

FY 2013
Baseline Book

January 2012

JLBC

FY 2013
Baseline Book

Prepared By

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FY 2013 BASELINE BOOK

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SUMMARY

FY 2013 BASELINE

Overview

The FY 2013 Baseline provides an estimate of the state's General Fund balances. The revenue projections reflect a consensus economic forecast while the spending estimates represent active funding formula requirements and other obligations. The Baseline does not represent a budget proposal, but an estimate of available resources after statutory requirements.

As the Legislature begins to work on the FY 2013 budget, the 3-year budget outlook is as follows:

- Given current forecasts of revenues and active formula requirements, the General Fund is expected to generate substantial balances at the end of FY 2012 (\$583 million) and FY 2013 (\$431 million). In FY 2013, projected revenue of \$8.79 billion would be offset by \$8.36 billion in spending.
- The FY 2014 budget is projected to have a small shortfall (\$172 million), however, with the expiration of the 1-cent sales tax. This estimate does not include the use of prior year balances.
- Changing a few key budget assumptions would significantly alter this outlook. Slightly slower economic growth and plaintiff verdicts in budget lawsuits would create shortfalls of \$(360) million in FY 2013 and \$(1) billion in FY 2014.

Numerous factors could significantly alter the 3-year budget picture:

- The Baseline estimates assume that the state does not embark on any new permanent spending or tax reduction initiatives.
- If the European debt crisis is not satisfactorily resolved, a potential credit crunch could ultimately affect the U.S. economy.
- Unknown future political events and natural disasters could negatively affect the performance of the economy. Examples of these events in 2011 were the Arab Spring and the Japanese earthquake.
- The 2012 Presidential and Congressional elections could influence the direction on national fiscal policy. Any serious effort to resolve the federal deficit would probably involve a reduction in federal aid to the states.
- Pending "budget" lawsuits at the state level could cost over \$475 million if the plaintiffs are successful.

As it is crafting a fiscal policy for the next several years, the Legislature may want to consider:

- Any balances are still projections. At the end of FY 2011, the General Fund balance was \$3 million.
- Given the loss of the 1-cent sales in FY 2014, JLBC Staff recommends that we track the impact of FY 2013 decisions on the FY 2014 balance throughout the process.
- 3-year budget forecasts are not reliable. If the revenue forecast has an annual 2% error, total revenues could change by \$500 million by the third year.
- The state's lack of reserves in the Rainy Day Fund continues to hamper the state's credit rating. Prior to the recession, those reserves exceeded \$600 million.
- The state is still annually suspending over \$700 million in statutory funding formulas. If funded, those formulas would eliminate the short-term balances and create a long-term structural shortfall.
- The legislative role in the budget process continues to decline. The General Fund accounts for only 31% of state spending, compared to 44% in FY 2000.

FY 2012

The current estimated FY 2012 surplus is \$583 million, an increase of \$569 million from the originally-budgeted estimate of \$14 million. This increase is primarily due to higher than expected revenues. The projected FY 2012 revenues of \$8.91 billion are \$578 million higher than the original forecast due to:

- Not having to pay off a FY 2011 shortfall. The original budget assumed that \$332 million of FY 2012 revenues would pay off a FY 2011 shortfall of that amount. Due to higher than expected growth, the state ran a slight surplus at the end of FY 2011, thereby freeing up \$332 million in the FY 2012 budget.
- The higher FY 2011 revenue base results in higher FY 2012 collections. After excluding all one-time and statutory adjustments, the underlying FY 2012 base revenue growth has been adjusted from 5.6% in the enacted budget to 5.3% in the current Baseline.

While revenues are above forecast by \$578 million, spending is \$9 million higher due to a loss of expected savings from State Employee Health Savings Account revisions and a technical re-estimation of the level of administrative adjustments and unspent FY 2012 appropriations, otherwise known as revertments.

The \$583 million balance estimate assumes that any repayment requirements related to the state's issuance of \$1.45 billion in tax-exempt financing in 2010 would not be applicable. (See *Federal 5% Balance Requirements discussion below*).

FY 2013 Baseline Revenues

While base revenues are forecast to grow in FY 2013, one-time factors would reduce FY 2013 collections to \$8.79 billion, or \$(121) million below FY 2012:

- Based on JLBC's 4-sector consensus, base revenues are projected to grow by \$415 million, or 5.1%.
- The state set-aside for urban revenue sharing formula distributions would grow from \$424 million to \$514 million, thereby reducing state revenue by \$(89) million.
- Previously enacted legislative changes would reduce state revenue by \$(91) million, primarily from ending the early June sales tax payment of some businesses.
- Discontinuing fund transfers and county cash contributions would reduce revenue by \$(357) million.

The 4-sector estimate was developed using a consensus forecasting process. This consensus averages the results of the following 4 forecasts:

- The projections of the Finance Advisory Committee (FAC), an independent 15-member group of public and private sector economists,
- The econometric forecasting baseline model of the University of Arizona's Economic and Business Research (EBR) Center,
- EBR's conservative forecast model, and
- The JLBC Staff forecast.

(See the General Fund Revenue section for more information.)

FY 2013 Baseline Spending

Statutory funding formulas and other obligations are expected to result in FY 2013 General Fund costs of \$8.36 billion, a \$30 million or 0.4% increase above FY 2012. The major spending changes are as follows:

- Medicaid spending would increase by \$99 million due to caseload growth and a reduction in the federal match rate. The Baseline continues to take \$(524) million in savings associated with the Executive Medicaid waiver plan.
- K-12 spending would decline by \$(28) million, primarily due to a (1.2)% decline in student enrollment and implementation of new restrictions on Homeowner's Rebate eligibility enacted during the last session.
- Lease-purchase and debt service payments are projected to increase by \$50 million. This amount includes \$35 million to increase the lease-purchase payment on the state's 2010 \$1.0 billion state building sale/leaseback from \$49 million to \$84 million.
- Department of Corrections (ADC) spending would be flat pending legislative decisions with regard to additional prison beds. ADC recently announced it would not award any of the statutorily mandated 5,000 private prison beds and would instead seek authority for 2,000 private beds and 500 state operated beds. The Baseline does not include additional savings for the statutory provision to transfer prisoners with sentences of less than a year to counties starting in FY 2013 due to a lack of information on the fiscal impact. The Governor is proposing to repeal this provision.
- State payrolls would decline by \$(79) million due to the elimination of one-time funding for an additional employee pay day. There were 27 scheduled pay periods in FY 2012, compared to the 26 that typically occur in other fiscal years.

The \$8.36 billion spending level would support a Full-Time Equivalent (FTE) Position ceiling of 52,128 state employees. Over 8,600 of those positions, or 17%, are currently vacant. The JLBC Staff recommends that the FTE Position ceiling be revised closer to the filled position level of 43,460 state employees.

Alternative Scenario

While the Baseline represents the primary forecast, a change in a few key assumptions could result in a significant impact on the budget. If the economy grows more slowly than forecast and the state does not prevail in several lawsuits, the budget could have a shortfall of \$(360) million in FY 2013 rather than a balance. The currently projected FY 2014 shortfall of \$(172) million could fall even farther to \$(1) billion.

The consensus economic forecast envisions moderate revenue growth through FY 2014. Several factors, such as the European debt crisis and the unpredictable housing market, could slow both the national and state economy. Other unpredictable influences, such as political events and natural disasters, can always disrupt the economy. If revenue growth is 2% slower than projected (for example, 3.1% rather than 5.1% in FY 2013), General Fund collections would be \$(320) million less than expected.

The Baseline estimates assume that the state successfully defends itself in litigation which seeks to overturn certain budget reductions. If the plaintiffs are successful, 3 main “budget” lawsuits could increase state spending by over \$475 million. The lawsuits are attempting to overturn:

- The enrollment freeze of the Proposition 204 Medicaid Childless Adult population, which is estimated to save \$305 million in FY 2013. (Federal health care legislation, however, requires restoration of this population in January 2014.)
- The 5% Medicaid provider rate reduction, with savings of \$98 million.
- The use of a more limited K-12 inflation factor for just transportation costs. If the courts determine that Proposition 301 requires this adjustment to apply also to the per pupil “base level,” the cost would be approximately \$74 million.

The state is also involved in other budget litigation, but the magnitude of those issues is significantly less.

Lower revenues of \$320 million and higher spending of \$475 million in FY 2013 would turn the projected \$431 million balance into a shortfall exceeding \$(360) million. Economic growth and litigation are not the only factors which may affect the state’s fiscal picture. If the federal government enacts a comprehensive deficit reduction plan, for example, the level of state aid could decline in programs such as Medicaid.

Debt Rating

With both major credit rating agencies, Arizona has the 4th highest rating out of 10 possible levels (Standard & Poor’s: AA- and Moody’s: Aa3). In comparison to other states, only California and Illinois have a lower credit rating from Moody’s Investor Service. Along with an overall rating, credit agencies also provide an outlook in terms of the future direction of rating changes. For most of calendar year 2011, both major agencies had a negative outlook for Arizona’s credit rating. However, Standard & Poor’s upgraded Arizona’s outlook from negative to stable in December 2011.

In adopting their credit rating for Arizona, both major agencies listed similar concerns, which included depletion of budget reserves, reduced financial flexibility due to restrictions enacted by Proposition 105 and Proposition 108, continued weakness in the housing sector and significant past use of one-time budget solutions. While noting these challenges, the agencies also indicated Arizona’s comparably moderate debt levels and long-term population growth as positive trends.

Federal 5% Balance Requirements

As part of solving the FY 2010 budget shortfall, the state entered into \$1.0 billion of tax-exempt lease-purchase agreements to fund the sale and lease-back of public buildings. The state also issued \$450 million of tax-exempt lottery bonds. Both transactions generated funds to fund state operating expenses. As a condition of issuing tax-exempt financing to fund the operating budget, the federal government essentially requires the state to set aside any subsequent cash reserves above certain thresholds. At the current time, these set aside requirements would be triggered if the state’s General Fund balance exceeds 5%.

In FY 2012, the Baseline has a projected balance of \$583 million, or \$167 million above the 5% threshold of \$416 million. In FY 2013, the projected balance of \$431 million would be \$13 million above the 5% threshold. In total, these “above threshold” amounts would total \$180 million across the 2 years.

If the 5% threshold is met between now and FY 2014, the state is required to purchase tax-exempt securities to the extent that the cash 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 falls 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 2014, the state is required to commence early payback of the 2010 issuances if its balance exceeds 5%. Once having commenced early payback, that process is irrevocable.

Other Funds

Besides the General Fund, the state has dedicated special revenue funds. Only a portion of these monies is subject to legislative appropriation. The Baseline includes a FY 2013 Other Fund appropriated spending level of \$3.31 billion, or 0.4% above FY 2012.

The level of FY 2013 non-appropriated state funds is expected to be \$6.55 billion, while non-appropriated Federal Funds are forecasted to be \$9.50 billion. When all appropriated and non-appropriated fund sources are combined, total FY 2013 state spending would be \$27.72 billion.

The Baseline includes no fund transfers to the General Fund, a decrease of \$(318) million from the FY 2012 total. The Baseline does not, however, increase appropriations to the funds whose appropriation levels were reduced to accommodate some of the fund transfers.

Other Information

Besides providing line item detail on individual agencies, this Baseline book also includes sections with information on the following topics:

- A Narrative Summary of Baseline Assumptions
- Detailed changes and overall totals by agency
- FY 2012 Supplementals and Ex-Appropriations
- Number of State Employees
- Budget Reconciliation Bill provisions
- Major Footnote Changes
- Long-Term General Fund Estimates
- Technical Budget Assumptions

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

	FY 2012 Adjusted	FY 2013 Baseline
REVENUES		
Ongoing Revenues	\$8,065,262,800	\$8,479,910,300
Prior Year Budget Legislation Changes <u>2/</u>		(39,265,400)
1¢ Sales Tax	894,332,700	912,794,900
Urban Revenue Sharing	(424,423,400)	(513,584,100)
Net On-going Revenues	\$8,535,172,100	\$8,839,855,700
One-time Financing Sources		
Balance Forward	3,243,000	
County Cash Contributions	38,600,000	
Prior Year Budget Legislation Changes <u>3/</u>	13,867,400	(52,000,000)
Fund Transfers <u>4/</u>	318,277,700	
Subtotal One-time Revenues	\$373,988,100	(\$52,000,000)
Total Revenues	\$8,909,160,200	\$8,787,855,700
EXPENDITURES		
Operating Budget Appropriations	\$8,239,472,700	\$8,307,771,400
Supplementals <u>5/</u>	0	0
Administrative Adjustments	57,694,100	64,384,900
Revertments <u>6/</u>	(99,053,700)	(99,866,100)
Asset Sale/Lease-Back Debt Service	49,050,700	84,119,800
Subtotal Ongoing Expenditures	\$8,247,163,800	\$8,356,410,000
One-time Expenditures		
Additional (27th) Pay Period	79,000,000	
Subtotal One-time Expenditures	\$79,000,000	\$0
Total Expenditures	\$8,326,163,800	\$8,356,410,000
Other Adjustments		
Ending Balance <u>7/</u>	\$582,996,400	\$431,445,700
<i>Structural Balance (with 1¢ TPT Increase) <u>8/</u></i>	<i>\$288,008,300</i>	<i>\$483,445,700</i>

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

2/ See page 392 for details.

3/ See page 392 for details.

4/ See page 394 for details.

5/ The FY 2012 Supplementals and Ex-Appropriations for 2 agencies total to a \$0 impact. See page S-27 for agency details.

6/ Assumes that the level of continuing appropriations remains at the FY 2011 level of \$29.9 million through FY 2013.

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

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

SUMMARY OF FY 2013 BASELINE ASSUMPTIONS

- The Baseline provides an estimate of the General Fund shortfall for the current and upcoming budget year. The revenue projections reflect the consensus economic forecast while the spending estimates represent funding formula requirements and other obligations.

General Fund Balances

- Given forecasted FY 2012 revenues of \$8.91 billion and spending of \$8.33 billion, the state has a projected FY 2012 balance of \$583 million.
- In terms of FY 2013, the Baseline revenue estimate is \$8.79 billion, compared to Baseline spending of \$8.36 billion. The Baseline projected cash balance is \$431 million.
- The state is projected to have a shortfall of \$(172) million in FY 2014 due to the expiration of the 1-cent sales tax. This estimate does not include the use of prior year balances.
- Changing several key assumptions would significantly revise this outlook. Slightly lower economic growth and plaintiff verdicts in budget lawsuits would create shortfalls of \$(360) million in FY 2013 and \$(1.0) billion in FY 2014.
- The Baseline projections come with the following caveats:
 - ⇒ Any new permanent spending or tax reduction initiative would reduce the short-term balance and increase the FY 2014 shortfall.
 - ⇒ Numerous factors could slow economic growth – such as the European debt crisis and unknown future political events and natural disasters.
 - ⇒ Any serious effort to resolve the federal deficit would probably increase state costs by reducing the level of federal assistance.
 - ⇒ Pending budget lawsuits could cost over \$475 million if plaintiffs are successful. These lawsuits address issues such as Medicaid coverage and provider rates along with K-12 inflation.
- As the state is crafting a fiscal policy in light of these uncertainties, the Legislature may want to consider:
 - ⇒ Given the loss of the 1-cent sales in FY 2014, JLBC Staff recommends that we track the impact of FY 2013 decisions on the FY 2014 balance throughout the process.
 - ⇒ 3-year budget forecasts are inherently unreliable. If the revenue forecast has a 2% error, total annual revenues could change by \$500 million in the third year.
 - ⇒ The state's lack of budget reserves leaves no margin for error (and hampers the state's credit rating). Prior to the recession, the Rainy Day Fund exceeded \$600 million.
 - ⇒ The state is still annually suspending over \$700 million in statutory funding formulas. If funded, the state would no longer have any FY 2013 balance.
 - ⇒ While these General Fund issues are important, they are an increasingly smaller segment of the overall state budget. The General Fund represents only 31% of the budget, down from 44% in 2000.

General Fund Revenues

- The projected FY 2012 revenues of \$8.91 billion are \$578 million higher than originally forecasted due to:
 - ⇒ Not having to pay off a FY 2011 shortfall. The original budget assumed that \$332 million of FY 2012 revenues would pay off a FY 2011 shortfall of that amount. Due to higher than expected growth at the end of the prior fiscal year, the state ran a slight surplus at the end of FY 2011, thereby freeing up \$332 million in the FY 2012 budget.
 - ⇒ The higher FY 2011 revenue base results in higher FY 2012 collections. After excluding all one-time and statutory adjustments, the underlying FY 2012 base revenue growth has been adjusted from 5.6% in the enacted budget to 5.3% in the current baseline.
- While base revenues are forecast to grow in FY 2013, one-time factors would reduce FY 2013 collections by \$(121) million to \$8.79 billion:
 - ⇒ Based on JLBC's 4-sector consensus, base revenues are projected to grow by \$415 million, or 5.1%.
 - ⇒ The state set-aside for urban revenue sharing formula distributions would grow from \$424 million to \$514 million, thereby reducing state revenue by \$(89) million.
 - ⇒ Previously enacted legislative changes would reduce state revenue by \$(91) million, primarily from ending the early June sales tax payment of some businesses.
 - ⇒ Elimination of fund transfers and county cash contributions would reduce revenue by \$(357) million.

General Fund Spending

- FY 2013 General Fund spending is projected to be \$8.36 billion, an increase of \$30 million or 0.4% above FY 2012. Excluding one-time adjustments, spending would grow by \$109 million, or 1.3%.
- The entire state budget, including both appropriated and non-appropriated funds, is projected to be approximately \$28 billion.

Education

Department of Education

- ADE spending would decrease by \$(27.8) million, or (0.8)%. The \$(27.8) million includes:
 - ⇒ \$(57.8) million for a (1.2) % prior year enrollment decline and a Homeowner's Rebate overage.
 - ⇒ \$51.1 million for 0.4% Average Daily Membership (ADM) growth in FY 2013 as well as 3.7% special education growth.
 - ⇒ \$7.2 million for a 1.7% 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 \$74.3 million.
 - ⇒ \$(22.6) million net decrease for 1.4% new property growth.
 - ⇒ \$4.8 million to offset assessment ratio change for business personal property.
 - ⇒ \$35.0 million to restore Capital Outlay Revenue Limit (CORL) monies temporarily funded with federal monies.
 - ⇒ \$(8.1) million for continued Career Ladder phase out.
 - ⇒ \$(5.0) million to eliminate one-time funding for Student Accountability Information System (SAIS) replacement.
 - ⇒ \$(39.0) million for new restrictions on Homeowner's Rebate eligibility.
 - ⇒ \$2.0 million to reimburse counties for new affidavit process.
 - ⇒ \$4.5 million for other adjustments.

School Facilities Board

- SFB spending would increase by \$9.3 million, or 5.7% due to increased debt service associated with past lease-purchase agreements.
- The Baseline assumes no additional new construction is authorized in FY 2013. SFB has requested \$165 million for 18 new schools, including \$20 million for 7 schools expected to exceed capacity by FY 2013.

Universities

- The Universities' General Fund spending would remain unchanged.
- University enrollment is projected to be 127,601 full-time equivalent students in FY 2013, an increase of 1,934 in-state students, or 2.2% above FY 2012. University enrollment growth is not part of a statutorily-required formula. Enrollment growth would have cost \$21.8 million.

Community Colleges

- Community College General Fund spending would decrease by \$(5.2) million, or (7.4)%, primarily due to a \$(7.4) million statutory equalization aid formula decrease.
- Enrollment is projected to 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 would increase by \$43.5 million, or 3.2%. The \$43.5 million includes:
 - ⇒ \$41.7 million for a lower federal match rate.
 - ⇒ \$40.7 million for the loss of one-time FY 2012 savings offset by the annualization of FY 2012 waiver changes associated with an enrollment freeze and provider rate reduction.
 - ⇒ \$(47.0) million due to the increase in Prescription Drug Rebate Fund savings.
 - ⇒ \$8.2 million to backfill tobacco settlement funds.
- The traditional Medicaid caseload is projected to grow by 3.0% from June 2012 to June 2013, while the Proposition 204 caseload is forecast to decline by (9.5)% due to a Childless Adult enrollment freeze. The total enrolled population would reach 1.3 million by June 2013. Lower than expected FY 2012 caseloads will allow AHCCCS to absorb the cost of FY 2013 caseload increases.

Department of Health Services

- DHS' General Fund spending would increase by \$51.1 million, or 10.3%. The \$51.1 million includes the following Medicaid changes:
 - ⇒ \$66.7 million for new FY 2013 Medicaid behavioral health formula growth, including \$41 million to annualize higher than budgeted FY 2012 provider rates.
 - ⇒ \$10.6 million for a lower federal match rate.
 - ⇒ \$(26.2) million for the annualization of savings associated with the waiver plan to freeze enrollment and reduce provider rates.
- The traditional Medicaid behavioral health caseload is projected to increase 3.0% from June 2012 to June 2013, while the Proposition 204 caseload is projected to decline by (10.0)% in that same time period. The total served population would reach 116,000 by June 2013.

Department of Economic Security

- DES' General Fund spending would increase by \$4.7 million, or 0.8%. The \$4.7 million includes the following Medicaid changes:
 - ⇒ An increase of \$11.8 million for new FY 2013 Developmentally Disabled (DD) Medicaid caseload growth.
 - ⇒ A decrease of \$(14.8) million for the annualization of FY 2012 DD capitation and waiver changes.
 - ⇒ An increase of \$7.7 million for a lower federal match rate.

Criminal Justice

Department of Corrections

- ADC General Fund spending would decrease by \$(0.8) million to remove one-time FY 2012 leap year funding.
- The Baseline does not include:
 - ⇒ Adjustments for transferring prisoners with sentences of less than a year to the counties, pending further information.
 - ⇒ Funding for new beds, pending legislative review of ADC's proposal to cancel a 5,000 private prison bed contract.
- If the prisoner population remains flat, ADC would continue to have a bed shortfall of (1,321) in June 2013. ADC manages this shortfall through the use of temporary beds.

Department of Juvenile Corrections

- DJC General Fund spending would decrease by \$(3.8) million, or (8.1)% due to the 2011 closure of the Catalina Mountain School.

Financing and Payment Deferral

- The Baseline 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 \$(22.4) 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.
 - ⇒ \$5.4 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 includes no net change in budgeted payment deferrals or "rollovers." The budget continues to defer \$1.3 billion in General Fund spending from FY 2012 to FY 2013, including:
 - ⇒ \$953 million of school district payments.
 - ⇒ \$200 million of payments to the University system.
 - ⇒ \$118 million of AHCCCS payments.
 - ⇒ \$35 million of DES payments.

State Employee Issues

FTE Positions

- The Baseline would decrease the Full-Time Equivalent (FTE) ceiling by (75.9) Positions in FY 2013, mostly related to the closure of a Department of Juvenile Corrections facility.
- These adjustments would bring the total appropriated FTE Position ceiling to 52,128.4. As of mid-FY 2012, approximately 43,460.4, or 83%, of authorized positions were filled.

Employee Pay and Salary Issues

- The Baseline includes a \$(79) million one-time reduction in funding for a prior additional employee payday. There were 27 scheduled pay periods in FY 2012, as opposed to the 26 that typically occur in other fiscal years.
- The Baseline includes no change in funding for the employee or employer share of health insurance for existing state employees, as surplus health insurance funds are expected to cover any cost increase.

FY 2013 GENERAL FUND SUMMARY BY AGENCY

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
<u>BUDGET UNITS</u>			
Administration, AZ Department of	\$14,858,600	\$13,422,200	(\$1,436,400)
Administrative Hearings, Office of	811,100	811,100	0
Agriculture, AZ Department of	7,909,400	7,909,400	0
AHCCCS	1,363,735,000	1,407,257,400	43,522,400
Attorney General - Department of Law	16,931,500	16,931,500	0
Capital Postconviction Public Defender Ofc, State	688,900	688,900	0
Charter Schools, State Board for	750,600	750,600	0
Commerce Authority, Arizona	31,500,000	31,500,000	0
Community Colleges, Arizona	71,176,100 ^{1/}	65,942,600	(5,233,500)
Corporation Commission	511,400 ^{2/}	511,400	0
Corrections, State Department of	948,188,600	947,388,500	(800,100)
Deaf and the Blind, Schools for the	20,686,300	20,686,300	0
Economic Security, Department of	602,603,300	607,347,500	4,744,200
Education, Department of	3,436,528,700	3,408,704,900	(27,823,800)
Emergency & Military Affairs, Dept of	8,815,300	8,824,900	9,600
Environmental Quality, Department of	7,000,000	7,000,000	0
Equal Opportunity, Governor's Office of	187,900	187,900	0
Equalization, State Board of	625,800	625,800	0
Executive Clemency, Board of	790,500	777,300	(13,200)
Financial Institutions, State Department of	2,726,600	2,726,600	0
Fire, Building and Life Safety, Department of	1,693,300	1,693,300	0
Forester, State	6,052,000	6,052,000	0
Geological Survey, Arizona	865,100	865,100	0
Governor, Office of the	6,601,900	6,601,900	0
Gov's Ofc of Strategic Planning & Budgeting	1,874,200	1,874,200	0
Health Services, Department of	494,294,800	545,439,600	51,144,800
Historical Society, Arizona	4,151,100	4,151,100	0
Historical Society, Prescott	652,600	652,600	0
Independent Redistricting Commission	3,000,000	-- ^{3/}	(3,000,000)
Indian Affairs, AZ Commission of	54,300	54,300	0
Insurance, Department of	5,184,200	5,184,200	0
Judiciary			
Supreme Court	15,915,700 ^{2/}	15,915,700	0
Court of Appeals	13,786,300	13,786,300	0
Superior Court	79,083,200	79,083,200	0
SUBTOTAL - Judiciary	108,785,200	108,785,200	0
Juvenile Corrections, Department of	46,729,800	42,929,800	(3,800,000)
Land Department, State	1,231,800	1,231,800	0
Law Enforcement Merit System Council	70,200	70,200	0
Legislature			
Auditor General	16,156,000	16,156,000	0
House of Representatives	12,993,700	12,993,700	0
Joint Legislative Budget Committee	2,399,900	2,399,900	0
Legislative Council	4,654,100	4,654,100	0
Senate	7,985,200	7,985,200	0
SUBTOTAL - Legislature	44,188,900	44,188,900	0
Medical Student Loans, Board of	67,000	0	(67,000)
Mine Inspector, State	1,185,800	1,185,800	0
Navigable Stream Adjudication Commission	126,900	126,900	0
Occupational Safety & Health Review Board	15,000	0	(15,000)
Pioneers' Home, AZ	1,603,600	1,603,600	0
Postsecondary Education, Commission for	1,396,800	1,396,800	0
Public Safety, Department of	46,526,200	45,526,200	(1,000,000)
Racing, Arizona Department of	2,781,600	1,779,500	(1,002,100)
Radiation Regulatory Agency	1,459,000	1,419,000	(40,000)
Real Estate Department, State	2,656,700	2,656,700	0
Revenue, Department of	44,129,600	44,129,600	0
School Facilities Board	164,087,200	173,411,200	9,324,000
Secretary of State	13,309,400	13,224,400	(85,000)
Tax Appeals, State Board of	253,400	253,400	0
Transportation, Department of	50,200	50,200	0

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
Treasurer, State	1,115,100	1,115,100	0
Universities			
Arizona State University - Tempe/DPC	247,742,900	247,742,900	0
Arizona State University - East Campus	19,076,800	19,076,800	0
Arizona State University - West Campus	33,159,600	33,159,600	0
Northern Arizona University	101,861,800	101,861,800	0
Board of Regents	16,926,200	16,926,200	0
University of Arizona - Main Campus	208,367,000	208,367,000	0
University of Arizona - Health Sciences Center	55,334,300	55,334,300	0
SUBTOTAL - Universities	682,468,600	682,468,600	0
Veterans' Services, Department of	7,050,700	5,197,100	(1,853,600)
Water Resources, Department of	5,698,300	5,698,300	0
Weights and Measures, Department of	1,165,000	1,165,000	0
OPERATING BUDGET TOTAL	\$8,239,601,100	8,302,176,400	62,575,300
Health Savings Account Enhancements	0 ^{4/}	0	0
Unallocated Uncaptured Pay Savings	(11,300)	0	11,300
Additional Pay Period	79,000,000	0	(79,000,000)
Asset Sale and Lease-Back Debt Service	49,050,700	84,119,800	35,069,100
Civic Center Debt Service	0	5,595,000	5,595,000
Unallocated Risk Management Adjustments	(1,700)	0	1,700
Unallocated Lease-Purchase/Rent Adjustments	(115,400)	0	115,400
Capital	0	0	0
Lease-Purchase and Rent Adjustments	0	0	0
Administrative Adjustments	57,694,100	64,384,900	6,690,800
Revertments	(99,053,700)	(99,866,100)	(812,400)
GRAND TOTAL	\$8,326,163,800	\$8,356,410,000	\$30,246,200

1/ Adjusted to reflect the most recent actual tax collections that are distributed to Tribal Community Colleges.

2/ These amounts reflect revised State Lease-Purchase and Rental Rate Adjustments.

3/ Funding to be determined. See Independent Redistricting Commission narrative.

4/ 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.

FY 2013 OTHER APPROPRIATED FUNDS SUMMARY BY AGENCY

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
<u>BUDGET UNITS</u>			
Accountancy, State Board of			
Board of Accountancy Fund	\$1,887,800	\$1,887,800	\$0
Acupuncture Board of Examiners			
Acupuncture Board of Examiners Fund	125,300	125,300	0
Administration, AZ Department of			
Air Quality Fund	714,100	714,100	0
Automation Operations Fund	18,672,400	18,672,400	0
Capital Outlay Stabilization Fund	17,903,800 ^{1/}	17,890,500	(13,300)
Corrections Fund	552,500	552,500	0
Federal Surplus Materials Revolving Fund	451,400	451,400	0
Information Technology Fund	3,120,500	3,120,500	0
Motor Vehicle Pool Revolving Fund	10,038,900	10,038,900	0
Personnel Division Fund	14,564,800	13,969,000	(595,800)
Risk Management Revolving Fund	90,321,800	90,321,800	0
Special Employee Health Insurance Trust Fund	5,108,300	5,108,300	0
State Surplus Materials Revolving Fund	2,378,800	2,378,800	0
State Web Portal Fund	250,000	250,000	0
Telecommunications Fund	1,817,200	1,817,200	0
Total - AZ Department of Administration	165,894,500	165,285,400	(609,100)
Administrative Hearings, Office of			
Healthcare Group Fund	14,500	14,500	0
Agriculture, AZ Department of			
Aquaculture Fund	0	4,600	4,600
Citrus, Fruit and Vegetable Revolving Fund	0	240,000	240,000
Commercial Feed Fund	0	146,600	146,600
Dangerous Plants, Pests and Diseases Fund	0	62,700	62,700
Egg Inspection Fund	0	448,200	448,200
Fertilizer Materials Fund	0	147,400	147,400
Livestock Custody Fund	0	60,000	60,000
Pesticide Fund	0	244,500	244,500
Arizona Protected Native Plant Fund	0	44,900	44,900
Seed Law Fund	0	26,000	26,000
Total - AZ Department of Agriculture	0 ^{2/}	1,424,900	1,424,900
AHCCCS			
Budget Neutrality Compliance Fund	3,161,100	3,221,100	60,000
Children's Health Insurance Program Fund	30,176,400	18,123,100	(12,053,300)
Healthcare Group Fund	3,496,300	2,260,900	(1,235,400)
Prescription Drug Rebate Fund	20,114,500	69,949,700	49,835,200
Tobacco Products Tax Fund Emergency Health Services Account	19,222,900	19,222,900	0
Tobacco Tax and Health Care Fund Medically Needy Account	38,295,800	38,295,800	0
Total - AHCCCS	114,467,000	151,073,500	36,606,500
Appraisal, State Board of			
Board of Appraisal Fund	755,500	755,500	0
Athletic Training, Board of			
Athletic Training Fund	101,200	101,200	0
Attorney General - Department of Law			
Antitrust Enforcement Revolving Fund	241,200	241,200	0
Attorney Gen'l Legal Svcs Cost Allocation Fund	5,397,100	5,397,100	0
Collection Enforcement Revolving Fund	5,291,900	5,291,900	0
Consumer Protection-Consumer Fraud Rev. Fund	3,439,800	3,439,800	0
Interagency Service Agreements Fund	13,004,000	13,004,000	0
Risk Management Revolving Fund	8,765,900	8,765,900	0
Victims' Rights Fund	3,238,700	3,238,700	0
Total - Attorney General - Department of Law	39,378,600	39,378,600	0
Automobile Theft Authority			
Automobile Theft Authority Fund	4,273,600	4,273,600	0

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
Barbers, Board of			
Board of Barbers Fund	320,700	320,700	0
Behavioral Health Examiners, Board of			
Board of Behavioral Health Examiners Fund	1,458,700	1,458,700	0
Capital Postconviction Public Defender Office, State			
Capital Postconviction Public Defender Office Fund	161,000	161,000	0
Chiropractic Examiners, State Board of			
Board of Chiropractic Examiners Fund	449,300	449,300	0
Contractors, Registrar of			
Registrar of Contractors Fund	12,002,700	12,002,700	0
Corporation Commission			
Arizona Arts Trust Fund	49,900	49,900	0
Investment Management Regulatory and Enforcement Fund	678,700	678,700	0
Public Access Fund	5,817,100	5,817,100	0
Securities Regulatory and Enforcement Fund	4,217,400	4,217,400	0
Utility Regulation Revolving Fund	12,597,600	12,597,600	0
Total - Corporation Commission	23,360,700	23,360,700	0
Corrections, State Department of			
Alcohol Abuse Treatment Fund	554,400	554,400	0
Corrections Fund	27,517,600	27,517,600	0
Penitentiary Land Fund	1,979,200	979,200	(1,000,000)
Prison Construction and Operations Fund	13,249,400	11,499,400	(1,750,000)
State Charitable, Penal and Reformatory Institutions Land Fund	3,360,000	360,000	(3,000,000)
State Education Fund for Correctional Education	503,500	503,500	0
Transition Program Fund	930,000	930,000	0
Transition Services Fund	2,555,000	2,555,000	0
Total - State Department of Corrections	50,649,100	44,899,100	(5,750,000)
Cosmetology, Board of			
Board of Cosmetology Fund	1,742,100	1,742,100	0
Criminal Justice Commission, Arizona			
Criminal Justice Enhancement Fund	624,700	624,700	0
Drug and Gang Prevention Resource Center Fund	234,700	234,700	0
State Aid to County Attorneys Fund	973,600	973,600	0
Victim Compensation and Assistance Fund	3,792,500	3,792,500	0
Total - Arizona Criminal Justice Commission	5,625,500	5,625,500	0
Deaf and the Blind, AZ Schools for the			
Schools for the Deaf and the Blind Fund	12,725,500	13,339,900	614,400
Deaf and the Hard of Hearing, Comm. for the			
Telecommunication Fund for the Deaf	3,745,700	3,745,700	0
Dental Examiners, State Board of			
Dental Board Fund	1,183,800	1,183,800	0
Economic Security, Department of			
Child Abuse Prevention Fund	1,459,100	1,459,100	0
Child Support Enforcement Administration Fund	16,534,900	16,534,900	0
Children and Family Services Training Program Fund	205,300	205,300	0
Domestic Violence Shelter Fund	2,220,000	2,220,000	0
Federal Child Care and Development Fund Block Grant	130,567,500	130,567,500	0
Federal Temporary Assistance for Needy Families Block Grant	239,304,400	239,304,400	0
Long Term Care System Fund	30,518,400	30,518,400	0
Public Assistance Collections Fund	423,900	423,900	0
Special Administration Fund	1,129,900	1,129,900	0
Spinal and Head Injuries Trust Fund	1,864,700	1,864,700	0
Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Workforce Investment Act Grant	56,029,800	56,029,800	0
Total - Department of Economic Security	481,257,900	481,257,900	0
Education, Department of			

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
Education Learning and Accountability Fund	1,200,000	0	(1,200,000)
Permanent State School Fund	46,475,500	46,475,500	0
Proposition 301 Fund	7,000,000	7,000,000	0
Teacher Certification Fund	2,283,800	2,283,800	0
Total - Department of Education	56,959,300	55,759,300	(1,200,000)
Emergency & Military Affairs, Dept of			
Emergency Response Fund	132,700	132,700	0
Environmental Quality, Department of			
Air Permits Administration Fund	7,008,600	7,008,600	0
Air Quality Fund	5,370,400	5,370,400	0
Emissions Inspection Fund	25,536,100	25,536,100	0
Hazardous Waste Management Fund	1,712,100	1,712,100	0
Indirect Cost Recovery Fund	12,873,200	12,873,200	0
Solid Waste Fee Fund	1,917,500	1,917,500	0
Underground Storage Tank Fund	22,000	22,000	0
Used Oil Fund	138,900	138,900	0
Water Quality Fee Fund	10,347,900	10,347,900	0
Total - Department of Environmental Quality	64,926,700	64,926,700	0
Exposition and State Fair Board, AZ			
Arizona Exposition and State Fair Fund	11,096,200	11,096,200	0
Financial Institutions, Department of			
Financial Services Fund	733,300	733,300	0
Funeral Directors and Embalmers, Board of			
Board of Funeral Directors & Embalmers Fund	339,600	339,600	0
Game and Fish Department, AZ			
Capital Improvement Plan	1,000,000	1,000,000	0
Game and Fish Fund	32,980,400	32,980,400	0
Game, Nongame, Fish and Endangered			
Species Fund	334,700	334,700	0
Watercraft Licensing Fund	4,646,400	4,471,400	(175,000)
Waterfowl Conservation Fund	43,400	43,400	0
Wildlife Endowment Fund	16,000	16,000	0
Total - AZ Game and Fish Department	39,020,900	38,845,900	(175,000)
Gaming, Department of			
Tribal-State Compact Fund	1,998,300	1,998,300	0
State Lottery Fund	300,000	300,000	0
Arizona Benefits Fund	9,575,900	9,697,000	121,100
Total - Department of Gaming	11,874,200	11,995,300	121,100
Governor, Office of the			
Oil Overcharge Fund	186,700	186,700	0
Health Services, Department of			
Arizona State Hospital Fund	13,807,300	13,807,300	0
ASH Land Earnings Fund	1,150,000	1,150,000	0
Health Services Licensing Fund	8,260,300	8,260,300	0
Capital Outlay Stabilization Fund	1,245,500	1,245,500	0
Child Fatality Review Fund	92,700	92,700	0
Emergency Medical Services Operating Fund	5,024,300	5,024,300	0
Environmental Laboratory Licensure			
Revolving Fund	907,200	907,200	0
Federal Child Care and Development Fund			
Block Grant	827,800	827,800	0
Hearing and Speech Professionals Fund	308,100	308,100	0
Indirect Cost Fund	7,509,000	7,509,000	0
Newborn Screening Program Fund	6,680,100	6,680,100	0
Nursing Care Institution Resident Protection			
Fund	438,000	438,000	0
Substance Abuse Services Fund	2,250,000	2,250,000	0
Tobacco Tax and Health Care Fund			
Health Research Account	1,500,000	1,000,000	(500,000)
Tobacco Tax and Health Care Fund			
Medically Needy Account	35,167,000	35,167,000	0
Vital Records Electronic System Fund	3,586,000	3,586,000	0
Total - Department of Health Services	88,753,300	88,253,300	(500,000)

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
Homeopathic & Integrated Medicine Examiners, Bd of			
Bd of Homeopathic & Integrated Medicine Exmnr's Fund	105,300	105,300	0
Housing, Department of			
Housing Trust Fund	916,900	297,500	(619,400)
Industrial Commission of AZ			
Industrial Commission Administrative Fund	19,550,400	19,550,400	0
Judiciary - Supreme Court			
Confidential Intermediary and Fiduciary Fund	478,800 3/	478,800	0
Court Appointed Special Advocate Fund	2,923,800 3/	2,923,800	0
Criminal Justice Enhancement Fund	2,960,300 3/	2,960,300	0
Defensive Driving School Fund	4,120,200 3/	4,120,200	0
Judicial Collection Enhancement Fund	13,787,900 3/	13,787,900	0
Photo Enforcement Fund	0	0	0
State Aid to the Courts Fund	2,944,500	2,944,500	0
Total - Supreme Court	<u>27,215,500</u>	<u>27,215,500</u>	<u>0</u>
Judiciary - Superior Court			
Criminal Justice Enhancement Fund	6,931,300	6,931,300	0
Judicial Collection Enhancement Fund	5,028,900	5,028,900	0
Drug Treatment and Education Fund	500,000	500,000	0
Total - Superior Court	<u>12,460,200</u>	<u>12,460,200</u>	<u>0</u>
SUBTOTAL - Judiciary	<u>39,675,700</u>	<u>39,675,700</u>	<u>0</u>
Juvenile Corrections, Department of			
Criminal Justice Enhancement Fund	528,400	528,400	0
State Charitable, Penal and Reformatory			
Institutions Land Fund	1,098,600	1,098,600	0
State Education Fund for Committed Youth	2,233,200	2,233,200	0
Total - Department of Juvenile Corrections	<u>3,860,200</u>	<u>3,860,200</u>	<u>0</u>
Land Department, State			
Due Diligence Fund	500,000	500,000	0
Environmental Special Plate Fund	260,000	260,000	0
Risk Management Revolving Fund	9,888,400 4/	9,888,400	0
Trust Land Management Fund	3,469,200 4/	3,469,200	0
Total - State Land Department	<u>14,117,600</u>	<u>14,117,600</u>	<u>0</u>
Liquor Licenses & Control, Department of			
Liquor Licenses Fund	2,815,600	2,815,600	0
Lottery Commission, AZ State			
State Lottery Fund	85,652,000 5/	87,541,700	1,889,700
Medical Board, Arizona			
Arizona Medical Board Fund	5,799,200	5,799,200	0
Medical Student Loans, Board of			
Medical Student Loan Fund	20,200	0	(20,200)
Mine Inspector, State			
Aggregate Mining Reclamation Fund	112,500	112,500	0
Naturopathic Physicians Medical Board			
Naturopathic Physicians Medical Board Fund	586,000	586,000	0
Nursing, State Board of			
Board of Nursing Fund	4,034,300	4,034,300	0
Nursing Care Institution Administrators Board			
Nursing Care Institution Administrators'			
Licensing & Assisted Living Facility			
Managers' Certification Fund	361,700	361,700	0
Occupational Therapy Examiners, Board of			
Occupational Therapy Fund	161,600	161,600	0
Opticians, State Board of Dispensing			
Board of Dispensing Opticians Fund	131,100	131,100	0
Optometry, State Board of			
Board of Optometry Fund	197,300	197,300	0
Osteopathic Examiners, AZ Board of			
Board of Osteopathic Examiners Fund	698,300	698,300	0
Parks Board, Arizona State			
Law Enforcement and Boating Safety Fund	2,183,800	0 6/	(2,183,800)
State Parks Enhancement Fund	8,886,600	8,886,600	0
Reservation Surcharge Fund	500,000 7/	500,000	0

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
Total - Arizona State Parks Board	11,570,400	9,386,600	(2,183,800)
Personnel Board			
Personnel Board Account of the			
Personnel Division Fund	365,200	365,200	0
Pest Management, Office of			
Pest Management Fund	2,700,400	2,000,000	(700,400)
Pharmacy, AZ State Board of			
Board of Pharmacy Fund	1,918,100	1,918,100	0
Physical Therapy Examiners, Board of			
Board of Physical Therapy Fund	364,100	364,100	0
Pioneers' Home, AZ			
Miners' Hospital Fund	1,743,200	1,743,200	0
State Charitable Fund	2,825,900	2,825,900	0
Total - AZ Pioneers' Home	4,569,100	4,569,100	0
Podiatry Examiners, State Board of			
Podiatry Fund	142,600	142,600	0
Postsecondary Education, Commission for			
Postsecondary Education Fund	3,841,100	3,841,100	0
Private Postsecondary Education, Board for			
Board for Private Postsecondary Education			
Fund	326,600	326,600	0
Psychologist Examiners, State Board of			
Board of Psychologist Examiners Fund	344,000	344,000	0
Public Safety, Department of			
Arizona Deoxyribonucleic Acid Identification			
System Fund	3,944,600	2,964,600	(980,000)
Arizona Highway Patrol Fund	18,522,300	18,522,300	0
Automated Fingerprint Identification System Fund	3,008,600	3,008,600	0
Crime Laboratory Assessment Fund	868,000	868,000	0
Crime Laboratory Operations Fund	11,030,500	11,030,500	0
Criminal Justice Enhancement Fund	2,859,300	2,859,300	0
GITTEM Subaccount	2,090,300	2,390,000	299,700
Highway User Revenue Fund	119,961,000	119,961,000	0
Motorcycle Safety Fund	205,000	205,000	0
Parity Compensation Fund	1,817,900	1,817,900	0
Photo Enforcement Fund	0	0	0
Public Safety Equipment Fund	2,390,000	2,390,000	0
Risk Management Fund	1,446,300	1,446,300	0
Safety Enforcement and Transportation			
Infrastructure Fund	1,509,100	1,509,100	0
State Highway Fund	0	0	0
Total - Department of Public Safety	169,652,900	168,972,600	(680,300)
Racing, Arizona Department of			
Racing Regulation Fund	1,434,300	2,536,400	1,102,100
Radiation Regulatory Agency			
State Radiologic Technologist Certification			
Fund	264,600	264,600	0
Radiation Regulatory Fee Fund	496,700	496,700	0
Total - Radiation Regulatory Agency	761,300	761,300	0
Residential Utility Consumer Office			
Residential Utility Consumer Office			
Revolving Fund	1,289,000	1,289,000	0
Respiratory Care Examiners, Board of			
Board of Respiratory Care Examiners' Fund	306,200	306,200	0
Retirement System, Arizona State			
Long-Term Disability Administration Account	2,800,000	2,800,000	0
State Retirement System Administration			
Account	21,773,500	20,923,500	(850,000)
Total - Arizona State Retirement System	24,573,500	23,723,500	(850,000)
Revenue, Department of			
Department of Revenue Administrative Fund	22,532,600	22,532,600	0
Liability Setoff Fund	383,800	383,800	0
Tobacco Tax and Health Care Fund	665,400	665,400	0

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
Total - Department of Revenue	23,581,800	23,581,800	0
Secretary of State			
Election Systems Improvement Fund	2,934,200	2,934,200	0
Records Services Fund	568,800	568,800	0
Total - Secretary of State	3,503,000	3,503,000	0
State Boards' Office			
Special Services Revolving Fund	211,600	211,600	0
Technical Registration, State Board of			
Technical Registration Fund	1,834,900	1,834,900	0
Transportation, Department of			
Air Quality Fund	72,200	72,200	0
Driving Under the Influence Abatement Fund	146,900	146,900	0
Highway User Revenue Fund	86,880,400	86,880,400	0
Motor Vehicle Liability Insurance			
Enforcement Fund	1,052,600	1,052,600	0
Safety Enforcement and Transportation			
Infrastructure Fund	1,866,000	1,866,000	0
State Aviation Fund	1,577,800	1,577,800	0
State Highway Fund	239,494,200	239,494,200	0
Transportation Department Equipment Fund	27,416,900	27,416,900	0
Vehicle Inspection & Title Enforcement Fund	1,434,400	1,434,400	0
Total - Department of Transportation	359,941,400	359,941,400	0
Treasurer, State			
Law Enforcement and Boating Safety Fund	0	2,183,800 <u>6/</u>	2,183,800
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	2,493,500	0
State Treasurer's Management Fund	87,300	87,300	0
Total - State Treasurer	2,680,800	4,764,600	2,083,800
Universities			
Arizona State University - Tempe/DPC			
University Collections Fund	453,894,300 <u>8/</u>	468,010,300	14,116,000
Arizona State University - East Campus			
University Collections Fund	37,572,700 <u>8/</u>	37,924,800	352,100
Technology and Research Initiative Fund	2,000,000	2,000,000	0
Total - Arizona State University - East Campus	39,572,700	39,924,800	352,100
Arizona State University - West Campus			
University Collections Fund	32,278,700 <u>8/</u>	31,330,800	(947,900)
Technology and Research Initiative Fund	1,600,000	1,600,000	0
Total - Arizona State University - West Campus	33,878,700	32,930,800	(947,900)
Northern Arizona University			
University Collections Fund	97,738,900 <u>8/</u>	99,660,700	1,921,800
University of Arizona - Main Campus			
University Collections Fund	247,503,000 <u>8/</u>	256,404,000	8,901,000
University of Arizona - Health Sciences Center			
University Collections Fund	41,154,000 <u>8/</u>	41,786,200	632,200
SUBTOTAL - Universities	913,741,600	938,716,800	24,975,200
Veterans' Services, Department of			
State Veterans' Conservatorship Fund	882,300	882,300	0
State Home for Veterans' Trust Fund	19,742,800	27,574,700	7,831,900
Total - Department of Veterans' Services	20,625,100	28,457,000	7,831,900
Veterinary Medical Examining Board			
Veterinary Medical Examining Board Fund	455,300	455,300	0
Water Resources, Department of			
Assured and Adequate Water Supply Admin Fund	265,300	265,300	0
Water Resources Fund	6,400,200	6,400,200	0
Total - Department of Water Resources	6,665,500	6,665,500	0
Weights and Measures, Department of			
Air Quality Fund	1,413,900	1,413,900	0
Motor Vehicle Liability Insurance Enf. Fund	317,500	317,500	0
Total - Department of Weights and Measures	1,731,400	1,731,400	0

	FY 2012 Estimate	FY 2013 Baseline	FY 2013 Baseline - FY 2012
OPERATING BUDGET TOTAL	<u>\$2,933,530,700</u>	<u>\$2,996,892,100</u>	<u>\$63,361,400</u>
FY 2012 Supplementals	85,400,000	0	(85,400,000)
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
Lease-Purchase and Rent Adjustments	0	1,352,800	1,352,800
Capital	<u>246,090,200</u>	<u>310,113,000</u>	<u>64,022,800</u>
GRAND TOTAL	<u><u>3,289,992,700</u></u>	<u><u>3,308,357,900</u></u>	<u><u>18,365,200</u></u>

- 1/ The FY 2012 General Government Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 34) appropriated monies from the Capital Outlay Stabilization Fund in FY 2012 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.
- 2/ 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 as of the bill's effective date, July 20, 2011, through December 30, 2012. As a result, these funds are shown as non-appropriated in FY 2012 and half of FY 2013 and appropriated the remaining half of FY 2013.
- 3/ These amounts reflect revised State Lease-Purchase and Rental Rate Adjustments.
- 4/ 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 expenses 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.
- 5/ Revised Lottery forecast.
- 6/ 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.
- 7/ Adjusted for estimated final receipts credited to the Parks Board - Reservation Surcharge Revolving Fund.
- 8/ Reflects tuition collections receipts above the amount appropriated by the Legislature in FY 2012. A footnote in the FY 2012 General Appropriation Act appropriated any tuition collections receipts above the appropriated amount to the university.

Detailed List of General Fund Changes by Agency

	FY 2012 GF Current	FY 13 Baseline 1/ Above FY 12	FY 2013 Baseline
OPERATING SPENDING CHANGES			
DOA - Arizona Department of Administration	14,858,600		13,422,200
DOA - ENSCO Lease-Purchase		(1,436,400)	
OAH - Office of Administrative Hearings	811,100		811,100
AGR - Department of Agriculture	7,909,400		7,909,400
AXS - AHCCCS	1,363,735,000		1,407,257,400
AXS - Formula Changes		43,522,400	
ATT - Attorney General	16,931,500		16,931,500
CPD - State Capital Postconviction Public Defender Office	688,900		688,900
CHA - State Board for Charter Schools	750,600		750,600
COM - Arizona Commerce Authority	31,500,000		31,500,000
CCO - Arizona Community Colleges	71,176,100		65,942,600
CCO - Formula Changes		(5,233,500)	
COR - Corporation Commission	511,400		511,400
DOC - Department of Corrections	948,188,600		947,388,500
DOC - Eliminate One-time Leap Year Costs		(800,100)	
SDB - AZ State Schools for the Deaf and the Blind	20,686,300		20,686,300
DES - Department of Economic Security	602,603,300		607,347,500
DES - DD Formula Changes		4,744,200	
ADE - Arizona Department of Education	3,436,528,700		3,408,704,900
ADE - Formula Changes		(27,823,800)	
EMA - Department of Emergency & Military Affairs	8,815,300		8,824,900
EMA - Nuclear Emergency Management - Previously Enacted		9,600	
DEQ - Department of Environmental Quality	7,000,000		7,000,000
OEO - Governor's Office of Equal Opportunity	187,900		187,900
EQU - State Board of Equalization	625,800		625,800
EXE - Board of Executive Clemency	790,500		777,300
EXE - Eliminate One-Time Annual Leave Payout		(13,200)	
DFI - Dept of Financial Institutions	2,726,600		2,726,600
BFS - Department of Fire, Building & Life Safety	1,693,300		1,693,300

	FY 2012 GF Current	FY 13 Baseline 1/ Above FY 12	FY 2013 Baseline
FOR - State Forester	6,052,000		6,052,000
GEO - Arizona Geological Survey	865,100		865,100
GOV - Office of the Governor	6,601,900		6,601,900
OSP - Gov's Ofc of Strategic Planning & Budgeting	1,874,200		1,874,200
DHS - Department of Health Services	494,294,800		545,439,600
DHS - Formula Changes		51,144,800	
AZH - Arizona Historical Society	4,151,100		4,151,100
PAZ - Prescott Historical Society	652,600		652,600
IND - Independent Redistricting Commission	3,000,000		--
IND - FY 2013 Funding To Be Determined		(3,000,000)	
CIA - Arizona Commission of Indian Affairs	54,300		54,300
INS - Department of Insurance	5,184,200		5,184,200
SPA - Judiciary - Supreme Court	15,915,700		15,915,700
COA - Judiciary - Court of Appeals	13,786,300		13,786,300
SUP - Judiciary - Superior Court	79,083,200		79,083,200
JUD - Judiciary			
DJC - Department of Juvenile Corrections	46,729,800		42,929,800
DJC - Population Decline/Catalina Closure		(3,800,000)	
LAN - State Land Department	1,231,800		1,231,800
LEM - Law Enforcement Merit System Council	70,200		70,200
Legislature			
AUD - Auditor General	16,156,000		16,156,000
HOU - House of Representatives	12,993,700		12,993,700
JLBC - Joint Legislative Budget Committee	2,399,900		2,399,900
LEG - Legislative Council	4,654,100		4,654,100
SEN - Senate	7,985,200		7,985,200
MSL - Board of Medical Student Loans	67,000		0
MSL - End of Program		(67,000)	

	FY 2012 GF Current	FY 13 Baseline 1/ Above FY 12	FY 2013 Baseline
MIN - State Mine Inspector	1,185,800		1,185,800
NAV - AZ Navigable Steam Adjudication Comm.	126,900		126,900
OSH - Occupational Safety & Health Review Board	15,000		0
OSH - Eliminate One-time Costs		(15,000)	
PIO - Arizona Pioneers' Home	1,603,600		1,603,600
POS - Commission for Postsecondary Education	1,396,800		1,396,800
DPS - Department of Public Safety	46,526,200		45,526,200
DPS - Eliminate One-Time County Assistance Grant		(1,000,000)	
RAC - Arizona Department of Racing	2,781,600		1,779,500
RAC - Shift to Self-Funding - Previously Enacted		(1,002,100)	
RAD - Radiation Regulatory Agency	1,459,000		1,419,000
RAD - Nuclear Emergency Management - Previously Enacted		(40,000)	
REA - State Real Estate Department	2,656,700		2,656,700
REV - Department of Revenue	44,129,600		44,129,600
SFB - School Facilities Board	164,087,200		173,411,200
SFB - New School Debt Service Change		9,324,000	
SOS - Secretary of State	13,309,400		13,224,400
SOS - Eliminate One-Time Litigation Costs		(85,000)	
TAX - State Board of Tax Appeals	253,400		253,400
DOT - Department of Transportation	50,200		50,200
TRE - State Treasurer	1,115,100		1,115,100
UNI - Universities			
UNI - Arizona Board of Regents	16,926,200		16,926,200
UNI - ASU - Tempe/DPC	247,742,900		247,742,900
UNI - ASU - East Campus	19,076,800		19,076,800
UNI - ASU - West Campus	33,159,600		33,159,600
UNI - Northern Arizona University	101,861,800		101,861,800
UNI - UA - Main Campus	208,367,000		208,367,000
UNI - UA - Health Sciences Center	55,334,300		55,334,300
VSC - Department of Veterans' Services	7,050,700		5,197,100

	FY 2012 GF Current	FY 13 Baseline <u>1/</u> Above FY 12	FY 2013 Baseline
VSC - One-Time Veterans' Home Start-up		(1,853,600)	
WAT - Department of Water Resources	5,698,300		5,698,300
WEI - Department of Weights & Measures	1,165,000		1,165,000
OTH - Other			
OTH - DES Ex-Appropriation	(12,300,000)	12,300,000	0
OTH - DHS Supplemental	12,300,000	(12,300,000)	0
OTH - Sale/Lease-Back Lease-Purchase Payment	49,050,700	35,069,100	84,119,800
OTH - Civic Center Payment	0	5,595,000	5,595,000
OTH - Additional Pay Period	79,000,000	(79,000,000)	0
OTH - Unallocated Lease-Purchase and Rent Adjustments	(115,400)	115,400	0
OTH - Unallocated Statewide Risk Management Adjustment	(1,700)	1,700	0
OTH - Unallocated Uncaptured Pay Reduction Savings	(11,300)	11,300	0
OTH - Administrative Adjustments	57,694,100	6,690,800	64,384,900
OTH - Revertments	(99,053,700)	(812,400)	(99,866,100)
TOTAL - OPERATING SPENDING CHANGES	8,326,163,800	30,246,200	8,356,410,000
CAPITAL SPENDING			
TOTAL - CAPITAL SPENDING	0	0	0
TOTAL - ALL SPENDING	8,326,163,800	30,246,200	8,356,410,000
FUND TRANSFERS			
TOTAL - FUND TRANSFERS	(318,277,700)	318,277,700	0
REVENUE CHANGES			
REV - Ongoing Revenue	8,535,172,100	304,683,600	8,839,855,700
REV - One-Time Revenue	55,710,400	(107,710,400)	(52,000,000)
TOTAL - REVENUE CHANGES (INCL. FUND TRANSFERS) <u>2/</u>	8,909,160,200	(121,304,500)	8,787,855,700
ENDING BALANCE	582,996,400		431,445,700

1/ Represents FY 2013 Baseline cost above FY 2012 Baseline estimate.

2/ 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

	FY 2012 OF Current	FY 13 Baseline 1/ Above FY 12	FY 2013 Baseline
OPERATING SPENDING CHANGES			
SBA - State Board of Accountancy	1,887,800		1,887,800
ACU - Acupuncture Board of Examiners	125,300		125,300
DOA - Arizona Department of Administration	165,894,500		165,285,400
DOA - HRIS COP Payment - Personnel Division Fund		(595,800)	
DOA - One-time COSF from Rosenbaum Construction		(613,300)	
DOA - Rosenbaum COSF Appropriation		600,000	
OAH - Office of Administrative Hearings	14,500		14,500
AGR - Department of Agriculture	0		1,424,900
AGR - End of Temporary Non-Appropriated Status		1,424,900	
AXS - AHCCCS	114,467,000		151,073,500
AXS - Formula Changes		37,841,900	
AXS - Healthcare Group Administration		(1,235,400)	
APP - State Board of Appraisal	755,500		755,500
BAT - Board of Athletic Training	101,200		101,200
ATT - Attorney General	39,378,600		39,378,600
ATA - Automobile Theft Authority	4,273,600		4,273,600
BAR - Board of Barbers	320,700		320,700
BHE - Board of Behavioral Health Examiners	1,458,700		1,458,700
CPD - State Capital Postconviction Public Defender Office	161,000		161,000
BCE - State Board of Chiropractic Examiners	449,300		449,300
ROC - Registrar of Contractors	12,002,700		12,002,700
COR - Corporation Commission	23,360,700		23,360,700
DOC - Department of Corrections	50,649,100		44,899,100
DOC - Eliminate One-Time Radio Conversion Cost		(5,750,000)	
COS - Board of Cosmetology	1,742,100		1,742,100
JUS - Arizona Criminal Justice Commission	5,625,500		5,625,500
SDB - AZ State Schools for the Deaf and the Blind	12,725,500		13,339,900
SDB - Formula Changes		614,400	

	FY 2012 OF Current	FY 13 Baseline 1/ Above FY 12	FY 2013 Baseline
HEA - Comm for the Deaf & the Hard of Hearing	3,745,700		3,745,700
DEN - Board of Dental Examiners	1,183,800		1,183,800
DES - Department of Economic Security	481,257,900		481,257,900
ADE - Arizona Department of Education	56,959,300		55,759,300
ADE - Eliminate One-Time Data System Cost		(1,200,000)	
EMA - Department of Emergency & Military Affairs	132,700		132,700
DEQ - Department of Environmental Quality	64,926,700		64,926,700
COL - Arizona Exposition and State Fair Board	11,096,200		11,096,200
DFI - Dept of Financial Institutions	733,300		733,300
EMB - Board of Funeral Directors and Embalmers	339,600		339,600
FIS - Arizona Game and Fish Department	39,020,900		38,845,900
FIS - Watercraft Licensing Revenue Realignment		(175,000)	
GAM - Department of Gaming	11,874,200		11,995,300
GAM - Revenue Realignment		121,100	
GOV - Office of the Governor	186,700		186,700
DHS - Department of Health Services	88,753,300		88,253,300
DHS - End of Statutory Biotechnology Funding		(500,000)	
HOM - Board of Homeopathic & Integrated Medicine Examiners	105,300		105,300
HOU - Department of Housing	916,900		297,500
HOU - Revenue Realignment		(619,400)	
IND - Industrial Commission	19,550,400		19,550,400
SPA - Judiciary - Supreme Court	27,215,500		27,215,500
SUP - Judiciary - Superior Court	12,460,200		12,460,200
DJC - Department of Juvenile Corrections	3,860,200		3,860,200
LAN - State Land Department	14,117,600		14,117,600
LIQ - Department of Liquor Licenses & Control	2,815,600		2,815,600
LOT - Arizona State Lottery Commission	85,652,000		87,541,700
LOT - Adjusted Revenue Estimate		1,889,700	

	FY 2012 OF Current	FY 13 Baseline 1/ Above FY 12	FY 2013 Baseline
MED - Arizona Medical Board	5,799,200		5,799,200
MSL - Board of Medical Student Loans	20,200		0
MSL - End of Program		(20,200)	
MIN - State Mine Inspector	112,500		112,500
NAT - Naturopathic Physicians Medical Board	586,000		586,000
NUR - State Board of Nursing	4,034,300		4,034,300
NCI - Nursing Care Inst. Administrators Board	361,700		361,700
OCC - Board of Occupational Therapy Examiners	161,600		161,600
DIS - State Board of Dispensing Opticians	131,100		131,100
OPT - State Board of Optometry	197,300		197,300
OST - Arizona Board of Osteopathic Examiners	698,300		698,300
SPB - Arizona State Parks Board	11,570,400		9,386,600
SPB - Move LEBSF to Treasurer - Previously Enacted		(2,183,800)	
PER - Personnel Board	365,200		365,200
PES - Office of Pest Management	2,700,400		2,000,000
PES - Revenue Realignment		(700,400)	
PHA - Arizona State Board of Pharmacy	1,918,100		1,918,100
PHY - Board of Physical Therapy Examiners	364,100		364,100
PIO - Arizona Pioneers' Home	4,569,100		4,569,100
POD - State Board of Podiatry Examiners	142,600		142,600
POS - Commission for Postsecondary Education	3,841,100		3,841,100
PRI - Board for Private Postsecondary Education	326,600		326,600
PSY - State Board of Psychologist Examiners	344,000		344,000
DPS - Department of Public Safety	169,652,900		168,972,600
DPS - GIITEM Subaccount Grants - Including ACJC Transfer		299,700	
DPS - End of Statutory DNA Identification System Appropriation		(980,000)	
RAC - Arizona Department of Racing	1,434,300		2,536,400
RAC - Shift to Self-Funding - Previously Enacted		1,102,100	
RAD - Radiation Regulatory Agency	761,300		761,300

	FY 2012 OF Current	FY 13 Baseline 1/ Above FY 12	FY 2013 Baseline
RUC - Residential Utility Consumer Office	1,289,000		1,289,000
RES - Board of Respiratory Care Examiners	306,200		306,200
RET - Arizona State Retirement System	24,573,500		23,723,500
RET - Eliminate One-Time Plan Design Costs		(850,000)	
REV - Department of Revenue	23,581,800		23,581,800
SOS - Secretary of State	3,503,000		3,503,000
SBO - State Boards' Office	211,600		211,600
TEC - State Board of Technical Registration	1,834,900		1,834,900
DOT - Department of Transportation	359,941,400		359,941,400
TRE - State Treasurer	2,680,800		4,764,600
TRE - Shift LEBSF from Parks		2,183,800	
TRE - Eliminate One-Time Retirement Study Costs		(100,000)	
UNI - Universities			
UNI - ASU - Tempe/DPC	453,894,300		468,010,300
UNI - ASU Main - Enrollment Growth		14,116,000	
UNI - ASU - East Campus	39,572,700		39,924,800
UNI - ASU East - Enrollment Growth		352,100	
UNI - ASU - West Campus	33,878,700		32,930,800
UNI - ASU West - Enrollment Growth		(947,900)	
UNI - Northern Arizona University	97,738,900		99,660,700
UNI - NAU - Enrollment Growth		1,921,800	
UNI - UA - Main Campus	247,503,000		256,404,000
UNI - UA Main - Enrollment Growth		8,901,000	
UNI - UA - Health Sciences Center	41,154,000		41,786,200
UNI - UA - HSC - Enrollment Growth		632,200	
VSC - Department of Veterans' Services	20,625,100		28,457,000
VSC - New Tucson Veterans' Home Operating Costs		7,831,900	
VME - Veterinary Medical Examining Board	455,300		455,300
WAT - Department of Water Resources	6,665,500		6,665,500
WEI - Department of Weights & Measures	1,731,400		1,731,400
OTH - Other			

	FY 2012 OF Current	FY 13 Baseline <u>1/</u> Above FY 12	FY 2013 Baseline
OTH - AHCCCS Supplemental	51,500,000	(51,500,000)	0
OTH - DHS Supplemental	33,900,000	(33,900,000)	0
OTH - Additional Pay Period	25,000,000	(25,000,000)	0
OTH - Unallocated Risk Statewide Adjustments	(3,000)	3,000	0
OTH - Unallocated Lease-Purchase and Rent Adjustments	(25,200)	25,200	0
OTH - Lease Purchase and Rent Adjustments	0	1,352,800	1,352,800
TOTAL - OPERATING SPENDING CHANGES	\$3,043,902,500	(\$45,657,600)	\$2,998,244,900
CAPITAL SPENDING CHANGES			
Building Renewal			
Arizona Department of Administration	6,500,000	4,175,100	10,675,100
ADC Building Renewal and Preventative Maintenance	4,630,500		4,630,500
Game & Fish Department	522,100	1,200	523,300
Arizona Lottery Commission	79,200	6,000	85,200
Arizona Department of Transportation	1,050,000		1,050,000
New Projects			
ADOT '12/'13 Statewide Highway Construction		71,080,000	71,080,000
ADOT '12/'13 Controlled Access Highways	87,859,000	(10,548,000)	77,311,000
ADOT '12/'13 Debt Service	122,119,000	(316,000)	121,803,000
ADOT '12/'13 Airport Planning & Development	22,300,400	(375,500)	21,924,900
Game & Fish '12/'13 Property Maintenance	500,000		500,000
Game & Fish '12/'13 Dam Maintenance	500,000		500,000
Game & Fish '12/'13 Preventative Maintenance	30,000		30,000
TOTAL - CAPITAL SPENDING CHANGES	\$246,090,200	\$64,022,800	\$310,113,000
TOTAL - ALL OTHER FUND CHANGES	\$3,289,992,700	\$18,365,200	\$3,308,357,900

1/ Represents FY 2013 Baseline cost above FY 2012 Baseline estimate.

FY 2012 SUPPLEMENTALS AND EX-APPROPRIATIONS

	Change to Original '12 Budget
General Fund	
Department of Economic Security Ex-Appropriation	(\$12,300,000)
Department of Health Services	12,300,000
General Fund - Total	\$0
Other Funds	
AHCCCS - Prescription Drug Rebate Fund (PDRF)	\$51,500,000
Department of Health Services - PDRF	33,900,000
Other Funds - Total	\$85,400,000

FY 2012 STATUTORY CHANGES

In addition to the FY 2012 supplementals and ex-appropriations listed above, the Baseline would change the following items in the FY 2012 General Appropriation Act (Laws 2011, Chapter 24):

- Add the following funds to the list of funds that can be used for “back of the bill” adjustments:
 - 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
 - Capital Improvement Fund
- Remove provision requiring allocation of savings associated with enhanced Health Savings Account implementation. (See *FY 2013 Technical Budget Assumptions* for more details.)

SUMMARY OF FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES
For Fiscal Years 2011, 2012 and 2013 *1/*

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
<u>BUDGET UNITS</u>			
Department of Administration (ADA)			
Administration - AFIS II Collections (4203)	1,282,300	2,343,600	1,732,000
Certificate of Participation (5005)	132,802,500	93,007,900	114,422,400
Construction Insurance (4219)	872,700	2,326,100	2,225,100
Consumer Loss Recovery (2469)	0	0	0
Co-Op State Purchasing Agreement (4213)	2,686,300	2,776,600	2,776,600
Electronic Commerce (2482)	0	0	0
Emergency Telecommunication Services Revolving (2176)	17,137,500	18,834,800	16,714,600
Employee Related Expenditures/Benefits Admin (ITA3035)	34,479,900	29,793,500	31,506,000
Federal Grants (2000)	951,100	2,463,900	2,092,100
Federal Grants - American Recovery & Reinvestment Act (2999)	5,506,400	11,967,300	4,283,600
IGA & ISA Fund (2500)	4,829,500	4,057,500	4,057,500
Management Services Division Plan Deposits (3196)	0	0	0
Payroll Administration (9200)	16,700	138,200	138,200
Privatized Lease-to-Own (2495)	12,208,900	12,288,900	12,535,800
Racing Investigation (2369)	0	0	0
Retiree Accumulated Sick Leave (YYA3200)	14,615,300	11,965,100	11,965,100
Special Employee Health Insurance Trust (ITA3015)	656,284,800	656,247,900	656,247,900
Special Events (2503)	2,700	32,900	32,900
Special Services Revolving (4208)	794,800	737,800	737,800
State Employee Suggestion Program Award (3190)	0	0	0
State Employee Travel Reduction (2261)	393,200	627,800	627,800
State Web Portal (2531)	0	0	0
Statewide Donations (2025)	47,600	112,200	64,300
Statewide E-Rate Program (2584)	0	187,000	187,000
Total - Department of Administration	\$884,912,200	\$849,909,000	\$862,346,700
Office of Administrative Hearings (HGA)			
IGA and ISA (2500)	\$945,100	\$936,300	\$936,300
Arizona Department of Agriculture (AHA)			
Administrative Support (2436)	40,200	49,000	49,000
Agricultural Consulting and Training (1239)	15,600	24,800	24,800
Agricultural Products Marketing (2368)	183,900	455,000	455,000
Agricultural Protection (2381)	0	0	0
Aquaculture (2297)	0	9,200	4,600
Beef Council (2083)	267,400	267,000	267,000
Citrus, Fruit and Vegetable Revolving (2260)	0	480,400	240,400
Citrus Research Council (2299)	35,000	28,000	28,000
Commercial Feed (2012)	0	293,400	146,800
Commodity Promotion (2458)	6,300	10,000	10,000
Cotton Research and Protection Council Abatement (2013)	2,542,800	1,964,200	1,964,200
Dangerous Plants, Pests and Diseases (2054)	0	125,500	62,800
Dangerous Plants Service Fee Increase (2055)	38,100	0	0
Designated (3011)	469,500	402,600	402,600
Egg Inspection (2022)	0	896,600	448,400
Equine Inspection (2489)	1,600	1,000	1,000
Federal (2000)	5,566,800	5,788,000	5,788,000
Federal-State Inspection (2113)	3,307,400	3,260,300	3,260,300
Fertilizer Materials (2081)	0	294,900	147,500
Grain Research and Promotion Council (2201)	166,800	133,200	133,200
Iceberg Lettuce Research Council (2259)	127,600	100,000	100,000
IGA & ISA (2500)	0	75,800	75,800
Indirect Cost Recovery (9000)	92,500	211,000	211,000
Livestock and Crop Conservation (2378)	1,472,300	1,114,500	1,114,500
Livestock Custody (2065)	0	120,000	60,000
Livestock Inspection Service Fee Increase (1050)	185,900	0	0
Nuclear Emergency Management (2138)	0	0	0
Pesticide (2051)	0	489,100	244,600
Pesticide Service Fee Increase (2052)	142,700	0	0
Protected Native Plant (2298)	0	90,000	45,100

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Seed Law (2064)	0	52,200	26,200
Total - Arizona Department of Agriculture	\$14,662,400	\$16,735,700	\$15,310,800
AHCCCS (HCA)			
County Funds (2120/2223)	0	302,984,400	294,122,200
Employee Recognition (2025)	12,800	10,000	10,000
Federal - Medicaid Direct Services (2120)	32,958,700	33,027,100	34,218,200
Federal Funds (2000)	138,157,400	78,942,900	1,857,300
Federal Grants - American Recovery & Reinvestment Act (2999)	0	106,018,100	49,445,800
Federal Medicaid Funds (2120/2223)	5,465,202,100	3,956,877,300	4,081,979,600
Healthcare Group (3197)	36,004,700	29,338,400	27,648,500
Hospital Loan Residency (2532)	0	0	0
IGA and ISA Fund (2500)	50,290,600	38,146,700	0
Intergovernmental Service (2438)	5,978,600	7,000,000	7,000,000
Prescription Drug Rebate (2546)	122,176,300	177,662,700	165,392,300
Political Subdivision (1111)	0	0	40,523,000
Proposition 202 - Trauma & Emergency Services (2494)	16,505,300	19,664,200	20,474,900
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Third Party Collections (3791/3019)	7,854,500	94,800	617,500
Tobacco Litigation Settlement, Arizona (TRA2561)	99,161,600	108,211,300	100,000,000
Tobacco Tax & Health Care - Medically Needy Account (1306)	0	0	0
Tobacco Products Tax Fund - Proposition 204 Protection Account	42,487,700	40,367,900	40,367,900
Total - AHCCCS	\$6,016,790,300	\$4,898,345,800	\$4,863,657,200
AZ Commission on the Arts (HUA)			
Arts Endowment (3106)	11,500	0	0
Arts Special Revenues (2116)	60,800	103,600	103,600
Arts Trust, Arizona (3014)	1,067,900	1,547,600	1,547,600
Federal Grant (2000)	900,300	899,500	906,800
Federal Grants - American Recovery & Reinvestment Act (2999)	64,600	0	0
Total - AZ Commission on the Arts	\$2,105,100	\$2,550,700	\$2,558,000
Attorney General - Department of Law (AGA)			
Anti-Racketeering Revolving (2131)	28,907,500	26,495,700	26,588,600
Attorney General Expendable Trust (3102)	0	5,000	0
CJEF Distribution to County Attorneys (2068)	5,026,100	3,769,300	3,769,300
Colorado River Land Claims Revolving (2430)	0	0	0
Court-Ordered Trust (3180)	5,309,000	2,509,400	2,509,400
Criminal Case Processing (2461)	77,100	78,400	81,500
Federal Grants (2000)	3,371,800	5,096,200	5,037,200
Federal Grants (2117)	0	0	0
Federal Grants - American Recovery & Reinvestment Act (2999)	3,863,400	1,315,600	0
Indirect Cost Recovery (9000)	83,900	2,149,000	2,224,000
Intergovernmental Agreements (2500)	3,011,800	1,337,300	1,337,300
Microsoft Settlement (1992)	338,900	96,800	0
Motor Carrier Safety Revolving (2380)	0	0	0
Prosecuting Attorneys' Advisory Council Training (2057)	1,491,800	1,540,000	1,540,000
Street Gang Enforcement Revolving (1022)	0	0	0
Victim Witness (2228)	41,700	43,900	45,700
Total - Attorney General - Department of Law	\$51,523,000	\$44,436,600	\$43,133,000
Automobile Theft Authority (ATA)			
Federal Funds (2000)	\$2,300	\$0	\$0
State Board for Charter Schools (CHA)			
Charter Arizona Online Instruction Processing (2319)	\$48,000	\$36,000	\$36,000
Citizens Clean Elections Commission			
Citizens Clean Elections Fund (2425)	\$11,873,400	\$8,964,900	\$8,964,900
Commerce Authority, Arizona (CAA)			
Application Fees (3005)	\$0	\$0	\$0
Commerce Authority Carryover, AZ (1001)	0	11,984,400	0
Commerce Authority, Arizona (8813)	0	0	0
Competes, Arizona (8814)	0	3,500,000	3,500,000
Twenty-First Century Competitive Initiative, Arizona (2524)	0	0	0
Commerce and Economic Development Commission (EPA2245)	44,900	0	0
CEDC Local Communities (EPA2498)	10,000	0	0
Commerce Workshops (2149)	91,500	0	0
Donations (3189)	367,900	0	0

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Federal Funds (2000)	1,913,600	1,263,800	942,100
Federal Grants - American Recovery & Reinvestment Act (2999)	1,569,400	0	0
IGA/ISA (EPA9500)	475,500	0	0
Indirect Cost Recovery (9000)	199,600	0	0
Job Training (1237)	2,343,900	5,998,800	5,998,800
Nursing Education Demonstration Project (EPA2514)	0	0	0
Total - Arizona Commerce Authority	<u>\$7,016,300</u>	<u>\$22,747,000</u>	<u>\$10,440,900</u>
Arizona Community Colleges (CMA)			
Tribal Assistance (NA)	689,500	696,100	696,100
Workforce Development Accounts (varies by account)	13,509,700	14,283,800	14,283,800
Total - Arizona Community Colleges	<u>\$14,199,200</u>	<u>\$14,979,900</u>	<u>\$14,979,900</u>
State Compensation Fund (TRA)			
State Compensation Fund (9002)	\$321,400,000	\$297,300,000	\$263,300,000
Constable Ethics Standards & Training Board (CNA)			
Constable Ethics Standards & Training (2346)	\$188,600	\$245,300	\$245,300
Registrar of Contractors (RGA)			
Residential Contractors' Recovery (3155)	6,160,400	4,952,200	10,952,200
Corporation Commission (CCA)			
Federal (2000)	875,100	630,300	630,300
Federal Grants - American Recovery & Reinvestment Act (2999)	291,300	310,000	271,300
IGA and ISA (2500)	0	0	0
Public Access - Money on Deposit Account (2334)	0	0	0
Statewide Donations (ADA2025)	21,900	0	0
Utility Siting (2076)	14,000	0	0
Total - Corporation Commission	<u>\$1,202,300</u>	<u>\$940,300</u>	<u>\$901,600</u>
State Department of Corrections (DCA)			
Correctional Industries Revolving, Arizona (4002)	31,669,600	34,267,000	34,267,000
Community Corrections Enhancement (2395)	18,100	100,000	100,000
Corrections Donations (3147)	65,400	66,000	66,000
Criminal Justice Enhancement (2035)	0	0	0
Federal (2000)	11,690,600	11,543,500	10,710,800
Federal Grants - American Recovery & Reinvestment Act (2999)	320,500	6,231,700	0
Indirect Cost Recovery (9000)	710,600	1,018,900	1,018,900
Inmate Store Proceeds (2505)	5,200	4,500,800	4,500,800
Interagency Service Agreement (2500)	107,700	135,000	57,400
Prisoner Spendable Accounts (2428)	0	0	0
Special Services (3187)	2,564,800	4,926,000	4,926,000
State Charitable, Penal, and Reformatory Institutions Land (3141)	274,300	0	0
State DOC Revolving (2515)	2,647,100	2,301,100	2,301,100
Statewide Employee Recognition Gifts/Donations (2449)	0	0	0
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Total - State Department of Corrections	<u>\$50,073,900</u>	<u>\$65,090,000</u>	<u>\$57,948,000</u>
Arizona Criminal Justice Commission (JCA)			
Driving Under the Influence Abatement (2422)	0	0	0
Drug & Gang Enforcement Account (2134)	4,036,900	3,941,800	5,537,700
Federal Grants (2000)	4,203,500	14,986,800	10,740,800
Federal Grants - American Recovery & Reinvestment Act (2999)	11,033,900	3,279,200	0
Total - Arizona Criminal Justice Commission	<u>\$19,274,300</u>	<u>\$22,207,800</u>	<u>\$16,278,500</u>
Arizona State Schools for the Deaf and the Blind (SDA)			
ASDB Classroom Site (2486)	1,589,900	1,762,300	1,762,300
Enterprise (4222)	66,600	105,500	105,500
Federal Grants (2000)	2,688,100	3,669,400	3,669,400
IGA and ISA (2500)	0	0	0
Instructional Improvement (2492)	27,900	243,300	243,300
Non-Federal Grants (2011)	24,800	32,900	32,900
Regional Cooperatives (4221)	16,267,000	16,327,500	16,327,500
Trust (3148)	136,200	175,000	175,000
Total - Arizona State Schools for the Deaf and the Blind	<u>\$20,800,500</u>	<u>\$22,315,900</u>	<u>\$22,315,900</u>
Arizona Early Childhood Development & Health Board			
Early Childhood Development & Health (2542)	\$113,840,200	\$150,002,600	\$140,135,000
Department of Economic Security (DEA)			
Capital Investment (2093)	0	162,000	162,000
Child Passenger Restraint (2192)	116,000	116,000	116,000
Child Protective Services Expedited Substance Abuse Treatment (2421)	0	0	0

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Child Support Enforcement Administration (2091)	37,123,800	40,320,200	40,320,200
Client Trust (3152)	458,700	1,350,000	1,350,000
Developmentally Disabled Client Investment (3146)	11,800	9,100	9,100
Developmentally Disabled Client Services Trust (2019)	24,200	21,700	21,700
Donations (3145)	3,300	3,300	3,300
Federal Grants (2000)	1,699,132,900	1,015,127,700	673,717,000
Industries for the Blind, Arizona (4003)	19,137,900	19,706,900	19,706,900
Job Training, Arizona (1237)	1,390,300	1,322,700	1,322,700
Joint Substance Abuse Treatment (2429)	0	0	0
Long Term Care System - Federal Matched (2225)	591,725,600	640,587,600	631,462,800
Neighbors Helping Neighbors (2348)	62,400	62,000	62,000
Special Olympics Tax Refund (3207)	107,500	91,500	91,500
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Unemployment Insurance Benefits (7510)	646,059,500	218,470,200	183,669,100
Unemployment Special Assessment (2558)	0	164,700,000	56,800,000
Total - Dept. of Economic Security	<u>\$2,995,353,900</u>	<u>\$2,102,050,900</u>	<u>\$1,608,814,300</u>
Department of Education (EDA)			
Academic Contest (1006)	0	0	0
Agricultural Youth Organization Special Plate, AZ (2547)	11,700	11,700	11,700
American Competitiveness Project (2361)	0	0	0
Assistance for Education (2420)	0	0	0
Character Education Special Plate (2522)	42,000	42,000	42,000
Charter Schools Stimulus (1007)	0	0	0
Classroom Site (2471)	271,846,100	290,213,500	290,213,500
Displaced Pupils Choice Grant (2533)	0	0	0
Early Graduation Scholarship (2364)	0	0	0
E-Learning (2527)	0	0	0
Education Commodity (4210)	139,900	157,200	157,200
Education Donations (2025)	121,800	117,000	117,000
Education Learning and Accountability (7777)	0	0	0
English Learner Classroom Personnel Bonus (2485)	0	0	0
Extraordinary Special Education Needs (2483)	0	0	0
Failing Schools Tutoring (2470)	1,502,300	1,500,000	1,500,000
Federal (2000)	980,801,300	1,048,563,500	1,048,563,500
Federal Grants - American Recovery & Reinvestment Act (2999)	344,414,700	150,869,900	150,869,900
Full-Day Kindergarten (2507)	0	0	0
Golden Rule Special Plate (2366)	172,200	172,200	172,200
Government Education, Arizona (2362)	0	0	0
IGA and ISA (2500)	7,664,200	7,927,900	7,927,900
Indirect Cost Recovery (9000)	3,512,000	4,832,900	4,832,900
Instructional Improvement (2492)	49,568,400	39,300,000	39,300,000
Internal Services (4209)	3,107,000	3,984,800	3,984,800
Mathematics or Science Achievement Program (2363)	0	0	0
Production Revolving (4211)	1,043,300	1,256,700	1,256,700
Proposition 301 (1014)	93,678,600	94,269,500	94,269,500
Research Based Reading Instruction & Reading			
Instruction Training (2413)	0	0	0
Scholarships for Pupils with Disabilities Program, AZ (2534)	0	0	0
Special Education (1009)	0	0	0
Statewide Compensatory Instruction (2528)	0	0	0
Structured English Immersion, Arizona (2535)	0	0	0
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Youth Farm Loan, Arizona (2136)	95,000	100,000	100,000
Total - Department of Education	<u>\$1,757,720,500</u>	<u>\$1,643,318,800</u>	<u>\$1,643,318,800</u>
Department of Emergency & Military Affairs (MAA)			
Camp Navajo (2106)	11,530,400	11,531,300	11,531,300
Emergency Management Registration Fee (2087)	0	0	0
Federal Funds - Emergency (2000)	14,403,700	8,193,800	8,105,600
Federal Funds - Military (2000)	49,687,600	26,279,000	18,576,000
Freedom Academy (2104)	0	0	0
Indirect Cost Recovery (9000)	858,300	1,023,500	1,023,500
Military Installation (1010)	0	0	0
Morale, Welfare and Recreational (2124)	8,200	8,200	8,200
National Guard (2140)	99,800	99,800	99,800
National Guard Relief (2349)	0	0	0

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Nuclear Emergency Management (2138)	0	0	0
State Armory Property (2146)	0	0	0
Total - Department of Emergency & Military Affairs	\$76,588,000	\$47,135,600	\$39,344,400
Department of Environmental Quality (EVA)			
Air Quality - Clean Air Subaccount (2240)	0	0	0
Brownfields Cleanup Revolving Loan (2456)	0	0	0
Clean Air, Arizona (1238)	0	0	0
Clean Air Fund Balance, Arizona (2250)	0	0	0
Clean Water Revolving (2254)	182,139,300	149,101,100	149,101,100
Donations (2449)	7,700	12,300	12,300
Drinking Water Revolving (2307)	69,312,400	66,596,200	66,596,200
Federal (2000)	17,047,000	19,206,100	19,206,100
Federal Grants - American Recovery & Reinvestment Act (2999)	18,554,900	1,365,500	1,365,500
Greater AZ Development Authority Revolving (2311)	211,500	46,000	46,000
Greenfields Program (2309)	0	0	0
Hardship Grant (2437)	0	0	0
IGA & ISA (2500)	4,377,900	6,739,000	6,739,000
Institutional and Engineering Control (2563)	8,700	0	0
Intergovernmental Agreement (2180)	0	0	0
Monitoring Assistance (2308)	658,000	779,000	779,000
Small Water Systems (2225)	0	0	0
Specific Site Judgment (3006)	12,600	450,000	450,000
Technical Appeals Program (3411)	0	0	0
UST - Area A Assurance Account (2271)	7,842,500	7,365,800	7,365,800
UST - Cleanup Municipalities Account (2271)	0	0	0
UST - Grant Account (2271)	0	0	0
UST - Municipal Tank Closure & Corrective Action Program Account (2271)	337,100	98,200	98,200
UST - Non-Maricopa County Assurance Account (2271)	14,060,100	14,730,700	14,730,700
UST - Policy Commission (2271)	0	0	0
UST - Regulatory Account (2271)	439,400	494,500	494,500
UST - Technical Appeals Account (2271)	0	0	0
Voluntary Lawn & Garden Equipment Emissions Reduction (2306)	0	0	0
Voluntary Remediation (2564)	164,200	177,200	177,200
Voluntary Vehicle Repair & Retrofit (2365)	0	0	0
Water Quality Assurance Revolving (2221)	8,986,700	12,852,300	12,852,300
Total - Department of Environmental Quality	\$324,160,000	\$280,013,900	\$280,013,900
Equal Opportunity, Governor's Office of (AFA)			
Equal Employment & Economic Development (2000)	68,000	68,000	68,000
State Department of Financial Institutions (BDA)			
Escrow Recovery, Arizona (2341)	0	0	0
IGA and ISA Fund (2500)	68,400	78,400	78,400
Mortgage Recovery (1997)	0	0	0
Receivership Revolving (3023)	1,285,500	921,200	2,200
Revolving (2126)	398,300	495,400	495,400
Total - State Department of Financial Institutions	\$1,752,200	\$1,495,000	\$576,000
Department of Fire, Building and Life Safety (MMA)			
Arson Detection Reward (2169)	1,900	0	0
Building and Fire Safety (2211)	0	6,100	6,100
Condominium and Planned Community Hearing Office (2537)	0	0	0
Consumer Recovery (3090)	129,600	0	0
Federal Grant (2000)	206,300	232,400	232,400
Interagency Service Agreement (2500)	27,900	23,700	23,700
Manufactured Housing Cash Bond (3722)	0	0	0
Mobile Home Relocation (2237)	858,000	493,700	493,700
Total - Department of Fire, Building and Life Safety	\$1,223,700	\$755,900	\$755,900
State Forester (FOA)			
Community Protection Initiative (2343)	0	0	0
Cooperative Forestry (2232)	6,821,600	6,443,600	6,443,600
Federal Grants - American Recovery & Reinvestment Act (2999)	98,800	1,216,000	1,216,000
Fire Suppression Revolving (2360)	5,203,000	13,303,000	13,303,000
Total - State Forester	\$12,123,400	\$20,962,600	\$20,962,600
Arizona Game & Fish Department (GFA)			
Big Game Permit (3712)	0	0	0

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Conservation Development (2062)	1,505,100	1,505,100	1,505,100
Federal (2000)	89,400	0	0
Federal Grants - American Recovery & Reinvestment Act (2999)	169,400	447,900	447,900
Federal Revolving (2028)	35,141,500	34,448,000	32,837,000
Firearms Safety and Ranges (2442)	0	0	0
Game and Fish Trust (3111)	2,323,700	2,969,100	2,969,100
Heritage (2295)	10,792,800	10,075,200	10,075,200
IGA and ISA (2500)	10,200	0	0
Indirect Cost Recovery (9000)	2,480,200	3,829,600	3,829,600
Kaibab Co-op (3714)	7,800	76,500	76,500
Off Highway Vehicle Recreation (2253)	1,463,400	1,636,000	1,636,000
Publications Revolving (4007)	152,700	150,000	150,000
Wildlife Conservation (2497)	5,112,400	6,049,100	6,049,100
Wildlife Theft Prevention (2080)	182,300	64,000	64,000
Total - Arizona Game & Fish Department	<u>\$59,430,900</u>	<u>\$61,250,500</u>	<u>\$59,639,500</u>
Arizona Geological Survey (GSA)			
Federal Grants (2000)	452,200	560,600	560,600
Federal Grants - American Recovery & Reinvestment Act (2999)	3,584,500	4,973,600	4,973,600
Geological Survey (3030)	474,000	300,800	300,800
Indirect Cost Recovery (9000)	564,900	725,200	725,200
Mines and Mineral Resources (MNA3156)	159,000	0	0
Total - Arizona Geological Survey	<u>\$5,234,600</u>	<u>\$6,560,200</u>	<u>\$6,560,200</u>
Office of the Governor (GVA)			
Biofuels Conversion Program, Arizona (NA)	0	0	0
Border Security, Immigration Legal Defense (3212)	1,983,600	1,265,000	685,200
County Fairs Livestock & Agricultural Promotion (2037)	0	0	0
Endowment Partnership (3206)	0	0	0
Energy Conservation (3209)	0	0	0
Energy Office Donations (EPA3189)	411,700	0	0
Federal Grants (2000)	19,793,200	29,931,100	18,355,600
Federal Grants - American Recovery & Reinvestment Act (2999)	269,516,300	182,419,600	4,058,600
Governor's Arizona Promotional & Public Service (3207)	28,900	21,800	21,800
IGA and ISA (2500)	825,400	985,000	985,000
Inauguration (3214)	66,900	217,100	0
Indirect Cost Recovery (9000)	860,200	920,000	920,000
Oil Overcharge (3171)	451,700	143,400	143,400
Other Non-Appropriated Funds (2038)	0	0	0
Prevention of Child Abuse (2439)	422,600	512,400	506,500
Statewide ARRA Administration SWCAP (2950)	1,392,800	1,215,200	1,202,000
Total - Office of the Governor	<u>\$295,753,300</u>	<u>\$217,630,600</u>	<u>\$26,878,100</u>
Department of Health Services (HSA)			
Addiction Reduction and Recovery (2523)	100	0	0
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (2513)	189,800	189,800	189,800
Childhood Cancer and Rare Childhood Disease Research (NA)	0	0	0
Disease Control Research (DIA2090)	2,051,900	1,990,200	1,990,200
Donations - DHS (3010/2025)	440,000	440,000	440,000
Donations - Statewide (2025)	2,500	0	0
Federal Grants (2000)	292,444,800	291,306,500	291,306,500
Federal Grants - American Recovery & Reinvestment Act (2999)	4,848,400	3,781,800	3,781,800
Federal Medicaid Services (2500)	1,053,682,500	769,104,800	837,961,300
IGA/County Contributions (2144/2500)	82,851,000	82,592,000	82,592,000
Internal Services (4202)	0	0	0
Medical Marijuana (9999)	655,800	1,500,000	1,500,000
Multiple Sclerosis Awareness (NA)	0	0	0
Oral Health (3038)	226,100	226,100	226,100
Risk Assessment (2427)	15,800	15,800	15,800
Serious Mental Illness Services (2464)	0	0	0
Seriously Mentally Ill Housing Trust (2555)	0	0	0
Service Fees Increase (1050)	52,300	0	0
Smoke-Free Arizona (2541)	2,672,800	2,672,800	2,672,800
Temporary Transaction Privilege & Use Tax - 1% (1032)	0	0	0
Tobacco Tax & Health Care - Health Education Account (1308)	16,121,600	19,000,000	19,000,000
Tobacco Tax & Health Care - Health Research			

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Account (DSA2096)	7,469,800	7,227,500	7,227,500
Tobacco Tax & Health Care - Medically Needy Account (1306)	0	0	0
Total - Department of Health Services	<u>\$1,463,725,200</u>	<u>\$1,180,047,300</u>	<u>\$1,248,903,800</u>
Arizona Historical Society (HIA)			
Federal Grants (2000)	0	0	0
Permanent Arizona Historical Society Revolving (2900)	500,000	585,300	732,200
Preservation and Restoration (2125)	16,700	17,900	18,800
Private (9447)	292,400	360,000	323,700
Private Grants (9449)	20,000	37,300	29,000
Restricted (9448)	121,500	252,200	148,500
Trust (9450)	1,400	4,300	3,600
Total - Arizona Historical Society	<u>\$952,000</u>	<u>\$1,257,000</u>	<u>\$1,255,800</u>
Prescott Historical Society of Arizona (PHA)			
Sharlot Hall Historical Society (9505)	\$803,600	\$1,760,100	\$1,760,100
Department of Homeland Security (HLA)			
Federal Funds (2000)	\$45,741,900	\$50,836,900	\$50,785,900
Arizona Department of Housing (HDA)			
Federal Funds (2000)	90,320,700	75,074,100	33,185,900
Federal Grants - American Recovery & Reinvestment Act (2999)	45,775,700	8,095,500	0
Housing Development (2313)	0	0	0
Housing Program (9600)	2,636,900	2,769,300	2,931,300
Housing Trust (2235)	6,873,800	10,811,000	12,026,200
IGA & ISA Fund (2500)	515,700	225,100	700,200
Total - Arizona Department of Housing	<u>\$146,122,800</u>	<u>\$96,975,000</u>	<u>\$48,843,600</u>
Arizona Commission of Indian Affairs (IAA)			
IGA and ISA (2500)	0	0	0
Indian Town Hall, Arizona (4014)	0	0	0
Publications (4013)	0	0	0
Statewide Donations (2025)	0	0	0
Total - AZ Commission of Indian Affairs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Industrial Commission of Arizona (ICA)			
Federal Grants (2000)	4,660,300	5,432,600	5,432,600
Revolving (2002)	127,000	125,900	125,900
Special (9003)	42,798,000	49,927,000	49,927,000
Total - Industrial Commission of Arizona	<u>\$47,585,300</u>	<u>\$55,485,500</u>	<u>\$55,485,500</u>
Department of Insurance (IDA)			
Assessment Fund for Voluntary Plans (2316)	141,200	133,100	132,900
Captive Insurance Regulatory/Supervision (2377)	144,700	192,600	192,600
Federal (2000)	245,300	341,000	0
Financial Surveillance (2473)	372,200	265,100	264,700
Health Care Appeals (2467)	229,600	244,100	243,900
Insurance Examiners' Revolving (2034)	5,024,000	5,380,600	5,379,200
Life and Disability Insurance Guaranty (2154)	1,134,700	1,144,800	1,144,800
Property and Casualty Insurance Guaranty, AZ (2114)	608,000	578,100	578,100
Receivership Liquidation (3104)	44,300	46,300	46,200
Total - Department of Insurance	<u>\$7,944,000</u>	<u>\$8,325,700</u>	<u>\$7,982,400</u>
Judiciary - Supreme Court (SPA)			
Alternative Dispute Resolution (3245)	154,400	455,700	0
Certified Reporters (2440)	112,400	123,200	123,200
Grants and Special Revenue (2084)	13,181,200	22,148,800	20,277,700
Lengthy Trial, Arizona (2382)	602,300	972,500	972,500
Public Defender Training (3013)	671,500	710,000	710,000
Total - Judiciary - Supreme Court	<u>\$14,721,800</u>	<u>\$24,410,200</u>	<u>\$22,083,400</u>
Judiciary - Superior Court (SPA)			
Community Punishment Program Fines (2119)	9,500	100,000	100,000
Drug and Gang Enforcement Account (2074)	2,551,800	2,103,300	2,103,300
Drug Treatment and Education (2277)	3,386,400	3,784,800	3,784,800
Grants and Special Revenue (2084)	1,635,000	1,677,600	1,677,600
Juvenile Probation Services (2193)	0	0	0
State Aid to Detention (2141)	11,600	15,000	15,000
Total - Judiciary - Superior Court	<u>\$7,594,300</u>	<u>\$7,680,700</u>	<u>\$7,680,700</u>
Department of Juvenile Corrections (DJA)			
DJC Career Technical Education (2326)	0	0	0
DJC Restitution (2476)	0	0	0

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Federal (2000)	1,885,700	1,823,200	1,823,200
IGA and ISA Fund (2500)	0	0	0
Indirect Cost Recovery (9000)	0	0	0
Instructional Improvement (2492)	16,600	15,300	15,300
Juvenile Corrections (3024)	43,800	58,300	58,300
State Education System for Committed Youth Classroom Site (2487)	108,200	99,600	99,600
Statewide Employee Recognition Gifts/Donations (2025)	4,800	4,400	4,400
Training Institute (2001)	0	0	0
Total - Department of Juvenile Corrections	<u>\$2,059,100</u>	<u>\$2,000,800</u>	<u>\$2,000,800</u>
State Land Department (LDA)			
CAP Municipal & Industrial Repayment (2129)	0	0	0
Federal Grants - American Recovery & Reinvestment Act (2999)	498,500	867,200	867,200
Federal Reclamation Trust (2024)	31,700	20,000	20,000
Interagency Agreements (2212)	89,300	33,800	33,800
Military Airport Land Exchange (NA)	0	0	0
Off-Highway Vehicle Recreation (2253)	71,200	300,000	300,000
Resource Analysis Division Revolving (4009)	203,900	214,300	214,300
Riparian Acquisition Trust (3201)	0	0	0
Service Fees Increase (1050)	600,000	0	0
State Land Department (2451)	269,700	425,000	425,000
Universities Timber Land Account (3134)	0	0	0
Total - State Land Department	<u>\$1,764,300</u>	<u>\$1,860,300</u>	<u>\$1,860,300</u>
Legislature - Auditor General (AUA)			
Audit Services Revolving (2242)	\$1,984,700	\$1,984,700	\$1,984,700
Department of Liquor Licenses and Control (LLA)			
Anti-Racketeering Revolving (2131)	18,900	9,700	9,700
Audit Surcharge (3010)	170,400	220,800	220,800
Enforcement Surcharge - Enforcement Unit (3012)	322,000	393,000	393,000
Enforcement Surcharge - Multiple Complaints (3011)	280,900	352,600	352,600
Federal Grants (2000)	111,400	45,400	45,400
Liquor License Lottery (3015)	0	0	0
Total - Department of Liquor Licenses & Control	<u>\$903,600</u>	<u>\$1,021,500</u>	<u>\$1,021,500</u>
Arizona State Lottery Commission (LAO)			
State Lottery (2122)	361,933,100	364,386,600	376,282,500
Local Transportation Assistance (NA)	0	0	0
County Assistance (NA)	0	0	0
University Capital Improvement (NA)	5,963,900	2,864,200	8,267,400
Mass Transit (LTAF II) (NA)	0	11,200,000	11,310,900
Total - Arizona State Lottery Commission	<u>\$367,897,000</u>	<u>\$378,450,800</u>	<u>\$395,860,800</u>
State Mine Inspector (MIA)			
Abandoned Mines Safety (2408)	15,300	169,000	169,000
Federal Education and Training (2400)	58,500	53,900	53,900
Federal Grants (2000)	381,200	229,300	229,300
IGA and ISA (2500)	0	0	0
Total - State Mine Inspector	<u>\$455,000</u>	<u>\$452,200</u>	<u>\$452,200</u>
State Board of Nursing (BNA)			
Nurse Aide Training & Registration (2000)	\$481,900	\$464,600	\$464,600
Statewide Donations (2025)	122,000	134,100	134,100
Total - State Board of Nursing	<u>\$603,900</u>	<u>\$598,700</u>	<u>\$598,700</u>
AZ Parents Commission on Drug Education & Prevention (PCA)			
Drug Treatment and Education (2277)	\$4,833,300	\$4,780,200	\$4,780,200
Arizona State Parks Board (PRA)			
Arizona Trail Fund (2525)	0	0	0
Development Rights Retirement (NA)	0	0	0
Federal (2000)	2,003,000	4,357,100	4,357,100
Heritage (2296)	5,663,700	0	0
Land Conservation - Administration Account (2432)	256,400	50,000	900,500
Land Conservation - Donation Account (2432)	0	0	0
Land Conservation - Public Conservation Account (2432)	43,982,700	40,000,000	40,000,000
Off Highway Vehicle Recreation (2253)	2,364,800	3,076,900	3,076,900
Partnership (2448)	595,700	644,800	644,800
Publications and Souvenir Revolving (4010)	365,500	319,800	319,800
State Lake Improvement (2105)	8,220,300	6,316,500	5,639,100
State Parks Enhancement (2202)	0	0	0

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
State Parks Fund (3117)	228,100	96,600	96,600
Total - Arizona State Parks Board	<u>\$63,680,200</u>	<u>\$54,861,700</u>	<u>\$55,034,800</u>
Office of Pest Management (SBA)			
Federal Fund (2000)	\$81,700	\$109,500	\$109,500
Service Fees Increase (1050)	341,800	0	0
Total - Office of Pest Management	<u>\$423,500</u>	<u>\$109,500</u>	<u>\$109,500</u>
Arizona State Board of Pharmacy (PMA)			
Controlled Substances Prescription Monitoring Program (2359)	232,900	155,600	155,600
Federal Grants (2000)	3,400	0	0
Total - Arizona State Board of Pharmacy	<u>\$236,300</u>	<u>\$155,600</u>	<u>\$155,600</u>
Arizona Pioneers' Home (PIA)			
IGA and ISA (2500)	0	0	0
Pioneers' Home Fund (Cemetery Proceeds) (3144)	26,800	35,000	35,000
Pioneer's Home Fund (Donations) (3143)	3,800	20,000	20,000
Statewide Employee Recognition Gifts (2449)	5,700	5,700	5,700
Total - Arizona Pioneers' Home	<u>\$36,300</u>	<u>\$60,700</u>	<u>\$60,700</u>
Commission for Postsecondary Education (PEA)			
Early Graduation Scholarship (2364)	0	0	0
Family College Savings Program Trust (3121)	149,600	351,500	351,500
Federal Grant Fund (2000)	125,300	1,200,000	1,200,000
Mathematics, Science, & Special Education			
Student Teacher Loan (2358)	0	0	0
Postsecondary Education (2405)	0	52,700	52,700
Postsecondary Education Grant Program (2530)	0	0	0
Private Postsecondary Education Student Financial Assistance (2128)	0	0	0
Teachers Incentive Program (2249)	0	0	0
Total - Commission for Postsecondary Education	<u>\$274,900</u>	<u>\$1,604,200</u>	<u>\$1,604,200</u>
Arizona Power Authority (PAA)			
Hoover Uprating (1113)	33,182,400	34,942,500	34,942,500
Interest Income (1112)	18,800	21,800	21,800
Power Authority, Arizona (9506)	4,320,400	4,201,300	4,201,300
Total - Arizona Power Authority	<u>\$37,521,600</u>	<u>\$39,165,600</u>	<u>\$39,165,600</u>
State Board for Private Postsecondary Education (PVA)			
Student Tuition Recovery (3027)	\$89,400	\$92,500	\$92,500
Department of Public Safety (PSA)			
Anti-Racketeering Revolving (3123)	3,536,700	4,500,600	4,500,600
Capitol Police Administrative Towing (1999)	86,400	52,000	52,000
Conferences, Workshops, and Other Education (2700)	0	0	0
Criminal Justice Enhancement (3702)	0	0	0
DPS Administration (2322)	1,203,400	3,376,900	3,376,900
DPS Licensing Fund (2490)	968,800	1,081,100	1,081,100
Driving Under the Influence Abatement (2422)	0	0	0
Families of Fallen Police Officers Special Plate Fund (2386)	198,000	138,700	125,000
Federal Grants - American Recovery & Reinvestment Act (2999)	3,289,100	1,900,400	0
Federal Grants and Reimbursements (2000)	43,420,300	43,776,900	33,646,600
Fingerprint Clearance Card (2433)	3,229,300	4,532,100	4,532,100
Fingerprinting Fund, Board of (2435)	439,200	483,000	483,000
IGA and ISA Fund (2500)	7,740,700	7,926,900	7,926,900
Indirect Cost Recovery (9000)	721,400	1,627,700	1,627,700
Motor Carrier Safety Revolving (2380)	0	7,800	7,800
Peace Officers' Training (2049)	6,101,600	8,290,600	7,419,700
Public Safety Equipment Fund (2391)	5,320,800	1,461,900	1,200,000
Records Processing (2278)	4,916,300	5,176,300	5,176,300
State Highway Work Zone Safety (2480)	0	0	0
Statewide Donations (2025)	0	0	0
Traffic and Parking Control (ADA2453)	600	0	0
Total - Department of Public Safety	<u>\$81,172,600</u>	<u>\$84,332,900</u>	<u>\$71,155,700</u>
Public Safety Personnel Retirement System (NA)			
Fire Fighter and Peace Officer Cancer Insurance Policy			
Program Administrative Expenses (NA)	25,600	21,000	23,000
Investment and Administrative Expenses (NA)	28,520,400	29,450,000	30,400,000
Total - Public Safety Personnel Retirement System	<u>\$28,546,000</u>	<u>\$29,471,000</u>	<u>\$30,423,000</u>

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Arizona Department of Racing (RCA)			
Breeders Award, Arizona (2206)	0	0	0
County Fair Racing (2170)	0	0	0
County Fairs Racing Betterment (2207)	0	0	0
Greyhound and Retired Racehorse Adoption (2015)	3,700	0	0
Racing Administration (2018)	0	0	0
Racing Investigation (2369)	18,200	0	0
Stallion Award (2315)	0	0	0
Unarmed Combat (2393)	0	16,900	16,900
Total - Arizona Department of Racing	\$21,900	\$16,900	\$16,900
Radiation Regulatory Agency (AEA)			
Federal Grants (2000)	249,000	249,000	249,000
Laser Safety (2138)	0	0	0
Nuclear Emergency Management (2138)	0	0	0
Service Fees Increase (1050)	476,200	0	0
Total - Radiation Regulatory Agency	\$725,200	\$249,000	\$249,000
State Real Estate Department (REA)			
Condominium Recovery (3121)	0	87,800	87,800
Education Revolving (4011)	1,700	0	0
Real Estate Recovery (3119)	111,800	0	0
Total - State Real Estate Department	\$113,500	\$87,800	\$87,800
Arizona State Retirement System (RSA)			
Administration Account - Investment Expenses (1407)	\$65,825,600	\$72,371,000	\$77,058,000
Long-Term Disability Administration Account (1408)	0	0	0
Total - Arizona State Retirement System	\$65,825,600	\$72,371,000	\$77,058,000
Department of Revenue (RVA)			
Client County Equipment Capitalization (2457)	106,900	0	0
Escheated Estates (3745)	455,900	0	0
Estate and Unclaimed Property (1520)	34,677,600	27,750,000	27,750,000
I Didn't Pay Enough (6001)	0	0	0
IGA and ISA (2500)	5,300	117,000	117,000
Revenue Publications Revolving (2166)	59,500	0	0
Special Collections (2168)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	100	0	0
Waste Tire (2356)	0	0	0
Total - Department of Revenue	\$35,305,300	\$27,867,000	\$27,867,000
School Facilities Board (SFA)			
Building Renewal (2465)	0	0	0
Building Renewal Grant (7777)	0	0	0
Deficiencies Correction (2455)	245,200	0	0
Emergency Deficiencies Correction (2484)	110,600	4,496,800	0
Federal Grants - American Recovery & Reinvestment Act (2999)	8,356,800	16,778,000	0
Land Trust Bond Debt Service (5030)	24,249,300	24,246,200	24,247,700
Land Trust Bond Proceeds (3339)	0	0	0
Lease-to-Own Debt Service (2373)	0	0	0
New School Facilities (2460)	19,453,000	60,167,900	5,505,200
School Facilities Revenue Bond Debt Service (5010)	0	0	0
School Facilities Revenue Bond Proceeds (3325)	0	0	0
School Improvement Revenue Bond Debt Service (5020)	64,302,800	64,209,400	64,200,900
School Improvement Revenue Bond Proceeds (3335)	0	0	0
Total - School Facilities Board	\$116,717,700	\$169,898,300	\$93,953,800
Secretary of State - Department of State (STA)			
Address Confidentiality Program (2557)	0	0	152,200
Blue Book Revolving, Arizona (2006)	0	0	0
Data Processing Acquisition (2265)	120,200	120,200	120,200
Federal Grants (LAA2000)	5,437,300	5,332,200	5,332,200
Federal Grants - American Recovery & Reinvestment Act (2999)	145,800	762,200	762,200
Gift Shop Revolving (LAA4008)	89,700	89,700	89,700
Health Care Directives Registry (2508)	300	0	0
Notary Bond (3000)	147,500	147,500	147,500
Standing Political Committee Administrative (2426)	45,400	16,900	16,900
State Library (LAA2115)	249,200	350,500	350,500
Total - Secretary of State - Department of State	\$6,235,400	\$6,819,200	\$6,971,400
Office of Tourism (TOA)			
Tourism (2236)	\$10,712,300	\$14,887,000	\$14,887,000

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Department of Transportation (DTA)			
Agricultural Youth Organization Special Plate, AZ (2548)	11,700	11,700	11,700
Highways Magazine, Arizona (2031)	5,379,600	5,018,500	5,018,500
Cash Deposits (2266)	12,500	12,500	12,500
Centennial Special Plate, AZ (2551)	0	0	0
Contract Counsel (4212)	0	0	0
ADOT Donations (3080)	0	0	0
Emergency Medical Services Special Plate (6003)	0	0	0
Federal Grants (2097)	1,397,500	1,333,400	1,333,400
Global Graduate Management School Special Plate (NA)	0	0	0
Highway Expansion & Extension Loan Program (2417)	83,500	84,100	84,100
Hunger Relief Special Plate (2552)	0	0	0
International Development Authority, AZ (1994)	0	0	0
Law Enforcement Special Plate (NA)	0	0	0
Litter Prevention & Cleanup Special Plate (NA)	0	0	0
Local Agency Deposits (3701)	903,100	903,100	903,100
Maricopa Regional Area Road (2029)	28,018,600	23,834,800	23,834,800
Masonic Fraternity Special Plate, AZ (2546)	0	0	0
Motor Carrier Safety Revolving (2380)	0	0	0
Professional Baseball Club Special Plate, AZ (2540)	156,000	156,000	156,000
Professional Basketball Club Special Plate, AZ (2543)	51,200	51,200	51,200
Professional Football Club Special Plate, AZ (2544)	312,200	312,200	312,200
Professional Hockey Club Special Plate, AZ (NA)	0	0	0
Public Broadcast Television Special Plate, AZ (2549)	0	0	0
Railroad Review Fund (2493)	4,700	154,700	154,700
Rental Tax and Bond Deposit (3737)	0	0	0
Shared Location and Advertising Agreements Expense (2414)	0	0	0
Statewide Employee Recognition Gifts/Donations (2449)	23,800	20,000	20,000
Transplantation Awareness Fund (2545)	97,200	97,200	97,200
Underground Storage Tank Revolving (3728)	0	0	0
Youth Development Organization Special Plate (2550)	0	0	0
Total - Department of Transportation	\$36,451,600	\$31,989,400	\$31,989,400
State Treasurer (TRA)			
Commission of African-American Affairs, AZ (AMA2397)	0	0	0
Criminal Justice Enhancement (9999)	5,141,100	5,141,100	5,141,100
Total - State Treasurer	\$5,141,100	\$5,141,100	\$5,141,100
Arizona Board of Regents (BRA)			
Federal (2000)	837,200	1,357,700	1,306,300
Health Education Center Program, AZ (BRA2)	0	0	0
Mathematics, Science, & Special Education Teacher Loan (2358)	0	0	0
Regents Local (BRA1)	1,954,700	3,791,200	2,479,100
Technology and Research Initiative (2472)	576,900	1,857,700	500,000
Trust Land (3131/3132/3134/3136)	2,271,800	1,983,900	1,960,400
Total - Arizona Board of Regents	\$5,640,600	\$8,990,500	\$6,245,800
Arizona State University - Tempe/DPC (ASA)			
Auxiliary (UNI8906)	143,200,500	106,182,700	107,244,000
Designated (UNI8905)	357,088,200	475,883,100	480,642,000
Endowment and Life Income (UNI8904)	19,900	0	0
Federal Grants (UNI8903)	260,244,500	284,023,400	294,312,000
Federal Grants - American Recovery & Reinvestment Act (UNI2999)	866,900	0	0
Federal Indirect Cost Recovery (UNI8902)	0	0	0
Indirect Cost Recovery (Non-Federal) (UNI8900)	311,400	327,000	333,000
Loan (UNI8901)	291,500	0	0
Restricted (Excluding Federal Funds) (UNI8907)	105,564,800	116,173,500	117,338,000
University Capital Improvement Lease-to-Own & Bond (BRA3042)	247,600	416,900	507,000
Total - Arizona State University - Main Campus	\$867,835,300	\$983,006,600	\$1,000,376,000
Arizona State University - East Campus (ASA)			
Auxiliary (UNI8906)	577,200	680,400	709,000
Designated (UNI8905)	7,654,300	11,368,200	11,483,000
Endowment and Life Income (UNI8904)	1,500	0	0
Federal Grants (UNI8903)	5,379,600	5,784,900	6,097,000
Federal Grants - American Recovery & Reinvestment Act (UNI2999)	0	0	0
Federal Indirect Cost Recovery (UNI8902)	0	0	0

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Indirect Cost Recovery (Non-Federal) (UNI8900)	0	0	0
Loan (UNI8901)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	2,651,000	3,486,200	3,522,000
Total - Arizona State University - East Campus	<u>\$16,263,600</u>	<u>\$21,319,700</u>	<u>\$21,811,000</u>
Arizona State University - West Campus (ASA)			
Auxiliary (UNI8906)	764,600	607,000	616,000
Designated (UNI8905)	7,452,400	10,277,400	10,381,000
Endowment and Life Income (UNI8904)	1,900	0	0
Federal Grants (UNI8903)	3,627,200	3,839,300	4,046,000
Federal Grants - American Recovery & Reinvestment Act (UNI2999)	0	0	0
Federal Indirect Cost Recovery (UNI8902)	0	0	0
Indirect Cost Recovery (Non-Federal) (UNI8900)	0	0	0
Loan (UNI8901)	0	0	0
Restricted (Excluding Federal Funds) (UNI8907)	9,303,300	5,101,800	5,153,000
Total - Arizona State University - West Campus	<u>\$21,149,400</u>	<u>\$19,825,500</u>	<u>\$20,196,000</u>
Northern Arizona University (NAA)			
Auxiliary (UNI8906)	66,719,800	73,367,400	74,243,100
Designated (UNI8905)	74,253,400	88,873,000	91,373,400
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	74,427,600	75,171,900	75,923,600
Federal Grants - American Recovery & Reinvestment Act (UNI2999)	291,700	0	0
Federal Indirect Cost Recovery (UNI8902)	1,528,600	1,544,000	1,559,400
Indirect Cost Recovery (Non-Federal) (UNI8900)	830,100	838,400	846,800
Loan (UNI8901)	235,100	225,000	230,000
Restricted (Excluding Federal Funds) (UNI8907)	32,159,600	32,481,200	32,806,000
University Capital Improvement Lease-to-Own & Bond (BRA3042)	631,200	501,600	501,600
Total - Northern Arizona University	<u>\$251,077,100</u>	<u>\$273,002,500</u>	<u>\$277,483,900</u>
University of Arizona - Main Campus (UAA)			
Auxiliary (UNI8906)	260,046,600	270,690,000	274,370,100
Designated (UNI8905)	268,867,500	388,752,200	393,773,900
Endowment and Life Income (UNI9904)	0	0	0
Federal Grants (UNI8903)	209,013,400	212,067,200	215,170,900
Federal Grants - American Recovery & Reinvestment Act (UNI2999)	755,200	0	0
Federal Indirect Cost Recovery (UNI8902)	47,566,800	48,518,000	49,488,300
Indirect Cost Recovery (Non-Federal) (UNI8900)	10,756,000	10,971,100	11,190,500
Loan (UNI8901)	835,500	845,600	855,700
Restricted (Excluding Federal Funds) (UNI8907)	166,571,500	158,517,800	160,191,900
University Capital Improvement Lease-to-Own & Bond (BRA3042)	612,100	1,639,400	1,589,500
Total - University of Arizona - Main Campus	<u>\$965,024,600</u>	<u>\$1,092,001,300</u>	<u>\$1,106,630,800</u>
University of Arizona - Health Sciences Center (UAA)			
Auxiliary (UNI8906)	12,856,800	13,045,700	13,261,400
Designated (UNI8905)	24,947,700	25,330,900	25,720,600
Endowment and Life Income (UNI8904)	0	0	0
Federal Grants (UNI8903)	77,801,800	78,861,500	79,937,400
Federal Indirect Cost Recovery (UNI8902)	24,629,000	25,121,700	25,624,100
Indirect Cost Recovery (Non-Federal) (UNI8900)	5,146,500	5,249,400	5,354,500
Restricted (Excluding Federal Funds) (UNI8907)	103,590,800	115,626,600	117,423,000
Total - University of Arizona - Health Sciences Ctr	<u>\$248,972,600</u>	<u>\$263,235,800</u>	<u>\$267,321,000</u>
Veterans' Services, Department of (VSA)			
Federal (2000)	555,100	549,000	509,300
Military Family Relief (2339)	233,400	449,400	449,400
Southern Arizona Veterans' Cemetery Trust (2499)	95,200	182,500	182,500
Statewide Employee Recognition Gifts (2449)	1,200	0	0
Veterans' Cemetery (2481)	0	0	0
Veterans' Donations (2441)	760,500	2,900,800	1,558,000
Total - Department of Veterans' Services	<u>\$1,645,400</u>	<u>\$4,081,700</u>	<u>\$2,699,200</u>
Department of Water Resources (WCA)			
Administrative (3025)	0	0	0
Augmentation and Conservation Assistance (2213)	894,500	524,300	524,300
Colorado River Water Use Fee Clearing (2538)	8,500	5,000	5,000
Dam Repair (2218)	935,900	842,200	842,200
Federal Grants (2000)	386,800	198,300	198,300
Flood Warning System (1021)	62,700	63,200	63,200
General Adjudications (2191)	10,600	10,000	10,000
Indirect Cost Recovery (9000)	1,409,100	469,100	469,100

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Interagency Service Agreement (2500)	467,600	549,300	549,300
Production and Copying (2411)	12,000	0	0
Publications and Mailings (2410)	8,400	0	0
Purchase and Retirement Fund (2474)	0	0	0
Statewide Donations (2025)	64,900	41,000	41,000
Water Banking, Arizona (2110)	4,216,600	4,131,800	4,131,800
Water Protection, Arizona (1302)	1,407,900	1,117,800	1,117,800
Water Quality, Arizona (2304)	157,800	177,200	177,200
Well Administration and Enforcement (2491)	177,400	203,500	203,500
Total - Department of Water Resources	<u>\$10,220,700</u>	<u>\$8,332,700</u>	<u>\$8,332,700</u>
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$18,059,177,500	\$15,834,842,300	\$15,041,831,700
Subtotal - Other Funds	5,870,800,200	6,212,002,000	6,171,471,000
Subtotal - Federal Funds	12,188,377,300	9,622,840,300	8,870,360,700
OPERATING TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$18,059,177,500</u>	<u>\$15,834,842,300</u>	<u>\$15,041,831,700</u>
CAPITAL - NON-APPROPRIATEE			
Aviation Federal Funds (2267)	5,695,000	4,680,000	4,680,000
Federal Grants (2097)	624,000,000	624,000,000	624,000,000
Economic Strength Project (2244)	1,005,000	1,005,000	1,005,000
Highway Expansion & Extension Loan Program (2417)	0	0	0
Local Agency Deposits (3701)	50,000,000	50,000,000	50,000,000
Maricopa Regional Area Road (2029)	317,900,000	325,000,000	330,000,000
Department of Public Safety Federal Funds (NA)	0	0	0
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$998,600,000	\$1,004,685,000	\$1,009,685,000
Subtotal - Other Funds	368,905,000	376,005,000	381,005,000
Subtotal - Federal Funds	629,695,000	628,680,000	628,680,000
CAPITAL TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$998,600,000</u>	<u>\$1,004,685,000</u>	<u>\$1,009,685,000</u>
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	\$19,057,777,500	\$16,839,527,300	\$16,051,516,700
Subtotal - Other Funds	6,239,705,200	6,588,007,000	6,552,476,000
Subtotal - Federal Funds	12,818,072,300	10,251,520,300	9,499,040,700
GRAND TOTAL - FEDERAL AND OTHER NON-APPROPRIATED FUND EXPENDITURES	<u>\$19,057,777,500</u>	<u>\$16,839,527,300</u>	<u>\$16,051,516,700</u>

1/ If General Fund monies are deposited into a non-appropriated fund, the expenditures of these monies are not displayed in this chart to avoid double counting.

NA = No Fund Number

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

BUDGET UNITS	Fiscal Year 2012			Fiscal Year 2013		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Accountancy, State Board of	0.0	13.0	13.0	0.0	13.0	13.0
Acupuncture Board of Examiners	0.0	1.0	1.0	0.0	1.0	1.0
Administration, Arizona Department of	175.8	513.9	689.7	175.8	513.9	689.7
Capital Outlay	0.0	5.0	5.0	0.0	5.0	5.0
Administrative Hearings, Office of	12.0	0.0	12.0	12.0	0.0	12.0
Agriculture, Arizona Department of 2/	166.7	0.0	166.7	166.7	15.1	181.8
AHCCCS 3/	500.9	874.7	1,375.6	500.9	874.7	1,375.6
AHCCCS - DES Eligibility	742.4	857.4	1,599.8	742.4	857.4	1,599.8
SUBTOTAL - AHCCCS	1,243.3	1,732.1	2,975.4	1,243.3	1,732.1	2,975.4
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 4/	181.2	411.7	592.9	181.2	411.7	592.9
Automobile Theft Authority	0.0	6.0	6.0	0.0	6.0	6.0
Barbers, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Behavioral Health Examiners, Board of	0.0	17.0	17.0	0.0	17.0	17.0
Capital Postconviction Public Defender Office, State	7.0	0.0	7.0	7.0	0.0	7.0
Charter Schools, State Board for	9.0	0.0	9.0	9.0	0.0	9.0
Chiropractic Examiners, State Board of	0.0	5.0	5.0	0.0	5.0	5.0
Commerce Authority, Arizona	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	144.8	144.8
Corporation Commission	6.0	302.3	308.3	6.0	302.3	308.3
Corrections, State Department of	10,009.2	6.0	10,015.2	10,009.2	6.0	10,015.2
Cosmetology, Board of	0.0	24.5	24.5	0.0	24.5	24.5
Criminal Justice Commission, AZ	0.0	8.0	8.0	0.0	8.0	8.0
Deaf & the Blind, AZ State Schools for the	279.3	292.9	572.2	279.3	292.9	572.2
Deaf and the Hard of Hearing, Commission for the	0.0	15.0	15.0	0.0	15.0	15.0
Dental Examiners, State Board of	0.0	11.0	11.0	0.0	11.0	11.0
Economic Security, Department of 5/	2,352.6	3,120.8	5,473.4	2,352.6	3,120.8	5,473.4
Education, Department of	157.5	35.0	192.5	157.5	35.0	192.5
Emergency and Military Affairs, Department of 4/ 6/ 7/	83.6	0.0	83.6	66.6	0.0	66.6
Environmental Quality, Department of	0.0	467.4	467.4	0.0	467.4	467.4
Equal Opportunity, Governor's Office of	4.0	0.0	4.0	4.0	0.0	4.0
Equalization, State Board of	7.0	0.0	7.0	7.0	0.0	7.0
Executive Clemency, Board of	14.0	0.0	14.0	14.0	0.0	14.0
Exposition & State Fair Board, AZ	0.0	184.0	184.0	0.0	184.0	184.0
Financial Institutions, State Department of	46.1	9.0	55.1	46.1	9.0	55.1
Fire, Building and Life Safety, Department of	47.0	0.0	47.0	47.0	0.0	47.0
Forester, State	52.0	0.0	52.0	52.0	0.0	52.0
Funeral Directors & Embalmers, State Board of	0.0	4.0	4.0	0.0	4.0	4.0
Game and Fish Department, Arizona	0.0	273.5	273.5	0.0	273.5	273.5
Gaming, Department of	0.0	123.0	123.0	0.0	123.0	123.0
Geological Survey, Arizona	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 8/	1,146.8	485.3	1,632.1	1,146.8	485.3	1,632.1
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 Exams., 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	279.0	279.0
Insurance, Department of	90.5	0.0	90.5	90.5	0.0	90.5
Judiciary						
Supreme Court	130.5	38.5	169.0	130.5	38.5	169.0
Court of Appeals	134.8	0.0	134.8	134.8	0.0	134.8
Superior Court	127.8	8.7	136.5	127.8	8.7	136.5
SUBTOTAL - Judiciary	393.1	47.2	440.3	393.1	47.2	440.3
Juvenile Corrections, Department of 9/	955.7	46.0	1,001.7	899.7	46.0	945.7
Land Department, State	4.0	148.9	152.9	4.0	148.9	152.9
Law Enforcement Merit System Council	1.0	0.0	1.0	1.0	0.0	1.0
Legislature						
Auditor General	199.4	0.0	199.4	199.4	0.0	199.4
Joint Legislative Budget Committee	29.0	0.0	29.0	29.0	0.0	29.0
Legislative Council	42.8	0.0	42.8	42.8	0.0	42.8
SUBTOTAL - Legislature	271.2	0.0	271.2	271.2	0.0	271.2
Liquor Licenses & Control, Department of	0.0	45.2	45.2	0.0	45.2	45.2
Lottery Commission, Arizona State	0.0	104.0	104.0	0.0	104.0	104.0
Medical Board, AZ	0.0	58.5	58.5	0.0	58.5	58.5
Medical Student Loans, Board of	0.0	0.0	0.0	0.0	0.0	0.0
Mine Inspector, State	14.0	0.0	14.0	14.0	0.0	14.0
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

BUDGET UNITS	Fiscal Year 2012			Fiscal Year 2013		
	General	Other	Total	General	Other	Total
	Fund	Fund		Fund	Fund	
Nursing Care Institution of Administrators, Bd	0.0	5.0	5.0	0.0	5.0	5.0
Occupational Safety & Health Review Board	0.0	0.0	0.0	0.0	0.0	0.0
Occupational Therapy Examiners, Board of	0.0	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	232.3	232.3
Personnel Board	0.0	3.0	3.0	0.0	3.0	3.0
Pest Management, Office of <u>10/</u>	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 Examiners, Board of	0.0	3.8	3.8	0.0	3.8	3.8
Pioneers' Home, AZ	36.5	79.3	115.8	36.5	79.3	115.8
Podiatry Examiners, State Board of	0.0	1.0	1.0	0.0	1.0	1.0
Postsecondary Education, Commission of	0.3	4.7	5.0	0.3	4.7	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	389.8	1,750.0	2,139.8
Racing, Arizona Department of	20.5	20.0	40.5	20.5	20.0	40.5
Radiation Regulatory Agency <u>6/</u>	27.5	5.0	32.5	27.5	5.0	32.5
Real Estate Department, State	55.0	0.0	55.0	55.0	0.0	55.0
Residential Utility Consumer Office	0.0	11.0	11.0	0.0	11.0	11.0
Respiratory Care Examiners, Board of	0.0	4.0	4.0	0.0	4.0	4.0
Retirement System, Arizona State	0.0	236.0	236.0	0.0	236.0	236.0
Revenue, Department of	907.0	28.0	935.0	907.0	28.0	935.0
School Facilities Board	17.0	0.0	17.0	17.0	0.0	17.0
Secretary of State, Department of State	130.9	8.2	139.1	130.9	8.2	139.1
State Boards' Office	0.0	3.0	3.0	0.0	3.0	3.0
Tax Appeals, State Board of	4.0	0.0	4.0	4.0	0.0	4.0
Technical Registration, State Board of	0.0	23.0	23.0	0.0	23.0	23.0
Tourism, Office of <u>11/</u>	0.0	0.0	0.0	0.0	0.0	0.0
Transportation, Department of	2.0	4,546.0	4,548.0	2.0	4,546.0	4,548.0
Treasurer, State	0.0	29.4	29.4	0.0	29.4	29.4
Universities <u>12/</u>						
Regents, Arizona Board of	25.9	0.0	25.9	25.9	0.0	25.9
Arizona State University - Tempe/DPC Campus <u>13/</u>	6,097.9	0.0	6,097.9	6,097.9	0.0	6,097.9
Arizona State University - East Campus <u>13/</u>	424.0	0.0	424.0	424.0	0.0	424.0
Arizona State University - West Campus <u>13/</u>	562.9	0.0	562.9	562.9	0.0	562.9
Northern Arizona University <u>13/</u>	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	5,805.5	0.0	5,805.5
University of Arizona - Health Sciences Center	979.1	0.0	979.1	979.1	0.0	979.1
SUBTOTAL - Universities	15,952.5	0.0	15,952.5	15,952.5	0.0	15,952.5
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	82.0	125.2	207.2
Weights and Measures, Department of	19.4	17.0	36.4	19.4	17.0	36.4
TOTAL APPROPRIATED FUNDS <u>14/</u>	35,564.5	16,639.8	52,204.3	35,491.5	16,636.9	52,128.4

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. These amounts reflect a ceiling on the number of authorized FTE Positions and do not represent an actual number of employees.

2/ Pursuant to Laws 2011, Chapter 281, the Department of Agriculture's other appropriated funds are converted to non-appropriated funds for FY 2012 and the first half of FY 2013. As a result, FY 2012 total FTE Positions have changed from those reported in the FY 2012 Appropriations Report.

3/ Includes 1,568.1 FTE Positions in the FY 2012 and FY 2013 Other Fund FTE columns funded from Medicaid Federal Expenditure Authority.

4/ Includes 1 FTE Position in FY 2012 and FY 2013 for Military Airport Planning as appropriated by A.R.S. § 26-263.

5/ Includes 1,747.4 FTE Positions in the FY 2012 and FY 2013 Other Fund FTE columns funded from Medicaid and Child Support Enforcement Federal Expenditure Authority.

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/ Includes a decrease of (17) FTE Positions to reflect the elimination of the Project Challenge Program.

8/ Includes 118.8 FTE Positions in the FY 2012 and FY 2013 Other Fund FTE columns funded from Medicaid Federal Expenditure Authority.

9/ Includes a decrease of (56) FTE Positions in FY 2013 due to the closure of a Department of Juvenile Corrections facility.

10/ Includes a decrease of (10) FTE Positions in FY 2013 due to realizing FTE vacancies.

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

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

13/ FY 2012 total FTE Positions have changed from those reported in the FY 2012 Appropriations Report.

14/ FY 2012 total FTE Positions have changed from those reported in the FY 2012 Appropriations Report due to inclusion of Expenditure Authority positions.

FY 2013 BUDGET RECONCILIATION BILL PROVISIONS

The Baseline would include the enactment of statutory changes associated with its funding amount. The following provisions would be grouped by subject into Budget Reconciliation Bills (BRBs).

Statewide

1. As session law, continue to require unrestricted Federal Funds to be deposited in the General Fund for the payment of essential government services.
2. As session law, notwithstanding A.R.S. § 35-121 to permit annual budgets for all departments.
3. As session law, continue to require that any non-lapsing monies appropriated from the General Fund that remain unexpended or unencumbered at the close of FY 2013 to be counted as part of the closing General Fund balance.
4. As session law, change the FY 2013 Capital Outlay Stabilization Fund (COSF) rental rate charged by ADOA from \$15.08/square foot to \$12.70/square foot for office space and from \$5.47/square foot to \$4.61/square foot for storage space.

Arizona Department of Administration

5. 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.

Office of Administrative Hearings

6. As session law, continue to suspend the requirement that the office hear appealed actions and contested cases within 60 days of the filing.

Arizona Department of Agriculture

7. 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 would include an intent clause that limits additional revenues up to \$218,000 to the General Fund, \$113,000 to the Pesticide Fund and \$26,000 to the Dangerous Plants, Pests and Diseases Fund.

AHCCCS

Rates and Services

8. As session law, continue to set AHCCCS ambulance reimbursement rates at 72.2% of the DHS approved rates from October 1, 2012 to September 30, 2013.
9. 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.

Counties

10. As session law, set FY 2013 county Arizona Long Term Care System (ALTCS) contributions at \$243,220,500.
11. 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.
12. 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.
13. 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, retroactive to June 30, 2004.

Hospitals

14. 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.
15. 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.

Erroneous Payments

16. 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.
17. 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.

Available Funding

18. As session law, continue to require the operation of the AHCCCS program within available funding.

Attorney General - Department of Law

- 19. As session law, continue to raise the non-lapsing cap for the Collections Enforcement Fund from \$100,000 to \$500,000.

Arizona Community Colleges

- 20. As session law, continue to suspend capital outlay funding for FY 2013.
- 21. As session law, continue to notwithstanding the 20% cap to the community college districts' ability to use capital outlay monies for operating.

Registrar of Contractors

- 22. 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.

State Department of Corrections

- 23. 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.
- 24. As session law, continue to allow 3 ADC special funds to be used for general operations.

Department of Economic Security

- 25. 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.
- 26. 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.

Department of Education

Formula Requirements

- 27. As permanent law, increase by 1.7% 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.
- 28. 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).

Funding Formula Changes

- 29. As session law, continue to reduce school districts' Soft Capital funding by \$188,120,700. 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.
- 30. As session law, continue to reduce charter school Additional Assistance funding by \$17,656,000 below the level that otherwise would be funded pursuant to A.R.S. § 15-185B4.
- 31. As session law, continue to reduce school district's Capital Outlay Revenue Limit (CORL) funding by \$(63,864,800). 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.
- 32. 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.
- 33. As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2013 at 91% of the formula requirement.
- 34. As session law, continue to reduce school district and charter school retirement contribution funding by \$(32,714,800) for a permanent funding shift required by Laws 2011, Chapter 26. As session law, continue to require the department to reduce school district and charter school equalization assistance and budget limits accordingly.

Other

- 35. As session law, continue to suspend new funding for the Early Graduation program, but continue to fund existing students with available fund balances.
- 36. As session law, continue to suspend the annual AIMS Intervention and Dropout Prevention performance audit for FY 2013.

Department of Emergency and Military Affairs

- 37. As session law, continue the \$(1,100,000) reduction to the Governor's Emergency Fund deposit in FY 2013.

Department of Environmental Quality

38. As session law, continue to suspend the Underground Storage Tank Revolving Fund Assurance Account administrative cap for FY 2013 to allow the department to utilize up to \$6,531,000 for program operating costs.
39. 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.

Board of Executive Clemency

40. As session law, continue to limit members of the Board of Executive Clemency, excluding the Chairman, from working more than 30 hours per week and restrict them from being eligible for paid leave or any other benefits provided to state employees.

Department of Health Services

41. 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.
42. 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.

Department of Insurance

43. As session law, continue to notwithstanding the provision that fees collected by the department fall between 95% and 110% of the department's appropriation.

Judiciary

44. 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.
45. 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.
46. 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.

Arizona Navigable Stream Adjudication Commission

47. 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.

Arizona State Parks Board

48. As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.
49. As session law, continue to allow State Parks Enhancement Fund monies to be used for the operation of state parks as appropriated by the Legislature or for capital needs as approved by the Joint Committee on Capital Review in FY 2013.

Office of Pest Management

50. 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.

Department of Public Safety

51. 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.

Radiation Regulatory Agency

52. 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 \$500,000.

School Facilities Board

53. As session law, continue to prohibit the School Facilities Board (SFB) from authorizing or awarding funding for the design or construction of any new school facility or for school site acquisition. Continue to require school districts to

submit capital plans during FY 2013 and permit SFB to review and award new school facilities, subject to future appropriations.

54. As session law, continue to suspend the Building Renewal Fund formula for FY 2013.

Department of Transportation

55. As session law, continue to hold 10 smallest counties harmless for the shift of Motor Vehicle Division (MVD) funding from State Highway Fund to HURF in FY 2013.

Universities

56. 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).

Revenues

57. As session law, notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund.

GENERAL APPROPRIATIONS ACT PROVISIONS

AHCCCS

58. As session law, continue to defer \$344,201,700 in total fund capitation payments for FY 2013 until FY 2014. Appropriate \$344,344,800 in FY 2014 for these deferred payments, including interest. Allow AHCCCS to pay the health plans no later than July 31, 2013.

Department of Economic Security

59. As session law, continue the \$35,000,000 payment deferral to providers from FY 2013 to FY 2014. Appropriate \$35,000,000 in FY 2014 for these deferred payments.

Department of Education

60. As session law, continue to defer \$952,627,700 in Basic State Aid payments for FY 2013 until FY 2014. Appropriate \$952,627,700 in FY 2014 for these deferred Basic State Aid payments. Allow the State Board of Education to make the rollover payment no later than August 29, 2013.

61. As session law, continue 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.

Universities

62. As session law, continue the \$200,000,000 universitywide payment deferral to the universities from FY 2013 to FY 2014. Appropriate \$200,000,000 in FY 2014 for these deferred payments.

MAJOR GENERAL APPROPRIATION ACT FOOTNOTE CHANGES

The Baseline would include the following major modification of footnotes. This list does not include footnotes pertaining to one-time reports or appropriations.

State Department of Corrections

- Adds a footnote requiring the department to provide a report on bed capacity to the Joint Legislative Budget Committee for its review by August 1 annually.

INDIVIDUAL AGENCY ESTIMATES

Arizona State Board of Accountancy

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	327,300	327,300
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	391,000
Equipment	31,100	13,200	13,200
AGENCY TOTAL	1,434,800	1,887,800^{1/}	1,887,800

FUND SOURCES

Other Appropriated Funds

Board of Accountancy Fund	1,434,800	1,887,800	1,887,800
SUBTOTAL - Other Appropriated Funds	1,434,800	1,887,800	1,887,800
SUBTOTAL - Appropriated Funds	1,434,800	1,887,800	1,887,800
TOTAL - ALL SOURCES	1,434,800	1,887,800	1,887,800

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

Operating Budget

* * *

The Baseline includes \$1,887,800 and 13 FTE Positions from the Board of Accountancy Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Accountancy Fund (ABA2001/A.R.S. § 32-705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of public accountants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate certified public accountants and public accountants, and for board administration.		
Funds Expended	1,434,800	1,887,800
Year-End Fund Balance	1,391,900	1,223,500

^{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.

Acupuncture Board of Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	16,000	16,000
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	11,300
AGENCY TOTAL	120,800	125,300^{1/}	125,300

FUND SOURCES

Other Appropriated Funds

Acupuncture Board of Examiners Fund	120,800	125,300	125,300
SUBTOTAL - Other Appropriated Funds	120,800	125,300	125,300
SUBTOTAL - Appropriated Funds	120,800	125,300	125,300
TOTAL - ALL SOURCES	120,800	125,300	125,300

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

Operating Budget

* * *

The Baseline includes \$125,300 and 1 FTE Position from the Acupuncture Board of Examiners Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Acupuncture Board of Examiners Fund (ANA2412/A.R.S. § 32-3905)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of acupuncturists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate acupuncturists, and for board administration.		
Funds Expended	120,800	125,300
Year-End Fund Balance	59,500	73,300

^{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.

Arizona Department of Administration

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	689.7	689.7	689.7
Personal Services	23,552,300	28,990,000	28,990,000
Employee Related Expenditures	10,339,800	11,205,400	11,205,400
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	30,340,000
Equipment	4,325,200	3,665,700	3,665,700
OPERATING SUBTOTAL	71,233,700	78,477,200	78,777,200
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
ENSCO	2,862,800	1,436,400	0
Named Claimants	68,700	0	0
Human Resources			
Human Resources Information Solution COP	4,749,700	5,550,600	4,954,800
Information Technology Services			
Public Safety Communications	586,700	527,200	527,200
Statewide Information Security and Privacy Office	708,400	853,100	853,100
Telecommunications Lease Payment	381,400	0	0
Risk Management			
Risk Management Administrative Expenses	6,696,200	8,746,100	8,746,100
Risk Management Losses and Premiums	34,192,800	43,480,200	43,480,200
Workers' Compensation Losses and Premiums	24,886,100	30,620,200	30,620,200
Support Services			
State Surplus Property Sales Proceeds	1,152,900	1,260,000	1,260,000
Other			
Ch. 34 One-Time COSF	0	613,300	0
AGENCY TOTAL	156,058,800	180,753,100 ^{1/}	178,707,600

FUND SOURCES

General Fund	16,678,000	14,858,600	13,422,200
<u>Other Appropriated Funds</u>			
Air Quality Fund	596,500	714,100	714,100
Automation Operations Fund	17,414,800	18,672,400	18,672,400
Capital Outlay Stabilization Fund	15,843,700	17,903,800 ^{2/}	17,890,500
Corrections Fund	442,100	552,500	552,500
Federal Surplus Materials Revolving Fund	96,400	451,400	451,400
Information Technology Fund	2,487,600	3,120,500	3,120,500
Motor Vehicle Pool Revolving Fund	8,639,800	10,038,900	10,038,900
Personnel Division Fund	13,865,000	14,564,800	13,969,000
Risk Management Revolving Fund	72,152,200	90,321,800	90,321,800
Special Employee Health Insurance Trust Fund	3,897,400	5,108,300	5,108,300
State Surplus Materials Revolving Fund	2,070,200	2,378,800	2,378,800
State Web Portal Fund	250,500	250,000	250,000
Telecommunications Fund	1,624,600	1,817,200	1,817,200
SUBTOTAL - Other Appropriated Funds	139,380,800	165,894,500	165,285,400
SUBTOTAL - Appropriated Funds	156,058,800	180,753,100	178,707,600

^{1/} 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.

^{2/} Laws 2011, Chapter 34 appropriated monies from the Capital Outlay Stabilization Fund in FY 2012 for costs associated with building maintenance and building utilities for the Polly Rosenbaum Archives Building. This one-time appropriation was to be 50% of the unexpended balance of a completed capital project. Originally, JLBC estimated the appropriation to be \$500,000. The actual appropriation was \$613,300.

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	1,030,662,100	1,041,054,300

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 Baseline includes \$78,777,200 and 682.7 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$11,056,100
Air Quality Fund	714,100
Automation Operations Fund	18,672,400
Capital Outlay Stabilization Fund (COSF)	10,240,600
Corrections Fund	552,500
Federal Surplus Materials Revolving Fund	451,400
Information Technology Fund	2,267,400
Motor Vehicle Pool Revolving Fund	10,038,900
Personnel Division Fund	9,014,200
Risk Management Revolving Fund	7,475,300
Special Employee Health Insurance Trust Fund	5,108,300
State Surplus Materials Revolving Fund	1,118,800
State Web Portal Fund	250,000
Telecommunications Fund	1,817,200

FY 2013 adjustments would be as follows:

Secretary of State Building OF 300,000 Operating Costs

The Baseline 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.

Facilities Management

Utilities

The Baseline includes \$8,275,600 in FY 2013 for Utilities. This amount consists of:

General Fund	625,700
COSF	7,649,900

FY 2013 adjustments would be as follows:

Secretary of State Building OF 300,000 Utilities Costs

The Baseline 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

County Attorney Immigration Enforcement

The Baseline 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.

ENSCO

The Baseline includes no funding from the General Fund in FY 2013 for ENSCO. FY 2013 adjustments would be as follows:

Funding Elimination GF (1,436,400)

The Baseline 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 end 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.

Human Resources

Human Resources Information Solution COP

The Baseline includes \$4,954,800 from the Personnel Division Fund in FY 2013 for the Human Resources Information Solution (HRIS) Certificate of Participation (COP). FY 2013 adjustments would be as follows:

Lease-Purchase Payment Decrease OF (595,800)

The Baseline includes a decrease of \$(595,800) 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.

Information Technology Services

Public Safety Communications

The Baseline includes \$527,200 and 4 FTE Positions from the General Fund in FY 2013 for Public Safety Communications. These amounts are unchanged from FY 2012.

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 Baseline includes \$853,100 and 3 FTE Positions from the Information Technology Fund in FY 2013 for the Statewide Information Security and Privacy Office. These amounts are unchanged from FY 2012.

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 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

Risk Management Administrative Expenses

The Baseline 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 Baseline includes \$43,480,200 from the Risk Management Revolving Fund in FY 2013 for Risk Management Losses and Premiums. This amount is unchanged from FY 2012.

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 Baseline includes \$30,620,200 from the Risk Management Revolving Fund in FY 2013 for Workers' Compensation Losses and Premiums. This amount is unchanged from FY 2012.

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 Baseline 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

The Baseline transfers funding from COSF in FY 2013 for costs associated with maintenance and utilities for the Polly Rosenbaum Archives Building and the Records Management Center, with \$300,000 being allocated to the Department of Administration's operating budget and \$300,000 being allocated to the Utilities Special Line Item (SLI). (Please see the Department of Administration's operating budget and the Utilities SLI for information regarding FY 2013 funding.)

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

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.

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.

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 \$18,672,400 in FY 2013, the Department of Administration shall report the intended use of monies to the Joint Legislative Budget Committee.

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

STATUTORY CHANGES

The Baseline would, as session law, continue to prohibit ADOA from implementing a differentiated health insurance premium in FY 2013 based on the integrated or non-integrated status of the provider.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Administration - AFIS II Collections Fund (ADA4203/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Financial transaction processing fees.		
Purpose of Fund: To operate the Arizona Financial Information System (AFIS) II.		
Funds Expended	1,282,300	2,343,600
Year-End Fund Balance	1,175,000	0
Air Quality Fund (ADA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Annual air quality and emissions fees assessed on motor vehicle registrations, as well as legislative appropriations.		
Purpose of Fund: To administer a travel reduction program, as defined by A.R.S. § 49-588, including bus ride subsidies for state employees.		
Funds Expended	596,500	714,100
Year-End Fund Balance	0	0
Arizona State Hospital Capital Construction Fund (ADA2466/Laws 2000, Chapter 1)		Non-Appropriated
Source of Revenue: Laws 2000, Chapter 1 created the Arizona State Hospital Capital Construction Fund, from which \$80,000,000 was appropriated over 4 years, beginning in 2000.		
Purpose of Fund: To construct civil, forensic and adolescent facilities, renovation of existing buildings and infrastructure, and for the Arizona Community Protection and Treatment Center.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Automation Operations Fund (ADA4230/A.R.S. § 41-711)		Appropriated
Source of Revenue: Charges to agencies and other political entities for information technology products and services. The fund has continuously appropriated sub-accounts for agreements made with other states and the Arizona Health Care Cost Containment System.		
Purpose of Fund: To provide agencies and other political entities data processing and information technology consulting services and to maintain the integrity and security of state information.		
Funds Expended	17,414,800	18,672,400
Year-End Fund Balance	4,481,400	1,402,600
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying Arizona Department of Administration (ADOA) owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	15,843,700	17,903,800
Year-End Fund Balance	7,678,700	5,422,700
Certificate of Participation Fund (ADA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	132,802,500	93,007,900
Year-End Fund Balance	9,302,100	6,986,300

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Construction Insurance Fund (ADA4219/A.R.S. § 41-622)		Non-Appropriated
Source of Revenue: Risk management charges to agencies for state construction projects. The construction and design insurance rate is set by the ADOA and reviewed by the Joint Committee on Capital Review.		
Purpose of Fund: To self-insure state construction projects against tort losses from design and construction defects.		
Funds Expended	872,700	2,326,100
Year-End Fund Balance	4,083,300	5,352,400
Consumer Loss Recovery Fund (ADA2469/A.R.S. § 41-622.02)		Non-Appropriated
Source of Revenue: Budget Stabilization Fund (A.R.S. § 35-144) transfers based on monthly actual expenditure requests, as submitted by the Risk Management Division.		
Purpose of Fund: To pay claims, as well as adjusting, processing, legal defense, and administrative costs associated with the alternative fuel credit.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Co-Op State Purchasing Agreement Fund (ADA4213/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Annual subscription fees paid by local governments for state purchasing records, fees paid by individuals for copies of public records, and fees paid by vendors participating in the State Contract Show.		
Purpose of Fund: To provide microfiche of state purchasing information to local governments, as well as to reproduce public records for local governments and the public.		
Funds Expended	2,686,300	2,776,600
Year-End Fund Balance	308,500	510,300
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities.		
Funds Expended	442,100	552,500
Year-End Fund Balance	5,531,200	4,947,900
Electronic Commerce Fund (ADA2482/A.R.S. § 41-2673)		Non-Appropriated
Source of Revenue: Legislative appropriations, agency repayments, and 10% of any savings generated through the implementation of electronic commerce initiatives using fund monies.		
Purpose of Fund: To partially finance agency electronic commerce initiatives where other funding mechanisms do not exist.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Emergency Telecommunication Services Revolving Fund (ADA2176/A.R.S. § 41-704)		Non-Appropriated
Source of Revenue: The telecommunication services excise tax, currently 20¢ per wire or wireless account, levied on monthly telephone bills and remitted by telephone companies, as authorized by A.R.S. § 42-5252.		
Purpose of Fund: To aid the political subdivisions of the state in implementing and operating emergency telecommunication services (911); to purchase necessary equipment and consulting services (up from 3% to 5% of revenue beginning September 30, 2009); to pay monthly recurring costs for capital, maintenance, and operations; and to reimburse wireless carriers for the costs of compliance.		
Funds Expended	17,137,500	18,834,800
Year-End Fund Balance	4,228,700	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Employee Related Expenditures/Benefits Administration Fund (ITA3035/A.R.S. § 38-651.05)		Non-Appropriated
Source of Revenue: State employer and state employee premium contributions for vision, flexible spending, disability, life, and accident insurance.		
Purpose of Fund: To administer state employee benefit plans and pay non-health insurance premiums.		
Funds Expended	34,479,900	29,793,500
Year-End Fund Balance	3,332,200	3,086,400
Federal Grant Fund (ADA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants, including pass through grants from the several agencies.		
Purpose of Fund: To pay for security related equipment and programs, as well as to administer monies as sub-grantee for federal projects. This fund includes monies transferred from the Government Information Technology Agency (GITA) to ADOA and excludes monies transferred to the Department of Public Safety (DPS) from ADOA for Capitol Police as required by the Consolidation Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 27).		
Funds Expended	951,100	2,463,900
Year-End Fund Balance	171,100	349,300
Federal Grants - American Recovery and Reinvestment Act (ARRA) (ADA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used for the installation of solar panels in the Phoenix and Tucson complexes, the implementation of the statewide Health Information Exchange (HIE), and broadband development. This fund includes monies transferred from GITA to ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).		
Funds Expended	5,506,400	11,967,300
Year-End Fund Balance	195,200	195,200
Federal Surplus Materials Revolving Fund (ADA4215/A.R.S. § 41-2606)		Appropriated
Source of Revenue: Federal surplus property service and handling fees.		
Purpose of Fund: To collect, store, and administer the sale of federal surplus property. Federal regulations concerning the disposition of federal surplus property cap the year-end balance of this fund at \$50,000. When the fund exceeds this cap, the department must discount its service and handling charges for federal surplus materials transferred to agencies in the following fiscal year.		
Funds Expended	96,400	451,400
Year-End Fund Balance*	67,200	(319,600)
IGA and ISA Fund (ADA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements. This fund includes monies transferred to ADOA from the Department of Commerce for the Office of Employment and Population Statistics as required by the General Government BRB (Laws 2011, Chapter 34). This fund excludes monies transferred to DPS from ADOA for Capitol Police as required by the Consolidation BRB (Laws 2011, Chapter 27).		
Funds Expended	4,829,500	4,057,500
Year-End Fund Balance	1,058,100	1,006,200
Information Technology Fund (ADA2152/A.R.S. § 41-3035)		Appropriated
Source of Revenue: A pro rata share of 0.2% of total payroll, charged to all budget units subject to GITA or the Information Technology Authorization Committee (ITAC) oversight.		
Purpose of Fund: Provides personnel funding for statewide information technology planning, coordinating, oversight, and consulting. The Statewide Strategic Information Technology Plan is prepared annually by Information Technology (IT) Fund personnel with input from state agency Chief Information Officers. Additionally, monies from the IT Fund also support the operation of the Statewide Information Security and Privacy Office (SISPO). This fund includes monies transferred from GITA to ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).		
Funds Expended	2,487,600	3,120,500
Year-End Fund Balance	1,161,400	1,092,200

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Lease Purchase Building Operating and Maintenance Fund (ADA1025/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Operations and maintenance charges to agencies occupying non-COP lease-purchase state buildings.		
Purpose of Fund: To operate and maintain non-COP lease-purchase state buildings. All such buildings have been paid off or sold.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Legislative, Executive, and Public Buildings Land Fund (ADA3127/A.R.S. § 37-525)		Appropriated
Source of Revenue: State trust land lease revenues.		
Purpose of Fund: To support state Legislative, Executive, and Judicial buildings. In FY 2005, to construct a new Library and Archives Building.		
Funds Expended	0	0
Year-End Fund Balance	1,639,600	1,639,600
Management Services Division Plan Deposits Fund (ADA3196/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Deposits for blueprints, paid by construction vendors and bidders.		
Purpose of Fund: To reimburse blueprint deposits.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Monument and Memorial Repair Fund (ADA2338/A.R.S. § 41-1365)		Appropriated
Source of Revenue: Monies derived from fundraising activities, monies that are collected by the proponents of a monument or memorial, grants, donations, and legislative appropriations.		
Purpose of Fund: For the maintenance, repair, reconditioning, or relocation of monuments or memorials and for supporting mechanical equipment in the governmental mall.		
Funds Expended	0	0
Year-End Fund Balance	25,200	25,200
Motor Vehicle Pool Revolving Fund (ADA4204/A.R.S. § 41-804)		Appropriated
Source of Revenue: Charges to agencies for the use of motor pool vehicles.		
Purpose of Fund: To operate the motor vehicle pool.		
Funds Expended	8,639,800	10,038,900
Year-End Fund Balance	1,386,500	867,300
Payroll Administration Fund (ADA9200/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collects and pays out all monies associated with the statewide payroll functions. Fund 9200 incorporates several payroll funds (ADA9220, ADA9230, NAU9202, UAA9203, and ASU9221). Fund 9230 collects a one-time \$50 charge for setting up a garnishment, which is granted by the court, a \$5 employee fee for each non-exempt statement that is generated per payday, and a \$1 administrative fee for child and spousal support orders.		
Purpose of Fund: Generally, revenues and expenditures are not used for normal payroll activities. The only balance that accumulates in this fund is for Unemployment Tax. For Fund 9230, monies are used for administrative costs related to garnishments and child support.		
Funds Expended	16,700	138,200
Year-End Fund Balance	4,114,800	3,985,300
Personnel Division Fund (ADA1107/A.R.S. § 41-764)		Appropriated
Source of Revenue: A 1.07% (permanent law) charge on the total payroll of each agency within the ADOA personnel system.		
Purpose of Fund: To operate the ADOA Human Resources Division.		
Funds Expended	13,865,000	14,564,800
Year-End Fund Balance	1,101,500	1,554,100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Privatized Lease-To-Own Fund (ADA2495/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges to agencies occupying privatized lease-to-own (PLTO) buildings.		
Purpose of Fund: To operate, maintain, and make annual rent payments on PLTO buildings.		
Funds Expended	12,208,900	12,288,900
Year-End Fund Balance	180,000	264,100
Racing Investigation Fund (ADA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations, or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by ADOA and disbursements are made pursuant to instructions from the Director of the Department of Racing.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Retiree Accumulated Sick Leave Fund (YYA3200/A.R.S. § 38-616)		Non-Appropriated
Source of Revenue: A 0.40% charge on the total benefit-eligible payroll of each agency within the ADOA personnel system. By statute, the rate may not exceed 0.55% and is set by ADOA with Joint Legislative Budget Committee review.		
Purpose of Fund: To compensate eligible retiring state employees for accumulated sick leave, to pay insurance premiums, and to administer the program. Payments are calculated as a percentage, tiered according to accrual level of hourly salary. Payments to 1 individual shall not exceed \$30,000.		
Funds Expended	14,615,300	11,965,100
Year-End Fund Balance	2,852,500	2,384,400
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to all state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay claim costs, administrative program costs, and to purchase insurance for coverage for losses not covered under the self-insured limits. This fund excludes monies appropriated to DPS for Capitol Police salary adjustments in FY 2012. The Capitol Police were transferred to DPS from ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).		
Funds Expended	72,152,200	90,321,800
Year-End Fund Balance	68,187,200	45,505,000
Special Employee Health Insurance Trust Fund (ITA3015/A.R.S. § 38-654)		Partially-Appropriated
Source of Revenue: Employer and employee medical and dental insurance contributions.		
Purpose of Fund: To administer and pay premiums and claims for state employee health insurance plans, as well as to operate the Wellness and Communications program. Only administrative expenditures from this fund are subject to legislative appropriation.		
Appropriated Funds Expended	3,897,400	5,108,300
Non-Appropriated Funds Expended	656,284,800	656,247,900
Year-End Fund Balance	228,998,400	271,958,800
Special Events Fund (ADA2503/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Set-up fees for special events on state property.		
Purpose of Fund: To set up special events on state property.		
Funds Expended	2,700	32,900
Year-End Fund Balance*	17,200	(200)
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193)		Non-Appropriated
Source of Revenue: Payments by agencies using various centralized printing, copying, and repair services offered by ADOA.		
Purpose of Fund: To provide supplies, printing, copying, repair, and other office services for state agencies.		
Funds Expended	794,800	737,800
Year-End Fund Balance	159,900	141,100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
State Employee Suggestion Program Award Fund (ADA3190/A.R.S. § 38-613)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To award state employees up to \$1,000 for a special act in the public interest or for an adopted idea resulting in state savings or improved operations. Up to \$50 per award may be used to purchase recognition materials and up to 6% of fund monies may be used to administer the program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Employee Travel Reduction Fund (ADA2261/A.R.S. § 41-101.03)		Non-Appropriated
Source of Revenue: Grants by the Maricopa Association of Governments, the State Travel Reduction Planning Office, and the Arizona Department of Environmental Quality.		
Purpose of Fund: To operate and administer a ride-sharing program for the transportation of state employees between home and work.		
Funds Expended	393,200	627,800
Year-End Fund Balance	337,600	182,400
State Surplus Materials Revolving Fund (ADA4214/A.R.S. § 41-2606)		Appropriated
Source of Revenue: State surplus property sales revenues.		
Purpose of Fund: To collect, store, and administer the sale of state surplus property. The majority of revenues are returned to donor agencies. The department retains a service and handling fee.		
Funds Expended	2,070,200	2,378,800
Year-End Fund Balance	222,000	196,800
State Web Portal Fund (ADA2531/A.R.S. § 41-3506)		Partially-Appropriated
Source of Revenue: Grants, donations, and web portal revenues, including any fees collected from the sale of certain types of motor vehicle records to commercial customers, less the contractor's price of maintaining and operating the web portal.		
Purpose of Fund: To maintain and upgrade the state's common web portal, including enhancement of existing products and the development of new applications. Monies received from private grants or donations, as well as federal grants, are non-appropriated. In FY 2012, this fund was transferred from GITA to ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).		
Appropriated Funds Expended	250,500	250,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance*	888,300	(553,500)
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Employee donations and other miscellaneous deposits. In FY 2005, a \$1,000,000 grant for wireless emergency telecommunications was deposited into this fund.		
Purpose of Fund: Employee donations are used to recognize outstanding employees. The \$1,000,000 grant received in FY 2005 is to be used for Geographic Information Systems and mapping support in the development of Wireless Phase II deployment in counties that have already deployed Wireless Phase I.		
Funds Expended	47,600	112,200
Year-End Fund Balance	179,300	67,100
Statewide E-Rate Program Fund (ADA2584/A.R.S. § 41-3508)		Non-Appropriated
Source of Revenue: The fund has 3 revenue sources: 1) monies received pursuant to the E-Rate Program under the Telecommunications Act of 1996 or other grants to assist this state in improving broadband internet and telecommunications access for public schools and libraries in this state, 2) monies received as a result of an intergovernmental agreements between GITA and other political subdivisions of this state, and 3) monies received from private grants and donations if designated for the fund by the grantor or donor.		
Purpose of Fund: To assist public school districts, charter schools, and libraries in submitting applications for funding from the Universal Service Administrative Company (USAC). ADOA may enter into contracts with private organizations and intergovernmental agreements with other state agencies and political subdivisions of this state to administer the Statewide E-Rate Program. In FY 2012, this fund transferred from the GITA to the ADOA as required by the Consolidation BRB (Laws 2011, Chapter 27).		
Funds Expended	0	187,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Telecommunications Fund (ADA4231/A.R.S. § 41-713)		Appropriated
Source of Revenue: Administrative surcharges on telecommunications services for agencies and other political entities. Additionally in FY 2006, a transfer of \$927,500 from the Technology and Telecommunications Fund, as stipulated by Laws 2005, Chapter 330.		
Purpose of Fund: To operate the Telecommunications Program Office, which manages and oversees statewide contracts for telecommunications products and services. The state's contractors operate and equip telecommunications voice, data, video, and graphics systems, allowing the collection, storage, interchange, retrieval, and transmission of information.		
Funds Expended	1,624,600	1,817,200
Year-End Fund Balance	682,600	743,400
Telecommunications Fund - Infrastructure Improvements Account (ADA4231B/A.R.S. § 35-142)		Appropriated
Source of Revenue: A portion of the rate charged to the state for telecommunications services.		
Purpose of Fund: To replace end-of-life voice and data equipment in state facilities.		
Funds Expended	0	0
Year-End Fund Balance	0	0

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

Office of Administrative Hearings

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	219,400	219,400
Other Operating Expenditures	111,000	78,700	78,700
AGENCY TOTAL	919,600	825,600^{1/}	825,600
FUND SOURCES			
General Fund	905,100	811,100	811,100
<u>Other Appropriated Funds</u>			
Healthcare Group Fund	14,500	14,500	14,500
SUBTOTAL - Other Appropriated Funds	14,500	14,500	14,500
SUBTOTAL - Appropriated Funds	919,600	825,600	825,600
Other Non-Appropriated Funds	945,100	936,300	936,300
TOTAL - ALL SOURCES	1,864,700	1,761,900	1,761,900

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

Operating Budget

The Baseline includes \$825,600 and 12 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$811,100
Healthcare Group Fund	14,500

These amounts are unchanged from FY 2012.

* * *

FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, continue 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)		Appropriated
Source of Revenue: Interagency Agreement with AHCCCS.		
Purpose of Fund: To reimburse the Office of Administrative Hearings (OAH) for hearings and associated personnel cost for grievances related to Healthcare Group, which is AHCCCS' health insurance plan for small businesses.		
Funds Expended	14,500	14,500
Year-End Fund Balance	0	0
IGA and ISA Fund (HGA2500/A.R.S. § 41-1092.01)		Non-Appropriated
Source of Revenue: Monies received by OAH for contractual, administrative law judge services provided to state agencies.		
Purpose of Fund: To cover actual expenses of providing personnel and services to state agencies on a contractual basis.		
Funds Expended	945,100	936,300
Year-End Fund Balance	0	0

^{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.

Arizona Department of Agriculture

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	217.2	166.7	181.8
Personal Services	5,233,600	4,370,700	5,003,900
Employee Related Expenditures	3,002,700	1,941,300	2,235,500
Professional and Outside Services	345,800	48,500	214,200
Travel - In State	379,400	337,000	418,900
Travel - Out of State	13,100	500	2,600
Other Operating Expenditures	1,379,700	870,300	1,095,600
Equipment	248,000	9,000	31,500
OPERATING SUBTOTAL	10,602,300	7,577,300	9,002,200
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
Red Imported Fire Ant	23,200	23,200	23,200
AGENCY TOTAL	10,842,300	7,909,400^{1/}	9,334,300
FUND SOURCES			
General Fund	8,391,700	7,909,400	7,909,400
<u>Other Appropriated Funds^{2/}</u>			
Aquaculture Fund	9,200	0	4,600
Citrus, Fruit and Vegetable Revolving Fund	354,800	0	240,000
Commercial Feed Fund	298,200	0	146,600
Dangerous Plants, Pests and Diseases Fund	100,000	0	62,700
Egg Inspection Fund	795,600	0	448,200
Fertilizer Materials Fund	302,700	0	147,400
Livestock Custody Fund	69,100	0	60,000
Pesticide Fund	347,000	0	244,500
Protected Native Plant Fund	120,200	0	44,900
Seed Law Fund	53,800	0	26,000
SUBTOTAL - Other Appropriated Funds	2,450,600	0	1,424,900
SUBTOTAL - Appropriated Funds	10,842,300	7,909,400	9,334,300
Other Non-Appropriated Funds	9,003,100	10,736,700	9,311,800
Federal Funds	5,659,300	5,999,000	5,999,000
TOTAL - ALL SOURCES	25,504,700	24,645,100	24,645,100

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.

^{2/} The FY 2012 General Appropriation Act (Laws 2011, Chapter 24) contained appropriations for all these funds in FY 2012. However, Laws 2011, Chapter 281 converts these funds to non-appropriated status as of the bill's effective date, July 20, 2011, through December 30, 2012. As a result, these funds are shown as non-appropriated in FY 2012 and half of FY 2013 and appropriated the remaining half of FY 2013.

Operating Budget

The Baseline includes \$9,002,200 and 181.8 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$7,577,300
Aquaculture Fund	4,600
Citrus, Fruit, and Vegetable Revolving Fund	240,000
Commercial Feed Fund	146,600
Dangerous Plants, Pests, and Diseases Fund	62,700
Egg Inspection Fund	448,200
Fertilizer Materials Fund	147,400
Livestock Custody Fund	60,000
Pesticide Fund	244,500
Protected Native Plant Fund	44,900
Seed Law Fund	26,000

FY 2013 adjustments would be as follows:

Appropriated Funds OF 1,424,900
Adjustment

The Baseline includes an increase of \$1,424,900 and 15.1 FTE Positions in FY 2013 to conform to the provisions of Laws 2011, Chapter 281. This amount consists of:

Aquaculture Fund	4,600
Citrus, Fruit, and Vegetable Revolving Fund	240,000
Commercial Feed Fund	146,600
Dangerous Plants, Pests, and Diseases Fund	62,700
Egg Inspection Fund	448,200
Fertilizer Materials Fund	147,400
Livestock Custody Fund	60,000
Pesticide Fund	244,500
Protected Native Plant Fund	44,900
Seed Law Fund	26,000

Chapter 281 converted the above funds into non-appropriated funds on the bill's effective date, July 20, 2011, through December 30, 2012. The funds are restored to their original statutory form on December 31, 2012. As a result, these funds are shown as non-appropriated in FY 2012 and half of FY 2013 and appropriated the remaining half of FY 2013.

Chapter 281 also converts all the funds mentioned above, along with the following non-appropriated funds into trust funds on July 20, 2011 through December 30, 2012: Agricultural Consulting and Training Fund, Grain Research 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.

Agricultural Consulting and Training Pari-Mutuel

The Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

STATUTORY CHANGES

As session law, the FY 2013 Baseline would permit the director, upon recommendation from the Agricultural Advisory Council, to continue fee increases authorized in earlier years. The Baseline would also include legislative intent that the fees would not generate more than \$218,000 to the General Fund, \$113,000 to the Pesticide Fund, and \$26,000 to the Dangerous Plants, Pests, and Diseases Fund, which was also included in last year's bill.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Administrative Support Fund (AHA2436/A.R.S. § 3-108)		Non-Appropriated
Source of Revenue: Monies are collected from each commodity council based on annually negotiated interagency agreements.		
Purpose of Fund: For costs incurred by the department in providing administrative support.		
Funds Expended	40,200	49,000
Year-End Fund Balance	60,100	40,300
Agricultural Consulting and Training Fund (AHA1239/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To fund the agricultural consulting and training program established by A.R.S. § 3-109.01. Appropriated expenditures are not displayed in FY 2011 and FY 2012 to avoid double counting of the General Fund.		
Funds Expended	15,600	24,800
Year-End Fund Balance	49,700	24,900
Agricultural Products Marketing (AHA2368/A.R.S. § 3-419)		Non-Appropriated
Source of Revenue: Assessments on the Arizona Leafy Green Products Shipper Marketing Agreement commodities.		
Purpose of Fund: To fund the Arizona Leafy Green Products Shipper Marketing Committee and to ensure compliance with the accepted food safety practices through mandatory government audits.		
Funds Expended	183,900	455,000
Year-End Fund Balance	148,600	117,800
Agricultural Protection Fund (AHA2381/A.R.S. § 3-3304)		Non-Appropriated
Source of Revenue: Gifts, grants, or donations.		
Purpose of Fund: To award grants to state agencies, political subdivisions, and non-profit conservation groups for the establishment of agricultural easements.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Aquaculture Fund (AHA2297/A.R.S. § 3-2913)		Partially-Appropriated
Source of Revenue: Fees resulting from the regulation of aquaculture. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To administer and enforce the provisions of A.R.S. Title 3, Chapter 16, relating to aquaculture. Aquaculture is the controlled growth and harvest of aquatic plants and animals such as fish, shellfish, and algae.		
Appropriated Funds Expended	9,200	0
Non-Appropriated Funds Expended	0	9,200
Year-End Fund Balance	9,100	5,500
Beef Council (Livestock Board Collection and Administration) Fund (AHA2083/A.R.S. § 3-1236)		Non-Appropriated
Source of Revenue: \$1 per head surcharge collected on behalf of the Arizona Beef Council when animals are inspected by the department for sale. The department retains 5 cents per dollar, while 95 cents per dollar is forwarded to this fund.		
Purpose of Fund: For collection and administration costs.		
Funds Expended	267,400	267,000
Year-End Fund Balance	11,100	0
Citrus, Fruit and Vegetable Revolving Fund (AHA2260/A.R.S. § 3-447)		Partially-Appropriated
Source of Revenue: Assessments, fees, and civil penalties relating to the standardization of citrus, other fruits, and vegetables. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To enable producers and shippers to develop uniform grades and standards for citrus, fresh fruit, and vegetables and to allow field and shed inspections of commodities produced in the state.		
Appropriated Funds Expended	354,800	0
Non-Appropriated Funds Expended	0	480,400
Year-End Fund Balance*	98,500	(115,200)
Citrus Research Council Fund (AHA2299/A.R.S. § 3-468.04)		Non-Appropriated
Source of Revenue: An assessment on citrus produced in the state, as well as fines, other charges, and interest.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, eradication of citrus pests, and other programs deemed appropriate to production, harvesting, handling, and hauling from field to market.		
Funds Expended	35,000	28,000
Year-End Fund Balance	26,800	26,800
Commercial Feed Fund (AHA2012/A.R.S. § 3-2607)		Partially-Appropriated
Source of Revenue: Licensing fees and fees collected for the inspection of animal and bird feeds. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To regulate animal and bird feeds.		
Appropriated Funds Expended	298,200	0
Non-Appropriated Funds Expended	0	293,400
Year-End Fund Balance	116,100	110,800
Commodity Promotion Fund (AHA2458/A.R.S. § 3-109.02)		Non-Appropriated
Source of Revenue: Proceeds of a fee collected for a Certificate of Free Sale and any sales of merchandise with the Arizona Grown trademark. A Certificate of Free Sale is a document authenticating that a commodity is generally and freely sold in domestic channels of trade. Many countries require this documentation before allowing a shipment of consumable products to enter their borders and markets.		
Purpose of Fund: To provide for programs to promote the production and consumption of Arizona agricultural products domestically and abroad.		
Funds Expended	6,300	10,000
Year-End Fund Balance	8,900	6,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Cotton Research and Protection Council Abatement Fund (AHA2013/A.R.S. § 3-1085)		Non-Appropriated
Source of Revenue: Assessments on each bale of cotton produced in the state, as well as fines and interest earnings.		
Purpose of Fund: To support research programs related to cotton production or protection and to provide a program to refund collected fees as an incentive for boll weevil control.		
Funds Expended	2,542,800	1,964,200
Year-End Fund Balance	262,400	951,700
Dangerous Plants, Pests and Diseases Fund (AHA2054/A.R.S. § 3-214.01)		Partially-Appropriated
Source of Revenue: Certification fees on and reimbursements for the destruction of dangerous plants, pests, and diseases. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To prevent the introduction and propagation of, and to control and destroy, dangerous plants, pests, and diseases.		
Appropriated Funds Expended	100,000	0
Non-Appropriated Funds Expended	0	125,500
Year-End Fund Balance	107,700	53,100
Dangerous Plants Service Fee Increase Fund (AHA2055/Laws 2010, 7 th Special Session, Chapter 7)		Non-Appropriated
Source of Revenue: Revenues from the fee use authority authorized by Laws 2010, 7 th Special Session, Chapter 7 were deposited into this fund in FY 2011. Revenues from the fee use authority authorized by Laws 2011, Chapter 36 are appropriated to the General Fund, the Dangerous Plants, Pests, and Diseases Fund, or the Pesticide Fund in FY 2012.		
Purpose of Fund: Operating activities.		
Funds Expended	38,100	0
Year-End Fund Balance	0	0
Designated Fund (AHA3011/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Fees for laboratory services and phytosanitary certifications (certifying produce that is sent overseas), industry contributions for the Arizona Grown Program, 5% of Beef Council surcharges, a Risk Management grant from the Arizona Department of Administration, and other grants and contributions.		
Purpose of Fund: To administer the purpose for which the fee, grant, or contribution is intended.		
Funds Expended	469,500	402,600
Year-End Fund Balance	427,400	268,700
Egg Inspection Fund (AHA2022/A.R.S. § 3-717)		Partially-Appropriated
Source of Revenue: Fees resulting from the regulation of eggs and egg products. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To administer the Egg Inspection Program.		
Appropriated Funds Expended	795,600	0
Non-Appropriated Funds Expended	0	896,600
Year-End Fund Balance	284,600	117,500
Equine Inspection Fund (AHA2489/A.R.S. § 3-1345.01)		Non-Appropriated
Source of Revenue: Inspection fees for processing ownership and transportation of horses.		
Purpose of Fund: To fund the issuance of horse ownership and transportation certificates.		
Funds Expended	1,600	1,000
Year-End Fund Balance	200	100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Fund (AHA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: As determined by federal law with regard to exotic pest control (e.g., fire ant, gypsy moth, medfly), agricultural chemicals regulation, farm mediation, endangered species, and meat, poultry, and egg inspection. (The meat and poultry inspection amounts are a reimbursement to the General Fund and, therefore, pass through this fund without a net impact on expenditures shown here.)		
Funds Expended	5,566,800	5,788,000
Year-End Fund Balance	754,000	335,800
Federal - State Inspection Fund (AHA2113/A.R.S. § 3-499)		Non-Appropriated
Source of Revenue: Fees for inspection of domestic produce imported from Mexico pursuant to a cooperative agreement with the U.S. Department of Agriculture.		
Purpose of Fund: As determined by a cooperative agreement with the U.S. Department of Agriculture. On July 1, 1996, the Arizona Department of Agriculture became the fiduciary of this program, which monitors produce being imported from Mexico at the Nogales Port of Entry.		
Funds Expended	3,307,400	3,260,300
Year-End Fund Balance	1,940,100	1,029,300
Fertilizer Materials Fund (AHA2081/A.R.S. § 3-269)		Partially-Appropriated
Source of Revenue: A portion of the fertilizer manufacturer's license fee and fees collected for the inspection of materials. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To regulate fertilizers.		
Appropriated Funds Expended	302,700	0
Non-Appropriated Funds Expended	0	294,900
Year-End Fund Balance	83,000	114,500
Grain Research and Promotion Council Fund (AHA2201/A.R.S. § 3-590)		Non-Appropriated
Source of Revenue: An assessment on commercial grain sales.		
Purpose of Fund: To support the Grain Research and Promotion Council's promotion and research activities with public or private organizations. Such activities relate to reducing fresh water consumption, developing new varieties, improving production and handling methods, researching and designing new or improved harvesting and handling equipment, and similar programs.		
Funds Expended	166,800	133,200
Year-End Fund Balance	24,300	12,700
Iceberg Lettuce Research Council Fund (AHA2259/A.R.S. § 3-526.06)		Non-Appropriated
Source of Revenue: An assessment on iceberg lettuce prepared for market.		
Purpose of Fund: To support research, development, and survey programs concerning varietal development, including programs for pest eradication, production harvesting, handling and hauling from field to market, and other activities deemed appropriate.		
Funds Expended	127,600	100,000
Year-End Fund Balance	15,800	0
IGA & ISA Fund (AHA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through an interagency agreement with the Office of Pest Management.		
Purpose of Fund: To provide administrative services to the Office of Pest Management, including acting director, accounting, information technology, human resources, and legal services.		
Funds Expended	0	75,800
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Indirect Cost Recovery Fund (AHA9000/A.R.S. § 3-107)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: For indirect costs associated with administration of federal grants.		
Funds Expended	92,500	211,000
Year-End Fund Balance	282,300	213,300
Livestock and Crop Conservation Fund (AHA2378/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: \$2 million annually from the Land Conservation Fund through FY 2011, as established by A.R.S. § 41-511.23.		
Purpose of Fund: Continuously appropriated for grants to landowners, as well as to grazing and agricultural lessees of state or federal land, who implement conservation measures.		
Funds Expended	1,472,300	1,114,500
Year-End Fund Balance	5,335,400	4,246,300
Livestock Custody Fund (AHA2065/A.R.S. § 3-1377)		Partially-Appropriated
Source of Revenue: Fines assessed for and proceeds resulting from the sale of mistreated or stray livestock. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To enforce any of the provisions of Title 3, relating to agriculture and dairying.		
Appropriated Funds Expended	69,100	0
Non-Appropriated Funds Expended	0	120,000
Year-End Fund Balance	135,700	130,100
Livestock Inspection Service Fee Increase Fund (AHA1050/Laws 2010, 7th Special Session, Chapter 7)		Non-Appropriated
Source of Revenue: Revenues from the fee use authority authorized by Laws 2010, 7 th Special Session, Chapter 7 were deposited into this fund in FY 2011. Revenues from the fee use authority authorized by Laws 2011, Chapter 36 are appropriated to the General Fund, the Dangerous Plants, Pests, and Diseases Fund, or the Pesticide Fund in FY 2012.		
Purpose of Fund: Operating activities.		
Funds Expended	185,900	0
Year-End Fund Balance	700	0
Nuclear Emergency Management Fund (AHA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station. Laws 2011, Chapter 132 appropriated \$92,113 to the Arizona Department of Agriculture in both FY 2012 and FY 2013.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Pesticide Fund (AHA2051/A.R.S. § 3-350)		Partially-Appropriated
Source of Revenue: A portion of pesticide registration fees. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To regulate pesticides.		
Appropriated Funds Expended	347,000	0
Non-Appropriated Funds Expended	0	489,100
Year-End Fund Balance	137,600	87,500

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Pesticide Service Fee Increase Fund		Non-Appropriated
(AHA2052/Laws 2010, 7th Special Session, Chapter 7)		
Source of Revenue: Revenues from the fee use authority authorized by Laws 2010, 7th Special Session, Chapter 7 were deposited into this fund in FY 2011. Revenues from the fee use authority authorized by Laws 2011, Chapter 36 are appropriated to the General Fund, the Dangerous Plants, Pests, and Diseases Fund, or the Pesticide Fund in FY 2012.		
Purpose of Fund: Operating activities.		
Funds Expended	142,700	0
Year-End Fund Balance	0	0
Protected Native Plant Fund (AHA2298/A.R.S. § 3-913)		Partially-Appropriated
Source of Revenue: Fees from permits issued for the removal or salvage of protected native plants. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: For the protection of native plants.		
Appropriated Funds Expended	120,200	0
Non-Appropriated Funds Expended	0	90,000
Year-End Fund Balance	36,600	21,000
Seed Law Fund (AHA2064/A.R.S. § 3-234)		Partially-Appropriated
Source of Revenue: Seed dealers' and labelers' license fees and penalties. Laws 2011, Chapter 281 converted this appropriated fund into a non-appropriated trust fund on the bill's effective date (July 20, 2011) through December 30, 2012. As a result of this, the fund is shown as non-appropriated for the first half of FY 2013 and reverts back to appropriated for the second half of FY 2013.		
Purpose of Fund: To regulate seeds, including all agricultural, vegetable, and ornamental plant seed, transported or offered for sale in this state.		
Appropriated Funds Expended	53,800	0
Non-Appropriated Funds Expended	0	52,200
Year-End Fund Balance	84,100	30,100

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

Arizona Health Care Cost Containment System

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,983.4	2,975.4	2,975.4
Personal Services	30,695,900	41,568,400	40,920,900
Employee Related Expenditures	14,089,200	18,642,600	18,391,600
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	13,041,500
Equipment	854,700	1,993,100	1,993,100
OPERATING SUBTOTAL	65,888,700	79,115,700	77,880,300
SPECIAL LINE ITEMS			
Administration			
DES Eligibility	36,959,000	53,661,700	53,661,700
Proposition 204 - AHCCCS Administration	8,030,500	6,620,400	6,620,400
Proposition 204 - DES Eligibility	34,754,300	37,716,400	37,716,400
Medical Services			
Traditional Medicaid Services	3,359,585,900	2,809,076,200	3,264,479,100
Proposition 204 Services	2,203,204,700	1,497,856,000	1,365,641,700
Children's Rehabilitative Services	0	110,126,600	128,599,100
KidsCare Services	52,521,000	36,067,800	21,622,300
ALTCS Services	1,245,500,300	1,229,251,600	1,177,910,000
Payments to Hospitals			
Disproportionate Share Payments	4,202,300	13,487,100	13,487,100
DSH Payments - Voluntary Match	0	0	28,457,100
Rural Hospitals	13,871,500	13,858,100	13,858,100
Graduate Medical Education	0	0	90,977,300
Safety Net Care Pool	0	0	0
Arizona Health System Improvement Pool	0	0	0
AGENCY TOTAL	7,024,518,200	5,886,837,600^{1/}	6,280,910,600
FUND SOURCES			
General Fund	1,301,689,300	1,363,735,000	1,407,257,400
<u>Other Appropriated Funds</u>			
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	18,123,100
Healthcare Group Fund	1,773,700	3,496,300	2,260,900
Prescription Drug Rebate Fund - State	10,000,000	20,114,500	69,949,700
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	114,467,000	151,073,500
SUBTOTAL - Appropriated Funds	1,417,666,800	1,478,202,000	1,558,330,900
<u>Expenditure Authority Funds</u>			
County Funds	0	302,984,400	294,122,200
Federal Medicaid Authority	5,465,202,100	3,956,877,300	4,081,979,600
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	5,606,851,400	4,408,635,600	4,722,579,700
SUBTOTAL - Appropriated/Expenditure Authority Funds	7,024,518,200	5,886,837,600	6,280,910,600

^{1/} 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.

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
Other Non-Appropriated Funds	116,646,500	95,254,100	55,750,900
Federal Funds	293,292,400	395,650,800	85,521,300
TOTAL - ALL SOURCES	7,434,457,100	6,376,742,500	6,422,182,800

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.

FY 2013 Adjustments

AHCCCS' General Fund spending would increase by \$43,522,400 or 3.2%. The \$43,522,400 includes:

- \$(42,300) in net caseload reduction, as FY 2012 caseload savings will largely be offset by the new caseload growth in FY 2013.
- \$41,673,100 for a lower federal match rate.
- \$40,666,200 for the loss of one-time FY 2012 savings partially offset by the annualization of FY 2012 waiver changes.
- \$(46,985,900) due to the increase in Prescription Drug Rebate Fund savings.
- \$8,211,300 to backfill Tobacco Settlement Funds.

For additional information on how these changes are divided by line item, see *Table 7*.

Below is an overview of the FY 2013 Baseline and FY 2012 changes, including information on FY 2013 overall AHCCCS formula changes, changes to the Federal waiver, the FY 2012 shortfall, the Prescription Drug Rebate Fund, and the Tobacco Settlement Fund. This is followed by detailed descriptions of each line item. It is then followed by footnotes, statutory changes, more detailed information on county contributions, and detailed information on program components, and Tobacco Tax allocation. Finally, there are 3 tables at the end which provide more detail on the Medicaid Waiver impacts in FY 2012 and FY 2013 and a breakout of tobacco tax allocations.

The implementation of the new federal healthcare plan in January 2014 will have a significant impact on the state's Medicaid program. Those revisions are discussed in further detail in the Long-Term General Fund Estimates section of the Baseline book.

FY 2013 Overall AHCCCS Formula Adjustments

Overall AHCCCS caseloads are expected to be lower than budgeted in FY 2012, resulting in savings of \$(38,399,600). This savings would be offset by new non-Childless Adult caseload growth in FY 2013. This caseload increase would cost \$38,357,300 in FY 2013, or a net savings of \$(42,300) after adjusting for the lower FY 2012 caseloads.

AHCCCS caseloads are forecast to grow to 1,311,000 in FY 2013, an increase of 719 above the revised June 2012 forecast (*see Table 1*). After adjusting for an expected loss of 35,629 participants due to the Childless Adult and KidsCare enrollment freeze, caseloads would increase by 36,348 participants.

Apart from the enrollment freezes, caseloads are projected to grow by 3% in FY 2013. The Children's Rehabilitative Services program is expected to continue above-average growth.

Population	June 2011	June 2012 ^{2/}	June 2013	'12-'13% Change
Traditional Capitation	813,889	855,139	880,794	3.0%
Prop 204 Capitation	365,786	283,541	256,465 ^{3/}	(9.5)
Children's Rehabilitative Services	21,837	24,301	26,245	8.0
KidsCare ^{4/}	17,693	11,131	7,235 ^{3/}	(35.0)
Long-Term Care	27,439	27,988	28,828	3.0
Fee-For-Service/Other	<u>106,442</u>	<u>108,387</u>	<u>111,639</u>	<u>3.0</u>
Total AHCCCS	1,353,086	1,310,487	1,311,206 ^{3/}	0.1

^{1/} The figures represent point-in-time estimates. The Fee-For-Service/Other population includes the Dual Eligible (Medicare Premiums), Ticket to Work, and Breast and Cervical Cancer populations.
^{2/} Represents revised forecast.
^{3/} Includes a reduction of 31,733 participants due to the Childless Adult Enrollment freeze and 3,896 participants due to the KidsCare enrollment freeze.
^{4/} Does not include KidsCare expansion funded through the Safety Net Care Pool.

The Federal Medical Assistance Percentage (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 reduced FMAP will result in additional General Fund costs of \$41,673,100 in FY 2013.

The Baseline includes a General Fund increase of \$40,666,200 for the loss of one-time FY 2012 savings of

\$228,702,500 partially offset by the annualization of \$(188,036,300) in FY 2012 waiver changes (*see Table 7 for details*). One-time FY 2012 savings include a FY 2012 payment deferral, additional prescription drug rebate savings, and savings from lower than anticipated FY 2012 capitation rates. These savings, as well as changes to the Federal waiver, are discussed in more detail in the next section.

The Baseline continues the policy of no capitation rate increases in FY 2013. If capitation rates were grown at 2% in FY 2013, this would cost an additional \$26,698,800 from the General Fund.

Changes to the Federal Waiver

The FY 2012 budget included a reduction of \$(524,000,000) across the 3 Medicaid agencies: AHCCCS, the Department of Health Services (DHS), and the Department of Economic Security (DES). It also authorized AHCCCS, notwithstanding any other law, to adopt rules to implement a program within its available appropriations to: 1) make changes to the amount, scope or duration of services, 2) establish and maintain rules regarding standards, methods and procedures for determining eligibility within the available appropriation, and 3) make changes to reimbursement rates and methodologies, including rules

relating to cost sharing. The budget further stated that it is the intent of the Legislature that AHCCCS continue to implement a program within the available appropriation.

In March 2011, the Executive submitted a revised Waiver Demonstration proposal to the Federal government and additional state plan amendments. Most items required Federal approval. In subsequent negotiations, the Federal government approved certain items and disapproved others. As of this writing they have not yet addressed the limitation of hospital in-patient days to 25 annually. This limitation, however, has been incorporated into health plans' capitation rates (*see Program Components for an explanation of capitation*).

Table 2 shows how the Executive intended to achieve the savings shortly after the FY 2012 budget was passed, the revised estimates, and estimated savings in FY 2013.

For a more detailed breakout of the proposal by agency, see Table 8.

FY 2012 Shortfall

Due to the Medicaid Waiver Plan revisions, the state is estimated to have a statewide Medicaid General Fund shortfall of \$(223,108,900). The Executive has proposed statewide solutions to solve the shortfall as displayed in Table 3.

Proposal	FY 2012		FY 2013
	Original	Revised	
Eliminate "Spend-Down" Program	\$ 75.0	\$ 73.2	\$ 89.4
Implement Enrollment Freeze & 6 Month Redetermination for Childless Adults ^{1/}	193.5	136.7	305.2
Implement Enrollment Freeze for Parents from 75-100% FPL ^{2/}	17.8	0.0	0.0
Reduce Provider Rates by (5)% and Eliminate Outlier Payments	95.0	68.9	97.7
State Reimbursement of Medicare Liability ^{2/}	40.0	0.0	0.0
Expand Mandatory Co-Payments/Eliminate Non-Emergency Transportation for Some Recipients ^{3/}	2.7	0.0	0.0
Impose New Benefit Limits ^{4/}	40.0	22.1	32.0
Eliminate Federal Emergency Services ^{2/}	20.0	0.0	0.0
Health Plan Reconciliations ^{5/}	<u>40.0</u>	<u>0.0</u>	<u>0.0</u>
Total	\$524.0	\$300.9	\$524.3
Impact By Agency			
AHCCCS	\$478.9	\$250.2	\$438.2
DHS	43.5	38.4	69.7
DES	<u>1.6</u>	<u>12.2</u>	<u>16.3</u>
Total	\$524.0	\$300.9	\$524.2

^{1/} The 6-month redetermination was not approved.
^{2/} These items did not receive federal approval for implementation.
^{3/} Did not receive federal approval but in subsequent negotiations received approval to charge \$4 (roundtrip) copays on taxi rides for childless adults in Maricopa and Pima Counties beginning on April 1, 2012.
^{4/} Partially approved. Still awaiting approval to limit hospital inpatient days to 25 per year.
^{5/} AHCCCS had initially planned to use \$40 million of reconciliation payments in FY 2012 but instead used them to help pay off the FY 2011 rollover.

Solution	Savings
AHCCCS Payment Deferral	\$117.5
Non-Medicaid Reform Plan Surplus	20.2
Prescription Drug Surplus	<u>85.4</u>
Total	\$223.1

AHCCCS' share of the waiver plan shortfall is \$(228,702,500). The shortfall would be addressed by \$(117,544,800) in new rollover savings, \$(51,500,000) in prescription drug savings, and \$(59,657,700) in non-Medicaid Reform surplus savings. More detailed information on the shortfall and solutions can be found in Table 7 and Table 8.

AHCCCS Payment Deferral

Since FY 2009, AHCCCS has been required to defer a total of \$344,201,700 in June acute care capitation payments until July, so that these payments are made in the following fiscal year. In FY 2011, AHCCCS did not defer June capitation payments. To help make the June 2011 payment, AHCCCS used \$85,000,000 in reconciliation payments. Of that amount, \$40,000,000 would have otherwise been used in FY 2012 to achieve the \$(524,000,000) budgeted Medicaid reduction. Reconciliation payments are made to AHCCCS if health plans exceed a certain profit level (typically 2%-3%) within particular programs.

Although AHCCCS has now paid off the rollover, they intend to resume the rollover at the end of FY 2012 as required by the FY 2012 General Appropriation Act (Laws 2011, Chapter 24). This will lower their General Fund costs in FY 2012 by \$(117,544,800).

Non-Medicaid Reform Plan Surplus

Additional savings of \$(20,154,100) are expected due to lower than budgeted capitation rates in AHCCCS and DES (not associated with provider rate reductions), reconciliation payments, and lower than budgeted caseload growth. Of these savings, \$(59,657,700) is from AHCCCS and \$(1,623,600) from DES. These savings are offset by \$41,117,200 in higher than budgeted capitation rate increases in DHS.

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, AHCCCS estimates total receipts of \$105,514,500, or a surplus of \$85,400,000 from the PDRF in FY 2012 (see next section for more information about the PDRF). The Executive has proposed using \$51,500,000 to offset General Fund shortfalls in AHCCCS and \$33,900,000 to offset General Fund shortfalls in DHS.

Prescription Drug Rebate Fund

The Baseline includes an increase of \$46,985,900 from the Prescription Drug Rebate Fund (PDRF) and a corresponding decrease from the General Fund in FY 2013 based on AHCCCS estimates.

The Federal Affordable Care Act requires drug manufacturers to provide rebates for drugs sold to Medicaid managed care plans. The FY 2012 budget appropriated \$20,114,500 from the PDRF. Based on recipients of the refunds to date, AHCCCS estimates the fund will be able to support this increased appropriation even after increasing the fund's appropriation to \$105,514,500 in FY 2012.

Additionally the Baseline changes the federal portion of the Prescription Drug Rebate Fund to Expenditure Authority. In prior budgets, the federal portion was non-appropriated.

Tobacco Settlement

The Baseline includes a decrease of \$(8,211,300) from the Tobacco Settlement Fund and a corresponding increase to the General Fund in FY 2013 based on JLBC estimates. The Baseline assumes yearly collections totaling \$100,000,000.

Operating Budget

The Baseline includes \$77,880,300 and 1,208.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

<u>FY 2013</u>	
General Fund	\$27,984,700
Healthcare Group Fund	2,260,900
Children's Health Insurance Program (CHIP) Fund	1,633,400
Prescription Drug Rebate Fund (PDRF)	114,500
Federal Medicaid Authority (FMA)	45,886,800

FY 2013 adjustments would be as follows:

Healthcare Group HGF (1,235,400)
Administrative Decrease

The Baseline 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.

Administration

DES Eligibility

The Baseline includes \$53,661,700 and 995.9 FTE Positions in FY 2013 for Department of Economic Security (DES) Eligibility services. These amounts consist of:

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

These amounts are unchanged from FY 2012.

Through an Intergovernmental Agreement, DES performs eligibility determinations.

Proposition 204 - AHCCCS Administration

The Baseline includes \$6,620,400 and 167.2 FTE Positions in FY 2013 for Proposition 204 - AHCCCS Administration costs. These amounts consist of:

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

These amounts are unchanged from FY 2012.

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

Proposition 204 - DES Eligibility

The Baseline includes \$37,716,400 and 603.9 FTE Positions in FY 2013 for Proposition 204 - DES Eligibility costs. These amounts consist of:

General Fund	17,200,800
Budget Neutrality Compliance Fund	3,221,100
Federal Medicaid Authority	17,294,500

FY 2013 adjustments would be as follows:

Statutory Adjustment	GF	(60,000)
	BNCF	60,000

The Baseline 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 6 for contributions by county.)

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 Issues for Legislative Consideration* section.

Traditional Medicaid Services

The Baseline includes \$3,264,479,100 in FY 2013 for Traditional Medicaid Services. This amount consists of:

General Fund	857,132,700
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	2,102,779,800
PDRF - Federal	151,433,100

FY 2013 adjustments would be as follows:

Formula Adjustment	GF	150,616,100
	EA	304,786,800

The EA amount consists of \$305,136,600 in Federal Medicaid Authority and \$(349,800) in County Funds. The formula adjustments include:

- 3.0% enrollment growth in FY 2013 to a level of 880,800 (see Table 1).

- A change in the Federal Medical Assistance percentage (FMAP) from 66.94% in FY 2012 to 66.09% in FY 2013.
- 3.0% increase in reinsurance expenses and Medicare premiums.
- \$(349,800) decrease in Maricopa County Acute Care contribution under A.R.S § 11-292 with a corresponding General Fund increase.
- Annualized provider rate reductions and benefit limits from FY 2012.

Prescription Drug Rebates	GF	(53,215,600)
	OF	53,215,600
	EA	0

The Baseline includes an increase of \$53,215,600 from the PDRF and a corresponding decrease from the General Fund in FY 2013 to reflect increased prescription drug rebates. Of this amount, \$8,005,500 is being transferred from the Proposition 204 Services line item. Additionally, this line item 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. The PDRF is a partially-appropriated fund. In previous budgets, the federal portion was non-appropriated. The Baseline changes the federal portion to Expenditure Authority beginning in FY 2013.

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

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

Proposition 204 Services

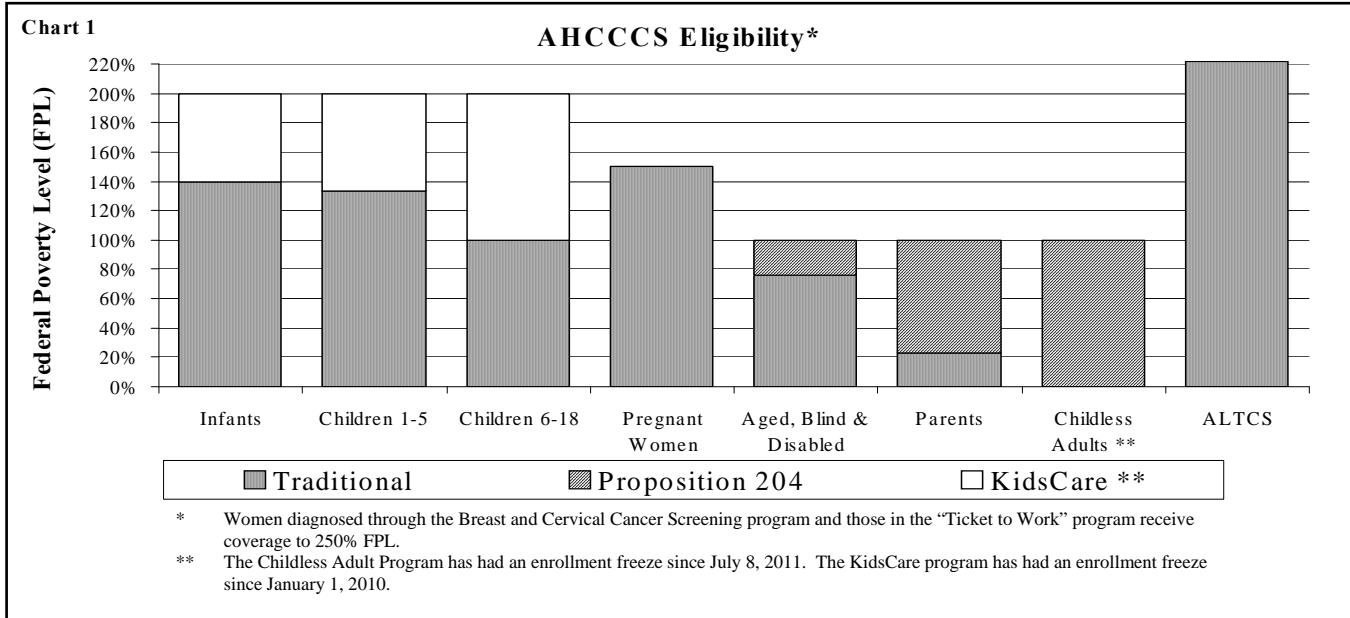
The Baseline includes \$1,365,641,700 in FY 2013 for Proposition 204 Services. This amount consists of:

General Fund	258,523,200
Tobacco Settlement Fund	100,000,000
TPTF Proposition 204 Protection Account	40,367,900
Emergency Health Services Account	19,222,900
Federal Medicaid Authority	947,527,700

FY 2013 adjustments would be as follows:

Formula Adjustment	GF	(80,420,900)
	FMA	(51,793,400)

The Baseline includes a decrease of \$(132,214,300) in FY 2013 for formula adjustments to Proposition 204 Services. The formula adjustments include:



- (24.7)% decline for the childless adult program due to the enrollment freeze and 3.0% increase for all other Proposition 204 populations. Total Proposition 204 June 2013 enrollment is expected to be 256,500 (see Table 1).
- A change in the FMAP from 66.94% in FY 2012 to 66.09% in FY 2013.
- Annualized provider rate reductions and benefit limits from FY 2012.

Tobacco Settlement Shift **GF 8,211,300**
 EA (8,211,300)

The Baseline 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 **GF 8,005,500**
 OF (8,005,500)

The Baseline 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 Baseline 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

FY 2013 adjustments would be as follows:

Formula Adjustment **GF 7,203,800**
 EA 11,268,700

This adjustment assumes an enrollment increase of 8.0% from June 2012 to June 2013, a reduction in the FMAP, and the annualization of provider rate reductions. This would result in approximately 26,200 members per month being served in June 2013 (see Table 1).

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

KidsCare Services

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

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

FY 2013 adjustments would be as follows:

Formula Adjustment **GF (2,392,200)**
 CHIP (12,053,300)

The formula adjustments include a (35.0)% enrollment decline in FY 2013, a reduction in the federal match rate, and the annualization of the FY 2012 provider rate reductions. The KidsCare program has had an enrollment

freeze since January 2010. Regular enrollment is projected at 11,100 in June 2012 and 7,200 in June 2013 (see Table 1).

Expanded enrollment may be available if the federal government approves the Safety Net Care Pool (see the Safety Net Care Pool line item for more details). If approved, this expansion may be addressed through the creation of a new KidsCare - Voluntary Match line item. AHCCCS estimates that approval will result in an additional enrollment of approximately 19,000 children.

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 Baseline 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

FY 2013 adjustments would be as follows:

Formula Adjustment	GF	7,135,300
	EA	(58,476,900)

The Expenditure Authority amount consists of \$(52,813,800) in Federal Medicaid Authority and \$(5,663,100) in County Contributions. The formula adjustments include a 3.0% enrollment growth in FY 2013, a decrease in the FMAP, and annualized provider rate reductions and benefit limits. Caseloads are projected to grow to a level of 28,800 by June 2013 (see Table 1).

Prescription Drug Rebates	GF	(1,775,800)
	OF	4,625,100
	EA	(2,849,300)

The Baseline 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. Of the \$(4,625,100), \$(1,775,800) is from the General Fund and \$(2,849,300) is from County Funds.

Additionally, this line item 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 Baseline changes the federal portion to Expenditure Authority beginning in FY 2013.

Background – ALTCS provides coverage for individuals up to 222% of the FPL, or \$24,176 per person. The federal government requires coverage of individuals up to 100% of Supplemental Security Income limit (SSI), which is equivalent to 72% of FPL, or \$7,841 per person.

Clients contribute to the cost of their care based on their income and living arrangement, with institutionalized members contributing more of their income to the cost of their care. For FY 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 Baseline 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

FY 2013 adjustments would be as follows:

Formula Adjustment	GF	71,800
	FMA	(71,800)

The formula adjustment represents a change in match rate.

Background – This line item represents supplementary payments to hospitals that serve a large, or disproportionate, number of low-income patients. Table 4 displays the allocation of Disproportionate Share Funding.

Table 4

Disproportionate Share Hospital Program

	<u>FY 2012</u>	<u>FY 2013</u>
Eligible Funding		
County-Operated Hospitals	\$ 89,877,700	\$ 89,877,700
Arizona State Hospital (ASH)	28,474,900	28,474,900
Private Hospitals	<u>9,284,800</u>	<u>9,284,800</u>
Total Allocations	\$127,637,400	\$127,637,400
Distribution of Funding		
Federal DSH to GF (Maricopa)	\$ 56,285,400	\$ 54,829,400
Federal DSH to GF (ASH)	<u>19,163,600</u>	<u>18,702,300</u>
Subtotal	\$ 75,449,000	\$ 73,531,700
County-Operated Hospitals	4,202,300	4,202,300
Private Hospitals	<u>9,284,800</u>	<u>9,284,800</u>
Total	\$ 88,936,100	\$ 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).

DSH Payments - Voluntary Match

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

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

FY 2013 adjustments would be as follows:

**Change to Appropriated Funds PSF 9,299,600
FMA 19,157,500**

Beginning in FY 2010, the Health Budget Reconciliation Bill 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.

In prior budgets, all monies received by AHCCCS from political subdivisions for DSH - Voluntary Match have been non-appropriated. The FY 2013 Baseline converts the Voluntary Match payments to the regular budget structure.

Rural Hospitals

The Baseline 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

FY 2013 adjustments would be as follows:

Formula Adjustment

**GF 143,100
FMA (143,100)**

The formula adjustment represents a change in 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 Baseline includes \$90,977,300 in FY 2013 for Graduate Medical Education (GME) expenditures. This amount consists of:

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

FY 2013 adjustments would be as follows:

**Change to Appropriated Funds PSF 31,223,400
FMA 59,753,900**

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.

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 Baseline converts the Voluntary Match payments to the regular budget structure.

Safety Net Care Pool

AHCCCS proposes the creation of the Safety Net Care Pool (SNCP) in FY 2012. Pending final Federal approval of the plan and legislative concurrence, the FY 2013 Baseline has not yet included specific funding for this pool.

As part of its federal waiver, AHCCCS has requested to establish a SNCP to fund unreimbursed costs incurred by providers in caring for the uninsured and AHCCCS recipients through December 31, 2013. Monies in this pool will first go to safety net hospital systems and rural hospitals. If remaining funding is available, it will be

made available for DSH hospitals (*see Disproportionate Share Payments line item for more details on DSH hospitals*).

The SNCP is part of a broader proposal to fund an expansion of the KidsCare program and improvements to certain medical systems. Laws 2011, Chapter 234 authorized hospitals to partner with political subdivisions (including local, county or tribal governments and Arizona public universities) to provide coverage for individuals who no longer qualify for Proposition 204. Under the AHCCCS proposal, the match is expected to be provided by at least Maricopa Integrated Health System, University of Arizona Health Network, and Phoenix Children’s Hospital, which will partner with a political subdivision. The political subdivisions are projected to provide a total of \$113,134,700 in state match at an approximate 2:1 matching ratio. That amount will draw down \$229,907,300 in Federal Funds for a total of \$343,042,000. According to the preliminary plan, those monies are expected to be allocated as displayed in *Table 5*:

Table 5	
Political Subdivision Match	
<u>Program</u>	<u>Amount</u>
Safety Net Care Pool	\$173,645,400
KidsCare Expansion	44,651,600
Arizona Health System Improvement Pool	<u>124,745,000</u>
Total	\$343,042,000

Arizona Health System Improvement Pool

AHCCCS proposes the creation of the Arizona Health System Improvement Pool (AHSIP) in FY 2012. Pending final federal approval of the plan and legislative concurrence, the FY 2013 Baseline has not yet included specific funding for this pool.

As part of its Federal waiver, AHCCCS has requested to establish the AHSIP. Monies in this pool will go for hospital improvements. As of December 2011, AHCCCS estimates \$125,000,000 will go towards the AHSIP in FY 2013. Of that amount, \$35,000,000 is expected to fund an electronic health record expansion at Maricopa Integrated Health System, \$50,000,000 is expected to fund the development of electronic health records and creation of a Level III Trauma Center at University of Arizona Health Network, and \$40,000,000 is expected to be used for the expansion of the emergency department and Level I Trauma Center at Phoenix Children’s Hospital.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Operating Budget

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.

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.

Medical Services

Before making fee-for-service program or rate changes that pertain to fee-for-service rate categories, the Arizona Health Care Cost Containment System Administration shall report its expenditure plan for review by the Joint Legislative Budget Committee.

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

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

The county portion of the FY 2013 nonfederal portion of the costs of providing long-term care system services is included in the Expenditure Authority fund source.

Payments to Hospitals

The \$13,487,100 appropriation for Disproportionate Share Payments for FY 2013 made pursuant to A.R.S. § 36-2903.01P includes \$4,202,300 for the Maricopa County Healthcare District and \$9,284,800 for private qualifying disproportionate share hospitals.

New Footnotes

The non-appropriated portion of the Prescription Drug Rebate Fund is included in the federal portion of the Expenditure Authority fund source.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote to appropriate all voluntary state match and Federal Medicaid Authority monies for Graduate Medical Education. These monies would be incorporated into the regular budget structure.

STATUTORY CHANGES

The Baseline would:

Rates and Services

- 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.
- As session law, continue to set AHCCCS ambulance reimbursement rates at 72.2% of the DHS approved rates from October 1, 2012 to September 30, 2013.

Counties

- As session law, set county Arizona Long Term Care System (ALTCs) contributions at \$243,220,500 (see Table 6).
- As session law, set the County Acute Care contribution at \$48,255,500 (see Table 6).

- 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.
- As session law, continue the collection of \$2,646,200 in DUC pool contributions from all counties other than Maricopa County. The Baseline would exclude these contributions from county expenditure limitations, retroactive to June 30, 2004.

Hospitals

- 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, subject to legislative appropriation.
- 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.

Erroneous Payments

- 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.
- 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.

Table 6

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

Available Funding

- As session law, require the operation of the AHCCCS program within available funding.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

County Contributions

County governments make 4 different payments to defray the AHCCCS budget's costs, as summarized in *Table 6*.

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.

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 (78.7% in 2013) of the estimated drug costs.

Tobacco Tax Allocation

Table 9 is a summary of the tobacco tax allocations.

Table 7

Summary of AHCCCS Medicaid Costs

	FY 2012			FY 2013							
	2012 Appropriation	Waiver	2012 Approp. Reallocation	Waiver Δ	2012 Supp. Rebase	FMAP Δ	Base Δ	Other Issues	Total	Cumulative Waiver	Policy Issue
				1/	2/	3/		4/			
AHCCCS Medicaid Cost											
Proposition 204 Services	608,796,200	(286,068,900)	322,727,300	(83,479,800)	(5,525,800)	9,299,600	7,290,600	8,211,300	258,523,200	(369,548,700)	(64,204,100)
Traditional Services	936,988,700	(177,256,500)	759,732,200	119,663,600	(28,404,500)	26,793,700	26,333,600	(46,985,900)	857,132,700	(57,592,900)	97,400,500
ALTCS Services	172,812,200	(15,577,400)	157,234,800	4,482,400	(7,427,300)	3,978,300	4,326,100	-	162,594,300	(11,095,000)	5,359,500
KidsCare Services	7,524,800	-	7,524,800	-	-	371,500	(2,763,700)	-	5,132,600	-	(2,392,200)
Children's Rehabilitative Services	36,410,600	-	36,410,600	-	2,958,000	1,015,100	3,230,700	-	43,614,400	-	7,203,800
Hospital Payments	7,727,700	-	7,727,700	-	-	214,900	-	-	7,942,600	-	214,900
Administration	72,377,600	-	72,377,600	-	-	-	-	(60,000)	72,317,600	-	(60,000)
Total AHCCCS	1,842,637,800	(478,902,800)	1,363,735,000	40,666,200	(38,399,600)	41,673,100	38,417,300	(38,834,600)	1,407,257,400	(438,236,600)	43,522,400
Detail: Waiver Impact											
<i>Medicaid Reform</i>											
Childless Adults	(193,493,900)	(136,716,700)	-	(168,482,600)	-	-	-	-	-	(305,199,300)	-
Spend-Down Population	(75,014,000)	(73,203,400)	-	(16,203,600)	-	-	-	-	-	(89,407,000)	-
Modified Reimbursement Rates	(95,000,000)	(68,920,300)	-	(28,738,300)	-	-	-	-	-	(97,658,600)	-
Other Savings	(160,492,100)	(22,050,700)	-	(9,973,400)	-	-	-	-	-	(32,024,100)	-
Subtotal - Medicaid Reform Impact	(524,000,000)	(300,891,100)	-	(223,397,900)	-	-	-	-	-	(524,289,000)	-
AHCCCS Impact	(478,902,800)	(250,200,300)	-	(188,036,300)	-	-	-	-	-	(438,236,600)	-
DHS Impact	(43,530,800)	(38,448,000)	-	(31,280,700)	-	-	-	-	-	(69,728,700)	-
DES Impact	(1,566,400)	(12,242,800)	-	(4,080,900)	-	-	-	-	-	(16,323,700)	-
<i>Waiver Makeup</i>											
Rollover	-	(117,544,800)	-	117,544,800	-	-	-	-	-	-	-
Prescription Drug (Surplus)/Shortfall	-	(85,400,000)	-	85,400,000	-	-	-	-	-	-	-
Non-Medicaid Reform Plan (Surplus)/Shortfall	-	(20,164,100)	-	20,164,100	-	-	-	-	-	-	-
Subtotal - Waiver Makeup	-	(223,108,900)	-	223,108,900	-	-	-	-	-	-	-
AHCCCS Impact	-	(228,702,500)	-	228,702,500	-	-	-	-	-	-	-
DHS Impact	-	(5,082,800)	-	5,082,800	-	-	-	-	-	-	-
DES Impact	-	10,676,400	-	(10,676,400)	-	-	-	-	-	-	-
Total Impact	(524,000,000)	(524,000,000)	-	(289,000)	-	-	-	-	-	(524,289,000)	-
AHCCCS Total Impact	(478,902,800)	(478,902,800)	-	40,666,200	-	-	-	-	-	(438,236,600)	-
DHS Total Impact	(43,530,800)	(43,530,800)	-	(26,197,900)	-	-	-	-	-	(69,728,700)	-
DES Total Impact	(1,566,400)	(1,566,400)	-	(14,757,300)	-	-	-	-	-	(16,323,700)	-

Notes:

- 1/ The increase in waiver impacts in the FY 2013 budget. The \$40.7 million represents the loss of \$229 million in one-time waiver "makeup" savings offset by \$(188) million from annualizing Medicaid reform waiver savings.
- 2/ Includes ongoing impacts of \$(59) million in waiver surplus, \$18.3 million in one-time reconciliation payments, and \$3 million in Children's Rehabilitative Services.
- 3/ Cost changes due to a decrease in the Federal Medical Assistance Percentage (FMAP) from 67.3% in federal fiscal year 2012 to 65.68% in federal fiscal year 2013.
- 4/ Includes changes in Prescription Drug Rebates and a Tobacco Settlement backfill.
- 5/ Various assumptions were made to allocate impacts to AHCCCS SLI's to make waiver change calculations. For Medicaid Reform, the impacts are distributed as follows:
 - Modified Reimbursement Rate: 25% to Proposition 204, 60% to Traditional, and 15% to ALTCS
 - New Benefit Limits: 38.6% to Prop. 204, 57.9% to Traditional, and 3.5% to ALTCS
 - Remaining reforms were allocated 100% to Prop. 204

- For net Waiver impacts of \$40.7 million:
 - Rollover: 25% to Prop. 204 and 75% to Traditional
 - Prescription Drug Surplus: 48.1% to Prop. 204 and Traditional each, and 3.9% to ALTCS
 - Non-Medicaid Reform Plan Surplus: 41.7% to Prop. 204, 48.3% to Traditional and 10% to ALTCS
- 6/ Assumes implementation of Executive Waiver proposals, including: a freeze on Childless Adults, elimination of the Spend-Down population, a (5)% reduction in reimbursement rates for health providers, and the institution of new benefit limits.
- 7/ Beyond the FY 2012 appropriations column, this row only includes New Benefit Limit impacts.
- 8/ Division of impacts between AHCCCS, DHS, and DES based on proportions in the FY 2013 waiver savings estimates provided by AHCCCS.

Table 8

Summary of Medicaid Waiver Impacts by Agency

Waiver Item	FY 2012 Appropriated				Revised FY 2012 Estimate				Change (FY 2012 Estimate - FY 2012 Appropriated)			
	AHCCCS	DHS	DES	Total System	AHCCCS	DHS	DES	Total System	AHCCCS	DHS	DES	Total System
Spend-Down Population	(72,476,500)	(2,537,500)	-	(75,014,000)	(70,569,900)	(2,633,500)	-	(73,203,400)	1,906,600	(96,000)	-	1,810,600
Childless Adults	(164,370,100)	(29,123,800)	-	(193,493,900)	(113,151,200)	(23,565,500)	-	(136,716,700)	51,218,900	5,558,300	-	56,777,200
Freeze TANF	(13,277,300)	(4,514,800)	-	(17,792,100)	-	-	-	-	13,277,300	4,514,800	-	17,792,100
New Benefit Limits	(40,000,000)	-	-	(40,000,000)	(20,521,600)	(68,100)	(1,461,000)	(22,050,700)	19,478,400	(68,100)	(1,461,000)	17,949,300
Modified Reimbursement Rates	(86,078,900)	(7,354,700)	(1,566,400)	(95,000,000)	(45,957,600)	(12,180,900)	(10,781,800)	(68,920,300)	40,121,300	(4,826,200)	(9,215,400)	26,079,700
Eliminate Federal Emergency Services	(20,000,000)	-	-	(20,000,000)	-	-	-	-	20,000,000	-	-	20,000,000
Copayments and Non-Emrg Transport	(2,700,000)	-	-	(2,700,000)	-	-	-	-	2,700,000	-	-	2,700,000
State Reimbursement of Medicare Liability	(40,000,000)	-	-	(40,000,000)	-	-	-	-	40,000,000	-	-	40,000,000
Reconciliation Payment	(40,000,000)	-	-	(40,000,000)	-	-	-	-	40,000,000	-	-	40,000,000
Subtotal - Original Medicaid Reform Plan	(478,902,800)	(43,530,800)	(1,566,400)	(524,000,000)	(250,200,300)	(38,448,000)	(12,242,800)	(300,891,100)	228,702,500	5,082,800	(10,676,400)	223,108,900
Rollover	-	-	-	-	(117,544,800)	-	-	(117,544,800)	(117,544,800)	-	-	(117,544,800)
Total Medicaid Reform Plan	(478,902,800)	(43,530,800)	(1,566,400)	(524,000,000)	(367,745,100)	(38,448,000)	(12,242,800)	(418,435,900)	111,157,700	5,082,800	(10,676,400)	105,564,100
Non-Medicaid Reform Plan (Surplus)/Shortfall	-	-	-	-	(59,657,700)	41,117,200	(1,623,600)	(20,164,100)	(59,657,700)	41,117,200	(1,623,600)	(20,164,100)
Overall State Match (Surplus)/Shortfall	(478,902,800)	(43,530,800)	(1,566,400)	(524,000,000)	(427,402,800)	2,669,200	(13,866,400)	(438,600,000)	51,500,000	46,200,000	(12,300,000)	85,400,000
Remediation Plan	-	-	-	-	-	(12,300,000)	12,300,000	-	-	(12,300,000)	12,300,000	-
GF Appropriation Adjustment	-	-	-	-	(51,500,000)	(33,900,000)	-	(85,400,000)	(51,500,000)	(33,900,000)	-	(85,400,000)
Surplus Prescription Drug Revenues	-	-	-	-	(51,500,000)	(46,200,000)	12,300,000	(85,400,000)	(51,500,000)	(46,200,000)	12,300,000	(85,400,000)
Revised Overall State Match (Surplus)/Shortfall	(478,902,800)	(43,530,800)	(1,566,400)	(524,000,000)	(478,902,800)	(43,530,800)	(1,566,400)	(524,000,000)	-	-	-	-

Waiver Item	FY 2012 Appropriated				FY 2013 Estimates				FY 2013 Waiver Change			
	AHCCCS	DHS	DES	Total System	AHCCCS	DHS	DES	Total System	AHCCCS	DHS	DES	Total System
Spend-Down Population	(72,476,500)	(2,537,500)	-	(75,014,000)	(86,330,700)	(3,076,300)	-	(89,407,000)	(13,854,200)	(538,800)	-	(14,393,000)
Childless Adults	(164,370,100)	(29,123,800)	-	(193,493,900)	(254,878,900)	(50,320,400)	-	(305,199,300)	(90,508,800)	(21,196,600)	-	(111,705,400)
Freeze TANF	(13,277,300)	(4,514,800)	-	(17,792,100)	-	-	-	-	13,277,300	4,514,800	-	17,792,100
New Benefit Limits	(40,000,000)	-	-	(40,000,000)	(29,985,300)	(90,800)	(1,948,000)	(32,024,100)	10,014,700	(90,800)	(1,948,000)	7,975,900
Modified Reimbursement Rates	(86,078,900)	(7,354,700)	(1,566,400)	(95,000,000)	(67,041,700)	(16,241,200)	(14,375,700)	(97,658,600)	19,037,200	(8,886,500)	(12,809,300)	(2,658,600)
Eliminate Federal Emergency Services	(20,000,000)	-	-	(20,000,000)	-	-	-	-	20,000,000	-	-	20,000,000
Copayments and Non-Emrg Transport	(2,700,000)	-	-	(2,700,000)	-	-	-	-	2,700,000	-	-	2,700,000
State Reimbursement of Medicare Liability	(40,000,000)	-	-	(40,000,000)	-	-	-	-	40,000,000	-	-	40,000,000
Reconciliation Payment	(40,000,000)	-	-	(40,000,000)	-	-	-	-	40,000,000	-	-	40,000,000
Total Medicaid Reform Plan	(478,902,800)	(43,530,800)	(1,566,400)	(524,000,000)	(438,236,600)	(69,728,700)	(16,323,700)	(524,289,000)	40,666,200	(26,197,900)	(14,757,300)	(289,000)

Table 9

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

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

^{1/} Any unencumbered funds in the Emergency Health Services Account are transferred to the Proposition 204 Protection Account at the end of each year.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Budget Neutrality Compliance Fund (HCA2478/A.R.S. § 36-2928)		Appropriated
Source of Revenue: County contributions.		
Purpose of Fund: To provide administrative funding for costs associated with the implementation of the Proposition 204 expansion. Proposition 204 shifted some county administrative functions to the state, for which the counties now compensate the state.		
Funds Expended	2,338,000	3,161,100
Year-End Fund Balance	0	0
Children's Health Insurance Program Fund (HCA2409/A.R.S. § 36-2995)		Appropriated
Source of Revenue: Includes Medicaid matching monies for Arizona's State Children's Health Insurance Program (CHIP), called KidsCare. General Fund monies are used to leverage the federal monies and are not included in the reported CHIP Fund expenditures.		
Purpose of Fund: To provide health insurance for low-income children 19 years of age and under. The eligibility limit for the program has been set at 200% of the Federal Poverty Level, which is approximately \$44,700 for a family of 4.		
Funds Expended	43,659,700	30,176,400
Year-End Fund Balance	1,840,000	1,840,000
County Funds (HCA2120 Acute Care/HCA2223 Long Term Care/ A.R.S. § 36-2912 Acute Care/A.R.S. § 36-2953 Long Term Care)		Expenditure Authority
Source of Revenue: Statutorily prescribed county contributions.		
Purpose of Fund: For the provision of acute medical and long term care services to Arizona Health Care Cost Containment System (AHCCCS) eligible populations. County contributions and state General Fund appropriations serve as the state match for federal Medicaid dollars.		
Funds Expended	0	302,984,400
Year-End Fund Balance	0	0
Employee Recognition Fund (HCA2025/A.R.S. § 36-2903)		Non-Appropriated
Source of Revenue: Private donations.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	12,800	10,000
Year-End Fund Balance	9,200	6,200
Federal - Medicaid Direct Services (HCA2120/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: To reimburse schools participating in the Direct Services Claiming program for services provided to children with disabilities who are Medicaid eligible. All federal Medicaid monies must flow through AHCCCS, therefore, these monies are obtained by AHCCCS and then passed on to the participating schools.		
Funds Expended	32,958,700	33,027,100
Year-End Fund Balance	0	0
Federal Funds (HCA2000 Acute Care/A.R.S. § 36-2913)		Non-Appropriated
Source of Revenue: Federal grant monies.		
Purpose of Fund: To provide federal match for non-appropriated state expenditures.		
Funds Expended	138,157,400	78,942,900
Year-End Fund Balance	0	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: Federal Funds to assist Medicaid providers in adopting electronic medical records.		
Funds Expended	0	106,018,100
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Medicaid Funds (HCA2120/HCA2223 Long Term Care/ A.R.S. § 36-2913 Acute Care/ A.R.S. § 36-2953 Long Term Care)		Expenditure Authority
Source of Revenue: Federal funding through the U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services.		
Purpose of Fund: For AHCCCS' administrative costs and for the provision of acute and long term services to categorically eligible populations.		
Funds Expended	5,465,202,100	3,956,877,300
Year-End Fund Balance	0	0
Healthcare Group Fund (HCA3197/A.R.S. § 36-2912.01)		Partially-Appropriated
Source of Revenue: Premiums paid by employers and employees enrolled in Healthcare Group, including monies to fund the administration of the Healthcare Group program.		
Purpose of Fund: A portion of this fund is appropriated to fund the administrative costs of Healthcare Group. The rest of the fund is non-appropriated and used to pay medical claims for members of Healthcare Group. Healthcare Group is operated by AHCCCS and is a premium based health insurance program available to small businesses and self-employed persons.		
Appropriated Funds Expended	1,773,700	3,496,300
Non-Appropriated Funds Expended	36,004,700	29,338,400
Year-End Fund Balance	8,925,400	6,172,200
Hospital Loan Residency Fund (HCA2532/A.R.S. § 36-2921)		Non-Appropriated
Source of Revenue: Received a \$1,000,000 deposit from the General Fund in FY 2007. In future years, will also include any repaid loan money received from the participating hospitals.		
Purpose of Fund: To provide interest free loans to fund start-up and ongoing costs for residency programs in accredited hospitals, with priority given to rural areas.		
Funds Expended	0	0
Year-End Fund Balance	200,000	200,000
IGA and ISA Fund (HCA2500/A.R.S. § 36-2925)		Non-Appropriated
Source of Revenue: Monies voluntarily given to AHCCCS from local governments and tribal communities in order to obtain a federal match. Beginning in FY 2013, these monies are displayed in the Political Subdivision Funds.		
Purpose of Fund: To expand funding for Graduate Medical Education and other payments to hospitals.		
Funds Expended	50,290,600	38,146,700
Year-End Fund Balance	0	0
Intergovernmental Service Fund (HCA2438/A.R.S. § 36-2927)		Non-Appropriated
Source of Revenue: Monies collected from the State of Hawaii.		
Purpose of Fund: To be used for costs associated with information technology services provided by AHCCCS to the State of Hawaii for the design, development, implementation, operation, and maintenance of a Medical Management Information System.		
Funds Expended	5,978,600	7,000,000
Year-End Fund Balance	1,726,400	1,385,400
Political Subdivision Funds (HCA1111/A.R.S. § 36-2927)		Expenditure Authority
Source of Revenue: Monies voluntarily given to AHCCCS from local governments, tribal communities, or Arizona public universities in order to obtain a federal match.		
Purpose of Fund: To expand funding for hospitals or increase enrollment for KidsCare or Proposition 204.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Prescription Drug Rebate Fund (HCA2546/A.R.S. § 36-2930)		Partially-Appropriated
Source of Revenue: Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the AHCCCS Prescription Drug Rebate Program.		
Purpose of Fund: To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies in this fund are non-appropriated through FY 2012. Beginning in FY 2013, federal monies are listed as Expenditure Authority. All Other monies are appropriated.		
Appropriated Funds Expended	10,000,000	20,114,500
Non-Appropriated Funds Expended	122,176,300	177,662,700
Year-End Fund Balance	36,385,700	87,075,500
Proposition 202 - Trauma and Emergency Services Fund (HCA2494/A.R.S. § 36-2903.07)		Non-Appropriated
Source of Revenue: Gaming monies received from the Arizona Benefits Fund.		
Purpose of Fund: For unrecovered trauma center readiness and emergency services costs.		
Funds Expended	16,505,300	19,664,200
Year-End Fund Balance	5,000,000	5,020,000
Temporary Medical Coverage Fund (HCA2529/A.R.S. § 36-2930)		Appropriated
Source of Revenue: Received a one-time General Fund deposit of \$6,500,000 in FY 2007 in addition to revenue from premium payments. This program was suspended beginning in FY 2009, and AHCCCS was instructed to use the \$3,200,000 appropriated from this fund to pay for reconciliation obligations incurred for claims with dates of services before July 1, 2008. This program has since been eliminated.		
Purpose of Fund: To pay for the services and costs associated with persons who are eligible for temporary medical coverage.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Temporary Transaction Privilege and Use Tax - 1% Fund (HCA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund. (For FY 2011, the General Accounting Office reported as of August 2011 that the Department of Education received \$576,697,200 and that the Department of Corrections, Arizona Health Care Cost Containment System (AHCCCS), Department of Economic Security, and Department of Health Services each received \$72,087,200.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Third Party Collections Fund (HCA3791 Acute Care/ HCA3019 Long Term Care/A.R.S. § 36-2913)		EA/Non-Appropriated
Source of Revenue: Collections from third-party payers and revenues from lien and estate recoveries.		
Purpose of Fund: To provide acute medical services to AHCCCS members.		
Appropriated Funds Expended	0	194,700
Non-Appropriated Funds Expended	7,854,500	94,800
Year-End Fund Balance	844,000	844,000
Tobacco Litigation Settlement Fund (TRA2561/A.R.S. § 36-2901.02)		Expenditure Authority
Source of Revenue: Monies received from tobacco companies as part of a lawsuit settlement.		
Purpose of Fund: Established by Proposition 204 (enacted in the 2000 General Election) to provide funding to expand the AHCCCS program to 100% of the Federal Poverty Level and for 6 public health programs.		
Funds Expended	99,161,600	108,211,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Tobacco Tax and Health Care Fund* (RVA1306/A.R.S. § 36-771)		Non-Appropriated
Source of Revenue: The fund consists of certain tax monies collected on cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms of tobacco, and all interest earned on these monies.		
Purpose of Fund: To AHCCCS for the Medically Needy Account (70%), the Arizona Department of Health Services (DHS) for the Health Education Account (23%), the Health Research Account (5%), and the State Department of Corrections (DOC) for the Corrections Fund Adjustment Account (2%). Under A.R.S. § 36-775, the amount transferred to the Corrections Fund Account is to reflect only the actual amount needed to offset decreases in the Corrections Fund resulting from lower tax revenues. Any unexpended Corrections Fund Adjustment Account amounts are to be transferred out proportionally to the other 3 accounts. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		
Tobacco Tax and Health Care Fund - Medically Needy Accounts* (HCA1306/A.R.S. § 36-774)		Partially-Appropriated
Source of Revenue: The account receives 70¢ of each dollar deposited in the Tobacco Tax and Health Care Fund, administered by the Department of Revenue, and 27¢ of each dollar deposited into the Tobacco Products Tax Fund, also administered by the Department of Revenue. The fund also receives a portion of the monies reverting from the Corrections Fund Adjustment Account and an allocation from the Healthcare Adjustment Account. These taxes were enacted in Proposition 200 and approved by voters in the 1994 General Election.		
Purpose of Fund: For health care services including, but not limited to, preventive care, transplants and the treatment of catastrophic illness or injury. Eligible recipients include persons statutorily determined to be medically indigent, medically needy, or low-income children. A portion of the monies is transferred to the DHS for statutorily established services, grants and pilot programs.		
Tobacco Products Tax Fund - Emergency Health Services Account* (HCA1304/A.R.S. § 36-776)		Appropriated
Source of Revenue: This account receives 20¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: For primary care services, reimbursement of uncompensated care costs, and trauma center readiness costs.		
Tobacco Products Tax Fund - Proposition 204 Protection Account* (HCA1303/A.R.S. § 36-778)		Expenditure Authority
Source of Revenue: This account receives 42¢ of each dollar deposited into the Tobacco Products Tax Fund, administered by the Department of Revenue.		
Purpose of Fund: To fund state match costs in AHCCCS for the Proposition 204 program. These monies are non-appropriated and must be spent before any other state monies on the Proposition 204 program.		

*See Table 9.

State Board of Appraisal

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	125,100	125,100
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	79,400
Equipment	19,800	5,500	5,500
AGENCY TOTAL	596,200	755,500^{1/}	755,500

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Appraisal Fund	596,200	755,500	755,500
SUBTOTAL - Other Appropriated Funds	596,200	755,500	755,500
SUBTOTAL - Appropriated Funds	596,200	755,500	755,500
TOTAL - ALL SOURCES	596,200	755,500	755,500

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

Operating Budget

* * *

The Baseline includes \$755,500 and 5.5 FTE Positions from the Board of Appraisal Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Appraisal Fund (APA2270/A.R.S. § 32-3608)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of real estate appraisers and tax agents. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate real estate appraisers and property tax agents, and for board administration.		
Funds Expended	596,200	755,500
Year-End Fund Balance	386,600	423,600

^{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.

Arizona Commission on the Arts

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arts Endowment Fund (HUA3106/A.R.S. § 41-986)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest earnings. The fund had no remaining endowment in FY 2011, after transferring a total of \$19,884,600 in FY 2009, FY 2010 and FY 2011 to the General Fund. The Commission is only permitted to spend revenue earned from the investment of the endowment.		
Purpose of Fund: To award grants to mid-sized arts organizations for stabilization projects.		
Funds Expended	11,500	0
Year-End Fund Balance	0	0
Arts Special Revenues Fund (HUA2116/A.R.S. § 41-983)		Non-Appropriated
Source of Revenue: Public and private grants, donations, exhibit rentals, admissions and charges for services.		
Purpose of Fund: To award grants to arts programs in all areas of the state. The applicant organizations must contribute to each grant awarded by the Arts Commission.		
Funds Expended	60,800	103,600
Year-End Fund Balance	3,700	71,100
Arts Trust Fund (HUA3014/A.R.S. § 41-983.01)		Non-Appropriated
Source of Revenue: An annual report filing fee from domestic and foreign for profit corporations.		
Purpose of Fund: To award grants to organizations with the purpose of advancing and fostering the arts in Arizona. A portion of the funds are to be used to provide grants to: 1) organizations representing handicapped persons, 2) racial or ethnic minorities; and 3) organizations representing rural areas.		
Funds Expended	1,067,900	1,547,600
Year-End Fund Balance	573,500	290,500

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grant Fund (HUA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants from the National Endowment on the Arts.		
Purpose of Fund: To award grants to non-profits, schools and government entities in the state. A state funding match is required.		
Funds Expended	900,300	899,500
Year-End Fund Balance	48,500	7,400
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HUA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the commission to support projects that preserve jobs in the non-profit arts sector threatened by declines in support by the economic downturn.		
Funds Expended	64,600	0
Year-End Fund Balance	100	100

Board of Athletic Training

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	17,900	17,900
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	101,200^{1/}	101,200

FUND SOURCES

Other Appropriated Funds

Athletic Training Fund	101,700	101,200	101,200
SUBTOTAL - Other Appropriated Funds	101,700	101,200	101,200
SUBTOTAL - Appropriated Funds	101,700	101,200	101,200
TOTAL - ALL SOURCES	101,700	101,200	101,200

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

Operating Budget

* * *

The Baseline includes \$101,200 and 1.5 FTE Positions from the Athletic Training Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Athletic Training Fund (BAA2583/A.R.S. § 32-4105)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of athletic trainers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate athletic trainers, and for board administration.		
Funds Expended	101,700	101,200
Year-End Fund Balance	183,200	171,800

^{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.

Attorney General - Department of Law

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	592.9	592.9	592.9
Personal Services	24,164,800	25,503,500	25,503,500
Employee Related Expenditures	8,624,900	8,989,100	8,989,100
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	5,215,600
Equipment	774,500	697,300	697,300
OPERATING SUBTOTAL	39,843,100	44,043,700	44,043,700
SPECIAL LINE ITEMS			
Military Airport Planning	84,900	85,000	85,000
Risk Management ISA	7,622,200	8,765,900	8,765,900
State Grand Jury	175,200	176,800	176,800
Victims' Rights	3,151,800	3,238,700	3,238,700
AGENCY TOTAL	50,877,200	56,310,100^{1/}	56,310,100
FUND SOURCES			
General Fund	17,237,400	16,931,500	16,931,500
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	146,600	241,200	241,200
Attorney General Legal Services Cost Allocation Fund	5,447,800	5,397,100	5,397,100
Collection Enforcement Revolving Fund	3,297,500	5,291,900	5,291,900
Consumer Protection - Consumer Fraud Revolving Fund	2,020,500	3,439,800	3,439,800
Interagency Service Agreements Fund	11,953,400	13,004,000	13,004,000
Risk Management Revolving Fund	7,622,200	8,765,900	8,765,900
Victims' Rights Fund	3,151,800	3,238,700	3,238,700
SUBTOTAL - Other Appropriated Funds	33,639,800	39,378,600	39,378,600
SUBTOTAL - Appropriated Funds	50,877,200	56,310,100	56,310,100
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	100,746,700	99,443,100

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

Operating Budget

The Baseline includes \$44,043,700 and 479.5 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$16,669,700
Antitrust Enforcement Revolving Fund	241,200
Attorney General Legal Services Cost Allocation Fund	5,397,100
Collection Enforcement Revolving Fund	5,291,900

Consumer Fraud Revolving Fund	3,439,800
Interagency Service Agreements Fund	13,004,000

These amounts are unchanged from FY 2012.

Military Airport Planning

The Baseline includes \$85,000 and 1 FTE Position from the General Fund in FY 2013 for Military Airport Planning. These amounts are unchanged from FY 2012.

^{1/} 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.

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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

Risk Management ISA

The Baseline includes \$8,765,900 and 102 FTE Positions from the Risk Management Revolving Fund in FY 2013 for the Risk Management ISA. These amounts are unchanged from FY 2012.

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

State Grand Jury

The Baseline includes \$176,800 and 1.6 FTE Positions from the General Fund in FY 2013 for the State Grand Jury. These amounts are unchanged from FY 2012.

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

Victims' Rights

The Baseline includes \$3,238,700 and 8.8 FTE Positions from the Victims' Rights Fund in FY 2013 for Victims' Rights. These amounts are unchanged from FY 2012.

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.

In addition to the \$13,004,000 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.

STATUTORY CHANGES

The Baseline continues the increase in the non-lapsing cap for the Collection Enforcement Revolving Fund from \$100,000 to \$500,000.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Anti-Racketeering Revolving Fund (AGA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	28,907,500	26,495,700
Year-End Fund Balance	38,339,800	37,158,300
Antitrust Enforcement Revolving Fund (AGA2016/A.R.S. § 41-191.02)		Appropriated
Source of Revenue: Monies recovered for the state as a result of antitrust, restraint of trade or price-fixing activity enforcement.		
Purpose of Fund: For antitrust enforcement expenses, excluding attorney compensation.		
Funds Expended	146,600	241,200
Year-End Fund Balance	9,700	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Attorney General Expendable Trust Fund (AGA3102/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Restricted donations and gifts from individuals and corporations.		
Purpose of Fund: For purposes specified by donors or grantors.		
Funds Expended	0	5,000
Year-End Fund Balance	0	0
Attorney General Legal Services Cost Allocation Fund (AGA4240/A.R.S. § 41-191.09)		Appropriated
Source of Revenue: The fund receives a pro rata share of appropriated and non-appropriated funds of select state agencies.		
Purpose of Fund: To fund non-contracted Attorney General Legal Services.		
Funds Expended	5,447,800	5,397,100
Year-End Fund Balance	674,400	885,500
CJEF Distribution to County Attorneys Fund (AGA2068/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: 9.35% of the Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To enhance prosecutorial efforts of county attorneys.		
Funds Expended	5,026,100	3,769,300
Year-End Fund Balance	3,700	0
Collection Enforcement Revolving Fund (AGA2132/A.R.S. § 41-191.03)		Appropriated
Source of Revenue: The fund receives 35% of monies recovered by the Attorney General from debts owed to the state.		
Purpose of Fund: For expenses related to debt collection owed to the state, including reimbursement of other accounts within the department. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	3,297,500	5,291,900
Year-End Fund Balance	2,270,400	300,000
Colorado River Land Claims Revolving Fund (AGA2430/A.R.S. § 41-191.05)		Non-Appropriated
Source of Revenue: Receives 25% of monies recovered by the state from the settlement of the State of Arizona's sovereign land claims.		
Purpose of Fund: To pay ownership claims near the Colorado River.		
Funds Expended	0	0
Year-End Fund Balance	12,300	12,300
Consumer Protection - Consumer Fraud Revolving Fund (AGA2014/A.R.S. § 44-1531.01)		Appropriated
Source of Revenue: Any monies recovered for the state from investigative or court costs, attorney fees or civil penalties pertaining to consumer protection or consumer fraud.		
Purpose of Fund: For consumer fraud education and for investigative and enforcement operations of the Consumer Protection Division, excluding attorney compensation. Also can be used for operating expenses, including any costs associated with the Tobacco Master Settlement Agreement arbitration.		
Funds Expended	2,020,500	3,439,800
Year-End Fund Balance	2,753,000	303,400
Court-Ordered Trust Fund (AGA3180/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Court-ordered deposits held in trust for parties to lawsuits.		
Purpose of Fund: To assure funds are available to pay judgments. Future payments are dependent on case settlements.		
Funds Expended	5,309,000	2,509,400
Year-End Fund Balance	4,971,000	5,157,000

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Criminal Case Processing Fund (AGA2461/A.R.S. § 41-2421)		Non-Appropriated
Source of Revenue: A portion of redirected court collections and 0.35% of the surcharge on criminal, motor vehicle, and game and fish statute violations.		
Purpose of Fund: For the processing of criminal cases.		
Funds Expended	77,100	78,400
Year-End Fund Balance	83,600	86,400
Federal Grants (AGA2000/A.R.S. § 41-101)		Non-Appropriated
Source of Revenue: Grants awarded by various federal agencies and state agencies which pass through federal monies.		
Purpose of Fund: To be used in accordance with the terms of the individual grants.		
Funds Expended	3,371,800	5,096,200
Year-End Fund Balance	654,100	713,900
Federal Grants (AGA2117/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants for various purposes.		
Purpose of Fund: To be used in accordance with the terms of the individual grants, including drug enforcement, fraud and patient abuse (Arizona Health Care Cost Containment System related), civil rights enforcement, fair housing education and outreach, and hazardous waste.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (AGA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for drug, gang, and violent crime efforts and to combat criminal narcotics activity stemming from the Southern border of the United States.		
Funds Expended	3,863,400	1,315,600
Year-End Fund Balance	359,200	0
Indirect Cost Recovery Fund (AGA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant monies and other appropriated and non-appropriated funds.		
Purpose of Fund: To pay administrative costs not directly attributable to any single agency program.		
Funds Expended	83,900	2,149,000
Year-End Fund Balance	733,500	431,900
Interagency Service Agreements Fund (AGA2157/A.R.S. § 41-192)		Appropriated
Source of Revenue: Any monies received by the Attorney General from charges to state agencies for legal services related to interagency service agreements.		
Purpose of Fund: To provide contracted legal services to state agencies and political subdivisions.		
Funds Expended	11,953,400	13,004,000
Year-End Fund Balance	676,200	0
Intergovernmental Agreements Fund (AGA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Any monies received from state agencies for specialized projects.		
Purpose of Fund: For costs associated with approved projects.		
Funds Expended	3,011,800	1,337,300
Year-End Fund Balance	288,500	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Microsoft Settlement Fund (AGA1992/A.R.S. § 44-1531.01)		Non-Appropriated
Source of Revenue: State agencies' settlement proceeds from Daisy Mountain Fire District v. Microsoft lawsuit.		
Purpose of Fund: Settlement monies intended to cover software and allowable costs of purchases in FY 2011. The General Accounting Office will reimburse state agencies for approved purchases according to their allotted settlement limits.		
Funds Expended	338,900	96,800
Year-End Fund Balance	96,800	0
Motor Carrier Safety Revolving Fund (AGA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: This fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28, Chapter 14; and monies received from private grants or donations.		
Purpose of Fund: The Department of Public Safety conducts motor carrier safety investigations, the Motor Vehicle Division of the Department of Transportation administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	13,600	13,600
Prosecuting Attorneys' Advisory Council Training Fund (AGA2057/A.R.S. § 41-1830.03)		Non-Appropriated
Source of Revenue: 3.03% of Criminal Justice Enhancement Fund monies. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For costs of training, technical assistance for prosecuting attorneys of the state and any political subdivision, and expenses for the operation of the council.		
Funds Expended	1,491,800	1,540,000
Year-End Fund Balance	419,700	248,900
Risk Management Revolving Fund (AGA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to agencies insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal services ISA contract between the Attorney General and ADOA.		
Funds Expended	7,622,200	8,765,900
Year-End Fund Balance	1,197,600	0
Street Gang Enforcement Revolving Fund (AGA1022/A.R.S. § 41-191.07)		Non-Appropriated
Source of Revenue: A grant from the Arizona Criminal Justice Commission.		
Purpose of Fund: For gang prevention programs, training prosecutors and law enforcement personnel in the area of street gang prosecution and enforcement, and investigating and prosecuting any offense that is concurrently charged or investigated with any offense relating to criminal street gangs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Victim Witness Fund (AGA2228/A.R.S. § 41-2407)		Non-Appropriated
Source of Revenue: Grants from the Victim Compensation and Assistance Fund and the Victims of Crime Act Fund.		
Purpose of Fund: To assist crime victims and surviving family members who are involved in felony cases and appellate matters.		
Funds Expended	41,700	43,900
Year-End Fund Balance	1,800	0
Victims' Rights Fund (AGA3215/A.R.S. § 41-191.08)		Appropriated
Source of Revenue: 7.68% of Criminal Justice Enhancement Fund monies and an assessment on parents of juvenile offenders. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For states and local entities that provide victims' rights services and assistance.		
Funds Expended	3,151,800	3,238,700
Year-End Fund Balance	4,118,100	4,099,300

Automobile Theft Authority

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	118,100	118,100
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	145,600
Equipment	600	9,500	9,500
OPERATING SUBTOTAL	432,400	615,900	615,900
SPECIAL LINE ITEMS			
Automobile Theft Authority Grants	3,837,000	3,607,700	3,607,700
Reimbursable Programs	0	50,000	50,000
AGENCY TOTAL	4,269,400	4,273,600^{1/}	4,273,600

FUND SOURCES

Other Appropriated Funds

Automobile Theft Authority Fund	4,269,400	4,273,600	4,273,600
SUBTOTAL - Other Appropriated Funds	4,269,400	4,273,600	4,273,600
SUBTOTAL - Appropriated Funds	4,269,400	4,273,600	4,273,600
Federal Funds	2,300	0	0
TOTAL - ALL SOURCES	4,271,700	4,273,600	4,273,600

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

Operating Budget

The Baseline includes \$615,900 and 6 FTE Positions from the ATA Fund in FY 2013 for the operating budget. These amounts are 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.

* * *

Automobile Theft Authority Grants

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

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The Automobile Theft Authority shall pay 75% of the Personal Services and Employee Related Expenses for city and county sworn officers who participate in the Arizona Vehicle Theft Task Force.

Reimbursable Programs

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

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.

^{1/} In addition to these amounts, a total of \$15,300 OF is appropriated in FY 2012 for costs associated with an additional pay period.

The Automobile Theft Authority shall submit a report to the Joint Legislative Budget Committee for review before expending any monies for the Reimbursable Programs line item. The agency shall also show sufficient funds collected to cover the expenses indicated in the report.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Automobile Theft Authority Fund (ATA2060/A.R.S. § 41-3451)		Appropriated
Source of Revenue: A semi-annual fee of \$0.50 per vehicle insured under a motor vehicle liability insurance policy for vehicles with a gross weight under 26,000 pounds.		
Purpose of Fund: To allocate monies to public agencies for the purpose of establishing, maintaining and supporting programs that are designed to prevent motor vehicle theft, and to cover the costs of administration not to exceed 10% of the fund.		
Funds Expended	4,269,400	4,273,600
Year-End Fund Balance	221,000	175,400
Federal Funds (ATA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To support projects combating vehicle theft in Arizona.		
Funds Expended	2,300	0
Year-End Fund Balance	0	0

Board of Barbers

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	65,100	65,100
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	34,300
Equipment	100	1,100	1,100
AGENCY TOTAL	250,500	320,700^{1/}	320,700

FUND SOURCES

Other Appropriated Funds

Board of Barbers Fund	250,500	320,700	320,700
SUBTOTAL - Other Appropriated Funds	250,500	320,700	320,700
SUBTOTAL - Appropriated Funds	250,500	320,700	320,700
TOTAL - ALL SOURCES	250,500	320,700	320,700

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

Operating Budget

* * *

The Baseline includes \$320,700 and 4 FTE Positions from the Board of Barbers Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Barbers Fund (BBA2007/A.R.S. § 32-305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of barbers, barber schools, and barbering establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate barbers, barber schools, and barbering establishments, and for board administration.		
Funds Expended	250,500	320,700
Year-End Fund Balance	228,500	296,900

^{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.

Board of Behavioral Health Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	355,500	355,500
Professional and Outside Services	229,700	244,300	244,300
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	3,100
AGENCY TOTAL	1,203,100	1,458,700^{1/}	1,458,700

FUND SOURCES

Other Appropriated Funds

Board of Behavioral Health Examiners Fund	1,203,100	1,458,700	1,458,700
SUBTOTAL - Other Appropriated Funds	1,203,100	1,458,700	1,458,700
SUBTOTAL - Appropriated Funds	1,203,100	1,458,700	1,458,700
TOTAL - ALL SOURCES	1,203,100	1,458,700	1,458,700

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

Operating Budget

* * *

The Baseline includes \$1,458,700 and 17 FTE Positions from the Board of Behavioral Health Examiners Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Behavioral Health Examiners Fund (BHA2256/A.R.S. § 32-3254)		Appropriated
Source of Revenue: Monies collected by the board from the certification and regulation of behavioral health professionals in the fields of social work, counseling, marriage and family therapy, and substance abuse counseling. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, certify, investigate, and regulate behavioral health professionals, and for board administration.		
Funds Expended	1,203,100	1,458,700
Year-End Fund Balance	1,129,700	1,245,400

^{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.

State Capital Postconviction Public Defender Office

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	7.0	7.0	7.0
Personal Services	437,700	464,000	464,000
Employee Related Expenditures	167,300	186,000	186,000
Professional and Outside Services	67,500	108,900	108,900
Travel - In State	3,300	6,000	6,000
Travel - Out of State	3,000	6,000	6,000
Other Operating Expenditures	57,600	65,500	65,500
Equipment	300	13,500	13,500
AGENCY TOTAL	736,700	849,900^{1/}	849,900
FUND SOURCES			
General Fund	633,800	688,900	688,900
<u>Other Appropriated Funds</u>			
Capital Postconviction Public Defender Office Fund	102,900	161,000	161,000
SUBTOTAL - Other Appropriated Funds	102,900	161,000	161,000
SUBTOTAL - Appropriated Funds	736,700	849,900	849,900
TOTAL - ALL SOURCES	736,700	849,900	849,900

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

Operating Budget

* * *

The Baseline includes \$849,900 and 7 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

FORMAT — Lump Sum by Agency

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

These amounts are unchanged from FY 2012.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Capital Postconviction Public Defender Office Fund (PDA2367/A.R.S. § 41-4303)		Appropriated
Source of Revenue: Counties are required to pay 50% of fees and expenses associated with the representation of clients.		
Purpose of Fund: To fund operating expenses of the agency.		
Funds Expended	102,900	161,000
Year-End Fund Balance	62,500	65,800

^{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.

State Board for Charter Schools

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	181,000	181,000
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	113,200
Equipment	16,700	2,000	2,000
AGENCY TOTAL	715,100	750,600^{1/}	750,600

FUND SOURCES

General Fund	715,100	750,600	750,600
SUBTOTAL - Appropriated Funds	715,100	750,600	750,600
Other Non-Appropriated Funds	48,000	36,000	36,000
TOTAL - ALL SOURCES	763,100	786,600	786,600

AGENCY DESCRIPTION — The board reviews and approves charter school applications, including renewal applications, and monitors the schools that it sponsors for compliance with provisions of their individual charters. It consists of the Superintendent of Public Instruction, 6 members of the general public, 2 members of the business community, a charter school teacher, a charter school operator, and 3 members of the Legislature who serve as advisory members. Currently the board oversees 516 charter schools.

Operating Budget

* * *

The Baseline includes \$750,600 and 9 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Charter Arizona Online Instruction Processing Fund (CHA2319/A.R.S. § 15-183W)		Non-Appropriated
Source of Revenue: Consists of fees collected and administered by the State Board for Charter Schools.		
Purpose of Fund: To fund the processing of contract amendments for charter schools participating in Arizona online instruction.		
Funds Expended	48,000	36,000
Year-End Fund Balance	9,000	0

^{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.

State Board of Chiropractic Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	84,100	84,100
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	77,200
Equipment	1,600	3,000	3,000
AGENCY TOTAL	389,700	449,300^{1/}	449,300

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Chiropractic Examiners Fund	389,700	449,300	449,300
SUBTOTAL - Other Appropriated Funds	389,700	449,300	449,300
SUBTOTAL - Appropriated Funds	389,700	449,300	449,300
TOTAL - ALL SOURCES	389,700	449,300	449,300

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

Operating Budget

* * *

The Baseline includes \$449,300 and 5 FTE Positions from the Board of Chiropractic Examiners Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Chiropractic Examiners Fund (CEA2010/A.R.S. § 32-906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of chiropractors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate chiropractors, and for board administration.		
Funds Expended	389,700	449,300
Year-End Fund Balance	227,000	155,100

^{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.

Citizens Clean Elections Commission

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

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

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Citizens Clean Elections Fund (ECA2425/A.R.S. § 16-949)		Non-Appropriated
Source of Revenue: Election-related civil penalties; civil and criminal fine and penalty surcharges; "qualifying contributions" on behalf of candidates who seek public campaign funding; revenues from a check-off box on state income tax forms; citizen donations and tax credits.		
Purpose of Fund: To fund administrative costs of the Citizens Clean Elections Commission, campaigns of candidates who qualify for public campaign funding under A.R.S. § 16-950, and activities pertaining to voter education.		
Funds Available		
Balance Forward	32,098,900	16,744,100
Revenue:		
Civil Penalties (election related)	7,400	5,000
Fine Surcharge	10,162,600	11,000,000
Qualifying Contributions	121,600	100,000
\$5 Check Off Box	6,112,600	6,100,000
Donations/Tax Credits	114,000	110,000
Other	<u>400</u>	<u>0</u>
Total Funds Available	48,617,500	34,059,100
Expenditures:		
Operating Funds Expended	6,570,200	6,664,900
Candidate Funding	<u>5,303,200</u>	<u>2,300,000</u>
Total Funds Expended	11,873,400	8,964,900
Transfer Out to General Fund	<u>20,000,000</u>	<u>10,000,000</u>
Year-End Fund Balance	16,744,100	15,094,200

Arizona Commerce Authority

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET	1,151,300	10,000,000	10,000,000
SPECIAL LINE ITEMS			
Arizona Competes Fund Deposit	0	21,500,000	21,500,000
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	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; 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, the ACA inherited the following Department of Commerce functions:

- Economic Strength Fund and Projects
- Healthy Forest Enterprise Incentives Program
- Defense Contractor Restructuring Assistance Program
- Environmental Technology Assistance Program
- Capital Investment Incentives (Angel Investment) Program
- Small Business Investment Tax Credit

- Motion Picture Production and Infrastructure Tax Incentives
- Commercial Solar Energy Tax Credit Applications
- Renewable Energy Tax Incentives Program Applications
- Increased Research Activity Tax Credit Certification
- Arizona 21st Century Fund Administration and Fund
- Job Training Program and Fund
- Governor's Council on Workforce Policy Member

The 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Application Fees Fund (CAA3005/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: A processing fee equal to 1% of the relevant tax credit being refunded per tax credit application.		
Purpose of Fund: To provide funding for staff to determine if taxpayers who qualify for a tax credit for increased research activities qualify for other income tax refunds.		
Funds Expended	0	0
Year-End Fund Balance	0	50,000
Arizona Commerce Authority Carryover Fund (CAA1001/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: The remaining \$13,991,325 in left-over funds transferred from various funds belonging to the Arizona Department of Commerce and any residual FY 2011 revenue that is collected in FY 2012.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	0	11,984,400
Year-End Fund Balance	0	80,700
Arizona Commerce Authority Fund (CAA8813/A.R.S. § 41-1506)		Non-Appropriated
Source of Revenue: An annual deposit of \$10 million in corporate income tax withholding revenues, gifts, grants, and other donations. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: To fund the operating costs of the Authority.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Competes Fund (CAA8814/A.R.S. § 41-1545.01)		Non-Appropriated
Source of Revenue: Receives an annual deposit of \$21.5 million in income tax withholding revenues, \$3.5 million in lottery ticket sales revenues, gifts, grants, and other donations. Expenditures of the income tax withholding revenues are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: To provide deal closing grants to businesses for the purpose of attracting, expanding or retaining businesses and to support programs and projects for rural Arizona and small businesses that enhance economic development.		
Funds Expended	0	3,500,000
Year-End Fund Balance	0	28,700
Arizona Twenty-First Century Competitive Initiative Fund (CAA2524/A.R.S. § 41-1506.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, earnings from the fund, gifts, and donations.		
Purpose of Fund: One-time monies used to build and strengthen medical, scientific, and engineering research programs with an emphasis in bioscience for the purpose of promoting statewide economic development.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Commerce Development Bond Fund (CAA2196/A.R.S. § 35-726)		Appropriated
Source of Revenue: Filing fees and charges for services related to the provision of a registry of bond allocations.		
Purpose of Fund: To pay for the review and approval of all corporate bond financing related to the construction of multi-family apartments, sanitariums, clinics, medical hotels, retirement homes, skilled nursing facilities and life-care centers.		
Funds Expended	600	0
Year-End Fund Balance	1,007,100	1,145,200
CEDC Fund (EPA2245/A.R.S. § 41-1505.10)		Partially-Appropriated
Source of Revenue: Profits from 2 designated instant ticket lottery games, service fees and interest income. Laws 2011, 2 nd Special Session, Chapter 1 repealed the CEDC Fund and redirected the revenues to the Arizona Competes Fund and the General Fund. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: To be used on small business, rural business, and other financial assistance programs approved by the commission. The appropriated portions of the fund are used for various programs, while the non-appropriated funds are loans and grants.		
Appropriated Funds Expended	3,090,100	0
Non-Appropriated Funds Expended	44,900	0
Year-End Fund Balance	8,715,900	0
CEDC Local Communities Fund (EPA2498/A.R.S. § 41-1505.12)		Non-Appropriated
Source of Revenue: Tribal contributions from gaming revenue. The Tribal-State Gaming Compact dictates that 12% of revenues received by the state be utilized for government services benefiting the general public. The tribes can grant funds directly to communities or deposit revenues into the CEDC Local Communities Fund. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund. Beginning in FY 2012, any remaining revenues to this fund will be redirected to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: To provide grants to cities, towns and counties for government services that benefit the general public including public safety, the mitigation of impacts of gaming or the promotion of commerce and economic development. All grant applications must have a written endorsement of a nearby Indian tribe to receive an award from the commission.		
Funds Expended	10,000	0
Year-End Fund Balance	129,400	0
Commerce Workshops (CAA2149/A.R.S. § 41-1503)		Non-Appropriated
Source of Revenue: Workshop registration fees, publication fees, and environmental certification fees. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund. Beginning in FY 2012, any remaining revenues to this fund will be redirected to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: To pay expenses incurred for workshops, the production and distribution of publications, and the monitoring of recycling industry development.		
Funds Expended	91,500	0
Year-End Fund Balance	121,100	0
Donations Fund (CAA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund. Beginning in FY 2012, any new donations will be directed to the Arizona Commerce Authority Fund or the Arizona Competes Fund.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation.		
Funds Expended	367,900	0
Year-End Fund Balance	484,400	0
Federal Funds (CAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for community development, job training, and home programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	1,913,600	1,263,800
Year-End Fund Balance	228,900	100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (CAA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	1,569,400	0
Year-End Fund Balance	1,100	0
IGA/ISA Fund (EPA9500/A.R.S. § 41-1502)		Non-Appropriated
Source of Revenue: Agreements between Department of Commerce and Department of Economic Security. This fund was eliminated in Laws 2011, 2 nd Special Session, Chapter 1 with the transfer of the Office of Employment and Population Statistics from the Department of Commerce to the Department of Administration. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: To develop and recommend policies to build Arizona's workforce in order to compete in a global environment.		
Funds Expended	475,500	0
Year-End Fund Balance	37,000	0
Indirect Cost Recovery Fund (CAA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collected from Federal Grant Funds. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: To help support administrative functions of the agency.		
Funds Expended	199,600	0
Year-End Fund Balance	909,100	0
Job Training Fund (CAA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, interest earned on investments and, primarily, proceeds from a 0.1% employers' wage tax. Tax revenues collected in FY 2011 were \$11,784,400 and are estimated to be \$11,784,400 in FY 2012. Interest earned on the fund in FY 2011 was \$148,200.		
Purpose of Fund: To provide training and retraining for specific employment opportunities with new and expanding businesses or businesses undergoing economic conversion. Training shall be through the community college system, a licensed private postsecondary educational institution, or a community college operated by a tribal government, unless the employer requests another qualified training provider. Of the monies appropriated to the fund, 25% is set aside for small and rural businesses.		
Funds Expended	2,343,900	5,998,800
Year-End Fund Balance	27,605,400	33,616,300
Nursing Education Demonstration Project Fund (EPA2514/Laws 2005, Chapter 330)		Non-Appropriated
Source of Revenue: General Fund deposits totaling \$4,000,000 annually from FY 2006 through FY 2010 as determined by Laws 2005, Chapter 330. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund. Laws 2009, Chapter 92 extended the lapsing date for these monies from the end of FY 2010 to the end of FY 2015. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: Increase the number of nurses graduating from the state's nursing education programs by increasing the number of qualified nursing education faculty members teaching in nursing degree programs operated by Arizona public universities and community colleges. Monies allocated to the universities shall be administered by the Arizona Board of Regents (ABOR), while monies allocated to the community colleges shall be administered by the Department of Commerce.		
Funds Expended	0	0
Year-End Fund Balance	2,607,200	0
State Lottery Fund (EPA2122/A.R.S. § 5-521)		Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees and interest earning. Laws 2011, 2 nd Special Session, Chapter 1, redirects these revenues to the Arizona Competes Fund beginning in FY 2012. Any monies remaining in this fund at the end of FY 2011 were transferred to the Arizona Commerce Authority Carryover Fund.		
Purpose of Fund: This portion of the fund was used to administer the Commerce and Economic Development Commission.		
Funds Expended	181,400	0
Year-End Fund Balance	63,200	0

Arizona Community Colleges

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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>	<u>97,556,800</u>	<u>33,324,400</u>	<u>35,491,700</u>
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>	<u>34,869,500</u>	<u>35,252,900</u>	<u>27,852,100</u>
Rural County Reimbursement	2,494,800	0	0
Rural County Reimbursement Subsidy	1,000,000	848,800	848,800
Tribal Community Colleges	1,750,000	1,750,000 ^{1/}	1,750,000 ^{1/}
AGENCY TOTAL	<u>137,671,100</u>	<u>71,176,100</u>	<u>65,942,600</u>

FUND SOURCES

General Fund	137,671,100	71,176,100	65,942,600
SUBTOTAL - Appropriated Funds	<u>137,671,100</u>	<u>71,176,100</u>	<u>65,942,600</u>
Other Non-Appropriated Funds	14,199,200	14,979,900	14,979,900
TOTAL - ALL SOURCES	<u>151,870,300</u>	<u>86,156,000</u>	<u>80,922,500</u>

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 Baseline includes \$35,491,700 from the General Fund in FY 2013 for Operating State Aid. FY 2013 adjustments would be as follows:

Enrollment Growth	FY 2013
	GF \$2,167,300

The Baseline 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 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

^{1/} FY 2012 and FY 2013 estimates have been adjusted to reflect revised sales tax collection data.

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.)

District	FY 2010 FTSE	FY 2011 FTSE	Percentage Change
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 Baseline includes no funding from the General Fund in FY 2013 for Capital Outlay State Aid. This amount is unchanged from FY 2012.

The Baseline 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.

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

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

Equalization Aid

The Baseline includes \$27,852,100 from the General Fund in FY 2013 for Equalization Aid. FY 2013 adjustments would be as follows:

Formula Decreases **GF (7,400,800)**

The Baseline 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*.

District	FY 2012	Year-over- Year Change	FY 2013
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 would 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.)

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.

Three districts – Cochise, Graham and Navajo – will generate less equalization aid for FY 2013, as their assessed value grew more quickly (or declined less rapidly) than the rural districts' average. 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 Reimbursement

The Rural County Reimbursement Special Line Item reimburses community college districts for students enrolled from counties that are not a part of an established community college district. The appropriation is funded from the General Fund. Pursuant to A.R.S. § 15-1469.01, the FY 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 Baseline 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 Baseline allocates \$466,000 to Apache and \$382,800 to Greenlee.

Tribal Community Colleges

The Baseline 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 Baseline 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. This estimate is revised each year based on the most recent actual TPT revenues. FY 2012 and FY 2013 estimates have been adjusted to \$1,750,000 because the most recent actual distribution, in FY 2011, was \$1,750,000. The Tohono O'odham Community College also will potentially receive program funding in FY 2013 contingent upon completion of a compact with the Executive that has not been finalized as of this writing.

* * *

FORMAT — District by District Special Line Items

FOOTNOTES

Standard Footnotes

Of the \$848,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County will receive \$466,000 and Greenlee County \$382,800.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend capital outlay funding for FY 2013.
- As session law, continue to notwithstanding the 20% cap to the community college districts' ability to use capital monies for operating.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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. 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 a summary of FY 2012 property tax rates.*)

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.

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%

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.)

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 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%
Coconino	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	<u>70</u>	<u>2,100</u>	<u>16.7%</u>
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.

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.

<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%

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	689,500	696,100
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts. From FY 2002 to FY 2014, the first \$1,000,000 is to be distributed to bring the state into compliance with the matching capital requirements for new community college campuses prescribed in A.R.S. § 15-1463.		
Funds Expended	13,509,700	14,283,800
Year-End Fund Balance	0	0

State Compensation Fund

	CY 2010 ACTUAL	CY 2011 ESTIMATE	CY 2012 BASELINE
FUND SOURCES			
State Compensation Fund	113,900,000	103,200,000	96,400,000
TOTAL - ALL SOURCES	113,900,000	103,200,000	96,400,000

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

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.

SUMMARY OF FUNDS	CY 2010*	CY 2011*
*Represents Calendar Years	Actual	Estimate
State Compensation (TRA9002/A.R.S. § 23-981)		Non-Appropriated
Source of Revenue: Workers’ compensation insurance premiums; investment income, including capital gains; other income.		
Purpose of Fund: To insure employers against liability for workers’ compensation, occupational disease compensation and medical, surgical and hospital benefits pursuant to the provisions of Arizona and federal statutes.		
Funds Expended-Operating	113,900,000	103,200,000
Funds Expended-Dividends and Claims	207,500,000	194,100,000
Year-End Fund Balance	656,300,000	702,300,000

Constable Ethics Standards and Training Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Constable Ethics Standards and Training (CNA2346/A.R.S. § 22-137)		Non-Appropriated
Source of Revenue: Fees collected for every writ served on behalf of a Justice of the Peace.		
Purpose of Fund: 80% to fund constable training, equipment and related grants and 20% to fund operating expenses for the board.		
Funds Expended	188,600	245,300
Year-End Fund Balance	265,200	197,500

Registrar of Contractors

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	144.8	144.8	144.8
Personal Services	3,850,000	5,519,200	5,519,200
Employee Related Expenditures	1,726,300	2,274,500	2,274,500
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	2,168,900
Equipment	79,700	100,300	100,300
OPERATING SUBTOTAL	7,369,700	10,985,100	10,985,100
SPECIAL LINE ITEMS			
Office of Administrative Hearings Costs	534,500	1,017,600	1,017,600
AGENCY TOTAL	7,904,200	12,002,700^{1/}	12,002,700
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Registrar of Contractors Fund	7,904,200	12,002,700	12,002,700
SUBTOTAL - Other Appropriated Funds	7,904,200	12,002,700	12,002,700
SUBTOTAL - Appropriated Funds	7,904,200	12,002,700	12,002,700
Other Non-Appropriated Funds	6,160,400	4,952,200	10,952,200
TOTAL - ALL SOURCES	14,064,600	16,954,900	22,954,900

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

Operating Budget

The Baseline includes \$10,985,100 and 144.8 FTE Positions from the Registrar of Contractors Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Office of Administrative Hearings Costs

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Any transfer to or from the amount appropriated for the Office of Administrative Hearings Costs line item shall require review by the Joint Legislative Budget Committee.

STATUTORY CHANGES

The Baseline would, as session law, continue to allow 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.

^{1/} In addition to these amounts, a total of \$273,400 OF is appropriated in FY 2012 for costs associated with an additional pay period.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Registrar of Contractors Fund (RGA2406/A.R.S. § 32-1107)		Appropriated
Source of Revenue: Monies collected from the examination and licensing of contractors. The agency retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate contractors, and for board administration.		
Funds Expended	7,904,200	12,002,700
Year-End Fund Balance	7,960,700	6,078,400
Residential Contractors' Recovery Fund (RGA3155/A.R.S. § 32-1132)		Non-Appropriated
Source of Revenue: An assessment, not to exceed \$600 per biennial license period, paid by residential contractors and other monies.		
Purpose of Fund: To compensate anyone who is injured by an act, a representation, a transaction, or the conduct of a residential contractor. Compensation for damages to any one individual cannot exceed \$30,000. Laws 2011, Chapter 35 allows up to 14% of prior fiscal year revenue to be used to administer the fund in FY 2012.		
Funds Expended	6,160,400	4,952,200
Year-End Fund Balance	104,000	9,600

Corporation Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	308.3	308.3	308.3
Personal Services	14,068,400	14,326,600	14,326,600
Employee Related Expenditures	5,613,000	5,810,900	5,810,900
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	2,366,800
Equipment	289,800	200,000	200,000
OPERATING SUBTOTAL	23,747,200	23,091,700	23,091,700
SPECIAL LINE ITEMS			
Corporation Filings, Same Day Service	0	400,400	400,400
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000
AGENCY TOTAL	23,747,200	23,872,100^{1/}	23,872,100

FUND SOURCES

General Fund	610,800	511,400 ^{2/}	511,400
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	51,000	49,900	49,900
Investment Management Regulatory and Enforcement Fund	694,000	678,700	678,700
Public Access Fund	5,494,500	5,817,100 ^{2/}	5,817,100
Securities Regulatory and Enforcement Fund	4,219,800	4,217,400	4,217,400
Utility Regulation Revolving Fund	12,677,100	12,597,600 ^{2/}	12,597,600
SUBTOTAL - Other Appropriated Funds	23,136,400	23,360,700	23,360,700
SUBTOTAL - Appropriated Funds	23,747,200	23,872,100	23,872,100
Other Non-Appropriated Funds	35,900	0	0
Federal Funds	1,166,400	940,300	901,600
TOTAL - ALL SOURCES	24,949,500	24,812,400	24,773,700

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

Operating Budget

The Baseline includes \$23,091,700 and 306.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

General Fund	FY 2013 \$511,400
Arizona Arts Trust Fund	49,900
Investment Management Regulatory and Enforcement Fund	678,700

Public Access Fund	5,416,700
Securities Regulatory and Enforcement Fund	4,217,400
Utility Regulation Revolving Fund	12,217,600

These amounts are unchanged from FY 2012.

Corporation Filings, Same Day Service

The Baseline includes \$400,400 and 2 FTE Positions from the Public Access Fund in FY 2013 for Corporation

^{1/} 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.

^{2/} These amounts reflect revised State Lease-Purchase and Rental Rate Adjustments. The original allocations were based on outdated information regarding the fund sources for the commission's lease-purchase and rent payments. These changes align the allocation with the actual fund sources.

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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The \$400,400 appropriated from the Public Access Fund for the Corporation Filings, Same Day Service line item shall revert to the Public Access Fund at the end of FY 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.

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

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2012 Revisions

The Baseline includes no net change for funding lease-purchase/rent payments in FY 2012. The Operating appropriations were reallocated in order to allow the Corporation Commission to fund its lease-purchase/rent from the Public Access Fund and Utility Regulation Revolving Fund. The summary number table has been updated to reflect these changes from the original FY 2012 appropriation:

General Fund	195,000
Public Access Fund	(25,000)
Utility Regulation Revolving Fund	<u>(170,000)</u>
Total	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Arts Trust Fund (CCA3014/A.R.S. § 41-983.01)		Appropriated
Source of Revenue: One-third of the filing fees for the annual report of domestic and foreign corporations.		
Purpose of Fund: For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	51,000	49,900
Year-End Fund Balance*	(52,700)	(104,500)
Federal Fund (CCA2000/A.R.S. § 40-441)		Non-Appropriated
Source of Revenue: U.S. Department of Transportation grants.		
Purpose of Fund: To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	875,100	630,300
Year-End Fund Balance	1,163,300	1,243,800

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants - American Recovery and Reinvestment Act Fund (ARRA) (CCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the commission for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	291,300	310,000
Year-End Fund Balance	21,300	61,300
IGA and ISA Fund (CCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	5,800	5,800
Investment Management Regulatory and Enforcement Fund (CCA2404/A.R.S. § 44-3298)		Appropriated
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
Purpose of Fund: For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	694,000	678,700
Year-End Fund Balance	740,000	1,931,200
Pipeline Safety Revolving Fund (CCA2174/A.R.S. § 40-443)		Appropriated
Source of Revenue: Revenues from civil penalties and fines assessed for the violation of any law, rule, or order pertaining to the safety of the transportation of gas and hazardous liquids, and pipeline facilities.		
Purpose of Fund: For expenses associated with gas and hazardous liquids pipeline facilities safety, including public education, training, purchasing equipment, and inspections.		
Funds Expended	0	0
Year-End Fund Balance	144,200	144,200
Public Access - Money on Deposit Account (CCA2334/A.R.S. § 10-122.01)		Non-Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To segregate unearned revenues received from customers from the overall Public Access Fund. Customers deposit funds pending their use for filing documents or for obtaining specialized listings from the public database. Once earned, the funds are then transferred to the Public Access Fund.		
Funds Expended	0	0
Year-End Fund Balance	365,800	489,000
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To cover a part of the commission's administrative and legal expenses as well as costs associated with an improved data processing system that allows direct, on-line access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	5,494,500	5,817,100
Year-End Fund Balance	2,041,700	918,400
Securities Regulatory and Enforcement Fund (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	4,219,800	4,217,400
Year-End Fund Balance	1,295,900	1,224,300

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grant monies from the Investor Protection Trust, a private trust which collects monies from monies levied on companies engages in insider securities trading.		
Purpose of Fund: For public awareness campaigns mostly directed toward the elderly.		
Funds Expended	21,900	0
Year-End Fund Balance	0	0
Utility Siting Fund (CCA2076/A.R.S. § 40-360.09)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Commission for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Commission in connection with the activities of the commission.		
Funds Expended	14,000	0
Year-End Fund Balance	60,500	60,500
Utility Regulation Revolving Fund (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the division.		
Funds Expended	12,677,100	12,597,600
Year-End Fund Balance	6,547,700	4,662,000

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

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	10,015.2
Correctional Officer Personal Services	275,488,900	313,933,900	313,933,900
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	416,143,700
Employee Related Expenditures	169,963,800	195,040,800	195,040,800
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	28,293,800	16,847,800	16,847,800
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	99,104,600
Equipment	10,543,100	5,900,000	5,900,000
Non-Health Care Operating Subtotal	132,871,000	158,609,100	158,609,100
OPERATING SUBTOTAL	754,958,200	864,651,000	864,651,000
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 Conversation	0	5,750,000	0
AGENCY TOTAL	931,055,800	998,837,700 ^{1/}	992,287,600
FUND SOURCES			
General Fund	899,401,700	948,188,600	947,388,500
<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
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
State Education Fund for Correctional Education	409,000	503,500	503,500
Transition Program Fund	180,000	930,000	930,000
Transition Services Fund	555,000	2,555,000	2,555,000
SUBTOTAL - Other Appropriated Funds	31,654,100	50,649,100	44,899,100
SUBTOTAL - Appropriated Funds	931,055,800	998,837,700	992,287,600
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	1,063,927,700	1,050,235,600

^{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.

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.

Summary

ADC’s FY 2013 General Fund Baseline spending would decrease by \$(800,100), or (0.1)%. The Baseline includes:

- A decrease of \$(800,100) to remove one-time FY 2012 leap year funding.
- No adjustment for adding private prison beds as the department has withdrawn its Request for Proposals (RFP) for 5,000 private prison beds and plans to seek funding for 2,000 private prison beds to be opened in FY 2014 and for 500 maximum-security state beds to be opened in FY 2015.
- No adjustment for transferring prisoners with ADC sentences of less than a year to the counties, pending further information.

Operating Budget

The Baseline includes \$864,651,000 and 10,015.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$848,248,700
Alcohol Abuse Treatment Fund	554,400
Prison Construction and Operations Fund	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	503,500
Transition Program Fund	930,000
Transition Services Fund	2,555,000

These amounts are unchanged from FY 2012.

Private Prison Per Diem

The Baseline 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, 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. A total of 2,000 of these were anticipated to open in FY 2013. (Please see “Proposed Additional Beds” below for further details on the department’s plan.)

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

Leap Year Costs

The Baseline includes no funding in FY 2013 for leap year costs. FY 2013 adjustments would be as follows:

Remove One-Time Funding GF (800,100)

The Baseline includes a decrease of \$(800,100) from the General Fund in FY 2013 to eliminate one-time FY 2012 costs. Because FY 2012 will include an extra day for 2012’s leap year, certain costs paid by the department on a per diem basis such as private prison per diem increased by one day in FY 2012 and will decrease again in FY 2013.

Narrowband Radio Conversion

The Baseline includes no funding in FY 2013 for Narrowband Radio Conversion costs. FY 2013 adjustments would be as follows:

Remove One-Time Funding OF (5,750,000)

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Before altering its bed capacity by closing state-operated prison beds or canceling or not renewing contracts for privately-operated prison beds, the State Department of Corrections shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee.

Before placing any 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.

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.

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.

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

Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$503,500, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

New Footnotes

The appropriation provides for 38,706 on-going funded beds. This estimate is prior to any adjustments due to the transfer of prisoners under the provisions of Laws 2011, First Regular Session, Chapter 33. 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.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to require 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.
- As session law, continue to allow ADC to use the Transition Program Fund, the Transition Services Fund, and the Interagency Services Agreement Fund to be used for agency operations.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Bed Shortfall/Surplus

In evaluating the size of the department's bed shortfall or surplus, there are several variables:

- Definition of bed capacity
- Inmate growth rate
- Policy decisions

Definition of Bed Capacity: The department has 38,706 "funded" beds in FY 2012. 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 37,239 as of November 2011.
- 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, and mental health observation or medical inpatient care. This number is 44,004 as of November 2011.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification), which further complicates the evaluation of bed surpluses and shortfalls. As a result, the Baseline recommends 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 for recommended footnote.*)

Inmate Growth Rate: There is uncertainty regarding inmate growth. The inmate population has been essentially flat or shown a slight decline over the past 24 months. That compares with monthly inmate growth rates that have averaged 106 over the past 10 years and have approached 200 inmates per month. These unpredictable growth rates in the short term make forecasting bed needs difficult. The Baseline assumes that the inmate population will remain flat at the November 30, 2011 level of 40,027 through the end of FY 2013.

Policy Decisions: The bed shortfall or surplus figure would be further-modified with the addition of any new private

prison beds and the transfer of persons serving sentences of less than a year at ADC to county jails (*see below*). Both those provisions will affect capacity as well as the demographic nature of the prison population (i.e., persons at each security classification compared to available beds at each security classification).

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 beds not originally designed when the facility was constructed (e.g., placing 48 inmates in a prison wing designed for 24 by “double-bunking” beds). This funded bed shortfall has reached levels of more than (3,700) in the past.

At the end of FY 2012, assuming that the population remains flat through the end of FY 2013, the ADC bed shortfall is expected to be (1,321). This FY 2013 figure does not reflect potential changes from the implementation of the county jail less-than-a-year sentencing policy. In addition, bed shortfall estimates may vary by level of security (e.g., minimum, medium, maximum). As noted above, the average monthly population growth over the past 10 years has been 106. If the department’s prisoner population grew at that rate for the rest of FY 2012 and FY 2013, the FY 2013 bed shortfall would be (3,335).

Proposed Additional Beds

The FY 2010 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 6) required ADC to issue an RFP and enter into a contract for 5,000 private prison beds by June 30, 2010. The department rescinded its initial RFP after inmates escaped from a private prison in Kingman in late summer 2010 and reissued it in February 2011.

On December 22, 2011, the department announced that it was withdrawing the RFP, citing the flat caseload of the past couple years. It said it would issue a new RFP soliciting bids for 2,000 private prison beds for minimum and medium security inmates to open in FY 2014 as well as seeking funding to construct 500 state-run maximum security beds to open in FY 2015.

The department cites A.R.S. § 41-1609 as the authority to issue the RFP for the 2,000 beds. Legislative authority, however, is typically given for private prison projects; the 2,000-bed expansion at Kingman was authorized by Laws 2007, Chapter 261 and the 1,000 beds at “Florence II” was authorized by Laws 2003, 2nd Special Session, Chapter 5. Given the requirement to contract for 5,000 beds, ADC’s proposal would include repealing that provision in the FY 2010 Criminal Justice BRB.

Sentences of Less Than a Year and County Jails

The FY 2012 Criminal Justice BRB (Laws 2011, Chapter 33) requires persons convicted of a crime after July 1, 2012 and receiving a sentence of less than 1 year at ADC to serve that sentence in county jails. If convicted prior to

Fiscal Year-End “Funded” Bed Count			
	FY 2011	FY 2012	FY 2013
	Actual	Year End	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/}	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
New Beds ^{2/}	0	0	0
Temporary Beds (\$12.60-22.00)	608	608	608
Subtotal ^{2/}	6,458	6,458	6,458
Total – All Beds	38,706	38,706	38,706
Population ^{3/}	40,191	40,027	40,027
Bed Surplus / (Shortfall) (June)	(1,485)	(1,321)	(1,321)
Bed Surplus / (Shortfall) (% of Beds)	(4.6)%	(4.1)%	(4.1)%

^{1/} Reflects ADC adding 5,000 (as opposed to the 4,000) public prison beds authorized by Laws 2007, Chapter 261.
^{2/} Does not reflect any of the additional 5,000 private prison beds authorized by Laws 2009, 3rd Special Session, Chapter 6.
^{3/} Assumes no population growth in the last 7 months of FY 2012 and all of FY 2013.

July 1, 2012, that category of inmates would serve the remainder of their term at ADC and counties would reimburse the state for those costs.

The department was required to submit to JLBC its proposed schedule of charges to counties for these incarceration costs by December 31, 2011. On August 31, 2011, the department sent a letter to each county sheriff informing them that the department would charge \$55.59 per inmate per day (or \$20,290 per year). County sheriffs are required to notify ADC by February 1, 2012 if they plan to house prisoners or if they will reimburse ADC for the costs of housing them. ADC is required to present its plan for FY 2013 budget savings from reduced bed usage and marginal costs to JLBC by March 1, 2012.

It is uncertain whether counties will choose to house prisoners on their own or reimburse ADC for housing them effective July 1, 2012. The ability of the department to generate significant savings from reduced expenditures depends on how many and which counties choose to house their own prisoners. Due to this uncertainty, the Baseline does not include a General Fund savings level associated with this policy. The results of the ADC plan due March 1 will be considered in developing a final ADC budget during session.

Agency Resources

The department may have significant resources at its disposal to address potential FY 2013 costs. These resources include:

- **Unused Budget Capacity:** In FY 2011, the department reverted more than \$49,000,000 of its \$980,290,900 appropriation, including \$37,235,700 from the General Fund, \$6,006,900 from the Corrections Fund, and \$4,000,000 from the Prison Construction and Operations Fund. These surpluses may be available again in FY 2012 and FY 2013.
- **Fund Balances:** The FY 2013 reduction of appropriations associated with the FY 2012 one-time Narrowband Radio Conversion project may result in sufficient balances, particularly in the Prison Construction and Operations Fund, in FY 2013. In addition, counties will need to pay the department for the costs of housing prisoners already in the ADC system and subject to the “less than a year” requirements on July 1, 2012.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)		Appropriated
Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses. The average charge for inmate labor is \$0.75 per hour.		
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
Funds Expended	0	554,400
Year-End Fund Balance	704,900	643,000
Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. Laws 2011, Chapter 33 also authorized an annual \$1,000,000 transfer into the newly created Department of Corrections Building Renewal Fund.		
Funds Expended	31,669,600	34,267,000
Year-End Fund Balance	4,180,700	3,419,600
Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)		Non-Appropriated
Source of Revenue: A portion (30%) of a monthly supervision fee of at least \$65 paid by the prisoner. The departments may require payment of a lesser amount.		
Purpose of Fund: To pay for costs related to community corrections.		
Funds Expended	18,100	100,000
Year-End Fund Balance	341,700	134,200
Corrections Donations Fund (DCA3147/A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Private grants and monies received from the disposal of donated properties.		
Purpose of Fund: To be used as specified by the particular donation.		
Funds Expended	65,400	66,000
Year-End Fund Balance	1,400	1,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Corrections Fund (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: For the construction, major maintenance, lease, purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities.		
Funds Expended	23,010,700	27,517,600
Year-End Fund Balance	4,583,100	4,965,600
Criminal Justice Enhancement Fund (DCA2035/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Beginning in FY 2010, these monies are no longer allocated through ADC.		
Purpose of Fund: For distribution to counties for the training of detention officers, county jail operational enhancement, and ADC administrative expenses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)		Appropriated
Source of Revenue: Monies transferred annually from the following funds: Inmate Store Proceeds Fund (\$500,000), Special Services Fund (\$500,000), and Arizona Correctional Industries Revolving Fund (\$1,000,000). Also includes monies from a visitation background check fee and a 1% fee on inmate deposits.		
Purpose of Fund: For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (DCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	11,690,600	11,543,500
Year-End Fund Balance	128,800	71,000
Federal Grants - American Recovery and Reinvestment Act (ARRA) (DCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for 6 capital improvement projects in FY 2011. Previous one-time distributions were used for Correctional Officer Personal Services.		
Funds Expended	320,500	6,231,700
Year-End Fund Balance	6,700	0
Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay department-wide administrative and overhead costs.		
Funds Expended	710,600	1,018,900
Year-End Fund Balance	944,400	673,700
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Non-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. Laws 2011, Chapter 33 also authorized an annual \$500,000 transfer into the newly created Department of Corrections Building Renewal Fund.		
Funds Expended	5,200	4,500,800
Year-End Fund Balance	422,400	3,766,600

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	107,700	135,000
Year-End Fund Balance	7,800	4,500
Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
Funds Expended	0	1,979,200
Year-End Fund Balance	1,608,700	918,700
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	7,499,400	13,249,400
Year-End Fund Balance	5,413,100	4,490,400
Prisoner Spendable Accounts Fund (DCA2428/A.R.S. § 31-230)		Non-Appropriated
Source of Revenue: Monies received by a prisoner and that are not required to be deposited into another account.		
Purpose of Fund: To pay court-ordered restitution pursuant to A.R.S. § 13-603. Each month, a minimum of 20%, or the balance owed on the restitution amount, up to a maximum of 50% of the monies available in the prisoner's spendable account.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Special Services Fund (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
Source of Revenue: Profits from canteens, hobby shops, and commissions on telephone service.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. Laws 2011, Chapter 33 also authorized an annual \$500,000 transfer into the newly created Department of Corrections Building Renewal Fund.		
Funds Expended	2,564,800	4,926,000
Year-End Fund Balance	2,878,400	1,627,400
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Partially-Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.		
Appropriated Funds Expended	0	3,360,000
Non-Appropriated Funds Expended	274,300	0
Year-End Fund Balance*	2,002,200	(379,800)

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)		Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
Funds Expended	2,647,100	2,301,100
Year-End Fund Balance	1,441,900	498,100
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	409,000	503,500
Year-End Fund Balance	855,600	329,900
State Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-776)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	200	200
Temporary Transaction Privilege and Use Tax - 1% Fund (DCA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund. (For FY 2011, the General Accounting Office reported as of August 2011 that the Department of Education received \$576,697,200 and that the Department of Corrections, Arizona Health Care Cost Containment System (AHCCCS), Department of Economic Security, and Department of Health Services each received \$72,087,200.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Transition Program Fund (DCA2379/A.R.S. § 31-284)		Appropriated
Source of Revenue: A 5% allocation of wages earned from inmates who earn at least \$2.00 per hour.		
Purpose of Fund: To pay for costs related to the administration of the transition program and for transition program services. Prior to Laws 2010, 2 nd Regular Session, Chapter 54, this fund was known as the Transition Office Fund.		
Funds Expended	180,000	930,000
Year-End Fund Balance	1,166,600	930,700
Transition Services Fund (DCA2383/A.R.S. § 31-286)		Appropriated
Source of Revenue: Cost savings resulting from implementation of a transition drug treatment program.		
Purpose of Fund: To be distributed to entities that provide transition services to nonviolent offenders. Prior to Laws 2010, 2 nd Regular Session, Chapter 54, this fund was known as the Transition Program Drug Treatment Fund.		
Funds Expended	555,000	2,555,000
Year-End Fund Balance	1,626,200	828,900

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

Board of Cosmetology

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	299,500	299,500
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	1,742,100^{1/}	1,742,100

FUND SOURCES

Other Appropriated Funds

Board of Cosmetology Fund	1,698,700	1,742,100	1,742,100
SUBTOTAL - Other Appropriated Funds	1,698,700	1,742,100	1,742,100
SUBTOTAL - Appropriated Funds	1,698,700	1,742,100	1,742,100
TOTAL - ALL SOURCES	1,698,700	1,742,100	1,742,100

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

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The Baseline includes \$1,742,100 and 24.5 FTE Positions from the Board of Cosmetology Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Cosmetology Fund (CBA2017/A.R.S. § 32-505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of cosmetologists, salons, and cosmetology schools. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate cosmetologists, salons, and cosmetology schools, and for board administration.		
Funds Expended	1,698,700	1,742,100
Year-End Fund Balance	2,059,900	2,969,300

^{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.

Arizona Criminal Justice Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	145,600	145,600
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	56,500
Equipment	15,500	27,400	27,400
OPERATING SUBTOTAL	706,100	859,400	859,400
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	5,625,500^{1/}	5,625,500

FUND SOURCES

Other Appropriated Funds

Criminal Justice Enhancement Fund	577,600	624,700	624,700
Drug and Gang Prevention Resource Center Fund	128,500	234,700	234,700
State Aid to County Attorneys Fund	973,600	973,600	973,600
State Aid to Indigent Defense Fund	700,300	0	0
Victim Compensation and Assistance Fund	3,093,500	3,792,500	3,792,500
SUBTOTAL - Other Appropriated Funds	5,473,500	5,625,500	5,625,500
SUBTOTAL - Appropriated Funds	5,473,500	5,625,500	5,625,500
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	27,833,300	21,904,000

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.

Operating Budget

The Baseline includes \$859,400 and 8 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
CJEF	\$624,700
Drug and Gang Prevention Resource Center Fund	234,700

These amounts are unchanged from FY 2012.

State Aid to County Attorneys

The Baseline 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

^{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.

based on a composite index formula using Superior Court felony filings and county population.

State Aid to Indigent Defense

The Baseline 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. While the use of these monies in DPS was one-time, Chapter 308 did not indicate whether the Indigent Defense appropriation was to be restored to ACJC in FY 2013. As a result, these monies will remain the fund balance.

Victim Compensation and Assistance

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring reporting the intended use of All State Aid to Indigent Defense Fund receipts received in excess of \$700,300 in FY 2013 to the Joint Legislative Budget Committee.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
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Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)

Appropriated

Source of Revenue: A 1.57% allocation of the Criminal Justice Enhancement Fund (CJEF). (See below for additional information on statewide CJEF maintained in the Treasurer's Office but shown under ACJC as Arizona Revised Statute requires the commission to annually report on CJEF.) CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

Purpose of Fund: To cover the operating costs of ACJC.

Funds Expended	577,600	624,700
Year-End Fund Balance	1,340,600	2,588,300

Criminal Justice Enhancement Fund (JCA2134/A.R.S. § 41-2401)

Partially-Appropriated

Source of Revenue: A 47% penalty on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.

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

	<u>FY 2011</u>	<u>FY 2012</u>	<u>% of CJEF</u>	<u>Approp.</u>
Funds Transferred ^{1/2/}				
Attorney General				
AZ Prosecuting Attorneys Advisory Council (4)	1,324,600	1,298,700	3.03	no
County Attorneys (7)	4,087,300	4,007,500	9.35	no
Victim's Rights Implementation (13)	3,357,300	3,291,800	7.68	yes ^{3/}
AZ Criminal Justice Commission				
Operation Costs (10)	686,300	672,900	1.57	yes
Victim Compensation (14)	2,012,200	1,971,600	4.60	yes ^{3/}
Department of Public Safety				
Crime Lab Assessment Fund (12)	1,005,400	985,800	2.30	yes ^{3/}
DNA Identification System (6)	559,500	557,200	1.30	yes ^{3/}
Fingerprinting Identification System (1)	2,824,000	2,768,800	6.46	yes
Peace Officers' Training Fund (3)	7,274,100	7,132,100	16.64	no
State/Local Grants (6)	3,182,400	3,111,700	7.26	^{4/}
Department of Juvenile Corrections (2)	703,800	690,100	1.61	yes
State Treasurer				
County Sheriffs (9)	5,132,700	5,014,800	11.70	no
Supreme Court				
Case Processing (8)	2,631,600	2,580,300	6.02	yes
Juvenile Crime (5)	4,089,300	4,007,500	9.35	yes
Community Punishment Program (15)	931,100	912,900	2.13	yes
General Fund (11)	<u>3,934,300</u>	<u>3,857,500</u>	9.00	no
Total Funds Transferred	43,735,900	42,861,200		

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

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

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

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

Driving Under the Influence Abatement Fund (JCA2422/A.R.S. § 28-1304)

Non-Appropriated

Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater.

Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The ACJC staffs the Council. The Arizona Department of Transportation and the Department of Public Safety receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification. On October 1, 2011 this fund was moved to the Governor's Office of Highway Safety.

Funds Expended	0	0
Year-End Fund Balance	520,200	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Drug and Gang Enforcement Account (JCA2134/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Drug fees and fines (A.R.S. § 13-811), selected Superior Court fees (A.R.S. § 12-284), and local matching funds.		
Purpose of Fund: To make grants in amounts not to exceed the percentages shown to enhance efforts to prosecute (50%), adjudicate (30%), and punish (30%) drug offenders and members of criminal street gangs, as well as to enhance investigations and education programs relating to drug and gang activities (50%), and to improve criminal justice records integration (30%).		
Funds Expended	4,036,900	3,941,800
Year-End Fund Balance	302,900	425,600
Drug and Gang Prevention Resource Center Fund (JCA2280/A.R.S. § 41-2402)		Appropriated
Source of Revenue: 1.31% of fee collections and filings in the Superior Court, 1.31% of notary bond fees, and public and private gifts or grants, excluding federal monies.		
Purpose of Fund: To fund the Arizona Youth Survey, a statutorily required survey of 8th, 10th, and 12th grade students in schools across Arizona. The survey measures alcohol and drug use, gang affiliation, and weapons within schools.		
Funds Expended	128,500	234,700
Year-End Fund Balance	0	0
Federal Grants (JCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Revenue from Federal grants.		
Purpose of Fund: To improve the criminal justice records system in Arizona; to fund state and local correction and detention agencies' substance abuse programs for incarcerated offenders; and to provide support dealing with criminal justice issues.		
Funds Expended	4,203,500	14,986,800
Year-End Fund Balance	11,735,400	7,407,900
Federal Grants - American Recovery and Reinvestment Act (ARRA) (JCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the commission for criminal justice related purposes.		
Funds Expended	11,033,900	3,279,200
Year-End Fund Balance	3,258,200	0
State Aid to County Attorneys Fund (JCA2443/A.R.S. § 11-539)		Appropriated
Source of Revenue: Legislative appropriations, a 15.44% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 21.61% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county attorneys to improve the processing of criminal cases in the Superior and Justice Courts. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population.		
Funds Expended	973,600	973,600
Year-End Fund Balance	50,400	96,500
State Aid to Indigent Defense Fund (JCA2445/A.R.S. § 11-588)		Appropriated
Source of Revenue: Legislative appropriations, a 14.66% allocation of a 7% penalty assessment on fines, penalties and forfeitures imposed by the courts for criminal and civil motor vehicle violations, and a 20.53% allocation of a 5% portion of fines and fees collected by the Supreme Court and Court of Appeals.		
Purpose of Fund: To provide state aid to county public defenders, legal defenders and contract indigent counsel for the processing of criminal cases. ACJC administers the fund and distributes the monies to each county based on a composite index formula using felony filings and population. Pursuant to Laws 2011, Chapter 308 all monies allocated in FY 2012 to this fund are transferred to the Department of Public Safety's Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement subaccount.		
Funds Expended	700,300	0
Year-End Fund Balance	115,300	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Victim Compensation and Assistance Fund (JCA2198/A.R.S. § 41-2407)		Appropriated
<p>Source of Revenue: The fund consists of 2 sub-accounts. The Victim Compensation sub-account receives a 4.6% distribution from CJEF, monies collected from a 10% assessment of a working prisoner's gross compensation, and unclaimed restitution. The Victim Assistance sub-account receives revenue derived from community supervision fees and interstate compact fees. Following a 2006 court settlement which resulted in a \$2,900,000 deposit into the fund, the annual fund appropriation was increased by \$300,000 to spend down the settlement monies. At this rate the settlement monies would provide an increased level of program funding through FY 2012.</p> <p>Purpose of Fund: To establish, maintain and support programs that compensate and assist victims of crime.</p>		
Funds Expended	3,093,500	3,792,500
Year-End Fund Balance	2,881,500	1,674,500

Arizona State Schools for the Deaf and the Blind

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
PROGRAM BUDGET			
Administration/Statewide Programs	4,138,400	3,587,000	3,587,000
Phoenix Day School for the Deaf	8,547,500	9,613,100	10,227,500
Preschool/Outreach Programs	4,034,800	5,412,400	5,412,400
Regional Cooperatives	848,700	797,500	797,500
Tucson Campus	16,336,200	14,001,800	14,001,800
AGENCY TOTAL	33,905,600	33,411,800	34,026,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	572.2	572.2	572.2
Personal Services	17,838,000	17,578,200	17,578,200
Employee Related Expenditures	8,055,200	9,068,800	9,068,800
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	2,984,400
Equipment	1,061,400	1,237,000	1,237,000
OPERATING SUBTOTAL	33,167,600	32,673,800	32,673,800

SPECIAL LINE ITEMS

School Bus Replacement	738,000	738,000	738,000
Voucher Fund Adjustment	0	0	614,400
AGENCY TOTAL	33,905,600	33,411,800^{1/}	34,026,200

FUND SOURCES

General Fund	21,511,200	20,686,300	20,686,300
<u>Other Appropriated Funds</u>			
Schools for the Deaf and the Blind Fund	12,394,400	12,725,500	13,339,900
SUBTOTAL - Other Appropriated Funds	12,394,400	12,725,500	13,339,900
SUBTOTAL - Appropriated Funds	33,905,600	33,411,800	34,026,200
<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	55,727,700	56,342,100

AGENCY DESCRIPTION — The Arizona State Schools for the Deaf and the Blind (ASDB) provides comprehensive educational programs for sensory impaired students from birth to age 22. ASDB has 2 main campuses, a day school in Phoenix and a residential campus in Tucson, as well as a diagnostic center in Tucson, satellite preschools in the Tucson and Phoenix Metropolitan areas, and 5 regional offices from which cooperative programs with school districts are operated. ASDB also serves 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.

Operating Budget

The Baseline includes \$32,673,800 in FY 2013 for the operating budget. This amount consists of:

	FY 2013
General Fund	\$19,948,300
Schools for the Deaf and the Blind Fund	12,725,500

These amounts are unchanged from FY 2012.

^{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.

Assistive Technology Devices GF 0

The Baseline 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 OF 0

The Baseline maintains funding in FY 2013 for the preschool program at the Foundation for Blind Children at the previously appropriated level of \$1,054,100.

School Bus Replacement

The Baseline 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 Baseline includes \$614,400 from the Schools for the Deaf and the Blind Fund in FY 2013 for a Voucher Fund Adjustment. FY 2013 adjustments would be as follows:

Enrollment Growth OF 614,400

The Baseline includes an increase of \$614,400 from the ASDB Fund in FY 2013 for enrollment growth. This assumes that ASDB will receive \$13,339,900 in special education voucher funding for FY 2013 under current JLBC Staff enrollment projections, 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.

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FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

Before the expenditure of any Arizona State Schools for the Deaf and the Blind Fund monies in excess of \$13,339,900 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
ASDB Classroom Site Fund (SDA2486/A.R.S. § 15-1305)		Non-Appropriated
Source of Revenue: Monies transferred to the fund pursuant to A.R.S. § 15-1305 from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Funding level is determined by the "Group A" and "Group B" weighted student count, as specified in A.R.S. § 15-943.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	1,589,900	1,762,300
Year-End Fund Balance	805,500	505,500
Enterprise Fund (SDA4222/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from fees, rentals, and other charges from the non-school use of facilities.		
Purpose of Fund: To defray the costs of operating those facilities (i.e. auditorium).		
Funds Expended	66,600	105,500
Year-End Fund Balance	189,200	180,700

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants (SDA2000/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: Federal grants - Title I aid to schools; vocational rehabilitation; National School Lunch and Breakfast programs; Arizona deaf-blind project; preschool services; and Arizona Early Intervention program.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	2,688,100	3,669,400
Year-End Fund Balance	848,300	127,800
IGA and ISA Fund (SDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	0	0
Year-End Fund Balance	0	0
Instructional Improvement Fund (SDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	27,900	243,300
Year-End Fund Balance	0	0
Non-Federal Grants (SDA2011/A.R.S. § 15-1303)		Non-Appropriated
Source of Revenue: "Direct Services Claiming" (DSC) reimbursements and grants by private corporations and other state agencies.		
Purpose of Fund: To reimburse ASDB for DSC-related expenditures and to accomplish specific projects of interest to the donor and ASDB.		
Funds Expended	24,800	32,900
Year-End Fund Balance	16,800	12,700
Regional Cooperatives Fund (SDA4221/Laws 1987, Chapter 363)		Non-Appropriated
Source of Revenue: Monies in the fund come from special education voucher funds as well as tuition and fees that school districts pay to ASDB in order to reimburse it for costs of providing services to their students.		
Purpose of Fund: The Regional Cooperative Fund is used to support ASDB's Regional Cooperatives program, which provides educational services to sensory impaired pupils who attend school at their local school districts rather than at an ASDB campus.		
Funds Expended	16,267,000	16,327,500
Year-End Fund Balance	3,559,100	1,891,000
Schools for the Deaf and the Blind Fund (SDA2444/A.R.S. § 15-1304)		Appropriated
Source of Revenue: "Special Education Fund" monies that ASDB receives from the Arizona Department of Education under the formula prescribed in A.R.S. § 15-1204. This formula is based on the number of pupils attending ASDB and the various special education "Group B" funding categories that those pupils qualify for under A.R.S. § 15-943(2b). This fund also receives expendable land endowment earnings pursuant to A.R.S. § 15-1304 and over-age and non-resident tuition income pursuant to A.R.S. § 15-1345.		
Purpose of Fund: To cover the cost of educating students receiving special education services at ASDB.		
Funds Expended	12,394,400	12,725,500
Year-End Fund Balance	719,000	441,500
Trust Fund (SDA3148/A.R.S. § 15-1323)		Non-Appropriated
Source of Revenue: Monies received from private endowment, which are outside the control of the State Treasurer and are held by the ASDB Board.		
Purpose of Fund: Spent at the discretion of ASDB.		
Funds Expended	136,200	175,000
Year-End Fund Balance	16,800	0

Commission for the Deaf and the Hard of Hearing

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	278,100	278,100
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	2,103,100
Equipment	169,700	219,400	219,400
AGENCY TOTAL	3,243,500	3,745,700^{1/}	3,745,700

FUND SOURCES

Other Appropriated Funds

Telecommunication Fund for the Deaf	3,243,500	3,745,700	3,745,700
SUBTOTAL - Other Appropriated Funds	3,243,500	3,745,700	3,745,700
SUBTOTAL - Appropriated Funds	3,243,500	3,745,700	3,745,700
TOTAL - ALL SOURCES	3,243,500	3,745,700	3,745,700

AGENCY DESCRIPTION — The agency acts as an information and referral resource for the deaf and the hard of hearing and provides educational materials to the general public. The agency also administers a statewide telephone access program, the Telecommunication Devices for the Deaf (TDD) Relay Program. The agency licenses interpreters for the deaf and the hard of hearing. The agency is supported by the Telecommunication Fund for the Deaf, which derives monies from the Telecommunication Services Excise Tax.

Operating Budget

* * *

The Baseline includes \$3,745,700 and 15 FTE Positions from the Telecommunication Fund for the Deaf in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Private Grants (DFA2423/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grant from St. Luke's Health Initiatives and grants from the Arizona Community Foundation.		
Purpose of Fund: To develop an action plan for a mental health services network for the hearing impaired. The grant from the Arizona Community Foundation is used to research and review a state model to provide hearing aids to state residents. The grant is also to be used to study the needs of Native Americans who are deaf, hard of hearing, blind, or speech impaired.		
Funds Expended	0	0
Year-End Fund Balance	53,900	53,900
Telecommunication Fund for the Deaf (DFA2047/A.R.S. § 36-1947)		Appropriated
Source of Revenue: Telecommunications Services Excise Tax, which is a 1.1% surcharge on local telephone bills.		
Purpose of Fund: To operate the Arizona Relay System, support community outreach and education, purchase, repair, and distribute telecommunication devices for the deaf, hard of hearing, blind, and speech impaired, and operating costs of the commission.		
Funds Expended	3,243,500	3,745,700
Year-End Fund Balance	3,256,100	3,145,900

^{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.

State Board of Dental Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	144,400	144,400
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	1,183,800^{1/}	1,183,800

FUND SOURCES

<i>Other Appropriated Funds</i>			
Dental Board Fund	1,004,200	1,183,800	1,183,800
SUBTOTAL - Other Appropriated Funds	1,004,200	1,183,800	1,183,800
SUBTOTAL - Appropriated Funds	1,004,200	1,183,800	1,183,800
TOTAL - ALL SOURCES	1,004,200	1,183,800	1,183,800

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

Operating Budget

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The Baseline includes \$1,183,800 and 11 FTE Positions from the Dental Board Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Dental Board Fund (DXA2020/A.R.S. § 32-1212)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of dentists, denturists, dental hygienists, and dental assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate dentists, denturists, dental hygienists, and dental assistants, and for board administration.		
Funds Expended	1,004,200	1,183,800
Year-End Fund Balance	1,600,100	1,981,000

^{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.

Arizona Early Childhood Development and Health Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	113,840,200	150,002,600	140,135,000
TOTAL - ALL SOURCES	113,840,200	150,002,600	140,135,000

AGENCY DESCRIPTION — As authorized by a 2006 ballot initiative, the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents a pack cigarette tax, plus taxes on other tobacco products. The board funds early childhood development programs and services for children prior to kindergarten and their families.

Background

Early Childhood Development and Health Fund

Revenues from the tax are deposited into the Early Childhood Development and Health (ECDH) Fund and go into 2 accounts: 90% of funds are allocated to the Program Account and 10% of funds to the Administrative Costs Account.

Of the funding in the Program Account, approximately 10% (or 9% of the statewide total) may be spent on statewide programs with the remaining funds allocated to the Regional Councils (81% of the statewide total). Of this amount, 60.8% is allocated to the various regions based on the population aged 5 and under and the population under 5 living below the poverty line. Another 20.2% is set aside as discretionary regional monies.

Monies in the fund are to be used for 1 or more of the following 6 purposes: 1) Improve the quality of ECDH programs; 2) Increase access to quality ECDH programs; 3) Increase access to preventive health care and health screenings for children through age 5; 4) Offer parent and family support and education concerning early childhood

development and literacy; 5) Provide professional development and training for ECDH providers; and 6) Increase coordination of ECDH programs and public information about the importance of ECDH. The ECDH Fund is not subject to legislative appropriation.

During FY 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 \$150,002,600. Of this FY 2012 spending amount, \$135,870,000 and \$14,132,600 will be from the Program Account and the Administrative Account, respectively.

The above expenditures leave the fund with a projected balance of \$423,512,600 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		Non-Appropriated
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative in the 2006 election.		
Funds Available		
Balance Forward	421,397,200	442,436,000
Revenue:		
Administrative Costs Account	13,376,300	12,960,000
Program Account	120,378,000	116,640,000
Other (Donations/Grants/Federal Funds)	1,124,700	1,479,200
Total Funds Available	556,276,200	573,515,200
Expenditures:		
Administrative Expenditures	14,027,500	14,132,600
Programmatic Expenditures	98,691,500	135,870,000
Other (Donations/Grants/Federal Funds)	1,121,200	0
Total Funds Expended	113,840,200	150,002,600
Year-End Fund Balance	442,436,000	423,512,600

Department of Economic Security

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,473.4	5,473.4	5,473.4
Personal Services	108,523,900	126,398,700	126,398,700
Employee Related Expenditures	51,265,500	59,791,800	59,791,800
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	63,679,400
Equipment	8,731,200	8,548,700	8,548,700
OPERATING SUBTOTAL	251,529,600	283,148,400	283,148,400
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	18,577,500	21,338,400	21,338,400
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
Benefits and Medical Eligibility			
TANF Cash Benefits	66,347,500	44,999,400	44,999,400
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
CPS Emergency and Residential Placement	23,718,100	24,001,700	24,001,700
Foster Care Placement	21,132,200	23,112,600	23,112,600
Independent Living Maintenance	2,369,500	2,719,300	2,719,300
Permanent Guardianship Subsidy	11,202,500	8,815,300	8,815,300
Adoption Services	59,680,800	57,744,600	57,744,600
Developmental Disabilities			
Case Management - Medicaid	38,246,300	37,857,200	37,857,200
Home and Community Based Services - Medicaid	587,484,900	710,061,800	706,191,700
Institutional Services - Medicaid	17,362,600	19,307,300	19,225,100
Medical Services	120,582,800	138,932,800	138,153,000
Arizona Training Program at Coolidge - Medicaid	15,823,600	15,601,500	15,601,500
Medicare Clawback Payments	1,766,300	2,496,900	2,848,400
Case Management - State Only	3,484,000	3,846,000	3,846,000
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	26,528,100	26,528,100
Employment and Rehabilitation Services			
JOBS	9,695,900	13,005,600	13,005,600
Day Care Subsidy	130,520,200	121,396,600	121,396,600
Rehabilitation Services	3,384,200	6,088,500	6,088,500
Workforce Investment Act Services	43,992,100	51,654,600	51,654,600
AGENCY TOTAL	1,565,234,500	1,764,769,000^{1/}	1,760,388,400

^{1/} 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.

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
FUND SOURCES			
General Fund	506,166,600	602,603,300	607,347,500
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Child Support Enforcement Administration Fund	10,327,000	16,534,900	16,534,900
Children and Family Services Training Program Fund	34,900	205,300	205,300
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000
Federal CCDF Block Grant	117,577,000	130,567,500	130,567,500
Federal TANF Block Grant	229,252,600	239,304,400	239,304,400
Long Term Care System Fund (Non-Federal Matched)	21,860,800	30,518,400	30,518,400
Public Assistance Collections Fund	126,200	423,900	423,900
Special Administration Fund	9,200	1,129,900	1,129,900
Spinal and Head Injuries Trust Fund	1,642,000	1,864,700	1,864,700
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	47,168,800	56,029,800	56,029,800
SUBTOTAL - Other Appropriated Funds	430,218,500	481,257,900	481,257,900
SUBTOTAL - Appropriated Funds	936,385,100	1,083,861,200	1,088,605,400
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	37,123,800	40,320,200	40,320,200
Long Term Care System Fund (Federal Match)	591,725,600	640,587,600	631,462,800
SUBTOTAL - Expenditure Authority Funds	628,849,400	680,907,800	671,783,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,565,234,500	1,764,769,000	1,760,388,400
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	3,185,912,100	2,697,419,700

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.

Summary

The Department of Economic Security's (DES) FY 2013 General Fund Baseline spending would increase by \$4,744,200, or 0.8%, for changes in the Developmentally Disabled (DD) program. These changes include:

- An increase of \$7,744,000 for a lower federal match rate.
- An increase of \$11,757,500 for new FY 2013 DD caseload growth.
- A decrease of \$(14,757,300) for the annualization of FY 2012 DD capitation and waiver changes.

(See *Developmental Disabilities* section for more information.)

Operating Budget

The Baseline includes \$283,148,400 and 3,590.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$123,274,100
Child Support Enforcement Administration Fund	12,872,900
Children and Family Services Training Program Fund	205,300
Federal Temporary Assistance for Needy Families (TANF) Block Grant	78,780,000
Federal Child Care and Development Fund (CCDF) Block Grant	11,871,300
Federal Expenditure Authority	26,438,200
Long-Term Care System Fund	25,442,600
Public Assistance Collections Fund	333,200
Special Administration Fund	19,000
Spinal and Head Injuries Trust Fund	536,600
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,375,200

These amounts are unchanged from FY 2012.

Administration

Attorney General Legal Services

The Baseline includes \$21,338,400 and 311.2 FTE Positions in FY 2013 for Attorney General Legal Services. These amounts consist of:

General Fund	12,063,800
Child Support Enforcement Administration Fund	2,322,900
Federal TANF Block Grant	222,700
Federal CCDF Block Grant	17,400
Federal Expenditure Authority	6,620,900
Public Assistance Collections Fund	90,700

These amounts are unchanged from FY 2012.

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

Aging and Community Services

Adult Services

The Baseline 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*.

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 Baseline 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; 29,139 households participated in telephone discount programs.

Coordinated Homeless

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

In the FY 2012 budget, the regular TANF Cash Benefits time limit was reduced from 36 months to 24 months. This change was expected to generate \$8,600,000 in savings, which assumed a decline of 7,000 recipients at an average monthly benefit of \$103. The actual savings now appears to be significantly less, with only about 3,800 recipients leaving the program, with an average benefit of about \$90 per month.

In addition, since the budget passed, the average number of diversion cases increased from about 1,700 per month for the first 9 months of FY 2011, to 2,350 for April through September. The Baseline estimates that the average number of diversion cases will return to the 1,700 level. 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 Baseline estimates that in addition to the 1,700 Diversion cases there will be a regular TANF Cash Benefits caseload of approximately 36,900 individual recipients in June 2012 and a regular TANF Cash Benefits caseload of approximately 36,200 recipients in June 2013, a decrease of (700) recipients or about (2)%.

At this caseload level, total TANF Cash Benefits are projected to cost \$55,447,500, or \$10,448,100 above the Baseline. To stay within the Baseline amount, the department may have to reduce monthly benefit payments or transfer resources from other programs.

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 Baseline 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.

<u>Sources</u>	
Balance Forward	\$ 4,984,800
State Share of Retained Earnings	6,100,000
Federal Incentive Payments	6,140,200
Fees	<u>1,632,800</u>
Total	\$18,857,800
<u>Uses</u>	
DCSE Administration	\$16,534,900
Administration (Non-Appropriated)	<u>2,322,900</u>
Total	\$18,857,800

County Participation

The Baseline 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 Baseline 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. A total of \$22,613,100 from TANF is deposited into the federal Social Services Block Grant (SSBG); once deposited, the monies are spent on the Children Services program. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. The transfer to SSBG provides additional funding flexibility to the 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 Baseline includes \$79,167,600 and 1 FTE Position in FY 2013 for Children Support Services. These amounts consist of:

General Fund	32,454,400
Federal TANF Block Grant	45,254,100
Child Abuse Prevention Fund	1,459,100

These amounts are unchanged from FY 2012.

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 July 2011, the department reported 11,133 out-of-home clients and 5,237 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 Baseline 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 \$32,454,400 would consist of \$10,300,000 from Chapter 24, and \$22,154,400 from the FY 2013 General Appropriation Act.

CPS Emergency and Residential Placement

The Baseline 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 August 2011, 284 children were reported in emergency placements at an average monthly cost of \$3,602 per child, while 1,198 children were reported in residential placements at an average monthly cost of \$3,606 per child.

The Baseline 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 Baseline 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 August 2011, 9,020 children were reported in foster care. Of that number, 3,748 children were placed with relatives in unlicensed foster care, which receives no placement funding. The remaining 5,272 children were in licensed foster care at an average monthly cost of \$667 per child.

The Baseline 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 Baseline 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 316 former foster youth between 18 and 21 in August 2011. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Permanent Guardianship Subsidy

The Baseline includes \$8,815,300 in FY 2013 for Permanent Guardianship Subsidy. This amount consists of:

General Fund	7,072,300
Federal TANF Block Grant	1,743,000

These amounts are unchanged from FY 2012.

The program provides a subsidy of foster care children in private homes under permanent guardianship status. In August 2011, 2,389 clients received permanent guardianship subsidies.

Adoption Services

The Baseline includes \$57,744,600 in FY 2013 for Adoption Services. This amount consists of:

General Fund	32,942,200
Federal TANF Block Grant	24,802,400

These amounts are unchanged from FY 2012.

The program subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental, or emotional disorders or who would be otherwise difficult to place in adoption because of age, sibling relationship, or racial or ethnic background. The funding provides for ongoing maintenance and/or payment for special services depending on each eligible child's needs. In August 2011, 15,161 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 Federal Poverty Level 1, 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 September 2011, the Division of Developmental Disabilities serves 31,694 clients, which includes 23,957 clients in the LTC program and 7,737 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	13,838	44%
At Risk	8,771	28%
Autism	4,699	15%
Cerebral Palsy	2,989	9%
Epilepsy	1,295	4%
Not Indicated	102	<1%

The LTC program is funded from 2 sources: the General Fund (GF) and matching Federal Medicaid Authority (FMA) funds.

Overall DES Formula Adjustments

The Baseline includes \$4,744,200 from the General Fund in FY 2013 for DES formula changes. Changes are described in further detail below the table.

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 Baseline includes a net increase of \$11,757,500 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.

Table 5

June 2013 Long Term Care Caseloads

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

^{1/} Represents the budgeted client caseload.

Changes to the Medicaid Waiver

The caseload growth is offset by a decrease of \$(10,676,400) for the annualization of the FY 2012 Medicaid Waiver Plan changes. The FY 2012 budget included a reduction of \$(1,566,300) in DES savings as a

component of a \$(524,000,000) reduction across the 3 Medicaid agencies.

Shortly after the FY 2012 budget was enacted, the Executive revised its projected savings by \$(10,676,400) resulting in a new savings estimate of \$(12,242,800). This adjustment reflects a revised estimate of the (5)% provider rate reduction implemented on October 1, 2011 [\$10,781,800] and new benefit limits for respite care and inpatient hospital days [\$1,461,900]. *(Please see Changes to the Federal Waiver in the AHCCCS narrative.)*

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. Compared to the original FY 2012 waiver savings of \$(1,566,300), the net incremental FY 2013 savings would be \$(14,757,300).

As the AHCCCS-authorized provider of DD services, DES receives federal monies through prepaid monthly capitation payments based on rates for types of clients. The budget reflects no net capitation rate adjustments in FY 2013. Capitation rates may reflect adjustments in utilization of services and medical inflation. If capitation rates increased by 2% in FY 2013, this would cost an additional \$6,478,600 from the General Fund in FY 2013.

FY 2012 Savings Transfer

In FY 2012, DES' waiver savings is estimated to be \$(10,676,400) higher than originally budgeted. In addition, DES has 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 would result in DES savings of \$(12,300,000). These monies would be ex-appropriated from the DES budget and shifted to the Department of Health Services to offset their expected supplemental need.

Case Management - Medicaid

The Baseline includes \$37,857,200 and 755.5 FTE Positions in FY 2013 for Medicaid Case Management. These amounts consist of:

General Fund	12,839,300
Long Term Care System Fund	25,017,900

FY 2013 adjustments would be as follows:

Formula Growth	GF 1,895,700
	FMA (1,895,700)

This formula adjustment consists of the federal match rate change.

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 Baseline includes \$706,191,700 and 94.5 FTE Positions in FY 2013 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	239,504,900
Long Term Care System Fund	466,686,800

FY 2013 adjustments would be as follows:

Formula Growth	GF (7,558,700)
	FMA 3,688,600

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2013 to a level of 22,939, the annualization of FY 2012 provider rate reductions and benefit limits, and no increase for medical inflation.

Background – Monies in this line item fund residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. Monies also fund staff in state-operated group homes, excluding the Arizona Training Program at Coolidge (ATP-C).

Of the \$706,191,700 in this line item, \$694,469,400 funds HCBS services to clients enrolled in the LTC program; the other \$11,722,300 funds program staff.

The Baseline 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 \$239,504,900 would consist of \$20,000,000 from Chapter 24, and \$219,504,900 from the FY 2013 General Appropriation Act.

Institutional Services - Medicaid

The Baseline includes \$19,225,100 and 74 FTE Positions in FY 2013 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,520,200
Long Term Care System Fund	12,704,900

FY 2013 adjustments would be as follows:

Formula Growth	GF 1,168,600
	FMA (1,250,800)

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2013

to a level of 104, the annualization of FY 2012 provider rate reductions and benefit limits, and no increase for medical inflation.

Background – Monies in this line item fund residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C.

Of the \$19,225,100 in this line item, \$13,849,700 funds Institutional Services to clients enrolled in the LTC program; the other \$5,375,400 funds program staff.

Medical Services

The Baseline includes \$138,153,000 and 35.4 FTE Positions in FY 2013 for Medical Services. These amounts consist of:

General Fund	46,854,600
Long Term Care System Fund	91,298,400

FY 2013 adjustments would be as follows:

Formula Growth	GF	8,301,800
	FMA	(9,081,600)

Besides the federal match rate change, the formula adjustments include 5.0% enrollment growth in FY 2013, the annualization of FY 2012 provider rate reductions and benefit limits, and no increase for medical inflation.

Background – Of the \$138,153,000 in this line item, \$133,847,200 funds Acute Care services to clients enrolled in the LTC program; the other \$4,305,800 funds the staff of the division’s Managed Care unit.

Arizona Training Program at Coolidge - Medicaid

The Baseline includes \$15,601,500 and 383.7 FTE Positions in FY 2013 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,289,300
Long Term Care System Fund	10,312,200

FY 2013 adjustments would be as follows:

Formula Growth	GF	585,300
	FMA	(585,300)

This formula adjustment consists of the federal match rate change.

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 Baseline includes \$2,848,400 from the General Fund in FY 2013 for Medicare Clawback Payments. FY 2013 adjustments would be as follows:

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

Background – DES is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DES is required to make “Clawback” payments to Medicare based on a certain percent (78.7% in 2013) of the estimated drug costs.

Case Management - State-Only

The Baseline includes \$3,846,000 and 79.3 FTE Positions from the General Fund in FY 2013 for state-only case management. These amounts are unchanged from FY 2012.

Background – This line item funds case management services to clients in the state-only DD program. As of September 2011, there are approximately 7,737 clients in the state-only program.

Home and Community Based Services - State-Only

The Baseline includes \$32,615,300 and 53.6 FTE Positions in FY 2013 for state-only Home and Community Based Services. These amounts consist of:

General Fund	28,625,000
Long Term Care System Fund	3,990,300

These amounts are unchanged from FY 2012.

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 Baseline includes \$26,528,100 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 \$26,528,100 in this line item, \$26,466,800 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$61,300 funds program staff.

Employment and Rehabilitation Services

JOBS

The Baseline 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 Baseline 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.

This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals

under 165% of the Federal Poverty Level (FPL), and children in the Child Protective Services (CPS) program.

This line item now includes the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment.

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months, and eligible families receiving TANF Cash Benefits are eligible as long as they are receiving TANF Cash Benefits, which has a 24-month cumulative lifetime time limit. The only population for which there is no specified time limit is families referred by CPS and children in Foster Care.

Subsidy Rates - The average subsidy paid to providers per child is projected to be approximately \$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 Federal Poverty Level (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 24,300 (see *Table 7*). DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. According to DES, as of September 2011, approximately 6,566 children had been found eligible for child care services and placed on the waiting list. As of October, 1,589 children who were previously on the waiting list are receiving services.

<u>Category</u>	<u>Estimated FY 2013 ^{1/}</u>
TANF	4,100
CPS	8,500
Low-Income Working	5,300
Transitional Child Care SLI	<u>6,400</u>
Total Served	24,300

^{1/} Represents projected average caseload.

Rehabilitation Services

The Baseline includes \$6,088,500 in FY 2013 for Rehabilitation Services. This amount consists of:

General Fund	4,760,400
Spinal and Head Injuries Trust Fund	1,328,100

These amounts are unchanged from FY 2012.

The program is expected to serve up to 7,500 clients at an average annual Total Funds cost of \$6,700 per client.

In addition to these clients, the division is also expected to serve 1,200 clients at an average annual cost of \$3,622 per client, using federal Social Services Block Grant and Arizona Industries for the Blind monies.

Background - This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. This line item also assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

The Baseline 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 \$4,760,400 would consist of \$1,000,000 from Chapter 24, and \$3,760,400 from the FY 2013 General Appropriations Act.

Workforce Investment Act Services

The Baseline 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*.

Table 8
FY 2013 WIA Grant Allocations

Category	Amount
WIA SLI	\$51,654,600
Administration	2,375,200 ^{1/}
JOBS	2,000,000 ^{2/}
Total	\$56,029,800

^{1/} This funding is included in the operating budget.

^{2/} This funding is included in the JOBS line item.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Administration

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.

Aging and Community Services

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.

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.

Benefits and Medical Eligibility

The Operating Lump Sum appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona Random Moment Sampling Survey.

Of the amount appropriated for Temporary Assistance for Needy Families Cash Benefits, \$500,000 reflects appropriation authority only to ensure sufficient 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.

Child Support Enforcement

All state shares of retained earnings, fees and federal incentives above \$16,534,900 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of the monies to the Joint Legislative Budget Committee.

Children Youth and Families

Of the amounts appropriated for Children Support Services, CPS Emergency and Residential Placement, and Foster Care Placement, \$68,650,200 is appropriated from the Federal Temporary Assistance for Needy Families Block Grant to the Social Services Block Grant for deposit in the following line items in the following amounts: Children Support Services \$45,254,100, CPS Emergency and Residential Placement \$16,423,000, Foster Care Placement \$6,973,100.

The Department of Economic Security shall provide training to any new Child Protective Services FTE Positions before assigning to any of these employees any client caseload duties.

It is the intent of the Legislature that the Department of Economic Security use the funding in the Division of Children, Youth and Families to achieve a 100% investigation rate.

Developmental Disabilities

The Department of Economic Security shall report all new placements into a state-owned ICF-MR or the Arizona Training Program at Coolidge Campus in FY 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.

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.

The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the

estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than 2%. Before implementation of any changes in capitation rates for the Long-Term Care program, the Department of Economic Security shall report for review the expenditure plan to the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee.

Prior to the implementation of any developmentally disabled or long-term care statewide provider rate adjustments not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable.

For FY 2013, the Department of Economic Security shall not increase reimbursement rates for community service providers and independent service agreement providers contracting with the Division of Developmental Disabilities.

Employment and Rehabilitation Services

Of the \$121,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2013, \$115,119,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level.

All Federal Workforce Investment Act monies that are received by this state in excess of \$56,029,800 are appropriated to the Workforce Investment Act Services line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$56,029,800 to the Joint Legislative Budget Committee.

Departmentwide

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

A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded 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.

STATUTORY CHANGES

The Baseline would:

- As session law, continue a provision requiring recipients of TANF Cash Benefits to pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.
- As session law, continue to permit DES to reduce income eligibility levels for all child care programs if the program has insufficient resources. DES would be required to report to JLBC within 15 days of any such change in levels.
- As session law, in the General Appropriation Act, continue to defer \$35,000,000 in General Fund payments for FY 2013 until FY 2014. Appropriate \$35,000,000 in FY 2014 for these deferred payments.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 \$607,347,500 would consist of \$35,000,000 from the deferral appropriation and \$572,347,500 from the General Appropriation Act.

TANF Block Grant

The budget appropriates \$239,304,400 of the state’s federal TANF Block Grant allocation in FY 2013. *Table 9* shows expected yearly revenues, expenditures, and fund balances.

The table compares ongoing revenues and expenditures from the TANF Block Grant. In FY 2011, DES received additional funding from the federal TANF Contingency Fund, which is a reserve fund set aside for states with rising costs in TANF-related programs. This fund was completely depleted in FY 2010. Because Congress acted to replenish a portion of the Contingency Fund, DES received \$13,285,300 in FY 2011; DES is estimated to receive \$6,671,300 in FY 2012. The Contingency Fund is again depleted. Unless Congress acts again to restore funding, it is expected that this source of funding will not be available in FY 2013.

The table also shows the loss of Federal stimulus revenues and Population Supplemental revenues associated with the TANF Block Grant. Federal authorization for the Population Supplemental expired at the end of FY 2011 and Congress has not restored that funding.

Although the table shows a negative ending balance for FY 2013, the actual ending balance cannot be negative. To stay within the amount of available funds, DES will need to determine how to generate savings. DES underspent its FY 2011 TANF Block Grant estimate, published in the *FY 2012 Appropriations Report*, by about \$11,000,000.

For FY 2013, the TANF Block Grant permanent revenues are projected to be \$(39,163,100) less than permanent spending. The Contingency Fund revenues and Stimulus revenues are not included in the permanent revenue calculation.

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>Baseline 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	\$ 32,262,600	\$ 45,254,100	\$ 45,254,100
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	22,386,700	19,802,400	19,802,400
Total – Children, Youth and Families	\$ 81,617,700	\$ 90,195,600	\$ 90,195,600
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	\$239,304,400
Administrative Adjustments	5,108,000	241,100	0
Appropriated 27th Pay Period	0	2,058,900	0
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$234,360,600	\$241,604,400	\$239,304,400
Beginning Balance	\$ 43,100,300	\$ 42,730,800	\$ 5,756,400
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	13,285,300	6,671,300	0
TANF Stimulus Revenues	4,456,600	0	0
Total TANF Available	282,791,400	249,543,400	205,897,700
Ending Balance	\$ 48,430,800	\$ 7,939,000	\$(33,406,700)
Permanent Revenues vs Expenditures^{1/}	(29,111,300)	(39,163,100)	(39,163,100)

^{1/} Difference between Base Revenues and Expenditure Subtotal. Contingency Fund Revenues and Stimulus Revenues are not included in Permanent Revenues.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Capital Investment Fund (DEA2093/A.R.S. § 4-116)		Non-Appropriated
Source of Revenue: Receipts received from club license and application fees by organizations selling spirituous liquor as defined in A.R.S. § 4-101.		
Purpose of Fund: To be used by the Department of Mental Retardation (now DES, pursuant to A.R.S. § 36-551) for buildings, equipment, and other capital investments.		
Funds Expended	0	162,000
Year-End Fund Balance	234,000	117,000
Child Abuse Prevention Fund (DEA2162/A.R.S. § 8-550.01)		Appropriated
Source of Revenue: A portion of monies (1.93%) from statutory filing and copy fees collected by the Superior Court and all funds received through check-off contributions on the Arizona tax form. Monies also may come from a surcharge on certified copies of death certificates when revenues from the surcharge exceed \$100,000 for the year.		
Purpose of Fund: To provide financial assistance to community treatment programs, benefiting abused children and their parents or guardians. An amount of not more than 5% may be expended for administrative expenses related to the fund.		
Funds Expended	0	1,459,100
Year-End Fund Balance	2,374,500	97,300
Child Passenger Restraint Fund (DEA2192/A.R.S. § 28-907)		Non-Appropriated
Source of Revenue: Fines or penalties from parents, guardians, or legal custodians who fail to sufficiently restrain in motor vehicles children under the age of 4 or weighing less than 40 pounds.		
Purpose of Fund: To purchase child passenger restraint systems and provide them to hospitals for loan to indigent persons. Monies in the fund shall not exceed \$20,000. All monies collected over \$20,000 shall be deposited in the Arizona Highway User Revenue Fund.		
Funds Expended	116,000	116,000
Year-End Fund Balance	8,800	8,800
Child Protective Services Expedited Substance Abuse Treatment Fund (DEA2421/A.R.S. § 8-812)		Non-Appropriated
Source of Revenue: An annual appropriation from the state General Fund.		
Purpose of Fund: To provide expedited drug treatment to guardians and parents when a dependency case plan calls for treatment. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	247,000	0
Child Support Enforcement Administration Fund (DEA2091/A.R.S. § 46-406)		Partially-Appropriated
Source of Revenue: State Share of Retained Earnings from child support collections, federal incentives, and fees.		
Purpose of Fund: To fund the statewide Child Support Enforcement program.		
Appropriated Funds Expended	10,327,000	16,534,900
Expenditure Authority Funds Expended	37,123,800	40,320,200
Year-End Fund Balance*	231,400	(5,348,300)
Children and Family Services Training Program Fund (DEA2173/A.R.S. § 8-503.01)		Appropriated
Source of Revenue: A portion of monies collected from fees charged for copies of Child Protective Services (CPS) files and assessments against legally responsible parties for the support of a child in the state's custody. The fund receives 90% of the revenues collected. The remaining 10% of revenues are credited to the General Fund.		
Purpose of Fund: To administer training for child protective service workers and employees in related programs. The monies cannot be used to pay salaries or expenses of the training staff. Up to 10% of the monies may be used to enhance the collection of monies owed to the agency. Any monies collected from fees for copies of CPS files may be used only for reimbursing the department for its cost.		
Funds Expended	34,900	205,300
Year-End Fund Balance	172,500	78,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Client Trust Fund (DEA3152/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Monies collected from Social Security, Veterans' Administration benefits, and other benefits payable to a child in the care, custody, or control of DES.		
Purpose of Fund: To defray the costs of care and services expended for the benefit, welfare, and best interest of the child.		
Funds Expended	458,700	1,350,000
Year-End Fund Balance	2,769,700	1,879,700
Developmentally Disabled Client Investment Fund (DEA3146/A.R.S. § 41-1954)		Non-Appropriated
Source of Revenue: Consists of client monies, such as Social Security, earnings, etc.		
Purpose of Fund: If consumers need assistance in handling their funds and no other person is available, the division is appointed to be the representative payee and is authorized to administer the personal funds of these consumers.		
Funds Expended	11,800	9,100
Year-End Fund Balance	1,503,900	1,508,800
Developmentally Disabled Client Services Trust Fund (DEA2019/A.R.S. § 36-572)		Non-Appropriated
Source of Revenue: Proceeds from the sale or lease of the real property and buildings used by the department for the Arizona Training Program at Phoenix (ATP-P) and the interest earned in those funds.		
Purpose of Fund: To enhance services presently available to the developmentally disabled and to extend services to developmentally disabled persons not presently served.		
Funds Expended	24,200	21,700
Year-End Fund Balance	174,000	154,300
Domestic Violence Shelter Fund (DEA2160/A.R.S. § 36-3002)		Appropriated
Source of Revenue: A portion of monies (8.87%) from statutory filing and copy fees collected by the Superior Court. Another portion of monies is from a \$50 fee for aggravated harassment, stalking, and other violent family offences. Monies also come from voluntary contributions using tax returns or federal grants, private grants, or other private gifts or contributions.		
Purpose of Fund: To fund grants to qualified shelters for victims of domestic violence.		
Funds Expended	2,220,000	2,220,000
Year-End Fund Balance	933,000	1,485,000
Donations Fund (DEA3145/A.R.S. § 36-571, 41-1954)		Non-Appropriated
Source of Revenue: Grants, gifts, or bequests.		
Purpose of Fund: To be disbursed for the purpose of and in conformity with the terms of the grant, gift, or bequest. Monies received for developmental disabilities purposes are maintained in a separate account.		
Funds Expended	3,300	3,300
Year-End Fund Balance	366,800	368,500
Federal CCDF Block Grant (DEA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To be used for developing child care programs and policies that promote parental choice; providing consumer education to help parents make informed choices on child care; providing child care to welfare recipient parents; and implementing health, safety, licensing, and registration standards under state law for child care. Up to 5% of the aggregate amount of funds expended can be used for administrative costs. At least 4% of funds must be used for consumer education and activities for improving the quality and availability of child care. No monies can be used for purchasing land or building facilities to provide child care.		
Funds Expended	117,577,000	130,567,500
Year-End Fund Balance	8,289,000	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants (DEA2000/A.R.S. § 41-101.01)		Non-Appropriated
Source of Revenue: Federal grants, excluding Temporary Assistance for Needy Families, Child Care and Development Fund, and Workforce Investment Act Block Grants. In FY 2010 and FY 2011, also may include fiscal stabilization funds authorized by the American Recovery and Reinvestment Act (ARRA) of 2009.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the availability of the federal monies. Some major expenditure items include Food Stamp administration and the Social Services Block Grant.		
Funds Expended	1,699,132,900	1,015,127,700
Year-End Fund Balance	48,028,800	19,392,300
Federal TANF Block Grant (DEA2007/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To provide assistance to needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of 2-parent families.		
Funds Expended	229,252,600	239,304,400
Year-End Fund Balance*	40,548,100	(915,000)
Arizona Industries for the Blind Fund (DEA4003/A.R.S. § 41-1975)		Non-Appropriated
Source of Revenue: Proceeds from sales of products of Arizona Industries for the Blind, as well as interest earned on the fund balance.		
Purpose of Fund: To provide funds for the wages and salaries of production workers, inspectors, and other employees necessary for the operation of the training centers, workshops, or home industries; supplies, equipment or other incidental costs.		
Funds Expended	19,137,900	19,706,900
Year-End Fund Balance*	0	(46,100)
Arizona Job Training Fund (DEA1237/A.R.S. § 41-1544)		Non-Appropriated
Source of Revenue: DES collects one-tenth of one percent of taxable wages per A.R.S. § 23-622 from employers for the job training tax and transfers all funds to the Arizona Commerce Authority. The revenue received by DES in this fund is the reimbursement for expenditures incurred for the purpose of collecting the job training tax.		
Purpose of Fund: To collect the job training tax.		
Funds Expended	1,390,300	1,322,700
Year-End Fund Balance	0	0
Joint Substance Abuse Treatment Fund (DEA2429/A.R.S. § 8-881)		Non-Appropriated
Source of Revenue: Legislative appropriations from the General Fund and the Federal Temporary Assistance to Needy Families Block Grant.		
Purpose of Fund: To be jointly administered by DES and the Department of Health Services for services to families and Federal Temporary Assistance for Needy Families recipients involved with Child Protective Services and whose substance abuse is a significant barrier to maintaining, preserving, or reunifying the family. An amount of not more than 5% can be used for program development costs. Up to 10% can be used for evaluating community programs delivering the services. Expenditures from this fund are not displayed to avoid double counting appropriated monies.		
Funds Expended	0	0
Year-End Fund Balance	320,100	0
Long Term Care System Fund (Federal Match) (DEA2225/A.R.S. § 36-2953)		Non-Appropriated
Source of Revenue: Federal Medicaid Authority monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system.		
Funds Expended	591,725,600	640,587,600
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Long Term Care System Fund (Non-Federal Matched) (DEA2224/A.R.S. § 36-2953)		Appropriated
Source of Revenue: Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
Purpose of Fund: To fund administrative and program costs associated with the Long Term Care system. These monies are used to offset costs of services provided to Long Term Care clients which are not reimbursed by the federal government, such as room and board.		
Funds Expended	21,860,800	30,518,400
Year-End Fund Balance	68,595,300	36,031,600
Neighbors Helping Neighbors Fund (DEA2348/A.R.S. § 46-741)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To provide assistance in paying utility bills, conserving energy and weatherization to eligible individuals. Fund monies are available to designated community action or other agencies currently providing energy assistance services to eligible individuals. An amount of not more than 2% of the fund monies may be used by DES, and an amount of not more than 8% of the fund monies may be used by the designated agencies for administrative costs.		
Funds Expended	62,400	62,000
Year-End Fund Balance	92,000	63,800
Public Assistance Collections Fund (DEA2217/A.R.S. § 46-295)		Appropriated
Source of Revenue: A portion of monies collected in recovery payments from ineligible or overpaid public assistance recipients and reimbursements received from persons legally responsible for support of public assistance recipients. The fund receives 25% of the monies collected. The remaining 75% of revenues are credited to the General Fund.		
Purpose of Fund: To improve public assistance collection activities.		
Funds Expended	126,200	423,900
Year-End Fund Balance*	8,800	(389,500)
Risk Management Fund (DEA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Charges assessed on agencies insured under the state's risk management system, as well as all monies recovered by the state pursuant to litigation and other means. Funds are used to pay for damages relating to liability, property, and workers' compensation losses.		
Purpose of Fund: To contract for and implement a disaster recovery plan for DES, in partnership with the Department of Administration and the Department of Public Safety.		
Funds Expended	0	0
Year-End Fund Balance	271,500	271,500
Special Administration Fund (DEA2066/A.R.S. § 23-705)		Appropriated
Source of Revenue: Monies are from interest charges and employers' penalty fees assessed on late unemployment payments.		
Purpose of Fund: To defray administration costs found not to have been properly and validly chargeable against Federal grants or other funds.		
Funds Expended	9,200	1,129,900
Year-End Fund Balance*	456,100	(389,000)
Special Olympics Tax Refund Fund (DEA3207/A.R.S. § 41-173)		Non-Appropriated
Source of Revenue: Includes contributions from income tax refunds and other donations and interest earnings.		
Purpose of Fund: To contract with a nonprofit entity for delivery of those services essential to the Arizona Special Olympics' programs and to cover the Department of Revenue's costs for administering the refund checkoff.		
Funds Expended	107,500	91,500
Year-End Fund Balance	8,400	3,200

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Spinal and Head Injuries Trust Fund (DEA2335/A.R.S. § 41-3203)		Appropriated
Source of Revenue: The fund receives 22% of monies deposited in the Medical Services Enhancement Fund (MSEF). MSEF revenues consist of a 13% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses, civil motor statute violations, and game and fish violations.		
Purpose of Fund: For 1) prevention and education of spinal and head injuries; 2) rehabilitation, transitional living and equipment necessary for daily living activities; 3) a portion of the cost of the disease surveillance system and statewide referral services for those with head injuries and spinal cord injuries; 4) costs incurred by the Advisory Council on Spinal and Head Injuries; and 5) DES' costs for administering the provisions.		
Funds Expended	1,642,000	1,864,700
Year-End Fund Balance	189,100	406,500
Statewide Cost Allocation Plan Fund (DEA9000/A.R.S. § 41-1954)		Appropriated
Source of Revenue: Federal reimbursement.		
Purpose of Fund: General operations.		
Funds Expended	0	1,000,000
Year-End Fund Balance	0	0
Temporary Transaction Privilege and Use Tax - 1% Fund (DEA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund. (For FY 2011, the General Accounting Office reported as of August 2011 that the Department of Education received \$576,697,200 and that the Department of Corrections, Arizona Health Care Cost Containment System (AHCCCS), Department of Economic Security, and Department of Health Services each received \$72,087,200.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Unemployment Insurance Benefits Fund (DEA7510/A.R.S. § 23-701)		Non-Appropriated
Source of Revenue: Employer contributions and interest earnings. The monies are maintained and tracked in 2 separate accounts: one by the U.S. Treasury and one by the state, which is used for clearing and paying benefits. The majority of the funds available are in the U.S. Treasury account. DES, as federally required, deposits all employer contributions, other than those retained for immediate benefit payments, in the U.S. Treasury, which tracks each state's account separately.		
Purpose of Fund: To retain and invest formula-determined employer unemployment contributions to be used for payment of future unemployment benefits and refunds pursuant to § 903 of the federal Social Security Act. This fund provides regular unemployment benefits up to 26 weeks. Benefits extended beyond that time are federally funded and included in the Federal Grants fund.		
Funds Expended	646,059,500	218,470,200
Year-End Fund Balance*	(238,684,700)	(16,854,900)
Unemployment Special Assessment Fund (DEA2558/A.R.S. § 23-730.01)		Non-Appropriated
Source of Revenue: A Special Assessment (SA) on taxable wages paid in calendar years 2011 and 2012. In 2011 and 2012, the assessment is 0.4% and 0.6% respectively.		
Purpose of Fund: The Director of DES has the discretion to set a SA in order to pay interest owed to the U.S. Department of the Treasury due to borrowing to continue to pay Unemployment Insurance (UI) benefits as well as to return the UI Trust Fund to solvency and avoid the loss of employer federal UI tax credits. The additional revenue collected above what is needed to pay for the interest owed to the U.S. Department of the Treasury will be used to pay for UI benefits.		
Funds Expended	0	164,700,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Workforce Investment Act Grant (DEA2001/U.S. P.L. 105-220)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: To consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs.		
Funds Expended	47,168,800	56,029,800
Year-End Fund Balance	25,389,900	13,463,100

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

Department of Education

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	192.5	192.5	192.5
Personal Services	4,529,400	4,486,700	4,486,700
Employee Related Expenditures	1,988,500	1,955,700	1,955,700
Professional and Outside Services	179,900	1,374,200	174,200
Travel - In State	7,800	7,100	7,100
Travel - Out of State	7,800	7,800	7,800
Other Operating Expenditures	1,637,300	1,020,800	1,020,800
Equipment	101,900	72,900	72,900
OPERATING SUBTOTAL	8,452,600	8,925,200	7,725,200
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	3,032,088,200	3,061,676,600	3,082,189,600
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	10,217,400	10,217,400
Arizona Structured English Immersion Fund	8,790,400	4,791,400	4,791,400
English Learner Administration	4,063,900	7,958,200	7,958,200
School Safety Program	1,291,500	0	0
State Block Grant - Vocational Education	11,503,900	11,492,700	11,492,700
Teacher Certification	1,798,100	1,781,200	1,781,200
State Board of Education			
State Board of Education	907,500	894,300	894,300
AGENCY TOTAL	3,526,697,900	3,493,488,000^{1/}	3,464,464,200
FUND SOURCES			
General Fund	3,487,765,200	3,436,528,700	3,408,704,900
Other Appropriated Funds			
Education Learning and Accountability	0	1,200,000	0
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	2,283,800	2,283,800
SUBTOTAL - Other Appropriated Funds	38,932,700	56,959,300	55,759,300
SUBTOTAL - Appropriated Funds	3,526,697,900	3,493,488,000	3,464,464,200
Other Non-Appropriated Funds	432,504,500	443,885,400	443,885,400
Federal Funds	1,325,216,000	1,199,433,400	1,199,433,400
TOTAL - ALL SOURCES	5,284,418,400	5,136,806,800	5,107,783,000

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.

^{1/} 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.

Summary

ADE's FY 2013 General Fund Baseline spending would decrease by \$(27,823,800), or (0.8)%. The Baseline includes:

- A base decrease of \$(57,827,800) for lower than projected formula costs for FY 2012.
- An increase of \$51,118,800 for 0.4% Average Daily Membership (ADM) growth plus special education growth in FY 2013.
- A decrease of \$(39,000,000) for new restrictions on Homeowner's Rebate.
- An increase of \$35,000,000 to replace one-time federal monies.
- A decrease of \$(22,571,000) for property taxes from new construction.
- A decrease of \$(8,102,300) for continued Career Ladder phase out.
- An increase of \$7,244,600 for 1.7% inflator.
- An increase of \$4,800,000 for business personal property depreciation change.
- A decrease of \$(5,000,000) to eliminate one-time Student Accountability Information System (SAIS) replacement monies.
- An increase of \$6,513,900 for other formula issues.

Operating Budget

The Baseline includes \$7,725,200 and 97 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$7,591,300
Teacher Certification Fund	133,900

FY 2013 adjustments would be as follows:

Eliminate One-Time Funding OF (1,200,000)

The Baseline includes a decrease of \$(1,200,000) from the Education Learning and Accountability Fund in FY 2013 in order to eliminate one-time funding for a new education data system. Laws 2011, Chapter 29 appropriated an estimated \$1,200,000 in new fee revenue from the Education Learning and Accountability Fund in FY 2012 for a new data system to collect, compile, maintain and report student level data for students attending public preschool, K-12 and postsecondary educational programs in the state pursuant to A.R.S. § 15-249. The estimated \$1,200,000 amount is being generated by a \$6 per Full Time Student Equivalent (FTSE) transfer that Chapter 29 requires community colleges and universities to make on a one time basis in FY 2012. Chapter 29 requires community colleges and universities to deposit those fee revenues into the newly-created Education Learning and Accountability Fund (A.R.S. § 15-249.02), which it also established, on or before December 1, 2011.

The new data system also is being funded in FY 2012 with a \$5,000,000 appropriation to Basic State Aid funding that

the department is required to transfer into the Education Learning and Accountability Fund in FY 2012 pursuant to a footnote in the General Appropriation Act. (See SAIS Replacement policy issue under Basic State Aid for a related discussion.)

Formula Programs

Basic State Aid

The Baseline includes \$3,082,189,600 in FY 2013 for Basic State Aid. This amount consists of:

General Fund	3,035,714,100
Permanent State School Fund	46,475,500

The \$3,082,189,600 total does not include \$86,280,500 in "additional school day" funding from Proposition 301 that will be allocated through Basic State Aid in FY 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.

The \$3,082,189,600 appropriated total includes a net General Fund increase of \$20,513,000 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	\$3,015,201,100
Base Adjustment	(44,445,700)
Enrollment Growth @ 0.9%	51,118,800
1.7% Inflator	7,244,600
Property Taxes - New Construction	(22,571,000)
Property Taxes - Business Personal Property	4,800,000
CORL (replace "EduJobs" monies)	35,000,000
JTED QTR Offset	2,468,600
Career Ladder Phase Out	(8,102,300)
SAIS Replacement	(5,000,000)
FY 2013 Baseline	3,035,714,100
Permanent State School Fund (no change)	46,475,500
Prop 301 Sales Tax (no change) ^{1/}	86,280,500
Local Property Taxes ^{1/}	
FY 2012 Base	2,292,576,300
Property Taxes from New Construction	22,571,000
FY 2013 Estimated ^{2/}	2,315,147,300
Grand Total (all sources) ^{3/}	\$5,483,617,400

^{1/} Non-appropriated, so excluded from appropriated totals.

^{2/} An estimated \$294,325,200 of this total will be funded by the state through the Homeowner's Rebate.

^{3/} Statutory formula cost would be approximately \$275,000,000 higher without the Soft Capital, CORL, charter school Additional Assistance and JTED reductions that are assumed to continue in the budget on a session law basis.

Base Adjustment **GF (44,445,700)**

The Baseline 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 available from the department as of November 2011 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 will affect 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 **GF 51,118,800**

The Baseline includes an increase of \$51,118,800 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/}			Change	% Change
	Districts	Charters	Total		
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	913,882	120,173	1,034,055	(12,611)	(1.2)%
2012 est	911,920	129,449	1,041,369	7,314	0.7%
2013 est	909,421	136,408	1,045,829	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/}			Change	% Change
	Districts	Charters	Total		
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	16,240	928	17,168	973	6.0%
2012 est	16,804	1,068	17,872	704	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).

1.7% Inflation Adjustment **GF 7,244,600**

The Baseline includes an increase of \$7,244,600 from the General Fund in FY 2013 for a 1.7% 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 1.7% increase in the “base level” prescribed in A.R.S. § 15-901B2, which would remain in FY 2013 at the

FY 2012 level of \$3,267.72. Funding a 1.7% increase in the base level for FY 2013 would cost an additional estimated \$74,388,400 for a total inflation adjustment of \$81,633,000.

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 projected FY 2013 adjustment is 1.7%, which equals the currently projected 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 Baseline 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 is being appealed, with oral arguments anticipated in fall 2011.

Property Taxes from New Construction **GF (22,571,000)**

The Baseline includes a decrease of \$(22,571,000) from the General Fund in FY 2013 due to a projected 1.4% 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 \$22,571,000 in FY 2013. It also will decrease state costs by \$(22,571,000), 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 (9.6)% in FY 2013, resulting in a net (8.2)% NAV decline for new construction and existing property combined for FY 2013.

The projected (9.6)% 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 an estimated \$3.91 (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 (9.6)% NAV decrease for existing property (see 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	\$1.9560
• Unified districts and elementary districts not located within a high school district	\$3.5364	\$3.9120
• State Equalization Tax Rate (SETR)	\$0.4259	\$0.4711

Business Personal Property GF 4,800,000

The Baseline 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.

CORL/EduJobs GF 35,000,000

The Baseline 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 would restore 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.)

The K-12 Education BRB for FY 2012 (Laws 2011, Chapter 29) reduced CORL funding to school districts by an additional \$(63,864,800) for FY 2012 unrelated to “EduJobs” monies. The \$(63,864,800) reduction remains in the department’s base budget for FY 2013 (see “Continuation of Prior Year Session Law” policy issue below). This will provide school districts with an estimated \$184,085,400 in CORL funding statewide for FY 2013 versus an estimated \$247,950,200 under a fully funded CORL formula.

CORL monies originally were earmarked for capital costs only, but since 1986 school districts have been allowed to

use them also for operating costs. In FY 2010 (latest available data) schools used approximately 63% of their CORL monies for operating expenditures.

JTED QTR Offset GF 2,468,600

The Baseline 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 (8.2)% 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.

Career Ladder Phase Out GF (8,102,300)

The Baseline 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 assumed \$(8,102,300) decrease would 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. (See “Other Issues for Legislative Consideration” for more information.)

SAIS Replacement GF (5,000,000)

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2013 in order to eliminate one-time funding that was appropriated to Basic State Aid in FY 2012 to help fund a new statewide data system for public preschool, K-12 and postsecondary educational programs pursuant to A.R.S. § 15-249. A footnote in the General Appropriation Act required the department to transfer the \$5,000,000 appropriated amount from Basic State Aid to a new Education Learning and Accountability Fund (ELAF) established by Laws 2011, Chapter 29. Chapter 29 also required Arizona community colleges and universities to \$6 per Full Time Student Equivalent (FTSE) student to the ELAF on a one-time basis by December 1, 2011. The latter requirement will provide an estimated \$1,200,000 in funding for the new data system for FY 2012 in addition to the \$5,000,000 amount provided through Basic State Aid. As of December 2011, the department has not announced an estimate of how much it will cost to fully develop and implement the new data system.

Endowment Earnings OF 0

The Baseline 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 GF 0

The Baseline includes no change from the General Fund in FY 2013 for the K-12 rollover. This continues to defer \$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 will not appear in the FY 2013 General Appropriation Act. That Act, however, would be expected to advance appropriate \$952,627,700 from the General Fund in FY 2014 in order to fund the deferred FY 2013 obligation.

As a result of existing rollovers, the Baseline would continue 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.

Continuation of Prior Year Session Law

The FY 2013 Baseline would continue the following session law changes from FY 2012 (see "Statutory Changes" section for more information):

- Soft Capital - Continue a Soft Capital funding reduction of \$(188,120,700) for state aid districts and continue to reduce local Soft Capital funding for non-state aid districts accordingly.

- CORL - Continue a CORL funding reduction of \$(63,864,800) for state aid districts and continue to reduce local CORL funding to non-state aid districts accordingly.
- Charter School Additional Assistance - Continue a charter school Additional Assistance funding reduction of \$(17,656,000).
- Retirement Contributions - Continue a retirement contribution funding reduction of \$(32,714,800) for a permanent funding shift required by Laws 2011, Chapter 26.
- Joint Technological Education Districts - Fund state aid for JTEDs at 91% of the amount that otherwise would be provided by law.
- Early Graduation Scholarship Program - Suspend new funding for the program, but allow current participants to continue to receive scholarships to the extent permitted by existing fund balances.

Additional State Aid

The Baseline includes \$303,188,200 from the General Fund in FY 2013 for Additional State Aid (ASA). FY 2013 adjustments would be as follows:

Base Adjustment GF (13,382,100)

The Baseline 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 GF 2,045,300

The Baseline 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 GF (39,000,000)

The Baseline includes a decrease of \$(39,000,000) from the General Fund in FY 2013 due to new restrictions on Homeowner's Rebate funding pursuant to Laws 2011, 2nd Special Session, Chapter 1. This law limits the Homeowners' Rebate to the primary residence of in-state residents only and requires homeowners to submit an affidavit that a home is their primary residence. These changes will take effect starting in FY 2013 and are expected to reduce program costs by approximately \$(39,000,000).

Reimburse Counties GF 2,000,000

The Baseline 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. This law requires the state to reimburse the costs incurred in 2012 by county assessors in reclassifying residential property as Class 4 if it is not the owner’s primary residence. At the time of enactment, those costs were estimated at \$2,000,000 for FY 2013. The final cost is uncertain and has not yet been determined. Laws 2011, 2nd Special Session, Chapter 1 requires the Department of Revenue to prescribe record keeping and reporting requirements for counties for this issue in order to establish required reimbursement amounts.

Special Education Fund

The Baseline 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) developmentally disabled programs operated by DES [A.R.S. § 15-1202]. It also funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency.

Other State Aid to Districts

The Baseline 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 Baseline includes \$10,217,400 and 3 FTE Positions in FY 2013 for Accountability and Achievement Testing. These amounts consist of:

General Fund	3,217,400
Proposition 301 Fund	7,000,000

These amounts are unchanged from FY 2012.

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	<u>14,243,100</u>
Total	\$68,217,200

Arizona Structured English Immersion Fund

The Baseline includes \$4,791,400 from the General Fund in FY 2013 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2012.

The Baseline amount reflects continuation of a \$(4,000,000) FY 2012 General Fund transfer to the English Learner Administration program (*see English Learner Administration narrative below for more information*).

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.

English Learner Administration

The Baseline includes \$7,958,200 and 24.5 FTE Positions from the General Fund in FY 2013 for English Learner Programs. These amounts are unchanged from FY 2012.

The Baseline amount reflects continuation of a \$4,000,000 FY 2012 General Fund transfer from the Arizona Structured English Immersion Fund, as requested by the department and approved by Executive in October 2011. That transfer is intended to fund first-year (FY 2012) costs of developing a new test for determining whether a student is an “English learner” who must be educated through a sheltered English immersion program pursuant to A.R.S. § 15-752. The department indicates that the current test for classifying “English learners” no longer meets federal

requirements because it does not align with Arizona’s most recently-adopted academic standards. The department indicates that it will cost a total of \$9,500,000 over 2 years to replace the current “AzELLA” test for identifying “English learners.”

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 this writing. (*See FY 2011 Appropriations Report for additional history of this issue.*)

The SLI funds costs associated with implementing the English Language Education requirements in A.R.S. § 15-751 through 15-757. Those requirements pertain primarily to additional testing, teacher training and instructional services prescribed for English Learners.

State Block Grant for Vocational Education

The Baseline includes \$11,492,700 and 31 FTE Positions from the General Fund in FY 2013 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2012.

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 Baseline includes \$1,781,200 and 27 FTE Positions from the Teacher Certification Fund in FY 2013 for Teacher Certification. These amounts are unchanged from FY 2012.

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 Baseline includes \$894,300 and 9 FTE Positions in FY 2013 for the State Board of Education. These amounts consist of:

General Fund	525,600
Teacher Certification Fund	368,700

These amounts are unchanged from FY 2012.

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Operating Budget

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.

Basic State Aid

The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973, and includes an estimated \$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.

The portion of the above appropriation for basic state aid for charter school additional assistance pursuant to A.R.S. § 15-185B4 includes a \$17,656,000 reduction.

Receipts derived from the Permanent State School Fund and any other non-state General Fund revenue source that is dedicated to fund Basic State Aid will be expended, whenever possible, before expenditure of state General Fund monies.

Except as required by A.R.S. § 37-521, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds

as prescribed by the Enabling Act and the Constitution of Arizona and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure shall not be made except as specifically authorized above.

Achievement Testing

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.

English Learner Administration

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.

State Board of Education

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.

Other

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.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the department to transfer \$5,000,000 of its Basic State Aid appropriation to the Education Learning and Accountability Fund, as that funding was one-time in nature.

STATUTORY CHANGES

The Baseline would:

- As permanent law, increase by 1.7% the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school "Additional Assistance" amounts prescribed in A.R.S. § 15-185B4.
- As permanent law, 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).
- As session law, continue to reduce school districts' Soft Capital funding by \$188,120,700. As session law, continue to 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.
- As session law, continue to reduce charter school Additional Assistance funding by \$17,656,000 below the level that otherwise would be funded pursuant to A.R.S. § 15-185B4.
- As session law, continue to reduce school district's Capital Outlay Revenue Limit (CORL) funding by \$(63,864,800). 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.
- As session law, continue to cap total combined statewide Soft Capital and CORL reductions for school districts with a student count of fewer than 1,100 pupils at \$5,000,000.
- As session law, continue to reduce school district and charter school retirement contribution funding by \$(32,714,800) for a permanent funding shift required by Laws 2011, Chapter 26. As session law, continue to require the department to reduce school district and charter school equalization assistance and budget limits accordingly.
- As session law, continue to fund state aid for Joint Technological Education Districts (JTEDs) in FY 2013 at 91% of the formula requirement.
- As session law, continue to suspend new funding for the early graduation program, but continue to fund existing students with available fund balances.
- As session law, continue to suspend the annual AIMS Intervention and Dropout Prevention performance audit for FY 2013.
- As session law in the General Appropriation Act, continue to defer \$952,627,700 in Basic State Aid payments for FY 2013 until FY 2014. Appropriate \$952,627,700 in FY 2014 for these deferred Basic State Aid payments. Allow the State Board of Education to make the rollover payment no later than August 29, 2013.

- As session law in the General Appropriation Act, continue 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2012 Overfunding

ADE’s funding formulas are overfunded by an estimated \$57,827,800 for FY 2012 under data available as of December 2012. This total consists of \$44,445,700 for Basic State Aid and \$13,382,100 for Additional State Aid (see “Base Adjustment” policy issues under Basic State Aid and Additional State Aid for more information). Any formula overfunding for these 2 programs will automatically revert to the state General Fund at the end of FY 2012. Excess funding for these 2 programs cannot be spent on other programs without JLBC review (A.R.S. § 15-901.03).

Career Ladder

Laws 2011, Chapter 29 phases out the Career Ladder program over 5 fiscal years starting in FY 2012. The program began in 1985 (planning grants) and has been authorized since 1990 by A.R.S. § 15-918 through 15-918.05. A total of 28 school districts currently participate and no new districts have been allowed to enter the program since FY 1994. Statute authorizes participating school districts to increase their per pupil “base level” funding by 5.5%, although Laws 2011, Chapter 29, sets that level at 4.0% on a session law basis for FY 2012 and phases it down to zero by FY 2016. Statute also requires participating school districts to increase their K-12 QTR by either 11¢ or 22¢ (depending on the type of district) in order to provide local funding for the program. Chapter 29, however, changes the Career Ladder QTR on a session law basis through FY 2015 to levels that will reflect the program’s phase down, while eliminating state funding first. The program had been subject to a lawsuit in recent years, with plaintiffs contending that the existing cap on program participants violated the “general and uniform” in the State Constitution.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Academic Contest Fund (EDA1006/A.R.S. § 15-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To pay for sending state level winners of academic contests and their chaperons to national contests. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	20,800	20,800
Agricultural Youth Organization Special Plate Fund (EDA2547/A.R.S. § 15-791)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona agricultural youth organization special plates, if an entity pays \$32,000 by December 31, 2010. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to the Arizona Department of Transportation (ADOT). ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	11,700	11,700
Year-End Fund Balance	0	300
American Competitiveness Project Fund (EDA2361/A.R.S. § 15-245)		Non-Appropriated
Source of Revenue: Donations, grants, gifts, contributions and devises from individuals, corporations and nonprofit organizations.		
Purpose of Fund: To fund technical assistance and distribute grants to schools and other local educational agencies that offer academic programs that emphasize foreign language acquisition, international business and world history.		
Funds Expended	0	0
Year-End Fund Balance	800	800
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
Purpose of Fund: To provide additional funding support for public schools.		
Funds Expended	0	0
Year-End Fund Balance	446,700	521,700

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	42,000	42,000
Year-End Fund Balance	10,900	10,900
Charter Schools Stimulus (EDA1007/A.R.S. § 15-188)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To encourage the establishment of charter schools by assisting with charter school start-up costs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Classroom Site Fund (EDA2471/A.R.S. § 15-977)		Non-Appropriated
Source of Revenue: A portion of the Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%).		
Funds Expended	271,846,100	290,213,500
Year-End Fund Balance	500	500
Displaced Pupils Choice Grant Fund (EDA2533/A.R.S. § 15-817.06)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. Due to a court decision, the Legislature no longer provides funding for this program.		
Purpose of Fund: To provide qualifying displaced pupils with grants to be applied toward tuition and fees charged by nongovernmental schools. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Early Graduation Scholarship Fund (EDA2364/A.R.S. § 15-105L)		Non-Appropriated
Source of Revenue: Monies deposited into the fund by the Arizona Department of Education pursuant to A.R.S. § 15-105F & J.		
Purpose of Fund: To provide postsecondary education scholarships to individuals who graduated at least 1 year early from a public high school. (See Fund PEA 2364 in the Summary of Funds for the Commission for Postsecondary Education for more information.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
E-Learning Fund (EDA2527/A.R.S. § 15-1044)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund the e-learning pilot program established by Laws 2006, Chapter 375. Expenditures are not displayed to avoid double counting of General Fund. (Laws 2009, 1st Regular Session, Chapter 1, repealed the \$3 million appropriation for this program and reverted any unexpended monies, which equaled \$2,997,200.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	139,900	157,200
Year-End Fund Balance	157,200	65,100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities that are sponsored by donor organizations.		
Funds Expended	121,800	117,000
Year-End Fund Balance	510,400	543,400
Education Learning and Accountability (EDA7777/A.R.S. § 15-249.02)		Partially-Appropriated
Source of Revenue: In FY 2012, the appropriated portion of the fund is receiving a one-time transfer of \$6 per Full-Time Student Equivalent (FTSE) from Arizona public universities and community colleges pursuant to Laws 2011, Chapter 29, Section 30. The non-appropriated portion is receiving \$5,000,000 in state General Fund monies in FY 2012 that were appropriated to Basic State Aid with the stipulation that they be transferred into the fund. Expenditures of non-appropriated monies are not displayed to avoid double counting of the General Fund.		
Purpose of Fund: To develop and implement the Education Learning and Accountability System (ELAS) pursuant to A.R.S. § 15-249.		
Appropriated Funds Expended	0	1,200,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
English Learner Classroom Personnel Bonus (EDA2485/A.R.S. § 15-943.04)		Non-Appropriated
Source of Revenue: General Fund appropriation from Laws 2001, 2nd Special Session, Chapter 9.		
Purpose of Fund: To provide bonuses to classroom personnel based on the number of English Learners who become proficient in English. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To provide grants for extraordinary special education costs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)		Non-Appropriated
Source of Revenue: A portion of the 0.6% Proposition 301 sales tax, pursuant to A.R.S. § 42-5029E8 .		
Purpose of Fund: To fund tutoring for students who have not yet passed portions of the high school AIMS test or who attend “failing” schools, pursuant to A.R.S. § 15-241R, and to purchase materials designed to help students meet the Arizona Academic Standards and pass the AIMS test, pursuant to A.R.S. § 15-241CC.		
Funds Expended	1,502,300	1,500,000
Year-End Fund Balance	1,353,700	1,353,700
Federal Funds (EDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	980,801,300	1,048,563,500
Year-End Fund Balance	2,608,500	41,931,300
Federal Grants - American Recovery and Reinvestment Act (ARRA) (EDA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the Department to offset state reductions and enhance funding for programs such as Special Education and Title I.		
Funds Expended	344,414,700	150,869,900
Year-End Fund Balance	151,045,500	156,115,700

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Full-Day Kindergarten Fund (EDA2507/Laws 2004, Chapter 278)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To provide eligible schools with funding for full-day kindergarten. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	172,200	172,200
Year-End Fund Balance	18,400	21,200
Government Education Fund (EDA2362/A.R.S. § 15-246)		Non-Appropriated
Source of Revenue: Legislative appropriations from the General Fund, gifts, grants and donations. The Legislature no longer provides funding for this program.		
Purpose of Fund: To contact with third parties to provide for annual, one-week high school civics courses that focus on state government. General Fund expenditures are not displayed to avoid double counting. No gifts, grants or donations have been reported for the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	7,664,200	7,927,900
Year-End Fund Balance	410,600	208,400
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	3,512,000	4,832,900
Year-End Fund Balance	906,100	380,200
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	49,568,400	39,300,000
Year-End Fund Balance	0	0
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	3,107,000	3,984,800
Year-End Fund Balance*	1,010,400	(205,000)

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Mathematics or Science Achievement Program Fund (EDA2363/A.R.S. § 15-720.01)		Non-Appropriated
Source of Revenue: Monies appropriated from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To promote improved pupil achievement in math or science by providing supplemental funding for innovative math or science programs. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Partially-Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 (\$72,263,000), are automatically appropriated first to pay for debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds (QZAB) or State School Trust Revenue Bonds. Any remaining monies from the \$72,263,000 baseline total are then subject to appropriation to ADE to help fund Basic State Aid pursuant to A.R.S. § 15-971H. Expendable earnings beyond the \$72,263,000 baseline total from FY 2001 are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521B4.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4. (See "State Land Trust Bond Debt Service Fund" and "School Improvement Revenue Bond Debt Service Fund" in the Summary of Funds for the School Facilities Board budget for information on other uses of expendable monies from this fund.)		
Purpose of Fund: To support common schools.		
Funds Expended	32,497,100	46,475,500
Year-End Fund Balance	0	0
Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	1,043,300	1,256,700
Year-End Fund Balance	842,200	771,000
Proposition 301 Fund (EDA1014/A.R.S. § 42-5029E7) (EDA 1004, 1015, 1016 & 1017/A.R.S. § 42-5029E5 & E6)		Partially-Appropriated
Source of Revenue: A portion of the Proposition 301 sales tax pursuant to A.R.S. § 42-5029E5-7. The appropriated portion of the fund receives "up to \$7 million" monies appropriated by the Legislature pursuant to A.R.S. § 42-5029E7. The non-appropriated portion receives monies automatically appropriated by Proposition 301 for additional school days, School Safety and Character Education, plus any unspent "up to \$7 million" monies from the prior year.		
Purpose of Fund: To pay for K-12 Achievement Testing (appropriated) and additional school days, School Safety and Character Education (non-appropriated).		
Appropriated Funds Expended	4,134,900	7,000,000
Non-Appropriated Funds Expended	93,678,600	94,269,500
Year-End Fund Balance	3,758,000	3,769,000
Research Based Reading Instruction and Reading Instruction Training (EDA2413/Laws 2002, Chapter 295)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: Pays for teacher training in methods of reading instruction, pursuant to A.R.S. § 15-704. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Scholarships for Pupils With Disabilities Program Fund (EDA2534/A.R.S. § 15-891.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. Due to a court decision, the Legislature no longer provides funding for this program.		
Purpose of Fund: To provide disabled pupils with scholarships to attend the public or non-public school of their choice. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)		Appropriated
Source of Revenue: Revenues from 0.6% increase in the state Transaction Privilege Tax, as approved under Proposition 301 in the 2000 General Election.		
Purpose of Fund: To pay the debt service on \$832,865,000 in Proposition 301 revenue bonds and \$20,000,000 in Qualified Zone Academy Bond (QZAB) revenue bonds (<i>see School Facilities Board budget pages</i>). For FY 2007, the fund also provided \$1,865,400 to Hayden-Winkelman Unified to repay existing bonds (the district was required to repay that amount with interest over a 3-year period starting in FY 2008).		
Funds Expended	0	0
Year-End Fund Balance	0	0
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,038,900	2,461,000
Statewide Compensatory Instruction Fund (EDA2528/A.R.S. § 15-756.11)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund. The Legislature no longer provides funding for this program.		
Purpose of Fund: To supplement existing instruction for English Language Learners. Supplemental instruction may include individual or small group instruction, extended day classes, summer school or intersession school. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	6,500	6,500
Structured English Immersion Fund (EDA2535/A.R.S. § 15-756.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	11,901,400	7,901,400
Teacher Certification Fund (EDA2399/A.R.S. § 15-531)		Appropriated
Source of Revenue: Fees collected by the State Board of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	2,300,700	2,283,800
Year-End Fund Balance	48,300	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Temporary Transaction Privilege and Use Tax - 1% Fund (EDA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund. (For FY 2011, the General Accounting Office reported as of August 2011 that the Department of Education received \$576,697,200 and that the Department of Corrections, Arizona Health Care Cost Containment System (AHCCCS), Department of Economic Security, and Department of Health Services each received \$72,087,200.)		
Funds Expended	0	0
Year-End Fund Balance	0	0
Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	95,000	100,000
Year-End Fund Balance	339,800	242,400

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

Department of Emergency and Military Affairs

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
PROGRAM BUDGET			
Administration	1,626,700	1,711,300	1,711,300
Emergency Management	3,217,000	4,741,300	4,750,900
Military Affairs	4,234,200	2,495,400	2,495,400
AGENCY TOTAL	9,077,900	8,948,000	8,957,600
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	83.6	83.6	66.6
Personal Services	1,659,000	1,702,700	1,702,700
Employee Related Expenditures	675,900	646,200	646,200
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	2,307,600
Equipment	131,700	131,300	131,300
OPERATING SUBTOTAL	5,007,500	4,953,700	4,953,700
SPECIAL LINE ITEMS			
Governor's Emergency Fund	1,532,200	2,900,000	2,900,000
Military Airport Planning	46,000	90,000	90,000
Nuclear Emergency Management Fund	929,500	1,004,300	1,013,900
Project Challenge	1,562,700	0	0
AGENCY TOTAL	9,077,900	8,948,000^{1/}	8,957,600
FUND SOURCES			
General Fund	9,070,500	8,815,300	8,824,900
<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	8,948,000	8,957,600
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	56,083,600	48,302,000

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 Baseline includes \$4,953,700 and 61.1 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$4,821,000
Emergency Response Fund	132,700

FY 2013 adjustments would be as follows:

FTE Reduction

GF 0
The Baseline 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.

Governor's Emergency Fund

The Baseline includes \$2,900,000 from the General Fund in FY 2013 for the Governor's Emergency Fund. This amount is unchanged from FY 2012.

^{1/} In addition to these amounts, a total of \$96,600 GF is appropriated in FY 2012 for costs associated with an additional pay period.

Under A.R.S. § 35-192, the Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the General Fund for disaster prevention and mitigation without specific appropriation authority. Monies in this line item, therefore, are not included in the General Appropriation Act.

The FY 2012 General Government Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 34) reduced the authorization to \$2,900,000. The Baseline assumes this reduction is continued for FY 2013.

Military Airport Planning

The Baseline 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.

Session law provisions, however, reduced the \$5,000,000 appropriation during the last several years. In FY 2011, the \$4,825,000 allocation was reduced to \$2,100,000, however, DEMA only expended \$46,000 of this amount due to timing issues. The program was previously

administered by the Department of Commerce, and was transferred to DEMA mid-year.

Nuclear Emergency Management Fund

The Baseline includes \$1,013,963 and 4.5 FTE Positions from the General Fund in FY 2013 for the Nuclear Emergency Management Fund (NEMF). FY 2013 adjustments would be as follows:

NEMF Increase	GF	9,600
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The Baseline 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 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 Agriculture and Radiation Regulatory Agency narrative for more information.)*

* * *

FORMAT — Lump Sum by Program

FOOTNOTES

Standard Footnotes

The Department of Emergency and Military Affairs appropriation includes \$1,215,000 for service contracts. This amount is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all FY 2013 monies remaining unexpended and unencumbered on October 31, 2013, revert to the state General Fund.

STATUTORY CHANGES

The Baseline would, as session law, continue the \$(1,100,000) reduction to the Governor's Emergency Fund deposit in FY 2013.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Camp Navajo Fund (MAA2106/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: Federal fees for storage and use of Camp Navajo, a munitions storage depot and National Guard training site.		
Purpose of Fund: To operate and maintain the Camp Navajo National Guard training and storage facility.		
Funds Expended	11,530,400	11,531,300
Year-End Fund Balance	1,894,700	1,511,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Emergency Management Registration Fees (MAA2087/A.R.S. § 26-102)		Non-Appropriated
Source of Revenue: Emergency management course fees paid by private sector participants.		
Purpose of Fund: To pay for the costs of administering the emergency management course.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Emergency Response Fund (MAA3031/A.R.S. § 26-352)		Appropriated
Source of Revenue: The fund receives 10% of the Department of Environmental Quality's Hazardous Waste Management Fund.		
Purpose of Fund: To develop and administer a hazardous materials emergency management program, equip local emergency planning committees for the development of hazardous materials emergency response teams, and assist local agencies in providing adequate response to emergency situations.		
Funds Expended	7,400	132,700
Year-End Fund Balance	0	0
Federal Funds - Emergency (MAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal program grants. Homeland Security funds received by Arizona after FY 2006 are reported in the Arizona Department of Homeland Security's budget.		
Purpose of Fund: To pay for the federal share of emergency planning, response and management programs.		
Funds Expended	14,403,700	8,193,800
Year-End Fund Balance	680,200	448,100
Federal Funds - Military (MAA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Service Contracts for security, maintenance and operations of the National Guard.		
Purpose of Fund: To provide the federal share of costs for Army National Guard and Air National Guard positions, capital and operating expenses.		
Funds Expended	49,687,600	26,279,000
Year-End Fund Balance	6,081,100	3,378,500
Freedom Academy Fund (MAA2104/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Governor's Office for Drug Policy and the Joint Counter Narcotics Task Force (federal Department of Justice, through the Department of Defense).		
Purpose of Fund: To provide middle and high school students with anti-drug and gang information. Student representatives throughout the state are invited to participate in the weekend programs at Camp Navajo.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (MAA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal FEMA Grants and Non-Appropriated Funds.		
Purpose of Fund: To pay administrative expenditures not directly attributable to any one program, but associated with Federal Grant and Non-Appropriated funds.		
Funds Expended	858,300	1,023,500
Year-End Fund Balance	113,100	59,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Military Installation Fund (MAA1010/A.R.S. § 26-262)		Non-Appropriated
Source of Revenue: Laws 2011, Chapter 34 eliminated the statutory, annual, General Fund deposit of \$(4,825,000) into the Military Installation Fund. Currently, the fund's sole revenue source is the collection of interest from the balance in the fund. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: Grants for military installation preservation and enhancement projects as well as costs associated with administering the fund. DEMA must utilize 80% of the monies to acquire private property, real estate, property rights and related infrastructure to preserve, support, or enhance a military installation. Up to 20% of this amount may be awarded to cities, towns, and counties for land acquisition purposes. The remaining 20% is awarded to cities, towns, and counties for military installation preservation and enhancement projects. In addition, \$90,000 is appropriated to the department for the costs associated with 1 FTE Position to administer the fund.		
Funds Expended	0	0
Year-End Fund Balance	5,168,000	5,168,000
Morale, Welfare and Recreational Fund (MAA2124/A.R.S. § 26-153)		Non-Appropriated
Source of Revenue: A portion of National Guard Member Special License Plate fees, funds generated from federally-defined recycling activities, monies from the disposal of unserviceable military property belonging to the state, or other non-state-appropriated monies.		
Purpose of Fund: To support morale, welfare, and recreational activities for guardsmen and non-state-employed support personnel.		
Funds Expended	8,200	8,200
Year-End Fund Balance	10,300	12,900
National Guard Fund (MAA2140/A.R.S. § 26-152)		Non-Appropriated
Source of Revenue: A subaccount that receives the proceeds from the rental or use of armories.		
Purpose of Fund: For general operating expenses of the National Guard.		
Funds Expended	99,800	99,800
Year-End Fund Balance	127,700	143,900
National Guard Relief Fund (MAA2349/A.R.S. § 26-183)		Non-Appropriated
Source of Revenue: Monies received from individual contributors who voluntarily donate through the state individual income tax return. Since tax year 2006, donors have been able to contribute to the fund.		
Purpose of Fund: To provide assistance to families of National Guard members who are mobilized in support of a contingency operation or state emergency.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Nuclear Emergency Management Fund (MAA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	0	0
State Armory Property Fund (MAA2146/A.R.S. § 26-231)		Non-Appropriated
Source of Revenue: Sale of surplus armory property.		
Purpose of Fund: For the construction and capital improvement of National Guard armories.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of Environmental Quality

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	467.4	467.4	467.4
Personal Services	12,545,100	15,572,300	15,572,300
Employee Related Expenditures	5,328,700	6,816,600	6,816,600
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	16,048,300
Equipment	474,800	327,900	327,900
OPERATING SUBTOTAL	32,792,200	44,807,200	44,807,200
SPECIAL LINE ITEMS			
Emissions Control Contractor Payment	20,832,800	20,119,500	20,119,500
WQARF Priority Site Remediation	7,000,000	7,000,000	7,000,000
AGENCY TOTAL	60,625,000	71,926,700^{1/}	71,926,700
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	7,008,600 ^{2/}	7,008,600
Air Quality Fund	2,262,500	5,370,400 ^{2/}	5,370,400
Clean Water Revolving Fund	4,162,500	0	0
Emissions Inspection Fund	24,039,800	25,536,100 ^{2/}	25,536,100
Hazardous Waste Management Fund	942,600	1,712,100 ^{2/}	1,712,100
Indirect Cost Recovery Fund	11,705,500	12,873,200 ^{2/}	12,873,200
Solid Waste Fee Fund	1,147,000	1,917,500 ^{2/}	1,917,500
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	10,347,900 ^{2/}	10,347,900
SUBTOTAL - Other Appropriated Funds	53,625,000	64,926,700	64,926,700
SUBTOTAL - Appropriated Funds	60,625,000	71,926,700	71,926,700
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	351,940,600	351,940,600

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/} In addition to these amounts, a total of \$759,900 OF is appropriated in FY 2012 for costs associated with an additional pay period.

^{2/} These amounts reflect revised State Lease-Purchase and Rental Rate Adjustments. These changes align the allocation with the actual fund sources.

Operating Budget

The Baseline includes \$44,807,200 and 467.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
Air Permits Administration Fund	\$7,008,600
Air Quality Fund	5,370,400
Emissions Inspection Fund	5,416,600
Hazardous Waste Management Fund	1,712,100
Indirect Cost Recovery Fund	12,873,200
Solid Waste Fee Fund	1,917,500
Underground Storage Tank Revolving Fund	22,000
Used Oil Fund	138,900
Water Quality Fee Fund	10,347,900

These amounts are unchanged from FY 2012.

Emissions Control Contractor Payment

The Baseline includes \$20,119,500 from the Emissions Inspection Fund in FY 2013 for the Emissions Control Contractor Payment. This amount is unchanged from FY 2012.

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.

WQARF Priority Site Remediation

The Baseline 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 Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 36) notwithstanding these statutory provisions and reduced the General Fund allocation to \$7,000,000. *Table 1* describes program activity for FY 2011 and FY 2012. The Baseline continues the deposit at the reduced level.

Table 1		
WQARF Activity		
	Actual	Estimated
	FY 2011	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>550,100</u>
Year-End Fund Balance	\$ 3,502,300	\$ 5,594,900

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2014 budget for the Water Quality Assurance Revolving Fund before September 1, 2012, for review by the Senate and House of Representatives Appropriations Committees.

All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$7,008,600 in FY 2013 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$7,008,600 in FY 2013, the Department of Environmental Quality shall report the intended use of the mines to the Joint Legislative Budget Committee.

All Indirect Cost Fund Recovery revenues received by the Department of Environmental Quality in excess of \$12,873,200 in FY 2013 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$12,873,200 in FY 2013, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend the Underground Storage Tank Revolving Fund Assurance Account administrative cap for FY 2013 to allow the department to utilize up to \$6,531,000 for program operating costs.

- 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2012 Revisions

The Baseline includes no net change for funding lease-purchase/rent payments in FY 2012. The Operating appropriations were reallocated in order to allow ADEQ to fund its lease-purchase/rent entirely from the Indirect Cost Recovery Fund. The summary number table has been updated to reflect these changes from the original FY 2012 appropriation:

Air Permits Administration Fund	19,400
Air Quality Fund	4,400
Emissions Inspection Fund	17,800
Hazardous Waste Management Fund	5,200
Indirect Cost Recovery Fund	(88,100)
Solid Waste Fee Fund	10,100
Water Quality Fee Fund	<u>31,200</u>
Total	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Air Permits Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections.		
Funds Expended	4,962,900	7,008,600
Year-End Fund Balance	2,200,400	1,052,900
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from a \$1.50 fee assessed on motor vehicle registrations; gifts, grants, and donations; and legislative appropriations.		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also to provide an annual \$400,000 transfer to the Department of Administration for state employee travel reduction programs and annual appropriations for the Department of Weights and Measures Oxygenated Fuels and Vapor Recovery programs. (<i>See individual agencies for further description.</i>)		
Funds Expended	2,262,500	5,370,400
Funds Appropriated		
Department of Weights and Measures	1,407,300	1,413,900
Arizona Department of Transportation	26,400	74,700
Arizona Department of Administration (Bus Subsidy)	596,500	714,100
Funds Transferred		
Arizona Department of Administration (Travel Reduction)	400,000	400,000
Year-End Fund Balance	2,094,400	500,600

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Air Quality Fund - Clean Air Subaccount (EVA2240/A.R.S. § 49-551)		Partially-Appropriated
Source of Revenue: A fee which allowed owners of vehicles 5 years old or newer to pay in-lieu of the vehicle emissions inspections. This fee was repealed effective July 1, 2006. The FY 2009 budget transferred \$2,212,300 from the Air Quality Fund - Clean Air Subaccount to the General Fund.		
Purpose of Fund: 5% of fee revenues may be used for administrative costs, with the balance distributed for the following programs:		
1. 5% for the Voluntary Lawn and Garden Equipment Emissions Reduction Program;		
2. 15% for the Voluntary Vehicle Repair and Retrofit Program;		
3. 30% for the Diesel Vehicle Low Emissions Incentive Grant Program;		
4. 10% for the voluntary accelerate purchase of Tier 2 and Tier 3 non-road equipment;		
5. 15% for grants to counties with populations fewer than 400,000 for travel reduction programs;		
6. 25% for other air quality programs and measures.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Clean Air Fund (EVA1238/A.R.S. § 41-411)		Non-Appropriated
Source of Revenue: Prior to its elimination, the Arizona Clean Air Fund (ACAF) received revenues from: the Arizona Department of Environmental Quality Vehicle Repair Grant program, fees that owners of vehicles 5 years old or newer may pay in lieu of the vehicle emission inspections fee; lottery proceeds; and gifts, grants, donations and interest.		
Purpose of Fund: To provide grants for alternative fuel vehicles and diesel vehicle conversion grants. Beginning July 1, 2003, the revenue source and activities of this fund shifts to the Air Quality Fund. <i>(See Arizona Clean Air Fund Balance for more information.)</i>		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Clean Air Fund Balance (EVA2250/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: A transfer in FY 2004 from the Arizona Clean Air Fund.		
Purpose of Fund: This fund was established to separate the Clean Air in lieu fee account from the remaining balance of the Arizona Clean Air Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Brownfields Cleanup Revolving Loan Fund (EVA2456/A.R.S. § 49-218)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal grants, loan repayments, interest, penalties, gifts and donations.		
Purpose of Fund: To provide loans to eligible parties to perform non time-crucial removal of hazardous waste contamination on sites accepted into the State Voluntary Remediation Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Clean Water Revolving Fund (EVA2254/A.R.S. § 49-1221)		Partially-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Appropriated Funds Expended	4,162,500	0
Non-Appropriated Funds Expended	182,139,300	149,101,100
Year-End Fund Balance	86,304,400	56,169,000
Donations Fund (EVA2449/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Various donations, settlements, and consent decrees.		
Purpose of Fund: To administer the intent of the donation, settlement or decree.		
Funds Expended	7,700	12,300
Year-End Fund Balance	1,000	1,000

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Drinking Water Revolving Fund (EVA2307/A.R.S. § 49-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans to drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Funds Expended	69,312,400	66,596,200
Year-End Fund Balance	57,994,600	43,237,400
Emissions Inspection Fund (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for the state portion of catalytic converter program costs; and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Funds Expended	24,039,800	25,536,100
Year-End Fund Balance	6,911,400	5,411,300
Federal Funds (EVA2000/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Federal grants related to water quality management, underground storage tank enforcement provisions, air pollution control, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	17,047,000	19,206,100
Year-End Fund Balance	0	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (EVA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for air and water quality programs, the Underground Storage Tank Program, and the Water Infrastructure Finance Authority.		
Funds Expended	18,554,900	1,365,500
Year-End Fund Balance	0	0
Greater Arizona Development Authority Revolving Fund (EVA2311/A.R.S. § 41-2254)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
Purpose of Fund: To help rural communities meet their infrastructure needs. GADA may issue bonds, guarantee debt obligations, and provide technical and financial assistance to political subdivisions, special districts, and Indian tribes. Legislative appropriations to the GADA Revolving Fund may only be used to secure bonds. The state funding only serves as collateral for the loans and is not directly loaned out. The fund was capitalized with \$20,000,000 from the General Fund between FY 1998 and FY 2000. Other revenue to the fund may be used for GADA's operating costs, as well as technical and financial assistance to communities. Laws 2011, 2nd Special Session, Chapter 1 requires the Water Infrastructure Finance Authority of Arizona (WIFA) to provide administrative support for this fund.		
Funds Expended	211,500	46,000
Year-End Fund Balance	0	0
Greenfields Program Fund (EVA2309/A.R.S. § 49-157)		Non-Appropriated
Source of Revenue: Legislative appropriations and program fees. Initial General Fund appropriations of \$100,000 in FY 1998 and \$70,000 in FY 1999 made at the beginning of the pilot program were intended as start-up monies and will be paid back as fees are collected.		
Purpose of Fund: To remediate parcels of land that have soil contamination and return them to productive use. ADEQ will review and approve remediation plans submitted by certified remediation specialists.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Hardship Grant Fund (EVA2437/A.R.S. § 49-1267)		Non-Appropriated
Source of Revenue: Legislative appropriations and monies received from the United States government, including monies that are awarded to this state pursuant to Title II of the Clean Water Act and that are no longer obligated to the Construction Grants program.		
Purpose of Fund: Providing hardship grants to political subdivisions or Indian tribes to plan, design, acquire, construct or improve wastewater collection and treatment facilities. Providing training and technical assistance related to the operation and maintenance of wastewater systems.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Hazardous Waste Management Fund (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program, and to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	942,600	1,712,100
Year-End Fund Balance	969,400	188,500
IGA & ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	4,377,900	6,739,000
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (EVA7000/A.R.S. § 49-104)		Appropriated
Source of Revenue: Monies transferred from the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	11,705,500	12,873,200
Year-End Fund Balance	1,490,200	1,508,400
Institutional & Engineering Control Fund (EVA2563/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	8,700	0
Year-End Fund Balance	0	0
Intergovernmental Agreement Fund (EVA2180/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements from various entities, including the Game and Fish Department and the Water Protection Commission.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	12,900	12,900
Monitoring Assistance Fund (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.		
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
Funds Expended	658,000	779,000
Year-End Fund Balance	658,200	746,600

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Recycling Fund (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others developing recycling markets and programs; for public information and assistance on source reduction and recycling; solid waste control programs, and for revenue collection and fund administration. Laws 2011, Chapter 220 allows DEQ to raise recycling registration fees through September 2013 with rulemaking authority. After September 30, 2013, statutory permission must be received to raise fees.		
Funds Expended	0	0
Year-End Fund Balance	319,900	414,500
Small Water Systems Fund (EVA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair.		
Funds Expended	0	0
Year-End Fund Balance	10,700	10,700
Solid Waste Fee Fund (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Fees, donations, and legislative appropriations.		
Purpose of Fund: To pay solid waste program costs, including waste tire removal expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement. Laws 2011, Chapter 220 allows DEQ to raise solid waste fees through September 2013 with rulemaking authority. After September 30, 2013, statutory permission must be received to raise fees.		
Funds Expended	1,147,000	1,917,500
Year-End Fund Balance*	233,600	(390,100)
Specific Site Judgment Fund (EVA3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	12,600	450,000
Year-End Fund Balance	2,053,900	538,000
Technical Appeals Program Fund (EVA3411/A.R.S. § 49-116)		Non-Appropriated
Source of Revenue: Legislative appropriations and dispute resolution fees.		
Purpose of Fund: To pay the costs of implementing and administering a technical appeals process for specified WQARF site registry and work plan review decisions.		
Funds Expended	0	0
Year-End Fund Balance	0	0
NOTE: The Underground Storage Tank (UST) Fund is displayed first as a fund summary, then by individual account.		
Underground Storage Tank Revolving (UST Summary) (EVA2271/A.R.S. § 49-1015A)		Partially-Appropriated
Source of Revenue: See each account for specific revenue sources.		
Purpose of Fund: See each account for specific account purpose.		
Balance Forward	5,379,000	6,021,200
Revenue	29,494,000	28,304,600
Funds Available	34,873,000	34,325,800
Appropriated Funds Expended	0	22,000
Non-Appropriated Funds Expended	22,679,100	22,689,200
Intra-Fund Cash Transfer Out to Non-Maricopa Account	3,500,000	0
Intra-Fund Cash Transfer In from Area A Account	3,500,000	0
Legislative Fund Transfers	6,172,700	6,200,700
Year-End Fund Balance	6,021,200	5,413,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
UST - Area A Assurance Account (EVA2271/A.R.S. § 49-1015)		Non-Appropriated
Source of Revenue: Area A (Maricopa County) excise tax revenues, cost recovery, and interest. The excise tax is a 1¢ per gallon tax on regulated substances, such as gasoline.		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse ADEQ if the state is required to take corrective action in Area A.		
Balance Forward	1,938,900	3,483,000
Revenue	14,654,900	10,808,200
Funds Available	16,593,800	14,291,200
Funds Expended	7,842,500	7,365,800
Intra-Fund Cash Transfer Out to Non-Maricopa	3,500,000	0
Legislative Fund Transfers	1,768,300	4,000,000
Year-End Fund Balance	3,483,000	2,925,400
UST - Cleanup Municipalities Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: A one-time transfer of \$5,000,000 of vehicle license tax revenues in FY 2001, as provided by Laws 2000, Chapter 354, and interest.		
Purpose of Fund: To partially reimburse school districts, counties, cities, towns, hospitals, and certain small businesses for costs of cleaning up leaking tanks.		
Balance Forward	0	0
Revenue	0	0
Funds Available	0	0
Funds Expended	0	0
Year-End Fund Balance	0	0
UST - Grant Account (EVA2271/A.R.S. § 49-1071)		Non-Appropriated
Source of Revenue: Interest earnings on account balance.		
Purpose of Fund: To provide grants, up to \$100,000 to UST owners/operators for the purposes of meeting tank performance standards, removing tanks for closure or replacement, or paying the portion of corrective action costs that are less than the deductible amount under the Assurance Fund. The Grant Account was divided into the Area A and Non-Maricopa Accounts by Laws 1993, Chapter 1, 6 th Special Session. The figures below depict the entire Grant Account.		
Balance Forward	0	0
Revenue	0	0
Funds Available	0	0
Funds Expended	0	0
Year-End Fund Balance	0	0
UST - Municipal Tank Closure and Corrective Action Program Account (EVA2271/A.R.S. § 49-1073)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and donations. Laws 2001, Chapter 341 transferred all unobligated funds in the UST Grant Account as of December 31, 2001 to this account. The estimated amount transferred was \$2,300,000.		
Purpose of Fund: To perform permanent closures and corrective actions on underground storage tanks in cities and towns requesting assistance. Cities and towns must have less than 15,000 people to be eligible for the program.		
Balance Forward	430,100	95,600
Revenue	2,600	2,600
Funds Available	432,700	98,200
Funds Expended	337,100	98,200
Year-End Fund Balance	95,600	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
UST - Non-Maricopa County Assurance Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Non-Maricopa County excise tax revenues, cost recovery, and interest. The excise tax is a 1¢ per gallon tax on regulated substances, such as gasoline.		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse DEQ if the state is required to take corrective action in areas other than Area A.		
Balance Forward	2,069,400	1,296,100
Revenue	14,191,200	16,824,000
Funds Available	16,260,600	18,120,100
Funds Expended	14,060,100	14,730,700
Intra-Fund Cash Transfer In from Area A Account	3,500,000	0
Legislative Fund Transfers	4,404,400	2,200,700
Year-End Fund Balance	1,296,100	1,188,700
UST - Policy Commission Account (EVA2271/A.R.S. § 49-1092)		Partially-Appropriated
Source of Revenue: This account receives \$11,000 from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Policy Commission review and provide recommendations to improve the UST program.		
Balance Forward	3,200	3,200
Revenue	0	11,000
Funds Available	3,200	14,200
Appropriated Funds Expended	0	11,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	3,200	3,200
UST - Regulatory Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Annual tank fees (\$100/tank) and interest.		
Purpose of Fund: To carry out the state regulatory program, state-initiated corrective actions, and cost recovery activities.		
Balance Forward	937,400	1,143,300
Revenue	645,300	647,800
Funds Available	1,582,700	1,791,100
Funds Expended	439,400	494,500
Year-End Fund Balance	1,143,300	1,296,600
UST - Technical Appeals Account (EVA2271/A.R.S. § 49-1093)		Partially-Appropriated
Source of Revenue: Fund receives an annual \$11,000 appropriation from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Technical Appeals panel.		
Balance Forward	0	0
Revenue	0	11,000
Funds Available	0	11,000
Appropriated Funds Expended	0	11,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Used Oil Fund (EVA3500/A.R.S. § 49-818)		Appropriated
Source of Revenue: Legislative appropriations and penalties for misuse of used oil.		
Purpose of Fund: For costs associated with the collection and analysis of used oil fuel samples.		
Funds Expended	13,200	138,900
Year-End Fund Balance	41,400	38,700

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Voluntary Lawn and Garden Equipment Emissions Reduction Fund (EVA2306/A.R.S. § 49-474)		Non-Appropriated
Source of Revenue: An annual \$10,000 appropriation from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To provide vouchers for the retirement of residential and commercial lawn mowers. Residential owners receive a \$100 voucher to be used toward the purchase of an electric mower. Commercial owners receive a \$200 voucher to be used toward the purchase of a mower that generates lower emissions.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations.		
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.		
Funds Expended	164,200	177,200
Year-End Fund Balance	314,100	371,900
Voluntary Vehicle Repair & Retrofit Program Fund (EVA2365/A.R.S. § 49-474.03)		Non-Appropriated
Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.		
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.		
Funds Expended	0	0
Year-End Fund Balance	260,100	12,900
Water Quality Assurance Revolving Fund (WQARF) (EVA2221/A.R.S. § 49-282)		Non-Appropriated
Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S § 49-282, \$15,000,000 is to be transferred to WQARF from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually. This statutory transfer was suspended for both FY 2011 and FY 2012 in favor of a transfer amount of \$7,000,000.		
Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is a transfer of up to \$800,000 to the Department of Water Resources for well inspection and data management. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the annual budget for WQARF.		
Funds Expended	8,986,700	12,852,300
Year-End Fund Balance	7,175,800	3,900,900
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		Appropriated
Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.		
Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.		
Funds Expended	4,389,000	10,347,900
Year-End Fund Balance*	501,800	(3,850,900)

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

Governor's Office of Equal Opportunity

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	40,300	40,300
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
AGENCY TOTAL	193,600	187,900^{1/}	187,900
FUND SOURCES			
General Fund	193,600	187,900	187,900
SUBTOTAL - Appropriated Funds	193,600	187,900	187,900
Federal Funds	68,000	68,000	68,000
TOTAL - ALL SOURCES	261,600	255,900	255,900

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

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The Baseline includes \$187,900 and 4 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Equal Employment and Economic Development Fund (AFA2000/Executive Order: 93-20)		Non-Appropriated
Source of Revenue: Federal Funds received by the State of Arizona under the provisions of the Wagner-Peyser Act, the Workforce Investment Act, and Public Law 105-220.		
Purpose of Fund: To establish effective communication links between government agencies and local communities to address areas of employment under-utilization. To conduct research to improve, expand, or integrate state agencies' equal opportunity programs.		
Funds Expended	68,000	68,000
Year-End Fund Balance	30,400	25,800

^{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.

State Board of Equalization

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	113,500	113,500
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	142,000
AGENCY TOTAL	565,300	625,800^{1/}	625,800
FUND SOURCES			
General Fund	565,300	625,800	625,800
SUBTOTAL - Appropriated Funds	565,300	625,800	625,800
TOTAL - ALL SOURCES	565,300	625,800	625,800

AGENCY DESCRIPTION — The State Board of Equalization consists of 33 members. The board hears property tax appeals for Maricopa and Pima Counties. Property tax appeals in other counties continue to be heard by the respective County Boards of Equalization. Of the 33 members, the 13 gubernatorial appointments also hear appeals of centrally-valued properties and equalization orders by the Department of Revenue.

Operating Budget

The Baseline includes \$625,800 and 7 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

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FORMAT — Lump Sum by Agency

^{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.

Board of Executive Clemency

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	14.0	14.0	14.0
Personal Services	422,500	486,800	475,800
Employee Related Expenditures	214,100	172,300	170,100
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	122,000
Equipment	42,900	2,800	2,800
AGENCY TOTAL	854,000	790,500^{1/}	777,300
FUND SOURCES			
General Fund	854,000	790,500	777,300
SUBTOTAL - Appropriated Funds	854,000	790,500	777,300
TOTAL - ALL SOURCES	854,000	790,500	777,300

AGENCY DESCRIPTION — The board consists of 1 full-time chairman and 4 part-time members. The board conducts home arrest, parole, or work furlough release hearings at all adult prison institutions for prisoners convicted prior to January 1, 1994. The board considers executive clemency actions such as pardons, commutations, and absolute discharges for all prisoners convicted on or after January 1, 1994.

Operating Budget

The Baseline includes \$777,300 and 14 FTE Positions from the General Fund in FY 2013 for the operating budget. FY 2013 adjustments would be as follows:

Annual Leave Payout	GF	FY 2013
		\$(13,200)

The Baseline 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.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, continue to limit members of the Board of Executive Clemency, excluding the Chairman, from working more than 30 hours per week and restrict them from being eligible for paid leave or any other benefits provided to state employees.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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.
- **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.

^{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.

Arizona Exposition and State Fair Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	850,000	850,000
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	11,096,200^{1/}	11,096,200

FUND SOURCES

Other Appropriated Funds

Arizona Exposition and State Fair Fund	9,445,500	11,096,200	11,096,200
SUBTOTAL - Other Appropriated Funds	9,445,500	11,096,200	11,096,200
SUBTOTAL - Appropriated Funds	9,445,500	11,096,200	11,096,200
TOTAL - ALL SOURCES	9,445,500	11,096,200	11,096,200

AGENCY DESCRIPTION — The Arizona Exposition and State Fair Board is custodian of the 96-acre State Fairgrounds and Memorial Coliseum properties. The board directs and conducts the annual Arizona State Fair and leases the coliseum and fairgrounds facilities for special events, including the annual Arizona National Livestock Show.

Operating Budget	* * *
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The Baseline includes \$11,096,200 and 184 FTE Positions from the Arizona Exposition and State Fair Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Exposition and State Fair Fund (CLA4001/A.R.S. § 3-1005)		Appropriated
Source of Revenue: Receipts and lease revenues from fairground facilities, most of which are associated with the State Fair.		
Purpose of Fund: For operating and capital costs of the State Fair.		
Funds Expended	9,445,500	11,096,200
Year-End Fund Balance	1,862,800	868,100

^{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.

Department of Financial Institutions

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.1	55.1	55.1
Personal Services	1,657,600	1,941,400	1,941,400
Employee Related Expenditures	773,800	836,600	836,600
Professional and Outside Services	173,300	294,900	294,900
Travel - In State	500	500	500
Travel - Out of State	3,800	1,000	1,000
Other Operating Expenditures	470,100	379,000	379,000
Equipment	128,000	6,500	6,500
AGENCY TOTAL	3,207,100	3,459,900^{1/}	3,459,900
FUND SOURCES			
General Fund	2,794,900	2,726,600	2,726,600
<u>Other Appropriated Funds</u>			
Financial Services Fund	412,200	733,300	733,300
SUBTOTAL - Other Appropriated Funds	412,200	733,300	733,300
SUBTOTAL - Appropriated Funds	3,207,100	3,459,900	3,459,900
Other Non-Appropriated Funds	1,752,200	1,495,000	576,000
TOTAL - ALL SOURCES	4,959,300	4,954,900	4,035,900

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

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The Baseline includes \$3,459,900 and 55.1 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$2,726,600
Financial Services Fund	733,300

These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

The Department of Financial Institutions shall assess and set fees to ensure that monies deposited in the state General Fund will equal or exceed its expenditure from the state General Fund.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Escrow Recovery Fund (BDA2341/Repealed)		Non-Appropriated
Source of Revenue: This fund was repealed through Laws 2011, Chapter 51; monies remaining in this fund were transferred to the state General Fund.		
Purpose of Fund: Formerly, the purpose was to pay claims against escrow agents.		
Funds Expended	0	0
Year-End Fund Balance	410,700	0

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Financial Services Fund (BDA1998/A.R.S. § 6-991.21)		Appropriated
Source of Revenue: Loan originator licensing fees.		
Purpose of Fund: To supervise and regulate loan originators.		
Funds Expended	412,200	733,300
Year-End Fund Balance	2,694,300	2,245,400
IGA and ISA Fund (BDA2500/A.R.S. § 6-1241)		Non-Appropriated
Source of Revenue: Monies received through Intergovernmental Agreements with the Attorney General's Office.		
Purpose of Fund: To reimburse the department for expenses related to the examination of money transmitting organizations. The banking examiners work in cooperation with the Attorney General's Office to provide information leading to the criminal conviction of fraudulent money transmitting organizations.		
Funds Expended	68,400	78,400
Year-End Fund Balance	3,400	0
Mortgage Recovery Fund (BDA1997/A.R.S. § 6-991.09)		Non-Appropriated
Source of Revenue: Licensing and renewal fees paid by licensed loan originators.		
Purpose of Fund: To benefit any person aggrieved by any act, representation, transaction or conduct of a licensed loan originator that violates statute or rule.		
Funds Expended	0	0
Year-End Fund Balance	578,000	907,900
Receivership Revolving Fund (BDA3023/A.R.S. § 6-135.01)		Non-Appropriated
Source of Revenue: Revenue generated from the sale of assets of firms under receivership and transfers from the department's Revolving Fund.		
Purpose of Fund: Provide funding for the administration of receiverships.		
Funds Expended	1,285,500	921,200
Year-End Fund Balance	3,100	23,000
Revolving Fund (BDA2126/A.R.S. § 6-135)		Non-Appropriated
Source of Revenue: Investigative costs, attorney fees, or civil penalties recovered as the result of an enforcement action brought by the department or the Attorney General for violations of state banking laws.		
Purpose of Fund: To support investigative and enforcement activities conducted by the department and the Attorney General. Year-end unencumbered fund balances in excess of \$50,000 are transferred to the department's Receivership Revolving Fund.		
Funds Expended	398,300	495,400
Year-End Fund Balance	576,100	48,400

Department of Fire, Building, and Life Safety

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	426,300	426,300
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	149,900
Equipment	20,400	2,000	2,000
AGENCY TOTAL	1,989,800	1,693,300^{1/}	1,693,300
FUND SOURCES			
General Fund	1,989,800	1,693,300	1,693,300
SUBTOTAL - Appropriated Funds	1,989,800	1,693,300	1,693,300
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	2,449,200	2,449,200

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

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The Baseline includes \$1,693,300 and 47 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arson Detection Reward Fund (MMA2169/A.R.S. § 41-2167)		Non-Appropriated
Source of Revenue: Donations, court imposed fines, and monies from forfeiture of bail posted for arson convictions.		
Purpose of Fund: To provide rewards for information leading to convictions of arson cases.		
Funds Expended	1,900	0
Year-End Fund Balance	58,100	62,600
Building & Fire Safety Fund (MMA2211/A.R.S. § 41-2173)		Non-Appropriated
Source of Revenue: Intergovernmental agreement with the Department of Environmental Quality and the Department of Health Services. Registration fees charged to fire training school participants.		
Purpose of Fund: The fund is used: a) to implement a fire and life safety inspection program for the removal or installation of storage tanks and to ensure that owners and operators are complying with and reporting environmental releases to the proper agencies; b) to implement a fire and life safety inspection program for all buildings licenses under Federal Medicaid and Medicare Programs and provide staff to perform inspections; and c) to provide training classes, at the local level to address the needs of volunteer firefighters.		
Funds Expended	0	6,100
Year-End Fund Balance*	(1,300)	(7,400)

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Condominium and Planned Community Hearing Office Fund (MMA2537/A.R.S. § 41-2198.05)		Non-Appropriated
Source of Revenue: Filing fees and civil penalties arising from disputes between owners and condominium or planned community associations over violations of condominium or planned community documents or violations of regulatory statutes.		
Purpose of Fund: To reimburse the costs of the Office of Administrative Hearings in conducting hearings concerning disputes between owners and condominium or planned community associations. Remaining monies in the fund may be used by the department to offset the costs of administering cases between owners and condominium or planned community associations.		
Funds Expended	0	0
Year-End Fund Balance	700	700
Consumer Recovery Fund (MMA3090/A.R.S. § 41-2188)		Non-Appropriated
Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.		
Funds Expended	129,600	0
Year-End Fund Balance	46,400	170,000
Federal Grant Fund (MMA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Housing and Urban Development (HUD) reimbursements for regulatory functions performed by the Office of Manufactured Housing (OMH) on its behalf. Tuition fees for HUD training conducted by OMH staff.		
Purpose of Fund: Pro-rated salaries and related expenses for employees performing related functions.		
Funds Expended	206,300	232,400
Year-End Fund Balance	68,400	26,000
Interagency Service Agreement Fund (MMA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies transferred from the State Forester to cover their portion of rent expenses for office space shared with the Department of Fire, Building, and Life Safety.		
Purpose of Fund: To pay rent for office space shared by the Department of Fire, Building, and Life Safety and the State Forester.		
Funds Expended	27,900	23,700
Year-End Fund Balance	14,600	33,400
Manufactured Housing Cash Bond Fund (MMA3722/A.R.S. § 41-2179)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Mobile Home Relocation Fund (MMA2237/A.R.S. § 33-1476.02)		Non-Appropriated
Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000.		
Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.		
Funds Expended	858,000	493,700
Year-End Fund Balance	7,020,700	7,146,200

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

State Forester

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	52.0	52.0	52.0
Personal Services	1,497,600	1,464,700	1,464,700
Employee Related Expenditures	572,800	591,300	591,300
Travel - In State	26,200	26,200	26,200
Other Operating Expenditures	91,900	199,100	199,100
OPERATING SUBTOTAL	2,188,500	2,281,300	2,281,300
SPECIAL LINE ITEMS			
Environmental County Grants	75,000	75,000	75,000
Fire Suppression	3,000,000	3,000,000	3,000,000
Inmate Fire Crews	697,600	695,700	695,700
AGENCY TOTAL	5,961,100	6,052,000^{1/}	6,052,000
FUND SOURCES			
General Fund	5,961,100	6,052,000	6,052,000
SUBTOTAL - Appropriated Funds	5,961,100	6,052,000	6,052,000
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	27,014,600	27,014,600

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 Baseline includes \$2,281,300 and 39 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Environmental County Grants

The Baseline 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 Baseline includes \$3,000,000 from the General Fund in FY 2013 for Fire Suppression. This amount is unchanged from FY 2012.

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 Baseline includes \$695,700 and 13 FTE Positions from the General Fund in FY 2013 for Inmate Fire Crews. These amounts are unchanged from FY 2012.

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

^{1/} In addition to these amounts, a total of \$84,400 GF is appropriated in FY 2012 for costs associated with an additional pay period.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Community Protection Initiative Fund (FOA2343/A.R.S. § 37-641)		Non-Appropriated
Source of Revenue: Legislative appropriations, private and federal monies, grants, gifts, and contributions. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide grants to communities at risk of wildfire to complete community wildfire protection plans.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Cooperative Forestry Fund (FOA2232/A.R.S. § 37-624)		Non-Appropriated
Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
Funds Expended	6,821,600	6,443,600
Year-End Fund Balance	2,866,200	1,642,200
Federal Grants - American Recovery and Reinvestment Act (ARRA) (FOA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for expanding the hazardous fuel reduction program and other forest health programs.		
Funds Expended	98,800	1,216,000
Year-End Fund Balance	720,100	1,201,800
Fire Suppression Revolving Fund (FOA2360/A.R.S. § 37-623.02)		Non-Appropriated
Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council, civil penalties related to the use of fireworks on state lands and other monies. If the unobligated balance of the fund exceeds \$2,000,000 at the end of any calendar year, the excess shall be transferred to the General Fund. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To cover the costs of fighting fires on public and private lands.		
Funds Expended	5,203,000	13,303,000
Year-End Fund Balance	9,481,800	3,818,600

State Board of Funeral Directors and Embalmers

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	38,000	38,000
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	57,800
Equipment	3,500	3,500	3,500
AGENCY TOTAL	294,300	339,600^{1/}	339,600

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Funeral Directors' and Embalmers' Fund	294,300	339,600	339,600
SUBTOTAL - Other Appropriated Funds	294,300	339,600	339,600
SUBTOTAL - Appropriated Funds	294,300	339,600	339,600
TOTAL - ALL SOURCES	294,300	339,600	339,600

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

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The Baseline includes \$339,600 and 4 FTE Positions from the Board of Funeral Directors' and Embalmers' Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Funeral Directors' and Embalmers' Fund (FDA2026/A.R.S. § 32-1308)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of funeral directors and embalmers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate funeral directors and embalmers, and for board administration.		
Funds Expended	294,300	339,600
Year-End Fund Balance	278,100	250,100

^{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.

Arizona Game and Fish Department

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	7,597,300	7,597,300
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	33,091,800	33,091,800
SPECIAL LINE ITEMS			
Lower Colorado Multispecies Conservation	350,000	350,000	350,000
Performance Incentive Pay Program	346,500	346,100	346,100
Pittman-Robertson/Dingell-Johnson Act	3,417,000	3,808,000	3,808,000
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	39,020,900^{1/}	38,845,900
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	32,980,400
Game, Non-Game, Fish and Endangered Species Fund	227,600	334,700	334,700
Watercraft Licensing Fund	3,152,500	4,646,400	4,471,400
Waterfowl Conservation Fund	19,100	43,400	43,400
Wildlife Endowment Fund	0	16,000	16,000
SUBTOTAL - Other Appropriated Funds	33,225,600	39,020,900	38,845,900
SUBTOTAL - Appropriated Funds	33,225,600	39,020,900	38,845,900
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	100,271,400	98,485,400

AGENCY DESCRIPTION — The Arizona Game and Fish Department (AGFD) manages Arizona wildlife populations through the operation of hunting and fishing license programs, enforcement actions for the unlawful taking of game, and wildlife habitat protection and development. A 5-member commission appointed by the Governor oversees department operations.

Operating Budget

The Baseline includes \$33,091,800 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	28,872,400
Game, Non-Game, Fish and Endangered Species Fund	334,700
Watercraft Licensing Fund	2,825,300

Waterfowl Conservation Fund	43,400
Wildlife Endowment Fund	16,000

These amounts are unchanged from FY 2012.

Lower Colorado Multispecies Conservation

The Baseline 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.

^{1/} In addition to these amounts, a total of \$56,600 OF is appropriated in FY 2012 for costs associated with an additional pay period.

The \$350,000 payment represents the department's share of Arizona's payment for the plan. This amount funds approximately 25% of the state's annual payment. Currently, the total payment to MSCP is \$1,400,000. The Central Arizona Water Conservation District pays the remaining \$1,050,000 share of the state's obligation under the plan. The total payment, including the state share, will be adjusted for inflation in future years.

Annual payments for the plan are made to the U.S. Bureau of Reclamation. The bureau uses the monies received from state payments to implement conservation measures under the MSCP agreement.

The MSCP is an agreement between Arizona, California, Nevada, Indian Tribes, and water and utility companies to protect species classified as threatened or endangered, and to prevent any additional species from being added to these lists. The MSCP implementation plan lasts for 50 years, is estimated to cost \$626,000,000, and is administered by the U.S. Bureau of Reclamation.

Performance Incentive Pay Program

The Baseline includes \$346,100 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 Baseline 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 Baseline includes \$1,000,000 from the Watercraft Licensing Fund in FY 2013 for the Watercraft Grant Program Special Line Item (SLI). FY 2013 adjustments would be as follows:

Revenue Realignment OF (175,000)

The Baseline includes 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

In addition to the \$3,808,000 for the Pittman-Robertson/Dingell-Johnson Act line item, the lump sum appropriation includes \$50,000 for cooperative fish and wildlife research which may be used for the purpose of matching federal and apportionment funds.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Big Game Permit Fund (GFA3712/A.R.S. § 17-333)		Non-Appropriated
Source of Revenue: License fees for hunting permits.		
Purpose of Fund: Holding account for license fees from hunters who are unable to obtain big game hunting permits through the lottery system.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Capital Improvement Fund (GFA2203/A.R.S. § 17-292)		Appropriated
Source of Revenue: Transfers from the Conservation Development Fund.		
Purpose of Fund: To acquire, construct, improve and renovate department facilities. Expenditures from the fund are not displayed as they are part of the capital budget.		
Appropriated Funds Expended	0	1,000,000
Year-End Fund Balance	63,700	567,700
Conservation Development Fund (GFA2062/A.R.S. § 17-282)		Non-Appropriated
Source of Revenue: A surcharge on hunting, fishing and combination licenses, and trout stamp sales.		
Purpose of Fund: To make debt service payments if the department issues bonds for the purpose of constructing, maintaining, and renovating department facilities.		
Funds Expended	1,505,100	1,505,100
Year-End Fund Balance	5,124,200	5,153,100
Federal Funds (GFA2000/A.R.S. § 17-406)		Non-Appropriated
Source of Revenue: Revenue from federal grants.		
Purpose of Fund: To be used as specified by the federal grants. The fund also generates interest owed to the federal government that is paid on a quarterly basis.		
Funds Expended	89,400	0
Year-End Fund Balance	169,000	169,000
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GFA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department to fulfill Federal contracts.		
Funds Expended	169,400	447,900
Year-End Fund Balance	35,500	100
Federal Revolving Fund (GFA2028/A.R.S. § 17-406)		Non-Appropriated
Source of Revenue: Funds received from the federal government for deposit and appropriated state matching money.		
Purpose of Fund: For projects approved in compliance with the provisions of the restoration acts known as the Pittman-Robertson Act and the Dingell-Johnson/Wallop-Breaux Act and other wildlife projects in which the cost may be partially or wholly reimbursed from Federal Funds.		
Funds Expended	35,141,500	34,448,000
Year-End Fund Balance	2,497,900	625,000
Firearms Safety and Ranges Fund (GFA2442/A.R.S. § 17-273)		Non-Appropriated
Source of Revenue: Annual appropriation of \$50,000 from retail sales taxes deposited to the General Fund and transferred to the fund pursuant to A.R.S. § 42-5029D(4), revenues derived from the sale or lease of real property owned by the commission, and interest earnings as provided by A.R.S. § 17-273.		
Purpose of Fund: To award grants to assist existing government-owned shooting ranges in adapting to changes in the use of adjacent properties, including noise abatement, safety enhancement, range realignment, acquisition of land for buffer zones, or acquisition of State Trust Lands for locating or relocating government-owned shooting ranges.		
Funds Expended	0	0
Year-End Fund Balance	3,600	3,600

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Game and Fish Fund (GFA2027/A.R.S. § 17-261)		Appropriated
Source of Revenue: Monies received from sales of licenses and tags for hunting, trapping and fishing, and other related fees and penalties.		
Purpose of Fund: To provide funding for general operation of the Game and Fish Department and to match federal grants for fish and wildlife restoration.		
Funds Expended	29,826,400	32,980,400
Year-End Fund Balance	4,269,000	1,300,500
Game and Fish Trust Fund (GFA3111/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Collections from local governments for the Urban Fishing program, transfers from the state Risk Management Fund, proceeds from the charitable auction of bighorn sheep tags, and private donations from private contributors.		
Purpose of Fund: This fund fulfills the wildlife-related requests of private contributors. Most donations include a request to protect or research a particular form of wildlife.		
Funds Expended	2,323,700	2,969,100
Year-End Fund Balance	5,182,300	4,447,200
Game, Non-Game, Fish and Endangered Species Fund (GFA2127/A.R.S. § 17-268)		Appropriated
Source of Revenue: Contributions from taxpayers who select the “check-off” option for non-game wildlife on their Arizona state income tax forms and interest earned.		
Purpose of Fund: To provide funding for research on non-game wildlife, endangered species, and related habitat for use in the department’s management plan.		
Funds Expended	227,600	334,700
Year-End Fund Balance	216,700	89,700
Heritage Fund (GFA2295/A.R.S. § 17-297)		Non-Appropriated
Source of Revenue: Annual transfer from the Lottery Fund of up to \$10,000,000 and interest earnings.		
Purpose of Fund: To protect areas containing sensitive or endangered biological features and wildlife. At least 29% of the fund, but no more than 60%, may be used for capital projects and acquisitions. Interest earnings are to be used for administration.		
Funds Expended	10,792,800	10,075,200
Year-End Fund Balance	3,213,300	3,061,300
IGA and ISA Fund (GFA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	10,200	0
Year-End Fund Balance	2,000	2,000
Indirect Cost Recovery Fund (GFA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund consists of revenue generate by billing federal aid for indirect costs.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	2,480,200	3,829,600
Year-End Fund Balance	863,900	515,500
Kaibab Co-op Fund (GFA3714/A.R.S. § 17-231)		Non-Appropriated
Source of Revenue: Clearing account. In accordance with the Federal Sikes Act, 16 U.S.C. 670 et seq., monies are generated from the sale of a Kaibab habitat management stamp, which is required to take deer on the Kaibab Plateau.		
Purpose of Fund: To provide funding for habitat management.		
Funds Expended	7,800	76,500
Year-End Fund Balance	108,800	67,300

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Land and Water Conservation and Recreation Development Fund (GFA2036/A.R.S. § 17-267)		Appropriated
Source of Revenue: Fishing license fees.		
Purpose of Fund: To pay for recreation benefits in conjunction with fish and wildlife restoration projects; purchase engineering services, land, rights of way, water rights, and construction; and match funds for Pittman-Robertson and Dingell-Johnson federal aid and other available funds from federal, state, county or municipal sources.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (GFA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Arizona Game and Fish Department receives 35% of off-highway vehicle user fees and annual collections from the Motor Vehicle Fuel Tax transfer to the State Parks Board, which is equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development and 5% are to be used by the State Land Department for costs associated with off-highway vehicle use for land within its jurisdiction. The remainder is transferred to the Arizona Game and Fish Department for informational and educational programs on off-highway vehicle recreation and law enforcement activities.		
Funds Expended	1,463,400	1,636,000
Year-End Fund Balance	712,100	579,600
Publications Revolving Fund (GFA4007/A.R.S. § 17-269)		Non-Appropriated
Source of Revenue: Sales of agency publications, including Wildlife Views magazine and various field guides.		
Purpose of Fund: To finance the production of agency publications. Amounts in excess of \$80,000 revert to the Game and Fish Fund at fiscal year end. However, in some circumstances, the balance forward may appear to exceed \$80,000 without reversion due to unexpended obligations at fiscal year end that the agency counts against the ending balance.		
Funds Expended	152,700	150,000
Year-End Fund Balance	35,100	35,000
Watercraft Licensing Fund (GFA2079/A.R.S. § 5-323)		Appropriated
Source of Revenue: Registration fees for the licensing and numbering of watercraft, license taxes, and penalty assessments.		
Purpose of Fund: To administer and enforce registration of watercraft and boating safety laws, and to provide any information and education programs relating to boating and boating safety.		
Funds Expended	3,152,500	4,646,400
Year-End Fund Balance	1,548,000	645,500
Waterfowl Conservation Fund (GFA2209/A.R.S. § 17-270)		Appropriated
Source of Revenue: Monies received from sales of waterfowl stamps and artwork, gifts, grants, other contributions, and interest earned.		
Purpose of Fund: To provide funding for developing migratory waterfowl habitat, and associated research and management to increase the number of migratory waterfowl in Arizona.		
Funds Expended	19,100	43,400
Year-End Fund Balance	200,000	239,900
Wildlife Conservation Fund (GFA2497/A.R.S. § 17-299)		Non-Appropriated
Source of Revenue: Monies received from tribal gaming in accordance with A.R.S. § 5-601.02.		
Purpose of Fund: To conserve, enhance, and restore Arizona's diverse wildlife resources and habitats, and may include the acquisition of real property.		
Funds Expended	5,112,400	6,049,100
Year-End Fund Balance	4,561,600	4,085,600

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Wildlife Endowment Fund (GFA2279/A.R.S. § 17-271)		Appropriated
Source of Revenue: Sales of lifetime hunting and fishing licenses, gifts, grants, contributions, and interest and investment income.		
Purpose of Fund: To provide funding for wildlife conservation and management.		
Funds Expended	0	16,000
Year-End Fund Balance	1,541,800	1,649,800
Wildlife Habitat Restoration and Enhancement Fund (GFA2536/A.R.S. § 17-471)		Appropriated
Source of Revenue: Legislative appropriations. The Legislature provided a non-lapsing, one-time allocation of \$3,500,000 from the General Fund in FY 2007.		
Purpose of Fund: To provide funding for wildlife habitat restoration and improvement projects.		
Funds Expended	0	0
Year-End Fund Balance	400	400
Wildlife Theft Prevention Fund (GFA2080/A.R.S. § 17-315)		Non-Appropriated
Source of Revenue: Fines charged for the unlawful taking, wounding or killing, or unlawful possession of wildlife; and monies received from donations.		
Purpose of Fund: To finance reward payments to persons providing information about illegal wildlife activities; to finance the department's "Operation Game Thief" program; and to promote awareness of the Wildlife Theft Prevention program.		
Funds Expended	182,300	64,000
Year-End Fund Balance	59,700	90,100

Department of Gaming

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	123.0	123.0	123.0
Personal Services	4,167,900	4,849,100	4,861,600
Employee Related Expenditures	1,640,000	1,800,000	1,804,700
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	379,000
Equipment	280,700	161,300	161,700
OPERATING SUBTOTAL	8,089,200	7,979,400	8,000,000
SPECIAL LINE ITEMS			
Casino Operations Certification	1,592,700	1,998,300	1,998,300
Problem Gambling	1,875,500	1,896,500	1,997,000
AGENCY TOTAL	11,557,400	11,874,200^{1/}	11,995,300

FUND SOURCES

Other Appropriated Funds

Arizona Benefits Fund	9,664,700	9,575,900	9,697,000
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,592,700	1,998,300	1,998,300
SUBTOTAL - Other Appropriated Funds	11,557,400	11,874,200	11,995,300
SUBTOTAL - Appropriated Funds	11,557,400	11,874,200	11,995,300
TOTAL - ALL SOURCES	11,557,400	11,874,200	11,995,300

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts and Proposition 202 in 2002. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal State Compact Fund through casino employee and vendor certification application fees.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, the department's administration expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of \$8,000,000, or 9% of state tribal gaming revenues. The Baseline includes \$8,000,000 for FY 2013, as 9% of projected FY 2013 revenues are less than \$8,000,000. Any unexpended administrative monies are transferred to the Department of Education's Instructional Improvement Fund.

From the Arizona Benefits Fund, the department is also appropriated 2% of tribal revenues, equal to \$1,697,000 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 \$78.8 million. In FY 2012, gaming revenues are expected to grow by 2.5% to a level of \$80.8 million. (The original FY 2012 budget assumed a revenue level of \$79.8 million.) In FY 2013, gaming revenues are forecasted to increase by 5% over

FY 2012. (See Table 1 for more information on projected state revenues.)

Operating Budget

The Baseline includes \$8,000,000 and 90 FTE Positions from the Arizona Benefits Fund in FY 2013 for the operating budget. FY 2013 adjustments would be as follows:

Revenue Realignment	OF	FY 2013
		\$20,600

The Baseline includes an increase of \$20,600 from the Arizona Benefits Fund in FY 2013 to realign spending with projected revenues.

Casino Operations Certification

The Baseline includes \$1,998,300 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2013 for

^{1/} In addition to these amounts, a total of \$299,900 OF is appropriated in FY 2012 for costs associated with an additional pay period.

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 ^{1/}

Recipient	Proposition 202 Formula	FY 2010 Actual ^{1/}	FY 2011 Actual ^{1/}	FY 2012 Projected ^{2/}	FY 2013 Projected
State Government Distribution	88% of total	\$ 77,893,100	\$78,840,200	\$80,811,200	\$84,851,800
Local Government Distribution ^{3/}	12% of total	<u>11,120,900</u>	<u>10,621,800</u>	<u>11,019,700</u>	<u>11,570,700</u>
Total	100% of total	\$89,014,000	\$89,462,000	\$91,830,900	\$96,422,500
<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>1,616,200</u>	<u>1,697,000</u>
Subtotal-Department of Gaming		\$ 9,557,900	\$ 9,576,800	\$ 9,616,200	\$ 9,697,000
Instructional Improvement Fund (Department of Education)	56% of remainder	38,267,700	38,787,400	39,869,200	42,086,700
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	19,133,900	19,393,800	19,934,600	21,043,300
Arizona Wildlife Conservation Fund	8% of remainder	5,466,800	5,541,100	5,695,600	6,012,400
Tourism Fund	8% of remainder	<u>5,466,800</u>	<u>5,541,100</u>	<u>5,695,600</u>	<u>6,012,400</u>
Total		\$77,893,100	\$78,840,200	\$80,811,200	\$84,851,800

^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.
^{2/} The Baseline projects 2.5% growth in FY 2012 tribal contributions to the Arizona Benefits Fund and 5% growth for FY 2013.
^{3/} Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

Casino Operations Certification. These amounts are unchanged from FY 2012.

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 Baseline includes \$1,997,000 and 5 FTE Positions in FY 2013 for Problem Gambling. These amounts consist of:

Arizona Benefits Fund	1,697,000
Lottery Fund	300,000

FY 2013 adjustments would be as follows:

Revenue Realignment OF 100,500
 The Baseline includes an increase of \$100,000 from the Arizona Benefits Fund in FY 2013 to realign spending with projected revenues.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The Baseline includes \$1,697,000 for FY 2013 from the Arizona Benefits Fund. (See Table 1 for more information on projected state revenues.)

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)		Partially-Appropriated
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to various state funds. (See individual agency pages for detailed information on each recipient.)		
Appropriated Funds Expended by Department of Gaming Funds Transferred	9,664,700	9,575,900
Instructional Improvement Fund	38,787,400	39,869,200
Trauma and Emergency Services Fund	19,393,800	19,934,600
Arizona Wildlife Conservation Fund	5,541,100	5,695,600
Tourism Fund	<u>5,541,100</u>	<u>5,695,600</u>
Total Funds Transferred	69,263,400	71,195,000
Year-End Fund Balance	660,100	450,300

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
State Lottery Fund (GMA2122/A.R.S. § 5-601)		Appropriated
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	0	0
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: Pay for actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
Funds Expended	1,592,700	1,998,300
Year-End Fund Balance	2,325,700	2,261,500

Arizona Geological Survey

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	180,000	180,000
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	205,700
Equipment	1,400	1,000	1,000
AGENCY TOTAL	1,013,600	865,100^{1/}	865,100
FUND SOURCES			
General Fund	1,013,600	865,100	865,100
SUBTOTAL - Appropriated Funds	1,013,600	865,100	865,100
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	7,425,300	7,425,300

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. The FY 2011 expenditures include monies expended by the Department of Mines and Mineral Resources.

Operating Budget

* * *

The Baseline includes \$865,100 and 10.3 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants (GSA2000/A.R.S. § 27-152.02)		Non-Appropriated
Source of Revenue: Matching and non-matching grants from various federal agencies, including the U.S. Geological Survey, the Bureau of Reclamation, and the Environmental Protection Agency.		
Purpose of Fund: To perform various studies of Arizona's geologic framework and setting.		
Funds Expended	452,200	560,600
Year-End Fund Balance	57,100	1,700
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GSA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)		
Purpose of Fund: One-time Federal Funds to be used for the National Geothermal Database System and 80% of the funds are passed through to other state agencies and/or universities.		
Funds Expended	3,584,500	4,973,600
Year-End Fund Balance	866,500	447,900

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Geological Survey (GSA3030/A.R.S. § 27-152.02)		Non-Appropriated
Source of Revenue: Donations, local and state contracts, forfeited bonds, and sales of maps and publications.		
Purpose of Fund: To investigate and describe Arizona's geologic setting, to plug abandoned oil and gas wells, and to finance map publication production expenses.		
Funds Expended	474,000	300,800
Year-End Fund Balance	21,600	0
Indirect Cost Recovery Fund (GSA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: These funds apply to a grant, contract, or agreement and represent costs incurred by the state/local agency which are legal obligations and are allowable.		
Purpose of Fund: Federal circulars detail the allowable uses of indirect costs. Such items as wages, fringe benefits, necessary office, technical or information technology equipment, and some general government expenses as outlined in the federal circulars.		
Funds Expended	564,900	725,200
Year-End Fund Balance	299,800	150,100
Mines and Minerals Resources (MNA3156/A.R.S. § 27-111)		Non-Appropriated
Source of Revenue: This fund is made up of 3 accounts. In the first, monies are received through grants, donations, gifts, and bequests given to the department, and from federal agencies. In the second, monies are collected through fees for department publications. In the third, monies are obtained from grants, contracts, contributions, gratuities or reimbursements payable or distributable to this state from governmental sources, private persons, or corporations.		
Purpose of Fund: To promote the development of mineral resources in Arizona. The Consolidation Budget Reconciliation Bill (Laws 2011, Chapter 27) transferred the non-museum related functions of the Department of Mines and Mineral Resources to the Arizona Geological Survey. The FY 2011 expenditures from this fund, which occurred prior to the consolidation, are reflected below.		
Funds Expended	159,000	0
Year-End Fund Balance	0	0

Office of the Governor

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	5,807,700	6,788,600	6,788,600
AGENCY TOTAL	5,807,700	6,788,600^{1/}	6,788,600
FUND SOURCES			
General Fund	5,807,700	6,601,900	6,601,900
<u>Other Appropriated Funds</u>			
Oil Overcharge Fund	0	186,700	186,700
SUBTOTAL - Other Appropriated Funds	0	186,700	186,700
SUBTOTAL - Appropriated Funds	5,807,700	6,788,600	6,788,600
Other Non-Appropriated Funds	6,443,800	5,279,900	4,463,900
Federal Funds	289,309,500	212,350,700	22,414,200
TOTAL - ALL SOURCES	301,561,000	224,419,200	33,666,700

AGENCY DESCRIPTION — The Governor is the state’s Chief Executive Officer and responsible for the execution of state laws. The Office of the Governor includes the Office for Children, Youth and Families, Office on Aging, Office of Constituent Services, Arizona-Mexico Commission, Northern Office and Tucson Office.

Operating Budget

* * *

The Baseline includes \$6,788,600 in FY 2013 for the operating budget. This amount consists of:

FORMAT — Lump Sum by Agency

	FY 2013
General Fund	\$6,601,900
Oil Overcharge Fund	186,700

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

These amounts are unchanged from FY 2012.

Included in the Lump Sum appropriation of \$6,788,600 for FY 2013 is \$10,000 for the purchase of mementos and items for visiting officials.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Biofuels Conversion Program Fund (No Fund Number/A.R.S. § 41-112)		Non-Appropriated
Source of Revenue: Funds received from gifts, grants, donations, private sources, and federal or state monies.		
Purpose of Fund: To encourage the usage of biofuels through the conversion and installation of biofuel storage and dispensing equipment. This fund includes monies transferred to the Office of the Governor from the Department of Commerce for the Energy Office as required by Laws 2011, 2 nd Special Session, Chapter 1.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Border Security, Immigration Legal Defense Fund (GVA3212/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Gifts, grants and donations.		
Purpose of Fund: To defray legal expenses associated with immigration litigation.		
Funds Expended	1,983,600	1,265,000
Year-End Fund Balance	1,771,300	707,900

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
County Fairs Livestock and Agricultural Promotion Fund (GVA2037/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center. The direct expenses, less receipts, of the annual Livestock Fair are paid from this fund. Net expenditures for the Livestock Fair are limited to 30% of all receipts deposited to this fund during the preceding fiscal year. All expenditures from this fund must be recommended by the Livestock and Agricultural Committee and approved by the Governor.		
Funds Expended	0	0
Year-End Fund Balance	208,000	207,500
Endowment Partnership Fund (GVA3206/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Public or private gifts, grants and donations. All donations, except those from established non-profit economic development organizations, are limited to \$5,000, per person, each fiscal year.		
Purpose of Fund: This fund was established by Executive Order 92-7, to promote the interests of the state and encourage public service to Arizona by its citizens. Expenditures may include promoting economic development in Arizona, recruiting new industries, appropriate memorabilia or gifts for dignitaries or citizen volunteers, and promoting good working relationships between the various branches of national, state, and local governments.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Energy Conservation Fund (GVA3209/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Public or private gifts, grants and donations.		
Purpose of Fund: To promote energy conservation and encourage public service to Arizona by its citizens.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Energy Office Donations Fund (EPA3189/A.R.S. § 41-1504)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To be expended in accordance with the restrictions placed on the respective gift, grant, or donation. This fund includes monies transferred to the Office of the Governor from the Department of Commerce for the Energy Office as required by Laws 2011, 2 nd Special Session, Chapter 1.		
Funds Expended	411,700	0
Year-End Fund Balance	0	0
Federal Grants (GVA2000/A.R.S. § 4-101.01)		Non-Appropriated
Source of Revenue: Federal grants for various purposes, including services for women, children's services, and the Office for Drug Policy.		
Purpose of Fund: To provide separate accounting for the administration, supervision and distribution of federal grants made to the Office of the Governor, on behalf of the State of Arizona. FY 2011 expenditures include Energy Office Federal Funds.		
Funds Expended	19,793,200	29,931,100
Year-End Fund Balance	2,131,800	1,352,100
Federal Grants - American Recovery and Reinvestment Act (ARRA) (GVA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used for a variety of programs. FY 2011 expenditures include Energy Office Federal Grants - ARRA.		
Funds Expended	269,516,300	182,419,600
Year-End Fund Balance	439,900	456,800

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Governor's Arizona Promotional and Public Service Fund (GVA3207/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Private gifts, grants, donations or monies, and interest earnings.		
Purpose of Fund: To promote the interests of the state or to encourage citizen public service to the state.		
Funds Expended	28,900	21,800
Year-End Fund Balance	14,900	8,200
IGA and ISA Fund (GVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency service agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	825,400	985,000
Year-End Fund Balance	738,300	340,800
Inauguration Fund (GVA3214/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Gifts, grants, and donations.		
Purpose of Fund: To defray inauguration expenses.		
Funds Expended	66,900	217,100
Year-End Fund Balance	207,100	0
Indirect Cost Recovery Fund (GVA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	860,200	920,000
Year-End Fund Balance	1,278,500	1,333,400
Oil Overcharge Fund (GVA3171/A.R.S. § 41-110)		Partially-Appropriated
Source of Revenue: Federal court settlements by oil companies who overcharged consumers during the petroleum price controls of the 1970's, and interest earnings.		
Purpose of Fund: To provide restitution to the citizens of Arizona. Restitution is to be made through energy programs administered by the state. The portion of the fund that is used for loans, grants, and energy conservation programs is displayed as non-appropriated. The monies used for administration are displayed as appropriated. This fund includes monies transferred to the Office of the Governor from the Department of Commerce for the Energy Office as required by Laws 2011, 2 nd Special Session, Chapter 1.		
Appropriated Funds Expended	0	186,700
Non-Appropriated Funds Expended	451,700	143,400
Year-End Fund Balance	2,112,300	1,971,400
Other Non-Appropriated Funds Fund (GVA2038/A.R.S. § 41-1105)		Non-Appropriated
Source of Revenue: Intergovernmental agreements.		
Purpose of Fund: To defray operating expenses of the Governor's Office.		
Funds Expended	0	0
Year-End Fund Balance	358,400	358,400
Prevention of Child Abuse Fund (GVA2439/A.R.S. § 41-109)		Non-Appropriated
Source of Revenue: The fund receives \$17 of the annual \$25 fee for original and renewal child abuse prevention special license plates.		
Purpose of Fund: To be allocated by the Director of the Division for Children in the Governor's Office for programs to prevent child abuse in the state of Arizona. Not more than 3% of annual fund revenues shall be used to administer the fund.		
Funds Expended	422,600	512,400
Year-End Fund Balance	51,300	38,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Statewide ARRA Administration SWCAP Fund (GVA2950/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Indirect federal cost recoveries associated with the statewide cost allocation plan (SWCAP).		
Purpose of Fund: To defray administrative expenses of implementing the federal American Recovery and Reinvestment Act.		
Funds Expended	1,392,800	1,215,200
Year-End Fund Balance	3,789,100	2,573,900

Governor's Office of Strategic Planning and Budgeting

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	332,100	332,100
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	171,800
Equipment	0	1,800	1,800
AGENCY TOTAL	1,853,600	1,874,200^{1/}	1,874,200
FUND SOURCES			
General Fund	1,853,600	1,874,200	1,874,200
SUBTOTAL - Appropriated Funds	1,853,600	1,874,200	1,874,200
TOTAL - ALL SOURCES	1,853,600	1,874,200	1,874,200

AGENCY DESCRIPTION — The Governor's Office of Strategic Planning and Budgeting advises the Governor in the preparation of the Executive budget and provides the Executive Branch a central resource for the compilation, analysis and investigation of state fiscal matters. It facilitates a strategic planning process and assists agencies in preparation and execution of their budgets.

Operating Budget

The Baseline includes \$1,874,200 and 22 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{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.

Department of Health Services

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,632.1	1,632.1	1,632.1
Personal Services	51,422,500	52,311,100	52,311,100
Employee Related Expenditures	21,900,800	21,330,100	21,330,100
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	42,601,200	42,601,200
Equipment	970,500	617,700	617,700
OPERATING SUBTOTAL	123,341,500	130,286,500	130,286,500
SPECIAL LINE ITEMS			
Behavioral Health			
Medicaid Behavioral Health - Traditional	771,649,800	986,694,800	1,081,624,300
Medicaid Behavioral Health - Proposition 204	483,899,500	116,079,200	137,526,200
Proposition 204 Administration	5,635,700	6,446,700	6,446,700
Medicare Clawback Payments	8,581,500	12,541,500	13,838,800
Medicaid Special Exemption Payments	24,827,400	22,055,500	24,383,000
Non-Medicaid Prescription Medication	34,472,300	40,154,900	40,154,900
Supported Housing	5,019,700	5,324,800	5,324,800
Crisis Services	16,858,200	16,391,100	16,391,100
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
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
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	6,248,200	6,248,200
Poison Control Centers Funding	666,300	990,000	990,000
Renal and Nonrenal Disease Management	110,000	198,000	198,000
AGENCY TOTAL	1,554,824,600	1,352,152,900^{1/}	1,471,654,200
FUND SOURCES			
General Fund	428,305,800	494,294,800	545,439,600
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	8,088,300	13,807,300	13,807,300
ASH Land Earnings Fund	169,100	1,150,000	1,150,000
Capital Outlay Stabilization Fund	1,587,100	1,245,500	1,245,500
Child Fatality Review Fund	95,000	92,700	92,700
Emergency Medical Services Operating Fund	3,894,700	5,024,300	5,024,300
Environmental Laboratory Licensure Revolving Fund	650,000	907,200	907,200
Federal Child Care and Development Fund Block Grant	820,700	827,800	827,800
Health Services Licensing Fund	7,623,600	8,260,300	8,260,300
Hearing and Speech Professionals Fund	309,700	308,100	308,100
Indirect Cost Fund	7,655,200	7,509,000	7,509,000
Newborn Screening Program Fund	4,950,500	6,680,100	6,680,100
Nursing Care Institution Resident Protection Fund	0	438,000	438,000

^{1/} 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.

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	3,586,000	3,586,000
SUBTOTAL - Other Appropriated Funds	72,836,300	88,753,300	88,253,300
SUBTOTAL - Appropriated Funds	501,142,100	583,048,100	633,692,900
<u>Expenditure Authority Funds</u>			
Federal Medicaid Services	1,053,682,500	769,104,800	837,961,300
SUBTOTAL - Expenditure Authority Funds	1,053,682,500	769,104,800	837,961,300
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,554,824,600	1,352,152,900	1,471,654,200
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	1,763,095,400	1,882,596,700

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.

Summary

DHS' FY 2013 General Fund Baseline spending would increase by \$51,144,800, or 10.3%. The Baseline includes:

- An increase of \$65,444,200 for Medicaid caseload growth, including \$41,117,200 to annualize an FY 2012 shortfall.
- An increase of \$1,297,300 for an adjustment to the state's share of Clawback payments.
- A decrease of \$(26,197,900) for the annualization of savings associated with the Executive Medicaid plan.
- An increase of \$10,601,200 for an adjustment to the Federal Medical Assistance Percentage (FMAP).

(See the Behavioral Health Section for additional information.)

Operating Budget

The Baseline includes \$130,286,500 and 1,568.9 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$76,422,300
Arizona State Hospital Fund	12,676,600
ASH Land Earnings Fund	1,150,000
Capital Outlay Stabilization Fund	1,245,500
Child Fatality Review Fund	92,700
Emergency Medical Services (EMS)	4,574,300
Operating Fund	

Environmental Laboratory Licensure Revolving Fund	907,200
Federal Child Care and Development Fund (CCDF) Block Grant	827,800
Health Services Licensing Fund	8,260,300
Hearing and Speech Professionals Fund	308,100
Indirect Cost Fund	7,509,000
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	438,000
Vital Records Electronic Systems Fund	3,586,000
Federal Medicaid Authority (FMA)	11,856,800

These amounts are unchanged from FY 2012.

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 Growth

The FY 2012 budget presumed that all individuals receiving Proposition 204 SMI services would be reclassified as eligible for Traditional services. This assumption is continued in the Baseline. Besides the federal match rate change described below, the formula adjustments include:

- 3% enrollment growth for all Traditional SMIs, Proposition 204 SMI individuals with children, CBH, GMH/SA.

	FY 2012 <u>Appropriated</u>	FY 2012 <u>Revised</u>	FY 2013	FY 2013 Above FY 2012 <u>Appropriated</u>
Medicare Clawback Payments	\$ 12,541,500	\$ 12,630,700	\$ 13,838,800	\$ 1,297,300
Medicaid Special Exemption Payments	7,292,100	8,198,000	8,269,500	977,400
<u>State Match for Medicaid</u> ^{1/}				
CBH	117,332,200	123,288,500	143,752,900	26,420,700
SMI	182,412,600	214,272,700	175,326,800	(7,085,800)
GMH/SA	26,480,100	26,926,700	47,753,100	21,271,900
<u>State Match for Proposition 204</u>				
CBH	2,588,100	2,815,500	1,647,300	(940,800)
GMH/SA	<u>35,790,600</u>	<u>42,594,300</u>	<u>44,994,700</u>	<u>9,204,100</u>
Total	\$384,437,200	\$430,726,400	\$435,583,100	\$ 51,144,800

^{1/} Base amounts include \$34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

- (24.4)% enrollment decline for Proposition 204 Childless Adults in the Proposition 204 population due to the enrollment freeze.
- Annualization of a (5)% provider rate reduction that began October 1, 2011.

The formula adjustments would result in a net General Fund increase of \$51,144,800. This consists of \$65,444,200 for caseload growth, \$1,297,300 for an increase to the state's share of Clawback costs, \$(26,197,900) for additional savings associated with the Federal Waiver, and \$10,601,200 for an increase to the state's share of FMAP costs.

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. During FY 2013, the FMAP for Medicaid will decline to 66.09% (0.85% decline). The reduced FMAP will result in additional General Fund costs of \$10,601,200.

The Baseline includes no funding for a capitation rate adjustment. If capitation rates were increased at 2% in FY 2013, this would cost an additional \$8,434,900 from the General Fund.

Changes to the Federal Waiver

The FY 2012 budget included a reduction of \$(43,530,800) in DHS savings as a component of a \$(524,000,000) reduction across the 3 Medicaid agencies. Annualization of the DHS component will result in a further adjustment of \$(26,197,900) in FY 2013.

After the FY 2012 budget was enacted, the Executive reduced its projected DHS savings by \$5,082,800, resulting in a new savings estimate of \$(38,448,000). This adjustment primarily reflects the delayed implementation of a freeze on the enrollment of Childless Adults in AHCCCS and non-approval by the federal government to

freeze Temporary Assistance for Needy Families (TANF) Parents over 75% of the Federal Poverty Level (FPL), partially offset by additional savings from a (5)% provider rate reduction implemented on October 1, 2011.

In total, the Baseline reflects a net decrease of \$(69,728,700) to continue the Childless Adult freeze and annualize the 5% provider rate reduction, an increase of \$(26,197,900) in savings from the FY 2012 budgeted level. (See *Changes to the Federal Waiver in the AHCCCS narrative for additional information.*)

FY 2012 Supplemental

The Baseline includes \$46,200,000 in FY 2012 for DHS formula changes, as delineated by *Table 2*.

	<u>Adjustment</u>
Caseload and Capitation Adjustment	\$41,117,200
Lower Level of Medicaid Waiver Savings	5,082,800
Total	\$46,200,000

DHS' actual capitation rates were higher than budgeted, resulting in \$41,117,200 of additional Medicaid costs. As noted above, the Childless Adult freeze will produce savings in FY 2012 than originally budgeted; that and other waiver changes will result in an additional cost of \$5,082,800.

These additional costs would be covered through 2 adjustments. First, DHS' FY 2012 General Fund appropriation would be increased by a \$12,300,000 supplemental. An amount of \$(12,300,000) would be ex-appropriated from the Department of Economic Security (DES) resulting in no net statewide General Fund increase. Second, the remaining \$33,900,000 would be appropriated from the balance of the Prescription Drug Rebate Fund.

(See the summary of Medicaid Waiver Impacts in the AHCCCS narrative for additional information.)

Medicaid Behavioral Health - Traditional

The Baseline includes \$1,081,624,300 in FY 2013 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	332,065,800
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	714,791,500

FY 2013 adjustments would be as follows:

Formula Growth	GF	40,606,800
	FMA	54,322,700

This line item provides behavioral health treatment to Medicaid eligible children and adults. In FY 2013, there would be an average of 1,510,538 eligible individuals per month. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 6.45%, or 97,460, of the eligible population will utilize services.

Medicaid Behavioral Health - Proposition 204

The Baseline includes \$137,526,200 in FY 2013 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	46,642,000
Federal Medicaid Authority	90,884,200

FY 2013 adjustments would be as follows:

Formula Growth	GF	8,263,300
	FMA	13,183,700

This line item provides behavioral health treatment to Medicaid eligible children and adults. In FY 2013, there would be an average of 284,220 eligible individuals per month. Of this amount, 116,592 are Childless Adults. This estimate includes the impact of the enrollment freeze. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated 6.45%, or 18,332, of the eligible population will utilize services.

Proposition 204 Administration

The Baseline 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 Baseline includes \$13,838,800 from the General Fund in FY 2013 for Medicare Clawback Payments. FY 2013 adjustments would be as follows:

Formula Growth	GF	1,297,300
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The Baseline 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 Baseline 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

FY 2013 adjustments would be as follows:

Formula Growth	GF	977,400
	FMA	1,350,100

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 Prescription Medication

The Baseline includes \$40,154,900 from the General Fund in FY 2013 for Non-Medicaid Prescription Medication. This amount is unchanged from FY 2012.

This line item provides funding for a benefit package for Non-Medicaid SMI clients to partially cover the costs of prescription medications and associated services, such as laboratory costs and prescribing clinician costs.

Supported Housing

The Baseline 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 Baseline includes \$16,391,100 in FY 2013 for Crisis Services. This amount consists of:

General Fund	14,141,100
Tobacco Tax and Health Care Fund	2,250,000
Medically Needy Account	

These amounts are unchanged from FY 2012.

This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services. These funds serve 100% state funded recipients.

Community Placement Treatment

The Baseline 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 Baseline includes approximately \$66,000,000 for inpatient hospitalization services at the State Hospital for the seriously mentally ill. As of October 2011, the ASH census was 234 patients.

Public and Family Health

Adult Cystic Fibrosis

The Baseline 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 Baseline 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 Baseline 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 Baseline 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). FY 2013 adjustments would be as follows:

Eliminate ABRC Health OF (500,000) Research Fund Appropriation

The Baseline 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 Baseline 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 Baseline 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.

Folic Acid

The Baseline 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 Baseline 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 Baseline includes \$6,248,200 and 62.2 FTE Positions from the Newborn Screening Program Fund in FY 2013

for the Newborn Screening Program. These amounts are unchanged from FY 2012.

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 Baseline 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 has allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center.

Renal and Nonrenal Disease Management

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
Behavioral Health

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.

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.

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. On or before January 7, 2013, the department also shall report to the Director of the Joint Legislative Budget Committee the total amount of reconciliation payments and penalties deposited in the fund through December 31, 2012 in FY 2013.

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.

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.

Public Health and Family Health

In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution of Arizona.

The Department 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.

Departmentwide

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring that the Arizona Biomedical Research Commission transfer Health Research Fund monies for Alzheimer's Disease Research, since the fund is now administered by DHS.

The Baseline would delete the footnote requiring federal and JLBC approval for one-time monies appropriated from the Nursing Care Resident Protection Revolving Fund.

STATUTORY CHANGES

The Baseline would:

- As session law, continue requiring all cities and counties to pay 100% of their Restoration to Competency costs.
- As session law, continue requiring all counties to pay 50% of their Sexually Violent Persons costs.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2012 Adjustments

(Please see the Behavioral Health section for a discussion of FY 2012 adjustments.)

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Addiction Reduction and Recovery Fund (HSA2523/A.R.S. § 36-2007)		Non-Appropriated
Source of Revenue: FY 2007 appropriation of \$2,500,000 from the General Fund and any federal monies and private grants, gifts, and contributions to assist in carrying out the purposes of this fund.		
Purpose of Fund: For substance abuse and addiction prevention programs including methamphetamine abuse and addiction prevention programs.		
Funds Expended	100	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)		Appropriated
Source of Revenue: State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Title XIX reimbursement for services provided at the Arizona State Hospital, and monies collected for services to clients at the state hospital. The FY 2012 Health Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 31) continues an FY 2011 session law that requires that all counties pay 100% of the cost of care for Restoration to Competency Patients.		
Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
Funds Expended	8,088,300	13,807,300
Year-End Fund Balance*	3,670,200	(652,200)
Arizona State Hospital Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	169,100	1,150,000
Year-End Fund Balance	1,244,600	478,500
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	189,800	189,800
Year-End Fund Balance	399,900	408,100
Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Appropriations from the Arizona Department of Administration Capital Outlay Stabilization Fund and transfers from the Arizona Department of Administration (<i>See Arizona Department of Administration for more detail on Capital Outlay Stabilization Fund</i>).		
Purpose of Fund: Lease-purchase payments for the new state health laboratory (transfers from Arizona Department of Administration are spent for building renewal).		
Funds Expended	1,587,100	1,245,500
Year-End Fund Balance	0	0
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$100,000. Any revenue collected in excess of \$100,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Economic Security.		
Purpose of Fund: To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
Funds Expended	95,000	92,700
Year-End Fund Balance	413,500	612,600
Childhood Cancer and Rare Childhood Disease Research Fund (No Fund Number/A.R.S. § 28-2442, A.R.S. § 36-121)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of Childhood Cancer Research special plate fee and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Multiple Sclerosis special plates, if a person or entity pays \$32,000 by December 31, 2012. The first \$32,000 received shall be reimbursed to the person or entity that paid the implementation fee to ADOT. The person or entity that provides the \$32,000 shall design the Childhood Cancer Research special plates, subject to approval by ADOT. ADOT is to annually deposit these monies, excluding administrative fees, into the DHS-administered Childhood Cancer and Rare Childhood Disease Research Fund. DHS shall allocate monies from the fund to nonprofit health care providers and research institutions throughout the state for Phase I clinical trials relating to pediatric cancer or other rare pediatric diseases. DHS has not yet established this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development. This fund was previously part of the Arizona Biomedical Research Commission (ABRC) budget. The FY 2012 Consolidation BRB (Laws 2011, Chapter 27) transferred the fund from within ABRC to DHS.		
Funds Expended	2,051,900	1,990,200
Year-End Fund Balance	194,700	2,623,200
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
Funds Expended	440,000	440,000
Year-End Fund Balance	742,600	512,600
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	2,500	0
Year-End Fund Balance	3,200	5,900
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	3,894,700	5,024,300
Year-End Fund Balance	2,481,900	1,542,300
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	650,000	907,200
Year-End Fund Balance	594,700	430,900
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L. 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities.		
Funds Expended	820,700	827,800
Year-End Fund Balance	271,400	369,200
Federal Grants (HSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants and reimbursements from the federal government. Federal reimbursement for the Title XIX program is not included in this fund and can be found listed in the Title XIX Services and County Contributions Fund.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant.		
Funds Expended	292,444,800	291,306,500
Year-End Fund Balance*	(922,000)	216,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (HSA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for Public Health and Family Health programs.		
Funds Expended	4,848,400	3,781,800
Year-End Fund Balance	(99,600)	232,700
Federal Medicaid Services (HSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: The fund receives federal match dollars for treating behavioral health problems in Medicaid-eligible persons.		
Purpose of Fund: For accounting purposes, these monies are considered part of the Agreements/IGA Fund. However, for informational purposes, the revenues and expenditures related to behavioral health and the CRS program have been separated from the Agreements Fund.		
Funds Expended	1,053,682,500	769,104,800
Year-End Fund Balance	0	0
Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Nonrefundable fees for health care institution licensing services.		
Purpose of Fund: For health care institutions' licensing applications, initial license, renewal license and architectural drawing reviews. DHS establishes nonrefundable fees for assurance and licensure. 90% of assurance and licensure fees have been deposited into this fund with the remaining 10% deposited into the General Fund.		
Funds Expended	7,623,600	8,260,300
Year-End Fund Balance*	1,369,600	(37,500)
Hearing and Speech Professionals Fund (HSA6243/A.R.S. § 36-1903)		Appropriated
Source of Revenue: Monies collected by DHS from the examination and licensing of hearing and speech professionals.		
Purpose of Fund: For the licensing and regulation of hearing and speech professionals.		
Funds Expended	309,700	308,100
Year-End Fund Balance	361,800	477,100
IGA/County Contributions (HSA2144/2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: This fund receives revenues from intergovernmental agreements between DHS and other state and local entities, contributions from Maricopa and Pima Counties for treating persons with behavioral health problems, subaccounts for Liquor Services Fees authorized under A.R.S. § 4-203-02, and deposits from the State Lottery Fund pursuant to A.R.S. § 5-522. In FY 2011, DHS received \$48,200,000 from Maricopa and Pima County for behavioral health services, \$9,700,000 from the Arizona Health Care Cost Containment System (AHCCCS) for KidsCare, \$5,650,000 from the Department of Economic Security for nutrition services, and \$2,000,000 from the Department of Housing for Seriously Mentally Ill housing. The department also received \$6,640,000 from the State Lottery Fund for teenage pregnancy prevention, Health Start, and the Women, Infants, and Children (WIC) program.		
Purpose of Fund: To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.		
Funds Expended	82,851,000	82,592,000
Year-End Fund Balance	35,916,900	18,205,800
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	7,655,200	7,509,000
Year-End Fund Balance	1,863,100	1,750,300
Internal Services Fund (HSA4202/A.R.S. § 36-108)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	0	0
Year-End Fund Balance	70,100	70,100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Medical Marijuana Fund (HSA9999/A.R.S. § 36-2817)		Non-Appropriated
Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
Purpose of Fund: To regulate dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.		
Funds Expended	655,800	1,500,000
Year-End Fund Balance	298,200	798,200
Multiple Sclerosis Awareness Fund (No Fund Number/ A.R.S. § 28-2440, A.R.S. § 36-120)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of Multiple Sclerosis Awareness special plate fee and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Multiple Sclerosis special plates, if ADOT receives \$32,000 by December 31, 2011. ADOT is to annually deposit these monies, excluding administrative fees, into the DHS-administered Multiple Sclerosis Awareness Fund for statewide multiple sclerosis awareness and outreach services. DHS has not yet established this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: Monies received as part of the hospital charges for each child born in Arizona. Fee limits for newborn screening are \$30 for the first blood and hearing screening and \$40 for the second blood and hearing screening.		
Purpose of Fund: To provide monies for the centralized testing of all newborns in the state for a standard set of 29 metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
Funds Expended	4,950,500	6,680,100
Year-End Fund Balance*	719,300	(1,115,700)
Nursing Care Institution Resident Protection Fund (HSA2329/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	0	438,000
Year-End Fund Balance	1,185,400	1,466,400
Oral Health Fund (HSA3038/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	226,100	226,100
Year-End Fund Balance	638,400	596,300
Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)		Non-Appropriated
Source of Revenue: Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
Purpose of Fund: To conduct health effects studies and risk assessments of public health risks from environmental exposure, to evaluate and calculate cleanup standards, to communicate health risks to the public, and for administrative costs of those activities.		
Funds Expended	15,800	15,800
Year-End Fund Balance	73,400	137,000

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Serious Mental Illness Services Fund (HSA2464/A.R.S. § 36-503.02)		Non-Appropriated
Source of Revenue: Monies appropriated from the Tobacco Litigation Settlement Account, other legislative appropriations and interest earned on these monies. The fund received a one-time appropriation of \$50,000,000 from tobacco settlement funds in FY 2001. The final \$1,100,000 was spent in FY 2005.		
Purpose of Fund: To fund Community Housing, Vocational Rehabilitation, and other recovery support services to persons with serious mental illnesses.		
Funds Expended	0	0
Year-End Fund Balance	2,800	2,800
Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)		Non-Appropriated
Source of Revenue: Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. The FY 2012 Revenues BRB (Laws 2011, Chapter 28) requires that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
Purpose of Fund: For housing projects for the seriously mentally ill. The appropriated portion pays for administration expenses, and may not exceed 10% of the Seriously Mentally Ill Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction or renovation of a facility that houses seriously mentally ill individuals.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Service Fees Increase Fund (HSA1050/Laws 2010, 7th Special Session, Chapter 12)		Non-Appropriated
Source of Revenue: General Fund fee increase from fees raised pursuant to Laws 2010, 7th Special Session, Chapter 12.		
Purpose of Fund: Operating activities.		
Funds Expended	52,300	0
Year-End Fund Balance	1,100	1,100
Smoke Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
Purpose of Fund: To enforce the provisions of Proposition 201 (Smoke Free Arizona Act) enacted in the 2006 General Election. The Smoke Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
Funds Expended	2,672,800	2,672,800
Year-End Fund Balance	712,000	1,039,200
Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
Purpose of Fund: To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.		
Funds Expended	2,250,000	2,250,000
Year-End Fund Balance	1,979,500	1,729,500
Temporary Transaction Privilege and Use Tax - 1% Fund (HSA1032/Article IX, Section 12.1 of State Constitution)		Non-Appropriated
Source of Revenue: Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
Purpose of Fund: To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund. (For FY 2011, the General Accounting Office reported as of August 2011 that the Department of Education received \$576,697,200 and that the Department of Corrections, Arizona Health Care Cost Containment System (AHCCCS), Department of Economic Security, and Department of Health Services each received \$72,087,200.)		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
Purpose of Fund: Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
Funds Expended	16,121,600	19,000,000
Year-End Fund Balance	8,406,100	6,206,100
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Partially-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund that is transferred from the Arizona Biomedical Research Commission.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
Appropriated Funds Expended	0	1,500,000
Non-Appropriated Funds Expended	7,469,800	7,227,500
Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Partially-Appropriated
Source of Revenue: The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account. <i>(See Tobacco Tax Table in the AHCCCS section.)</i>		
Purpose of Fund: Monies are used for a variety of health programs that are intended to increase primary care and mental health services for uninsured and low-income populations.		
Appropriated Funds Expended	34,575,600	35,167,000
Non-Appropriated Funds Expended	0	0
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. As permanent law, the FY 2012 Health BRB removed statutory fee caps and allows DHS to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to \$4,530,000. Of the first \$4,000,000, 85% will be required into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	166,800	3,586,000
Year-End Fund Balance	242,800	103,400

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

Arizona Historical Society

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	51.9	51.9	51.9
Personal Services	1,169,000	1,184,300	1,184,300
Employee Related Expenditures	538,000	562,200	562,200
Professional and Outside Services	1,100	1,000	1,000
Other Operating Expenditures	316,100	283,600	283,600
OPERATING SUBTOTAL	2,024,200	2,031,100	2,031,100
SPECIAL LINE ITEMS			
Arizona Experience Museum	589,700	589,700	441,400
Field Services and Grants	65,000	65,000	65,000
Papago Park Museum	3,606,100	1,465,300	1,613,600
AGENCY TOTAL	6,285,000	4,151,100^{1/}	4,151,100
FUND SOURCES			
General Fund	5,854,200	4,151,100	4,151,100
<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	4,151,100	4,151,100
Other Non-Appropriated Funds	952,000	1,257,000	1,255,800
TOTAL - ALL SOURCES	7,237,000	5,408,100	5,406,900

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 Baseline includes \$2,031,100 and 39.5 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Arizona Experience Museum

The Baseline includes \$441,400 and 3 FTE Position from the General Fund in FY 2013 for the Arizona Experience Museum. FY 2013 adjustments would be as follows:

	FY 2013
Rent	GF \$(148,300)

The Baseline 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.

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.

Field Services and Grants

The Baseline includes \$65,000 and 0.4 FTE Position from the General Fund in FY 2013 for Field Services and Grants. These amounts are unchanged from FY 2012.

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 Baseline includes \$1,613,600 and 9 FTE Positions from the General Fund in FY 2013 for the Papago Park Museum. FY 2013 adjustments would be as follows:

	GF	148,300
Rent		

The Baseline 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.

^{1/} In addition to these amounts, a total of \$66,800 GF is appropriated in FY 2012 for costs associated with an additional pay period.

This line item funds the operation and maintenance of the Papago Park Museum.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Capital Outlay Stabilization Fund (ADA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying Arizona Department of Administration (ADOA) owned buildings.		
Purpose of Fund: To pay maintenance, utilities, construction, and administrative costs for state-owned buildings.		
Funds Expended	430,800	0
Year-End Fund Balance	0	0
Federal Grants (HIA2000/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent Arizona Historical Society Revolving Fund (HIA2900/A.R.S. § 14-826)		Non-Appropriated
Source of Revenue: Monies from the operation of gift shops, book shops, food service facilities, and charges for the use of or admission into any of the society's facilities.		
Purpose of Fund: For enhancing the programs of the society, or operating or improving its facilities.		
Funds Expended	500,000	585,300
Year-End Fund Balance*	136,400	(9,600)
Preservation and Restoration Fund (HIA2125/A.R.S. § 41-825)		Non-Appropriated
Source of Revenue: Reproduction charges.		
Purpose of Fund: To preserve and restore historic photographs.		
Funds Expended	16,700	17,900
Year-End Fund Balance	42,800	52,900
Private Fund (HIA9447/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Revenues are generated through memberships, unrestricted donations, and program revenue. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: For operating expenses.		
Funds Expended	292,400	360,000
Year-End Fund Balance	890,500	872,500
Private Grants Fund (HIA9449/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Derived from the AHS Foundation, National Endowment for the Humanities, and the DeGrazia Foundation. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used in accordance with the requirements of each grant.		
Funds Expended	20,000	37,300
Year-End Fund Balance	20,400	13,100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Restricted Fund (HIA9448/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Private restricted donations. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool.		
Purpose of Fund: To be used for specific projects as designated by donor.		
Funds Expended	121,500	252,200
Year-End Fund Balance	320,200	306,700
Trust Fund (HIA9450/A.R.S. § 41-821)		Non-Appropriated
Source of Revenue: Monies held in trust for specific purposes. The fund is held in trust by the Society Treasurer and invested with the State Treasurer's Local Government Investment Pool. Only interest earnings are expended.		
Purpose of Fund: For operating expenses.		
Funds Expended	1,400	4,300
Year-End Fund Balance	248,400	244,600

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

Prescott Historical Society of Arizona

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	188,600	188,600
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	652,600^{1/}	652,600

FUND SOURCES

General Fund	618,400	652,600	652,600
SUBTOTAL - Appropriated Funds	618,400	652,600	652,600
Other Non-Appropriated Funds	803,600	1,760,100	1,760,100
TOTAL - ALL SOURCES	1,422,000	2,412,700	2,412,700

AGENCY DESCRIPTION — The Prescott Historical Society preserves and maintains the Old Governor's Mansion, together with the other buildings and properties of the Sharlot Hall Museum located in Prescott. The Society is responsible for acquiring, preserving and publicly exhibiting archival and museum objects pertaining to the history, geological and anthropological life of Arizona and the West.

Operating Budget

* * *

The Baseline includes \$652,600 and 13 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS

**FY 2011
Actual** **FY 2012
Estimate**

Sharlot Hall Historical Society (PHA9505/A.R.S. § 41-831)

Non-Appropriated

Source of Revenue: Monies received from admissions, donations, memberships, interest, gift shop and rent. Funds are outside the control of the State Treasurer and by statute are held in trust for the society's use by the Society Treasurer.

Purpose of Fund: To print publications and journals, as well as to pay for educational programming, archival and curatorial supplies and graphics.

Funds Expended	803,600	1,760,100
Year-End Fund Balance	0	41,000

^{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.

Arizona Department of Homeland Security

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Funds (HLA2000/A.R.S. § 41-4254)		Non-Appropriated
Source of Revenue: Grants received from the U.S. Department of Homeland Security. Homeland Security funds received by Arizona prior to FY 2007 are reported in the Arizona Department of Emergency and Military Affairs budget.		
Purpose of Fund: To provide state agencies and local governments with funding to deter and mitigate acts of terrorism. Federal grant guidelines allow up to 5% of the grant total to be used for administrative costs.		
Funds Expended	45,741,900	50,836,900
Year-End Fund Balance	4,900	0

Board of Homeopathic and Integrated Medicine Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	28,400	28,400
Professional and Outside Services	14,700	1,000	1,000
Travel - In State	900	1,200	1,200
Other Operating Expenditures	9,500	21,900	21,900
AGENCY TOTAL	100,500	105,300^{1/}	105,300

FUND SOURCES

Other Appropriated Funds

Board of Homeopathic and Integrated Medicine Examiners' Fund	100,500	105,300	105,300
SUBTOTAL - Other Appropriated Funds	100,500	105,300	105,300
SUBTOTAL - Appropriated Funds	100,500	105,300	105,300
TOTAL - ALL SOURCES	100,500	105,300	105,300

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 Baseline includes \$105,300 and 1 FTE Position from the Board of Homeopathic and Integrated Medicine Examiners' Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Homeopathic and Integrated Medicine Examiners' Fund (HEA2041/A.R.S. § 32-2906)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of homeopaths. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate homeopaths, and for board administration.		
Funds Expended	100,500	105,300
Year-End Fund Balance	29,900	15,400

^{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.

Arizona Department of Housing

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	236,100	67,000
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	39,900
Equipment	3,700	4,200	2,300
AGENCY TOTAL	895,300	916,900^{1/}	297,500

FUND SOURCES

Other Appropriated Funds

Housing Trust Fund	895,300	916,900	297,500
SUBTOTAL - Other Appropriated Funds	895,300	916,900	297,500
SUBTOTAL - Appropriated Funds	895,300	916,900	297,500
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	97,891,900	49,141,100

AGENCY DESCRIPTION — Through a variety of housing and community improvement programs, the department annually administers federal and non-appropriated state housing and community development funds. The appropriated budget reflects a portion of the agency's administration expenses. The department provides affordable housing opportunities in conjunction with the Arizona Housing Finance Authority.

Operating Budget

* * *

The Baseline includes \$297,500 and 3 FTE Positions from the Housing Trust Fund in FY 2013 for the operating budget. FY 2013 adjustments would be as follows:

FORMAT — Lump Sum by Agency

Operating Reduction OF **FY 2013**
\$(619,400)

The Baseline 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Funds (HDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	90,320,700	75,074,100
Year-End Fund Balance	804,000	71,400

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	45,775,700	8,095,500
Year-End Fund Balance	4,600	0
Housing Development Fund (HDA2313/A.R.S. § 41-3956)		Non-Appropriated
Source of Revenue: Monies transferred through legislation from the Housing Trust Fund. The Legislature transferred \$500,000 from the Housing Trust Fund in FY 1999 and FY 2001. No new appropriations are being sought for this fund.		
Purpose of Fund: To provide incentives for the development of affordable housing around state prisons for state prison employees.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Housing Program Fund (HDA9600/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), fees charged from conferences and workshops, and fees from the Section 8 project-based contract administration program.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs. Additionally, at the Director's election, to transfer to any fund established by the Arizona Housing Finance Authority in connection with any bonds or certificates issued by the Arizona Housing Finance Authority.		
Funds Expended	2,636,900	2,769,300
Year-End Fund Balance	2,855,200	2,743,100
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Partially-Appropriated
Source of Revenue: Receives \$2,500,000 from the proceeds of the sales of unclaimed property and interest income. Laws 2011, Chapter 28 reduced the annual deposit of unclaimed property revenues to the Housing Trust Fund from \$10,500,000 to \$2,500,000 beginning in FY 2012. The Housing Trust Fund receives their \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund.		
Purpose of Fund: For expenses related to the provision of affordable housing opportunities to low and moderate income families. The appropriated portion pays for administration expenses, and may not exceed 10% of the Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction, or renovation of housing facilities for low-income households. The Legislature may transfer monies from the fund to the Housing Development Fund for use on housing projects around state prisons. <i>(See Housing Development Fund detail for additional information.)</i>		
Appropriated Funds Expended	895,300	916,900
Non-Appropriated Funds Expended	6,873,800	10,811,000
Year-End Fund Balance	20,910,800	12,249,500
IGA & ISA Fund (HDA2500/A.R.S. § 41-3952)		Non-Appropriated
Source of Revenue: Interagency Service Agreements including transfers from the Housing Trust Fund through an interagency agreement to support the programs of the Arizona Housing Finance Authority (AZHFA). The fund will also receive monies through fees earned by the finance authority.		
Purpose of Fund: The fund supports the activities of the AZHFA which issues bonds to finance single and multi-family housing programs. Majority of funds relate to a Housing Trust Fund ISA with AZHFA for homeownership and multi-family programs.		
Funds Expended	515,700	225,100
Year-End Fund Balance	2,665,300	2,600,600

Independent Redistricting Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	106,100	3,000,000	1/
AGENCY TOTAL	106,100	3,000,000	--
FUND SOURCES			
General Fund	106,100	3,000,000	--
SUBTOTAL - Appropriated Funds	106,100	3,000,000	--
TOTAL - ALL SOURCES	106,100	3,000,000	--

AGENCY DESCRIPTION — Proposition 106, approved by voters in November 2000, established the Independent Redistricting Commission. The commission consists of 5 members, 4 of which are selected by the House and Senate majority and minority leadership. These 4 members then select the final member, who can not be affiliated with either of the 2 major political parties. The commission is charged with redrawing the boundaries for Arizona's legislative and congressional districts based on the 10-year census.

Operating Budget

The Baseline funding for the Independent Redistricting Commission (IRC) is to be determined. The IRC may seek to modify their existing FY 2012 appropriation and their original FY 2013 funding request. In addition, the Executive funding recommendation is not yet known.

IRC Funding Process: The Arizona Constitution sets forth the process for funding the IRC:

In years ending in eight or nine after the year 2001, the Department of Administration or its successor shall submit to the Legislature a recommendation for an appropriation for adequate redistricting expenses and shall make available adequate office space for the operation of the Independent Redistricting Commission. The Legislature shall make the necessary appropriations by a majority vote.

In 2009, the Department of Administration recommended \$10,203,000 for the entire 2010 redistricting cycle, which was the amount appropriated for the 2000 redistricting expenditures. Between FY 2001 and FY 2010, the IRC actually expended over \$9,554,100 of that amount for the 2000 cycle. Given that the IRC expenditures in its first year of the current cycle would be relatively low, the Legislature appropriated \$500,000 from the General Fund in FY 2011 for start-up expenses.

The Executive recommended \$3,000,000 from the General Fund for the FY 2012 budget. The Legislature subsequently appropriated that amount. The IRC is currently evaluating whether the \$3,000,000 will still be sufficient for FY 2012.

IRC submitted a request of \$1,700,000 to the Governor's Office in October 2011 for the FY 2013 budget. As of this writing, the Executive's FY 2013 recommendation is not

yet known. IRC is also reevaluating whether the \$1,700,000 will be sufficient for FY 2013.

2000 Cycle Expenditures: In the 2000 cycle, the IRC expended a total of \$9,554,100. As a one-time measure, Proposition 106 initially required the State Treasurer to make \$6,000,000 available for the 2000 cycle. That funding, however, was insufficient and the Legislature appropriated an additional \$4,203,000 from the General Fund in FY 2004 to pay for the costs associated with ongoing litigation.

Table 1 details total expenditures in the last redistricting cycle:

Fiscal Year	Actual Expenditures	Fiscal Year	Actual Expenditures
01	\$ 246,300	06	423,400
02	3,339,000	07	298,900
03	1,857,300	08	367,700
04	1,962,200	09	256,400
05	776,800	10	26,100
		Total	\$ 9,554,100

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, except that all monies remaining unexpended and unencumbered after payment of fees, costs and expenses of the commission revert to the state General Fund.

1/ Funding to be determined.

Arizona Commission of Indian Affairs

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	12,200	12,200
Professional and Outside Services	10,000	0	0
Travel - In State	400	300	300
Other Operating Expenditures	16,300	14,800	14,800
Equipment	100	0	0
AGENCY TOTAL	63,000	54,300^{1/}	54,300

FUND SOURCES

General Fund	63,000	54,300	54,300
SUBTOTAL - Appropriated Funds	63,000	54,300	54,300
TOTAL - ALL SOURCES	63,000	54,300	54,300

AGENCY DESCRIPTION — The agency studies policy issues affecting the Indian tribes, attempts to facilitate better working relationships between the tribes and government agencies, and promotes an understanding of Indian history and culture through statewide forums and other educational activities.

Operating Budget

* * *

The Baseline includes \$54,300 and 3 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Indian Town Hall Fund (IAA4014/A.R.S. § 41-545)		Non-Appropriated
Source of Revenue: Monies collected or received at Indian town halls as fees for administration.		
Purpose of Fund: To defray administrative costs related to Indian town halls.		
Funds Expended	0	0
Year-End Fund Balance	10,200	20,200
IGA and ISA Fund (IAA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: To execute various intergovernmental and interagency service agreements.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Publications Fund (IAA4013/A.R.S. § 41-543)		Non-Appropriated
Source of Revenue: Sale of commission publications.		
Purpose of Fund: To produce and distribute commission publications. At fiscal year end, amounts in excess of \$15,000 revert to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,800	2,800

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Statewide Donations Fund (IAA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies from booth space at Indian Nations and Tribes Legislative Day. Additional funds are obtained from outside sources such as the 21 tribes and nations of Arizona, as well as private corporations.		
Purpose of Fund: To pay for expenses incurred for Indian Nations and Tribes Legislative Day. Arizona Commission of Indian Affairs is required by statute to facilitate this day on the second Tuesday of each regular legislative session.		
Funds Expended	0	0
Year-End Fund Balance	4,600	9,600

Industrial Commission of Arizona

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	279.0	279.0	279.0
Personal Services	7,440,100	9,590,300	9,590,300
Employee Related Expenditures	3,212,200	4,370,700	4,370,700
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	19,550,400^{1/}	19,550,400

FUND SOURCES

Other Appropriated Funds

Industrial Commission Administrative Fund	15,461,600	19,550,400	19,550,400
SUBTOTAL - Other Appropriated Funds	15,461,600	19,550,400	19,550,400
SUBTOTAL - Appropriated Funds	15,461,600	19,550,400	19,550,400
Other Non-Appropriated Funds	42,925,000	50,052,900	50,052,900
Federal Funds	4,660,300	5,432,600	5,432,600
TOTAL - ALL SOURCES	63,046,900	75,035,900	75,035,900

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

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The Baseline includes \$19,550,400 and 279 FTE Positions from the Industrial Commission Administrative Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants (ICA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To enforce occupational safety and health standards in all industries in Arizona except businesses relating to mining and smelting, businesses located on Indian reservations and federal agencies.		
Funds Expended	4,660,300	5,432,600
Year-End Fund Balance	1,440,900	1,046,700
Industrial Commission Administrative Fund (ICA2177/A.R.S. § 23-1081)		Appropriated
Source of Revenue: Annual tax on workers' compensation premiums that can not exceed 3%.		
Purpose of Fund: For all expenses of the Industrial Commission in carrying out its powers and duties.		
Funds Expended	15,461,600	19,550,400
Year-End Fund Balance	2,673,200	2,543,600

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Revolving Fund (ICA2002/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Charges for claims education seminars and training materials, charges for medical fee schedules and other miscellaneous revenue.		
Purpose of Fund: To fund an annual seminar on workers' compensation for insurance carriers and self-insured employers; to print a medical fee schedule for workers' compensation; and to provide a holding account for money owed to employees by their employers for back wages.		
Funds Expended	127,000	125,900
Year-End Fund Balance	218,600	229,700
Special Fund (ICA9003/A.R.S. § 23-1065)		Non-Appropriated
Source of Revenue: Assessments on workers' compensation premiums, earnings on investments, rent proceeds, and reimbursement of the cost of benefits provided to injured employees of uninsured employers.		
Purpose of Fund: To provide medical benefits in excess of original policy limits on claims occurring prior to a 1973 law change requiring unlimited statutory medical benefits; to provide compensation benefits resulting from second injuries; to provide vocational rehabilitation benefits; and to provide benefits on claims against uninsured employers and insolvent insurance carriers.		
Funds Expended	42,798,000	49,927,000
Year-End Fund Balance	5,118,000	574,000

Department of Insurance

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	1,241,100	1,241,100
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	652,600
Equipment	95,800	6,400	6,400
AGENCY TOTAL	5,425,800	5,184,200^{1/}	5,184,200
FUND SOURCES			
General Fund	5,425,800	5,184,200	5,184,200
SUBTOTAL - Appropriated Funds	5,425,800	5,184,200	5,184,200
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	13,509,900	13,166,600

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 Baseline includes \$5,184,200 and 90.5 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, continue to suspend the statutory provision that fees collected by the department fall between 95% and 110% of the department's appropriation for FY 2013.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Reimbursement of Guaranty Funds

The FY 2012 Regulation Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 35) made the reimbursement to the Arizona Property and Casualty Insurance Guaranty Fund and Life and Disability Insurance Guaranty Fund included in Laws 2009, Chapter 1 contingent on the monies being transferred to the General Fund. Chapter 1

appropriated 3 annual payments of \$4,659,666 to the Arizona Property and Casualty Insurance Guaranty Fund and 3 annual payments of \$5,204,466 to the Life and Disability Insurance Guaranty Fund beginning in FY 2012. The intent of Chapter 1 was to reimburse these funds for monies that were to have been transferred from them to the General Fund in FY 2009.

Although the state agreed to reimburse the funds in Chapter 1, litigation was brought to stop the original transfers to the General Fund. The courts issued a stay of action, so the transfers to the General Fund have not occurred. As a result, the FY 2011 Regulation BRB requires repayment only if the actual transfers are made.

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Assessment Fund for Voluntary Plans Fund (IDA2316/A.R.S. § 20-2201)		Non-Appropriated
Source of Revenue: Assessments paid by insurance companies or reinsuring carriers authorized to sell liability insurance.		
Purpose of Fund: To provide for the administrative costs associated with finding liability insurance for classes of risk that are unable to obtain liability coverage. Monies are also used to administer the Small Employers Reinsurance Plan Board. The board ensures the accessibility of small group health insurance by requiring a reinsurance program to spread the risk of insuring small groups.		
Funds Expended	141,200	133,100
Year-End Fund Balance	40,100	46,800
Captive Insurance Regulatory and Supervision Fund (IDA2377/A.R.S. § 20-1098.18)		Non-Appropriated
Source of Revenue: License and renewal fees collected from individual captive insurers and corporations applying to do business as a captive insurer. A captive insurer is an enterprise with the authority to function as an independent insurance company, but is organized by a parent company with the express intent to provide the parent company's insurance.		
Purpose of Fund: To provide funding for the promotion of the state's captive insurance industry and related administrative costs. Up to \$100,000 may be used annually to cover the department's operating costs.		
Funds Expended	144,700	192,600
Year-End Fund Balance	100,000	100,000
Federal Funds (IDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies from Affordable Care Act grants.		
Purpose of Fund: Monies are used to implement the provisions of the Affordable Care Act and to aid in the review of health insurance premium rates.		
Funds Expended	245,300	341,000
Year-End Fund Balance	0	0
Financial Surveillance Fund (IDA2473/A.R.S. § 20-156)		Non-Appropriated
Source of Revenue: Assessments paid by domestic insurers, other than life and disability re-insurers, service companies, and mechanical reimbursement re-insurers.		
Purpose of Fund: To provide funds for the costs of financial analysts who conduct financial surveillance of domestic insurers in order to identify possible risks to financial stability.		
Funds Expended	372,200	265,100
Year-End Fund Balance	12,700	81,200
Health Care Appeals Fund (IDA2467/A.R.S. § 20-2540)		Non-Appropriated
Source of Revenue: One-time fee of \$200 and an annual fee of up to \$200 per health care insurance company.		
Purpose of Fund: To pay for start-up and ongoing costs related to selecting an independent review organization. The selected organization will conduct external independent reviews that involve issues of medical necessity.		
Funds Expended	229,600	244,100
Year-End Fund Balance	28,200	15,000
Insurance Examiners' Revolving Fund (IDA2034/A.R.S. § 20-159)		Non-Appropriated
Source of Revenue: Payments made by insurance companies for costs of financial, rate, and market conduct examinations performed by contract examiners.		
Purpose of Fund: To provide funds for contract examiners' per diem compensation and funds to reimburse contract examiners for travel and living expenses, as approved by the Director of the Department of Insurance. Monies are also used to cover the department's related administrative costs.		
Funds Expended	5,024,000	5,380,600
Year-End Fund Balance	781,800	902,200

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Life and Disability Insurance Guaranty Fund (IDA2154/A.R.S. § 20-683)		Non-Appropriated
Source of Revenue: Assessments on life and disability insurance companies and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for life and disability insurance policies and annuity contracts. The fund also pays the administrative costs of the 9-member Life and Disability Insurance Guaranty Fund Board authorized by A.R.S. § 20-684. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	1,134,700	1,144,800
Year-End Fund Balance	33,130,800	33,010,900
Arizona Property and Casualty Insurance Guaranty Fund (IDA2114/A.R.S. § 20-662)		Non-Appropriated
Source of Revenue: Assessments on property and casualty insurance and reimbursements from the sale of insolvent companies' assets by the department's Receivership Division.		
Purpose of Fund: To provide funds for the covered policy claims of insolvent insurance companies for property and casualty insurance policies. The fund also pays the administrative costs of the 11-member Property and Casualty Insurance Guaranty Fund Board authorized by A.R.S. § 20-663. Monies are held in a depository designated by the Director of the Department of Insurance.		
Funds Expended	608,000	578,100
Year-End Fund Balance	33,226,500	33,169,800
Receivership Liquidation Fund (IDA3104/A.R.S. § 20-648)		Non-Appropriated
Source of Revenue: Consists of 10% of an insolvent insurer's statutory deposit with the State Treasurer authorized by A.R.S. § 20-213. Upon termination of a receivership, the court may award proceeds to the fund, up to the amount of the department's administrative costs.		
Purpose of Fund: To support the department's Receivership Division, which administers the liquidation of insurance companies to ensure maximum recovery of assets. The balance forward represents cash on hand. It does not include the state's unfunded liability for deposits being held as assurance against future insolvencies.		
Funds Expended	44,300	46,300
Year-End Fund Balance	193,500	146,600

Judiciary - Supreme Court

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	169.0	169.0	169.0
Personal Services	5,718,600	5,713,300	5,713,300
Employee Related Expenditures	2,431,700	2,102,600	2,102,600
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	6,085,100
Equipment	100,700	0	0
OPERATING SUBTOTAL	17,766,400	14,259,700	14,259,700
SPECIAL LINE ITEMS			
State Aid	4,388,000	5,904,800	5,904,800
County Reimbursements	187,900	187,900	187,900
Automation	8,551,400	11,082,600	11,082,600
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	3,025,800	3,025,800
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	43,131,200^{1/}	43,131,200
FUND SOURCES			
General Fund	19,798,000	15,915,700 ^{2/}	15,915,700
<u>Other Appropriated Funds</u>			
Confidential Intermediary and Fiduciary Fund	309,600	478,800 ^{2/}	478,800
Court Appointed Special Advocate Fund	1,860,700	2,923,800 ^{2/}	2,923,800
Criminal Justice Enhancement Fund	2,338,400	2,960,300 ^{2/}	2,960,300
Defensive Driving School Fund	1,954,100	4,120,200 ^{2/}	4,120,200
Judicial Collection Enhancement Fund	12,735,300	13,787,900 ^{2/}	13,787,900
Photo Enforcement Fund	2,688,500	0	0
State Aid to the Courts Fund	2,649,600	2,944,500	2,944,500
SUBTOTAL - Other Appropriated Funds	24,536,200	27,215,500	27,215,500
SUBTOTAL - Appropriated Funds	44,334,200	43,131,200	43,131,200
Other Non-Appropriated Funds	14,721,800	24,410,200	22,083,400
TOTAL - ALL SOURCES	59,056,000	67,541,400	65,214,600

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.

^{1/} 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.

^{2/} These amounts reflect revised State Lease-Purchase and Rental Rate Adjustments. These changes align the allocation with the actual fund sources.

Operating Budget

The Baseline includes \$14,259,700 and 100.7 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$10,281,900
Confidential Intermediary and Fiduciary Fund	478,800
Defensive Driving School Fund	648,200
Judicial Collection Enhancement Fund (JCEF)	2,850,800

These amounts are unchanged from FY 2012.

State Aid

The Baseline includes \$5,904,800 and 3.3 FTE Positions in FY 2013 for State Aid. These amounts consist of:

Criminal Justice Enhancement Fund (CJEF)	2,960,300
State Aid to the Courts Fund	2,944,500

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 Baseline 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.

Automation

The Baseline includes \$11,082,600 and 13 FTE Positions in FY 2013 for Automation. These amounts consist of:

Defensive Driving School Fund	3,332,600
Judicial Collection Enhancement Fund	7,750,000

These amounts are unchanged from FY 2012.

Case and Cash Management System

The Baseline 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
Judicial Collection Enhancement Fund	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 Baseline 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 Baseline includes \$3,025,800 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	2,923,800

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 Baseline 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 Baseline 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 Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Included in the appropriation for the Supreme Court program is \$1,000 for the purchase of mementos and items for visiting officials.

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.

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

STATUTORY CHANGES

The Baseline would:

- As session law, continue 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.
- As session law, continue the FY 2012 suspension of 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 require that reimbursement not exceed the level in the General Appropriation Act.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2012 Revisions

The Baseline includes no net change for funding lease-purchase/rent payments in FY 2012. The Operating appropriations were reallocated in order to allow the Supreme Court to fund its lease-purchase/rent entirely from the Defensive Driving School Fund and the General Fund. The summary number table has been updated to reflect these changes from the original FY 2012 appropriation:

General Fund	(237,300)
Confidential Intermediary and Fiduciary Fund	209,400
Court Appointed Special Advocate Fund	209,400
Criminal Justice Enhancement Fund	104,700
Defensive Driving School Fund	(740,000)
Judicial Collection Enhancement Fund	<u>453,800</u>
Total	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Alternative Dispute Resolution Fund (SPA3245/A.R.S. § 12-135)		Non-Appropriated
Source of Revenue: The fund consists of 0.35% of notary bond fees, 0.35% of fee collections on civil filings in the Superior Court, and 1.84% or 2.05% of civil filings in Justice of the Peace Courts.		
Purpose of Fund: To supplement local courts' funding for alternative dispute resolution programs.		
Funds Expended	154,400	455,700
Year-End Fund Balance	466,900	312,300
Arizona Lengthy Trial Fund (SPA2382/A.R.S. § 21-222)		Non-Appropriated
Source of Revenue: The fund consists of fees established by the Supreme Court on court filings paid to the clerk of the Superior Court.		
Purpose of Fund: To pay juror expenses in cases that last longer than 5 days. Monies in the fund are used to reimburse counties for these juror costs. Statute specifies that not more than 3% of the fund is to be used on administration of the fund.		
Funds Expended	602,300	972,500
Year-End Fund Balance	746,200	965,200
Certified Reporters Fund (SPA2440/A.R.S. § 32-4007)		Non-Appropriated
Source of Revenue: Fees, costs and penalties relating to reporter certification.		
Purpose of Fund: For reporter certification.		
Funds Expended	112,400	123,200
Year-End Fund Balance	81,400	141,400
Confidential Intermediary and Fiduciary Fund (SPA2276/A.R.S. § 8-135)		Appropriated
Source of Revenue: A portion of Superior Court fees; fees received by state and local registrars for certified copies of birth certificates; and fees collected through fiduciary registration with the Supreme Court.		
Purpose of Fund: To train and certify confidential intermediaries, who facilitate contact between adoptees/adoptive parents and birth parents while protecting court and agency records. Monies are also used to train and certify private fiduciaries, who serve as court appointed guardians or representatives, and to establish the Sibling Information Exchange Program, which facilitates contact between a former dependant child of biological parents, adoptive parents, guardians, and the child's sibling or siblings.		
Funds Expended	309,600	478,800
Year-End Fund Balance	426,600	253,300
Court Appointed Special Advocate Fund (SPA2275/A.R.S. § 8-524)		Appropriated
Source of Revenue: Revenues consist of 30% of the state lottery unclaimed prize monies.		
Purpose of Fund: For operating the Court Appointed Special Advocate program, which trains volunteers to advocate for abused and neglected children in Juvenile Court proceedings.		
Funds Expended	1,860,700	2,923,800
Year-End Fund Balance	960,100	542,800
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	2,338,400	2,960,300
Year-End Fund Balance	1,777,400	847,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Defensive Driving School Fund (SPA2247/A.R.S. § 28-3398)		Appropriated
Source of Revenue: A fee, not to exceed \$15, imposed on each person who attends a defensive driving school, and \$500 initial certification and \$50-\$250 recertification fees paid by defensive driving schools. The fees are set by the Supreme Court.		
Purpose of Fund: To monitor defensive driving schools for compliance with claims and court policy, to supervise their use by the courts in Arizona, and to expedite the processing of highway traffic offenses. The Administrative Office of the Courts (AOC) has also used these monies to fund court automation projects throughout the state. In FY 2011, the AOC spent approximately \$1,400,000 for court automation projects.		
Funds Expended	1,954,100	4,120,200
Year-End Fund Balance	1,650,600	652,000
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	13,181,200	22,148,800
Year-End Fund Balance	12,353,600	6,426,700
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 14.02% to 15.58% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. <i>(See Supreme Court for information regarding non-Maricopa Counties.)</i>		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services. Funds represented here reflect the amount shifted from the Supreme Court budget to the Superior Court budget for probation officer salaries and programs.		
Funds Expended	12,735,300	13,787,900
Year-End Fund Balance	3,087,900	2,675,100
Photo Enforcement Fund (SPA2390/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Citation and notice of violation (NOV) revenue generated by the State Photo Enforcement System through use of fixed and mobile speed and red light enforcement cameras. The cost per citation or NOV is a fixed cost of \$165, which is all deposited into the Photo Enforcement Fund, plus a 10% Clean Elections surcharge. Any money remaining in the fund in excess of \$250,000 at the end of each quarter is deposited into the state General Fund. Laws 2011, Chapter 308 eliminated the State Photo Enforcement System and Laws 2010, Chapter 266 redirected 40% of the remaining monies in the fund, not to exceed \$7,000,000 to the Public Safety Equipment Fund.		
Purpose of Fund: To provide funding for non-capital automation and payment collection costs associated with citations from the state photo enforcement system. <i>(See the Department of Public Safety Summary of Funds section for other purposes of this fund.)</i>		
Funds Expended	2,688,500	0
Year-End Fund Balance	20,400	20,400
Public Defender Training Fund (SPA3013/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Two dollars of the \$20 surcharge on each person paying a court order penalty, fine, or sanction on a time-payment basis.		
Purpose of Fund: For training of public defenders. Allocation of monies is made to each county Public Defender Office in proportion to the number of felony cases assigned to that office in the last fiscal year.		
Funds Expended	671,500	710,000
Year-End Fund Balance	70,900	30,200

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
State Aid to the Courts Fund (SPA2446/A.R.S. § 12-102.02)		Appropriated
Source of Revenue: Legislative appropriations, a portion of court filing fees, and a portion of fees, fines, penalties and forfeitures collected on criminal offenses and civil motor vehicle violations.		
Purpose of Fund: To provide state aid to the Superior Court, including the clerk of the Superior Court, and Justice Courts for the processing of criminal cases. Monies are distributed to each county based on a formula using Superior Court felony filings and county population.		
Funds Expended	2,649,600	2,944,500
Year-End Fund Balance	215,200	93,400

Judiciary - Court of Appeals

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
PROGRAM BUDGET			
Division I	10,242,500	9,591,200	9,591,200
Division II	4,452,100	4,195,100	4,195,100
AGENCY TOTAL	14,694,600	13,786,300	13,786,300
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	134.8	134.8	134.8
Personal Services	9,510,500	9,515,800	9,515,800
Employee Related Expenditures	3,076,800	3,142,600	3,142,600
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	932,200
Equipment	14,300	0	0
AGENCY TOTAL	14,694,600	13,786,300^{1/}	13,786,300
FUND SOURCES			
General Fund	14,694,600	13,786,300	13,786,300
SUBTOTAL - Appropriated Funds	14,694,600	13,786,300	13,786,300
TOTAL - ALL SOURCES	14,694,600	13,786,300	13,786,300

AGENCY DESCRIPTION — The Court of Appeals has jurisdiction in all proceedings appealable from the Superior Court except criminal death penalty cases, which are automatically appealed to the Supreme Court. Division I also has statewide responsibility for reviewing appeals from the Arizona Corporation Commission, Industrial Commission, the Department of Economic Security unemployment compensation rulings, and the Arizona Tax Court. Division I convenes in Phoenix and encompasses the counties of Apache, Coconino, La Paz, Maricopa, Mohave, Navajo, Yavapai, and Yuma. Division II convenes in Tucson and encompasses the counties of Cochise, Gila, Graham, Greenlee, Pima, Pinal, and Santa Cruz.

Operating Budget

* * *

The Baseline includes \$13,786,300 and 134.8 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts include \$9,591,200 and 98.3 FTE Positions for Division I and \$4,195,100 and 36.5 FTE Positions for Division II. These amounts are unchanged from FY 2012.

FORMAT — Operating Lump Sum by Subprogram

FOOTNOTES

Standard Footnotes

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.

^{1/} In addition to these amounts, a total of \$424,700 GF is appropriated in FY 2012 for costs associated with an additional pay period.

Judiciary - Superior Court

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
SPECIAL LINE ITEMS			
<i>Full Time Equivalent Positions</i>	136.5	136.5	136.5
Judges Compensation	7,337,300	7,390,200	7,390,200
Adult Standard Probation	13,459,100	13,521,500	13,521,500
Adult Intensive Probation	10,723,400	10,737,700	10,737,700
Community Punishment	1,432,000	2,307,900	2,307,900
Interstate Compact	639,800	641,800	641,800
Drug Court	1,013,600	1,013,600	1,013,600
Probation Surcharge	3,487,700	5,028,900	5,028,900
Juvenile Standard Probation	4,862,500	4,598,700	4,598,700
Juvenile Intensive Probation	8,759,700	9,163,000	9,163,000
Juvenile Treatment Services	18,205,300	22,311,400	22,311,400
Juvenile Family Counseling	656,400	660,400	660,400
Juvenile Diversion Consequences	8,371,000	9,024,900	9,024,900
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	91,543,400^{1/}	91,543,400
FUND SOURCES			
General Fund	74,048,100	79,083,200	79,083,200
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	3,955,800	6,931,300	6,931,300
Drug Treatment and Education Fund	500,000	500,000	500,000
Judicial Collection Enhancement Fund	3,487,700	5,028,900	5,028,900
SUBTOTAL - Other Appropriated Funds	7,943,500	12,460,200	12,460,200
SUBTOTAL - Appropriated Funds	81,991,600	91,543,400	91,543,400
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	99,224,100	99,224,100

AGENCY DESCRIPTION — The Superior Court, which has a division in every county, is the state's only general jurisdiction court. Superior Court judges hear all types of cases except small claims, minor offenses, or violations of city codes and ordinances. In addition, the responsibility for supervising adults and juveniles who have been placed on probation resides in the Superior Court.

Judges Compensation

The Baseline 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

^{1/} 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.

FY 2004, Maricopa County has assumed the state's share of its adult probation costs.

Adult Standard Probation

The Baseline includes \$13,521,500 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 Baseline includes \$10,737,700 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 Baseline includes \$2,307,900 and a 0.9 FTE Positions in FY 2013 for Community Punishment. These amounts consist of:

	FY 2013
Criminal Justice Enhancement Fund (CJEF)	\$1,807,900
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 Baseline 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 Baseline 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 Baseline includes \$5,028,900 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 Baseline includes \$4,598,700 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 Baseline includes \$9,163,000 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 Baseline includes \$22,311,400 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 Baseline 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 Baseline 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 Baseline 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 Baseline 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.

* * *

FORMAT — Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

Up to 4.6% of the amounts appropriated for Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences may be retained and expended by the Supreme Court to administer the programs established by A.R.S. § 8-322, and to conduct evaluations as needed. The remaining portion of the Treatment Services and Juvenile Diversion Consequences programs shall be

deposited in the Juvenile Probation Services Fund established by A.R.S. § 8-322.

Receipt of state probation monies by the counties is contingent on the county maintenance of FY 2004 expenditure levels for each probation program. State probation monies are not intended to supplant county dollars for probation programs.

By November 1, 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.

STATUTORY CHANGES

The Baseline would, as session law, continue 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Community Punishment Program Fines Fund (SPA2119/A.R.S. § 13-821)		Non-Appropriated
Source of Revenue: Discretionary fines imposed by the courts on drug offenders.		
Purpose of Fund: To provide drug treatment services to adult probationers through the Community Punishment Program.		
Funds Expended	9,500	100,000
Year-End Fund Balance	192,500	131,500
Criminal Justice Enhancement Fund (SPA2075/A.R.S. § 41-2401)		Appropriated
Source of Revenue: Includes allocations of the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: 9.35% of CJEF monies allocated to the courts are used to reduce juvenile crime, 6.02% is used to enhance the court's ability to process criminal and delinquency cases and salaries of Superior Court judges, and 2.13% is used to provide drug treatment services to adult probationers. The portions of the fund dedicated to juvenile crime reduction and drug treatment are included in the Superior Court's budget, while the case processing portion is part of the Supreme Court's budget.		
Funds Expended	3,955,800	6,931,300
Year-End Fund Balance	2,416,900	1,152,200
Drug and Gang Enforcement Account (SPA2074/A.R.S. § 41-2402)		Non-Appropriated
Source of Revenue: Federal grant monies passed through the Arizona Criminal Justice Commission's Drug and Gang Enforcement Account.		
Purpose of Fund: To fund programs that enhance the ability of the courts to process drug offenses and related cases.		
Funds Expended	2,551,800	2,103,300
Year-End Fund Balance	0	0
Drug Treatment and Education Fund (SPA2277/A.R.S. § 13-901.02)		Partially-Appropriated
Source of Revenue: The fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor. Of this amount, 50% is allocated to this fund and 50% is allocated to the Arizona Parents Commission on Drug Education and Prevention.		
Purpose of Fund: To place persons in drug education and treatment programs. Such monies are allocated to Superior Court probation departments according to a formula based on probation caseloads.		
Appropriated Funds Expended	500,000	500,000
Non-Appropriated Funds Expended	3,386,400	3,784,800
Year-End Fund Balance	1,807,200	1,521,700

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Grants and Special Revenue (SPA2084/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies provided from various sources, private and public, for specific programs and projects.		
Purpose of Fund: To expend grants as required by the contribution.		
Funds Expended	1,635,000	1,677,600
Year-End Fund Balance*	(53,900)	0
Judicial Collection Enhancement Fund (SPA2246/A.R.S. § 12-113)		Appropriated
Source of Revenue: Electronic case filing and access fees; 27.78% of Supreme Court fees, 17.07% of Superior Court fees, 19.42% of Court of Appeals fees, 19.18% of Municipal Court fees, and 14.02% to 15.58% of Justice of the Peace fees; time payment fees assessed for late court payments; fees paid for court-ordered diversion programs, and a \$20 probation surcharge on fines, penalties, and forfeitures imposed by the courts for criminal offenses and civil motor vehicle statute violations. <i>(See Supreme Court for information regarding non-Maricopa Counties.)</i>		
Purpose of Fund: To train court personnel, improve and enhance the court's ability to collect and manage monies assessed or received by the court, to fund court automation projects likely to improve case processing or the administration of justice, and for probation services. Funds represented here reflect the amount shifted from the Supreme Court budget to the Superior Court budget for probation officer salaries and programs.		
Funds Expended	3,487,700	5,028,900
Year-End Fund Balance	3,374,600	3,083,200
Juvenile Probation Services Fund (SPA2193/A.R.S. § 8-322)		Non-Appropriated
Source of Revenue: Monies appropriated to Juvenile Probation Services - Treatment Services and Juvenile Diversion Consequences and allocated by the Administrative Office of the Courts.		
Purpose of Fund: To fund programs for juvenile probationers required as conditions of diversion. These programs are intended to reduce the number of repetitive juvenile offenders and provide services, including treatment, testing, independent living programs, residential foster and shelter care, and for juveniles referred to the juvenile court for incorrigibility or delinquency offenses. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	8,767,300	6,852,800
State Aid to Detention Fund (SPA2141/A.R.S. § 41-2417)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature.		
Purpose of Fund: To provide state assistance to counties in maintaining, expanding, and operating juvenile detention centers. On behalf of the juvenile court, the Administrative Office of the Courts may use monies in the fund to enter into agreements with public agencies or private entities to acquire land for, build, purchase, lease-purchase, lease, maintain, expand, or operate juvenile detention centers.		
Funds Expended	11,600	15,000
Year-End Fund Balance	29,900	15,000

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

Department of Juvenile Corrections

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,001.7	1,001.7	945.7
Personal Services	29,349,700	27,044,700	24,791,800
Employee Related Expenditures	14,964,600	13,347,200	12,337,900
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	5,822,600
Equipment	1,033,900	1,000,900	1,000,900
AGENCY TOTAL	54,933,500	50,590,000^{1/}	46,790,000

FUND SOURCES

General Fund	51,179,000	46,729,800	42,929,800
<u>Other Appropriated Funds</u>			
Criminal Justice Enhancement Fund	527,700	528,400	528,400
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600	1,098,600	1,098,600
State Education Fund for Committed Youth	2,128,200	2,233,200	2,233,200
SUBTOTAL - Other Appropriated Funds	3,754,500	3,860,200	3,860,200
SUBTOTAL - Appropriated Funds	54,933,500	50,590,000	46,790,000
<u>Other Non-Appropriated Funds</u>			
Federal Funds	173,400	177,600	177,600
TOTAL - ALL SOURCES	56,992,600	52,590,800	48,790,800

AGENCY DESCRIPTION — The Department of Juvenile Corrections (DJC) is responsible for the care and treatment of youth offenders adjudicated to be delinquent and remanded to the custody of the department. DJC has jurisdiction over youth until they are released from custody or reach age 18.

Operating Budget

The Baseline includes \$46,790,000 and 945.7 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$42,929,800
Criminal Justice Enhancement Fund (CJEF)	528,400
State Charitable, Penal and Reformatory Institutions Land Fund	1,098,600
State Education Fund for Committed Youth	2,233,200

FY 2013 adjustments would be as follows:

Catalina Mountain School Closure **GF** **(3,800,000)**

The Baseline 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. As a result of this shift, the department estimates closing CMS 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.

* * *

FORMAT — Lump Sum by Agency

^{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.

FOOTNOTES

Standard Footnotes

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

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Department of Juvenile Corrections Sunset

The Baseline assumes that legislation will be passed extending the sunset date of the agency. Laws 2011, Chapter 261 extends the sunset date of DJC from July 1, 2011 to July 1, 2012.

Population Changes

Table 1 lists the DJC population by facility:

Table 1		
	DJC Census	
	FY 2011 Average Population	Population as of December 11, 2011
Housed Population		
Adobe Mountain	248	300
Black Canyon	86	85
Catalina Mountain*	<u>72</u>	<u>0</u>
Total Housed Population	406	385
Parole Population		
Parole	392	319
Interstate Compact (inside Arizona)	161	141
Interstate Compact (outside Arizona)	<u>140</u>	<u>98</u>
Total Parole Population	693	558

*Closed September 20, 2011.

SUMMARY OF FUNDS

Criminal Justice Enhancement Fund (DJA2281/A.R.S. § 41-2401)

Appropriated

Source of Revenue: Receives 1.61% of state Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% assessment added on to every fine, penalty and forfeiture collected by the courts for criminal offenses, and civil penalties imposed for traffic violations and motor vehicle violations.

Purpose of Fund: For treatment and rehabilitation of youth who have committed drug-related offenses.

Funds Expended	527,700	528,400
Year-End Fund Balance	232,900	221,100

DJC Career and Technical Education Fund (DJA2326/A.R.S. § 41-2828)

Non-Appropriated

Source of Revenue: Proceeds generated by any department educational, vocational, treatment, training, or work program, including the sale of unneeded equipment or supplies.

Purpose of Fund: To pay expenses that are required for any educational, vocational, treatment, training or work program established by the department.

Funds Expended	0	0
Year-End Fund Balance	0	0

DJC Restitution Fund (DJA2476/A.R.S. § 41-2826)

Non-Appropriated

Source of Revenue: Federal, state, and local appropriations distributed by the director from the DJC Career Technical Education Fund, in addition to grants, gifts, and other donations from any public or private source.

Purpose of Fund: For the payment of restitution and monetary assessments by youths who are ordered to make such payments but who are financially unable to pay. In a committed youth work program or a community work program, youth participate and receive payment through the Restitution Fund, a portion of which is distributed in the form of restitution payments to victims or the court.

Funds Expended	0	0
Year-End Fund Balance	30,400	56,400

Federal Funds (DJA2000/A.R.S. § 35-142)

Non-Appropriated

Source of Revenue: Federal Grants.

Purpose of Fund: For the National School Breakfast and Lunch Program, Special Education, Job Training Partnership Act, substance abuse, and other federal programs.

Funds Expended	1,885,700	1,823,200
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
IGA and ISA Fund (DJA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To provide training to DJC staff in behavioral therapy, motivational interviewing, and child and family teams, and some supplemental funding for attainment of juvenile treatment goals.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (DJA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	0	0
Year-End Fund Balance	125,700	171,600
Instructional Improvement Fund (DJA2492/A.R.S. § 15-979)		Non-Appropriated
Source of Revenue: Shared revenue from Indian gaming received through the Arizona Department of Education (ADE). The ADE Instructional Improvement Fund receives 56% of total shared revenue, as authorized by Proposition 202 from the 2002 General Election. <i>(See ADE section for more information.)</i>		
Purpose of Fund: To fund teacher compensation increases, class size reduction, dropout prevention, and instructional improvement programs.		
Funds Expended	16,600	15,300
Year-End Fund Balance	10,992,900	10,977,600
Juvenile Corrections Fund (DJA3024/A.R.S. § 41-2810)		Non-Appropriated
Source of Revenue: Donations by individuals and businesses, proceeds from vending machines, and fund-raising efforts.		
Purpose of Fund: For additional supplies and department conferences, for purposes agreed upon by donors and the agency Director, or for special student activities.		
Funds Expended	43,800	58,300
Year-End Fund Balance	115,700	111,300
State Charitable, Penal and Reformatory Institutions Land Fund (DJA3029/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund.		
Purpose of Fund: To help defray costs of operating juvenile correctional facilities.		
Funds Expended	1,098,600	1,098,600
Year-End Fund Balance	451,400	379,900
State Education Fund for Committed Youth (DJA2323/A.R.S. § 15-1371)		Appropriated
Source of Revenue: The state's statutory K-12 Basic State Aid formula provides funding based on the DJC population.		
Purpose of Fund: To help provide for the education of committed youth.		
Funds Expended	2,128,200	2,233,200
Year-End Fund Balance*	680,500	(14,900)

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
State Education System for Committed Youth Classroom Site Fund (DJA2487/A.R.S. § 15-1373)		Non-Appropriated
Source of Revenue: Classroom Site Fund monies received from the Arizona Department of Education, pursuant to A.R.S. § 15-977. The Classroom Site Fund received monies from a 0.6% sales tax approved by the voters in the November 2000 General Election (Proposition 301).		
Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases and employment related expenses (20%); and class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).		
Funds Expended	108,200	99,600
Year-End Fund Balance	237,000	259,200
Statewide Employee Recognition Gifts/Donations Fund (DJA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	4,800	4,400
Year-End Fund Balance	12,300	7,900
Training Institute Fund (DJA2001/A.R.S. § 41-2824)		Non-Appropriated
Source of Revenue: Monies received from grants, gifts, donations, services or other financial assistance.		
Purpose of Fund: To train tribal personnel who have limited access to training within their jurisdictions.		
Funds Expended	0	0
Year-End Fund Balance	0	0

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

State Land Department

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	152.9	152.9	152.9
Personal Services	5,393,500	6,596,700	6,596,700
Employee Related Expenditures	2,189,000	2,797,900	2,797,900
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	2,410,100
Equipment	254,000	133,000	133,000
OPERATING SUBTOTAL	10,651,100	13,718,200	13,718,200
SPECIAL LINE ITEMS			
CAP User Fees	481,100	481,200	481,200
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	563,500	650,000	650,000
AGENCY TOTAL	11,695,700	15,349,400^{1/}	15,349,400
FUND SOURCES			
General Fund	3,276,100	1,231,800	1,231,800
<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	9,888,400
Trust Land Management Fund	8,247,100	3,469,200	3,469,200
SUBTOTAL - Other Appropriated Funds	8,419,600	14,117,600	14,117,600
SUBTOTAL - Appropriated Funds	11,695,700	15,349,400	15,349,400
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	17,209,700	17,209,700

AGENCY DESCRIPTION — The agency manages the state's 9.3 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.

Operating Budget

The Baseline includes \$13,718,200 and 152.9 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$360,600
Trust Land Management Fund	13,357,600

These amounts are unchanged from FY 2012.

The Baseline assumes a continuation of the \$9,888,400 appropriation to the Trust Land Management Fund from the Risk Management Fund in FY 2013. (See *Other Issues for Legislative Consideration* for more information.)

CAP User Fees

The Baseline 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.

^{1/} 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.

Due Diligence Fund

The Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

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.

New Footnotes

If the Land Department's use of State Trust land proceeds, which would otherwise be deposited into a beneficiary's Permanent Fund, is found to be constitutional, the department's appropriation from the Risk Management Fund is reduced and the appropriation from the Trust Land Management Fund is increased by an amount equal to the fund balance plus any revenues for the remainder of the fiscal year, not to exceed the amount of the department's Risk Management Fund appropriation. *(This provision reinstates the Trust Land Management Fund as the permanent funding source for the Land Department's operations if the court finds the department's use of State Trust land proceeds to be constitutional.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Litigation

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. 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 is likely to appeal the decision to the Arizona Supreme Court. The appropriation from Risk Management Fund was offered as a contingency funding source. If the judgment stands, the Legislature will need to establish a permanent funding source.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		Non-Appropriated
Source of Revenue: Reimbursements to the state for back water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.		
Purpose of Fund: To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
Funds Expended	0	0
Year-End Fund Balance	3,800	3,800
Due Diligence Fund (LDA2526/A.R.S. § 37-110)		Appropriated
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits.		
Funds Expended	0	500,000
Year-End Fund Balance	0	0
Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)		Appropriated
Source of Revenue: \$17 of the \$25 fee for environmental license plates.		
Purpose of Fund: To provide grants for environmental education projects. Funds Natural Resource Conservation Districts (NRCs) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRC that sponsors an education center. Additionally, funds are distributed to NRCs and education centers based on appropriation.		
Funds Expended	172,500	260,000
Year-End Fund Balance	92,300	28,300
Federal Grants - American Recovery and Reinvestment Act (ARRA) (LDA 2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for renewable energy and mapping projects.		
Funds Expended	498,500	867,200
Year-End Fund Balance	0	0
Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)		Non-Appropriated
Source of Revenue: Reimbursements from lessees and interest.		
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.		
Funds Expended	31,700	20,000
Year-End Fund Balance	51,300	31,300
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Collections from other state agencies for services and products provided by the State Land Department.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	89,300	33,800
Year-End Fund Balance	147,200	137,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Military Airport Land Exchange Fund (No Fund Number/A.R.S. § 37-1224)		Non-Appropriated
Source of Revenue: Legislative appropriations and land exchange proposal-processing fees.		
Purpose of Fund: To fund the expenses of the military airport land exchange section for the purpose of facilitating exchanges of federal land for private land near military airports.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.		
Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
Funds Expended	71,200	300,000
Year-End Fund Balance	346,300	246,300
Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)		Non-Appropriated
Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.		
Purpose of Fund: To offset the costs of GIS supplies and support.		
Funds Expended	203,900	214,300
Year-End Fund Balance	265,000	158,200
Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)		Non-Appropriated
Source of Revenue: Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
Purpose of Fund: To fund the acquisition of wetland areas in the state.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Risk Management Revolving Fund (LDA4216/Laws 2011, Chapter 36)		Appropriated
Source of Revenue: The fund receives monies from charges assessed on agencies insured under the state's risk management system. The Land Department's portion of the fund was appropriated by the Legislature due to the termination of a Court of Appeals stay on June 30, 2011. When this stay against an earlier judgment lapsed, the department lost \$9,888,400 of its funding from the normal source (Trust Land Management Fund).		
Purpose of Fund: To fund operating activities.		
Funds Expended	0	9,888,400
Year-End Fund Balance	0	0
Service Fees Increase Fund (LDA1050/Laws 2010, 7 th Special Session, Chapter 12)		Non-Appropriated
Source of Revenue: General Fund fee increase from fees raised pursuant to Laws 2010, 7 th Special Session, Chapter 12.		
Purpose of Fund: To fund operating activities.		
Funds Expended	600,000	0
Year-End Fund Balance	0	0
State Land Department Fund (LDA2451/A.R.S. § 37-107)		Non-Appropriated
Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	269,700	425,000
Year-End Fund Balance	250,400	210,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Up to 10% of the proceeds from sale of State Trust land and natural resources. The total balance of the fund is capped at two times the trust land management budget for the following fiscal year. Since FY 2011, part of the revenues has been derived from fees charged by the department. In October 2010, the Superior Court of Arizona ruled in <i>Rumery v. Martin</i> that any diversion of proceeds from the Permanent Funds of State Trust beneficiaries is unconstitutional. The Arizona Court of Appeals granted the Land Department a stay of the Superior Court's judgment until the end of FY 2011. An extension of the stay was denied. The fee revenue portion of the fund is not affected by the court decision.		
Purpose of Fund: To fund the management of the 9.3 million acres of State Trust land throughout the state.		
Funds Expended	8,247,100	3,469,200
Year-End Fund Balance	8,937,700	8,168,500
Universities Timber Land Account Fund (LDA3134/A.R.S. § 37-482)		Non-Appropriated
Source of Revenue: Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.		
Purpose of Fund: To fund expenses incurred by the State Land Department for the conservation, sale, and administration of timber and timber products located on state lands where the University Land Fund is the beneficiary.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Law Enforcement Merit System Council

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	22,200	22,200
Other Operating Expenditures	8,800	11,000	11,000
Equipment	1,400	0	0
AGENCY TOTAL	67,100	70,200^{1/}	70,200
FUND SOURCES			
General Fund	67,100	70,200	70,200
SUBTOTAL - Appropriated Funds	67,100	70,200	70,200
TOTAL - ALL SOURCES	67,100	70,200	70,200

AGENCY DESCRIPTION — The Law Enforcement Merit Council (LEMSC) sets the standards and qualifications for all classified positions within the Department of Public Safety (DPS). The Council provides the rules for selection, appointment, retention, separation, dismissal and retirement of DPS employees. The Council also hears appeals in connection with suspension, demotion or dismissal of classified employees.

Operating Budget

The Baseline includes \$70,200 and 1 FTE Position from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

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FORMAT — Lump Sum by Agency

^{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.

Legislature - Auditor General

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	199.4	199.4	199.4
Personal Services	10,065,100	10,065,100	10,065,100
Employee Related Expenditures	3,654,300	3,670,200	3,670,200
Professional and Outside Services	499,100	499,100	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	1,059,000
Equipment	567,300	567,300	567,300
AGENCY TOTAL	16,405,100	16,156,000^{1/}	16,156,000

FUND SOURCES

General Fund	16,405,100	16,156,000	16,156,000
SUBTOTAL - Appropriated Funds	16,405,100	16,156,000	16,156,000
Other Non-Appropriated Funds	1,984,700	1,984,700	1,984,700
TOTAL - ALL SOURCES	18,389,800	18,140,700	18,140,700

AGENCY DESCRIPTION — The Auditor General (AG) provides an independent financial, performance, and compliance audit capability in support of legislative oversight and public accountability of funds administered by the state and certain local governments.

Operating Budget

The Baseline includes \$16,156,000 and 199.4 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

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FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Audit Services Revolving Fund (AUA2242/A.R.S. § 41-1279.06)		Non-Appropriated
Source of Revenue: Charges to state budget units, counties, community college districts or school districts for audits or accounting services performed by, or under the supervision of, the Auditor General. A majority of the amounts collected are for federal compliance audits required by the Single Audit Act, as such audited entities are reimbursed by the federal government.		
Purpose of Fund: To conduct audits required under federal law, special audits, or provide accounting services requested by state budget units, counties, community college districts or school districts. Monies in this fund may also be used to pay certified public accountants to conduct audits or provide accounting services.		
Funds Expended	1,984,700	1,984,700
Year-End Fund Balance	1,900,600	1,815,900

^{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.

Legislature - House of Representatives

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	11,621,300	12,993,700	12,993,700
AGENCY TOTAL	11,621,300	12,993,700^{1/}	12,993,700
FUND SOURCES			
General Fund	11,621,300	12,993,700	12,993,700
SUBTOTAL - Appropriated Funds	11,621,300	12,993,700	12,993,700
TOTAL - ALL SOURCES	11,621,300	12,993,700	12,993,700

AGENCY DESCRIPTION — The House of Representatives is made up of 60 members, 2 of whom are elected from each of the legislative districts. The officers and employees of the House of Representatives consist of the Speaker of the House, a Chief Clerk of the House, and other employees as the House directs.

Operating Budget

The Baseline includes \$12,993,700 from the General Fund in FY 2013 for the operating budget. This amount is unchanged from FY 2012.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

Included in the Lump Sum appropriation of \$12,993,700 for FY 2013 is \$1,000 for the purchase of mementos and items for visiting officials.

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{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.

Legislature - Joint Legislative Budget Committee

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	557,800	574,500
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	2,399,900^{1/}	2,399,900
FUND SOURCES			
General Fund	1,956,500	2,399,900	2,399,900
SUBTOTAL - Appropriated Funds	1,956,500	2,399,900	2,399,900
TOTAL - ALL SOURCES	1,956,500	2,399,900	2,399,900

AGENCY DESCRIPTION — The Staff of the Joint Legislative Budget Committee, established by the Arizona Legislature, provides its members with analysis, forecasts, research and recommendations on state government finances and public policies.

Operating Budget

The Baseline includes \$2,399,900 and 29 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{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.

Legislature - Legislative Council

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	42.8	42.8	42.8
Personal Services	2,239,100	2,400,000	2,400,000
Employee Related Expenditures	893,800	800,000	800,000
Professional and Outside Services	25,700	30,000	30,000
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	4,127,100	4,127,100
SPECIAL LINE ITEMS			
Ombudsman-Citizens Aide Office	496,900	527,000	527,000
AGENCY TOTAL	4,525,500	4,654,100^{1/}	4,654,100
FUND SOURCES			
General Fund	4,525,500	4,654,100	4,654,100
SUBTOTAL - Appropriated Funds	4,525,500	4,654,100	4,654,100
TOTAL - ALL SOURCES	4,525,500	4,654,100	4,654,100

AGENCY DESCRIPTION — The Legislative Council, a staff agency of the Legislative Department, provides bill drafting and research services, continuing code revision and manages the operation and renovation of certain legislative buildings and grounds. The council is also responsible for the development, operation, and maintenance of the legislative computer system.

Operating Budget

The Baseline includes \$4,127,100 and 35.8 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Ombudsman-Citizens Aide Office

The Baseline includes \$527,000 and 7 FTE Positions from the General Fund in FY 2013 for the Ombudsman-Citizens Aide Office. These amounts are unchanged from FY 2012.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Dues for the Council of State Governments shall only be expended on an affirmative vote of the Legislative Council.

^{1/} In addition to these amounts, a total of \$122,400 GF is appropriated in FY 2012 for costs associated with an additional pay period.

Legislature - Senate

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
Lump Sum Appropriation	8,217,500	7,985,200	7,985,200
AGENCY TOTAL	8,217,500	7,985,200^{1/}	7,985,200
FUND SOURCES			
General Fund	8,217,500	7,985,200	7,985,200
SUBTOTAL - Appropriated Funds	8,217,500	7,985,200	7,985,200
TOTAL - ALL SOURCES	8,217,500	7,985,200	7,985,200

AGENCY DESCRIPTION — The Senate is made up of 30 members elected from each of the legislative districts. The officers and employees of the Senate consist of the President of the Senate, a Secretary of the Senate, and other employees as the Senate directs.

Operating Budget

The Baseline includes \$7,985,200 from the General Fund in FY 2013 for the operating budget. This amount is unchanged from FY 2012.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Included in the Lump Sum appropriation of \$7,985,200 for FY 2013 is \$1,000 for the purchase of mementos and items for visiting officials.

^{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.

Department of Liquor Licenses and Control

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	680,400	680,400
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	496,300
Equipment	35,700	30,000	30,000
AGENCY TOTAL	2,658,700	2,815,600^{1/}	2,815,600

FUND SOURCES

Other Appropriated Funds

Liquor Licenses Fund	2,658,700	2,815,600	2,815,600
SUBTOTAL - Other Appropriated Funds	2,658,700	2,815,600	2,815,600
SUBTOTAL - Appropriated Funds	2,658,700	2,815,600	2,815,600
Other Non-Appropriated Funds	792,200	976,100	976,100
Federal Funds	111,400	45,400	45,400
TOTAL - ALL SOURCES	3,562,300	3,837,100	3,837,100

AGENCY DESCRIPTION — The department licenses, investigates and regulates the production, distribution, and sale of alcoholic beverages throughout the state.

Operating Budget

* * *

The Baseline includes \$2,815,600 and 45.2 FTE Positions from the Liquor Licenses Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Anti-Racketeering Revolving Fund (LLA2131/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Forfeitures of property and assets to satisfy judgments pursuant to state anti-racketeering statutes.		
Purpose of Fund: To investigate and prosecute any offense defined as racketeering pursuant to Arizona statutes.		
Funds Expended	18,900	9,700
Year-End Fund Balance	0	0
Audit Surcharge Fund (LLA3010/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$20 surcharge on liquor licenses for bars, retail stores, and restaurants.		
Purpose of Fund: To fund an auditor and support staff positions to review revenue requirements for restaurant liquor licenses.		
Funds Expended	170,400	220,800
Year-End Fund Balance	53,200	33,700

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Enforcement Surcharge - Enforcement Unit Fund (LLA3012/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$10 surcharge on hotel and restaurant liquor licenses and \$25 on all other licenses.		
Purpose of Fund: For the costs of a neighborhood association interaction and liquor enforcement management unit. The unit works with neighborhood associations regarding liquor violations.		
Funds Expended	322,000	393,000
Year-End Fund Balance	137,900	87,900
Enforcement Surcharge - Multiple Complaints Fund (LLA3011/A.R.S. § 4-209)		Non-Appropriated
Source of Revenue: A \$25 surcharge on liquor license renewals.		
Purpose of Fund: To investigate licensees which have been the subject of multiple complaints from neighborhood associations, civic groups, and local governments.		
Funds Expended	280,900	352,600
Year-End Fund Balance	90,400	57,700
Federal Grants (LLA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal revenues received through the Governor's Office of Highway Safety.		
Purpose of Fund: To pay overtime expenses for special investigators investigating licensees reportedly serving alcohol to juveniles.		
Funds Expended	111,400	45,400
Year-End Fund Balance	15,400	0
Liquor License Lottery Fund (LLA3015/A.R.S. § 4-206.01)		Non-Appropriated
Source of Revenue: A \$100 application fee and fair market value fee on new licensees.		
Purpose of Fund: To conduct a random selection process to determine the recipients of new liquor licenses. After costs of random selection process are recovered, monies are transferred to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Liquor Licenses Fund (LLA1996/A.R.S. § 4-120)		Appropriated
Source of Revenue: A portion of the state's liquor license fee revenues, not to exceed the appropriation of the Legislature.		
Purpose of Fund: To pay operating expenses for the Department of Liquor Licenses and Control. Any balance over \$700,000 shall revert to the General Fund at the end of each year.		
Funds Expended	2,658,700	2,815,600
Year-End Fund Balance	0	0

Arizona State Lottery Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	104.0	104.0	104.0
Personal Services	3,976,700	4,617,300	4,617,300
Employee Related Expenditures	1,721,600	1,681,600	1,681,600
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	8,126,300	8,126,300
SPECIAL LINE ITEMS			
Advertising	14,486,300	15,500,000	15,500,000
Charitable Commissions	0	556,400	567,500
Instant Tickets	9,286,700	13,678,900	14,359,800
On-Line Vendor Fees	7,735,700	8,011,500	7,988,100
Retailer Commissions	38,954,100	39,778,900	41,000,000
AGENCY TOTAL	77,656,600	85,652,000^{1/}	87,541,700
FUND SOURCES			
<u>Other Appropriated Funds</u>			
State Lottery Fund	77,656,600	85,652,000	87,541,700
SUBTOTAL - Other Appropriated Funds	77,656,600	85,652,000	87,541,700
SUBTOTAL - Appropriated Funds	77,656,600	85,652,000	87,541,700
Other Non-Appropriated Funds	361,933,100	364,386,600	376,282,500
TOTAL - ALL SOURCES	439,589,700	450,038,600	463,824,200

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 Baseline includes \$8,126,300 and 104 FTE Positions from the State Lottery Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Advertising

The Baseline 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 Baseline includes \$567,500 from the State Lottery Fund in FY 2013 for Charitable Commissions. FY 2013 adjustments would be as follows:

Tab Ticket Increase	OF	FY 2013
		\$11,100

The Baseline 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.

^{1/} In addition to these amounts, a total of \$228,800 OF is appropriated in FY 2012 for costs associated with an additional pay period.

A.R.S. § 5-505 also allows 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.

Instant Tickets

The Baseline includes \$14,359,800 from the State Lottery Fund in FY 2013 for Instant Tickets. FY 2013 adjustments would be as follows:

Instant Ticket Sales Increase OF 680,900

The Baseline 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 Baseline includes \$7,988,100 from the State Lottery Fund in FY 2013 for On-Line Vendor Fees. FY 2013 adjustments would be as follows:

On-Line Vendor Fees Decrease OF (23,400)

The Baseline 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 Baseline includes \$41,000,000 from the State Lottery Fund in FY 2013 for Retailer Commissions. FY 2013 adjustments would be as follows:

Retailer Commissions Increase OF 1,221,100

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

An amount equal to 20% of Tab Ticket sales is appropriated for payment of sales commissions to charitable organization. This amount is currently estimated to be \$567,500 in FY 2013.

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.

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.

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 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Lottery Forecast

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 supplements 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.

Arizona Commerce Authority Lottery Distribution

The Arizona Commerce Authority Bill (Laws 2011, 2nd Special Session, Chapter 1) modified the beneficiary distribution by repealing the transfer to the Commerce and Economic Development Fund. Instead, the bill directs the first \$3,500,000 of the beneficiary distribution, after all related debt service transfers, to the newly-created Arizona Competes Fund. Beginning in FY 2012, the newly-created Arizona Commerce Authority will administer grants from the Arizona Competes Fund to qualifying businesses for the purpose of attracting, retaining, and expanding business within the state.

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 \$11,310,900 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 \$(9,185,600) 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 \$80,650,000 once the prior transfers are made. The General Fund - Part 2 would receive up to an additional \$15,490,000 (for a total of \$96,500,000) 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.

In total, the General Fund is projected to receive distributions of \$75,430,400 in FY 2012 and \$58,640,400 in FY 2013. The Lottery Commission interprets the bond payments of \$20,709,600 in FY 2012 and \$37,499,600 in FY 2013 as counting towards the \$80,650,000 General Fund - Part 1 requirement.

Heritage Fund

Statute caps annual distributions to the Arizona Game and Fish Commission 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.

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 \$8,267,400 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.

<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
Arizona Commerce Authority ^{6/}	N/A	3.5	3.5
Maricopa County Mass Transit ^{7/}	N/A	11.2	11.3
General Fund - Part 1 ^{8/}	65.9	59.9	43.1
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 ^{8/}	15.5	15.5	15.5
University Capital	6.0	2.9	8.3
General Fund - Part 3 ^{8/}	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/} Laws 2011, 2 nd Special Session, Chapter 1 directs the first \$3,500,000 of profit transfers, after debt service payments, to the Arizona Competes Fund beginning in FY 2012. ^{7/} 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 Other Legislative Issues for Consideration for more information.) ^{8/} 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 \$58,640,400 in FY 2013. ^{9/} Dedicated funding from 2 instant ticket games. Economic Development transfer was permanently eliminated in FY 2012 by Laws 2011, 2 nd Special Session, Chapter 1.			

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
State Lottery Fund (LOA2122/A.R.S. § 5-521)		Partially-Appropriated
Source of Revenue: Sales of lottery tickets, retailer license fees, and interest earnings.		
Purpose of Fund: A portion of the fund is appropriated to pay for all costs of the Arizona State Lottery Commission. After all expenses are paid including the prize monies displayed below in the Non-Appropriated Funds Expended line, Lottery profits are distributed to a number of different functions.		
Funds Expended	77,656,600	85,652,000
Non-Appropriated Funds Expended	361,933,100	364,386,600
Year-End Fund Balance	5,328,900	2,947,400

Arizona Medical Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	1,000,700	1,000,700
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	945,300
Equipment	269,600	64,200	64,200
AGENCY TOTAL	4,786,600	5,799,200^{1/}	5,799,200

FUND SOURCES

Other Appropriated Funds

Arizona Medical Board Fund	4,786,600	5,799,200	5,799,200
SUBTOTAL - Other Appropriated Funds	4,786,600	5,799,200	5,799,200
SUBTOTAL - Appropriated Funds	4,786,600	5,799,200	5,799,200
TOTAL - ALL SOURCES	4,786,600	5,799,200	5,799,200

AGENCY DESCRIPTION — The Arizona Medical Board licenses, regulates and conducts examinations of medical doctors and physician's assistants.

Operating Budget

The Baseline includes \$5,799,200 and 58.5 FTE Positions from the Arizona Medical Board Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

* * *

FORMAT — Lump Sum by Agency

FOOTNOTES

Standard Footnotes

The Arizona Medical Board may use up to 7% of the Arizona Medical Board Fund balance remaining at the end of each fiscal year for a performance based incentive program the following fiscal year based on the program established in A.R.S. § 38-618.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Medical Board Fund (MEA2038/A.R.S. § 32-1406)		Appropriated
Source of Revenue: Monies collected by the Arizona Medical Board from the examination and licensing of physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate and regulate physicians, and for board administration costs.		
Funds Expended	4,786,600	5,799,200
Year-End Fund Balance	3,393,300	3,564,900

^{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.

Board of Medical Student Loans

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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 provides the board with support services at no cost.

Medical Student Financial Assistance

General Fund (67,000)
 Medical Student Loan Fund (20,200)

The Baseline 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

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.

* * *

FY 2013 adjustments would be as follows:

Program End	GF	(67,000)
	OF	(20,200)

FORMAT — Special Line Items by Agency

The Baseline includes a decrease of \$(87,200) in FY 2013 for program termination. This amount consists of:

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Medical Student Loan Fund (MSA3306/A.R.S. § 15-1725)		Appropriated
Source of Revenue: Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing.		
Purpose of Fund: To provide loans to defray the medical education expenses of Arizona resident students attending medical school, in return for a service commitment to the state. Also provides support for existing Medical Student Scholarship recipients.		
Funds Expended	0	20,200
Year-End Fund Balance	46,800	31,400

State Mine Inspector

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	197,300	197,300
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	225,000
Equipment	52,200	6,500	6,500
OPERATING SUBTOTAL	937,000	997,500	997,500
SPECIAL LINE ITEMS			
Abandoned Mines Safety Fund Deposit	167,600	188,300	188,300
Aggregate Mined Land Reclamation	24,400	112,500	112,500
AGENCY TOTAL	1,129,000	1,298,300^{1/}	1,298,300
FUND SOURCES			
General Fund	1,104,600	1,185,800	1,185,800
<u>Other Appropriated Funds</u>			
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	1,298,300	1,298,300
Other Non-Appropriated Funds	15,300	169,000	169,000
Federal Funds	439,700	283,200	283,200
TOTAL - ALL SOURCES	1,584,000	1,750,500	1,750,500

AGENCY DESCRIPTION — The State Mine Inspector is an elected constitutional officer. The office inspects the health conditions and safety of mining operations, investigates mining accidents, identifies abandoned mines, and conducts safety certification classes for mine employees.

Operating Budget

The Baseline includes \$997,500 and 14 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Abandoned Mines Safety Fund Deposit

The Baseline includes \$188,300 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 Fund from sources such as intergovernmental agreements and donations.

Aggregate Mined Land Reclamation

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

^{1/} 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.

FOOTNOTES

Standard Footnotes

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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Abandoned Mines Safety (MIA2408/A.R.S. § 27-131)		Non-Appropriated
Source of Revenue: Gifts, grants and contributions. The Legislature may appropriate matching monies.		
Purpose of Fund: To locate, inventory, classify and eliminate public safety hazards at abandoned mines.		
Funds Expended	15,300	169,000
Year-End Fund Balance	169,000	0
Aggregate Mining Reclamation Fund (MIA2511/A.R.S. § 27-1233)		Appropriated
Source of Revenue: Fees collected from exploration and aggregate mining operations.		
Purpose of Fund: To review aggregate mined land reclamation plans and to enforce compliance with the plans.		
Funds Expended	24,400	112,500
Year-End Fund Balance	146,900	72,300
Federal Education and Training Fund (MIA2400/A.R.S. § 27-123)		Non-Appropriated
Source of Revenue: Fees for education and training of mine employees required under federal regulation.		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training.		
Funds Expended	58,500	53,900
Year-End Fund Balance	30,100	29,300
Federal Grants (MIA2000/A.R.S. § 27-105)		Non-Appropriated
Source of Revenue: Federal grants from the U.S. Department of Labor, Mine Safety and Health Administration and the Department of Interior, Bureau of Land Management (BLM).		
Purpose of Fund: To provide mine safety training to mine employees in Arizona. All mine employees are required under federal regulations to receive initial and annual refresher safety training. The state provides a 20% in-kind match. The BLM grant is for an inventory of abandoned mines on BLM lands.		
Funds Expended	381,200	229,300
Year-End Fund Balance	9,800	59,200
IGA and ISA Fund (MIA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through agreements with other state agencies.		
Purpose of Fund: To aid state agencies in securing abandoned mines on their properties.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Naturopathic Physicians Medical Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	102,400	102,400
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	60,000
Equipment	4,100	4,500	4,500
AGENCY TOTAL	589,900	586,000^{1/}	586,000

FUND SOURCES

Other Appropriated Funds

Naturopathic Physicians Medical Board Fund	589,900	586,000	586,000
SUBTOTAL - Other Appropriated Funds	589,900	586,000	586,000
SUBTOTAL - Appropriated Funds	589,900	586,000	586,000
TOTAL - ALL SOURCES	589,900	586,000	586,000

AGENCY DESCRIPTION — The board licenses and regulates naturopathic physicians, naturopathic medical assistants, and massage therapists. The board certifies physicians to dispense natural remedies, and accredits and approves naturopathic medical schools, internships, and programs. The board also investigates persons unlawfully practicing naturopathic medicine and refers them for prosecution. This board is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

* * *

The Baseline includes \$586,000 and 7 FTE Positions from the Naturopathic Physicians Medical Board Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Naturopathic Physicians Medical Board Fund (NBA2042/A.R.S. § 32-1505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of naturopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate naturopathic physicians, massage therapists, and for board administration.		
Funds Expended	589,900	586,000
Year-End Fund Balance	535,700	688,400

^{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.

Arizona Navigable Stream Adjudication Commission

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	26,400	26,400
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	16,800
Equipment	4,700	0	0
AGENCY TOTAL	202,600	126,900^{1/}	126,900

FUND SOURCES

General Fund	122,600	126,900	126,900
<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	126,900	126,900
TOTAL - ALL SOURCES	202,600	126,900	126,900

AGENCY DESCRIPTION — The Arizona Navigable Stream Adjudication Commission is a 5-member body charged with determining the ownership of watercourses in the state by establishing whether the watercourses were navigable at the time of statehood. If navigable, title to the watercourse belongs to the state based on a series of court rulings. If non-navigable, the title to the watercourse belongs to the current title holder.

Operating Budget

The Baseline includes \$126,900 and 2 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

* * *

FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 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.

^{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.

The FY 2011 and FY 2012 Environment Budget Reconciliation Bills (Laws 2010, 7th Special Session, Chapter 7 and Laws 2011, Chapter 36) allowed the commission to utilize up to \$80,000 from the Risk Management Fund for unpaid legal expenses. In FY 2011, the commission expended the entire appropriation. The commission anticipates that the \$80,000 appropriation will be expended in FY 2012.

STATUTORY CHANGES

The Baseline would, as session law, allow up to \$80,000 from the Risk Management Revolving Fund to be spent for the commission’s unpaid legal obligations.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Risk Management Revolving Fund (ADA4216/A.R.S. § 41-622)		Appropriated
Source of Revenue: Actuarial charges assessed to all state agencies, boards, and commissions insured under the state's risk management system, as well as recoveries by the state through litigation.		
Purpose of Fund: To pay for the legal expenses associated with appeals filed against the commission.		
Funds Expended	80,000	0
Year-End Fund Balance	0	0

State Board of Nursing

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	798,100	798,100
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	4,034,300^{1/}	4,034,300

FUND SOURCES

Other Appropriated Funds

Board of Nursing Fund	4,053,400	4,034,300	4,034,300
SUBTOTAL - Other Appropriated Funds	4,053,400	4,034,300	4,034,300
SUBTOTAL - Appropriated Funds	4,053,400	4,034,300	4,034,300
Other Non-Appropriated Funds	122,000	134,100	134,100
Federal Funds	481,900	464,600	464,600
TOTAL - ALL SOURCES	4,657,300	4,633,000	4,633,000

AGENCY DESCRIPTION — The board licenses, regulates, conducts examinations and approves educational programs for nurses and nurse aides.

Operating Budget

* * *

The Baseline includes \$4,034,300 and 40.2 FTE Positions from the Board of Nursing Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Nursing Fund (BNA2044/A.R.S. § 32-1611)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nurses. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nurses, and for board administration. Monies from the fund are also used to pay for the administrative and testing costs of the Nursing Aide Registration program. The program is mandated by the federal government and is funded through the Nursing Aide Training and Registration Fund, a non-appropriated subaccount of the Board of Nursing Fund.		
Funds Expended	4,053,400	4,034,300
Year-End Fund Balance	1,440,100	1,347,000

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Nurse Aide Training and Registration (BNA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal monies passed through from the Department of Health Services (Medicare) and AHCCCS (Title XIX Medicaid), facility payments, and nurse aide fees.		
Purpose of Fund: To pay for the administrative and testing costs of the Nurse Aide Registration program as mandated by the federal government.		
Funds Expended	481,900	464,600
Year-End Fund Balance	0	0
 Statewide Donations Fund (BNA2025/A.R.S. § 32-1606.A.11)		Non-Appropriated
Source of Revenue: Donations, gifts and private grants. Monies do not revert to the General Fund at the end of the fiscal year.		
Purpose of Fund: To assist in carrying out the purposes of the agency.		
Funds Expended	122,000	134,100
Year-End Fund Balance	9,400	9,400

**Board of Examiners of Nursing Care Institution
Administrators and Assisted Living Facility Managers**

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	170,900	194,000	194,000
Employee Related Expenditures	71,500	80,000	80,000
Professional and Outside Services	30,000	37,000	37,000
Travel - In State	3,500	6,000	6,000
Travel - Out of State	1,100	4,000	4,000
Other Operating Expenditures	51,400	40,200	40,200
Equipment	500	500	500
AGENCY TOTAL	328,900	361,700^{1/}	361,700

FUND SOURCES

<u>Other Appropriated Funds</u>			
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund	328,900	361,700	361,700
SUBTOTAL - Other Appropriated Funds	328,900	361,700	361,700
SUBTOTAL - Appropriated Funds	328,900	361,700	361,700
TOTAL - ALL SOURCES	328,900	361,700	361,700

AGENCY DESCRIPTION — The board licenses, certifies, and regulates administrators of nursing care institutions and managers of adult care homes.

Operating Budget

* * *

The Baseline includes \$361,700 and 5 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 are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Nursing Care Institution Administrators' Licensing and Assisted Living Facility Managers' Certification Fund (NCA2043/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of nursing home administrators and assisted living facility managers. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate nursing home administrators and assisted living facility managers, and for board administration.		
Funds Expended	328,900	361,700
Year-End Fund Balance	168,600	141,300

^{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.

Occupational Safety and Health Review Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	0.0	0.0	0.0
Lump Sum Appropriation	0	15,000	0
AGENCY TOTAL	0	15,000	0
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 Baseline includes no funding from the General Fund in FY 2013 for the operating budget. FY 2013 adjustments would be as follows:

Board Operations	GF	<u>FY 2013</u>
		<u>\$(15,000)</u>

The Baseline 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.

Board of Occupational Therapy Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	1.5	1.5
Personal Services	78,300	95,200	95,200
Employee Related Expenditures	29,800	26,200	26,200
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	161,600^{1/}	161,600

FUND SOURCES

Other Appropriated Funds

Occupational Therapy Fund	133,100	161,600	161,600
SUBTOTAL - Other Appropriated Funds	133,100	161,600	161,600
SUBTOTAL - Appropriated Funds	133,100	161,600	161,600
TOTAL - ALL SOURCES	133,100	161,600	161,600

AGENCY DESCRIPTION — The Board of Occupational Therapy Examiners examines and licenses occupational therapists and occupational therapy assistants, investigates complaints and holds hearings to enforce standards of practice.

Operating Budget

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The Baseline includes \$161,600 and 1.5 FTE Positions from the Occupational Therapy Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Occupational Therapy Fund (OTA2263/A.R.S. § 32-3405)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of occupational therapists and occupational therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate occupational therapists and occupational therapy assistants, and for board administration.		
Funds Expended	133,100	161,600
Year-End Fund Balance	421,900	479,100

^{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.

State Board of Dispensing Opticians

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	26,900	26,900
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	33,100
Equipment	0	4,500	4,500
AGENCY TOTAL	127,100	131,100^{1/}	131,100

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Dispensing Opticians Fund	127,100	131,100	131,100
SUBTOTAL - Other Appropriated Funds	127,100	131,100	131,100
SUBTOTAL - Appropriated Funds	127,100	131,100	131,100
TOTAL - ALL SOURCES	127,100	131,100	131,100

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

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The Baseline includes \$131,100 and 1 FTE Position from the Board of Dispensing Opticians Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Dispensing Opticians Fund (DOA2046/A.R.S. § 32-1686)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of opticians and optical establishments. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate opticians and optical establishments, and for board administration.		
Funds Expended	127,100	131,100
Year-End Fund Balance	136,200	158,100

^{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.

State Board of Optometry

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	40,000	40,000
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	18,300
AGENCY TOTAL	192,000	197,300^{1/}	197,300

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Optometry Fund	192,000	197,300	197,300
SUBTOTAL - Other Appropriated Funds	192,000	197,300	197,300
SUBTOTAL - Appropriated Funds	192,000	197,300	197,300
TOTAL - ALL SOURCES	192,000	197,300	197,300

AGENCY DESCRIPTION — The board licenses and regulates optometrists and issues certificates authorizing the use of diagnostic pharmaceutical agents. An optometrist examines eyes, measures vision, and prescribes corrective lenses and treatments which do not require a licensed physician.

Operating Budget

* * *

The Baseline includes \$197,300 and 2 FTE Positions from the Board of Optometry Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Optometry Fund (OBA2023/A.R.S. § 32-1705)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of optometrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate optometrists, and for board administration.		
Funds Expended	192,000	197,300
Year-End Fund Balance	145,600	128,300

^{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.

Arizona Board of Osteopathic Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	108,400	108,400
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	115,200
Equipment	30,600	36,000	36,000
AGENCY TOTAL	640,700	698,300^{1/}	698,300

FUND SOURCES

Other Appropriated Funds

Board of Osteopathic Examiners Fund	640,700	698,300	698,300
SUBTOTAL - Other Appropriated Funds	640,700	698,300	698,300
SUBTOTAL - Appropriated Funds	640,700	698,300	698,300
TOTAL - ALL SOURCES	640,700	698,300	698,300

AGENCY DESCRIPTION — The agency licenses and regulates medical physicians who practice osteopathic medicine, a system of medical treatment that emphasizes the inter-relationship of the body's muscles, bones, and joints with other body systems as an adjunct to invasive and/or chemically-based treatment.

Operating Budget

* * *

The Baseline includes \$698,300 and 6.7 FTE Positions from the Board of Osteopathic Examiners Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Osteopathic Examiners Fund (OSA2048/A.R.S. § 32-1805)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of osteopathic physicians. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate osteopathic physicians, and for board administration.		
Funds Expended	640,700	698,300
Year-End Fund Balance	560,600	821,700

^{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.

Arizona Parents Commission on Drug Education & Prevention

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Drug Treatment and Education Fund (PCA2277/A.R.S. § 13-901.02)		Non-Appropriated
Source of Revenue: Fifty percent of the Judiciary Drug Treatment and Education Fund. The Judiciary Drug Treatment and Education Fund receives 7% of tax revenue collected on spirituous liquors and 18% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To fund programs that increase parental involvement and education regarding the problems caused by the abuse of alcohol and controlled substances.		
Funds Expended	4,833,300	4,780,200
Year-End Fund Balance	3,852,000	2,871,800

Arizona State Parks Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	232.3	232.3	232.3
Personal Services	3,065,900	3,893,900	3,664,400
Employee Related Expenditures	1,492,800	1,893,700	1,821,000
Professional and Outside Services	1,000	0	0
Travel - In State	1,400	15,200	15,200
Other Operating Expenditures	2,163,000	3,483,000	1,620,200
Equipment	259,100	104,300	85,500
OPERATING SUBTOTAL	6,983,200	9,390,100	7,206,300
SPECIAL LINE ITEMS			
Growing Smarter	20,000,000	0	0
Kartchner Caverns State Park	2,256,000	2,180,300	2,180,300
AGENCY TOTAL	29,239,200	11,570,400^{1/}	9,386,600
FUND SOURCES			
General Fund	20,000,000	0	0
<u>Other Appropriated Funds</u>			
Law Enforcement and Boating Safety Fund	3,611,200	2,183,800	0
Reservation Surcharge Revolving Fund	278,200	500,000	500,000
State Parks Enhancement Fund	5,349,800	8,886,600	8,886,600
SUBTOTAL - Other Appropriated Funds	9,239,200	11,570,400	9,386,600
SUBTOTAL - Appropriated Funds	29,239,200	11,570,400	9,386,600
Other Non-Appropriated Funds	61,677,200	50,504,600	50,677,700
Federal Funds	2,003,000	4,357,100	4,357,100
TOTAL - ALL SOURCES	92,919,400	66,432,100	64,421,400

AGENCY DESCRIPTION — The Arizona State Parks Board is responsible for managing the state parks system, which includes recreational parks, historical parks, and natural areas. The Parks Board consists of 7 members appointed by the Governor. Major functions of the Parks Board, through its staff, include the maintenance and development of existing parks, new parks acquisitions, statewide recreational planning, historic preservation, the administration of the Arizona State Parks Board Heritage Fund grant programs, and the administration of Growing Smarter Grants.

Operating Budget

The Baseline includes \$7,206,300 and 181.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
State Parks Enhancement Fund (SPEF)	\$6,706,300
Reservation Surcharge Revolving Fund	500,000

FY 2013 adjustments would be as follows:

Reservation Surcharge Adjustment OF 0

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 is expected to generate \$500,000 in FY 2012 and that the agency intends to spend the entire amount. The Baseline adjusts the FY 2012 appropriation to align Reservation Surcharge Revolving Fund expenditures with proceeds and continues this adjustment in FY 2013.

Transfer LEBSF Administration OF (2,183,800) to Treasurer

The Baseline 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.

^{1/} In addition to these amounts, a total of \$216,400 OF is appropriated in FY 2012 for costs associated with an additional pay period.

Laws 2011, Chapter 333 removes the requirement that grants are distributed by the AORCC and requires that the State Treasurer administer LEBSF monies beginning in FY 2013. The Treasurer will disburse monies 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.

Kartchner Caverns State Park

The Baseline includes \$2,180,300 and 51 FTE Positions from the SPEF in FY 2013 for Kartchner Caverns State Park. These amounts are unchanged from FY 2012.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

All Other Operating Expenditures include \$26,000 from the State Parks Enhancement Fund for Fool Hollow State Park revenue sharing. If receipts to Fool Hollow exceed \$260,000 in FY 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.

During FY 2013, no more than \$5,000 each year from appropriated or non-appropriated monies may be used for the purposes of out-of-state travel expenses by State Parks Board staff. No appropriated or non-appropriated monies may be used for out-of-country travel expenses. The State Parks Board shall submit by June 30, 2013, a report to the Joint Legislative Budget Committee on out-of-state travel activities and expenditures for that fiscal year.

All Reservation Surcharge Revolving Fund receipts received by the Arizona State Parks Board in excess of \$500,000 in FY 2013 are appropriated to the Reservation Surcharge Revolving Fund. Before the expenditure of any Reservation Surcharge Revolving Fund monies in excess of \$500,000 in FY 2013, the Arizona State Parks Board shall report the intended use of the monies to the Joint Legislative Budget Committee.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote related to aligning LEBSF expenditures with revenues, since the fund is now administered by the State Treasurer.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to allow the use of \$692,100 from the Off-Highway Vehicle Recreation Fund for agency operating costs.
- As session law, continue to allow State Parks Enhancement Fund monies to be used for the operation of state parks as appropriated by the Legislature or for capital needs as approved by the Joint Committee on Capital Review (JCCR) in FY 2013.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Status of Parks

As of December 2011, 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 February 2012 (Oracle), and 1 that is closed with an agreement in place to reopen during the summer of 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 2012, but they will either be funded through agreements between the State Parks Board and local governments or the local government will assume operational control of the park (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).

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Trail Fund (PRA2525/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations and donations.		
Purpose of Fund: To maintain and preserve the Arizona trail.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Development Rights Retirement Fund (No Fund Number/A.R.S. § 41-511.15)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants and transfers.		
Purpose of Fund: To make grants to public and private entities for the purchase, lease or transfer of development rights on private land in the state. This fund was created by Laws 2000, 4 th Special Session, Chapter 1. There are currently no revenues or expenditure estimates.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (PRA2000/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Federal grants from the Department of the Interior, National Park Service, and other federal entities.		
Purpose of Fund: To expand and maintain the National Register of Historic Places, and to identify, evaluate and protect other historic properties. Also, to implement the State Comprehensive Outdoor Recreation Plan.		
Funds Expended	2,003,000	4,357,100
Year-End Fund Balance	1,206,800	755,300
Heritage Fund (PRA2296/A.R.S. § 41-502)		Non-Appropriated
Source of Revenue: Annual transfer from the Lottery Fund of up to \$10,000,000, and interest earnings. Laws 2010, 7th Special Session, Chapter 12 redirected lottery distributions for the Heritage Fund to the General Fund as permanent law. In addition, the Heritage Fund was repealed. While this redirection was retroactive to February 1, 2010, the State Parks Board was allowed to spend monies deposited into the fund prior to the retroactive date until June 30, 2011. The FY 2011 unused balance was deposited into the General Fund.		
Purpose of Fund: To fund acquisition and development of local, regional, and state parks (35%); development of trails (5%); acquisition of natural areas (17%); maintenance and operation of natural areas (4%); environmental education (5%); State Parks acquisition and development (17%); and historic preservation projects (17%). Interest earnings are to be used for program administration.		
Funds Expended - Capital	5,521,500	0
Funds Expended - Operating (amount includes local grants)	142,200	0
Year-End Fund Balance	9,400	0
Land Conservation Fund - Administration Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Interest earnings from the Public Conservation Account, which receives \$20,000,000 annually from the General Fund in FY 2001 through FY 2011, as approved by Arizona voters in November 1998. Unobligated amounts at the end of each fiscal year revert to the Public Conservation Account.		
Purpose of Fund: For operating expenses.		
Funds Expended	256,400	50,000
Year-End Fund Balance	0	0
Land Conservation Fund - Donation Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: Donations from public and private entities.		
Purpose of Fund: To match grants made to purchase state trust lands for conservation purposes. There are currently no estimates of donations that will be deposited to the account.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Land Conservation Fund - Public Conservation Account (PRA2432/A.R.S. § 41-511.23)		Non-Appropriated
Source of Revenue: As approved by Arizona voters in November 1998, the fund receives \$20,000,000 annually from the General Fund in FY 2001 through 2011. Beginning in FY 2004, \$2,000,000 of this amount was deposited into the Livestock and Crop Conservation Fund, administered by the Department of Agriculture.		
Purpose of Fund: For grants to the state or any of its political subdivisions, non-profit organizations, individual landowners, and agricultural lessees of state or federal land. Grants are made to purchase or lease state trust lands that are classified as suitable for conservation purposes. The Conservation Acquisition Board will recommend appropriate grants to the Arizona State Parks Board.		
Funds Expended	43,982,700	40,000,000
Year-End Fund Balance	82,203,000	42,752,800

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Law Enforcement and Boating Safety Fund (PRA2111/A.R.S. § 5-383)		Appropriated
Source of Revenue: A portion of watercraft licensing taxes.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. The Arizona Outdoor Recreation Coordinating Commission (AORCC) distributes the grants. As session law, Laws 2011, Chapter 36 allows the use of all monies from this fund, less \$750,000 for grants to La Paz County, Mohave County and Yuma County, for operating expenses in FY 2012. As permanent law, Laws 2011, Chapter 333 transfers administration of the fund from the AORCC to the State Treasurer beginning in FY 2013. <i>(Please see the State Treasurer for additional information.)</i>		
Funds Expended	3,611,200	2,183,800
Year-End Fund Balance	632,000	295,300
Off-Highway Vehicle Recreation Fund (PRA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: Transfer from the Motor Vehicle Fuel Tax, equivalent to 0.55% of the total license taxes on motor vehicle fuel.		
Purpose of Fund: To plan, administer, and enforce off-highway vehicle recreation, and to develop facilities consistent with the off-highway vehicle plan. Sixty percent of the monies collected are to be used by the Arizona State Parks Board for planning, administration, and facilities development; the remainder is transferred to the Arizona Game and Fish Department for enforcement.		
Funds Expended	2,364,800	3,076,900
Year-End Fund Balance	2,272,500	1,555,500
Partnership Fund (PRA2448/A.R.S. § 41-511.04)		Non-Appropriated
Source of Revenue: Revenues received from federal, state, and local government agencies through intergovernmental agreements; reimbursements from local and county recipients of federal Land and Water Conservation grants.		
Purpose of Fund: To provide trails stewardship with funds received from the USDA, Forest Service and the Bureau of Land Management; for operating costs of the multi-use water safety center at Lake Havasu State Park with funds received from the U.S. Coast Guard, Lake Havasu City, Mohave County, and the Arizona Game and Fish Department; and to administer federal Land and Water Conservation grants. Grant recipients must provide 10% of the grant amount to the Parks Board for administration.		
Funds Expended	595,700	644,800
Year-End Fund Balance	225,800	183,400
Publications and Souvenir Revolving Fund (PRA4010/A.R.S. § 41-511.21)		Non-Appropriated
Source of Revenue: Sales of books, postcards, posters, and souvenir items at state parks and proceeds from the operation of the lodge and restaurant at Tonto Natural Bridge State Park.		
Purpose of Fund: Production and distribution of agency publications, as well as the purchase of souvenir items for sale at state parks, and the operation of concessions.		
Funds Expended	365,500	319,800
Year-End Fund Balance	149,400	110,500
Reservation Surcharge Revolving Fund (PRA1304/A.R.S. § 41-511.24)		Appropriated
Source of Revenue: Surcharges on reservations made using an automated reservation system. There are currently 14 parks that utilize the system for camping, cabin and recreational vehicle site reservations. In addition to overnight accommodations, Kartchner Caverns also utilizes the system for tour reservations. The surcharge is \$5.00 per reserved ticket. Any amount in excess of \$75,000 at the end of each fiscal year is transferred to the General Fund.		
Purpose of Fund: To staff and manage the reservation system.		
Funds Expended	278,200	500,000
Year-End Fund Balance	75,000	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
State Lake Improvement Fund (PRA2105/A.R.S. § 5-382)		Non-Appropriated
Source of Revenue: Primarily a transfer from the Highway User Revenue Fund, based on a formula that estimates state gasoline taxes paid for boating purposes. Also included is a portion of the watercraft license tax collected by the Arizona Game and Fish Department.		
Purpose of Fund: To fund projects at boating sites, including launching ramps, parking areas, lake improvement and construction, campgrounds, and acquisition of property to provide access to boating sites. Project grant requests are reviewed by the Arizona Outdoor Recreation Coordinating Commission and approved by the Arizona State Parks Board. Approved projects must be reviewed by the Joint Committee on Capital Review.		
Funds Expended - Capital	587,100	216,300
Funds Expended - Operating (amount includes local grants)	7,633,200	6,100,200
Year-End Fund Balance	3,280,300	1,831,700
State Parks Enhancement Fund (PRA2202/A.R.S. § 41-511.11)		Partially-Appropriated
Source of Revenue: State parks user fees and concession sales.		
Purpose of Fund: Under permanent law, one-half of this fund is appropriated for parks operations and the other half is used for park acquisition and development (including the lease-purchase payments for the Tonto Natural Bridge State Park). Since completion of the Tonto lease-purchase payment was made in early FY 2011, the acquisition and development portion of the fund is subject to legislative appropriation. In FY 2012, the permanent law provisions were suspended to permit less than 50% to be spent on capital.		
Funds Expended - Operating (Appropriated)	5,349,800	8,886,600
Funds Expended - Operating (Non-Appropriated)	0	0
Funds Expended - Operating (Capital)	0	0
Year-End Fund Balance	6,206,900	4,966,700
State Parks Fund (PRA3117/A.R.S. § 41-511.11)		Non-Appropriated
Source of Revenue: Private gifts, grants, and donations. The City of Yuma allocates \$150,000 annually for the operation of the Yuma Crossing State Historic Park.		
Purpose of Fund: To meet the objectives of contributors, especially as they relate to acquisition, development, and preservation of the state's natural features.		
Funds Expended	228,100	96,600
Year-End Fund Balance	407,600	362,900

Personnel Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	43,900	43,900
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	31,800
Equipment	100	200	200
AGENCY TOTAL	337,200	365,200^{1/}	365,200

FUND SOURCES

Other Appropriated Funds

Personnel Division Fund - Personnel Board Account	337,200	365,200	365,200
SUBTOTAL - Other Appropriated Funds	337,200	365,200	365,200
SUBTOTAL - Appropriated Funds	337,200	365,200	365,200
TOTAL - ALL SOURCES	337,200	365,200	365,200

AGENCY DESCRIPTION — The Personnel Board hears grievances for state employees in the Arizona Department of Administration Personnel System who have been dismissed, demoted, or suspended for more than 40 hours. The board also hears “whistle blower” complaints, concerning reprisals against employees who disclose information to a public body.

Operating Budget

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The Baseline includes \$365,200 and 3 FTE Positions from the Personnel Board Account of the Personnel Division Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Personnel Division Fund - Personnel Board Account (PBA1107/A.R.S. § 41-764)		Appropriated
Source of Revenue: A 0.03% charge on the total payroll of each agency within the Arizona Department of Administration Personnel System.		
Purpose of Fund: To fund Personnel Board operations.		
Funds Expended	337,200	365,200
Year-End Fund Balance	229,200	303,800

^{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.

Office of Pest Management

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	432,100	432,100
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	557,200
Equipment	0	27,400	27,400
AGENCY TOTAL	1,656,800	2,700,400^{1/}	2,000,000
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Pest Management Fund	1,656,800	2,700,400	2,000,000
SUBTOTAL - Other Appropriated Funds	1,656,800	2,700,400	2,000,000
SUBTOTAL - Appropriated Funds	1,656,800	2,700,400	2,000,000
Other Non-Appropriated Funds	341,800	0	0
Federal Funds	81,700	109,500	109,500
TOTAL - ALL SOURCES	2,080,300	2,809,900	2,109,500

AGENCY DESCRIPTION — The agency licenses and regulates professional pest control companies and conducts examinations of applicators of structural pesticides.

Operating Budget

The Baseline includes \$2,000,000 and 30 FTE Positions from the Pest Management Fund in FY 2013 for the operating budget. FY 2013 adjustments would be as follows:

Budget Realignment OF FY 2013 **\$(700,400)**

The Baseline 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. As a result, FY 2012 expenditures are estimated to be significantly below the \$2,700,400 appropriation. Because of this, \$700,400 of the \$1,257,600 FY 2012 appropriation for Other Operating Expenditures is not expected to be expended.

The FY 2010 Revenues Budget Reconciliation Bill (BRB) (Laws 2009, 4th Special Session, Chapter 3) increased fee raising authority for the Office of Pest Management, depositing the increased fee revenue in the non-appropriated Service Fees Increase Fund. The FY 2011

budget continued the increased fee authority into this non-appropriated fund.

The FY 2012 budget continued the increased fee authority. However, in accordance with the FY 2012 Revenues BRB (Laws 2011, Chapter 28), the monies generated from the increased fee authority were deposited in the appropriated Pest Management Fund in FY 2012, rather than the non-appropriated Service Fees Increase Fund.

* * *

FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, permit the Director of the Office of Pest Management to continue fee increases authorized in previous budget years. As in the FY 2012 budget, the Baseline also includes legislative intent that the fees would not generate more than \$525,000. It is anticipated that the department will continue fee increases for pesticide registration. With this continued increase, FY 2013 revenues are expected to be \$2,066,200.

^{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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Office of Pest Management Relocation

Laws 2011, Chapter 20 relocated the Office of Pest Management into the Arizona Department of Agriculture building on the bill's effective date, July 20, 2011. The bill also temporarily transfers the Office of Pest Management's administration supervision from the Department of Administration Director to the Department of Agriculture Director from the bill's effective date through December 31, 2013.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Fund (SBA2000/A.R.S. § 32-2304)		Non-Appropriated
Source of Revenue: Federal Environmental Protection Agency grants.		
Purpose of Fund: To support Pest Management's licensing and regulation activities. Includes education and training for employees as well as industry, I.T. hardware and software, and travel.		
Funds Expended	81,700	109,500
Year-End Fund Balance	0	0
Pest Management Fund (SBA2050/A.R.S. § 32-2305)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of professional pest control companies and applicators of structural pesticides. In FY 2012, includes up to \$525,000 from increased fee authority pursuant to Laws 2011, Chapter 28. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, inspect, and regulate professional pest control companies and applicators of structural pesticides.		
Funds Expended	1,656,800	2,700,400
Year-End Fund Balance*	209,200	(580,300)
Service Fees Increase Fund (SBA1050/Laws 2010, 7th Special Session, Chapter 12)		Non-Appropriated
Source of Revenue: In FY 2011, General Fund increase from fees raised pursuant to Laws 2010, 7th Special Session, Chapter 12. Monies are shown in the Pest Management Fund for FY 2012.		
Purpose of Fund: Operating activities.		
Funds Expended	341,800	0
Year-End Fund Balance	4,600	0

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

Arizona State Board of Pharmacy

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	315,200	315,200
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	565,100
Equipment	20,700	22,000	22,000
AGENCY TOTAL	1,649,900	1,918,100^{1/}	1,918,100

FUND SOURCES

Other Appropriated Funds

Arizona State Board of Pharmacy Fund	1,649,900	1,918,100	1,918,100
SUBTOTAL - Other Appropriated Funds	1,649,900	1,918,100	1,918,100
SUBTOTAL - Appropriated Funds	1,649,900	1,918,100	1,918,100
Other Non-Appropriated Funds	232,900	155,600	155,600
Federal Funds	3,400	0	0
TOTAL - ALL SOURCES	1,886,200	2,073,700	2,073,700

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

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The Baseline includes \$1,918,100 and 18 FTE Positions from the Arizona State Board of Pharmacy Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona State Board of Pharmacy Fund (PMA2052/A.R.S. § 32-1907)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of pharmacies and pharmacists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate pharmacies and pharmacists, and for board administration.		
Funds Expended	1,649,900	1,918,100
Year-End Fund Balance	1,769,800	2,300,700

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Controlled Substances Prescription Monitoring Program Fund (PMA2359/A.R.S. § 36-2605)		Non-Appropriated
Source of Revenue: Legislative appropriations, transfers from the Arizona State Board of Pharmacy Fund, and any grants, gifts, or donations. Up to \$395,795 can be transferred from the Arizona State Board of Pharmacy Fund each year, according to A.R.S. § 32-1907.		
Purpose of Fund: For program expenses, which include automated tracking of controlled substances, assisting law enforcement in identifying illegal use of controlled substances, and providing information to patients, medical practitioners, and pharmacists.		
Funds Expended	232,900	155,600
Year-End Fund Balance	177,900	272,300
Federal Grants (PMA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal reimbursements and grants.		
Purpose of Fund: Reimbursements for services provided to the federal government and one-time grant to help implement a prescription monitoring program.		
Funds Expended	3,400	0
Year-End Fund Balance	100	2,800

Board of Physical Therapy Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	78,300	78,300
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	364,100^{1/}	364,100

FUND SOURCES

Other Appropriated Funds

Board of Physical Therapy Fund	341,100	364,100	364,100
SUBTOTAL - Other Appropriated Funds	341,100	364,100	364,100
SUBTOTAL - Appropriated Funds	341,100	364,100	364,100
TOTAL - ALL SOURCES	341,100	364,100	364,100

AGENCY DESCRIPTION — The board licenses and regulates physical therapists. A physical therapist treats patients by exercise, massage, mechanical energy, electrical energy, heat, light, sound, and water. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

* * *

The Baseline includes \$364,100 and 3.8 FTE Positions from the Board of Physical Therapy Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Physical Therapy Fund (PTA2053/A.R.S. § 32-2004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of physical therapists, and physical therapy assistants. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate physical therapists, and physical therapy assistants, and for board administration.		
Funds Expended	341,100	364,100
Year-End Fund Balance	536,200	255,300

^{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.

Arizona Pioneers' Home

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	115.8	115.8	115.8
Personal Services	3,166,800	3,316,800	3,316,800
Employee Related Expenditures	1,777,400	1,857,400	1,857,400
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	27,900
OPERATING SUBTOTAL	5,855,700	5,932,700	5,932,700
SPECIAL LINE ITEMS			
Prescription Drugs	126,900	240,000	240,000
AGENCY TOTAL	5,982,600	6,172,700^{1/}	6,172,700

FUND SOURCES

General Fund	1,565,900	1,603,600	1,603,600
<u>Other Appropriated Funds</u>			
Miners' Hospital Fund	2,526,100	1,743,200	1,743,200
State Charitable Fund	1,890,600	2,825,900	2,825,900
SUBTOTAL - Other Appropriated Funds	4,416,700	4,569,100	4,569,100
SUBTOTAL - Appropriated Funds	5,982,600	6,172,700	6,172,700
Other Non-Appropriated Funds	36,300	60,700	60,700
TOTAL - ALL SOURCES	6,018,900	6,233,400	6,233,400

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 Baseline includes \$5,932,700 and 115.8 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$1,603,600
Miners' Hospital Fund	1,743,200
State Charitable Fund	2,585,900

These amounts are unchanged from FY 2012.

Prescription Drugs

The Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated for the Pioneers' Home and the Hospital for Disabled Miners in compliance with the Enabling Act and the Constitution of Arizona.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Admission Requirements and Census Trends

A.R.S. § 41-923 defines admission requirements for the Pioneers' Home. Arizona residents may be admitted if they have been a citizen or legal resident of the United States for at least 5 years, have been an Arizona resident for at least 50 years, are at least 70 years old, and are ambulatory and able to live independently. Prior to Laws

^{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.

2005, Chapter 149, the minimum age for admission was 65 and the minimum number of years of Arizona residency was 30. Since FY 2006, the number of residents in the Arizona Pioneer's Home has declined by (19)% (see Table I).

<u>Year</u>	<u>Number of Residents</u>
2011	105
2010	111
2009	116
2008	123
2007	130
2006	130

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
IGA and ISA Fund (PIA2500/A.R.S. § 41-921)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between the Arizona Pioneers' Home and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Miners' Hospital Fund (PIA3130/A.R.S. § 37-525)		Appropriated
Source of Revenue: Interest on the Miners' Hospital Fund as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of funds to benefit the Arizona Pioneers' Home.		
Funds Expended	2,526,100	1,743,200
Year-End Fund Balance*	148,400	(132,400)
Pioneers' Home Fund (Cemetery Proceeds) (PIA3144/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Cemetery proceeds from the sale of interment rights or the lease of cemetery land.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home and the Arizona Pioneers' Home Cemetery.		
Funds Expended	26,800	35,000
Year-End Fund Balance	72,500	82,500
Pioneers' Home Fund (Donations) (PIA3143/A.R.S. § 41-926)		Non-Appropriated
Source of Revenue: Donations or contributions from private sources.		
Purpose of Fund: To defray expenses or work conducted by the Arizona Pioneers' Home in serving its clientele.		
Funds Expended	3,800	20,000
Year-End Fund Balance	84,000	65,400
State Charitable Fund (PIA3129/A.R.S. § 37-525)		Appropriated
Source of Revenue: Earnings on state lands and interest on the investment of the Permanent Land Fund.		
Purpose of Fund: For the operation of state charitable institutions.		
Funds Expended	1,890,600	2,825,900
Year-End Fund Balance	3,070,000	792,500
Statewide Employee Recognition Gifts Fund (PIA2449/A.R.S. § 41-776)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	5,700	5,700
Year-End Fund Balance	8,500	8,700

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

State Board of Podiatry Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	20,800	20,800
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	10,600
Equipment	100	1,100	1,100
AGENCY TOTAL	119,600	142,600^{1/}	142,600

FUND SOURCES

Other Appropriated Funds

Podiatry Fund	119,600	142,600	142,600
SUBTOTAL - Other Appropriated Funds	119,600	142,600	142,600
SUBTOTAL - Appropriated Funds	119,600	142,600	142,600
TOTAL - ALL SOURCES	119,600	142,600	142,600

AGENCY DESCRIPTION — The board licenses and regulates Doctors of Podiatric Medicine. A podiatrist must take specialized training, serve an internship and pass a qualifying examination prior to licensure to diagnose and treat foot ailments. This agency is one of several, housed within the State Boards' Office, contracting with the Department of Administration for administrative services.

Operating Budget

* * *

The Baseline includes \$142,600 and 1 FTE Position from the Podiatry Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Podiatry Fund (POA2055/A.R.S. § 32-806)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of podiatrists. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate podiatrists, and for board administration.		
Funds Expended	119,600	142,600
Year-End Fund Balance	116,700	100,200

^{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.

Commission for Postsecondary Education

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5.0	5.0	5.0
Personal Services	110,700	126,700	126,700
Employee Related Expenditures	51,000	59,200	59,200
Professional and Outside Services	51,200	5,900	5,900
Travel - In State	1,000	1,100	1,100
Other Operating Expenditures	151,200	204,300	204,300
OPERATING SUBTOTAL	365,100	397,200	397,200
SPECIAL LINE ITEMS			
Arizona College and Career Guide	100	21,200	21,200
Arizona Minority Educational Policy Analysis Center	13,500	99,900	99,900
Family College Savings Program	153,000	148,600	148,600
Leveraging Educational Assistance Partnership	3,613,000	4,264,500	4,264,500
Math and Science Teacher Initiative	0	176,000	176,000
Twelve Plus Partnership	28,700	130,500	130,500
AGENCY TOTAL	4,173,400	5,237,900^{1/}	5,237,900
FUND SOURCES			
General Fund	1,220,800	1,396,800	1,396,800
<u>Other Appropriated Funds</u>			
Postsecondary Education Fund	2,952,600	3,841,100	3,841,100
SUBTOTAL - Other Appropriated Funds	2,952,600	3,841,100	3,841,100
SUBTOTAL - Appropriated Funds	4,173,400	5,237,900	5,237,900
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	6,842,100	6,842,100

AGENCY DESCRIPTION — The Commission for Postsecondary Education reviews and recommends higher education policies, while providing a discussion forum for public and private postsecondary educational institutions and their stakeholders on issues of mutual interest. The 16 commissioners are authorized to administer certain federal and state student financial aid programs.

Operating Budget

The Baseline includes \$397,200 and 3.5 FTE Positions from the Postsecondary Education Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Arizona College and Career Guide

The Baseline includes \$21,200 from the Postsecondary Education Fund in FY 2013 for the Arizona College and Career Guide Special Line Item (SLI). This amount is unchanged from FY 2012.

The Arizona College and Career Guide is an annual publication listing Arizona public and private

postsecondary educational institutions. The guide describes each institution's available degree and certificate programs, course lengths, and costs of attendance.

Arizona Minority Educational Policy Analysis Center

The Baseline includes \$99,900 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.

^{1/} In addition to these amounts, a total of \$16,000 OF is appropriated in FY 2012 for costs associated with an additional pay period.

Family College Savings Program

The Baseline includes \$148,600 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 Baseline includes \$4,264,500 for the Leveraging Educational Assistance Partnership (LEAP) in FY 2013. These amounts consist of:

	<u>FY 2013</u>
General Fund	\$1,220,800
Postsecondary Education Fund	3,043,700

These amounts are unchanged from FY 2012.

LEAP is a state and institutional partnership that provides financial assistance to students demonstrating substantial financial need. To be eligible, students must attend, on at least a half-time basis, an approved program at a properly accredited Arizona postsecondary educational institution (including public universities, public community colleges, private collegiate institutions, and proprietary schools).

The federal portion of these funds was eliminated in FY 2012. *(Please see Other Issues for Legislative Consideration for more information.)*

Math and Science Teacher Initiative

The Baseline 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. *(Please see Other Issues for Legislative Consideration for more information.)*

Twelve Plus Partnership

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The appropriations for Arizona College and Career Guide, Arizona Minority Educational Policy Analysis Center and Twelve Plus Partnership are estimates representing all monies distributed to this fund, including balance forward, revenue, and transfers during FY 2013. The appropriations shall be adjusted as necessary to reflect actual final receipts credited to the Postsecondary Education Fund.

Each participating institution, public or private, in order to be eligible to receive state matching funds under the 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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Status of Leveraging Educational Assistance

Partnerships

LEAP was originally created as a federal, state, and institution partnership to provide financial assistance to students demonstrating substantial financial need. However, federal funding and authority was eliminated in FY 2012 by Public Law 112-10, Department of Defense and Full-Year Continuing Appropriations Act, 2011. In FY 2012, awards will be provided through 40 postsecondary institutions. Of the total funding distributed, 33% will go to public universities, 54% to community colleges, 4% to private technical schools, and 9% to private 2- and 4-year colleges.

There are several possible options to use future LEAP funding from the state and institutions. For example, the program could continue operating in the status quo or the funding could be used to target recipients of a certain type of institution.

Repayment Programs

The commission currently administers repayment programs for unforgiven loans from the Private Postsecondary Education Student Financial Assistance Program (PFAP) and the non-appropriated Paul Douglas Teacher Scholarship (PDTs). In addition, the commission will begin to administer repayment programs for unforgiven loans from the Postsecondary Education Grant (PEG) program and the Math and Science Teacher Initiative Loan Repayment Program (MSSE) starting in FY 2012.

PFAP

Prior to FY 2011, PFAP distributed awards of up to \$2,000 annually, for up to 2 years, to qualified community college graduates enrolled at a private baccalaureate degree granting institution chartered in Arizona, pursuant to A.R.S. § 15-1854. The PFAP program has not been funded since FY 2010, but the repayment process for

existing unforgiven loans remains. Repayments are deposited into the Private Postsecondary Education Student Financial Assistance Fund. If a grantee does not earn a baccalaureate degree within 3 years, the grantee must repay the commission all award monies. When a grantee refuses to repay award monies or cannot be located, the Office of the Attorney General takes over administration of the repayment process.

Repayment has been required from 181 former PFAP grantees since the program began. Since December 2010, 44 have completed their payment obligation, 20 have been deemed uncollectible by the Office of the Attorney General, 5 have had their repayments forgiven due to medical reasons, 3 have been abated because the grantee is now deceased, and 109 still need to complete repayment. Only 13 of these 109 grantees are currently making repayments.

PEG

Prior to FY 2011, PEG distributed awards up to \$2,000 annually, for up to 4 years, to full-time and part-time students enrolled at a private baccalaureate degree-granting institution, pursuant to A.R.S. § 15-1855. The awards are forgiven if a student recipient earns a baccalaureate degree within 5 years. The program has not been funded since FY 2010, but the repayment process remains (though not started until FY 2012) for existing unforgiven loans. Repayments will be deposited into the Postsecondary Education Grant Program Fund.

MSSE

As of July 1, 2011, the commission has taken over responsibility for the MSSE program, which was transferred from the Arizona Board of Regents by Laws 2010, Chapter 332. Loans provided under the program may be forgiven if the grantee works as a teacher in Arizona for 1 year, plus 1 year for each year the grantee was awarded payment.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Early Graduation Scholarship Fund (PEA2364/A.R.S. § 15-105)		Non-Appropriated
Source of Revenue: Monies received from the Department of Education on behalf of students who graduate early, pursuant to A.R.S. § 15-105.		
Purpose of Fund: For education scholarships awarded to eligible Arizona high school students who graduate at least 1 year early, enabling them to attend a postsecondary institution. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	571,500	497,200
Family College Savings Program Trust Fund (PEA3121/A.R.S. § 15-1873B)		Non-Appropriated
Source of Revenue: Fees paid by financial institutions which are contracted to serve as program managers of assets.		
Purpose of Fund: For operating expenses and administrative costs of the Arizona Family College Savings Program.		
Funds Expended	149,600	351,500
Year-End Fund Balance	52,400	177,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grant Fund (PEA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grant revenue.		
Purpose of Fund: Federal grant revenues to be used by the commission as specified by the grant(s).		
Funds Expended	125,300	1,200,000
Year-End Fund Balance	1,279,600	1,279,600
Mathematics, Science, and Special Education Teacher Student Loan Fund (PEA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree in mathematics, science, and special education at a state university and who agree to a service commitment to teach in a public school. General Fund expenditures are not displayed to avoid double counting. The Education Omnibus Bill (Laws 2010, Chapter 332) shifts the administrative responsibilities of the program from the Arizona Board of Regents (ABOR) to the Commission for Postsecondary Education and broadens the participating schools to include any qualifying postsecondary institution beginning in FY 2012.		
Funds Expended	0	0
Year-End Fund Balance	0	69,600
Postsecondary Education Fund (PEA2405/A.R.S. § 15-1853)		Partially-Appropriated
Source of Revenue: Monies appropriated by the Legislature, monies received from state agencies and political subdivisions of the state, monies received from the federal government, and/or private gifts, grants and donations. The commission must separately account for monies received from each source.		
Purpose of Fund: Provide for purposes designated by Special Line Items for which the monies are received. Donations are used in accordance with the requests of the donor. Other private monies are used to carry out the duties and responsibilities of the commission.		
Appropriated Funds Expended	2,952,600	3,841,100
Non-Appropriated Funds Expended	0	52,700
Year-End Fund Balance*	369,800	(809,200)
Postsecondary Education Grant Program (PEA2530/A.R.S. § 15-1855)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature. Program was not funded in FY 2011 or FY 2012.		
Purpose of Fund: For tuition grants awarded to full and part-time students enrolled at a private baccalaureate degree granting institution. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	29,100	29,100
Private Postsecondary Education Student Financial Assistance Fund (PEA2128/A.R.S. § 15-1854)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature. Program was not funded in FY 2011 or FY 2012.		
Purpose of Fund: For tuition vouchers awarded to eligible graduates of Arizona community colleges enabling them to obtain a bachelor's degree at a private college or university in the state. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	4,200	4,200
Teachers Incentive Program Fund (PEA2249/A.R.S. § 15-1851)		Non-Appropriated
Source of Revenue: Monies collected as repayment from students who do not meet the conditions of the loan program.		
Purpose of Fund: To collect repayment monies from students who received a loan in prior years for teacher education and did not fulfill their teaching obligation. The students' teacher loan indebtedness to the State of Arizona is forgiven if the recipient of the monies completes a specified period of time teaching in designated school districts, which are identified as having high proportions of economically disadvantaged and at-risk pupils. Monies collected are reverted to the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

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

Arizona Power Authority

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Hoover Upgrading Fund (PAA1113/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Currently, the sale of hydro-electricity from Hoover Dam to APA customers; originally, bond proceeds.		
Purpose of Fund: Currently, to purchase hydro-electricity from Hoover Dam for APA customers and to pay debt service on the bond issuance. Originally, to increase power generation capacity at Hoover Dam pursuant to the Hoover Power Plant Act of 1984.		
Funds Expended	33,182,400	34,942,500
Year-End Fund Balance	0	0
Interest Income Fund (PAA1112/A.R.S. § 30-203)		Non-Appropriated
Source of Revenue: Interest income is received from investments with the Arizona State Treasurer.		
Purpose of Fund: To pay the operating expenses of the Power Authority.		
Funds Expended	18,800	21,800
Year-End Fund Balance	0	0
Power Authority Fund (PAA9506/A.R.S. § 30-202)		Non-Appropriated
Source of Revenue: Energy sales to any of the authority's 39 customers.		
Purpose of Fund: To purchase supplemental energy on the open market (usually from Salt River Project) for APA customers and to fund special APA projects.		
Funds Expended	4,320,400	4,201,300
Year-End Fund Balance	3,245,800	3,140,800

State Board for Private Postsecondary Education

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	69,600	69,600
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	326,600^{1/}	326,600

FUND SOURCES

Other Appropriated Funds

Board for Private Postsecondary Education Fund	318,400	326,600	326,600
SUBTOTAL - Other Appropriated Funds	318,400	326,600	326,600
SUBTOTAL - Appropriated Funds	318,400	326,600	326,600
Other Non-Appropriated Funds	89,400	92,500	92,500
TOTAL - ALL SOURCES	407,800	419,100	419,100

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

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FORMAT — Lump Sum by Agency

The Baseline includes \$326,600 and 4 FTE Positions from the Board for Private Postsecondary Education Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board for Private Postsecondary Education Fund (PVA2056/A.R.S. § 32-3004)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of private postsecondary institutions. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate private postsecondary institutions. Monies are also used for board administration costs.		
Funds Expended	318,400	326,600
Year-End Fund Balance	573,000	589,000

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Student Tuition Recovery Fund (PVA3027/A.R.S. § 32-3072)		Non-Appropriated
Source of Revenue: Assessments on prepaid tuition paid by newly enrolled students at private postsecondary institutions. Pursuant to A.R.S. § 32-3072, if the fiscal year-end fund balance exceeds \$500,000, only newly or provisionally licensed institutions pay the assessment.		
Purpose of Fund: To compensate persons suffering damages as the result of a private postsecondary institution ceasing operations.		
Funds Expended	89,400	92,500
Year-End Fund Balance	609,300	524,300

State Board of Psychologist Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	73,100	73,100
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	40,600
Equipment	2,500	5,700	5,700
AGENCY TOTAL	315,600	344,000^{1/}	344,000

FUND SOURCES

<u>Other Appropriated Funds</u>			
Board of Psychologist Examiners Fund	315,600	344,000	344,000
SUBTOTAL - Other Appropriated Funds	315,600	344,000	344,000
SUBTOTAL - Appropriated Funds	315,600	344,000	344,000
TOTAL - ALL SOURCES	315,600	344,000	344,000

AGENCY DESCRIPTION — The board licenses and regulates psychologists and behavior analysts.

Operating Budget

* * *

The Baseline includes \$344,000 and 4 FTE Positions from the Board of Psychologist Examiners Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Psychologist Examiners Fund (SYA2058/A.R.S. § 32-2065)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of psychologists. A separate account has been established within the Board of Psychologist Examiners Fund consisting of licensing and other fees for behavior analysts. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate psychologists and behavior analysts, and for board administration.		
Funds Expended	315,600	344,000
Year-End Fund Balance	534,300	258,200

^{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.

Department of Public Safety

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,081.8	2,139.8	2,139.8
Personal Services	93,404,900	94,407,700	94,407,700
Employee Related Expenditures	49,294,300	53,264,100	53,264,100
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	30,353,300
Equipment	6,132,700	4,390,100	4,390,100
OPERATING SUBTOTAL	181,461,100	184,481,900	184,481,900
SPECIAL LINE ITEMS			
GIITEM	18,359,600	21,301,400	21,301,400
GIITEM Subaccount	0	2,090,300	2,390,000
County Assistance	0	1,000,000	0
Public Safety Equipment	0	2,390,000	2,390,000
Motor Vehicle Fuel	3,908,900	3,935,500	3,935,500
DNA Testing	980,000	980,000	0
Photo Radar Enforcement	3,761,000	0	0
AGENCY TOTAL	208,470,600	216,179,100^{1/}	214,498,800
FUND SOURCES			
General Fund	42,000,100	46,526,200	45,526,200
Other Appropriated Funds			
Automated Fingerprint Identification System Fund	2,699,300	3,008,600	3,008,600
Crime Laboratory Assessment Fund	664,100	868,000	868,000
Crime Laboratory Operations Fund	10,098,600	11,030,500	11,030,500
Criminal Justice Enhancement Fund	2,886,500	2,859,300	2,859,300
Deoxyribonucleic Acid (DNA) Identification System Fund	3,981,700	3,944,600	2,964,600
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount	0	2,090,300	2,390,000
Highway Patrol Fund	17,785,900	18,522,300	18,522,300
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	1,817,900
Photo Enforcement Fund	3,761,000	0	0
Public Safety Equipment Fund	0	2,390,000	2,390,000
Risk Management Fund	832,000	1,446,300	1,446,300
Safety Enforcement and Transportation Infrastructure Fund	1,518,800	1,509,100	1,509,100
State Highway Fund	41,521,200	0	0
SUBTOTAL - Other Appropriated Funds	166,470,500	169,652,900	168,972,600
SUBTOTAL - Appropriated Funds	208,470,600	216,179,100	214,498,800
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	300,512,000	285,654,500

^{1/} 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.

AGENCY DESCRIPTION — The Department of Public Safety (DPS) is responsible for the enforcement of state criminal laws and traffic regulations. In addition to the Highway Patrol, DPS operates and maintains statewide communications systems, state crime laboratories and an automated fingerprint identification network, and performs aviation missions, special investigations, and other law enforcement activities.

Operating Budget

The Baseline includes \$184,481,900 and 1,986 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$20,520,600
Automated Fingerprint Identification System (AFIS) Fund	3,008,600
Crime Laboratory Assessment Fund (CLAF)	868,000
Crime Laboratory Operations Fund (CLOF)	11,030,500
Criminal Justice Enhancement Fund (CJEF)	2,859,300
Deoxyribonucleic Acid (DNA) Identification System Fund	2,964,600
Highway Patrol Fund	18,291,000
Highway User Revenue Fund (HURF)	119,961,000
Motorcycle Safety Fund	205,000
Parity Compensation Fund	1,817,900
Risk Management Fund	1,446,300
Safety Enforcement and Transportation Infrastructure Fund (SETIF)	1,509,100

These amounts are unchanged from FY 2012.

The Baseline 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 Baseline includes \$21,301,400 and 153.8 FTE Positions from the General Fund in FY 2013 for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). These amounts are unchanged from FY 2012.

The GIITEM Special Line Item is comprised of monies for the following GIITEM functions, including: 1) \$8,771,000 for gang enforcement, investigation, and interdiction, 2) \$9,327,000 for at least 50 sworn DPS positions to be used for immigration enforcement and border security and up to 50 DPS positions to expand GIITEM’s public awareness, investigation, and intelligence efforts, 3) \$2,603,400 for

local gang and immigration enforcement grants, 4) \$600,000 for crime analysts associated with the state gang intelligence database (GangNet). *Table 1* identifies the various functions, as well as their corresponding allocations.

Table 1

Allocation of GIITEM Funding

Function/Purpose	FY 2013
Gang Enforcement & Investigation	\$ 8,771,000
DPS Immigration Personnel	9,327,000
Local Immigration Enforcement Grants	2,603,400 ^{1/}
GangNet Upgrade & Crime Analysts	<u>600,000</u>
TOTAL	\$21,301,400

^{1/} DPS also has prior year non-lapsing monies available for local efforts.

Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement. Local grants are distributed to county sheriffs and do not require further approval by the county board of supervisors. The local entity shall provide not less than 25% of the cost of services.

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. The bill excludes Maricopa and Pinal County from the matching requirements.

GIITEM Subaccount

The Baseline 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. FY 2013 adjustments would be as follows:

Elimination of One-Time Changes OF 299,700

The Baseline 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.

County Assistance

The Baseline includes no funding in FY 2013 for County Assistance. FY 2013 adjustments would be as follows:

Elimination of One-Time Funding GF (1,000,000)

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2013 for the expiration of one-time funding included in Laws 2011, Chapter 308.

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 Baseline 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.

Motor Vehicle Fuel

The Baseline 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 Baseline includes no funding in FY 2013 for DNA testing. FY 2013 adjustments would be as follows:

Elimination of Funding OF (980,000)

The Baseline 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. The FY 2012 Criminal Justice BRB maintained spending at the \$980,000 level, where it has remained since FY 2009.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Of the \$21,301,400 appropriated to GIITEM, only \$2,603,400 shall be deposited in the GIITEM Fund established by A.R.S. § 41-1724, and is appropriated for the purposes of that section. The \$2,603,400 is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. This state recognizes that states have inherent authority to arrest a person for any immigration violation.

Of the \$21,301,400 appropriated to GIITEM, \$9,327,000 shall be used for 100 Department of Public Safety GIITEM personnel. The additional staff shall include at least 50 sworn Department of Public Safety positions to be used for immigration enforcement and border security and 50 Department of Public Safety positions to assist GIITEM in various efforts, including: 1) strict enforcement of all federal law relating to illegal aliens and arresting illegal aliens, 2) responding to or assisting any county sheriff or attorney in investigating complaints of employment of

illegal aliens, 3) enforcing Arizona's law known as the Legal Arizona Workers Act, strict enforcement of Arizona's SB 1070 Arizona's "Support Our Law Enforcement and Safe Neighborhoods Act", investigating crimes of identity theft in the context of hiring illegal aliens and the unlawful entry into the country and 4) taking strict enforcement action. Any change in the GITEM 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.

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.

STATUTORY CHANGES

The Baseline would, as session law, continue to notwithstanding the statutory spending cap of \$10,000,000 for HURF (A.R.S. § 28-6537).

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Anti-Racketeering Fund (PSA3123/A.R.S. § 13-2314.01)		Non-Appropriated
Source of Revenue: Any monies obtained as a result of a Department of Public Safety (DPS) seizure and forfeiture by the Attorney General are deposited into this fund. The forfeitures are made under the Racketeering Influenced and Corrupt Organization (RICO) laws.		
Purpose of Fund: For the investigation and prosecution of any offense relating to racketeering. These funds may also be used for gang prevention programs, substance abuse prevention programs and substance abuse education programs.		
Funds Expended	3,536,700	4,500,600
Year-End Fund Balance	11,642,800	9,450,700
Automated Fingerprint Identification System Fund (PSA2286/A.R.S. § 41-2414)		Appropriated
Source of Revenue: A 6.46% allocation from the Criminal Justice Enhancement Fund (CJEF). CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operation and maintenance of the Arizona Automated Fingerprint Identification System.		
Funds Expended	2,699,300	3,008,600
Year-End Fund Balance	623,100	360,800
Capitol Police Administrative Towing Fund (PSA1999/A.R.S. § 41-1725)		Non-Appropriated
Source of Revenue: Penalties and fees collected for parking violations on state property.		
Purpose of Fund: For Capitol Police Department law enforcement purposes. Prior to FY 2012, this fund was administered by the Department of Administration.		
Funds Expended	86,400	52,000
Year-End Fund Balance	0	16,300
Conferences, Workshops and Other Education Fund (PSA2700/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Conference registration fees.		
Purpose of Fund: To cover expenditures of conferences held by the Governor's Office of Highway Safety.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Crime Laboratory Assessment Fund (PSA2282/A.R.S. § 41-2415)		Appropriated
Source of Revenue: A 2.3% allocation of CJEF. DPS retains 55% of this fund and distributes the remaining funds to political subdivisions that operate crime laboratories.		
Purpose of Fund: To provide enhanced crime lab services, purchase and maintain scientific equipment, and train crime lab forensic scientists.		
Funds Expended	664,100	868,000
Year-End Fund Balance	289,500	190,600

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Crime Laboratory Operations Fund (PSA2394/A.R.S. § 41-1772)		Appropriated
Source of Revenue: The fund includes the first \$10,400,000 generated each year resulting from a \$45 surcharge for all persons who elect to take a defensive driving course in lieu of paying the civil traffic violation fine. In addition, DPS is authorized to receive 9% of CJEF revenues that were previously deposited into the General Fund. These additional funds are exempt from distribution to political subdivisions. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Any revenues in excess of that amount are deposited into the General Fund.		
Purpose of Fund: To fund crime laboratory operations.		
Funds Expended	10,098,600	11,030,500
Year-End Fund Balance	2,018,300	1,363,200
Criminal Justice Enhancement Fund (PSA3702/A.R.S. § 41-2401)		Partially-Appropriated
Source of Revenue: An 85% allocation of an 8.56% distribution from CJEF. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For operational expenses of the Criminal Justice Information System and the Arizona Automated Fingerprint Identification System (appropriated) and for grants to local law enforcement agencies to help prevent residential and commercial burglaries, control street crime and street gangs, and locate missing children (non-appropriated).		
Appropriated Funds Expended	2,886,500	2,859,300
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	372,200	88,800
Deoxyribonucleic Acid (DNA) Identification System Fund (PSA2337/A.R.S. § 41-2419)		Appropriated
Source of Revenue: A 15% allocation of an 8.56% distribution from CJEF, monies collected from individuals subjected to DNA testing who have the financial ability to pay for tests, and contributions from any other sources. CJEF consists of a 47% penalty assessment on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations. Laws 2007, Chapter 261 increased the existing 3% penalty assessment (authorized by Laws 2002, Chapter 226) to 7% until December 31, 2011, after which the penalty assessment will decrease to 6%. The additional penalty assessment is similar to the CJEF assessments.		
Purpose of Fund: To implement, operate and maintain DNA testing and administrative costs.		
Funds Expended	3,981,700	3,944,600
Year-End Fund Balance	645,200	323,100
DPS Administration Fund (PSA2322/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: State and local grants and donations.		
Purpose of Fund: For administering state and local grants such as Emergency Medical Services Communications, Arizona Criminal Justice Commission, Forensics, Fines Management and the DPS Criminal Justice Enhancement Fund project, as well as for operational costs of the Criminal Justice Information System.		
Funds Expended	1,203,400	3,376,900
Year-End Fund Balance	294,000	16,400
DPS Licensing Fund (PSA2490/A.R.S. § 32-2408)		Non-Appropriated
Source of Revenue: Fees collected from Private Investigator and Security Guard license applicants.		
Purpose of Fund: For the operational and equipment costs of regulating the private investigator and security guard industry.		
Funds Expended	968,800	1,081,100
Year-End Fund Balance	68,700	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Driving Under the Influence Abatement Fund (PSA2422/A.R.S. § 28-1304)		Non-Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments that apply for monies for enforcement and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. The Arizona Department of Transportation and DPS receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes of the Oversight Council on Driving or Operating Under the Influence Abatement or payment of the costs of notification.		
Funds Expended	0	0
Year-End Fund Balance	520,200	0
Families of Fallen Police Officers Special Plate Fund (PSA2386/A.R.S. § 41-1721)		Non-Appropriated
Source of Revenue: Receives \$17 of the \$25 fee paid for an original or renewal of a Family of Fallen Police Officer Special License Plate.		
Purpose of Fund: For a nonprofit corporation in the state that demonstrates a commitment to helping in the healing of family survivors of police officers who died in the line of duty in this state, to provide survivor victimization training to law enforcement personnel, and to educate the public on the need to support law enforcement personnel and the families of fallen officers.		
Funds Expended	198,000	138,700
Year-End Fund Balance	13,700	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (PSA2999/A.R.S. § 41-1833)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the Department of Public Safety for criminal justice programs.		
Funds Expended	3,289,100	1,900,400
Year-End Fund Balance	171,600	0
Federal Grants and Reimbursements (PSA2000/A.R.S. § 41-1833)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To administer Federal Highway Administration grants, various Homeland Security grants, the High Intensity Drug Trafficking Area program, organized crime financial investigations, the Rocky Mountain Information Network, the Motor Carrier Safety Assistance program, and the Department of Justice Victims of Crime Act monies.		
Funds Expended	43,420,300	43,776,900
Year-End Fund Balance	1,798,400	677,900
Fingerprint Clearance Card Fund (PSA2433/A.R.S. § 41-1758.06)		Non-Appropriated
Source of Revenue: Fees charged to applicants or contract providers for a fingerprint clearance card.		
Purpose of Fund: To centralize fingerprinting services for state agencies. Revenues pay for the processing and issuance of fingerprint clearance cards.		
Funds Expended	3,229,300	4,532,100
Year-End Fund Balance	2,361,300	2,140,600
Board of Fingerprinting Fund (PSA2435/A.R.S. § 41-619.56)		Non-Appropriated
Source of Revenue: Fees paid by fingerprint clearance card applicants.		
Purpose of Fund: To fund the Board of Fingerprinting, which conducts good cause exception hearings for personnel who require a fingerprint clearance card.		
Funds Expended	439,200	483,000
Year-End Fund Balance	558,900	827,500

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (PSA 2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A \$4 criminal fee assessed on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: To provide funding to county sheriffs for law enforcement purposes relating to border security including border personnel.		
Funds Expended	0	2,090,300
Year-End Fund Balance	0	0
Gang and Immigration Intelligence Team Enforcement Mission Fund (PSA2396/A.R.S. § 41-1724)		Appropriated
Source of Revenue: A penalty assessed against law enforcement agencies in the state that are not enforcing current illegal immigration statutes and \$2,600,000 in General Fund monies deposited into the fund per a General Appropriation Act footnote. The fine can be no less than \$500 and no more than \$5,000 a day for as long as the law enforcement agency is in non-compliance. Expenditures from this fund are not displayed below to avoid double counting.		
Purpose of Fund: These monies can be used for enforcement of gang and immigration statutes, border security, human and drug smuggling laws, the employer sanctions law and for county jail reimbursement, resulting from costs attributed to illegal immigration. Laws 2011, Chapter 33 mandated that the first \$1,600,000 in revenues be distributed to the Maricopa County Sheriff and the next \$500,000 to the Pinal County Sheriff for immigration enforcement. Any entity receiving monies from the fund shall provide 25% of the cost of services with DPS providing the remaining 75%.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Highway Patrol Fund (PSA2032/A.R.S. § 41-1752)		Appropriated
Source of Revenue: A 0.43% premium tax paid by vehicle insurers, miscellaneous service fees, rewards, awards, insurance recoveries, and receipts from the sale or disposal of property held by the Highway Patrol. This fund also includes deposits from Concealed Carry Weapon (CCW) permits and fees collected from towing impound hearings.		
Purpose of Fund: To administer the provisions of law relating to the Highway Patrol and Highway Patrol Reserve, to operate the CCW licensing program, and for the costs associated with impounding vehicles.		
Funds Expended	17,785,900	18,522,300
Year-End Fund Balance	3,423,900	1,184,700
Highway User Revenue Fund (PSA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Revenues collected from various highway-related taxes and fees, including the motor vehicle license tax.		
Purpose of Fund: To fund a portion of Highway Patrol costs.		
Funds Expended	79,215,700	119,961,000
Year-End Fund Balance	0	0
IGA and ISA Fund (PSA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Monies received through intergovernmental and interagency agreements.		
Purpose of Fund: To execute intergovernmental and interagency service agreements.		
Funds Expended	7,740,700	7,926,900
Year-End Fund Balance	2,396,500	1,169,700
Indirect Cost Recovery Fund (PSA9000/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay department-wide administrative and overhead costs.		
Funds Expended	721,400	1,627,700
Year-End Fund Balance	2,394,700	1,267,600

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Motor Carrier Safety Revolving Fund (PSA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material, substances or waste, as required by A.R.S. Title 28; and monies received from private grants or donations.		
Purpose of Fund: DPS conducts motor carrier safety investigations, the Motor Vehicle Division of ADOT administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	7,800
Year-End Fund Balance	15,600	7,800
Motorcycle Safety Fund (PSA2479/A.R.S. § 28-2010)		Appropriated
Source of Revenue: Receives \$1 of each motorcycle registration fee.		
Purpose of Fund: To implement and support voluntary motorcycle safety, education and awareness programs.		
Funds Expended	20,400	205,000
Year-End Fund Balance	323,900	493,900
Parity Compensation Fund (PSA2510/A.R.S. § 41-1720)		Appropriated
Source of Revenue: Receives 1.51% of the portion of vehicle license tax revenues that otherwise would be deposited in the State Highway Fund.		
Purpose of Fund: To fund salary and benefit adjustments for law enforcement personnel.		
Funds Expended	1,485,300	1,817,900
Year-End Fund Balance	262,400	183,100
Peace Officers' Training Fund (PSA2049/A.R.S. § 41-1825)		Non-Appropriated
Source of Revenue: Receives 16.64% of CJEF. CJEF is composed of a 47% penalty on fines and forfeitures imposed by the courts for criminal and civil motor vehicle statute violations.		
Purpose of Fund: For training costs, including the operation of the Arizona Law Enforcement Officers' Academy, grants to state agencies, cities and towns, and counties for training law enforcement officers and the operation of the Peace Officer Standards and Training Board (POST).		
Funds Expended	6,101,600	8,290,600
Year-End Fund Balance	2,345,400	291,100
Photo Enforcement Fund (PSA2390/A.R.S. § 41-1722)		Appropriated
Source of Revenue: Citation and notice of violation (NOV) revenue generated by the State Photo Enforcement System through use of fixed and mobile speed and red light enforcement cameras. The cost per citation or NOV was a fixed cost of \$165, which was all deposited into the Photo Enforcement Fund, plus a 10% clean elections surcharge. Any money remaining in the fund in excess of \$250,000 at the end of each quarter was deposited into the State General Fund. Laws 2010, 2nd Regular Session, Chapter 266, eliminated the State Photo Enforcement System and redirects 40% of the remaining monies in the fund, not to exceed \$7,000,000, to the Public Safety Equipment Fund. As of July 1, 2011, \$5,652,400 in Photo Enforcement Fund monies have been transferred to the Public Safety Equipment Fund. Laws 2011, Chapter 308 repealed the Photo Enforcement Fund.		
Purpose of Fund: To fund administrative and personnel costs incurred by DPS to oversee the State Photo Enforcement System, as well as for payment to privately contracted vendors for operation of photo enforcement cameras and the processing of citations. <i>(See the Supreme Court Summary of Funds section for other purposes of this fund.)</i>		
Funds Expended	3,761,000	0
Year-End Fund Balance	1,210,300	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Public Safety Equipment Fund (PSA2391/A.R.S. § 41-1723)		Partially-Appropriated
Source of Revenue: Revenues from a \$4 criminal fee on fines, violations, forfeitures and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations per A.R.S. § 12-116.04 (appropriated) and revenues of the first \$1,200,000 generated by additional assessments of up to \$1,500 to be paid by every offender convicted of driving or operating under the influence (DUI or OUI) offenses (non-appropriated). Laws 2010, 2nd Regular Session, Chapter 266, deposits 40% of the remaining Photo Enforcement Fund balance, not to exceed \$7,000,000, into the Public Safety Equipment Fund (<i>see Photo Enforcement Fund</i>).		
Purpose of Fund: To fund purchases of protective body armor, electronic stun gun devices, vehicles, and other safety equipment.		
Appropriated Funds Expended	0	2,390,000
Non-Appropriated Funds Expended	5,320,800	1,461,900
Year-End Fund Balance	5,506,700	0
Records Processing Fund (PSA2278/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Fees charged to other agencies and local political subdivisions for costs of processing department reports and photographs of traffic accident scenes and processing criminal and non-criminal justice fingerprint cards through the federal government.		
Purpose of Fund: For fingerprint processing and department administrative costs.		
Funds Expended	4,916,300	5,176,300
Year-End Fund Balance	372,500	429,000
Risk Management Fund (PSA4216/A.R.S. § 41-1713)		Appropriated
Source of Revenue: Transfer from the Arizona Department of Administration Risk Management Fund.		
Purpose of Fund: For the planning costs of a tri-agency disaster recovery program for the DPS mainframe data center.		
Funds Expended	832,000	1,446,300
Year-End Fund Balance	150,500	92,000
Safety Enforcement and Transportation Infrastructure Fund (PSA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Monies are transferred from the ADOT administered fund and include fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To fund commercial vehicle enforcement officers along the border, particularly in Yuma, Douglas and Nogales. (<i>See the Arizona Department of Transportation Summary of Funds section for other purposes of this fund.</i>)		
Funds Expended	1,518,800	1,509,100
Year-End Fund Balance	0	0
State Highway Fund (PSA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies appropriated by the Legislature, a portion of the Highway User Revenue Fund, fees, penalties and revenue derived from traffic and vehicle regulation. The State Highway Fund appropriation was shifted to HURF in FY 2012.		
Purpose of Fund: To fund a portion of Highway Patrol costs and cover expenses of state enforcement of traffic laws and state administration of traffic safety programs.		
Funds Expended	41,521,200	0
Year-End Fund Balance	0	0
State Highway Work Zone Safety Fund (PSA2480/A.R.S. § 28-710)		Non-Appropriated
Source of Revenue: A 50% allocation of the additional assessment levied for civil traffic violations committed in a highway work zone.		
Purpose of Fund: To establish and maintain a public education campaign for highway work zone safety.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Statewide Donations (PSA2025/A.R.S. § 41-1713)		Non-Appropriated
Source of Revenue: Donations from outside entities.		
Purpose of Fund: To fund the operating costs of the Red Badge Program and the cost of publishing a children's safety calendar, as well as for other purposes determined by the Governor's Office of Highway Safety.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Traffic and Parking Control Fund (ADA2453/A.R.S. § 41-796)		Non-Appropriated
Source of Revenue: Penalties and fees collected for traffic and parking violations on state property.		
Purpose of Fund: To post signs, markings, and notices for the regulation of vehicles on state property, as well as to maintain state parking lots and structures.		
Funds Expended	600	0
Year-End Fund Balance	0	0

Public Safety Personnel Retirement System

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
Membership						
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	8.65%	9.55%	8.41%	8.41%	10.00%	11.50%
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.					

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Fire Fighter and Peace Officer Cancer Insurance Policy Program Administrative Expenses (No Fund Number/A.R.S. § 38-643)		Non-Appropriated
Source of Revenue: Consists of employer contributions of \$180 per fire fighter participating in the Public Safety Personnel Retirement System (PSPRS) as of June 30 of each year.		
Purpose of Fund: The account allows the Fund Manager to obtain a group cancer insurance policy to provide coverage to fire fighters for expenses incurred in the treatment of cancer that was first diagnosed after membership in PSPRS. The Fund Manager may use up to 10% of the monies deposited in the account for administrative expenses.		
Funds Expended	25,600	21,000
Year-End Fund Balance	0	0
Investment and Administrative Expenses (No Fund Number/A.R.S. § 38-843, 38-802, and 38-882)		Non-Appropriated
Source of Revenue: Public Safety Personnel Retirement Fund; Elected Officials' Retirement Fund; Correctional Officer Retirement Fund.		
Purpose of Fund: A 5-member governing board called the Fund Manager administers PSPRS, the Elected Officials' Retirement Plan (EORP), and the Correctional Officer Retirement Plan (CORP). Authority is granted in statute for the Fund Manager to spend monies from each fund to pay for necessary administration and investment expenses.		
Funds Expended	28,520,400	29,450,000
Year-End Fund Balance	0	0

Arizona Department of Racing

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	40.5	40.5	40.5
Personal Services	1,065,200	1,434,400	1,434,400
Employee Related Expenditures	492,100	600,000	600,000
Professional and Outside Services	105,500	235,300	260,300
Travel - In State	76,600	21,000	71,000
Travel - Out of State	5,800	4,900	4,900
Other Operating Expenditures	255,400	140,800	165,800
Equipment	37,200	0	0
OPERATING SUBTOTAL	2,037,800	2,436,400	2,536,400
SPECIAL LINE ITEMS			
Breeders' Award	2,600	0	0
County Fairs Livestock and Agricultural Promotion	1,779,500	1,779,500	1,779,500
AGENCY TOTAL	3,819,900	4,215,900^{1/}	4,315,900
FUND SOURCES			
General Fund	3,819,900	2,781,600	1,779,500
<u>Other Appropriated Funds</u>			
Racing Regulation Fund	0	1,434,300	2,536,400
SUBTOTAL - Other Appropriated Funds	0	1,434,300	2,536,400
SUBTOTAL - Appropriated Funds	3,819,900	4,215,900	4,315,900
Other Non-Appropriated Funds	21,900	16,900	16,900
TOTAL - ALL SOURCES	3,841,800	4,232,800	4,332,800

AGENCY DESCRIPTION — The Arizona Department of Racing regulates the pari-mutuel horse and greyhound racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The Division of Boxing Regulation is responsible for licensing, investigating, and regulating professional boxing, tough man, and nontraditional fighting contests within Arizona.

Operating Budget

The Baseline includes \$2,536,400 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2013 for the operating budget. FY 2013 adjustments would be as follows:

FY 2013

Conversion to Self-Sufficiency GF \$(1,002,100)
OF 1,102,100

The Baseline includes an increase of \$100,000 in FY 2013 for completing a conversion to self-sufficiency. 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. Baseline funding also includes an additional increase of \$100,000 from the Racing Regulation Fund, pursuant to Laws 2011, Chapter 333. This law also limits the annual revenues that the department can raise for the Racing Regulation Fund to \$2,562,000. The intent of the legislation is to allow the Department of Racing to charge

fees in FY 2013 sufficient to fund their operating budget without a General Fund subsidy.

County Fairs Livestock and Agricultural Promotion

The Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

^{1/} 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.

FOOTNOTES

Standard Footnotes

The amount appropriated to the County Fairs Livestock and Agricultural Promotion line item is for deposit in the County Fairs Livestock and Agricultural Promotion Fund administered by the Office of the Governor.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Breeders' Award Fund (RCA2206/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To award the breeder of every winning horse, greyhound foaled or whelped, statewide.		
Funds Expended	0	0
Year-End Fund Balance	1,500	1,500
County Fair Racing Fund (RCA2170/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: Provides funding for the administration of county fair racing.		
Funds Expended	0	0
Year-End Fund Balance	95,300	95,300
County Fairs Racing Betterment Fund (RCA2207/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To provide a grant for capital improvements to each eligible county fair association conducting a county fair racing meeting, in order to protect the health and safety of race participants.		
Funds Expended	0	0
Year-End Fund Balance	56,300	56,300
Greyhound and Retired Racehorse Adoption Fund (RCA2015/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: License fees collected from dog breeders, racing kennels, and other operations where greyhounds are raised for dog racing. Additional monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
Purpose of Fund: To provide funding for grants to non-profit organizations for the promotion and adoption of retired racing greyhounds and horses.		
Funds Expended	3,700	0
Year-End Fund Balance	900	2,600
Racing Administration Fund (RCA2018/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To administer the Arizona County Fairs Racing Betterment Fund, the Arizona Breeders' Award Fund, the Arizona Stallion Award Fund, and the Greyhound Adoption Fund.		
Funds Expended	0	0
Year-End Fund Balance	23,700	23,700
Racing Investigation Fund (RCA2369/A.R.S. § 41-705)		Non-Appropriated
Source of Revenue: Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
Purpose of Fund: To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Racing.		
Funds Expended	18,200	0
Year-End Fund Balance	11,300	51,300

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Racing Regulation Fund (RCA2556/A.R.S. § 5-113.01)		Appropriated
Source of Revenue: Laws 2011, Chapter 35 established the Racing Regulation Fund. Revenue sources include license fees and regulatory assessments established by the Arizona Department of Racing and the Boxing Commission.		
Purpose of Fund: To support the mission of the department.		
Funds Expended	0	1,434,300
Year-End Fund Balance	0	7,700
Stallion Award Fund (RCA2315/A.R.S. § 5-113)		Non-Appropriated
Source of Revenue: General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
Purpose of Fund: To award owners or lessees of stallions that bred winning horses within the state.		
Funds Expended	0	0
Year-End Fund Balance	6,600	6,600
Unarmed Combat Fund (RCA2393/A.R.S. § 5-225)		Non-Appropriated
Source of Revenue: Fees established by the Boxing Commission for unarmed combat events.		
Purpose of Fund: To pay for the administration and regulation of unarmed combat.		
Funds Expended	0	16,900
Year-End Fund Balance	66,200	68,300

Radiation Regulatory Agency

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	32.0	32.5	32.5
Personal Services	617,400	850,400	850,400
Employee Related Expenditures	261,800	370,400	370,400
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	189,400
Equipment	1,200	73,600	73,600
OPERATING SUBTOTAL	993,800	1,504,300	1,504,300
SPECIAL LINE ITEMS			
Nuclear Emergency Management Fund	658,200	716,000	676,000
AGENCY TOTAL	1,652,000	2,220,300^{1/}	2,180,300
FUND SOURCES			
General Fund	1,411,300	1,459,000	1,419,000
<u>Other Appropriated Funds</u>			
Radiation Regulatory Fee Fund	0	496,700	496,700
State Radiologic Technologist Certification Fund	240,700	264,600	264,600
SUBTOTAL - Other Appropriated Funds	240,700	761,300	761,300
SUBTOTAL - Appropriated Funds	1,652,000	2,220,300	2,180,300
Other Non-Appropriated Funds	476,200	0	0
Federal Funds	249,000	249,000	249,000
TOTAL - ALL SOURCES	2,377,200	2,469,300	2,429,300

AGENCY DESCRIPTION — The department regulates the use, storage, and disposal of sources of radiation. This includes licensing or certifying users, inspecting x-ray equipment, developing emergency response capability, and monitoring environmental radiation.

Operating Budget

The Baseline includes \$1,504,300 and 28 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$743,000
Radiation Regulatory Fee Fund	496,700
State Radiologic Technologist Certification Fund	264,600

These amounts are unchanged from FY 2012.

Nuclear Emergency Management Fund

The Baseline includes \$676,000 and 4.5 FTE Positions from the General Fund in FY 2013 for the Nuclear Emergency Management Fund (NEMF). FY 2013 adjustments would be as follows:

NEMF Decrease GF (40,000)

The Baseline 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.

^{1/} 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.

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.

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FORMAT — Lump Sum by Agency

STATUTORY CHANGES

The Baseline would, as session law, permit the Director of the Radiation Regulatory Agency to continue fee increases authorized in earlier years. As in earlier years, the Baseline also includes legislative intent that the fees would not generate more than \$500,000. It is anticipated that the department will continue fee increases for inspecting and certifying x-ray, laser, and other radiological equipment. In FY 2012, the department estimates collecting \$567,100, which will be deposited into the Radiation Regulatory Fee Fund. The Radiation Regulatory Agency attributes the amount collected above the intended \$500,000 to delinquent fees from prior years.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants (AEA2000/A.R.S. § 30-654)		Non-Appropriated
Source of Revenue: Federal grants and miscellaneous revenue.		
Purpose of Fund: To track radiation levels, assess and reduce radon levels, and monitor x-ray facilities in the state.		
Funds Expended	249,000	249,000
Year-End Fund Balance	32,300	61,600
Laser Safety Fund (AEA2138/A.R.S. § 32-3234)		Non-Appropriated
Source of Revenue: Fees collected from the authorization of certificates to individuals that operate lasers of Intense Pulsed Light (IPL) devices for health and cosmetic related purposes.		
Purpose of Fund: To fund the costs of issuing licenses to individuals that operate lasers or IPL devices for health related purposes.		
Funds Expended	0	0
Year-End Fund Balance	28,500	49,600
Nuclear Emergency Management Fund (AEA2138/A.R.S. § 26-306.02)		Non-Appropriated
Source of Revenue: An assessment levied against a consortium of corporations that operate the Palo Verde Nuclear Generating Station.		
Purpose of Fund: To administer and enforce the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. Expenditures from this fund are not displayed to avoid double counting of appropriated funds.		
Funds Expended	0	0
Year-End Fund Balance	21,400	27,100
Radiation Regulatory Fee Fund (AEA2554/A.R.S. § 30-658)		Appropriated
Source of Revenue: Includes fees collected for licensing, inspection, and registration fees for individuals and other entities utilizing radiological materials. Laws 2011, Chapter 28 created the Radiation Regulatory Fee Fund and shifted into the fund the previously non-appropriated fees that were deposited into the Service Fees Increase Fund. The bill also continued to allow the Radiation Regulatory Agency \$500,000 in fee authority to deposit into the fund.		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	0	496,700
Year-End Fund Balance	0	67,100
Service Fees Increase Fund (AEA1050/Laws 2010, 7th Special Session, Chapter 12)		Non-Appropriated
Source of Revenue: General Fund fee increase from fees raised pursuant to Laws 2010, 7th Special Session, Chapter 12. Laws 2011, Chapter 28 shifted these fees to the Radiation Regulatory Fee Fund.		
Purpose of Fund: Operating activities.		
Funds Expended	476,200	0
Year-End Fund Balance	370,400	79,300

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
State Radiologic Technologist Certification Fund (AEA2061/A.R.S. § 32-2823)		Appropriated
Source of Revenue: License fees paid by x-ray technologists.		
Purpose of Fund: To provide for the licensing of x-ray technologists and the investigation of complaints.		
Funds Expended	240,700	264,600
Year-End Fund Balance	72,200	24,000

State Real Estate Department

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	55.0	55.0	55.0
Personal Services	1,253,900	1,529,400	1,529,400
Employee Related Expenditures	766,600	656,300	656,300
Professional and Outside Services	97,100	15,300	15,300
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	432,700
Equipment	114,600	11,000	11,000
AGENCY TOTAL	2,812,000	2,656,700^{1/}	2,656,700

FUND SOURCES

General Fund	2,812,000	2,656,700	2,656,700
SUBTOTAL - Appropriated Funds	2,812,000	2,656,700	2,656,700
Other Non-Appropriated Funds	113,500	87,800	87,800
TOTAL - ALL SOURCES	2,925,500	2,744,500	2,744,500

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 Baseline includes \$2,656,700 and 55 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Condominium Recovery Fund (REA3121/A.R.S. § 32-2193.32)		Non-Appropriated
Source of Revenue: The Condominium Recovery Fund is funded by a fee of \$10 per condominium unit requested by a developer in a Public Report application.		
Purpose of Fund: To benefit consumers who have suffered a direct out-of-pocket loss due to an unfinished condominium project.		
Funds Expended	0	87,800
Year-End Fund Balance	24,200	0
Education Revolving Fund (REA4011/A.R.S. § 32-2107)		Non-Appropriated
Source of Revenue: Sale of the department's educational publications, primarily the <i>Real Estate Lawbook</i> .		
Purpose of Fund: To cover the department's costs of printing real estate regulation books and other public information publications, and to cover the department's costs for other educational efforts, including sponsoring and holding the educational seminars or workshops for educators and other licensees. All monies in excess of \$25,000 at the end of the fiscal year shall revert to the General Fund.		
Funds Expended	1,700	0
Year-End Fund Balance	27,900	11,900

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Recovery Fund (REA3119/A.R.S. § 32-2186)		Non-Appropriated
Source of Revenue: A fee of \$20 for brokers and \$10 for salespersons, paid upon application for an original real estate or cemetery license. A surcharge on license renewals is assessed if the fund balance on June 30 of any year falls below \$600,000. The fund also consists of restitution paid by persons convicted of real estate fraud and ordered to repay a judgment awarded out of the Recovery Fund.		
Purpose of Fund: To compensate persons who have been defrauded in a real estate transaction and subsequently suffered monetary losses. Those persons may seek a court order for an award from the Recovery Fund if the person who committed the fraud has no assets. Monies also provide for the department's cost of administering the fund.		
Funds Expended	111,800	0
Year-End Fund Balance	4,400	322,000

Residential Utility Consumer Office

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	234,100	234,100
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	1,144,000	1,144,000
SPECIAL LINE ITEMS			
Professional Witnesses	5,700	145,000	145,000
AGENCY TOTAL	930,600	1,289,000^{1/}	1,289,000

FUND SOURCES

Other Appropriated Funds

Residential Utility Consumer Office Revolving Fund	930,600	1,289,000	1,289,000
SUBTOTAL - Other Appropriated Funds	930,600	1,289,000	1,289,000
SUBTOTAL - Appropriated Funds	930,600	1,289,000	1,289,000
TOTAL - ALL SOURCES	930,600	1,289,000	1,289,000

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 Baseline includes \$1,144,000 and 11 FTE Positions from the RUCO Revolving Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Professional Witnesses

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Professional Witnesses Special Line Item are a continuing appropriation and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Residential Utility Consumer Office Revolving Fund (UOA2175/A.R.S. § 40-409)		Appropriated
Source of Revenue: An assessment against public service corporations, as defined by A.R.S. § 40-401.01.		
Purpose of Fund: To operate the Residential Utility Consumer Office.		
Funds Expended	930,600	1,289,000
Year-End Fund Balance	656,900	461,900

^{1/} In addition to these amounts, a total of \$36,200 OF is appropriated in FY 2012 for costs associated with an additional pay period.

Board of Respiratory Care Examiners

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	54,400	54,400
Professional and Outside Services	14,400	44,600	44,600
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	41,600
Equipment	9,100	0	0
AGENCY TOTAL	257,400	306,200^{1/}	306,200

FUND SOURCES

Other Appropriated Funds

Board of Respiratory Care Examiners Fund	257,400	306,200	306,200
SUBTOTAL - Other Appropriated Funds	257,400	306,200	306,200
SUBTOTAL - Appropriated Funds	257,400	306,200	306,200
TOTAL - ALL SOURCES	257,400	306,200	306,200

AGENCY DESCRIPTION — The board licenses and regulates respiratory care practitioners. A respiratory therapist performs inhalation therapy and respiratory therapy, which includes administering pharmacological, diagnostic, and therapeutic agents, as directed by a physician.

Operating Budget

* * *

The Baseline includes \$306,200 and 4 FTE Positions from the Board of Respiratory Care Examiners Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Board of Respiratory Care Examiners Fund (RBA2269/A.R.S. § 32-3505)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of respiratory care practitioners. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate respiratory care practitioners, and for board administration.		
Funds Expended	257,400	306,200
Year-End Fund Balance	286,700	268,600

^{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.

Arizona State Retirement System

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	236.0	236.0	236.0
Personal Services	10,908,000	12,117,500	12,117,500
Employee Related Expenditures	4,210,400	4,720,600	4,720,600
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	23,723,500
SPECIAL LINE ITEMS			
Laws 2008, Ch. 201 Divestments; Terrorism Countries	14,000	0	0
Laws 2010, Ch. 50 ASRS Plan Design Changes	11,100	0	0
Laws 2011, Ch. 26 Rate Change Administrative Costs	100,000	600,000	0
Laws 2011, Ch. 357 Plan Changes	0	250,000	0
AGENCY TOTAL	22,601,600	24,573,500^{1/}	23,723,500
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	20,923,500
SUBTOTAL - Other Appropriated Funds	22,601,600	24,573,500	23,723,500
SUBTOTAL - Appropriated Funds	22,601,600	24,573,500	23,723,500
Other Non-Appropriated Funds	65,825,600	72,371,000	77,058,000
TOTAL - ALL SOURCES	88,427,200	96,944,500	100,781,500

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

The Baseline includes \$23,723,500 and 236 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
State Retirement System Administration Account	\$20,923,500
Long-Term Disability (LTD) Administration Account	2,800,000

These amounts are unchanged from FY 2012.

Laws 2011, Ch. 26 Rate Change Administrative Costs

The Baseline includes no funding in FY 2013 from the State Retirement System Administration Account for the Rate Change Administrative Costs Special Line Item. FY 2013 adjustments would be as follows:

Elimination of One-time Costs OF (600,000)
The Baseline 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.

^{1/} In addition to these amounts, a total of \$598,000 OF is appropriated in FY 2012 for costs associated with an additional pay period.

Laws 2011, Ch. 357 Plan Changes

The Baseline includes no funding in FY 2013 from the State Retirement System Administration Account for the Plan Changes Special Line Item. FY 2013 adjustments would be as follows:

Elimination of One-time Costs OF (250,000)

The Baseline 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.

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FORMAT — Lump Sum by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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.

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	<u>101,307</u>	<u>107,996</u>
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.	

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Administrative Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: Investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval.		
Funds Expended	65,825,600	72,371,000
Year-End Fund Balance	0	0
Long-Term Disability Administration Account (RSA1408/A.R.S. § 38-797.02)		Partially-Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Appropriated Funds Expended	2,676,000	2,800,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
State Retirement System Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	19,925,600	21,773,500
Year-End Fund Balance	618,200	0

Department of Revenue

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	935.0	935.0	935.0
Personal Services	28,539,100	31,770,500	31,770,500
Employee Related Expenditures	11,542,100	13,626,100	13,626,100
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	6,995,600
Equipment	3,103,100	562,400	562,400
OPERATING SUBTOTAL	57,720,300	57,436,200	57,436,200
SPECIAL LINE ITEMS			
BRITS Operational Support	5,580,600	5,632,000	5,632,000
Temporary Collectors	2,924,500	2,873,200	2,873,200
Unclaimed Property Administration and Audit	469,800	1,770,000	1,770,000
AGENCY TOTAL	66,695,200	67,711,400^{1/}	67,711,400
FUND SOURCES			
General Fund	43,249,600	44,129,600	44,129,600
<u>Other Appropriated Funds</u>			
Department of Revenue Administrative Fund	22,488,500	22,532,600	22,532,600
Liability Setoff Fund	284,000	383,800	383,800
Tobacco Tax and Health Care Fund	673,100	665,400	665,400
SUBTOTAL - Other Appropriated Funds	23,445,600	23,581,800	23,581,800
SUBTOTAL - Appropriated Funds	66,695,200	67,711,400	67,711,400
Other Non-Appropriated Funds	35,305,300	27,867,000	27,867,000
TOTAL - ALL SOURCES	102,000,500	95,578,400	95,578,400

AGENCY DESCRIPTION — The Department of Revenue (DOR) administers and enforces the collection of personal and corporate income, sales, withholding, luxury and estate taxes. The department administers state property tax laws through the 15 county assessors. The department does not collect transportation related fees and taxes, nor the insurance premium tax.

Operating Budget

The Baseline includes \$57,436,200 and 897 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$35,624,400
DOR Administrative Fund	20,762,600
Liability Setoff Fund	383,800
Tobacco Tax and Health Care Fund	665,400

These amounts are unchanged from FY 2012.

Business Reengineering/Integrated Tax System (BRITS) Operational Support

The Baseline includes \$5,632,000 and 38 FTE Positions from the General Fund in FY 2013 for operational support of BRITS. These amounts are unchanged from FY 2012.

Monies in this line item are used for annual server and printer replacement costs, increased BRITS data storage requirements, and information technology personnel to operate and maintain the BRITS system.

Temporary Collectors

The Baseline includes \$2,873,200 from the General Fund in FY 2013 for Temporary Collectors. This amount is unchanged from FY 2012.

^{1/} 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.

Monies in this line item are used to hire temporary collectors to assist in the collection of already established debt.

Unclaimed Property Administration and Audit

The Baseline includes \$1,770,000 from the DOR Administrative Fund 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The \$2,873,200 appropriated from the State General Fund for Temporary Collectors is to collect established debt. The department shall report its results to the Joint Legislative Budget Committee on or before January 31, 2013.

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.

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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Client County Equipment Capitalization Fund (RVA2457/A.R.S. § 42-11057)		Non-Appropriated
Source of Revenue: Monies received over \$0.60 per parcel pursuant to an intergovernmental agreement between the department and the county assessor for data processing services. The first \$0.60 per parcel is deposited to the General Fund.		
Purpose of Fund: To upgrade data processing property tax equipment in the counties, which contract with the department to provide data processing services to their county assessors. Any unencumbered fiscal year-end balance over \$300,000 shall be transferred to the General Fund.		
Funds Expended	106,900	0
Year-End Fund Balance	0	0
Department of Revenue Administrative Fund (RVA1993/A.R.S. § 42-1116.01)		Appropriated
Source of Revenue: The sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Each year, \$24,500,000 in unclaimed property proceeds are deposited into this fund. Laws 2011, Chapter 28 removed the fund's exemption from A.R.S. § 35-190 relating to the lapsing of appropriations.		
Purpose of Fund: To cover the Department of Revenue's operating costs including unclaimed property contract auditors and the handling, publicizing and selling of abandoned property.		
Funds Expended	22,488,500	22,532,600
Year-End Fund Balance	1,500,100	1,121,100
Escheated Estates Fund (RVA3745/A.R.S. § 12-885)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of escheated estates. Property escheats, or reverts to the state, after 5 years when there is no will to transmit the property and there are no legal heirs to inherit it.		
Purpose of Fund: To deposit proceeds from the sale of escheated property and hold them in the fund for 12 months, from which payment of claims may be made, before being transferred to the Permanent State School Fund. Transfers to the Permanent School Fund totaled \$455,900 in FY 2011.		
Funds Expended	455,900	0
Year-End Fund Balance	140,500	140,500

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Estate and Unclaimed Property Fund (RVA1520/A.R.S. § 44-301)		Non-Appropriated
Source of Revenue: The fund consists of monies from the sale of abandoned property, including bank accounts, safe deposit boxes, stock certificates, utility deposits, life insurance policies and unclaimed victim restitution monies. Property is typically considered "abandoned" after 3 years. Notwithstanding the title of this fund, it no longer includes the proceeds of escheated estates. Those funds are deposited to the department's Escheated Estates Fund.		
Purpose of Fund: To pay allowed claims. The department retains not less than \$100,000 of the fund while the state attempts to locate abandoned property owners. Once monies are determined to be "unreturnable" they are disbursed as follows: Monies associated with unclaimed utility deposits are transferred to the Utility Assistance Fund. Monies from unclaimed shares and dividends of Arizona corporations and unclaimed property in a self-storage unit are transferred to the Permanent State School Fund. Unclaimed victim restitution monies are transferred to the Arizona Criminal Justice Commission's Victim Compensation and Assistance Fund. Beginning in FY 2012, Laws 2011, Chapter 28 requires that the first \$2,000,000 in unclaimed property proceeds be deposited into the Seriously Mentally Ill Housing Trust Fund, the next \$2,500,000 into the Housing Trust Fund, the next \$24,500,000 into the DOR Administrative Fund and all remaining monies be redirected to the General Fund.		
Funds Expended	34,677,600	27,750,000
Year-End Fund Balance	2,250,100	2,250,100
I Didn't Pay Enough Fund (RVA6001/A.R.S. § 43-211)		Non-Appropriated
Source of Revenue: Voluntary contributions from taxpayers.		
Purpose of Fund: Up to 10% of annual deposits may be used by DOR to administer the fund. Any unexpended monies revert to the General Fund at the close of the fiscal year.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (RVA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Transfer of funds from Arizona Early Childhood Development and Health Board.		
Purpose of Fund: To assist the Revenue Tobacco unit in enforcement compliance.		
Funds Expended	5,300	117,000
Year-End Fund Balance	0	0
Liability Setoff Fund (RVA2179/A.R.S. § 42-1122)		Appropriated
Source of Revenue: Fees collected from agencies, political subdivisions or taxpayers utilizing the setoff procedure. The Department of Revenue withholds taxpayer refunds to satisfy debts owed by the taxpayers to certain state and local agencies, such as delinquent child support payments owed to the Department of Economic Security.		
Purpose of Fund: To cover the Department of Revenue's costs of administering the Liability Setoff program.		
Funds Expended	284,000	383,800
Year-End Fund Balance	390,800	890,700
Revenue Publications Revolving Fund (RVA2166/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: Receipts from the sale of department tax-related publications.		
Purpose of Fund: To offset costs of publishing and distributing tax-related publications.		
Funds Expended	59,500	0
Year-End Fund Balance	5,700	25,700
Special Collections Fund (RVA2168/A.R.S. § 42-1004)		Non-Appropriated
Source of Revenue: This fund consists of all monies received pursuant to contingent fee contracts to collect delinquent state taxes, penalties and interest due under A.R.S. Title 43 (taxation of income) and Title 42, Chapter 8, Article 1 (transaction privilege taxes).		
Purpose of Fund: To pay all fees and court costs provided for in contingent fee collection contracts authorized by A. R. S. § 42-1004B3. The remainder of the collected amounts is distributed to the state or political subdivisions according to the distribution proportions for the tax collected. No revenue was collected from contracted collections in FY 2011.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Statewide Employee Recognition Gifts/Donations Fund (RVA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	100	0
Year-End Fund Balance	4,300	4,300
Tobacco Tax and Health Care Fund (RVA1306/A.R.S. § 36-771)		Appropriated
Source of Revenue: The fund consists of tobacco taxes retained by the department to administer the tobacco tax program.		
Purpose of Fund: To monitor and enforce tobacco tax laws.		
Funds Expended	673,100	665,400
Year-End Fund Balance	0	8,400
Waste Tire Fund (RVA2356/A.R.S. § 44-1305)		Non-Appropriated
Source of Revenue: Collections from a fee on new tire purchases and penalties for violations.		
Purpose of Fund: Up to 3.5% of the monies in the fund are transferred quarterly to the Department of Environmental Quality (DEQ) to monitor and enforce the requirements of A.R.S. Title 44, Chapter 9, Article 8, Waste Tire Disposal. The remainder is distributed quarterly to counties to establish and implement waste tire programs. Monies in the fund are exempt from lapsing under A.R.S. § 35-190. Transfers totaled \$8,155,300 in FY 2011, including \$285,400 to DEQ and \$7,869,900 to counties.		
Funds Expended	0	0
Year-End Fund Balance	0	0

School Facilities Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	607,000	772,000	772,000
Employee Related Expenditures	263,900	279,100	279,100
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	97,600
Equipment	64,600	0	0
OPERATING SUBTOTAL	1,309,900	1,313,600	1,313,600
SPECIAL LINE ITEMS			
Building Renewal Grants	2,667,900	2,667,900	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	164,087,200^{1/}	173,411,200
FUND SOURCES			
General Fund	67,436,900	164,087,200	173,411,200
SUBTOTAL - Appropriated Funds	67,436,900	164,087,200	173,411,200
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	333,985,500	267,365,000

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 Baseline includes \$1,313,600 and 17 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Building Renewal Grants

The Baseline includes \$2,667,900 from the General Fund in FY 2013 for Building Renewal Grants. This amount is unchanged from FY 2012.

The Building Renewal Grants Fund was created in FY 2009 to provide grant-based funding for building renewal projects. The fund consists of legislative appropriations and is administered by SFB.

SFB is to distribute monies to school districts to fund primary building renewal projects that are prioritized by SFB, with additional priority given to school districts that have provided routine preventative maintenance on their

facility and that can provide a match of monies provided by the fund. Primary building renewal projects are defined to include necessary projects that are owned by the school district and are required to meet the minimum school facility adequacy guidelines. SFB is required to only approve projects that can be completed in 12 months unless similar projects on average take longer to complete.

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.

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

^{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.

manner as the Building Renewal Grants program, where districts apply to SFB for funding to correct facilities emergencies which 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 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 pays SFB back the same amount of funds since SFB is considered to be a beneficiary of state school trust land proceeds.

New School Facilities

The Baseline includes no funding from the General Fund in FY 2013 for New School Facilities. This amount is unchanged from FY 2012.

The FY 2012 Education Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 29) continued the FY 2009 - FY 2011 limitation on new school construction projects into FY 2012. While the FY 2009 - FY 2012 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 which allow the state to receive a direct interest subsidy from the federal government. This subsidy essentially leaves the state to pay approximately 20% of the traditional taxable interest rate upon each lease-purchase payment.

SFB expects to finish construction on all 8 projects financed with QSCB proceeds by the end of FY 2013. SFB projects 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.

For FY 2013, SFB requested \$164,278,400 to finance 18 new school construction projects. Of these projects, 7

would be overcapacity in FY 2013 and 11 would be over capacity in later years (FY 2014 - FY 2016).

The Baseline would continue the limitation on new school construction projects enacted during FY 2009 - FY 2012 into FY 2013. If SFB were to fund district projects which were expected to be over capacity during FY 2013, it is estimated these projects would require \$20,000,000 in funding. This amount would fund 7 projects, most of which are either in the outlying sections of the Phoenix and Tucson Metropolitan areas or are accommodation schools which serve at risk students in smaller settings.

Background – The New School Facilities SLI provides funding for school districts to build new K-12 school facilities. The board distributes the monies to school districts as work is completed on approved projects. The amounts allocated to each school district are determined by statute. A school district qualifies for new construction funding when the district-wide square feet per student falls below the statutory minimum. (As noted above, however, a limitation on new construction projects is authorized for FY 2009 - FY 2012.) Funding is then provided to the district at a statutorily prescribed dollar amount per square foot. For individual projects, the board may modify the square footage per student or the cost per square foot under certain circumstances.

The dollar amount per square foot is adjusted annually based on a construction market index identified by the Joint Legislative Budget Committee (JLBC). For FY 2012, JLBC approved a 0% adjustment. (See Table 1 for FY 2012 statutory funding guidelines.)

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, and not supplant, funding received from SFB. Space funded with Class B bond proceeds, therefore, is generally not included in the calculation for determining if a school district qualifies for funding from the board.

A.R.S. § 15-2004 prohibits the board from entering into any new lease-purchase agreements to finance new school construction, and specifies the Legislature’s intent not to appropriate funding in the future for payments on any lease-purchase transactions entered into by the board from

and after May 15, 2006. The FY 2010 and FY 2011 Education BRBs notwithstanding this statute for the \$100,000,000 authorization.

New School Facilities Debt Service

The Baseline includes \$169,429,700 from the General Fund in FY 2013 for New School Facilities Debt Service. FY 2013 adjustments would be as follows:

FY 2013

Prior Lease-Purchase GF \$5,808,000

Payment Increase

The Baseline 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; 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.

QSCB Lease-Purchase GF 3,516,000

Payment Increase

The Baseline 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; 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 Baseline amount 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

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.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to prohibit SFB from authorizing or awarding funding for the design or construction of any new school facility or for school site acquisition. Continue to require school districts to submit capital plans during FY 2013 and permit SFB to review and award new school facilities, subject to future appropriations.
- As session law, continue to suspend the Building Renewal Fund formula.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Building Renewal Fund (SFA2465/A.R.S. § 15-2031)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide school districts with monies for maintaining the adequacy of existing school facilities. School districts must submit their 3-year Building Renewal plans before they can be awarded any Building Renewal monies. The fund balance represents monies that have not yet been distributed to districts due to the timeliness of district submitted 3-year Building Renewal plans.		
Funds Expended	0	0
Year-End Fund Balance	5,000	5,000
Building Renewal Grant Fund (SFA7777/A.R.S. § 15-2032)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. To prevent double counting, FY 2011 and FY 2012 expenditures exclude \$2,667,900 in each year from the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,564,600	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Capital Reserve Fund (SFA2450/A.R.S. § 15-2003)		Appropriated
Source of Revenue: Earnings on the investment of Capital Reserve Fund balances and unobligated monies from the New School Facilities Fund that are credited to the Capital Reserve Fund by the State Treasurer on June 30 of each year.		
Purpose of Fund: To serve as a clearing account for any New School Facilities Fund monies that are unobligated at the end of each fiscal year. This allows the monies to be invested by the State Treasurer until they are appropriated back to the New School Facilities Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Deficiencies Correction Fund (SFA2455/A.R.S. § 15-2021 [repealed])		Non-Appropriated
Source of Revenue: Legislative appropriations. Does not include \$793,650,000 in Proposition 301 revenue bond proceeds or \$26,350,000 in Qualified Zone Academy Bond (QZAB) revenue bond proceeds. <i>(See the School Improvement Revenue Bond Proceeds Fund.)</i> Does not include \$246,600,000 in Permanent State School Fund revenue bond proceeds. <i>(See the State Land Trust Bond Proceeds Fund.)</i>		
Purpose of Fund: To provide school districts with monies for correcting existing deficiencies. The fund expired at the end of FY 2006, but there are expenditures in FY 2011 to make outstanding district payments.		
Funds Expended	245,200	0
Year-End Fund Balance	23,900	0
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 15-2022)		Non-Appropriated
Source of Revenue: Monies transferred from the New School Facilities Fund.		
Purpose of Fund: To provide school districts monies for facility emergencies.		
Funds Expended	110,600	4,496,800
Year-End Fund Balance	434,500	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (SFA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: To make energy efficiency upgrades in existing academic space. Funds are leveraged by requiring local school districts to provide 70% of every project dollar.		
Funds Expended	8,356,800	16,778,000
Year-End Fund Balance	477,200	0
Land Trust Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	24,249,300	24,246,200
Year-End Fund Balance	19,000	16,100
Land Trust Bond Proceeds Fund (SFA3339/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Proceeds from the sale of \$246,600,000 in Permanent State School Fund revenue bonds that were issued by the School Facilities Board (SFB). <i>(See the Deficiencies Correction Fund for more information on Deficiencies Correction Program funding.)</i>		
Purpose of Fund: To provide monies for correcting existing deficiencies and for bond related expenses. These funds have been entirely expended.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Lease to Own Debt Service Fund (SFA2373/A.R.S. § 15-2004)		Non-Appropriated
Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by SFB to finance the costs of new school construction. To prevent double counting, FY 2011 and FY 2012 expenditures exclude \$63,459,100 and \$160,105,700, respectively, from the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	319,000	296,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
New School Facilities Fund (SFA2460/A.R.S. § 15-2041)		Non-Appropriated
Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements.		
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.		
Funds Expended	19,453,000	60,167,900
Year-End Fund Balance	74,661,900	12,917,200
School Facilities Revenue Bond Debt Service Fund (SFA5010/A.R.S. § 15-2054)		Non-Appropriated
Source of Revenue: Monies credited to the fund, if necessary, from the Permanent State School Fund (A.R.S. § 37-521.B1) or state Transaction Privilege Tax (TPT) revenues.		
Purpose of Fund: To pay the debt service on State School Facilities Revenue Bonds issued for new construction. There is no activity in this fund since State School Facilities Revenue Bonds have never been issued.		
Funds Expended	0	0
Year-End Fund Balance	0	0
School Facilities Revenue Bond Proceeds Fund (SFA3325/A.R.S. § 15-2053)		Non-Appropriated
Source of Revenue: Proceeds from the sale of up to \$200,000,000 in revenue bonds that may be issued by SFB if authorized by the Legislature.		
Purpose of Fund: To provide monies for constructing new school facilities. There is no activity in this fund since State School Facilities Revenue Bonds have never been issued.		
Funds Expended	0	0
Year-End Fund Balance	0	0
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 15-2084)		Non-Appropriated
Source of Revenue: Revenues from a 0.6% increase in the state TPT (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
Purpose of Fund: To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
Funds Expended	64,302,800	64,209,400
Year-End Fund Balance	23,410,200	26,945,000
School Improvement Revenue Bond Proceeds Fund (SFA3335/A.R.S. § 15-2083)		Non-Appropriated
Source of Revenue: Proceeds from the sale of up to \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds that were issued by the SFB. <i>(See the Deficiencies Correction Fund for more information on Deficiencies Correction Program funding.)</i>		
Purpose of Fund: To provide monies for correcting existing deficiencies and for bond related expenses. These funds have been entirely expended.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of State - Secretary of State

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	139.1	139.1	139.1
Personal Services	4,757,700	5,078,500	5,078,500
Employee Related Expenditures	2,160,900	2,344,800	2,344,800
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	930,100
Equipment	94,400	162,600	162,600
OPERATING SUBTOTAL	8,519,800	8,607,600	8,607,600
SPECIAL LINE ITEMS			
Election Services	3,661,900	4,437,200	4,437,200
Help America Vote Act (HAVA)	1,610,000	2,934,200	2,934,200
Library Grants-in-Aid	476,100	651,400	651,400
Litigation Costs	0	85,000	0
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
AGENCY TOTAL	14,364,800	16,812,400^{1/}	16,727,400
FUND SOURCES			
General Fund	12,307,900	13,309,400	13,224,400
<u>Other Appropriated Funds</u>			
Election Systems Improvement Fund	1,610,000	2,934,200	2,934,200
Records Services Fund	446,900	568,800	568,800
SUBTOTAL - Other Appropriated Funds	2,056,900	3,503,000	3,503,000
SUBTOTAL - Appropriated Funds	14,364,800	16,812,400	16,727,400
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	23,631,600	23,698,800

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 Baseline includes \$8,607,600 and 127.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$8,038,800
Record Services Fund	568,800

These amounts are unchanged from FY 2012.

Election Services

The Baseline includes \$4,437,200 and 11 FTE Positions from the General Fund in FY 2013 for Election Services. FY 2013 adjustments would be as follows:

Election Year Funding	GF	0
The Baseline 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		

^{1/} 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.

2012. This level of Election Services funding would be similar to the amount allocated for the 2010 election cycle.

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 Baseline includes \$2,934,200 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 are unchanged from FY 2012.

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 Baseline 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.

Litigation Costs

The Baseline includes no funding in FY 2013 from the General Fund for Litigation Costs. FY 2013 adjustments would be as follows:

Funding Elimination **GF** **(85,000)**

The Baseline 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.

Statewide Radio Reading Service for the Blind

The Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Included in the operating lump sum appropriation of \$8,607,600 for FY 2013 is \$5,000 for the purchase of mementos and items for visiting officials.

Any transfer to or from the amount appropriated for the Election Services line item shall require review by the Joint Legislative Budget Committee.

The FY 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, 2014.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

State Rent Payments

Pursuant to Laws 2011, Chapter 27, the Secretary of State will begin to pay rent on the Polly Rosenbaum Archives Building and the Records Management Center in FY 2013. Operating costs for these buildings are included in the Department of Administration's Baseline budget, with \$300,000 being allocated to the operating budget and \$300,000 being allocated to the Utilities SLI. The rent for these buildings will be funded through an increased allocation as part of statewide adjustments. (*Please see the Department of Administration Capital Outlay section for more information.*)

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Address Confidentiality Program Fund (STA2557/A.R.S. § 41-169)		Non-Appropriated
Source of Revenue: An assessment of \$50 imposed on all persons convicted of domestic violence, stalking, or certain sexual offenses.		
Purpose of Fund: To administer the Address Confidentiality Program. This program allows the Secretary of State to establish an alternate public address to protect victims of domestic violence, stalking, and sexual offenses.		
Funds Expended	0	0
Year-End Fund Balance	0	60,000
Arizona Blue Book Revolving Fund (STA2006/A.R.S. § 41-131)		Non-Appropriated
Source of Revenue: Proceeds from the sales of Arizona Blue Books and legislative appropriations.		
Purpose of Fund: To publish the Arizona Blue Book, which contains information about the state's Executive, Legislative, and Judicial Branches.		
Funds Expended	0	0
Year-End Fund Balance	11,100	11,100
Data Processing Acquisition Fund (STA2265/A.R.S. § 41-127)		Non-Appropriated
Source of Revenue: A special recording fee on Uniform Commercial Code filings.		
Purpose of Fund: To defray the cost of improving data processing within the Office of the Secretary of State. Any uncommitted monies in excess of \$250,000 at the close of the calendar year revert to the General Fund.		
Funds Expended	120,200	120,200
Year-End Fund Balance	87,500	42,400
Election Systems Improvement Fund (STA2357/A.R.S. § 41-129)		Appropriated
Source of Revenue: Monies received from the United States government, matching monies from state, county or local governments, legislative appropriations, gifts, grants, and donations. Any monies deposited into the fund in FY 2003 and FY 2004 are appropriated to the Secretary of State. Monies deposited in the fund each subsequent year, including Federal Funds, are subject to legislative appropriation.		
Purpose of Fund: To implement the provisions of the Help America Vote Act (HAVA) (P.L. 107-252). HAVA is federal election reform legislation that imposes several requirements on the states with respect to the conduct of federal elections, including replacement of all punch-card and lever voting machines, implementation of a statewide voter registration database, and implementation of a voting system that meets federal standards.		
Funds Expended	1,610,000	2,934,200
Year-End Fund Balance	14,042,200	3,863,800
Election Training Fund (STA2521/A.R.S. § 16-407.01)		Appropriated
Source of Revenue: Monies received from cities and towns whose employees take election training courses.		
Purpose of Fund: To provide election training to officials from cities and towns.		
Funds Expended	0	0
Year-End Fund Balance	300	600
Federal Grants - American Recovery and Reinvestment Act (ARRA) (STA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department to purchase public access computers and equipment for job training centers at local libraries throughout Arizona. Also, to provide protection for women and their children leaving abusive relationships.		
Funds Expended	145,800	762,200
Year-End Fund Balance*	(100)	226,300
Federal Grants Fund (LAA2000/A.R.S. § 41-1336)		Non-Appropriated
Source of Revenue: Federal grants awarded to the state for library purposes.		
Purpose of Fund: Prescribed by the federal grantor for statewide library purposes.		
Funds Expended	5,437,300	5,332,200
Year-End Fund Balance*	58,200	(607,700)

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Gift Shop Revolving Fund (LAA4008/Laws 1984, Chapter 396)		Non-Appropriated
Source of Revenue: Sale of merchandise at the Capitol Museum Gift Shop.		
Purpose of Fund: To provide for state-related inventory to be sold at the Capitol Museum Gift Shop.		
Funds Expended	89,700	89,700
Year-End Fund Balance	57,800	18,800
Health Care Directives Registry (STA2508/A.R.S. § 36-3297)		Non-Appropriated
Source of Revenue: Donations from private investors.		
Purpose of Fund: To support, promote and maintain the Health Care Directives Registry		
Funds Expended	300	0
Year-End Fund Balance	300	300
Notary Bond Fund (STA3000/A.R.S. § 41-314)		Non-Appropriated
Source of Revenue: The fund receives a portion of the fee collected from the processing of notary bonds.		
Purpose of Fund: To defray the cost associated with the processing and administration of notary bonds.		
Funds Expended	147,500	147,500
Year-End Fund Balance	47,000	900
Notary Education Fund (STA2585/A.R.S. § 41-332)		Appropriated
Source of Revenue: A fee collected from persons attending a mandatory notary training course.		
Purpose of Fund: To defray the cost associated with conducting notary education courses.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Professional Employer Organization Fund (STA2520/A.R.S. § 23-576)		Appropriated
Source of Revenue: Professional Employer Organization (PEO) registration and renewal fees.		
Purpose of Fund: To pay the costs of administering PEO registration and investigating any allegations of malfeasance. Laws 2011, Chapter 343 delayed the implementation of the PEO program until FY 2014.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Records Services Fund (LAA2431/A.R.S. § 41-151.12)		Appropriated
Source of Revenue: Fees collected from state agencies for records storage services.		
Purpose of Fund: To help defray costs of preserving and managing the state of Arizona's public records.		
Funds Expended	446,900	568,800
Year-End Fund Balance	137,800	79,300
Standing Political Committee Administrative Fund (STA2426/A.R.S. § 41-128)		Non-Appropriated
Source of Revenue: Filing fees paid by standing political committees.		
Purpose of Fund: To pay the costs of administering and enforcing the campaign finance laws relating to standing political committees.		
Funds Expended	45,400	16,900
Year-End Fund Balance	15,000	12,200
State Library Fund (LAA2115/A.R.S. § 41-1336)		Non-Appropriated
Source of Revenue: Private donations, private grants and monies collected through charges for reproduction of materials in the Research Division.		
Purpose of Fund: To improve statewide library service.		
Funds Expended	249,200	350,500
Year-End Fund Balance	1,471,800	1,512,900

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

State Boards' Office

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	54,500	54,500
Professional and Outside Services	400	400	400
Other Operating Expenditures	31,800	29,100	29,100
Equipment	9,000	0	0
AGENCY TOTAL	205,800	211,600^{1/}	211,600

FUND SOURCES

Other Appropriated Funds

Special Services Revolving Fund	205,800	211,600	211,600
SUBTOTAL - Other Appropriated Funds	205,800	211,600	211,600
SUBTOTAL - Appropriated Funds	205,800	211,600	211,600
TOTAL - ALL SOURCES	205,800	211,600	211,600

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

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The Baseline includes \$211,600 and 3 FTE Positions from the Special Services Revolving Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012. The breakdown of the FY 2013 State Boards' Office charges by agency is reflected in *Table 1*.

FORMAT — Lump Sum by Agency

Board	FY 2011	FY 2012	FY 2013
Acupuncture Board of Examiners	\$ 17,100	\$ 17,600	\$ 17,600
Board of Barbers	1,500	1,500	1,500
Funeral Directors & Embalmers, State Board of	33,200	34,100	34,100
Homeopathic and Integrated Medicine Examiners, Board of	13,100	13,500	13,500
Naturopathic Physicians Medical Board	54,900	56,300	56,300
Nursing Care Inst. Admin. & Assisted Living Facility Mgrs.	23,300	24,000	24,000
Opticians, State Board of Dispensing	21,900	22,500	22,500
Optometry, State Board of	20,900	21,600	21,600
Physical Therapy Examiners, Board of	100	100	100
Podiatry Examiners, State Board of	19,800	20,400	20,400
Total	\$205,800	\$211,600	\$211,600

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Special Services Revolving Fund (ADA4208/A.R.S. § 35-193.02)		Appropriated
Source of Revenue: Monies are collected from 10 small regulatory boards residing in the State Boards' Office. This is the appropriated portion of a larger fund within the Department of Administration (ADOA). <i>(See the ADOA section for additional fund information.)</i>		
Purpose of Fund: To provide centralized office services, printing, and other administrative or management services.		
Funds Expended	205,800	211,600
Year-End Fund Balance	7,100	0

State Board of Tax Appeals

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	42,600	42,600
Professional and Outside Services	1,100	1,100	1,100
Travel - In State	300	400	400
Other Operating Expenditures	41,600	38,400	38,400
AGENCY TOTAL	249,600	253,400^{1/}	253,400
FUND SOURCES			
General Fund	249,600	253,400	253,400
SUBTOTAL - Appropriated Funds	249,600	253,400	253,400
TOTAL - ALL SOURCES	249,600	253,400	253,400

AGENCY DESCRIPTION — The board consists of 3 members appointed by the Governor. The board provides an independent appeals process for taxpayers with disputes relating to income, sales, use, estate, and luxury tax decisions from the Department of Revenue and resolves jurisdictional disputes between municipalities regarding the imposition of transaction privilege and use taxes.

Operating Budget

The Baseline includes \$253,400 and 4 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

* * *

FORMAT — Lump Sum by Agency

^{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.

State Board of Technical Registration

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	323,000	323,000
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	585,000
Equipment	31,900	4,900	4,900
AGENCY TOTAL	1,537,200	1,834,900^{1/}	1,834,900

FUND SOURCES

<u>Other Appropriated Funds</u>			
Technical Registration Fund	1,537,200	1,834,900	1,834,900
SUBTOTAL - Other Appropriated Funds	1,537,200	1,834,900	1,834,900
SUBTOTAL - Appropriated Funds	1,537,200	1,834,900	1,834,900
TOTAL - ALL SOURCES	1,537,200	1,834,900	1,834,900

AGENCY DESCRIPTION — The agency licenses, investigates, and conducts examinations of architects, assayers (assessors of mineral value), engineers, geologists, home inspectors, land surveyors, and landscape architects.

Operating Budget

* * *

The Baseline includes \$1,834,900 and 23 FTE Positions from the Technical Registration Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Technical Registration Fund (TEA2070/A.R.S. § 32-109)		Appropriated
Source of Revenue: Monies collected by the board from examinations and licensing of architects, assayers (assessors of mineral value), engineers, geologists, land surveyors, landscape architects, and home inspectors. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate architects, assayers, engineers, geologists, land surveyors, landscape architects, and home inspectors, and for board administration.		
Funds Expended	1,537,200	1,834,900
Year-End Fund Balance	1,287,200	1,228,400

^{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.

Office of Tourism

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	10,712,300	14,887,000	14,887,000
TOTAL - ALL SOURCES	10,712,300	14,887,000	14,887,000

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 funding for this agency is provided by a formula that transfers 3.5% of bed taxes, 3% of amusement taxes, and 2% of restaurant taxes collected in the prior year from the General Fund to the Tourism Fund. That formula is currently suspended in law. The agency also receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), as well as a portion of tribal gaming contributions.

Tourism Funding Formula

A.R.S. § 42-5029 provides for an Arizona Office of Tourism (AOT) budget that is based on 3.5% of the gross revenues from bed taxes, 3% of the gross revenues from amusement taxes, and 2% of the gross revenues from restaurant taxes received during the previous fiscal year.

Beginning in FY 2011, the Legislature indefinitely suspended the Tourism Funding Formula and eliminated all General Fund support for AOT. To offset some of this reduction, AOT may divert 50% of monies received from the Arizona Sports and Tourism Authority (AZSTA), pursuant to A.R.S. § 5-835, to 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.

The Tourism Funding Formula remains in statute, but is inactive until legislative authorization is given to reactivate the formula.

* * *

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

50% Diversion of AZSTA Monies

The FY 2011 Revenues Budget Reconciliation Bill (Laws 2010, 7th Special Session, Chapter 12) permitted AOT to use up to 50% of AZSTA monies for their operational and administrative expenses. The provision expires at the end of FY 2012 and all monies will again be required to be used for tourism promotion in Maricopa County, pursuant to A.R.S. § 5-835. In FY 2012, the 50% share that may be diverted is estimated to be \$3,271,200.

Table 1				
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>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	5,695,600 ^{3/}	6,012,400 ^{3/}
Total		\$11,772,200	\$12,237,900^{4/}	\$12,881,800^{4/}
1/ Laws 2010, Chapter 128 makes the tourism funding formula (A.R.S. § 42-5029) inactive until legislative authority is given to reactivate the formula.				
2/ Laws 2010, Chapter 128 allows 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.				

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Tourism Fund (TOA2236/A.R.S. § 41-2306)		Non-Appropriated
Source of Revenue: Transfer from the General Fund to the Tourism Fund of 3.5% of bed taxes, 3% of amusement taxes, and 2% of restaurant taxes collected in the prior year. Laws 2010, 2nd Regular Session, Chapter 128 indefinitely suspended the General Fund transfer beginning in FY 2011. In addition, the Tourism Fund receives a transfer from the Arizona Sports and Tourism Authority (AZSTA) to be used for tourism promotion in Maricopa County. AZSTA receives revenue derived from a 1% increase in the bed tax and a 3.25% increase in the car rental tax. Of this amount, AZSTA is to transfer \$4,000,000 in FY 2002 and increase the transfer amount each year by 5% to the Tourism Fund. Laws 2010, 2nd Regular Session, Chapter 128 allows 50% of AZSTA monies to be spent on operational and administrative purposes for FY 2011 and FY 2012. Finally, the fund receives a portion of tribal gaming contributions, pursuant to Proposition 202.		
Purpose of Fund: To pay for all costs associated with Office of Tourism activities.		
Funds Expended	10,712,300	14,887,000
Year-End Fund Balance	7,261,700	3,824,100
Tourism Workshop Fund (TOA3163/A.R.S. § 41-2307)		Appropriated
Source of Revenue: Workshop registration fees, trade marketing recoveries, advertising recoveries, and other operating revenue.		
Purpose of Fund: To pay for expenses incurred for the annual Governor's Tourism Conference and other projects. There is currently no activity in this fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

Department of Transportation

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	4,548.0	4,548.0	4,548.0
Personal Services	72,477,300	86,148,800	86,148,800
Employee Related Expenditures	35,059,400	44,680,600	44,680,600
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	61,653,200
Equipment	10,421,200	2,219,200	2,219,200
OPERATING SUBTOTAL	206,641,900	201,429,500	201,429,500
SPECIAL LINE ITEMS			
Attorney General Legal Services	2,170,000	2,895,600	2,895,600
Fraud Investigation	398,900	753,900	753,900
Highway Maintenance	120,515,900	126,555,600	126,555,600
New Third Party Funding	497,100	940,100	940,100
Vehicles and Heavy Equipment	18,933,100	27,416,900	27,416,900
AGENCY TOTAL	349,156,900	359,991,600^{1/}	359,991,600
FUND SOURCES			
General Fund	44,500	50,200	50,200
<u>Other Appropriated Funds</u>			
Air Quality Fund	26,400	72,200	72,200
Driving Under the Influence Abatement Fund	148,100	146,900	146,900
Highway User Revenue Fund	338,600	86,880,400	86,880,400
Motor Vehicle Liability Insurance Enforcement Fund	835,400	1,052,600	1,052,600
Safety Enforcement and Transportation Infrastructure Fund	1,647,800	1,866,000	1,866,000
State Aviation Fund	1,585,400	1,577,800	1,577,800
State Highway Fund	325,527,100	239,494,200	239,494,200
Transportation Department Equipment Fund	18,933,100	27,416,900	27,416,900
Vehicle Inspection and Title Enforcement Fund	70,500	1,434,400	1,434,400
SUBTOTAL - Other Appropriated Funds	349,112,400	359,941,400	359,941,400
SUBTOTAL - Appropriated Funds	349,156,900	359,991,600	359,991,600
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	391,981,000	391,981,000

AGENCY DESCRIPTION — The Department of Transportation has jurisdiction over state roads, state airports, and the registration of motor vehicles and aircraft.

Operating Budget

The Baseline includes \$201,429,500 and 3,338 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$50,200
Air Quality Fund	72,200
Driving Under the Influence Abatement Fund	146,900

Highway User Revenue Fund	85,463,900
Motor Vehicle Liability Insurance Enforcement Fund	853,800
Safety Enforcement and Transportation Infrastructure Fund	1,303,500
State Aviation Fund	1,577,800
State Highway Fund	110,605,500
Vehicle Inspection & Title Enforcement Fund	1,355,700

These amounts are unchanged from FY 2012.

^{1/} 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.

Attorney General Legal Services

The Baseline 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 Baseline includes \$753,900 and 10 FTE Positions from the Highway User Revenue Fund in FY 2013 for Fraud Investigation. These amounts are unchanged from FY 2012.

Monies in this line item provide for investigation of fraudulent driver’s license and motor vehicle documents.

Highway Maintenance

The Baseline includes \$126,555,600 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	125,993,100

These amounts are unchanged from FY 2012.

In addition to the \$126,555,600 included for Highway Maintenance, the Proposition 400 Maricopa County half-cent sales tax extension makes another \$11,900,000 available in FY 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.

New Third Party Funding

The Baseline includes \$940,100 and 21 FTE Positions in FY 2013 for New Third Party Funding. These amounts consist of:

Highway User Revenue Fund	662,600
Motor Vehicle Liability Insurance Enforcement Fund	198,800
Vehicle Inspection and Title Enforcement Fund	78,700

These amounts are unchanged from FY 2012.

Monies in this line item provide funding to address workload backlogs and waiting lists for certain third parties.

Vehicles and Heavy Equipment

The Baseline includes \$27,416,900 and 247 FTE Positions from the Transportation Department Equipment Fund in FY 2013 for Vehicles and Heavy Equipment. These amounts are unchanged from FY 2012.

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Of the total amount appropriated, \$126,555,600 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.

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.

Of the \$359,991,600 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.

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.

STATUTORY CHANGES

The Baseline would, as session law, continue to hold the 10 least populated counties harmless for the shift of the Motor Vehicle Division funding from the State Highway Fund to the Highway User Revenue Fund in FY 2013. (Please see the ADOT Capital section at the back of this publication for more information on the Highway User Revenue Fund.)

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Agricultural Youth Organization Special Plate Fund (DTA2548/A.R.S. § 15-791)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona agricultural youth organization special plates, if an entity pays \$32,000 by December 31, 2010. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to the Arizona Department of Transportation (ADOT). ADOT is to annually deposit these monies, excluding administrative fees, to the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	11,700	11,700
Year-End Fund Balance	4,600	9,200
Air Quality Fund (DTA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: An annual \$1.50 air quality fee collected for each vehicle at the time of registration. ADOT is appropriated monies from the Air Quality Fund in the Department of Environmental Quality.		
Purpose of Fund: For tracking the availability and sales of oxygenated fuels to ensure that a sufficient supply is available for non-attainment areas of the state.		
Funds Expended	26,400	72,200
Year-End Fund Balance	1,644,000	1,639,700
Arizona Highways Magazine Fund (DTA2031/A.R.S. § 28-7315)		Non-Appropriated
Source of Revenue: Sales of subscriptions, maps, pamphlets, and other materials, Arizona Highways special plate donations, and interest earnings. The fund can also consist of monies appropriated by the Legislature from the State Highway Fund, not to exceed \$500,000 annually. There are no current appropriations.		
Purpose of Fund: For production and sales of subscriptions, maps, pamphlets, etc. Remaining balances in this revolving fund at the end of a fiscal year shall not revert to the State General or State Highway Fund and expenditures are exempt from statutory allotment provisions.		
Funds Expended	5,379,600	5,018,500
Year-End Fund Balance	1,638,500	1,808,400
Cash Deposits Fund (DTA2266/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Deposits from individuals either bidding at auction on department property or renting department property.		
Purpose of Fund: To hold deposits from individuals bidding on excess land and property for sale at auction, which are either applied against their purchase price or are returned to the individual if their bid is unsuccessful. Also, to hold deposits from individuals who rent department property. Their money is either refunded at the end of their tenancy or is used to offset repairs, if needed.		
Funds Expended	12,500	12,500
Year-End Fund Balance	2,720,600	2,733,100
Arizona Centennial Special Plate Fund (DTA2551/A.R.S. § 28-2448)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the Arizona centennial special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona centennial special plates. ADOT shall use \$32,000 from the State Highway Fund to implement this special plate. The first \$32,000 received shall be reimbursed to the State Highway Fund. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to quarterly allocate monies in this fund, excluding administrative fees, to the Office of Tourism. In FY 2012, the Office of Tourism shall allocate these monies to pay costs related to Arizona Centennial projects and events. In FY 2013 and in each fiscal year thereafter, the director shall annually allocate monies in the fund to the Arizona Historical Society to pay costs related to the maintenance and operations of the Centennial Museum that houses the Mining and Mineral Museum.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Contract Counsel Fund (DTA4212/A.R.S. § 28-6925)		Non-Appropriated
Source of Revenue: An amount of \$30,000 was originally appropriated from the State Highway Fund to the Contract Counsel Fund. The Arizona Department of Administration replenishes expended monies from State Highway Fund monies appropriated for construction of state highways, as ADOT submits itemized statements detailing their expenditures from the Contract Counsel Fund.		
Purpose of Fund: To reimburse the Attorney General for attorneys' services for rights-of-way condemnation cases on federal aid projects.		
Funds Expended	0	0
Year-End Fund Balance	0	0
ADOT Donations Fund (DTA3080/A.R.S. § 28-818)		Partially-Appropriated
Source of Revenue: Federal Funds, donations, monies from this state or any agency of this state for the Bicycle Safety Fund.		
Purpose of Fund: This fund includes 2 smaller funds, the Heavy Vehicle Equipment Licensing Information Fund and the Bicycle Safety Fund. A.R.S. § 28-818 establishes a Bicycle Safety Fund to plan, engineer, construct and maintain bicycle paths. Subject to legislative appropriation, monies in the Bicycle Safety Fund may be used to match federal or local monies spent for these.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	0	0
Driving Under the Influence Abatement Fund (DTA2422/A.R.S. § 28-1304)		Appropriated
Source of Revenue: A fee of \$250 to be paid by every offender convicted of an extreme driving under the influence (DUI) offense. An extreme DUI violation is defined as a person possessing a blood alcohol concentration of 0.15 or greater. Another portion of monies is from civil penalties against an ignition interlock manufacturer or installer who fails to properly report ignition interlock data to the ADOT Director.		
Purpose of Fund: To fund DUI-related programs. The Oversight Council on Driving or Operating Under the Influence Abatement distributes 25% of the revenues to fund pilot programs that use emerging technologies to deter occurrences of driving under the influence, and at least 70% of the monies to fund subdivisions and tribal governments for enforcement purposes and alcohol abuse treatment services. The Arizona Criminal Justice Commission staffs the Council. ADOT and the Department of Public Safety (DPS) receive grant funds from the Council. Not more than 5% of the monies are to be used for administrative purposes.		
Funds Expended	148,100	146,900
Year-End Fund Balance	143,900	137,700
Economic Strength Project Fund (DTA2244/A.R.S. § 28-7282)		Non-Appropriated
Source of Revenue: The fund receives \$1,000,000 each June 15 from the Highway User Revenue Fund and interest from investment of inactive balances.		
Purpose of Fund: For "economic strength" highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board. These are projects that will retain or increase a significant number of jobs, lead to significant capital investment, or make a significant contribution to the economy of this state or within a local authority. Monies remaining in the Economic Strength Project Fund at the end of a fiscal year do not revert to the General Fund. <i>(See the ADOT Capital Outlay Budget section for expenditures.)</i>		
Funds Expended	0	0
Year-End Fund Balance	989,900	1,582,100
Emergency Medical Services Special Plate Fund (DTA6003/A.R.S § 28-2434)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the emergency medical services special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue emergency medical services special plates. ADOT is to allocate fund monies to a nonprofit corporation that pays \$32,000 by December 31, 2014 and is qualified under section 501(c)(3) of the United States Internal Revenue Code for federal income tax purposes. The nonprofit corporation must use the donations for public purposes related to emergency medical services. ADOT has not yet established the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants (DTA2097/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Federal grants, other than aviation federal grants.		
Purpose of Fund: For federal highway construction and maintenance; assistance to elderly and handicapped; rural public transit; technical studies; rail planning and rehabilitation; other planning; highway statistical reporting; fatal accident reporting; safety; commercial driver's license; library updates; and fuel tax evasion. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	1,397,500	1,333,400
Year-End Fund Balance	1,210,400	1,258,200
Global Graduate Management School Special Plate Fund (No Fund Number/A.R.S. § 28-2446)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the global graduate management school special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue global graduate management school special plates, if an entity pays \$32,000 by December 31, 2011. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate these monies, excluding administrative fees, to the entity. These monies are to be allocated to a graduate management school in this state that is focused exclusively on global business. The graduate management school shall use the allocated monies for the graduate management school's operations and activities.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Highway Expansion and Extension Loan Program Fund (DTA2417/A.R.S. § 28-7674)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; monies received from the federal government, state agencies, political subdivisions and Indian tribes; interest; and public or private gifts, grants or donations.		
Purpose of Fund: To create a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects. The fund makes loans to ADOT, cities, and other entities to accelerate highway construction projects. The loans are repaid from future programmed funds for those projects. The fund may be used to pay costs to administer the fund and shall pay costs of an annual financial audit of the fund.		
Funds Expended	83,500	84,100
Year-End Fund Balance	71,693,700	76,566,500
Highway User Revenue Fund (DTA3113/A.R.S. § 28-6533)		Appropriated
Source of Revenue: Transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, interest earnings, and others.		
Purpose of Fund: For various highway related purposes in the state, including distributions to the State Highway Fund which is the primary source for the department's operating budget, to political subdivisions for highway purposes, and to the Motor Vehicle Division for its operating budget. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	338,600	86,880,400
Year-End Fund Balance	93,848,100	93,848,100
Hunger Relief Special Plate Fund (DTA2552/A.R.S. § 28-2441)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the hunger relief special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue hunger relief special plates, if an entity pays \$32,000 by June 30, 2012. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. ADOT is to annually allocate these monies, excluding administrative fees, to the entity. These monies shall be allocated to an organization that operates statewide to coordinate food bank services and that is qualified under section 501(c)(3) of the United States Internal Revenue Code for federal income tax purposes. The organization shall establish a process to distribute the monies annually to organizations that provide food distribution and that are qualified under section 501(c)(3) of the United States Internal Revenue Code for federal income tax purposes.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona International Development Authority Fund (DTA1994/A.R.S. § 41-4505)		Non-Appropriated
Source of Revenue: The fund consists of monies received from the federal government, tolls, fees, gifts, grants, donations from any public or private source, interest earnings, and any other monies received by the Arizona International Development Authority (AIDA).		
Purpose of Fund: To pay costs associated with the administration of the fund and to carry out the requirements of AIDA. Monies in the fund can also be used to provide grants or loans for international transportation and infrastructure projects. ADOT is required to provide staff support to AIDA including general administrative, office, equipment and staff support, using earnings from the fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Law Enforcement Special Plate Fund (No Fund Number/A.R.S. § 28-2437)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the law enforcement special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue law enforcement special plates, if an entity pays \$32,000 by December 31, 2011. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. ADOT is to annually allocate these monies, excluding administrative fees, to the entity that paid the implementation fee. The entity must be an incorporated nonprofit corporation that is qualified under section 501(c)(5) of the United States Internal Revenue Code for federal income tax purposes and must be a professional association that is composed of singular independent police, corrections and detention labor associations in this state and that has a primary mission of representing those associations before the State Legislature and local governments on issues that affect the working law enforcement officer.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Litter Prevention and Cleanup Special Plate Fund (No Fund Number/A.R.S. § 28-2443)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal litter prevention and cleanup special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue litter prevention and cleanup special plates, if an entity pays \$32,000 by December 31, 2011. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. Up to 10% of annual deposits may be used by ADOT to administer the fund. These monies are to be allocated to an entity that is qualified under section 501(c)(3) of the United States Internal Revenue Code, that is associated with the department to assist with litter prevention and litter cleanup and that operates statewide.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Local Agency Deposits Fund (DTA3701/A.R.S. § 28-363)		Non-Appropriated
Source of Revenue: Monies received from local jurisdictions.		
Purpose of Fund: To pay for locally sponsored secondary road construction projects. Any money left after the project is closed out is returned to the local entity. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	903,100	903,100
Year-End Fund Balance	8,966,500	16,324,400
Maricopa Regional Area Road Fund (DTA2029/A.R.S. § 28-6302)		Non-Appropriated
Source of Revenue: The fund consists of all transportation excise taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 that are designated for deposit in the Regional Area Road Fund in Maricopa County, plus proceeds from the sale of bonds, rents, and interest earnings.		
Purpose of Fund: For bond related expenses and for the design, purchase of right-of-way or construction of controlled access highways which are included in the county's regional transportation plan and accepted into the state highway system. Figures exclude expenditures for capital highway construction projects.		
Funds Expended	28,018,600	23,834,800
Year-End Fund Balance	400,941,100	400,941,100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Masonic Fraternity Special Plate Fund (DTA2546/A.R.S. § 28-2435)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the Arizona masonic fraternity special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona masonic fraternity special plates, if an entity pays \$32,000 by December 31, 2010. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate these monies, excluding administrative fees, to the entity. These monies are to be further distributed to statewide charities that are supported by Arizona Masons and that are qualified under section 501(c)(3) of the United States Internal Revenue Code for federal income tax purposes.		
Funds Expended	0	0
Year-End Fund Balance	6,700	13,400
Motor Carrier Safety Revolving Fund (DTA2380/A.R.S. § 28-5203)		Non-Appropriated
Source of Revenue: The fund consists of monies appropriated by the Legislature; fines; forfeitures; fees and taxes applied to all manufacturers, shippers, motor carriers and drivers who transport or cause the transportation of hazardous material; and monies received from private grants or donations.		
Purpose of Fund: To carry out the provisions of the chapter. DPS conducts investigations, the Motor Vehicle Division administers hearings, and the Attorney General enforces civil penalties.		
Funds Expended	0	0
Year-End Fund Balance	74,600	84,600
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: For the department to enforce mandatory motor vehicle liability insurance laws.		
Funds Expended	835,400	1,052,600
Year-End Fund Balance	437,800	973,800
Arizona Professional Baseball Club Special Plate Fund (DTA2540/A.R.S. § 28-2426)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the Arizona professional baseball club special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona professional baseball club special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a private Arizona professional baseball organization's foundation that allocates the monies to programs relating to youth education and development, housing for the homeless or low-income persons and health care for the indigent.		
Funds Expended	156,000	156,000
Year-End Fund Balance	114,900	114,300
Arizona Professional Basketball Club Special Plate Fund (DTA2543/A.R.S. § 28-2432)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the Arizona professional basketball club special plate fee and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona professional basketball club special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a private Arizona professional basketball organization foundation.		
Funds Expended	51,200	51,200
Year-End Fund Balance	23,300	25,200

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Professional Football Club Special Plate Fund (DTA2544/A.R.S. § 28-2433)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the Arizona professional football club special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona professional football club special plates. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate fund monies, excluding administrative fees, through a private Arizona professional football organization foundation.		
Funds Expended	312,200	312,200
Year-End Fund Balance	231,500	332,400
Arizona Professional Hockey Club Special Plate Fund (No Fund Number/A.R.S. § 28-2444)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the Arizona professional hockey club special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona professional hockey club special plates, if an entity pays \$32,000 by December 31, 2011. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate these monies, excluding administrative fees, to the entity. These monies are to be allocated through a private Arizona professional hockey organization's foundation that is qualified under section 501(c)(3) of the United States Internal Revenue Code for federal income tax purposes.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Public Broadcast Television Special Plate Fund (DTA2549/A.R.S. § 28-2445)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the Arizona public broadcast television special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona public broadcast television special plates, if an entity pays \$32,000 by December 31, 2011. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. Up to 10% of annual deposits may be used by ADOT to administer the fund. ADOT is to annually allocate these monies, excluding administrative fees, to the entity. These monies are to be allocated to a foundation of public broadcast television in this state. The foundation must be a charitable organization that is qualified under section 501(c)(3) of the United States Internal Revenue Code for federal income tax purposes.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Railroad Review Fund (DTA2493/A.R.S. § 28-9401)		Non-Appropriated
Source of Revenue: Fees assessed and collected by the department from the proponent of a proposed major railroad project.		
Purpose of Fund: For the department to pay the cost of evaluating a proposed major railroad project, including the cost of consultants, the review process and hearings. Any unused portion of the fees collected is refunded to the railroad.		
Funds Expended	4,700	154,700
Year-End Fund Balance	160,400	5,700
Rental Tax and Bond Deposit Fund (DTA3737/A.R.S. § 28-371)		Non-Appropriated
Source of Revenue: Cash deposits from motor carrier and use fuel taxpayers, and portions of rent that the department collects.		
Purpose of Fund: To hold cash deposits from motor carrier and use fuel taxpayers who choose to make cash deposits instead of providing surety bonds to guarantee their fee payments. Any money remaining in a taxpayer's account would be returned to the taxpayer. To hold the county property tax portion of rent on department properties, which is forwarded to the appropriate county tax office. Also, to hold the privilege tax portion of rent on the department's commercial properties, which is forwarded to the Department of Revenue.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Safety Enforcement and Transportation Infrastructure Fund (DTA2108/A.R.S. § 28-6547)		Appropriated
Source of Revenue: Fees for commercial vehicle permits collected at southern ports of entry on the border with Mexico and interest earnings.		
Purpose of Fund: To enforce vehicle safety requirements by DPS and ADOT, and maintain and construct transportation facilities within 25 miles of the Arizona-Mexico border. To improve vehicle congestion at Mexican border ports of entry, and obtain Federal Funds for Safety Enforcement and Transportation Infrastructure Fund (SETIF) purposes. Also to maintain and construct transportation facilities in the Canada to Mexico (CANAMEX) trucking and trade corridor, which came about as a result of the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico. In addition, ADOT may provide SETIF monies to the Arizona-Mexico Commission, Arizona Department of Homeland Security, and AIDA for certain SETIF-related purposes.		
Funds Expended	1,647,800	1,866,000
Year-End Fund Balance	1,720,900	1,052,200
Shared Location and Advertising Agreements Expense Fund (DTA2414/A.R.S. § 28-409)		Non-Appropriated
Source of Revenue: The fund consists of monies received from agreements with public and private entities for services located in department offices or to advertise those entities' goods and services.		
Purpose of Fund: To partially offset the department's cost of providing a location or advertising. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	97,600	97,600
State Aviation Fund (DTA2005/A.R.S. § 28-8202)		Appropriated
Source of Revenue: Flight property tax, aircraft registration fees, license taxes, fuel taxes, the sale of abandoned aircraft, receipts from airports operated by the department, and interest earnings.		
Purpose of Fund: For the administration of aviation laws, the operation and maintenance of state-owned airports, and capital projects at publicly-owned and operated airports of political subdivisions.		
Funds Expended	1,585,400	1,577,800
Year-End Fund Balance	11,155,500	10,955,400
State Highway Fund (DTA2030/A.R.S. § 28-6991)		Appropriated
Source of Revenue: Monies distributed from the Highway User Revenue Fund, certain vehicle fees which are deposited directly to the State Highway Fund, interest earnings, appropriations by the Legislature, and donations.		
Purpose of Fund: For the department's operating budget, the acquisition of right-of-way, construction and maintenance of state highways and roads, and other highway related projects. Monies in the Statewide Transportation Acceleration Needs (STAN) Account of the State Highway Fund are used to accelerate certain highway projects and are divided 60% for Maricopa County, 16% for Pima County and 24% for all other counties. The expended funds only reflect operating expenses. <i>(Please see the Highway User Revenue Fund Distribution chart in the ADOT Capital section for non-operating expenditures.)</i>		
Funds Expended	325,527,100	239,494,200
Year-End Fund Balance	227,545,400	227,545,400
Statewide Employee Recognition Gifts/Donations Fund (DTA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
Funds Expended	23,800	20,000
Year-End Fund Balance	14,900	19,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Transplantation Awareness Fund (DTA2545/A.R.S. § 28-2419)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the transplantation awareness special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue transplant awareness special plates. ADOT is to annually allocate fund monies to a private coalition selected by the director, that is qualified under section 501(c)(3) of the United States Internal Revenue Code for federal income tax purposes and that has a mission of promoting transplant awareness.		
Funds Expended	97,200	97,200
Year-End Fund Balance	39,600	34,200
Transportation Department Equipment Fund (DTA2071/A.R.S. § 28-7006)		Appropriated
Source of Revenue: Equipment rental, sale at auction, insurance recoveries, donations, interest earnings, and monies appropriated by the Legislature (for purchase, repairs and maintenance).		
Purpose of Fund: For ownership, maintenance, service or repair of equipment and consumable material including administrative expenses.		
Funds Expended	18,933,100	27,416,900
Year-End Fund Balance*	1,577,000	(1,455,100)
Underground Storage Tank Revolving Fund (DTA3728/A.R.S. § 28-6008)		Non-Appropriated
Source of Revenue: The fund consists of Underground Storage Tank taxes paid by persons liable for motor/aviation fuel taxes; or persons who refine, manufacture or produce compounds, blend or import diesel (liquid petroleum).		
Purpose of Fund: For department administrative expenses. Per subsections A and B of A.R.S. § 28-1599.45, "the director acts only as a collecting agent for the Director of the Department of Environmental Quality and assumes no responsibility for the underlying tax liability." The department retains only administrative costs as determined by an intergovernmental agreement between ADOT and the Department of Environmental Quality.		
Funds Expended	0	0
Year-End Fund Balance	3,070,500	2,370,000
Vehicle Inspection and Title Enforcement Fund (DTA2272/A.R.S. § 28-2012)		Appropriated
Source of Revenue: Fees of \$20 and \$50 for performing more detailed level 2 and level 3 inspections of vehicle identification numbers, before issuing restored salvage titles on repaired salvage and similar vehicles.		
Purpose of Fund: To defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues. A portion of the revenues are transferred to DPS for investigations concerning automobile theft.		
Funds Expended	70,500	1,434,400
Year-End Fund Balance	1,617,700	1,896,600
Youth Development Organization Special Plate Fund (DTA2550/A.R.S. § 28-2438)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal of the youth development organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue youth development organization special plates, if an entity pays \$32,000 by December 31, 2011. The first \$32,000 received shall be reimbursed to the entity that paid the implementation fee to ADOT. ADOT is to annually allocate these monies, excluding administrative fees, to the entity that paid the implementation fee. The entity must be an incorporated nonprofit corporation that is qualified under section 501(c)(3) of the United States Internal Revenue Code for federal income tax purposes and must be a youth development organization.		
Funds Expended	0	0
Year-End Fund Balance	0	0

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

State Treasurer

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	29.4	29.4	29.4
Personal Services	1,477,700	1,537,700	1,537,700
Employee Related Expenditures	535,100	580,200	580,200
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	270,200
OPERATING SUBTOTAL	2,481,400	2,580,800	2,580,800
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	3,795,900^{1/}	5,879,700
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	0
State Retirement System Administration Account	0	50,000	0
State Treasurer's Management Fund	44,700	87,300	87,300
State Treasurer's Operating Fund	2,436,700	2,493,500	2,493,500
SUBTOTAL - Other Appropriated Funds	2,481,400	2,680,800	4,764,600
SUBTOTAL - Appropriated Funds	3,564,500	3,795,900	5,879,700
Other Non-Appropriated Funds	5,141,100	5,141,100	5,141,100
TOTAL - ALL SOURCES	8,705,600	8,937,000	11,020,800

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

Operating Budget

The Baseline includes \$2,580,800 and 29.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
State Treasurer's Operating Fund	\$2,493,500
State Treasurer's Management Fund	87,300

These amounts are unchanged from FY 2012.

Justice of the Peace Salaries

The Baseline 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.

Prior to FY 2012, A.R.S. § 22-117 required the state to pay 40% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to Maricopa County, which pays 100% of its JP costs. Since FY 2003, there have been a series of annual session law provisions requiring the state to pay a lower percentage of JP salaries. The FY 2012 Criminal Justice Budget Reconciliation Bill (Laws 2011, Chapter 33)

^{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.

permanently reduced the state share of the Non-Maricopa County Justice of the Peace Salaries to 19.25%.

Law Enforcement/Boating Safety Fund Grants

The Baseline 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. FY 2013 adjustments would be as follows:

Transfer LEBSF Administration OF 2,183,800 to Treasurer

The Baseline includes an increase of \$2,183,800 from the Law Enforcement and Boating Safety Fund in FY 2013 to shift the administration of the Law Enforcement and Boating Safety Fund from the Arizona Outdoor Recreation Coordinating Commission (AORCC) in the State Parks Board budget to the Treasurer.

Laws 2011, Chapter 333 removes the requirement that grants be distributed by the 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.

Retirement System Study Committee

The Baseline includes no funding in FY 2013 for the Retirement System Study Committee. FY 2013 adjustments would be as follows:

Elimination of One-Time Funding OF (100,000)

The Baseline 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 ASRS and PSPRS to determine the feasibility of making certain changes to the existing system. The Committee is required to report on its findings by December 31, 2012. The monies are exempt from A.R.S. § 35-190 relating to the lapsing of appropriations and all remaining unexpended and unencumbered monies on September 30, 2013 revert to the fund from which they were appropriated.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Commission of African-American Affairs Fund (AMA2397/A.R.S. § 41-533)		Non-Appropriated
Source of Revenue: Gifts, grants, and fees from the Arizona African-American town hall.		
Purpose of Fund: To pay for the operating costs of the Arizona Commission of African-American Affairs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Border Security Trust Fund (TRA2549/A.R.S. § 41-108)		Appropriated
Source of Revenue: Public and private donations, beginning in FY 2012.		
Purpose of Fund: To provide funding for the construction of a fence along the Arizona-Mexico border. The level of FY 2012 donations and expenditures is yet to be determined.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Criminal Justice Enhancement Fund (TRA3702/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers and county jail operational enhancement.		
Funds Expended	5,141,100	5,141,100
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Law Enforcement and Boating Safety Fund (TRA2111/A.R.S. § 5-383)		Appropriated
Source of Revenue: A portion of watercraft licensing taxes.		
Purpose of Fund: To provide grants to county law enforcement agencies for water and boating safety programs. Laws 2011, Chapter 333 moves the Law Enforcement and Boating Safety Fund from the State Parks Board to the State Treasurer effective July 1, 2012. The Treasurer distributes grants based on a formula determined by the Game and Fish Commission.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Public Safety Personnel Retirement System Investment and Administrative Expenses Account (TRA9901/Laws 2011, Chapter 357)		Appropriated
Source of Revenue: A one-time transfer from the Public Safety Personnel Retirement System Investment and Administrative Expenses Account.		
Purpose of Fund: To allow the Treasurer to implement and staff the Defined Contribution and Retirement System Study Committee (Laws 2011, Chapter 357 appropriated \$50,000 for this purpose). The Committee is tasked with evaluating the 4 defined-benefit retirement plans 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. Any monies remaining unexpended or unencumbered on September 30, 2013 revert to the Public Safety Personnel Retirement System.		
Funds Expended	0	50,000
Year-End Fund Balance	0	0
State Retirement System Administration Account (TRA1407/Laws 2011, Chapter 357)		Appropriated
Source of Revenue: A one-time transfer from the State Retirement System Administration Account.		
Purpose of Fund: To allow the Treasurer to implement and staff the Defined Contribution and Retirement System Study Committee (Laws 2011, Chapter 357 appropriated \$50,000 for this purpose). The Committee is tasked with evaluating the 4 defined-benefit state retirement plans 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. Any money remaining unexpended or unencumbered on September 30, 2013 reverts to the Arizona State Retirement System Administrative Account.		
Funds Expended	0	50,000
Year-End Fund Balance	0	0
State Treasurer's Management Fund (TRA3799/A.R.S. § 35-326.01)		Appropriated
Source of Revenue: A portion of management fees paid by the General Fund, state agencies, cities, towns, tribal governments, counties and political subdivisions of the state, not to exceed the amount appropriated by the Legislature.		
Purpose of Fund: To provide funding for the administrative expenses associated with managing LGIP.		
Funds Expended	44,700	87,300
Year-End Fund Balance	129,000	129,000
State Treasurer's Operating Fund (TRA3795/A.R.S. § 35-316)		Appropriated
Source of Revenue: A portion of management fee collections not to exceed 0.06% from the earnings on investment pools other than permanent endowment funds.		
Purpose of Fund: To provide funding for the operating expenses of the agency.		
Funds Expended	2,436,700	2,493,500
Year-End Fund Balance	58,300	49,400

Arizona Board of Regents

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	521,300	521,300
Professional and Outside Services	62,400	62,400	62,400
Other Operating Expenditures	351,700	330,600	330,600
OPERATING SUBTOTAL	2,371,400	2,350,300	2,350,300
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Math and Science Teacher Initiative	132,000	0	0
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	125,000	125,000	125,000
WICHE Student Subsidies	4,096,700	4,106,000	4,106,000
AGENCY TOTAL	17,070,000	16,926,200^{1/}	16,926,200
FUND SOURCES			
General Fund	17,070,000	16,926,200	16,926,200
SUBTOTAL - Appropriated Funds	17,070,000	16,926,200	16,926,200
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	25,916,700	23,172,000

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.

Operating Budget

The Baseline includes \$2,350,300 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 Baseline 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 Baseline 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.

Student Financial Assistance

The Baseline includes \$10,041,200 from the General Fund in FY 2013 for Student Financial Assistance. This amount is unchanged from FY 2012.

^{1/} In addition to these amounts, a total of \$70,100 GF is appropriated in FY 2012 for costs associated with an additional pay period.

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 2012 Higher Education Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 30) suspended the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2012. *(Please see the Statutory Changes section for more information.)*

AFAT retains 25% of all annual receipts as an endowment. ABOR distributes the remaining monies, proportionally to each university's respective contribution, to provide immediate assistance for needy in-state students. In FY 2011, AFAT disbursed \$16,230,100 in financial aid.

Western Interstate Commission Office

The Baseline 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 Baseline 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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

ABOR Specific Standard Footnotes

Within 10 days of the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit an expenditure plan for review to the Joint Legislative Budget Committee. The expenditure plan shall include any tuition revenue amounts that are greater than the appropriated amounts and all retained tuition and fee revenue expenditures for the current fiscal year. The additional revenue expenditure plan shall provide as much detail as the university budget requests.

Universitywide Standard Footnotes

The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

Any unencumbered balances remaining in the collections account on June 30, 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.

STATUTORY CHANGES

The Baseline would:

- 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 AFAT. Based on student fees contributed to AFAT in FY 2011, the state's match would grow to \$16,147,600 or an increase of \$6,106,400 over the current appropriation in FY 2013.
- As session law in the General Appropriation Act, continue the FY 2012 \$200,000,000 universitywide payment deferral to the universities from FY 2013 to FY 2014.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Funding Structure Collaboration

The FY 2012 Higher Education BRB required ABOR and the universities to collaborate and recommend: 1) a funding structure that includes performance and outcome

based funding, 2) a student-centered financial aid model, and 3) a method that addresses the issue of per student funding disparities among the 3 universities. These recommendations were to be included in the FY 2013 agency budget submittals.

Performance and Outcome Based Funding

Funding for the performance and outcome based model was not included in the FY 2013 budget submittals as it is still being developed. According to ABOR and the universities, the funding formula recommendation will include 3 components, which are base funding, adjustments to the base, and cumulative performance funding. The base funding has not yet been determined. Adjustments to the base would be funding issues (also known as decision packages) approved by the Legislature. Cumulative performance funding would include 3 components, which are increases in the number of degrees awarded (weighted by level and cost), increases in the number of completed student hours (weighted by level and cost), and increases in external research and public service funding. This funding model would replace the existing enrollment formula (see the discussion in the next section).

Student-Centered Financial Aid Model

Funding for a student-centered financial aid model was also not included in the FY 2013 budget submittals. According to ABOR and the universities, the following 4 options for Arizona resident students have been identified: 1) a need-linked, performance-based program, 2) a workforce contingent loan forgiveness program, 3) implementation of financial literacy programs statewide, and 4) a portable tuition/grant or voucher program.

Per Student Funding Disparities

According to ABOR and the universities, ASU receives \$5,702 of General Fund monies per FTE, NAU receives \$5,804, and UA receives \$6,598, which is based on FY 2011 General Fund appropriations and 45th day FY 2011 FTE counts. These amounts exclude the Research Infrastructure Lease-Purchase Payment Special Line Item (SLI), the UA Health Sciences Center, UA’s Arizona Cooperative Extension SLI, agriculture research, and certain overhead expenditures.

In order to align ASU’s and NAU’s General Fund per student funding to that of UA, ABOR requested \$15,373,700 from the General Fund in FY 2013 for the first year of a 5-year phase-in to address parity funding for ASU and NAU. In total over the 5-year period, \$76,368,500 from the General Fund is being requested, of which \$59,855,500 would be for ASU and \$16,513,000 for NAU.

System Enrollment Funding Formula

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

<u>Academic Level</u>	<u>Credit Hours/FTE</u>
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted 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.

	FY 2013 Summary of Spending Authority					
	Appropriated Funds			Non-Appropriated Funds		
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	Total
ABOR	\$ 16,926,200	\$ 0	\$ 0	\$ 1,306,300	\$ 4,939,500	\$ 23,172,000
ASU-Tempe/DPC	247,742,900	468,010,300	0	294,312,000	706,064,000	1,716,129,200
ASU-East	19,076,800	37,924,800	2,000,000	6,097,000	15,714,000	80,812,600
ASU-West	33,159,600	31,330,800	1,600,000	4,046,000	16,150,000	86,286,400
NAU	101,861,800	99,660,700	0	77,483,000	200,000,900	479,006,400
UA-Main	208,367,000	256,404,000	0	264,659,200	841,971,600	1,571,401,800
UA-Health Sciences	55,334,300	41,786,200	0	105,561,500	161,759,500	364,441,500
Total	\$682,468,600	\$935,116,800	\$3,600,000	\$753,465,000	\$1,946,599,500	\$4,321,249,900

^{1/} Includes FY 2013 estimated tuition and fee revenues.

Table 2**FY 2013 Arizona University System
Enrollment Growth Funding**

	Unfunded - General Fund ^{1/}	Funded - Other Fund ^{2/}
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	<u>511,200</u>	<u>632,200</u>
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.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment calculation, each campus's out-of-state students were not included in the above enrollment funding formula calculation.

Table 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.

Table 3**FY 2013 Arizona University System Enrollment**

	In-State Students ^{1/}	Out-of- State Students	Total Enrollment
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	<u>1,636</u>	<u>435</u>	<u>2,071</u>
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.

Other University System Summary Tables

Table 4 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2011 to FY 2012 as FY 2013 amounts have not yet been determined.

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 \$1,529,413,500 in FY 2013.

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.

Payment Deferral

The Baseline 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	<u>(10,064,800)</u>
ASU Subtotal	(90,575,400)
NAU	(30,494,800)
UA-Main	(62,153,100)
UA-HSC	<u>(16,776,700)</u>
UA Subtotal	<u>(78,929,800)</u>
Total	\$(200,000,000)

Table 4

**Arizona University System
FY 2011 to FY 2012 Undergraduate Tuition and Fees Changes ^{1/}**

	<u>Resident ^{2/}</u>				<u>Non-Resident ^{2/}</u>			
	<u>FY 2011</u>	<u>FY 2012</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>\$ Change</u>	<u>% Change</u>
ASU-Tempe/DPC	\$6,942 to \$8,128	\$8,355 to \$9,716	\$1,413 to \$1,588	20.4% to 19.5%	\$20,592	\$22,315	\$1,723	8.4%
ASU-East/West	\$6,708 to \$8,128	\$8,077 to \$9,716	\$1,369 to \$1,588	20.4% to 19.5%	\$20,592	\$22,315	\$1,723	8.4%
NAU	\$5,848 to \$7,667	\$5,960 to \$8,824	\$112 to \$1,157	1.9% to 15.1%	\$16,946 to \$20,067	\$17,058 to \$20,179	\$112	0.6%
NAU-Distance Ed.	\$4,500 to \$6,131	\$4,803 to \$6,317	\$303 to \$186	6.7% to 3.0%	\$13,887 to \$17,264	\$14,283 to \$17,650	\$396 to \$386	2.9% to 2.2%
UofA-Main/HSC	\$8,237	\$10,035	\$1,798	21.8%	\$24,596	\$25,494	\$898	3.7%
UofA-South	\$6,652	\$7,941	\$1,289	19.4%	\$24,382	\$25,071	\$689	2.8%

^{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 Actual</u>	<u>FY 2012 Estimate</u>	<u>FY 2013 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
Total	\$1,259,812,700	\$1,487,268,500	\$1,529,413,500

^{1/} The source for these non-appropriated amounts are the universities' FY 2013 budget requests. The appropriated amount includes all FY 2013 estimated tuition collections and fees.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-522)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting. Pass-through funds totaled \$4,420,800 in FY 2011 and are expected to be the same in both FY 2012 and FY 2013.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Fund (BRA2000/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support pre-service, retraining, and in-service educational programs improving the instructional and management skills of K-12 and vocational school teachers and administrators, with an emphasis on core subjects.		
Funds Expended	837,200	1,357,700
Year-End Fund Balance	51,400	0
Mathematics, Science, and Special Education Teacher Student Loan Fund (BRA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of previously issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree in mathematics, science, and special education at a state university and who agree to a service commitment to teach in a public school. General Fund expenditures are not displayed to avoid double counting. The Education Omnibus Bill (Laws 2010, Chapter 332) shifts the administrative responsibilities of the program from the Arizona Board of Regents (ABOR) to the Commission for Postsecondary Education and broadens the participating schools to include any qualifying postsecondary institution beginning in FY 2012.		
Funds Expended	0	0
Year-End Fund Balance	256,800	0
Regents Local Fund (BRA1/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained tuition from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	1,954,700	3,791,200
Year-End Fund Balance	1,186,500	0
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: A portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute. Total receipts were \$53,771,100 in FY 2011 and are estimated to be \$57,135,300 in FY 2012.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	576,900	1,857,700
Year-End Fund Balance	878,200	20,500
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively. Total land earnings were \$1,960,600 in FY 2011 and are estimated to be \$1,960,400 in FY 2012 and FY 2013.		
Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. The displayed expenditures represent only that portion of trust land earnings transferred to university endowments to support outstanding faculty. ABOR transfers all other trust land earnings to University Collections Funds, which reflect those monies.		
Funds Expended	2,271,800	1,983,900
Year-End Fund Balance	23,500	0

Arizona State University - Tempe/DPC

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	6,868.8	6,097.9	6,097.9
Personal Services	356,517,700	345,445,100	345,445,100
Employee Related Expenditures	108,542,400	111,217,600	111,217,600
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	67,080,800
Equipment	23,877,000	21,325,100	21,325,100
OPERATING SUBTOTAL	577,340,400	590,408,600	601,290,800
SPECIAL LINE ITEMS			
Biomedical Informatics	1,921,900	1,955,200	1,955,200
Downtown Phoenix Campus	85,073,600	95,718,400	98,952,200
Research Infrastructure Lease-Purchase Payment	13,555,000	13,555,000	13,555,000
AGENCY TOTAL	677,890,900	701,637,200^{1/}	715,753,200
FUND SOURCES			
General Fund	326,349,100	247,742,900	247,742,900
<u>Other Appropriated Funds</u>			
University Collections Fund	351,541,800	453,894,300	468,010,300
SUBTOTAL - Other Appropriated Funds	351,541,800	453,894,300	468,010,300
SUBTOTAL - Appropriated Funds	677,890,900	701,637,200	715,753,200
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	1,684,643,800	1,716,129,200

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 Baseline includes \$601,290,800 and 5,293.7 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$209,971,500
University Collections Fund	391,319,300

FY 2013 adjustments will be as follows:

Enrollment Growth OF 10,882,200

The Baseline includes an increase of \$10,882,200 from the University Collections Fund in FY 2013 for enrollment growth. The Baseline includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of

\$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.

^{1/} 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.

Biomedical Informatics

The Baseline 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. It was announced in February 2011 that this department would be moving from the Downtown Phoenix Campus to Mayo Clinic's hospital in Phoenix over the summer.

Downtown Phoenix Campus

The Baseline includes \$98,952,200 and 790 FTE Positions in FY 2013 for programs headquartered at the Downtown Phoenix Campus (DPC). These amounts consist of:

General Fund	22,261,200
University Collections Fund	76,691,000

FY 2013 adjustments would be as follows:

Enrollment Growth OF 3,233,800

The Baseline includes an increase of \$3,233,800 from the University Collections Fund in FY 2013 for enrollment growth. The Baseline includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$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 Baseline 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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

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.

It is the intent of the Legislature that the General Fund base funding for Arizona State University - Tempe and Downtown Phoenix Campuses is \$234,187,900, includes a deferral of \$74,760,400 from FY 2013 to FY 2014 and the \$13,555,000 Laws 2003, Chapter 267 lease-purchase appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Lake Havasu Campus

Beginning in the fall of 2012, ASU will be offering classes in Lake Havasu. The classes will be offered at a former middle school, which ASU will lease from the Lake Havasu Unified School District. Four-year, undergraduate degrees will be offered on this campus. It is expected that the resident tuition rate will be 45% lower than the current campus rate, and the non-resident rate will be 59% lower than the current campus rate.

Payment Deferral

The Baseline 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 Baseline is \$247,742,900. Of this amount:

- \$159,427,500 would be 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	143,200,500	106,182,700
Year-End Fund Balance	22,463,300	20,823,500
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	357,088,200	475,883,100
Year-End Fund Balance	266,457,000	255,089,400
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	19,900	0
Year-End Fund Balance	91,075,100	91,075,100
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	260,244,500	284,023,400
Year-End Fund Balance	0	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	866,900	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	311,400	327,000
Year-End Fund Balance	14,604,900	15,546,100

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	291,500	0
Year-End Fund Balance	13,576,200	13,576,200
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	105,564,800	116,173,500
Year-End Fund Balance	32,461,900	38,694,600
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. The fund will be comprised of no more than 80% Lottery revenues and at least 20% state university system revenues. (<i>Please see the Capital Outlay ABOR Building System narrative for more information.</i>)		
Funds Expended	247,600	416,900
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	351,541,800	453,894,300
Year-End Fund Balance	0	0

Arizona State University - East Campus

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	526.1	424.0	424.0
Personal Services	28,345,400	24,665,100	24,665,100
Employee Related Expenditures	7,972,900	7,994,300	7,994,300
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	5,612,200
Equipment	963,900	814,200	814,200
OPERATING SUBTOTAL	57,697,700	55,732,500	56,084,600
SPECIAL LINE ITEMS			
Research Infrastructure Lease-Purchase Payment	917,000	917,000	917,000
TRIF Lease-Purchase Payment	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	60,614,700	58,649,500^{1/}	59,001,600
FUND SOURCES			
General Fund	25,101,300	19,076,800	19,076,800
<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
SUBTOTAL - Other Appropriated Funds	35,513,400	39,572,700	39,924,800
SUBTOTAL - Appropriated Funds	60,614,700	58,649,500	59,001,600
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	79,969,200	80,812,600

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.

Operating Budget

The Baseline includes \$56,084,600 and 424 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$18,159,800
University Collections Fund	37,924,800

FY 2013 adjustments would be as follows:

Enrollment Growth OF 352,100

The Baseline includes an increase of \$352,100 from the University Collections Fund in FY 2013 for enrollment growth. The Baseline includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of

\$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.

Research Infrastructure Lease-Purchase Payment

The Baseline includes \$917,000 from the General Fund in FY 2013 for the Research Infrastructure Lease-Purchase

^{1/} 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.

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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for Arizona State University - East Campus is \$18,159,800, which includes a deferral of \$5,750,200 from FY 2013 to FY 2014 and the \$917,000 Laws 2003, Chapter 267 lease-purchase appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 Baseline is \$19,076,800. Of this amount:

- \$12,409,600 would be 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	577,200	680,400
Year-End Fund Balance	605,900	757,000
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	7,654,300	11,368,200
Year-End Fund Balance	13,125,800	11,472,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,500	0
Year-End Fund Balance	1,410,200	1,410,200
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	5,379,600	5,784,900
Year-End Fund Balance	0	0
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	0	0
Year-End Fund Balance	27,600	27,600
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	2,651,000	3,486,200
Year-End Fund Balance	1,650,800	1,462,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		Appropriated
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
Purpose of Fund: To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	2,000,000	2,000,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	33,513,400	37,572,700
Year-End Fund Balance	0	0

Arizona State University - West Campus

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	10,824,100	10,824,100
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	3,089,600
Equipment	1,984,400	1,799,000	1,799,000
OPERATING SUBTOTAL	73,356,800	65,438,300	64,490,400
SPECIAL LINE ITEMS			
TRIF Lease-Purchase Payment	1,600,000	1,600,000	1,600,000
AGENCY TOTAL	74,956,800	67,038,300^{1/}	66,090,400
FUND SOURCES			
General Fund	43,935,700	33,159,600	33,159,600
<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
SUBTOTAL - Other Appropriated Funds	31,021,100	33,878,700	32,930,800
SUBTOTAL - Appropriated Funds	74,956,800	67,038,300	66,090,400
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	86,863,800	86,286,400

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 Baseline includes \$64,490,400 and 562.9 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$33,159,600
University Collections Fund	31,330,800

FY 2013 adjustments would be as follows:

Enrollment Growth OF (947,900)

The Baseline includes a decrease of \$(947,900) from the University Collections Fund in FY 2013 for enrollment growth. The Baseline 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.

TRIF Lease-Purchase Payment

The Baseline 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.

^{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

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for Arizona State University - West Campus is \$33,159,600, includes a deferral of \$10,064,800 from FY 2013 to FY 2014.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 Baseline is \$33,159,600. Of this amount:

- \$23,094,800 was included in ASU-West’s individual section of the FY 2012 General Appropriation Act.
- \$10,064,800 was appropriated in the FY 2012 General Appropriation Act (Laws 2011, Chapter 24) to reflect the deferral of FY 2012 monies to FY 2013.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	764,600	607,000
Year-End Fund Balance	904,800	772,200
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	7,452,400	10,277,400
Year-End Fund Balance	14,721,700	14,002,800
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	1,900	0
Year-End Fund Balance	3,034,800	3,034,800
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	3,627,200	3,839,300
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	0	0
Year-End Fund Balance	4,300	4,300
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	9,303,300	5,101,800
Year-End Fund Balance	3,634,000	3,812,700
Technology and Research Initiative Fund (UNI2472/A.R.S. § 15-1648)		Appropriated
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute.		
Purpose of Fund: To make lease-purchase payments on certificates of participation used for technology and research capital projects.		
Funds Expended	1,600,000	1,600,000
Year-End Fund Balance	0	0
University Collections Fund (ASA1411/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	29,421,100	32,278,700
Year-End Fund Balance	0	0

Northern Arizona University

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,989.0	2,057.2	2,057.2
Personal Services	127,554,900	124,426,200	124,426,200
Employee Related Expenditures	41,264,800	42,141,500	42,141,500
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	20,654,700
Equipment	1,605,300	1,039,800	1,039,800
OPERATING SUBTOTAL	203,594,300	188,729,900	190,651,700
SPECIAL LINE ITEMS			
NAU - Yuma	3,133,900	2,970,800	2,970,800
Research Infrastructure Lease-Purchase Payment	5,900,000	5,900,000	5,900,000
Teacher Training	2,000,000	2,000,000	2,000,000
AGENCY TOTAL	214,628,200	199,600,700	199,600,700
FUND SOURCES			
General Fund	133,118,100	101,861,800	101,861,800
<u>Other Appropriated Funds</u>			
University Collections Fund	81,510,100	97,738,900	99,660,700
SUBTOTAL - Other Appropriated Funds	81,510,100	97,738,900	99,660,700
SUBTOTAL - Appropriated Funds	214,628,200	199,600,700	201,522,500
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	472,603,200	479,006,400

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 Baseline includes \$190,651,700 and 2,027.8 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$90,991,000
University Collections Fund	99,660,700

FY 2013 adjustments would be as follows:

Enrollment Growth OF 1,921,800

The Baseline includes an increase of \$1,921,800 from the University Collections Fund in FY 2013 for enrollment growth. The Baseline 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.

NAU - Yuma

The Baseline includes \$2,970,800 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 Baseline 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 Baseline 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

The appropriated amount for the Teacher Training line item shall be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the Arizona Mentor Teacher program prescribed by the State Board of Education.

It is the intent of the Legislature that the General Fund base funding for Northern Arizona University is \$101,861,800, which includes a deferral of \$30,494,800 from FY 2013 to FY 2014 and the \$5,900,000 in Laws 2003, Chapter 267 lease-purchase appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 2012. (Please see ABOR for more information.)

The FY 2013 General Fund Baseline is \$101,861,800. Of this amount:

- \$65,467,000 would be 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	66,719,800	73,367,400
Year-End Fund Balance*	2,415,600	(9,361,600)

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	74,253,400	88,873,000
Year-End Fund Balance	85,161,400	50,414,600
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To accumulate earnings to a level that will support a financial aid program.		
Funds Expended	0	0
Year-End Fund Balance	18,367,000	19,538,000
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	74,427,600	75,171,900
Year-End Fund Balance	0	0
Federal Grants – American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	291,700	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	1,528,600	1,544,000
Year-End Fund Balance	5,731,200	6,749,400
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	830,100	838,400
Year-End Fund Balance	3,113,200	3,962,600
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	235,100	225,000
Year-End Fund Balance	7,041,600	7,016,600

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	32,159,600	32,481,200
Year-End Fund Balance	10,186,000	5,214,400
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. The fund will be comprised of no more than 80% Lottery revenues and at least 20% state university system revenues. (<i>Please see the Capital Outlay ABOR Building System narrative for more information.</i>)		
Funds Expended	631,200	501,600
Year-End Fund Balance	0	0
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	81,510,100	97,738,900
Year-End Fund Balance	0	0

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

University of Arizona - Main Campus

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,805.5	5,805.5	5,805.5
Personal Services	274,574,300	226,586,600	226,586,600
Employee Related Expenditures	84,576,900	86,752,900	86,752,900
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	64,831,200
Equipment	8,732,500	1,475,600	1,475,600
OPERATING SUBTOTAL	449,935,200	386,062,400	394,963,400
SPECIAL LINE ITEMS			
Agriculture	40,300,200	36,954,900	36,954,900
Arizona Cooperative Extension	13,082,300	12,460,400	12,460,400
Research Infrastructure Lease-Purchase Payment	14,253,000	14,253,000	14,253,000
Sierra Vista Campus	7,290,000	6,139,300	6,139,300
AGENCY TOTAL	524,860,700	455,870,000^{1/}	464,771,000
FUND SOURCES			
General Fund	273,580,400 ^{2/}	208,367,000	208,367,000
<u>Other Appropriated Funds</u>			
University Collections Fund	251,280,300	247,503,000	256,404,000
SUBTOTAL - Other Appropriated Funds	251,280,300	247,503,000	256,404,000
SUBTOTAL - Appropriated Funds	524,860,700	455,870,000	464,771,000
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	1,547,871,300	1,571,401,800

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.

Operating Budget

The Baseline includes \$394,963,400 and 4,862.6 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$151,418,200
University Collections Fund	243,545,200

FY 2013 adjustments would be as follows:

Enrollment Growth OF 8,901,000
The Baseline includes an increase of \$8,901,000 from the University Collections Fund in FY 2013 for enrollment

growth. The Baseline includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$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.

^{1/} 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.

^{2/} UA overspent their FY 2011 appropriation by \$2,265,000, which they state is due to their use of previous unspent encumbered balances in FY 2011.

Agriculture

The Baseline includes \$36,954,900 and 665.1 FTE Positions in FY 2013 for the Agriculture Programs. These amounts consist of:

General Fund	29,028,000
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 Baseline includes \$12,460,400 and 205.1 FTE Positions in FY 2013 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	10,760,400
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 Baseline 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 Baseline includes \$6,139,300 and 72.7 FTE Positions in FY 2013 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,907,400
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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for University of Arizona - Main Campus is \$194,114,000, which includes a deferral of \$62,153,100 from FY 2013 to FY 2014 and the \$14,253,000 Laws 2003, Chapter 267 lease-purchase appropriation.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline 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 2012. (*Please see ABOR for more information.*)

The FY 2013 General Fund Baseline is \$208,367,000. Of this amount:

- \$131,960,900 would be 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	260,046,600	270,690,000
Year-End Fund Balance	34,285,500	31,559,600
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	268,867,500	388,752,200
Year-End Fund Balance	248,021,900	223,357,500
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	120,149,300	131,547,700
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	209,013,400	212,067,200
Year-End Fund Balance	9,746,100	14,615,700
Federal Grants - American Recovery and Reinvestment Act (ARRA) (UNI2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the university as part of the State Fiscal Stabilization Fund for education programs.		
Funds Expended	755,200	0
Year-End Fund Balance	0	0
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	47,566,800	48,518,000
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	10,756,000	10,971,100
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness programs.		
Purpose of Fund: To provide one-third of the amount of federal student loans. The federal government provides the other two-thirds. The amounts displayed do not include an administrative allowance, which is reflected in the Designated Fund.		
Funds Expended	835,500	845,600
Year-End Fund Balance	19,481,200	21,074,300
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	166,571,500	158,517,800
Year-End Fund Balance*	(411,800)	782,400
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
Purpose of Fund: To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. The fund will be comprised of no more than 80% Lottery revenues and at least 20% state university system revenues. (<i>Please see the Capital Outlay ABOR Building System narrative for more information.</i>)		
Funds Expended	612,100	1,639,400
Year-End Fund Balance	0	0
University Collections Fund (UAA1402/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	251,280,300	247,503,000
Year-End Fund Balance	0	0

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

University of Arizona - Health Sciences Center

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	979.1	979.1	979.1
Personal Services	49,036,300	53,186,600	53,186,600
Employee Related Expenditures	13,749,400	12,773,800	12,773,800
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	70,905,400	71,537,600
SPECIAL LINE ITEMS			
Clinical Rural Rotation	418,000	357,600	357,600
Clinical Teaching Support	8,622,200	8,097,000	8,097,000
Liver Research Institute	467,900	458,500	458,500
Phoenix Medical Campus	21,163,200	14,821,900	14,821,900
Telemedicine Network	1,899,900	1,847,900	1,847,900
AGENCY TOTAL	105,925,600	96,488,300^{1/}	97,120,500
FUND SOURCES			
General Fund	81,079,100 ^{2/}	55,334,300	55,334,300
Other Appropriated Funds			
University Collections Fund	24,846,500	41,154,000	41,786,200
SUBTOTAL - Other Appropriated Funds	24,846,500	41,154,000	41,786,200
SUBTOTAL - Appropriated Funds	105,925,600	96,488,300	97,120,500
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	359,724,100	364,441,500

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.

Operating Budget

The Baseline includes \$71,537,600 and 629.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$34,665,700
University Collections Fund	36,871,900

FY 2013 adjustments would be as follows:

Enrollment Growth OF 632,200
The Baseline includes an increase of \$632,200 from the University Collections Fund in FY 2013 for enrollment growth. The Baseline includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of \$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

^{1/} 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.

^{2/} UA overspent their FY 2011 appropriation by \$7,844,200, which they state is due to their use of previous unspent encumbered balances in FY 2011.

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.

Clinical Rural Rotation

The Baseline 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 Baseline includes \$8,097,000 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 Baseline includes \$14,821,900 and 110.4 FTE Positions in FY 2013 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	9,907,600
University Collections Fund	4,914,300

These amounts are unchanged from FY 2012.

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 Baseline includes \$1,847,900 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see ABOR for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$55,334,300, which includes a deferral of \$16,776,700 from FY 2013 to FY 2014.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 2012. *(Please see ABOR for more information.)*

The FY 2013 General Fund Baseline is \$55,334,300. Of this amount:

- \$38,557,600 would be 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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	12,856,800	13,045,700
Year-End Fund Balance	2,913,400	3,351,100
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	24,947,700	25,330,900
Year-End Fund Balance	32,118,300	40,617,800
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	64,335,100	73,541,300
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	77,801,800	78,861,500
Year-End Fund Balance*	(285,200)	655,300
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	24,629,000	25,121,700
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	5,146,500	5,249,400
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (<i>please see the ABOR Summary of Funds</i>), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	103,590,800	115,626,600
Year-End Fund Balance	41,974,500	35,912,000
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	24,846,500	41,154,000
Year-End Fund Balance	0	0

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

Department of Veterans' Services

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	356.3	500.3	500.3
Personal Services	1,411,100	1,662,600	1,662,600
Employee Related Expenditures	725,400	697,700	697,700
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	438,500
Equipment	66,500	98,200	98,200
OPERATING SUBTOTAL	2,751,600	2,977,900	2,977,900
SPECIAL LINE ITEMS			
Arizona State Veterans' Homes	15,298,900	21,596,400	27,574,700
Southern Arizona Cemetery	280,000	274,800	274,800
Veterans' Benefit Counseling	2,886,000	2,826,700	2,826,700
AGENCY TOTAL	21,216,500	27,675,800^{1/}	33,654,100
FUND SOURCES			
General Fund	5,309,900	7,050,700	5,197,100
<u>Other Appropriated Funds</u>			
Home for Veterans' Trust Fund	15,298,900	19,742,800	27,574,700
Veterans' Conservatorship Fund	607,700	882,300	882,300
SUBTOTAL - Other Appropriated Funds	15,906,600	20,625,100	28,457,000
SUBTOTAL - Appropriated Funds	21,216,500	27,675,800	33,654,100
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	31,757,500	36,353,300

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 Baseline includes \$2,977,900 and 54.3 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$2,095,600
Veterans' Conservatorship Fund	882,300

These amounts are unchanged from FY 2012.

Arizona State Veterans' Homes

The Baseline includes \$27,574,700 and 391 FTE Positions from the Home for Veterans' Trust Fund in FY 2013 for the Arizona State Veterans' Homes.

FY 2013 adjustments would be as follows:

Eliminate One-Time Start Up Monies GF (1,853,600)

The Baseline 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 OF 7,831,900

The Baseline 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 is expected to open in January 2012. The department estimates the Home will have 78 patients at the end of FY 2012, increasing to 114 by the end of FY 2013.

The monies in this line item are used for expenses related to the Arizona State Veterans' Homes.

^{1/} 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.

Southern Arizona Cemetery

The Baseline includes \$274,800 and 2 FTE Positions from the General Fund in FY 2013 for the Southern Arizona Cemetery. These amounts are unchanged from FY 2012.

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 Baseline includes \$2,826,700 and 53 FTE Positions from the General Fund in FY 2013 for Veterans' Benefit Counselors. These amounts are unchanged from FY 2012.

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.

FORMAT — Operating Lump Sum with Special Line Items by Agency

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Auditor General Recommendation

The Auditor General completed an audit of the fiduciary program in 2011. The fiduciary program provides guardianship and conservatorship services for veterans who are no longer able to take care of themselves. In the audit, the Auditor General recommended that the department either gradually phase out the program or increase fees so that the program is self-funded. In FY 2012, the department is expected to spend \$421,700 from the General Fund on the program. The Baseline continues this funding in FY 2013.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Federal Funds (VSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: U.S. Department of Veterans' Affairs and Department of Defense Grants.		
Purpose of Fund: For supervision and qualification of educational and training programs. Federal monies totaling \$18,571,400 are expected to be received in FY 2010 through FY 2012 for the construction of a new Veterans' Home in Tucson; although not displayed here, \$12,892,400 was spent in FY 2011 and \$3,145,200 is expected to be spent in FY 2012.		
Funds Expended	555,100	549,000
Year-End Fund Balance	103,300	131,200
Home for Veterans' Trust Fund (VSA2355/A.R.S. § 41-608.01)		Appropriated
Source of Revenue: Charges for services, fees and reimbursements received from residents, the Department of Veterans' Affairs, Medicaid, Medicare, and private insurance carriers.		
Purpose of Fund: To operate and maintain state-operated nursing homes for Arizona veterans.		
Funds Expended	15,298,900	19,742,800
Year-End Fund Balance	2,873,800	1,557,400
Military Family Relief Fund (VSA2339/A.R.S. § 41-608.04)		Non-Appropriated
Source of Revenue: Donations, bequests, or other contributions from public or private sources. This fund received a one-time General Fund appropriation of \$100,000 in FY 2008. This fund was only established through December 31, 2018; any funds remaining unencumbered as of that date are transferred to the Veterans' Donation Fund.		
Purpose of Fund: To provide financial assistance to family members of deceased or wounded veterans who became deceased, wounded, injured, or became seriously ill after September 11, 2001. Service members must have been deployed from an Arizona military base, entered active service from Arizona, claimed this state as the service member's home of record, or were a member of the Arizona National Guard at the time of deployment.		
Funds Expended	233,400	449,400
Year-End Fund Balance	2,819,500	3,388,100
Southern Arizona Veterans' Cemetery Trust Fund (VSA2499/A.R.S. § 41-608.03)		Non-Appropriated
Source of Revenue: Monies, grants, gifts, and contributions from any public or private source.		
Purpose of Fund: To manage and maintain the southern Arizona veterans' cemetery.		
Funds Expended	95,200	182,500
Year-End Fund Balance	78,700	102,200

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Statewide Employee Recognition Gifts (VSA2449/A.R.S. § 41-776)		Non-Appropriated
Source of Revenue: Donations, gifts, or contributions from public or private sources.		
Purpose of Fund: For the conduct of employee recognition programs.		
Funds Expended	1,200	0
Year-End Fund Balance	1,500	1,500
Veterans' Cemetery Fund (VSA2481/A.R.S. § 41-608.02)		Non-Appropriated
Source of Revenue: Includes a one-time \$500,000 appropriation from the General Fund and federal monies used as reimbursement for the construction of veterans' cemeteries.		
Purpose of Fund: To acquire property for and to establish state veterans' cemeteries.		
Funds Expended	0	0
Year-End Fund Balance	123,000	123,000
Veterans' Conservatorship Fund (VSA2077/A.R.S. § 14-5414.01)		Appropriated
Source of Revenue: Fees collected from veterans, or a veteran's surviving spouse, or minor child, or the incapacitated spouse of a protected veteran, for whom the agency serves as a conservator.		
Purpose of Fund: To operate the Fiduciary Division of the Department of Veterans' Services.		
Funds Expended	607,700	882,300
Year-End Fund Balance	157,500	0
Veterans' Donations Fund (VSA2441/A.R.S. § 41-608)		Non-Appropriated
Source of Revenue: Donations from private individuals, corporations and organizations. Donations are made by designating a portion of one's tax refund, purchasing a license plate, or other means. Sales from the Veterans, Freedom, Gold Star, and Women Veteran license plates go into this fund. Of the \$25 license plate fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Veterans' Donation Fund.		
Purpose of Fund: To benefit veterans within the state of Arizona and to make donations to organizations seeking to establish a monument or memorial on public property that recognizes or honors veterans or recognizes events in which veterans were major participants or had a major influence. A separate subaccount of this fund is for the construction and maintenance of the Enduring Freedom Memorial. An amount of \$32,000 is to be paid to the Arizona Department of Transportation to issue a Women Veteran special license plate. The Director is to establish a subaccount for the benefit of women veterans in Arizona including providing shelter to homeless women veterans.		
Funds Expended	760,500	2,900,800
Year-End Fund Balance	2,183,400	881,100

Arizona State Veterinary Medical Examining Board

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
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	85,700	85,700
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	61,500
Equipment	14,000	4,000	4,000
AGENCY TOTAL	448,600	455,300^{1/}	455,300

FUND SOURCES

<i>Other Appropriated Funds</i>			
Veterinary Medical Examining Board Fund	448,600	455,300	455,300
SUBTOTAL - Other Appropriated Funds	448,600	455,300	455,300
SUBTOTAL - Appropriated Funds	448,600	455,300	455,300
TOTAL - ALL SOURCES	448,600	455,300	455,300

AGENCY DESCRIPTION — The board licenses and regulates veterinarians, veterinary technicians, and veterinary premises.

Operating Budget

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The Baseline includes \$455,300 and 5.5 FTE Positions from the Veterinary Medical Examining Board Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

FORMAT — Lump Sum by Agency

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Veterinary Medical Examining Board Fund (VTA2078/A.R.S. § 32-2205)		Appropriated
Source of Revenue: Monies collected by the board from the examination and licensing of veterinarians, veterinary technicians, and veterinary premises. The board retains 90% of these monies and deposits 10% in the General Fund.		
Purpose of Fund: To examine, license, investigate, and regulate veterinarians, veterinary technicians, and veterinary premises, and for board administration.		
Funds Expended	448,600	455,300
Year-End Fund Balance	1,105,900	731,800

^{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.

Department of Water Resources

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	207.2	207.2	207.2
Personal Services	969,500	4,474,600	4,474,600
Employee Related Expenditures	363,700	1,232,400	1,232,400
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	1,458,100
Equipment	2,800	102,000	102,000
OPERATING SUBTOTAL	2,198,500	7,443,400	7,443,400
SPECIAL LINE ITEMS			
Adjudication Support	1,251,800	1,212,900	1,212,900
Assured and Adequate Water Supply Administration	1,821,800	1,771,100	1,771,100
Automated Groundwater Monitoring	416,000	401,100	401,100
Conservation and Drought Program	404,700	395,700	395,700
Rural Water Studies	886,900	1,139,600	1,139,600
AGENCY TOTAL	6,979,700	12,363,800^{1/}	12,363,800
FUND SOURCES			
General Fund	6,719,100	5,698,300	5,698,300
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	260,600	265,300	265,300
Water Resources Fund	0	6,400,200	6,400,200
SUBTOTAL - Other Appropriated Funds	260,600	6,665,500	6,665,500
SUBTOTAL - Appropriated Funds	6,979,700	12,363,800	12,363,800
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	20,696,500	20,696,500

AGENCY DESCRIPTION — The Department of Water Resources (DWR) administers and enforces Arizona's groundwater and surface water law, as well as legally representing the state's water rights. The department also participates in surveying water level and quality and planning flood control.

Operating Budget

The Baseline includes \$7,443,400 and 155.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$1,043,200
Water Resources Fund	6,400,200

These amounts are unchanged from FY 2012.

Adjudication Support

The Baseline includes \$1,212,900 and 14.5 FTE Positions from the General Fund in FY 2013 for Adjudication Support. These amounts are unchanged from FY 2012.

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.

^{1/} 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.

Assured and Adequate Water Supply Administration

The Baseline includes \$1,771,100 and 19.8 FTE Positions in FY 2013 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,505,800
AAWS Administration Fund	265,300

These amounts are unchanged from FY 2012.

All new subdivisions must receive a Certificate of Assured or Adequate Water Supply. A Certificate of Assured Water Supply is awarded to developers within the 5 Active Management Areas (AMAs) and demonstrates the availability of water for the next 100 years. New developers outside the 5 AMAs must obtain a determination of the quantity and quality of water available in the new subdivision before any lots may be sold. A Certificate of Adequate Water Supply is awarded if DWR determines the subdivision has a 100-year supply of water. If the water is determined to be inadequate, lots may still be sold, but buyers must be notified of the determination.

Automated Groundwater Monitoring

The Baseline includes \$401,100 and 2 FTE Positions from the General Fund in FY 2013 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2012.

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 Baseline includes \$395,700 and 4.7 FTE Positions from the General Fund in FY 2013 for the Conservation and Drought Program Special Line Item. These amounts are unchanged from FY 2012.

Monies in this SLI are used to assist local communities to assess conservation needs and assist rural communities in the development of conservation programs, promote water education throughout the state, create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs.

Rural Water Studies

The Baseline includes \$1,139,600 and 11 FTE Positions from the General Fund in FY 2013 for Rural Water Studies. These amounts are unchanged from FY 2012.

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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

Monies in the Adjudication Support line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-256 and 45-257B4. The Department of Water Resources shall not transfer any funds into or out of the Adjudication Support line item.

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.

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.

STATUTORY CHANGES

The Baseline would, as session law, state that it is legislative intent that the combination of increased fees for services and the fee levied on municipalities shall not exceed \$7,000,000.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Fee Revenue

The FY 2011 budget reduced the General Fund appropriation by \$(5,662,900) and permitted the Director to increase fees with the intent that the additional revenues would not exceed \$5,662,900. Laws 2010, Chapter 282 established the Water Resources Fund for the fees collected by the department. The department raised assured and adequate water supply fees, well fees, dam safety fees, groundwater fees, and surface water fees; however, the department only collected \$744,100 from these fees in FY 2011.

As a result of the limited revenue collected in FY 2011, the FY 2012 Environment Budget Reconciliation Bill (Law 2011, Chapter 36) permitted the Director to assess a fee on municipalities in FY 2012. The fee was to be assessed proportionally based on the population of each municipality. The bill also allowed for increased fees for services. The bill states legislative intent was that the combination of increased fees for services and the fees levied on municipalities not exceed \$7,000,000. Municipalities can pay the fee in 2 installments, the first in October 2011 and the second in January 2012. The municipality fee has allowed the department to significantly increase the FY 2012 spending level. As of November 10, 2011, the department has collected \$4,795,200 from fees levied on municipalities.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Administrative Fund (WCA3025/A.R.S. § 45-113)		Non-Appropriated
Source of Revenue: A portion of application, certificate, license, permit and inspection fees.		
Purpose of Fund: To refund, without interest, fees paid to department in error.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supplies.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring assured and adequate water supplies.		
Funds Expended	260,600	265,300
Year-End Fund Balance	211,300	104,500
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. By law, each AMA has its own sub-account within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	894,500	524,300
Year-End Fund Balance	519,000	520,800
Colorado River Water Use Fee Clearing Fund (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	8,500	5,000
Year-End Fund Balance	1,100	1,100
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filing fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	935,900	842,200
Year-End Fund Balance	520,700	160,200
Federal Grants (WCA2000/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	386,800	198,300
Year-End Fund Balance	17,300	54,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
Funds Expended	62,700	63,200
Year-End Fund Balance	50,600	11,600
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
Funds Expended	10,600	10,000
Year-End Fund Balance	41,400	41,400
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services, including security and cashiering.		
Funds Expended	1,409,100	469,100
Year-End Fund Balance	448,100	186,800
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	467,600	549,300
Year-End Fund Balance	487,800	328,500
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
Source of Revenue: From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	12,000	0
Year-End Fund Balance	10,900	14,900
Publications and Mailings Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	8,400	0
Year-End Fund Balance	1,200	3,200
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own sub-account within the fund.		
Funds Expended	0	0
Year-End Fund Balance	55,700	55,700

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with this duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	64,900	41,000
Year-End Fund Balance	109,800	108,800
Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Partially-Appropriated
Source of Revenue: General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. Revenue also comes from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own sub-account within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances. Pursuant to an interstate water banking agreement with Nevada, the fund received a combined total of \$100,000,000 in FY 2005 and FY 2006. In 2004, the Southern Nevada Water Authority (SNWA) agreed to pay the Arizona Water Banking Authority (AWBA) an additional \$230,000,000 for delivery and storage of water. Equal payments of \$23,000,000 per year from Nevada to the AWBA were to begin in 2009 and continue through 2018. The agreement was amended allowing SNWA to delay payment until FY 2015. In FY 2010, the AWBA received \$12,685,000 for storage and delivery of Nevada's own water in lieu of water purchased from Arizona. Appropriations from this fund may include monies received through the water banking agreement with Nevada that are used for purposes outside of contractual agreement with Nevada (Laws 2009, Chapter 332).		
Purpose of Fund: To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. In addition, pursuant to an interstate water banking agreement with Nevada, to obtain, store, and retrieve water for Nevada.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	4,216,600	4,131,800
Year-End Fund Balance	2,547,800	1,959,000
Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water. Prior to FY 2012, there was a statutory \$5,000,000 General Fund deposit. Since FY 2000, session law changes have suspended the statutory General Fund appropriation.		
Purpose of Fund: To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
Funds Expended	1,407,900	1,117,800
Year-End Fund Balance	7,545,100	652,400
Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
Funds Expended	157,800	177,200
Year-End Fund Balance	53,600	84,200
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by ADWR to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund. Beginning in FY 2012, fund revenue includes a fee levied on municipalities.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities, including managing the state's water supplies, enforcing groundwater laws, and represents the state's water rights.		
Funds Expended	0	6,400,200
Year-End Fund Balance	744,100	1,343,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	177,400	203,500
Year-End Fund Balance	91,200	82,700

Department of Weights and Measures

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
PROGRAM BUDGET			
General Services	1,508,000	1,482,500	1,482,500
Oxygenated Fuel	719,300	780,200	780,200
Vapor Recovery	577,100	633,700	633,700
AGENCY TOTAL	2,804,400	2,896,400	2,896,400

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	513,600	513,600
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	413,700
Equipment	204,700	78,300	78,300
AGENCY TOTAL	2,804,400	2,896,400^{1/}	2,896,400

FUND SOURCES			
General Fund	1,194,100	1,165,000	1,165,000
<u>Other Appropriated Funds</u>			
Air Quality Fund	1,296,400	1,413,900	1,413,900
Motor Vehicle Liability Insurance Enforcement Fund	313,900	317,500	317,500
SUBTOTAL - Other Appropriated Funds	1,610,300	1,731,400	1,731,400
SUBTOTAL - Appropriated Funds	2,804,400	2,896,400	2,896,400
TOTAL - ALL SOURCES	2,804,400	2,896,400	2,896,400

AGENCY DESCRIPTION — The department regulates the determination and representation of weight and measurement in the marketplace and also maintains 2 environmentally related gasoline inspection programs. All programs investigate consumer complaints.

Operating Budget

The Baseline includes \$2,896,400 and 36.4 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

Motor Vehicle Liability Insurance Enforcement Fund 317,500

These amounts are unchanged from FY 2012.

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	FY 2013
General Fund	\$1,165,000
Air Quality Fund	1,413,900

FORMAT — Lump Sum by Program

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Owners of motor vehicles pay an annual air quality fee of \$1.50 at the time of vehicle registration.		
Purpose of Fund: To pay for the department's Oxygenated Fuel and Vapor Recovery Program.		
Funds Expended	1,296,400	1,413,900
Year-End Fund Balance*	189,100	(1,378,000)

^{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.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Motor Vehicle Liability Insurance Enforcement Fund (DTA2285/A.R.S. § 28-4151)		Appropriated
Source of Revenue: Fees received by the department pursuant to A.R.S. Title 28, Chapter 9, Article 4 (mandatory motor vehicle insurance), such as fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance.		
Purpose of Fund: While the purpose of the fund for the Department of Transportation is to enforce mandatory motor vehicle liability insurance laws on all vehicles, the Department of Weights and Measures appropriation is to focus on enforcement on taxis, limousines, and livery vehicles. The Department of Weights and Measures verifies that these passenger carrying vehicles have the proper insurance and vehicle license plates, without which the department can revoke or refuse to issue a taxi license.		
Funds Expended	313,900	317,500
Year-End Fund Balance*	(28,500)	(356,300)

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

CAPITAL OUTLAY ESTIMATES

Capital Outlay
Summary

	FY 2013 BASELINE
BUILDING RENEWAL	
ADOA Building System	15,914,100
ADOT Building System	1,050,000
ABOR Building System	0
SUBTOTAL	16,964,100
INDIVIDUAL PROJECTS	
ADOA Building System	1,030,000
ADOT Building System	292,118,900
ABOR Building System	0
SUBTOTAL	293,148,900
LEASE-PURCHASE PAYMENTS	
Leaseback and Phoenix Convention Center Obligations	89,714,800
TOTALS	
ADOA Building System	106,658,900
ADOT Building System	293,168,900
ABOR Building System	0
TOTAL - ALL PROJECTS	399,827,800
FUND SOURCES	
General Fund	89,714,800
<u>Other Appropriated Funds</u>	
Capital Outlay Stabilization Fund	10,675,100
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	271,194,000
State Lottery Fund	85,200
SUBTOTAL - Other Appropriated Funds	310,113,000
SUBTOTAL - Appropriated Funds Less Debt and Lease-Purchase Financing Projects	310,113,000
SUBTOTAL - Appropriated Funds	399,827,800
Other Non-Appropriated Funds	381,005,000
Federal Funds	628,680,000
TOTAL - ALL SOURCES	1,409,512,800

DESCRIPTION — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, enhance, or make a lease-purchase payment for the state's capital stock, which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration (ADOA) Building System, the Arizona Department of Transportation (ADOT) Building System, and the Arizona Board of Regents (ABOR) Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

The following amounts are one-time appropriations:

Capital Outlay **FY 2013**
GF \$89,714,800
OF 310,113,000

The Baseline includes a total of \$399,827,800 from Appropriated Funds in FY 2013. Of the total, \$89,714,800 is from the General Fund and \$310,113,000 is from Other Appropriated Funds. The Baseline consists of 3 main

categories: 1) Building Renewal, 2) Individual Projects, and 3) Lease-Purchase Payments.

Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review. The formula takes into account the replacement value, age,

and life-cycle of a building. Available appropriations are administered by ADOA or individual agencies within the ADOA Building System that have their own funding source for building renewal, ADOT, and ABOR for their respective building systems.

The Baseline includes total funding of \$16,964,100 in FY 2013 for Building Renewal, which is from Other Appropriated Funds. These amounts include:

Arizona Department of Administration	\$10,675,100
Capital Outlay Stabilization Fund	
@ 37% (when combined with	
ADC amount below)	
Department of Corrections Building	4,630,500
Renewal Fund @ 31% (when	
combined with ADOA amount above)	
Game and Fish Fund @ 100%	523,300
State Lottery Fund @ 100%	<u>85,200</u>
Subtotal - ADOA	\$15,914,100
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 Baseline includes a total of \$293,148,900 in FY 2013 for individual capital projects, which is from Other Appropriated Funds. *(See the individual building systems' write-ups for more information.)*

Lease-Purchase Payments

The Baseline 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.)*

FOOTNOTES

Capital Standard Footnotes

Building Renewal

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.

Individual Projects

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.

Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.

Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance.

Capital Outlay

Arizona Department of Administration Building System

FY 2013
BASELINE

BUILDING RENEWAL

Arizona Department of Administration	10,675,100
Game and Fish Department	523,300
Arizona Lottery Commission	85,200
Department of Corrections	4,630,500
SUBTOTAL	15,914,100

INDIVIDUAL PROJECTS

Game and Fish Department

Property Maintenance	500,000
Dam Maintenance	500,000
Preventative Maintenance	30,000
SUBTOTAL	1,030,000

TOTAL - ALL PROJECTS

16,944,100

FUND SOURCES

Other Appropriated Funds

Capital Outlay Stabilization Fund	10,675,100
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	85,200
SUBTOTAL - Other Appropriated Funds	16,944,100
SUBTOTAL - Appropriated Funds	16,944,100

TOTAL - ALL SOURCES

16,944,100

DESCRIPTION — The Arizona Department of Administration (ADOA) Building System is comprised of buildings controlled by all state agencies except the Arizona Board of Regents and Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following amounts for FY 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.

The following amounts are one-time appropriations:

Building Renewal

Building Renewal OF FY 2013 \$15,914,100

The Baseline includes \$15,914,100 from Other Appropriated Funds in FY 2013 for Building Renewal within the ADOA Building System. This amount consists of:

- \$10,675,100 from the Capital Outlay Stabilization Fund (COSF) to ADOA. In combination with the \$4,630,500 from the Department of Corrections (ADC) Building Renewal Fund (*see below*), the Baseline funds 37% of the building renewal formula. In FY 2012, the formula was funded at \$11,130,500, or 29%, of which \$6,500,000 was to ADOA from COSF and \$4,630,500 was for ADC from the ADC Building Renewal Fund. A portion of the \$4,175,100 COSF increase is in part due to funding decisions

made during this past legislative session. (*Please see the Other Issues for Legislative Consideration 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 ADOA for ADC building renewal and preventative maintenance projects.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The Baseline would continue 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 - Game and Fish Department

The Baseline 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

(All Building Renewal and Statewide Facilities Improvements, including preventative maintenance, are funded from the Game and Fish Fund.)

Game and Fish Statewide Projects

Property Maintenance OF 500,000

The Baseline 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 OF 500,000

The Baseline 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.

Preventative Maintenance OF 30,000

The Baseline 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.

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes (Please see Capital Outlay Summary for Capital standard footnotes.)

Building Renewal: The Department of Administration shall allocate the monies to state agencies for necessary

building renewal. If monies in the Capital Outlay Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration shall be reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund.

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

The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request

The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided that funding for the FTE Positions is cost allocated among the projects receiving benefit. The Department of Administration shall report any FTE Position reallocations to the Joint Committee on Capital Review by December 31, 2012.

STATUTORY CHANGES

The Baseline would, as session law, change the FY 2013 COSF rental rate from \$15.08/square foot to \$12.70/square foot for office space and from \$5.47/square foot to \$4.61/square foot for storage space. *(Please see the Other Issues for Legislative Consideration section for more information.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

COSF Rental Rate Change & Payment Adjustments

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. All other lease-purchase and Privatized Lease-to-Own payments will increase by \$2,062,400 in FY 2013, including \$1,856,000 from the General Fund. *(Please see the Capital Outlay Debt and Lease-Purchase Financing narrative for more information.)*

In FY 2012, state agencies paid a total of \$23,789,000 to ADOA for COSF rent. The FY 2012 rental rate for state-owned space was \$15.08/square foot for office space and \$5.47/square foot for storage space.

In FY 2012, ADOA was appropriated \$6,500,000 from COSF for Building Renewal. The Baseline assumes that Building Renewal will be funded at \$10,675,100 from

COSF in FY 2013, which is an increase of \$4,175,100. Of this increase, \$1,586,400 is due to the decision made during the past legislative session to fund the Secretary of State's Polly Rosenbaum and Records Management buildings beginning in FY 2013. Rent for Polly Rosenbaum is \$1,836,500, and rent for the Records Management building is \$349,900, which is based on the current FY 2012 rental rates. The combined rent for both buildings is \$2,186,400. Of this amount, \$600,000 is included in ADOA's operating budget for operating and utility costs associated with the Polly Rosenbaum building, which leaves an increase of \$1,586,400. *(Please see the ADOA narrative pages for more information.)*

In order to fund the \$4,175,100 COSF increase for Building Renewal in FY 2013 and \$600,000 for Polly Rosenbaum operating and utility costs, COSF collections would have to be increased by \$4,775,100 above the FY 2012 \$23,789,000 amount.

However, converting the FY 1991 and FY 1992 lease-purchase agreement payments into COSF payments will begin to bring in additional rental income of \$8,303,600 in FY 2013, including \$4,399,000 from the General Fund. Since only \$4,775,100 more is needed in COSF monies to fund FY 2013 Building Renewal at \$10,675,100 and \$600,000 for Polly Rosenbaum operating and utility costs, the rental rate can be reduced.

In order for all these adjustments to have a net General Fund impact of \$0, the office space rental rate would be reduced from \$15.08/square foot to \$12.70/square foot and the storage space rental rate from \$5.47/square foot to \$4.61/square foot. This would result in FY 2013 COSF rental collections of \$28,564,100, which is an increase of \$4,775,100 over the FY 2012 amount. The rate reduction will save \$(5,365,000), including \$(3,233,500) from the General Fund.

The total from all these adjustments is \$1,003,500, of which \$0 is from the General Fund. *(Please see page 374.)* The General Fund adjustments are as follows:

• Retired Lease-Purchase	\$(3,021,500)
• Convert Space to Rent	4,399,000
• Secretary of State & Other Adjustments	1,856,000
• Rent Rate Reduction	<u>(3,233,500)</u>
	\$ 0

SUMMARY OF RENT CHARGES 1/2/

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
<u>BUDGET UNITS</u>								
Acupuncture Board of Examiners								
1400 W Washington	0	3,900	0	3,900	0	3,300	0	3,300
Administration, AZ Department of								
1300 W Washington	0	6,700	0	6,700	0	5,600	0	5,600
1400 W Washington	49,800	46,400	0	96,200	45,000	41,800	0	86,800
1510 W Adams	0	330,500	0	330,500	0	278,300	0	278,300
1520 W Adams	0	127,100	0	127,100	0	107,000	0	107,000
1522 W Jackson	0	48,400	0	48,400	0	40,800	0	40,800
1537 W Jackson	0	63,800	0	63,800	0	53,700	0	53,700
1616 W Adams	0	0	0	0	0	32,800	0	32,800
1802 W Jackson	0	28,700	71,500	100,200	0	24,200	60,200	84,400
1840 W Jackson	0	55,800	0	55,800	0	47,000	0	47,000
1850 W Jackson	0	16,000	0	16,000	0	13,500	0	13,500
1700 W Washington	64,600	156,500	0	221,100	54,400	131,800	0	186,200
1789 W Jefferson (DES West)	0	19,700	0	19,700	0	16,600	0	16,600
1937 W Jefferson/CDC	0	132,100	0	132,100	0	111,200	0	111,200
1801 W Madison	0	21,000	0	21,000	0	17,700	0	17,700
1805 W Madison	0	28,500	0	28,500	0	24,000	0	24,000
2910 N 44th Street	0	2,300	0	2,300	0	1,900	0	1,900
14 N 18th Avenue	35,800	0	0	35,800	30,100	0	0	30,100
400 W Congress, Tucson	0	76,000	0	76,000	0	64,000	0	64,000
402 W Congress, Tucson	0	50,300	0	50,300	0	42,400	0	42,400
416 W Congress, Tucson	0	2,500	0	2,500	0	2,100	0	2,100
Subtotal - AZ Dept of Administration	\$150,200	\$1,212,300	\$71,500	\$1,434,000	\$129,500	\$1,056,400	\$60,200	\$1,246,100
Administrative Hearings, Office of								
1400 W Washington	64,200	800	119,000	184,000	54,100	700	100,200	155,000
400 W Congress, Tucson	0	13,700	0	13,700	0	11,500	0	11,500
Subtotal - Office of Administrative Hearings	\$64,200	\$14,500	\$119,000	\$197,700	\$54,100	\$12,200	\$100,200	\$166,500
Agriculture, AZ Department of								
1520 W Adams	122,700	0	0	122,700	103,300	0	0	103,300
1624 W Adams	2,900	1,500	4,400	8,800	2,400	1,300	3,700	7,400
1688 W Adams	203,200	78,300	148,600	430,100	169,400	64,900	126,200	360,400
400 W Congress, Tucson	22,600	10,800	0	33,400	19,000	9,100	0	28,100
Subtotal - AZ Dept of Agriculture	\$351,400	\$90,600	\$153,000	\$595,000	\$294,100	\$75,300	\$129,900	\$499,200
Appraisal, State Board of								
1400 W Washington	0	26,100	0	26,100	0	22,000	0	22,000
AZ Health Care Cost Containment System								
Kingman Building	7,700	0	7,700	15,400	6,500	0	6,400	13,000

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Arts, AZ Commission on the 417 W Roosevelt	0	0	63,300	63,300	0	0	53,300	53,300
Attorney General - Department of Law								
1275 W Washington	586,400	336,200	341,300	1,263,900	493,900	283,100	287,400	1,064,400
400 W Congress, Tucson	48,700	38,300	28,500	115,500	43,500	34,100	25,400	103,000
402 W Congress, Tucson	116,400	91,400	67,700	275,500	98,000	77,000	57,000	232,000
Capital Center	0	0	0	0	939,600	330,100	0	1,269,700
Subtotal - Attorney General - Dept of Law	\$751,500	\$465,900	\$437,500	\$1,654,900	\$1,575,000	\$724,300	\$369,800	\$2,669,100
Auditor General								
2910 N 44th Street	321,600	0	0	321,600	270,800	0	0	270,800
Automobile Theft Authority								
1400 W Washington	0	30,000	0	30,000	0	25,300	0	25,300
Barbers, Board of								
1400 W Washington	0	10,900	0	10,900	0	9,200	0	9,200
Charter Schools, State Board for								
1700 W Washington	52,200	0	0	52,200	44,000	0	0	44,000
Citizens Clean Election Commission								
1616 W Adams	0	0	0	0	0	0	51,400	51,400
Contractors, Registrar of								
400 W Congress, Tucson	0	45,800	0	45,800	0	38,600	0	38,600
Corporation Commission								
1200 W Washington	0	583,500	0	583,500	0	491,400	0	491,400
1300 W Washington	0	346,000	0	346,000	0	291,400	0	291,400
1400 W Washington	0	109,700	0	109,700	0	92,400	0	92,400
400 W Congress, Tucson	6,800	57,500	3,800	68,100	5,700	48,400	3,200	57,300
Subtotal - Corporation Commission	\$6,800	\$1,096,700	\$3,800	\$1,107,300	\$5,700	\$923,600	\$3,200	\$932,500
Corrections, State Department of								
1601 W Jefferson	709,200	0	0	709,200	597,200	0	0	597,200
1645 W Jefferson	576,900	0	0	576,900	485,800	0	0	485,800
1831 W Jefferson	269,700	0	0	269,700	227,100	0	0	227,100
Subtotal - State Dept of Corrections	\$1,555,800	\$0	\$0	\$1,555,800	\$1,310,100	\$0	\$0	\$1,310,100
Deaf and the Blind, Arizona State Schools for the								
Food Service Building	128,200	132,600	181,300	442,100	108,000	111,700	152,700	372,300
High School and Auditorium	0	0	0	0	381,100	394,300	539,000	1,314,400
Subtotal - AZ State Schools for Deaf and Blind	\$128,200	\$132,600	\$181,300	\$442,100	\$489,100	\$506,000	\$691,700	\$1,686,700
Deaf and the Hard of Hearing, Commission for the								
1400 W Washington	0	37,000	0	37,000	0	25,600	0	25,600
Economic Security, Department of								
1400 W Washington	0	0	11,000	11,000	0	0	9,300	9,300
1789 W Jefferson (DES West)	1,746,100	435,000	577,300	2,758,400	1,470,500	366,400	486,200	2,323,000
Kingman Building	58,900	120,800	81,300	261,000	49,600	101,700	68,500	219,800

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
400 W Congress, Tucson	244,300	230,000	110,600	584,900	205,700	193,700	93,100	492,600
DES Group Homes	0	0	0	0	145,400	209,200	0	354,600
Capital Center	0	0	0	0	190,100	52,800	109,000	351,900
Subtotal - Department of Economic Security	\$2,049,300	\$785,800	\$780,200	\$3,615,300	\$2,061,300	\$923,800	\$766,100	\$3,751,200
Education, Department of								
1535 W Jefferson	314,300	107,600	585,400	1,007,300	264,700	90,600	493,000	848,300
400 W Congress, Tucson	0	13,200	46,900	60,100	0	11,100	39,500	50,600
416 W Congress, Tucson	0	800	19,100	19,900	0	700	16,100	16,800
Subtotal - Department of Education	\$314,300	\$121,600	\$651,400	\$1,087,300	\$264,700	\$102,400	\$548,600	\$915,700
Environmental Quality, Department of								
400 W Congress, Tucson	0	117,000	0	117,000	0	98,500	0	98,500
Equal Opportunity, Governor's Office of								
1700 W Washington	15,400	0	0	15,400	13,000	0	0	13,000
Equalization, State Board of								
416 W Congress, Tucson	1,300	0	0	1,300	1,100	0	0	1,100
Executive Clemency, Board of								
1645 W Jefferson	80,100	0	0	80,100	67,500	0	0	67,500
Financial Institutions, Department of								
2910 N 44th Street	164,200	32,000	0	196,200	138,300	26,900	0	165,200
Fire, Building, and Life Safety, Department of								
400 W Congress, Tucson	24,800	0	15,000	39,800	20,900	0	12,600	33,500
Funeral Directors & Embalmers, State Board of								
1400 W Washington	0	13,000	0	13,000	0	10,900	0	10,900
Gaming, Department of								
400 W Congress, Tucson	0	17,000	0	17,000	0	14,300	0	14,300
Geological Survey, AZ								
402 W Congress, Tucson	5,500	0	0	5,500	4,600	0	0	4,600
416 W Congress, Tucson	138,700	0	0	138,700	116,800	0	0	116,800
1400 W Washington	13,300	0	0	13,300	11,200	0	0	11,200
Subtotal - AZ Geological Survey	\$157,500	\$0	\$0	\$157,500	\$132,600	\$0	\$0	\$132,600
Governor, Office of the								
1645 W Jefferson	600	0	0	600	500	0	0	500
1700 W Washington	506,100	0	119,000	625,100	426,200	0	100,200	526,400
400 W Congress, Tucson	36,300	0	0	36,300	30,600	0	0	30,600
Subtotal - Office of the Governor	\$543,000	\$0	\$119,000	\$662,000	\$457,300	\$0	\$100,200	\$557,500
Gov's Ofc of Strategic Planning & Budgeting								
1700 W Washington	95,100	0	0	95,100	80,100	0	0	80,100
Health Services, Department of								
1740 W Adams	0	1,047,400	0	1,047,400	0	882,100	0	882,100
1818 W Adams	215,500	0	0	215,500	181,500	0	0	181,500
400 W Congress, Tucson	87,200	52,000	0	139,200	73,400	43,800	0	117,200

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
402 W Congress, Tucson	0	600	0	600	0	500	0	500
416 W Congress, Tucson	0	49,100	0	49,100	0	41,300	0	41,300
Capital Center (Disease Control)	0	0	0	0	0	31,700	0	31,700
Subtotal - Department of Health Services	\$302,700	\$1,149,100	\$0	\$1,451,800	\$254,900	\$999,400	\$0	\$1,254,300
Historical Society, Arizona								
1502 W Washington	376,400	0	0	376,400	317,000	0	0	317,000
Papago Museum	1,128,300	0	0	1,128,300	950,200	0	0	950,200
Subtotal - Arizona Historical Society	\$1,504,700	\$0	\$0	\$1,504,700	\$1,267,200	\$0	\$0	\$1,267,200
Homeland Security, AZ Dept of								
1700 W Washington	0	0	107,600	107,600	0	0	90,600	90,600
Homeopathic & Integrated Medicine Examiners, State Board of								
1400 W Washington	0	4,300	0	4,300	0	3,600	0	3,600
Independent Redistricting Commission								
1100 W Washington	27,000	0	0	27,000	22,700	0	0	22,700
Indian Affairs, AZ Commission of								
1700 W Washington	8,700	0	0	8,700	7,300	0	0	7,300
Insurance, Department of								
2910 N 44th Street	313,700	0	104,600	418,300	264,200	0	88,100	352,300
400 W Congress, Tucson	1,100	0	1,100	2,200	0	0	0	0
Subtotal - Department of Insurance	\$314,800	\$0	\$105,700	\$420,500	\$264,200	\$0	\$88,100	\$352,300
Judiciary - Court of Appeals								
400 W Congress, Tucson	460,000	0	0	460,000	387,400	0	0	387,400
Judiciary - Supreme Court								
1501 W Washington	3,297,100	0	0	3,297,100	2,776,800	0	0	2,776,800
400 W Congress, Tucson	101,400	0	0	101,400	85,400	0	0	85,400
Subtotal - Supreme Court	\$3,398,500	\$0	\$0	\$3,398,500	\$2,862,200	\$0	\$0	\$2,862,200
Subtotal - Judiciary	\$3,858,500	\$0	\$0	\$3,858,500	\$3,249,600	\$0	\$0	\$3,249,600
Juvenile Corrections, Department of								
1616 W Adams	0	0	0	0	182,400	0	0	182,400
1624 W Adams	500,700	0	0	500,700	421,700	0	0	421,700
Subtotal - Dept. of Juvenile Corrections	\$500,700	\$0	\$0	\$500,700	\$604,100	\$0	\$0	\$604,100
Land Department, State								
1616 W Adams	0	0	0	0	0	792,800	0	792,800
Liquor Licenses and Control, Department of								
400 W Congress, Tucson	0	26,200	0	26,200	0	22,100	0	22,100
Medical Board, AZ								
9500 Doubletree Rd.	0	242,100	0	242,100	0	203,900	0	203,900
Mine Inspector, State								
1616 W Adams	0	0	0	0	2,700	0	0	2,700
1700 W Washington	66,100	0	0	66,100	55,700	0	0	55,700

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Subtotal - State Mine Inspector	\$66,100	\$0	\$0	\$66,100	\$58,400	\$0	\$0	\$58,400
Naturopathic Physicians Medical Board								
1400 W Washington	0	25,000	0	25,000	0	21,100	0	21,100
Navigable Stream Adjudication Commission, AZ								
1700 W Washington	11,700	0	0	11,700	9,900	0	0	9,900
Nursing Care Inst. Admin. & Asstd. Living Fac. Mgrs.								
1400 W Washington	0	17,900	0	17,900	0	15,100	0	15,100
Opticians, State Board of Dispensing								
1400 W Washington	0	4,400	0	4,400	0	3,700	0	3,700
Optometry, State Board of								
1400 W Washington	0	7,900	0	7,900	0	6,700	0	6,700
Osteopathic Examiners, AZ Board of								
9500 Doubletree Rd.	0	35,300	0	35,300	0	29,700	0	29,700
Parks Board, AZ State								
1300 W Washington	0	0	294,100	294,100	0	0	247,700	247,700
1616 W Adams	0	0	0	0	0	0	56,300	56,300
Subtotal - AZ State Parks Board	\$0	\$0	\$294,100	\$294,100	\$0	\$0	\$304,000	\$304,000
Personnel Board								
1400 W Washington	0	22,100	0	22,100	0	18,600	0	18,600
Pest Management, Office of								
9500 Doubletree Rd.	0	11,100	0	11,100	0	0	0	0
400 W Congress, Tucson	0	400	0	400	0	0	0	0
1688 W Adams	0	51,100	0	51,100	0	44,900	0	44,900
Subtotal - Office of Pest Management	\$0	\$62,600	\$0	\$62,600	\$0	\$44,900	\$0	\$44,900
Pharmacy, AZ State Board of								
1700 W Washington	0	93,500	0	93,500	0	78,700	0	78,700
Podiatry Examiners, State Board of								
1400 W Washington	0	3,800	0	3,800	0	3,200	0	3,200
Private Postsecondary Education, State Board for								
1400 W Washington	0	12,200	3,000	15,200	0	10,200	2,500	12,800
Psychologist Examiners, State Board of								
1400 W Washington	0	14,700	0	14,700	0	12,400	0	12,400
Public Safety, Department of								
1700 W Washington	51,900	13,500	14,300	79,700	43,700	11,400	12,000	67,100
1937 W Jefferson/Wayland	17,600	4,600	4,900	27,100	14,800	3,900	4,100	22,800
400 W Congress, Tucson	13,100	3,400	3,600	20,100	11,000	2,900	3,000	16,900
Subtotal - Department of Public Safety	\$82,600	\$21,500	\$22,800	\$126,900	\$69,500	\$18,200	\$19,100	\$106,800
Real Estate Department, State								
2910 N 44th Street	231,700	0	0	231,700	195,100	0	0	195,100
400 W Congress, Tucson	28,800	0	0	28,800	24,300	0	0	24,300
Subtotal - State Department of Real Estate	\$260,500	\$0	\$0	\$260,500	\$219,400	\$0	\$0	\$219,400

	Fiscal Year 2012 - Actual Payments				Fiscal Year 2013 - New Rate			
	General Fund	Other Fund	Non-Approp	Total	General Fund	Other Fund	Non-Approp	Total
Respiratory Care Examiners, Board of 1400 W Washington	0	16,900	0	16,900	0	14,200	0	14,200
Revenue, Department of 402 W Congress, Tucson	101,700	51,700	0	153,400	85,700	43,500	0	129,200
416 W Congress, Tucson	71,300	36,300	0	107,600	60,000	30,600	0	90,600
1600 W Monroe	0	0	0	0	1,337,000	688,800	0	2,025,800
Subtotal - Department of Revenue	\$173,000	\$88,000	\$0	\$261,000	\$1,482,700	\$762,900	\$0	\$2,245,600
Rio Nuevo 400 W Congress, Tucson	0	0	11,300	11,300	0	0	11,500	11,500
School Facilities Board 1700 W Washington	74,300	0	30,400	104,700	62,600	0	25,600	88,200
Secretary of State - Dept of State 1030 N 32nd St (Library for the Blind)	0	0	0	0	231,500	0	0	231,500
1100 W Washington	27,100	0	0	27,100	22,800	0	0	22,800
1700 W Washington	175,600	0	0	175,600	147,900	0	0	147,900
400 W Congress, Tucson	2,600	0	0	2,600	2,200	0	0	2,200
Records Management Addition	0	0	0	0	294,700	0	0	294,700
Polly Rosenbaum Building	0	0	0	0	1,546,600	0	0	1,546,600
Subtotal - Secretary of State - Dept of State	\$205,300	\$0	\$0	\$205,300	\$2,245,700	\$0	\$0	\$2,245,700
State Boards' Office 1400 W Washington	0	7,100	0	7,100	0	6,000	0	6,000
Transportation, Department of 1275 W Washington <u>3/</u>	0	124,000	0	124,000	0	104,400	0	104,400
Treasurer, State 1700 W Washington	0	130,100	0	130,100	0	109,600	0	109,600
Veterinary Medical Examining Board, AZ State 1400 W Washington	0	18,100	0	18,100	0	15,200	0	15,200
Water Resources, Department of 400 W Congress, Tucson	6,700	0	0	6,700	0	0	0	0
GRAND TOTAL	\$14,231,900	\$6,379,500	\$3,177,600	\$23,789,000	\$17,233,900	\$7,895,200	\$3,435,000	\$28,564,100

1/ Pursuant to A.R.S. § 41-792.01, agencies occupying state-owned buildings shall pay the higher of the amount reported [herein] by the Joint Legislative Budget Committee Staff or the pro rata share based on actual occupancy.

2/ The FY 2013 office square footage rental rate is \$12.70 and the storage square footage rental rate is \$4.61.

3/ Represents funding for space occupied by the Attorney General - Department of Law for provision of legal services to the Department of Transportation.

Capital Outlay

Arizona Department of Transportation Building System

FY 2013
BASELINE

BUILDING RENEWAL

ADOT Building Renewal	1,050,000
SUBTOTAL	1,050,000

INDIVIDUAL PROJECTS

Airport Planning and Development	21,924,900
Controlled Access Highways	77,311,000
Debt Service	121,803,000
Statewide Highway Construction	71,080,000
SUBTOTAL	292,118,900

TOTAL - ALL PROJECTS

293,168,900

FUND SOURCES

Other Appropriated Funds

State Aviation Fund	21,974,900
State Highway Fund	271,194,000
SUBTOTAL - Other Appropriated Funds	293,168,900
SUBTOTAL - Appropriated Funds	293,168,900

Other Non-Appropriated Funds	381,005,000
Federal Funds	628,680,000
TOTAL - ALL SOURCES	1,302,853,900

DESCRIPTION — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.

The following reflects one-time appropriations:

FY 2013

Building Renewal **OF \$1,050,000**

The Baseline 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.

OF 21,924,900

Airport Planning and Development

The Baseline 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.

OF 77,311,000

Controlled Access Highways

The Baseline includes \$77,311,000 from SHF in FY 2013 for the Highway User Revenue Fund (HURF) formula dedicated to the construction of urban freeways. The Maricopa Association of Governments (MAG) receives 75% and the Pima Association of Governments (PAG) receives 25%.

OF 121,803,000

Debt Service

The Baseline 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 2 for more information on debt service.)

OF 71,080,000

Statewide Highway Construction

The Baseline includes \$71,080,000 from SHF in FY 2013 for highway construction. Please see Table 5 for the HURF Distribution analysis, which shows that \$71,080,000 of net SHF monies will be available for statewide highway construction in FY 2013 from the FY 2013 HURF revenue cash flow. Only a small portion of the state's total \$1,743,826,000 highway construction

funding is appropriated. Other monies available for highway construction include beginning balances and bond revenues from SHF, Federal Funds, the Maricopa Regional Area Road Fund, and HURF for controlled access roads. (See the Total Highway Construction Funding discussion and Table 3 in Other Issues for Legislative Consideration for additional information.)

Expenditure of highway construction funding is determined by the Transportation Board, which develops a 5-year plan.

* * *

FORMAT — Lump Sum by Project by Fund

FOOTNOTES

Standard Footnotes (Please see Capital Outlay Summary for Capital standard footnotes.)

Individual Projects

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.

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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Summary of Non-Appropriated Capital Funds Expended

Table 1 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. The ADOT operating budget section does not include the non-appropriated capital expenditures as those only appear in Table 1.

Non-Appropriated Capital Funds			
(\$ in Thousands)			
	FY 2011	FY 2012	FY 2013
	<u>Actual</u>	<u>Estimate</u>	<u>Baseline</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. (Please see Table 2 for additional details.)

Total Highway Construction Funding

Only a small portion of the state’s total highway construction funding is appropriated. Table 3 summarizes all estimated revenues and expenditures for FY 2013, on a cash flow basis as provided by ADOT. Table 2, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2013.

Of the revenue amounts in Table 3, only the Statewide Highway Construction, Controlled Access Highways, and Debt Service amounts are appropriated. Of the expenditure amounts, only a portion of the Debt Service is appropriated.

Table 2

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/} 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 3

Estimated Highway Construction - Cash Basis
(\$ in Thousands)

	<u>FY 2013</u>
Balance Forward ^{1/}	\$ 469,127
Revenues	
Appropriated Statewide Highway Construction	\$ 71,080
Appropriated Controlled Access Highways (MAG & PAG)	77,311
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	\$1,381,432
Total Funds Available for Construction	\$1,850,559
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	\$1,389,607
Total Planned Expenditures	\$1,743,826
Balance Forward	\$ 106,733

^{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 2 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 4 explains the formula distribution of HURF monies between state and local governments. Table 5 presents the overall HURF distribution for FY 2011 through FY 2013. The line in Table 5, 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. As of October 2011, HURF year-to-date collections are up 0.3% as compared to the prior year. As a result, the JLBC Staff forecasts a 0.9% increase in total HURF revenue collections in FY 2012 followed by a 1.2% increase in FY 2013.

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.

Table 4

Percentage Distribution of HURF Monies

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 5

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	625
MVD Operating Budget ^{3/}	-	88,684	86,256
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	1,023,058
Less: Cities ^{5/}	342,892	305,834	312,033
Counties ^{5/}	213,605	190,520	194,381
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/}	-	4,090	4,090
Controlled Access ^{11/}	<u>79,147</u>	<u>59,679</u>	<u>77,311</u>
Net SHF (Discretionary)	441,554	332,945	431,316
Plus: Other Income ^{12/}	19,246	19,618	19,425
Less: Non-MVD Operating Budget ^{13/}	325,795	243,855	239,494
Dept of Public Safety Transfer from Highway Fund	41,256	0	0
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)	71,080
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	<u>\$ 216,015</u>	<u>\$ 192,175</u>	<u>\$ 299,080</u>

- ^{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 Baseline continues the FY 2012 statewide adjustments in FY 2013.
- ^{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 Baseline continues the FY 2012 statewide adjustments in FY 2013.
- ^{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 Baseline continues the FY 2012 statewide adjustments in FY 2013.
- ^{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 Baseline estimate for FY 2013 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 Baseline continues this transfer in FY 2013.
- ^{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 Baseline estimate in FY 2013 discontinues the \$448,000 transfer from SETIF to SHF, but the Baseline estimate includes \$18,800,000 in miscellaneous revenue and \$624,500 for the Registration Compliance program. The \$624,500 figure reflects continued statewide adjustments of \$(300) and no additional pay period. (Please see footnote 2 for additional details.)
- ^{13/} In FY 2012, the non-MVD operating budget consists of \$243,855,100 of SHF (this amount includes \$(28,800) in statewide adjustments and \$4,360,900 for an additional pay period) and \$88,684,100 of HURF. The Baseline continues the FY 2012 statewide adjustments in FY 2013. (Please see footnote 3 for additional details.)
- ^{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 Systems

FY 2013
 BASELINE

BUILDING RENEWAL
 Arizona Board of Regents
TOTAL

0
 0

FUND SOURCES
 General Fund
TOTAL - ALL SOURCES

0
 0

DESCRIPTION — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

Debt Financed 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 and May 2011. At this point, \$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 supposed to be a collaboration between the 3 universities. Subsequent to the March 2010 JCCR meeting, ASU withdrew its partnership altogether from the Phoenix Biomedical Campus. Because of this, ASU's \$43,235,000 portion of the \$172,940,000 will not be issued. The University of Arizona (UA) issued \$122,245,000 in June 2010. Northern Arizona University (NAU) had planned on issuing \$7,685,000 in late spring

2011 but decided in March 2011 to instead pay for its \$7,685,000 portion in cash.

All of the NAU and UA bonds and 73% of the ASU bonds 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, along 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 received their statutory distributions, the UCI Fund receives its distribution before any remaining monies revert to the General Fund. The JLBC Staff estimates that the UCI Fund will receive \$8,267,300 in FY 2013, which would not cover the \$10,392,700 maximum 80% Lottery portion of the debt service. This means the universities would backfill the Lottery shortfall of \$(2,125,400) and would also cover their minimum 20% share of the payment,

which is \$2,598,100, for a total university payment of \$4,723,500 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.

* * *

FORMAT — Lump Sum by Project by Fund

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	\$ 8,267,300	\$13,308,300	\$20,894,200	\$28,880,000	\$37,285,700
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)	\$(2,125,400)	\$ 2,915,700	\$10,501,600	\$ 8,535,300	\$16,940,400
Projected University Cost ^{6/}		\$ 9,925,600	\$ 4,723,500	\$ 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 they withdrew 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
 BASELINE

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 **FY 2013**
GF \$84,119,800

The Baseline 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 Complexes (ASPC) at Eyman and Florence, the Executive Tower, the Senate and House of Representatives buildings, the Polly Rosenbaum State Archives building, the Department of Revenue building and parking structure, the Department of Public Safety Phoenix (DPS) headquarters, the Arizona State Hospital,

the Coliseum and Exposition Center, and the Phoenix Day School for the Deaf.

Additionally, Laws 2010, 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, Arizona State Schools for the Deaf and Blind (ASDB) Tucson selected buildings, ASDB Phoenix Day School, Supreme Court building, Department of Economic Security (DES) 1789 W. Jefferson building, 400 W. Congress Tucson complex, and the Tucson Arizona Historical Society.

The sale/lease-back agreements were issued as a tax-exempt deficit financing mechanism in which the proceeds were used for state operational expenses. 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 exceeds 5%.

In FY 2012, the JLBC Baseline has a projected balance of \$583 million, or \$167 million above the 5% threshold of \$416 million. In FY 2013, the projected balance of \$431 million would be \$13 million above the 5% threshold. In total, those set asides would total \$180 million across the 2 years.

If that threshold is met between now and FY 2014, the state is required to purchase tax-exempt securities to the extent that the cash 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. However, the FY 2012 balance may exceed 5% and could fall under the federal requirements.

Phoenix Convention Center GF 5,595,000

The Baseline 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.

* * *

FORMAT — Lump Sum by Project by Fund

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	\$ 3,161,600	FY 2028
Other Approp.	8,233,900	FY 2028
Non-Approp.	<u>1,206,100</u>	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 Baseline 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 which are made from the General Fund are scheduled to increase by \$1,856,000 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 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

Lease-Purchase and Bonding Summary

<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	24,810,000	24,810,000	3,112,700	3,112,700	FY23
<i>Subtotal</i>	\$ 200,895,000	\$ 200,895,000	\$ 19,823,400	\$ 19,823,400	
2010 A/B Issuance					
Sale/Leaseback	\$ 960,995,000	\$ 960,995,000	\$ 84,119,800	\$ 84,119,800	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	58,785,000	58,785,000	2,449,800	2,449,800	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	449,341,000	170,690,000	48,280,000	14,253,000	FY14-FY31
<i>Subtotal - ABOR</i>	\$ 863,349,000	\$ 410,144,500	\$ 86,095,400	\$ 34,226,200	
Phoenix Convention Center ^{4/5/}	\$ 300,000,000	\$ 300,000,000	\$ 5,595,000	\$ 5,595,000	FY44
<i>TOTAL - Lease-Purchase</i>	\$3,500,469,000	\$3,029,019,500	\$370,559,600	\$316,373,400	
<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	102,155,000	0	24,247,700	0	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>8,267,300 ^{9/}</u>	FY32
<i>Subtotal - ABOR</i>	\$1,952,595,000	\$ 253,272,000	\$152,834,400	\$ 8,267,300	
Lottery Revenue Bond ^{4/}	\$ 408,630,000	\$ 408,630,000	\$ 37,499,600	\$ 37,499,600	FY30
<i>TOTAL - Bonding</i>	<i>\$4,709,457,300</i>	<i>\$ 661,902,000</i>	<i>\$481,838,100</i>	<i>\$ 45,766,900</i>	
TOTAL - Lease-Purchase & Bonding	\$8,209,926,300	\$3,690,921,500	\$852,397,700	\$362,140,300	

- ^{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.)

REVENUE FORECAST

GENERAL FUND REVENUE

FY 2012

FY 2012 General Fund Baseline revenues are projected to be \$8.91 billion. As indicated in *Table 1*, the revised FY 2012 revenue estimate is \$577.9 million higher than the estimate from the FY 2012 budget enacted April 2011.

Table 1

FY 2012 Revenue Forecast (\$ in Millions)

Adopted FY 2012 Revenue Estimate	\$8,331.3
Revised Revenue Forecast	\$577.9
Revised FY 2012 Revenue Estimate	\$8,909.2

The Baseline Revenue projection is \$577.9 million higher than the original forecast due to:

- Not having to pay off a FY 2011 shortfall. The original budget assumed that \$332 million of FY 2012 revenues would pay off a FY 2011 shortfall of that amount. Due to higher than expected growth at the end of the prior fiscal year, the state ran a slight surplus at the end of FY 2011, thereby freeing up \$332 million in the FY 2012 budget.
- The higher FY 2011 revenue base results in higher FY 2012 collections. After excluding all one-time and statutory adjustments, the underlying FY 2012 base revenue growth has been adjusted from 5.6% in the enacted budget to 5.3% in the current Baseline, as discussed below.

The FY 2012 base revenue growth is based on the consensus forecasting process (*see FY 2013 section below*). *Table 2* shows the projected FY 2012 growth rates for the “Big 3” General Fund revenue sources (sales tax, individual and corporate income tax) provided by each of the components comprising the 4-sector consensus forecast. These estimates reflect ongoing revenue prior to tax law changes.

Table 2

FY 2012 4-Sector Forecast Percentages

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales	6.9%	2.1%	5.8%	5.1%	5.0%
Individual Income	8.2%	0.2%	10.1%	8.8%	6.8%
Corporate Income	15.9%	2.0%	17.8%	10.0%	11.4%
Weighted Average ^{1/}	8.2%	1.3%	8.6%	7.0%	6.3%

^{1/} Once adjusted for minor revenue categories, the base FY 2012 revenue increase is 5.3% .

Based on the weighted average of the components of the 4-sector consensus forecast, “Big 3” General Fund revenue would grow by 6.3% in FY 2012. After adjusting for small revenue categories, the growth rate would be 5.3%. After including tax law changes, the projected growth would be 5.2%.

Based on preliminary tax collections through December, year-to-date ongoing revenues (including the 1-cent temporary sales tax) are 7.4% above the same period in FY 2011.

The individual revenue detail for FY 2012 is found in *Table 8* at the end of this section.

FY 2013

While base revenues are forecast to grow in FY 2013, one-time factors are forecast to reduce overall FY 2013 collections to \$8.79 billion, or \$(121) million below FY 2012. This net revenue loss includes:

- \$415 million, for a 5.1% gain in base revenues under the 4-sector consensus forecast for FY 2013, as outlined below.
- \$(89) million loss due to an increase in urban revenue sharing.
- \$(91) million loss due to previously enacted legislation (primarily from an increase in the estimated sales tax payment threshold).
- \$(357) million loss as a result of discontinuing fund transfers and county contributions.

The FY 2013 Baseline estimated growth rates for the “Big 3” ongoing revenue categories were developed through a consensus process. The Baseline revenue estimate is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast of January 2012. This independent panel consists of 15 public and private sector economists that meets 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 Baseline model. The model is a simultaneous-equation model consisting of more than 100 equations that are updated on a regular basis to reflect changes in the economy. The model uses more than 200 variables related to Arizona’s economy and is updated quarterly.
- EBR’s conservative forecast model, and
- JLBC Staff projections.

The growth rates from each sector of the forecast are detailed in *Table 3*.

Table 3

FY 2013 4-Sector Forecast Percentages

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales	6.8%	1.2%	5.8%	5.0%	4.7%
Individual Income	7.7%	1.6%	7.9%	5.0%	5.6%
Corporate Income	14.2%	2.2%	16.1%	4.9%	9.7%
Weighted Average ^{1/}	7.8%	1.4%	7.6%	5.0%	5.5%

^{1/} Once adjusted for minor revenue categories, the base FY 2013 revenue increase is 5.1%.

In FY 2013, sales tax revenue (excluding the temporary 1-cent tax) is projected to increase by 4.7%. Individual and corporate income tax collections are forecast to grow by 5.6% and 9.7%, respectively. After adjusting for small revenue categories, FY 2013 base revenues would grow by 5.1%, or in dollar terms, \$415 million.

Revenue Adjustments

Table 4 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 6) and one-time financing sources. The table shows the base and adjusted revenue growth rates based on (preliminary) actual FY 2011 General Fund revenue.

Prior 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 is expected 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 pages 286 and 287 of the *FY 2012 Appropriations Report*.

Table 4

**General Fund Revenue Baseline
For FY 2012 and FY 2013
(\$ in Millions)**

	<u>FY 2012</u>	<u>%</u>	<u>FY 2013</u>	<u>%</u>
Base Revenue	\$8,065.3 ^{1/}	5.2%	\$8,479.9	5.1%
Prior Budget Legislation	N/A		(39.3)	
Temporary 1¢ TPT Increase	894.3		912.8	
Urban Revenue Sharing	(424.4)		(513.6)	
<i>One-Time Financing</i>				
Budget Legislation	13.9		(52.0)	
Fund Transfers	318.3		0.0	
County Contributions	38.6		0.0	
Balance Forward	<u>3.2</u>		<u>0.0</u>	
Adjusted Revenue	\$8,909.2	6.3%	\$8,787.9	(1.4)%

^{1/} The FY 2012 Base Revenue of \$8.07 billion includes \$(2.5) million in ongoing tax law and revenue changes. Adjusting for these changes, the FY 2012 base increase is 5.3%.

The FY 2012 adjustments remain the same as reported in the *FY 2012 Appropriations Report* with 2 exceptions.

First, the annual debt service payment for the Phoenix Convention Center will be reported as an expenditure, rather than a revenue loss. Second, county contributions in FY 2012 have been reclassified as one-time revenues.

Table 5

**FY 2012 Budget Legislation Changes
With Ongoing Revenue Impact
(\$ in Millions)**

<u>Prior Year Changes (Year Enacted)</u>	
TPT Business License Fee (10)	\$ (5.4)
Renewable Energy Production Credit (10)	(10.0)
Land Fees (10)	(2.0)
QSCB Revenue (10)	<u>6.2</u>
Subtotal	(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	\$ (2.5)

FY 2013

Several tax law changes enacted in prior years will either take effect or be further phased-in during FY 2013. As shown in Table 6, ongoing budget legislation is expected to result in a total net revenue loss of \$(39.3) million in FY 2013. In addition, there is \$(52.0) million in one-time tax law changes as described in the *One-Time Financing* section. The combined impact of all tax law changes is \$(91.3) million.

Table 6**Prior Year Budget Legislation With
Ongoing Revenue Impact in FY 2013
(\$ in Millions)**

Renewable Energy Production Credit	\$(10.0)
Arizona Commerce Authority	(10.7)
Lottery Decrease (Debt Service)	(16.8)
QSCB Revenue	<u>(1.8)</u>
Total – FY 2013 Revenue Impact	\$(39.3)

Below is a description of just the ongoing revenue changes.

- Renewable Energy Production Credit – Laws 2010, Chapter 312 provided a tax credit for the production of electricity using renewable energy. The new credit allows a qualified producer of renewable energy to receive an individual or corporate income tax credit of up to \$2 million per year, beginning in FY 2012. Total credits are capped at \$20 million annually. The revenue loss in FY 2012, the first year the credit is available to businesses, is estimated to be \$(10.0) million. The revenue loss in FY 2013 is expected to increase an additional \$(10.0) million thus reaching the total cap of \$20 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.
- 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 would have otherwise 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.
- 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.

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. The temporary TPT increased General Fund revenues by \$864.5 million in FY 2011 and is estimated to generate additional revenues of \$894.3 million in FY 2012 and \$912.8 million in FY 2013, as shown in *Table 4*.

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and town within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. As indicated in *Table 4*, total URS distributions will increase from \$424.4 million in FY 2012 to \$513.6 million in FY 2013. This URS increase represents a FY 2013 General Fund revenue loss of \$(89.2) million relative to FY 2012.

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.

FY 2012

The \$370.7 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 the month of September 2011. This tax recovery 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 program, however, 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

DPS in FY 2012 for County Assistance. These monies are to be provided to Pinal County for purposes of purchasing equipment and supplies related to border security. Chapter 308 also allocated a portion of a new fee to the Gang and Immigration Intelligence Team Enforcement (GIITEM) Fund. Notwithstanding the new Chapter 308 allocation, the act also 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 provides for a total of \$318.3 million in fund transfers in FY 2012. In addition to the \$256.1 million of fund transfers delineated in the *FY 2012 Appropriations Report (see pages 337-347)*, this amount includes 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).

County Contributions – Laws 2011, Chapter 28 requires the 5 largest counties to make cash contributions to the state General Fund totaling \$38.6 million, as shown in *Table 7* below.

<u>Cash Contribution By County</u>	<u>FY 2012</u>
Maricopa	\$ 26.4
Pima	6.8
Pinal	2.6
Yavapai	1.5
Mohave	<u>1.4</u>
Total - County Contributions	\$ 38.6

Balance Forward – Beyond the \$370.7 million in one-time financing sources, the original FY 2012 budget assumed that the FY 2011 ending balance would have a \$(332.3) million shortfall. This amount was then to be paid off in FY 2012. Due to higher than expected revenues, the FY 2011 balance forward into FY 2012 was \$3.2 million.

FY 2013

The \$(52.0) million loss of one-time financing sources in FY 2013 includes:

TPT Estimated Payment – Laws 2010, 7th Special Session, Chapter 12 lowered the threshold for estimated 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 and County Contributions – The Baseline does not continue any fund transfers or county cash contributions. This represents a decrease of \$(356.9) million from the FY 2012 amount. There is, however, no adjustment in the appropriation authority of dedicated funds.

While the Baseline does not continue the transfers, it does continue the policy of funding the MVD and Highway Patrol from HURF. As a result, local governments will continue to see a \$62.2 million reduction in their HURF distributions. The \$62.2 million will instead accrue to the State Highway Fund for statewide highway construction projects.

Table 8

GENERAL FUND REVENUE - FY 2012-FY 2013

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	PREL. ACT. 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
Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(39,265.4)	N/A	(39,265.4)
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	9,353,439.8	4.4%	393,844.3
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	8,839,855.7	3.6%	304,683.6
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%	318,277.7	23.8%	61,096.6	0.0	-100.0%	(318,277.7)
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%	370,745.1	12.4%	40,964.0	(52,000.0)	-114.0%	(422,745.1)
Subtotal - Revenues	8,383,703.8	0.7%	8,905,917.2	6.2%	522,213.4	8,787,855.7	-1.3%	(118,061.5)
Balance Forward	(5,723.0)	-98.8%	3,243.0	-156.7%	8,966.0	0.0	-100.0%	(3,243.0)
Total - Resources	8,377,980.8	6.7%	8,909,160.2	6.3%	531,179.4	8,787,855.7	-1.4%	(121,304.5)

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%.

BUDGET STABILIZATION FUND

Background

The Budget Stabilization Fund (BSF) for Arizona was enacted in 1990 (A.R.S. § 35-144). The fund is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF, as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth.

The Formula

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The formula is based on total annual Arizona personal income (excluding transfer payments) adjusted for inflation.

The January Budget documents of the JLBC and the Governor are to include estimates of the amounts to be appropriated to, or transferred from, the BSF for the upcoming budget year. The final determination of the amount to be appropriated or transferred is based on calculations from the Arizona Economic Estimates Commission (EEC). This final calculation is not made until June 1 of the budget year. The EEC determines the annual growth rate of inflation-adjusted total state personal income, the trend growth rate over the past 7 years, and the calculated appropriation to, or transfer from, the BSF. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. In practice, the formula has only served as a general guideline and has infrequently been used to determine the actual deposit or withdrawal.

Key features of the BSF can be summarized as follows:

- The deposit into, or withdrawal from, the BSF for a given fiscal year is determined by comparing the annual growth rate of inflation adjusted Arizona Personal Income (AZPI) for the calendar year ending in the fiscal year to the trend growth rate of inflation adjusted AZPI for the most recent 7 years.
- Adjusted personal income in the BSF formula is defined as total Arizona personal income less transfer payments, adjusted by the gross domestic product price deflator index.
- If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF.
- If the annual growth rate of Arizona personal income is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General

Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. This 2% floor avoids withdrawing monies from the BSF when economic conditions are slowing but there is not a recession.

- By a two-thirds majority, the Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.
- The BSF's total balance cannot be larger than 7.0% of the current year's General Fund revenues, excluding the beginning balance.
- In addition to the fixed income investments, the Treasurer is allowed to invest up to 25% of the BSF in equity securities.

Deposits/Withdrawals

FY 2010

Arizona real adjusted personal income declined by (7.19)% in CY 2009. Since this was both less than 2.0% and the trend growth rate of 4.68%, the formula recommended a BSF withdrawal of \$(768.7) million in FY 2010. This recommendation could not be implemented, however, since the remaining BSF balance of \$2.8 million was used to help balance the FY 2010 budget.

FY 2011

Arizona real adjusted personal income decreased by (0.42)% in CY 2010. Since this was both less than 2.0% and the trend growth rate of 1.98%, the formula recommended a BSF withdrawal of \$(136.9) million in FY 2011. This recommendation could not be implemented, however, since the BSF balance was reduced to \$0 at the end of FY 2010.

FY 2012

Arizona real adjusted personal income is forecast to increase by 3.85% in CY 2011. Since this is 2.27% above the expected trend growth rate of 1.58%, the formula is projected to recommend a BSF deposit of \$182.8 million in FY 2012. Under Laws 2011, Chapter 28, the Legislature is not required to make any BSF deposits in FY 2012.

FY 2013

Arizona real adjusted personal income is projected to increase by 2.57% in CY 2012. Since this is 1.62% above the expected trend growth rate of 0.95%, the formula is expected to recommend a BSF deposit of \$138.3 million in FY 2013.

Table 1

Budget Stabilization Fund ^{1/}
(\$ in Thousands)

	Actual FY 2010	Prel. 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	\$8,839,855.7
Statutory Limit of Revenues	7.0%	7.0%	7.0%	7.0%
Maximum Balance	440,807.3	563,774.6	597,462.0	618,789.9
Arizona Personal Income in Prior CY				
Real Adjusted Annual Income Growth	(7.19)%	(0.42)%	3.85%	2.57%
7-Year Average Income Growth	<u>4.68%</u>	<u>1.98%</u>	<u>1.58%</u>	<u>0.95%</u>
Annual Difference	(11.87)%	(2.40)%	2.27%	1.62%
BSF Transactions				
Beginning BSF Balance	2,767.1	0.0	0.0	0.0
BSF Formula Recommendation	(768,687.6)	(136,911.0)	182,824.0	138,269.8
<i>Actual Transfer In</i>	0.0	0.0	0.0	0.0
<i>Actual Transfer Out</i>				
Fund Transfer to General Fund – L'10, 7 th SS., Ch. 1 ^{2/}	<u>(2,767.1)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
SUBTOTAL	(2,767.1)	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0
Interest Earnings & Equity Gains/Losses	0.0	0.0	0.0	0.0
Ending BSF Balance	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Percent of Revenues	0.0%	0.0%	0.0%	0.0%

^{1/} BSF history prior to FY 2010 can be found on the JLBC website.

^{2/} 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.

LONG-TERM GENERAL FUND ESTIMATES

LONG-TERM GENERAL FUND ESTIMATES

Summary

The JLBC Staff has developed General Fund Baseline estimates through FY 2015 to assist the Legislature in evaluating the state's long-run fiscal condition. 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, the following projections are subject to considerable change.

Based on the assumptions described below, the cash balance is estimated to be \$(171.6) million in FY 2014 and \$31.9 million in FY 2015. (See Table 2.)

Baseline Revenues

The Baseline revenue estimates are based on a consensus forecasting process. As with FY 2013 revenues, the long-run estimates are based on the average of 4 different forecasts. This process is described in more detail in the *General Fund Revenue* section.

The "4-sector" projected overall ongoing General Fund growth is 6.9% in FY 2014 and 7.9% in FY 2015. Table 1 includes the individual forecast components. These estimates reflect economic expansion during both FY 2014 and FY 2015. These growth rates reflect revenue growth prior to tax law changes and Urban Revenue Sharing. Typically, long-term forecasts are more cautious in projecting high growth rates, given the uncertainty of future events. As a result, the FY 2015 growth rate was capped at 7.0%, which was the long-term average growth rate prior to the booms and busts of the 2000s.

In FY 2014, enacted tax law changes will reduce revenue growth by \$(16.4) million relative to FY 2013. This decrease is due to the annualization of the "new job" credit included in the "Jobs Bill" (Laws 2011, 2nd Special Session, Chapter 1), which provides a \$3,000 credit for the creation of qualifying jobs. In FY 2015, the impact of the "Jobs Bill" will be an additional loss of \$(108.2) million, mainly due to the decrease to the Corporate Income Tax rate and increase in the sales factor, which begin to phase-in that year. (See the *General Fund Revenue* section for more detail.)

The elimination of the temporary 1-cent sales tax increase, which was approved by the voters through May 2013, will also reduce General Fund revenues by an estimated \$(912.8) million in FY 2014.

The projected level of General Fund revenue is \$8.45 billion in FY 2014 and \$8.94 billion in FY 2015. These estimates do not carry forward any prior year shortfalls or balances.

Table 1
4-Sector Consensus Forecast Percentages

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
<u>FY 2014</u>					
Sales Tax	6.5%	4.9%	6.6%	7.1%	6.3%
Individual					
Income Tax	7.0%	3.9%	5.5%	6.9%	5.9%
Corporate					
Income Tax	9.8%	21.7%	21.9%	7.1%	<u>15.2%</u>
Wgt Avg					6.9%
<u>FY 2015</u>					
Sales Tax	6.2%	9.3%	9.5%	7.3%	8.0%
Individual					
Income Tax	7.0%	6.9%	7.4%	7.5%	7.2%
Corporate					
Income Tax	7.0%	17.0%	12.8%	2.4%	<u>10.1%</u>
Wgt Avg					7.9%

Baseline Spending

The long-term General Fund expenditures reflect the requirements of existing statutory funding formulas and other obligations. Excluding one-time items, permanent ongoing baseline spending is projected to increase 3.2% in FY 2014 and 3.3% in FY 2015.

In addition to normal caseload growth, federal changes to the state Medicaid system will have significant spending impacts in FY 2014 and FY 2015.

Beginning in January 2014, Medicaid eligibility will expand from 100% to 133% of the Federal Poverty Level. In addition, over 100,000 childless adults who are projected to lose coverage between FY 2012 and FY 2014, due to an enrollment freeze, will again become eligible at the same time.

The federal government will absorb much of the cost in the first several years of the program, paying 100% of the cost for the 133% expansion population. In addition, the federal match rate for childless adults will increase from 65% to 80%. The increased match rate applies for both the returning 100,000 childless adults and the 120,000 who are expected to remain on the program. The improved match rate on the existing enrollees will help offset the cost of the returning childless adults.

In addition, publicity on the availability of healthcare may induce currently eligible but not enrolled individuals to apply, increasing state costs. Approximately 275,000 individuals

that qualify for coverage are not currently enrolled. It is difficult, however, to determine the likelihood that new publicity will encourage these individuals to enroll. Unlike households above 133% of poverty, the new federal law does not impose any penalty on the Medicaid eligible population for lack of insurance. For the purpose of this estimate, it is assumed that 50% of currently eligible but not enrolled individuals will choose to participate.

Given these assumptions, the federal changes are expected to cost the state \$40 million in FY 2014, and \$138 million in FY 2015 (or an additional \$98 million above FY 2014).

One other significant long-term impact is that the FY 2012 budget provided one-time savings in FY 2012 and FY 2013 related to restructuring the state obligations for the Phoenix Convention Center financing to correspond to the actual payment schedule. In FY 2014 the state cost will increase by \$14.4 million.

Overall spending, including one-time adjustments, would be \$8.62 billion in FY 2014 and \$8.91 billion in FY 2015. (See Table 3 for the projected spending levels of major agencies.)

These estimates may be conservative as they do not include any potential discretionary funding increases. A major unfunded item is additional prison beds. The Department of Corrections recently cancelled a Request for Proposals for 5,000 private prison beds due to lower than expected inmate growth. As a result, the Baseline has no funding for the 5,000 cancelled beds. According to the department, they only need 2,000 private beds and 500 maximum security state beds. Funding has not been added for the 2,500 requested beds pending Legislative authorization.

In addition, the long-term estimates assume the continued annual suspension of over \$700 million of funding formula requirements that are permanently authorized in law. (See Table 4.) If these programs or any other new permanent initiatives are funded in the FY 2013 budget, the projected FY 2014 shortfall estimate would increase.

Assuming the continuation of current policies and the projected revenue and spending assumptions, the projected ending cash balance in FY 2014 is a \$(171.6) million shortfall. The FY 2015 balance would increase to \$31.9 million in FY 2015. In comparison, the projected ending cash balance is \$431.4 million in FY 2013. (See Table 2 for a Statement of General Fund Revenues and Expenditures.)

Revising the Baseline assumptions would have a significant impact on the long-term estimates. Slightly slower economic growth and plaintiff verdicts in budget lawsuits could create a larger FY 2014 shortfall and convert the FY 2015 balance into a shortfall. If revenue growth is 2% less than forecast and the plaintiffs prevail, the projected shortfall in FY 2014 would increase from \$(171.6) million to \$(1,072.0) million and the \$31.9 million FY 2015 balance would become a \$(1,001) million shortfall. See *FY 2013 Baseline* section for more information.

Ending Balance and Ongoing Revenue and Spending

The projected FY 2014 and FY 2015 ending balances is a product of both baseline revenue and spending projections for those 2 years as well as legislative decisions. The balance can be discussed in terms of the ending cash balance by comparing total spending to total revenues. Alternatively, the year-end position can be evaluated by excluding one-time revenues and expenditures, and instead comparing ongoing or permanent spending to ongoing revenues. This is also called the structural balance. For FY 2014 and FY 2015 the cash balance and structural balance are the same.

Table 2

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

	FY 2012 Adjusted	FY 2013 Baseline	FY 2014 Estimate	FY 2015 Estimate
REVENUES				
Ongoing Revenues	\$8,065,262,800	\$8,479,910,300	\$9,020,924,300	\$9,634,841,000
Prior Year Budget Legislation Changes		(39,265,400)	(16,400,000)	(108,200,000)
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	\$8,839,855,700	\$8,453,131,600	\$8,943,597,400
One-time Financing Sources				
Balance Forward	3,243,000			
County Cash Contributions	38,600,000			
Budget Legislation Changes	13,867,400	(52,000,000)		
Fund Transfers	318,277,700			
Subtotal One-time Revenues	\$373,988,100	(\$52,000,000)	\$0	\$0
Total Revenues	\$8,909,160,200	\$8,787,855,700	\$8,453,131,600	\$8,943,597,400
EXPENDITURES				
Operating Budget Appropriations	\$8,239,472,700	\$8,307,771,400	\$8,578,695,400	\$8,867,043,300
Supplementals 2/	0	0	0	0
Administrative Adjustments	57,694,100	64,384,900	64,913,000	66,913,800
Reversions	(99,053,700)	(99,866,100)	(102,944,300)	(106,404,500)
Asset Sale/Lease-Back Debt Service	49,050,700	84,119,800	84,099,600	84,103,700
Subtotal Ongoing Expenditures	\$8,247,163,800	\$8,356,410,000	\$8,624,763,700	\$8,911,656,300
One-time Expenditures				
Additional (27th) Pay Period	79,000,000			
Subtotal One-time Expenditures	\$79,000,000	\$0	\$0	\$0
Total Expenditures	\$8,326,163,800	\$8,356,410,000	\$8,624,763,700	\$8,911,656,300
Ending Balance 3/	\$582,996,400	\$431,445,700	(\$171,632,100)	\$31,941,100
<i>Structural Balance (with 1¢ TPT Increase) 4/</i>	<i>\$288,008,300</i>	<i>\$483,445,700</i>	<i>(\$171,632,100)</i>	<i>\$31,941,100</i>

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

2/ The FY 2012 Supplementals and Ex-Appropriations for 2 agencies total to a \$0 impact. See page S-27 for agency details.

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

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

Table 3

Major Budget Units

	FY 2012 Adjusted	FY 2013 \$ Above FY 12	FY 2013 Baseline	FY 2014 \$ Above FY 13	FY 2014 Baseline	FY 2015 \$ Above FY 14	FY 2015 Baseline
EXPENDITURES							
Operating Budget							
-- Department of Administration	14,858,600	(1,436,400)	13,422,200		13,422,200		13,422,200
-- AHCCCS	1,363,735,000	43,522,400	1,407,257,400	116,699,300	1,523,956,700	172,339,500	1,696,296,200
-- Attorney General	16,931,500		16,931,500		16,931,500		16,931,500
-- Department of Commerce	31,500,000		31,500,000		31,500,000		31,500,000
-- Community Colleges	71,176,100	(5,233,500)	65,942,600	5,920,500	71,863,100	6,505,200	78,368,300
-- Department of Corrections	948,188,600	(800,100)	947,388,500		947,388,500		947,388,500
-- Department of Economic Security	602,603,300	4,744,200	607,347,500	30,805,000	638,152,500	29,333,900	667,486,400
-- Department of Education	3,436,528,700	(27,823,800)	3,408,704,900	39,218,200	3,447,923,100	32,664,100	3,480,587,200
-- Department of Environmental Quality	7,000,000		7,000,000		7,000,000		7,000,000
-- Department of Health Services	494,294,800	51,144,800	545,439,600	58,691,700	604,131,300	47,714,200	651,845,500
-- Judiciary	108,785,200		108,785,200		108,785,200		108,785,200
-- Department of Juvenile Corrections	46,729,800	(3,800,000)	42,929,800		42,929,800		42,929,800
-- State Land Department	1,231,800		1,231,800		1,231,800		1,231,800
-- Department of Public Safety	46,526,200	(1,000,000)	45,526,200		45,526,200		45,526,200
-- Department of Revenue	44,129,600		44,129,600		44,129,600		44,129,600
-- School Facilities Board	164,087,200	9,324,000	173,411,200	4,735,300	178,146,500	(209,000)	177,937,500
-- Universities	682,468,600		682,468,600		682,468,600		682,468,600
-- Department of Water Resources	5,698,300		5,698,300		5,698,300		5,698,300
-- All Other Budgets	153,127,800	(6,066,300)	147,061,500		147,061,500		147,061,500
-- Civic Center Payment		5,595,000	5,595,000	14,854,000	20,449,000		20,449,000
-- FY 11 Unallocated Adjustments	(128,400)	128,400					
Total - Operating Budget	8,239,472,700	68,298,700	8,307,771,400	270,924,000	8,578,695,400	288,347,900	8,867,043,300
-- Additional Pay Period	79,000,000	(79,000,000)					
-- Administrative Adjustments	57,694,100	6,690,800	64,384,900	528,100	64,913,000	2,000,800	66,913,800
-- Revertments	(99,053,700)	(812,400)	(99,866,100)	(3,078,200)	(102,944,300)	(3,460,200)	(106,404,500)
-- Sale/Leaseback Lease Purchase	49,050,700	35,069,100	84,119,800	(20,200)	84,099,600	4,100	84,103,700
Total Spending	8,326,163,800	30,246,200	8,356,410,000	268,353,700	8,624,763,700	286,892,600	8,911,656,300

Table 4

FY 2013 FUNDING FORMULA SUSPENSIONS ^{1/} _{2/}

	FY 2013 Formula Requirement
<u>Statutory</u>	
Community Colleges - Capital State Aid Suspension	23,708,400
Department of Education - Soft Capital Formula	188,120,700
Department of Education - Charter School Additional Assistance	17,656,000
Department of Education - Capital Outlay Revenue Limit (CORL)	63,684,600
Department of Education - Fund JTEDs at 91%	4,849,100
Department of Emergency & Military Affairs - Governor's Emergency Fund	1,100,000
Department of Environmental Quality - WQARF	8,000,000
Department of Health Services - Restoration to Competency	1,740,600
Department of Health Services - Sexually Violent Persons	2,670,300
School Facilities Board - Building Renewal	248,897,300
Tourism - Tourism Funding Formula	15,551,600
Universities - Financial Aid Trust	6,188,900
Subtotal - Current Statutory Suspensions	\$582,167,500
Future Year Cost - School Facilities Board - New School Construction (if enrollment growth returns to pre-recession level)	150,000,000
Total - FY 2013 Statutory Funding Formula Suspensions	\$732,167,500
<u>Non-Statutory</u>	
Department of Administration - Building Renewal	\$25,696,000
Universities - Enrollment	21,801,100
Universities - Building Renewal	97,630,700
Total - FY 2013 Non-Statutory Funding Formula Suspensions	\$145,127,800

^{1/} Represents the cost of funding formulas that are currently suspended on an annual basis.

^{2/} Excludes AHCCCS suspension of Proposition 204 Childless Adults as that is expected to end in January 2014 due to federal requirements.

TECHNICAL BUDGET ASSUMPTIONS

TECHNICAL BUDGET ASSUMPTIONS

Baseline

This book reflects General Fund baseline revenue and spending estimates. The revenue projections are based on a consensus economic forecast while the spending estimates represent funding formula requirements and other obligations. The Baseline does not represent a budget proposal. By providing an estimate of available resources after statutory requirements, however, the Baseline will help members of the Legislature evaluate the availability of resources for these discretionary adjustments. As such, the Baseline is only a starting point for discussion on the FY 2013 budget.

FY 2013 Budget

A.R.S. § 35-101 specifies 17 state agencies as “annual budget units” receiving one annual appropriation; all other agencies are “biennial budget units” receiving biennial appropriations with the dollar amounts itemized for each fiscal year. The biennial period starts with the even-numbered year. Since the FY 2012 budget suspended biennial budgeting for the 2-year period, the Baseline includes FY 2013 funding for all budget units. The Baseline also includes supplemental FY 2012 funding for selected budget units. All FY 2013 changes are referenced to the original FY 2012 appropriated amount.

Changes from Prior Year

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

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

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

- *FY 2011 Actual* - This dollar amount represents the FY 2011 expenditures as reported by the agency.
- *FY 2012 Estimate* - This dollar amount represents the FY 2012 appropriations as of the end of the 50th Legislature, 4th Special Session.
- *FY 2013 Baseline* - This dollar amount represents the FY 2013 Baseline spending estimate.

Each budget summary includes the level of non-appropriated and Federal Funds available to the agency.

The detail for these funds can be found in the “Summary of Funds” section at the end of each individual agency’s narrative pages.

Statewide and Standard Changes

Personal Services - This category includes salaries paid to state employees. The Baseline does not include a state employee pay adjustment. The Baseline includes a decrease of \$(79,000,000) General Fund and \$(25,000,000) Other Appropriated Funds in FY 2013 to eliminate one-time funding for the 27th pay period in FY 2012. For ease of comparison between the 2 years, the funds appropriated to each agency for this amount in FY 2012 is footnoted in agency narratives rather than incorporated in each agency’s FY 2012 column in their narrative.

ERE Rates - This category typically represents changes in the state’s cost of employee benefits. The rates have been held constant from FY 2012 to FY 2013 in the Baseline.

Medical and Dental Insurance - The Baseline includes no funding for a medical and dental insurance adjustment. Funding for the employer share of health insurance in an individual agency’s FY 2013 Baseline is the same as in FY 2012. Total FY 2013 medical and dental insurance costs are estimated to be approximately \$752.3 million in total funds, a combination of estimated FY 2012 costs of \$707.7 million plus \$44.6 million of new FY 2013 costs, reflecting 6.3% growth. The Baseline assumes that this increase will be funded by drawdowns of the Health Insurance Trust Fund balance. The Arizona Department of Administration (ADOA) estimates a FY 2013 ending balance of \$278.9 million.

The Baseline restores \$12,000,000 in General Fund savings taken in the FY 2012 budget for implementation of enhanced Health Savings Accounts (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.

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 - 1.07% of Personal Services for each agency in ADOA personnel system, unchanged from the FY 2012 rate. The ADOA Human Resources Division budget is funded from an assessment on the payroll of agencies in the ADOA personnel system.

Disability Insurance - For Arizona State Retirement Systems (ASRS) employees the employer pays 0.23% of Personal Services for disability insurance, unchanged from the FY 2012 rate. The employee will continue to pay 0.26%.

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 - 0.675% of the Personal Services base for each agency not specifically excluded from the charge, unchanged from the FY 2012 rate. A portion of the Attorney General's budget is funded from this charge.

Workers' Compensation - The rates calculated by ADOA vary by individual agency and are unchanged from the FY 2012 workers' compensation rates. 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.

Retirement - The Baseline does not include funding for a state employee retirement rate adjustment.

FY 2013 rates as determined by the state's retirement systems have changed from the FY 2012 rates. The total contribution from ASRS employees and employers combined will increase from 21.0% in FY 2012 to 21.8% in FY 2013. The FY 2013 ASRS rates continue the mandate in the FY 2012 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 26), which permanently changed the split between the employee and employer from 50/50 to 53/47. As a result, the employer share of the rate will increase to 10.25% and the employee share will increase to 11.55%. Employee contribution rates for the Elected Officials Retirement Plan and the Public Safety Personnel Retirement Plan also changed pursuant to changes set in statute.

The rates for the different retirement systems, as a percent of Personal Services, are shown in *Table 1*. For ASRS, the statewide General Fund cost of the employer rate increase is

Retirement System	Employer		Employee
	FY 2012	FY 2013	FY 2013 ^{1/}
<i>Arizona State Retirement System</i>	9.87	10.25	11.55
<i>Correctional Officers Ret. Plan</i>			
Correctional Officers - ADC	9.15	11.14	8.41
Correctional Officers - DJC	9.92	12.30	8.41
DPS Dispatchers	7.50	7.90	8.41
Probation Officers (omitted in past)	13.13	13.12	8.41
<i>Elected Officials Retirement Plan</i>	17.96	20.87	11.50
<i>University Optional</i>	7.00	7.00	7.00
<i>Public Safety Personnel Retirement</i>			
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 increased from 11.13%, Elected Officials Retirement Plan rates increased from 10.0%, and Public Safety Personnel Retirement Plan rates 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.

\$3,061,000; the total General Fund cost of the state's ASRS employer contributions is approximately \$57.6 million. The General Fund cost of non-ASRS changes is an increase of \$9,739,400; the total General Fund cost of the state's non-ASRS employer contributions is approximately \$70.0 million.

Risk Management - Individual agency budgets' Other Operating Expenditures include the Risk Management charges to be billed by the ADOA Risk Management Program. The billings vary by individual agency and are unchanged from the budgeted FY 2012 rates.

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

ADOA charges \$15.08 per square foot for all state agencies occupying state-owned space and \$5.47 per square foot for state-owned storage space in FY 2012.

The Baseline adjusts the allocations for all agencies housed in buildings acquired by lease-purchase to reflect changes in payments. These changes include taking savings associated with state buildings whose final lease-purchase payments were made in FY 2012. In addition to the reductions associated with reduced lease-purchase payments, the Baseline also adds the new state-owned space to the ADOA

rental system. Given the conversion of leased space to state-owned buildings, the Baseline reduces the average rental rate for state-owned space and state-owned storage space to \$12.70 and \$4.61 per square foot, respectively. *(Please see the "COSF Rental Rate Change and Payment Adjustments" discussion in the ADOA Capital section for more details.)*

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

Full-Time Equivalent (FTE) Positions

Each agency section in this book includes the proposed ceiling of Full-Time Equivalent (FTE) Positions for the agency, along with the FTE Position ceiling for FY 2012 and FY 2013. Any changes from the prior year total are noted in agency narrative. The number of FTE Positions reflects personnel funded from both Personal Services and Special Line Items.

Format

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

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

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

Details on each of these common formats are below:

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

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

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

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

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

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

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

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

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

Footnotes

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

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

Please see the Major Footnote Changes section for a listing of major footnote changes from FY 2012.

Statewide Footnotes

In addition to individual agency footnotes, the Baseline would include several footnotes applying to statewide issues to the General Appropriation Act. All the following footnotes are unchanged from FY 2012 unless noted.

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

FTE Position Reporting - The FTE Positions in the General Appropriation Act are subject to appropriation. The ADOA Director shall compile an FTE Position utilization report for FY 2013 for submission to the JLBC Director by October 1, 2012. This report shall include both appropriated and non-appropriated positions. The Department of Economic Security, Universities, and Department of Environmental Quality are exempt from the ADOA report but are to report in a comparable manner. In addition, each agency shall submit a report to the JLBC Director by October 1, 2012 on the number of filled, appropriated and non-appropriated FTE Positions by fund source as of September 1, 2012.

Both the ADOA and agency reports are being expanded to include non-appropriated positions to provide a more comprehensive review of state employment.

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

Interim Reporting Requirements - ADOA shall provide to the JLBC a preliminary estimate of the FY 2012 and FY 2013 General Fund ending balances by September 15, 2012 and 2013, respectively. 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.

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

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

JLBC Review - For the purposes of the General Appropriation Act, “review by the Joint Legislative Budget Committee” means a review by a vote of a majority of a quorum of the members.

Statutory Changes

The individual agency sections of this book include proposed statutory changes related to the budget. These changes will be introduced in Budget Reconciliation Bills (BRBs). *Please see the FY 2013 Budget Reconciliation Bill Provisions section for a complete listing of proposed statutory changes.*

Other Issues for Legislative Consideration

This section may also include other information of general interest, including FY 2012 supplementals.

Statewide Expenditure Adjustments

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

Administrative Adjustments - The Baseline assumes that state agencies will have expenditures totaling 57,694,100 in FY 2012 for FY 2011 expenditures. Agencies are permitted to make administrative adjustments for expenditures obligated in FY 2011 but for which the state was unbilled until FY 2012. An agency's administrative adjustments cannot exceed its prior year revertment, or unused appropriation authority. The \$57,694,100 is a decrease of \$(15,694,200) from the originally-budgeted FY 2012 total. The FY 2012 amount is approximately 65% of reported FY 2011 revertments and is based on an analysis of individual agency spending reports and extrapolating final administrative adjustments based on those agencies' historical trends. Administrative adjustments as a percentage of prior year revertments vary widely from year to year, however, from below 30% to above 70%.

In addition to the FY 2012 figure, the Baseline assumes a FY 2013 administrative adjustment total of \$64,384,900, an increase of \$6,690,800 from the FY 2012 total. The FY 2013 amount reflects 65% of prior-year revertments.

Revertments - The Baseline assumes that state agencies will revert \$(99,053,700) of FY 2012 appropriations back to the General Fund because the agencies will not spend their entire appropriation. Agencies will be permitted to make administrative adjustments totaling no more than this amount in FY 2013. This amount is a decrease of \$12,202,700 from the originally-budgeted FY 2012 total of \$(111,256,400). The FY 2012 amount reflects about 1.2% of total spending, a percentage based on historical averages in years in which the economy slows down.

In addition to the FY 2012 figure, the Baseline also assumes a FY 2013 revertment total of \$(99,866,100), an increase of \$(812,400) from the FY 2012 total. This revised amount is about 1.2% of total spending.

Statutory Revertments - The enacted FY 2012 budget required that any non-lapsing monies appropriated from the General Fund that remained unexpended at the close of FY 2012 be counted as part of the FY 2012 ending balance. These amounts, however, remain available for expenditure in FY 2013. The Baseline assumes that non-lapsing FY 2013 monies will be counted as part of the FY 2013 ending balance.

The enacted FY 2009 budget included \$50 million of one-time savings for this accounting procedure. While the total amount of funds subject to this provision will vary from year to year, it is estimated that to “pay off” this accounting procedure would now require approximately an additional \$29.9 million above the Baseline amount, which reflects the non-lapsing amount at the end of FY 2011. The equivalent number at the end of FY 2010 was \$38.0 million.

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

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Accountancy, Arizona State Board of	Steve Grunig	Monica Petersen [Executive Director]	602-364-0870
Acupuncture Board of Examiners	Steve Grunig	Pete Gonzales [Director]	602-542-3095
Administration, Arizona Department of	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	Donald E. Cardon [Director]	602-771-1160
Community Colleges, Arizona	Marge Zylla	--	--
Compensation Fund, State	Bob Hull	Donald A. Smith, Jr. [President]	602-631-2050
Constable Ethics Standards and Training Board	James Alcantar	Vince Roberts [Chairman]	420-250-1179
Contractors, Registrar of	Bob Hull	Bill Mundell [Director]	602-542-1525
Corporation Commission	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	Duane Belcher, Sr. [Chairman]	602-542-5656
Exposition and State Fair Board, Arizona	Steve Grunig	Don West [Executive Director]	602-252-6771
Financial Institutions, Department of	Steve Grunig	Lauren W. Kingry [Superintendent]	602-255-4421
Fire, Building and Life Safety, Department of	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]	602-604-1801
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]	602-542-1500
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]	480-921-4400
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	Barbara Meyers [Acting 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	Bill Feldmeier [Interim Executive Director]	602-542-4174
Personnel Board	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 Examiners, 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 [Interim Director]	602-364-1725
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	Mary Hauf Martin [Executive Director]	602-542-5995
Retirement System, Arizona State	Marge Zylla	Paul Matson [Director]	602-240-2031
Revenue, Department of	Eric Billings	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]	602-364-3724
Transportation, Department of	Ben Beutler	John Halikowski [Director]	602-712-7227

<u>AGENCY/DEPT./BUDGET AREA</u>	<u>JLBC ANALYST</u>	<u>AGENCY/DEPARTMENT HEADS</u>	<u>TELEPHONE NUMBER</u>
Treasurer, State	Eric Billings	Honorable Doug Ducey [State Treasurer]	602-604-7800
University of Arizona	Leatta McLaughlin	Eugene G. Sander, Ph.D. [President]	520-621-5511
Veterans' Services, Department of	Amy Upston	Colonel Joey Strickland [Director]	602-234-8415
Veterinary Medical Examining Board, AZ State	Steve Grunig	Jenna Jones [Executive Director]	602-542-8150
Water Resources, Department of	Brett Searle	Sandra A. Fabritz-Whitney [Acting Director]	602-771-8426
Weights & Measures, Department of	Ben Beutler	Kevin Tyne [Director]	602-771-4920
<u>OTHER ASSIGNMENTS</u>			
Capital Review	Leatta McLaughlin		
Capital Review - Debt Financing	Jack Brown		
Economic & Revenue Forecast	Eric Jorgensen		
	Hans Olofsson		
	Ben Beutler		
	Eric Billings		
	Jack Brown		
	Jon Stall		
Federal/Non-Appropriated Funds	Stefan Shepherd		
Fiscal Note Manager	Stefan Shepherd		

[] Denotes Title for Information Purposes

**STAFF OF THE
JOINT LEGISLATIVE BUDGET COMMITTEE**

- Director..... Richard Stavneak
- Office Manager..... Linda Monsanto
- Deputy Directors Steve Schimpp
..... Stefan Shepherd
- Assistant Directors Eric Jorgensen
..... Leatta McLaughlin
- Chief Economist Hans Olofsson
- Principal Fiscal Analysts 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 Clerk Sandy Kelley
- Administrative Assistant/JCCR Clerk Mya Trivison