environmental Quality Exposition and State Fair Board, AZ	64,926,700	0	0	110,700	65,037,400
Arizona Exposition and State Fair Fund	11,096,200			21,800	11,118,000
Financial Institutions, Department of Financial Services Fund	733,300			2,100	735,400
Funeral Directors and Embalmers, Board of Board of Funeral Directors & Embalmers Fund	339,600			1,400	341,000
Game and Fish Department, AZ					
Capital Improvement Plan	1,000,000			0	1,000,000
Game and Fish Fund	32,980,400			0	32,980,400
Game, Nongame, Fish and Endangered Species Fund	334,700			0	334,700
Watercraft Licensing Fund	4,646,400			3,700	4,650,100
Waterfowl Conservation Fund	43,400			0	43,400
Wildlife Endowment Fund	16,000			0	16,000
Total - AZ Game and Fish Department	39,020,900	0	0	3,700	39,024,600
Gaming, Department of					
Tribal-State Compact Fund	1,998,300			0	1,998,300
State Lottery Fund	300,000			0	300,000
Arizona Benefits Fund	9,575,900			0	9,575,900
Total - Department of Gaming	11,874,200	0	0	0	11,874,200
Governor, Office of the					
Oil Overcharge Fund	186,700			0	186,700
Health Services, Department of					
Arizona State Hospital Fund	13,807,300			13,500	13,820,800
ASH Land Earnings Fund	1,150,000			0	1,150,000
Health Services Licensing Fund	8,260,300			33,100	8,293,400
Capital Outlay Stabilization Fund	1,245,500			0	1,245,500
Child Fatality Review Fund	92,700			500	93,200
Emergency Medical Services Operating Fund	5,024,300			13,900	5,038,200
Environmental Laboratory Licensure Revolving Fund	907,200			2,400	909,600
Federal Child Care and Development Fund Block Grant	827,800			0	827,800
Hearing and Speech Professionals Fund	308,100			1,200	309,300
Indirect Cost Fund	7,509,000			18,900	7,527,900
Long-Term Care System Fund	0			0	0
Newborn Screening Program Fund	6,680,100			8,700	6,688,800
Nursing Care Institution Resident Protection Fund	438,000			0	438,000
Prescription Drug Rebate Fund	0		33,900,000	0	33,900,000
Substance Abuse Services Fund	2,250,000			0	2,250,000
Tobacco Tax and Health Care Fund Health Research Account	1,500,000			0	1,500,000
Tobacco Tax and Health Care Fund					

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals 2/	Retirement Rate Reversal 3/	Enacted FY 2012
Medically Needy Account	35,167,000			0	35,167,000
Vital Records Electronic System Fund	3,586,000			17,000	3,603,000
Total - Department of Health Services	88,753,300	0	33,900,000	109,200	122,762,500
Homeopathic & Integrated Medicine Examiners, Bd of					
Bd of Homeopathic & Integrated Medicine Exmnr's Fund	105,300			500	105,800
Housing, Department of					
Housing Trust Fund	916,900			4,100	921,000
Industrial Commission of AZ					
Industrial Commission Administrative Fund	19,550,400			69,600	19,620,000
Judiciary - Supreme Court					
Confidential Intermediary and Fiduciary Fund	269,400	209,400 6/		1,700	480,500
Court Appointed Special Advocate Fund	2,714,400	209,400 6/		2,000	2,925,800
Criminal Justice Enhancement Fund	2,855,600	104,700 6/		1,000	2,961,300
Defensive Driving School Fund	4,860,200	(740,000) 6/		3,600	4,123,800
Judicial Collection Enhancement Fund	13,334,100	453,800 6/		4,400	13,792,300
State Aid to the Courts Fund	2,944,500			100	2,944,600
Total - Supreme Court	26,978,200	237,300	0	12,800	27,228,300
Judiciary - Superior Court					
Criminal Justice Enhancement Fund	6,931,300			2,200	6,933,500
Judicial Collection Enhancement Fund	5,028,900			300	5,029,200
Drug Treatment and Education Fund	500,000			0	500,000
Total - Superior Court	12,460,200	0	0	2,500	12,462,700
SUBTOTAL - Judiciary	39,438,400	237,300	0	15,300	39,691,000
Juvenile Corrections, Department of					
Criminal Justice Enhancement Fund	528,400			2,200	530,600
State Charitable, Penal and Reformatory					
Institutions Land Fund	1,098,600			0	1,098,600
State Education Fund for Committed Youth	2,233,200			0	2,233,200
Total - Department of Juvenile Corrections	3,860,200	0	0	2,200	3,862,400
Land Department, State					
Due Diligence Fund	500,000			0	500,000
Environmental Special Plate Fund	260,000			0	260,000
Risk Management Revolving Fund	0	9,888,400 7/	0	0	9,888,400
Trust Land Management Fund	13,357,600	(9,888,400) 7/		0	3,469,200
Total - State Land Department	14,117,600	0	0	0	14,117,600
Liquor Licenses & Control, Department of					
Liquor Licenses Fund	2,815,600			5,700	2,821,300
Lottery Commission, AZ State					
State Lottery Fund	86,848,800	(1,196,800) 8/		33,400	85,685,400
Medical Board, Arizona					
Arizona Medical Board Fund	5,799,200			19,900	5,819,100
Medical Student Loans, Board of					
Medical Student Loan Fund	20,200			0	20,200
Mine Inspector, State					
Aggregate Mining Reclamation Fund	112,500			0	112,500
Naturopathic Physicians Medical Board					
Naturopathic Physicians Medical Board Fund	586,000			2,300	588,300
Nursing, State Board of					

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals 2/	Retirement Rate Reversal 3/	Enacted FY 2012
Board of Nursing Fund	4,034,300			14,400	4,048,700
Nursing Care Institution Administrators Board					
Nursing Care Institution Administrators' Licensing & Assisted Living Facility Managers' Certification Fund	361,700			1,500	363,200
Occupational Therapy Examiners, Board of Occupational Therapy Fund	161,600			700	162,300
Opticians, State Board of Dispensing Board of Dispensing Opticians Fund	131,100			400	131,500
Optometry, State Board of Board of Optometry Fund	197,300			800	198,100
Osteopathic Examiners, AZ Board of Board of Osteopathic Examiners Fund	698,300			2,500	700,800
Parks Board, Arizona State					
Law Enforcement and Boating Safety Fund	2,183,800	9/		11,900	2,195,700
State Parks Enhancement Fund	8,886,600			18,700	8,905,300
State Parks Revenue Fund	0			0	0
Reservation Surcharge Revolving Fund	203,800	296,200 10/		1,100	501,100
Total - Arizona State Parks Board	11,274,200	296,200	0	31,700	11,602,100
Personnel Board, State					
Personnel Board Account of the Personnel Division Fund	365,200			700	365,900
Pest Management, Office of Pest Management Fund	2,700,400			10,000	2,710,400
Pharmacy, AZ State Board of Board of Pharmacy Fund	1,918,100			8,100	1,926,200
Physical Therapy, Board of Board of Physical Therapy Fund	364,100			1,200	365,300
Pioneers' Home, AZ					
Miners' Hospital Fund	1,743,200			0	1,743,200
State Charitable Fund	2,825,900			0	2,825,900
Total - AZ Pioneers' Home	4,569,100	0	0	0	4,569,100
Podiatry Examiners, State Board of Podiatry Fund	142,600			500	143,100
Postsecondary Education, Commission for Postsecondary Education Fund	3,841,100			2,300	3,843,400
Private Postsecondary Education, Board for Board for Private Postsecondary Education Fund	326,600			1,300	327,900
Psychologist Examiners, State Board of Board of Psychologist Examiners Fund	344,000			1,400	345,400
Public Safety, Department of					
Arizona Deoxyribonucleic Acid Identification System Fund	3,944,600			15,600	3,960,200
Arizona Highway Patrol Fund	18,522,300			20,400	18,542,700
Automated Fingerprint Identification System Fund	3,008,600			1,000	3,009,600
Crime Laboratory Assessment Fund	868,000			1,900	869,900
Crime Laboratory Operations Fund	11,030,500			40,700	11,071,200

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals 2/	Retirement Rate Reversal 3/	Enacted FY 2012
Criminal Justice Enhancement Fund	2,859,300			10,900	2,870,200
GIITEM Border Security and Law Enforcement Subaccount	2,090,300			0	2,090,300
Highway User Revenue Fund	119,961,000			0	119,961,000
Motorcycle Safety Fund	205,000			0	205,000
Parity Compensation Fund	1,817,900			0	1,817,900
Public Safety Equipment Fund	2,390,000			0	2,390,000
Risk Management Fund	1,446,300			6,900	1,453,200
Safety Enforcement and Transportation Infrastructure Fund	1,509,100			0	1,509,100
State Highway Fund	0			0	0
Total - Department of Public Safety	169,652,900	0	0	97,400	169,750,300
Racing, Arizona Department of Racing Regulation Fund	1,434,300			4,600	1,438,900
Radiation Regulatory Agency State Radiologic Technologist Certification Fund	264,600			800	265,400
Radiation Regulatory Fee Fund	496,700			2,000	498,700
Total - Radiation Regulatory Agency	761,300	0	0	2,800	764,100
Residential Utility Consumer Office Residential Utility Consumer Office Revolving Fund	1,289,000			5,300	1,294,300
Respiratory Care Examiners, Board of Board of Respiratory Care Examiners' Fund	306,200			1,200	307,400
Retirement System, Arizona State Long-Term Disability Administration Account State Retirement System Administration Account	2,800,000			0	2,800,000
Total - Arizona State Retirement System	24,573,500	0	0	0	24,573,500
Revenue, Department of Department of Revenue Administrative Fund	22,532,600			74,200	22,606,800
Liability Setoff Fund	383,800			1,300	385,100
Tobacco Tax and Health Care Fund	665,400			2,100	667,500
Total - Department of Revenue	23,581,800	0	0	77,600	23,659,400
Secretary of State Election Systems Improvement Fund	2,934,200			0	2,934,200
Records Services Fund	568,800			2,000	570,800
Total - Secretary of State	3,503,000	0	0	2,000	3,505,000
State Boards' Office Special Services Revolving Fund	211,600			1,000	212,600
Technical Registration, State Board of Technical Registration Fund	1,834,900			6,000	1,840,900
Transportation, Department of Air Quality Fund	72,200			400	72,600
Driving Under the Influence Abatement Fund	146,900			700	147,600
Highway User Revenue Fund	86,880,400			0	86,880,400
Motor Vehicle Liability Insurance Enforcement Fund	1,052,600			5,400	1,058,000

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals 2/	Retirement Rate Reversal 3/	Enacted FY 2012
Safety Enforcement and Transportation					
Infrastructure Fund	1,866,000			0	1,866,000
State Aviation Fund	1,577,800			5,300	1,583,100
State Highway Fund	239,494,200			0	239,494,200
Transportation Department Equipment Fund	27,416,900			72,100	27,489,000
Vehicle Inspection & Title Enforcement Fund	1,434,400			6,600	1,441,000
Total - Department of Transportation	359,941,400	0	0	90,500	360,031,900
Treasurer, State					
Law Enforcement and Boating Safety Fund	0			0	0
Public Safety Personnel Retirement System					
Investment & Administrative Expenses	50,000			0	50,000
State Retirement System Administration					
Account	50,000			0	50,000
State Treasurer's Operating Fund	2,493,500			10,400	2,503,900
State Treasurer's Management Fund	87,300			600	87,900
Total - State Treasurer	2,680,800	0	0	11,000	2,691,800
Universities					
Arizona State University - Tempe/DPC					
University Collections Fund	371,241,700	82,652,600 11/		0	453,894,300
Arizona State University - East Campus					
University Collections Fund	34,635,000	2,937,700 11/		0	37,572,700
Technology and Research Initiative Fund	2,000,000			0	2,000,000
Total - Arizona State University - East Campus	36,635,000	2,937,700	0	0	39,572,700
Arizona State University - West Campus					
University Collections Fund	26,261,700	6,017,000 11/		0	32,278,700
Technology and Research Initiative Fund	1,600,000			0	1,600,000
Total - Arizona State University - West Campus	27,861,700	6,017,000	0	0	33,878,700
Northern Arizona University					
University Collections Fund	86,613,200	11,125,700 11/		0	97,738,900
University of Arizona - Main Campus					
University Collections Fund	255,188,900	(7,685,900) 11/		0	247,503,000
University of Arizona - Health Sciences Center					
University Collections Fund	25,381,800	15,772,200 11/		0	41,154,000
SUBTOTAL - Universities	802,922,300	110,819,300	0	0	913,741,600
Veterans' Services, Department of					
State Veterans' Conservatorship Fund	882,300			0	882,300
State Home for Veterans' Trust Fund	19,742,800			0	19,742,800
Total - Department of Veterans' Services	20,625,100	0	0	0	20,625,100
Veterinary Medical Examining Board					
Veterinary Medical Examining Board Fund	455,300			1,800	457,100
Water Resources, Department of					
Assured and Adequate Water Supply Admin Fund	265,300			900	266,200
Water Resources Fund	6,400,200			26,000	6,426,200
Total - Department of Water Resources	6,665,500	0	0	26,900	6,692,400
Weights and Measures, Department of					
Air Quality Fund	1,413,900			3,400	1,417,300
Motor Vehicle Liability Insurance Enf. Fund	317,500			1,100	318,600
Total - Department of Weights and Measures	1,731,400	0	0	4,500	1,735,900

	FY 2012 Approp Rpt May 11	Adjustments	FY 2012 Supplementals ^{2/}	Retirement Rate Reversal ^{3/}	Enacted FY 2012
OPERATING BUDGET TOTAL	\$2,826,307,700	\$107,223,000	\$95,879,000	1,448,600	\$3,030,858,300
Additional Pay Period	25,000,000			0	25,000,000
Unallocated Risk Management Adjustments	(3,000)			0	(3,000)
Unallocated Lease-Purchase/Rent Adjustments	(25,200)			0	(25,200)
Reverse ASRS 47/53 Split	0		1,454,200	(1,448,600)	5,600
Capital	246,090,200			0	246,090,200
GRAND TOTAL	\$3,097,369,700	\$107,223,000	\$97,333,200	\$0	\$3,301,925,900

^{1/} This chart provides a crosswalk between an agency's original appropriation in the *FY 2012 Appropriations Report* and its final FY 2012 appropriation, excluding capital appropriations.

^{2/} Reflects changes from the General Appropriation Act (Laws 2012, Chapter 294)

^{3/} Laws 2012, Chapter 304 (HB 2264) appropriates funding in FY 2012 to return the ASRS employer/employee retirement share to 50/50.

^{4/} The FY 2012 General Government Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 34) appropriated monies from the Capital Outlay Stabilization Fund in FY 2011 for costs associated with building maintenance and building utilities. This one-time appropriation was to be 50% of the balance of a completed capital project. JLBC estimated the appropriation to be \$500,000. The actual appropriation was \$613,000.

^{5/} The FY 2012 General Appropriation Act (Laws 2011, Chapter 24) contained appropriations to the Department of Agriculture for all these funds in FY 2012. However Laws 2011, Chapter 281 converts these funds to non-appropriated status.

^{6/} These amounts reflect revised State Lease-Purchase and Rental Rate Adjustments.

^{7/} The FY 2012 Environment BRB (Laws 2011, Chapter 36) appropriated \$9,888,400 to the State Land Department from the Risk Management Fund for operating expense; in FY 2012 when the department was 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.

^{8/} Revised Lottery forecast.

^{9/} Laws 2011, Chapter 333 shifts the administration of the Law Enforcement and Boating Safety Fund from the Arizona Outdoor Recreation Coordinating Commission in the State Parks Board budget to the Treasurer beginning in FY 2013.

^{10/} Adjusted for estimated final receipts credited to the Parks Board - Reservation Surcharge Revolving Fund

^{11/} Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2012. A footnote in the FY 2012 General Appropriation Act appropriated an amount for tuition collections receipts above the appropriated amount to the university.

CROSSWALK OF GENERAL APPROPRIATION ACT TO APPROPRIATIONS REPORT TOTALS EXPENDITURE AUTHORITY - FY 2012

AHCCCS	\$4,408,635,600	\$0	\$372,544,100	\$113,700	\$4,781,293,400
Economic Security, Department of	680,907,800	0	0	298,600	681,206,400
Health Services, Department of	769,104,800	0	93,535,400	2,900	862,643,100
GRAND TOTAL	\$5,858,648,200	\$0	\$466,079,500	\$415,200	\$6,325,142,900